



Chubu Electric Power Company Group

# **Annual Report 2018**

Integrated Report







# Promise the

All employees in Chubu Electric Power Group



No. of employees in  
Chubu Electric Power Group

# 30,554



Chubu Electric Power Group Corporate Philosophy

Chubu Electric Power Group delivers the energy that is indispensable to people's lives and so contributes to the development of society.

### Sincere and Sustained Effort

We make a constant and sincere effort to fulfill our unchanging mission and retain the trust of our customers and society.

### Creativity and Spirit of Challenge

We continually act with creativity and an enthusiasm for new challenges in order to pursue excellence in our services and meet the expectations of our customers and society.

### Independence and Cooperation

We work together as individuals showing respect for one another to create a vibrant and dynamic corporate culture.

for  
Future

work together to address various social issues.

Main social issues Chubu Electric Power Group is addressing

Stable supply of  
indispensable  
energy

Conservation  
of the global  
environment

Safe, secure and  
comfortable  
social life

Development  
of the regional  
communities



Stable supply of indispensable energy

## Further evolution of stable supply of energy

We make it our mission to deliver the energy that is indispensable to people's lives and industrial activities, unchanging regardless of the changing era.

To deliver more environment-friendly and less expensive energy 24 hours a day, 365 days a year, our group pursues the best mix of power sources, and takes one step ahead by working on new challenges with companies including JERA Co., Inc., which engages in the largest-scale fuel and thermal power generation business in the world with TEPCO Fuel & Power, Incorporated.

See JERA / Power Generation Company on pages 37 to 42

Procurement of LNG

About **35** million tons

Largest scale in the world

Domestic power generation output  
(existing)

About **66,000** MW\*

Largest scale in the world

\* Domestic thermal power generation output by JERA Co., Inc. after the integration of existing thermal power generation business scheduled in April 2019.

LNG transportation vessel "Bishu Maru" of the world's largest scale owned by JERA Co., Inc. that went into service in 2015.

Photo: Chevron Australia



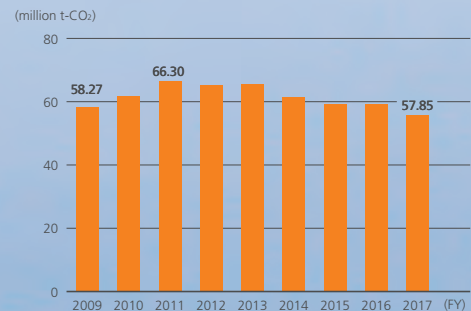
Conservation of the global environment

## Working on reducing CO<sub>2</sub> emissions with the entire value chain

We promote activities to reduce CO<sub>2</sub> emissions by developing high-efficiency thermal power generators, utilizing of renewable energy sources and nuclear power, as well as by making efforts in all our energy business phases from procurement of fuels, power transmission and distribution, to sales of energy and involvement of local communities.

See Realizing a low-carbon society on pages 74 to 76

### Trend of CO<sub>2</sub> emissions



### Power generation output of renewable energy

Increase **20%** by 2030

Note: Renewable energy developed by JERA Co., Inc. is excluded.  
Increase our 2016 renewable energy output by 20% by 2030

Omaezaki Wind Power Station is in the foreground, and Hamaoka Nuclear Power Station in the background.  
(11 wind power generators with a 2,000 kW output are installed along the seacoast stretching in an east-west direction near the Hamaoka Nuclear Power Station.)



Safe, secure and comfortable social life

## Diverse services to enhance the lives of customers

We propose an optimum energy mix combined with gas in addition to electricity. We are also committed to providing diverse services, including a web service for family users called “KatEne” which is based on the electricity usage information obtained from smart meters and next generation technologies such as AI and IoT.

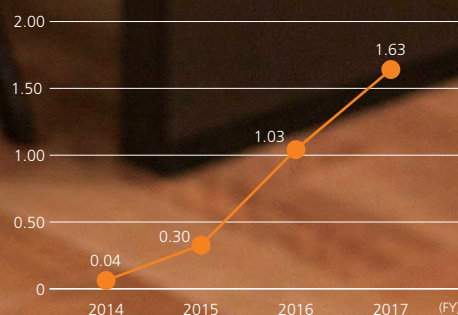
See Customer Service & Sales Company on pages 47 to 50

Number of KatEne subscribers

About **2.02**  
million customers

As of May 2018

(Accumulated no. of subscribers/1,000,000)



A customer using “KatEne” service for families in daily life  
The screen being viewed by the woman is showing actual usage on a tablet device (If a smart meter is installed, you can see the day’s electricity usage at a glance as shown on the screen.)

Photo shot in cooperation of Panasonic Living Showroom in Nagoya



Development of regional communities

## Proposing a new style of society

We are faced with many issues in today's society, such as an aging population with a declining birthrate, and increasingly less tight-knit communities. We wish to propose a new style of community that can be realized by utilizing the energy infrastructure permeating the local community and accumulated customer data together with next generation technologies. We are committed to contributing to the realization of local communities in which everyone from children to the elderly can live comfortably in a safe and secure environment, and at the same time seeking to achieve continuous growth of our Company Group.

See Feature 1: Management Vision on pages 27 and 28



Profit ratio target to achieve by providing "new style of communication" in our long-term profit objectives

About  
**10 to 20%**

Example of smart pole (electric pole) that provides information about town events by displaying electric paper ("Children's Festival" is a fictional image.)



# Chubu Electric Power Company Group

# Annual Report 2018

Integrated Report

## | Positioning of this report

This Annual Report is issued as an “Integrated Report”, providing a comprehensive coverage of both financial and non-financial information. By doing so, we wish to provide our readers with an all-around view of the Chubu Electric Power Group's business activities aimed at creating value in the mid to long term.

## | Message to our readers

The business environment surrounding the Chubu Electric Power Group is becoming increasingly harsh due to various changes starting with the electric power and gas industry reforms. Through this report, we wish to show our unwavering commitment towards fulfilling our mission of ensuring a stable supply of energy while also achieving continuous growth. In this year's report, we focused on providing information on items of high stakeholder interest, as well as explanation on our Group's strengths and appealing points. We have also improved the design and layout of the report, making it reader-friendly with less text and more visual content.

## | Date of publication

September 2018  
(Next report: scheduled for August 2019; previous report: August 2017)

## | Organizations covered by the scope of the report

Chubu Electric Power Co., Inc. and associated companies

## | Reporting period covered

Fiscal year 2017 (April 2017 through March 2018)  
This report also includes information regarding some important events and activities that occurred outside the above period.

### Guidelines used as references:

GRI, Sustainability Reporting Guidelines (Standards)

Ministry of the Environment, Environmental Reporting Guidelines (2012 Version)

ISO 26000

IIRC, International Integrated Reporting Framework

The Ministry of Economy, Trade and Industry, Integrated disclosure and interactions guidance for co-creation of values

## | About the Forecasts

The future plans and forecasts described in this document are based on information the company possesses at the present time and involve potential risks and uncertainty. Therefore, actual performance or business developments in the future may differ from those described.

Examples of potential risks or uncertainty include changes in the economic or competitive circumstances affecting a business sector, fluctuations in fuel prices, or modifications of laws or regulations.



## Contents

### Total Image of Value Creation

This section introduces the Chubu Electric Power Group's determination towards fulfilling our promise for the future as well as our value creation process, outcome of our efforts, and the history of our Group. Cover stories have been added for the first time to visually inform our readers of the new challenges we will take on in order to solve social issues.

- 01 Cover Stories  
**Promise for the Future**
- 07 Editorial Policy, Contents
- 09 Value Creation Process
- 11 Outcome of Value Creation  
(Financial and Non-Financial Highlights)
- 15 History of Chubu Electric Power



### Top Commitment

The President explains in detail, his perception of the business environment and his policy on the direction he intends to lead the business management going forward.

- 17 Top Commitment  
**Making a New Chubu Electric Power Group**



### Features

This section introduces the new Management Vision announced in March 2018 and our initiative to further improve the safety at our Hamaoka Nuclear Power Station.

- 25 Feature 1  
**Management Vision Revision**  
Aiming to Become a "Total Energy Service Corporate Group That Is One Step Ahead"
- 29 Feature 2  
**Hamaoka Nuclear Power Station**  
Measures to Further Increase the Safety



### Realizing the Creation of Value (Business Activities)

The business strategies of JERA and our three in-house companies are introduced in this section. Explanations are shown in the order of the value chain, from fuel procurement to power distribution to our customers.

- 35 Overview of Business Activities (Value Chain)
- 37 JERA
- 39 Power Generation Company
- 43 Power Network Company
- 47 Customer Service & Sales Company



### Foundation for Creating Value (ESG)

Our efforts towards fulfilling our corporate social responsibility (CSR) and enhancing our corporate value through ESG management are introduced in this section.

As a corporate governance topic, the discussion between the Chairman and external directors has been featured for the first time. Furthermore, we focused on work style reforms, health management, and diversity promotion as human asset issues, and for environmental issues, we focus on our efforts towards realizing a low-carbon society.

### Governance

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### Financial/Corporate Data

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- 121 Corporate Data



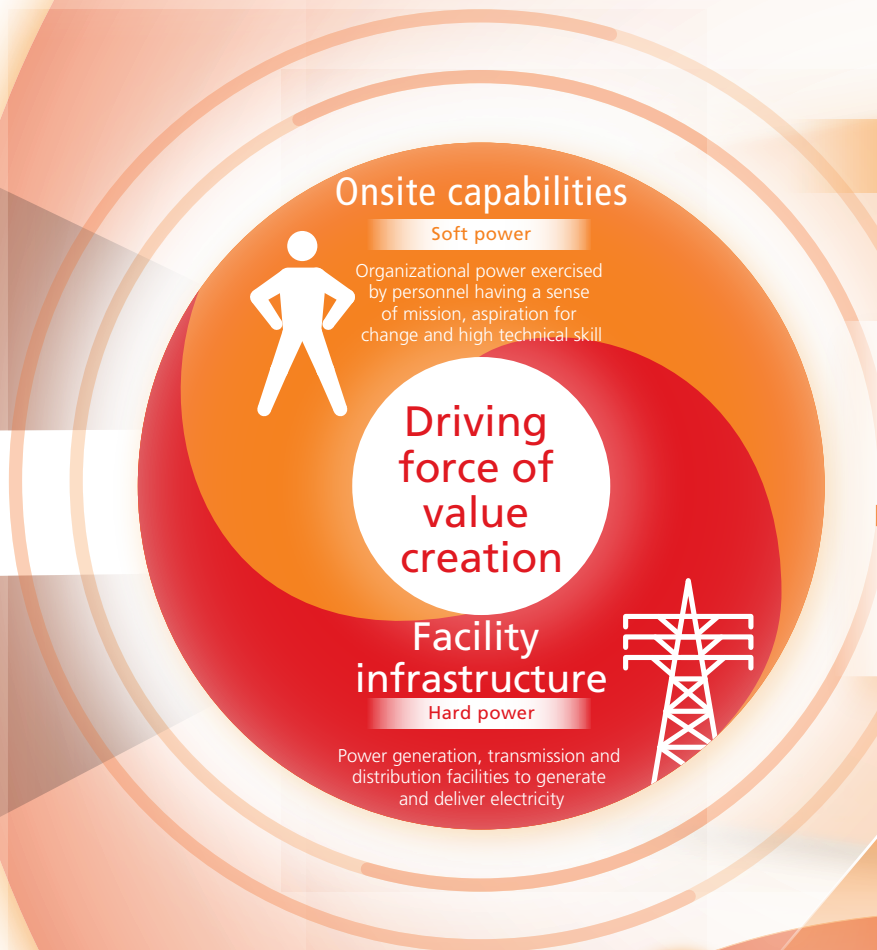
# Value Creation Process

Using our onsite capabilities that have been developed since the founding of the company and facility infrastructure as driving forces, we are creating value that meets the needs of society, while also aiming to become a “total energy service corporate group that is one step ahead” through our value chain from fuel procurement to sales. Additionally, we will deliver the value to all of our stakeholders and preserve their trust by meeting their expectations, thereby fulfilling our corporate philosophy. In addition to fulfilling and using CSR as a foundation to support and advance value creation, we are moving forward with our initiatives of corporate value-enhancing ESG.

Realizing the creation of value  
**Business activities**

**Main social issues**

- Stable supply of indispensable energy
- Conservation of the global environment
- Safe, secure and comfortable social life
- Development of the regional communities



**Value chain**

Creating value throughout the from fuel procurement to sales, and facility infrastructure as

**Fuel procurement** **Power generation**



Communication with stakeholders

Customers Shareholders and investors Local communities Business partners

**Foundations for Creating Value**



See page 35 and after

Values to create

## What we aim for

Total energy service corporate group that is one step ahead

entire value chain, with onsite capabilities the driving forces

Transmission/  
distribution Sales

Creating new value

Achieve simultaneously

Fulfilling our unwavering mission

We are committed to providing our customers with safe, convenient and affordable energy services, as well as other services of value that meet their needs.



Customers

We are striving to maintain and increase profits for our shareholders and investors through efficient management and effective investment.



Shareholders and Investors

We are determined to conserve the global environment and contribute to sustainable local development in partnership with local communities.



Local Communities

We promise to deal fairly with our suppliers as equal business partners toward mutual growth and development.



Business Partners

We respect individuals and are endeavoring to create a cheerful and motivating workplace.



Employees

Chubu Electric Power Group

## Corporate Philosophy

Chubu Electric Power Group delivers energy that is indispensable to people's lives and so contributes to the development of society.



Governance

Employees

See page 51 and after

\* ESG: Abbreviation for Environmental Social and Governance



# Outcome of Value Creation (Financial and Non-Financial)

In March 2016, the Chubu Electric Power Group set a medium-term goal to become a corporate group that can gain 150 billion yen or more in terms of consolidated ordinary income by FY2018. To achieve this goal, the entire Group is united as one and deploying various efforts.

Regarding the status of income and expenditures for FY2017, operating revenues amounted to 2,853.3 billion yen, an increase of 249.7 billion yen compared to the previous year. Ordinary income came to 128.5 billion yen, a year-on-year increase of 7.0 billion yen.

As for the year-end dividend for FY2017, giving comprehensive consideration to the improvement of income and expenditures realized by the progress of management streamlining that we have continuously been working on, as well as the medium-to long-term financial conditions, management environment and other factors, we have decided to pay 20 yen per share.

We will continue to focus the Group's overall efforts on streamlining management and increasing revenues, so we can meet the trust and expectations of our customers, shareholders and society.

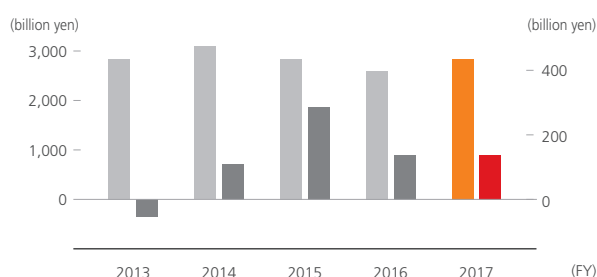
## Financial

### Operating Revenues / Operating Income (Loss)

See page 84 and after

Operating Revenues (left) Operating Income (Loss) (right)

**2,853.3 billion yen** **136.5 billion yen**

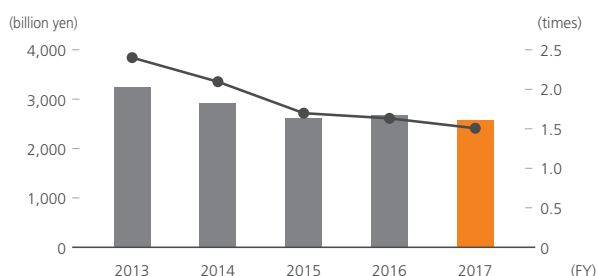


### Outstanding Interest-Bearing Debt / Debt-to-Equity Ratio

See page 84 and after

Outstanding Interest-Bearing Debt (left) Debt-to-Equity Ratio (right)

**2,595.6 billion yen** **1.5-fold**

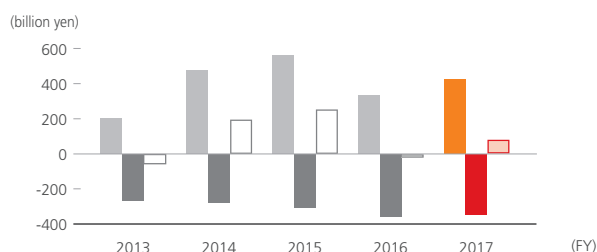


### Cash Flows from Operating Activities / Cash Flows from Investing Activities / Free Cash Flow

See page 84 and after

Cash Flows from Operating Activities Cash Flows from Investing Activities Free Cash Flow

**424.1 billion yen** **-344.4 billion yen** **79.6 billion yen**



## Non-financial Business activities

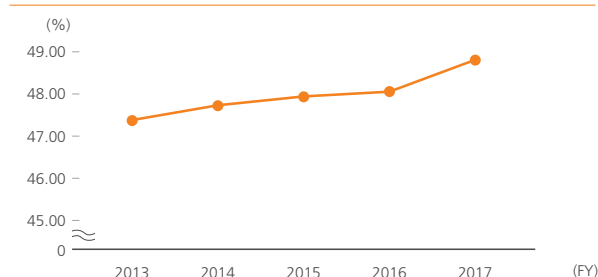
### Power generation

See page 40

Gross thermal efficiency of thermal power facilities

Striving to maintain and enhance the highest level in the world

**48.94%**



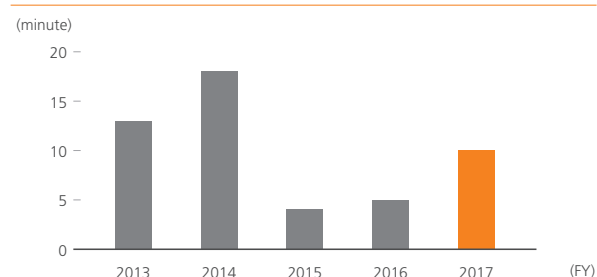
### Transmission/distribution

See page 43

Annual average of failure/outage time per household

Striving to maintain the lowest outage duration time in the world

**10 minutes**

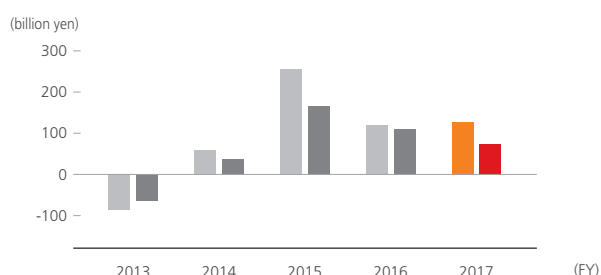




## Highlights)

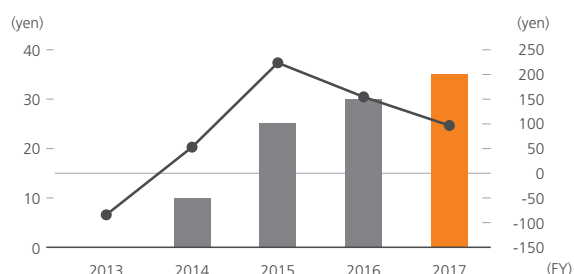
### Ordinary Income (Loss) / Net Income (Loss) Attributable to Shareholders of the Parent Company

Ordinary Income (Loss) 128.5 billion yen  
Net Income (Loss) Attributable to Shareholders of the Parent Company 74.3 billion yen



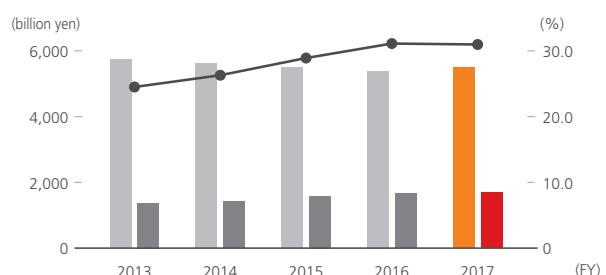
### Dividends per Share / Net Income (Loss) per Share

Dividends per Share (left) 35 yen  
Net Income (Loss) per Share (right) 98.24 yen



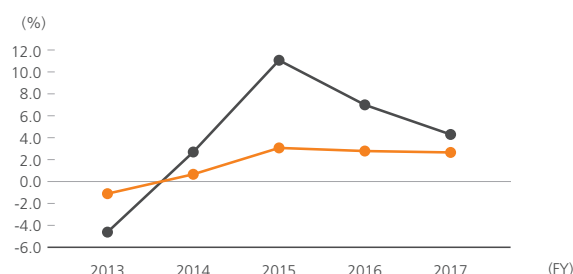
### Total Assets / Shareholders' Equity / Shareholders' Equity Ratio

Total Assets (left) 5,530.1 billion yen  
Shareholders' Equity (left) 1,729.7 billion yen  
Shareholders' Equity Ratio (right) 31.3%



### Return on Assets (ROA) / Return on Equity (ROE)

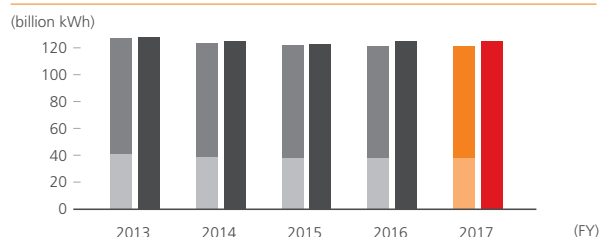
ROA 2.7%  
ROE 4.4%



### Sales Electrical energy sold

Maintaining the sales of 130 billion kWh throughout the late 2020s

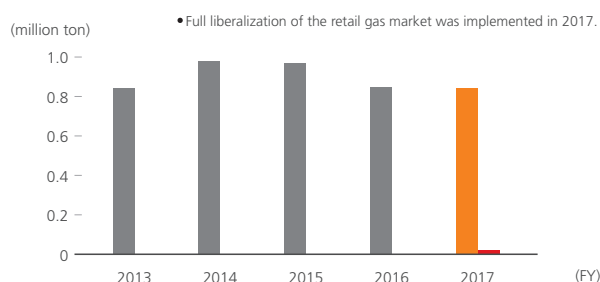
Chubu Electric Power Low voltage (mainly for households)  
Chubu Electric Power High voltage/extra-high voltage (mainly for industries and businesses)  
Chubu Electric Power total 121.4 billion kWh  
Group total 125.3 billion kWh



### Sales Sales of gas and LNG

Aiming to expand to 3 million tons by the late 2020s

For corporations 0.84 million tons  
For households and small businesses 0.02 million tons





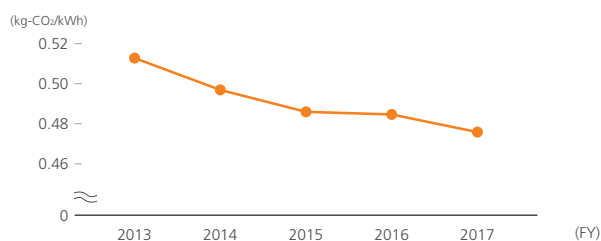
## Non-financial Environmental

### Building a low-carbon society CO<sub>2</sub> emission intensity

See page 74

Aiming for 0.37 kg-CO<sub>2</sub>/kWh in overall electric power business by FY2030.

**0.476** kg-CO<sub>2</sub>/kWh

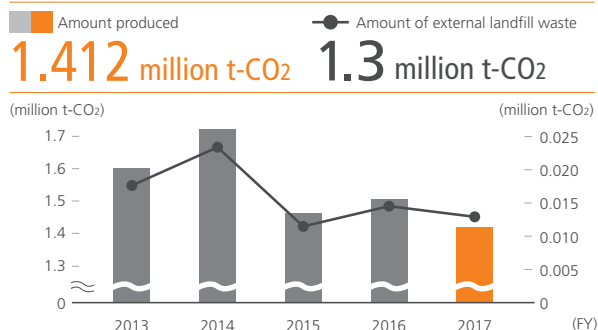


### Recycling

#### Industrial waste, waste by-products and external landfill waste

See page 77

We aim to achieve less than 1% of external landfill waste.



## Non-financial Governance

### Corporate governance

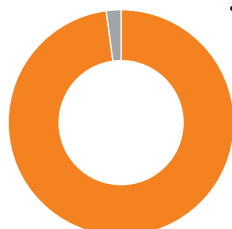
#### Average attendance rate of external directors in the Board of Directors meeting

See page 58

Average attendance rate of external directors is high, contributing to the transparency of the Board of Directors and full deliberation.

**97.9%**

• FY2016 and FY2017 result

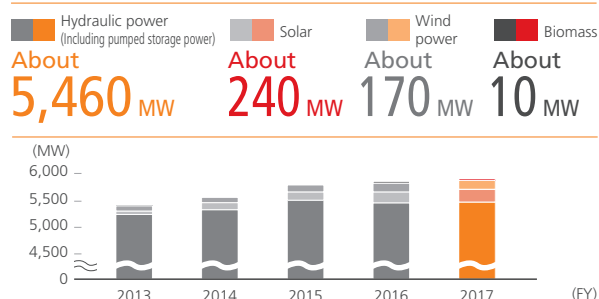


### Building a low-carbon society

#### Actually developed renewable energy

See page 75

Actively promoting the development of renewable energy.



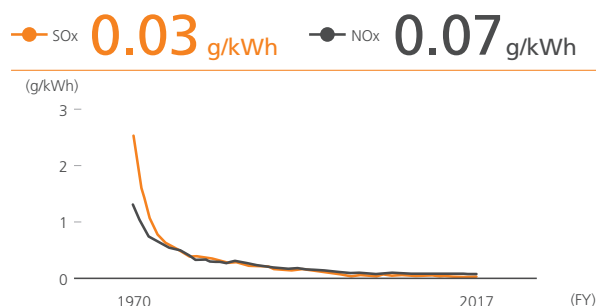
• Amount at the end of each fiscal year in Chubu Electric Power Group (in case of joint development, only equity ownership output is included). Hydraulic power includes pumped-storage power generation. Co-fired power with biomass fuel at Hekinan Thermal Power Station is not included.

### Coexisting with nature

#### SO<sub>x</sub>/NO<sub>x</sub> emissions per kWh of electricity generated by thermal plants

See page 77

We have reached the greatest level in the world and will continuously promote the initiatives of environmental preservation.



## Non-financial Governance

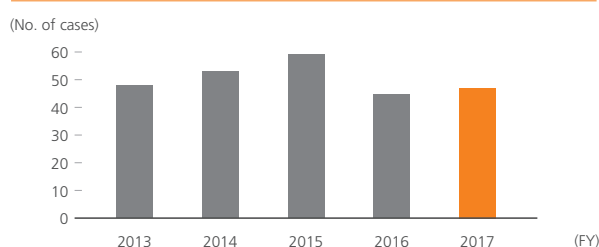
### Compliance

#### Number of consultation cases with the helpline

See page 63

We ensure security of the persons who request consultation and handle each case respectfully.

**47** cases





## Non-financial Social

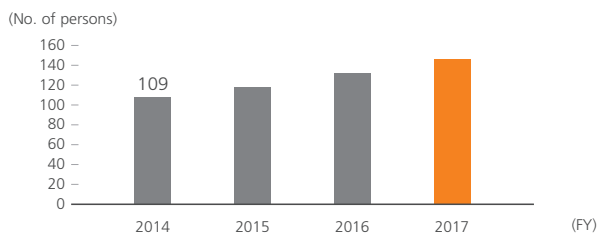
## Diversity

See page 69

## Number of women in managerial positions

We aim to double FY2014's number by FY2020.

145

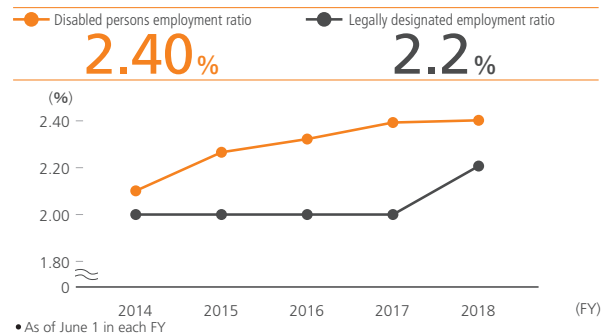


## Diversity

See page 70

## Disabled persons employment ratio / Legally designated employment ratio

We continue to exceed the legally designated employment ratio.



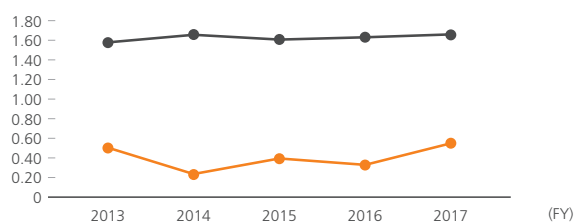
## Occupational health

See page 68

## Industrial accident frequency\*

We aim to eliminate industrial accidents.

● Chubu Electric Power 0.55 ● Entire industry 1.66



\* Accident frequency: Number of persons killed or seriously injured (with at least one day of leave) by industrial accidents per million working hours.

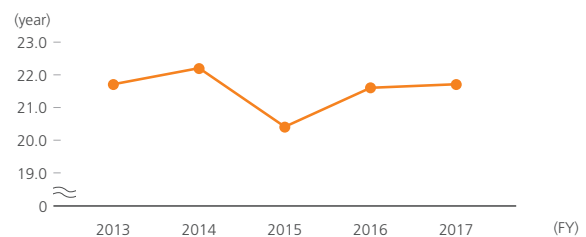
## Work-style reform

See page 66

## Average service years

We promote balanced life and work and aim to create comfortable workplaces.

21.7 years



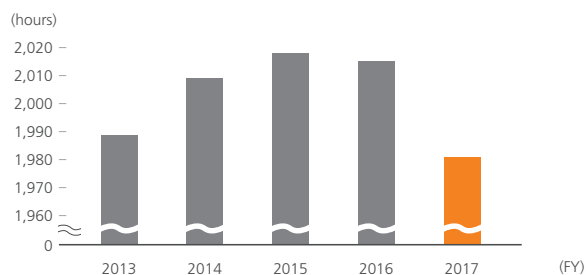
## Work-style reform

See page 67

## Actual work hours in total per person

We promote an efficient work style to enhance productivity.

1,981 hours



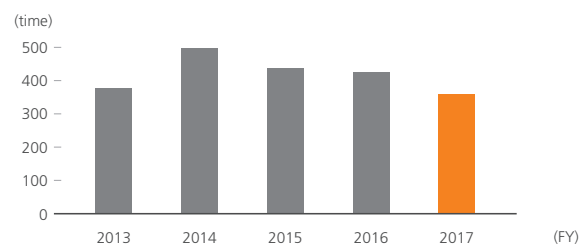
## Next-generation education

See page 72

## Number of Traveling Classrooms held

We actively focus on next-generation education in corporate citizenship activities.

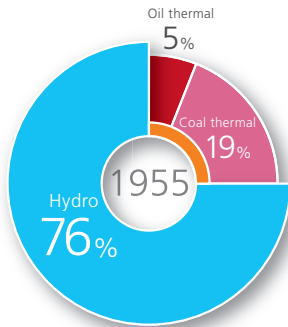
368 times



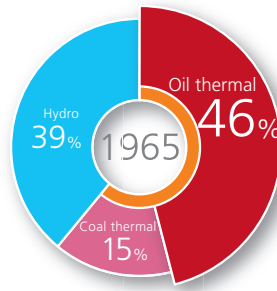


# History of Chubu Electric Power

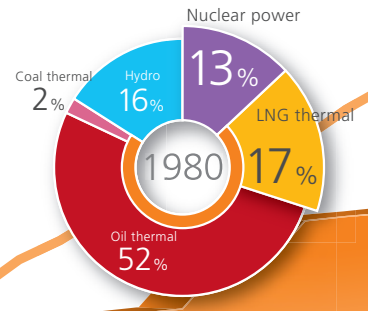
Overcoming numerous challenges since its foundation, Chubu Electric Power has grown together with the development of the Chubu District, which plays a central role in manufacturing in Japan. Our company has drastically reformed its business portfolio as needed including its energy structure.



Hydraulic power generation was originally our main business.



Oil thermal power generation was needed to meet the strong electricity demand during Japan's high economic growth period.



After experiencing the oil crisis, nuclear power generation and LNG thermal power generation were introduced.

**Power generation ratio by power source**  
(Including interchanged power and purchased power)

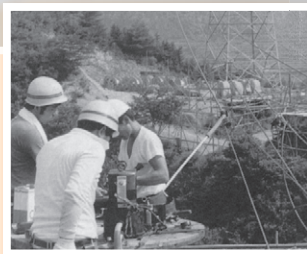
- Oil thermal
- Coal thermal
- Hydro
- Nuclear power
- LNG thermal
- New energy\* (solar, wind power, etc.)

\* Includes less than 30 MW hydro and FIT-based (electricity purchased based on the FIT [feed-in tariff] scheme).

3.6 billion kWh

**Foundation 1951** Numerous challenges faced by Chubu Electric Power since its foundation  
Postwar recovery, high economic growth  
Meeting increasing demand for electricity

In this era after the postwar recovery, large-scale power source development, primarily from oil thermal power generation together with an expansion of transmission systems was promoted to meet the increasing demand for electricity accompanying the high economic growth.



**Distributing large amounts of electricity to wider and farther areas**

500 kV Seibu trunk line was constructed (completed in 1972).

**Transition from hydraulic power to thermal power generation**

Mie Thermal Power Station Units 1 & 2 (1956)

1965

Value of products manufactured and shipped from the Chubu District

5 trillion yen

Nationwide market share

16%

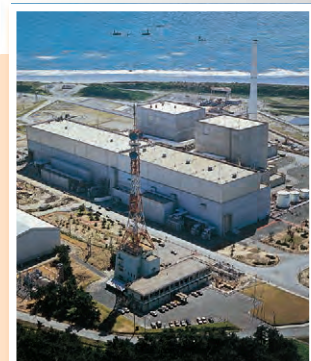
Source:  
The Ministry of Economy, Trade and Industry's statistical research, Total value of 5 prefectures in Chubu District (Aichi, Gifu, Mie, Shizuoka and Nagano)

1973

**Oil crisis**

Diversification of power sources (best balance)

Due to electricity shortages caused by the oil crisis and severe pollution, a growing need to review dependence on oil thermal power and move towards diversified power sources arose. This resulted in the introduction of cleaner energies such as nuclear power and LNG (liquefied natural gas) thermal power.



**Mixed power source with less reliance on oil**

Hamaoka Nuclear Power Station Unit 1 (1976)

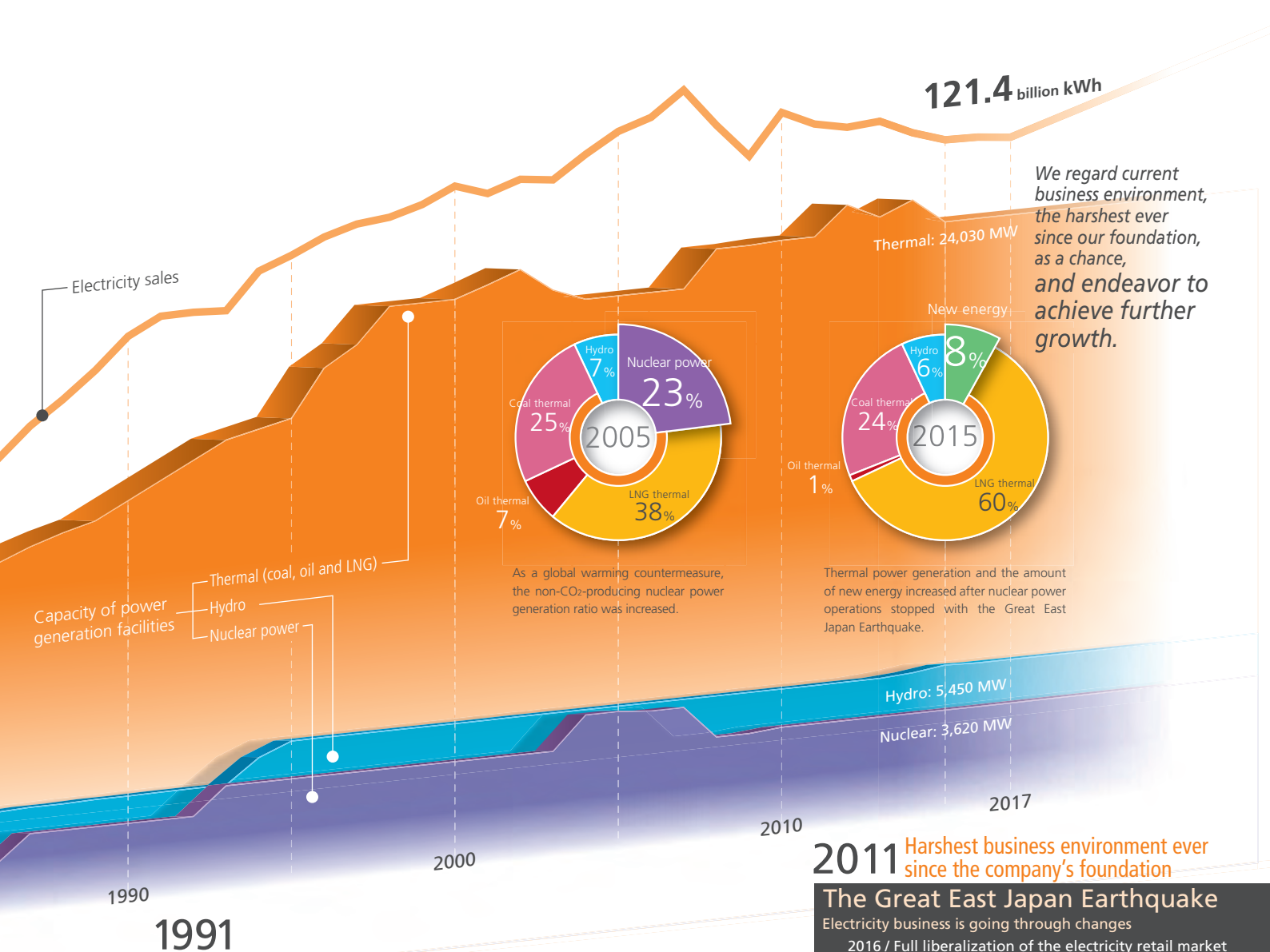


**Utilize LNG less CO<sub>2</sub>**

Chita Thermal Units 5 and 6

**Fulfilling our unwavering mission through**  
Delivering eco-friendly and high-quality





1991

**Collapse of the bubble economy**  
Liberalization of the electric market

2011 / Liberalization of the retail market commenced

After the collapse of the bubble economy, liberalization of electric retail and wholesale markets commenced in line with the government's deregulation policy. In addition, as global warming became a serious problem in the world, we further promoted diversified power sources and launched gas sales and overseas businesses in order to secure new profits.



**Utilization of inexpensive coal**  
Hekinan Thermal Power Station (1991)



**Selling LNG to companies lacking gas pipelines**  
LNG tanker truck



**Our first investment in overseas business**  
Ratchaburi gas thermal IPP (independent power producer) project in Thailand



**Comprehensive cooperation in fuel procurement and thermal power generation business with Tokyo Electric Power**  
LNG transportation vessel owned by JERA Co., Inc.  
Proposal of economical and useful service through the combination of electricity and gas  
Gas safety business (2017)



**Solar power generation with zero CO2**  
Mega Solar Shimizu (2015)



**1975**  
Value of products manufactured and shipped from the Chubu District  
**20 trillion yen**  
Nationwide market share  
**16 %**

**1995**  
Value of products manufactured and shipped from the Chubu District  
**61 trillion yen**  
Nationwide market share  
**20 %**

**2014**  
Value of products manufactured and shipped from the Chubu District  
**72 trillion yen**  
Nationwide market share  
**24 %**



**producing emissions**  
Power Station (1978)

**major change of our business model**  
energy in a safe, reasonable and stable form.

## Personal profile

Satoru Katsuno

Born in Aichi Prefecture in 1954. Earned a bachelor's degree in electrical engineering from Keio University. Joined Chubu Electric Power in 1977 and served as Manager of Hydro Power & Substations Section of the Electrical Engineering Department, General Manager of the Okazaki Regional Office, and General Manager of the Tokyo Office. Became Director, Senior Managing Executive Officer, and General Manager of the Corporate Planning & Strategy Division in 2010. Became Representative Director and Executive Vice President in 2013, while continuing to head the Corporate Planning & Strategy Division. Has been in the present position since June 2015. Appointed Chairman of the Federation of Electric Power Companies of Japan in June 2016. Values integrity as his credo.

# Making a New Chubu Electric Power Group

*Satoru Katsuno*  
President & Director

The environment in which the energy business exists is changing more rapidly than ever before.

Upon the belief that this wave of change is a great chance to grow, we have updated our Management Vision to continue our main mission of providing a stable supply of energy as well as the creation of new value. Furthermore, we have created the Fiscal 2018 Initiatives to Address Management Challenges to realize our vision.

In order to create a new Chubu Electric Power Group together with our stakeholders, we would like to explain the background and intent of our revised Management Vision and our initiatives to realize it.



# In FY2017 we increased revenues and profits for the first time in three years

## FY2018 is the year to achieve our business goal

### Looking back on FY2017

Our business goal is to achieve a consolidated ordinary income of 150 billion yen or more by fiscal 2018.

During fiscal 2017, the government fully liberalized the retail gas market, following the earlier deregulation of the electric power market, leading to fiercer competition in the market than ever before. We believe that our market has become just as competitive as the Greater Tokyo and Kansai markets.

Even under those conditions, however, due to our Group's efforts to make our business more efficient, we increased our operating revenues to 2 trillion 853.3 billion yen (a year-on-year increase of 9.6 percent) and ordinary income to 128.5 billion yen (5.8 percent increase). This was the first time in three years that we achieved an increase in both sales and ordinary income.

### Outlook for FY2018

Fiscal 2018 is the final year of our medium-term business plan to deliver consolidated ordinary income of 150 billion yen or more. We believe that competition will become even stronger due to further implementation of

market reforms. We are strongly committed to achieving our business goal by pursuing greater efficiency within our Group.

### Investments and returns to stockholders

#### Investments

While assuring that we will pursue greater efficiency, we will continue to make necessary investments for the safe and stable supply of electric power, such as safety measures for the Hamaoka Nuclear Power Station.

Furthermore, in order to assure future growth, we will also continue to make strategic investments for the growth and development of our businesses.

