OFFERING CIRCULAR

Kansai Electric Power

power with heart

THE KANSAI ELECTRIC POWER COMPANY, INCORPORATED

(incorporated in Japan with limited liability under the laws of Japan)

U.S.$500,000,000 2.550 per cent. Bonds due 2024

Issue Price: 100 per cent.

The U.S.$500,000,000 2.550 per cent. Bonds due 2024 (the "Bonds") of The Kansai Electric Power Company, Incorporated (the "Company") will be issued in registered form in denominations of U.S.$200,000 and integral multiples of U.S.$2,000 in excess thereof. The Bonds will bear interest from 17 September 2019 at the rate of 2.550 per cent. per annum payable semi-annually in arrear on 17 March and 17 September in each year commencing on 17 March 2020. Payments on the Bonds will be made in U.S. dollars without withholding or deduction for or on account of Japanese taxes to the extent described in Condition 7 of the terms and conditions of the Bonds (the "Conditions" and each condition set out in the Conditions being a "Condition").

Unless previously redeemed or cancelled, the Bonds will be redeemed at 100 per cent. of their principal amount on 17 September 2024. If Japanese withholding taxes are imposed on payments in respect of the Bonds, the Company may, at any time, redeem all of the Bonds at 100 per cent. of their principal amount (as set out herein).

Approval in-principle has been received for the listing of the Bonds on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Offering Circular. Admission of the Bonds to the official list of the SGX-ST is not to be taken as an indication of the merits of the Company or the Bonds.

The Bonds will be evidenced by a global certificate (the "Global Certificate") evidencing the Bonds in registered form, which is expected to be deposited with and registered in the name of, or a nominee for, a common depositary for each of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream, Luxembourg") on or about 17 September 2019 (the "Closing Date") for the accounts of their respective accountholders. The Managers (as defined in "Subscription and Sale") expect to deliver the Bonds through the facilities of Euroclear and Clearstream, Luxembourg on or about the Closing Date.

It is expected that the Bonds will be assigned a credit rating of A3 by Moody's Japan K.K. ("Moody's"). A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

This Offering Circular does not constitute an offer of, or solicitation of an offer to buy or subscribe for, the Bonds in any jurisdiction in which such offer or solicitation is unlawful. In particular, the Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S")). In addition, the Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "FIEA") and may not be offered or sold within Japan or to, or for the account or benefit of, residents of Japan including corporations incorporated under the laws of Japan, unless otherwise provided under the FIEA. For a summary of certain restrictions on offers and sales of Bonds, see "Subscription and Sale".

Singapore Securities and Futures Act Product Classification: solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the "SFA"), the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA), that the Bonds are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).

See "Investment Considerations" for a discussion of certain factors that should be considered in connection with an investment in the Bonds.

Joint Bookrunners and Joint Lead Managers

Morgan Stanley **Nomura** **Mizuho Securities** **Citigroup**

Co-Managers

BofA Merrill Lynch **Daiwa Capital Markets Europe** **SMBC NIKKO** **BNP PARIBAS**

The date of this Offering Circular is 11 September 2019.

TABLE OF CONTENTS

The Company accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Company (the Company having taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Company, having made all reasonable enquiries, confirms that this Offering Circular contains all information with respect to the Company, the Group (as defined below) and the Bonds which is material in the context of the issue and offering of the Bonds, the statements contained herein relating to the Company and the Group are in every material particular true and accurate and not misleading, the opinions and intentions expressed in this Offering Circular with regard to the Company and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, there are no other facts in relation to the Company, the Group or the Bonds the omission of which would, in the context of the issue and offering of the Bonds, make any statement in this Offering Circular misleading in any material respect and all reasonable enquiries have been made by the Company to ascertain such facts and to verify the accuracy of all such information and statements.

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to the "Group" are to the Company and its consolidated subsidiaries and its affiliates accounted for by the equity method taken as a whole.

No person is authorised to give any information or to make any representation not contained in this Offering Circular and any information or representation not contained in this Offering Circular must not be relied upon as having been authorised by the Company or the Managers. Neither the delivery of this Offering Circular nor any sale made in connection herewith at any time implies that the information contained herein is correct as of any time subsequent to the date hereof, nor does it imply that there has been no change in the affairs or the financial position of the Group since the date hereof.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Company or the Managers to subscribe for, or purchase, any of the Bonds. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Company and the Managers to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of Bonds and distribution of this Offering Circular, see "Subscription and Sale".

None of the Fiscal Agent, Paying Agents, Transfer Agent, Registrar (each as defined in "Summary Information—The Bonds") or, to the fullest extent permitted by law, the Managers, accept any responsibility whatsoever for the contents of this Offering Circular or for any other statement, made or purported to be made by a Manager or on its behalf in connection with the Company, the Group or the issue and offering of the Bonds. Each of the Managers, the Fiscal Agent, the Paying Agents, the Transfer Agent and the Registrar accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular (in preliminary or final form) in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the circulation of documents relating thereto, in jurisdictions including the United States, Japan, Singapore, the European Economic Area (including the United Kingdom), Hong Kong and Switzerland and to persons connected therewith. See "Subscription and Sale".

The Bonds have not been and will not be registered under the FIEA and are subject to the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended, the "Special Taxation Measures Act"). Each Manager has represented and agreed that, (I) it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to or for the benefit of, any person resident in Japan for Japanese securities law purposes (including any corporation or entity organised under the laws of Japan), or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of any person resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan, and (II) it has not, directly or indirectly, offered or sold and will not, as part of its initial distribution at any time, directly or indirectly, offer or sell any Bonds to, or for the benefit of, any person other than a (i) a beneficial owner that is, for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a person having a special relationship with the Company as described in Article 6, Paragraph 4 of the Special Taxation Measures Act (a "Specially-Related Party of the Company"), (ii) a Japanese financial institution, designated in Article 3-2-2, Paragraph 28 of the Cabinet Order relating to the Special Taxation Measures Act (Cabinet Order No. 43 of 1957, as amended, the "Cabinet Order") that will hold the Bonds for its own proprietary account (a "Designated Financial Institution") or (iii) any other excluded category of persons, corporations or other entities under the Special Taxation Measures Act.

BY SUBSCRIBING FOR THE BONDS, AN INVESTOR WILL BE DEEMED TO HAVE REPRESENTED THAT IT IS (I) A BENEFICIAL OWNER THAT IS, FOR JAPANESE TAX PURPOSES, NEITHER (X) AN INDIVIDUAL RESIDENT OF JAPAN OR A JAPANESE CORPORATION, NOR (Y) AN INDIVIDUAL NON-RESIDENT OF JAPAN OR A NON-JAPANESE CORPORATION THAT IN EITHER CASE IS A SPECIALLY-RELATED PARTY OF THE COMPANY, (II) A JAPANESE FINANCIAL INSTITUTION, DESIGNATED IN ARTICLE 3-2-2, PARAGRAPH 28 OF THE CABINET ORDER THAT WILL HOLD THE BONDS FOR ITS OWN PROPRIETARY ACCOUNT, OR (III) ANY OTHER EXCLUDED CATEGORY OF PERSONS, CORPORATIONS OR OTHER ENTITIES UNDER THE SPECIAL TAXATION MEASURES ACT.

The Bonds do not fall under the concept of so-called "taxable linked notes" as described in Article 6, Paragraph 4 of the Special Taxation Measures Act.

Interest payments on the Bonds will generally be subject to Japanese withholding tax unless it is established that such Bonds are held by or for the account of a beneficial owner that is (i) for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that in either case is a Specially-Related Party of the Company, (ii) a designated Japanese financial institution described in Article 6, Paragraph 9 of the Special Taxation Measures Act which complies with the requirement for tax exemption under that paragraph or (iii) a public corporation, a financial institution, a financial instruments business operator or certain other entity which has complied with the requirement for tax exemption under Article 3-3, Paragraph 6 of the Special Taxation Measures Act which has received such payments through a Japanese payment handling agent as provided in Article 3-3, Paragraph 6 of the Special Taxation Measures Act.

Interest payments on the Bonds paid to an individual resident of Japan, to a Japanese corporation, or to an individual non-resident of Japan or a non-Japanese corporation that in either case is a Specially-Related Party of the Company (except for the designated Japanese financial institution and the public corporation, the financial institution, the financial instruments business operator and certain other entity described in the preceding paragraph) will be subject to deduction in respect of Japanese income tax at a rate of 15.315 per cent. of the amount of such interest.

The Bonds have not been and will not be registered under the Securities Act. Subject to certain exceptions, the Bonds may not be offered or sold within the United States or to U.S. persons (as defined in Regulation S). The Bonds are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. See "Subscription and Sale".

There are restrictions on the offer and sale of the Bonds in the United Kingdom. All applicable provisions of the Financial Services and Markets Act 2000 ("FSMA") with respect to anything done by any person in relation to the Bonds in, from or otherwise involving the United Kingdom must be complied with. See "Subscription and Sale".

Prohibition of Sales to EEA Retail Investors: The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II") or; (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MiFID II product governance / Professional investors and ECPs only target market: Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

IN CONNECTION WITH THE ISSUE OF THE BONDS, MORGAN STANLEY & CO. INTERNATIONAL PLC (THE "STABILISING MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION ACTION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY CEASE ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless otherwise stated, references in this Offering Circular to "euro" and "€" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended, references to "U.S. dollar", "U.S.$" and "$" are to the lawful currency of the United States of America, and references to "yen" and "¥" are to Japanese yen.

In this Offering Circular, "billion" means thousand million, and, unless otherwise specified, in respect of the financial statements and amounts reproduced directly therefrom, where financial information is presented in millions of yen, amounts of less than one million have been rounded down to the nearest one million, and where financial information is presented in one hundred millions (one-tenth of a billion) of yen, amounts of less than one-tenth of a billion have been rounded down to the nearest one-tenth of a billion, except that, in certain cases, the rounding has been adjusted to make the total of individual figures equal to the total figure representing the aggregate of those individual figures. In cases where financial information other than those reproduced directly from the financial statements is presented in one hundred millions (one-tenth of a billion) of yen, amounts of less than one-tenth of a billion have been rounded down to the nearest one-tenth of a billion, with five-hundredths of a billion being rounded upwards, and the total of individual figures may not equal to the total figure representing the aggregate of those individual figures. All other figures and percentages, including operating data, have been rounded up or down (in the case of percentages, to the nearest 0.1 per cent. or to the nearest 0.01 per cent.), unless otherwise specified; however, certain percentages in tables may have been rounded otherwise than to the nearest 0.1 per cent. or 0.01 per cent., as the case may be, to make the total of the relevant items equal to 100 per cent.

The Company's fiscal year end is 31 March. The Company's financial statements are prepared in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which differ in certain material respects from generally accepted accounting principles in certain other countries. Potential investors should consult their own professional advisers for an understanding of the difference between Japanese GAAP and International Financial Reporting Standards ("IFRS"), or generally accepted accounting principles in other jurisdictions and an understanding of how those differences might affect the financial information contained herein. See "Investment Considerations—Considerations Relating to the Group's Financial Statements—Differences in generally accepted accounting principles".

This Offering Circular contains the audited consolidated financial statements of the Group, prepared and presented in accordance with Japanese GAAP, as of and for the fiscal years ended 31 March 2019, 2018 and 2017, and the audit reports with respect thereto included herein at pages F-3 and F-37.

This Offering Circular also contains the unaudited interim consolidated financial statements of the Group as of and for the three-month period ended 30 June 2019, including the consolidated balance sheet of the Group as of 30 June 2019 (together with a condensed consolidated balance sheet of the Group as of 31 March 2019) and the related interim consolidated statements of income and comprehensive income for the three-month periods ended 30 June 2019 and 2018, and the review report with respect thereto included herein at page Q-3.

From the three-month period ended 30 June 2019, the Group has disclosed ordinary income as a line item within its consolidated financial statements. While such line item was not disclosed within the consolidated financial statements for the fiscal years ended 31 March 2019, 2018 and 2017, to the extent ordinary income for such periods are disclosed elsewhere in this Offering Circular, ordinary income is composed of income before provision for reserve for fluctuations in water level and income taxes less extraordinary expenses (if any).

Per Segment Data

In this Offering Circular, unless otherwise specifically stated, figures for operating revenues per segment represent sales to external customers, while segment profit (for the fiscal years ended 31 March 2019, 2018 and 2017, operating income per segment (unless otherwise indicated), and for the three-month periods ended 30 June 2019 and 2018, ordinary income per segment) represents the total operating income or ordinary income (as the case may be) for such segment, without taking into account any inter-segment reconciliations.

Changes in Reportable Segments

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

For the fiscal years ended 31 March 2017, 2018 and 2019, the Group's segments consisted of Electric Power, Gas/Other Energies, IT/Communications, and Real Estate/Life; and Electric Power, Gas/Other Energies, and IT/Communications were disclosed as reportable segments (with businesses not falling within the reportable segments being disclosed as the Other segment); the aggregate of the Electric Power and Gas/Other Energies segments was presented as the Comprehensive Energy/Power Transmission and Distribution Business.

Effective from 1 April 2019, the Group's segments were reorganised into the following four reportable segments: (i) the Electric Power segment, (ii) the Gas/Other Energies segment, (iii) the IT/Communications segment, and (iv) the Life/Business Solutions segment. Under the new segmentation, businesses of certain Group companies previously contained in the Other segment that enhance the sales and cost perspective in the Comprehensive Energy/Power Transmission and Distribution Business, or expand the comprehensive energy-related businesses overseas, have been included in the Gas/Other Energies segment, and the Real Estate/Life business and the businesses of certain Group companies previously contained in the Other segment which offer solutions common to various businesses are now reported as the Life/Business Solutions segment. The aggregate of the Electric Power and Gas/Other Energies segments continues to be referred to as the Comprehensive Energy/Power Transmission and Distribution Business. The segment data contained in this Offering Circular for the three-month period ended 30 June 2018 have been restated to conform to the new segmentation, unless otherwise specifically stated.

FORWARD-LOOKING STATEMENTS

Many of the statements included in this Offering Circular contain forward-looking statements and information identified by the use of terminology such as "may", "might", "will", "expect", "intend", "plan", "estimate", "anticipate", "project", "believe" or similar phrases. The Company bases these statements on beliefs as well as assumptions made using information currently available to the Company. As these statements reflect the Company's current views concerning future events, these statements involve risks, uncertainties and assumptions. The Company's or the Group's actual future performance could differ materially from these forward-looking statements. Important factors that could cause actual results to differ from the Company's expectations include those risks identified in "Investment Considerations" and the factors discussed in "Recent Business" and "Business", as well as other matters not yet known to the Company or not currently considered material to the Group by the Company. The Company does not undertake to review or revise this Offering Circular or any forward-looking statements contained in this Offering Circular to reflect future events or circumstances. The Company cautions prospective investors in the offering not to place undue reliance on these forward-looking statements. All written and oral forward-looking statements attributable to the Company or persons acting on the Company's behalf are qualified in their entirety by these cautionary statements.

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SUMMARY INFORMATION

The following summary does not purport to be complete and is qualified in its entirety by, and is subject to, the more detailed information and financial statements and the notes thereto contained elsewhere in this Offering Circular. For a discussion of certain factors that should be considered by prospective investors in connection with an investment in the Bonds, see "Investment Considerations".

THE KANSAI ELECTRIC POWER COMPANY, INCORPORATED

The Group supplies electricity mainly in the Kansai region in Japan under a comprehensive system of power generation, transmission and distribution. The Kansai region, which forms the main part of the Group's supply area, is located at the central part of Japan's main island of Honshu, and has a population of around 20 million, and a gross domestic product ("GDP") of approximately ¥83 trillion for the fiscal year ended 31 March 2016 (accounting for approximately 15 per cent. of Japan's GDP for such fiscal year). The supply area covered by the Group (comprising of the six prefectures of the Kansai region (Osaka, Kyoto, Hyogo (to the greater part of which the Group supplies electricity), Nara, Shiga and Wakayama prefectures), as well as portions of Mie, Gifu and Fukui prefectures) amounts to over 28 thousand square kilometres, comprising approximately 8 per cent. of Japan's total land area. The Kansai region, with Osaka (the second largest city in Japan) as its central city, constitutes a powerful economic area in Japan, rivalling the Tokyo metropolitan area. In addition, Kyoto and Nara, the ancient capitals of Japan, are located in the area, and play an important role in the nation's culture.

The Group's operations are principally divided into the following four reporting segments:

- *Electric Power*, the principal business of the Group, which engages in the business of generation, transmission and distribution of electric power in Japan, supplying electricity to residential, commercial and industrial customers principally in the Kansai region, while expanding its retail electricity supply to certain other regions such as the Tokyo metropolitan area. For the three-month period ended 30 June 2019, the Group's net sales to external customers in this segment amounted to ¥612,354 million, or 77.9 per cent. of consolidated net sales for the period.

- *Gas/Other Energies,* which engages in the supply of city gas, overseas power generation and other energy-related services. For the three-month period ended 30 June 2019, the Group's net sales to external customers in this segment amounted to ¥82,054 million, or 10.4 per cent. of consolidated net sales for the period.

- *IT/Communications*, which engages in the provision of information technology ("IT") and communications services to families and corporations utilising the Group's optical fibre network around the Kansai region primarily through the Company's subsidiary OPTAGE Inc., including the "eo HIKARI" fibre-to-the-home ("FTTH") services for internet, phone and television connection, the "mineo" mobile phone services, and the "eo Denki" electricity retail services. For the three-month period ended 30 June 2019, the Group's net sales to external customers in this segment amounted to ¥54,520 million, or 7.0 per cent. of consolidated net sales for the period.

- *Life/Business Solutions*, comprising of real estate-related services (such as developing condominiums and other buildings that consider energy conservation), lifestyle-related services (such as home security, healthcare and caregiving) and the businesses of certain Group companies which offer solutions common to various businesses. For the three-month period ended 30 June 2019, the Group's net sales to external customers in this segment amounted to ¥36,908 million, or 4.7 per cent. of consolidated net sales for the period.

The aggregate of the Electric Power and Gas/Other Energies segments is referred to as the Comprehensive Energy/Power Transmission and Distribution Business.

As of 30 June 2019, the Company had 78 consolidated subsidiaries, 16 non-consolidated subsidiaries accounted for by the equity method and 56 affiliates (of which four were accounted for by the equity method).

For the fiscal year ended 31 March 2019, the Group's operating revenues, operating income, ordinary income and net income attributable to owners of the parent amounted to ¥3,307.6 billion, ¥204.8 billion, ¥203.6 billion and ¥115.0 billion, respectively. For the three-month period ended 30 June 2019, the Group's operating revenues, operating income, ordinary income and net income attributable to owners of the parent amounted to ¥785.8 billion, ¥59.0 billion, ¥62.7 billion and ¥45.5 billion, respectively.

The Company's registered office is located at 6-16 Nakanoshima 3-chome, Kita-ku, Osaka 530-8270, Japan. The Company's shares of common stock (the "Shares") are listed on the First Section of the Tokyo Stock Exchange.

THE OFFERING

Issuer	The Kansai Electric Power Company, Incorporated.
Securities Offered	U.S.$500,000,000 in aggregate principal amount of 2.550 per cent. Bonds due 2024.
Issue Price	100 per cent.
Closing Date	On or about 17 September 2019.
Interest	The Bonds will bear interest from 17 September 2019 at the rate of 2.550 per cent. per annum payable semi-annually in arrear on 17 March and 17 September in each year commencing on 17 March 2020.
Delivery	It is expected that the Global Certificate will be deposited with, and registered in the name of, or a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg on or about the Closing Date.
Form	The Bonds will be issued in registered form, evidenced by the Global Certificate. Definitive Certificates will only be available in certain limited circumstances. See "Summary of Provisions Relating to the Bonds While in Global Form".
Listing	Approval in-principle has been received for the listing of the Bonds on the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of U.S.$200,000 for so long as the Bonds are listed on the SGX-ST.
Rating	It is expected that the Bonds will be assigned a credit rating of A3 by Moody's. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Use of Proceeds	The net proceeds from the issue of the Bonds are estimated to amount to approximately U.S.$497 million, and are expected to be used primarily for capital expenditure and the repayment of certain existing bonds of the Company.

