ANNUAL REPORT 2019

Year Ended March 31, 2019

The Chugoku Electric Power Co., Inc. (JAPAN)

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To Our Dear Stockholders and Investors

We would like to express our sincere gratitude to our stockholders and investors for your extremely generous support.

The consolidated operating revenues for the fiscal year ended March 31, 2019 increased due to the impact of the fuel cost adjustment system, but ordinary income decreased due to a decrease in electricity sales due to the progress of competition. In this situation, based on our dividend policy “continuing with a stable dividend”, we have paid out ¥25 per share as the interim dividends to our shareholders and paid out ¥25 as the year-end dividends of FY2019.

Three years since the full liberalization of the retail sale of electricity, as competition with our competitors is becoming tougher, our group still has no prospects on operating nuclear power stations, which is indispensable for the radical recovery of the business base and stabilization of our business, and the situation will continue to be more severe. We will continue to improve earnings and reduce deterioration in financial position by thoroughly improving business efficiency, and will work to develop and expand growth businesses that can leverage the strengths of our group.

In response to the full liberalization of the retail sale of electricity, we will provide high value-added services to meet diverse energy-related needs ranging from home to commercial, so as to go on being chosen by the customers of the Chugoku Region, which is our operating base. In addition, in order to establish a new revenue base, work on electricity sales outside the Chugoku region and power generation business overseas, and promote innovation in electricity business and creation of new businesses with new ideas that are not tied to existing concepts.

As for Shimane Nuclear Power Station, we will respond definitely to the new regulatory requirements enacted by the Nuclear Regulation Authority (NRA), and will continue to engage in improving of safety as we make maximal efforts toward operation restart and start while obtaining the understanding of the local people.

As for Power Transmission and Distribution Division, we established “Chugoku Power Transmission & Distribution Company, Incorporated” as division preparation company in April 2019. We are steadily preparing for April 2020 so that we can move smoothly without impeding stable supply and efficiency.

We will be striving to be a “corporate group that people choose in the region and that grow beyond the region” in order to be able to meet our stockholders’ and investors’ expectations.

We request your continued cooperation and support into the future.

August 2019

Tomohide Karita
Representative Director
Chairperson of the Board

Mareshige Shimizu
Representative Director
President & Chief Executive Officer

Corporate Profile

For over half a century since its founding in 1951, The Chugoku Electric Power Co., Inc. has fulfilled a mission of providing a stable supply of electricity and has thereby contributed to the development of its region.

The Chugoku Region, which forms the main part of our supply area, is located at the western end of Japan's main island of Honshu and has an area of 32,000 square kilometers and a population of roughly 7.3 million. The region contains a large number of manufacturing hubs, in fields such as machinery, chemicals and steel, which are pillars of Japan's manufacturing industry.

Corporate Data of The Chugoku Electric Power Co., Inc

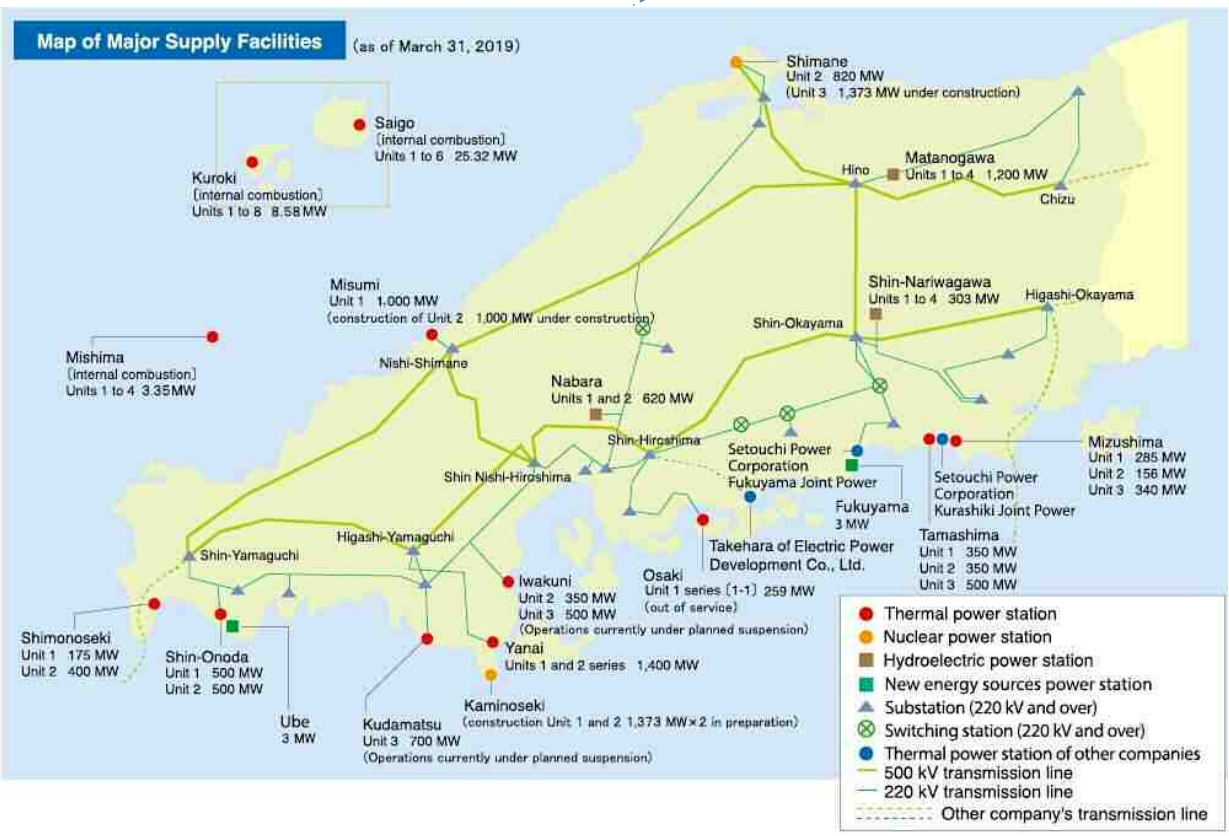
(as of March 31,2019)

Corporate name	The Chugoku Electric Power Co., Inc
Head Office	4-33 Komachi, Naka-ku, Hiroshima 730-8701 Japan
DATE established	May 1, 1951
Paid-in capital	185.5 billion yen
Common stock issued	371,055,259 stocks
Number of employees	9,169
Main supply facilities	

Power stations and total output	112 stations	11,538 MW
Thermal	12 stations	7,802 MW
Hydro	97 stations	2,909 MW
Nuclear	1 stations	820 MW
New energy sources	2 stations	6 MW

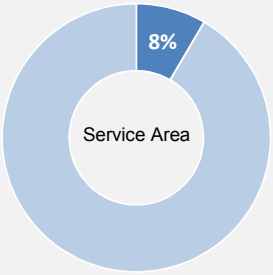
Electric energy output (by own company and others, total)	61,715 GWh
Thermal	43,978 GWh
Hydro (more than 30MW)	1,135 GWh
Nuclear	0 GWh
Renewable energy (excluding FIT)	2,915 GWh
FIT	5,584 GWh
JEPEX	7,810 GWh
Others	293 GWh

Main business places	Regional Offices: 5 Sales Offices: 30 Sales Center: 23
Route length	Transmission Lines : 8,607 km Distribution Lines : 83,938 km



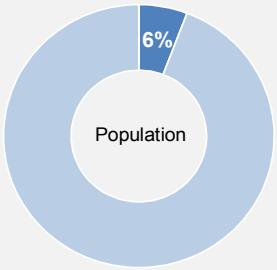
In this report, the term “Fiscal Year 2019” refers to the period which ended March 31, 2019.
However, this does not apply to the referenced sources.

Characteristics of Chugoku Region



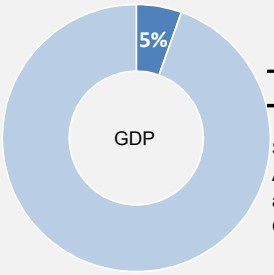
Chugoku Region	31,922k㎡
Japan	377,974k㎡

Source:"Statistical reports on the land area by prefectures and municipalities in Japan” (as of October 1, 2018)" by Geospatial Information Authority of Japan, Ministry of land, Infrastructure, Transport and Tourism.



Chugoku Region	7,326,246
Japan	126,443,180

Source:"Population Estimates(as of October 1, 2018) " by Statistics Bureau, Ministry of International Affairs and Communications.



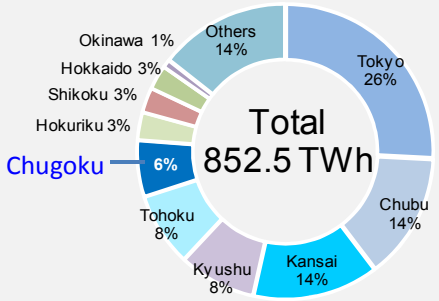
Chugoku Region	29,920,066
Japan	546,550,491

(millions of yen)

Source:"Annual Report on Prefectural Accounts for FY2015" by Economic and SocialReserch Institute, Cabinet Office, Government of Japan

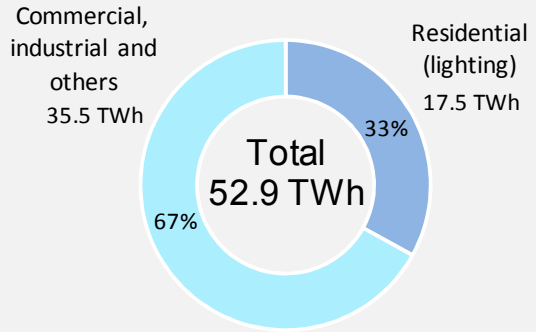
Characteristics of Chugoku Electric

Electric Sales Share by company



Source: Survey of Electric Power Statistics

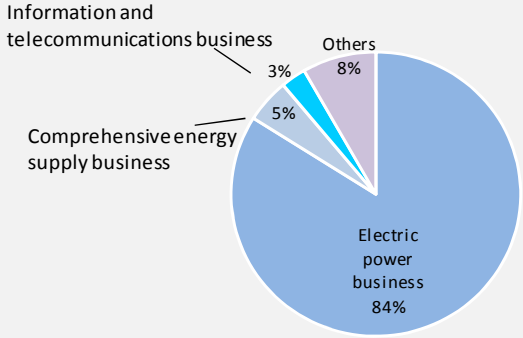
Electric Sales Volume by Demand Type



Operating revenues by Segment

In order to meet our customers’ increasingly diverse needs, we are engaged in providing services leading to enhanced convenience and comfort for customers, primarily in the electric power business but also in other areas including comprehensive energy supply business and information and telecommunication business.

■ Operating Revenue by Business Segment



Segment	Operating Revenue (FY2019)	Business content
Electric power business	1,248.5 billion yen	Electric power supply
Comprehensive energy supply business	73.9 billion yen	Fuel sales business, electricity and thermal energy supply business
Information and telecommunications business	41.8 billion yen	Telecommunications business, data processing business

"Others" includes business such as enviromental harmony creation business / lifestyle suport, and electric power business support.

Consolidated Financial Highlights

FY2019 Financial Results Summary

(1) Consolidated

(billion yen)

	FY2019 (A)	FY2018 (B)	Difference (A-B)	Rate of change (A/B-1)
Operating revenues	1,376.9	1,314.9	62.0	4.7 %
Operating income	19.5	39.6	-20.0	-50.7 %
Ordinary income	12.6	30.7	-18.0	-58.7 %
Net income attributable to owners of the parent	11.4	20.7	-9.2	-44.7 %

(Rounded down to the hundred million yen)

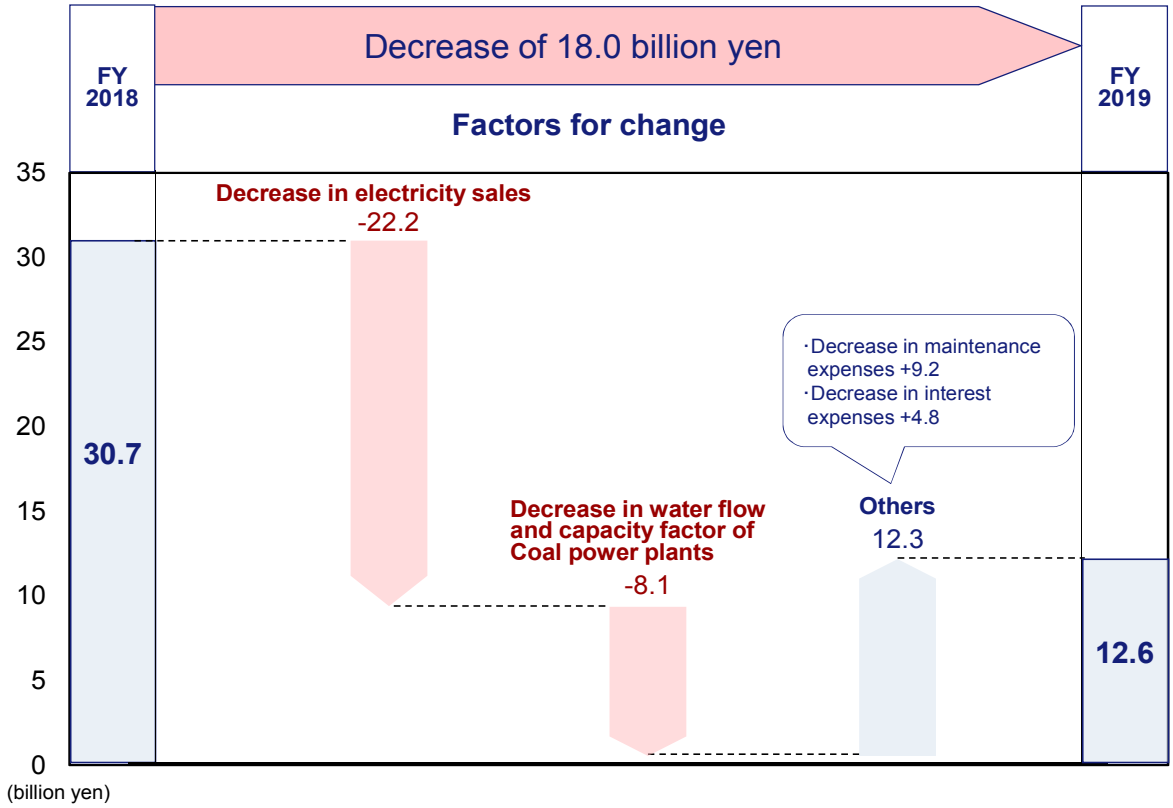
(2) Non-consolidated

(billion yen)

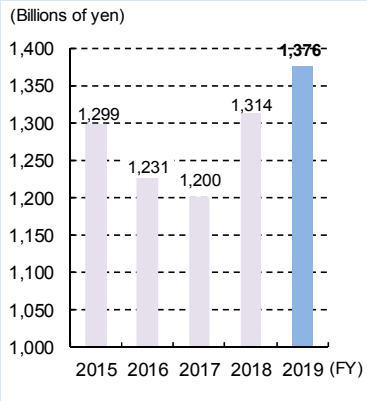
	FY2019 (A)	FY2018 (B)	Difference (A-B)	Rate of change (A/B-1)
Operating revenues	1,280.5	1,227.4	53.0	4.3 %
Operating income	11.2	32.4	-21.1	-65.3 %
Ordinary income	6.9	24.0	-17.1	-71.3 %
Net income	8.5	16.4	-7.9	-48.2 %

(Rounded down to the hundred million yen)

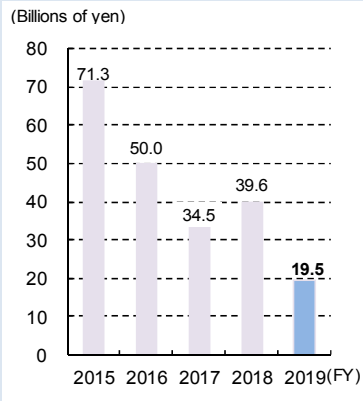
Factors for Change in Ordinary Income < Consolidated >



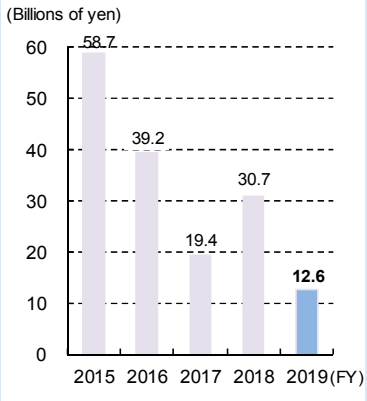
■Operating revenues



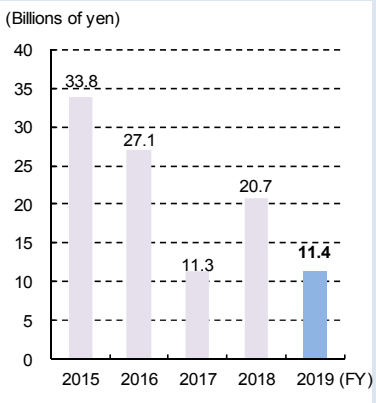
■Operating income(loss)



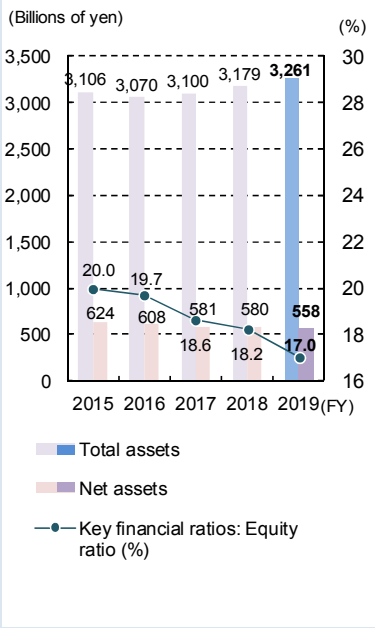
■Ordinary income(loss)



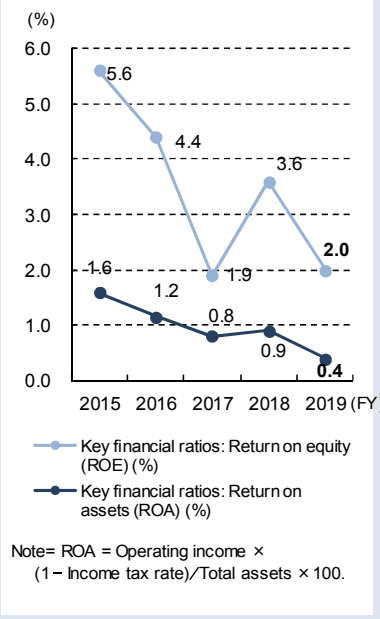
■ Profit (loss) attributable to owners of parent



■ Total assets,Net assets, Equity ratio

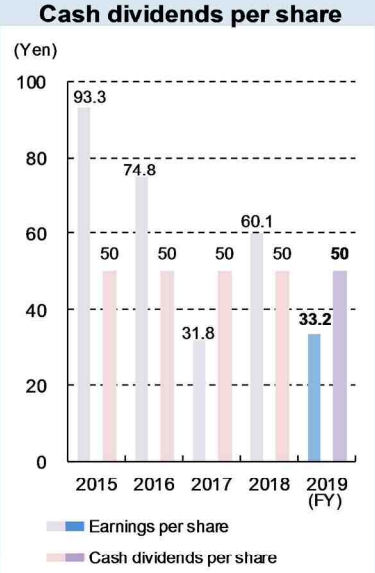


■ Return on equity, Return on asset

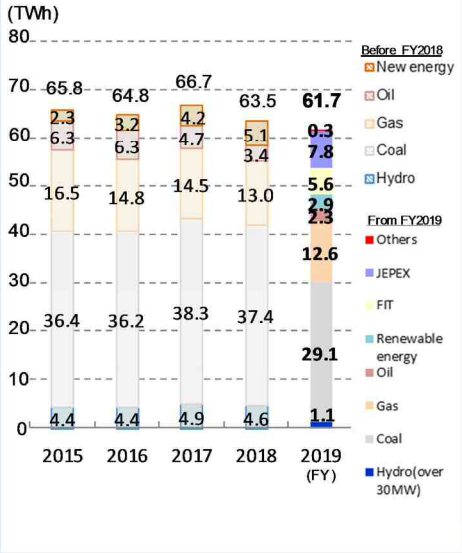


Note= ROA = Operating income × (1 − Income tax rate)/Total assets × 100.

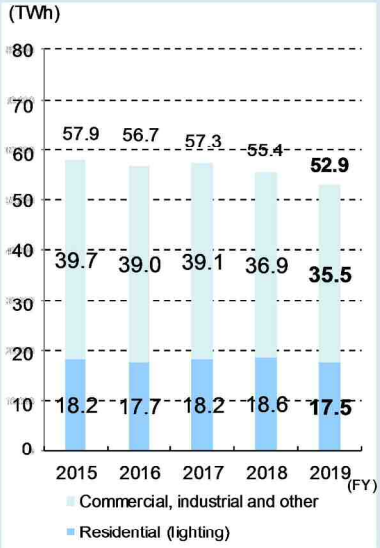
■ Earnings per share, Cash dividends per share



■Power generated and received by Power source (by own company and others, total)



■Electric sales



An Interview with President Mareshige Shimizu

As we stated in Energia Group Corporate Vision, we will be striving to be a "corporate group that people choose in the region and that grow beyond the region" in order to be able to meet our stockholders' and investors' expectations.

Q Currently in Japan, the Nuclear Regulation Authority (NRA) is proceeding with examinations of compliance with the new safety standards, which is a prerequisite for restarting operation at the nuclear power stations. How is the situation at Shimane Nuclear Power Station? What are the prospects for restart of operation over the near future?

A At our Shimane Nuclear Power Station, compliance examination of Unit 2 is in progress. We also applied for verification of compliance with the new regulatory requirements at Unit 3 in August 2018. I cannot forecast anything definite about when operation will restart and start. First of all we must get through the NRA's examination, and we are making full efforts to accommodate it.

We have to go on providing the inexpensive and stable supply of electricity that underpins socioeconomic activities, and we have to restore the soundness of our corporate performance in fulfillment of our investors' and stockholders' expectations. We are conscious that in order to achieve those tasks, it will be essential to work at improving safety at our nuclear power station and to restart it at an early date. In order to restart this facility, I believe three things will be of major importance: we must get through the NRA's examination, we must complete the measures required by the regulatory requirements, and we must obtain the understanding of the local people.

We applied for compliance verification of Unit 2 (commissioned 1989; 820 MW) in December 2013, and it is currently undergoing examination by the NRA. In February 2018, the design earthquake ground motion, which serves as the standard for power station seismic design, was rated as generally appropriate by the NRA. Also, The examination concerning facilities was resumed from February 2019.

The advanced boiling water reactor (ABWR) to be employed as Unit 3 at Shimane Nuclear Power Station is a plant with outstanding safety and reliability that was developed jointly by the government, manufacturers and power companies. It will be a mainspring of competitiveness for us as competition under liberalization of the electric power business unfolds. The equipment itself is already complete, and the pre-use inspections carried out ahead of fuel loading have all ended. In August 2018, we applied for verification of compliance with the new regulatory requirements. The first review meeting was held in September 2018, and we explained the outline of the application.

I cannot say anything definite about specifically when operation will restart and start. But we are moving vigorously forward with measures for enhancing safety at the site, and I take it that we are making steady headway toward operation restart and start.

The local people's understanding will also be essential in order to restart the nuclear power station and to make continuous use of it without any unscheduled stoppages. The following statements are made in the government's Basic Energy Plan (approved by the Cabinet in July 2018).