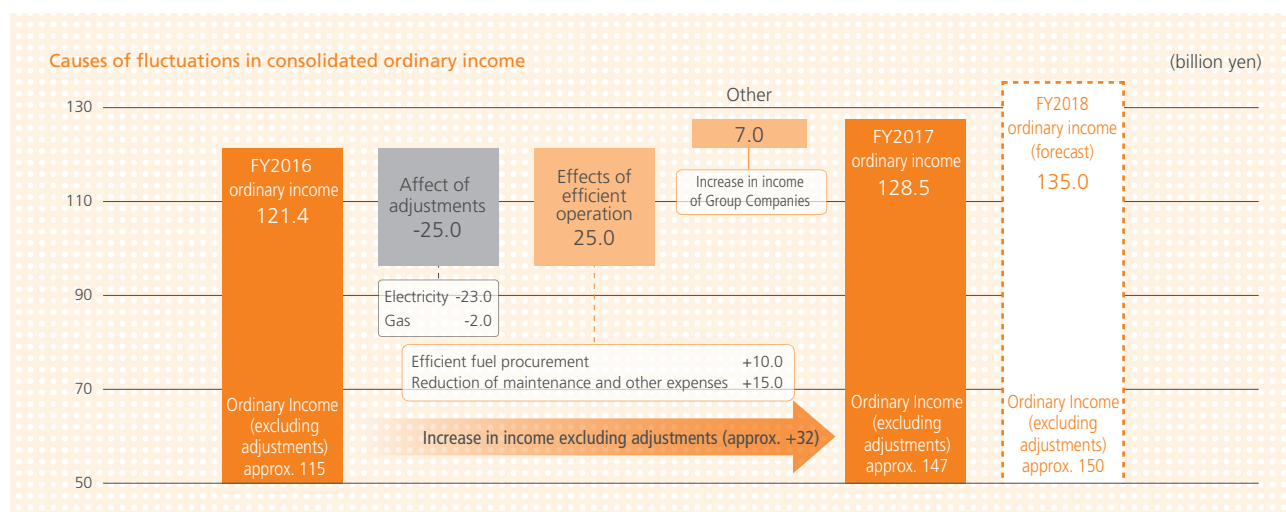
#### Returns to stockholders

In fiscal 2017, our dividends were 35 yen per share (a 5 yen increase from the previous term), which allowed us to pay increased dividends for four consecutive terms.

We are expecting dividends of 40 yen per share in fiscal 2018.

See Outcome of Value Creation (Financial and Non-Financial Highlights) on pages 11 and 12

See Five-Year Operating/Financial Statistics starting on page 83



# Assuring our future through transformation during turbulent times

## Background and intent of the revised Management Vision

We would like to explain the three changes in the business environment that caused us to revise our Management Vision for the first time in two years.

The first change is the development of the major system reforms in the energy business. In addition to the full liberalization of the retail electricity and gas markets, the power transmission/distribution divisions will be legally split off starting in April of 2020 in order to make the transmission/distribution networks fairer. This will result in the division of our conventional value chain from power generation to transmission/distribution to sales. In terms of the number of employees, about 2,500 are involved in power generation, about 10,000 in transmission/distribution, and about 1,300 in sales.

The second change involves the digital innovations that emerged during the so called Fourth Industrial Revolution. Next-generation technologies, such as AI and IoT, are making major changes to our daily lives, the economy, and the social structure.

The third change is the growing need to address global warming, starting with CO2 reduction efforts. The standards of the Paris Accord or other international frameworks cannot be met through our conventional operations, necessitating the implementation of further actions.

Due to these changes occurring in the business environment, we have decided to implement further changes as a comprehensive energy services corporate group that leads the way.

Our new Management Vision is built on two pillars. The first involves the transfer to a business model that separates power generation from sales in order to assure a stable supply of energy at a higher level. The second will provide a new type of community based on creating new values that look to the future. We will go on to describe each of these.

See Feature 1. Management Vision Revision on pages 25 to 28

## Pillar 1

### Transition to a Business Model that Separates Power Generation from Sales

Ever since our founding, our Group has been based on a vertically integrated business model in which we generate the power, develop the transmission/distribution network, and then sell that power. This led to our development together with that of the Chubu region.

However, energy demand is no longer growing, and competition within the Chubu region is becoming fiercer. In addition, the business market is undergoing change in order to facilitate competition.

Due to these changes, our power generation division has started developing a fuel power generation business both domestically and abroad through JERA Co., Inc. (hereafter referred to as JERA). Our sales division has also expanded its sales area from the Chubu region to the greater Tokyo area and has started to sell gas in addition to electricity. The power generation and sales divisions are both expanding not only their areas of business but also the products they handle.

In order to allow the power generation and sales divisions to deal with their individual markets, work with other corporations, and utilize the wholesale power markets, each in a more independent way, we have decided to move to a business model that separates power generation from sales.

In addition to separating our transmission/distribution division, our thermal power generation division will be entirely integrated into JERA, and our sales division will also be split into a separate company in order to accelerate the start of this new business model. Through these strategic changes, we aim to maintain continuous growth for our Group.

#### Four priority measures



Further improvement  
of stability at the Hamaoka  
Nuclear Power Station



Stable supply  
for a new era



Reinforcing our  
business foundation  
for growth and achieving  
continuous growth



Construction of a business  
organization and  
management foundation  
that can immediately  
respond to changes in  
the business environment

Reinforcing our business  
foundation for growth

FY2019 to 2022 (forecast)

**Consolidated  
ordinary income**

**150 billion yen  
or more**



## Pillar 2 Providing a New Type of Community

The second pillar involves a review of what services our Group can provide to our customers and society, and making a new pillar for growth by solving social issues.

Changes occurring in the fabric of modern society such as the declining birthrate, aging population, and decreasing population, have weakened the links between people, and made it difficult to maintain community functions.

Our Group is connected to all kinds of customers through the electric power network and we have relationships built on trust that have been developed over many years. Moreover, the expanded use of smartmeters allows us to monitor the use of power by our customers in greater detail and in real time.

By carefully combining these strengths with next-generation technologies that will expand the range of our services, we will advance our current infrastructure which only supplies power in one direction into a community-support infrastructure that bidirectionally links people with other people and people with their communities.

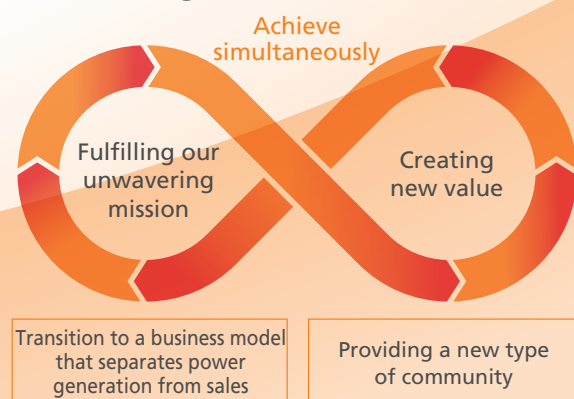
Through these improvements, we will be able to provide a new type of community that allows families living apart to share power and makes it easier to watch over the elderly and children.

We will contribute to the local society that has supported us and walked together with us since our founding so that it can become a sustainable community where people can live safely, securely, and comfortably, while at the same time aiming to improve our corporate value for the mid- to long-term.

## Challenging ourselves to take on higher goals

In order to achieve our goals

Creating new value on the foundation of fulfilling our unwavering mission



## Aiming for a consolidated ordinary income of 250 billion yen or more

We would like to explain the quantitative goals of our Group.

We are considering the near term (fiscal 2019 to 2022) as a period for reinforcing our business foundation for growth. Although competition will become even fiercer, we will further improve our business efficiency, and develop new areas of growth to be formed into businesses. The initial goal is to maintain and improve our fiscal 2018 business goal of a consolidated ordinary income of 150 billion yen or more.

By the second half of the 2020s, we will have developed the two pillars of growth explained earlier, and we hope to achieve a consolidated ordinary income of 250 billion yen or more.

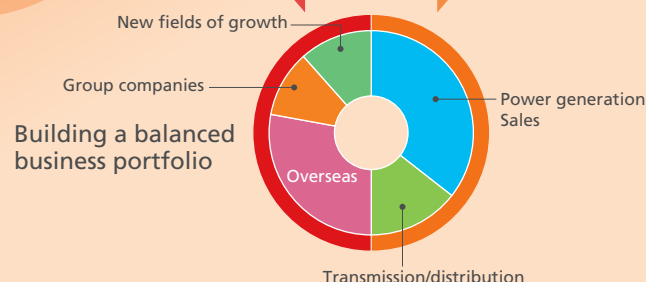
Half of that ordinary income will come from businesses outside the domestic energy business. Specifically, it will come from profits from overseas energy businesses and new fields of growth, and of the new fields of growth, we are aiming to obtain ten to twenty percent of our profits by providing new types of communities.

What we aim for  
Providing services that exceed the expectations of our customers first and foremost  
**Total energy service corporate group that is one step ahead**

Achieving sustainable growth  
Latter half of the 2020s (goal)  
**Consolidated ordinary income 250 billion yen or more**

New fields of growth  
Overseas energy businesses, etc. **1**

Domestic energy businesses **1**



For details, refer to the following web page:

[Chubu Electric Power Group Management Vision](#)





Company-wide disaster drills

# We are developing measures to achieve our Vision

We have outlined four important measures in our Initiatives to order to achieve our Management Vision. Here we introduce both developed as well as those we will start in the future.

## 1 Further improvement of stability at the Hamaoka Nuclear Power Station

### Aiming to create a safer and more trustworthy power plant

Japan is an island nation that is lacking in natural resources and can only supply 8 percent (2016)\* of its energy needs. We must not depend solely on thermal power generation which uses vast amounts of fossil fuels, and must instead use a combination of different power types for a good overall balance. To achieve a good overall balance, we hope to utilize nuclear power generation while making safety our top priority.

The Hamaoka Nuclear Power Station is currently undergoing examinations under the nation's new regulatory standards. Specifically, inspections for its ability to withstand standard seismic movement and standard tsunamis which are prerequisites for power plant safety measures are currently facing an important stage. Once it passes these inspections, further inspections for its safety will be held, and upon clearance, we will be able to explain the result of the national examination to our stakeholders. In that sense, fiscal 2018 is an important year and we will make every effort to pass the inspections.

I believe that safety improvement measures are something that one can never be 100% satisfied that perfection is achieved. As our equipment is ultimately handled by humans, we will continue to train our personnel in safety-related matters and reinforce their ability to cope with disasters.

As President of Chubu Electric Power, I consider myself personally responsible for continuously improving safety. I will firmly keep in mind that the community and society as a whole will be watching us very carefully. I will also make every effort to explain the situation evolving around our Hamaoka Nuclear Power Station to give our stakeholders a deeper understanding of our efforts.

See Feature 2 Hamaoka Nuclear Power Station on pages 29 to 34

\* Source: "Japan's Energy 2017," published by the Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry

## 2 Stable supply for a new era

### Developing an advanced and more efficient electric power network

No matter how the times may change, our mission stays the same: provide a stable supply of electricity. We are working towards the evolution of the entire value chain, from procuring fuel to generating power to providing it to our customers. Within that chain, one of the most important things is developing an advanced electric power network. Conventionally, power flowed in one direction, from the power plant to the customer. However, renewable energy is now available at places close to our customers which has caused the flow of power to change considerably. Most of the renewable energy comes from solar and wind power which have huge fluctuations in output. Even under these conditions, we have been taking various actions so that we can continue to provide a stable supply of power at the world's highest level of quality 24 hours a day, 365 days a year. In fiscal 2018, we started a joint project with Toyota Motor Corporation to reuse old car batteries to cope with imbalances in supply and demand of power.

In addition to making more advanced networks, we are also brainstorming and developing new ways to make them more efficient. For example, our smartmeter network now enables us to understand the flow of power to customers over the distribution network, malfunctions, and other information in greater detail and in real time. This reduces the amount of equipment we need, helps us streamline operations, and makes our work more efficient. See Power Network Company on pages 43 to 46

Further improvement in stability at the Hamaoka Nuclear Power Station

Business  
FY2019 to  
Aim to achieve a  
with consolidated  
**150**  
or

Stable supply  
for a new era



# important Management

Address Management Challenges in the measures that are already being

Reinforcing our business foundation for growth and achieving continuous growth

goals  
2022 (forecast)  
corporate group  
ordinary income of

billion yen  
more

Construction of a business organization and management foundation that can immediately respond to changes in the business environment

For details, refer to the following web page:

Chubu Electric Power Initiatives to Address Management Challenges



## 3 Reinforcing our business foundation to achieve continuous growth

### Integrating our existing thermal power business into JERA

In April 2019, we will integrate our existing thermal power generation business into JERA and complete a value chain that includes upstream procurement of fuel, power generation and wholesale sales of electricity and gas. JERA was founded in April 2015 and after four years, it will finally be able to demonstrate the comprehensive advantages of integration.

We believe that thermal power generation will remain the central component in the overall supply and demand balance for power. JERA will demonstrate world-class advantages of scale made possible by integrating two of the top electricity suppliers in Japan. Moreover, by combining the top-level human resources and technology available from both companies, JERA will meet its responsibility of stably supplying power and improving its competitiveness.

See JERA / Power Generation Company on pages 37 to 42

### Providing energy services that continue to be chosen by customers

In order to assure that customers continue to choose our Group's services even with the full liberalization of the retail electricity and gas markets, we are not only striving to keep rates as low as possible, but are also diversifying our services.

The installation of smartmeters at homes allows us not only to see how customers use electricity but, in a sense, allows us to see how they live. We shall provide valuable services through our web service for homes, KatEne, which will be a part of our customers' lives.

With respect to business customers, the Chubu region is a major manufacturing area in Japan, and many customers have helped us develop technological solutions for optimum energy use. We intend to increase our focus on energy solutions.

We are also starting sales in the greater Tokyo area where there is still potential for growth. In April 2018, we established a new joint sales company with Osaka Gas.

Although we do not have a customer base in the greater Tokyo area, we will each contribute to the expansion of our business through our strengths in electricity and gas respectively and also our respective ties with external partners.

See Customer Service & Sales Company on pages 47 to 50



Announcement of the establishment of a new sales company together with Osaka Gas

## 4 Creating a business organization and management foundation that can immediately respond to changes in the business environment

### Making a new organization to create new business services

Although it has become possible to collect huge amounts of customer data through our smartmeter network, our Group does not yet have sufficient expertise to analyze the data in detail and create innovative new services.

In order to promote digital innovation, we are creating a framework that will promote open innovation by seeking ideas from universities, research laboratories, and companies that have specialized expertise in next-generation technologies. At the same time, we are proactively utilizing external human resources.

See Feature 1 Management Vision Revision on pages 25 to 28

# Quickly and flexibly meeting the diversified needs of society so that we can achieve continuous growth

## CSR / Compliance are a core element of management

For electric power companies, CSR and compliance are concepts that have been around for so long that they need no explanation.

We have been providing safe and stable energy supply at low rates while also considering the natural environment as we construct and operate our power plants.

Meeting the diversified needs of society in a balanced, quick and flexible manner is key to our Group's CSR and compliance.

Compliance is truly the core element of management and it is not simply about complying with laws. With the upcoming split of various divisions of the company, not only will we be promoting CSR and compliance independently at each company, but we will also create a system to promote them throughout the entire Group by communicating between the various companies.

## Taking on the challenge of ESG management that improves corporate value

Together with the Fiscal 2018 Initiatives for Management Issues, we have also announced our support for ESG (environment, society, governance) management in order to satisfy CSR, improve our mid-to long-term corporate value and contribute to the sustainable development of society.

With respect to the environment (E), we are developing measures to achieve a low-carbon society.

Regarding society (S), we are promoting diversity so that all employees within our Group can demonstrate their full abilities regardless of sex, age, or any disabilities. At the same time, we are promoting life-work balance in order to move ahead with workstyle reform that will give meaning to the work of our employees and improve productivity.

As for governance (G), fairness and transparency will be at the center of management and we will make efforts to further improve our corporate governance.

1 Greetings at the Chuden Running Festival 2017

2 Exchanging opinions with employees

3 Photo with the company curling team

4 5 Encouraging employees at a frontline facility





# To our stakeholders

We shall reconsider what we can do and act accordingly based on the global social issues highlighted by the United Nations' SDGs\*.

See Foundation for Creating Value (ESG) starting on page 51

\* SDGs (Sustainable Development Goals): Sustainable development goals that were adopted by the United Nations summit in September 2015.

## The answer is always in the workplace

In our business, we are given the opportunity to communicate directly with many different customers; for example, when we are looking to buy land for constructing facilities, when conducting safety and maintenance work on completed facilities, or when selling power and gas. If each employee utilizes these opportunities to think about services that meet the needs of customers living in their respective areas, it will eventually lead to a new type of community.

Based on my experience at various workplaces, I strongly believe that, "The answer is always in the workplace."

## Creating new value with our stakeholders

As a comprehensive energy service corporate group that leads the way, we are constantly thinking about what new value we can provide to our customers and society and aiming to realize those values. Saying that we are "leading the way" not only means that we are ahead of our competitors, but that we are exceeding the expectations of our customers.

A stakeholder that has read this report might ask, "Can Chubu Electric Power also do something like this?" In such a case, our employees as a whole will work as one so that we can create a new value that surpasses our stakeholders' expectations.

We hope that our stakeholders will continue to support and guide us.

[6] The Hatanagi-Daiichi Hydroelectric Power Station that was Mr. Katsuno's first workplace and which he considers to be "the starting point of my corporate life."



# Aiming to Become a “Total Energy Service Corporate Group That Is One Step Ahead”

—Chubu Electric Power Group Management Vision Revision—

In our new Management Vision, we established two directions we should follow to review what values Chubu Electric Power Group should provide to our customers and society, and to implement further reforms.

Point

1

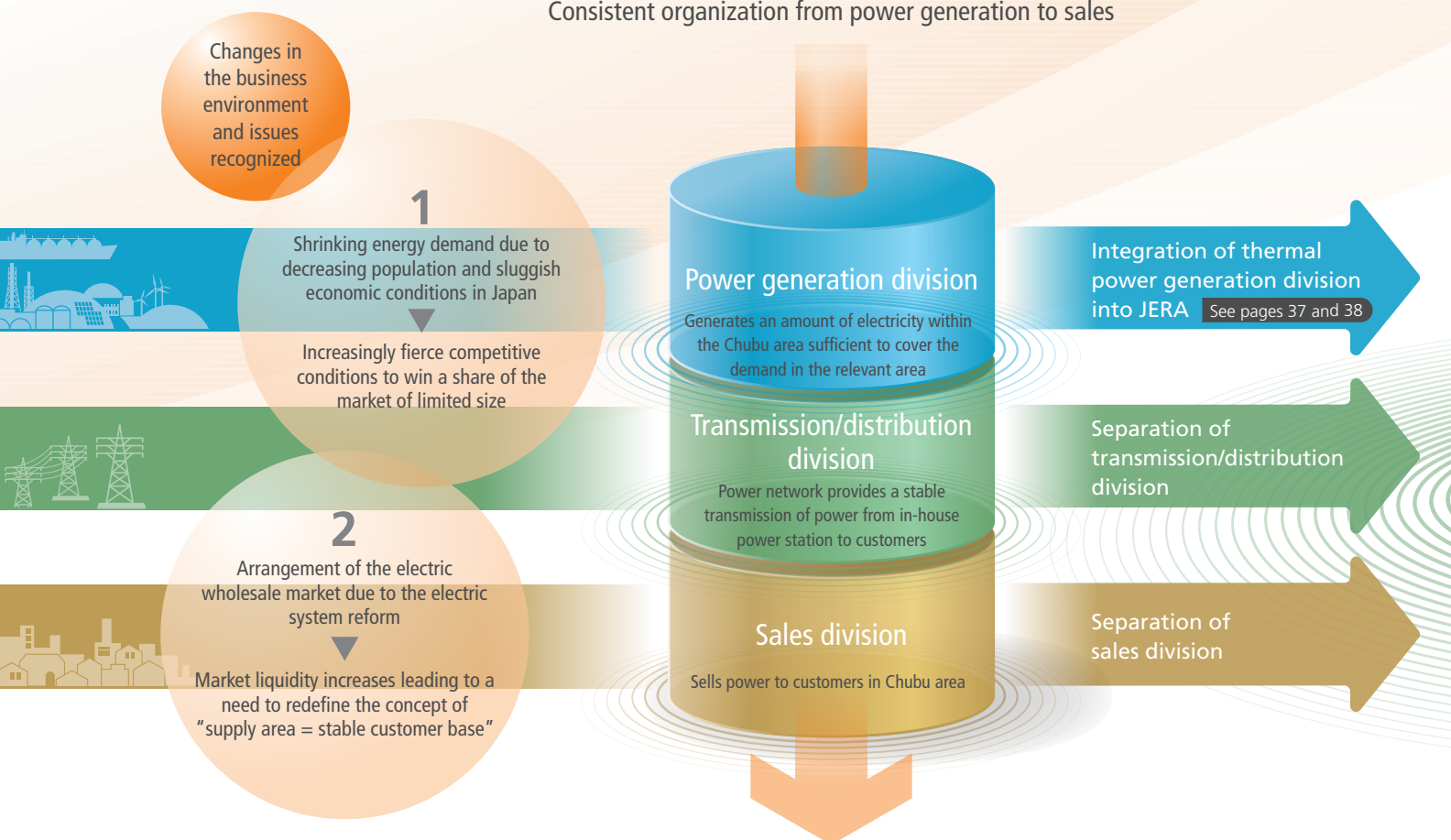
## Transition to the model of unbundling power generation from sales

Along with the separation of the transmission/distribution division scheduled in 2020 in accordance with the electric system reform, we will also separate our power generation and sales divisions so that each new firm can create values independently, thereby contributing to the continuous growth of our Company Group.

Existing business model

Vertically integrated

Consistent organization from power generation to sales



Fulfilling our mission of ensuring the stable supply of energy



## Future vision

### Unbundling power generation from sales

Business structure in which each of the separated companies independently operates its business in different markets.

#### JERA

##### Wholesale beyond the Group

Expand wholesale to a nation-wide scale beyond the Chubu Electric Power Group and the Tokyo Electric Power Group by actively using the wholesale market.

Aims to expand by 30% in the future.

##### Expanding business globally

Procure fuel and expand power generation business both in Japan and overseas. Make use of the efficiencies of scale to increase sales and procurement abilities.

Make use of the efficiency of the world's largest scale to deliver energy in a more stable and less expensive form.

#### Transmission/distribution company

##### Advanced power network

Establish a power network that transmits power efficiently with stable quality, with large amounts of renewable energy including solar power and wind power being connected in various regions.

Deliver high-quality electricity at a reasonable price in a safe and stable manner.

#### Sales company

##### Electricity procurement beyond JERA

Promotes optimum power procurement without being limited to JERA by actively using the wholesale market.

Aim to expand by 30% in the future.

##### Expansion of sales area

Expand business beyond the Chubu area including the Greater Tokyo area, in which growth is expected in the future.

Collaboration with a variety of companies that have different sales expertise and a different customer base

In addition to providing reasonably priced energy, provide services truly useful for customers within and beyond the Chubu area.

#### Action

April 2018

New sales company was established in the Tokyo metropolitan area jointly with Osaka Gas Co., Ltd. See page 50

Each company enhances service standards and earning ability while fulfilling our unwavering mission.

# Aiming to become a “total energy service corporate group that is one step ahead”

—Chubu Electric Power Group Management Vision Revision—

## Point 2

## Providing a “New Form of Community”

As a company that has been growing together with and with the support of local communities, we recognize various social issues existing in the community and aim to create a “New Form of Community” by utilizing our Group’s infrastructure and data as well as next generation technologies.

### Social issues recognized by our company

#### Weak relationships within the community

With an increasingly aging population combined with a declining birthrate and unbalanced population distribution, connections among people in society are weakening.

- Traditional community customs such as neighbors helping one another are becoming less and less common in urban areas.
- Communities are becoming more and more difficult to maintain in local cities where the population is decreasing.

- Maintenance and enhancement of public infrastructure
- Job creation in local areas
- Disaster prevention, minimizing damage, and public safety

### Topic

#### Increase the number of smart meter installations

We are currently installing meters that can measure electricity usage every 30 minutes (known as smart meters). They will enable visualization of actual electricity usage by the customer.



Installation at all households will be completed in 2022.

Energy infrastructure spreading through local areas  
(Transmission/distribution facilities and communication facilities)

中部電力  
Chubu Electric

Evolve into a community support infrastructure

Values provided

## Proposing various “New

### 1 Local community including schools

- Watching over children commuting to and from school using a smartphone in connection with mobile data\*
- Providing information on safe routes in real time to guide children

\* Movement data of humans and objects that is visualized based on positioning information provided by smartphones and information on usage of transportation means

#### Action

##### Smart pole

Installing surveillance cameras and information panels on the existing electric poles in the neighborhood of customers to provide useful services in the community

See page 44

### 2 Creation of new communities in urban areas

- Creating towns in which everyone from children to the elderly can live comfortably in a safe and secure environment

### 3 Families that seek a balance between work and child rearing

- Taking care of and watching children by using data at home, and through remote operation of equipment on customer premises

#### Action

##### IoT service for families

Providing a service that enables improved and more comfortable family life by collecting and utilizing data in the house using IoT equipment

A city in which new connections among people are created, and where everyone



## Topic

### Establish a framework to promote open innovation

- Website "COE" that invites ideas from a wide range of fields including venture companies, universities and research institutes
- "COLab," a laboratory to verify and develop systems with ICT



Opened in June 2017

## Our solutions

### Solution 1

Provide a service to enhance the quality of life of individuals by using various data

### Solution 2

Provide a service for the local community by linking the energy infrastructure with social infrastructure and customers' facilities to advance our service

**グループ**  
Power Group

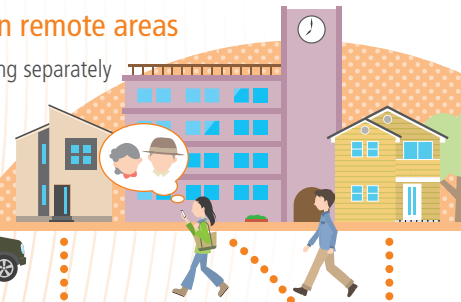
Accumulation of data connected to people's lives

by using next-generation technologies

## Forms of Communities"

### 6 Family members living in remote areas

- Sharing electricity with children living separately from their parents
- Taking care of health conditions of parents living in a remote area



### 4 Local cities that are faced with declining population

- Revitalizing local economy through local production and consumption of renewable energy
- Making local transportation economical and low-carbon by using mobile data and renewable energy

### 5 Individuals at far-removed locations

- Matching the needs of individuals living in far-removed locations so that they can easily make transactions with surplus electricity produced by solar power generation

## Action

### Energy management service

Connecting energy resources of multiple customers by using IoT technology to enable efficient energy use

from children to the elderly can live comfortably in a safe and secure environment

# Measures to Further Increase the Safety of the Hamaoka Nuclear Power Station

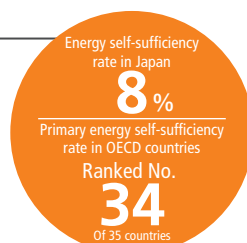
Chubu Electric Power implements safety enhancement measures with a strong determination never to repeat an accident similar to the one that occurred at the Fukushima Daiichi Nuclear Power Station of Tokyo Electric Power Company Holdings (hereinafter "Tokyo Electric Power HD"). We will explain the current state and the future operation of the Hamaoka Nuclear Power Station by responding to frequently asked questions and concerns from the public.



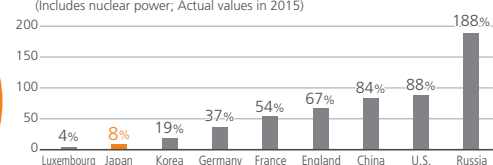
## Why is nuclear power generation necessary?

### Promotion of an energy mix

A significant portion of energy sources in Japan rely on overseas procurement. Therefore, a well-balanced combination of various power sources (Energy Mix) is necessary in order to ensure the stability of electricity we provide while also considering the environment.



### Energy self-sufficiency rate in major countries (Includes nuclear power; Actual values in 2015)



Source: Prepared based on "World energy balances (2017)" on IEA website.  
The rank in the table is the result among 35 OECD countries (based on the values published by IEA).  
Japanese figure was based on the Agency for Natural Resources and Energy "Energy in Japan 2017".

### Characteristics of nuclear power generation

Nuclear power generation uses uranium, known for its stable supply, as a primary fuel. It is also an excellent power source in regard to environmental and economic factors.

	Coal	LNG	Oil	Nuclear power	Renewable energy
Dependency on the Middle East	0%	30%	85%	Semi-domestic energy 0%	Domestic energy 0%
Power generation cost	12.3 yen/kWh	13.7 yen/kWh	30.6 yen/kWh or more	10.1 yen/kWh or more	Solar power 24.2 to 29.4 yen/kWh Wind power 21.6 yen/kWh
CO <sub>2</sub> emission factor	0.94 kg-CO <sub>2</sub> /kWh	0.47 kg-CO <sub>2</sub> /kWh	0.73 kg-CO <sub>2</sub> /kWh	0.019 kg-CO <sub>2</sub> /kWh	Solar power 0.038 to 0.059 kg-CO <sub>2</sub> /kWh Wind power 0.026 kg-CO <sub>2</sub> /kWh

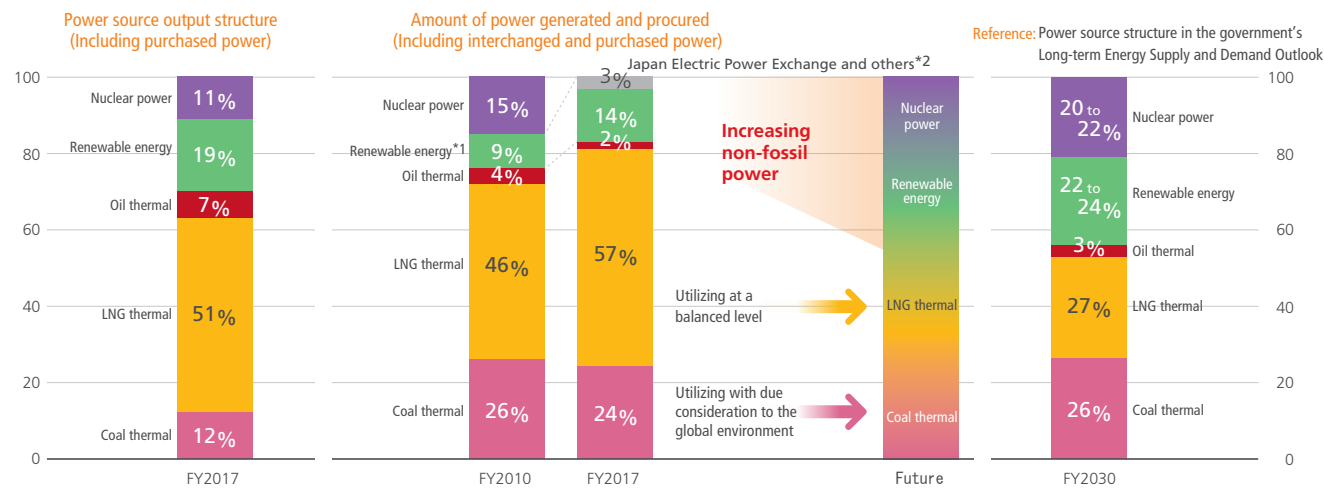
Source: The Ministry of Economy, Trade and Industry, Agency for Natural Resources and Energy material; Figures shown above are the values of entire country.



## Seeking a well-balanced power source structure

Considering its benefits, Chubu Electric Power would like to utilize nuclear power generation as a base load power source with the prerequisite that we ensure the safety in its operation.

### Power source structure at Chubu Electric Power



\*1 Including hydraulic power of 30,000 kW or over and electricity based on the FIT

\*2 Electricity procured from Japan Electric Power Exchange (JEPX) and other companies for which the corresponding power station cannot be identified.

Source: "Long-term Energy Supply and Demand Outlook Subcommittee" material

## What is the status of the inspection process of the Hamaoka Nuclear Power Station?

The government's inspection of basic design and other items at Kashiwazaki Kariwa Nuclear Power Station Units 6 and 7 of Tokyo Electric Power HD has been completed, and the Approval of Revision for Reactor Installation Permit was granted. Kashiwazaki Kariwa Nuclear Power Station, with a boiling water reactor, is the same type as the Hamaoka Nuclear Power Station. We are currently making preparations for the inspection of Hamaoka Nuclear Power Station Unit 4 in order to meet the "earthquake ground motion standard" and "tsunami standard," which are the prerequisites for safety measures in nuclear power stations.

Inspection meeting

**86** times

From February 2014 to June 2018

### Examples of measures that Chubu Electric Power is considering in order to meet new regulatory standards (undergoing inspection)

**Earthquake**

Establishing the standard seismic motion taking into account Nankai Trough Megaquakes, etc. Implementing earthquake resistant construction

- Standard seismic motion Ss1: 1,200 gal
- Standard seismic motion Ss2: 2,000 gal
- Soil improvement work, etc.

**Volcano**

Conducting research of volcanos around Hamaoka Nuclear Power Station to ensure safety against pyroclastic flow and volcanic ash

- Confirm that the power station is out of reach of pyroclastic flow
- Ensure safety against volcanic ash 10 cm-high

**Tornado**

Identify the kind of a tornado that is likely to have great impact on the power station buildings, and implement countermeasures through tornado-resistant construction

- Maximum wind velocity: 100 m/second
- Measures related to the seawater intake pumps

**Tsunami**

Establishing the tsunami standard taking into account Nankai Trough Megaquakes, etc. Implementing countermeasures through tsunami-resistant construction

- Tsunami standard: 21.1 m above sea level at the front of the breakwater
- Installation of breakwater, etc.

**Fire**

Implementing countermeasures including fire prevention, detection and extinguishing

- Using flame-resistant cables
- Installing additional fire-detecting equipment, etc.

**Serious meltdown of the reactor core**

Implementing measures to prevent the reactor cooling functions from being lost if all AC power sources fail, which would lead to a serious meltdown of the nuclear fuel.

- Ensuring the means of power supply, heat removal and water injection, etc.

### Present status of reactors at the Hamaoka Nuclear Power Station

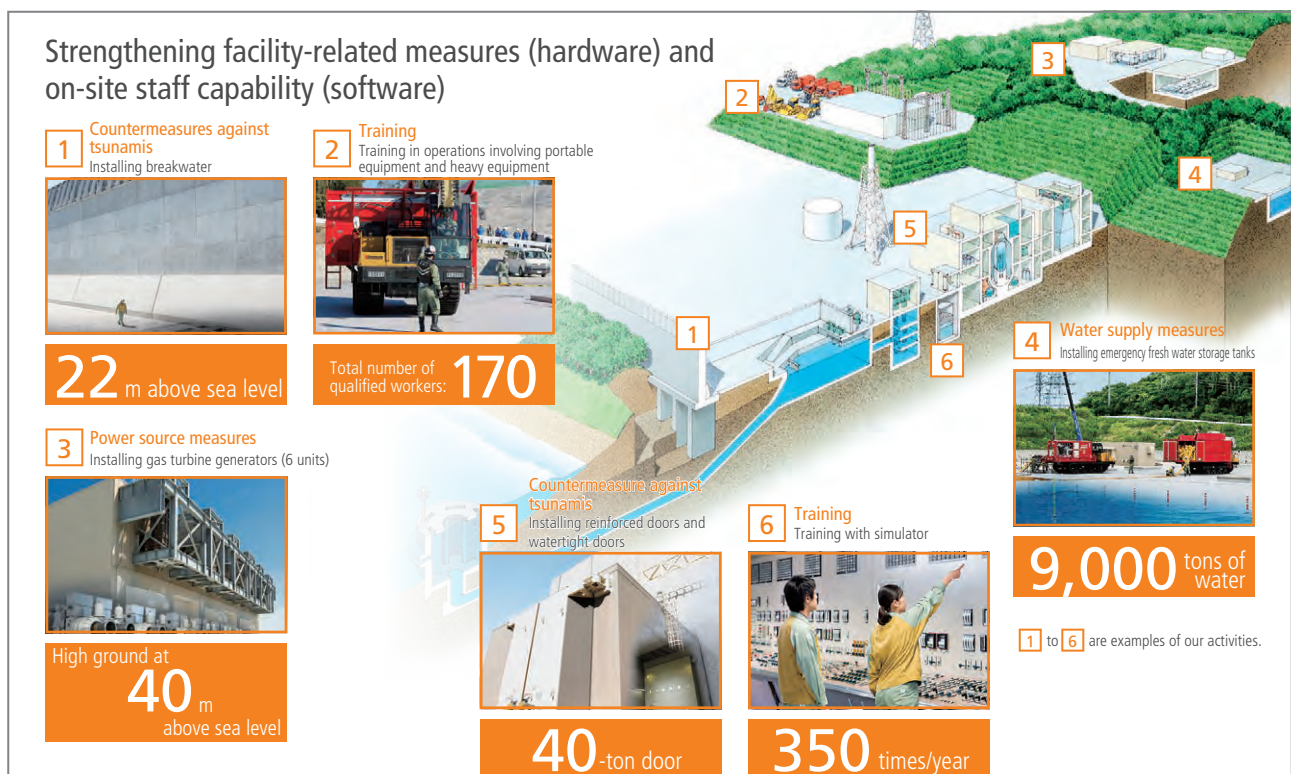
	Unit 1	Unit 2	Unit 3	Unit 4	Unit 5
Output (10,000 kW)	54	84	110	113.7	138
Present status	Decommissioning process underway Jan. 30, 2009 Operation ended Nov. 18, 2009 Transition to decommissioning process		The Nuclear Regulation Authority is currently investigating and confirming compliance with new regulatory standards Most of the main countermeasure construction for Unit 4 is complete (should additional facility countermeasures become necessary as a result of the inspections, they will be implemented as quickly as possible)		Investigating specific recovery methods for seawater infiltration events Preparing applications for investigation and confirmation of compliance with new regulatory standards

## Measures to Further Increase the Safety of the Hamaoka Nuclear Power Station

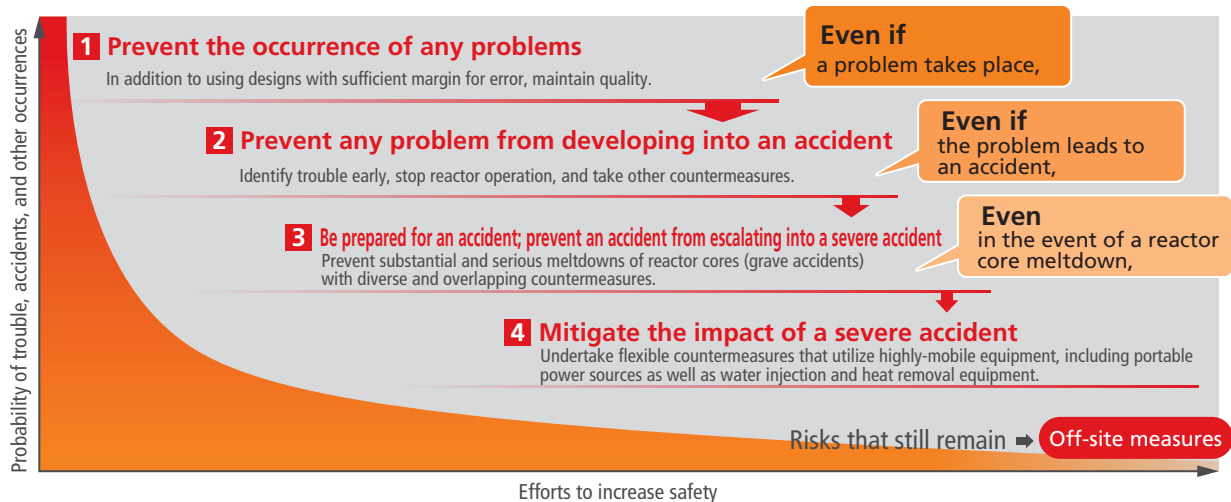
### Q What safety measures are being taken at the Hamaoka Nuclear Power Station?

We are continuing our constant efforts to increase the safety of both hardware and software in order to minimize risks as much as possible.

#### Activities to reduce risks (on-site measures)



#### Activities for reducing risks (image)





## Efforts around power plants (off-site)

## Relationship with national and local governments and relevant agencies

In order to prepare against serious accidents caused by a combination of "hypothetically," "what if," and "in an unlikely event" events, we are strengthening our cooperation with national and local governments and relevant agencies in order to raise the effectiveness of our emergency response. For example, the evacuation of local residents in the event of a serious accident that could release radioactive substances.

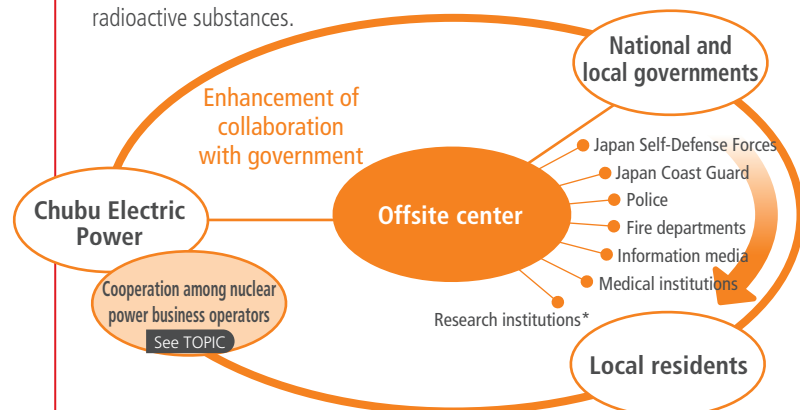
## ■ A training exercise



Training on radiation detection with Omaezaki Coast Guard Station



Emergency transfer from the power station



\* Japan Atomic Energy Agency (JERA), etc.



Meeting on countermeasures held at the off-site center



Employees working in the off-site center



Guide at a point on the evacuation route

## TOPIC

## Cooperation among nuclear power business operators

Chubu Electric Power, Tokyo Electric Power HD and Hokuriku Electric Power Company have finalized a three-company cooperation agreement in March 2017 for technical cooperation to increase safety at nuclear power plants, based

on the geological vicinity of facilities and other factors. The three companies are currently cooperating to improve technical safety at nuclear power plants and providing evacuation support to local residents.

## ■ Technical cooperation



Technology exchange through on-site inspections and exchange of opinions.



## ■ Cooperation in providing evacuation support



Examination of residents during evacuation



Detailed information is also available on the website page titled "The Hamaoka Nuclear Power Station, today and tomorrow".

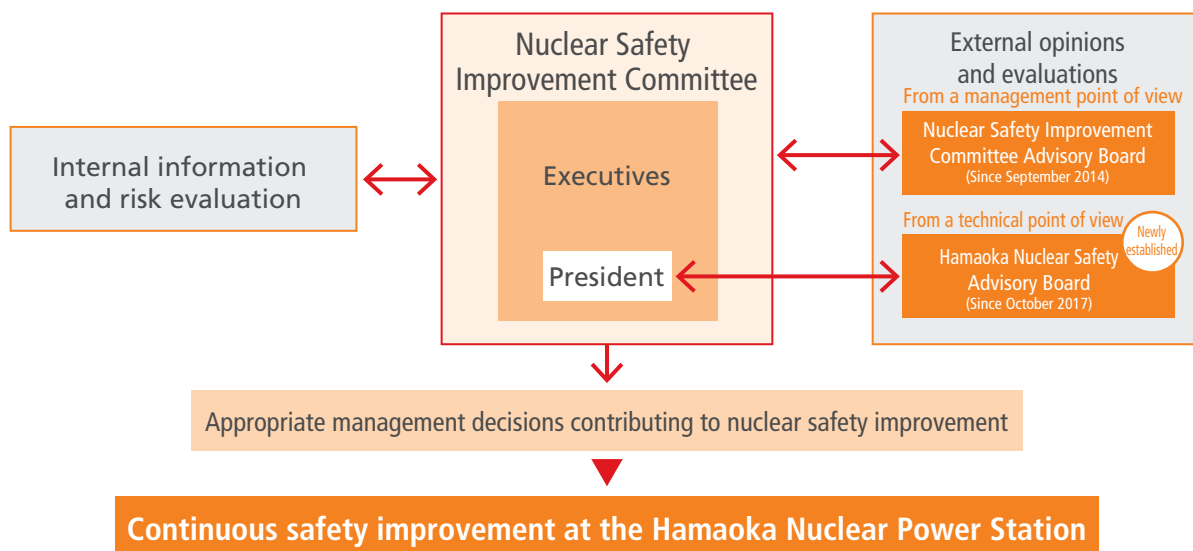
## Measures to Further Increase the Safety of the Hamaoka Nuclear Power Station

### Pursuing further increase of safety

After the accident of the Fukushima Daiichi Nuclear Power Station, the nuclear power generation business operators reaffirmed that it was their duty to review the risks involved in nuclear power and to continue to improve safety. To do so, the top management of Chubu Electric Power has taken on the responsibility to increase nuclear safety and endeavors to strengthen governance, risk management and risk communications.