THE BONDS

Form and Denomination........................	The Bonds will be issued in registered form, in denominations of U.S.$200,000 and integral multiples of U.S.$2,000 in excess thereof.
Interest Rate..	2.550 per cent. per annum.
Status	The Bonds are direct, unconditional and unsubordinated obligations of the Company, ranking *pari passu* and rateably without any preference among themselves, and, except for the provisions of Condition 2, with all of the Company's other unsubordinated indebtedness in the form of bonds, notes or debentures (which fall within the meaning of *shasai* as referred to in Article 27-30, paragraph 1, of the Electricity Business Act of Japan (Act No. 170 of 1964, as amended, the "Electricity Business Act")) from time to time outstanding that is unsecured except for the preferential right referred to in Article 27-30, paragraph 1, of the Electricity Business Act. Under the Electricity Business Act, all holders of such bonds, notes and debentures (including the Bonds) issued by the Company have the preferential right to be paid prior to other unsecured indebtedness of the Company, with the exception of, among others, obligations in respect of national and local taxes and subject to certain general preferential rights provided in the Civil Code of Japan (Act No. 89 of 1896, as amended), such as preferential rights of employees to wages. See "Investment Considerations—Considerations Relating to the Bonds—Future structural subordination and no covenant to take measures to protect preferential rights" for the position of such preferential rights after the legal separation of the Group's power transmission and distribution business in April 2020.
Negative Pledge.......................................	So long as any of the Bonds remain outstanding, the Company will not, and will procure that none of its Principal Subsidiaries (as defined in Condition 3.1) will, create or permit to subsist any mortgage, charge, pledge or other security interest (other than any Statutory Preferential Right (as defined in Condition 2)) for the benefit of the holders of any Relevant Debt (as defined in Condition 2) unless the same security or such other security or guarantee as provided in Condition 2 is accorded to the relevant Bonds. See Condition 2.
Redemption at Maturity	Unless the Bonds have previously been redeemed or purchased and cancelled, or become due and repayable, the Company will redeem the Bonds at 100 per cent. of their principal amount on 17 September 2024.
Redemption for Taxation Reasons........	If the Company has or will become obliged to pay any Additional Amounts (as defined in Condition 7.1) in accordance with Condition 7.1 as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 11 September 2019, and the Company is unable to avoid such obligation by taking reasonable measures available to it, the Company may, at any time, having given not less than 30 nor more than 60 days' prior irrevocable notice to the Bondholders in accordance with Condition 14, redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount. See Condition 5.2.

Cross Default	The Bonds are subject to a cross default in respect of indebtedness for borrowed money or any guarantee and/or indemnity thereof of the Company or of any Principal Subsidiary in respect of amounts of at least U.S.$10,000,000 (or its equivalent in any other currency or currencies). See Conditions 8.3 and 8.4.
Taxation..	All payments by the Company in respect of the Bonds will be made without any deduction for withholding taxes of Japan, except to the extent described in Condition 7.1.
Governing Law	English law.
Jurisdiction	English courts.
International Securities Identification Number ("ISIN")................................	XS2045072282.
Common Code	204507228.
Legal Entity Identifier ("LEI") for the Company	353800PFUKP5ONPJNZ86.
Fiscal Agent, Paying Agent, Transfer Agent and Registrar...........................	Mizuho Trust & Banking (Luxembourg) S.A.

INVESTMENT CONSIDERATIONS

Prior to making an investment decision, prospective investors should carefully consider, along with the other information set forth in this Offering Circular, the following considerations:

Considerations Relating to the Group and its Business

Revision of systems pertaining to the electric power business

An amendment to the Electricity Business Act was enacted in November 2013 and set out three phases to implement the reforms to the electric power systems in Japan. Based thereon, pursuant to the second stage of the amendment to the Electricity Business Act which was enacted in June 2014 and which took effect in 2016, various measures relating to matters that require revision in the course of the implementation of the full-scale liberalisation of retail electricity sales, including measures such as liberalisation of entry into the retail electricity sales business and deregulation of wholesale regulations with a view to vitalising the wholesale electric power exchange, have been implemented. See "The Japanese Electric Power Industry—Competition in the Electric Power Market in Japan" and "Business—Regulations—Electricity System Reform" for further details on the outlines of reforms to the electric power system in Japan.

After full-scale liberalisation of participation in retail electricity sales was implemented in 2016, competitive pressures on retail sales of electricity and services have increased, including on prices of electricity sales to consumers. Competition for customers occur not only from new entrants into the industry who are able to procure supply of electricity from wholesale electric power exchange and others, but also from other "Specified Electric Utilities" (entities formerly falling under the definition of "General Electric Utilities" as defined by the Electricity Business Act prior to the second stage of the amendment to the Electricity Business Act referred to above) which attempt to enter into the regional market in which the Group's business is based. The Group has also been working to enter markets traditionally served by other Specified Electric Utilities, such as the Tokyo metropolitan area. There can be no assurance that the Group will always be successful in competing with other electricity suppliers (either those entering the Group's principal market of Kansai, or those operating in markets which the Group is entering), and as a result, the Group's results of operations and financial condition may be adversely affected.

In line with the full-scale liberalisation of participation in retail electricity sales, the "wholesale regulations" relating to the electricity business (measures which regulate the long-term and large-volume supply contracts relating to supply of electricity from former wholesale electricity business operators to Specified Electric Utilities through regulating the pricing by the comprehensive cost system and regulating electricity supply obligations), which acted as complementary measures to the supply obligations and pricing regulations applicable to Specified Electric Utilities, was abolished in April 2016. As this means that prices at which wholesale supply of electricity is made is no longer regulated, depending on negotiations with the former wholesale electricity business operators, the Group's business, results of operations and financial condition may be adversely affected.

As the structure of the electric power business in Japan is currently under development and ongoing revision, the effects of the full-scale liberalisation of participation in retail electricity sales (which took effect in April 2016) and the legal separation of the power transmission and distribution division for the purpose of achieving neutrality (pursuant to the third stage of the amendment to the Electricity Business Act which is due to come into force in April 2020), the timing and effect of the abolition of regulation applicable to retail electricity rates of Specified Electric Utilities expected after 2020, the shape of the industry following deregulation, the potential entrants into the industry and the level of increased competition are still unclear. For example, in February 2017, the Ministry of Economy, Trade and Industry published the "Interim Report of the Policy Subcommittee for the Accomplishment of Electricity System Reform" (the "Electricity System Reform Interim Report") with a view to facilitating access by new entrants into the industry to affordable base load power source such as coal-powered thermal power, large-scale hydroelectric power and nuclear power. It also proposed further measures for stimulating competition, such as the establishment of a base load power source market and review of rules relating to interconnection line usage which took place in October 2018. In addition, it suggested other measures for creating new markets such as a capacity market and a supply-demand adjustment market where electricity availability is traded with the goal to secure stable supply of electricity, as well as a non-fossil value trading market. Trading in the base load power source market began in July 2019, and trading in the capacity market is expected to start in the year ending March 2021. The base load power source market could be a new wholesale opportunity for the Specified Electric Utilities, although costs of procuring power supply for the

Company may also increase, depending on the trading results. The capacity market may affect the method of recovery of fixed costs and expenses of power supply. Any of such developments may affect the Group's business, results of operations and financial condition. In addition, as a result of the requirement for legislation-based separation of the power transmission and distribution division to ensure neutrality of the power transmission and distribution business, separation of the Company's transmission and distribution business would be necessitated, which may result in the Company having to incur costs and suffer certain inefficiencies. With respect to the nuclear power generation business, as it is characterised by having long-term operations (including the processing and disposal of nuclear waste) and requiring large amounts of investments, even amid the implementation of electricity business structural reforms, it will require policy measures to enable private businesses to operate their businesses independently (see "—Risks pertaining to nuclear power generation—Japan's energy policy"). Any revision of policy pertaining to the electric power business such as those described above may materially adversely affect the Group's business, results of operations and financial condition.

At the annual general meeting of the Company's shareholders held on 21 June 2019, in line with the requirement for legislation-based separation of the power transmission and distribution division under the electricity system reforms, the shareholders of the Company resolved that the Company would separate its power transmission and distribution business from its generation and retail business in April 2020, by way of an absorption-type corporate split (with an expected effective date of 1 April 2020), subject to obtaining permission from the relevant regulatory authorities. The transmission and distribution business will, upon such separation, become a 100 per cent. owned subsidiary of the Company, Kansai Transmission and Distribution, Inc. (or such subsidiary of the Company under such other name to which the Company's general power transmission and distribution business will be transferred, the "Separated Company") (see "Business—Overview of the Group—Legal separation of the power transmission and distribution business"). Such separation and transfer, and the structural subordination of the Bonds (i.e. the Bondholders' recourse to the transmission and distribution assets held by the Company prior to the corporate split becoming structurally subordinated to the claims of direct creditors of the Separated Company), may have an adverse effect on the trading price of the Bonds. See "—Considerations Relating to the Bonds—Future structural subordination and no covenant to take measures to protect preferential rights".

In addition, under the Electricity Business Act, bonds issued by former General Electric Utilities such as the Company have the preferential right (so-called "*ippan tanpo*") to be paid prior to certain other unsecured indebtedness of such company. Pursuant to the third stage of the amendment to the Electricity Business Act expected to take effect in April 2020, the provision of such preferential rights with respect to bonds to be issued by Specified Electric Utilities are expected to be abolished, although preferential rights in respect of bonds already outstanding at the time will not be affected (except to the extent there is any effect through the structural change referred to above). In addition, transitional measures are available until the end of March 2025 for certain electric company issuers which are specified by the Minister of Economy, Trade and Industry ("METI"), which may continue issuing bonds with preferential rights, taking into account the current financing environment of Specified Electric Utilities. The abolition of such preferential rights may also adversely affect the Company's funding costs relating to the issuance of bonds.

Risks pertaining to nuclear power generation

The proportion of the Company's electricity generated through nuclear power to the total electricity amount generated by the Company amounted to approximately 29 per cent. in the fiscal year ended 31 March 2019, higher relative to other Specified Electric Utilities. As such, factors affecting nuclear power generation in Japan has a material effect on the Group's business, results of operations and financial condition.

Japan's energy policy

Based on the Basic Act on Energy Policy (Act No. 71 of 2002) (the "Basic Act on Energy Policy") which became effective in June 2002, the government has framed a plan (the "Basic Energy Plan") with the aim of a long-term, comprehensive and systematic implementation of measures relating to energy supply and demand. Based on the Basic Act on Energy Policy, the Basic Energy Plan's contents must be reviewed at least once in every three years, and as amended when considered necessary. The Fourth Basic Energy Plan (which was approved by the Cabinet in April 2014) has, from the point of view of maintaining stable supply of electricity, ensuring economic efficiency and preventing global warming, set out directions for progressively constructing a balanced "energy mix" (a mixture of power sources) that includes renewable energy, thermal and nuclear power generation, taking into account Japan's current state of over-dependence on fossil fuels due to drastic changes in the energy supply and demand situation following the Great East Japan Earthquake and the Fukushima Daiichi

Nuclear Power Station accident in March 2011. In July 2015, the Ministry of Economy, Trade and Industry determined its “Long-term Energy Supply and Demand Outlook” (outlook for an energy mix), including its outlook for the proportion of nuclear power within the total power generation amount for the fiscal year ending 31 March 2031 to be approximately 20 per cent. to 22 per cent. Further, the above proportion of power sources for the energy mix has been maintained under the Fifth Basic Energy Plan which was approved by the Cabinet in July 2018 and it is intended that, although nuclear power generation will continue to be utilised as an important base load power source for the future, dependency on nuclear power generation will be lowered to the extent possible. See “The Japanese Electric Power Industry—Trends in Japan’s Energy Policy—Basic Energy Plan”.

The Group intends, upon a major precondition that its safety is ensured, to continue to utilise nuclear power generation, based on the intention to maintain its focus on non-fossil power, combining its strengths of nuclear power and its efforts in expanding renewable energy with the aim of making nuclear power generation and renewable energy power generation to be the twin pillars of the Group’s non-fossil fuel power source. However, should the Japanese energy policy be radically changed (including a reduction in the proportion of nuclear energy included within the policy energy mix), it may become difficult to continue or resume operations of such nuclear power generation facilities, and in such event the Group’s investments in such facilities may be lost, which may materially adversely affect the Group’s results of operations and financial condition.

Regulatory standards for safety of design

Following the Fukushima Daiichi Nuclear Power Station accident, the regulatory regime relating to nuclear power stations were comprehensively reviewed, and new regulatory standards relating to the safety of design of nuclear power stations were introduced in July 2013. In order to resume operations at nuclear power plants which have currently halted operations, the operator must pass stringent conformance confirmation examinations by the Nuclear Regulation Authority (the “NRA”), including requirements to take countermeasures against earthquakes, tsunamis and volcanic ashes, and measures to assure reliability of external power sources, as well as measures to deal with severe accidents (including installing filtered vent equipment, erecting an emergency evacuation response office and response office for, amongst other things, specified severe accidents (including as a result of aircraft crashes and terrorist attacks)). Currently, Unit 3 and Unit 4 of the Takahama Power Station, and Unit 3 and Unit 4 of the Ohi Power Station, each operated by the Group, succeeded in resuming operation by passing conformance confirmation examinations by the NRA. Periodic inspections started from April 2019 for Unit 3, and from July 2019 for Unit 4 of the Ohi Power Station, and is expected to start from September 2019 for Unit 4 of the Takahama Power Station. The Group has been taking various safety measures and submitting conformance confirmation examinations to the NRA with a view to resuming power generation at Unit 1 and Unit 2 of the Takahama Power Station and Unit 3 of the Mihama Power Station. However, depending on the status of assessments by the NRA, the Group may be required to halt the operation of its active nuclear power stations, or it may not be possible for the Group to achieve an early resumption of its inactive nuclear power station operations, or additional investments may be required for power plants which have resumed operation but have not yet taken measures to comply with the regulatory standards centred around unfinished examinations. In any such case, the Group’s results of operations and financial condition may be materially adversely affected. See “Business—Operations—Electric Power—Status of Nuclear Power Stations”.

Taking into account TEPCO’s Fukushima Daiichi Nuclear Power Station accident, latest technical views are taken into account as needed in applying technical standards, which existing facilities must comply with (a “back-fit” system). As such, nuclear power plants that had received approval for operation (such as the Group’s Takahama Power Station Unit 3 and Unit 4, and Ohi Power Station Unit 3 and Unit 4, which are currently in commercial operation or under periodic inspection) may, should such facilities not meet the latest technical standards, be required to halt operation, and additional investments may be required in order to meet such latest regulatory standards (including construction of Specified Severe Accident Facilities referred to below). For example, one of the requirements under such regulatory standards is for each nuclear power station in Japan to have built facilities to deal with specified severe accidents (including as a result of aircraft crashes and terrorist attacks) (“Specified Severe Accident Facilities”) within five years of the date on which approval is granted by the NRA for construction plans to make changes to the principal facilities relating to the relevant nuclear power station to conform to the new regulatory standards. The current amount indicated by the Company (in its application to the NRA) as being the investment required for the necessary construction to comply with the new regulatory standards including construction of Specified Severe Accident Facilities is approximately ¥1,025.4 billion. As the construction plans for the Group’s Specified Severe Accident Facilities are being discussed through considering every possible approach to achieve timely completion, as well as being reviewed by the NRA, the timeline for completion has yet to be determined, and there can be no assurance that the Group’s construction costs with regard to Specified Severe Accident Facilities at its nuclear power stations will not increase significantly, or that such construction will be carried out and completed in accordance with expectations, or will not be delayed further from what is currently scheduled. In April 2019, the NRA indicated that it has no intention of extending the required timetable for installing Specified Severe Accident Facilities at any nuclear power plant, and that any operating nuclear power plants that have not met the required timetable will have their operations halted. Should there be a significant increase in costs involved in, or delays from the required timetable or from what is currently scheduled or other difficulties associated with, the building of the Specified Severe Accident Facilities or meeting any other required regulatory standards for operation of nuclear power stations, it may materially adversely affect the Group's reputation, business, results of operations and financial condition. In addition, if for such or other reasons the Company is unable to continue or recommence operation of its nuclear power stations, the Group's reputation, business, results of operations and financial condition may be materially adversely affected.

Litigation, disputes and deterioration in relationships with interested parties

The Group also faces the risk of disputes and litigation arising and/or continuing in relation to the Company's nuclear power operation, including friction with local residents, civic groups and other interested parties in relation to construction or operation of its nuclear power stations, as well as potentially prolonged lawsuits. For example, temporary injunctions granted by the relevant district courts and high courts upon applications by local residents halted operations of the Company's Takahama Power Station Unit 3 and Unit 4, and the Ikata Power Station Unit 3 (operated by Shikoku Electric Power Company, Incorporated), for approximately one year and nine months, respectively, until the relevant temporary injunctions were eventually dismissed (in March 2017 and September 2018, respectively). The Company is currently involved in proceedings relating to applications by certain local residents to halt operation of or the resumption of operation of its Mihama, Takahama and Ohi power stations. Further, as with other nuclear power operators in Japan, the Company has entered into various agreements with multiple local governments relating to each power plant. Pursuant to the agreements, if a power plant plans to make material changes to the related facilities, the relevant power plant is required to obtain prior consent from the local governments in which it is located. Also, the relevant local governments may inspect the facilities, and may make public comments or requests in respect thereof. If in future the Group were to face difficulties (including the necessity to shut down facilities) with regard to its nuclear power operations as a result of lawsuits, administrative actions, other proceedings or other significant issues in respect of the Company's relationship with interested parties, the Group's business, results of operations and financial condition may be materially adversely affected.

Decommissioning of Nuclear Power Generation Units

Where a nuclear power reactor is to be operated beyond 40 years from the commencement of its operation, such facilities must be assessed by the NRA for compliance with the latest regulatory standards, and in addition, the operator must apply for an approval for the extension of the operational period to the NRA together with the results of a special inspection and obtain approval in relation thereof. Further, with a view to promoting appropriate and smooth decision-making by private operators with respect to decommissioning of nuclear power generation units, and to ensuring safe and secure decommissioning should the operator decide to decommission, the government has been implementing measures in relation to pricing and accounting policies. The Electricity System Reform Interim Report, with a view to promoting appropriate and smooth decision-making by private operators with respect to decommissioning of nuclear power generation units, and to ensuring safe and secure decommissioning should the operator decide to decommission, proposes to continue the usage of an accounting policy relating to decommissioning, whereby expenses of decommissioning that are not provisioned by the reserve for decommissioning of nuclear power units are expensed in instalments over a number of years, by utilising the mechanism for charging for transmission of electricity, the collection of fees in respect of which continues to be ensured by regulation even after the full-scale liberalisation of participation in retail electricity sales. The business environment surrounding nuclear power is changing significantly such as the implementation of an accounting policy for a smoother decommissioning of nuclear power generation units. With respect to Takahama Power Station Unit 1 and Unit 2 and Mihama Power Station Unit 3 (which commenced commercial operations in 1974, 1975 and 1976, respectively), the Group is working to take measures to resume their operation, having received operating period extension approvals from the NRA in 2016. On the other hand, the Group has decided to decommission its Mihama Power Station Unit 1 and Unit 2 and Ohi Power Station Unit 1 and Unit 2, and the Group is aiming to complete the decommissioning of these units by around the fiscal year ending March 2046 in the case of Mihama Power Station Unit 1 and Unit 2 and the fiscal year ending March 2049 (currently under consideration) in the case of Ohi Power Station Unit 1 and Unit 2. The costs of decommissioning nuclear power generation units involve many uncertainties due to factors such as having no track record of completion of decommissioning domestic nuclear power generation units for commercial use, the developing legal framework for regulations in relation to disposal of radioactive waste, and potential future changes in the accounting policies and other measures relating to decommissioning. Any of these factors may materially affect the Group's results of operations and financial condition.

Nuclear damage compensation system

Currently, nuclear power generation facility operators have, in principle, no-fault and unlimited liability with regard to any nuclear damage caused by, among other things, the operation of its nuclear power reactors. The Group, while taking various measures to ensure safety, has, pursuant to the Act on Compensation for Nuclear Damage of Japan (Act No. 147 of 1961, as amended) (the "Nuclear Damage Compensation Act"), entered into insurance contracts and indemnity contracts which enables it to receive certain indemnities in the remote event of an accident, at the same time as making a general contribution every year to the Nuclear Damage Compensation and Decommissioning Facilitation Corporation (the "NDF") (an entity whose aim includes providing financial assistance with regard to compensatory damage payable by nuclear power generation facility operators, including Tokyo Electric Power Company Holdings, Incorporated (such company, its subsidiaries or such company and its subsidiaries taken together being referred to herein as "TEPCO")) pursuant to the Nuclear Damage Compensation and Decommissioning Facilitation Corporation Act of Japan (Act No. 94 of 2011, as amended) (the "Nuclear Damage Compensation and Decommissioning Facilitation Corporation Act"). See "Business—Regulations—Regulation of Nuclear Power Generation—Compensation Scheme for Nuclear Damage". Nevertheless, as natural or man-made disasters at power generation plants may lead to huge calamities, the adverse effects of which in the case of nuclear power generation facilities may in particular be extreme, wide-ranging and long-lasting, the Group's results of operations and financial condition may be materially adversely affected if any nuclear accidents were to occur (see "—Natural disasters, uncontrollable events and accidents"). Further, if the government were to revise the nuclear damage compensation system (although ensuring foreseeability in the nuclear power business would normally be taken into account in such revision process), depending on the content of such revision, the amount of the Group's contribution may be increased, which may materially adversely affect the Group's results of operations and financial condition.

Japan Nuclear Fuel Limited

The Company has a minority interest in, and acts as joint guarantor together with other nuclear power operators in respect of the debts of, Japan Nuclear Fuel Limited ("JNFL"), an affiliate of the Company accounted for by the equity method. The amount of JNFL's debt guaranteed by the Company as of 31 March 2019 was ¥164,582 million.