(a) "If compliance with the world's strictest regulatory requirements is recognized by the NRA, that decision will be respected and nuclear power station operations will resume."

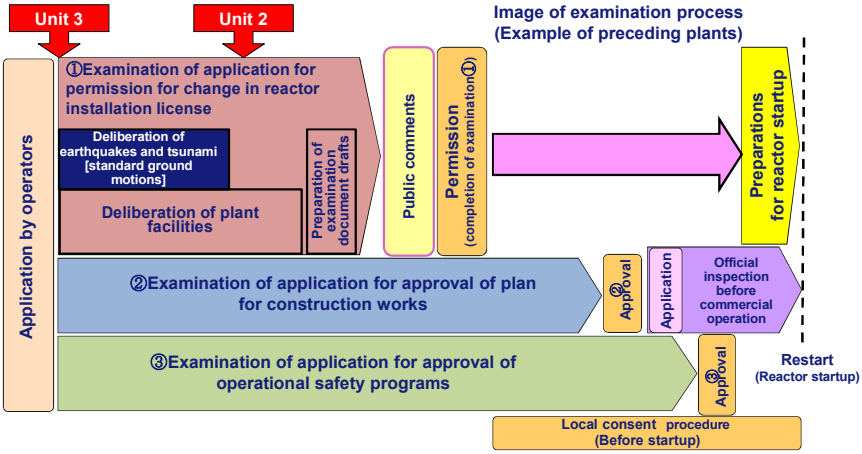
(b) "The national government, too, will lead the efforts to gain the understanding and cooperation of local governments where power stations are located and other parties concerned."

At the same time that it is moving ahead with equipment-related efforts aimed at raising safety, Chugoku Electric is working to raise human-factor safety. It is doing this by, for example, effecting continual raising of employees' awareness and coping skills, in ways such as implementing drills that simulate the accidents occurred by many factors like fire or disease such as earthquakes and Tsunami. By giving the local people a series of respectful explanations about these efforts, we intend to progressively dispel their anxieties concerning the safety of nuclear power generation.

■State of Shimane Nuclear Power Station

◆Process involved in examining new regulatory requirements compliance

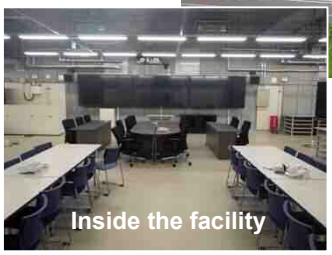
In December 2013, we submitted application documents for compliance verification of Shimane Unit 2 to the NRA. The examinations to verify compliance began in January 2014. As of the end of April 2019, a total of 104 examinations have been conducted. Regarding Unit 3, in August 2018, we applied for the examination.



◆State of Safety Measure Works

Aiming for completion as early as possible in FY2020, safety measures construction of Shimane Unit 2 is in progress.

Of Shimane Unit 3, we aim to complete construction in the first half of FY2021.



Installation of an emergency response facility
(As of July 2019)

Installation of a gas turbine generator
(As of July 2019)

Q The forecasts of the dividends for FY2020 have been announced. Could you tell us about the background factors?

A Regarding the forecasts of the dividends of FY2020, we are planning to pay out ¥25 as interim and the year-end, based on our dividend policy "constant nominal payment".

Regarding dividends, our basic approach is to continue with stable dividends, and we have been implementing dividends of 50 yen per share from an overall consideration of forecasts and so forth of the mid- and long-term revenue-expenditure and financial situations, not merely of the results for a single fiscal year.

In recent years, we have set our profit and dividends as "undecided", as it is difficult to rationally predict costs involved in electric power supply and demand, such as the cost of fuel sources, at the start of the fiscal year. However, we believe that showing earnings forecasts that appropriately reflect changes in our business environment, such as tougher competition and legal separations, is an important part of fulfilling our accountability to our shareholders and investors, and have made calculations under the assumption of no nuclear power operation during FY2019.

This non-operation is just one assumption made for calculating our revenue-expenditure. There is no change in our stance of aiming to restart operation as soon as possible under the basic premise of ensuring safety.

As things currently stand, we have sustained a considerably advanced degree of damage to our self-owned capital as a result of the protracted suspension of Shimane nuclear power generation operation, and as regards dividends up until our nuclear power generation restarts, we will be making particular decisions in each case, based on an examination of the revenue-expenditure and financial situations at the time. But we have no intention of revising our basic policy of continuing with stable dividends.

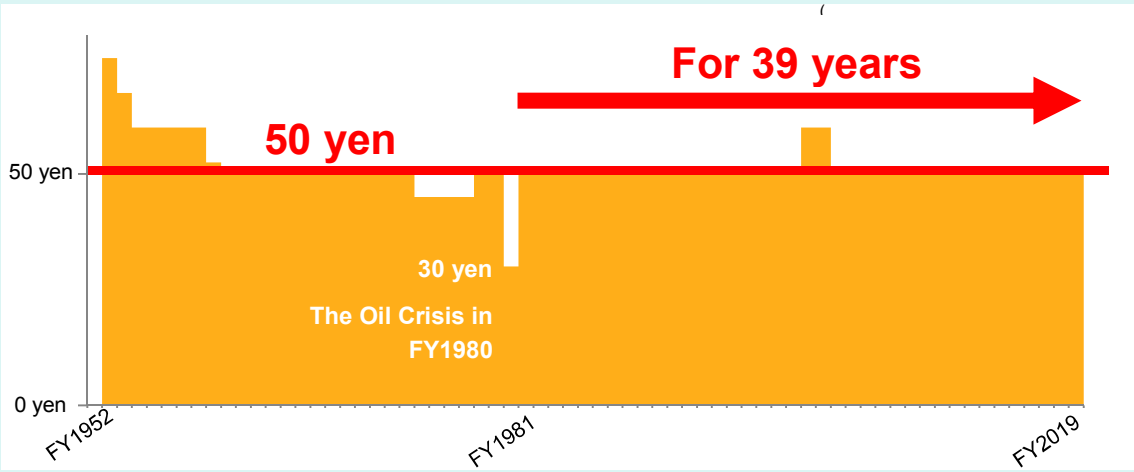
While there are fluctuations each fiscal year, we do believe that, barring any unforeseen sudden causes of revenue-expenditure deterioration such as stopping large-scale coal-fired thermal power, we can prevent any serious deficits. Restart of operations at the Shimane Nuclear Power Station remains an indispensable condition for stabilization of our business. We believe that our top priority is to focus on restarting operation of the Shimane Nuclear Power Station as soon as possible, and on achieving further efficiency improvement.

◆Dividends

We have continued stable dividends of ¥50 per share, based on our dividend policy "constant nominal payment", in consideration of medium-and-long term viewpoint.

◆Dividend per Share

We have been implementing dividends of 50 yen or more per share since FY1981, for 39 years.



Q Electricity System Reform is underway in Japan, and three years have passed since the full liberalization of the retail sale of electricity started in April 2016. How do you take this? Also, there are those in the capital markets who hold the opinion it will be a big risk for private businesses to continue running nuclear power stations under free competition – what are your thoughts on this?

A Although the competition is intense, our new menu of electricity rates and services are receiving solid approval from many customers. We will provide high value-added services so as to go on being chosen by the customers of the Chugoku Region, which is our operating base.

As for private businesses continuing to run nuclear power stations, we believe it will be indispensable to have in place an environment that gives them prospects for the future, so that they can plan and implement long-term operations. We will keep advocating that the requisite policies and measures should be devised.

Following the full liberalization of the retail sale of electricity, numerous operators have newly entered the Chugoku Region and the competition is intense. In these circumstances, we are receiving solid approval from many customers, as may be gathered from the fact that the number of subscribers to our members-only "Gutto Zutto Club" website and new "Gutto Zutto Plan" of tariffs exceeded 950,000 respectively by the end of April 2019.

The Energia group will provide high value-added services to meet diverse energy-related needs ranging from home to commercial, so as to go on being chosen by the customers of the Chugoku Region, which is our operating base.

At the same time, so that customers can enjoy advantages from liberalization, it will be necessary for the power supply-demand situation to be stable – which will require restart of nuclear power to proceed, among other things – and for a business environment to be in place where, even under competition, nuclear power generation is utilized as an important base-load power source – on the major precondition that its safety is ensured.

In May 2016, as part of this business environment improvement and with a certain level of involvement by the government, laws were established for the purpose of stably securing funds necessary for nuclear fuel cycle operations, so that the operations could be carried out steadily and efficiently. In October 2016, the Nuclear Reprocessing Organization of Japan was established as the implementing body. The government has been reviewing the nuclear damage compensation system as well, including examining appropriate role-sharing between the government and businesses.

As for private businesses continuing to run nuclear power stations, we believe it will be indispensable to have in place an environment that gives them prospects for the future, so that they can plan and implement long-term operations. We will keep advocating that the requisite policies and measures should be devised.

Q What kind of concepts do you have for growth scenarios over mid- and long-term?

A First of all, we aim for an early restart of the Shimane Nuclear Power Station, and will strive to strengthen the competitiveness of our power sources by developing Misumi Power Station Unit 2. Also, by striving to increase earning capability through growth businesses in other regions of Japan and overseas, we aim to stably ensure profit levels above our pre-earthquake levels.

In January 2016, we announced the "Energia Group Corporate Vision", which describes our profit and financial targets for the future looking towards the 2020s.

First of all, we will make an all-out effort to accommodate the examination of the Shimane Nuclear Power Station in hopes of restarting Unit 2 early and proceeding steadily toward the commissioning of state-of-the-art Unit 3.

In addition, in order to establish a new revenue base, we work on electricity sales outside the Chugoku region and power generation business overseas, and promote innovation in electricity business and creation of new businesses with new ideas that are not tied to existing concepts.

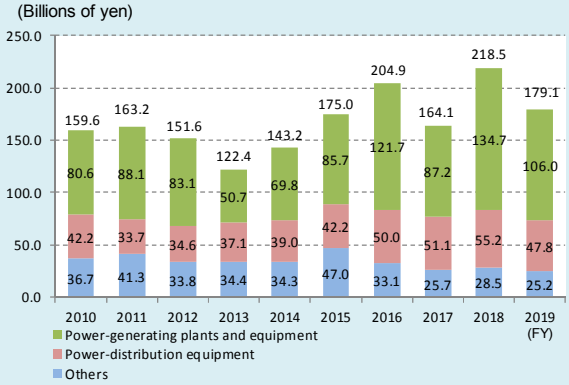
Through these efforts, we hope to achieve the profit and financial targets stated in the Corporate Vision.

◆Trend in Capital Expenditures Sums

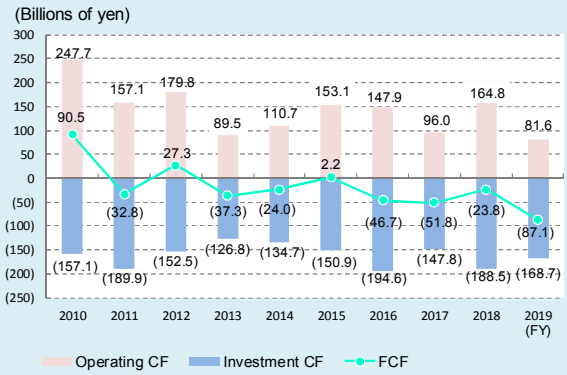
Amid an ongoing severe situation for revenues and expenditures, we have been implementing careful selection of necessary works and striving to reduce contracting and equipment/materials procurement costs, rationalize design and work implementation methods, and curb capital expenditures.

We intend to continue to move steadily ahead with the safety measure works necessary for stable resumption of our nuclear power, and alongside that to study new investments in growing fields, balancing the risks with the yields. Thus, for the time being, we expect that capital expenditures will remain at a high level.

■Capital Expenditures



■Cash Flows



Energia Group Corporate Vision

In January 2016, we announced the "Energia Group Corporate Vision", which describes our management policies for the future looking towards the 2020s.

We are steadily promoting efforts to achieve the Corporate Vision, and are aiming to be a "corporate group that people choose in the region and that grows beyond the region".

Corporate Group Image We Aim for as We Look at the 2020s

A corporate group that people choose in the region and that grows beyond the region

- We will provide services with the highest customer satisfaction.
- We will achieve power source competitiveness on the top level in Japan.
- We will deliver an inexpensive, high-quality power transmission and distribution network service.
- We will establish a revenue base in other regions of Japan and overseas.
- We will contribute to solving issues and expanding our community through our business activities.

Profit / Financial Targets

- We will stably ensure profit levels above our pre-earthquake levels (consolidated ordinary income of 60 billion yen or more per year).
- As the financial base needed for a healthy business, first, we will ensure pre-earthquake levels (approx. 25% consolidated equity ratio).

* We will aim to achieve this as early as possible in the 2020s.

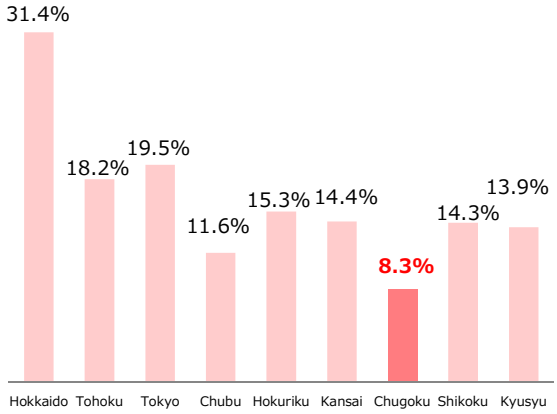
Efforts to Achieve the Corporate Vision

Responses for Full Liberalization of the Retail Sale of Electricity

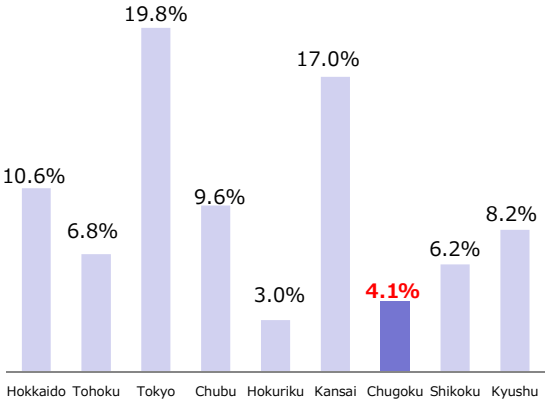
Three years have passed since the full liberalization of the retail sale of electricity started in April 2016. Although the competition is intense, our new menu of electricity rates and services are receiving solid approval from many customers. By developing high value-added services and engaging in electrification-promoting activities that meet energy-saving and cost-saving needs, we hope to continue to be chosen by customers in the Chugoku region, our business base.

◆ Share of New Electricity (As of March 2019)

(High Voltage, Extra High Voltage)



(Low Voltage)



Source: Electricity and Gas Market Surveillance Commission
Provisionally calculated in-house from the Electricity Transactions Report

Status of Shimane Nuclear Power Station

◆ Outline of Shimane Nuclear Power Station

We shut down Unit 1 at Shimane Nuclear Power Station and are taking various safety measures for its Units 2 and 3 in the light of new knowledge and insight gained from the accident at the Fukushima Daiichi Nuclear Power Station.

- Unit 1 was shut down on April 30, 2015. We obtain approval of a decommissioning plan in April 2017 and started decommissioning works in July 2017. We are proceeding responsibly with the utmost priority on ensuring safety.
- Regarding Unit 2, we applied in December 2013 for examination to verify its compliance with the new regulatory requirements. In February 2018, the design earthquake ground motion, which serves as the standard for power station seismic design, was rated as generally appropriate by the Nuclear Regulation Authority (NRA). Currently, examinations concerning earthquakes, tsunamis, and facilities are being conducted. The examination concerning facilities was resumed from February 2019.
- Regarding Unit 3, we applied in August 2018 for examination to verify its compliance with the new regulatory requirements. The first review meeting was held in September 2018, and we explained the outline of the application.

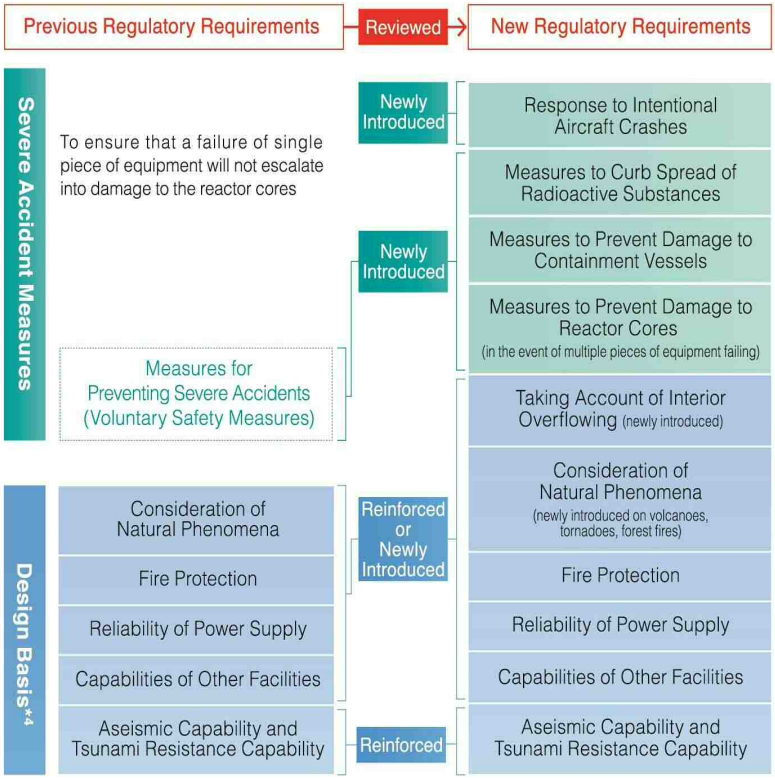
◆ Outline of the New Regulatory Requirements

Learning from the accident at the Tokyo Electric Power Company's Fukushima Daiichi Nuclear Power Station, "Defense-in-depth*1" which is the fundamental ideology for nuclear power safety has been strengthened. The Nuclear Regulation Authority enacted new regulatory requirements for nuclear power station in July 2013.

The new regulatory requirements have stricter assumptions for earthquakes and tsunami, and newly require measures for volcanoes, tornados and interior overflowing*2.

Countermeasures for a severe accidents*3 are now regulated, whereas previously they had been voluntary safety measures.

*1 Defense-in-depth: To adopt multilayered safety measures, however, when designing each safety measure, ensure that the purpose can be achieved with the relevant measure without relying on other measures.
*2 Interior overflowing: Water that flows into the building because of water leaks from damage of devices and piping in the power station buildings or activation of fire extinguishing equipment.
*3 Severe accident: Phenomenon in which nuclear reactor is subject to serious damage.
*4 Design basis: Standards for preventing severe accidents



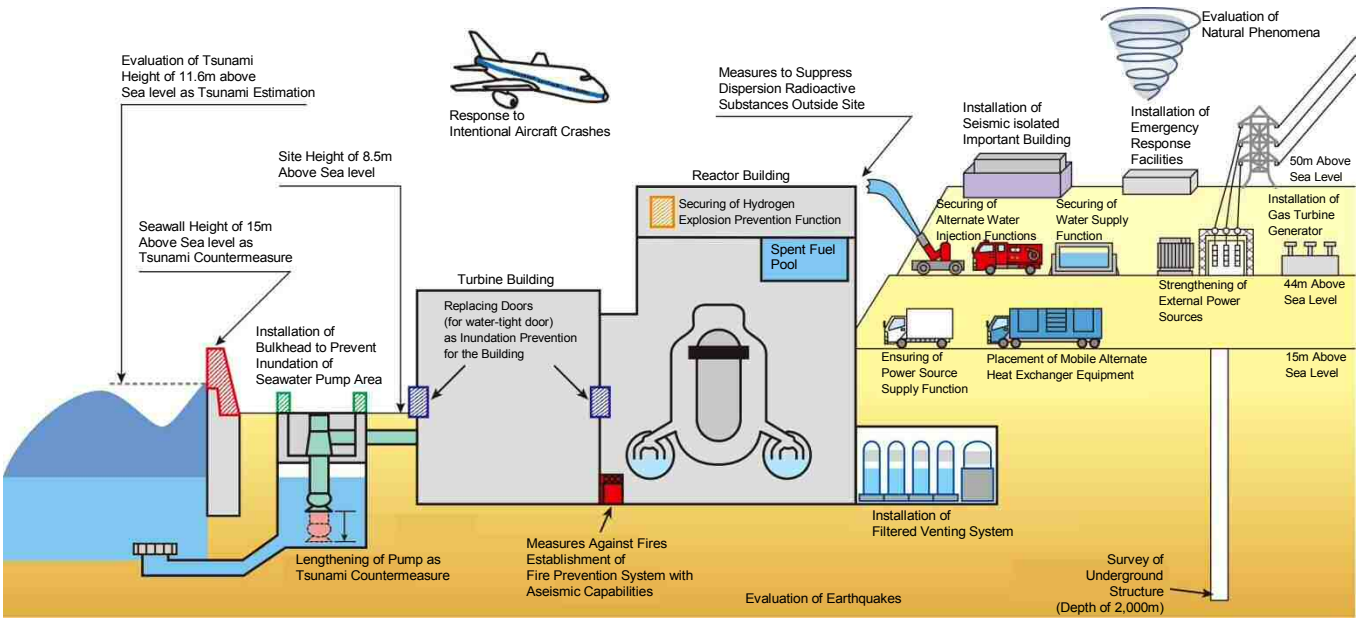
Source: Nuclear Regulation Authority

◆ Main Safety Measures at Shimane Nuclear Power Station

At the Shimane Nuclear Power Station, including Unit 3 under construction, we are considering the multiplicity and diversity of measures to ensure safety with the strong determination that we will never have a similar accident. Our safety measures center on "measures to prevent severe accidents" and "measures in the event that a severe accident occurs".

Currently, we are also carrying out construction to improve the safety of the power station.

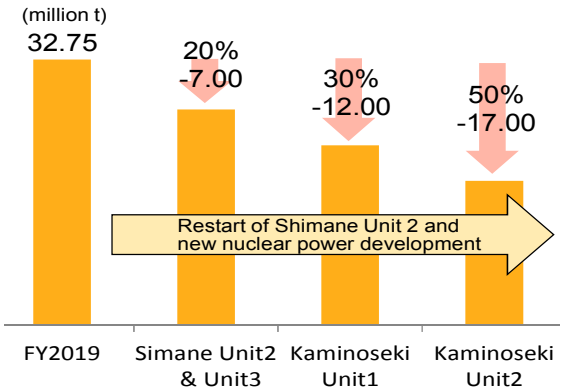
Conceptual Graphic of Shimane Nuclear Power Station Safety Countermeasures



Formation of Environmentally-friendly Equipment

We take coping with an issue of global warming as an important task. Along with efforts to expand the usage of non-fossil fuel energy such as nuclear power and renewable energy, we also strive to more efficiently use our fossil fuel energy, such as by using the best technology economically usable in our newly-developed thermal power station.