#### Strengthening governance

We have established a system to ensure that the top management understands internal and external opinions and evaluations about risks, and realizes continuous improvement of safety of the Hamaoka Nuclear Power Station.



#### Strengthening risk management

##### Newly established Hamaoka Nuclear Safety Advisory Board

The purpose of the newly established Hamaoka Nuclear Safety Advisory Board is to collect advice and suggestions with regard to our activities of on-site safety improvement from experts in the government, manufacturing and electric industry who possess lengthy experience in the field of nuclear power.

Board members are expected to meet at the Hamaoka Nuclear Power Station approximately twice a year for the purpose of making suggestions for safety improvement directly to the president after attending an inspection of on-site operations, participating in a meeting, and taking part in a discussion with employees in the station.



The 1st on-site review (from November 27 to December 1, 2017)



The committee reporting the results to the president (January 29, 2018)



## Strengthening risk communication

We visit local residents to explain our efforts made at the Hamaoka Nuclear Power Station, as well as to increase communication and exchange opinions. At the same time, we continue our activities to listen to the voice of local residents and respond earnestly to their concerns, questions and opinions.



Visiting local residents to increase communication



Opinion-exchange meetings



Power plant "caravans"

### Visiting local residents to increase communication

We value the activity of visiting local residents to increase communication, in which employees of the power station visit local residents door-to-door in order to hold dialogue with as many people as possible.

Households visited  
**84,000**  
In the 3rd round

### Opinion-exchange meetings

We hold an "opinion-exchange meeting" on a continuous basis in which we discuss with a small number of people about the concerns local residents may hold about our safety measures and other energy issues.

Number of meetings held  
**89**  
Number of participants  
**1,831**  
(fiscal 2017 results)

### Power plant "caravans"

We send a power plant "caravan" team every month to a booth we set up in shopping centers or local events where many local people gather, for the purpose of providing explanations to local residents about the need for nuclear power generation and the measures of safety improvement at the power station.

Number of times held  
**25**  
Number of people spoken to  
**2,178**  
(fiscal 2017 results)

## T O P I C

### Reprocessing of irradiated nuclear fuel and disposal of high-level radioactive waste

The purpose of the reprocessing plant of Japan Nuclear Fuel Ltd. is to produce new energy resources from irradiated nuclear fuel. Examination of new regulatory standards is being steadily advanced in preparation for the completion of its construction. Chubu Electric Power is continuing to provide support for the advancement of the nuclear fuel cycle.

Moreover, the business of disposing high-level radioactive waste generated in the course of reprocessing is being advanced primarily by the Nuclear Waste Management Organization of Japan (NUMO), which is the main implementing body. In fiscal 2015, new fundamental

guidelines based on the Final Disposal Act were established by cabinet decision, and it was determined that the country would take the lead in making these efforts. In order to make the people of Japan aware of deep geological repositories and increase their understanding of them, the map of scientific features in the region was publicized in July 2017.

As a generator of high-level radioactive waste, a byproduct of nuclear power generation, our company will also continue to actively undertake efforts such as those listed above to promote understanding about deep geological repositories.

# Overview of Business Activities (Value Chain)



## Origin of fuels

LNG	Qatar
	Australia, etc.
Coal	Indonesia
	Australia, etc.

## JERA

### Development / procurement / transportation

Development	No. of upstream investments	5
Procurement	Volume of LNG transacted	35 million tons
Transportation	No. of LNG vessels	16

## Power Generation Company

### Fuel consumption

LNG	11.20 million tons
Coal	11.09 million tons
Biomass	50,000 tons

### Electricity generated

Hydro	8.5 billion kWh
Thermal	108.0 billion kWh
New energy	50 million kWh

## Nuclear power

## Associated Companies ● 34 consolidated subsidiaries

Fuel and Power Generation Business (1 in total)  
© JERA Co., Inc.

### Energy Business (8 in total)

- C Energy Co., Inc.
- CEPO Handa Biomass Power Generation Co., Inc.
- CS-Aqua Co., Ltd.
- Minami Enshu Pipeline Co., Ltd.
- Central LNG Marine Fuel Japan Corporation
- Central LNG Shipping Japan Corporation
- Nakao Geothermal Power Company, Incorporated
- Aichi Clean Energy Co., Ltd.

### IT/Telecommunications (5 in total)

- Chuden CTI Co., Ltd.
- Chubu Telecommunications Co., Inc.
- Community Network Center Inc.
- Omaezaki Cable Television
- CHUBU CABLE NETWORK COMPANY, INCORPORATED

### Construction (9 in total)

- Chubu Plant Service Co., Ltd.
- C-TECH CORPORATION
- TOENEC CORPORATION
- TOENEC Service Co., Ltd.
- TOENEC CONSTRUCTION (SHANGHAI) CO., LTD.
- Asahi Synchrotech Co., Ltd.
- TOENEC (THAILAND) CO., LTD.
- TOENEC PHILIPPINES INCORPORATED
- PT. ASAHI SYNCHROTECH INDONESIA

### Manufacturing (6 in total)

- CHUBU SEIKI Co., Ltd.
- TOKAI CONCRETE INDUSTRIES Co., Ltd.
- AICHI KINZOKU KOGYO Co., Ltd.
- AICHI ELECTRIC Co., Ltd.
- Chubu Liquid Oxygen Co., Ltd.
- Chita Tansan Co., Ltd.

### Transportation (2 in total)

- Chuden Transportation Service Co., Ltd.
- SHIN-NIHON HELICOPTER Co., Ltd.

### Real Estate (1 in total)

- Chuden Real Estate Co., Ltd.





Hydroelectric power station

Load dispatching

Chubu Electric Power

## Power Network Company

### Transmission/distribution facilities

Transmission line **12,200** km  
No. of substations **937**  
Distribution line **134,297** km

## Customer Service & Sales Company

Electric power sold **125.3** billion kWh  
Gas / LNG sold **860,000** tons

CO<sub>2</sub> emissions  
**57.85**  
million tons

Industrial waste  
Amount produced:  
**1,412,000**  
tons  
Landfill waste:  
**13,000**  
tons

Note: All figures are actual results of FY2017.

© 31 affiliates accounted for under the equity method

Total 65 (As of June 1, 2018)

### Services and Others (33 in total)

- Chuden Auto Lease Co., Ltd.
- Chubu Cryogenics Co., Ltd.
- Chuden Wing Co., Ltd.
- CHUDEN BUSINESS SUPPORT Co., Ltd.
- Chuden Haiden Support Co., Ltd.
- CEPCO-R LLC
- Chita L.N.G. Co., Ltd.
- necolico LLC
- Techno Chubu Co., Ltd.
- Chuden Disaster Prevention Co., Ltd.
- CHUDENKOGYO Co., Ltd.

- Diamond Power Corporation
- Chita Berth Co., Inc.
- Chubu Electric Power & MUL Germany Transmission GmbH
- AOYAMA-KOGEN WIND FARM CO., LTD.
- Saku Ohisama Solar Power Limited Business Partnership
- Chubu Eco Solution LLC
- FILLTECH CORPORATION

- ◎ Nagoya City Energy Co., Ltd.
- ◎ e-Kurashi Co. Ltd.
- ◎ C&M Renewable Energy LLC
- ◎ CD Energy Direct Co., Ltd.
- ◎ Miyako Kuzakai Solar Park LLC
- ◎ Aichi Kinuura Bio K.K.
- ◎ Hamamatsu D.H.C. Co., Ltd.
- ◎ Nagoya Energy Service Co., Ltd.
- ◎ Centrair Energy Supply Co., Ltd.
- ◎ KASUMI BERTH CO., INC.
- ◎ Tahara Solar Co., Ltd.

- ◎ Ogaki School Lunch Support Co., Inc.
- ◎ Diamond Germany 1. Transmission GmbH
- ◎ Diamond Germany 2. Transmission GmbH
- ◎ PFI Toyokawa Hoisaijiyo Co., Ltd.



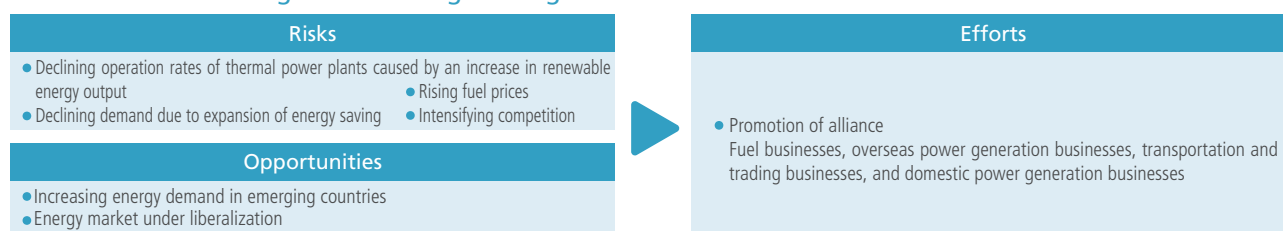
Fuel businesses  
Power generation/energy infrastructure businesses



Photo: Chevron Australia

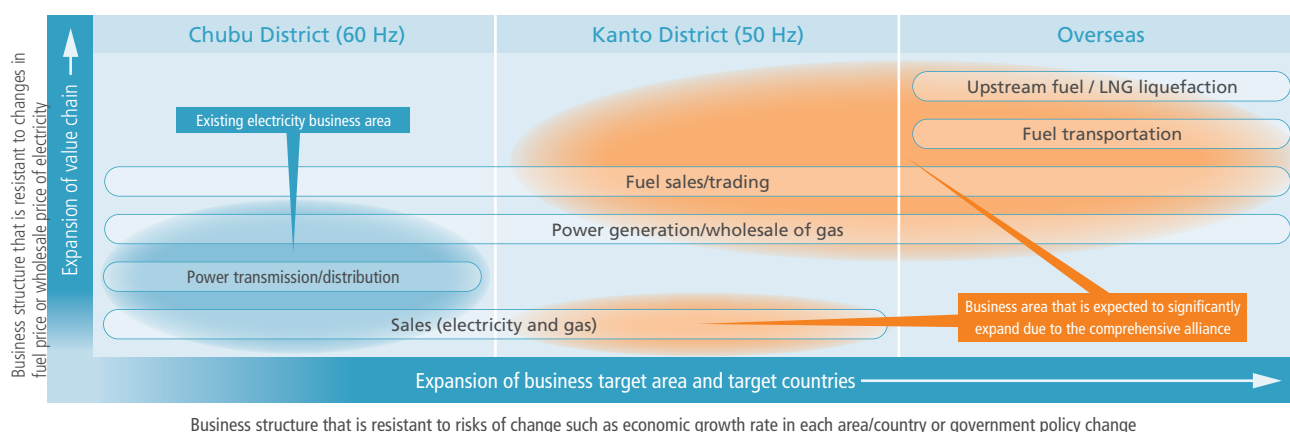
JERA has grown to become a global energy company that can actively compete with competitors in the international energy market. JERA will continue to make full use of its international competitive advantage to stably supply energy, while also seeking to increase the corporate value of the Group.

### Efforts toward realizing JERA's management goals



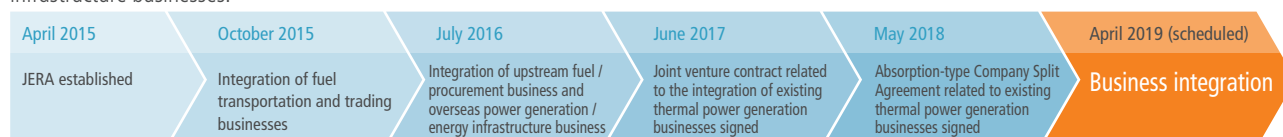
### Strategic significance of comprehensive alliance

As a result of the comprehensive alliance between Chubu Electric Power and TEPCO Fuel & Power (hereafter "TEPCO FP"), JERA is able to both expand its value chain and business scale (both domestic and overseas) within a short period of time and establish businesses that produce stable profits even in a business environment where risks of market fluctuation and the government policy change prevail.



### Roadmap to integration into JERA

As a result of the integration of existing thermal power generation business and other businesses into JERA that is scheduled for April 2019, the continuous value chain from upstream fuel investment (such as the development of oil fields) and fuel procurement to power generation and wholesale of electric power and gas will be complete. Furthermore, JERA will aim to accelerate growth in all our business domains and become a truly global energy company group by maximizing the synergy of our already integrated fuel businesses and overseas power generation and energy infrastructure businesses.

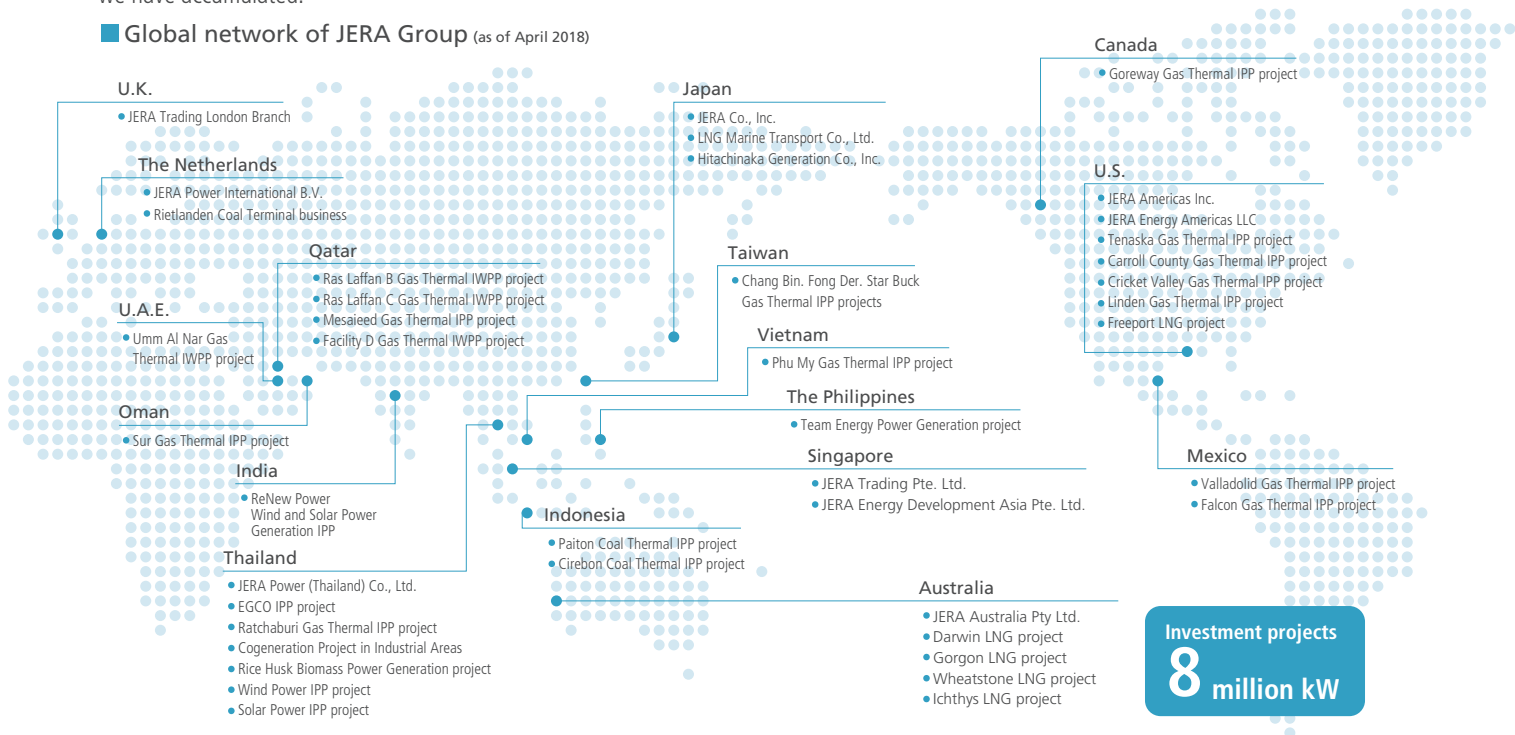




## Global business developments

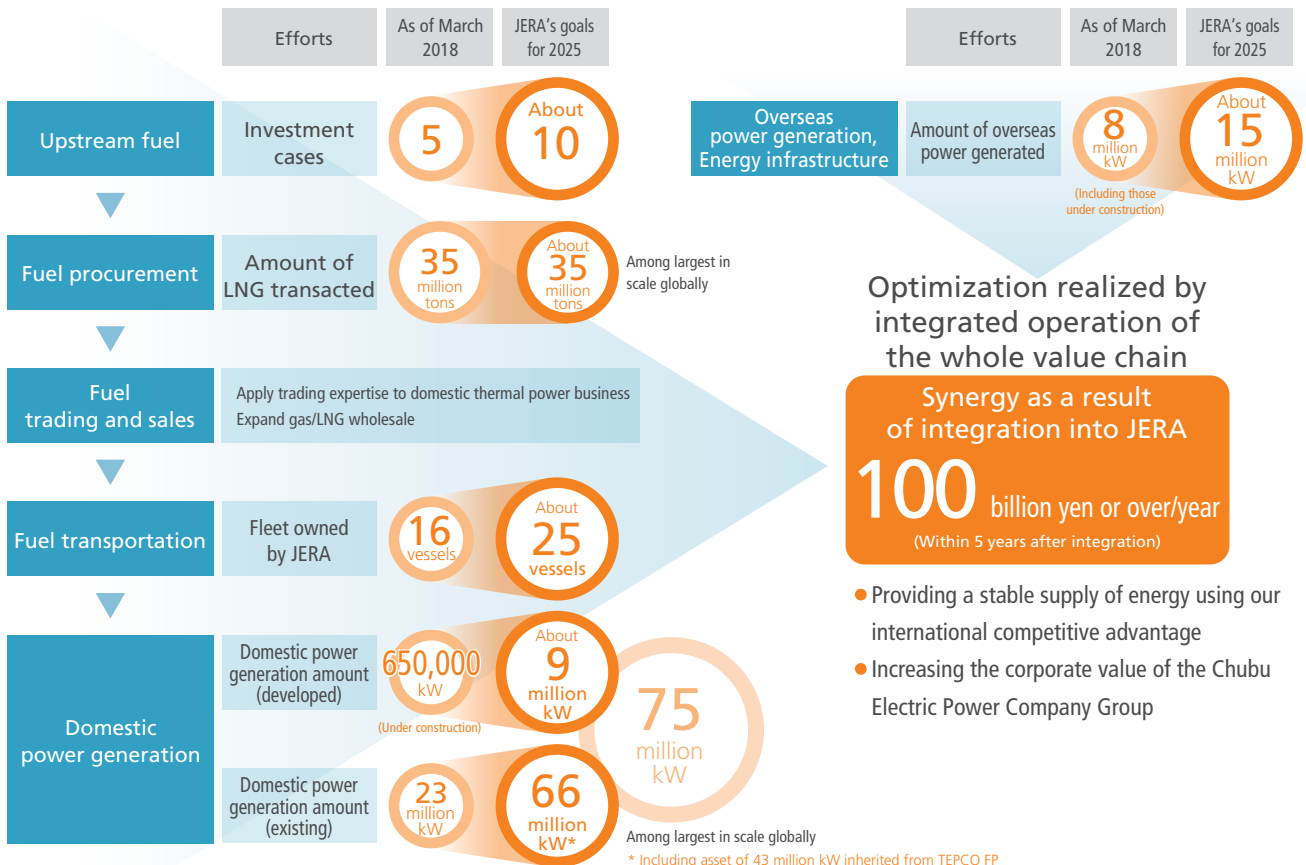
We continue to undertake the challenge of expanding our business domains overseas by capitalizing on management resources and expertise we have accumulated.

### Global network of JERA Group (as of April 2018)



## Acceleration of growth after completion of the value chain

To make full use of the advantages of the integrated value chain, not only will different functions of business development within JERA such as sales, procurement and O&M (operation and maintenance) play their respective roles, but also seek to enhance the synergy of all of the individual functions towards the goal of total optimization in order to increase revenues.





# Power Generation Company

Thermal power generation and renewable energy power generation businesses

**We endeavor to achieve continuous growth by realizing the optimum power supply portfolio**



**Satoshi Onoda** President  
Power Generation Company

The Power Generation Company is currently in the process of solving various issues toward the integration of our existing thermal power generation business into JERA. We are making full preparations to ensure a smooth business start in April 2019.

Additionally, we aim to optimize our power supply portfolio seeking sustainable growth of the company. In order to secure a necessary amount of generated electric power while using optimum power sources efficiently, it is important to realize high efficiency and downsizing of thermal power generation facilities, as well as to expand utilization of renewable energy.

As for thermal power generation, Taketoyo Thermal Power Station Unit 5 is currently under construction as a highly efficient coal thermal power generation facility that will serve as an

affordable and stable base load power supply. With regard to hydraulic power generation, we are conducting restoration works at our existing hydraulic power stations which will increase the amount of power generated in addition to the development of new run-off-river plants, Seinaiji and Abekawa hydraulic power stations. Furthermore, we are focusing our efforts on the expansion of renewable energy, an example of which is the start of construction of the Yokkaichi biomass power generation facility as the company's first 100 percent biomass combustion plant.

We regard the liberalization of the market as an opportunity, and shall actively pursue profit increase by expanding our market share and creating new businesses by utilizing existing assets.

## Efforts toward realizing what we aim for

Risks
<ul style="list-style-type: none"> <li>● Sluggish growth of electric power demand due to declining population, slowdown of economic growth and other factors</li> <li>● Decreasing amount of electric power generated as a result of intensifying competition with other power generation business operators</li> <li>● Increased development risks of power generation plants as a result of stricter environmental regulations</li> </ul>
Opportunities
<ul style="list-style-type: none"> <li>● Electric power sales within and beyond the region using the Electric Power Exchange and over-the-counter transactions as a result of the liberalization of the market</li> <li>● Increasing social interest toward realization of a low-carbon society</li> <li>● Utilizing existing assets and proprietary technologies in businesses outside of the conventional electric power business</li> </ul>



Efforts
<ul style="list-style-type: none"> <li>● Strengthening the business base through improvement of the power supply portfolio</li> <li>● Actively increasing renewable energy</li> <li>● Increasing market share by using the Electric Power Exchange and over-the-counter transactions, as well as by selling electric power outside the region</li> <li>● Creating new businesses beyond the business domain to become a new pillar of revenues</li> </ul>

## Targets

### Definite implementation of the development of new power sources

- 2020: Yokkaichi biomass power generation facility
- 2021: Kurokawadaira Hydroelectric Power Station
- 2022: Taketoyo Thermal Power Station Unit 5
- 2022: Seinaiji Hydroelectric Power Station
- 2022: Abekawa Hydroelectric Power Station

### Increase of renewable energy

	FY2017		FY2022
● Wind power generation	172,000 kW	➡	176,000 kW
● Solar power generation	239,000 kW	➡	425,000 kW

・ Total capacity of the entire Group (including capacity for joint projects based on the equity ownership)



## Optimization of our power supply portfolio

To deliver a more affordable power supply, we are actively working to reduce fuel costs by improving the thermal efficiency of thermal power plants. In 2017, we succeeded in increasing the overall thermal efficiency of thermal power plants to 48.94% (lower heating value basis<sup>\*</sup>) as a result of our efforts including the commencement of operation of the Nishi-Nagoya Thermal Power Station Unit 7, which has the highest thermal efficiency in the world. This has enabled us to maintain the top level of efficiency in the country. We also endeavor to increase renewable energy sources in order to promote the reduction of CO<sub>2</sub> emissions, aiming to realize optimum power supply portfolio.

<sup>\*</sup> Calculation method of thermal efficiency that does not include evaporation heat from steam generated from combustion of fuel.

### Development of Taketoyo Thermal Power Station Unit 5

Taketoyo Thermal Power Station Unit 5 is a highly efficient coal thermal power generation facility that utilizes the highest level of technology presently available. As a base load power supply facility, the power station realizes a stable supply of power on a long-term basis while at the same time, reducing the costs of power generation. Moreover, we strive to reduce the environmental load by utilizing mixed combustion of wood biomass fuel and highly efficient exhaust gas treatment equipment.

We have shut down and dismantled the oil thermal power generation facilities that had been in service for over 40 years, and the new power station is currently under construction on the same premises.

**Reducing CO<sub>2</sub> emissions by approximately 900,000 tons annually by utilizing mixed combustion of wood biomass fuel\***

<sup>\*</sup> Compared to 100% coal combustion



Taketoyo Thermal Power Station Unit 5 (1.07 million kW output)

### Active expansion of renewable energy

Our company actively addresses expansion of renewable energy in order to contribute to the improvement of energy self-sufficiency rate and CO<sub>2</sub> reduction.

#### Hydroelectric power generation

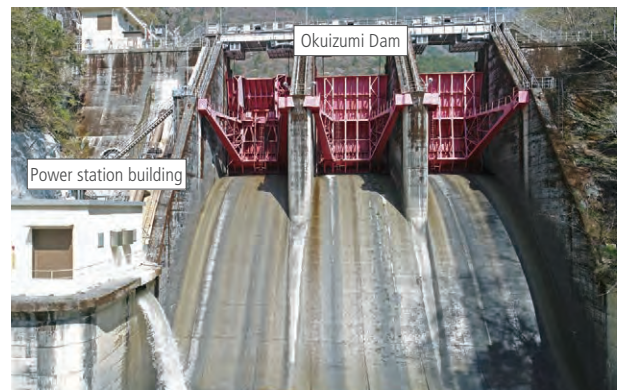
Hydroelectric power plants generate a stable amount of electricity, therefore we will continue to develop conventional and regular water-flow release hydroelectric power plants.

We are also committed to increasing the amount of power generated by the existing hydroelectric power plants.

Key point

#### What is a regular water-flow release hydroelectric power plant?

A regular water-flow release hydroelectric power plant is a type of hydroelectric power plant that utilizes volumes of water discharged from the dam for protection purposes of the riparian environment downstream of the dam. This type of power plant maximizes the use of the water resources without causing adverse effects on the downstream environment.



Full view of the Shin-Okuzumi Hydroelectric Power Station



Mega Solar Kawagoe

#### Wind, solar, biomass and geothermal power generation

We are propelling research regarding the development of renewable energy power supply through Group-wide efforts as well as joint projects with other corporations.

## Development of a biomass power generation facility at the Yokkaichi Thermal Power Station

We are currently developing our company's first 100-percent wood biomass power generation facility at the Yokkaichi Thermal Power Station as part of our efforts toward developing environment-friendly renewable energy.

This new facility (49,000 kW output) using wood pellets and palm shells as fuel is expected to reduce approximately 160,000 tons of CO<sub>2</sub> emissions annually.



Wood pellets



Palm shells

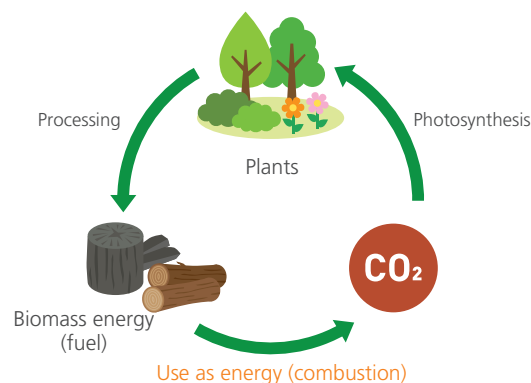
### Key point

### Benefits of wood biomass fuel

Combustion of wood produces CO<sub>2</sub> emissions. However, through afforestation efforts following the cut down of trees, the CO<sub>2</sub> emissions generated through combustion will be absorbed again.

Using wood for energy production does not affect the CO<sub>2</sub> concentration in the air, thus it is "carbon-neutral" and contributes to the prevention of global warming.

**Reduction of CO<sub>2</sub> emissions by approximately 160,000 tons annually**



## LNG bunkering

In light of the tightening of regulations of sulfur oxide (SO<sub>x</sub>) emissions from ships starting in 2020, we expect an increase in the number of ships using LNG (liquefied natural gas) as a cleaner fuel compared to heavy oil.

We will undertake the expansion of the LNG bunkering business as a new pillar of gaining revenues by providing LNG fuel to ships in port.

As a first step, we seek to build and expand the business in the Ise Bay and Mikawa Bay with Kawagoe LNG Terminal as the bunkering base.

### Established joint ventures to propel the LNG bunkering business in May 2018

#### ● Joint ventures

Central LNG Marine Fuel Japan Corporation  
Central LNG Shipping Japan Corporation

#### ● Joint partners

Kawasaki Kisen Kaisha, Ltd.,  
Toyota Tsusho Corporation, and  
Nippon Yusen Kabushiki Kaisha

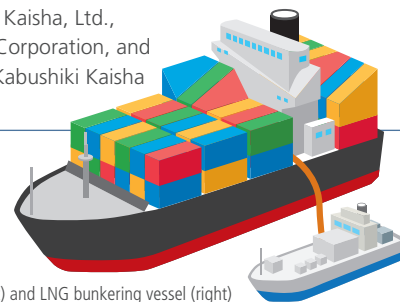


Image of a LNG fuel ship (left) and LNG bunkering vessel (right)

## T O P I C

### Established the world record of thermal efficiency —Achieving 63.08% thermal efficiency—

Our company and Toshiba Energy Systems & Solutions Corporation achieved 63.08%\* thermal efficiency, the highest rate in the world as a combined cycle power generation facility at the Nishi-Nagoya Thermal Power Station Unit 7-1 that started operation in September 2017.

We will continue our efforts to supply energy in a more stable and safe manner through the use of power generation technology enabling high efficiency, and make contributions towards the realization of a low-carbon society.

\* As of March 2018



President Katsuno (left) and  
President Tsunakawa of Toshiba (right)



Conducting feasibility studies of ocean-based wind power business development in the Akita Prefecture jointly with other businesses 145,000 kW (estimate)

## Map of power stations

We will develop renewable energy power sources without being limited to the Chubu district

- Thermal power station (not including internal combustion power)
- Thermal power station (under construction)
- Hydroelectric power station (50,000 kW or over)
- New energy power station
- Major new energy power station (operated by Group companies)



Okumino Hydroelectric Power Station  
1.5 million kW  
Second largest in Japan\*



Kawagoe Thermal Power Station  
4.8 million kW  
4th largest in Japan\*

Shin-Aoyama-kogen Wind Power Station  
Aoyama-kogen Wind Farm Co., Ltd.

Taki Biopower  
Chubu Plant Service Co., Ltd.



Nishi-Nagoya Thermal Power Station  
2,376.4 million kW  
Highest thermal efficiency in the world (63.08%)\*\*



Mega Solar Shimizu 8000 kW



Omaezaki Wind Power Station  
22,000 kW

Power generation facilities (as of the end of March 2018)	
Thermal power station (not including internal combustion power)	10 locations 25,470 MW
Hydroelectric power station	197 locations 5,459 MW
New energy power station	4 locations 39 MW

\* As of the end of March 2017  
\*\* As of March 2018

## Efforts made by Group companies

Companies in the Chubu Electric Power Group are working together to develop renewable energy including solar and biomass power generation. Among others, C-TECH Corporation and Aoyama-kogen Wind Farm Company are engaged in wind power generation business in Tsu City and Iga City in Mie Prefecture.

Wind power generation does not have concerns over depletion of its energy source: it is a clean energy producing no CO<sub>2</sub> emission with minimum environmental load. Energy loss due to transportation is also minimum because wind power plants are geographically-distributed and close to each area of demand.



### C-TECH Corporation

Wind Park Hisai-sakakibara (3,000 kW)  
Wind Park Misato (16,000 kW)  
Wind Park Kasatori (38,000 kW)

### Aoyama-kogen Wind Farm Co., Ltd.

Aoyama-kogen Wind Power Station (15,000 kW)  
Shin-Aoyama-kogen Wind Power Station (8,000 kW)



### Chubu Plant Service Co., Ltd.

Taki Biopower (7,000 kW)



# Power Network Company

Providing electric power network services

We deliver high-quality electricity in a safe, affordable and stable manner, and create new value utilizing our resources.



**Yaoji Ichikawa** President  
Power Network Company

In a changing business environment starting with the legal unbundling of the power transmission/distribution sector in 2020, our mission to deliver high-quality electricity in a safe, affordable and stable manner that forms the basis of the power transmission/distribution business remains the same. Due to the introduction of renewable energy, output fluctuations are expected to increase in the coming years. However, we strive to realize a stable power supply in the new era through flexible voltage and power flow controls using IoT, as well as expansion of available transmission capacity.

Electricity demand is expected to become sluggish in the future. We are currently strengthening our relationships within and beyond our company to review our optimal portfolio of affordable facilities, including those of other electric power

utilities coexisting in the Chubu area, without lowering our facility operation ratio based on the future outlook of supply and demand structure.

Improvement of productivity is another issue in the company. Currently we are in the process of delving into further opportunities to improve efficiency by introducing the Toyota Production System in all the divisions to promote "Kaizen" of the work process from a different viewpoint.

The key word in today's business is "Connect." We believe that being connected to all stakeholders will be increasingly important. As an infrastructure service operator, we will continue to pursue provision of services that are useful to local communities and connect them to our "New Value" by utilizing the resources we possess.

## Efforts toward realizing what we aim for

Risks
<ul style="list-style-type: none"> <li>● Sluggish growth of electric power demand due to declining population, slowdown of economic growth and other factors</li> <li>● Bidirectional flow of electricity as a result of mass connection of renewable energy</li> <li>● Emergence of a new supply model where local production and consumption of electricity will occur with small scale distributed power supplies</li> </ul>
Opportunities
<ul style="list-style-type: none"> <li>● Increasing connection needs of renewable energy</li> <li>● Advancement of next generation technology such as IoT and AI</li> <li>● Diversifying needs in relation to energy as a result of digital society</li> </ul>



Efforts
<ul style="list-style-type: none"> <li>● Efforts to accommodate the introduction of renewable energy</li> <li>● New business development</li> <li>● Improving management efficiency toward reinforcement of business base</li> </ul>

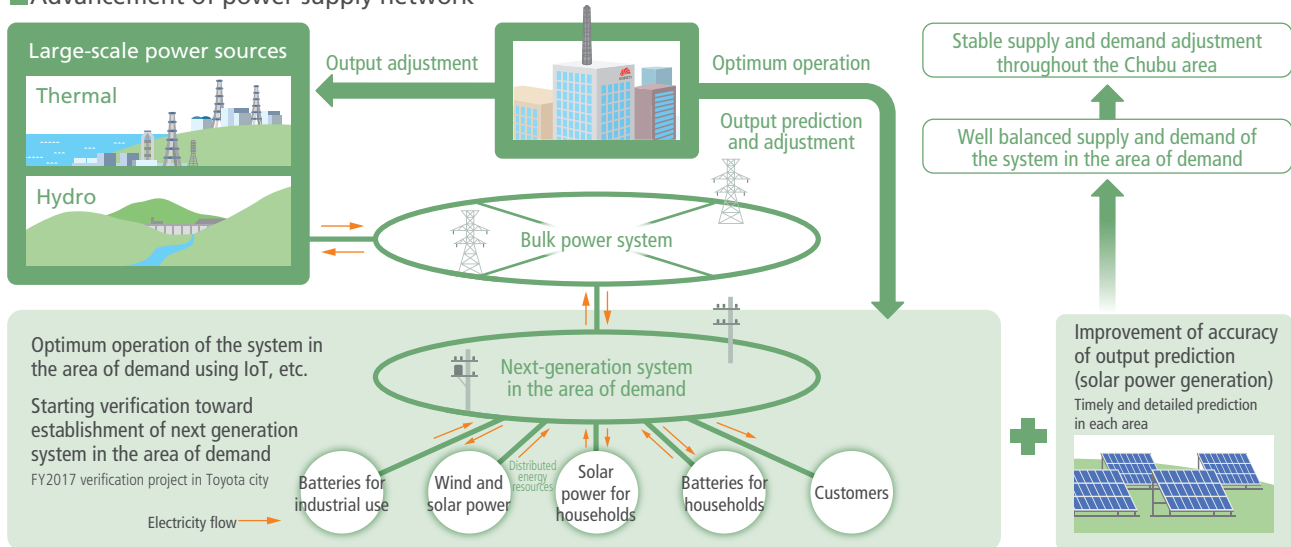
Targets	
<b>Reliability of supply</b> <ul style="list-style-type: none"> <li>● Become a leading company both within Japan and worldwide with regards to providing stable electricity supply (maintain the lowest level of frequency and duration of power outage per customer).</li> </ul>	<b>Wheeling fees</b> <ul style="list-style-type: none"> <li>● Realizing Japan's best wheeling price in each voltage class</li> </ul>



## Efforts made towards the increase of renewable energy

With regard to output fluctuations of renewable energy power supply facilities that are installed in distributed regions, we take measures to increase the accuracy of output predictions and utilize next generation technology including IoT in order to implement optimum operation of the system in the area of demand. Additionally, we will combine them with large-scale power sources in the bulk power system to ensure stable power supply throughout the Chubu area. For further increase of utilization, we will actively use Connect & Merge\* so as to increase the availability of transmission lines for connection.

### Advancement of power supply network



\* A system that will grant permission for connection of renewable energy, etc. based on certain conditions while making maximum use of existing transmission and substation facilities. It will enable many more power sources to be connected and help reduce construction work cost required for connection. We are in the progress of implementing this system.

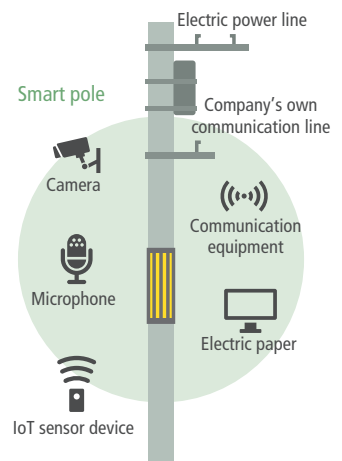
## New business development

We will continue to create and develop new businesses by capitalizing on the resources possessed by the Power Network Company and our associated companies.

### Smart pole

We will provide new services through connection with local communities and customers by installing ICT devices such as sensors and communication equipment on utility poles.

**Anti-crime and surveillance service: To commence in Summer 2018.**



### Business factory

We are also addressing open innovation, enabling us to connect to technologies and ideas of venture companies, universities and research institutes leading to further effective use of our facilities.

#### Facilities and information possessed by the power transmission/distribution sector

- Transmission/distribution facilities including utility poles, iron towers and communication lines
- Expertise regarding the operation of our facilities 24 hours a day, 365 days a year
- Development of business to provide support throughout the Chubu area



## Improving management efficiency for reinforcement of business base

Should the usage rate of our existing facilities fall in the future due to sluggish power demand growth and mass connection of renewable energy power sources, we will strive to achieve the best reasonable formation, maintenance and operation of the facilities and improve business efficiency based on the premise of stable power supply and ensuring public safety.

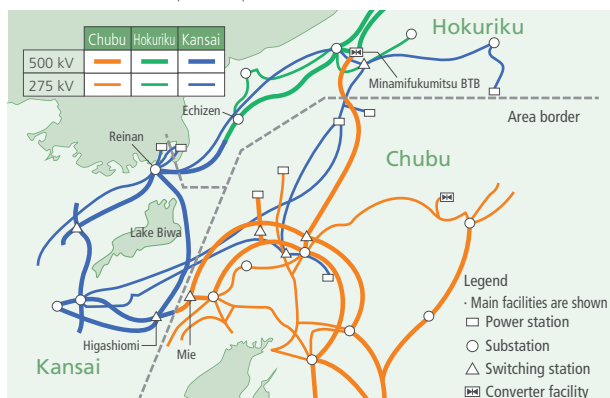
### Further improvement of efficiency by cooperating with other companies

Reinforcement of connections between our system with those of other utilities has always been an important issue for us as a means to ensure supply stability and to conserve extra transmission capacity.

Since June 2017, in an effort to achieve further improvement of efficiency in mutual cooperation with Hokuriku Electric Power Company and Kansai Electric Power Company, we have been reviewing and exchanging opinions regarding the optimum formation of facilities in areas where there is a mix of transmission facilities among the 3 companies. Furthermore, the nine electric power companies including our company (excluding Okinawa Electric Power Company) are jointly reviewing and discussing the adjustment of power supply and demand covering a wide area.

#### Optimization of facility formation

Optimization of power transmission facilities is under review in the areas with mixed facilities of Chubu, Hokuriku and Kansai electric power companies.



### Establishing a next-generation system in areas of high demand

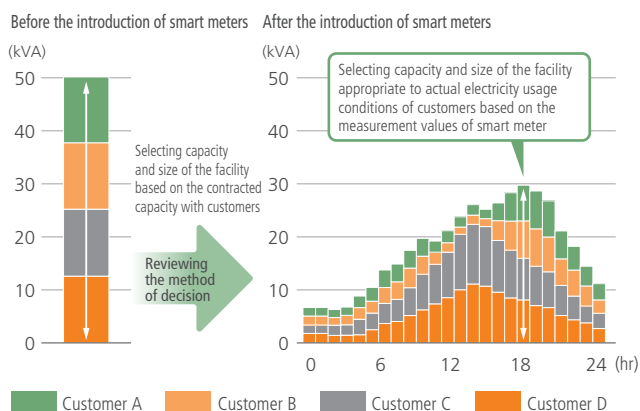
In order to adjust the electric current and voltage that will fluctuate as a result of mass connection of renewable energy sources, it will become necessary to install next-generation distribution facilities and refine the operation of the systems. Gradual preparations are currently underway.

One example of such preparation is to understand the actual conditions of electricity usage by customers in real time using the measurement values obtained by smart meters. This will enable us to install appropriate distribution facilities according to the demand, and enable us to achieve an increase in the efficiency of our facilities, as well as reduce equipment costs.

#### Number of smart meter units installed

2.9 million units at the end of March 2016 → 4.38 million units at the end of March 2017

#### Method to decide capacity and size of facility



### Introduction of Toyota Production System

The Power Network Company has introduced the Toyota Production System by appointing Mr. Susumu Uchikawa, Honorary Advisor of Toyota Motor East Japan, Inc. as advisor in April 2017. We are strongly promoting "Kaizen" activities by setting challenging objectives in each theme (tripling productivity) and making company-wide efforts. We aim to start full-scale review of all the main business operations by 2020 in order to achieve remarkable "Kaizen" of business.

These activities are monitored periodically in a "productivity improvement meeting" with the company president and heads of different divisions as members.