JNFL is engaged in the nuclear fuel cycle business such as the uranium enrichment and burial and reprocessing of radioactive waste, storage of high-level radioactive waste and MOX (Mixed-Oxide) fuel processing. JNFL is currently undergoing an assessment by the NRA with regard to, among other things, its compliance with new regulatory standards relating to nuclear fuel cycle facilities. Depending on the progress of such assessment and other factors such as political concerns with respect to the volume of reprocessed plutonium held, the utilisation rate of the nuclear fuel cycle facilities of JNFL may be materially adversely affected. In such event, the Group's results of operations and financial condition may be materially adversely affected.

Nuclear Back-End Business

The nuclear back-end business is a super long-term business and involves many uncertainties, and the Ministry of Economy, Trade and Industry is contemplating extensive revisions to such business with the aim of ensuring appropriate and efficient business implementation, including in relation to business operators and securing of funds. Based on an amendment act enacted in May 2016 which made amendments to the Act on the Implementation of the Reprocessing of Spent Fuel in Nuclear Power Generation (the "Reprocessing Contribution Act"), the Organisation for Reprocessing Spent Fuel, which is an organisation approved by the government to reprocess spent fuel, was established and commenced operations in October 2016. As a result, a mechanism was put in place for nuclear power station operators including the Company to contribute towards such organisation enough funds for reprocessing spent fuel and others (including relevant MOX fuel processing operations). Although this now has alleviated to some extent the risks in this area by the Japanese nuclear power station operators including the Company, should the necessary funds required for the reprocessing of spent fuel and others increase or such mechanism be re-examined, this may materially affect the Group's results of operations and financial condition depending on the content of such change. Further, nuclear power station operators including the Company currently operate on the assumption that such fuel is to be reprocessed and the collected nuclear fuel material is to be reused. The Company may not be able to reprocess spent fuel, or operate its nuclear power stations, should it become difficult for the nuclear back-end business to operate for reasons such as variation in international framework for reprocessing of nuclear spent fuel, or political, economic and/or technical issues. The Company makes contributions regarding costs for final disposal of designated radioactive waste subject to geological disposal (such as solidified glass body accumulated after reprocessing) pursuant to the Designated Radioactive Waste Final Disposal Act (Act No. 117 of 2000, as amended).

Increase in competition

As set out in "—Revision of systems pertaining to the electric power business", the liberalisation of participation in retail electricity sales is expected to increase competition in the electricity sector, not only from existing electric utilities and new entrants into the industry but also from other businesses through measures such as package sales of electricity and telecommunication services.

Further, increased reorganisations, alliances and consolidations within the Japanese electric power industry, including alliances between other Specified Electric Utilities or businesses in other industries (such as the alliance currently in place between TEPCO and Chubu Electric Power Co., Inc.), may lead to greater cost effectiveness and competitiveness on their part and therefore negatively affect the Group's competitive position. While the Group intends to take measures in line with the increase in competition to remain competitive in terms of both price and services, there can be no assurance that the Group will be able to maintain its level of market share and/or profitability, especially if circumstances develop such that the Group's nuclear power plants, which are currently in commercial operation, are required to halt operation and/or additional investments are required in order to meet the latest regulatory standards. In addition, the Group has been expanding its electric power business to areas other than the Kansai region, including retail electricity sales in the Tokyo metropolitan area. However, there can be no assurance that the Group will be successful in competing with other electric power suppliers (which may have a more prominent position with respect to recognition in the relevant market or in size) or new entrants into the market. Further, electricity prices may also be affected by the trading prices on the Japan Electric Power Exchange, which are not within the Group's control. Any of these factors may materially adversely affect the Group's results of operations and financial condition.

Thermal power generation facilities and renewable energy power generation facilities including hydroelectric

As of 31 March 2019, the Group operated 12 principal thermal power generation facilities (operated by liquified natural gas ("LNG"), oil or coal), some of which have been in operation for some time and require more than the regular level of maintenance and repairs. The Group keeps track of the functional status and deterioration status of the thermal power generation facilities that have been in use for a long period of time, and has been taking appropriate measures such as replacing it at an appropriate time; for example, at the Sakaiko Power Station and Himeji No. 2 Power Station, facilities have been upgraded to the combined cycle power generation system from 2009 to 2010 and from 2010 to 2015, respectively. In the medium to long-term, the Group believes it is necessary to develop and introduce cutting-edge thermal power plants from the perspective of measures against aging and strengthening power supply competitiveness. The Group intends to proceed with the examination of such thermal power plants while assessing the business environment surrounding the Company. Any such repairs and replacements can lead to increased costs of operation, and any stoppage of a particular thermal power generation plant may require the Group to utilise other less cost-effective plants to provide the required level of electricity. Any such factors may lead to increased costs of operations. In addition, these thermal power generation facilities emit carbon dioxide ("CO_2"), and if environmental policies are significantly amended, such as through imposition of new environmental regulations or taxes relating to fossil fuel, the Group may be required to make additional investments or bear other additional costs, or the construction of new facilities may be delayed, which may materially adversely affect the Group's results of operations and financial condition.

With regard to hydroelectric power generation facilities, rainfall levels in the water resource areas have the potential to affect the Group's results of operations and financial condition, as a decrease in water flow rate could decrease the volume of electricity generated by hydroelectric power which does not require fuel costs upon generation, and may increase the Group's fuel costs through increasing the Group's dependence on thermal and other power generation than hydroelectric power. However, the impact of change in the volume of electricity generated by hydroelectric power may be moderated to a certain extent through the system of provisioning for (or reversing of) the reserve for fluctuations in water level.

Since 2016, the method of calculating the avoided costs of buying electricity generated from renewable energy, such as solar energy, wind power, water energy, geothermal power and biomass energy based on the feed-in tariff scheme (which are avoidable costs through purchasing electricity derived from renewable energy) has been changed to the method of using the wholesale market price-based calculation. As such, should wholesale market prices increase, the amount which a Specified Electric Utility may receive from their purchase of electricity generated from renewable energy under the feed-in tariff scheme may decrease. Further, through the increase in the proportion within the power supply volume of renewable energy, the supply range of which varies greatly as it is affected by natural conditions, costs in relation to frequency fluctuation measures such as through thermal power generation to maintain the quality of electricity will increase. Should the government not re-examine such costs and consider a scheme where a Specified Electric Utility is able to recover such costs through a change in the feed-in tariff scheme, this could become a cost burden for the Group. In addition, if Specified Electric Utilities such as the Company were required to increase its transmission capacities due to the increase in power generated and sold by renewable energy operators, they may need to incur significant capital expenditures with respect to transmission lines, which may not be easily recoverable. Further, a change in environmental policies by the government may also result in the Group incurring additional investment and other costs with respect to its power generation units. Any of the above factors may materially adversely affect the Group's business, results of operations and financial condition.

Currently, as shown in the "Basic Energy Plan", the government has indicated the direction of converting renewable energy into a major power source, but early realisation of high penetration of renewable energy has so far proven to be challenging due to cost and operational reasons. However, should it be realised earlier than expected, owing to political measures or technical innovation to promote introduction and usage of renewable energy, it may reduce the utilisation rate of thermal power plants, which may materially adversely affect the Group's results of operations and financial condition.

Risks related to fuel prices and procurement

Sources of fuel for the Group's thermal power generation include LNG, heavy and crude oil and coal. Fuel prices may affect the price of power purchased by the Group. Therefore, fluctuations in energy prices, such as coal, LNG, and heavy and crude oil, and that of foreign exchange rates in which such fuels are priced, may affect the Group's results of operations and financial condition.

The price and procurement of fuel may be affected by numerous factors, including geopolitical developments, terrorism, war and unrest in oil producing countries, sanctions imposed by government such as the United States and the European Union, actions by the Organization of the Petroleum Exporting Countries and other oil and gas producers and environmental concerns. While the Group works to take measures to diversify fuel supply sources and method of procurement, and makes attempts to decrease the Group's fuel costs and mitigate the risk of disruptions to the stable procurement of fuel, unexpected or rapid changes to the fuel procurement situation may adversely affect the Group's fuel costs, or even affect the continued operation of its thermal power generation facilities, which may materially adversely affect the Group's results of operations and financial condition.

With regard to fluctuations in fuel prices and foreign exchange rates, while the Fuel Cost Adjustment System (as defined below) currently allows for changes in fuel prices to be reflected in electricity rates, a rapid increase in fuel prices or adverse movements in foreign exchange rates may take several months to be reflected in electricity rates and, with regard to certain customers, would only be reflected up to a certain limit. Further, the Fuel Cost Adjustment System does not enable increases in fuel costs caused by increased reliance on electricity generated by thermal power generation facilities due to the shutdown of nuclear power generation facilities to be reflected in electricity rates. The continued non-operation of, or delay in resumption of operation of, nuclear power generation facilities may thus, through increase in reliance on thermal power generation, result in increased fuel costs which are not compensated by the Fuel Cost Adjustment System, and the Group's results of operations and financial condition could be materially adversely be affected. For a description of the Fuel Cost Adjustment System, see "The Japanese Electric Power Industry—Overview of the Industry—Electric Power Pricing—Fuel Cost Adjustment System".

Conditions and energy demands in the Group's power supply area

The Company supplies electricity mainly in the six prefectures of the Kansai region (Osaka, Kyoto, Hyogo (to the greater part of which the Group supplies electricity), Nara, Shiga and Wakayama prefectures), as well as portions of Mie, Gifu and Fukui prefectures, and electricity sales are subject to the influence of economic conditions such as industrial activities in the Company's power supply area. The Kansai region is the second most populated area in Japan after the Tokyo metropolitan area, with a GDP of approximately 15 per cent. of Japan's aggregate GDP for the fiscal year ended 31 March 2016, and electricity demand of approximately 14 per cent. of total electricity demand in Japan for the fiscal year ended 31 March 2019. With a history of being a centre of commerce and industry in Japan, the Kansai region forms the base of many leading companies in Japan (including companies in the manufacturing, steel and other materials, chemicals and shipbuilding industries which consume significant amounts of energy) as well as a diverse variety of small and medium-sized companies. Economic conditions in the Company's power supply area are affected by the general economic conditions in Japan. Economic indicators such as GDP in Kansai region as well as Japan in general have been showing variable signs, and the future of the Japanese economy, including the effects of the expected increase in the consumption tax rate in October 2019, is still uncertain. Any future recession or unfavourable economic conditions in Japan may lead to a slump in retail consumption, industrial activities and manufacturing activities in Japan. The decreases in electricity demand as a result of this may materially adversely affect the Group's results of operations and financial condition.

Japan's overall population is generally on a declining trend, and this may, through a reduction in the number of electricity contracts, lead to a reduction in electricity consumption. In addition, as the working population decreases, economic activity may also decrease. Such demographic trends may therefore adversely affect economic conditions, and a decline in economic conditions and energy demands in the Group's power supply area may materially adversely affect the Group's results of operations and financial condition. In addition, the decrease in the working population may result in a tight labour market leading to an increase in personnel costs, which may materially adversely affect the Group's results of operations and financial condition.

Weather conditions (particularly temperatures) also affect demands for electricity supply, particularly in relation to demand for air conditioning and heating. Other factors also affecting demands for electricity supply include developments in energy saving techniques and changes in the form of electricity usage through technological innovation. Any such factors may materially affect the demand for electricity in the Group's supply area, and have the potential to affect the Group's results of operations and financial condition.

Natural disasters, uncontrollable events and accidents

Japan has historically experienced, and the Group's operations are vulnerable to, earthquakes and other natural disasters, including tsunamis, typhoons, torrential heavy rain, floods, landslides, volcanic eruptions and other extreme weather conditions and fires. In addition, other events outside the Group's control (such as terrorism, deliberate acts of sabotage and cyber-attacks including hacking of IT systems), power outages or accidents (whether due to human or equipment error) could damage, cause operational interruptions or otherwise adversely affect any of the Group's facilities. In June 2018, a major earthquake in the northern Osaka area led to a temporary black-out in parts of Osaka and Hyogo prefectures, and in autumn 2018, a severe typhoon affecting the Kansai region led to large parts of the Company's supply area experiencing a power cut from several days to over two weeks.

As regards disaster prevention measures, the Group has put in place its disaster prevention work plan, which aims to achieve smooth and appropriate implementation of disaster countermeasures by setting out a general disaster prevention work plan, including countermeasures to a large-scale earthquake disaster such as a Nankai Trough earthquake. These plans are implemented for the purposes of disaster prevention, disaster emergency measures and disaster recovery for electric power facilities, pursuant to the Basic Act on Disaster Control Measures (Act No. 223 of 1961, as amended), the Act on Special Measures Concerning Countermeasures for Large-Scale Earthquakes (Act No. 73 of 1978, as amended) and the Act on Special Measures for Promotion of Earthquake Disaster Prevention Measures Related to the Nankai Trough Earthquake (Act No. 92 of 2002, as amended). However, there can be no assurance that such measures will be effective in fully preventing any major loss in such cases. In the event of a major natural disaster or other uncontrollable event or accident, the Group's facilities may experience catastrophic losses, operations may be halted, large losses and expenses to repair or replace such facilities may be incurred, electricity supply may be required to be purchased from other utilities or from the electricity supply market or alternative thermal power fuel may need to be procured, and significant reductions or losses of revenues may be experienced, or other problems may be caused to the Group's operations. The Group has insurance policies to cover certain potential losses at its production facilities. However, these insurance policies do not cover all types and amounts of possible losses and expenses at all facilities, and even if the relevant risks were covered, such policies may not be adequate to compensate for all losses and expenses. Furthermore, the Group's business may also be adversely affected if the Group's suppliers or customers were to experience a catastrophic loss due to natural disasters, accidents or other uncontrollable events, or if the Group is required to compensate for any interruption to electricity supply to its customers due to the Group's fault or error. Any such factors may materially adversely affect the Group's business, financial condition and results of operations.

Risks relating to the overseas business and investments

The Group has operations or investments in overseas electric power businesses, including in the independent power producer ("IPP") business (whether in operation or under construction or development) in Southeast Asia, the United States, Australia, Ireland and the United Kingdom, as well as power transmission and distribution businesses in Europe and Asia. Most recently, in July 2019 the Company reached an agreement to acquire shares of Electricity North West Limited group to participate in the electricity distribution network operations in the United Kingdom. The Group's overseas operations are exposed to various risks due to differences such as in legal and regulatory standards, business and political environment, climate and language. Such risks include those relating to business, market, political and economic instability, macroeconomic changes, nationalisation and policy changes, credit exposure, financing, foreign investment restrictions, environment and human rights, compliance, litigation and natural disasters. This may result in loss of investment, less than expected profits for the Group and/or increased costs and additional expenditure due to plan changes, stoppages and delays. Any of the above factors may adversely affect the Group's business, results of operations and financial condition.

Risks relating to the IT/Communications and Life/Business Solutions Businesses

With the aim of obtaining sustainable business growth, in addition to its Comprehensive Energy/Power Transmission and Distribution Business, the Group is involved in the IT/Communications and Life/Business Solutions Businesses, principally in Japan. Should these businesses not grow as the Group expects, or if their profitability is reduced through factors such as changes in legal or regulatory frameworks, technological innovation or intensifying competition, the Group's results of operations and financial condition may be materially adversely affected.

Funding requirements and changes in interest rates

The Group's business, in particular its electric power business, requires a significant amount of capital expenditure each year. As such, the Group is required to raise significant funds, principally through borrowings and issues of bonds, on a continuous basis. Developments in the Group's business and credit standing, changes in credit ratings in respect of its debt and adverse developments in financial markets in general, may materially adversely affect the Group's ability to raise funds, on acceptable conditions or at all. Any failure by the Group to raise the funds it needs in an acceptable manner may materially adversely affect the Group's business, results of operations and financial condition.

The Group has a substantial amount of interest-bearing debt (consisting primarily of long-term fixed rate debts (being bonds and loans)), denominated mostly in yen. As of 30 June 2019, the Group's interest-bearing debt (comprising of long and short-term borrowings, bonds and commercial paper but excluding obligations under finance leases) amounted to ¥3,961.4 billion, or 54.9 per cent. of consolidated total assets on such date. Prevailing interest rates, whether for yen or other currencies in which the Group's debts are denominated, may increase in the future. Increases in prevailing interest rates may have the effect of increasing interest payments by the Group and may increase the refinancing cost on maturity of the Group's debts. Although the Group hedges against the risk of interest rate fluctuations to a certain extent, such hedging activities may not, or may only partially cover, the risks relating to interest payable by the Group, and interest rate fluctuations could increase the Group's interest payment burden. Further, any negative movements in any credit ratings obtained by the Company (whether due to factors relating to the Group or due to changes in the relevant rating agency's policies) may increase the Group's funding or refinancing costs, in particular, where the Group is involved in obtaining debt funding through the capital markets such as by issuing bonds. Any such factors may materially adversely affect the Group's results of operations and financial condition.

Compliance and legal and regulatory risk

In all aspects of its business activities, the Group strives to comply with laws and regulations, internal rules and business ethics with a view to ensuring strict enforcement of compliance as the basis of its management. However, should a major case of non-compliance occur, the Group's social credibility may decline and affect the smooth operation of its business.

The Group must comply with a wide range of laws, regulations and other requirements across various jurisdictions. Such laws, regulations and requirements, including specific laws and regulations relating to its electric power business (see "Business—Regulations"), agreements with local authorities and communities and requirements to disclose environmental impact of its businesses, environmental regulation (see "—Environmental regulation and climate change initiatives") as well as other general legal and regulatory requirements (including but not limited to those relating to employment, trade, antitrust, investments, intellectual property, taxation and tariffs), and their application and enforcement, are of varying degrees of complexity and strictness in different jurisdictions and localities, and sometimes not only require compliance by the Group but also by parties acting on its behalf. In particular, local government and community concurrence is important in terms of operations of power plants and building new ones. Further, compliance in respect of personnel and labour-related regulations is also important, and as the Group has many employees, there is a possibility that personnel costs as well as other expenses may increase as a result of such regulations. The Group has established risk management, compliance and internal control systems and procedures. Certain areas within the risk management, compliance and internal control systems may require constant monitoring, maintenance and continual improvements by the Group's senior management and staff. If the efforts to maintain these systems are found to be ineffective or inadequate, the Group may be subjected to inappropriate activities such as cover-up of non-compliant activities, falsification of records, fraudulent acts or corruptive practice (whether by its employees or third parties), or be found not to be in compliance with laws and regulations, which may in turn subject the Group to sanctions or penalties, or additional expenses may be incurred, and its business and reputation may be adversely affected. The internal control system, no matter how sophisticated in design, still contains inherent limitations caused by misjudgement or fault, or deliberate acts of misconduct or fraud. As such, there can be no assurance that the risk management, compliance and internal control systems of the Group are always adequate or effective notwithstanding the Group's efforts, and any failure to address any internal control matters and other deficiencies could result in investigations and/or disciplinary actions or prosecution being taken against the Group and/or its employees, disruption to the risk management and/or compliance systems, and any of these factors may have an adverse effect on the Group's reputation, results of operations and financial condition.

Further, the Group is promoting the expansion of its overseas operations and strategic overseas investments. Consequently, the Group may be increasingly exposed to a number of risks including exposure to different legal and regulatory standards overseas and unexpected changes in or imposition of new legislative or regulatory requirements, including those in relation to taxation, trade restrictions or tariffs, as well as, in certain cases, political and economic instability or slowdown and social or other turmoil. Any of these factors may materially adversely affect the Group's business, results of operations and financial condition.

Legal proceedings and litigation

As with any major business, the Group faces risks of disputes or litigation both in Japan and overseas, whether with or without merit, in relation to its business. Such litigation and proceedings may relate, among others, to environmental liabilities, friction with local residents and civic groups in relation to construction or operation of facilities, labour and health and safety issues and, in extreme cases, injunctions to cease operation of its facilities. The Group could also become the target of administrative measures or other actions. Due to the inherent uncertainty of litigation and legal proceedings, it is not possible to predict when and whether any significant litigation and legal proceedings will be brought against the Group and whether it will prevail. If any significant litigation or legal or administrative proceedings were to occur, it may negatively affect the Group's reputation, business, results of operations and financial condition. For risks relating to lawsuits and other proceedings and actions relating to the Group's nuclear power stations, see "—Risks pertaining to nuclear power generation—Litigation, disputes and deterioration in relationships with interested parties".

Environmental regulation and climate change initiatives

The Group's businesses are subject to extensive environmental regulation in Japan and on an international scale. Applicable environmental regulations address, among other things, CO_2 emissions, water pollution, disposal of substances deriving from energy production (including as a result of nuclear power generation), and atmospheric contaminants such as SOx, NOx and particulate matter, among other things. See "Business—Regulations". Although the Group has been making efforts towards reducing emissions which affect the environment, including through nuclear power generation and active development and implementation of renewable energy, as the Group's electricity generation currently utilises thermal power generation to a certain extent, the Group is subject to requirements imposed by various environmental regulations, including those that require the Group to adopt preventative or remedial measures, and those that require reductions in carbon emissions in the course of power generation. Further, in April 2019 the Company announced its support of the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") established by the Financial Stability Board, and joined the TCFD Consortium (an initiative supported by the government designed to promote responsible disclosure of climate-related financial information by businesses and the use of this information in the investment decisions of financial institutions) upon its inception in May 2019. See "Business—Regulations—Environmental Regulation" and "Business—Corporate Social Responsibility".