Control effect of CO_2 by the operation of nuclear power station (Image is for illustration purpose)



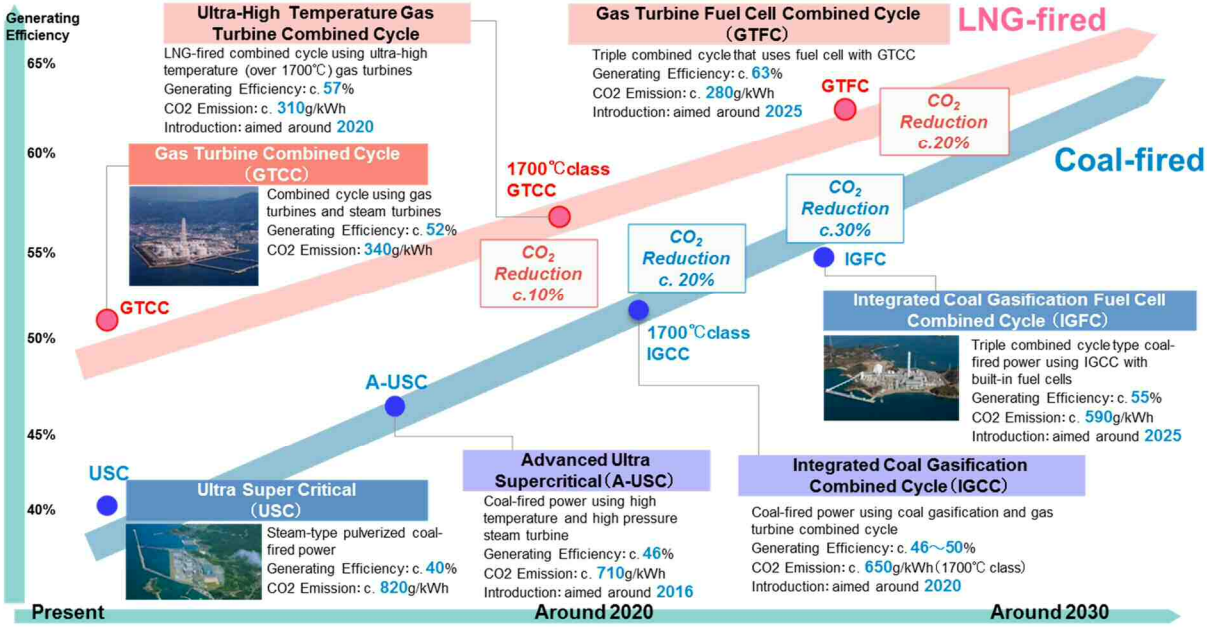
◆ Nuclear Power Generation

The operation of nuclear power station is highly effective to saving valuable fossil fuel and emission reductions of CO_2.

◆ Thermal Power Generation

✓ National Technical Roadmap for Next-generation Thermal Power Stations

The government is promoting higher efficiency for thermal power stations.



Source: Ministry of Economy, Trade and Industry ("METI")

✓ Misumi Power Station Unit 2 (Coal)

By adopting the most advanced power generation method (USC*1) corresponding to the best available technology (BAT*2), and by applying knowledge gained from operating Misumi Unit 1, we have developed plans for power generation facilities having superior environmental qualities, operation reliability, and economy. We started construction in November 2018. We are steadily proceeding with construction aiming to start operation in November 2022.

*1 Ultra Super Critical

*2 Best Available Technology

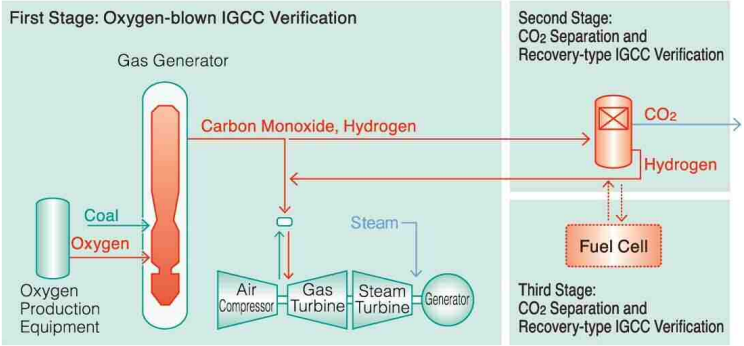
Name	Misumi Power Station Unit 2
Address	1810 Okami, Misumi-cho, Hamada City, Shimane Prefecture
Output	1,000 MW
Electricity generating system	Ultra Super Critical
Fuels used	Coal
Schedule	Work stating: November 2018 Operation starting: November 2022

✓ The Integrated Gasification Fuel Cell (IGFC)

Coal-fired thermal power provides superior supply stability and economy, and Chugoku Electric is engaged in developing technology that will contribute to high efficiency and cleanness levels for this energy form, so that it can be utilized long into the future.

Aiming for the Integrated Gasification Fuel Cell (IGFC)*1, the ultimate high-efficiency coal-fired thermal power generation technology, which drastically reduces CO2, we started demonstration tests with an Oxygen-blown Integrated Gasification Combined Cycle (Oxygen-blown IGCC)*2, which is the fundamental technology for IGFC, in March 2017 and ended at the end of February 2019. We achieved the targets for all test items in terms of basic performance, control capability, operability, and the like.

Aiming for a significant reduction in CO2 emissions, we are currently moving forward with construction on a CO2 separation and recovery and demonstration facility, and plan to implement a demonstration test of recovery technology for CO2 from IGCC from December of 2019 to FY2020. Based on those results, we are moving forward with investigations toward demonstrations for carbon recycle processing that effectively uses CO2 collected from coal-fired power generation as a fuel source for various applications, the first of its kind in Japan.



*1 A form of cycle power generation technology that combines fuel cells with IGCC to further improve generating efficiency.

*2 Technology whereby oxygen is used to gasify coal, yielding a product gas with H_2 and CO as main constituents, which is used to drive gas turbines alongside steam turbines in combined cycle generation.

View of the Demonstration Test Plant

Testing location (Output)	Inside Osaki Power Station site (166MW)
Project period	1st phase:FY2013-2019 (complete) 2nd phase:FY2017-2021 3rd phase:FY2019-2023

◆ Efforts to Expand Introduction of Renewable Energy

We are working as a united group to expand introduction of renewable energy.

✓ Mega Solar Power

We are operating mega solar power station in Fukuyama City, Hiroshima Prefecture and Ube City, Yamaguchi Prefecture.

Name	Fukuyama Photovoltaic Power Station	Ube Photovoltaic Power Station
Address	Minooki-cho, Fukuyama City, Hiroshima Prefecture (Company premises)	Nishiokinoyama, Ube City, Yamaguchi Prefecture (Company premises)
Output	3 MW	3 MW
Power generation	Approx. 3,680,000 kWh / year Equivalent to the annual usage for approx.1,000 general households	Approx. 3,520,000 kWh / year Equivalent to the annual usage for approx.900 general households
Reduction of CO_2 emission	approx.2,100 t -CO_2 / year	approx.2,000 t-CO_2 / year
Start of operation	December 2011	December 2014

Ube Photovoltaic Power Station

✓ Biomass Power Generation

We are proceeding with construction on a biomass and coal mixed-fuel power station.

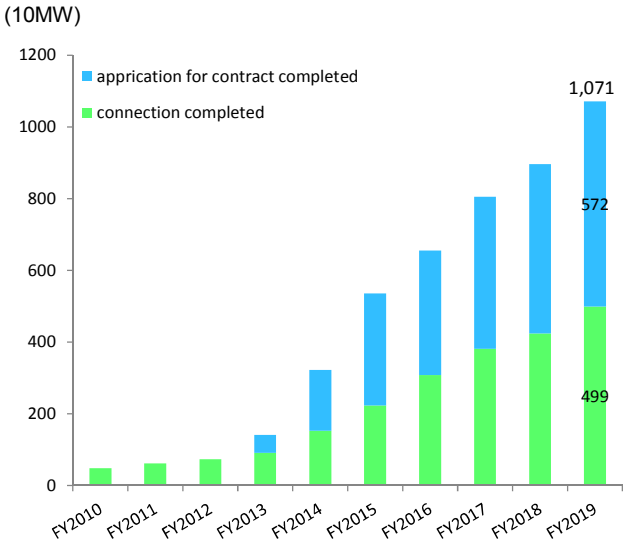
Along with contributing to the expansion and spread of renewable energy through biomass power generation, we believe it will contribute to expanding profitability in the business environment following the liberalization of the retail sale of electricity and the electricity system reform.

Name	AIR WATER & ENERGIA POWER YAMAGUCHI CORPORATION	AIR WATER & ENERGIA POWER ONAHAMA CORPORATION	KAITA BIOMASS POWER CO., LTD.
Address	3-1, Kanebo-cho, Hohu City, Yamaguchi Prefecture (Inside Hofu plant)	2-4, Onahama, Iwaki City, Fukushima Prefecture (Inside Onahama plant, Nihonkaisui Co., Ltd.)	2-118, Myojin-machi, Kaita-cho, Aki-gun, Hiroshima Prefecture (inside Kaita plant, HIROSHIMA GAS Co., Ltd.)
Output	112 MW	75 MW	112 MW
Electricity generation system	Circulating Fluidized Bed	Circulating Fluidized Bed	Circulating Fluidized Bed
Fuels used	Woody biomass (including domestic materials primarily procured from Yamaguchi Prefecture), Coal	Woody biomass	Woody biomass (including domestic materials primarily procured from Hiroshima Prefecture), Coal, Natural Gas (use for support)
Operation Start	July 2019	FY2021	FY2021
Investment ratio	AIR WATER 51% Chugoku Electric 49%	AIR WATER 51% Chugoku Electric 49%	HIROSHIMA GAS 50% Chugoku Electric 50%

✓ Purchasing Power from Renewable Energy

In order to contribute to an expansion of renewable energy, we purchase electricity generated by solar power and wind power. Latest application status can be found at: http://www.energia.co.jp/elec/seido/kaitori/moshikomi.html

Installation of Renewable Energy Facilities (As of May 31, 2019)



	Application for contract completed	Connection completed	Total
Solar power	292	441	733
Wind power	153	36	189
Hydroelectric	3	4	7
Biomass	123	19	142
Geothermal	0	0	0
Total	572	499	1,071

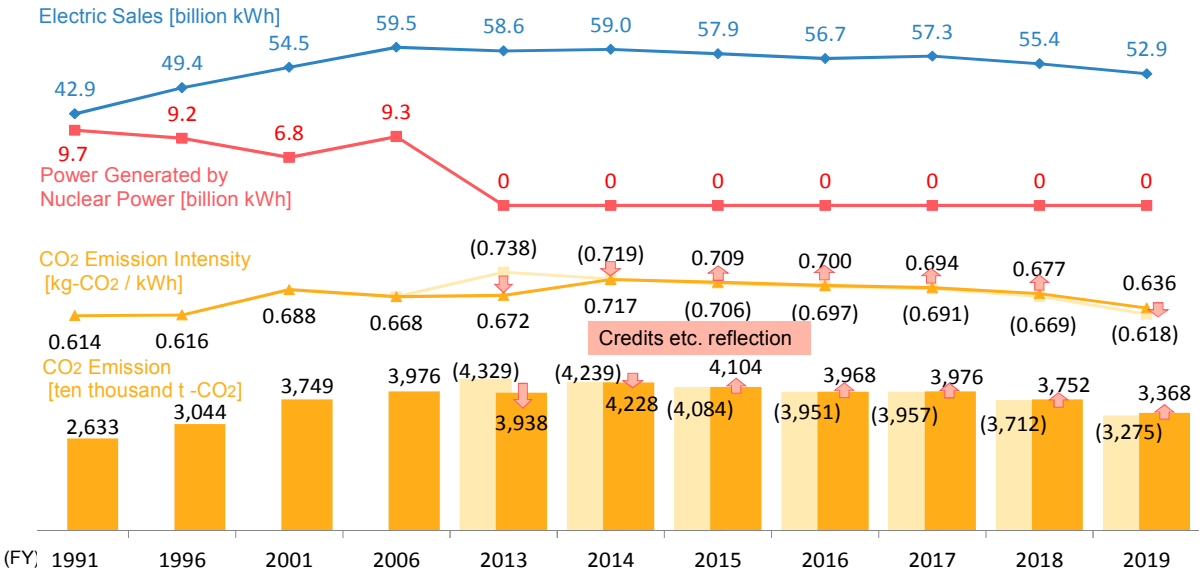
✓ Demonstration Project Utilizing Hybrid Storage Battery System in the Oki-islands

To further penetration of renewable energy, we installed a hybrid power storage system that combines two types of storage batteries, and started operation in September, 2015 in the Oki islands, as the first challenge in Japan.

From the end of September 2015 to March 2019, we demonstrated the technology to manage and control efficient charging and discharging of the storage batteries, contributed to the expanded implementation of renewable energy, and acquired knowledge about coordinated control for storage batteries and internal combustion power generators. Moving forward, we will continue operation and engage in promoting the implementation of renewable power.

On remote islands where transmission lines are not linked to the mainland, electricity usage is small, and fluctuations in the amount of renewable energy generated have a large impact; therefore, in order to expand the introduction of renewable energy, we installed two types of storage batteries.

✓ CO_2 Emissions and Emission Intensity



Calculated from the "Calculation and Announcement of basic emission intensity and adjusted emission intensity for each electricity utility" announced by the government based on the Act on Promotion of Global Warming Countermeasures (hereinafter, "Global Warming Act").

Reflects adjustments involved in FIT (from FY2013) and CO_2 emissions credits based on the Global Warming Act. The parentheses indicate values before reflection (emissions and emission factors before adjustment).

From FY 2015 and thereafter, as the FIT adjustment amount exceeds the CO_2 emissions credit reflection amount, the unadjusted value is larger than the adjusted value.

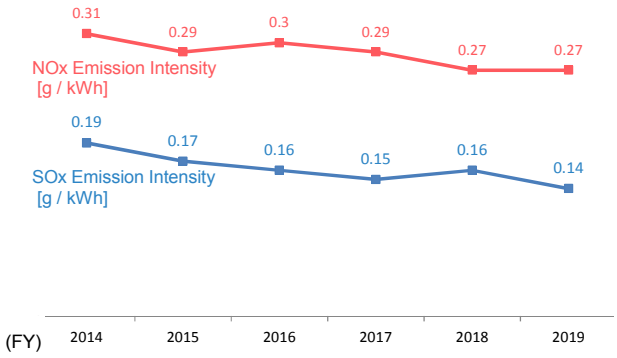
The CO_2 emission factor for FY 2019 is a provisional value, and the official value will be announced by the government. After FY2017, CO_2 emission factor doesn't include supply amount for remote islands. Electric sales and CO2 emission include them.

✓ GHG Emissions (Scope1,2,3)

		FY2018	2019
Scope1		21.26 million t	20.34 million t
Scope2		40 t	40 t
Scope3	Category3*	17.60 million t	14.30 million t
	Category2,5,6,7*	0.76 million t	0.64 million t

*Category 3 : Fuel-and energy-related activities (not included in scope1 or scope2)
Category 2 : Capital goods
Category 5 : Waste generated in operations
Category 6 : Business travel
Category 7 : Employee commuting

✓ Air Emissions



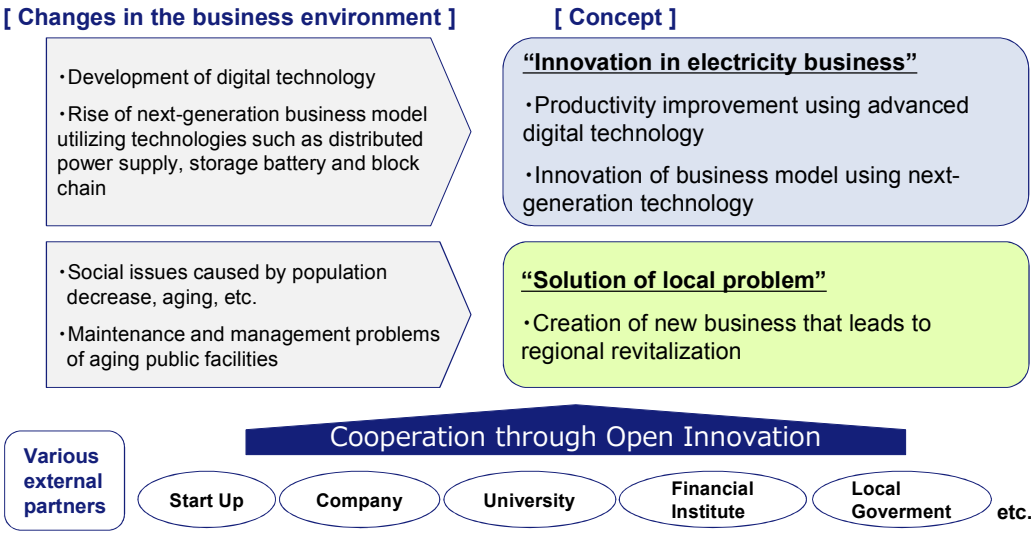
Establish a Revenue Base in Other Regions and Overseas

We will cooperate with influential partners in Japan and overseas to establish a revenue base both in other regions of Japan and overseas, thus improving the base profitability of the group.

◆ Establish "Energia Creative Lab"

We established a new department, "Energia Creative Lab", for promoting innovation in electricity businesses and creation of new business in April 2019.

We will collaborate with various partners including start-up corporations with leading technology and ideas to speedily create new value.



◆ Expansion of Electricity Sales Business in Other Regions in Japan

We have begun selling electricity to home customers in the Greater Tokyo area since April 2016.
After electricity retailing in the Greater Tokyo area gets rolling, we will investigate expanding the business depending on its profitability and other factors.

◆ Investment in Power Generating Business Overseas

We have positioned overseas business as one of the growth areas while the competitive environment of the domestic electric power business is becoming increasingly severe. Utilizing the knowledge of the electrical business we have cultivated so far, we will continue to participate in new overseas opportunities and work to strengthen our profitability.

✓ In Malaysia

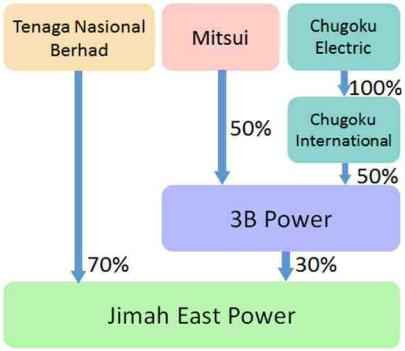
We participated in coal-fired power generation project in Malaysia on March 2016. We have also dispatched employees from our company on-site since June of the same year.

We maximize the usage of the accomplishments, experience and environmental technology the company has accumulated through the construction management and operation of coal-fired power plants in order to provide a stable supply of electricity in Malaysia and contribute to the realization of a low-carbon society.

Project Overview

Installed Capacity	Ultra super critical (USC) coal-fired power generation 2,000MW (1,000MW ・ 2 units)
Start of operations	Unit No. 1: June 2019 Unit No. 2: December 2019
Off-taker and period	TNB (Malaysian electric power company) for 25 years
Total project cost	Approx. 12 billion MYR (Approx. 320 billion JPY)

Investment Scheme



Plant Location

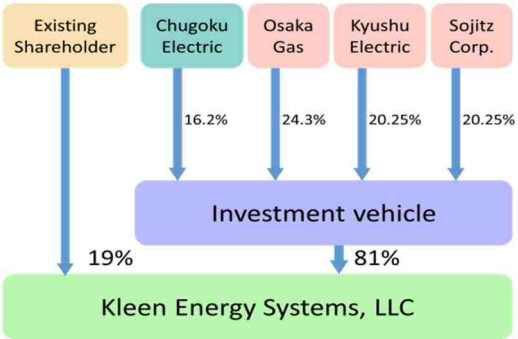
✓ In America

1. We participated in natural gas fired power generation project in the US on May 2018.

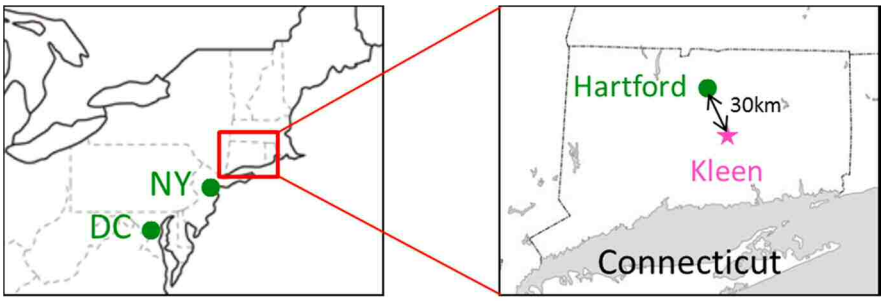
Project Overview

Project	Kleen Energy Systems, LLC
Installed Capacity	Combined Cycle Gas Turbine (CCGT) 620MW
Start of operations	July 2011
Market	Wholesale power market in the northeastern United States

Investment Scheme



Plant Location

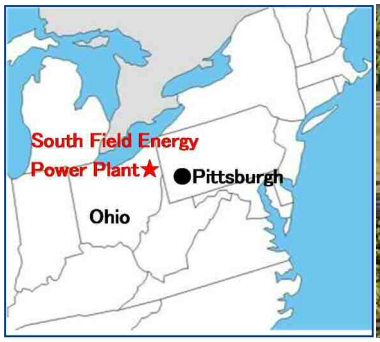


2. We participated in natural gas fired power generation project in Ohio in June 2019.

Project Overview

Project	South Field Energy
Installed Capacity	Combined Cycle Gas Turbine (CCGT) 1,182MW
Start of operations	2021
Market	PJM

Plant Location and Appearance



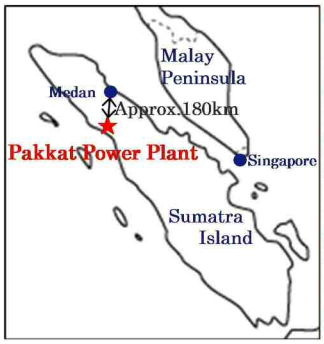
✓ In Indonesia

We obtained 25% of shares in a hydroelectric power generation project in commercial operation located in North Sumatra Province of the Republic of Indonesia in March 2019.

Project Overview

Project	Pakkat hydropower plant	
Installed Capacity	Run-of-river (18MW)	
Start of operations	April 2016	
Off-taker and period	PLN, 30 years	
Shareholders	Chugoku Electric Power Singapore Pte. Ltd. PT. Kencana Energi Lestari (KEL)	25.0% 75.0%

Plant Location and Appearance



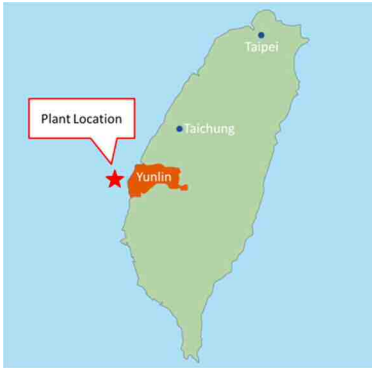
✓ In Taiwan

We participated offshore wind power generation business in Yunlin County located in western Taiwan in May 2019.

Project Overview

Project	Yunlin Offshore Wind Farm	
Location	Yunlin County, Taiwan	
Installed Capacity	Offshore wind (640MW)	
Start of operations	December 2021	
Shareholders	wpd A.G. Group C&C Investment* Sojitz Corporation JXTG Oil&Energy Corporation Shikoku Electric Power Co., Inc.	73% 6.75% 9.1125% 6.75% 4.3875%

Plant Location



*A joint venture established by The Chugoku Electric Power Co., Inc.(50%) and Chudenko Corporation(50%)

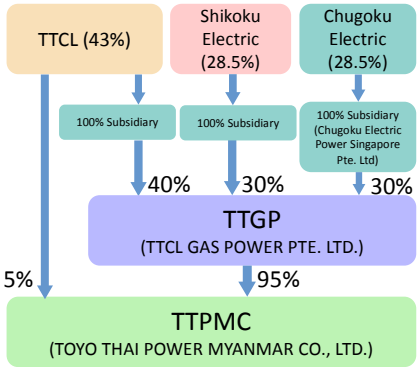
✓ In Myanmar

We participated in commercially operating natural gas-fired power generation business in Yangon district in Myanmar in June 2019.