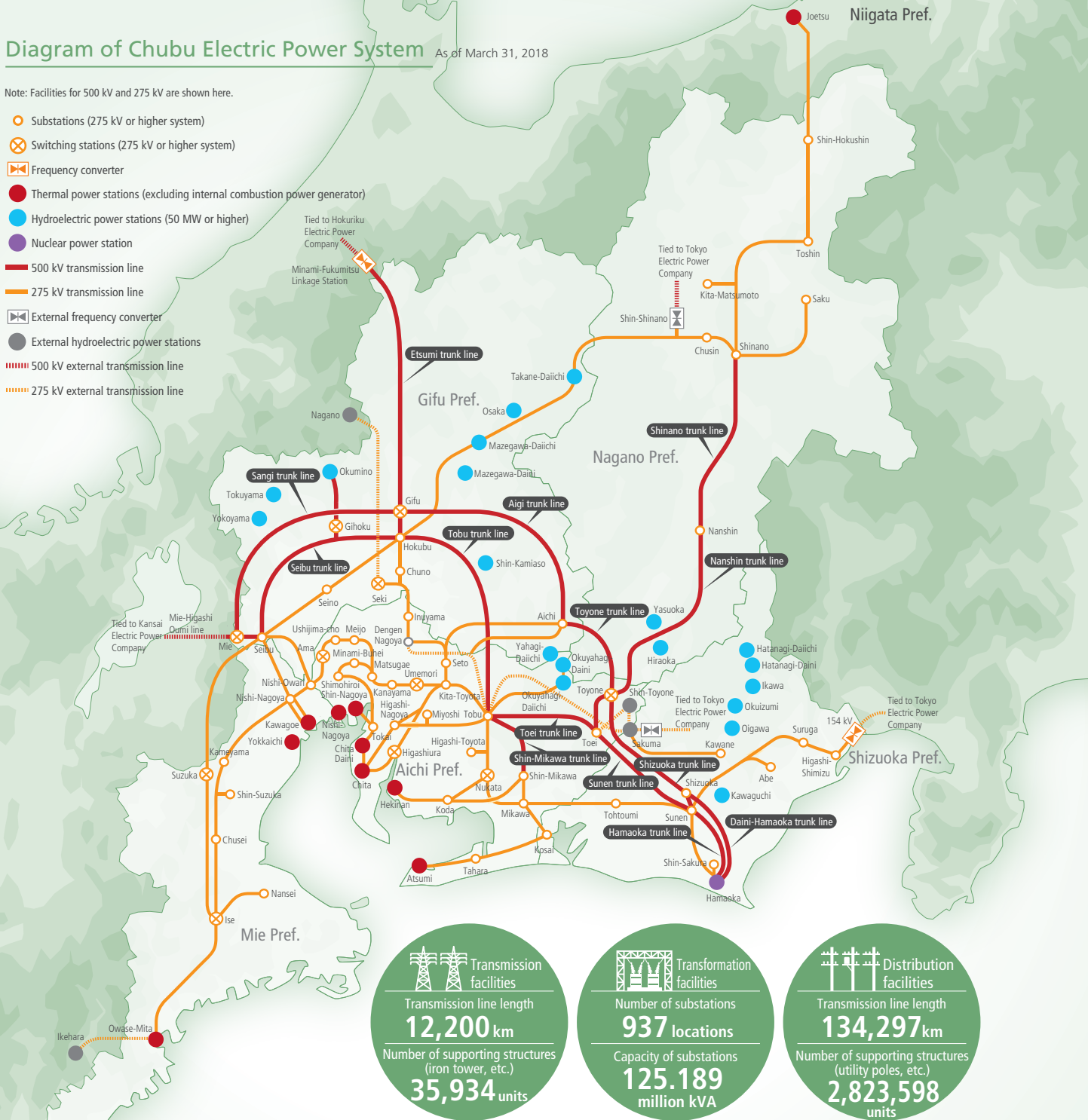
On-site inspection of exchanging work of padmounted transformer



## Diagram of Chubu Electric Power System As of March 31, 2018

Note: Facilities for 500 kV and 275 kV are shown here.

- Substations (275 kV or higher system)
- ⊗ Switching stations (275 kV or higher system)
- ⏏ Frequency converter
- Thermal power stations (excluding internal combustion power generator)
- Hydroelectric power stations (50 MW or higher)
- Nuclear power station
- 500 kV transmission line
- 275 kV transmission line
- ⏏ External frequency converter
- External hydroelectric power stations
- 500 kV external transmission line
- 275 kV external transmission line



### Efforts made by Group companies

TOENEC Corp. engages in the fulfillment of its duty to prepare and establish social infrastructure facilities in the fields of energy, environment and information.

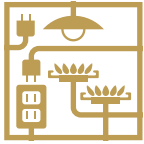
In construction works such as those of electric power supply facilities, TOENEC engages in the construction of power distribution routes and installation of underground distribution lines, with the aim of maintaining reliability of stable power supply.



Installation work of distribution lines

### Overseas businesses

- **Power transmission business**  
Submarine power transmission business for offshore wind power plants in Germany
- **Technical support service**  
Thailand: Maintenance service of 500 kV GIS (gas-insulated switchgear) for EGAT (Electricity Generating Authority of Thailand)  
Saudi Arabia: Deterioration inspection of GIS, etc.



# Customer Service & Sales Company

Development of a total energy service centered on gas and power

We endeavor to meet customer needs and expand our business areas while realizing further growth of the company.



**Kingo Hayashi** President  
Customer Service & Sales Company

The business environment of which we are a part of is becoming increasingly harsher following the full liberalization of the electric power and gas retail markets. In order for us to continue being chosen by our customers, we believe that delivery of total energy solutions using new technologies and provision of new services will be essential in addition to conventional electricity and gas supply.

To achieve this, we will strive to meet diversified customer needs through cooperation with various partners and also by utilizing our partners' expertise and customer base, together with the services and techniques we have developed along the way.

Moreover, we will pursue to expand our business area to the Greater Tokyo area though CD Energy Direct Co., Ltd., while continuing to be chosen by the customers in the Chubu region. By expanding our business domain including the increase in sales of gas and LNG, we endeavor to realize further growth of the company.

The Customer Service & Sales Company will continue to stand close to our customers, and will endeavor to understand the true needs of our customers in order to provide a wide range of services based on new ideas in a prompt manner.

## Efforts toward realizing what we aim for

Risks
<ul style="list-style-type: none"> <li>Customers switching suppliers due to the entry of new and other power supply companies</li> <li>Declining market prices</li> </ul>
Opportunities
<ul style="list-style-type: none"> <li>Sales beyond the Chubu region as a result of full liberalization of the retail market for electric power</li> <li>Sales within and beyond the region as a result of the full liberalization of the retail market for gas</li> </ul>



Efforts
<ul style="list-style-type: none"> <li>New services for customers</li> <li>Expansion of electric power supply business mainly to the Tokyo metropolitan area</li> <li>Gas sales to households</li> </ul>

Targets			
Electric power sold		Gas and LNG sold	
FY2017	Latter half of the 2020s	FY2017	Latter half of the 2020s
125.3 billion kWh	➔ Maintain 130 billion kWh per year	860,000 tons	➔ Increase to 3 million tons per year



## Providing new services

### Web services for households

カテエネ



The KatEne Service provides diverse contents that are useful to the lives of our customers, including visualization of actual usage of electricity and gas, and posts of useful information regarding energy-saving and daily life. Customers can accumulate "KatEne points" by viewing contents on the website. In addition, the new "family point discount" and "charge-linked point" services have been launched to help customers accumulate more points.

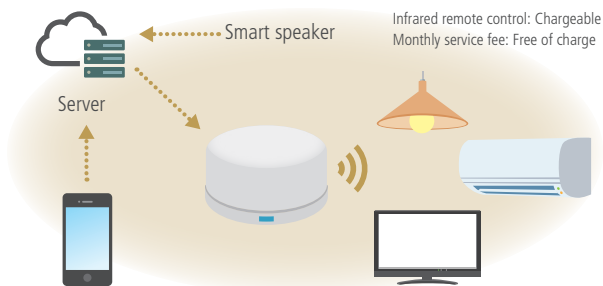
Number of subscribers (as of May 2018)  
**2.02 million** customers

ちょうどいい未来が、わが家にも。

## カテエネ コネクト

Under the concept of "the ideal future arriving at our home" we will increase the lineup of "KatEne connect" services that will provide new services by utilizing ICT and IoT to provide a more comfortable, convenient and secure life for customers.

The first service "Kokorimo" starts in early July 2018



With the "Kokorimo" service, users will be able to operate their air conditioning system and lighting systems currently under use in their households by using a smartphone application by firstly installing a dedicated infrared remote control system in their room. This service will also provide unique functions such as a pleasant sleep control for air conditioners as well as an estimate of electricity charges.

### 子ども見守りサービス どこニャン



The "DokoNyan" service provides accurate and real-time information on the current location and behavioral record of a child carrying a dedicated IoT terminal to the child's parent or guardian. By utilizing cutting edge technologies such as AI and IoT, we will contribute to enhancing the safety of our customers' lives.

A terminal price and monthly service fee will be collected.

### Web services for businesses

ビジエネ



Through further improvement of our services for corporate customers, we will help solve customers' business-related issues, including but not limited to energy-cost reduction.

### Developing total energy solutions

#### Energy solutions

Investigate wasted energy  
Propose reforms for the operation of facilities used, etc.

Number of proposals (since 2000)  
About **38,500**

#### Integrated development solutions

Improve quality and productivity while conserving energy  
Make detailed proposals of customer production lines

Number of accepted proposals (since 2012)  
About **86**

#### Overseas energy conservation support services

Develop "energy solution activities" for customer workplaces overseas

Number of proposals (since 2015)  
About **15**

## TOPIC

### Flash heater with thermoplastic CFRP\*

Our company and Yutaka Electronics Industry Company Limited were jointly awarded the "Technology & Development Award" at the Toyota Global Suppliers Convention held on February 23, 2018. We are the first electric power company to receive such honor.

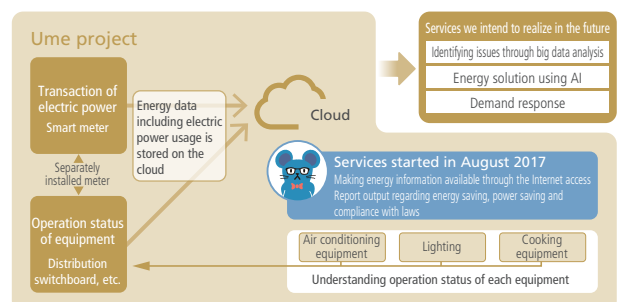


President Katsuno (right) given the award by President Toyoda of Toyota Motor Corporation (left)

\* CFRP (plastics reinforced with carbon fiber)

### Ume project

In August 2017, we started building a system to collect energy usage data using IoT with an aim of enhancing energy solution services targeting corporate customers such as restaurants, commercial facilities and offices.



## Providing energy services that continue to be chosen by customers

In the electricity and gas retail markets after liberalization, we strive to meet customer needs in a wide variety of ways as a leading total energy service company. Not only will we deliver stable and affordable energy but also expand the market by cooperating with companies in various business categories and industries.

### Electric power sales in Kansai Region

Commenced electric power sales in April 2018.

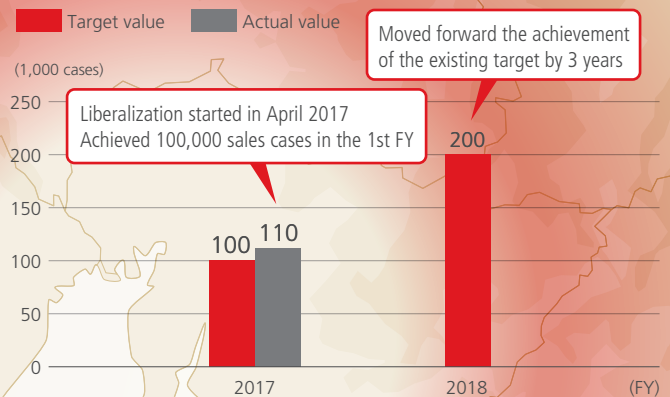
### KatEne gas plan for au

In June 2018, our company and KDDI Corporation (hereafter "KDDI") launched a new gas sales service in the area of gas supply conventionally covered by Toho Gas Co., Ltd.

- WALLET points will be granted if the customer signs contracts for gas purchase together with "au mobile phone" or "au Denki".
- We plan to launch a new electricity service that will combine our company's electric power supply and KDDI's communication service, etc. around summer 2018.



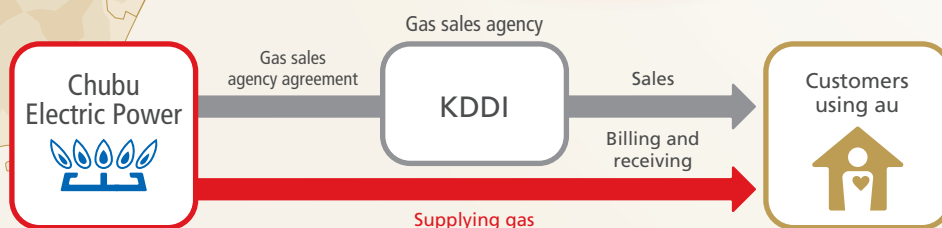
### Number of gas sale cases for ordinary households



### Reinforcement of gas sales for households in the Chubu area

Ever since our entry into the gas retail market in April 2017, we have been conducting direct sales as well as sales in cooperation with partners with well established customer bases in their respective regions.

We have increased the number of gas sales staff in February 2018, and will continue to reinforce sales activities by accelerating sales cooperation with other companies in various business categories and industries, thereby diversifying sales channels.



### Efforts made by Group companies

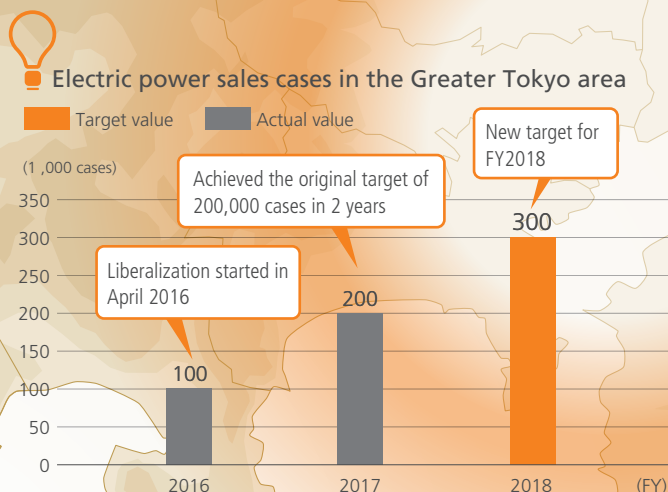
C Energy Co., Inc. engages in LNG and electric power sales and on-sight energy service businesses not only in the Chubu area but also in the Tokyo metropolitan area, providing one-stop solution to energy issues of customers. The company is also developing new markets for LNG sales by tanker shipping to regions without city gas pipeline networks in North Kanto and Hokuriku.

Actual sales: About 200,000 tons annually (with the operation of 52 tanker trucks in total loading at three bases; Joetsu, Kawagoe and Chita)



## Procurement of power sources

In addition to procurement from a Group company JERA, we flexibly procure power sources from the market and other companies to establish an optimum power supply portfolio.



## Expansion of electric power and gas sales in the Tokyo metropolitan area

In the Greater Tokyo market, which is large in scale with high prospects of growth, we operate our business through multiple sales channels, including direct sales, sales utilizing CD Energy Direct Co., Ltd. and other Group companies (Diamond Power Corporation and C Energy Co.), as well as sales through partner businesses.

Sales target for the latter half of the 2020s in the Tokyo metropolitan area (entire Chubu Electric Power Group)

Electric power About **30** billion kWh Gas About **1** million tons

## CD Energy Direct Co., Ltd.

Our company has jointly established a sales operation company involved in the fields of electric power and gas, as well as people's lives and businesses together with Osaka Gas Co., Ltd. in April 2018. By combining the management resources and expertise of both companies, we are now able to deliver a wider range of higher quality services to our customers.



Providing one-stop electric power, gas and value-added services that are optimized to meet customer needs

### Characteristics of the electric power business

Delivering stable electric power throughout the area regardless of varied intensity of demand



Management resources and expertise of  
**Chubu Electric Power**



Management resources and expertise of  
**Osaka Gas Co., Ltd.**



### Characteristics of gas business

Providing equipment and services through close contact points to customers while securing safety

Wider management resources and know-how for increasing customer value

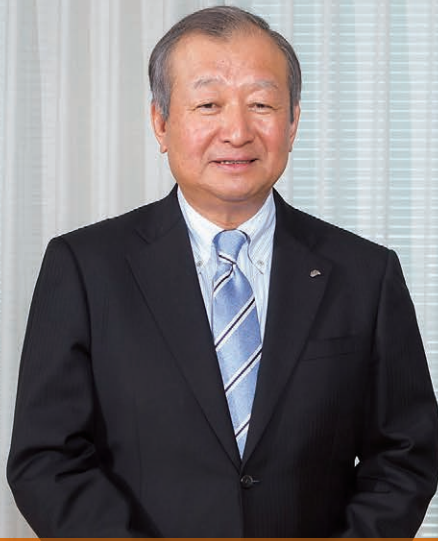
Evolving the expertise that each company has already started to develop

Connected services utilizing IoT

Community services in relation to energy

Next-generation community service





Takayuki Hashimoto

Director (external)



Akihisa Mizuno

Chairman of the Board  
of Directors

Naoko Nemoto

Director (external)

Chairman of the Board  
of DirectorsDiscussion on  
Governance

External directors

## Achieving continuous growth by **improving our corporate value through governance**

Chairman Mizuno discusses governance with two external directors as a means to enable continuous growth of the Chubu Electric Power Group.

### Improving the viability of the Board of Directors

**Mizuno:** The thing I am most concerned about at board meetings is to avoid using logic limited to our company. I am always conscious of how the policies and business activities of the Chubu Electric Power Group are perceived by our customers and the management of other companies. This is why we carefully consider people from many fields, such as management, law, finance and economy, and research organizations, and different

positions when selecting our external directors and auditors. The points made by our external directors and auditors, including yourselves, based on a wealth of experience are invaluable in deciding the direction of our company.

**Nemoto:** Based on my experience as an analyst, I believe that external investors may have concerns over the governance by the Chubu Electric Power Board of Directors due to the small number of external directors as well as Japan's unique system of using corporate auditors. However, during actual board

meetings, external directors and auditors actively participate in the discussions. Additionally, I can also say that there are no concerns because discussions are never cut short.

**Hashimoto:** I, too, initially thought that the board meetings at electric power companies were nothing but formalities, but I now feel that external opinions are sincerely accepted in discussions. I believe that this is due mainly to the leadership demonstrated by Chairman Mizuno and President Katsuno. There is never any contention between the

internal and external directors at board meetings and the atmosphere is very suitable for communicating.

**Mizuno:** One way we have improved the viability of board meetings is by reducing time for explanation of the agenda so that we can start essential discussions as quickly as possible. Time is limited and there just isn't enough time to discuss all items at the board meetings. As a means to solve this issue, for example, the Board of Directors has raised the monetary criteria of the items that will be discussed at board meetings, and has delegated the executives to discuss lower items.

**Hashimoto:** Yes, I did feel that there were quite a few items on the agenda when I first joined the board. Today, discussions at board meetings are centered on increasing corporate value by carefully selecting the items up for discussion.

**Nemoto:** The handouts are easier to understand, external directors are given explanations on management strategy and nuclear power generation soon after assuming office, and we receive updated information at regular information-sharing opportunities. Moreover, we are given the opportunity to tour power plants and talk with the employees working there, and this strong support helps us to better understand the contents of the business.

**Mizuno:** Discussions to improve the viability of board meetings, including the number of external directors and

auditors, will be indispensable before we spin off the transmission/distribution division in 2020. I hope that you will continue to voice your opinions.

### Our source of innovation is the diversity of our human resources

**Nemoto:** With respect to utilizing women employees, the Government Pension Investment Fund (GPIF) selected the ESG index MSCI\* Japan Empowering Women Index (WIN) in July 2017. Looking at the companies that make up that index, Chubu Electric Power was the top company among power companies. The fact that Chubu Electric Power has been empowering women for some time is bearing fruit. Before I joined the board, I thought of the electric power industry as an industry of men and I was surprised that so many women were working in power generation and transmission/distribution. However, although there are quite a few women in middle management, there is still a lack of women in top management.

**Mizuno:** We understand that electricity is closely tied together with how we live so we emphasize that the points of view of women concerning how it is used are indispensable. Because we have been proactive in empowering women for some time now, we have been able to increase the number of women in middle management. We are giving them more experience in middle management so that they can take up the challenge of joining top management. Additionally, we are recruiting people from fields and businesses outside the electric power industry because it is our hope that they can collaborate with our internally developed human resources to create a "chemical reaction."



**Hashimoto:** The year 2020 will be a chance to transform the company, but whether the Chubu Electric Power Group can continue to grow further in for example, 2030 and 2040 will depend on innovation. Innovation is born from discussions by people with diverse ways of thinking. This idea is not limited to the Board of Directors. One of the major challenges that the Chubu Electric Power Group faces in the future is assuring that it can acquire diverse human resources.

### The growth strategy for the Chubu Electric Power Group indicated in the Management Vision

**Mizuno:** Currently, we are not only considering the spinning off of our transmission/distribution division but also our sales division and our generation division, a part of which has already been integrated into JERA. Because of this situation, we revised our Management Vision for the first time in two years. There were two points to the revision. The first was that each business division would independently expand their businesses through their own efforts. The second was that they would contribute to social issues. Because of the increased interest in ESG management and SDGs, we have set the goal of becoming a company that provides not only energy but services with something extra. This is an initiative that we did not have before. Through this new Management Vision,



\* MSCI: Morgan Stanley Capital International, Inc., an American financial services company.

the entire Chubu Electric Power Group has a clear direction.

**Hashimoto:** With regard to the revision of the Management Vision, both Ms. Nemoto and I said quite a few things. For example, with respect to forming a new type of community, if an attempt is made to enter a new market in the greater Tokyo area and that attempt is successful, then that business model could be brought back to the Chubu region as reverse innovation. In April 2018 in the greater Tokyo area, Chubu Electric Power and Osaka Gas Co., Ltd. joined hands to create a sales company which will sell power and gas. Chubu Electric Power entered a business tie-up with the Internet Initiative Co., Ltd. to start a new company to provide an IoT services platform to households. A major point is how quickly these two companies can create new business models that use their services.

**Nemoto:** There are no companies that are comparable to those with the infrastructure to provide a stable supply of electricity. I feel that there are abundant possibilities that we can collaborate with to utilize that infrastructure. If we use our infrastructure and our customer information as a platform and create a new business

model on that platform, then we will be able to make a base for revenues in addition to our conventional role of contributing to society. I believe that this could be one specific part of our Management Vision.

**Mizuno:** The important thing is to refrain from making new companies with resources limited to those within our Group, but to create new businesses with partners that have different points of view.

### Promoting ESG management to increase corporate value

**Hashimoto:** The definition of governance which is an element of ESG management is “to continuously increase corporate value and contribute to society.” I believe there are two kinds of governance; i.e. “defensive” governance centered on compliance and “aggressive” governance that copes with changes in the business environment. I believe that “defense” is working sufficiently at Chubu Electric Power. However, there are issues with “aggressive” governance. We are faced with changes in the business environment that we have never faced before such as the full liberalization of the electricity and gas markets, the

restarting of nuclear power plants, and an increasing focus on the United Nations SDGs. Overcoming these changes will depend on how much we can voice our real opinions during our deliberations and make decisions to improve our corporate value. When we can do this is when we will be implementing “offensive” governance.

**Mizuno:** I believe that corporate value is the foundation of how we deal with the needs of stakeholders in ways that satisfy them. Even in our Initiatives to Address Management Challenges in order to achieve our Management Vision, we are saying, “We carry out business activities with awareness of ESG (environment, society, and governance), in order to increase our medium- to long-term corporate value and contribute to the sustainable development of society,” and thereby promoting ESG management that includes governance.

**Nemoto:** The Chubu Electric Power Group has been promoting ESG management from the past, such as by developing total energy solutions that support the energy conservation efforts of client companies, but we need to assert those efforts, even more, both inside and outside the company. For example, with respect to a low carbon

### Profiles of the Panelists



**Takayuki Hashimoto**

Honorary Executive Advisor  
IBM Japan Ltd.

Joined IBM Japan in 1978. He also worked at IBM in the U.S. He was the Managing Executive Officer, Senior Managing Executive Officer, President & Director, and Chairman of the Board of Directors of IBM Japan and started his current job in May 2017.



**Akihisa Mizuno**

Chairman of the Board of  
Directors  
Chubu Electric Power Co., Inc.

Joined Chubu Electric Power in 1978. He was also temporarily assigned to the Washington, D.C. office of the World Bank. After working as the Director & Executive Vice President, and President & Director, he was promoted to his current position in June 2015.



**Naoko Nemoto**

Economist  
Asian Development  
Bank Institute

Joined the Bank of Japan in 1983. After leaving the Bank of Japan, she went to the graduate school of the University of Chicago for her MBA. Joined Standard & Poor's in 1994. She was in charge of rating Japanese financial institutions as a managing director at S&P. Left S&P in March 2016 and started her current job in April of that year.



society, some European institutional investors believe that Japan will continue to depend on thermal power generation and that the percentage of non-fossil fuel power generation will not increase quickly. So, what should we do? We should explain that the Nishi-Nagoya Thermal Power Station has achieved the highest power generation efficiency in the world and that has been certified as a world record. I believe that asserting our world-class technology is one method.

**Mizuno:** We are aiming to achieve an optimum power generation balance based on the national government's S+3E\* energy-mix policy. Presently, our Hamaoka Nuclear Power Station is out of operation and the percentage of thermal power generation using fossil fuels is high. However, as Ms. Nemoto has pointed out, we have been carefully explaining to our stakeholders that we are reducing CO<sub>2</sub> emissions by improving the thermal efficiency of our thermal power plants.

### In order to achieve even more continuous growth

**Hashimoto:** It is certain that with this new Management Vision the Chubu

Electric Power Group will head towards future growth. Until now, we have been growing based on the strengths of our brand, our fund procuring ability, and our customer base. I personally think that an innovative company has the following three elements; agility, risk-taking, and innovation. Our biggest challenge in the future is how we add these three elements to our strengths. It is only natural for us to aim to achieve our Management Vision. However, we must also consider how we envision ourselves in 2030 and 2040, and use backcasting methodology to make more concrete plans for the Chubu Electric Power Group so that we can make even greater contributions to society.

**Nemoto:** The integration of our thermal power generation business into JERA and the separation of the transmission/distribution and sales divisions can create a major chance for us. When we consider the continuous growth of the Chubu Electric Power Group from the global point of view, using our advanced technology to find growth overseas, as is the case with JERA is a good strategy. In order to implement that strategy, we must develop new human resources as our businesses

globalize by sending employees with the necessary skills overseas from an early stage in order to let them gain experience and by hiring more foreign employees with previous work experience.

**Mizuno:** Thank you for your opinions. Based on the revised management vision, we have reviewed what values the Chubu Electric Power Group should provide to its customers and to society. We will make sure that we achieve continuous growth by making specific plans to realize our Management Vision and implementing them. I hope that both of you will continue to provide us with your frank opinions and ideas.

\* S+3E: The point of view that is the basis for the basic national energy plan that was adopted by the Cabinet in April 2014. The acronym refers to Safety + Energy security, Economic efficiency, and the Environment.



# Corporate Governance

## Corporate governance structure

In order to improve the viability of Chubu Electric Power's corporate governance and assure that business is conducted properly, the Board of Directors defined the internal control system as the system for ensuring proper conduct of business operations. Guided by this underlying principle, Chubu Electric Power strives to make this system work the way it was intended and, through that process, earn the trust of our stakeholders, including our shareholders and customers.

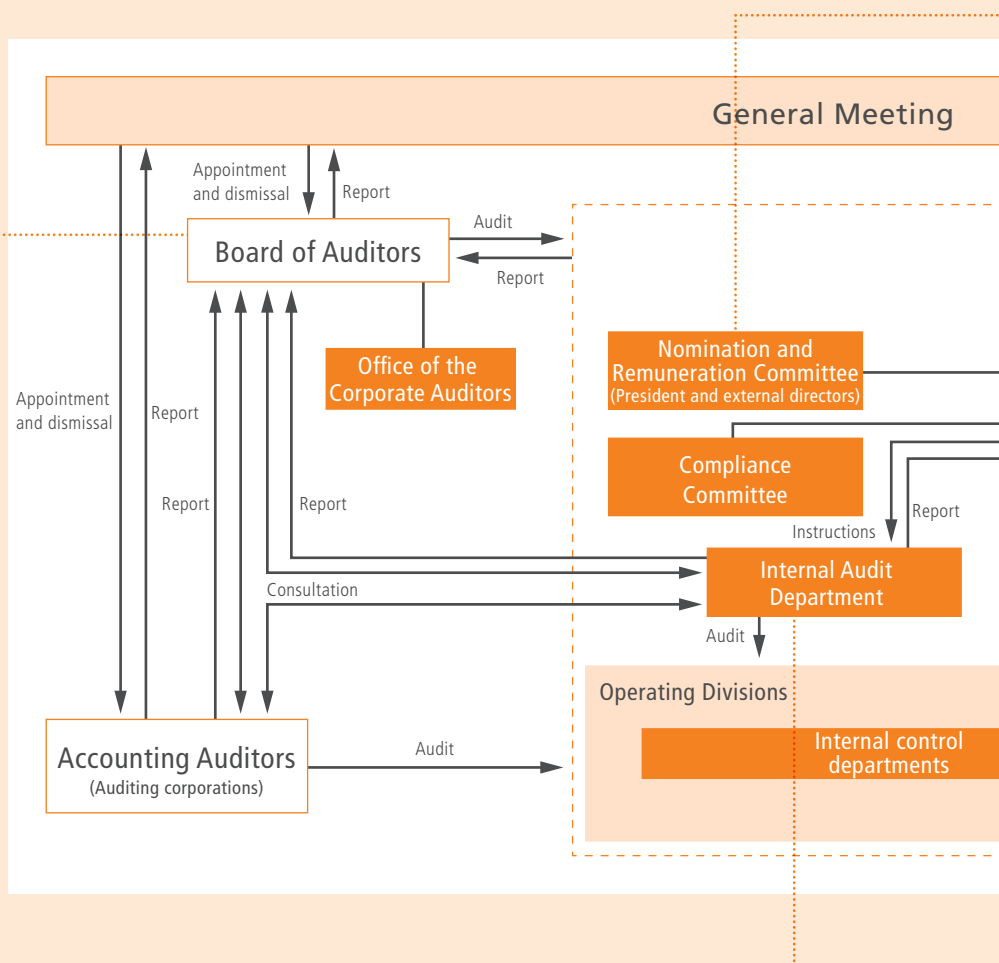
### Board of Auditors and corporate auditors

The Board of Auditors works to allocate the roles of the Corporate Auditors and share information in order to conduct audits more systematically and efficiently. It also issues decisions and approvals regarding matters of law and the items prescribed by the articles of incorporation.

Corporate Auditors audit every aspect of the performance of duties by the Directors, for which purpose they deepen their understanding of the Directors, the internal audit divisions, and operating divisions, attend meetings of the Board of Directors and other important meetings, hear from the Directors regarding the performance of their duties, and examine the circumstances of the company's operations and finances. They also perform their duties for the purpose of thoroughly monitoring and verifying resolutions made by the Board of Directors regarding establishment of systems to ensure the quality of corporate administration and the operating status of the system (internal control) developed by such resolutions.

Five auditors  
(including three external auditors) **Held 13 times/year**

With regard to group companies, we maintain communication and share information with their directors and auditors, and keep ourselves informed of their business activities whenever necessary.



### Internal audits

The Internal Audit Department, under direct control of the president, is responsible for internal audits. It performs audits on the activities of operating divisions such as quality control for safety at nuclear power plants, basing its perspective on internal control system effectiveness (including internal controls over financial reporting) and CSR. The results of each of these initiatives are reported to the president

and presented as advice and recommendations to the relevant divisions so that they can continuously make improvements. The internal audit process was verified by an independent organization in fiscal 2015 as part of the company's efforts to improve and maintain the quality of audits.

The scope of internal audits by the department includes associated companies. To

help improve internal control systems and practices across the group, the Internal Audit Department also shares information with internal audit divisions of associated companies and provides other support.

### Nomination and Remuneration Committee

Comprised of the president and two independent external directors. Assures fair and transparent personnel proposals for directors, auditors, executive officers, et al, and decides the remuneration for directors, executive officers, et al after receiving advice from external directors.

President and two external directors

Held **3** times/year

### Board of Directors

In principle, held once a month. Deliberates on and decides items concerning legislation and articles of incorporation, and important items related to management. Additionally, receives reports on the execution of duties from directors in order to supervise the execution of the duties of directors. In order to strengthen supervisory functions, external directors have been introduced.

Twelve directors including external directors (including two external directors)

Held **14** times/year

### Senior Executive Committee and Management Strategy Committee

The Senior Executive Committee, comprised of the President, Executive Vice Presidents, Company Presidents, General Managers and other executive officers, meets once a week in principle for preliminary deliberation of items on the agenda of the Board of Directors and to discuss other important business matters.

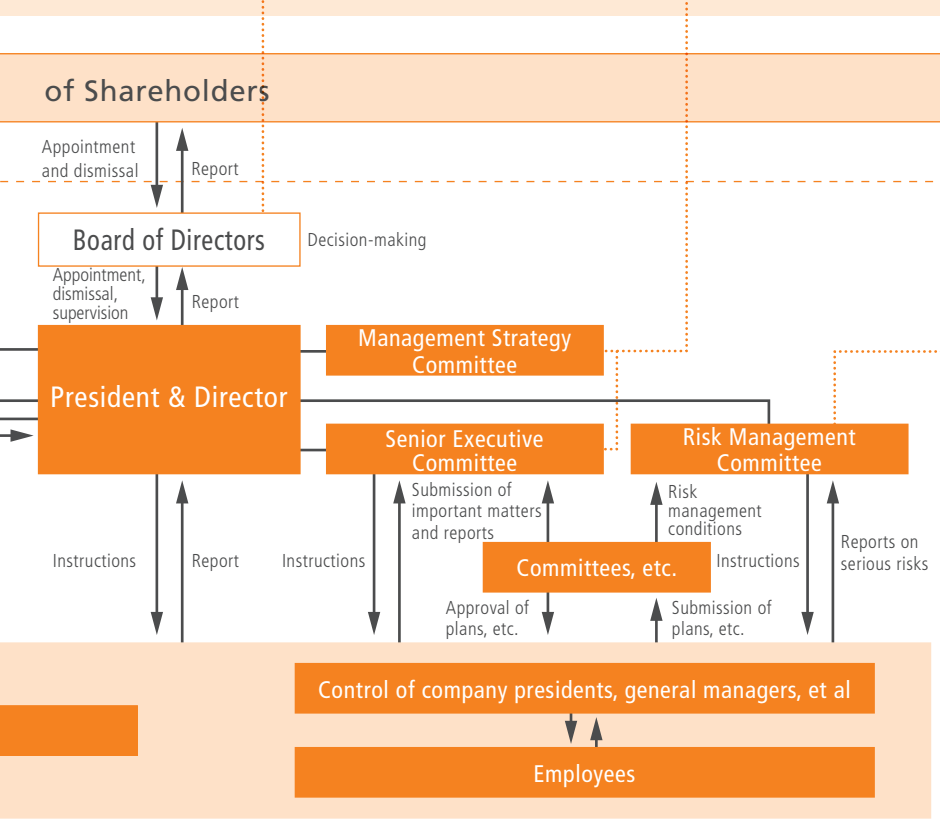
Meanwhile, the Management Strategy Committee consisting of representative directors and other officers discusses the direction of the company's business in the medium to long-term.

### Risk Management Committee

The Risk Management Committee has been established so that management can make quick decisions regarding items concerning serious risks.

### External directors and external corporate auditors

At Chubu Electric Power, two external directors and three external corporate auditors currently hold office. All of our external directors and external corporate auditors retain a sufficient level of independence that meets the company's standards, and make the best use of their experiences and insight acquired through their respective careers to fulfill their supervisory and audit functions independent of the company's senior management. They also receive updated information on the current development and operational status of the company's internal control system, and meet all representative directors and auditors regularly to exchange opinions. All of our external directors and external corporate auditors are registered as independent directors/auditors in all financial instruments exchanges on which the company is listed.



### Selection of directors and auditors

In order to assure the fair and transparent selection of directors and auditors, each candidate shall be scrutinized by the Nomination and Remuneration Committee and all the representative directors before being presented to the Board of Directors and selected. Additionally, in order to

strengthen the independence of auditors, auditor candidates shall be scrutinized by all the representative directors plus the permanent auditors and be approved by the Board of Auditors.

\* The number of times the Board of Directors, Board of Auditors, Nomination and Remuneration Committee, and Compliance Committee met are the actual figures from fiscal 2017.



## Basic thinking regarding corporate governance

The Chubu Electric Power Group believes it necessary to put its corporate philosophy into practice and “continue to grow as a group that serves the energy needs of all kinds” to maintain the trust of shareholders, investors and other stakeholders, as well as continue to be

the customer’s definitive choice of energy supplier.

For this reason, bold steps have been taken to improve corporate governance, including positioning fairness and transparency at the core of business, ensuring proper oversight of

management and operations execution, and providing mechanisms for swift decision-making, as espoused in the Chubu Electric Power Group CSR Declaration.

## Our efforts to improve corporate governance

Chubu Electric Power has been implementing a variety of measures aimed at strengthening its corporate governance, such as those improving its management mechanism to further increase its management efficiency and help it develop into a robust corporate group.

Major actions	
FY 2005	1. Reduction of the maximum number of directors from 32 to 20 2. Adoption of an executive officer system and the delegation of authority to general managers
FY 2006	In response to the enforcement of the Companies Act, the Board of Directors adopted the Systems for Ensuring Proper Conduct of Business Operations as the basic principles for developing the company’s internal control system.
FY 2007	1. Introduction of external directors 2. Reconstruction of the executive officer system The number of position levels of directors was reduced, while position levels for executive officers were introduced according to their authorities and responsibilities.
FY 2015	1. Establishment of the Chubu Electric Power Group Basic Corporate Governance Policy 2. Adoption of the Independence Standards for External Directors 3. Installation of the Nomination and Remuneration Committee 4. Establishment of the Policy for Constructive Dialogue with Shareholders
FY 2016	Introduction of the internal company system The president of each company was appointed and executive authority over operations was delegated to each company. A Company Board was also established in each company as a consultative body for the company president.

## Main activities in fiscal 2017

Risk Management	<p><b>Deployment and functional verification of internal control system</b></p> <ul style="list-style-type: none"> <li>● Establish an internal control system, verify operation and report results to the Board of Directors as per the Companies Act.</li> <li>● Have departments periodically conduct self-examinations of their operations and have the corporate division perform internal audits as required for the internal control component of financial reports.</li> <li>● Conduct internal audits of associated companies.</li> </ul> <p><b>Management of risks that could seriously impact business</b></p> <ul style="list-style-type: none"> <li>● Identify, assess and report to management meetings risks that could seriously impact business in the crafting stage of each management plan cycle.</li> <li>● Periodically monitor adopted BCPs* using BCM** mechanisms.</li> </ul> <p><b>Information management</b></p> <ul style="list-style-type: none"> <li>● Have departments in charge of information management visit operation sites and strategic associated companies to verify the state of their information management, conduct training, provide awareness tools, etc.</li> </ul> <p><b>Emergency situations</b></p> <ul style="list-style-type: none"> <li>● Holding companywide disaster drills, emergency response drills, and large-scale outage initial response drills.</li> </ul>
Ensuring Compliance Management	<ul style="list-style-type: none"> <li>● Set Compliance Promotion Month, conduct level-based training and awareness activities at associated companies in order to encourage self-directed compliance practices.</li> <li>● Continuously conduct enlightenment education for employees, including e-learning for them.</li> </ul>
Fair and Equitable Transactions	<ul style="list-style-type: none"> <li>● New business partners were provided with an explanation about the Chubu Electric Power Group Basic Procurement Policy, and were requested to practice CSR.</li> <li>● Procurement overview briefing sessions were held to build a stronger partnership with business partners.</li> </ul>
Intellectual Property	<ul style="list-style-type: none"> <li>● Intellectual property seminars were held at Chubu Electric Power’s head office and regional offices.</li> <li>● Offer e-learning on the fundamentals of intellectual property to the entire workforce.</li> </ul>

\* BCP (Business Continuity Plan)

\*\* BCM (Business Continuity Management)

## Reasons for selecting external directors and auditors and their activities

	Name	Main activities	FY2017 attendance
External directors	Naoko Nemoto	Was involved in rating companies for many years, and has specialized knowledge and a wealth of experience in the financial and economic fields.	Attended all 14 Board of Director meetings
	Takayuki Hashimoto	Was involved in the management of IBM Japan for many years, and has a wealth of knowledge and experience as a management specialist.	Attended all 14 Board of Director meetings
External auditors	Michinari Hamaguchi	Was involved in academic management as the president of Nagoya University, and can be expected to use his auditing abilities based on his career-based knowledge, experience, and viewpoints.	Attended 13 of 14 Board of Director meetings Attended all 13 Board of Auditor meetings
	Nobuaki Katoh	Was involved in the management of Denso Corporation for many years, and can be expected to neutrally and objectively use his auditing abilities based on his viewpoints as a management specialist.	Attended 13 of 14 Board of Director meetings Attended 12 of 13 Board of Auditor meetings
	Fumiko Nagatomi	Has specialized knowledge and a wealth of experience as a lawyer, and can be expected to neutrally and objectively use her auditing abilities based on her viewpoints as a legal specialist.	Attended all 14 Board of Director meetings Attended all 13 Board of Auditor meetings

## Assessing the effectiveness of the board of directors

Once a year, Chubu Electric Power surveys all directors and auditors on the makeup, operations, governance and other aspects of the Board of Directors, and has all representative directors, external directors and auditors discuss and exchange opinions based on the survey results.

Based on these results, the Board of

Directors analyzes and assesses their own effectiveness in order to confirm that it is effectively steering the company towards sustainable growth and greater corporate value in the medium to long-term.

The makeup and size of the Board of Directors are determined after considering the quality of the board's discussions, the swiftness of the board's

management decision-making, the board's supervisory role over directors, business issues at hand, and the balance of knowledge, competence, field of specialty, experience and other attributes of each director.

## Policy on director and auditor training

Chubu Electric Power provides training in management, accounting and finance, legal affairs and other areas to newly appointed corporate directors and auditors, and periodically organizes events such as presentations given by attorneys, CSR workshops spearheaded by experts,

and other learning opportunities.

Newly appointed external directors and auditors receive briefing on management policies, business issues and other aspects unique to Chubu Electric Power. And, after assuming their new positions, they visit the company's more important

facilities and receive briefings from departments on their operations in order to deepen their understanding of Chubu Electric Power's business and operations.

## Director remuneration

With respect to director remunerations, the president who has been authorized by the Board of Directors will determine the amount after consulting with the Nomination and Remuneration Committee and all representative directors. With respect to auditor remunerations, the amount will be determined after deliberation by all of the auditors in the Board of Auditors within the remuneration amount range decided by a resolution by a General Meeting of Shareholders.