If environmental regulations or policies were to be more stringent or if new environmental regulations or policies were to be introduced, this could increase the Group's costs of compliance, including through requiring further investments (in facilities or otherwise) for the purposes of compliance, or cause the Group to face environmental or related liabilities. Such liabilities could increase the Group's costs, including clean-up costs. Depending on regulatory developments, the Group may not always be able to offset increases in costs incurred for environmental protection with price increases. Any of the above factors may materially adversely affect the Group's business, results of operations and financial condition.

For the fiscal year ended 31 March 2019, the proportion of the electricity generated by the Company through thermal (LNG, coal and oil) power to the total amount of electricity generated by the Company amounted to approximately 58 per cent. If that proportion were to increase for any reason (such as through suspension of the operation of the Company's nuclear power plants), the Group's business and reputation may be adversely affected by policies and initiatives at national and international levels to address climate change, such as worldwide measures to reduce greenhouse gas emissions and movements towards decarbonisation. Third parties, including investors or financial institutions, may also introduce policies adverse to the Group due to its activities in thermal power generation (especially coal-fired), including reducing or refusing investments in, or funding to, the Group. Any of the above factors may materially adversely affect the Group's business, results of operations, financial condition and reputation.

Management of personal and other business information

The Group maintains a large volume of business information, including credit information, on individuals including that of electric power customers. The Group has established internal rules of basic guidelines for information management and guidelines for personal information protection, and the Group works to comply with these rules and rigorously administrate all of this information by information security measures. However, in the event of information leakage due to a computer system breach by malicious third parties, theft of recording media holding such information, human error by an employee or subcontractor or by other means, the Group may lose credibility and its business performance may be affected. Moreover, the Group could face customer claims for compensatory damages, including claims under the Act on the Protection of Personal Information of Japan (Act No. 57 of 2003, as amended), and lose the trust of customers and the market, which may materially adversely affect the Group's reputation, results of operations and financial condition.

Risks related to the implementation of the Group's strategy

The Group is implementing its business strategies formulated against a background of electric power industry deregulation and liberalisation (see "Business—Strategy"). The successful implementation of the Group's strategies and the attainment of its aims and targets are subject to various internal and external factors, including further changes to the regulatory environment (in particular in relation to the electric power industry) and relationship with local communities, general economic and market conditions in the regions in which the Group operates, developments in the competitive landscape and volatility in fuel prices and foreign exchange rates, among other factors. There can be no assurance that the Group's strategies will be implemented successfully, that the implementation of such strategies will have its intended effect, that the assumptions underlying the strategies will not differ from actual figures, that targets (whether quantitative or qualitative, and whether in the long term or short term) set by the Group will be met in time or at all, or that such targets and aims will not be further revised in future by the Company's management.

Business alliance, investments and other activities

The Group may, when suitable opportunities arise, engage in business acquisitions, capital participations, investments (including venture capital investments), tie-ups, joint ventures, alliances and supply relationships with other companies. However, there can be no assurance that such activities will achieve the desired results or that the Group will be able to recoup the value of the investments made by the Group. Further, if the Group decides that a particular business, tie-up, alliance or other relationships with third parties were not beneficial to the Group's business, it may divest, rationalise or end such business or relationship. If the Group fails to successfully manage any acquired business or otherwise fails to achieve the intended results of such activities, or if the Group is unable to take advantage of suitable opportunities for such activities in a timely manner, the Group's business, results of operations and financial condition may be materially adversely affected.

Cost and liabilities for retirement benefits

The Group's cost and liabilities for retirement benefits are accounted based on assumptions for actuarial calculation, such as the discount rate and the long-term expected rate of return on plan assets. Changes in the discount rate and expected rate of return have the potential to affect the Group's results and financial condition. Costs related to the Group's retirement benefit plans may increase if the fair value of the plan assets declines or if there is a change in the actuarial assumptions on which the calculations of the projected benefit obligation are based, such as a decline in the expected rate of return on plan assets. In addition, the Group may be required to recognise expenses related to the recognition of previously unrecognised service costs as a result of plan amendments. Changes in the interest rate environment and other factors may also adversely affect the amount of unfunded pension obligations and actuarial differences. Any such factors may materially adversely affect the Group's results of operations and financial condition.

Impairment of assets

The Group holds investment securities including marketable securities, such as listed stocks of financial institutions. Although the Group generally intends to hold such securities on a long-term basis, changes in market prices or in the financial position of the issuing companies could necessitate the recording of unrealised losses or impairment losses by the Group, which could have an adverse effect on the Group's results of operations and financial condition. Further, the Group holds significant amounts of construction in progress and assets in relation to its electric power business. Should such construction need to be halted or if the operation of the relevant facilities cannot be commenced or continued, due to changes in governmental policies regarding building of new electric power facilities, rapid changes in electricity demand or competitive landscape or otherwise, the Group's investments in such assets may become unrecoverable, and the Group may need to record significant impairment losses. Any such factors may materially adversely affect the Group's results of operations and financial condition.

Deferred tax assets

The Group records deferred tax assets based on a reasonable estimation of future taxable income in accordance with applicable accounting standards. The Group's financial condition and results of operations could be materially adversely affected if its deferred tax assets are reversed due to a change in its estimation of future taxable income and other factors.

Considerations Relating to the Group's Financial Statements

Changes in accounting policies

The Group prepares its consolidated financial statements in accordance with Japanese GAAP and applicable accounting rules under the Electricity Business Act and related ordinances and regulations, and a number of the accounting policies which it adopts, for example those relating to reserves and amortisation, are specific to the electricity business in Japan. Further, in March 2019, the Board of Directors of the Company resolved that it would change the primary depreciation method applied to tangible fixed assets from the fiscal year ending 31 March 2020, from the declining-balance method to the straight-line method (see "Recent Business—New Accounting Pronouncements and Accounting Changes—Change to the Depreciation Method for Tangible Fixed Assets"). Due to this change, in the three-month period ended 30 June 2019, consolidated operating income increased by ¥11,477 million, and ordinary income and income before income taxes increased by ¥11,431 million, compared to the previous depreciation method, and the segment profit of the Electric Power segment and the Gas/Other Energies segment increased by ¥10,951 million and ¥714 million respectively, and "Reconciliations" within the segment profit information decreased by ¥234 million, compared to the previous depreciation method.

Any changes to accounting rules applicable to the Group, whether specific to the electricity business or otherwise, may materially affect the Group's preparation of its financial statements, as well as its results of operations and financial condition, in the relevant year.

Differences in generally accepted accounting principles

The Company's consolidated and non-consolidated financial statements are prepared and presented in accordance with Japanese GAAP, which differs in certain respects from IFRS and generally accepted accounting principles and financial reporting standards in other countries. The Group's financial statements may therefore differ from those prepared for companies outside Japan in those and other respects. This Offering Circular does not include a reconciliation of the Company's or the Group's financial statements to IFRS or to any other generally accepted accounting principles or reporting standards in other countries. If at any point in the future the

Company were to apply IFRS or any other generally accepted accounting principles for its financial reporting, the reported financial results of the Company and/or the Group may differ materially from prior years' financial results prepared under Japanese GAAP, which may make comparisons to prior years more difficult, unless comparative financial statements for prior years are prepared in accordance with IFRS or other generally accepted accounting principles and financial reporting standards.

Unaudited financial statements

This Offering Circular contains unaudited interim financial statements in respect of the three-month periods ended 30 June 2019 and 2018, which are not required to be, and have not been, audited by the Company's independent auditors. The unaudited interim consolidated financial statements of the Company as of 30 June 2019 and for the three-month periods ended 30 June 2019 and 2018 included in this Offering Circular have been reviewed by the Company's independent accountants in accordance with the quarterly review standards generally accepted in Japan.

The unaudited interim financial statements contained in this Offering Circular are not wholly comparable with the annual financial statements contained in this Offering Circular and should not be so compared. Certain adjustments, accruals and deferrals which are made in the annual audited financial statements have been estimated or are not made in respect of such unaudited interim financial statements.

Considerations Relating to the Bonds

Future structural subordination and no covenant to take measures to protect preferential rights

At the annual general meeting of the Company's shareholders held on 21 June 2019, in line with the requirement for legislation-based separation of the power transmission and distribution division under the electricity system reforms, the shareholders of the Company resolved that the Company would separate its power transmission and distribution business from its generation and retail business in April 2020, by way of an absorption-type corporate split, pursuant to which the Company's power transmission and distribution business would be transferred to, and thereafter undertaken by, the Separated Company, subject to obtaining permission from the relevant regulatory authorities (see "—Considerations Relating to the Group and its Business—Revision of systems pertaining to the electric power business" and "Business—Overview of the Group—Legal separation of the power transmission and distribution business").

Upon such separation becoming effective, the transmission and distribution assets of the Company will be transferred to the Separated Company, resulting in a significant reduction in the assets of the Company. As the Bondholders will have no direct claim against the Separated Company in respect of the Bonds, their recourse to the transmission and distribution assets previously held by the Company will be structurally subordinated to the claims of creditors of the Separated Company. Such transfer and structural subordination may have an adverse effect on the trading price of the Bonds, and on the ability of a Bondholder to recover its investment following a default by the Company.

The Company has announced that following such a separation, the Separated Company would issue to the Company a certain amount of bonds with preferential right (so-called "*ippan tanpo*") and with the same maturity and interest (in the case of foreign currency denominated bonds, such interest expected to be that payable in yen in respect of the corresponding swap transaction) as those of the corresponding bonds of the Company existing at the time of such separation (such bonds, as they are issued between companies within the Group, being called "inter-company bonds"). The Company, as holder of such inter-company bonds, would have the right over the assets of the Separated Company to be paid prior to certain other unsecured indebtedness of the Separated Company. While the Company intends to have the Separated Company issue such inter-company bonds to the Company in order to ensure that the separation of its power transmission and distribution business will not adversely affect the position of its bondholders in general, the principal amount of such inter-company bonds to be issued is not expected to be the entire principal amount of the Company's outstanding bonds at the time of such separation, but is expected to be an amount that the Company believes is appropriate for the Separated Company to bear in terms of the proportionate amount of obligations. See "Business—Overview of the Group—Legal separation of the power transmission and distribution business". However, neither the Company nor the Separated Company are under any obligation, pursuant to the Conditions or otherwise, to take any such action. Even in the event the Company and the Separated Company choose to take such action (at their sole discretion), there can be no certainty as to the effectiveness to protect the interests of the Bondholders. Further, inter-company bonds planned to be issued by the Separated Company in relation to the Bonds will not be specifically linked to, or segregated for the benefit of the holders of, the Bonds, nor will the Bonds be secured on any such inter-company bonds.

The Bonds may not be a suitable investment for all investors

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

(i) has sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Offering Circular or any applicable supplement;

(ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;

(iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;

(iv) understands thoroughly the terms of the Bonds and is familiar with the behaviour of any financial markets; and

(v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Change in ratings

It is expected that the Bonds will be assigned a credit rating of A3 by Moody's. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Bonds.

Trading market for the Bonds

Prior to the issue of the Bonds, there has been no trading market for the Bonds. Although approval in-principle has been received for the listing of the Bonds on the SGX-ST, there can be no assurance that an active trading market for the Bonds will develop. Furthermore, even if such a market does develop, it may not be liquid or sustained.

Market price of the Bonds

Trading prices of the Bonds will be influenced by, among other things, the financial position and results of operations of the Group, including the reporting of its financial results.

The Bonds do not entitle holders to receive specific security interests

Although the Bonds have the preferential right (so-called "*ippan tanpo*") to be paid prior to certain other unsecured indebtedness of the Company under the Electricity Business Act, the Bonds do not entitle holders to receive specific security interests over the Group's assets.

Exchange rate risks and exchange controls

The Company will pay principal and interest on the Bonds in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the U.S. dollar. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the U.S. dollar would decrease (1) the Investor's Currency-equivalent yield on the Bonds, (2) the Investor's Currency-equivalent value of the principal payable on the Bonds and (3) the Investor's Currency-equivalent market value of the Bonds. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in the Bonds involves the risk that if market interest rates subsequently increase above the rate paid on the Bonds, this will adversely affect the value of the Bonds.

The insolvency laws of Japan and other local insolvency laws may differ from those of other jurisdictions

Because the Company is incorporated under the laws of Japan, any insolvency proceeding relating to the Company would likely involve Japanese insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which an investor may be familiar.

Modification and waivers

The Agency Agreement (as defined in the Conditions) contains provisions for calling meetings of Bondholders (as defined in the Conditions) to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

Changes in law after the issuance of the Bonds

The Conditions are based on English law in effect as of the date of issue of the Bonds. No assurance can be given as to the impact of any possible judicial decision or change to English law, administrative practice or mandatory provisions of Japanese law after the date of issue of the Bonds which may have an adverse effect on the Bondholders. Certain changes to Japanese tax law may give the Company the option to redeem the Bonds before their maturity, which redemption could reduce the return on investment as compared to what could have been achieved had the Bonds been redeemed at maturity.

Integral Multiples of less than U.S.$200,000

As the Bonds have denominations consisting of U.S.$200,000 and integral multiples of U.S.$2,000 in excess thereof, it is possible that the Bonds may be traded in amounts in excess of U.S.$200,000 that are not integral multiples of U.S.$200,000. In such a case, a Bondholder who, as a result of trading such amounts, holds a principal amount of Bonds of less than U.S.$200,000 will not receive a definitive Certificate in respect of such holding (should definitive Certificates be printed) and would need to purchase a principal amount of Bonds such that it holds an amount equal to at least U.S.$200,000.

Early redemption

In the event that the Company would be obliged to increase the amounts payable in respect of the Bonds due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Japan or any political subdivision thereof or any authority therein or thereof having power to tax, the Company may redeem all outstanding Bonds in accordance with the Conditions.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Bonds are legal investments for it, (ii) Bonds can be used as collateral for various types of borrowing, and (iii) other restrictions apply to its purchase or pledge of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

Forward-looking Statements

Statements in this Offering Circular with respect to the Group's plans, strategies, projected financial results and beliefs, as well as other statements that are not historical facts, are forward-looking statements involving risks and uncertainties. These statements are based on assumptions and beliefs derived from information currently available to the Group, and as such actual results may differ, in some cases significantly, from these forward-looking statements. The Group does not undertake to release the results of any revision of forward-looking statements which may be made to reflect future events or circumstances. Important factors that could cause actual results to differ materially from such statements include, but are not limited to, changes in the legal and regulatory environment, developments in the competitive landscape, general economic and market conditions in the regions in which the Group operates, progress of the conformance confirmation examinations by the NRA and the Group's ability to continue its nuclear power operations, trends in public opinion and relationship with local governments and communities, fluctuations in fuel prices and foreign exchange rates, unexpected developments in the Group's overseas businesses, occurrences of natural disasters and other unexpected events, and effects of joint ventures, alliances and other similar activities. The Company cautions prospective investors in the offering not to place undue reliance on these forward-looking statements. All written and oral forward-looking statements attributable to the Group or persons acting on the Group's behalf are qualified in their entirety by these cautionary statements.

TERMS AND CONDITIONS OF THE BONDS

The following terms and conditions (the "Conditions") of the Bonds will, subject to completion and amendment, and, save for the paragraphs in italics, be endorsed on the Certificates (as defined herein):

The U.S.$500,000,000 2.550 per cent. Bonds due 2024 (the "Bonds", which expression includes any further bonds issued pursuant to Condition 12 (*Further Issues*) and forming a single series therewith) of The Kansai Electric Power Company, Incorporated (the "Company") are constituted by a deed of covenant dated 17 September 2019 (as amended or supplemented from time to time, the "Deed of Covenant") entered into by the Company and are the subject of a fiscal agency agreement dated 17 September 2019 (as amended or supplemented from time to time, the "Agency Agreement") between the Company and Mizuho Trust & Banking (Luxembourg) S.A. as fiscal agent (the "Fiscal Agent", which expression includes any successor fiscal agent appointed from time to time in connection with the Bonds), as paying agent (together with the Fiscal Agent, the "Paying Agents", which expression includes any successor or additional paying agents appointed from time to time in connection with the Bonds), as transfer agent (the "Transfer Agent", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Bonds) and as registrar (the "Registrar", which expression includes any successor registrar appointed from time to time in connection with the Bonds). References herein to the "Agents" are to the Fiscal Agent, the Paying Agents, the Transfer Agent and the Registrar and any reference to an "Agent" is to any one of them. Certain provisions of these Conditions are summaries of the Agency Agreement and the Deed of Covenant and subject to their detailed provisions. The Bondholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. Copies of the Agency Agreement and the Deed of Covenant are available for inspection by Bondholders during normal business hours at the Specified Offices (as defined in the Agency Agreement) of each of the Agents, the initial Specified Offices of which are set out below.

1. Form, Denomination, Title, Status, Registration and Transfers of Bonds

1.1 *Form and Denomination*

The Bonds are issued in registered form in the denominations of U.S.$200,000 and integral multiples of U.S.$2,000 in excess thereof (each, an "Authorised Denomination") and are not exchangeable for bonds in bearer form.

A bond certificate (each, a "Certificate") will be issued to each Bondholder in respect of its registered holding. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register (the "Register") of Holders of Bonds to be kept by the Registrar in accordance with Condition 1.4.1 (*The Register*).

1.2 *Title*

Title to the Bonds will pass only by transfer and registration of title in the Register. The Holder of any Bond will (except as otherwise declared by a court of competent jurisdiction or required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust, or any interest in it, or any writing on, or theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the Holder.

In these Conditions, a "Bondholder" and (in relation to a Bond) a "Holder" mean the person in whose name a Bond is registered in the Register (or in the case of a joint holding, the first name thereof).

Upon issue, the Bonds will be evidenced by a global certificate (the "Global Certificate") deposited with and registered in the name of, or a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg.

The Conditions are modified by certain provisions contained in the Global Certificate. Except in the limited circumstances described in the Global Certificate, owners of interests in the Bonds evidenced by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of the Bonds.

1.3 ***Status***

The Bonds are direct, unconditional and unsubordinated obligations of the Company, ranking *pari passu* and rateably without any preference among themselves, and, except for the provisions of Condition 2 (*Negative Pledge*), with all of the Company's other unsubordinated indebtedness in the form of bonds, notes or debentures (which fall within the meaning of *shasai* as referred to in Article 27-30, paragraph 1, of the Electricity Business Act of Japan (Act No. 170 of 1964, as amended, the "Electricity Business Act")) from time to time outstanding that is unsecured except for the preferential right referred to in Article 27-30, paragraph 1, of the Electricity Business Act. Under the Electricity Business Act, all holders of such bonds, notes and debentures (including the Bonds) issued by the Company have the preferential right (such right being referred to herein as the "Current Preferential Right") to be paid prior to other unsecured indebtedness of the Company, with the exception of, among others, obligations in respect of national and local taxes and subject to certain general preferential rights provided in the Civil Code of Japan (Act No. 89 of 1896, as amended, the "Civil Code"), such as preferential rights of employees to wages.

1.4 ***Transfers of Bonds***

1.4.1 *The Register*: The Company will cause to be kept at the Specified Office of the Registrar, and in accordance with the terms of the Agency Agreement, the Register on which shall be entered the names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers and redemptions in respect of the Bonds.

Each Bondholder shall be entitled to receive one Certificate in respect of the Bonds held by such Holder.

1.4.2 *Transfers*: A Bond may be transferred upon the surrender (at the Specified Office of any Agent) of the Certificate evidencing such Bond, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Company), duly completed and signed and any other evidence as the relevant Agent or the Registrar (as the case may be) may reasonably require; *provided, however, that* a Bond may not be transferred which would result in the principal amount of Bonds held by a Holder and in respect of which a Certificate is to be issued being less than U.S.$200,000. No transfer of a Bond will be valid unless and until entered on the Register. Upon such transfer, a new Certificate will be issued to the transferee in respect of the Bond so transferred. Where not all of the Bonds evidenced by the surrendered Certificate are the subject of the transfer, a new Certificate in respect of the balance of the Bonds will be issued to the transferor. All transfers of the Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of the Bonds scheduled to the Agency Agreement. The regulations may be changed by the Company, with the prior written approval of the Registrar. A copy of the current regulations will be made available (free of charge) during normal business hours by the Registrar to any Bondholder upon prior written request.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems, as described in "Summary of Provisions Relating to the Bonds While in Global Form".

1.4.3 *Delivery of New Certificates*: Each new Certificate to be issued pursuant to Condition 1.4.2 (*Transfers*) shall be available for delivery within five Transfer Business Days (as defined below) of receipt of the duly completed and signed form of transfer, and surrender of the original Certificate for exchange and any other evidence as the relevant Agent may reasonably require. Delivery of the new Certificate(s) shall be made at the Specified Office of any of the Agents to whom delivery or surrender of such form of transfer and Certificate shall have been made, or if so requested in the form of transfer, be mailed by uninsured post at the risk of the Holder entitled to the new Certificate to such address so specified (at the Company's expense) unless such

Holder requests otherwise and pays in advance to the Registrar or the relevant Agent (as the case may be) the costs of such other method of delivery as agreed between such Holder and the relevant Agent and/or such insurance as it may specify. In these Conditions, "Transfer Business Day" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the Specified Office of the relevant Agent.