Project Overview

Project	TOYO THAI POWER MYANMAR CO., LTD	
Plant Location	Yangon district, Myanmar	
Installed Capacity	Gas-fired combined-cycle 121MW	
Start of operations	April 2013	
Off-taker and period	EPGE, 30 years	
Shareholders	TTCL Chugoku Electric Power Co., Inc. Shikoku Electric Power Co., Inc.	43% 28.5% 28.5%

Investment Scheme



Plant Location and Appearance

◆ Development of Overseas Consulting Business

Utilizing our knowledge of the electricity business cultivated up to now both in Japan and overseas, we plan to contribute to the electricity business overseas and develop our overseas consulting business, positioning it as a pioneering effort related to the overseas electricity generation business.

For example, for over ten years in Cambodia, we have fostered a trusting relationship by taking on consulting work, including consulting involving the revision of electric power master plans and development of small hydroelectric plants.

Consulting for Revision of Electric Power Development Master Plan（Cambodia）

Consulting for Development of Small-scale Hydropower plants（Cambodia）

Strengthening of Human Resources and Technical Base

To flexibly and accurately adapt to changes in the business environment, we are promoting the active engagement of diverse human resources while making reforms in how we work. Also, while aiming for sustainable growth in our people and organization, we are striving to accelerate the development of employees who will possess broad, deep technological and technical skills.

◆ Active Engagement of Diverse Human Resources

We have strived to develop an innovative work style system as a foundation on which diverse human resources can successfully engage, a system that will further improve hourly productivity while balancing work and child/family care. Aiming for even more effective utilization of the existing system in the future, we are examining how to solve operational challenges and build a workplace environment that will make diverse ways of working possible.

To promote the active engagement of female employees, we are making positive efforts to assign work that will enable female employees to be even more engaged and demonstrate their abilities. We have also set the targets shown below.

✓ Targets for active engagement of females

・Compared to the start of FY2016, double the number of female employees who are in section manager and higher positions by the end of FY2021.

・Compared to the start of FY2016, increase by approximately 50% the number of female employees who are in executive positions by the end of FY2021.

◆ Certification of persons with advanced technological and technical skills

Employees who have advanced, professional technological and technical skills in certain fields are certified as "Energia Masters." These Energia Masters provide technical guidance at sites that support the stable supply of electricity. They also engage in lectures in-house and outside the company, as well as a broad range of other activities tied to the succession of technological and technical skills.

Energia Master certification is offered in 8 areas related to the operation, maintenance, and construction of electric power facilities (namely, power distribution, thermal power, nuclear power, hydroelectric power, physical distribution, civil engineering, architecture/construction, and information). In FY 2019, 9 persons were newly certified. Currently (as of March 2019), 52 persons are certified and active.

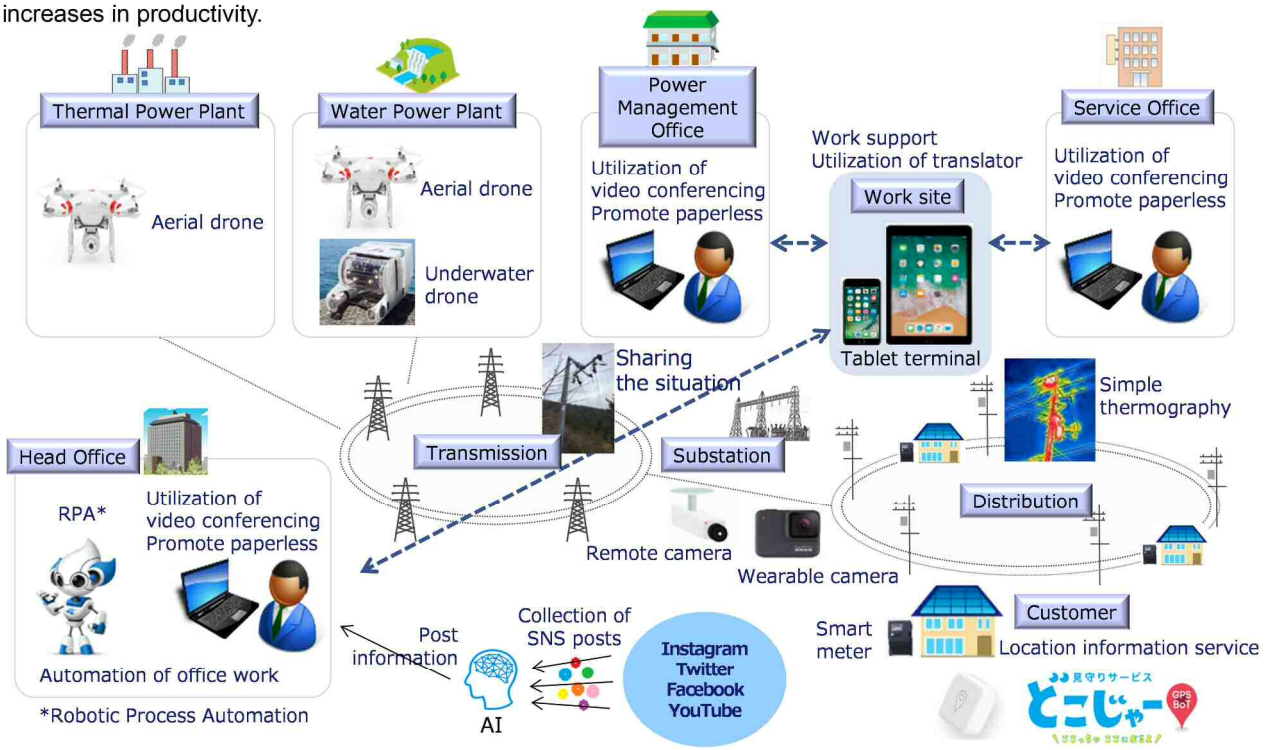
Symbol of “Energia Masters”

◆ Training staff system

Well-experienced employees are appointed as "Technical Skill/Technical Skill Enhancement Chiefs." About 160 such persons currently provide guidance on technological and technical skills through work. They also conduct on-the-job training and are otherwise engaged primarily in workplace OJT activities.

Utilizing AI and IoT

The utilization of AI and IoT technology is advancing in support for indoor and outdoor work, customer support operations, and the like. We will continue to engage in the automation of office processing using RPA to aim for further increases in productivity.



Trend in Japan's Energy Policy

Deliberations toward revision of energy policy and the electricity business system have been ongoing in Japan since the occurrence of the Great East Japan Earthquake and Tokyo Electric Power Company's Fukushima Daiichi Nuclear Power Station accident in March 2011.

Energy Mix

Pursuant to the Basic Act on Energy Policy enacted in June 2002, the Japanese government framed a Basic Energy Plan that puts together long-term, comprehensive and systematic policies concerning energy supply and demand. Under the said Act, the Plan's contents must be reviewed, and the Plan amended as necessary, once every three years.

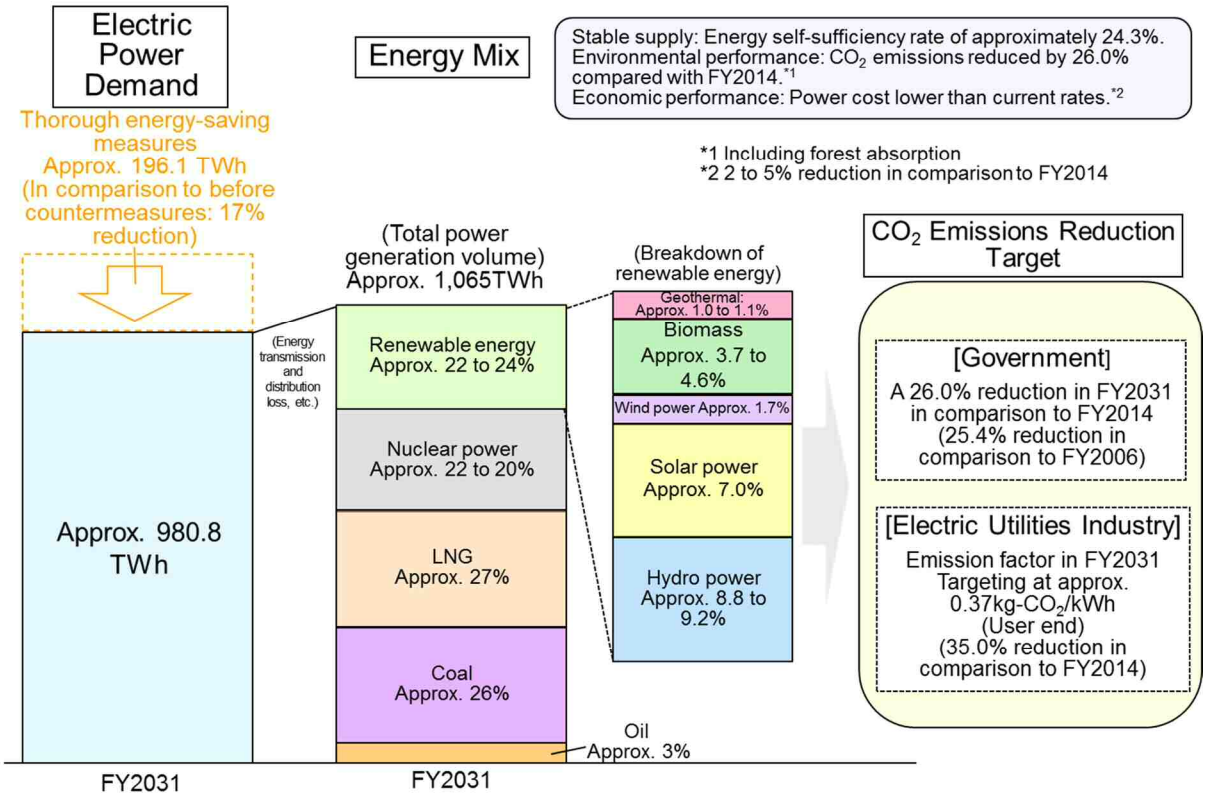
In April 2014 the Cabinet approved the Fourth Basic Energy Plan. On the basis of an "S + 3 Es"* approach, this plan positions nuclear power generation as "an important base-load power source" contributing to the stability of the energy supply-demand structure, and moreover sets forth an orientation of accelerating the introduction of renewable energies. In July of this year, an energy mix for FY2031 has been put forward that is based on the roles of such energy source and is balanced so as not to depend excessively on any particular energy source.

In July 2018 the Cabinet approved the Fifth Basic Energy Plan. While maintaining the concept of the Forth Plan, the direction of measures to ensure the realization of energy mix in 2030 was shown.

In a form that conforms to this energy mix, Japan's overall CO2 emission control target was set as a "26% reduction in FY2031 compared to FY2014", and a target "aiming for an emission factor of approximately 0.37 kg-CO2/kWh in FY2031 (35.0% reduction compared to FY2014)" was set for electricity businesses, too, provided that the energy mix was achieved. Aiming to achieve the overall electricity business targets, each business is currently moving ahead with efforts.

*S + 3 Es: Activities, with Safety ("S") as over-arching precondition, that give first priority to the stable supply of energy (energy security, the first "E") and devote maximal efforts to achieving energy supply at low cost through raising of economic efficiency (second "E") while at the same time seeking environmental compliance (third "E").

◆ Energy Mix and CO2 Emissions Reduction Target (Decided by the cabinet in July 2015)



Electricity System Reform

Japan was using a system whereby 10 general electric utilities that have to carry out all the operations from power generation through to retail fulfilling the supply responsibilities in their defined supply areas. But given facts such as the electricity shortages in the aftermath of the Great East Japan Earthquake, there are held to be increased societal needs for “utilizing supply capacity across wider areas” and “letting people choose a power company of their own free will”. Accordingly, Electricity System Reform is now underway which will reform the electricity business system in three phases.

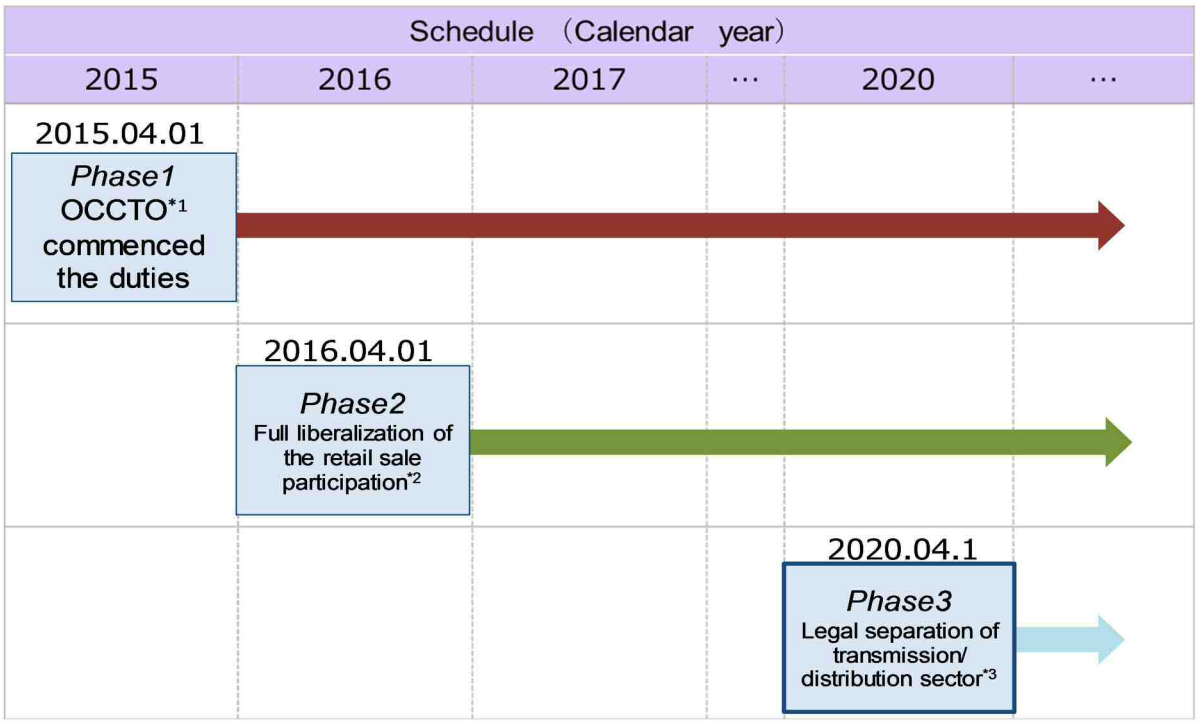
The first phase –“Expanding operations of wide-area electrical grids”– got underway in April 2015, when the “Organization for Cross-regional Coordination of Transmission Operators” commenced their duties. These bodies are to coordinate certain power supply-demand plans and operations across wide areas covering the electric power of various districts.

The second phase –“Full liberalization of the retail sale participation”– is scheduled to be implemented from April 2016 onward.

The third phase –“Legal separation of the power transmission/distribution sector”– is to be implemented by April 2020, as stipulated in the Electricity Business Act which passed the National Diet in June 2015.

In each phase of the Electricity System Reform, verification as to conformity with the government’s energy policy and as to the power supply-demand situation, etc., are to be conducted, and such measures as may be necessary are to be devised in line with the results of such verification and from the perspectives of competitive conditions, funding and so forth.

◆Outline and Schedule of Electricity System Reform



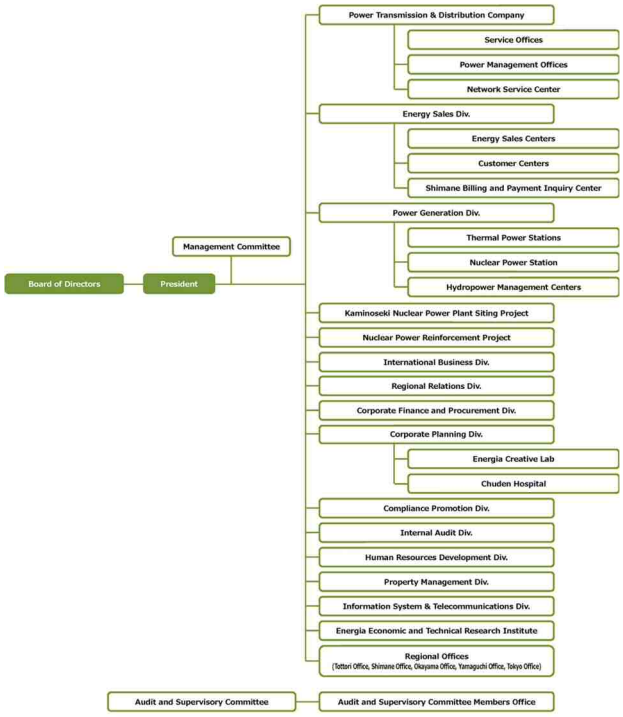
*1 ·Organization for Cross-regional Coordination of Transmission Operators：Independent organizations that centrally collect information on system users and coordinate supply-demand plans/operation across a wide area in their various regions.

*2 ·Expansion of the scope of liberalization to include low-voltage customers (homes, offices and so on), thus enabling all customers to select the business they purchase power from.
·Retail businesses will be obliged to ensure a supply capacity commensurate with their own demand.
·Businesses will be free to set their own rates, in principle. However, as a transitional measure to protect consumers, the supply obligation and rate regulation with regard to low-voltage customers will continue to be imposed on the general electric utilities.

*3 ·The Act prohibits general power transmission and distribution businesses, and power transmission businesses, from engaging in retail electricity business or electricity generation business.
·In order to ensure a fair competitive environment, the Act sets up conduct regulations that prohibit directors of a general power transmission and distribution business and power transmission businesses from serving concurrently as a director of an electricity generation business or retail electricity business in the same corporate group, or vice-versa.

Corporate Information

Organization Chart (As of April 1, 2019)



Board Members / Management (As of June 26, 2019)

◆ Board Members

Representative Director Chairperson of the Board	Tomohide Karita
Representative Directors	Mareshige Shimizu
	Moriyoshi Ogawa
	Masaki Hirano
	Hideo Matsuoka
Directors	Akimasa Iwasaki
	Shigeru Ashitani
	Takafumi Shigeto
	Natsuhiko Takimoto
	Masahiro Yamashita
	Hisashi Kanda
Directors Audit and Supervisory Committee Members	Hiroshi Segawa
	Hiroaki Tamura
	Kunio Uchiyamada
	Etsuko Nosohara

◆ Main Executive Officers

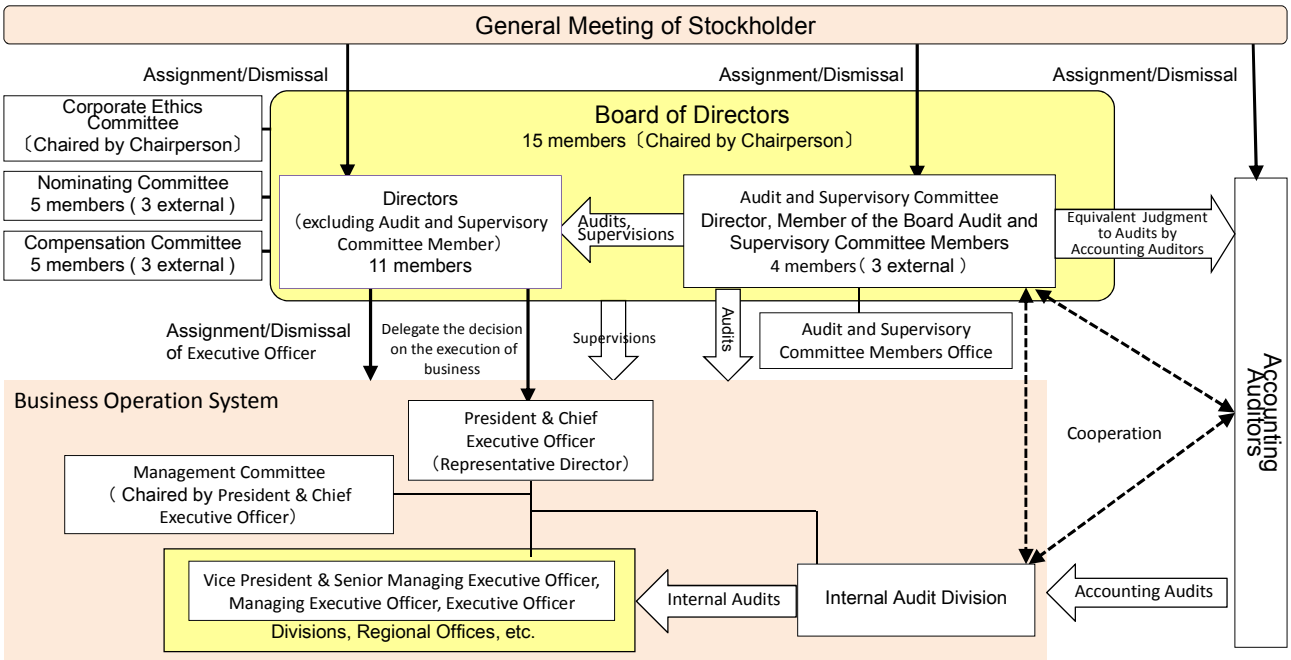
President & Chief Executive Officer	Mareshige Shimizu
Vice President & Senior Managing Executive Officers	Moriyoshi Ogawa
	Masaki Hirano
	Hideo Matsuoka
Managing Executive Officers	Akimasa Iwasaki
	Shigeru Ashitani
	Takafumi Shigeto
	Natsuhiko Takimoto
	Masahiro Yamashita
	Hisashi Kanda
	Tatsuo Kitano
	Norimasa Tamura
	Toshio Takaba
	Toru Fukushima
	Tsukasa Hayashi
	Seishi Okada
	Toru Funaki

Corporate Governance

To enable quick, resolute decision-making, further improve management transparency and fairness, and strengthen supervisory functions, we adopt a system of company with audit and supervisory committee and have three external Directors.

We continue striving to enhance and strengthen corporate governance to establish trust of our stakeholders such as our stockholders and investors, our customers, local communities and our business partners.