Starting in fiscal 2018, a bonus tied to the performance of the company will be introduced to give directors more responsibility and incentive and so that

better results can be achieved within a drastically changing business environment.

### ■ Total amount of remunerations, etc. by director category and the number of directors (FY2017)

Director category	Total remuneration (million yen)	Number of directors in the category
Directors (excluding external directors)	524	12
Auditors (excluding external auditors)	70	2
External board members	51	5

• Remuneration limit determined by a resolution by the General Meeting of Shareholders.  
Directors: 75 million yen/month Auditors: 20 million yen/month

# Directors and Corporate Auditors



## Chairman of the Board of Directors

1	<b>Akihisa Mizuno</b>	Reappointed
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Apr 1978: Joined Chubu Electric Power  
 Jun 2008: Director & Senior Managing Executive Officer, and General Manager of the Corporate Planning & Strategy Division  
 Jun 2009: Director & Executive Vice President and General Manager of Corporate Planning & Strategy Division and Affiliated Business Planning & Development Dept.  
 Jun 2010: President & Director  
 Jun 2015: Chairman of the Board of Directors (incumbent)

## President & Director

2	<b>Satoru Katsuno</b>	Reappointed
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Apr 1977: Joined Chubu Electric Power  
 Jul 2007: Managing Executive Officer and General Manager of the Tokyo Office  
 Jun 2010: Director & Senior Managing Executive Officer, and General Manager of Corporate Planning & Strategy Division  
 Jun 2013: Director & Executive Vice President and General Manager of Corporate Planning & Strategy Division  
 Jun 2015: President & Director (incumbent)  
 Jun 2016: Chairman of the Federation of Electric Power Companies of Japan (incumbent)

## Director & Executive Vice President

3	<b>Yoshinori Masuda</b>	Reappointed
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**General Manager of Corporate Planning and Strategy Division, General Manager of Group Promotion Management Office**

Apr 1979: Joined Chubu Electric Power  
 Jun 2011: Director & Senior Managing Executive Officer, General Manager of Gas Sales & Service Dept. and Deputy General Manager of Corporate Planning & Strategy Division  
 Jun 2013: Senior Managing Executive Officer, General Manager of Gas Sales & Service Dept. and Deputy General Manager of Corporate Planning & Strategy Division  
 Jul 2014: Senior Managing Executive Officer and Deputy General Manager of Corporate Planning & Strategy Division  
 Jun 2015: Director & Executive Vice President and General Manager of Corporate Planning & Strategy Division  
 Apr 2016: Director & Executive Vice President and General Manager of Corporate Planning & Strategy Division  
 Apr 2018: Director & Executive Vice President and General Manager of Corporate Planning and Strategy Division, General Manager of Group Promotion Management Office (incumbent)

## Director & Executive Vice President

4	<b>Akinori Kataoka</b>	Reappointed
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**General Manager of Legal Affairs Office, General Affairs Office, Finance & Accounting Office, Purchasing & Contracting Office, and Business Solutions & Corporate Communications Center and Finance & Accounting Center**

Apr 1981: Joined Chubu Electric Power  
 Jul 2011: Executive Officer, General Manager of Finance & Accounting Dept.  
 Jul 2013: Executive Officer, General Manager of Mie Regional Office, assigned to Environmental Affairs & Plant Siting Division  
 Apr 2016: Senior Managing Executive Officer, General Manager of Finance & Accounting Dept. and Purchasing & Contracting Dept.  
 Jun 2016: Director & Senior Managing Executive Officer, General Manager of Finance & Accounting Dept. and Purchasing & Contracting Dept.  
 Apr 2017: Director & Executive Vice President, General Manager of Legal Affairs Dept., General Affairs Dept., Finance & Accounting Dept. and Purchasing & Contracting Dept.  
 Apr 2018: Director & Executive Vice President, General Manager of Legal Affairs Office, General Affairs Office, Finance & Accounting Office, Purchasing & Contracting Office, and Business Solutions & Corporate Communications Center and Finance & Accounting Center (incumbent)

## Director & Executive Vice President

5	<b>Chiyoji Kurata</b>	Reappointed
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**General Manager of Civil & Architectural Engineering Dept. and Environmental Affairs & Regional Relations Office, General Manager of Nuclear Power Division**

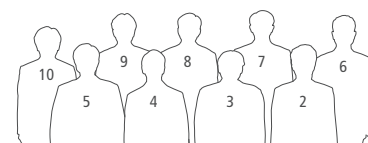
Apr 1980: Joined Chubu Electric Power  
 Jun 2014: Director & Senior Managing Executive Officer, General Manager of Hamaoka Nuclear Power Executive Headquarters and Environmental Affairs & Plant Siting Dept.  
 Apr 2016: Director & Senior Managing Executive Officer, General Manager of Hamaoka Nuclear Power Executive Headquarters  
 Apr 2017: Director & Executive Vice President, General Manager of Civil & Architectural Engineering Dept., Environmental Affairs & Plant Siting Dept., General Manager of Nuclear Power Division  
 Apr 2018: Director & Executive Vice President, General Manager of Civil & Architectural Engineering Dept. and Environmental Affairs & Regional Relations Office, General Manager of Nuclear Power Division (incumbent)

## Director & Executive Vice President

6	<b>Satoshi Onoda</b>	New
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**President of Power Generation Company**

Apr 1980: Joined Chubu Electric Power  
 Jun 2013: Director & Senior Managing Executive Officer, General Manager of Power Generation Division  
 Jun 2014: Special Advisor at Chubu Electric Power, temporarily assigned to the Federation of Electric Power Companies (Executive Director)  
 Apr 2018: Executive Vice President, President of Power Generation Company  
 Jun 2018: Director & Executive Vice President, President of Power Generation Company (incumbent)



## Director & Senior Managing Executive Officer

7	<b>Hiromu Masuda</b>	Reappointed
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**General Manager of Hamaoka Nuclear Power Executive Headquarters**

Apr 1982: Joined Chubu Electric Power  
 Jul 2012: Executive Officer, General Manager of Nuclear Power Dept., Nuclear Power Division  
 Apr 2017: Senior Managing Executive Officer, General Manager of Hamaoka Nuclear Power Executive Headquarters  
 Jun 2017: Director & Senior Managing Executive Officer, General Manager of Hamaoka Nuclear Power Executive Headquarters (incumbent)

## Director & Senior Managing Executive Officer

8	<b>Taisuke Misawa</b>	Reappointed
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**General Manager of the Secretarial Services Office, Corporate Communications Offices, Human Resources Office, and Human Resources Center**

Apr 1981: Joined Chubu Electric Power  
 Apr 2016: Senior Managing Executive Officer, General Manager of Legal Affairs Dept. and General Affairs Dept., assigned to Corporate Planning & Strategy Division  
 Apr 2017: Senior Managing Executive Officer, General Manager of Secretarial Services, Corporate Communications and Personnel Divisions  
 Jun 2017: Director & Senior Managing Executive Officer, General Manager of Secretarial Services, Corporate Communications and Personnel Divisions  
 Apr 2018: Director & Senior Managing Executive Officer, General Manager of the Secretarial Services Office, Corporate Communications Offices, Human Resources Office, and Human Resources Center (incumbent)

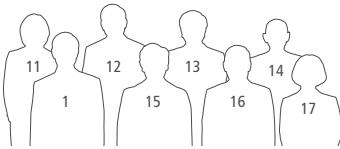
## Director & Senior Managing Executive Officer

9	<b>Yaoji Ichikawa</b>	New
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**President of Power Network Company**

Apr 1984: Joined Chubu Electric Power  
 Jul 2014: Executive Officer, General Manager of Okazaki Regional Office  
 Apr 2017: Executive Officer, Vice President of Power Network Company  
 Apr 2018: Senior Managing Executive Officer, President of Power Network Company  
 Jun 2018: Director, Senior Managing Executive Officer, President of Power Network Company (incumbent)





## Director &amp; Senior Managing Executive Officer

10	<b>Kingo Hayashi</b>	New
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## President of Customer Service &amp; Sales Company

Apr 1984: Joined Chubu Electric Power  
 Jul 2014: Executive Officer, General Manager of Customer Division  
 Apr 2016: Executive Officer, General Manager of Tokyo Office  
 Apr 2018: Senior Managing Executive Officer, President of Customer Service & Sales Company  
 Jun 2018: Director & Senior Managing Executive Officer, President of Customer Service & Sales Company (incumbent)

## Director (external)

11	<b>Naoko Nemoto</b>	Reappointed
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## Economist, Asian Development Bank Institute

Apr 1983: Joined Bank of Japan  
 Apr 1991: Retired from Bank of Japan  
 Sep 1994: Joined Standard & Poor's Ratings Japan K.K.  
 Apr 2005: Managing Director at S&P Rating Japan  
 Mar 2016: Retired from Standard & Poor's Ratings Japan K.K.  
 Apr 2016: Joined Asian Development Bank Institute as economist (incumbent)  
 Jun 2016: External Director of Chubu Electric Power (incumbent)

## Director (external)

12	<b>Takayuki Hashimoto</b>	Reappointed
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## Honorary Executive Advisor, IBM Japan, Ltd.

Apr 1978: Joined IBM Japan, Ltd.  
 Apr 2000: Director, IBM Japan, Ltd.  
 Apr 2003: Managing Executive Officer, IBM Japan, Ltd.  
 Jan 2007: Senior Managing Executive Officer, IBM Japan, Ltd.  
 Apr 2008: Director & Senior Managing Executive Officer, IBM Japan, Ltd.  
 Jan 2009: President & Director, IBM Japan, Ltd.  
 May 2012: Chairman of the Board of Directors, IBM Japan, Ltd.  
 Apr 2014: Chairman, IBM Japan, Ltd.  
 Jan 2015: Vice Chairman, IBM Japan, Ltd.  
 Jun 2016: External Director of Chubu Electric Power (incumbent)  
 May 2017: Honorary Executive Advisor, IBM Japan, Ltd. (incumbent)

## Senior Corporate Auditor (full-time)

13	<b>Kazuhiro Matsubara</b>	Reappointed
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Apr 1976: Joined Chubu Electric Power  
 Jul 2007: Managing Executive Officer, General Manager of Finance & Accounting Dept.  
 Jun 2009: Director & Senior Managing Executive Officer, General Manager of Finance & Accounting Dept. and Purchasing & Contracting Dept.  
 Jun 2010: Director & Executive Vice President, General Manager of Finance & Accounting Dept. and Purchasing & Contracting Dept.  
 Jun 2011: Director & Executive Vice President, General Manager of Legal Affairs Dept., General Affairs Dept., Finance & Accounting Dept., and Purchasing & Contracting Dept.  
 Jun 2013: Director & Executive Vice President, General Manager of Legal Affairs Dept., General Affairs Dept., Finance & Accounting Dept., Purchasing & Contracting Dept. and Information Systems Dept.  
 Apr 2016: Director  
 Jun 2016: Senior Corporate Auditor (full-time) (incumbent)

## Corporate Auditor (full-time)

14	<b>Kenichi Suzuki</b>	Reappointed
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Apr 1979: Joined Chubu Electric Power  
 Jul 2013: Senior Managing Executive Officer, General Manager of Research & Development Division  
 Apr 2016: Advisor  
 Jun 2016: Corporate Auditor (full-time) (incumbent)

## Corporate Auditor (external)

15	<b>Michinari Hamaguchi</b>	Reappointed
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## President, Japan Science and Technology Agency

Dec 1993: Professor, Nagoya University School of Medicine  
 Apr 2009: President, Nagoya University  
 Apr 2015: Professor, Nagoya University Graduate School of Medicine (until September 2015)  
 Jun 2015: External Auditor of Chubu Electric Power (incumbent)  
 Oct 2015: President, Japan Science and Technology Agency (incumbent)

## Corporate Auditor (external)

16	<b>Nobuaki Katoh</b>	Reappointed
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## Advisor, DENSO Corporation

Apr 1971: Joined Nippondenso Co., Ltd. (Now DENSO Corporation)  
 Jun 2000: Director, DENSO  
 Jun 2004: Managing Officer, DENSO  
 Jun 2007: Senior Managing Officer, DENSO  
 Jun 2008: President & Director, DENSO  
 Jun 2015: Chairman of the Board of Directors, DENSO (incumbent)  
 Jun 2016: External Auditor of Chubu Electric Power (incumbent)  
 Jun 2018: Advisor, Denso Corporation (incumbent)

## Corporate Auditor (external)

17	<b>Fumiko Nagatomi</b>	Reappointed
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## Attorney at law

Apr 1981: Registered as lawyer  
 Joined Hachisuka Law Firm  
 Mar 1989: Retired from Hachisuka Law Firm  
 Apr 1989: Established Nagatomi Law Firm (incumbent)  
 Jun 2016: External Auditor of Chubu Electric Power (incumbent)

# Risk Management

At Chubu Electric Power, risk management is not treated separately from business operations but as an integral part thereof. Therefore, risk management is implemented in the crafting stage of corporate and department management plans. Proper risk management is critical to continuous and stable business development.

## Internal control system

Chubu Electric Power reviews its internal control system against changes in the business environment, in lieu of the underlying principle of Systems for Ensuring Proper Conduct of Business Operations whenever necessary, and reports how the systems are being maintained and operated findings to the Board of Directors annually.

On a group level, the company helps group companies formulate and enforce internal controls by creating a department to oversee their business strategy development, policy proposals and operations management, and having the Internal Audit Division conduct internal audits of their operations and management practices.

The company also applies its internal control system to its financial reporting required under the Financial Instruments and Exchange Act and has mechanisms in place to visualize, verify and assess important processes related to financial reporting.

## Management of risks that could have a serious impact on the company

In order to assure that risk management is conducted appropriately throughout Chubu Electric Power, its various companies, and its various departments, the organization, authority, and internal regulations are manifest.

In April 2018, the Risk Management

Committee was established to comprehensively manage risks that could have serious effects on management. This Committee deliberates on action policies and integrates them into management plans and risk countermeasures.

With respect to the risks involving

group companies, each company understands and assesses their risks, and those that are deemed to have a serious effect on management will be deliberated upon and reported regularly every year together with management measures to Chubu Electric Power.

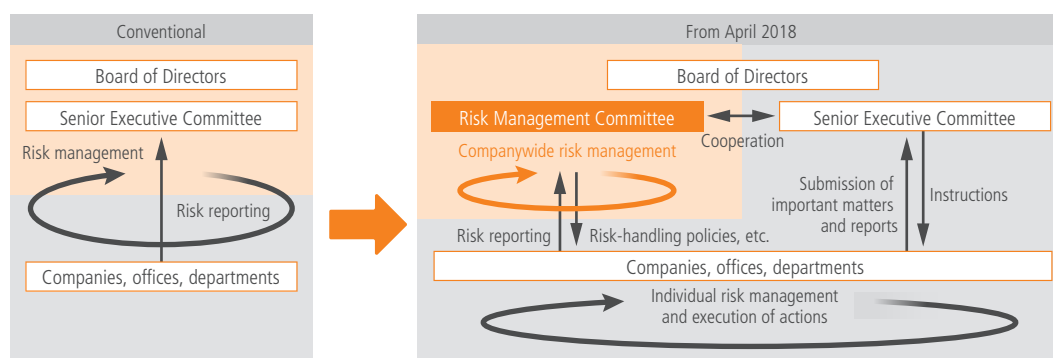
## Systematic information management and cyber security

To securely manage personal information (including "My Number" for individuals) and other types of information, Chubu Electric Power has established a department dedicated to information management, which formulates various regulations, and provides training and awareness-raising programs to

employees, among many other initiatives. With regards to information security, a companywide management system has been built to safeguard corporate IT systems against information leaks and cyber-attacks intended to obstruct the stable supply of power, and security measures are regularly crafted and tested

under hypothetical threats based on risk assessment thinking. We have also continuously carried out various initiatives for group companies, including awareness-raising activities and the establishment of the Chubu Electric Power Group IT Promotion Council.

## ■ Risk Management Organization



Natural disaster risks

Cyber risks

Market risks

Compliance risks

## Basic ideas of business continuity at the Chubu Electric Power Group

To achieve its public mission of ensuring a safe and stable supply of energy to its customers, the Chubu Electric Power Group ensures public security and

maintains facilities. Even in the event of a large disaster, the group will make the utmost effort to minimize impacts of the disaster and recover as early as possible

in order to continue business.

1. The Group designs facilities to be highly disaster-resistant and carries out appropriate maintenance.
2. The Group develops a disaster management system to promote early restoration of service and ensure public security, while maintaining and improving response capabilities through drills.
3. The Group makes appropriate use of new findings in its constant improvement efforts for a safer and more stable energy supply.

## Actions to continue operations during major disasters

### Creating Business Continuity Plans (BCP)

In order to secure its operations that must be continued during major disasters, the Chubu Electric Power Group maintains and improves its ability to deal with emergencies by making Business Continuity Plans (BCP) and continually improving its Business Continuity Management (BCM) framework.

### Building facilities that can withstand disasters

In order to assure stable supply even during large-scale disasters, Chubu Electric Power held an evaluation of required countermeasures in the summer of 2015, with due consideration to the estimate of damages and changes made to the disaster prevention measures for the Nankai Trough earthquake made by the national and local governments. These countermeasures were based on points of view of restoring power as soon as possible and maintaining public safety in the case of large earthquakes. Additionally, maintaining public safety from direct damage (minimizing damage) is prioritized in the case of the most severe earthquakes. We are steadily developing these countermeasures and should be able to complete the major countermeasures by the end of fiscal 2020.

### Improving the disaster prevention system

When a disaster occurs or is predicted to occur, an emergency condition order will be issued immediately and each workplace will establish an emergency task force. In order to reinforce our ability to cope with disasters, we have allocated various disaster-prevention materials and equipment to each workplace, including special vehicles such as power generation vehicles and portable substations for emergency power transmission and emergency communications methods, such as satellite communication networks. In addition, in order to further maintain and improve our ability to cope with disasters, we have reinforced our links with the Ground Self-Defense Forces and other external organizations and have repeatedly carried out drills for major disasters.

### ■ Links with external organizations

Purpose	Main cooperating organizations
Support for power recovery	Ground Self-Defense Forces, Aichi Prefectural Police, Meitetsu Kanko Bus, Techno Chubu, Shin Nihon Helicopter
Securing facilities for power recovery	Toyota Motor, Nagoya Railroad
Securing fuel	Teisan Kanko Bus, Nagano Prefecture Petroleum Commercial Union
Securing emergency supplies	Lawson, Aeon

### ■ Links with local governments

We are strengthening our links with local governments by participating in the disaster-prevention conferences that each local government holds.



Nishi-mikawa Disaster Prevention and Reduction Cooperation Study Group Workshop



Carrying a large, air-transportable power generation truck during a training exercise.



## Ensuring compliance management

The biggest underlying factor that determines the survival and development of a company is the trust it garners from its customers, hosting communities, shareholders, and society at large.

Based on the Chubu Electric Power Group CSR Declaration, the Chubu Electric Power Group created the Chubu Electric Power Group Basic Compliance Policy on the belief that "without compliance, there is no trust, and without trust, there is no growth." We are strongly conscious of the fact that being totally compliant is the foundation of management so we foster a corporate culture of action with compliance and aim to be a "good corporate citizen" that is highly trusted and supported.

Chubu Electric Power Group Basic Compliance Policy: [http://www.chuden.co.jp/corporate/csr/csr\\_compliance/gr\\_comp\\_policy/index.html](http://www.chuden.co.jp/corporate/csr/csr_compliance/gr_comp_policy/index.html)

### Compliance promotion system

In December 2012, Chubu Electric Power established the Compliance Committee with the president acting as the chairman. The committee constructed a companywide compliance promotion system and developed various enlightenment activities.

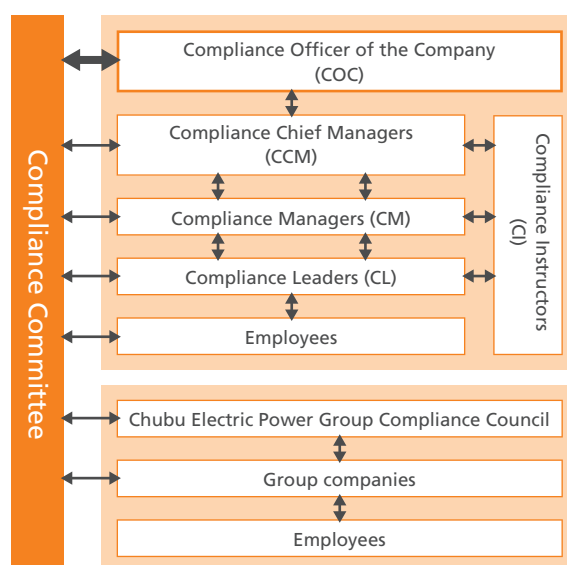
Specifically, we have tried to be as thorough as possible to get all employees to act according to compliance rules by conducting activities to improve the awareness of and to increase knowledge about compliance, such as lectures and training courses about compliance for the different levels of employees, and by having each employee conduct self-checks using the "Four Questions" action checkpoints.

To comprehensively promote compliance within the Chubu Electric Power Group and at each company, we established the Chubu Electric Power Group Compliance Council made up of the top management of the Group companies in April 2003, had each Group company introduce promotion systems to conduct enlightenment activities. Through these methods, we have been promoting compliance within the entire Group.

Compliance Committee  
FY2017

6 meetings

### Compliance Promotion System



The 11th meeting of the Chubu Electric Power Group Compliance Council

### Helplines—points of contact for compliance queries

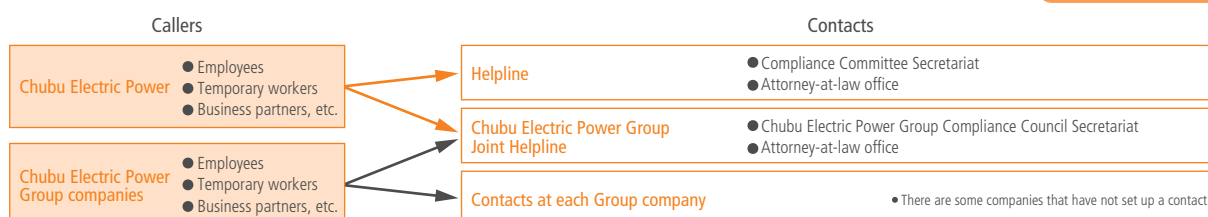
We operate a helpline to prevent illegal, unfair, and unethical acts and ensure compliance. This serves as a point of contact for employees, temporary workers, and business partners with concerns about compliance issues.

To ensure the effective operation of the helpline, appropriate measures are taken to protect callers and respect their requests regarding the queries.

#### Helpline

FY2017 Inquiries

47 calls



## Fair and equitable transactions

The Chubu Electric Power Group has established a basic procurement policy in order to promote CSR-conscious procurement and to ensure that the procured products and services are of high quality and at a reasonable cost.

When starting transactions with a new business partner, Chubu Electric Power explains its procurement policy and makes clear that our partners will be required to fulfill their CSR obligations so that both parties can achieve continuous growth in partnership.

Procurement procedures, supplier registration procedures, and other information are made public in an easy-to-understand manner.

Chubu Electric Power Group Basic Compliance Policy: [http://www.chuden.co.jp/corporate/csr/csr\\_compliance/gr\\_comp\\_policy/index.html](http://www.chuden.co.jp/corporate/csr/csr_compliance/gr_comp_policy/index.html)

## Intellectual property

The results that Chubu Electric Power produces in technological research and development are important intellectual properties.

Because of the drastic changes and growing complexity of the surrounding business environment, it is imperative in the power industry to strategically create, use, and protect these important intellectual properties to grow sustainably as a total energy service company group. It is along that train of thought that Chubu Electric Power set forth the below policy on intellectual property and conducts related activities.

### Policy on intellectual property

- Create intellectual properties that improve corporate value
- Safely protect and effectively use intellectual properties
- Respect the intellectual property rights of others

	Conferences, etc.	Purpose	Participation
Chubu Electric Power	Intellectual property seminars	Enlightenment concerning the creation of intellectual property and improving the consciousness of preventing infringements on the intellectual property rights of others.	Held at seven locations including the Headquarters and regional offices. A total of 524 participants (including teleconferencing participants).
	e-Learning	Basic knowledge about intellectual property and a more practical course for engineers and sales representatives.	A total of 4,393 have participated throughout the company.
Chubu Electric Power Group companies	Intellectual Property Information Exchange Committee	Various types of education concerning intellectual property and sharing information.	A total of 26 Group companies are participating.

### TOPIC

### Released patents

In order to have its patents used more effectively and to contribute to local communities, Chubu Electric Power has started a program to release its patents to small and medium-sized companies.

In addition to continuing its program to introduce released patents, Chubu Electric Power will follow up on inquiries so that it can match the patents with users.

#### ■FY2017 results

We collaborated with local governments, small and medium-sized company support organizations, financial institutions, and others to hold six events where we introduced the patents that we were willing to release and we held private talks with a total of twenty companies.



"Intellectual Property Utilization Seminar in Seto"  
(Sponsored by the Seto Trust Bank and others. May 2017)

## Social

## Human Assets

We shall continue to make efforts to create a better environment so that employees can devote themselves to their work in a safe and healthy way and achieve self-fulfillment through their work.



**Kazuhiro Yoshida**

Executive Officer, General Manager of Human Resources Office and Human Resources Center

### Message

In order for Chubu Electric Power to be selected by customers and to continuously develop, we believe that a diversified group of human assets must be able to improve their abilities and perform, and we will support our employees so that they can do just that.

We will provide training and develop workplace environments so that women, the elderly, and the challenged can find it easy to work at Chubu Electric Power. In fact, the steps we have taken to help women play an active role in corporate business have been highly rated by external entities. We have also been monitoring trends in response to the “work style reforms” promoted by the Japanese government and are promoting changes of our own that will enhance productivity, such as allowing employees to flexibly adjust their work. Moreover, we are very proactive about providing training and education opportunities that help our employees to grow.

We will maintain a healthy corporate atmosphere where human rights are respected and will continue to develop “motivating” workplace environments where every single employee can perform to the best of his/her abilities.

\* Because Chubu Electric Power believes that the people who work for it are its most important asset and that they are the source that creates value in its business activities, we refer to them as our human assets instead of human resources.

## Respect for human rights

### Human rights awareness and education policy

1. We carry out initiatives to deepen correct understanding and awareness among employees, etc., with regards to human rights issues (e.g., problems of social integration and discrimination based on disability, nationality, gender, etc.).
2. We carry out awareness-raising initiatives on problems of social integration, understanding this to be an important part of human rights issues.
3. Our awareness-raising initiatives are systematic and continuous.

We conduct education targeted to all levels of employees, from newly hired employees to the management regarding human rights and the prevention of harassment. We also conduct presentations for the officers and management of our Group companies.



## External assessment regarding human assets

We have received high ratings from both the national and local governments regarding our overall efforts for our human assets. These efforts include efforts for diversity including the utilization of our female employees, support for employees raising children and health management support.

Management that utilizes diversity	<ul style="list-style-type: none"> <li>Ministry of Economy, Trade and Industry: Best 100 Companies in Diversity Management (FY2014)</li> </ul>	First company in the electric power industry	
Promoting the utilization of women	<ul style="list-style-type: none"> <li>Ministry of Health, Labour and Welfare: "Eruboshi" certification (from FY2016 to date)</li> <li>Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange: Nadeshiko Brand (FY2015)</li> <li>Aichi Prefecture: Aichi Josei Kagayaki Company (Aichi Women's Career Success Supporting Company) (from FY2016 to date)</li> <li>Nagoya: Received the Female-friendly Company Award (from FY2010 to date)</li> </ul>	First company in Aichi Prefecture to receive this certification First company in the electric power industry	   
Support for working parents	<ul style="list-style-type: none"> <li>Ministry of Health, Labour and Welfare: Kurumin certification (three times since FY2010)</li> <li>Nagoya: Received the Award for Excellence of Childcare Support Company (from FY2009 to date)</li> </ul>	Certified three years in a row	 
Health management	<ul style="list-style-type: none"> <li>Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi (Japan Health Committee): "Excellent Health Management Company 2018 (White 500)" (FY2017)</li> </ul>	Certified for the first time	

## Human asset statistics



## Activities for developing human assets

With respect to our human assets which are the fundamental core of our competitiveness, we are taking measures to educate them in a systematic way so as to maximize the qualities and abilities of each employee.

### Development of abilities in the workplace

In the workplace, in addition to receiving instruction from their superiors in their daily work, all employees are interviewed every six months to confirm their goals and issues for developing their abilities.

In this way, we are developing human assets that will take on the responsibility of the next generation.

### Activities for strategic development of human assets

In order to obtain the necessary skills to create new values in new business fields, we provide training in strategic planning, marketing, innovation, and finance. We also provide business planning training using the action learning method.

FY2017 results  
Strategic human asset  
training participants  
**209**



# Work style reform

## Flexible work style and improved organizations

We aim to introduce a variety of methods to enhance diverse work styles so that our employees can achieve self-fulfillment while also fully demonstrating their abilities through their work.

### New efforts

We are promoting flexible work styles in order to improve productivity, manage seasonal fluctuations in work load, and consider the individual needs of our employees' families.

**More workplaces are adopting flexible working hours**

April 2018  
**Adopted throughout the company**

### Introduction of telecommuting



### Employee's Comment

**Rieko Kaneda**  
Internal Communications Group  
Business Solution & Corporate Communications Center



### Achieving both work and child-raising thanks to a flexible work schedule and understanding among co-workers

Thanks to the use of flexible working hours, I am able to adjust my schedule so that I can work hard on some days and go home early on others based on the amount of work I have to do or if my child is sick. During the peak period of my own work, I ask my husband to take our child to daycare so that I can arrive at the office earlier and work extra hours. Thanks to a flexible work schedule and the understanding of my co-workers, I am able to accomplish a balance between my work and raising my child.

### Efforts so far

#### More workplace social events

Through these events, we promote workplace communication and teamwork improvement.

#### Work modulation

- We have set up "go home early days" and "overtime instruction cards."



Goals are set for monthly overtime and "overtime instruction cards" are used to notify whether or not an employee will be working overtime.

#### Support for balancing work with child-raising and nursing elderly relatives

- Childcare leave system
- Nursing care leave system
- "Life-support leave" that can be used for social contribution activities as well as when family members are ill



Chuden Running Festival 2017



Scene from a career-building course for employees returning from childcare leave in which partners also take part. These courses help to cast aside the fixed concepts of gender roles and both men and women are given the chance to rethink how they work.

# Health management and labor safety

## Strengthening health management

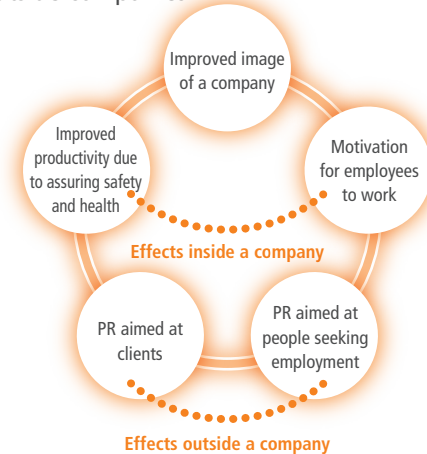
In February 2018, Chubu Electric Power was certified an "Excellent Health Management Company 2018 (White 500)," a certification received by companies that are making advanced efforts in health management\*. This was the result of the efforts we have made to help our employees maintain their mental and physical health.

\* This is a project to strategically approach the health control of employees from the point of view of management based on the concept that efforts to maintain and improve health are an investment by companies to improve their revenues and other factors in the future.



Award ceremony for the "Excellent Health Management Company 2018 (White 500)"

### ■ The effects of health management inside and outside companies



### Measures to remain healthy and work actively

- Starting in 2019, all employees will undergo comprehensive medical checkups (no expenses required by employees)
  - Prevention and early discovery of serious illnesses
  - Fostering a consciousness of health
- Support for independent and continuous fitness to enable employees to continue work until age 65
  - Nutrition advice and exercise instruction by industrial health staff

### Mental health measures for the prevention and early discovery of mental illnesses

- Education and training targeted for different ranks of employees
- Holding training for stress management methodologies
- Improving workplace environments by effectively using stress check results

## Eliminating workplace accidents



Assuring safety is the top priority of management at Chubu Electric Power.

In addition to making efforts for all employees to follow the basic rules, we also place an emphasis on holding training to improve communications both inside and outside the company as a part of our efforts to eliminate workplace accidents of all sorts.

With respect to traffic safety, we are working with a specialized external

organization to hold safe driving education to foster a greater consciousness of safety and to improve driving skills.

As for workplace safety, we conduct risk assessments and conduct safety patrols in order to mitigate accident risks and prevent accident before they occur.

\* Number of injuries and deaths (leading to an absence of one day or more) caused by workplace accidents per one million work hours. Represents the frequency of accidents.



# Promoting diversity

Chubu Electric Power has positioned the promotion of diversity as an important issue, and in 2007 we established the Women's Activities Promotion Office. In 2013, we expanded this organization into the Diversity Promotion Office, and in 2018, the organization was expanded into the Human Assets Promotion Group. We have adopted various measures that will maximize the abilities of our diverse human assets and improve our corporate value.

## Promoting the activities of our female employees



### Changes in the number of female managers and numeric targets



The panel discussion for female leaders with managers to think about the workplace and how women can contribute to the company from a higher point of view.

### Activities to promote female empowerment

- Various training for women grouped by age, rank, whether they are raising children, and other factors with an emphasis on forming their careers.
- Assigning work and transfer in order to accelerate growth and holding consciousness enlightenment education for all managers.
- Promotion of more flexible work styles by expanding the current system.

### TOPIC

#### Training Course for Female Senior Staff

In order to develop female leaders, we conduct a training course for female senior staff who can be expected to act as leaders in the future. This is a 6 month training course that leads to a transformation in consciousness and improving skills necessary for managers.

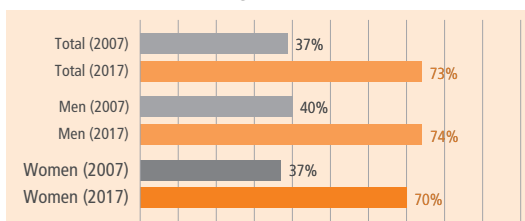


### Results of the employee survey on female empowerment

We conducted an employee awareness survey in June 2017 to compare where things stood compared to where we were ten years ago when we started our activities to empower women.

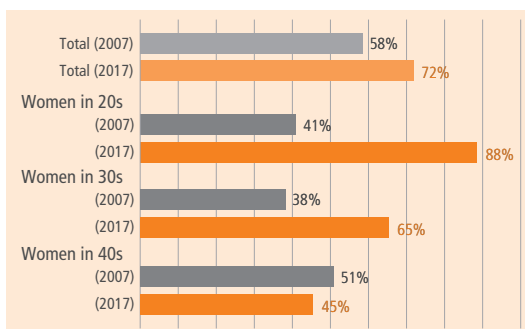
**Question** Do you think that the abilities of the women who work for our company are being sufficiently demonstrated?

Over 70 percent of the total thought that their abilities were being "demonstrated."



**Question** Do you hope to aim for a position that would require greater leadership and management ability in the future?

Over 70 percent of the total said that they would like to "aim" for such a position. The awareness of women as a whole has increased, especially those in their twenties and thirties.



## Promoting employment of the challenged



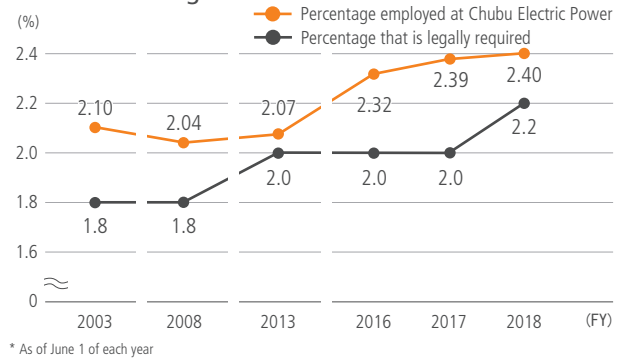
Including those working at our special subsidiary Chuden Wing Co., Ltd. (established in 2001), about 340 challenged employees are working in our Group in various fields (as of June 2018).

Since its establishment, Chuden Wing has been involved in printing services, sales of novelty products, gardening work, and the like. In order to create more employment opportunities for mentally and intellectually challenged people, Chuden Wing has started new businesses, such as clerical assistance work, cleaning work, and training assistance work.

We have maintained a higher percentage of challenged employees than legally required

**2.40 %**

### Changes in the employment of the challenged



## Hiring seniors

Number of re-employed

**530**

In order to allow re-employed people (who had retired once) to work in a wider range of jobs, we have introduced a system in which working conditions such as working hours are close to those of our employees. As of the end of March 2018, about 530 re-employed people are

working for us.

We also conduct a "self-setup course" for employees who are 52 years old so that they can continue to actively work with vigor and maintain their ability once they reach their senior years.



A re-employed worker is sharing his expertise and wealth of knowledge to younger employees in the workplace and also through training courses.

### Employee's Comment



**Fusae Yamaguchi**  
General Manager of  
Kuwana Customer  
Service Office  
Mie Regional Office  
Power Network  
Company

### In order to utilize diverse ways of thinking

The awareness to proactively utilize the thoughts and ideas of various human assets is spreading inside the company. In order to promote diversity, I think it is important for each individual to be independent and for everyone to have the common understanding that they are part of an organization. To that end, I believe that the following process is important: Do not be afraid to voice your own opinion; listen to opinions that differ from your own and respect them; and once the direction is determined, everyone should work together for success.

# Social contribution activities

## For local communities

Based on the Chubu Electric Power Group Basic Corporate Citizenship Policies, Chubu Electric Power is involved in many different activities under the following four themes: securing the safety and security of communities; preserving the environment; educating the next generation; and culture and sports activities.




Ensuring local welfare and peace of mind

The Chubu Electrical Safety Services Foundation provides free safety inspections to communities

Number of inspections **130**  
Actual number for FY2017

**Other activities**

- PR activities for promoting the safe use of electricity
- Operation of "Kizuna Net," a mobile phone communications service for parents of school-age children
- Installation of evacuation signs and other signage on power line poles
- Participation in disaster prevention drills of local communities



Environmental conservation

Green Curtains (an energy saving activity for the summer that uses morning glories and other vine plants)

Active since **1992**

**Other activities**

- Providing memorial tree-planting (sapling) vouchers
- Participation in cleanup activities around business sites, etc.

## With local universities

Chubu Electric Power is contributing to the continuous development of the local society by collaborating with various local universities.



**Research**

Since 2008, Chubu Electric Power has been collaborating with the Mie University Graduate School of Bioresources to conduct a local revitalization project by regenerating seaweed beds. The photos show local fishermen sowing seaweed seeds under the guidance of a university professor on the coast of Minamiise-cho, Mie Prefecture.

**Nagoya University**

Research departments have been funded by Chubu Electric Power at the EcoTopia Science Institute (currently the Institute of Materials and Systems for Sustainability) since 1996 and the Disaster Reduction Collaboration Research Center since 2012.

**Mie University**

Since 2005, we have been collaborating on a broad range of activities including energy and the environment, biological resources, developing local communities, etc.

**Shizuoka University, University of Shizuoka, Hamamatsu University School of Medicine**

Since 2014, we have been collaborating on research on numerous fields including engineering, science, and medicine.



Chubu Electric Power Group Basic Corporate Citizenship Policies: [http://www.chuden.co.jp/corporate/csr/sociel\\_kouken/csr\\_policy/index.html](http://www.chuden.co.jp/corporate/csr/sociel_kouken/csr_policy/index.html)

### Education for the next generation



Operation of "Traveling Classrooms"

No. of Traveling Classrooms held

# 368

Actual number for FY2017

#### Other activities

- Organizing workplace experience opportunities and study tours
- "EleKids" (Science club for elementary school children)
- "Denki Kodomo" (Electricity and Children) newspaper series for posting on school walls
- Operation of PR facilities

### Cultural and sports activities



Curling team activities

Took part in the tournament to determine the Japanese representative for the Pyeongchang Olympics

#### Other activities

- Interactive events sponsored by business sites for communication with the local community
- Participation in events and volunteer activities originating in the local community
- Loaning some of our facilities to communities for painting exhibitions and other purposes
- Operation of the Denki Community Hall which has a music hall and other facilities

### Aichi University of Education

Since 2006, we have collaborated on conducting a class related to energy and the environment.

### Shizuoka Sangyo University

Since 2009, we have opened a lecture on energy presented by lecturers who are employees of Chubu Electric Power.

### Nagoya University

From 2016, we have been participating in the Global Human Resources Development Program within the School of Economics to conduct lectures on the energy and electric power business.



## Classes

Scene from the Global Human Resources Development Program at Nagoya University



## Environmental

# Commitment to Environmental Conservation



The Ikawa Hydroelectric Power Station in Shizuoka Prefecture that started operation in 1957 and reached 60 years of operation in 2017. (The inset photo shows the plant when it was under construction.) This power plant helped support the post-war recovery period when demand for electricity increased rapidly, and today it continues to generate power in a lush green natural environment.

In addition to promoting management of the environment, Chubu Electric Power works to preserve the global environment and contributes to the development of a sustainable society.

We are reducing CO<sub>2</sub> emissions from both the supply side and the demand side of electric power in order to prevent global warming.

Building a low-carbon society

In order to protect our rich natural resources, we conduct business activities that take into consideration diverse ecosystems.

Coexisting with nature

Four priority measures

Creating a recycling society

We are promoting the three Rs (Reduce, Reuse, and Recycle) to use our limited resources more carefully and reduce the load on the environment.

Interacting with local communities and the world at large

In order to pass down awareness of the environment and energy to the next generation, we are developing people who will create the future by collaborating with local communities.



**Masaya Hashimoto**

Executive Officer,  
General Manager of Environmental Affairs &  
Regional Relations Office

## Message

In 2015, the Sustainable Development Goals (SDGs) and the Paris Agreement, an international framework for global warming countermeasures were both adopted. As a result, the national government, companies, citizens and every type of organization increased their efforts to make a sustainable society. There is an especially strong burden on companies because they are expected to use their environmental technology and human resources to contribute to solving environmental issues.

As a member of the energy industry, we have positioned our efforts in environmental problems as the most important issue for management, and we are developing the activities of our entire Group under the Chubu Electric Power Group Basic Environmental Policy.

With respect to countermeasures for global warming, we are participating in the Electric Power Council for a Low Carbon Society and the entire electric power industry is aiming to achieve the CO<sub>2</sub> emissions reduction goal that it has made based on the long-term energy supply and demand forecast by the government. The specific measures we have taken include the start of regular operation of the Nishi-Nagoya Thermal Power Station in 2017, which has the world's highest thermal efficiency as recognized by the Guinness Book of World Records, development of renewable energy that does not emit CO<sub>2</sub> during power generation, and measures to improve the safety of the Hamaoka Nuclear Power Station.

We are also proactively developing collaborative activities with local communities, such as the environmental protection activities we have been conducting with NPOs through the Chubu Electric Power Group's ECO Points Program, developing human resources, educational activities related to energy and the environment, etc.

All of the business activities of our Group are dependent on the trust from the local society, starting with our customers. We shall continue to strengthen our bonds of trust with the people and local communities through environmental communication, contributing to the creation of a sustainable society.