1.4.4 *Formalities Free of Charge*: Registration of a transfer of Bonds and issuance of new Certificates shall be effected without charge by or on behalf of the Company or the Agents, but subject to (i) payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the relevant Agent may require); (ii) the Registrar being satisfied in its absolute discretion with the documents of title and/or the identity of the person making the application; and (iii) the Company and the relevant Agent being satisfied that the regulations concerning transfer of Bonds having been satisfied.

1.4.5 *No Registration of Transfer*: No Bondholder may require the transfer of a Bond to be registered (i) during the period commencing on (and including) any Record Date (as defined in Condition 6.7 (*Record Date*)) and ending on the immediately following due date for any payment of principal or interest in respect of the Bonds or (ii) after a notice of redemption has been given pursuant to Condition 5.2 (*Redemption for Taxation Reasons*).

2. **Negative Pledge**

So long as any of the Bonds remains outstanding (as defined in the Agency Agreement), the Company will not, and will procure that none of its Principal Subsidiaries (as defined in Condition 3.1 (*Definitions*)) will, create or permit to subsist any mortgage, charge, pledge or other security interest (other than any Statutory Preferential Right (as defined below)) for the benefit of the holders of any Relevant Debt (as defined below) upon the whole or any part of the Company's or such Principal Subsidiary's property or assets, present or future, to secure (i) payment of any sum due in respect of any Relevant Debt or (ii) any payment under any guarantee of any Relevant Debt or (iii) any payment under any indemnity or other like obligation in respect of any Relevant Debt, without in any such case at the same time according or procuring to be accorded to the Bonds, (x) as shall be approved by an Extraordinary Resolution (as defined in Condition 3.1 (*Definitions*)), the same security as is granted to or subsists in respect of such Relevant Debt or such guarantee, indemnity or other like obligation, or (y) such other security or guarantee as shall be approved by an Extraordinary Resolution.

For the purposes of this Condition 2 (*Negative Pledge*):

"Relevant Debt" means any present or future indebtedness in the form of, or represented or evidenced by, bonds, debentures, notes or other similar securities of any person with a stated maturity of more than one year from the creation thereof and which:

(a) either are by their terms payable, or confer a right to receive payment, in any currency other than yen, or are denominated in yen and more than 50 per cent. of the aggregate principal amount thereof is initially distributed outside Japan by or with the authorisation of the Company or the relevant Principal Subsidiary; and

(b) are for the time being, or are intended to be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other similar securities market outside Japan; and

"Statutory Preferential Right" means any Current Preferential Right and any similar preferential right of holders of bonds, notes and debentures issued or to be issued by the Company or any Principal Subsidiary to be paid prior to other unsecured indebtedness of the Company or the relevant Principal Subsidiary, as the case may be, arising pursuant to the Electricity Business Act or any other Japanese statute in force from time to time.

3. **Definitions and Construction of References**

3.1 ***Definitions***

In these Conditions (unless the context otherwise requires):

"Additional Amounts" has the meaning provided in Condition 7.1 (*Additional Amounts*);

"Authorised Denomination" has the meaning provided in Condition 1.1 (*Form and Denomination*);

"Authorised Officer" means any one of the directors or officers of the Company or any other person whom the Company shall have identified as being duly authorised to sign any document or certificate on behalf of the Company;

"Bankruptcy Act" means the Bankruptcy Act of Japan (Act No. 75 of 2004, as amended);

"Bondholder" and "Holder" have the meaning provided in Condition 1.2 (*Title*);

"Cabinet Order" has the meaning provided in Condition 7.1 (*Additional Amounts*);

"Calculation Amount" has the meaning provided in Condition 4 (*Interest*);

"Calculation Period" has the meaning provided in Condition 4 (*Interest*);

"Certificate" has the meaning provided in Condition 1.1 (*Form and Denomination*);

"Civil Code" has the meaning provided in Condition 1.3 (*Status*);

"Civil Rehabilitation Act" means the Civil Rehabilitation Act of Japan (Act No. 225 of 1999, as amended);

"Claim for Exemption" has the meaning provided in Condition 7.2 (*Definitions Relating to Taxation*);

"Companies Act" means the Companies Act of Japan (Act No. 86 of 2005, as amended);

"Consolidated Financial Statements" means, in relation to any Fiscal Period of the Company, the unaudited consolidated financial statements of the Company prepared in accordance with the Relevant GAAP or, if in respect of such Fiscal Period audited consolidated financial statements have been prepared, the audited consolidated financial statements of the Company prepared as aforesaid;

"Consolidated Subsidiary" means, in relation to a Fiscal Period of the Company, Subsidiaries consolidated in the relevant Consolidated Financial Statements;

"Corporate Reorganisation Act" means the Corporate Reorganisation Act of Japan (Act No. 154 of 2002, as amended);

"Current Preferential Right" has the meaning provided in Condition 1.3 (*Status*);

"Day Count Fraction" has the meaning provided in Condition 4 (*Interest*);

"Designated Financial Institution" has the meaning provided in Condition 7.2 (*Definitions Relating to Taxation*);

"Due Date" has the meaning provided in Condition 7.1 (*Additional Amounts*);

"Electricity Business Act" has the meaning provided in Condition 1.3 (*Status*);

"Exemption Information" has the meaning provided in Condition 7.2 (*Definitions Relating to Taxation*);

"Extraordinary Resolution" means a resolution passed at a meeting of the Bondholders duly convened (including the satisfaction of the quorum requirements set out in the Agency Agreement) and held in accordance with the provisions contained in the Agency Agreement by a majority consisting of not less than three-quarters of the votes cast thereon;

"FATCA withholding" has the meaning provided in Condition 7.1 (*Additional Amounts*);

"Financial Instruments and Exchange Act" means the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended);

"first currency" has the meaning provided in Condition 13 (*Currency Indemnity*);

"Fiscal Period" means, as the context may require, (i) a period commencing on 1 April and ending on 31 March of the immediately succeeding year; or (ii) three month periods each commencing on 1 April, 1 July, 1 October and 1 January; provided that, if the Company shall change its financial year so as to end on a date other than 31 March, the provisions of items (i) and (ii) above shall be deemed to be amended *mutatis mutandis* and any such change shall be promptly notified by the Company to the Bondholders;

"Interest Payment Date" has the meaning provided in Condition 4 (*Interest*);

"Maturity Date" has the meaning provided in Condition 5.1 (*Final Maturity*);

"Participant" has the meaning provided in Condition 7.2 (*Definitions Relating to Taxation*);

"Payment Business Day" has the meaning provided in Condition 6.5 (*Payments on Payment Business Days*);

"Principal Subsidiary" means (a) any Consolidated Subsidiary of the Company, (i) whose net sales as shown by the annual non-consolidated financial statements (or, where the Consolidated Subsidiary in question itself prepares consolidated financial statements, the annual consolidated financial statements) of such Consolidated Subsidiary used for the purposes of the latest audited annual Consolidated Financial Statements being made up, are 10 per cent. or more of the net sales of the Company and its Consolidated Subsidiaries as shown by such audited annual Consolidated Financial Statements or (ii) whose total assets as shown by the annual non-consolidated financial statements (or, as the case may be, the annual consolidated financial statements) of such Consolidated Subsidiary used for the purposes of the latest audited annual Consolidated Financial Statements being made up, are 10 per cent. or more of the total assets of the Company and its Consolidated Subsidiaries as shown by such audited annual Consolidated Financial Statements; and (b) on and after the Separated Company Effective Date, the Separated Company. A certificate signed by a Representative Director or an Authorised Officer that in the Company's opinion, a Consolidated Subsidiary is or is not or was or was not at a specified date a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties;

"Proceedings" has the meaning provided in Condition 16.2 (*Jurisdiction*);

"Rate of Interest" has the meaning provided in Condition 4 (*Interest*);

"Register" has the meaning provided in Condition 1.1 (*Form and Denomination*); "Related Party" has the meaning provided in Condition 7.1 (*Additional Amounts*); "Relevant Debt" has the meaning provided in Condition 2 (*Negative Pledge*);

"Relevant GAAP" means the accounting principles which are adopted by the Company for the preparation of the Consolidated Financial Statements under the Financial Instruments and Exchange Act, being one of those generally accepted in Japan or the United States or International Financial Reporting Standards (as issued by the International Accounting Standards Board (or any successor thereto) or, if applicable, as adopted or endorsed by the Accounting Standards Board of Japan (or any successor thereto));

"Relevant Taxation Acts" has the meaning provided in Condition 7.2 (*Definitions Relating to Taxation*);

"Representative Director" means a director of the Company who is for the time being a representative director within the meaning of the Companies Act or, where applicable, a representative statutory executive officer of the Company within the meaning of the Companies Act;

"second currency" has the meaning provided in Condition 13 (*Currency Indemnity*);

"Separated Company" means Kansai Transmission and Distribution, Inc., or such Subsidiary of the Company under such other name to which the Company's power transmission and distribution business will be transferred on the Separated Company Effective Date;

"Separated Company Effective Date" means the date on which an absorption-type corporate split as approved by the general meeting of shareholders of the Company on 21 June 2019, pursuant to which the Company's power transmission and distribution business will be transferred to the Separated Company, will become effective;

As of the date of this Offering Circular, the Separated Company Effective Date is expected to be 1 April 2020.

"Special Taxation Measures Act" has the meaning provided in Condition 7.1 (*Additional Amounts*);

"Statutory Preferential Right" has the meaning provided in Condition 2 (*Negative Pledge*);

"Subsidiary" means a company, more than 50 per cent. of the outstanding shareholders' voting rights of which is at any given time owned by the Company, by one or more other Subsidiaries or by the Company and one or more other Subsidiaries, or any other company which is otherwise considered to be controlled by the Company under the Relevant GAAP (and, for this purpose, "voting rights" means the voting power attached to stocks or shares for the election of directors, officers or trustees of such company, other than voting powers attached to stocks or shares outstanding having such power by reason of the happening of a contingency);

"Taxes" has the meaning provided in Condition 7.1 (*Additional Amounts*);

"Tax Redemption Date" has the meaning provided in Condition 5.2 (*Redemption for Taxation Reasons*);

"Tax Redemption Notice" has the meaning provided in Condition 5.2 (*Redemption for Taxation Reasons*); and

"Transfer Business Day" has the meaning provided in Condition 1.4.3 (*Delivery of New Certificates*).

3.2 ***Construction of Certain References***

References to any statute or provision of any statute shall be deemed to include a reference to any statute or the provision of any statute which amends, extends, consolidates or replaces the same, or which has been amended, extended, consolidated or replaced by the same, and shall include any ordinances, regulations, instruments or other subordinate legislation made under the relevant statute.

The headings in these Conditions are for convenience only and shall be ignored in construing these Conditions.

4. **Interest**

The Bonds bear interest from and including 17 September 2019 at the rate of 2.550 per cent. per annum, (the "Rate of Interest") payable semi-annually in arrear on 17 March and 17 September in each year commencing on 17 March 2020 (each, an "Interest Payment Date"), subject as provided in Condition 6 (*Payments*). Interest in respect of any Bond shall be calculated per U.S.$2,000 in principal amount of the Bond (the "Calculation Amount").

Each Bond will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder, and (ii) the day which is seven days after the Fiscal Agent has notified the Bondholders that it has received all sums due in respect of all the Bonds up to but excluding such seventh day (except to the extent that there is any subsequent default in payment).

The amount of interest payable on each Interest Payment Date shall be U.S.$25.50 in respect of each Calculation Amount. If interest is required to be paid in respect of a Bond on any other date, such amount payable per Calculation Amount shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, and rounding the resulting figure to the nearest cent (half a cent being rounded upwards), where:

"Calculation Period" means the relevant period for which interest is to be calculated from (and including) the first day in such period to (but excluding) the last day in such period; and

"Day Count Fraction" means, in respect of any period, the number of days in the relevant period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30.

5. **Redemption, Purchase and Cancellation**

5.1 ***Final Maturity***

Unless the Bonds have previously been redeemed or purchased and cancelled, or become due and repayable, the Company will redeem the Bonds at 100 per cent. of their principal amount on 17 September 2024 (the "Maturity Date"), subject as provided in Condition 6 (*Payments*). The Bonds may not be redeemed at the option of the Company other than in accordance with Condition 5.2 (*Redemption for Taxation Reasons*).

5.2 ***Redemption for Taxation Reasons***

The Company may, but shall not be bound to, at any time, having given not less than 30 nor more than 60 days' prior notice (the "Tax Redemption Notice") to the Bondholders in accordance with Condition 14 (*Notices*) (which notice shall be irrevocable), redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount on the date fixed for redemption in the Tax Redemption Notice (the "Tax Redemption Date"), if at any time prior to the Maturity Date:

(i) the Company has or will become obliged to pay Additional Amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 11 September 2019; and

(ii) such obligation cannot be avoided by the Company taking reasonable measures available to it,

provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such Additional Amounts were a payment in respect of the Bonds then due.

Prior to the giving of any Tax Redemption Notice, the Company shall deliver to the Fiscal Agent:

(a) a certificate signed by a Representative Director or an Authorised Officer, stating that the Company has or will become obliged to pay Additional Amounts as a result of such change or amendment and that the obligation referred to in (i) above cannot be avoided by the Company taking reasonable measures available to it; and

(b) an opinion of independent legal advisers of recognised standing to the effect that the Company has or will become obliged to pay such Additional Amounts as a result of such change or amendment.

Upon the giving of the Tax Redemption Notice to the Bondholders, the Company shall be bound to redeem the Bonds then outstanding at 100 per cent. of their principal amount on the Tax Redemption Date.

5.3 ***Purchase***

Subject to the requirements (if any) of any stock exchange on which the Bonds may be listed at the relevant time, the Company and/or any of its Subsidiaries may at any time purchase Bonds in the open market or otherwise. Such Bonds may, at the option of the Company or the relevant Subsidiary, be held or resold. The Bonds so purchased, while held by or on behalf of the Company or any of its Subsidiaries, shall not entitle the Bondholder to vote at any meeting of Bondholders and shall be deemed not to be outstanding for the purpose of calculating the quorum at a meeting of Bondholders or for the purposes of these Conditions. Bonds that have been purchased by the Company may, at the option of the Company, be cancelled. Bonds that have been purchased by any Subsidiary may, at the option of such Subsidiary, be delivered to the Company for cancellation.

5.4 ***Cancellation***

All Bonds which are redeemed shall forthwith be cancelled and such Bonds may not be reissued or resold. All Certificates in respect of Bonds so cancelled and Certificates in respect of Bonds purchased and cancelled pursuant to Condition 5.3 (*Purchase*) shall be forwarded to the Fiscal Agent for cancellation.

6. **Payments**

6.1 ***Payment of Principal***

Payments of principal shall be made by U.S. dollar cheque drawn on, or, upon application by a Holder of a Bond to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.

6.2 ***Payments of Interest***

Payments of interest shall be made by U.S. dollar cheque drawn on, or upon application by a Holder of a Bond to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.

6.3 ***Payments Subject to Fiscal Laws***

All payments in respect of the Bonds are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Bondholders in respect of such payments.

6.4 ***Agents***

The initial Agents and their initial Specified Offices are listed at the end of these Conditions. The Company reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar or fiscal agent and additional or successor paying agents and transfer agents; provided, however, that the Company shall at all times maintain a fiscal agent and a registrar. In acting under the Agency Agreement and in connection with the Bonds, the Agents act solely as agents of the Company and do not assume any obligations towards or relationship of agency or trust for or with any of the Bondholders. Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Bondholders.

6.5 ***Payments on Payment Business Days***

Where payment is to be made by transfer to a U.S. dollar account, payment instructions (for value the due date, or, if the due date is not a Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by U.S. dollar cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Bond shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 6 (*Payments*) arriving after the due date for payment or being lost in the mail. In these Conditions, "Payment Business Day" means any day on which banks are open for general business (including dealings in foreign currencies) in New York City and Tokyo and, in the case of surrender (or, in the case of part payment only, endorsement) of a Certificate, in the place in which the Certificate is surrendered (or, as the case may be, endorsed).

6.6 ***Partial Payments***

If a Paying Agent makes a partial payment in respect of any Bond, the Company shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Certificate.

6.7 ***Record Date***

Each payment in respect of a Bond will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "Record Date"). Where payment in respect of a Bond is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

7. **Taxation**

7.1 ***Additional Amounts***

All payments of principal and interest in respect of the Bonds by or on behalf of the Company will be made without withholding of, or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any political subdivision or any authority thereof or therein having power to tax ("Taxes") unless the withholding or deduction of such Taxes is required by law. If such withholding or deduction is so required, the Company will pay such additional amounts ("Additional Amounts") as may be necessary in order that the net amounts received by the Bondholders after such withholding or deduction shall equal the amounts which would have been receivable in respect of the Bonds in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable with respect to any Bond:

(i) held by or on behalf of a Holder who is a non-resident of Japan or a non-Japanese corporation who is subject to such Taxes by reason of its being connected with Japan (including carrying on a business or maintaining a permanent establishment in Japan) otherwise than by reason only of the holding of any Bond or enforcement of rights thereunder or the receipt of payment in respect of any Bond;

(ii) held by or on behalf of a Holder who is a non-resident of Japan or a non-Japanese corporation that in either case is a person or entity controlling, or controlled by, the Company, or otherwise having a prescribed special relationship with the Company, as described in Article 6 of the Special Taxation Measures Act of Japan (Act No. 26 of 1957, as amended) (the "Special Taxation Measures Act") and Cabinet Order No. 43 of 31 March 1957 promulgated thereunder, as amended (the "Cabinet Order") (a "Related Party");

(iii) held by or on behalf of a Holder who would otherwise be exempt from any such withholding or deduction but who fails to comply with any applicable requirement to provide Exemption Information or to submit a Claim for Exemption to the Registrar or the Paying Agent to whom the relevant Certificate is presented (where required), or whose Exemption Information is not duly communicated through a Participant (as defined below) and the relevant international clearing organisation to such Paying Agent;

(iv) held by or on behalf of a Holder who is for Japanese tax purposes treated as a resident of Japan or a Japanese corporation (except for (A) a Designated Financial Institution who complies with the requirement to provide Exemption Information or to submit a Claim for Exemption and (B) a resident of Japan or a Japanese corporation who duly notifies the relevant Paying Agent of its status as exempt from such Taxes to be withheld or deducted by the Company, by reason of such resident of Japan or Japanese corporation receiving interest on the relevant Bond through a payment handling agent in Japan appointed by it); or

(v) where the relevant Certificate is presented for payment more than 30 days after the Due Date (as defined below) except to the extent that the Holder thereof would have been entitled to such Additional Amounts on presenting the Certificate in respect of such Bond for payment as at the expiry of such 30-day period.

In these Conditions, the "Due Date" means whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been duly received in New York by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect shall have been duly given to the Bondholders in accordance with Condition 14 (*Notices*).

Any reference in these Conditions to principal or interest in respect of the Bonds shall be deemed to include any Additional Amounts which may be payable under this Condition 7 (*Taxation*).

If the Company becomes subject at any time to any taxing jurisdiction other than Japan, references in these Conditions to Japan shall be construed as references to Japan and/or such other jurisdiction.

No additional amounts will be payable for or on account of any deduction or withholding from a payment on, or in respect of, any Bond where such deduction or withholding is imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, any regulation or agreement thereunder, any inter-governmental agreement or implementing legislation adopted by another jurisdiction in connection with these provisions or any agreement with the U.S. Internal Revenue Service ("FATCA withholding"). Further, the Company will have no obligation to otherwise indemnify an investor for any such FATCA withholding deducted or withheld by the Company, the Agents or any other party that is not an agent of the Company.

7.2 ***Definitions Relating to Taxation***

For the purposes of these Conditions:

(i) where a Bond is held through a certain participant in an international clearing organisation or a certain financial intermediary prescribed by the Special Taxation Measures Act and the Cabinet Order (together with related ministerial ordinances and regulations, the "Relevant Taxation Acts") (each, a "Participant"), in order to receive payment free of withholding or deduction by the Company, for, or on account of Taxes, if the relevant Holder is (A) a non-resident of Japan or a non-Japanese corporation, which in either case is not a Related Party, or (B) a Japanese financial institution falling under any of certain categories prescribed by the Relevant Taxation Acts (a "Designated Financial Institution"), all in accordance with the Relevant Taxation Acts, such Holder shall, at the time of entrusting the Participant with the custody of the relevant Bond, provide such Participant with certain information prescribed by the Relevant Taxation Acts to enable the Participant to establish that such Holder is exempt from the requirement for Taxes to be withheld or deducted (the "Exemption Information") and advise the Participant if the Holder ceases to be so exempt; and

(ii) where a Bond is not held by a Participant, in order to receive payments free of withholding or deduction by the Company, for, or on account of Taxes, if the relevant Holder is (A) a non-resident of Japan or a non-Japanese corporation, which in either case is not a Related Party, or (B) a Designated Financial Institution, all in accordance with the Relevant Taxation Acts, such Holder shall on or prior to each time on which it receives interest, submit to the relevant Paying Agent a claim for exemption from withholding tax (*Hikazei Tekiyo Shinkokusho*) (a "Claim for Exemption") in the form obtainable from the Paying Agent stating, *inter alia*, the name and address of the Holder, the title of the Bonds, the relevant date of interest payment, the amount of interest and the fact that the Holder is qualified to submit the Claim for Exemption, together with documentary evidence regarding its identity and residence.