◆Corporate Structure and Internal Controls (As of July 2019)



Financial Section

Consolidated Five-Year Summary

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries
For the years ended March 31

	Millions of yen					Thousands of U.S. dollars (Note1)
	2015	2016	2017	2018	**2019**	**2019**
Operating revenues	¥1,299,624	¥1,231,572	¥1,200,379	¥1,314,967	**¥1,376,979**	**$12,405,221**
Operating income (loss)	71,341	50,015	34,520	39,626	**19,530**	**175,948**
Profit (loss) attributable to owners of parent	33,852	27,113	11,341	20,707	**11,446**	**103,123**
Net assets	624,875	608,535	581,162	580,745	**558,655**	**5,032,930**
Total assets	3,106,275	3,070,948	3,100,754	3,179,442	**3,261,665**	**29,384,370**
Interest-bearing debt	1,980,196	1,950,374	2,053,281	2,078,239	**2,196,903**	**19,791,925**
Free cash flows (Note 2)	2,229	(46,715)	(51,775)	(23,755)	**(87,109)**	**(784,772)**
Other financial data						
Per share data (yen and dollars):						
Net assets (Note 3)	1,710.60	1,668.47	1,677.09	1,676.42	**1,613.71**	**14.54**
Earnings:						
Basic	93.38	74.83	31.84	60.15	**33.25**	**0.30**
Cash dividends	50.00	50.00	50.00	50.00	**50.00**	**0.45**
Key financial ratios:						
Equity ratio (%)	20.0	19.7	18.6	18.2	**17.0**	
Return on equity (ROE) (%)	5.6	4.4	1.9	3.6	**2.0**	
Return on assets (ROA) (%) (Note 4)	1.6	1.2	0.8	0.9	**0.4**	
Price earnings ratio (PER) (times)	16.8	20.3	38.7	21.3	**41.5**	

	Millions of kWh				
	2015	2016	2017	2018	**2019**
Power generated and received					
Generated:					
Hydroelectric	3,404	3,448	3,878	3,784	**3,299**
Thermal	38,769	36,612	35,867	33,643	**32,039**
Nuclear	–	–	–	–	**-**
New energy sources	6	8	8	8	**8**
Power interchanged and purchased (NET)	21,367	22,339	23,212	23,490	**23,055**
Power used for pumped storage (Note 5)	(431)	(630)	(750)	(940)	**(858)**
Total (Note 6)	63,114	61,778	62,216	59,986	**57,543**
Transmission loss	(5,246)	(5,059)	(4,962)	(4,555)	**(4,598)**
Total (Note 6)	57,868	56,719	57,254	55,432	**52,944**
Electric sales:					
Residential (lighting)	18,203	17,710	18,184	18,562	**17,488**
Commercial, industrial and other	39,665	39,009	39,070	36,870	**35,456**
Total	57,868	56,719	57,254	55,432	**52,944**

Notes:
1. U.S. dollar amounts above are given for the reader's convenience only and are converted from yen at ¥111 = US$1.00, the exchange rate prevailing on March 31, 2019.
2. Free cash flows represent the net cash flows from operating activities and from investing activities.
3. Net assets per share is computed using the number of shares of common stock in issue at the end of each year.
4. ROA = Operating income × (1 – Income tax rate) / Total assets × 100.
5. Power used for pumped storage is the electric power used to pump water for reservoir operations at pumped-storage power stations.
6. For electric energy information, the sum of the individual amounts may not match the totals due to the rounding of numerical values.

Consolidated Financial Review

Summary of Operations

- Operating revenues of The Chugoku Electric Power Co., Inc. ("the Company") and its consolidated subsidiaries (together with the Company, "the Companies") for the fiscal year were ¥1,376.9 billion (US$12,405.2 million), a rise of 4.7%, or ¥62.0 billion (US$558.6 million), from fiscal 2018. Profit attributable to the owners of the parent for the fiscal year was ¥11.4 billion (US$103.1 million), a decrease of ¥9.2 billion (US$83.4 million). Free cash flow (net cash from operating activities minus net cash used in investing activities) amounted to an outflow of ¥87.1 billion (US$784.7 million).
- The Company maintained cash dividends per share at ¥50.00 (US$0.45).

Operating Revenues

- Sales of electricity decreased by 4.5% to 52.9 billion kilowatt hours. However, due to the increase in grants and dues for the "Feed-in Tariff Scheme for Renewable Energy" as well as the electricity charge revenue affected by the Fuel Cost Adjustment System, operating revenues for the fiscal year were ¥1,376.9 billion (US$12,405.2 million), a rise of 4.7%, or ¥62.0 billion (US$558.6 million).
- Operating revenues from electric power operations amounted to ¥1,224.5 billion (US$11,031.8 million), a rise of 2.6%, or ¥30.8 billion (US$278.0 million).
- Operating revenues from other operations such as the comprehensive energy supply business and the information and telecommunication business increased by 25.7%, or ¥31.1 billion (US$280.6 million), to ¥152.4 billion (US$1373.3 million).

Operating Expenses and Operating Income

- Operating expenses for the fiscal year were ¥1,357.4 billion (US$12,229.2 million), a rise of 6.4%, or ¥82.1 billion (US$739.7 million).
- Despite efforts to raise operational efficiency across the board, operating expenses in the electric power business increased by ¥52.7 billion (US$474.8 million) to ¥1,211.8 billion (US$10,917.2 million). This stemmed from an increase in raw material costs due to an increase in fuel costs, as well as an increase in "Feed-in Tariff Scheme for Renewable Energy" payments.
- In operations other than electric power operations, operating expenses were ¥145.6 billion (US$1,311.9 million), a rise of 25.3%, or ¥29.3 billion (US$264.8 million).
- Operating income was ¥19.5 billion (US$175.9 million), a decrease of ¥20.0 billion (US$181.0 million).

Other Expenses (Income), Profit (Loss) Before Income Taxes and Profit (Loss) Attributable to Owners of Parent

- Total other expenses (income) decreased by 73.8%, or ¥6.5 billion (US$59.3 million), to ¥2.3 billion (US$21.0 million).
- As a result of drawing down the reserve for fluctuation in water levels and applying the provision for depreciation of nuclear power plants, as well as recording the extraordinary loss following the torrential rains in July 2018 and the extraordinary profit due to the sales of securities, profit before income taxes was ¥14.8 billion (US$134.1 million), a decline of ¥12.2 billion (US$110.1 million). Profit attributable to the owners of the parent was ¥11.4 billion (US$103.1 million), a decline of ¥9.2 billion (US$83.4 million).
- Earnings per share fell to ¥33.25 (US$0.30) from ¥60.15 in the previous fiscal year.

Financial Position

Assets

- At fiscal year-end, consolidated total assets were ¥3,261.6 billion (US$29,384.3 million), a rise of 2.6%, or ¥82.2 billion (US$740.7 million), due to an increase in construction in progress resulting from, for instance, safety improvement construction at the Shimane Nuclear Power Station.
- Property, plant and equipment were ¥2,370.1 billion (US$21,353.0 million), a rise of 2.5%, or ¥58.7 billion (US$528.9 million).
- Total current assets were ¥337.5 billion (US$3,041.1 million), a rise of 7.6%, or ¥23.8 billion (US$215.0 million).

Liabilities, Non-controlling Interests and Net Assets

- Total liabilities were ¥2,703.0 billion (US$24,351.4 million), a rise of 4.0% or ¥104.3 billion (US$939.7 million), due mainly to an increase in interest-bearing debt. Interest-bearing debt increased by 5.7%, or ¥118.6 billion (US$1,069.0 million), to ¥2,196.9 billion (US$19,791.9 million). Other liabilities decreased by 2.8%, or ¥14.3 billion (US$129.2 million), to ¥506.1 billion (US$4,559.5 million).
- Total net assets were ¥558.6 billion (US$5,032.9 million), a decrease of 3.8% or ¥22.0billion (US$199.0 million). Although there was an allocation of profit attributable to the owners of the parent, other factors, including payment of dividends, caused the total to decrease. The equity ratio declined 1.2 percentage points to 17.0% from 18.2%.

Cash Flows

- Net cash from operating activities was ¥81.6 billion (US$735.4 million), a decrease of 50.5%, or ¥83.1 billion (US$749.1 million), due to a decrease in profit before income taxes, among other factors.
- Net cash used in investing activities was ¥168.7 billion (US$1,520.2 million), due to safety improvement construction at the Shimane Nuclear Power Station and investment in growing business such as power generation businesses overseas. Compared with the previous consolidated fiscal year, it decreased 10.5% or ¥19.8 billion (US$178.4 million), due to a decrease in safety improvement construction, among other factors.
- Free cash flow, therefore, amounted to an expenditure of ¥87.1 billion (US$784.7 million).
- Net cash from financing activities was ¥97.5 billion (US$878.4 million), an increase of 2,074.9%, or ¥93.0 billion (US$838.0 million), due to the procurement of funds through bonds and borrowings.
- Cash and cash equivalents at the end of the fiscal year totaled ¥91.3 billion (US$823.4 million), an increase of ¥10.3 billion (US$93.4 million) over the total at the end of the previous year.

Summary of Cash Flows

	Millions of yen		Thousands of US dollars
Years ended March 31	2019	2018	2019
Net cash from (used in) operating activities	¥81,635	¥164,794	$735,451
Net cash from (used in) investing activities	(168,744)	(188,549)	(1,520,223)
Net cash from (used in) financing activities	97,510	4,483	878,473
Effect of exchange rate changes on cash and cash equivalents	(133)	73	(1,206)
Net increase (decrease) in cash and cash equivalents	10,266	(19,197)	92,494
Cash and cash equivalents at the beginning of the fiscal year	81,025	100,223	729,960
Increase in cash and cash equivalents resulting from the change in the scope of consolidation	43	—	395
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	63	—	568
Cash and cash equivalents at the end of the fiscal year	¥91,399	¥81,025	$823,419

Risk Factors

The following primary risk factors to which the Companies are subject may exert a significant influence on investor decisions. The Companies recognize the risk factors and will try to assess and manage these. The forward-looking statements included below represent estimates as of March 31, 2019.

1. Revision of Systems Pertaining to Nuclear Power Generation

We are continuously taking steps to enhance safety as well as comply with the new regulatory standards enacted in July 2013. These steps include countermeasures against earthquakes and tsunamis, measures to assure reliability of external power sources, and measures to deal with severe accidents, including the installation of filtered vent equipment. These measures are being taken in response to the accident that occurred at the Fukushima Daiichi Nuclear Power Station. However, should the revision of policies and regulations pertaining to nuclear power take certain directions, the Companies' results and financial condition could be affected.

Although the back-end of the nuclear fuel cycle is a super-long-term business and involves uncertainties, the electric utilities' risks in this area have been alleviated by systemic measures taken by the nation. However, the Companies' results and financial condition could be affected in the future by revisions of the system, changes in the estimates of future sums or the operating status of the reprocessing plant.

2. Revision of Policies and Systems Pertaining to Electric Power Business

It is possible that the Companies' business results will be affected by the reexamination of systems pertaining to the electric power business, the legal separation of power transmission and power distribution sectors (set to be implemented in April 2020), as well as the intensifying competition with other companies following the full-scale liberalization of retail electricity.

Also, it is possible that the Companies' business results will be affected by energy and environmental policies such as those pertaining to the FY2031 energy mix and reductions in greenhouse gas emissions.

3. Natural Disasters and Other Troubles

The Companies have substantial property, plant and equipment mainly for the electric power business. Natural disasters such as earthquakes and typhoons, illegal acts including terrorism and other troubles have the potential, by giving rise to costs pertaining to the recovery of facilities and procurement of alternative thermal power fuel, to affect the Companies' results and financial condition.

4. Business Other than Electric Power

In addition to the electric power business, the Companies are engaged in the "comprehensive energy supply business," "information and telecommunications business," "environmental business," and "business and lifestyle support business." If these businesses do not grow as expected by the Companies due to changes in the business environment or other factors, the Companies' business results may be affected.

5. Economic Conditions

Since electricity sales are subject to economic trends such as production activities, economic conditions may affect the Companies' business results.

6. Seasonal Variations in Weather

Since electricity sales are subject to demand for air conditioning and heating, temperatures in the power supply area have the potential to affect the Companies' results and financial condition.

A decrease in the water flow rate could increase the Company's fuel costs owing to reduction in the Company's proportion of hydropower generation. Therefore, rainfall levels in the water resource areas have the potential to affect the Companies' results and financial condition.

7. Changes in Fuel Prices

Sources of fuel for the Company's thermal power generation include coal, liquefied natural gas (LNG) and heavy and crude oil. Therefore, fluctuations in energy prices, such as the price of coal, LNG and heavy and crude oil, as well as fluctuations in foreign exchange rates may affect the Companies' results and financial condition. However, the impact of these factors is considered limited because the Companies are trying to mitigate the fuel price fluctuation risk by diversifying the energy mix and because the fluctuation in fuel prices and foreign exchange rates are reflected in electricity rates through the Fuel Cost Adjustment System.

8. Changes in Financial Markets

Future changes in interest rates or credit ratings resulting in changes in interest rates on borrowings have the potential to affect the Companies' results and financial condition. However, since most of the Companies' debts have been funded as long-term fixed-rate debt (i.e., bonds and loans), the impact of changes in interest rates on the Companies' results and financial condition is expected to be limited.

Also, the Companies' costs and liabilities for retirement benefits are accounted for based on assumptions for actuarial calculations such as the discount rate and the long-term expected rate of return on plan assets. Changes in the discount rate and the expected rate of return have the potential to affect the Companies' results and financial condition.

9. Compliance

The Companies give top priority to making progress with compliance in all business operations as the foundation of management.

We strive for thorough compliance and take prompt corrective action for acts of non-compliance. However, should a major case of non-compliance occur, there is a possibility that our social credibility would be affected, which would impede the smooth operation of business.

10. Management of Business Information

The Companies maintain a large volume of business information on individuals including that of electric power customers. The Companies have established basic guidelines and other internal rules for information management and personal information protection. The Companies comply with these rules and rigorously administer all of this information through the promotion of information security measures. However, a lapse in the administration of any information has the potential to affect the Companies' results and financial condition.

Consolidated Balance Sheets

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries
March 31, 2019 and 2018

Assets	Millions of yen		Thousands of U.S.dollars (Note 1)
	2019	2018	2019
Property, plant and equipment:			
Utility plant and equipment	¥5,641,325	¥5,592,558	$50,822,748
Other plant	335,134	335,284	3,019,231
Construction in progress	939,359	859,188	8,462,700
Suspense account related to the decommissioning of nuclear power stations	-	4,271	-
Suspense account related to reprocessing of spent nuclear fuel	11,361	7,574	102,358
	6,927,181	6,798,876	62,407,039
Less			
Contributions in aid of construction	100,737	98,232	907,545
Accumulated depreciation	4,456,259	4,389,169	40,146,480
	4,556,996	4,487,402	41,054,026
Net property, plant and equipment (Note 8)	2,370,184	2,311,474	21,353,013
Nuclear fuel	159,103	180,428	1,433,361
Investments and other assets:			
Investment securities (Note 9 and 10)	60,396	77,797	544,111
Investments to non-consolidated subsidiaries and affiliated companies	133,196	121,639	1,199,966
Long-term loans to employees	59	78	534
Asset for retirement benefits (Note 16)	48,132	46,982	433,625
Deferred tax assets (Note 17)	81,652	75,141	735,608
Other assets	71,367	52,194	642,953
Total investments and other assets	394,804	373,833	3,556,799
Current assets:			
Cash and time deposits (Note 7 and 9)	111,459	93,035	1,004,139
Receivables, less allowance for doubtful accounts of ¥288 million ($2,594 thousand) in 2019 and ¥432 million in 2018 (Note 9)	137,271	122,898	1,236,683
Short-term investment (Note 9)	-	8,000	-
Inventories, fuel and supplies	58,592	61,535	527,863
Other current assets	30,248	28,235	272,508
Total current assets	337,572	313,705	3,041,195
Total assets	¥3,261,665	¥3,179,442	$29,384,370

See Notes to Consolidated Financial Statements

Liabilities and Net Assets	Millions of yen		Thousands of U.S.dollars (Note 1)
	2019	2018	2019
Long-term liabilities:			
Long-term debt (Note 9 and 12)	¥1,803,187	¥1,817,380	$16,244,934
Liability for retirement benefits (Note 16)	69,362	69,517	624,887
Retirement allowances for directors and corporate auditors	270	229	2,438
Asset retirement obligations (Note 18)	91,841	78,971	827,398
Other long-term liabilities	14,155	21,288	127,523
Total long-term liabilities	1,978,817	1,987,386	17,827,181
Current liabilities:			
Long-term debt due within one year (Note 9 and 12)	306,705	167,140	2,763,116
Short-term borrowings (Note 9)	67,645	67,895	609,414
Commercial paper	-	10,000	-
Accounts payable (Note 9)	84,910	100,755	764,960
Accrued income taxes	385	6,478	3,476
Accrued expenses	79,722	82,175	718,223
Provision for loss on disaster	919	-	8,288
Allowance for bonuses to directors and corporate auditors	72	63	654
Other current liabilities, including other long-term liabilities due within one year	96,377	91,650	868,267
Total current liabilities	636,740	526,158	5,736,402
Reserve for fluctuation in water levels	1,170	1,424	10,541
Provision for depreciation of nuclear power plants	86,281	83,727	777,315
Contingent liabilities (Note 14)			
Net assets (Note 19):			
Common stock :	185,527	185,527	1,671,420
Authorized - 1,000,000,000 shares			
Issued - 371,055,259 shares in 2019 and 2018			
Capital surplus	17,048	17,066	153,590
Retained earnings (Note 21)	384,711	390,477	3,465,870
Treasury stock (26,813,562 shares in 2019 and 26,799,578 shares in 2018)	(38,775)	(38,755)	(349,330)
Total stockholders' equity	548,512	554,316	4,941,549
Net unrealized holding gains (losses) on securities	10,258	22,509	92,422
Net unrealized gains (losses) on hedges	267	20	2,407
Foreign currency translation adjustments	(804)	(235)	(7,246)
Accumulated adjustments for retirement benefit	(2,726)	505	(24,562)
Accumulated other comprehensive income	6,995	22,801	63,020
Non-controlling interests	3,147	3,628	28,360
Total net assets	558,655	580,745	5,032,930
Total liabilities and net assets	¥3,261,665	¥3,179,442	$29,384,370

See Notes to Consolidated Financial Statements

Consolidated Statements of Operations

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries
For the years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2019	2018	2019
Operating revenues (Note 20):			
Electric	¥1,224,535	¥1,193,671	$11,031,855
Other	152,443	121,296	1,373,366
	1,376,979	1,314,967	12,405,221
Operating expenses (Note 15):			
Electric	1,211,817	1,159,104	10,917,275
Other	145,631	116,236	1,311,998
	1,357,449	1,275,341	12,229,273
Operating income (loss) (Note 20)	19,530	39,626	175,948
Other expenses (income):			
Interest expense	12,846	17,758	115,736
Interest income	(100)	(66)	(901)
Gains on sales of fixed assets	(1,573)	(1,411)	(14,178)
Gains on sales of securities (Note 5)	(10,456)	(202)	(94,202)
Equity in losses (earnings) of affiliated companies	(2,724)	(3,535)	(24,545)
Contingent loss (Note 6)	231	-	2,081
Loss on disaster (Note 6)	3,522	-	31,733
Loss on withdrawal from business (Note 6)	2,194	-	19,770
Other, net	(1,603)	(3,619)	(14,448)
	2,335	8,924	21,044
Special item:			
Provision (reversal) of reserve for fluctuation in water levels	(254)	203	(2,292)
Provision for depreciation of nuclear power plants	2,554	3,378	23,016
Profit (loss) before income taxes	14,893	27,120	134,179
Provision for income taxes: (Note 17)			
Current	4,680	7,880	42,168
Deferred	(722)	(1,123)	(6,506)
	3,958	6,756	35,662
Profit (loss)	10,935	20,363	98,517
Profit (loss) attributable to non-controlling interests	(511)	(344)	(4,605)
Profit (loss) attributable to owners of parent	¥11,446	¥20,707	$103,123

	Yen		U.S.dollars (Note 1)
	2019	2018	2019
Per share data:			
Earnings (basic)	¥33.25	¥60.15	$0.30
Cash dividends	50.00	50.00	0.45

See Notes to Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries
For the years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2019	2018	2019
Profit (loss)	¥10,935	¥20,363	$98,517
Other comprehensive income (loss):			
Net unrealized holding gains (losses) on securities	(11,052)	(106)	(99,575)
Net unrealized gains (losses) on hedges	(625)	495	(5,635)
Foreign currency translation adjustments	(562)	82	(5,064)
Adjustments for retirement benefit	(2,843)	(4,068)	(25,615)
Share of other comprehensive income (loss) of affiliated companies accounted for using equity method	(773)	(6)	(6,969)
	(15,857)	(3,602)	(142,861)
Comprehensive income (loss)	¥(4,922)	¥16,760	$(44,343)
Comprehensive income (loss) attributable to:			
Comprehensive income (loss) attributable to owners of parent	¥(4,359)	¥17,082	$(39,271)
Comprehensive income (loss) attributable to non-controlling interests	(562)	(322)	(5,071)

See Notes to Consolidated Financial Statements

Consolidated Statements of Changes in Net Assets

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries
For the years ended March 31, 2019 and 2018

		Millions of yen									
	Shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains (losses) on securities	Net unrealized gains (losses) on hedges	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Non-controlling interests (Note 3)	Total
Balance at April 1, 2017	371,055,259	¥185,527	¥17,068	¥387,088	¥(38,739)	¥22,809	¥(247)	¥(305)	¥4,168	¥3,791	¥581,162
Profit attributable to owners of parent				20,707							20,707
Cash dividends paid (¥50 per share)				(17,213)							(17,213)
Surplus from sale of treasury stock			(0)		2						1
Treasury stock purchased, net					(19)						(19)
Change in scope of equity method				(105)							(105)
Change in treasury stocks of parent arising from transactions with non-controlling shareholders											–
Other			(1)		0						(0)
Net changes other than stockholders' equity						(299)	268	69	(3,662)	(162)	(3,787)
Balance at March 31, 2018	371,055,259	¥185,527	¥17,066	¥390,477	¥(38,755)	¥22,509	¥20	¥(235)	¥505	¥3,628	¥580,745
Profit attributable to owners of parent				11,446							11,446
Cash dividends paid (¥50 per share)				(17,212)							(17,212)
Surplus from sale of treasury stock			(0)		1						1
Treasury stock purchased, net					(20)						(20)
Change in scope of equity method											–
Change in treasury stocks of parent arising from transactions with non-controlling shareholders											(0)
Other			(18)		(0)						(18)
Net changes other than stockholders' equity						(12,250)	246	(569)	(3,232)	(480)	(16,286)
Balance at March 31, 2019	**371,055,259**	**¥185,527**	**¥17,048**	**¥384,711**	**¥(38,775)**	**¥10,258**	**¥267**	**¥(804)**	**¥(2,726)**	**¥3,147**	**¥558,655**

	Thousands of U.S. dollars (Note 1)									
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains (losses) on securities	Net unrealized gains (losses) on hedges	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Non-controlling interests (Note 3)	Total
Balance at March 31, 2018	$1,671,420	$153,753	$3,517,815	$(349,150)	$202,791	$186	$(2,119)	$4,557	$32,690	$5,231,944
Profit attributable to owners of parent			103,123							103,123
Cash dividends paid ($0.47 per share)			(155,068)							(155,068)
Surplus from sale of treasury stock		(0)		10						10
Treasury stock purchased, net				(186)						(186)
Change in scope of equity method										-
Change in treasury stocks of parent arising from transactions with non-controlling shareholders										–
Other		(163)		(4)						(167)
Net changes other than stockholders' equity					(110,369)	2,221	(5,127)	(29,119)	(4,330)	(146,725)
Balance at March 31, 2019	**$1,671,420**	**$153,590**	**$3,465,870**	**$(349,330)**	**$92,422**	**$2,407**	**$(7,246)**	**$(24,562)**	**$28,360**	**$5,032,930**

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries
For the years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2019	2018	2019
Cash flows from operating activities:			
Profit (loss) before income taxes	¥14,893	¥27,120	$134,179
Depreciation	104,779	104,106	943,960
Decommissioning cost of nuclear power generating plants	3,201	1,454	28,843
Amortization of suspense account related to the decommissioning of nuclear power stations	4,271	4,605	38,479
Equity in losses (earnings) of affiliated companies	(2,724)	(3,535)	(24,545)
Loss on disposal of property	5,773	5,611	52,016
Increase (decrease) in liability for retirement benefits	(79)	972	(713)
Decrease (increase) in asset for retirement benefits	(5,122)	(6,612)	(46,147)
Increase (decrease) in reserve for fluctuation in water levels	(254)	203	(2,292)
Increase (decrease) in provision for depreciation of nuclear power plants	2,554	3,378	23,016
Increase (decrease) in provision for loss on disaster	919	—	8,288
Interest and dividend income	(2,041)	(1,548)	(18,390)
Interest expense	12,846	17,758	115,736
Loss (gain) on sales of securities	(10,456)	(201)	(94,202)
Loss (gain) on sales of fixed assets	(663)	(1,265)	(5,973)
Contingent loss	93	—	842
Loss on withdrawal from business	2,043	—	18,413
Decrease (increase) in notes and accounts receivable	(13,114)	(13,265)	(118,148)
Decrease (increase) in inventories	5,343	(7,546)	48,136
Increase (decrease) in notes and accounts payable	(18,295)	9,268	(164,820)
Other	(1,850)	35,548	(16,672)
Subtotal	102,120	176,052	920,007
Interest and dividends received	4,305	3,610	38,791
Interest paid	(13,757)	(19,110)	(123,939)
Income taxes refund (paid)	(11,034)	4,241	(99,407)
Net cash provided by (used in) operating activities	81,635	164,794	735,451
Cash flows from investing activities:			
Purchase of property	(179,304)	(214,038)	(1,615,356)
Purchase of investments in securities	(59,146)	(53,900)	(532,849)
Proceeds from sales of investment securities	58,736	61,403	529,157
Other	10,969	17,985	98,824
Net cash provided by (used in) investing activities	(168,744)	(188,549)	(1,520,223)

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2019	2018	2019
Cash flows from financing activities:			
Proceeds from issue of bonds	162,628	210,052	1,465,121
Repayment of bonds	(90,000)	(240,000)	(810,810)
Proceeds from long-term borrowings	172,500	134,000	1,554,054
Repayment of long-term borrowings	(120,284)	(79,809)	(1,083,645)
Proceeds from short-term borrowings	188,458	191,290	1,697,826
Repayment of short-term borrowings	(186,735)	(202,230)	(1,682,297)
Proceeds from issue of commercial paper	280,000	174,000	2,522,522
Repayment of commercial paper	(290,000)	(164,000)	(2,612,612)
Purchase of treasury stock	(24)	(21)	(218)
Purchase of treasury stocks of subsidiaries	(17)	-	(158)
Cash dividends paid	(17,222)	(17,223)	(155,161)
Dividends paid to non-controlling interests	(53)	(29)	(485)
Other	(1,738)	(1,545)	(15,659)
Net cash provided by (used in) financing activities	97,510	4,483	878,473
Effect of exchange rate changes on cash and cash equivalents	(133)	73	(1,206)
Net increase (decrease) in cash and cash equivalents	10,266	(19,197)	92,494
Cash and cash equivalents at beginning of the fiscal year	81,025	100,223	729,960
Increase in cash and cash equivalents resulting from change of scope of consolidation	43	-	395
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	63	-	568
Cash and cash equivalents at end of the fiscal year (Note 7)	¥91,399	¥81,025	$823,419

See Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries

1. Basis of Preparing Consolidated Financial Statements

The accompanying consolidated financial statements of The Chugoku Electric Power Co., Inc. ("the Company") and its consolidated subsidiaries (together with the Company, "the Companies") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations and the Electricity Business Act and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements from International Financial Reporting Standards.