Chubu Electric Power Group Basic Environmental Policy: <http://www.chuden.co.jp/kankyo/sengen/index.html>

## Realizing a low-carbon society

Chubu Electric Power aims to achieve the goal of "CO<sub>2</sub> emission intensity of about 0.37 kg-CO<sub>2</sub>/kWh by fiscal 2030," which has been set for the industry by the Electric Power Council for a Low Carbon Society which we formed with other electric power utilities. To that end, we are promoting comprehensive measures that include the utilization of nuclear power plants by prioritizing safety and winning the trust of local communities, development of highly efficient thermal

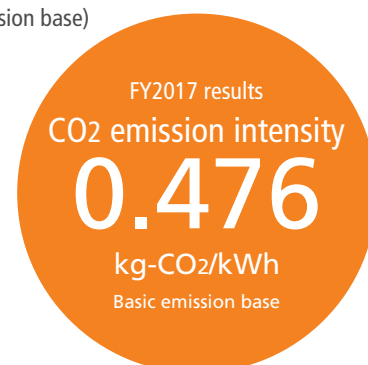
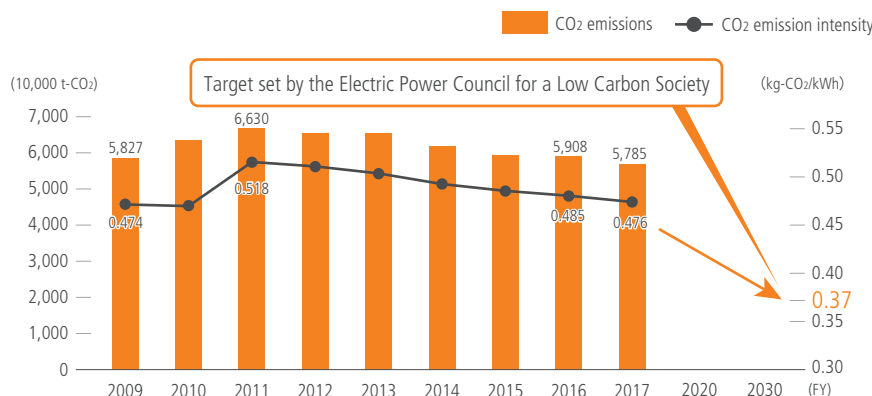
power generation facilities and renewable energy, etc.

Since the shut down of the Hamaoka Nuclear Power Station after the Great East Japan Earthquake in 2011, thermal power plants have been used as substitutes which has led to a considerable increase in CO<sub>2</sub> emission intensity. By developing highly efficient thermal power generation facilities and increasing the introduction of renewable energy, we have achieved a gradual

decrease of CO<sub>2</sub> emission intensity, recording 0.476 kg-CO<sub>2</sub>/kWh in fiscal 2017. In addition to the measures on the power-supply side, we will be promoting measures from both the supply and demand sides of electric power by helping our customers conserve energy.

We are also involved in methods of calculating CO<sub>2</sub> emissions in the electric power business supply chain.

### Changes and outlook for Chubu Electric Power CO<sub>2</sub> emissions and emission intensity (basic emission base)



• CO<sub>2</sub> emission intensity that reflects the credits and adjustments in the renewable energy fixed price buying system established by the Act on Promotion of Global Warming Countermeasures will be announced as soon as they are compiled.



# Direction for 2030

Contributing to the realization of a low carbon society by pursuing the optimum energy mix

We are increasing our efforts in all areas of our value chain from power generation to transmission/distribution and to sales

## Power generation

Continued utilization of nuclear power generation, development of renewable energy, and improving the thermal efficiency of thermal power plants

CO<sub>2</sub> emissions reduction target for all electric power companies

Electric Power Council for a Low Carbon Society

**0.37** kg-CO<sub>2</sub>/kWh

### Thermal power generation and fuel procurement

Planned replacement of very old thermal power plants with thermal plants adopting the most advanced technology which are highly efficient and place a low burden on the environment. We are promoting optimum operation of the whole thermal power generation chain, including fuel procurement.

### Nuclear power

We are promoting ways to better utilize nuclear power including extending the operating life (40 years) by introducing the latest knowledge and technology, receiving power from the power plants of other companies, maintaining and improving technology and developing human assets, etc.

### Renewable energy

In addition to the hydroelectric, land-based wind power, and biomass that we have been involved in to date, we will proactively promote the development of new technology such as offshore wind power and geothermal.

### Actions taken so far

We are involved in taking measures to improve the safety of nuclear power generation and developing renewable energy and highly efficient thermal power generation.

FY2017 CO<sub>2</sub> emission intensity

**0.476** kg-CO<sub>2</sub>/kWh

CO<sub>2</sub> emissions

**57.85** million t-CO<sub>2</sub>

#### Fuel procurement

Introduction of highly efficient LNG vessels

Improved fuel consumption

Approximately **25** %

#### Nuclear power

Promoting measures to improve safety at the Hamaoka Nuclear Power Station

CO<sub>2</sub> emissions reduction effect of the Hamaoka Nuclear Power Station (when all reactors are operating)

Approximately **10** million t-CO<sub>2</sub>

#### Renewable energy

Promoting the development of hydroelectric, solar, wind, and biomass power generation

CO<sub>2</sub> reduction as a result of operating the biomass power generation facility at the Yokkaichi Thermal Power Station (Scheduled to start operation in fiscal 2020)

Approximately **160,000** t-CO<sub>2</sub>

#### Thermal

Promoting the introduction of the newest thermal equipment

- Nishi-Nagoya Thermal Power Station Unit 7 (General operation started in March 2018)

Uses the latest highly-efficient combined cycle power generation method using LNG for fuel.

World's highest thermal efficiency

**63.08** %

CO<sub>2</sub> emission reduction effect

Approximately **1.4** million t-CO<sub>2</sub>

- Taketoyo Thermal Power Station Unit 5 (Scheduled to start operation in fiscal 2021)

Uses coal, which is economical and can be procured stably. In order to reduce CO<sub>2</sub> emissions, wood biomass will be mixed during combustion and the latest highly-efficient power generation equipment (46%) will be used.

CO<sub>2</sub> emission reduction effect (Compared with coal-only combustion)

Approximately **900,000** t-CO<sub>2</sub>

Overall thermal efficiency

Fiscal 2017

**48.94** %  
Top level in Japan

Non-fossil fuel power source percentage in the Sophisticated Methods of Energy Supply Structures

**44%**  
is the target

## Transmission/distribution

## Sales

### Power network that supports the expanded use of renewable energy

- Voltages and frequencies will be stabilized by using cutting-edge technology, such as IoT and big data analysis, that will allow minute control, and from the viewpoint of stable supply, we will support the proactive and expanded introduction of renewable energy, which will include linking batteries and customer equipment to our facilities.

### Greater contribution to customers in energy conservation and CO<sub>2</sub> reduction

- We will make proactive proposals for optimum energy usage.
- With respect to non-fossil fuel power sources such as nuclear power and renewable energy, we will not depend solely on ourselves but will also procure from a wide range of other companies, and take every possible measure so that by fiscal 2030 our percentage of non-fossil fuel power supply will reach 44 percent.

### We will contribute to the realization of a low-carbon society by solving the various issues facing communities

Contributing to low-carbon local transportation

Economical operation of customer energy sources, such as batteries and EV

Local production and consumption of renewable energy

Transactions between individuals of surplus solar power

### Dealing with the expansion of renewable energy

We will strive to stabilize the supply of power by dealing with the expanded use of renewable energy that has large output fluctuations.

- Improving accuracy of renewable energy output predictions and optimized operation of power networks by using IoT, etc.
- Participation in the V2G\* aggregator project  
A joint project with Toyota Tsusho to verify the charge/discharge capabilities of EV batteries when connected to the power network.

\* V2G (Vehicle to Grid) utilizes the batteries of EVs and the like to supply the power network with stored electricity. We hope that this system will be able to provide adjustments necessary for solar power, wind power, and other sources that have large output fluctuations, and that it will be able to shift supply by using surplus power to charge and discharge the batteries when the network needs additional power.

- Proactive use of Connect & Manage\*

\* A system that maximizes the use of existing transmission lines and allows renewable energy to be connected if certain conditions are met.

### Reducing the emission of SF<sub>6</sub> (sulfur hexafluoride)

SF<sub>6</sub> is used as an insulating gas in electric power equipment. We are doing our utmost to reduce its escape into the atmosphere when the equipment is inspected or removed.

Recovery rate: 99.4% (during inspections); 99.5% (during removal)

### Contributing to customer energy saving and CO<sub>2</sub> reductions

#### For businesses

#### Energy solutions

Investigate causes of wasted energy  
Propose reforms for the operation of facilities used, etc.

#### Integrated development solutions

Improve quality and productivity while conserving energy  
Make detailed proposals of customer production lines

#### Overseas energy conservation support services

Develop "energy solution activities" for customer workplaces overseas

"Thermoplastic CFRP Rapid Heating Machine" jointly developed with Yutaka Electronics Industry Co., Ltd.

Energy usage

Approximately **-80%**

CO<sub>2</sub> emissions

Approximately **-70%**

Received the Technology & Development Prize from Toyota Motor Corporation jointly with Yutaka Electronics Industry

#### For households

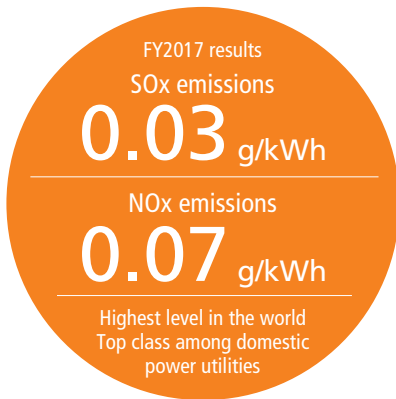
#### Web service "KatEne"

Makes electricity and gas usage visible and provides energy saving information

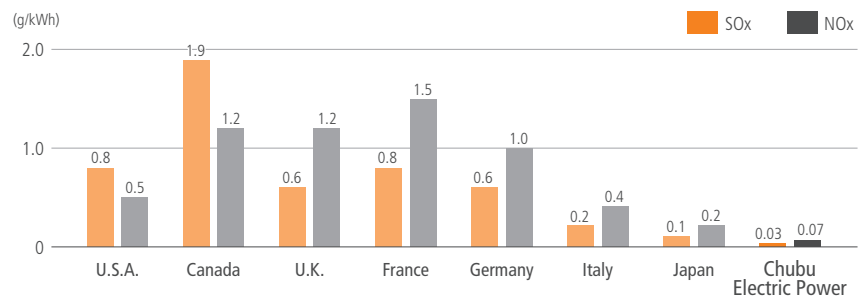
## Coexisting with nature

### Measures against air pollution

Use of flue gas desulfurizing/denitrification units have reduced emissions of SO<sub>x</sub> (sulfur oxide) and NO<sub>x</sub> (nitrogen oxide) enabling our emissions per kWh of electricity generated to reach the lowest levels in the world.



■ SO<sub>x</sub> and NO<sub>x</sub> emissions per kWh of electricity generated by thermal plants (international comparison)  
(Countries: 2015 data; Chubu Electric Power: fiscal 2017 data)



Source: Data for overseas: OECD Stat Extracts, IEA ENERGY BALANCES 2017; Data for Japan: Federation of Electric Power Companies of Japan

### T O P I C

#### Preserving biodiversity

### Developing greening methods that use indigenous plants in consideration of the local environment

In the greening work of electric power facilities, we use plants that consider the local ecosystem. However, in natural parks (national parks, quasi-national parks) native plants that are the same at the genetic level must be used.

With respect to native plants that can be used for greening work, we retrieve samples from around Japan to study the various genetic differences. As a result, we have discovered that there are plants that do not have major genetic differences even if they are from different areas. By using these native plants, we can use the seeds from a wider geographic area when conducting greening work, allowing us to preserve biodiversity without having to incur increased greening work costs.

We shall continue this research in order to preserve biodiversity.



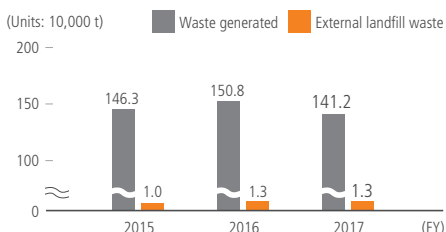
**Sonoko Tsuda**  
Research Engineer  
Energy Applications Research  
& Development Center

## Creating a recycling society

### Activities for zero emissions

We are taking measures to reduce waste materials in order to meet our goal of reducing the percentage of waste materials that go to landfills to under 1 percent. As the total amount of industrial waste produced by the Chubu Electric Power Group in fiscal 2017 was 1.412 million tons, we achieved our goal by limiting waste that went to landfills to 0.9 percent.

#### ■ Industrial waste, waste by-products and external landfill waste



#### Example of the effective utilization of coal ash

The coal ash produced by the Hekinan Thermal Power Station accounts for about sixty percent of the industrial waste produced by the Chubu Electric Power Group. One hundred percent of coal ash can be effectively used as raw material for cement, base course material, concrete material, land reclamation material, etc.



Coal ash (fly ash)



Kawaura Dam of the Okumino Hydroelectric Power Station where fly ash cement is used.

FY2017 results  
Effective utilization  
of coal ash  
**100%**



## Collaborative activities with local communities

### Chubu Electric Power Group's ECO Points Program

#### Activity examples

##### Domestic

- Activities to protect loggerhead turtles (Hamamatsu, Shizuoka) ①
- Survey of river life (Yokkaichi, Mie) ②
- Forest classrooms for students and working people (Toyota, Aichi) ③
- Seaside cleaning in collaboration with local groups (Minami Chita and Tokoname, Aichi) ④

##### Overseas

- Replanting mangroves in Vietnam
- Environmental education for children in the Philippines



We started the Chubu Electric Power Group's ECO Points Program in 2005. This activity gives points to Chubu Electric Power Group employees and their families when they do simple environmental activities such as saving power or driving economically. The points collected by the participants are passed

on to social contribution activities such as those in the examples above that are conducted together with NPOs and other organizations. Our employees and their families can also participate in the activities.

This activity has been recognized for making participation in environmental

activities by employees and their families visible and for supporting the environmental activities of NPOs and the like, earning it the Incentive Prize in the "2017 Environmental Person Fostering Company Grand Prize" held by the Ministry of the Environment.

### Educational course on the environment and energy for university students



As part of the Nagoya Environmental University that is a collaboration between citizens, companies, educational organizations, and the local government, Chubu Electric Power conducts the Environment and Energy School mainly for university students so that they can learn about the status and issues surrounding electric power, the environment, and energy.

The course includes visits to nuclear, thermal, hydroelectric power plants, and the Central Load Dispatching Center that is the command post for the stable supply of power, and provides opportunities to see employees at work, and to share opinions with the other participants. These experiences will give the participants the opportunity to consider the future of energy.

#### One participant's opinion



**Nanami Murakami**  
Senior, Department of Policy Studies  
Faculty of Policy Studies,  
Aichi Gakuin University

"A picture is worth a hundred words" was the perfect expression for me after I finished the course.

Not only was I able to learn about electricity that we use matter-of-factly in our daily lives, but I was able to see how the employees were working with a strong sense of mission. This course made me appreciate the electricity that is supplied to us in a safe and secure way.

I hope to be able to gain experience of matters that one cannot understand from books alone through my seminar studies, and convey them with a greater depth of knowledge and understanding.

# Communication with Our Stakeholders

In order to obtain the understanding of our stakeholders regarding the business activities of the Chubu Electric Power Group and to hear their opinions, we have been conducting low-profile interactive activities.

Furthermore, in order to promote companywide communications with stakeholders and CSR activities, we have established the Chubu Electric Power Group CSR Declaration and established the CSR Promotion Council made up of all general managers and the dedicated CSR & Innovation Promotion Group within the Corporate Planning & Strategy Division.

## Employees

### • Executive "Caravan"

The Senior Management visits all business facilities and directly talk with the front-line employees. (Held every year since 2011.)

- Informal meetings held between branch managers and young employees.
- Promoting lively workplace social events.

Participants in the Executive "Caravan" opinion exchanges

FY2018 results

932



## Business partners

- Holding procurement overview briefings.
- Conducting surveys about compliance and other matters.
- Establishing helplines (by company).

Companies participating in briefings

April 2018

326



## Chubu Electric Power Group CSR Declaration

### Fulfilling our responsibilities and meeting public expectations

Chubu Electric Power Group, as a corporate group of sustainably growing businesses meeting a wide range of energy needs, contributes to the development of a sustainable society by giving top priority to safety and striving to both provide a stable supply of energy and protect the global environment.

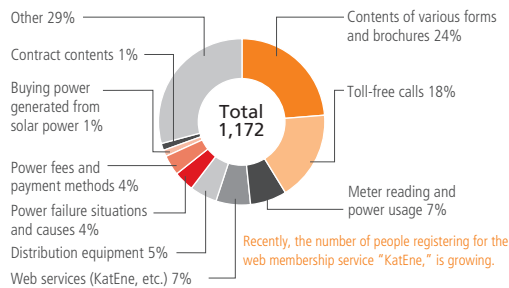
We aim to accomplish these goals by allowing the individuality of group companies to be fully expressed while achieving group synergy in enterprises within our core competence in energy. We manage our businesses in a fair and sincere manner by observing national and international laws, following regulations and social rules, respecting corporate ethics, giving priority to dialogue with all our stakeholders, and maintaining high levels of transparency and openness in our business activities.

## Customers

### Individual and corporate customers

- Interactive activities with customers at sales office counters, customer centers, with sales representatives, etc.

### Breakdown of customer feedback by type (fiscal 2017)



Total number of customer feedback  
**1,172**

### Examples of improvements based on customer feedback

Start of a push notification service of power failure information using the smartphone application "Kizuna Net."

Customer feedback	I was anxious that during a power outage, I made a telephone call to Chubu Electric Power, but was not able to gain a connection. Is there an alternative way to collect information?
Improvement	In March 2017, we started a push notification service when power failures occur using the smartphone application "Kizuna Net." The application can be downloaded for free and once the desired area is selected, power failure information can be received. It is possible to register areas other than your own home, such as your company's location or your parents' home.

Introduction of a system that makes it easier to collect KatEne points

Customer feedback	KatEne points can only be collected by visiting the KatEne site. Moreover, even if site columns and other pages are viewed, the number of KatEne points that can be collected is limited.
Improvement	In March 2018, we started a service in which KatEne points are automatically added every month for customers registered in the fee menu depending on their electricity and gas fees. Together with family point discounts, this makes it easier than ever to collect KatEne points.

## Shareholders and investors

- Company briefings for individual investors
- Individual interviews with institutional investors and individual shareholders
- Facility tours for individual shareholders

Number of participants in the institutional investor and analyst briefing  
FY2017 results

An aggregate of  
**163** participants



## Local communities

- Facility tours and exchange of opinions for female consumer monitors
- Chubu Electric Power Environmental Roundtable Meeting where we receive advice on overall environmental measures from external specialists.
- Exchange of opinions with Mie University about the environmental report and our annual report.

Number of female consumer monitors  
As of the end of March 2018

**564**





# ESG Performance Indicators

			Units	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Governance (G)	Corporate Governance Structure	Development and operation of internal control	-	Generally developed and operated properly	Generally developed and operated properly	Generally developed and operated properly	Generally developed and operated properly	Generally developed and operated properly
	Ensuring Compliance Management	Number of queries received via the Helpline	queries	48	53	59	45	47
	Fair and Equitable Transactions	Number of participants in procurement overview briefing	persons	546	550	552	539	566
		Number of inquiries received from suppliers	inquiries	95	97	57	61	74
	Intellectual Property	Number of participants in intellectual property seminars	persons	667	750	742	602	524
		Number of patents owned	patents	712	658	574	571	565
Social (S)	Human assets	Hours worked per employee	hours	1,989	2,009	2,018	2,015	1,981
		Number of days taken as paid annual leave per person	days	14.4	14.3	15.1	15.0	15.5
		Number of persons taking childcare leave	Male	persons	6	9	9	10
			Female	persons	155	157	173	182
		Number of persons taking nursing care leave	Male	persons	1	0	3	2
			Female	persons	1	3	1	2
		Percentage of employees who are physically/mentally challenged*1	%	2.10	2.26	2.32	2.39	2.40
		Number of industrial accidents (Chubu Electric Power employees)*2	accidents	92	79	95	113	84
		Number of industrial accidents (Contractors)	accidents	41	66	77	58	72
	Social contribution activities	Traveling Classrooms (number of times conducted)	times	381	499	437	428	368
		Workplace experience/facility tours (number of times conducted)	times	593	546	552	458	479
Environmental (E)	Building a Low-Carbon Society	CO <sub>2</sub> emissions intensity (before reflecting CO <sub>2</sub> credits, etc.) (after reflecting CO <sub>2</sub> credits, etc.)	kg-CO <sub>2</sub> /kWh	0.513 0.509	0.497 0.494	0.486 0.482	0.485 0.480	0.476 *3
	Coexisting with Nature	SO <sub>x</sub> emissions (Thermal power generation)	g/kWh	0.04	0.03	0.03	0.03	0.03
		NO <sub>x</sub> emissions (Thermal power generation)	g/kWh	0.08	0.08	0.08	0.07	0.07
	Creating a Recycling Society*4	Amount of waste generated	10 thousand tons	160.2	172.4	146.3	150.8	141.2
		Amount of waste sent to external landfills	10 thousand tons	1.6	2.1	1.0	1.3	1.3
Communication with Stakeholders	Customer	Annual average failure/outage time per household	minutes	13	18	4	5	10
		Customer Center	Calls received	One thousand calls	1,914	2,191	2,824	3,364
			Response rate	%	96.8	95.5	88.9	84.0
	Shareholders and investors	Institutional investors / analysts	Financial results/management plan briefing	sessions	2	2	2	2
			Facility tour	tours	4	4	6	5
		Private investors	Company briefing	sessions	2	0	3	8
		Individual shareholders	Facility tour	tours	14	13	13	17

\*1 The figures indicated are those as of June 1 in the next fiscal year.

\*2 The definition of "accidents" at Chubu Electric Power was changed in fiscal 2012 from "when an employee receives continuous medical treatment" to "when an employee receives medical treatment."

\*3 The CO<sub>2</sub> emission intensities that reflect credits obtained from the methods stipulated in the Act on Promotion of Global Warming Countermeasures and that are adjusted based on the feed-in tariff scheme for renewable energy are yet to be determined. The data will be announced at the earliest possible opportunity after they have been established.

\*4 The figures above indicate the total value for member companies of the Chubu Electric Power Group Environmental Measures Committee. Starting fiscal 2015, the figures reflect waste emitted from member companies.

# Third-Party Review



## Fumie Ando

Professor,  
Faculty of Business Administration,  
Nanzan University

Ph.D. (economics) from the Graduate School of the University of Tokyo. Specializes in organizational learning theory and organizational transformation theory.

Author of "Theories of Organizational Learning and Navigation Map in the Organization" (2001), "Leverage for Organizational Change" (2017), etc.

She was awarded the Takamiya Prize (research papers) from the Academic Association for Organizational Science in 1998 and the METI Director General Prize at the 69th National Efficiency Conference held by the All Japan Federation of Management Organizations in 2018.

Advisor to the Nippon Omni-Management Association.

## A report that emphasizes the relationships with diverse stakeholders

The Chubu Electric Power Group's annual report is where it explains to its stakeholders in a comprehensive and easy-to-understand way how it is considering and handling the expectations from the society as well as its activities to create value in the mid- to long-term.

The conditions encompassing energy businesses have changed dramatically in recent years due to the liberalization of the retail electric power and gas markets. Under such conditions, even the Chubu Electric Power Group, which has a long history and strong corporate brand, must fulfill the mission placed upon it, while aggressively addressing change without fearing the consequences of new challenges.

The Chubu Electric Power Group's strong commitment to change is put front and center in both the content and composition of this report. For example, with respect to the new Management Vision, activities that will contribute to making new communities are presented, increasing our expectations for Chubu Electric Power's proactive and ambitious involvement in society. The format has also been revised from the conventional image of being steadfast and serious to one that is friendly and upbeat, by increasing the use of photographs, illustrations, and other visual aspects. There is also an awareness of the diversity of its readers. In order to make the report easier to understand for stakeholders that are not familiar with the recent changes in the corporate environment, a new question-and-answer format has been adopted to enable as many people as possible to understand the important terms and contents.

The first step in transforming an organization is to be conscious of the "outside." What this means is to be able to face diverse values, while continuing to defend values that must be maintained, and having an attitude that allows proactive and flexible adoption of new ideas. This report leaves a favorable impression because the reader can feel the flexibility and attitude towards change. The Chubu Electric Power Group is not only trying to absorb diverse opinions and values from the outside, but it is also conducting internal activities that are conscious of diversity and proactively searching for the needs and expectations of its diverse stakeholders and acting towards solving and realizing these individual needs.

I expect the Chubu Electric Power Group to continue to break out of its old conventions and make new challenges in order to realize its vision. When making this report, it is clear that the Chubu Electric Power Group was very conscious of its relationships with its diverse stakeholders and that it had the attitude and mindset to emphasize those relationships which will become the foundation for all kinds of activities. I expect that that foundation will bring out even more desirable results.

## In response to the third party review

I would like to thank Ms. Ando for her invaluable insights.

She highly praised our efforts to convey our attitude towards change and also our efforts to make this report friendlier and easier to understand for our diverse readers. She also mentioned how our Group is absorbing and trying to utilize the opinions and values of both inside and outside stakeholders and that we should continue to emphasize this attitude in the future. By doing so, she states that more desirable results can be expected and we would like to thank her for showing us an encouraging direction for us in the future.

Although the business environment involving energy is drastically changing, we shall continue to meet diversified needs and contribute to the continuous development of society.



## Yasutaka Kato

General Manager of Corporate Planning  
and Strategy Division and  
Group Promotion Management Office  
Chubu Electric Power Co., Inc.

## Five-Year Operating Statistics The company's fiscal year (FY) is from April 1 to March 31 of the following year.

(GWh)

<b>Electrical Energy Sold</b>	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Low voltage	41,249	39,525	38,219	38,773	38,787
High voltage / Extra-high voltage	85,821	84,550	83,748	83,048	82,644
<b>Total Electrical Energy Sold</b>	127,070	124,075	121,967	121,821	121,431
<b>Reference: Electrical energy sold including subsidiaries*</b>	127,990	125,062	123,166	124,168	125,309

\*The sum of the company and consolidated subsidiaries.

### Electric Power Supplied

(GWh)

Internally-generated Power*	128,639	126,175	120,730	118,582	116,386
Hydroelectric	7,828	8,718	9,446	8,573	8,549
Thermal	120,759	117,412	111,219	110,217	108,046
Nuclear	—	—	—	(251)	(255)
Renewable Energy	52	45	65	43	46
Interchanged, Purchased Power					
Wholesale	(5,063)	(6,459)	(4,065)	(6,234)	(7,872)
Purchased Power	15,434	15,509	15,799	16,012	18,639
Power Used for Pumped Storage	(986)	(707)	(596)	(1,062)	(1,242)
<b>Total Electric Power Supplied</b>	138,024	134,518	131,868	127,298	125,911

\*From FY2016, the figures in the "Internally-generated Power" indicate values at the sending end, which have been obtained by subtracting the electric power necessary for operating the power plants, etc. from the electric power generated by generators at the power plants (generation end).

### Generating Capacity

(MW)

Hydroelectric	5,232	5,320	5,497	5,450	5,459
Thermal	24,506	25,082	24,015	24,034	25,470
Nuclear	3,617	3,617	3,617	3,617	3,617
Renewable Energy	31	39	39	37	39
<b>Total Generating Capacity</b>	33,386	34,058	33,168	33,138	34,585

### Number of Employees

(number of persons)

Consolidated	30,888	30,848	30,659	30,635	30,554
Nonconsolidated	16,854	16,949	16,796	16,632	16,461



## Five-Year Financial Statistics (Consolidated)

(Millions of Yen)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
For the year ended March 31:					
Operating Revenues	2,842,187	3,103,604	2,854,044	2,603,537	2,853,309
Operating Income (Loss)	(60,651)	107,169	284,992	136,444	136,505
Ordinary Income (Loss)	(92,627)	60,207	255,610	121,483	128,532
Net income before taxes	(80,674)	83,414	254,204	152,157	105,195
Net Income (Loss) attributable to owners of parent	(65,328)	38,796	169,745	114,666	74,372
Depreciation	278,705	271,850	257,063	255,692	267,828
Capital Investments	273,039	262,694	293,784	345,689	343,743
At the end of the year ended March 31:					
Total Assets	5,782,181	5,631,968	5,538,946	5,412,307	5,530,188
Net Assets	1,437,172	1,507,508	1,637,110	1,724,713	1,791,942
Shareholders' Equity*	1,401,067	1,468,917	1,599,935	1,685,268	1,729,742
Outstanding Interest-Bearing Debt	3,260,075	2,918,929	2,625,482	2,674,772	2,595,635
Per Share of Common Stock (Yen):					
Net Income (Loss) —Basic	(86.23)	51.21	224.15	151.43	98.24
Net Assets	1,849.31	1,939.59	2,112.80	2,225.66	2,285.87
Cash Dividends	0	10	25	30	35
Financial Indicators and Cash Flow Data:					
Shareholders' Equity Ratio	24.2	26.1	28.9	31.1	31.3
Cash Flows from Operating Activities	203,742	476,845	562,411	335,064	424,159
Cash Flows from Investing Activities	(266,620)	(282,781)	(307,995)	(360,232)	(344,467)
Cash Flows from Financing Activities	(23,905)	(344,088)	(312,120)	21,070	(88,670)
Cash and Cash Equivalents at End of Period	536,774	390,088	324,391	293,954	284,888

\* Shareholders' Equity = Total Net Assets - Noncontrolling interests

# Management Discussion and Analysis of Operating Results, Financial Standing, and Cash Flows

## Analysis of Operating Results

### Operating Balance

Chubu Electric Power's electrical energy sold decreased by 0.3% to 121.4 TWh, compared with the previous fiscal year, mainly due to an effect of switches made to other operators with the intensified competition, even with an increase in heating demand due to lower temperatures this winter, as well as a sales increase in the Tokyo metropolitan area and an increase of production in the automobile and semiconductor industry.

Furthermore, the amount of electrical energy sold including group companies increased by 0.9% to 125.3 TWh compared with the previous fiscal year.

■ Electrical Energy Sold (TWh, %)				
	FY2017 (A)	FY2016 (B)	Change (A-B)	Change (A-B)/B
Low voltage	38.8	38.8	0.0	0.0
High voltage Extra-high voltage.	82.6	83.0	(0.4)	(0.5)
Total	121.4	121.8	(0.4)	(0.3)
Reference:				
Electrical energy sold including subsidiaries*	125.3	124.2	1.1	0.9

\*The sum of the company and consolidated subsidiaries.

As for the electricity power supply, the flow rate fell short of the previous fiscal year's; thus hydroelectric power output decreased by 0.1 TWh to 8.5 TWh compared with the previous fiscal year, while the operation of all reactors at the Hamaoka Nuclear Power Station has been suspended.

On the other hand, interchanged power and wholesale power increased by 1.7 TWh to 7.9 TWh compared with the previous fiscal year, mainly due to an increase in wholesale volume, and interchanged power and purchased power increased by 2.7 TWh to 18.7 TWh compared with the previous fiscal year, mainly due to an increase in purchase of renewable energy.

As a result, thermal power output decreased by 2.2 TWh to 108.0 TWh compared with the previous fiscal year.

### ■ Electric Power Supplied

	FY2017	Rate of Change (TWh, %)
Internally generated		
Hydroelectric power	8.5	(0.3)
<flow rate>	<98.7>	
Thermal power	108.0	(2.0)
Nuclear power	(0.2)	1.6
<utilization rate>	<->	
Renewable energy	0.0	6.8
Interchanged, Purchased power		
Wholesale	(7.9)	26.3
Purchased power	18.7	16.4
Power used for pumped storage	(1.2)	16.9
Total	125.9	(1.1)

\*From FY2016 onwards, the amount of power at the sending end is referred to as the amount of internally generated power. Rate of Change is calculated by converting the amount of power from the previous fiscal year to the sending end value.

In terms of operating balance, operating revenues increased by 249.7 billion yen to 2,853.3 billion yen compared with the previous fiscal year, mainly due to an increase in fuel cost adjustment charges, as well as an increase in surcharge and grant based on Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities.

Operating expenses increased by 249.7 billion yen to 2,716.8 billion yen compared with the previous fiscal year, mainly due to an increase in fuel expenses following a rise in fuel prices, despite improving management efficiency across the group.

As a result, operating income amounted to 136.5 billion yen, almost the same as the previous fiscal year.

Operational results by segment (before elimination of inter-segment transactions) are as follows.

#### <Power Generation>

Operating revenue from the thermal and renewable energy power supply increased by 111.3 billion yen to 1,097.6 billion yen, and operating income decreased by 23.0 billion yen to 38.2 billion yen compared with the previous fiscal year.

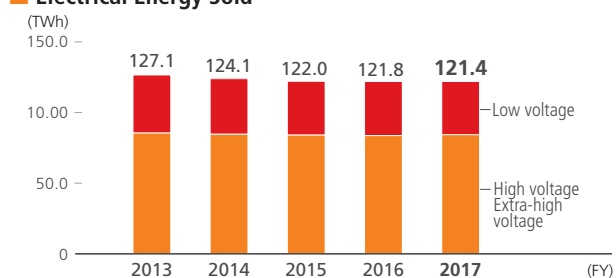
#### <Power Network>

Operating revenue from providing power network services increased by 11.7 billion yen to 744.6 billion yen, and operating income increased by 20.1 billion yen to 55.2 billion yen compared with the previous fiscal year.

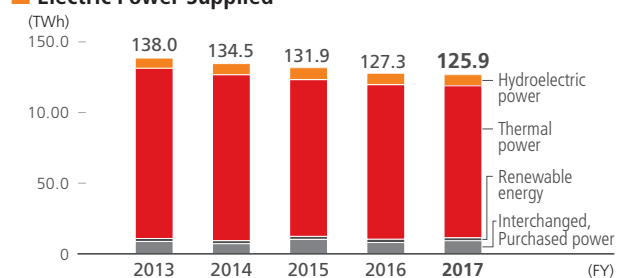
#### <Customer Service & Sales>

Operating revenue from our total energy service centered on gas & electric power increased by 181.2 billion yen to 2,633.8 billion yen, and operating income decreased by 12.9 billion yen to 38.1 billion yen compared with the previous fiscal year.

### ■ Electrical Energy Sold



### ■ Electric Power Supplied



\*From FY2016 onwards, the amount of power at the sending end is referred to as the amount of internally generated power

### Ordinary Income

Nonoperating revenue increased by 9.4 billion yen to 27.8 billion yen compared with the previous fiscal year. In combination with sales, ordinary revenue in total increased by 259.2 billion yen year on year to 2,881.2 billion yen.

Meanwhile, nonoperating expenses increased by 2.4 billion yen to 35.8 billion yen compared with the previous fiscal year. Combined with operating expenses, total ordinary expenses increased by 252.1 billion yen year on year, to 2,752.6 billion yen.

As a result, ordinary income increased by 7.0 billion yen to 128.5 billion yen, compared with the previous fiscal year.

### Net Income attributable to owners of parent

During the current fiscal year, mainly due to an extraordinary loss of 23.3 billion yen following the impairment loss regarding thermal power plants etc., the net income attributable to owners of parent decreased by 40.2 billion yen to 74.3 billion yen, compared with the previous fiscal year.

## Analysis of Financial Standing

### Assets

Noncurrent assets increased by 72.9 billion yen to 4,767.7 billion yen, compared with the previous fiscal year end, mainly due to investments in subsidiaries and associates.

Current assets increased by 44.9 billion yen to 762.4 billion yen, compared with the previous fiscal year end, mainly due to an increase in notes and accounts receivable.

As a result of the above, total assets increased by 117.8 billion yen to 5,530.1 billion yen, compared with the previous fiscal year end.

### Liabilities

Total liabilities increased by 50.6 billion yen compared with the end of the previous fiscal year to 3,738.2 billion yen, mainly due to an increase in accrued taxes and other current liabilities, despite a decrease in interest-bearing liabilities.

### Net Assets

Total net assets increased by 67.2 billion yen compared with the end of the previous fiscal year to 1,791.9 billion yen due to the recognition of net income attributable to owners of the parent and other factors, despite the payment of dividends.

As a result, the shareholders' equity ratio was 31.3%.

## Analysis of Cash Flows

Cash flow from operating activities increased by 89.0 billion yen to 424.1 billion yen over the previous fiscal year, because of factors such as an increase in electricity sales revenues resulting from a rise in fuel cost adjustment charges.

Cash outflow from investment activities decreased by 15.7 billion yen compared with the previous fiscal year to 344.4 billion yen, mainly due to a decrease in payments of investment and loans receivable.

Consequently, free cash flow improved by 104.8 billion yen from the previous fiscal year, resulting in an income of 79.6 billion yen.

Cash outflow from financing activities increased by 109.7 billion yen from the previous fiscal year due to reduced funding, resulting in expenditures of 88.6 billion yen.

Therefore, the amount of cash and cash equivalents at the end of the fiscal year under review decreased by 9.0 billion yen compared with the end of the previous fiscal year.

Furthermore, total outstanding interest-bearing debt at the end of the fiscal year under review decreased by 79.1 billion yen compared with the end of the previous fiscal year to 2,595.6 billion yen.

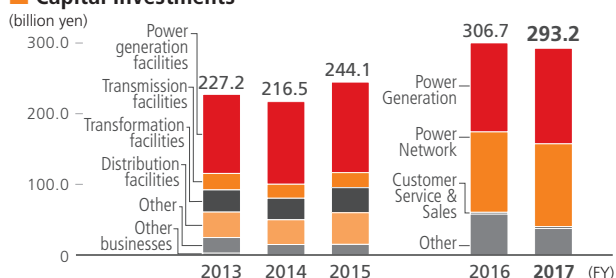
With regard to capital sources and fund fluidity, the Chubu Electric Power Group raises equipment funds required primarily to administrate the electricity business by issuing corporate debentures and obtaining bank loans, etc. The Group gains in short-term operation funds mainly by issuing short-term corporate debentures in principle.

## Capital Investments

Capital investments amounted to 343.7 billion yen in the fiscal year ended March 31, 2018 as a result of our efforts to pursue a maximum level of management efficiency, including slimming down of equipment, while securing a stable supply of electric power and public security.

A breakdown of the capital investments by segment (before elimination of inter-segment transactions) is as follows: 134.9 billion yen for Power Generation, 118.5 billion yen for Power Network, 11.4 billion yen for Customer Service & Sales, and 84.9 billion yen for other segments.

### Capital Investments



\* As of FY 2016, the graph has been changed to a breakdown by segment.

### Reference:

#### Fiscal 2017 Capital Investments (Nonconsolidated)

Item	(billion yen)
Power Generation	134.9
Power Network	
Transmission facilities	27.9
Transformation facilities	46.3
Distribution facilities	32.3
Other	11.9
Total	118.5
Customer Service & Sales	0.1
Other	39.5
Grand total	293.2

\* The above figures do not include consumption tax.



## Business and Other Risks

Of all the variables affecting the Chubu Electric Power Group's performance and financial standing, the primary factors most likely to have a major effect on investors' decisions are listed below.

Forward-looking statements in this report are based on facts and conditions as of the date of the financial statement report (June 28, 2018). Actual results may differ, affected by the government's future energy policy or revision of electricity business system.

### (1) Risks of the economic environment

#### <1> Economic and weather conditions

In the electric power business, the core business of the Chubu Electric Power Group, the volume of electricity sales fluctuates due to economic trends and temperature changes, and consequently, performance may be affected.

In addition, the amount of yearly precipitation affects the amount of hydroelectric power output, which then impacts our power-generating costs. Chubu Electric Power, however, has set aside a reserve for fluctuation in water levels, which allows the company to make certain adjustments against such impacts within the balance of the reserve, and thus limits the effect on performance.

#### <2> Changes in fuel prices, etc.

Although fuel costs such as liquefied natural gas (LNG), coal and crude oil may be affected by market price and fluctuations in the currency exchange market, the fluctuations of fuel prices within a certain range could potentially be reflected in electricity rates under the "Fuel-cost Adjustment System", which mitigates the impact of these factors on performance.

Meanwhile, performance may be affected by fluctuations in fuel expenses in the cases where: fuel becomes difficult to procure, for example, because of fluctuating supply and demand, supplier facility and/or operational issues, or changes in the political situation.

#### <3> Changes in interest rates

The balance of interest-bearing debts at the Chubu Electric Power Group stood at 2,595.6 billion yen at the end of March 2018, an amount equivalent to 46.9% of the group's total assets. Interest payments on this debt are susceptible to market interest rates, and thus, performance may be affected.

Of these interest-bearing debts, however, 85.4% came from long-term funds (bonds and long-term loans), and most of this funding was procured at fixed interest rates. So the effect of changes in interest rates is limited.

Part of the corporate pension plan assets held by the group may affect performance as their market value fluctuates in tandem with movements in stock prices and interest rates, among other factors.

### (2) Risks associated with Chubu Electric Group business activities

#### <1> Suspension of electricity generating facilities

Chubu Electric Power has suspended operation of all reactors at the Hamaoka Nuclear Power Station. Based on the new regulatory standards, the company has currently been steadily implementing countermeasures, while undergoing the Nuclear Regulation Authority's review to verify compliance with the new regulatory standards for Units 3 and 4. The company will strengthen internal systems to take action in response to reviews being conducted and allow early confirmation that the power station conforms to the new regulations.

The major safety enhancement measures at Unit 4, related to the tsunami/earthquake/severe accident countermeasures planned after the accident at the Fukushima Daiichi Nuclear Power Station, are almost complete. In the future as well, any additional equipment measures mandated by the review etc. will be implemented at the earliest time possible. After Unit 4, efforts will be made to implement the countermeasures in Unit 3 based on the new regulatory standards. In Unit 5, the recovery method from sea-water inflow will be specified and countermeasures based on new regulatory standards will be examined. In addition, preparations will be made for applying for the conformance examination.

Moreover, on-site response focusing on the inside of the power station, such as strengthening the on-site response capabilities through education/training or by streamlining the emergency preparedness system, will continue. In addition, efforts will be made to enhance the offsite response in preparation for nuclear disaster in the areas around the power station by strengthening cooperation with the national and local governments, with a particular focus on the effectiveness of emergency response including the evacuation of residents.

Since operation is suspended for all reactors at the Hamaoka Nuclear Power Station, the company is providing electricity using thermal power sources as an alternative; this substantially increases fuel costs which, coupled with other factors, is likely to influence performance.

The Chubu Electric Power Group strives to develop and maintain optimum facilities that ensure stable delivery of high quality electricity economically, while taking measures against large-scale earthquakes and cyber terrorism as a response to threats such as disasters.

However, if supply facilities of the company or other power companies from which we receive power supply are shut down because of a large-scale disaster, an accident or terrorism and an obstacle to fuel procurement, performance may be affected.