8. **Events of Default**

If any of the following events occur:

8.1 ***Non-payment of Interest***

The Company fails to pay any amount of interest in respect of the Bonds within 14 days of the due date for payment thereof; or

8.2 ***Breach of Obligations***

The Company defaults in the performance or observance of any covenant, condition or provision contained in the Bonds or the Deed of Covenant and on its part to be performed or observed (other than the covenant to pay the principal or interest in respect of any of the Bonds) and such default remains unremedied for 30 days after written notice thereof, addressed to the Company by any Bondholder, has been delivered to the Company or to the Specified Office of the Fiscal Agent; or

8.3 ***Cross Default on Indebtedness***

The obligation to repay any indebtedness for money borrowed by the Company or any Principal Subsidiary and having an aggregate outstanding principal amount of at least

U.S.$10,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 8 (*Events of Default*)) is accelerated or capable of being accelerated prior to its stated maturity as a result of a default in respect of the terms thereof, or any such indebtedness due (on demand or otherwise) having an aggregate outstanding principal amount of at least U.S.$10,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 8 (*Events of Default*)) is not paid when due (whether on demand (if applicable) or at the expiration of any grace period as originally provided (if applicable)); or

8.4 ***Cross Default on Guarantee/Indemnity***

The Company or any Principal Subsidiary fails to pay or otherwise defaults in making any payment due under any guarantee and/or any indemnity given by it in respect of any obligation or indebtedness for money borrowed having an aggregate outstanding principal amount of at least U.S.$10,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 8 (*Events of Default*)); or

8.5 ***Initiation of Insolvency Proceedings***

Proceedings shall have been initiated against the Company or any Principal Subsidiary seeking with respect to the Company or such Principal Subsidiary a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction and such proceedings shall not have been discharged or stayed within a period of 60 days; or

8.6 ***Decree of Insolvency/Dissolution***

A final decree or order is made or issued by a court of competent jurisdiction adjudicating the Company or any Principal Subsidiary bankrupt or insolvent, or approving a petition seeking with respect to the Company or any Principal Subsidiary a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction or a final decree or order is made or issued by a court of competent jurisdiction for the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the Company or any Principal Subsidiary or of all or substantially all of the property of any of them, or for the winding-up, dissolution or liquidation of the Company or any Principal Subsidiary in its bankruptcy or insolvency; or

8.7 ***Resolution for Dissolution***

A resolution is passed for the winding-up, dissolution or liquidation of the Company or any Principal Subsidiary, except:

8.7.1 in the case of the Company, in connection with or in pursuance of a merger, consolidation, amalgamation, reorganisation or reconstruction (including the Company becoming, or becoming a subsidiary of, a holding company) upon which the continuing corporation or the corporation formed thereby effectively assumes (as a matter of English law) the entire obligations of the Company under the Bonds, the Deed of Covenant and the Agency Agreement; or

8.7.2 in the case of a Principal Subsidiary, where the undertaking, business and assets of such Principal Subsidiary are transferred or are otherwise vested in, or the proceeds of sale are received by, the Company or any other Subsidiary of the Company or its holding company pursuant to Condition 8.7.1, in any such case, in proportion to the ownership interest held by the Company, its holding company pursuant to Condition 8.7.1 or such other Subsidiary (as the case may be) in the relevant Principal Subsidiary; or

8.7.3 in any case, where the terms have previously been approved by an Extraordinary Resolution; or

8.8 ***Institution of Insolvency Proceedings***

The Company or any Principal Subsidiary institutes proceedings seeking with respect to itself adjudication of bankruptcy or seeking with respect to itself a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction, or consents to the institution of any such proceedings, or consents to, or acquiesces in, the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or of all or substantially all of its property, or makes a general assignment for the benefit of its creditors; or

8.9 ***Stop Payment***

The Company or any Principal Subsidiary stops payment (within the meaning of the Bankruptcy Act or any applicable law of any other jurisdiction); or

8.10 ***Cessation of Business***

The Company or any Principal Subsidiary ceases, or through an official action of its Board of Directors threatens to cease to carry on business, except:

8.10.1 in the case of the Company, in connection with or in pursuance of a merger, consolidation, amalgamation, reorganisation or reconstruction (including the Company becoming, or becoming a subsidiary of, a holding company) upon which the continuing corporation or the corporation formed thereby effectively assumes (as a matter of English law) the entire obligations of the Company under the Bonds, the Deed of Covenant and the Agency Agreement; or

8.10.2 in the case of a Principal Subsidiary, where the undertaking, business and assets of such Principal Subsidiary are transferred or are otherwise vested in, or the proceeds of sale are received by, the Company or any other Subsidiary of the Company or its holding company pursuant to Condition 8.10.1, in any such case, in proportion to the ownership interest held by the Company or its holding company pursuant to Condition 8.10.1 or such other Subsidiary (as the case may be) in the relevant Principal Subsidiary; or

8.10.3 in any case, where the terms have previously been approved by an Extraordinary Resolution; or

8.11 ***Encumbrancer***

Any encumbrancer takes possession of the whole or substantially all of the assets or undertakings of the Company or any Principal Subsidiary, or a distress, execution or other similar process is levied or enforced upon or sued out against the whole or substantially all of the assets of the Company or any Principal Subsidiary and is not removed, discharged or paid out within 60 days,

then any Bond may, by written notice addressed by the Holder thereof to the Company and delivered to the Company or to the Specified Office of the Fiscal Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its principal amount together with accrued interest without further action or formality.

For the purposes of Conditions 8.3 (*Cross Default on Indebtedness*) and 8.4 (*Cross Default on Guarantee/Indemnity*), any indebtedness which is in a currency other than U.S. dollar may be translated into U.S. dollar at the spot rate for the sale of relevant currency against the purchase of U.S. dollar quoted by any leading bank selected by the Company.

9. **Prescription**

Each Bond will become void unless presented for payment within the period of 10 years in the case of principal and 5 years in the case of interest from the Due Date for the payment thereof.

10. **Replacement of Certificates**

Should any Certificate be lost, stolen, destroyed, mutilated or defaced, it may be replaced at the Specified Office of the Registrar upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Company or an Agent may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

11. **Meetings of Bondholders and Modification**

11.1 ***Meetings of Bondholders***

The Agency Agreement contains provisions for convening meetings of Bondholders to consider matters relating to the Bonds, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Company, and shall be convened by it upon the request in writing of Bondholders holding not less than one-tenth of the aggregate principal amount of the outstanding Bonds. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing not less than 50 per cent. of the aggregate principal amount of the outstanding Bonds or, at any adjourned meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented; provided, however, that certain proposals (including any proposal to modify the date of maturity of the Bonds, to change any date fixed for payment of principal or interest in respect of the Bonds, to reduce the amount of principal or interest payable on any date in respect of the Bonds, to alter the method of calculating the amount of any payment in respect of the Bonds or the date for any such payment, to change the currency of payments under the Bonds or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "Reserved Matter")) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Bondholders at which two or more persons holding or representing not less than 75 per cent. or, at any adjourned meeting, not less than 50 per cent. of the aggregate principal amount of the outstanding Bonds form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders, whether present or not.

In addition, a resolution in writing signed by or on behalf the Holders of not less than 90 per cent. of the aggregate principal amount of the Bonds who for the time being are entitled to receive notice of a meeting of Bondholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

11.2 ***Modification***

The Bonds, these Conditions and the Deed of Covenant may be amended without the consent of the Bondholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Company shall not agree, without the consent of the Bondholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Bondholders.

12. **Further Issues**

The Company may from time to time, without the consent of the Bondholders, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Bonds.

13. **Currency Indemnity**

If any sum due from the Company in respect of the Bonds or any order or judgment given or made in relation thereto has to be converted from the currency (the "first currency") in which the same is payable under these Conditions or such order or judgment into another currency (the "second currency") for the purpose of (a) making or filing a claim or proof against the Company, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Bonds, the Company shall indemnify each Bondholder, on the written demand of such Bondholder addressed to the Company and delivered to the Company or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Bondholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof. This indemnity constitutes a separate and independent obligation of the Company and shall give rise to a separate and independent cause of action.

14. **Notices**

All notices to the Bondholders will be valid if mailed to them at their respective addresses in the Register and published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*). If publication in any of such newspapers is not (in the opinion of the Company) practicable, notices will be given in such other newspaper or newspapers as the Company shall determine. Such notices shall be deemed to have been given on the later of (i) the date of their publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which publication is required and (ii) the seventh day after being so mailed.

So long as the Bonds are evidenced by the Global Certificate and such Bonds are held on behalf of a clearing system, notices to Bondholders shall be given by delivery of the relevant notice to the relevant clearing system for communication by it to entitled accountholders in substitution for mailing and publication required by the Conditions.

15. **Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

16. **Governing Law and Submission to Jurisdiction**

16.1 ***Governing Law***

The Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

16.2 ***Jurisdiction***

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Bonds (including any non-contractual obligation arising out of or in connection with the Bonds) and accordingly any legal action or proceedings arising out of or in connection with the Bonds (including any non-contractual obligation arising out of or in connection with the Bonds) ("Proceedings") may be brought in such courts. The Company submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission has been made for the benefit of each of the Bondholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

16.3 ***Agent for Service of Process***

The Company has irrevocably appointed Law Debenture Corporate Services Limited, whose office is at present at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom, as its agent in England to receive service of process in any Proceedings in England. If for any reason Law Debenture Corporate Services Limited ceases to be able to act as such or no longer has an address in England, the Company irrevocably agrees to appoint a substitute process agent in England and shall promptly notify the Bondholders of such appointment. Nothing in this paragraph shall affect the right to serve process in any other manner permitted by law.

SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the Conditions set out in this Offering Circular. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions and certain other information:

Registration and Exchange

The Bonds will be evidenced by a Global Certificate which will be registered in the name of Mizuho Trust & Banking (Luxembourg) S.A. as common depositary for Euroclear and Clearstream, Luxembourg.

The Global Certificate will become exchangeable in whole, but not in part, for definitive Certificates if (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 8 occurs.

Whenever the Global Certificate is to be exchanged for definitive Certificates, such definitive Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Certificate within five business days of the delivery, by or on behalf of the registered Holder of the Global Certificate, Euroclear and/or Clearstream, Luxembourg, to the Registrar of such information as is required to complete and deliver such definitive Certificates (including, without limitation, the names and addresses of the persons in whose names the definitive Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Certificate at the Specified Office of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Bonds scheduled thereto and, in particular, shall be effected without charge to any Holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If:

(a) Definitive Certificates have not been issued and delivered by 5.00 p.m. (Luxembourg time) on the thirtieth day after the date on which the same are due to be issued and delivered in accordance with the terms of the Global Certificate; or

(b) any of the Bonds evidenced by the Global Certificate has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred

and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the Holder of the Global Certificate on the due date for payment in accordance with the terms of the Global Certificate, then the Global Certificate (including the obligation to deliver definitive Certificates) will become void at 5.00 p.m. (Luxembourg time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (Luxembourg time) on such due date (in the case of (b) above) and the Holder will have no further rights thereunder (but without prejudice to the rights which the Holder or others may have under the Deed of Covenant). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg as being entitled to interests in the Bonds will acquire directly against the Company all those rights to which they would have been entitled if, immediately before the Global Certificate became void, they had been the registered Holders of Bonds in an aggregate principal amount equal to the principal amount of Bonds they were shown as holding in the records of Euroclear and/or (as the case may be) Clearstream, Luxembourg.

Transfers

Transfers of interests in the Bonds in respect of which the Global Certificate is issued shall be effected through the records of Euroclear and Clearstream, Luxembourg or any other clearing system (an "Alternative Clearing System") and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg or any Alternative Clearing System, as the case may be, and their respective direct and indirect participants.

Payments

In relation to payments made in respect of the Global Certificate, so long as this Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system, the definition for

"Payment Business Day" in Condition 6.5 shall be amended and shall be any day which is a day on which banks are open for general business (including dealings in foreign currencies) in New York City and Tokyo.

Each payment made in respect of the Global Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment where "Clearing System Business Day" means a day on which each clearing system for which the Global Certificate is being held is open for business.

Notices

Notwithstanding Condition 14, so long as the Global Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System, notices to Holders of Bonds evidenced by the Global Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or (as the case may be) such Alternative Clearing System.

Meetings

So long as at least the Relevant Fraction (as defined below) of the aggregate principal amount of the outstanding Bonds is evidenced by the Global Certificate, a single voter appointed in relation thereto or being the Holder of the Bonds evidenced thereby shall be deemed to be two voters for the purpose of forming a quorum of meetings of Bondholders.

"Relevant Fraction" means:

(a) for all business other than voting on an Extraordinary Resolution, one tenth;

(b) for voting on any Extraordinary Resolution other than one relating to a Reserved Matter, not less than 50 per cent.; and

(c) for voting on any Extraordinary Resolution relating to a Reserved Matter, not less than 75 per cent.,

provided, however, that, in the case of a meeting which has resumed after adjournment for want of a quorum it means:

(i) for all business other than voting on an Extraordinary Resolution relating to a Reserved Matter, the fraction of the aggregate principal amount of the outstanding Bonds evidenced or held by the voters actually present at the meeting; and

(ii) for voting on any Extraordinary Resolution relating to a Reserved Matter, not less than 50 per cent.

Electronic Consent

While the Bonds evidenced by the Global Certificate is registered in the name of any nominee for, or a nominee for any common depositary for, Euroclear, Clearstream, Luxembourg or any Alternative Clearing System (as the case may be), then (a) approval of a resolution proposed by the Company or the Fiscal Agent (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 90 per cent. in nominal amount of the Bonds then outstanding (an "Electronic Consent" as defined in the Agency Agreement) shall, for all purposes (including in relation to Reserved Matters), take effect as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held, and shall be binding on all Bondholders whether or not they participated in such Electronic Consent; and (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Agency Agreement) has been validly passed, subject to certain requirements set out in the Agency Agreement, the Company and the Fiscal Agent shall be entitled to rely on consent or instructions given in writing directly to the Company and/or the Fiscal Agent, as the case may be, by accountholders in the relevant clearing system with entitlements to Bonds evidenced by this Global Certificate or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is held.

USE OF PROCEEDS

The net proceeds from the issue of the Bonds are estimated to amount to approximately U.S.$497 million, and are expected to be used primarily for capital expenditure and the repayment of certain existing bonds of the Company.

The Group supplies electricity mainly in the Kansai region in Japan under a comprehensive system of power generation, transmission and distribution. The Kansai region, which forms the main part of the Group's supply area, is located at the central part of Japan's main island of Honshu and has a population of around 20 million, and a GDP of approximately ¥83 trillion for the fiscal year ended 31 March 2016 (accounting for approximately 15 per cent. of Japan's GDP for such fiscal year). The Kansai region, with Osaka (the second largest city in Japan) as its central city, constitutes a powerful economic area in Japan, rivalling the Tokyo metropolitan area. In addition, Kyoto and Nara, the ancient capitals of Japan, are located in the area, and play an important role in the nation's culture.

The Group's operations are principally divided into the following four reporting segments:

- *Electric Power*, the principal business of the Group, which engages in the business of generation, transmission and distribution of electric power in Japan, supplying electricity to residential, commercial and industrial customers principally in the Kansai region, while expanding its retail electricity supply to certain other regions such as the Tokyo metropolitan area.
- *Gas/Other Energies,* which engages in the supply of city gas, overseas power generation and other energy-related services.
- *IT/Communications*, which engages in the provision of IT and communications services to families and corporations utilising the Group's optical fibre network around the Kansai region primarily through the Company's subsidiary OPTAGE Inc., including the "eo HIKARI" FTTH services for internet, phone and television connection, the "mineo" mobile phone services, and the "eo Denki" electricity retail services.
- *Life/Business Solutions*, comprising of real estate-related services (such as developing condominiums and other buildings that consider energy conservation), lifestyle-related services (such as home security, healthcare and caregiving) and the businesses of certain Group companies which offer solutions common to various businesses.

The aggregate of the Electric Power and Gas/Other Energies segments is referred to as the Comprehensive Energy/Power Transmission and Distribution Business.

As of 30 June 2019, the Company had 78 consolidated subsidiaries, 16 non-consolidated subsidiaries accounted for by the equity method and 56 affiliates (of which four were accounted for by the equity method).

Selected Consolidated Financial Information and Other Data

The following selected consolidated financial information and other data should be read in conjunction with the Group's audited annual consolidated financial statements and related notes, the Group's unaudited interim consolidated financial statements and related notes, and "Recent Business" included elsewhere in this Offering Circular. The consolidated statements of income data and cash flow data for the fiscal years ended 31 March 2019, 2018 and 2017 and the consolidated balance sheet data as of 31 March 2019, 2018 and 2017 have been extracted without material adjustment from the audited annual consolidated financial statements of the Group included elsewhere in this Offering Circular. The consolidated statement of income data for the three-month periods ended 30 June 2019 and 2018 and the consolidated balance sheet data as of 30 June 2019 have been extracted without material adjustment from the unaudited interim consolidated financial statements of the Group included elsewhere in this Offering Circular. The consolidated balance sheet data as of 30 June 2018 has been extracted from the unaudited interim consolidated financial statements of the Group as of 30 June 2018 (but with rounding consistent with the unaudited interim consolidated financial statements of the Group included elsewhere in this Offering Circular).

The Group's consolidated financial statements have been prepared and presented in accordance with Japanese GAAP, which differ in certain respects from IFRS or generally accepted accounting principles in other jurisdictions. Further, the historical results are not necessarily indicative of results to be expected for future periods.

	As of and for the Fiscal Year Ended 31 March			As of and for the Three-Month Period Ended 30 June	
	2017	2018	2019	2018	2019
	(Millions of yen, except per share data, ratios, EBITDA Margins, power generated and received and retail electricity sales)				
Statements of Income Data					
Operating revenues	¥3,011,337	¥3,133,632	¥3,307,661	¥ 735,536	¥ 785,838
Operating income	217,747	227,551	204,853	38,549	59,074
Net income attributable to owners of the parent	140,789	151,880	115,077	26,699	45,575
Balance Sheet Data					
Total equity	1,344,696	1,472,797	1,532,946	1,481,949	1,552,448
Total assets	6,853,182	6,985,088	7,257,363	7,049,075	7,213,271
Interest-bearing debt(1)	3,821,550	3,708,240	3,853,472	3,915,635	3,961,458
Cash flow Data					
Net cash provided by operating activities	485,669	623,266	449,716	–	–
Net cash provided by (used in) investing activities	(345,749)	(447,237)	(537,846)	–	–
Net cash provided by (used in) financing activities	(130,359)	(162,277)	103,073	–	–
Free cash flows(2)	139,919	176,028	(88,130)	–	–
Per Share Data (in yen)					
Total equity(3)	1,480.46	1,627.66	1,695.36	–	–
Net income attributable to common shareholders (basic)	157.58	170.01	128.83	29.89	51.03
Cash dividends applicable to the year	25.00	35.00	50.00	–	–
Key Financial Ratios					
Equity ratio(4) (per cent.)	19.3	20.8	20.9	20.8	21.3
Return on equity (ROE)(5) (per cent.)	11.3	10.9	7.8	–	–
Return on assets (ROA)(6) (per cent.)	3.4	3.7	3.3	–	–
Price earnings ratio (PER) (times)	8.67	8.04	12.67	–	–
Non-GAAP Financial Measures					
EBITDA(7)	586,515	567,838	536,837	–	–
EBITDA Margin(8) (per cent.)	19.5	18.1	16.2	–	–
Net interest-bearing debt(9)	3,688,417	3,548,555	3,672,844	–	–
Net debt to EBITDA ratio(10) (times)	6.29	6.25	6.84	–	–
Power generated and Received (in millions of kWh)					
Generated(11):					
Hydroelectric	13,362	13,761	13,496	4,397	3,347
Thermal(12)	81,523	67,787	61,207	12,897	13,375
Nuclear	(442)	12,865	30,092	6,804	6,672
Renewable energy sources(13)	93	80	19	6	4
Power purchased from or supplied to other operators (net)(14)	34,899	27,525	21,353	4,150	5,003
Power used for pumped storage(15)	(1,653)	(1,490)	(2,284)	(523)	(460)
Total(16)	127,783	120,528	123,884	27,731	27,942
Volume of retail electric sales	121,500	115,244	117,826	26,505	27,194
Retail Electricity Sales (in millions of kWh)					
Residential (lighting)	43,689	41,767	37,671	8,018	7,872
Commercial and industrial	77,811	73,477	80,155	18,486	19,322
Total(16)	121,500	115,244	117,826	26,505	27,194
Sales/interchanges to other utilities (in millions of kWh)	3,891	7,296	14,896	2,862	1,808

Reconciliation of EBITDA:

	As of and for the Fiscal Year Ended 31 March		
	2017	2018	2019
	(Millions of yen, except EBITDA Margins)		
Operating income	¥ 217,747	¥ 227,551	¥ 204,853
Depreciation and amortisation	368,768	340,287	331,984
EBITDA	586,515	567,838	536,837
Operating revenues	3,011,337	3,133,632	3,307,661
EBITDA Margin (per cent.)	19.5	18.1	16.2

Reconciliation of Net interest-bearing debt:

	As of and for the Fiscal Year Ended 31 March		
	2017	2018	2019
	(Millions of yen, except ratios)		
Interest-bearing debt	¥3,821,550	¥3,708,240	¥3,853,472
Cash and time deposits	133,133	159,685	180,628
Net interest-bearing debt	3,688,417	3,548,555	3,672,844
EBITDA	586,515	567,838	536,837
Net debt to EBITDA ratio(10) (times)	6.29	6.25	6.84

Notes:

(1) Interest-bearing debt represents long and short-term borrowings, bonds and commercial paper, but excludes obligations under finance leases.