The accounts of the Company's overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English from the Company's consolidated financial statements prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan, using the prevailing exchange rate as at March 31, 2019, which was ¥111 to U.S. $1.00. The convenience translation should not be construed as a representation that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

Numerical values less than one million yen or one thousand dollars are rounded off, excluding per share information. As a result, total values and numerical values obtained by summing each item will not necessarily match. This applies to both Japanese yen units and dollar units.

2. Significant Accounting Policies

The following is a summary of the significant accounting policies used in the preparation of the consolidated financial statements.

Consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant companies over which the Company has power of control through majority voting rights or existence of certain other conditions evidencing control by the Company. In the elimination of investments in subsidiaries, all the assets and liabilities of a subsidiary, not only to the extent of the Company's share but also including the non-controlling interest share, are evaluated based on fair value at the time the Company acquired control of the subsidiary.

Investments in non-consolidated subsidiaries and affiliated companies over which the Company has the ability to exercise significant influence over operating and financial policies of the investees are accounted for using the equity method.

For the year ended March 31, 2019, 19 subsidiaries (19 in 2018) were consolidated and 6 (6 in 2018) subsidiaries were excluded from consolidation due to their immateriality for the consolidated total assets, sales and revenues, profit attributable to the owners of the parent, retained earnings, etc., in the consolidated financial statements.

For the year ended March 31, 2019, 6 non-consolidated subsidiaries (6 in 2018) and 12 affiliated companies (12 in 2018) were accounted for by the equity method.

For the year ended March 31, 2019, 2 non-consolidated subsidiaries (0 in 2018) and 13 affiliated companies (12 in 2018) were stated at cost without applying the equity method of accounting. Even if the

equity method had been applied to these investments, the amounts of profit and retained earnings, etc., of the affiliated companies would individually have had only a slight effect and together would have had no material effect on the consolidated financial statements.

The consolidated subsidiaries whose accounting closing date differs from the consolidated closing date are Chugoku Electric Power Australia Resources Pty. Ltd., Chugoku Electric Power International Netherlands B.V. and Chugoku Electric Power America, LLC. These companies have December 31 as their closing date. In drawing up the consolidated financial statements, we use these consolidated subsidiaries' financial statements as of their closing dates and make the necessary adjustments, in consolidated terms, for their important transactions that take place between those dates and the consolidated closing date.

Inventories, fuel and supplies

Inventories, fuel and supplies are stated at cost, determined principally by the weighted average method. Inventories with lower profitability have been written down.

Securities

Available-for-sale securities for which market value is readily determinable are stated at market value as of the end of the period with unrealized gains and losses, net of applicable deferred tax assets/liabilities, not reflected in earnings but directly reported as a separate component of net assets. The cost of securities sold is determined by the moving average method. Available-for-sale securities for which market value is not readily determinable are stated primarily at moving average cost.

If the market value of equity securities issued by unconsolidated subsidiaries and affiliated companies not accounted for by the equity method or available-for-sale securities declines significantly, the securities are stated at fair market value, and the difference between the fair market value and the book value is recognized as a loss in the period of the decline. If the fair market value of equity securities issued by unconsolidated subsidiaries and affiliated companies not accounted for by the equity method is not readily available, the securities should be written down to net asset value with a corresponding charge in the consolidated statements of operations in the event the net asset value declines significantly. In these cases, the fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

Property and depreciation

Depreciation of property, plant and equipment is computed using the declining balance method, while amortization of intangible fixed asset is computed by the straight-line method, based on the useful life periods stipulated by the Corporation Tax Act.

Nuclear fuel and amortization

Nuclear fuel is stated at cost less accumulated amortization. The amortization of loaded nuclear fuel is computed based on the quantity of heat produced for electricity generation.

Allowance for doubtful accounts

The allowance for doubtful accounts is provided in an amount sufficient to cover possible losses on collection. It consists of the estimated uncollectible amount with respect to identified doubtful receivables and an amount calculated based on the Companies' historical loss rate with respect to the remaining receivables.

Provision for loss on disaster

The Company records the amount estimated as of the end of this consolidated fiscal year in order to prepare for costs or losses required to repair the assets damaged due to the torrential rains in July 2018.

Reserve for fluctuation in water levels

Based on the Act for Partial Revision of the Electricity Business Act, pursuant to the provisions of the Electricity Business Act prior to the revision by this Act, the Company provides drought reserves against fluctuation in water levels in the sums stipulated by a Ministry of Economy, Trade and Industry ordinance.

Provision for depreciation of nuclear power plants

In accordance with the Electricity Business Act, the Company has in place a provision for depreciation of nuclear power plants to equalize the burden of depreciation expenses after the commencement of commercial operation based on an ordinance of the Ministry of Economy, Trade and Industry.

Accounting methods pertaining to retirement benefits

In readiness for employees' retirement benefits, the figure obtained by subtracting plan assets from retirement benefit obligations based on the estimated sums at the end of the consolidated accounting year is reckoned as liability for retirement benefits (or as asset for retirement benefits when the plan asset amount exceeds the retirement benefit obligations).

For attributing the estimated retirement benefits to the period up until the end of the fiscal year in determining the retirement benefit obligations, the benefit formula basis is principally followed.

Past service costs are amortized by the straight-line method using a certain number of years (mainly 1 year) within the employee's average remaining service period when the costs occurred.

Actuarial gains/losses are apportioned into sums by the straight-line method using a certain number of years (5 years) within the employee's average remaining service period from the consolidated accounting year in which the difference occurred, and each sum is amortized from the consolidated accounting year following the year of occurrence.

Unrecognized actuarial gains/losses and unrecognized past service costs are reckoned as accumulated adjustments for retirement benefit in accumulated other comprehensive income in the Net Assets section, after adjusting for tax effects.

Derivatives and hedge accounting

The Companies state derivative financial instruments at fair value and recognize changes in the fair value as gains or losses unless the derivative financial instrument is used for hedging purposes. If used for hedging purposes and certain hedging criteria are met, recognition of gain/loss is deferred until the loss/gain on the hedged item is recognized.

Under Japan's accounting standards, interest rate swap transactions, forward foreign exchange transactions and currency swap transactions are processed together with the hedged items and are not recognized in terms of losses/gains in derivative transactions.

Hedging effectiveness is evaluated by comparing the total cash flow change of the hedging instrument and the total cash flow change of the hedged item. However, assessment of hedge effectiveness is not necessary for interest rate swap transactions, forward foreign exchange transactions and currency swap transactions that meet certain requirements.

Capitalization of interest expense

Interest expense related to debt incurred for the construction of power plants has been capitalized and included in the cost of the related assets pursuant to the accounting regulations under the Electricity Business Act.

Calculating asset retirement obligations for decommissioning specified nuclear power generation facilities

In accordance with an ordinance of the Ministry of Economy, Trade and Industry, the asset cost equivalent of asset retirement obligations for decommissioning specified nuclear power generation facilities is calculated by applying the straight-line method to the estimated total decommissioning cost

for the period equal to the facilities' forecasted operating period.

However, if retiring a reactor due to changes in energy policy, when given approval by the Minister of Economy, Trade and Industry upon an application to extend the accumulation period, the straight-line method shall be used for reckoning the period from the month containing the retirement date of the specified nuclear power generation facilities, to the month in which 10 years have passed (if the retirement date is 40 years from the month in which power generation began, then 50 years from the month in which power generation began).

(Additional Information)

In accordance with an ordinance of the Ministry of Economy, Trade and Industry, the cost of asset retirement obligations for decommissioning specified nuclear power generation facilities was calculated by applying the straight-line method to the estimated total decommissioning cost for the period equal to the facilities' forecasted operating period plus the estimated safe storage period. However, that ordinance was amended pursuant to the enactment of an Ordinance Partially Amending the Ministerial Ordinance concerning Reserve Fund for Dismantling Nuclear Power Facilities (Ministry of Economy, Trade and Industry Ordinance No. 17 of 2018) on April 1, 2018. Therefore, since that effective date, we have changed to a calculation method in which the straight-line method is applied for the forecast operating period.

However, if retiring a reactor due to changes in energy policy, when given approval by the Minister of Economy, Trade and Industry upon an application to extend the accumulation period, the straight-line method shall be used for reckoning the period from the month containing the retirement date of the specified nuclear power generation facilities, to the month in which 10 years have passed (if the retirement date is 40 years from the month in which power generation began, then 50 years from the month in which power generation began).

Following this change, operating income, ordinary income, and profit before income taxes for the consolidated fiscal year decreased by ¥1,575 million each, compared with the figures obtained using the previous method.

Furthermore, the estimated use period used for calculating the asset retirement obligations pertaining to measures for decommissioning specified nuclear power generation facilities had been the facilities' operating period plus the safe storage period; however, since that effective date, this was changed to the operating period.

Following this change, both the asset cost equivalent of asset retirement obligations included in nuclear power generation facilities for the consolidated fiscal year and the asset retirement obligations increased by ¥10,240 million and ¥11,815 million, respectively, compared with the figures obtained using the previous method.

Money transfer and accrual methods for suspense account related to the decommissioning of nuclear power stations, and in expense summing methods

With the change in energy policy, the accounting method used for the retirement of a reactor includes the following: The book value (excluding the estimated cost of disposal) of nuclear power generation facilities related to the relevant reactor (excluding decommissioned assets and assets equivalent to asset retirement obligations), construction in progress related to the relevant nuclear power generation facilities and nuclear fuel related to the reactor, and the cost of reprocessing the irradiated fuel and cost of dissolving the nuclear fuel in connection with the relevant reactor's decommissioning can be included as write-off costs in the suspense account related to the decommissioning of nuclear power stations. Specifically, the power company submits an application form for the Minister of Economy, Trade and Industry's approval and carries out the transfers and additions into suspense account related to the decommissioning of nuclear power stations. Then, starting from the month in which approval is received, the company adds the write-off costs to those expense accounts in amounts commensurate with its electricity rate revenue.

Method of reckoning contributions required for spent nuclear fuel reprocessing

For expenses required in the reprocessing of spent nuclear fuel from power generation, based on the "Act for the Partial Amendment of the Spent Nuclear Fuel Reprocessing Fund Act" (Act No. 40 of 2016;

the “Amended Act”), the nuclear power company’s obligation to shoulder costs will be fulfilled by paying a contribution to the Nuclear Reprocessing Organization of Japan (“NuRO”), which will then implement the reprocessing, etc. Furthermore, based on Article 4, Paragraph 1 of the Amended Act, the contribution calculated based on the amount of spent nuclear fuel generated during operation depends on the method used to record it as an electric utility operating expense.

Also, from the estimated costs required in the reprocessing of spent fuel generated by the end of FY 2005, a ¥3,306 million difference arising from a change in the FY 2006 reserve fund recording standards has been uniformly recorded as electric utility operating expense each year from the effective date of the Amended Act to FY 2020 based on Article 4 of the supplementary provisions of the Ordinance Partially Amending the Accounting Rules for the Electric Power Industry (Ministry of Economy, Trade and Industry Ordinance No. 94 of 2016).

Furthermore, contributions to NuRO include contributions related to processing involved in reprocessing spent nuclear fuel in accordance with Article 2 of the Amended Act, and the said contributions are reckoned as suspense account related to reprocessing of spent nuclear fuel.

Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments generally with original maturities of three months or less that are readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of change in value.

Foreign currency transactions

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rate.

Consolidated tax system

The Companies apply the consolidated tax system.

3. Standard 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, March 30, 2018)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018)

(1) Overview

The above standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue is recognized by applying following the 5 steps:

Step 1: Identify contract(s) with customers.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligation in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

(2) Effective date

This will be applied from the beginning of the fiscal year ending March 31, 2022.

(3) Effects of the application of the standards

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

4. Changes in Presentation Methods

Related to the consolidated statements of operations

As there has been an increase in the monetary importance of the "Gains on sales of fixed assets" which was included in "Other, net" under "Other expense (income)" in the previous consolidated fiscal year, we have decided to post it as a separate item from this consolidated fiscal year onward. In order to reflect this change in presentation method, we have made a reclassification to the consolidated financial statements, relative to last fiscal year's.

As a result of this reclassification, the ¥5,030 million which was presented for "Other, net" under "Other expense (income)" in last year's consolidated statements of operations is now presented as ¥1,411 million for "Gains on sales of fixed assets" and ¥3,619 million for "Other, net" under "Other expense (income)".

Related to the consolidated statements of cash flows

As there has been an increase in the monetary importance of "Loss (gain) on sales of securities" and "Loss (gain) on sales of fixed assets" in "Other" under "Cash flows from operating activities" in the previous consolidated fiscal year, we have decided to post them as separate items from this consolidated fiscal year onward. In order to reflect this change in presentation method, we have made a reclassification to the consolidated financial statements, relative to last consolidated fiscal year's.

As a result of this reclassification, the ¥34,081 million which was presented for "Other" under "Cash flows from operating activities" in last year's consolidated statements of cash flows is now presented as ¥201 million for "Loss (gain) on sales of securities", ¥1,265 million for "Loss (gain) on sales of fixed assets", and ¥35,548 million for "Other".

Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting"

"Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) will apply from the start of the current consolidated fiscal year. Deferred tax assets are presented as investments and other assets, while deferred tax liabilities are presented as long-term liabilities.

As a result, the ¥10,991 million which was presented for "Deferred tax assets" under "Current assets" in last year's consolidated balance sheets is now included in and presented as ¥75,141 million for "Deferred tax assets" under "Investments and other assets".

5. Content of Extraordinary Profit

Gains on sales of securities recorded the profit on sale of strategically held shares.

6. Content of Extraordinary Loss

Contingent loss recorded an amount equivalent to the book value of assets lost due to the torrential rains in July 2018.

Loss on disaster is considered the disaster recovery costs from the said disaster, and recorded facility recovery costs (repair costs) of ¥2,698 million and other disaster-related costs of ¥824 million.

Loss on withdrawal from business is the loss that occurred due to the Company's consolidated subsidiary ADPLEX Co., Ltd. withdrawing from the package printing business, and includes impairment loss of ¥1,906 million. The following describes the assets that have recorded impairment loss.

(1) Grouping method

Fixed assets used in the electric power operations are considered as a single asset group due to the fact that all assets from power generation to sales activity are used together to create a cash flow.

Fixed assets used in business other than electric power operations are accounted for by business or by location.

Fixed assets other than the above are, in general, accounted for by location or by individual asset.

(2) Asset outlines and amounts

This Company Group has recorded impairment loss for the following fixed assets used in business other than electric power operations.

			Millions of yen		Thousands of U.S. dollars
Application	Place	Type	2019	2018	2019
Business assets	Hiroshima City, Hiroshima Prefecture	Land	¥560	¥ —	$5,047
		Building	725	—	6,533
		Machine equipment	589	—	5,308
		Other	32	—	290
Total			¥1,906	¥ —	$17,180

(3) Method for calculating recoverable amount

The book value for applicable assets is written off to the recoverable amount and the amount of the said decrease is included in loss on withdrawal from business as impairment loss. Net realizable value is used for the recoverable amount, and the net realizable value is evaluated using the sale estimate amounts.

7. Cash and Cash Equivalents

Reconciliations of cash and time deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as at March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash and time deposits	¥ 111,459	¥ 93,035	$ 1,004,139
Time deposits with maturities exceeding 3 months	(20,060)	(20,010)	(180,720)
Short-term investments that mature within 3 months of the acquisition date	—	8,000	—
Cash and cash equivalents	¥ 91,399	¥ 81,025	$ 823,419

8. Property, Plant and Equipment

The major classifications of property, plant and equipment as at March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Hydroelectric power production facilities	¥ 111,534	¥ 114,562	$ 1,004,813
Thermal power production facilities	178,585	178,935	1,608,882
Nuclear power production facilities	102,277	95,434	921,415
Transmission facilities	303,096	313,957	2,730,596
Transformation facilities	143,361	144,960	1,291,545
Distribution facilities	364,738	365,057	3,285,934
General facilities	75,668	78,058	681,693
Inactive facilities	16,150	17,597	145,497
Other electric utility plants and equipment	5,125	4,502	46,173
Other plants	118,925	127,373	1,071,400
Construction in progress	939,359	859,188	8,462,700
Suspense account related to the decommissioning of nuclear power stations	—	4,271	—
Suspense account related to reprocessing of spent nuclear fuel	11,361	7,574	102,358
Total	¥ 2,370,184	¥ 2,311,474	$ 21,353,013

Calculated according to the accounting principles and practices generally accepted in Japan, accumulated gains in relation to the receipt of contributions in aid of construction deducted from the original acquisition costs amounted to ¥100,737 million (US$907,545 thousand) and ¥98,232 million as at March 31, 2019 and 2018, respectively.

9. Financial Instruments

1. Issues related to financial instruments

(1) Approach to financial instruments

Most of the Companies' business consists of electric power business and funds that are necessary for capital investment and operations are raised from bonds, long-term borrowings, short-term borrowings and commercial paper ("CP") according to the Companies' plans for financing.

The Companies' fund management involves only highly safe monetary assets pursuant to these plans.

The derivative transactions are only for receivables and payables (actual demand transactions) arising from the business of the Company and certain consolidated subsidiaries. There are no transactions for speculative purposes.

(2) Details and risks of financial instruments and our risk management structure

Long-term investments (available-for-sale securities) consist of stocks of companies that share business interests with us, and the fair value of the stocks and the financial condition of the relevant companies are investigated on a regular basis.

Most of the Companies' notes receivable and accounts receivable consist of receivables for electricity charges and are exposed to customer credit risk. For the relevant risk, each customer's due date and balance are controlled in accordance with power supply conditions.

Short-term investments (held-to-maturity securities) are in the form of negotiable deposits and are exposed to the banks' credit risk. The risk is managed by depositing these investments only with banks that have a high credit rating.

Bonds and loans payable are procured mainly for capital investment. Since many interest-bearing debts consist of long-term funds with fixed interest rates (bonds and long-term borrowings), the fluctuation of market interest rates may have limited impact on our business results. Some long-term funds are used for derivative transactions (interest rate swaps and currency swaps) as a means to hedge risk to mitigate or avoid market fluctuation risk.

Due dates of most of the notes payable and accounts payable are within one year.

The Company enters into interest rate swap contracts, commodity swap contracts and currency swap contracts to mitigate and avoid market fluctuation risk. The Company has adopted hedge accounting for these instruments.

The Company believes that the related credit risk arising from the event of contract nonperformance by counterparties is extremely low, since the Company uses highly creditworthy financial institutions as counterparties to its derivative transactions, and determines fair values and credit information on a periodic basis.

The Company has established a management function independent from the execution function of derivatives and manages derivative transactions in accordance with internal regulations providing authorization limits, methods of execution, reporting and management, etc.

Although bonds and loans payable are exposed to liquidity risk, the Companies manage liquidity risk through monthly cash management ensuring liquidity that is necessary for operation of the Companies and diversifying financing methods.

(3) Supplemental explanation for financial instruments' fair value

The fair value of financial instruments is the market value or a reasonably calculated value when the relevant instruments do not have a market value. Since value calculation reflects variable factors, the relevant value may change depending on preconditions.

Note that the contract amount for derivative transactions in Note 11, "Derivatives and hedge accounting," does not reflect the market risk for the derivative transaction itself.

2. Issues related to fair value of financial instruments

The following are book values, fair values and the differences as of March 31, 2019 and 2018. Please note that items whose fair value is difficult to evaluate are not included (See Note b).

	Millions of yen						Thousands of U.S. dollars		
	2019			2018			2019		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets									
(1) Long-term investment: Available-for-sale securities	¥ 16,546	¥ 16,546	¥ —	¥ 33,742	¥ 33,742	¥ —	$ 149,066	$ 149,066	$ —
(2) Cash and time deposits	111,459	111,459	—	93,035	93,035	—	1,004,139	1,004,139	—
(3) Notes receivable and accounts receivable	132,776	132,776	—	119,001	119,001	—	1,196,184	1,196,184	—
(4) Short-term investment: Held-to-maturity securities	—	—	—	8,000	8,000	—	—	—	—
Liabilities									
(5) Bonds	¥ 990,453	¥ 1,012,805	¥ 22,352	¥ 917,402	¥ 938,616	¥ 21,213	$ 8,923,001	$ 9,124,377	$ 201,376
(6) Long-term borrowings	1,118,965	1,139,569	20,603	1,066,897	1,091,834	24,937	10,080,772	10,266,391	185,618
(7) Short-term borrowings	67,645	67,645	—	67,895	67,895	—	609,414	609,414	—
(8) Commercial paper	—	—	—	10,000	10,000	—	—	—	—
(9) Notes payable and accounts payable	48,684	48,684	—	66,552	66,552	—	438,599	438,599	—
(10) Derivative transactions	¥ (523)	¥ (523)	—	¥ 344	¥ 344	—	$ (4,716)	$ (4,716)	—

(Note a) Issues related to evaluation method for financial instruments' fair value, securities and derivative transactions

(1) Long-term investment: Available-for-sale securities

Fair values depend on stock exchange quotations.