**<2> Nuclear power back-end costs, etc.**

The back-end business process of nuclear power takes an extremely long time period and has many uncertainties. Rules set by the government have reduced such uncertainties, but the costs of nuclear fuel cycles, including back-end costs, may vary depending on regulatory reform, changes in estimates of future expenses (mandated and voluntary), and the operating status of reprocessing facilities. As a result, performance may be affected.

**<3> Changes in the competitive environment**

Following the full liberalization of the electricity and gas retail markets and with the legal unbundling of the power transmission/distribution sector scheduled for 2020, the environment surrounding the energy business is changing rapidly. In addition, as markets and rules are being developed in stages to further encourage competition, the supply-demand structure may change significantly.

Under such circumstances, the Chubu Electric Power Group will maximize management efficiency, create a competitive tariff menu and new services that surpass the expectations of customers, and expand businesses such as promoting the sales of electricity and gas with a focus on the Tokyo metropolitan area. However, performance may be affected by intensified competition and changes to the supply-demand structure.

Chubu Electric Power will strengthen its competitiveness by realizing flexible, economic and stable fuel procurement through JERA, and will also expand the scale of business in overseas power generation, energy infrastructure and other fields. Furthermore, with the aim of enhancing Chubu Electric Power Group's corporate value, the company will move ahead with the necessary preparation towards the integration of its existing thermal power generation business with JERA scheduled in the first half of FY2019.

Since the company formed the alliance with the aim to accelerate its conventional growth strategy, the company believes the alliance will increase growth opportunities. However, performance may be affected by the specific development of the alliance.

**<4> Regulatory amendments for global environment protection, etc.**

With the international framework after 2020 regarding climate change agreed upon and global warming attracting international attention, Chubu Electric Power will participate in and achieve the goals set by the "Electric Power Council for a Low Carbon Society (ELCS)", a voluntary framework for conducting activities to reduce greenhouse gas emissions. The company will also improve the efficiency of its thermal power generation and the ratio of its non-fossil fuel energy sources in accordance with the Energy Saving Act and the Sophisticated Methods of

Energy Supply Structures, revised in April 2016. Given this situation, the Chubu Electric Power Group has established the "Chubu Electric Power Group Basic Environmental Policy". Under its detailed protocol designated as "Action Plan", the group strives for an optimal energy mix and to promote energy conservation, and through environmental management, contributes to the realization of a low carbon society on a global scale.

However, the group's performance may be affected by the future tightening of environmental regulations, among other factors.

**<5> Businesses other than electric power**

The Chubu Electric Power Group focuses on electricity, gas and on-site energy supply as its core business areas. We are engaged in a wide range of businesses, including overseas energy (taking advantage of our know-how in our domestic businesses), electricity-related facility construction and maintenance, and materials and equipment manufacturing for the core businesses of the group. These businesses are subject to changing business environments, such as increasing competition with other enterprises, and could potentially affect performance if they fail to produce the results expected by the group.

**(3) Other risks****<1> Compliance**

The Chubu Electric Power Group strives for strict compliance and has established the "Chubu Electric Power Group Basic Compliance Policy", which relates to compliance with laws, regulations and societal rules. If any incident against compliance occurs within or in connection with the organization, the reputation of the group may be damaged and performance could be adversely affected.

**<2> Information leaks**

The Chubu Electric Power Group complies with relevant laws, maintains internal systems and establishes rules on information-handling to ensure proper management of personal information (including specific personal information) and other critical information. The group has also increased information system security as well as employee training for this purpose. However, if an information leak occurs, the direct cost of responding to the situation and loss of public trust in the group may affect performance.

# Consolidated Balance Sheets

Chubu Electric Power Company, Incorporated and Subsidiaries  
As of March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	March 31, 2018	March 31, 2017	March 31, 2018
<b>ASSETS</b>			
<b>Property, Plant and Equipment:</b>			
Property, plant and equipment, at cost	¥13,874,673	¥13,696,076	\$130,585,158
Construction in progress	344,469	398,279	3,242,061
	14,219,142	14,094,355	133,827,219
Less:			
Contributions in aid of construction	(194,138)	(190,009)	(1,827,181)
Accumulated depreciation	(10,266,985)	(10,160,262)	(96,630,447)
	(10,461,123)	(10,350,271)	(98,457,628)
Total Property, Plant and Equipment, Net (Notes 5 and 10)	3,758,019	3,744,084	35,369,591
<b>Nuclear Fuel:</b>			
Loaded nuclear fuel	40,040	40,040	376,847
Nuclear fuel in processing	139,716	136,575	1,314,974
Total Nuclear Fuel	179,756	176,615	1,691,821
<b>Investments and Other Assets:</b>			
Long-term investments (Notes 6, 7 and 10)	623,586	576,293	5,869,045
Net defined benefit asset (Note 11)	18,656	18,903	175,586
Deferred tax assets (Note 17)	174,375	165,856	1,641,176
Other (Note 10)	14,175	14,707	133,412
Allowance for doubtful accounts	(849)	(1,655)	(7,991)
Total Investments and Other Assets	829,943	774,104	7,811,228
<b>Current Assets:</b>			
Cash and deposits (Notes 4, 6 and 10)	181,631	133,764	1,709,468
Trade notes and accounts receivable (Note 6)	291,342	238,404	2,742,042
Allowance for doubtful accounts	(1,664)	(1,342)	(15,660)
Short-term investments (Notes 4 and 7)	106,234	165,818	999,849
Inventories (Notes 9 and 10)	75,056	68,832	706,409
Deferred tax assets (Note 17)	25,248	28,303	237,628
Other (Note 10)	84,624	83,725	796,462
Total Current Assets	762,471	717,504	7,176,198
<b>Total Assets (Notes 10 and 23)</b>	<b>¥ 5,530,189</b>	<b>¥ 5,412,307</b>	<b>\$ 52,048,838</b>

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



LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	March 31, 2018	March 31, 2017	March 31, 2018
<b>Noncurrent Liabilities:</b>			
Long-term loans payable (Notes 6 and 10)	¥1,981,027	¥2,053,455	\$18,644,960
Provision for loss in conjunction with discontinued operations of nuclear power plants	9,211	9,575	86,692
Net defined benefit liability (Note 11)	182,130	187,141	1,714,164
Asset retirement obligations (Note 13)	209,179	206,813	1,968,744
Other (Notes 10 and 17)	169,222	147,093	1,592,678
Total Noncurrent Liabilities	2,550,769	2,604,077	24,007,238
<b>Current Liabilities:</b>			
Current portion of noncurrent liabilities (Notes 6 and 10)	257,316	293,826	2,421,798
Short-term loans payable (Notes 6 and 10)	370,945	356,464	3,491,247
Notes and accounts payable - trade (Note 6)	133,057	109,328	1,252,301
Accrued taxes	82,179	36,807	773,449
Other (Notes 6 and 13)	321,534	264,626	3,026,203
Total Current Liabilities	1,165,031	1,061,051	10,964,998
<b>Reserve for Fluctuation in Water Levels</b>	22,447	22,466	211,266
Total Liabilities	3,738,247	3,687,594	35,183,502
<b>Commitments and Contingent Liabilities (Note 15)</b>			
<b>Net Assets (Note 16)</b>			
Capital stock	430,777	430,777	4,054,372
Capital surplus	70,805	70,795	666,400
Retained earnings	1,188,454	1,136,801	11,185,449
Treasury shares, at cost	(1,891)	(1,207)	(17,798)
Total Shareholders' Equity	1,688,145	1,637,166	15,888,423
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	38,649	39,486	363,755
Deferred gains or losses on hedges (Note 14)	(6,183)	(7,818)	(58,193)
Foreign currency translation adjustment	19,964	24,683	187,896
Remeasurements of defined benefit plans	(10,833)	(8,249)	(101,957)
Total Accumulated Other Comprehensive Income	41,597	48,102	391,501
Noncontrolling interests	62,200	39,445	585,412
Total Net Assets	1,791,942	1,724,713	16,865,336
<b>Total Liabilities and Net Assets</b>	<b>¥5,530,189</b>	<b>¥5,412,307</b>	<b>\$52,048,838</b>

# Consolidated Statements of Income

Chubu Electric Power Company, Incorporated and Subsidiaries  
For the Years Ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	March 31, 2018	March 31, 2017	March 31, 2018
<b>Operating Revenues:</b>			
Electricity	¥2,538,240	¥2,340,793	\$23,889,317
Other	315,070	262,745	2,965,365
Total Operating Revenues (Note 23)	2,853,310	2,603,538	26,854,682
<b>Operating Expenses:</b>			
Electricity (Note 18)	2,415,116	2,219,647	22,730,504
Other	301,689	247,447	2,839,425
Total Operating Expenses	2,716,805	2,467,094	25,569,929
<b>Operating Income (Note 23)</b>	136,505	136,444	1,284,753
<b>Other (Income) Expenses:</b>			
Interest expense	26,464	28,724	249,073
Gain on change in equity	—	30,292	—
Impairment loss (Note 19)	23,356	—	219,821
Other, net	(18,491)	(74,348)	(174,033)
Total Other Expenses, Net	31,329	(15,332)	294,861
<b>Income Before Provision of Reserve for Fluctuation in Water Levels and Income Taxes</b>	105,176	151,776	989,892
<b>Reversal of Reserve for Fluctuation in Water Levels</b>	(19)	(381)	(179)
<b>Income Before Income Taxes</b>	105,195	152,157	990,071
<b>Income Taxes:</b>			
Current	33,255	20,253	312,988
Deferred	(4,813)	14,976	(45,299)
Total Income Taxes	28,442	35,229	267,689
<b>Net Income</b>	76,753	116,928	722,382
<b>Net income attributable to noncontrolling interests</b>	2,380	2,262	22,400
<b>Net income attributable to owners of parent</b>	¥ 74,373	¥ 114,666	\$ 699,982
	Yen		U.S. dollars (Note 1)
	March 31, 2018	March 31, 2017	March 31, 2018
<b>Per Share of Capital Stock:</b>			
Net income - basic	¥98.24	¥151.43	\$0.92
Cash dividends	35.00	30.00	0.33

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

## Consolidated Statements of Comprehensive Income

Chubu Electric Power Company, Incorporated and Subsidiaries  
For the Years Ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	March 31, 2018	March 31, 2017	March 31, 2018
<b>Net Income</b>	¥76,753	¥116,928	\$722,382
<b>Other Comprehensive Income:</b>			
Valuation difference on available-for-sale securities	(683)	1,357	(6,428)
Deferred gains or loss on hedges	482	2,259	4,536
Foreign currency translation adjustment	1,457	(11,586)	13,713
Remeasurements of defined benefit plans, net of tax	(2,230)	(13,725)	(20,988)
Share of other comprehensive income of entities accounted for using equity method	(4,256)	15,908	(40,056)
Other Comprehensive Income (Note 20)	(5,230)	(5,787)	(49,223)
<b>Comprehensive Income</b>	¥71,523	¥111,141	\$673,159
Comprehensive income attributable to:			
Owners of parent	¥67,869	¥108,130	\$638,767
Noncontrolling interests	3,654	3,011	34,392



# Consolidated Statements of Changes in Net Assets

Chubu Electric Power Company, Incorporated and Subsidiaries  
For the Years Ended March 31, 2018 and 2017

		Shareholders' equity					Accumulated other comprehensive income						
	Number of shares of capital stock issued	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or loss on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Millions of yen													
Balance at April 1, 2016	758,000,000	¥430,777	¥70,786	¥1,044,855	¥(1,121)	¥1,545,297	¥38,313	¥(18,808)	¥29,159	¥ 5,974	¥54,638	¥37,175	¥1,637,110
Dividends of surplus	—	—	—	(22,720)	—	(22,720)	—	—	—	—	—	—	(22,720)
Net income attributable to owners of parent	—	—	—	114,666	—	114,666	—	—	—	—	—	—	114,666
Purchase of treasury shares	—	—	—	—	(89)	(89)	—	—	—	—	—	—	(89)
Disposal of treasury shares	—	—	—	—	3	3	—	—	—	—	—	—	3
Change in equity of parent on transactions with noncontrolling interests	—	—	9	—	—	9	—	—	—	—	—	—	9
Net changes of items other than shareholders' equity	—	—	—	—	—	—	1,173	10,990	(4,476)	(14,223)	(6,536)	2,270	(4,266)
Balance at March 31, 2017	758,000,000	¥430,777	¥70,795	¥1,136,801	¥(1,207)	¥1,637,166	¥39,486	¥ (7,818)	¥24,683	¥ (8,249)	¥48,102	¥39,445	¥1,724,713

Millions of yen													
Balance at April 1, 2017	758,000,000	¥430,777	¥70,795	¥1,136,801	¥(1,207)	¥1,637,166	¥39,486	¥ (7,818)	¥24,683	¥ (8,249)	¥48,102	¥39,445	¥1,724,713
Dividends of surplus	—	—	—	(22,718)	—	(22,718)	—	—	—	—	—	—	(22,718)
Net income attributable to owners of parent	—	—	—	74,373	—	74,373	—	—	—	—	—	—	74,373
Purchase of treasury shares	—	—	—	—	(707)	(707)	—	—	—	—	—	—	(707)
Disposal of treasury shares	—	—	—	(2)	23	21	—	—	—	—	—	—	21
Change in equity of parent on transactions with noncontrolling interests	—	—	10	—	—	10	—	—	—	—	—	—	10
Net changes of items other than shareholders' equity	—	—	—	—	—	—	(837)	1,635	(4,719)	(2,584)	(6,505)	22,755	16,250
Balance at March 31, 2018	758,000,000	¥430,777	¥70,805	¥1,188,454	¥(1,891)	¥1,688,145	¥38,649	¥ (6,183)	¥19,964	¥(10,833)	¥41,597	¥62,200	¥1,791,942

Thousands of U.S. dollars (Note 1)													
Balance at April 1, 2017		\$4,054,372	\$666,306	\$10,699,304	\$(11,361)	\$15,408,621	\$371,632	\$(73,581)	\$232,311	\$ (77,637)	\$452,725	\$371,247	\$16,232,593
Dividends of surplus		—	—	(213,816)	—	(213,816)	—	—	—	—	—	—	(213,816)
Net income attributable to owners of parent		—	—	699,981	—	699,981	—	—	—	—	—	—	699,981
Purchase of treasury shares		—	—	—	(6,653)	(6,653)	—	—	—	—	—	—	(6,653)
Disposal of treasury shares		—	—	(20)	216	196	—	—	—	—	—	—	196
Change in equity of parent on transactions with noncontrolling interests		—	94	—	—	94	—	—	—	—	—	—	94
Net changes of items other than shareholders' equity		—	—	—	—	—	(7,877)	15,388	(44,415)	(24,320)	(61,224)	214,165	152,941
Balance at March 31, 2018		\$4,054,372	\$666,400	\$11,185,449	\$(17,798)	\$15,888,423	\$363,755	\$(58,193)	\$187,896	\$(101,957)	\$391,501	\$585,412	\$16,865,336

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

## Consolidated Statements of Cash Flows

Chubu Electric Power Company, Incorporated and Subsidiaries  
For the Years Ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	March 31, 2018	March 31, 2017	March 31, 2018
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes	¥105,195	¥152,157	\$ 990,071
Adjustments for:			
Depreciation	267,829	255,692	2,520,744
Impairment loss	23,356	—	219,821
Decommissioning costs of nuclear power units	4,601	4,685	43,304
Loss on retirement of noncurrent assets	16,181	11,326	152,292
Decrease in provision for net defined benefit liability and asset	(7,804)	(28,895)	(73,449)
Decrease in provision for reprocessing of irradiated nuclear fuel	—	(8,507)	—
Increase in provision for preparation of reprocessing of irradiated nuclear fuel	—	333	—
Decrease in provision for loss in conjunction with discontinued operations of nuclear power plants	(364)	(1,276)	(3,426)
Decrease in reserve for fluctuation in water levels	(19)	(381)	(179)
Interest and dividend income	(2,603)	(3,338)	(24,499)
Interest expenses	26,464	28,724	249,073
Gain on change in equity	—	(30,292)	—
Decrease in reserve fund for reprocessing of irradiated nuclear fuel	—	12,986	—
Payments of contribution for accrued reprocessing of irradiated nuclear fuel	—	(17,084)	—
Increase in notes and accounts receivable-trade	(51,199)	(1,141)	(481,873)
(Increase) decrease in inventories	(6,056)	5,664	(56,998)
Increase (decrease) in notes and accounts payable-trade	23,686	(25,748)	222,927
Other, net	58,828	54,438	553,674
Subtotal	458,095	409,343	4,311,482
Interest and dividend income received	5,722	6,596	53,854
Interest expenses paid	(26,909)	(29,488)	(253,261)
Income taxes paid	(12,749)	(51,387)	(119,990)
<b>Cash flows from operating activities</b>	<b>424,159</b>	<b>335,064</b>	<b>3,992,085</b>
<b>Cash Flows from Investing Activities:</b>			
Purchase of noncurrent assets	(324,582)	(322,308)	(3,054,889)
Payments of investment and loans receivable	(48,724)	(64,413)	(458,579)
Collection of investment and loans receivable	12,201	10,679	114,833
Proceeds from purchases of shares of subsidiaries resulting in change in scope of consolidation	50	—	471
Other, net	16,588	15,810	156,122
<b>Cash flows from investing activities</b>	<b>(344,467)</b>	<b>(360,232)</b>	<b>(3,242,042)</b>
<b>Cash Flows from Financing Activities:</b>			
Proceeds from issuance of bonds	79,718	209,275	750,287
Redemption of bonds	(40,000)	(124,500)	(376,471)
Proceeds from long-term loans payable	83,700	198,400	787,765
Repayments of long-term loans payable	(218,217)	(241,917)	(2,053,807)
Proceeds from short-term loans payable	400,150	386,077	3,766,118
Repayments of short-term loans payable	(384,769)	(378,770)	(3,621,355)
Purchase of treasury shares	(697)	(126)	(6,560)
Cash dividends paid	(22,682)	(22,685)	(213,478)
Dividends paid to noncontrolling interests	(848)	(673)	(7,981)
Proceeds from issuance of shares to noncontrolling shareholders	19,424	—	182,814
Other, net	(4,449)	(4,011)	(41,873)
<b>Cash flows from financing activities</b>	<b>(88,670)</b>	<b>21,070</b>	<b>(834,541)</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>(87)</b>	<b>14</b>	<b>(819)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(9,065)</b>	<b>(4,084)</b>	<b>(85,317)</b>
<b>Cash and cash equivalents at beginning of this period</b>	<b>293,954</b>	<b>324,391</b>	<b>2,766,626</b>
<b>Decrease in cash and cash equivalents resulting from change of scope of consolidation</b>	<b>—</b>	<b>(26,353)</b>	<b>—</b>
<b>Cash and cash equivalents at end of this period (Note 4)</b>	<b>¥284,889</b>	<b>¥293,954</b>	<b>\$2,681,309</b>

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

# Notes to Consolidated Financial Statements

## 1. Basis of Consolidated Financial Statements

### (a) Basis of presenting the consolidated financial statements

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

These consolidated financial statements are compiled from the original consolidated financial statements in Japanese, prepared by the Company as required by the

Financial Instruments and Exchange Law of Japan and submitted to the Director of Kanto Finance Bureau in Japan.

### (b) U.S. dollar amounts

The Company maintains its accounting records in Japanese yen. The U.S. dollar amounts included in the consolidated financial statements and notes thereto present the arithmetic results of translating yen amounts into U.S. dollar amounts on a basis of ¥106.25 to U.S. \$1.00, the prevailing exchange rate at the fiscal year-end. The inclusion of the dollar amounts is solely for convenience of the reader and is not intended to imply that the assets and liabilities originating in Japanese yen have been or could readily be converted, realized or settled in U.S. dollars at the above rate or at any other rate.

## 2. Summary of Significant Accounting Policies

### (a) Basis of consolidation

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

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

The number of subsidiaries and affiliates at March 31, 2018 and 2017 was as follows:

	March 31, 2018	March 31, 2017
Subsidiaries:		
Domestic	27	25
Overseas	5	4
Affiliates	27	24

The Company's overseas subsidiaries close their books at December 31, three months earlier than the Company and its domestic subsidiaries. The Company consolidates the financial statements of the overseas subsidiaries as of their fiscal year-end. Significant transactions for the period between the subsidiaries' year-end and the Company's year-end are adjusted for on consolidation. The financial statements of significant overseas subsidiaries are prepared in accordance with either IFRS or U.S. generally accepted accounting principles, with adjustments for the specified five items as required by "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" and "Practical Solution on Unification of Accounting Policies Applied to Affiliates Accounted for by the Equity Method" issued by the Accounting Standards Board of Japan ("ASBJ").

### (b) Property, plant and equipment and depreciation

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

### (c) Nuclear fuel and amortization

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

### (d) Investments and marketable securities

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

### (e) Derivatives and hedge accounting

Derivatives are valued at fair value if hedge accounting is not appropriate or when there is no hedging designation, and the gains and losses on the derivatives are recognized in current earnings. Certain transactions classified as hedging transactions are accounted for under a deferral method by which unrealized gains and losses on the hedging instruments are carried as accumulated other comprehensive income on the balance sheet and the net changes are



recognized as other comprehensive income on the consolidated statements of comprehensive income until the losses and gains on the hedged items are realized. Foreign exchange forward contracts are accounted for by translating foreign currency denominated assets and liabilities at contract rates as an interim measure if certain hedging criteria are met. According to the special treatment permitted by the accounting standard for financial instruments in Japan, interest rate swaps are not valued at fair value. Rather, the net amount received or paid is added to or deducted from the interest expense on the hedged items if certain conditions are met. The Chubu Electric Group enters into derivative transactions only with respect to assets and liabilities generated through the Chubu Electric Group's operations and to hedge exposure to fluctuations in exchange rates and interest rates.

#### **(f) Inventories**

Inventories consist of fuel, materials, supplies and construction work-in-process. Fuel is stated at the lower of cost, determined principally by the periodic average method.

#### **(g) Allowance for doubtful accounts**

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

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

In the years ended March 31, 2018 and 2017, a provision was made based on a reasonable estimate of possible future expenses and losses related to the decommissioning of electric generating facilities that followed the termination of operations at Hamaoka Reactors No. 1 and No. 2.

#### **(i) Reserve for fluctuation in water levels**

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

#### **(j) Employee retirement benefits**

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

#### **(1) Method of allocation of estimated retirement benefits**

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

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

Prior service cost is amortized using the straight-line method over certain periods (15 years for subsidiaries)

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

#### **(k) Cash and cash equivalents**

The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

#### **(l) Research and development costs**

Research and development costs included in operating expenses for the years ended March 31, 2018 and 2017 amounted to ¥10,110 million (\$95,153 thousand) and ¥9,903 million, respectively.

#### **(m) Income taxes**

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

#### **(n) Translation of foreign currency accounts**

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

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

#### **(o) Per share information**

Basic net income per share is computed by dividing income available to common shareholders by the weighted average number of shares outstanding during the year. Cash dividends per share shown for each fiscal year in the consolidated statements of income represent dividends declared as applicable to the respective year.

### 3. Standards and Guidance Not Yet Adopted

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

- “Accounting Standard for Revenue Recognition” (ASBJ statement No. 29, issued on March 30, 2018)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, issued on March 30, 2018)

#### (a) Overview

The accounting standards defined accounting policies and addressed disclosures of profit from contracts with customers.

#### (b) Effective date

Effective from the beginning of the fiscal year ending March 31, 2022.

#### (c) Effects of the application of the standards

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

### 4. Cash and Cash Equivalents

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

	Millions of yen		Thousands of U.S. dollars
	March 31, 2018	March 31, 2017	March 31, 2018
Cash and deposits	¥181,631	¥133,764	\$1,709,468
Time deposits with an original maturity of more than three months included in cash and deposits	(1,742)	(810)	(16,395)
Short-term investments	106,234	165,818	999,849
Short-term investments with an original maturity of over three months	(1,234)	(4,818)	(11,613)
Cash and cash equivalents	¥284,889	¥293,954	\$2,681,309

### 5. Property, Plant and Equipment

The major classifications of property, plant and equipment at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2018	March 31, 2017	March 31, 2018
Hydroelectric power production facilities	¥ 311,908	¥ 318,640	\$ 2,935,605
Thermal power production facilities	684,665	579,275	6,443,906
Nuclear power production facilities	142,248	156,626	1,338,805
Transmission facilities	680,245	703,633	6,402,306
Transformation facilities	414,949	412,222	3,905,402
Distribution facilities	780,857	784,691	7,349,242
General facilities	108,151	110,092	1,017,892
Other electricity related to property, plant and equipment	14,058	15,224	132,311
Other property, plant and equipment	276,469	265,402	2,602,061
Construction in progress	344,469	398,279	3,242,061
Total	¥3,758,019	¥3,744,084	\$35,369,591

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

amounted to ¥194,138 million (\$1,827,181 thousand) and ¥190,009 million at March 31, 2018 and 2017, respectively.

### 6. Financial Instruments

#### (a) Items related to financial instruments

##### (1) Policy initiatives for financial instruments

The Chubu Electric Group raises funds for the equipment necessary to run its core electric power business through bond issues, bank loans and other means. Short-term working capital is secured principally through short-term borrowing and fund management is restricted to low-risk assets such as certificates of deposit. Derivative

transactions are used to manage risk arising from the Chubu Electric Group's operations and are not used for speculative purposes.

##### (2) Breakdown of financial instruments and associated risks

Marketable securities include certificates of deposit and shares of domestic companies contributing to business operations or regional development, bond holdings of

subsidiaries and other instruments estimated to raise our Group's corporate value from a mid- and long-term viewpoint. These securities, bonds, etc., are exposed to risks arising from changes in market prices.

Trade notes and accounts receivable are exposed to customer credit risks.

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

Trade notes and accounts payable for operating debts are almost all due within one year.

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

### (3) Risk management system for financial instruments

#### 1) Credit risk management

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

#### 2) Market risk management

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

#### 3) Volatility risk management in financing

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

#### (4) Supplementary explanation of fair value for financial instruments

The fair value of financial instruments is based on market prices or reasonable alternative assessments if there is no market price. Since some variable factors are used in assessing value, the amounts calculated can change based on different assumptions that are applied. Derivative contract amounts noted below in "(b) Fair value of financial instruments" do not denote the market risk from the derivatives themselves. In addition, fair value and valuation gains and losses are reasonably quoted amounts based on market indicators for valuations and other measures. They are not necessarily amounts that would be received or paid in the future.

#### (b) Fair value of financial instruments

Differences between the valuation amounts of financial instruments as they appear on the consolidated balance sheets and their fair values as of March 31, 2018 and 2017 are shown below. Items with fair values that were extremely difficult to determine were not included (See Note 2).

As of March 31, 2018

	Millions of yen		
	Carrying value	Fair value	Difference
Assets:			
(1) Marketable securities	¥ 192,820	¥ 190,622	¥ (2,198)
(2) Cash and deposits	181,631	181,631	—
(3) Trade notes and accounts receivable	291,342	291,342	—
Liabilities:			
(4) Bonds *1	¥ 679,259	¥ 691,616	¥12,357
(5) Long-term borrowings *1	1,537,330	1,606,141	68,811
(6) Short-term borrowings	370,945	370,945	—
(7) Trade notes and accounts payable	133,057	133,057	—
(8) Derivative transactions *2	(3,269)	(3,269)	—

As of March 31, 2017

	Millions of yen		
	Carrying value	Fair value	Difference
Assets:			
(1) Marketable securities	¥ 253,610	¥ 250,285	¥ (3,325)
(2) Cash and deposits	133,764	133,764	—
(3) Trade notes and accounts receivable	238,404	238,404	—
Liabilities:			
(4) Bonds *1	¥ 639,258	¥ 653,120	¥13,862
(5) Long-term borrowings *1	1,672,047	1,747,313	75,266
(6) Short-term borrowings	356,464	356,464	—
(7) Trade notes and accounts payable	109,328	109,328	—
(8) Derivative transactions *2	(3,930)	(3,930)	—



As of March 31, 2018		Thousands of U.S. dollars	
	Carrying value	Fair value	Difference
<b>Assets:</b>			
(1) Marketable securities	\$ 1,814,776	\$ 1,794,089	\$ (20,687)
(2) Cash and deposits	1,709,468	1,709,468	–
(3) Trade notes and accounts receivable	2,742,042	2,742,042	–
<b>Liabilities:</b>			
(4) Bonds * <sup>1</sup>	\$ 6,393,026	\$ 6,509,327	\$ 116,301
(5) Long-term borrowings * <sup>1</sup>	14,468,989	15,116,621	647,632
(6) Short-term borrowings	3,491,247	3,491,247	–
(7) Trade notes and accounts payable	1,252,301	1,252,301	–
(8) Derivative transactions * <sup>2</sup>	(30,767)	(30,767)	–

\*<sup>1</sup> (4) Bonds and (5) Long-term borrowings include scheduled redemptions within one year.

\*<sup>2</sup> Assets and liabilities derived from derivative transaction are stated on a net basis, and a net liability position is shown in parentheses.

## (Note 1) Methods for calculating the fair value of financial instruments, marketable securities and derivative transactions.

### (1) Marketable securities

The value of equity securities is determined from stock market prices and bonds from their market prices or prices quoted by financial institutions. The fair value of marketable securities settled in the short-term such as certificates of deposit are presented by their book values because their market prices are almost equal to them. See Note 7, Marketable Securities and Investments Securities, for purposes of retaining holdings.

### (2) Cash and deposits and (3) Trade notes and accounts receivable

For cash and deposits, trade notes and accounts receivable, the book value is used for fair value because the accounts will be settled in the near future, meaning the fair value is largely equivalent to the book value.

### (4) Bonds

Bonds with market prices are valued by the market price, and bonds without market prices are valued based on terms projected as if they were being newly issued. Some

bonds are subject to foreign exchange forward contracts in the allocation process. These are valued based on the same terms and conditions applied to derivative transactions.

### (5) Long-term borrowings

The value of long-term borrowings is calculated using terms as if the borrowings were new loans. Some borrowings are subject to interest rate swaps in the allocation process. These are valued based on the same terms and conditions applied to derivative transactions.

### (6) Short-term borrowings and (7) Trade notes and accounts payable

For short-term borrowings and trade notes and accounts payable, the book value is used for these amounts because the accounts will be settled in the near future, meaning the fair value is largely equivalent to the book value.

### (8) Derivative transactions

Refer to Note 14, Derivatives.

## (Note 2) Financial instruments for which assessing fair value is extremely difficult to determine

	Millions of yen		Thousands of U.S. dollars
	March 31, 2018	March 31, 2017	March 31, 2018
Unlisted stocks, etc.	¥498,507	¥445,036	\$4,691,831

These financial instruments do not have market prices, and estimating their future cash flows would require

considerable costs. Consequently, these securities are not included in "(1) Marketable securities" above.

**(Note 3) Anticipated redemption schedule for monetary instruments and securities with maturity dates subsequent to the fiscal year-end.**

As of March 31, 2018:

	Millions of yen			
	Within 1 year	Over 1 year through 5 years	Over 5 years through 10 years	Over 10 years
Securities:				
Held-to-maturity debt securities:				
National and local government bonds, etc.	¥ 200	¥ –	¥ –	¥ –
Corporate bonds	600	1,100	–	–
Other	200	200	200	–
Available-for-sale securities with maturity dates:				
Debt securities:				
National and local government bonds, etc.	–	–	–	–
Corporate bonds	–	309	–	249
Other	–	–	–	–
Other	105,000	–	–	–
Cash and deposits	181,631	–	–	–
Trade notes and accounts receivable	291,324	18	–	–
Total	¥578,955	¥1,627	¥200	¥249

As of March 31, 2017:

	Millions of yen			
	Within 1 year	Over 1 year through 5 years	Over 5 years through 10 years	Over 10 years
Securities:				
Held-to-maturity debt securities:				
National and local government bonds, etc.	¥ 1,600	¥ 200	¥ –	¥ –
Corporate bonds	1,600	1,700	–	–
Other	1,400	400	200	–
Available-for-sale securities with maturity dates:				
Debt securities:				
National and local government bonds, etc.	–	–	–	–
Corporate bonds	–	314	–	250
Other	–	–	–	–
Other	161,000	–	–	–
Cash and deposits	133,764	–	–	–
Trade notes and accounts receivable	238,390	15	–	–
Total	¥537,754	¥2,629	¥200	¥250

As of March 31, 2018:

	Thousands of U.S. dollars			
	Within 1 year	Over 1 year through 5 years	Over 5 years through 10 years	Over 10 years
Securities:				
Held-to-maturity debt securities:				
National and local government bonds, etc.	\$ 1,882	\$ –	\$ –	\$ –
Corporate bonds	5,647	10,353	–	–
Other	1,882	1,882	1,882	–
Available-for-sale securities with maturity dates:				
Debt securities:				
National and local government bonds, etc.	–	–	–	–
Corporate bonds	–	2,909	–	2,344
Other	–	–	–	–
Other	988,236	–	–	–
Cash and deposits	1,709,468	–	–	–
Trade notes and accounts receivable	2,741,873	169	–	–
Total	\$5,448,988	\$15,313	\$1,882	\$2,344

**(Note 4) Anticipated redemption schedule for bonds, long-term borrowings and other interest-bearing debt subsequent to the fiscal year-end.**

As of March 31, 2018:	Millions of yen					
	Within 1 year	Over 1 year through 2 years	Over 2 years through 3 years	Over 3 years through 4 years	Over 4 years through 5 years	Over 5 years
Bonds	¥ 60,000	¥100,000	¥ 60,000	¥ –	¥ 80,000	¥ 379,260
Long-term borrowings	175,563	179,211	235,778	187,426	71,431	687,920
Short-term borrowings	370,945	–	–	–	–	–
Total	¥606,508	¥279,211	¥295,778	¥187,426	¥151,431	¥1,067,180

As of March 31, 2017:	Millions of yen					
	Within 1 year	Over 1 year through 2 years	Over 2 years through 3 years	Over 3 years through 4 years	Over 4 years through 5 years	Over 5 years
Bonds	¥ 40,000	¥ 60,000	¥100,000	¥ 60,000	¥ –	¥ 379,260
Long-term borrowings	217,852	174,323	177,971	234,372	186,020	681,511
Short-term borrowings	356,464	–	–	–	–	–
Total	¥614,316	¥234,323	¥277,971	¥294,372	¥186,020	¥1,060,771

As of March 31, 2018:	Thousands of U.S. dollars					
	Within 1 year	Over 1 year through 2 years	Over 2 years through 3 years	Over 3 years through 4 years	Over 4 years through 5 years	Over 5 years
Bonds	\$ 564,706	\$ 941,176	\$ 564,706	\$ –	\$ 752,941	\$ 3,569,506
Long-term borrowings	1,652,358	1,686,692	2,219,087	1,764,009	672,292	6,474,541
Short-term borrowings	3,491,247	–	–	–	–	–
Total	\$5,708,311	\$2,627,868	\$2,783,793	\$1,764,009	\$1,425,233	\$10,044,047

## 7. Marketable Securities and Investments Securities

**(a) Held-to-maturity debt securities at March 31, 2018 and 2017 were as follows:**

As of March 31, 2018	Millions of yen		
	Carrying value	Fair value	Difference
Securities whose fair value exceeds carrying value:			
National and local government bonds, etc.	¥ 200	¥ 203	¥ 3
Corporate bonds	1,700	1,733	33
Other	400	429	29
Subtotal	2,300	2,365	65
Securities whose carrying value exceeds fair value:			
National and local government bonds, etc.	–	–	–
Corporate bonds	–	–	–
Other	200	196	(4)
Subtotal	200	196	(4)
Total	¥2,500	¥2,561	¥61

As of March 31, 2017	Millions of yen		
	Carrying value	Fair value	Difference
Securities whose fair value exceeds carrying value:			
National and local government bonds, etc.	¥1,800	¥1,821	¥ 21
Corporate bonds	3,300	3,374	74
Other	1,800	1,845	45
Subtotal	6,900	7,040	140
Securities whose carrying value exceeds fair value:			
National and local government bonds, etc.	–	–	–
Corporate bonds	–	–	–
Other	200	196	(4)
Subtotal	200	196	(4)
Total	¥7,100	¥7,236	¥136



As of March 31, 2018	Thousands of U.S. dollars		
	Carrying value	Fair value	Difference
Securities whose fair value exceeds carrying value:			
National and local government bonds, etc.	\$ 1,882	\$ 1,910	\$ 28
Corporate bonds	16,000	16,311	311
Other	3,765	4,038	273
Subtotal	21,647	22,259	612
Securities whose carrying value exceeds fair value:			
National and local government bonds, etc.	—	—	—
Corporate bonds	—	—	—
Other	1,882	1,844	(38)
Subtotal	1,882	1,844	(38)
Total	\$23,529	\$24,103	\$574

**(b) Available-for-sale securities at March 31, 2018 and 2017 were as follows:**

As of March 31, 2018	Millions of yen		
	Carrying value	Acquisition cost	Difference
Securities whose carrying value exceeds acquisition cost:			
Stocks	¥74,272	¥17,554	¥56,718
Bonds			
National and local government bonds, etc.	—	—	—
Corporate bonds	558	500	58
Other	—	—	—
Other	—	—	—
Subtotal	74,830	18,054	56,776
Securities whose acquisition cost exceeds carrying value:			
Stocks	261	275	(14)
Bonds			
National and local government bonds, etc.	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	10,000	10,000	—
Subtotal	10,261	10,275	(14)
Total	¥85,091	¥28,329	¥56,762

As of March 31, 2017	Millions of yen		
	Carrying value	Acquisition cost	Difference
Securities whose carrying value exceeds acquisition cost:			
Stocks	¥ 74,541	¥ 17,030	¥57,511
Bonds			
National and local government bonds, etc.	—	—	—
Corporate bonds	565	500	65
Other	—	—	—
Other	—	—	—
Subtotal	75,106	17,530	57,576
Securities whose acquisition cost exceeds carrying value:			
Stocks	777	821	(44)
Bonds			
National and local government bonds, etc.	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	161,000	161,000	—
Subtotal	161,777	161,821	(44)
Total	¥236,883	¥179,351	¥57,532

As of March 31, 2018	Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Difference
Securities whose carrying value exceeds acquisition cost:			
Stocks	\$699,030	\$165,214	\$533,816
Bonds			
National and local government bonds, etc.	–	–	–
Corporate bonds	5,252	4,706	546
Other	–	–	–
Other	–	–	–
Subtotal	704,282	169,920	534,362
Securities whose acquisition cost exceeds carrying value:			
Stocks	2,456	2,588	(132)
Bonds			
National and local government bonds, etc.	–	–	–
Corporate bonds	–	–	–
Other	–	–	–
Other	94,118	94,118	–
Subtotal	96,574	96,706	(132)
Total	\$800,856	\$266,626	\$534,230

**(c) Available-for sale securities that were sold during the year ended March 31, 2018 and 2017 were as follows.**

As of March 31, 2018	Millions of yen		
	Sales value	Total profit on sales	Total loss on sales
Stocks	¥ 10	¥–	¥10
Bonds			
National and local government bonds, etc.	–	–	–
Corporate bonds	–	–	–
Other	–	–	–
Other	–	–	–
Total	¥10	¥–	¥10

As of March 31, 2017	Millions of yen		
	Sales value	Total profit on sales	Total loss on sales
Stocks	¥3,067	¥608	¥–
Bonds			
National and local government bonds, etc.	–	–	–
Corporate bonds	–	–	–
Other	–	–	–
Other	339	7	–
Total	¥3,406	¥615	¥–

As of March 31, 2018	Thousands of U.S. dollars		
	Sales value	Total profit on sales	Total loss on sales
Stocks	\$94	\$–	\$94
Bonds			
National and local government bonds, etc.	–	–	–
Corporate bonds	–	–	–
Other	–	–	–
Other	–	–	–
Total	\$94	\$–	\$94

**(d) Loss on valuation of securities**

Loss on valuation of securities of ¥4,005 million (\$37,694 thousand) and ¥371 million was recorded in the years ended March 31, 2018 and 2017, respectively.

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

At March 31, 2018 and 2017, investment in capital of associated companies (especially amount of investment to jointly controlled entities) consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2018	March 31, 2017	March 31, 2018
Investment in capital of associated companies	¥412,574	¥357,571	\$3,883,049
<amount of investment to jointly controlled entities>	<320,507>	<310,079>	<3,016,536>

## 9. Inventories

Inventories at March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2018	March 31, 2017	March 31, 2018
Merchandise and finished products	¥ 746	¥ 572	\$ 7,021
Work-in-process	4,818	5,439	45,346
Raw materials and supplies	69,492	62,821	654,042
Total	¥75,056	¥68,832	\$706,409

The ending balance of inventories is an amount after decreasing the value due to a fall in profitability. This valuation loss on inventories, which amounted to ¥7,639 million (\$71,896 thousand) and ¥16,288 million at March

31, 2018 and 2017 respectively, is included in operating expenses.

## 10. Long-term Debt and Short-term Debt

At March 31, 2018 and 2017, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2018	March 31, 2017	March 31, 2018
Bonds:			
Domestic issue:			
0.100% to 4.000%, maturing serially through 2037	¥ 679,259	¥ 639,258	\$ 6,393,026
Loans from the Development Bank of Japan, other banks and insurance companies, maturing serially through 2037	1,537,330	1,672,047	14,468,988
Lease obligations	42,039	37,732	395,661
Subtotal	2,258,628	2,349,037	21,257,675
Less current portion of long-term debt	(241,116)	(262,408)	(2,269,327)
Total	¥2,017,512	¥2,086,629	\$18,988,348

At March 31, 2018 and 2017, all assets of the Company were subject to certain statutory preferential rights as collateral for loans from the Development Bank of Japan in the amount of ¥343,534 million (\$3,233,261 thousand) and ¥381,635 million, respectively, and for bonds (including those assigned under debt assumption agreements) of ¥770,310 million (\$7,249,976 thousand) and ¥980,710 million, respectively.

At March 31, 2018 and 2017, property, plant and equipment of a certain subsidiary pledged as collateral for some long-term debt amounted to ¥492 million (\$4,631 thousand) and ¥554 million, respectively.

At March 31, 2018 and 2017, assets which were pledged as collateral for long-term loans from financial institutions to investees of certain subsidiaries consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2018	March 31, 2017	March 31, 2018
Long-term investments	¥ 73	¥ 63	\$ 687
Long-term investments in subsidiaries and associates	1,296	1,388	12,198

At March 31, 2018 and 2017, short-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2018	March 31, 2017	March 31, 2018
Short-term borrowings	¥370,945	¥356,464	\$3,491,247

Short-term borrowings consisted mainly of bank loans bearing an average interest rate of 0.215% per annum at March 31, 2018.