(2) Free cash flows represent net of cash flows from operating activities and those from investing activities.

(3) Total equity per share is calculated by dividing total equity (less non-controlling interests) at the end of each period by the number of shares of common stock in issue at the end of such period.

(4) Equity ratio has been calculated by dividing total equity (less non-controlling interests) at the end of each period by the sum of total liabilities and total equity at the end of such period.

(5) ROE has been calculated as net income for the period divided by the average of total equity (less non-controlling interests) at the beginning and at the end of the period.

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

(7) EBITDA represents operating income plus depreciation and amortisation. See "Reconciliation of EBITDA" table above.

(8) EBITDA Margin has been calculated by dividing EBITDA by Operating revenues. See "Reconciliation of EBITDA" table above.

(9) Net Interest-bearing Debt has been calculated by deducting Cash and time deposits from Interest-bearing debt. See "Reconciliation of Net interest-bearing debt" table above.

(10) Net Debt to EBITDA ratio has been calculated by dividing Net interest-bearing debt by EBITDA. See "Reconciliation of Net interest-bearing debt" table above.

(11) Power generated is the amount of power generated at the transmission end.

(12) Total of steam-power generation and internal combustion power generation.

(13) Power generated by biomass at steam-power generation plants and solar power generated at renewable energy power plants.

(14) Three-month period amounts do not include the volume of imbalance electricity, which is not yet determined as at the end of the three-month period. Imbalance electricity is the difference between the planned volume and the actual volume of electricity generated and sold/purchased.

(15) Power used for pumped storage is the electric power used to pump water for reservoir operations at pumped-storage power stations.

(16) For electric energy information, the sum of the individual amounts may not match the totals due to the rounding of numerical values.

(17) The above table does not include consumption tax amounts.

RECENT BUSINESS

The following discussion and analysis of the Group's financial condition and results of operations should be read in conjunction with "The Kansai Electric Power Company, Incorporated—Selected Consolidated Financial Information and Other Data" and the audited consolidated financial statements as of and for the fiscal years ended 31 March 2019 and 2018 in pages F-4 to F-35, the audited consolidated financial statements as of and for the fiscal years ended 31 March 2018 and 2017 in pages F-38 to F-64, and the unaudited interim consolidated financial statements as of and for the three-month periods ended 30 June 2019 and 2018 included in pages Q-4 to Q-11, as well as the notes to such consolidated financial statements appearing elsewhere in this Offering Circular. The audited consolidated financial statements and the unaudited interim consolidated financial statements have been prepared and presented in accordance with Japanese GAAP.

Overview

The Group supplies electricity mainly in the Kansai region in Japan under a comprehensive system of power generation, transmission and distribution. The Group's four reporting segments are Electric Power (engaged in the business of generation, transmission and distribution of electric power in Japan), Gas/Other Energies (engaged in the supply of city gas, overseas power generation and other energy-related services), IT/Communications (engaged in the provision of IT and communications services, including the "eo HIKARI" FTTH services for internet, phone and television connection, the "mineo" mobile phone services and the "eo Denki" electricity retail services), and Life/Business Solutions (engaged in the provision of real estate-related services, lifestyle-related services and the businesses of certain Group companies which offer solutions common to various businesses), with the aggregate of the Electric Power and Gas/Other Energies segments being referred to as the Comprehensive Energy/Power Transmission and Distribution Business. Prior to the change in reporting segments taking effect from 1 April 2019, the Group's reporting segments comprised of Electric Power, Gas/Other Energies and IT/Communications, with businesses not included in the above three reporting segments being reported as "Other". See "Presentation of Financial and Other Information—Changes in Reportable Segments".

As of 30 June 2019, the Company had 78 consolidated subsidiaries, 16 non-consolidated subsidiaries accounted for by the equity method and 56 affiliates (of which four were accounted for by the equity method).

Critical Accounting Policies

The Company's consolidated financial statements have been prepared in accordance with the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976) and the Accounting Rules for the Electric Power Industry (Ordinance of the Ministry of International Trade and Industry No. 57 of 1965). See the notes to the audited consolidated financial statements of the Group as of and for the fiscal year ended 31 March 2019 and the notes to the unaudited interim consolidated financial statements of the Company as of and for the three-month period ended 30 June 2019 for details relating to the critical accounting policies applied in preparing the Company's consolidated financial statements.

New Accounting Pronouncements and Accounting Changes

Change to the Depreciation Method for Tangible Fixed Assets

On 26 March 2019, the Board of Directors of the Company resolved that from the consolidated fiscal year ending 31 March 2020, the Company and its consolidated subsidiaries will change the primary depreciation method for tangible fixed assets from the declining-balance method to the straight-line method, which the Company believes would more properly reflect the consumption pattern of future economic benefits (see Note 21.2 of the Notes to the consolidated financial statements for the fiscal year ended 31 March 2019 and Note 3 of the Notes to the unaudited interim consolidated financial statements for the three-month period ended 30 June 2019, each contained elsewhere in this Offering Circular). Due to this change, in the three-month period ended 30 June 2019, consolidated operating income increased by ¥11,477 million, and ordinary income and income before income taxes increased by ¥11,431 million, compared to the previous depreciation method, and the segment profit of the Electric Power segment and the Gas/Other Energies segment increased by ¥10,951 million and ¥714 million respectively, and "Reconciliations" within the segment profit information decreased by ¥234 million, compared to the previous depreciation method.

Application of Partial Amendment to "Accounting Standard for Tax Effect Accounting", etc.

On 16 February 2018, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting", which requires deferred tax assets and deferred tax liabilities to be classified as investments and other assets and long-term liabilities, respectively. Deferred tax assets were previously classified as current assets and investments and other assets, and deferred tax liabilities were previously classified as current liabilities and long-term liabilities under the previous accounting standard. The revised accounting standard is effective for annual periods beginning on or after 1 April 2018. The Company retrospectively applied the revised accounting standard effective 1 April 2018, and deferred tax assets of ¥68,272 million, which were previously classified as current assets, as of 31 March 2018, have been reclassified as investments and other assets, in the audited consolidated financial statements as of and for the fiscal year ended 31 March 2019.

Change in calculation of asset retirement obligations for decommissioning specified nuclear power generation facilities

The Company mainly recognises an asset retirement obligation with regard to the costs for decommissioning of nuclear power units, which are regulated under the Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material, and Reactors. The amount of this asset retirement obligation is based on the total estimated amount of decommissioning of nuclear power units. The estimated useful life is equal to the expected safe storage period and the expected operating period of a specific nuclear power unit, and a discount rate of 2.3 per cent. is used. In addition, in accordance with ASBJ Guidance No. 21 and the Ministerial Order Relating to Reserves for Decommissioning of Nuclear Power Plants (Ministry of International Trade and Industry Ordinance No. 30 of 1989 (the "Decommissioning Ordinance")), the asset retirement cost is subsequently allocated to expenses based on the straight-line method throughout the expected safe storage period and the expected operating period.

On 1 April 2018, the Decommissioning Ordinance was revised, following the enforcement of the Ordinance to Partially Revise the Ordinance on Reserves for Scrapping Nuclear Power Plants (Ministry of Economy, Trade and Industry Ordinance No. 17 of 2018 (the "Revised Ordinance")).

For assets equal to asset retirement obligations related to the decommissioning of a specific nuclear power unit, among the nuclear power production facilities, costs are accounted for in accordance with the Decommissioning Ordinance. Although the accounting period was defined as throughout the expected safe storage period and the expected operating period in the past, the Revised Ordinance defines the accounting period as the period from the month in which a specific nuclear power unit was utilised for power production for the first time after its completion (the "Starting Month of Utilisation"), to the month in which a period of 40 years elapses (or the month in which the final day of an extension falls, if the operation period was extended based on the Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material, and Reactors (Act No. 166 of 1957, as amended).

Also, the amortisation period for decommissioning nuclear reactors associated with a specific nuclear power unit has been revised to the period from the Starting Month of Utilisation to the month in which the day the total cost estimation in accordance with the Decommissioning Ordinance was approved. However, if an application for extending the reserve funding period based on the Decommissioning Ordinance was filed, the period ends in the month in which a period of 10 years elapses from the month in which the day of decommissioning falls (or, if the reactor was decommissioned by the day before the enforcement of the Revised Ordinance, in the month 10 years from the month of decommissioning (or 50 years form the Starting Month of Utilisation, if the day of decommissioning was past the 40-year mark from the Starting Month of Utilisation).

Accordingly, for the fiscal year ended 31 March 2019, operating income, income before provision for reserve for fluctuations in water level, and income taxes and income before income taxes each decreased by ¥2,229 million, each as compared to the amounts which would have been reported applying the same method as in the corresponding period in the previous year.

Furthermore, the expected usage period, used for the calculation of the asset retirement obligations related to the decommissioning of a specific nuclear power unit, was changed from the previous period of the safe storage period in addition to the expected operating period, to the expected operating period. Accordingly, asset retirement obligations and the assets equal to asset retirement obligations both increased by ¥45,512 million, each as compared to equivalent amounts prior to such change.

New Accounting Pronouncements

On 30 March 2018, the ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition", and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition". The core principle of the standard and guidance is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognise revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contracts with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

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

Step 5: Recognise revenue when the entity satisfies a performance obligation.

The accounting standard and guidance are effective for annual periods beginning on or after 1 April 2021. Earlier application is permitted for annual periods beginning on or after 1 April 2018.

The Company expects to apply the accounting standard and guidance for annual periods beginning on or after 1 April 2021, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

Recent Developments

At the annual general meeting of the Company's shareholders held on 21 June 2019, in line with the requirement for legislation-based separation of the power transmission and distribution division under the electricity system reforms, the shareholders of the Company resolved that the Company would separate its power transmission and distribution business from its generation and retail business in April 2020, by way of an absorption-type corporate split, pursuant to which the Company's power transmission and distribution business would be transferred to, and thereafter undertaken by the Separated Company, subject to obtaining permission from the relevant regulatory authorities. See "Business—Overview of the Group—Legal separation of the power transmission and distribution business" for further details.

Consolidated Results for the Fiscal Year Ended 31 March 2019 Compared to the Fiscal Year Ended 31 March 2018

Results

Operating Revenues

Operating revenues of the Group for the fiscal year ended 31 March 2019 was ¥3,307.6 billion, an increase of 5.6 per cent., or ¥174.0 billion, from the fiscal year ended 31 March 2018 reflecting factors such as the increase in wheeling revenue as well as the increase in operating revenues in the Gas/Other Energies and the IT/Communications segments, despite a decrease in revenues from electricity sales reflecting factors such as the decrease in electricity prices (despite an increase in the volume of electricity sold).

Operating Expenses

Operating expenses for the fiscal year ended 31 March 2019 increased by 6.8 per cent., or ¥196.7 billion, compared to the previous fiscal year, to ¥3,102.8 billion. While the Group's efforts to streamline its business and the resumption of operation of its nuclear power plants had the effecting of reducing costs, operating expenses increased due to factors such as the rise in fuel prices, the halting of certain thermal power stations, and the increase in total electricity sales (the aggregate of retail electricity sales and electricity sales to other suppliers).

Operating Income

As a result of the above, operating income for the fiscal year ended 31 March 2019 amounted to ¥204.8 billion, a decrease of 10.0 per cent., or ¥22.6 billion, compared to ¥227.5 billion for the fiscal year ended 31 March 2018.

Other Expenses (Income), Provision for (Reversal of) Reserve for Fluctuations in Water Level and Extraordinary Expenses

Other expenses, net (being other expenses less other income) for the fiscal year ended 31 March 2019 decreased by 88.4 per cent., or ¥9.2 billion, compared to the previous fiscal year, to ¥1.2 billion. This reflected factors such as an increase in gains from the sale of fixed assets and a decrease in interest expense.

The Group recorded a ¥0.5 billion of reversal of reserve for fluctuations in water level in the fiscal year ended 31 March 2019 (compared to a provision for reserve for fluctuations in water level of ¥1.4 billion in the previous fiscal year).

The Group recorded an extraordinary expenses of ¥30.9 billion for the fiscal year ended 31 March 2019 (none having been recorded in the previous fiscal year). This principally reflected a ¥12.8 billion of loss on disaster caused by the typhoon that hit the Kansai region in September 2018, and ¥18.0 billion of investment loss on subsidiaries and affiliates (reflecting losses in the overseas power business). See Note 2.u. of the Notes to the consolidated financial statements for the fiscal year ended 31 March 2019.

Income before Income Taxes

As a result of the above, income before income taxes for the fiscal year ended 31 March 2019 amounted to ¥173.2 billion, a decrease of 19.6 per cent., or ¥42.3 billion, compared to the previous fiscal year.

Net income Attributable to Owners of the Parent

As a result of deducting relevant amounts such as corporate tax, net income attributable to owners of the parent for the fiscal year ended 31 March 2019 amounted to ¥115.0 billion, a decrease of 24.2 per cent., or ¥36.8 billion, compared to the fiscal year ended 31 March 2018. Net income (basic) per share for the fiscal year ended 31 March 2019 amounted to ¥128.83, a decrease of 24.2 per cent. from ¥170.01 in the previous fiscal year.

Results by Business Segment

In the below analysis of results by business segment, figures for operating revenues per segment represent sales to external customers, while segment profit (operating income per segment) represents the total operating income for such segment, without taking into account any inter-segment reconciliations.

The below analysis of results by business segment are based on the then-current business segmentation for the fiscal year ended 31 March 2019, and have not been restated to reflect the new business segmentation which the Group applied from 1 April 2019 (see "Presentation of Financial and Other Information—Changes in Reportable Segments"). Further, segment profit set out below represents operating income per segment, rather than ordinary income per segment.

Electric Power

Sales to external customers in the Electric Power segment increased by 2.8 per cent., or ¥72.1 billion, compared to the previous fiscal year to ¥2,668.3 billion in the fiscal year ended 31 March 2019. Although the volume of retail electricity sold increased, revenues from retail electricity sales decreased due to factors such as a decrease in electricity prices; this was however set off by an increase in the volume of electricity sold to other suppliers and wheeling revenue. Operating expenses for the segment increased due to factors such as the rise in fuel prices, the halting of certain thermal power stations, and the increase in total electricity sales (the aggregate of retail electricity sales and electricity sales to other suppliers), set off to a certain extent by the Group's efforts to streamline its business and the resumption of operation of its nuclear power plants. As a result, segment profit for the fiscal year ended 31 March 2019 amounted to ¥140.5 billion, a decrease of 17.5 per cent., or ¥29.7 billion, compared to the previous fiscal year.

Gas/Other Energies

Sales to external customers in the Gas/Other Energies segment for the fiscal year ended 31 March 2019 amounted to ¥210.8 billion, an increase of 49.3 per cent., or ¥69.5 billion, compared to the previous fiscal year, principally reflecting increases in the volume of gas sold as well as higher gas sale prices. Operating expenses for the segment increased due to an increase in expenses relating to the gas sales business. As a result, a segment loss of ¥4.4 billion was recorded in the fiscal year ended 31 March 2019, compared to segment profit of ¥0.9 billion in the previous fiscal year.

IT/Communications

Sales to external customers in the IT/Communications segment for the fiscal year ended 31 March 2019 amounted to ¥217.7 billion, an increase of 7.2 per cent., or ¥14.5 billion, compared to the previous fiscal year, principally reflecting growth in the numbers of subscribers for the “eo HIKARI” FTTH, the “mineo” mobile phone, and the “eo Denki” electricity retail services. Operating expenses for the segment increased due to the increase in sales, despite taking thorough measures to reduce costs. As a result, segment profit for the fiscal year ended 31 March 2019 amounted to ¥32.5 billion, an increase of 23.9 per cent., or ¥6.2 billion, compared to the previous fiscal year.

Other

Sales to external customers in the Other segment for the fiscal year ended 31 March 2019 amounted to ¥210.7 billion, an increase of 9.1 per cent., or ¥17.6 billion, compared to the previous fiscal year, reflecting factors such as increased sales in the housing and building-related businesses within the real estate and life business, as well as increased construction orders resulting from active sales development by companies that support group businesses. Operating expenses for the segment increased due to the increase in sales, despite taking thorough measures to reduce costs. As a result, segment profit for the fiscal year ended 31 March 2019 amounted to ¥38.6 billion, an increase of 27.0 per cent., or ¥8.2 billion, compared to the previous fiscal year.

Consolidated Results for the Three-Month Period Ended 30 June 2019 Compared to the Three-Month Period Ended 30 June 2018

Results

Operating Revenues

Operating revenues of the Group for the three-month period ended 30 June 2019 was ¥785.8 billion, an increase of 6.8 per cent., or ¥50.3 billion, from the same period in the previous year, principally reflecting the increase in revenues from electricity sales reflecting factors such as the increase in the volume of electricity sold, in addition to the increase in operating revenues in the Gas/Other Energies and the Life /Business Solutions segments, despite a decrease in wheeling revenue.

Operating Expenses

Operating expenses for the three-month period ended 30 June 2019 increased by 4.3 per cent., or ¥29.7 billion, compared to the same period in the previous fiscal year, to ¥726.7 billion. While the Group’s efforts to streamline its business and the change in depreciation method for tangible fixed assets resulting in a decrease in depreciation expense had the effecting of reducing costs, operating expenses increased due to factors such as the rise in fuel prices and the increase in expenses as a result of increase in sales in the Gas/Other Energies and the Life/Business Solutions segments.

Operating Income

As a result of the above, operating income for the three-month period ended 30 June 2019 amounted to ¥59.0 billion, an increase of 53.2 per cent., or ¥20.5 billion, compared to ¥38.5 billion for the same period in the previous fiscal year.

Other Income (Expense) and Provision for (Reversal of) Reserve for Fluctuations in Water Level

Other income, net (being other expenses less other income) for the three-month period ended 30 June 2019 was ¥3.6 billion compared to other expenses, net of ¥0.1 billion for the same period in the previous fiscal year. This reflected factors such as increases in interest and dividend income and equity in earnings of associated companies as well as a decrease in interest expense, set off to a certain extent by a decrease in gain on sales of property, plant and equipment.

The Group recorded a ¥1.3 billion of reversal of reserve for fluctuations in water level for the three-month period ended 30 June 2019 (compared to a provision for reserve for fluctuations in water level of ¥0.2 billion for the same period in the previous fiscal year).

Income before Income Taxes

As a result of the above, income before income taxes for the three-month period ended 30 June 2019 amounted to ¥64.0 billion, an increase of 68.0 per cent., or ¥25.9 billion, compared to the same period in the previous fiscal year.

Net income Attributable to Owners of the Parent

As a result of deducting relevant amounts such as corporate tax, net income attributable to owners of the parent for the three-month period ended 30 June 2019 amounted to ¥45.5 billion, an increase of 70.7 per cent., or ¥18.8 billion, compared to the same period in the previous fiscal year. Net income (basic) per share for the three-month period ended 30 June 2019 amounted to ¥51.03, an increase of 70.7 per cent. from ¥29.89 in the same period in the previous fiscal year.

Results by Business Segment

In the below analysis of results by business segment, figures for operating revenues per segment represent sales to external customers, while segment profit (ordinary income per segment) represents the total ordinary income for such segment, without taking into account any inter-segment reconciliations.

The below analysis of results by business segment are based on the new business segmentation which the Group applied from 1 April 2019, with the figures for the three-month period ended 30 June 2018 restated on the basis of such new business segmentation (see "Presentation of Financial and Other Information—Changes in Reportable Segments").

Electric Power

Sales to external customers in the Electric Power segment increased by 2.3 per cent., or ¥13.6 billion, compared to the same period in the previous fiscal year to ¥612.3 billion in the three-month period ended 30 June 2019, principally reflecting increases in the volume of and revenues from retail electricity sales, set off to a certain extent by a decrease in volume of and revenues from electricity sold to other suppliers as well as wheeling revenue. Operating expenses for the segment increased due to factors such as a rise in fuel prices (caused by a decline in water discharge rates among others), despite the Group's efforts to streamline its business and the decrease in depreciation expenses caused by the change in the depreciation method for tangible fixed assets. As a result, segment profit for the three-month period ended 30 June 2019 amounted to ¥38.3 billion, an increase of 26.0 per cent., or ¥7.9 billion, compared to the same period in the previous fiscal year.