For the difference between book value of available-for-sale securities and acquisition cost, please refer to Note 10, "Securities."

(2) Cash and time deposits, (3) Notes receivable and accounts receivable and (4) Short-term investment: Held-to-maturity securities

Since these are settled in a short time and their fair values approximate the book values, the relevant book values are quoted for them.

For the difference between the fair value of held-to-maturity securities and the book value, refer to Note 10, "Securities."

(5) Bonds

Bonds with market value are valued as such. Bonds without market value are valued based on comparable bonds being newly issued or on a price put forward by the financial institution or another organization. Some bonds are subject to the special treatment of interest rate swaps and assignment of currency swaps. These are valued based on the same terms and conditions applied to the relevant interest rate swap transactions and currency swap transactions.

(6) Long-term borrowings

The values of long-term borrowings are calculated using terms as if the borrowings were new loans. Some long-term borrowings are subject to the special treatment of interest rate swaps. These are valued

based on the same terms and conditions applied to the relevant interest rate swap transactions.

(7) Short-term borrowings, (8) Commercial paper and (9) Notes payable and accounts payable

Since these are settled in a short time and their fair values approximate the book values, the relevant book values are quoted for them.

(10) Derivative transactions

Please refer to Note 11, “Derivatives and hedge accounting.”

(Note b) Financial instruments for which assessing fair value is extremely difficult

	Millions of yen		Thousands of U.S. dollars
	Book value		
	2019	2018	2019
Unlisted stocks	¥ 37,674	¥ 37,743	$ 339,413
Other	1,043	1,046	9,398
Total	¥ 38,718	¥ 38,790	$ 348,811

The above do not have market value, and it is hard to estimate their future cash flow. As a result, they are not included in “(1) Long-term investment: Available-for-sale securities.”

(Note c) Anticipated redemption schedule for monetary claims and debt securities held to maturity subsequent to the fiscal year end

	Millions of yen		Thousands of U.S. dollars
	Within 1 year		
	2019	2018	2019
Long-term investment: Available-for-sale securities with maturity	¥ —	¥ —	$ —
Cash and time deposits	111,459	93,035	1,004,139
Notes receivable and accounts receivable	132,776	119,001	1,196,184
Short-term investment: Held-to-maturity securities	—	8,000	—
Total	¥ 244,235	¥ 220,037	$ 2,200,324

(Note d) Anticipated redemption schedule for bonds, long-term borrowings and other interest-bearing debt subsequent to the fiscal year end

	Millions of yen					
	2019					
	Within 1 year	1 year - 2 years	2 years - 3 years	3 years - 4 years	4 years - 5 years	Over 5 years
Bonds	¥ 251,959	¥ 120,000	¥ 80,000	¥ 30,000	¥ 118,228	¥ 390,000
Long-term borrowings	54,529	76,099	159,999	142,059	92,297	593,980
Short-term borrowings	67,645	—	—	—	—	—
Commercial paper	—	—	—	—	—	—
Total	¥ 374,133	¥ 196,099	¥ 239,999	¥ 172,059	¥ 210,525	¥ 983,980

	Millions of yen					
	2018					
	Within 1 year	1 year - 2 years	2 years - 3 years	3 years - 4 years	4 years - 5 years	Over 5 years
Bonds	¥ 90,000	¥ 251,959	¥ 120,000	¥ 80,000	¥ 30,000	¥ 345,000
Long-term borrowings	77,088	77,668	79,086	162,786	137,721	532,546
Short-term borrowings	67,895	—	—	—	—	—
Commercial paper	10,000	—	—	—	—	—
Total	¥ 244,983	¥ 329,627	¥ 199,086	¥ 242,786	¥ 167,721	¥ 877,546

	Thousands of U.S. dollars					
	2019					
	Within 1 year	1 year - 2 years	2 years - 3 years	3 years - 4 years	4 years - 5 years	Over 5 years
Bonds	$ 2,269,900	$ 1,081,081	$ 720,720	$ 270,270	$ 1,065,117	$ 3,513,513
Long-term borrowings	491,254	685,583	1,441,438	1,279,816	831,505	5,351,174
Short-term borrowings	609,414	—	—	—	—	—
Commercial paper	—	—	—	—	—	—
Total	$ 3,370,569	$ 1,766,664	$ 2,162,158	$ 1,550,086	$ 1,896,622	$ 8,864,688

(Note e) Bonds and long-term borrowings include items whose payment is due within one year.

(Note f) Receivables and liabilities generated from derivative transactions are shown in net amounts. When the total amount is negative (liabilities), the amount is shown in parentheses ( ).

10. Securities

Held-to-maturity securities

Categories	Millions of yen						Thousands of U.S. dollars		
	2019			2018			2019		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
Held-to-maturity securities with fair values exceeding book values									
Bonds	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	$ —	$ —	$ —
Other	—	—	—	—	—	—	—	—	—
Subtotal	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	$ —	$ —	$ —
Held-to-maturity securities with fair values not exceeding book values									
Bonds	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	$ —	$ —	$ —
Other	—	—	—	8,000	8,000	—	—	—	—
Subtotal	¥ —	¥ —	¥ —	¥ 8,000	¥ 8,000	¥ —	$ —	$ —	$ —
Total	¥ —	¥ —	¥ —	¥ 8,000	¥ 8,000	¥ —	$ —	$ —	$ —

Available-for-sale securities

Categories	Millions of yen						Thousands of U.S. dollars		
	2019			2018			2019		
	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Available-for-sale securities with book values exceeding acquisition costs									
Equity securities	¥ 16,157	¥ 7,301	¥ 8,856	¥ 33,261	¥ 9,051	¥ 24,210	$ 145,563	$ 65,775	$ 79,787
Bonds	—	—	—	—	—	—	—	—	—
Other	9	2	6	10	2	7	88	26	62
Subtotal	¥ 16,167	¥ 7,304	¥ 8,863	¥ 33,272	¥ 9,054	¥ 24,217	$ 145,651	$ 65,802	$ 79,849
Available-for-sale securities with book values not exceeding acquisition costs									
Equity securities	¥ 379	¥ 456	¥ (77)	¥ 470	¥ 492	¥ (21)	$ 3,414	$ 4,116	$ (702)
Bonds	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—	—
Subtotal	¥ 379	¥ 456	¥ (77)	¥ 470	¥ 492	¥ (21)	$ 3,414	$ 4,116	$ (702)
Total	¥ 16,546	¥ 7,761	¥ 8,785	¥ 33,742	¥ 9,546	¥ 24,195	$ 149,066	$ 69,919	$ 79,147

Since for the fiscal years ended March 31, 2019 and 2018, unlisted stocks in the amount of ¥38,718 million (US$348,811 thousand) and ¥38,790 million in book value had no market value and there was no way to estimate their future cash flow, it is difficult to evaluate their fair value. Hence, unlisted stocks are not included in the above “Available-for-sale securities”.

11. Derivatives and Hedge Accounting

Derivative transactions for which hedge accounting is applied

<Currencies>

Hedge accounting method	Type of transaction	Items to be hedged	Millions of yen					
			2019			2018		
			Amount of contract	Amount of contract longer than 1 year	Fair value	Amount of contract	Amount of contract longer than 1 year	Fair value
Assignment of currency swaps	Currency swap Japanese yen payment and U.S. dollars receipt	Bonds	¥ 90,187	¥ 33,228	(Note a)	¥ 56,959	¥ 56,959	(Note a)

Hedge accounting method	Type of transaction	Items to be hedged	Thousands of U.S. dollars		
			2019		
			Amount of contract	Amount of contract longer than 1 year	Fair value
Assignment of currency swaps	Currency swap Japanese yen payment and U.S. dollars receipt	Bonds	$ 812,495	$ 299,351	(Note a)

(Note a) Since currency swaps that are treated in “Assignment of currency swaps” are treated together with hedged bonds, the relevant fair value is included in the fair value of the bonds.

<Interest>

Hedge accounting method	Type of transaction	Items to be hedged	Millions of yen 2019 Amount of contract	2019 Amount of contract longer than 1 year	2019 Fair value	2018 Amount of contract	2018 Amount of contract longer than 1 year	2018 Fair value
	Interest-rate swap							
Special treatment of interest rate swaps	Fixed-rate receipt and flexible-rate payment	Bonds and long-term borrowings	¥ 60,717	¥ 20,000	(Note b)	¥ 61,431	¥ 60,717	(Note b)
	Fixed-rate payment and flexible-rate receipt		—	—	(Note b)	3,000	—	(Note b)

Hedge accounting method	Type of transaction	Items to be hedged	Thousands of U.S. dollars 2019 Amount of contract	2019 Amount of contract longer than 1 year	2019 Fair value
	Interest-rate swap				
Special treatment of interest rate swaps	Fixed-rate receipt and flexible-rate payment	Bonds and long-term borrowings	$ 547,000	$ 180,180	(Note b)
	Fixed-rate payment and flexible-rate receipt		—	—	(Note b)

(Note b) Since interest-rate swaps that are treated in “Special treatment of interest rate swaps” are treated together with hedged bonds and long-term borrowings, the relevant fair value is included in the fair value of the bonds and long-term borrowings.

<Commodities>

Hedge accounting method	Type of transaction	Items to be hedged	Millions of yen 2019 Amount of contract	2019 Amount of contract longer than 1 year	2019 Fair value	2018 Amount of contract	2018 Amount of contract longer than 1 year	2018 Fair value
General method	Commodity swap Fixed-rate payment and flexible-rate receipt	Fuel import payment debt (projected transaction)	¥ 4,887	¥ —	¥ 523	¥ 3,300	¥ —	¥ (344)

Hedge accounting method	Type of transaction	Items to be hedged	Thousands of U.S. dollars 2019 Amount of contract	2019 Amount of contract longer than 1 year	2019 Fair value
General method	Commodity swap Fixed-rate payment and flexible-rate receipt	Fuel import payment debt (projected transaction)	$ 44,033	$ —	$ 4,716

(Note c) The fair value of derivative transactions is measured at quoted prices from the financial institutions.

12. Long-term Debt

Long-term debt as at March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Bonds due through 2039 at rates of 0% to 3.488% (Note)	¥ 990,453	¥ 917,402	$ 8,923,001
Long-term loans from the Development Bank of Japan Inc., other banks and insurance companies due through 2037	1,118,965	1,066,897	10,080,772
Lease obligations	474	219	4,276
	2,109,893	1,984,520	19,008,050
Less amounts due within one year	(306,705)	(167,140)	(2,763,116)
Total	¥ 1,803,187	¥ 1,817,380	$ 16,244,934

(Note) Bonds include zero-coupon bonds with stock acquisition rights due in 2020 and 2022.

As at March 31, 2019 and 2018, long-term loans from the Development Bank of Japan Inc. in the amounts of ¥286,445 million (US$2,580,589 thousand) and ¥280,672 million and all bonds above were secured by a statutory preferential right that gives the creditors a security interest in all assets of the Company totaling ¥3,085,124 million (US$27,793,918 thousand) and ¥2,939,983 million, respectively, senior to that of general creditors. Some assets of subsidiaries are being used as collateral for loans from financial institutions and other sources.

The annual maturities of long-term debt as at March 31, 2019 and 2018 were as follows:

Year ended March 31, 2019	Millions of Yen	Thousands of U.S. dollars
2020	¥ 306,488	$ 2,761,155
2021	196,099	1,766,664
2022	239,999	2,162,158
2023	172,059	1,550,086
Thereafter	1,194,505	10,761,311

Year ended March 31, 2018	Millions of Yen
2019	¥ 167,088
2020	329,627
2021	199,086
2022	242,786
Thereafter	1,045,267

Note: Excluding lease obligations.

13. Leases

(As lessee)

Operating lease transactions

The present values of future minimum lease payments under operating leases that are non-cancelable as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Current portion	¥ 32	¥ 162	$ 292
Non-current portion	3	28	35
Total	¥ 36	¥ 191	$ 328

(As lessor)

1. Finance lease transactions

Non-capitalized finance leases before March 31, 2008 have been accounted for in the same manner as operating leases.

Lease payments received under non-capitalized finance leases amounted to ¥198 million (US$1,784 thousand) and ¥204 million for the years ended March 31, 2019 and 2018, respectively.

The present values of future minimum lease payments to be received under non-capitalized finance leases as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Current portion	¥ 188	¥ 210	$ 1,695
Non-current portion	237	425	2,136
Total	¥ 425	¥ 636	$ 3,831

2. Operating lease transactions

The present values of future minimum lease payments under operating leases that are non-cancelable as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Current portion	¥ 34	¥ 24	$ 313
Non-current portion	103	72	929
Total	¥ 137	¥ 97	$ 1,242

14. Contingent Liabilities

As at March 31, 2019 and 2018, the Companies were contingently liable as guarantors for loans of other companies and employees in the amount of ¥122,398 million (US$1,102,689 thousand) and ¥121,109 million, respectively.

As at March 31, 2019 and 2018, the Company was also contingently liable with respect to certain domestic bonds that were assigned to certain banks under debt assumption agreements in the aggregate amount of ¥35,000 million (US$315,315 thousand) and ¥80,000 million.

15. Research and Development Expenses

Research and development expenses charged to operating expenses were ¥11,345 million (US $102,208 thousand) and ¥10,293 million for the years ended March 31, 2019 and 2018, respectively.

16. Retirement Benefits

1. Overview of the retirement benefit plan adopted

The Companies provide a defined benefit corporate pension scheme - including a hybrid annuity scheme - and a lump sum plan as their defined benefit type plan.

A premium severance payment is also sometimes made when employees retire or otherwise terminate their employment.

In 1984, the Company adopted a qualified pension plan for a part of its retirement allowance system. In 2004, however, under a review of its regulations concerning retirement allowance/pension plans, it shifted to a hybrid annuity scheme, which is a floating-rate type of pension plan, and shifted to a system offering a choice between a defined contribution pension plan and retirement benefit advance payment scheme for part of its retirement lump sum scheme.

Under the defined benefit corporate pension schemes and retirement lump sum schemes of some of the subsidiaries, the simplified valuation method is used for calculating the assets, liabilities and costs for the retirement benefits. In such cases, each is added to the appropriate itemization in “2. Defined benefit plans” below.

2. Defined benefit plans

(1) Movement in retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at the beginning of the fiscal year	¥ 266,536	¥ 267,047	$ 2,401,226
Service cost	9,076	9,015	81,768
Interest cost	275	524	2,480
Actuarial loss (gain)	2,216	2,982	19,971
Benefits paid	(15,109)	(13,033)	(136,120)
Other	3	0	28
Balance at the end of the fiscal year	¥ 262,998	¥ 266,536	$ 2,369,356

(2) Movement in plan assets

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at the beginning of the fiscal year	¥ 244,001	¥ 244,510	$ 2,198,212
Expected return on plan assets	3,559	3,474	32,066
Actuarial loss (gain)	537	953	4,844
Contributions paid by the Companies	4,153	4,209	37,416
Benefits paid	(10,483)	(9,146)	(94,446)
Balance at the end of the fiscal year	¥ 241,768	¥ 244,001	$ 2,178,093

(3) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Retirement benefit obligations for defined benefit corporate pension schemes	¥ 195,370	¥ 198,591	$ 1,760,095
Plan assets	(241,768)	(244,001)	(2,178,093)
	(46,397)	(45,410)	(417,998)
Retirement benefit obligations for retirement lump sum schemes	67,627	67,944	609,261
Total net liability (asset) for retirement benefits at the end of the fiscal year	¥ 21,230	¥ 22,534	$ 191,262

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Liability for retirement benefits	¥ 69,362	¥ 69,517	$ 624,887
Asset for retirement benefits	(48,132)	(46,982)	(433,625)
Total net liability (asset) for retirement benefits at the end of the fiscal year	¥ 21,230	¥ 22,534	$ 191,262

(4) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Service cost	¥ 9,076	¥ 9,015	$ 81,768
Interest cost	275	524	2,480
Expected return on plan assets	(3,559)	(3,474)	(32,066)
Net actuarial loss (gain) amortization	(2,214)	(3,606)	(19,950)
Other	970	790	8,740
Retirement benefit costs for defined benefit plans	¥ 4,548	¥ 3,248	$ 40,973

(5) Adjustments for retirement benefit

A breakdown of the items (before tax effect deduction) that have been reported as adjustments for retirement benefits is as follows.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Actuarial gains/losses	¥ (3,893)	¥ (5,635)	$ (35,076)
Total	¥ (3,893)	¥ (5,635)	$ (35,076)

(6) Accumulated adjustments for retirement benefit

A breakdown of the items (before tax effect deduction) that have been reported as accumulated adjustments for retirement benefits is as follows.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unrecognized actuarial gains/losses	¥ 4,728	¥ 835	$ 42,601
Total	¥ 4,728	¥ 835	$ 42,601

(7) Plan assets

① The percentages of the main categories of plan assets were as follows.

	2019	2018
Bonds	39%	49%
Equity securities	11%	13%
Life insurance general accounts	37%	37%
Other	13%	1%
Total	100%	100%

② Long-term expected rates of return

The long-term expected rate of return on plan assets is determined by taking into account the allocation of current and envisioned plan assets as well as the long-term rates of return to be expected currently and in the future from the various assets that make up the plan assets.

(8) Actuarial assumptions

The major actuarial assumptions were as follows.

	2019	2018
Discount rate	mainly 0.0%	mainly 0.1%
Long-term expected rate of return	mainly 1.4%	mainly 1.4%

3. Defined contribution pension plan

The contributions required from the Companies to the defined contribution pension plan amounted to ¥763 million (US$6,881 thousand) and ¥759 million for the years ended March 31, 2019 and 2018, respectively.

17. Income Taxes

The Company is subject to a number of taxes based on income.

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Deferred tax assets:			
Excess depreciation	¥ 24,372	¥ 23,109	$ 219,571
Provision for depreciation of nuclear power plants	24,124	23,410	217,337
Asset retirement obligations	12,849	12,474	115,760
Adjustment for unrealized intercompany profits	9,080	8,863	81,806
Liability for retirement benefits	6,249	6,538	56,299
Accrued bonuses and other expenses	3,685	3,770	33,201
Other	20,933	20,229	188,590
Total gross deferred tax assets	101,295	98,395	912,568
Less valuation allowance	(14,952)	(13,160)	(134,707)
Total deferred tax assets	86,342	85,235	777,861
Deferred tax liabilities:			
Unrealized holding gains on securities	(2,727)	(7,314)	(24,571)
Suspense account related to the decommissioning of nuclear power stations	—	(1,194)	—
Other	(2,016)	(1,585)	(18,168)
Total deferred tax liabilities	(4,744)	(10,094)	(42,740)
Net deferred tax assets	¥ 81,598	¥ 75,141	$ 735,121

The causes of the discrepancy between the statutory tax rate and the effective income tax rate after the application of tax effect accounting in the years ended March 31, 2019 and 2018 were as follows.

	2019	2018
The Company's statutory tax rate	—	28.20%
(adjustment)		
Tax credit	—	(5.17%)
Equity in losses (earnings) of affiliated companies	—	(3.68%)
Less valuation allowance	—	4.33%
Other	—	1.23%
Effective income tax rate after the application of tax effect accounting	—	24.91%

Note: For the fiscal year ended March 31, 2019, as the discrepancy between the statutory effective tax rate and the income tax rate after the application of tax effect accounting is less than 5/100ths of the statutory effective tax rate, notes are omitted.

18. Asset Retirement Obligations

Asset retirement obligations included in the consolidated balance sheets

(1) Outline of the asset retirement obligations

Asset retirement obligations are recorded mainly in conjunction with measures to decommission specified nuclear power generation facilities under the "Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors." In accordance with an ordinance of the Ministry of Economy, Trade and Industry, the cost is calculated by applying the straight-line method to the estimated total decommissioning cost for the period equal to the facilities' forecast operating period plus the safe storage period. However, that ordinance was amended pursuant to the enactment of an Ordinance Partially Amending the Ministerial Ordinance concerning Reserve Fund for Dismantling Nuclear Power Facilities (Ministry of Economy, Trade and Industry Ordinance No. 17 of 2018) on April 1, 2018. Therefore, since that effective date, we changed to a calculation method in which the straight-line method is applied for the forecast operating period.

However, if retiring a reactor due to changes in energy policy, when given approval by the Minister of Economy, Trade and Industry upon an application to extend the accumulation period, the straight-line method shall be used for reckoning the period from the month containing the retirement date of the specified nuclear power generation facilities, to the month in which 10 years have passed (if the retirement date is 40 years from the month in which power generation began, then 50 years from the month in which power generation began).

(2) Method of calculating the value of the asset retirement obligations

The value of the asset retirement obligations was calculated mainly by taking as the estimated use period the accumulation period (generation facilities' forecasted operating period) which is prescribed in the Ordinance of the Ministry of Economy, Trade and Industry, and using a discount rate of 2.3%.

(3) Variation in the total value of the asset retirement obligations during the fiscal year ended March 31, 2019 and 2018:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at the beginning of the fiscal year	¥ 79,026	¥ 77,401	$ 711,947
Changes in estimated obligations and accretion	12,830	1,624	115,592
Balance at the end of the fiscal year	¥ 91,856	¥ 79,026	$ 827,539

19. Net Assets

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 Company Law, in cases where a dividend distribution of surplus is made, companies are required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends as additional paid-in capital or as legal earnings reserve until the total of these equals 25% of common stock. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Neither additional paid-in capital nor legal earnings reserve can be distributed as dividends. However, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, which are potentially available for dividends.

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

At the annual stockholders' meeting held on June 26, 2019, the stockholders approved cash dividends amounting to ¥8,612 million (US$77,591 thousand). The appropriations had not been accrued in the consolidated financial statements as of March 31, 2019. Such appropriations are recognized in the period in which they are approved by the stockholders.

20. Segment Information

The Companies' reporting segments are structural units of the Companies that are separated from the others and for which separate financial information is available. This information is the subject of periodic deliberations by the Board of Directors in order to decide the allocation of business resources and evaluate business results.

With electric power as their core, the Companies are developing total solution operations by focusing on allocating business resources into strategic business domains that can exploit the Companies' strengths.

Thus, the Companies, with electric power as their nucleus, are composed of three segments each of which provides different products and services using the business resources possessed by the Companies: "Electric power," "Comprehensive energy supply," and "Information and telecommunications."

In the "Electric power" segment, we supply power within the Chugoku Region as the basis of our operational development. In the "Comprehensive energy supply" segment, we provide energy utilization services that include the sale of LNG and other fuels as well as the sale of electricity and heat. In the "Information and telecommunications" segment, we provide electrical communications and data processing services utilizing Information and Communications Technology (ICT).

Other business segments, not comprised in the reporting segments include those in which we carry out environmental harmony creation, business/lifestyle support, electric power business support and similar operations.