## 11. Employee Retirement Benefits

The Chubu Electric Group has defined benefit pension plans, lump-sum retirement benefit plans and defined contribution retirement plans. The Company also may pay

premium severance benefits to its retiring employees. Employee retirement benefits at March 31, 2018 and 2017 were as follows:

### Defined benefit plans

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

	Millions of yen		Thousands of U.S. dollars
	March 31, 2018	March 31, 2017	March 31, 2018
Balance at the beginning of current period	¥566,933	¥586,807	\$5,335,840
Service cost	17,360	17,576	163,388
Interest cost	4,572	4,712	43,031
Actuarial loss	1,020	6,055	9,600
Benefits paid	(33,565)	(48,197)	(315,906)
Other	(28)	(20)	(264)
Balance at the end of current period	¥556,292	¥566,933	\$5,235,689

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

	Millions of yen		Thousands of U.S. dollars
	March 31, 2018	March 31, 2017	March 31, 2018
Balance at the beginning of current period	¥403,635	¥413,567	\$3,798,918
Expected return on plan assets	7,014	8,272	66,014
Actuarial loss	(387)	(4,657)	(3,642)
Contributions paid by the employer	9,310	9,668	87,623
Benefits paid	(21,772)	(23,214)	(204,913)
Other	(1)	(1)	(9)
Balance at the end of current period	¥397,799	¥403,635	\$3,743,991

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

	Millions of yen		Thousands of U.S. dollars
	March 31, 2018	March 31, 2017	March 31, 2018
Balance at the beginning of current period	¥4,941	¥4,852	\$46,503
Retirement benefit costs	794	833	7,473
Benefits paid	(728)	(669)	(6,852)
Contributions paid by the employer	(52)	(52)	(489)
Other	27	(23)	254
Balance at the end of current period	¥4,982	¥4,941	\$46,889

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

	Millions of yen		Thousands of U.S. dollars
	March 31, 2018	March 31, 2017	March 31, 2018
Funded retirement benefit obligations	¥405,375	¥413,263	\$3,815,294
Plan assets	(399,113)	(404,988)	(3,756,358)
	6,262	8,275	58,936
Unfunded retirement benefit obligations	157,212	159,963	1,479,642
Total net liability for retirement benefits	163,474	168,238	1,538,578
Liability for retirement benefits	182,130	187,141	1,714,164
Asset for retirement benefits	(18,656)	(18,903)	(175,586)
Total net liability for retirement benefits	¥163,474	¥168,238	\$1,538,578

**(e) Retirement benefit costs**

	Millions of yen		Thousands of U.S. dollars
	March 31, 2018	March 31, 2017	March 31, 2018
Service cost	¥17,360	¥17,576	\$163,388
Interest cost	4,572	4,712	43,030
Expected return on plan assets	(7,014)	(8,272)	(66,014)
Net actuarial gain and loss amortization	(1,598)	(8,330)	(15,040)
Prior service costs amortization	(35)	(35)	(329)
Retirement benefit costs based on the simplified method	794	834	7,473
Other	4,012	4,761	37,760
Total retirement benefit costs	¥18,091	¥11,246	\$170,268

**(f) Adjustments for retirement benefits**

	Millions of yen		Thousands of U.S. dollars
	March 31, 2018	March 31, 2017	March 31, 2018
Prior service costs amortization	¥ (35)	¥ (35)	\$ (330)
Net actuarial gain and loss amortization	(3,005)	(19,039)	(28,282)
Total balance	¥(3,040)	¥(19,074)	\$(28,612)

**(g) Accumulated adjustments for retirement benefits**

	Millions of yen		Thousands of U.S. dollars
	March 31, 2018	March 31, 2017	March 31, 2018
Past service costs that are yet to be recognized	¥ (71)	¥ (105)	\$ (668)
Actuarial gains and losses that are yet to be recognized	20,231	17,226	190,409
Total balance	¥20,160	¥17,121	\$189,741

**(h) Plan assets****(1) Plan assets comprise:**

	Millions of yen	
	March 31, 2018	March 31, 2017
Bonds	46%	46%
General accounts of life insurance companies	30%	29%
Stock	13%	12%
Other	11%	13%
Total	100%	100%

**(2) Long-term expected rate of return**

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

**(i) Actuarial assumptions**

The principle actuarial assumptions at March 31, 2018 and 2017 were as follows:

	Millions of yen	
	March 31, 2018	March 31, 2017
Discount rate		
(Company)	0.9%	0.9%
(Subsidiaries)	0.1–0.8%	0.1–0.8%
Long-term expected rate of return		
(Company)	1.7%	2.0%
(Subsidiaries)	1.8–2.0%	2.0%

**Defined contribution plans**

Contributions to defined contribution plans required by the Company and its subsidiaries amounted to ¥2,615 million (\$24,612 thousand) and ¥2,664 million at March 31, 2018 and 2017, respectively.

## 12. Lease Transactions

### (a) Lessee

Future lease payments under noncancelable operating leases at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2018	March 31, 2017	March 31, 2018
Within 1 year	¥ 44	¥ 34	\$ 414
Over 1 year	99	121	932
Total	¥143	¥155	\$1,346

### (b) Lessor

Future lease commitments to be received under noncancelable operating leases at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2018	March 31, 2017	March 31, 2018
Within 1 year	¥193	¥246	\$1,816
Over 1 year	403	585	3,793
Total	¥596	¥831	\$5,609

## 13. Asset Retirement Obligations

### (a) Overview of Asset Retirement Obligations

Asset retirement obligations are recorded mainly in conjunction with measures to decommission specified nuclear power plants under the "Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors" (Act No. 166 of June 10, 1957). The asset retirement cost corresponding to the asset retirement obligations in relation to the decommissioning of specified nuclear power plants is recorded in tangible fixed assets based on the estimated total cost of decommissioning the nuclear power plants and is expensed based on the straight-line method over the period (the operational period plus the safe storage period) in accordance with "Ministerial Ordinance for the Setting of Reserve for the Decommissioning of Nuclear Power Plants" (Ordinance No. 30 of the Ministry of International Trade and Industry, May 25, 1989).

(Additional information)

On April 1, 2018, "Ordinance for Partial Revision of the Ministerial Ordinance for the Setting of Reserve for the Decommissioning of Nuclear Power Plants" (Ordinance of the Ministry of Economy, Trade and Industry No. 17 of March 30, 2018) came into effect, and "Ministerial Ordinance for the Setting of Reserve for the Decommissioning of Nuclear Power Plants" (Ordinance of the Ministry of International Trade and Industry No. 30 of May 25, 1989) was revised. As a result, from the date of enforcement, the cost shall be expensed based on the straight-line method over the operational period.

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

With regard to the decommissioning of specified nuclear power plants, the monetary amount of asset retirement obligations is calculated based on a discount rate of 2.3% and the relevant period (the operational period plus the safe storage period) as prescribed by "Ministerial Ordinance for the Setting of Reserves for the Decommissioning of Nuclear Power Plants" (Ordinance No. 30 of the Ministry of International Trade and Industry, May 25, 1989).

If the monetary amount of asset retirement obligations calculated in accordance with the "Ministerial Ordinance for the Setting of Reserves for the Decommissioning of Nuclear Power Plants" (Ordinance No. 30 of the Ministry of International Trade and Industry, May 25, 1989) exceeds the monetary amount calculated by the previous method, we will record the monetary amount calculated according to the Ministerial Ordinance as obligations.

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

	Millions of yen		Thousands of U.S. dollars
	March 31, 2018	March 31, 2017	March 31, 2018
Balance at beginning of year	¥206,813	¥198,908	\$1,946,475
Reductions due to execution of asset retirement obligations	(418)	(1,305)	(3,934)
Other	2,784	9,210	26,203
Balance at end of year	¥209,179	¥206,813	\$1,968,744



## 14. Derivatives

The Chubu Electric Group enters into derivative financial instruments, including interest rate swaps, foreign exchange forward contracts, currency swaps, commodity future contracts, commodity swaps, commodity options and

commodity forward contracts. The Chubu Electric Group's derivative financial instruments outstanding at March 31, 2018 and 2017 were as follows:

### (a) Derivatives for which hedge accounting is not applied

#### (1) Currency related

Not applicable

#### (2) Interest rate related

Not applicable

#### (3) Commodity related

Not applicable

### (b) Derivatives for which hedge accounting is applied

As of March 31, 2018

		Millions of yen		
		Contract amount		Fair value
		Total	More than 1 year	
Hedged items				
General treatment:				
Foreign exchange forward contracts:	Accounts payable			
Long position	(forecasted transactions)	¥ 12,828	¥ 12,828	¥ (631)
Interest rate swaps:				
Receive floating, pay fixed	Bonds and long-term borrowings	288,500	202,500	(3,768)
Receive fixed, pay floating	Bonds and long-term borrowings	50,000	—	1,130
Allocation of gain/loss on foreign exchange forward contracts and others:				
Currency swaps:	Bonds	20,000	20,000	*
Foreign exchange forward contracts:				
Long position	Accounts payable	2,028	—	*
Special treatment of interest rate swaps:				
Interest rate swaps:				
Receive floating, pay fixed	Long-term borrowings	16,415	14,720	*
Total		¥ —	¥ —	¥(3,269)

As of March 31, 2017

		Millions of yen		
		Contract amount		Fair value
		Total	More than 1 year	
Hedged items				
General treatment:				
Foreign exchange forward contracts:	Accounts payable			
Long position	(forecasted transactions)	¥ —	¥ —	¥ —
Interest rate swaps:				
Receive floating, pay fixed	Bonds and long-term borrowings	324,500	288,500	(6,179)
Receive fixed, pay floating	Bonds and long-term borrowings	50,000	50,000	2,249
Allocation of gain/loss on foreign exchange forward contracts and others:				
Currency swaps:	Bonds	20,000	20,000	*
Foreign exchange forward contracts:				
Long position	Accounts payable	—	—	—
Special treatment of interest rate swaps:				
Interest rate swaps:				
Receive floating, pay fixed	Long-term borrowings	78,153	16,415	*
Total		¥ —	¥ —	¥(3,930)

As of March 31, 2018

		Thousands of U.S. dollars		
		Contract amount		Fair value
		Total	More than 1 year	
Hedged items				
General treatment:				
Foreign exchange forward contracts:	Accounts payable			
Long position	(forecasted transactions)	\$ 120,734	\$ 120,734	\$ (5,938)
Interest rate swaps:				
Receive floating, pay fixed	Bonds and long-term borrowings	2,715,294	1,905,882	(35,464)
Receive fixed, pay floating	Bonds and long-term borrowings	470,588	—	10,635
Allocation of gain/loss on foreign exchange forward contracts and others:				
Currency swaps:	Bonds	188,235	188,235	*
Foreign exchange forward contracts:				
Long position	Accounts payable	19,087	—	*
Special treatment of interest rate swaps:				
Interest rate swaps:				
Receive floating, pay fixed	Long-term borrowings	154,494	138,541	*
Total		\$ —	\$ —	\$(30,767)

\*For the allocation method of currency swaps etc., and special treatment of interest rate swaps, the fair value was included in fair value of the respective hedged items.  
(Note) The fair value of derivative transactions is measured at quoted prices obtained from the financial institutions.

## 15. Contingent Liabilities

As of March 31, 2018 and 2017, contingent liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2018	March 31, 2017	March 31, 2018
Guarantees of bonds and loans of companies and others:			
Japan Nuclear Fuel Limited	¥108,731	¥117,227	\$1,023,351
Guarantees of housing and other loans for employees	56,061	62,298	527,633
The Japan Atomic Power Company	38,095	38,095	358,541
Other companies	53,610	49,577	504,565
Guarantees related to other contracts	24,739	16,415	232,838
Recourse under debt assumption agreements	91,050	341,450	856,941

## 16. Net Assets

The authorized number of shares of common stock without par value is 1,190 million. At both March 31, 2018 and 2017, the number of shares of common stock issued was 758,000,000. At March 31, 2018 and 2017, the number of shares of treasury stock held by the Chubu Electric Group was 1,289,738 and 799,852, respectively.

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

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

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

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

At the annual shareholders' meeting held on June 27, 2018, the shareholders approved cash dividends amounting to ¥15,135 million (\$142,447 thousand) or ¥20 per share. The appropriation was not recorded in the consolidated financial statements as of March 31, 2018. Such appropriations are recognized in the period in which they are approved by the shareholders.

## 17. Income Taxes

**(a) The tax effects of temporary differences that give rise to deferred tax assets and liabilities at March 31, 2018 and 2017 were as follows:**

	Millions of yen		Thousands of U.S. dollars
	March 31, 2018	March 31, 2017	March 31, 2018
Deferred tax assets:			
Liability for retirement benefits	¥ 51,855	¥ 50,401	\$ 488,047
Depreciation	34,252	34,916	322,372
Asset retirement obligations	33,353	33,656	313,910
Depreciation of easement rights	30,647	28,209	288,442
Impairment loss	19,367	13,449	182,278
Intercompany unrealized profits	19,175	18,801	180,471
Reprocessing of irradiated nuclear fuel	13,899	12,542	130,814
Other	79,533	80,778	748,546
Total gross deferred tax assets	282,081	272,752	2,654,880
Less valuation allowance	(50,716)	(47,293)	(477,327)
Total deferred tax assets	231,365	225,459	2,177,553
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	14,323	14,573	134,805
Asset retirement costs corresponding to asset retirement obligations	7,130	7,665	67,106
Other	12,479	11,483	117,449
Total deferred tax liabilities	33,932	33,721	319,360
Net deferred tax assets	¥197,433	¥191,738	\$1,858,193

At March 31, 2018 and 2017, deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2018	March 31, 2017	March 31, 2018
Deferred tax assets:			
Noncurrent	¥174,375	¥165,856	\$1,641,176
Current	25,248	28,303	237,628
Deferred tax liabilities:			
Noncurrent	2,182	2,405	20,536
Current	7	15	66

**(b) A reconciliation of the difference between the statutory income tax rate and the effective income tax rate for the years ended March 31, 2018 and 2017 is set forth below.**

	March 31, 2018	March 31, 2017
Statutory income tax rate	–	27.8%
Increase (decrease) due to:		
Share of profit and loss of entities accounted for using equity method	–	(6.7%)
Less valuation allowance	–	1.1%
Other	–	1.0%
Effective income tax rate	–	23.2%

(Note) The reconciliation for 2018 has been omitted because the difference between the statutory income tax rate and the effective income tax rate for the year ended March 31, 2018 was 5% or less of the statutory income tax rate.



## 18. Operating Expenses

Operating expenses in the electricity business for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2018	March 31, 2017	March 31, 2018
Salaries	¥ 130,933	¥ 132,764	\$ 1,232,311
Retirement benefits	14,834	7,805	139,614
Fuel	713,618	614,569	6,716,405
Subcontracting fees	99,794	125,610	939,238
Depreciation	247,412	236,290	2,328,584
Power purchased from other suppliers	393,947	335,370	3,707,736
Levy under act on purchase of renewable energy sourced electricity	276,730	233,443	2,604,517
Other	552,567	545,927	5,200,630
Subtotal	2,429,835	2,231,778	22,869,035
Adjustment	(14,719)	(12,131)	(138,531)
Total	¥2,415,116	¥2,219,647	\$22,730,504

## 19. Impairment Loss

### (a) Asset grouping methods

In principle, the Chubu Electric Power Group groups assets according to units in which their cash flow is examined regularly. However, idle assets and important assets that

are earmarked for disposal and have no alternative investment scheduled form their own standalone asset groups. The main grouping methods are as shown below:

#### (1) Fixed assets used in the electricity business

Type of assets	Sections of grouping
Hydroelectric power generation business Thermal power generation business Nuclear power generation business Renewable energy power generation business	Mainly by business unit
Other business	Mainly by in-house company

#### (2) Fixed assets used in the electricity business

Grouped by business and location, in principle.

##### (Additional information)

##### • Review of asset grouping

The grouping method for (1) Fixed assets used in the electricity business categorized all applicable assets into one asset group as the assets for electricity operations from power generation to electricity sales form a single network with the cash-flow accounted for the entire business. However, the grouping has been changed this fiscal year due to changes in the units identifying cash flow

following the compilation of a business plan that reflects organizational restructuring aimed at building a self-regulating business structure capable of responding flexibly and swiftly to changes in the environment surrounding the energy business. This change has resulted in the reduction of income before taxes by ¥20,835 million (\$196,094 thousand) compared to the income level calculated using the previous method. There has been no change to the grouping of (2) Fixed assets used in other business operations.

### (b) Assets and asset grouping recognizing impairment loss

Use	Location	Type	Impairment loss	
			Millions of yen	U.S. dollars
Power generation facilities such as scheduled to be discontinued (fixed assets used in the electricity business)	Owase-Mita thermal power plant (Owase, Mie), and 4 other issues	Buildings, Structures, Machinery and equipment	21,505	202,400
Idle assets, etc., whose future use is undecided (other fixed assets)	Shimizu power plant building site (Shizuoka, Shizuoka), and 20 other issues	Land, Buildings, Structures, Machinery and equipment	1,851	17,421
Total			23,356	219,821

Breakdown by fixed asset type

Buildings	¥1,567 million (\$14,748 thousand)
Structures	¥3,089 million (\$29,073 thousand)
Machinery and equipment	¥17,577 million (\$165,431 thousand)
Others	¥1,123 million (\$10,569 thousand)

**(c) Background to the recognition of impairment loss**

The assets earmarked for disposal show a significant drop in market value or have been idle with no specific construction plan or outlook of future use. The assets or asset groups that are deemed to have difficulty in recovering

have had their book values reduced to recoverable amounts. The amount of reduction (¥23,356 million) has been recorded as impairment loss.

**(d) Calculating the recoverable amounts**

The recoverable amounts have been determined based on net realizable values and value in use. Values in use was calculated by applying the discount rate based on the Company's capital cost to the future cash flow. Net realizable value was calculated by rationally estimating the

asset's expected sale value. If alternative use or sale was considered unlikely, the asset's net realizable value was set at zero.

**20. Accounting Standards for Presentation of Comprehensive Income**

Amounts reclassified as net loss is the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each

component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2018	March 31, 2017	March 31, 2018
Net unrealized (loss) gain on available-for-sale securities:			
(Decrease) increase during the year	¥ (794)	¥ 2,368	\$ (7,473)
Reclassification adjustments	(139)	(247)	(1,308)
Subtotal, before tax	(933)	2,121	(8,781)
Tax benefit (expense)	250	(764)	2,353
Subtotal, net of tax	(683)	1,357	(6,428)
Net deferred gain on hedging instruments:			
(Decrease) increase during the year	(564)	880	(5,308)
Reclassification adjustments	1,225	2,243	11,529
Subtotal, before tax	661	3,123	6,221
Tax expense	(179)	(864)	(1,685)
Subtotal, net of tax	482	2,259	4,536
Foreign currency translation adjustments:			
Increase (decrease) during the year	1,457	(13,899)	13,713
Reclassification adjustments	–	2,313	–
Subtotal, net of tax	1,457	(11,586)	13,713
Adjustments for retirement benefits:			
Decrease during the year	(1,395)	(10,715)	(13,130)
Reclassification adjustments	(1,645)	(8,359)	(15,482)
Subtotal, before tax	(3,040)	(19,074)	(28,612)
Tax benefit	810	5,349	7,624
Subtotal, net of tax	(2,230)	(13,725)	(20,988)
Share of other comprehensive income of affiliates accounted for using equity method:			
Decrease during the year	(6,439)	(3,784)	(60,602)
Reclassification adjustments	1,699	19,223	15,991
Acquisition cost adjustment of assets	484	469	4,555
Subtotal, net of tax	(4,256)	15,908	(40,056)
Total other comprehensive income	¥ (5,230)	¥ (5,787)	\$ (49,223)

## 21. Related Party Transactions

### (a) Significant transactions of the Company and its subsidiaries with unconsolidated subsidiaries and affiliates for the years ended March 31, 2018 and 2017 were as follows:

#### JERA Co., Inc. (an affiliate)

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

rights in JERA Co., Inc. Its involvement with JERA Co., Inc. includes fuel purchases and interlocking directors. Fuel purchases are determined after due consideration of market conditions and negotiations.

	Millions of yen		Thousands of U.S. dollars
	March 31, 2018	March 31, 2017	March 31, 2018
The Company's transactions during the year:			
Transaction amounts	¥613,397	¥422,194	\$5,773,148
Balances at the fiscal year-end:			
Other current liabilities	22,141	34,623	208,386

### (b) Notes concerning the parent company or important affiliates:

#### Important affiliates' financial summary

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

	Millions of yen		Thousands of U.S. dollars
	March 31, 2018	March 31, 2017	March 31, 2018
Total current assets	¥ 596,094	¥—	\$ 5,610,296
Total noncurrent assets	493,099	—	4,640,932
Total current liabilities	266,877	—	2,511,783
Total noncurrent liabilities	242,121	—	2,278,786
Total net assets	580,195	—	5,460,659
Operating revenues	2,235,189	—	21,037,073
Income before income taxes	52,658	—	495,605
Net income attributable to owners of parent	38,918	—	366,287

(Note) As its importance increased, JERA has been regarded as an important affiliate since this consolidated accounting year.

## 22. Business Combinations

### (a) Formation of a jointly controlled entity

At the Board of Directors' meeting held on May 9, 2018, the Company resolved that it would enter into an absorption-type company split agreement with JERA Co., Inc. (hereinafter, "JERA") to the effect that JERA would integrate the Company's fuel acceptance/storage/gas transmission businesses and the existing thermal power generation businesses (hereinafter "the Business") by way of company split.

Concurrently, JERA concluded a separate absorption-type company split agreement with TEPCO Fuel & Power, Inc. (hereinafter, "TEPCO FP") so that JERA would succeed the TEPCO FP's fuel acceptance/storage/gas transmission businesses and the existing thermal power generation businesses.

#### (1) Outline of transactions

##### 1) Name of the target business and details of the relevant business

Gas/LNG sales business, LNG acceptance/storage/gas transmission business, the existing thermal power generation business (except Owase-Mita thermal power generation business), replacement and new establishment of the existing thermal power generation plants, and related businesses.

##### 2) Date of business combination

April 1, 2019 (scheduled)

##### 3) Legal form of business combination

Absorption-type company split to be implemented by the Company as a split company and JERA as a successor company.

##### 4) Company name after business combination

JERA Co., Inc.

##### 5) Other matters concerning the outline of transactions

On June 8, 2017, the Company concluded a Joint-Venture Agreement with TEPCO FP with the aim of integrating their fuel acceptance/storage/gas transmission businesses and the existing thermal power generation businesses, etc., into JERA Co., Inc. (hereinafter "the integration"). In addition, on February 27, 2018, the Company reached a related agreement with TEPCO (hereinafter "Related Agreement") which determined terms and conditions and procedural matters concerning the integration. Based on the agreement, it was decided that JERA would integrate the businesses.



**6) Reason for judging it a jointly controlled entity**  
In establishing this jointly controlled entity, the Company and TEPCO concluded a joint venture agreement under which both companies would jointly control JERA and other related agreements and have decided to pay for the business combination entirely with shares with voting rights. There exists no other circumstances indicating controlling relationships. Accordingly, in our opinion, this business combination was formed as a jointly controlled entity.

## (2) Outline of Accounting Treatment Applied

Following the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued on September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, issued on September 13, 2013) and "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, issued on September 13, 2013), this business combination will be accounted for as a formation of a jointly controlled entity.

## 23. Segment Information

The reporting segments are constituent business units of the Chubu Electric Power Group for which separate financial information is obtained and examined regularly by the Board of Directors of the Company to evaluate business performance. The Group's core operations are based on the twin pillars of the Electric Power business and the Energy business, which mainly entails the supply of gas and on-site energy. Our business activities also include the application of our know-how (developed in the domestic sector) to energy projects overseas, construction for the development and maintenance of electric utilities related facilities, and the manufacturing of materials and machinery for these facilities. Additionally, amid drastic changes in the business environment, the company system was introduced and three companies—"Power Generation," "Power Network," and "Customer Service & Sales"—were

formed in April 2016 for the purpose of building an autonomous business structure that enables swift and flexible response in the power generation, power transmission/distribution and retail business fields.

Under the above system, "Power Generation," "Power Network," and "Customer Service & Sales" were arranged as report segments.

["Power Generation"]

Provision of electric power from thermal and renewable energies

["Power Network"]

Provision of electric power network services

["Customer Service & Sales"]

Operation of comprehensive energy services focused on gas and power

Information by segment for the years ended March 31, 2018 and 2017 was as follows.

Year ended March 31, 2018		Millions of yen						
	Power Generation	Power Network	Customer Service & Sales	Subtotal	Other	Total	Adjustment	Consolidated
Operating revenues:								
External customers	¥ 47,509	¥ 85,786	¥2,527,910	¥2,661,205	¥ 192,105	¥2,853,310	¥ –	¥2,853,310
Intersegment	1,050,139	658,893	105,984	1,815,016	514,021	2,329,037	(2,329,037)	–
Total	1,097,648	744,679	2,633,894	4,476,221	706,126	5,182,347	(2,329,037)	2,853,310
Operating income	¥ 38,275	¥ 55,268	¥ 38,145	¥ 131,688	¥ 7,135	¥ 138,823	¥ (2,318)	¥ 136,505
Total assets	¥1,146,611	¥2,153,319	¥ 251,888	¥3,551,818	¥2,265,675	¥5,817,493	¥ (287,304)	¥5,530,189
Depreciation and amortization	99,160	127,625	6,069	232,854	39,067	271,921	(4,092)	267,829
Impairment loss	20,836	745	–	21,581	1,775	23,356	–	23,356
Increase in tangible and intangible fixed assets	134,939	118,541	11,460	264,940	84,973	349,913	(6,170)	343,743
Year ended March 31, 2017		Millions of yen						
	Power Generation	Power Network	Customer Service & Sales	Subtotal	Other	Total	Adjustment	Consolidated
Operating revenues:								
External customers	¥ 29,478	¥ 50,710	¥2,344,141	¥2,424,329	¥ 179,209	¥2,603,538	¥ –	¥2,603,538
Intersegment	956,800	682,191	108,465	1,747,456	530,960	2,278,416	(2,278,416)	–
Total	986,278	732,901	2,452,606	4,171,785	710,169	4,881,954	(2,278,416)	2,603,538
Operating income (loss)	¥ 61,295	¥ 35,095	¥ 51,111	¥ 147,501	¥ (8,514)	¥ 138,987	¥ (2,543)	¥ 136,444
Total assets	¥1,134,454	¥2,168,496	¥ 213,355	¥3,516,305	¥2,160,185	¥5,676,490	¥ (264,183)	¥5,412,307
Depreciation and amortization	85,692	128,640	6,022	220,354	39,300	259,654	(3,962)	255,692
Increase in tangible and intangible fixed assets	125,143	114,677	7,268	247,088	105,128	352,216	(6,527)	345,689

Year ended March 31, 2018	Thousands of U.S. dollars							
	Power Generation	Power Network	Customer Service & Sales	Subtotal	Other	Total	Adjustment	Consolidated
Operating revenues:								
External customers	\$ 447,143	\$ 807,398	\$23,792,094	\$25,046,635	\$ 1,808,047	\$26,854,682	\$ —	\$26,854,682
Intersegment	9,883,661	6,201,346	997,497	17,082,504	4,837,844	21,920,348	(21,920,348)	—
Total	10,330,804	7,008,744	24,789,591	42,129,139	6,645,891	48,775,030	(21,920,348)	26,854,682
Operating income	\$ 360,235	\$ 520,169	\$ 359,012	\$ 1,239,416	\$ 67,153	\$ 1,306,569	\$ (21,816)	\$ 1,284,753
Total assets	\$10,791,633	\$20,266,531	\$ 2,370,711	\$33,428,875	\$21,324,000	\$54,752,875	\$ (2,704,037)	\$52,048,838
Depreciation and amortization	933,271	1,201,176	57,120	2,191,567	367,689	2,559,256	(38,512)	2,520,744
Impairment loss	196,103	7,012	—	203,115	16,706	219,821	—	219,821
Increase in tangible and intangible fixed assets	1,270,014	1,115,680	107,859	2,493,553	799,746	3,293,299	(58,071)	3,235,228

**(a) Method for calculating operating revenues, income, assets and other amounts for each reporting segment**

The accounting treatment and methods used for the reporting segments are consistent with the accounting treatment and methods described in Note 2, Summary of Significant Accounting Policies. Segment income for each

reporting segment is presented on an operating income basis. Intersegment internal sales and transfers are, in principle, calculated in accordance with internal transaction prices that are based on costs.

**(b) Information about products and services**

The Company has omitted a disclosure of information for sales of a single product/service category to external

customers which accounted for more than 90% of all sales in the consolidated statements of income.

**(c) Information by geographic regions**

**(1) Operating revenues**

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

operating revenues reported in the consolidated statements of income.

**(2) Property, plant and equipment**

The Company has omitted a disclosure of information for property, plant and equipment because property, plant and equipment in Japan accounted for more than 90% of the

property, plant and equipment reported in the consolidated balance sheets.

**(d) Information about major customers**

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

**(e) Impairment loss**

Year ended March 31, 2018	Millions of yen / Thousands of U.S. dollars						
	Power Generation	Power Network	Customer Service & Sales	Subtotal	Other	Elimination or Corporate	Total
Impairment loss	¥20,836	¥745	¥—	¥21,581	¥1,775	¥—	¥23,356
Impairment loss	\$196,103	\$7,012	\$—	\$203,115	\$16,706	\$—	\$219,821

The Company has omitted information by segment on impairment loss due to the negligible importance of this information for the year ended March 31, 2017.

**(f) Amortization of goodwill and the unamortized balance**

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

**(g) Gain arising from negative goodwill**

Not applicable

# Independent Auditor's Report



## Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Chubu Electric Power Company, Incorporated (the "Company") and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2018, and the consolidated statements of income, statements of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility 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 misstatements, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2018, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2018 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

*KPMG AZSA LLC*

June 27, 2018  
Nagoya, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



# Nonconsolidated Balance Sheets

Chubu Electric Power Company, Incorporated  
As of March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	March 31, 2018	March 31, 2017	March 31, 2018
<b>ASSETS</b>			
<b>Property, Plant and Equipment:</b>			
Property, plant and equipment, at cost	¥13,420,091	¥13,256,824	\$126,306,739
Construction in progress	317,907	389,188	2,992,066
	13,737,998	13,646,012	129,298,805
Less:			
Contributions in aid of construction	(180,675)	(176,614)	(1,700,471)
Accumulated depreciation	(10,016,180)	(9,914,406)	(94,269,929)
	(10,196,855)	(10,091,020)	(95,970,400)
Total Property, Plant and Equipment, Net	3,541,143	3,554,992	33,328,405
<b>Nuclear Fuel:</b>			
Loaded nuclear fuel	40,040	40,040	376,847
Nuclear fuel in processing	139,716	136,575	1,314,974
Total Nuclear Fuel	179,756	176,615	1,691,821
<b>Investments and Other Assets:</b>			
Long-term investments	538,208	523,951	5,065,487
Deferred tax assets	140,351	132,578	1,320,951
Other	38,094	34,811	358,532
Allowance for doubtful accounts	(366)	(1,085)	(3,445)
Total Investments and Other Assets	716,287	690,255	6,741,525
<b>Current Assets:</b>			
Cash and deposits	127,539	86,130	1,200,367
Trade notes and accounts receivable	218,149	178,777	2,053,167
Allowance for doubtful accounts	(1,591)	(1,268)	(14,974)
Inventories	66,036	59,227	621,515
Deferred tax assets	19,332	22,345	181,948
Other	134,565	189,475	1,266,494
Total Current Assets	564,030	534,686	5,308,517
<b>Total Assets</b>	<b>¥ 5,001,216</b>	<b>¥ 4,956,548</b>	<b>\$ 47,070,268</b>

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars
	March 31, 2018	March 31, 2017	March 31, 2018
<b>Noncurrent Liabilities:</b>			
Long-term loans payable	¥1,925,313	¥2,003,342	\$18,120,593
Net defined benefit liability	124,609	127,948	1,172,791
Provision for loss in conjunction with discontinued operations of nuclear power plants	9,211	9,575	86,692
Asset retirement obligations	205,122	203,164	1,930,560
Other	148,252	124,663	1,395,312
Total Noncurrent Liabilities	2,412,507	2,468,692	22,705,948
<b>Current Liabilities:</b>			
Current portion of noncurrent liabilities	244,200	281,697	2,298,353
Short-term loans payable	337,750	341,800	3,178,824
Notes and accounts payable - trade	69,688	52,205	655,887
Other	469,577	369,096	4,419,548
Total Current Liabilities	1,121,215	1,044,798	10,552,612
<b>Reserve for Fluctuation in Water Levels</b>	22,447	22,466	211,266
Total Liabilities	3,556,169	3,535,956	33,469,826
<b>Net Assets</b>			
Capital stock	430,777	430,777	4,054,372
Capital surplus	70,690	70,690	665,318
Retained earnings	912,041	886,226	8,583,915
Treasury shares, at cost	(1,834)	(1,150)	(17,261)
Total Shareholders' Equity	1,411,674	1,386,543	13,286,344
Valuation and translation adjustments	33,373	34,049	314,098
Total Net Assets	1,445,047	1,420,592	13,600,442
<b>Total Liabilities and Net Assets</b>	¥5,001,216	¥4,956,548	\$47,070,268

# Nonconsolidated Statements of Income

Chubu Electric Power Company, Incorporated  
For the Years Ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	March 31, 2018	March 31, 2017	March 31, 2018
<b>Operating Revenues</b>	¥2,597,164	¥2,389,719	\$24,443,896
<b>Operating Expenses:</b>			
Fuel	713,618	614,569	6,716,405
Salaries and employee benefits	181,094	176,206	1,704,414
Purchased Power	405,386	346,877	3,815,398
Maintenance	184,974	204,677	1,740,932
Depreciation	247,412	236,289	2,328,584
Taxes other than income taxes	120,315	120,645	1,132,376
Other	629,657	573,211	5,926,183
Total Operating Expenses	2,482,456	2,272,474	23,364,292
<b>Operating Income</b>	114,708	117,245	1,079,604
<b>Other (Income) Expenses:</b>			
Interest expense	25,110	27,635	236,329
Impairment loss	22,311	—	209,986
Other, net	(2,301)	(9,512)	(21,656)
Total Other Expenses, Net	45,120	18,123	424,659
<b>Income Before Provision of Reserve for Fluctuation in Water Levels and Income Taxes</b>	69,588	99,122	654,945
<b>Provision of Reserve for Fluctuation in Water Levels</b>	(19)	(381)	(179)
<b>Income Before Income Taxes</b>	69,607	99,503	655,124
<b>Income Taxes:</b>			
Current	25,551	14,470	240,480
Deferred	(4,479)	13,019	(42,155)
Total Income Taxes	21,072	27,489	198,325
<b>Net Income</b>	¥ 48,535	¥ 72,014	\$ 456,799

	Yen		U.S. dollars
	March 31, 2018	March 31, 2017	March 31, 2018
<b>Per Share of Capital Stock:</b>			
Net income - basic	¥64.10	¥95.09	\$0.60
Cash dividends	35.00	30.00	0.33





## Corporate Data (As of March 31, 2018)

### Corporate Profile

Corporate name:	Chubu Electric Power Co., Inc.
Headquarters:	1 Higashi-shincho, Higashi-ku, Nagoya, Aichi 461-8680, Japan Tel: +81-52-951-8211 (Main)
Representative:	Satoru Katsuno, President & Director
Date of establishment:	May 1st, 1951
Capital:	¥430,777,362,600
Number of employees:	16,486
Number of shares issued:	758,000,000
Number of shareholders:	245,801
Independent auditor:	KPMG AZSA LLC
Stock markets traded:	Tokyo Stock Exchange, Inc. Nagoya Stock Exchange, Inc. (Securities ID code: 9502)
Administrator of shareholder registry:	Mitsubishi UFJ Trust and Banking Corporation 4-5 Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan

### Main Business Locations

Headquarters:	1 Higashi-shincho, Higashi-ku, Nagoya, Aichi
Nagoya Regional Office:	2-12-14 Chiyoda, Naka-ku, Nagoya, Aichi
Shizuoka Regional Office:	2-4-1 Hontoori, Aoi-ku, Shizuoka
Mie Regional Office:	2-21 Marunouchi, Tsu, Mie
Gifu Regional Office:	2-5 Mieji-cho, Gifu
Nagano Regional Office:	18 Yanagimachi, Nagano
Okazaki Regional Office:	7 Daidou Higashi, Tosaki-cho, Okazaki, Aichi
Tokyo Office:	2-2-1 Uchisaiwai-cho, Chiyoda-ku, Tokyo

### Overseas Offices

#### Washington Office

900 17th Street N.W., Suite 1220,  
Washington, D.C. 20006, U.S.A.  
Tel: +1-202-775-1960

#### London Office

2nd Floor, 210 High Holborn,  
London WC1V 7EP, U.K.  
tel: +44-20-7409-0142

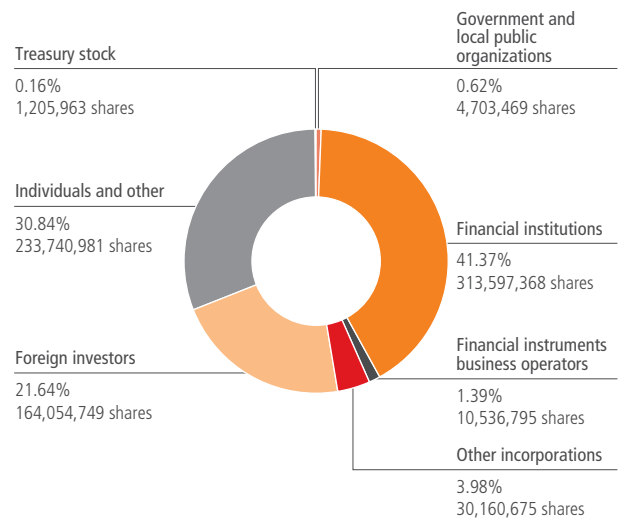
#### Doha Office

4th Floor, Salam Tower, Al Corniche  
P.O. Box 22470, Doha-QATAR  
Tel: +974-4483-6680

### Number of Shares

Total number of authorized shares .....	1,190 million shares
Total number of shares issued .....	758 million shares

### Composition of Shareholders

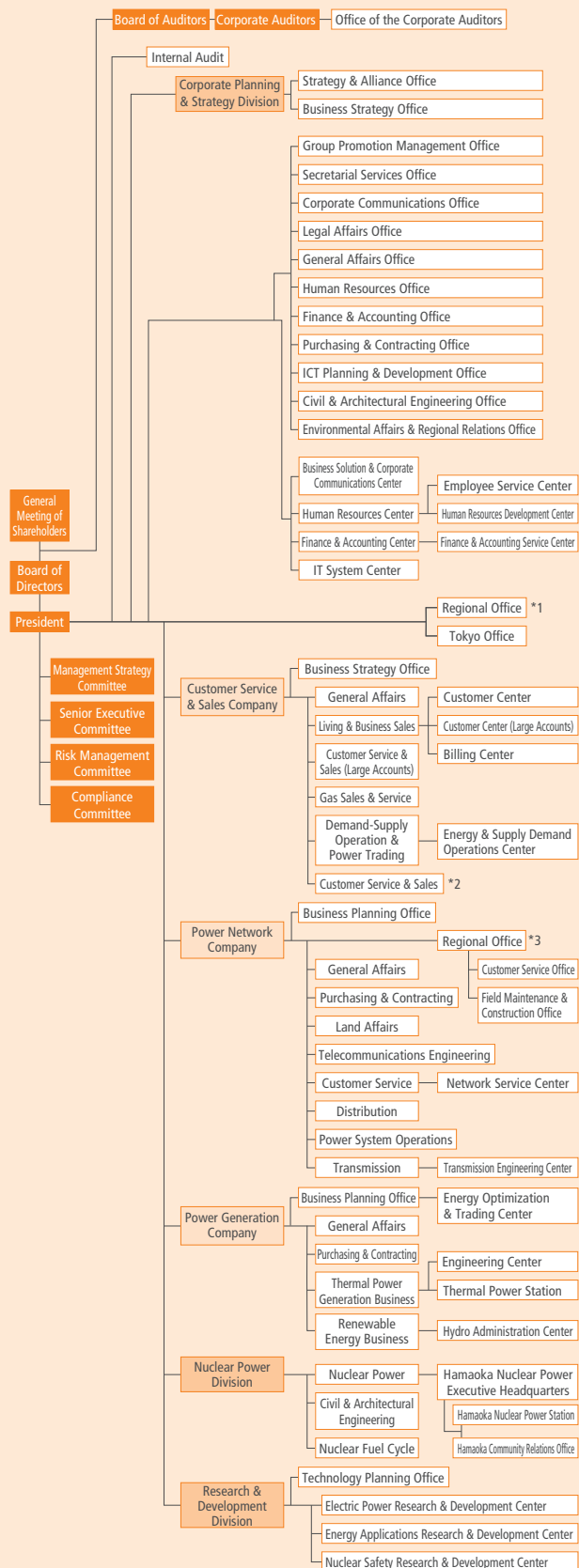


### Principal Shareholders

Name	Number of shares owned (thousands)	Ownership percentage of total shares issued (%)
Japan Trustee Services Bank, Ltd.	94,626	12.50
The Master Trust Bank of Japan, Ltd.	53,095	7.02
Meiji Yasuda Life Insurance Company	39,462	5.21
Nippon Life Insurance Company	26,174	3.46
Chubu Electric Employees' Shareholders Association	18,983	2.51
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	15,304	2.02
Sumitomo Mitsui Banking Corporation	14,943	1.97
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Settlement & Clearing Services Dept., Mizuho Bank)	11,692	1.54
Mizuho Bank, Ltd.	10,564	1.40
BNYMSANV AS AGENT/ CLIENTS LUX UCITS NON TREATY 1	10,513	1.39
<b>Total</b>	<b>295,361</b>	<b>39.03</b>

Note: The number of shares held by Japan Trustee Services Bank, Ltd. and The Master Trust Bank of Japan, Ltd. (94,626,000 shares and 53,095,000 shares, respectively) is related to their trust services.

## Table of Organization (Outline) (Organization revised on April 1, 2018)



\*1 Nagoya, Shizuoka, Mie, Gifu, Nagano, and Okazaki Regional Offices

\*2 Tokyo, Nagoya, Shizuoka, Mie, Gifu, Nagano, Okazaki and Nagoya Large Accounts Customer Service & Sales

\*3 Nagoya, Shizuoka, Mie, Gifu, Nagano, and Okazaki Regional Offices

Chubu Electric Power actively publishes information through the following websites and magazine.

**Chubu Electric Power's website:**

<https://www.chuden.co.jp/english/>

**Chubu Electric Power's official Twitter account**

Account name: @Official\_Chuden

\* Please note that we do not follow or Tweet to particular account names.

**E-magazine "Denki No Ashita"**

<http://dna.chuden.jp/>

If you have any comments or inquiries, please contact:

<https://www.chuden.co.jp/english/contactus/>

## The sentiment behind this year's cover design



This year's front cover features the Japanese character for "create," depicted in bold calligraphic strokes. "Let's create a new Chubu Electric Power Group that evolves with strength and agility in this new era" is the sentiment contained therein.

Starting something new on one's own requires a great deal of hard work.

But the aggregate power generated when each and every person performs their role to the best of their ability is a power that enables infinite creation.

We chose this design to reflect the solidarity of our people and our enthusiasm towards creating new value.



### Calligrapher: Hiroshi Tsuzuki

Born in 1979 with congenital upper limb deficiency, Hiroshi Tsuzuki joined Chuden Wing Co., Ltd.—a Chubu Electric Power subsidiary in 2003. He is currently in charge of design at Chuden Wing. The special feature of his design work is the calligraphic characters that he paints using his feet and then uploads to his computer and touches up. He represented Japan at the International Abilympics 2016 in France, in the English language DTP\* category.

\*Desktop publishing, which is the computer-based editing, design and printing of publishing material.

## Chubu Electric Power Co., Inc.

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