A summary by segment for the years ended March 31, 2019 and 2018 is as follows:

	Millions of yen							
	2019							
	Reporting segment				Other	Total	Adjustment (Note)	Consolidated
	Electric power	Comprehensive energy supply	Information and tele-communications	Total				
Operating revenues:								
Outside customers	¥ 1,224,535	¥ 71,654	¥ 29,764	¥ 1,325,955	¥ 51,023	¥ 1,376,979	¥ —	¥ 1,376,979
Intersegment	23,994	2,287	12,099	38,381	71,654	110,035	(110,035)	—
Total	1,248,530	73,942	41,864	1,364,337	122,678	1,487,015	(110,035)	1,376,979
Segment income (loss)	¥ 10,265	¥ 1,808	¥ 2,332	¥ 14,406	¥ 6,115	¥ 20,521	¥ (991)	¥ 19,530
Segment assets	3,030,443	51,955	77,365	3,159,763	224,721	3,384,485	(122,820)	3,261,665
Other items:								
Depreciation expense	¥ 91,789	¥ 1,694	¥ 8,990	¥ 102,475	¥ 3,388	¥ 105,863	¥ (1,084)	¥ 104,779
Investment in equity method affiliated companies	10,052	5,276	—	15,329	97,660	112,989	—	112,989
Value increase in tangible and intangible assets	170,917	750	7,849	179,517	2,689	182,206	(3,048)	179,158

	Millions of yen							
	2018							
	Reporting segment				Other	Total	Adjustment (Note)	Consolidated
	Electric power	Comprehensive energy supply	Information and tele-communications	Total				
Operating revenues:								
Outside customers	¥ 1,193,671	¥ 47,973	¥ 29,029	¥ 1,270,674	¥ 44,292	¥ 1,314,967	¥ —	¥ 1,314,967
Intersegment	7,617	2,290	11,936	21,844	74,452	96,297	(96,297)	—
Total	1,201,288	50,264	40,966	1,292,519	118,744	1,411,264	(96,297)	1,314,967
Segment income (loss)	¥ 31,706	¥ 2,140	¥ 2,645	¥ 36,492	¥ 3,820	¥ 40,313	¥ (687)	¥ 39,626
Segment assets	2,899,571	43,503	79,064	3,022,139	250,015	3,272,154	(92,712)	3,179,442
Other items:								
Depreciation expense	¥ 90,956	¥ 1,659	¥ 8,912	¥ 101,528	¥ 3,731	¥ 105,260	¥ (1,153)	¥ 104,106
Investment in equity method affiliated companies	9,790	4,632	—	14,422	99,611	114,034	—	114,034
Value increase in tangible and intangible assets	205,225	3,627	7,789	216,642	4,876	221,518	(3,011)	218,507

	Thousands of U.S. dollars							
	2019							
	Reporting segment							
	Electric power	Comprehensive energy supply	Information and tele-communications	Total	Other	Total	Adjustment (Note)	Consolidated
Operating revenues:								
Outside customers	$ 11,031,855	$ 645,540	$ 268,150	$ 11,945,546	$ 459,675	$ 12,405,221	$ —	$ 12,405,221
Intersegment	216,169	20,603	109,005	345,778	645,534	991,313	(991,313)	—
Total	11,248,025	666,144	377,155	12,291,325	1,105,209	13,396,535	(991,313)	12,405,221
Segment income (loss)	$ 92,480	$ 16,291	$ 21,016	$ 129,789	$ 55,093	$ 184,882	$ (8,934)	$ 175,948
Segment assets	27,301,289	468,066	696,982	28,466,338	2,024,518	30,490,856	(1,106,486)	29,384,370
Other items:								
Depreciation expense	$ 826,932	$ 15,268	$ 80,999	$ 923,200	$ 30,526	$ 953,726	$ (9,765)	$ 943,960
Investment in equity method affiliated companies	90,567	47,533	—	138,101	879,820	1,017,921	—	1,017,921
Value increase in tangible and intangible assets	1,539,795	6,761	70,717	1,617,274	24,229	1,641,503	(27,461)	1,614,042

(Note) "Adjustment" of "Segment income (loss)" in an amount of ¥(991) million (US$(8,934) thousand) and ¥(687) million refers to intersegment elimination for the years ended March 31, 2019 and 2018, respectively.

"Adjustment" of "Segment assets" in an amount of ¥(122,820) million (US$(1,106,486) thousand) and ¥(92,712) million refers mainly to intersegment elimination for the years ended March 31, 2019 and 2018, respectively.

"Adjustment" of "Value increase in tangible and intangible assets" in an amount of ¥(3,048) million (US$(27,461) thousand) and ¥(3,011) million refers mainly to intersegment elimination for the years ended March 31, 2019 and 2018, respectively.

Since the categories for products and services are same as the categories within the reporting segments, information about individual products and services is omitted here.

Since the Companies' sales to external customers in Japan accounted for over 90% of the total sales in the Consolidated Statements of Operations for the fiscal years ended March 31, 2019 and 2018, information concerning region-by-region sales amounts is omitted here.

Since the value of the Companies' tangible fixed assets located in Japan accounted for over 90% of the value of tangible fixed assets in the consolidated balance sheets as of March 31, 2019 and 2018, information concerning region-by-region tangible fixed assets is omitted here.

Since no customer among the Companies' external customers accounted for 10% or more of the total sales in the Consolidated Statements of Operations for the fiscal years ended March 31, 2019 and 2018, information concerning major customers is omitted here.

Information on impairment loss for fixed assets in each reporting segment

For the fiscal year ended March 31, 2018, there is no requirement for any additional entry.

Information on impairment loss for fixed assets in each reporting segment for the fiscal year ended March 31, 2019 is listed below.

	Millions of yen							
	Reporting segment							
	Electric power	Comprehensive energy supply	Information and tele-communications	Total	Other (Note)	Total	Adjustment	Consolidated
Impairment loss	—	—	—	—	¥ 1,906	¥ 1,906	—	¥ 1,906

	Thousands of U.S. dollars							
	Reporting segment							
	Electric power	Comprehensive energy supply	Information and tele-communications	Total	Other (Note)	Total	Adjustment	Consolidated
Impairment loss	—	—	—	—	$ 17,180	$ 17,180	—	$ 17,180

Note: This is the impairment loss for fixed assets recorded due to ADPLEX Co., Ltd. withdrawing from the package printing business, and is included in "Loss on business withdrawal" under “Other expense (income)”.

21. Subsequent Event

The following appropriations of retained earnings as at March 31, 2019 were approved at the annual meeting of stockholders held on June 26, 2019:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥25 (US$0.22) per share	¥ 8,612	$ 77,591

Important company divisions

By a resolution of the Board of Directors held on April 26, 2019, the Company decided to have the general power transmission and distribution business and power generating business on remote islands, etc., be inherited by a wholly owned subsidiary (established on April 1, 2019, hereinafter referred to as the "Transmission and Distribution Company"(Note)) via the company division method on April 1, 2020 (scheduled), and both companies concluded an agreement for absorption-type company division on the same day (hereinafter, this company division is referred to as "this absorption-type division").

The entry into force of this absorption-type division assumes, however, that the approvals necessary to execute business will be granted by the relevant authorities.

Note: A name in English has not yet been set.

1. Transaction outline

(1) Name of applicable businesses and content of corresponding work

General power transmission and distribution business, power generating business on remote islands, etc.

(2) Date of corporate merger

April 1, 2020 (scheduled)

(3) Legal form of corporate merger

Absorption-type division in which this Company is divided and this Company's wholly owned subsidiary, the Transmission and Distribution Company, is the inheriting company

(4) Other matters on the outline of this transaction

Pursuant to the Electricity Business Act revised in June 2015, the power transmission and distribution division must be legally separated by April 2020. In order for the Company to maintain a higher level of neutrality for the power transmission and distribution business while also keeping the efficiency and work quality we have cultivated until now, the Company, which bears a power generating business and a retail power business, shall become an operating holding company, and the power transmission and distribution business shall be split up into a subsidiary to perform this absorption-type division.

Even after the legal separation of the power transmission and distribution division, the Company shall aim to improve the corporate value of the entire Chugoku Electric Power Group by continuing to construct an efficient, competitive business management structure.

Items and book value of assets and liabilities to be divided (current as of March 31, 2019)

(Assets)	Millions of yen	Thousands of U.S. dollars	(Liabilities)	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment	¥951,539	$8,572,431	Long-term liabilities	¥27,092	$244,078
Current assets	57,033	513,811	Current liabilities	73,359	660,895
Total	¥1,008,572	$9,086,242	Total	¥100,452	$904,973

Note: As each amount above was calculated based on the balance sheets as of March 31, 2019, the actual amounts inherited will be values with additions to or subtractions from the above values made up until the day before the effective date.

2. Outline of implemented accounting

In accordance with the "Accounting Standards for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019), we plan to account for them as transactions under common control.

Reversal of a provision for depreciation of nuclear power plants according to proclamation of partial amendment of the Ministerial Ordinance concerning Provision for Depreciation of Nuclear Power Plants

(1) Content

The Ministerial Ordinance concerning Provision for Depreciation of Nuclear Power Plants (Ministry of Economy, Trade and Industry Ordinance No.20 of 2007, “the Ministerial Ordinance”) was amended

pursuant to proclamation of an Ordinance Partially Amending the Ministerial Ordinance on July 26, 2019, which become effective on August 2, 2019 (“the Amended Ministerial Ordinance”).

According to the Amended Ministerial Ordinance, electricity generation utilities subject to the Ministerial Ordinance shall be utilities that apply the declining balance method to tangible fixed assets.

Therefore, since the effective date, the Company is no longer an electricity generation utility subject to the Ministerial Ordinance as the Company changed the depreciation method for tangible fixed assets from the declining balance method to the straight-line method from April 1, 2019.

As a result, the Company will reverse the balance of provision for depreciation of nuclear power plants as of the three months ended June 30, 2019 on the six months ending September 30, 2019.

(2) Reversal amount

¥86,650 million

(3) Amount of effect to the consolidated profit (loss)

Following this reversal, profit before income taxes for the six months ending September 30, 2019 will increase by ¥86,650 million as a result of providing reversal for depreciation of nuclear power plants.

KPMG

Independent Auditor's Report

To the Board of Directors of

Tha Chugoku Electric Power Co., Inc.

We have audited the accompanying consolidated financial statements of The Chugoku Electric Power Co., Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2019 and 2018, and the consolidated statements of operations, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 judgment, 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 Chugoku Electric Power Co., Inc. and its consolidated subsidiaries as at March 31, 2019 and 2018, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note 21 to the consolidated financial statements. By a resolution of the Board of Directors held on April 26, 2019, the Company decided to enter into an agreement for absorption-type company division and the agreement has been concluded on the same day. Our opinion is not modified in respect of this matter.

We draw attention to Note 21 to the consolidated financial statements. The Ministerial Ordinance concerning Provision for Depreciation of Nuclear Power Plants (Ministry of Economy, Trade and Industry Ordinance No.20 of 2007) was amended pursuant to proclamation of an Ordinance Partially Amending the Ministerial Ordinance on July 26, 2019. Our opinion is not modified in respect of this matter.

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.

KPMG

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2019 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

July 31, 2019
Hiroshima, Japan

Non-Consolidated Balance Sheets

The Chugoku Electric Power Co., Inc.
March 31, 2019 and 2018

Assets	Millions of yen		Thousands of U.S.dollars
	2019	2018	2019
Property, plant and equipment:			
Plant and equipment	¥5,785,793	¥5,740,162	$52,124,267
Construction in progress	948,568	867,265	8,545,663
Suspense account related to the decommissioning of nuclear power stations	-	4,271	-
Suspense account related to reprocessing of spent nuclear fuel	11,361	7,574	102,358
	6,745,724	6,619,273	60,772,289
Less-			
Contributions in aid of construction	97,219	94,704	875,852
Accumulated depreciation	4,345,857	4,289,150	39,151,873
	4,443,077	4,383,854	40,027,725
Net property, plant and equipment	2,302,646	2,235,419	20,744,564
Nuclear fuel	159,103	180,428	1,433,361
Investments and other assets:			
Investment securities	58,607	68,004	527,994
Investments to subsidiaries and affiliated companies	88,166	47,693	794,294
Long-term loans to employees	12	25	116
Deferred tax assets	66,784	63,358	601,663
Other assets	118,245	92,888	1,065,278
Total investments and other assets	331,817	271,970	2,989,348
Current assets:			
Cash and time deposits	104,271	73,058	939,386
Receivables, less allowance for doubtful accounts of ¥199 million ($1,793 thousand) in 2019 and ¥315 million in 2018	113,999	102,144	1,027,019
Short-term investment	-	8,000	-
Inventories, fuel and supplies	47,124	49,820	424,544
Other current assets	26,161	19,141	235,693
Total current assets	291,557	252,165	2,626,643
Total assets	¥3,085,124	¥2,939,983	$27,793,918

Liabilities and Net Assets	Millions of yen		Thousands of U.S.dollars
	2019	2018	2019
Long-term liabilities:			
Long-term debt	¥1,793,902	¥1,783,852	$16,161,281
Employees' severance and retirement benefits	57,498	57,789	518,005
Asset retirement obligations	90,871	77,861	818,658
Other long-term liabilities	12,678	19,337	114,220
Total long-term liabilities	1,954,950	1,938,840	17,612,166
Current liabilities:			
Long-term debt due within one year	305,500	163,227	2,752,260
Short-term borrowings	67,145	67,395	604,909
Commercial paper	-	10,000	-
Accounts payable	71,547	86,456	644,570
Accrued income taxes	4,917	11,152	44,304
Accrued expenses	73,529	75,666	662,429
Provision for loss on disaster	912	-	8,217
Other current liabilities, including other long-term liabilities due within one year	115,434	83,510	1,039,949
Total current liabilities	638,987	497,408	5,756,642
Reserve for fluctuation in water levels	1,170	1,424	10,541
Provision for depreciation of nuclear power plants	86,281	83,727	777,315
Net Assets:			
Common stock	185,527	185,527	1,671,420
Authorized - 1,000,000,000 shares			
Issued - 371,055,259 shares in 2019 and 2018			
Capital surplus	16,727	16,727	150,699
Retained earnings	234,018	242,733	2,108,273
Treasury stock (26,550,377 shares in 2019 and 26,536,727 shares in 2018)	(38,382)	(38,362)	(345,785)
Net unrealized holding gains (losses) on securities	6,220	11,708	56,043
Net unrealized gains (losses) on hedges	(377)	248	(3,397)
Total net assets	403,735	418,582	3,637,252
Total liabilities and net assets	¥3,085,124	¥2,939,983	$27,793,918

Non-Consolidated Statements of Operations

The Chugoku Electric Power Co., Inc.
For the years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S.dollars
	2019	2018	2019
Operating revenues	¥1,280,501	¥1,227,470	$11,536,053
Operating expenses:			
Personnel	94,467	96,688	851,055
Fuel	236,775	207,883	2,133,109
Purchased power	405,983	364,089	3,657,506
Depreciation	91,789	90,956	826,932
Maintenance	80,607	89,832	726,197
Taxes other than income taxes	53,766	53,996	484,382
Purchased services	50,245	51,185	452,662
Other	255,582	240,363	2,302,546
	1,269,217	1,194,995	11,434,391
Operating income (loss)	11,284	32,475	101,661
Other expenses (income):			
Interest expense	12,345	17,204	111,218
Interest income	(86)	(30)	(781)
Gains on sales of securities	(10,456)	-	(94,202)
Contingent Loss	231	-	2,081
Loss on disaster	3,393	-	30,567
Loss on business of subsidiaries and affiliates	1,568	-	14,135
Other, net	(7,882)	(8,784)	(71,011)
	(887)	8,388	(7,992)
Profit (loss) before special item and income taxes	12,171	24,086	109,654
Special item:			
Provision (reversal) of reserve for fluctuation in water levels	(254)	203	(2,292)
Provision for depreciation of nuclear power plants	2,554	3,378	23,016
Profit (loss) before income taxes	9,871	20,504	88,930
Provision for income taxes:			
Current	2,455	5,891	22,125
Deferred	(1,095)	(1,831)	(9,870)
	1,360	4,059	12,255
Profit (loss)	¥8,510	¥16,445	$76,674

	Yen		U.S.dollars
	2019	2018	2019
Per share data:			
Earnings (basic)	¥24.70	¥47.73	$0.22
Cash dividends	50.00	50.00	0.45

Major Subsidiaries and Affiliated Companies

(As of March 31, 2019)

Name	Capital (Millions of yen except for †, ‡, ††)	a percentage of voting rights(%)	Business
CHUDEN KOGYO CO.,LTD.*	77	100.0	Contracting out construction and painting projects
CHUDEN PLANT CO.,LTD.*	200	100.0	Construction of power facilities
CHUGOKU INSTRUMENTS CO.,INC.*	30	100.0	Repair of electric power meters, electrical work and telecommunications engineering
Energia L&B Partners Co.,Inc.*	104	100.0	Realty, building management and leasing
CHUDEN KANKYO TECHNOS CO.,LTD.*	50	100.0	Operation and management of power station equipment
Energia Communications,Inc.*	6,000	100.0	Telecommunications business,data processing
EnerGia Business Service Co.,Inc.*	100	100.0	Financial services for the Group,accounting and personnel-related services
Energia Solution & Service Company, Incorporated*	4,653	100.0	Cogeneration, dispersed power sources,fuel sales and other energy use business,electric water heater sales and leasing
Power Engineering and Training Services, Incorporated*	288	100.0	Training in thermal power generation technology, engineering
Chugoku Electric Power Australia Resources Pty. Ltd.*	60 Millions of Australian $ †	100.0	Exploration, development, production business of energy resources
Chugoku Electric Power International Netherlands B.V.*	1 US $ ‡	100.0	Investment, financing and providing guarantees for overseas electricity projects
Chugoku Electric Power America, LLC *	85.5 Millions of US $ ††	100.0	Investment, financing and providing guarantees for overseas electricity projects
Denryoku Support Chugoku Co.*	65	100.0	design of distribution equinment
ADPLEX Co.,Ltd.*	30	99.8 (0.0)	Printing,advertising
CHUDEN ENGINEERING CONSULTANTS CO., LTD.*	100	100.0 (10.0)	Civil engineering and construction consulting
Chiba Power Corp.*	100	73.0	Development of power station in Chiba prefecture
EnerGia Smile CO.,INC.*	100	100.0 (30.0)	Lease of vehicles, maintenance of building facilities, dispatching workers, cleaning, sorting and collecting mails
The Energia Logistics Co.,Inc.*	40	70.0	Logistics (Shipping, etc.)
TEMPEARL INDUSTRIAL CO.,LTD.*	150	57.6 (1.0)	Manufacturing of electric machine tools
CHUGOKU KOATSU CONCRETE INDUSTRIES CO.,LTD.*	150	50.1	Manufacturing of concrete products and civil engineering / foundation construction
EnerGia Care Service Co.,Inc.*	78	100.0 (66.7)	Management of a nursing home,day-care services,home nursing care services
Setouchi Joint Thermal Power Co.,LTD.**	5,000	50.0	Thermal power generation
CHUGOKU HEALTH AND WELFARE CLUB CO.,INC.**	50	50.0	Welfare agency services
MIZUSHIMA LNG COMPANY,LIMITED**	800	50.0	Accepting consignments to receive,store,convert into gas form and deliver liquefied natural gas (LNG), gas pipeline service business
Setouchi Power Corporation**	100	50.0	Supply of electric power
Osaki CoolGen Corporation**	490	50.0	Development of Coal Gasification Technology
KAITA BIOMASS POWER CO., LTD.**	100	50.0	Development of biomass and coal mixed-fuel power station
AIR WATER & ENERGIA POWER YAMAGUCHI CORPORATION**	490	49.0	Development of biomass and coal mixed-fuel power station
AIR WATER & ENERGIA POWER ONAHAMA CORPORATION**	245	49.0	Development of biomass and coal mixed-fuel power station
CHUDENKO CORPORATION**	3,481	39.4 (0.0)	Electrical and telecommunications engineering
The Chugoku Electric Manufacturing Company, Incorporated**	150	40.0	Manufacturing of electric machine tools
Houseplus Chugoku Housing Warranty Corporation Limited**	50	33.3	Functional evaluation and construction confirmation checks for housing
OZUKI STEEL INDUSTRIES CO.,LTD.**	50	20.0	Manufacturing of cast steel products

* Consolidated subsidiary
** Affiliated company accounted for by the equity method
Note:The figure in parentheses ( ) after a proportion of voting rights held is the percentage, among those, of indirectly-held voting rights.

Investor Information

(As of March 31, 2019)

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS:
KPMG AZSA LLC
TRANSFER AGENT AND REGISTRAR:
Sumitomo Mitsui Trust Bank,Limited
SECURITIES TRADED:
Tokyo Stock Exchange, Inc.

NUMBER OF STOCKHOLDERS:115,204

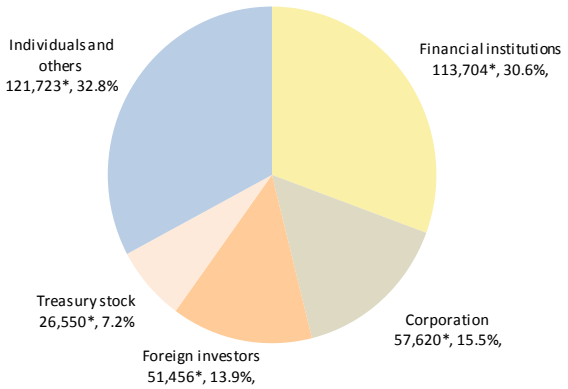
COMMON STOCK ISSUED:371,055,259 shares

MAJOR STOCKHOLDERS

Name	Number of Stocks Held (thousands)	Percentage (%)
Japan Trustee Services Bank, Ltd.	38,352	11.13
Yamaguchi Prefecture	34,005	9.87
The Master Trust Bank of Japan,Ltd.	26,403	7.66
Nippon Life Insurance Company	15,245	4.43
Company stock investment	7,364	2.14
STATE STREET BANK WEST CLIENT - TREATY 505234	7,235	2.10
The Hiroshima Bank,Ltd.	5,842	1.70
THE SAN-IN GODO BANK, LTD.	5,547	1.61
Trust & Custody Services Bank,Ltd.	4,064	1.18
SSBTC CLIENT OMNIBUS ACCOUNT	3,811	1.11

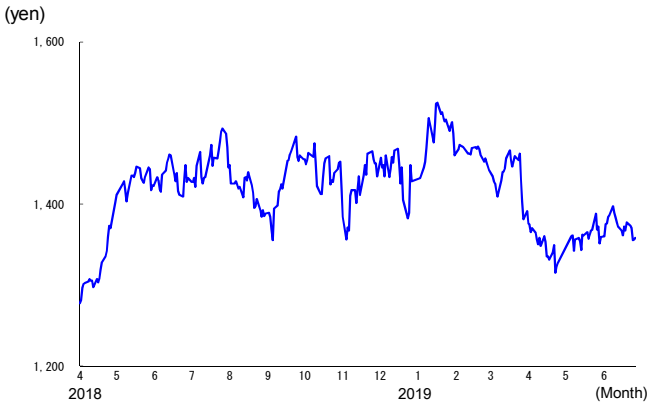
Note:The table above excludes 26,550thousand shares of treasury stock.

DISTRIBUTION OF COMMON STOCK ISSUED



*Thousands of stocks

STOCK PRICE RANGE ON THE TOKYO STOCK EXCHANGE



The Chugoku Electric Power Co., Inc.

4-33, Komachi, Naka-ku, Hiroshima 730-8701, Japan
Tel:+81-82-241-0211 Fax:+81-82-544-2792
http://www.energia.co.jp/