Gas/Other Energies

Sales to external customers in the Gas/Other Energies segment for the three-month period ended 30 June 2019 amounted to ¥82.0 billion, an increase of 28.6 per cent., or ¥18.2 billion, compared to the same period in the previous fiscal year, principally reflecting an increase in the volume of gas sold. Operating expenses for the segment increased as a result of the increase in sales. As a result, segment profit for the three-month period ended 30 June 2019 amounted to ¥10.4 billion, an increase of 166.5 per cent., or ¥6.5 billion, compared to the same period in the previous fiscal year.

IT/Communications

Sales to external customers in the IT/Communications segment for the three-month period ended 30 June 2019 amounted to ¥54.5 billion, an increase of 5.4 per cent., or ¥2.7 billion, compared to the same period in the previous fiscal year, principally reflecting growth in the number of subscribers in the consumer services in this segment. Operating expenses for the segment increased due to the increase in sales, despite taking thorough measures to reduce costs. As a result, segment profit for the three-month period ended 30 June 2019 amounted to ¥8.4 billion, an increase of 9.3 per cent., or ¥0.7 billion, compared to the same period in the previous fiscal year.

Life/Business Solutions

Sales to external customers in the Life/Business Solutions segment for the three-month period ended 30 June 2019 amounted to ¥36.9 billion, an increase of 73.5 per cent., or ¥15.6 billion, compared to the same period in the previous fiscal year, principally reflecting an increase in sales in the real estate business caused by factors such as an increase in sales in the residential real estate business due to the completion and transfer of a large property, as well as increases in new building administration contracts and construction orders. Operating expenses for the segment increased due to the increase in sales. As a result, segment profit for the three-month period ended 30 June 2019 amounted to ¥9.4 billion, an increase of 136.0 per cent., or ¥5.4 billion, compared to same period in the previous fiscal year.

Financial Condition

Consolidated Balance Sheet as of 31 March 2019 Compared to Consolidated Balance Sheet as of 31 March 2018

As of 31 March 2019, total assets amounted to ¥7,257.3 billion, an increase of 3.9 per cent., or ¥272.2 billion, from 31 March 2018, principally reflecting an increase in assets relating to asset retirement obligations (see "—New Accounting Pronouncements and Accounting Changes—Change in calculation of asset retirement obligations for decommissioning specified nuclear power generation facilities").

Total liabilities as of 31 March 2019 amounted to ¥5,724.4 billion, an increase of 3.8 per cent., or ¥212.1 billion, compared to 31 March 2018, principally reflecting an increase in interest-bearing debt to deal with payments of construction fees and taxes, among others, as well as an increase in asset retirement obligations (see "—New Accounting Pronouncements and Accounting Changes—Change in calculation of asset retirement obligations for decommissioning specified nuclear power generation facilities").

Total equity as of 31 March 2019 was ¥1,532.9 billion, an increase of 4.1 per cent., or ¥60.1 billion, compared to 31 March 2018, reflecting the recording of net income attributable to owners of the parent, set off to a certain extent by payments of dividend. The equity ratio increased 0.1 percentage points to 20.9 per cent. as of 31 March 2019, from 20.8 per cent. as of 31 March 2018.

Consolidated Balance Sheet as of 30 June 2019 Compared to Consolidated Balance Sheet as of 31 March 2019

As of 30 June 2019, total assets amounted to ¥7,213.2 billion, a decrease of 0.6 per cent., or ¥44.0 billion, from 31 March 2019, principally reflecting a decrease in current assets such as in cash and cash equivalents.

Total liabilities as of 30 June 2019 amounted to ¥5,660.8 billion, a decrease of 1.1 per cent., or ¥63.5 billion, compared to 31 March 2019, principally reflecting a decrease in current liabilities such as accounts payable, set off to a certain extent by an increase in interest-bearing debt to deal with payments of construction fees and taxes, among others.

Total equity as of 30 June 2019 was ¥1,552.4 billion, an increase of 1.3 per cent., or ¥19.5 billion, compared to 31 March 2019, reflecting the recording of net income attributable to owners of the parent, set off, to a certain extent, by payment of a dividend. The equity ratio increased 0.4 percentage points to 21.3 per cent. as of 30 June 2019, from 20.9 per cent. as of 31 March 2019.

Liquidity and Capital Resources

Cash Flows for the Fiscal Year Ended 31 March 2019 Compared to the Fiscal Year Ended 31 March 2018

Net cash provided by operating activities for the fiscal year ended 31 March 2019 was ¥449.7 billion, a decrease of 27.8 per cent., or ¥173.5 billion, compared with the previous fiscal year. This principally reflected a decrease in income before income taxes and increase in consumption taxes paid.

Net cash used in investing activities for the fiscal year ended 31 March 2019 was ¥537.8 billion, an increase of 20.3 per cent., or ¥90.6 billion, reflecting an increase in purchases of property, plant and equipment, including increasing capital investments in order to sustain business growth and secure future profitability, such as investments for safety improvement work of the Company's nuclear power plants and for enhancing the Company's competitiveness in power sources.

Net cash provided by financing activities for the fiscal year ended 31 March 2019 was ¥103.0 billion, compared to ¥162.2 billion of net cash used in financing activities in the previous fiscal year, reflecting factors such as an increase in interest-bearing debt.

Cash and cash equivalents as of 31 March 2019 amounted to ¥158.9 billion, an increase of ¥14.8 billion compared to 31 March 2018.

Funding

As of 31 March 2019 and 30 June 2019, the Group's interest-bearing debt (consisting of long and short-term borrowings, bonds and commercial paper, but excluding obligations under finance leases) amounted to ¥3,853.4 billion and ¥3,961.4 billion, respectively.

The following table sets forth the contractual maturity dates for the Group's bonds as of 31 March 2019:

	Due in 1 year or less	Due in 2 years or less	Due in 3 years or less	Due in 4 years or less	Due in 5 years or less	Due after 5 years or having no maturity date
	(Millions of yen)					
Bonds	¥199,500	¥199,905	¥70,127	¥30,100	¥190,000	¥570,150[1]

Note:

(1) The outstanding amount of the Group's bonds due in the fiscal year ending 31 March 2025 is ¥50,000 million.

The Group generally derives the funds it requires for its operations (including capital expenditures and repayments of debt) from cash flow from operations to the extent possible, and to the extent such cash flow from operations are not sufficient, from borrowings from financial institutions and issues of bonds. The Group also issues commercial paper to obtain short-term working capital in order to maintain liquidity. As is customary in Japan, domestic short-term and long-term bank loans are made under general agreements which provide that collateral and guarantees (or additional collateral or guarantees, as appropriate) with respect to present and future indebtedness will be given at the request of a lending bank under certain circumstances, and that the bank shall have the right, as the obligations become due or in the event of default, to offset any cash deposited against such obligations. Bonds issued by the Company, as well as borrowings by the Company from Development Bank of Japan Inc. (the balance of borrowings as of 31 March 2019 being ¥329.5 billion), have the statutory preferential right to be paid prior to certain other unsecured indebtedness of the Company (see "Business—Regulations—Preferential Rights"). As of 31 March 2019, borrowings from banks other than borrowings by the Company from Development Bank of Japan Inc. amounted to ¥1,994.0 billion.

Capital Expenditure

The following table sets out information with respect to the Group's capital expenditures (being the increase in value of tangible and intangible assets) for the periods indicated, in accordance with the business segmentation that was applicable to the periods indicated (and not restated to reflect the new business segmentation which the Group has applied from 1 April 2019):

	Fiscal Year Ended 31 March		
	2017	2018	2019
	(Millions of yen)		
Electric Power	¥227,956	¥294,503	¥366,340
Of which:	213,594	241,462	308,130
Hydroelectric[3]	19,101	16,966	16,794
Thermal	8,237	11,547	3,899
Nuclear	72,352	98,739	148,895
Power transmission	40,445	44,584	52,919
Power transformation	35,695	32,824	29,411
Power distribution	24,563	24,381	29,571
Other	13,197	12,417	26,640
Nuclear fuel	14,361	53,041	58,209
Gas/Other Energies	28,417	25,443	24,589
IT/Communications	43,535	41,091	39,023
Other	48,981	50,886	63,791
Reconciliations	(4,791)	(4,914)	(8,443)
Total consolidated capital expenditure	¥344,098	¥407,012	¥485,299

Notes:

(1) The sum of the individual amounts may not match the totals due to the rounding down of amounts less than one million yen.

(2) The above table does not include consumption tax amounts.

(3) Includes capital expenditure in relation to renewable energy power plants.

The Group's capital expenditure is generally funded by internally generated funds, borrowings and issues of bonds.

For capital expenditure in the electric power business, the Group's plan is based on the creation and renewal of appropriate facilities, including measures to improve the safety of nuclear power generation, with the highest priority placed on ensuring safe and stable supply. In implementing the plan, efforts are being made to reduce construction costs and improve asset efficiency.

CAPITALISATION AND INDEBTEDNESS

The following table shows the consolidated capitalisation and indebtedness of the Group as of 30 June 2019, which has been extracted without material adjustment from the Group's unaudited interim consolidated financial statements as of the same date, and as adjusted to give effect to the issue of the Bonds:

	As of 30 June 2019	
	Actual	As adjusted
	(Millions of yen)	
Long-term debt:		
Bonds(2)	¥1,130,332	¥1,130,332
Long-term borrowings	1,947,612	1,947,612
The Bonds now being issued(3)	–	54,000
Total long-term debt(2)	3,077,944	3,131,944
Short-term debt:		
Current maturities of long-term debt	499,189	499,189
Short-term borrowings	147,980	147,980
Commercial paper	240,000	240,000
Total short-term debt	887,169	887,169
Equity:		
Stockholders' equity:		
Common stock, no par value:		
Authorised: 1,784,059,697 Shares		
Issued: 938,733,028 Shares(5)	489,320	489,320
Capital surplus	66,658	66,658
Retained earnings	1,001,415	1,001,415
Treasury stock, at cost (45,564,015 Shares)	(96,809)	(96,809)
Total stockholders' equity	1,460,585	1,460,585
Accumulated other comprehensive income:		
Unrealised gain on available-for-sale securities	80,216	80,216
Deferred loss on derivatives under hedge accounting	(9,703)	(9,703)
Foreign currency translation adjustments	8,742	8,742
Defined retirement benefit plans	(3,629)	(3,629)
Total accumulated other comprehensive income	75,626	75,626
Non-controlling interests	16,236	16,236
Total equity	1,552,448	1,552,448
Total capitalisation and indebtedness(6)	¥5,517,561	¥5,571,561

Notes:

(1) The above table should be read in conjunction with the unaudited interim consolidated financial statements of the Group contained herein.

(2) On 11 July 2019, the Company issued ¥40 billion in aggregate principal amount of five-year 0.180 per cent. domestic bonds and ¥10 billion in aggregate principal amount of thirty-year 0.960 per cent. domestic bonds. On 5 September 2019, the Company issued ¥20 billion in aggregate principal amount of seven-year 0.240 per cent. domestic bonds.

(3) For the purposes of this table, the yen equivalent of the Bonds has been translated at the rate of U.S.$1.00 = ¥108, the approximate rate of exchange prevailing as of 28 June 2019. This rate of exchange bears no relationship to the rate(s) at which amounts relating to the Bonds will be converted into yen for accounting purposes.

(4) As of 30 June 2019, the Group had ¥247,756 million of contingent liabilities comprising guarantee liabilities (see Note 5 to the unaudited interim consolidated financial statements for the three-month period ended 30 June 2019 contained herein).

(5) All of the issued Shares are fully-paid and non-assessable.

(6) Total capitalisation and indebtedness is the total of total long-term debt, total short-term debt and total equity (the total amount does not equal to the sum of these individual items due to rounding).

(7) There has been no material change in the Group's consolidated capitalisation, indebtedness, contingent liabilities and guarantees since 30 June 2019.

THE JAPANESE ELECTRIC POWER INDUSTRY

Overview of the Industry

History

The first electric power company in Japan commenced operations in 1886, as Tokyo Electric Lighting, a private company, and began supplying electricity to the public. In the years that followed, the electricity utility business grew in tandem with the modernisation of Japan and development of its industry, and the numerous electric utilities that developed were, after the First World War, restructured to create five major electric utilities. During the Second World War, the electric utility industry was completely state-controlled and utilities were integrated into Nihon Hatsusoden Co. (a nationwide power generating and transmitting state-owned company) and nine distribution companies. After the end of the Second World War, nine regional privately owned and managed "General Electric Utilities", being Hokkaido, Tohoku, Tokyo, Chubu, Hokuriku, Kansai, Chugoku, Shikoku and Kyushu Electric Power Companies, were established in 1951 and assumed the responsibility of supplying electricity to each region. This fundamental structure remains to this day, and with the return of Okinawa to Japan in 1972, Okinawa Electric Power Company joined as the tenth member.

At the end of the 20th century, redressing Japan's high-cost structure and price variance between domestic and overseas markets were recognised as an issue through the development of the deregulation, and the electric utility industry started to be liberalised. In December 1995, organisations such as the IPPs were allowed to provide electricity wholesale services and in March 2000, electricity retail supply for extra-high voltage users (demand of 2MW or above) was liberalised. The scope of retail liberalisation was then expanded in April 2004 to high voltage users of 500kW or above, and subsequently in April 2005 to high voltage users of 50kW or above. Thus, a Japanese model of liberalisation based on fair competition and transparency while maintaining the vertical integration of generation, transmission and distribution to ensure a stable supply of electricity, was established.

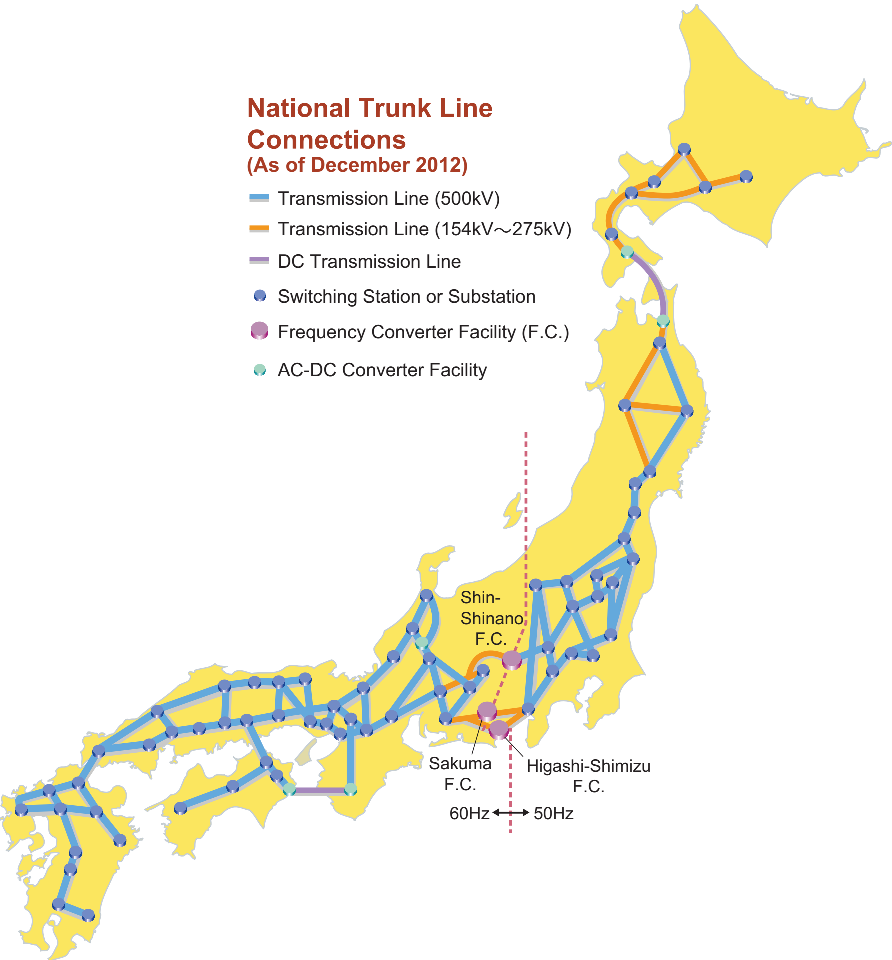
With TEPCO's Fukushima Daiichi Nuclear Power Station accident and subsequent tight demand and supply brought about by the Great East Japan Earthquake in March 2011 as a turning point, numerous discussions were held to maintain a stable supply and reduce energy costs, and in November 2013, the policy to implement three-phase reforms of the electricity system was adopted. The second stage of the amendment to the Electricity Business Act took effect from 1 April 2016, implementing the full-scale liberalisation of participation in retail electricity sales (see "—Japan's Energy Supply—Trends in Japan's Energy Policy—Electricity System Reform").

Electric Power Companies in Japan

Prior to the full-scale liberalisation of participation in retail electricity sales, ten privately-owned electric power companies, being the General Electric Utilities, were responsible for supplying electricity to the consumers in their respective service areas, having been specified by the government as the Specified Electric Utilities which will continue to have the obligation to supply electricity and have rate regulation imposed upon them with regard to low-voltage customers as a transitional measure to protect consumers following the full-scale liberalisation of participation in retail electricity sales in April 2016. Specified Electric Utilities must in general file a notification to METI to provide supply conditions such as electricity rates as general supply provisions to low-voltage customers even after the full-scale liberalisation of participation in retail electricity sales in April 2016 (in the case of raising the electricity rate, among others, authorisation from METI must be obtained). Rate regulation will continue even after April 2020. After proper competition among retail electricity suppliers is considered to be secured, it will end (timing of deregulation will be considered about once a year). Specified Electric Utilities are also responsible for supplying electricity to customers other than low-voltage customers (who are liberalised sector customers, electric sales to whom had been liberalised prior to April 2016) based on the provisions for last resort service, if such consumers cannot conclude contracts with electricity suppliers including former power producers and suppliers (the "former PPSs") and other Specified Electric Utilities. The Specified Electric Utilities work closely with each other to enhance the stability of the electricity supply to customers nationwide. For example, they exchange or provide electricity through extra-high voltage transmission lines linking throughout Japan, in order to cope with emergency situations resulting from accidents, breakdowns, or peak demand times.

The following maps set out the current service areas of the ten Specified Electric Utilities, as well as the national trunk line connections as of December 2012:

Source: Agency for Natural Resources and Energy website.



Source: The Federation of Electric Power Companies of Japan “Electricity Review Japan 2018”.

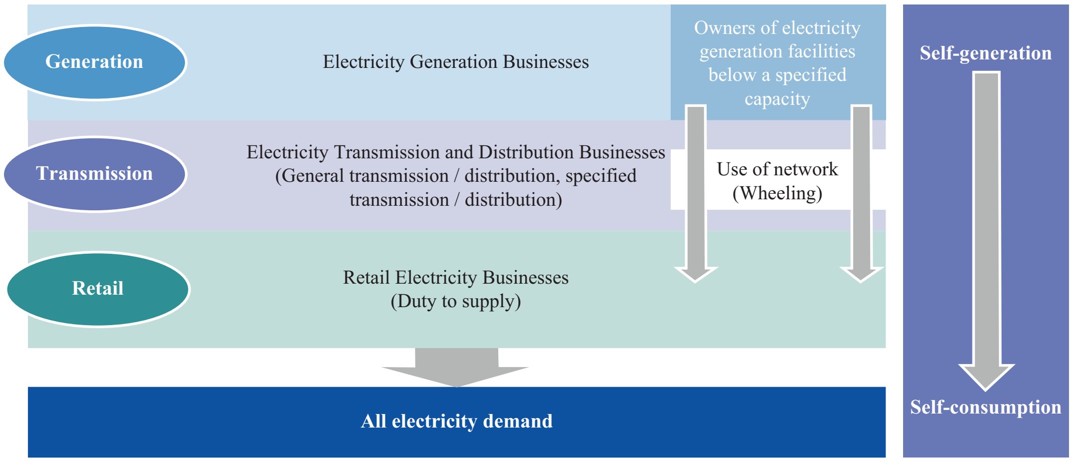
The frequency of grid power differs between eastern and western Japan, namely 50 Hz and 60 Hz respectively. This difference has a historical root in that the Tokyo area adopted German-made generators at the beginning of the electric power business while Osaka chose US-made ones. Therefore, Frequency Converter Facilities ("FC") are necessary to connect the eastern and western power grids. Currently, three FCs, namely Sakuma FC and Higashi-Shimizu FC in Shizuoka prefecture and Shin-Shinano FC in Nagano prefecture, operate to convert the frequency. The capacity of East-West Grid Connection is planned for expansion from 1,200MW in total to 2,100MW in total by the fiscal year ending 31 March 2021 and to 3,000MW in total by the fiscal year ending 31 March 2028.

Competition in the Electric Power Market in Japan

The electric power market in Japan has been progressively liberalised to ensure competitive neutrality on the basis of a stable power supply by the existing ten Specified Electric Utilities, which consistently handle all functions from power generation to transmission and distribution. In 1995, the Electricity Business Act was revised to enable IPPs to participate in the electricity wholesale market in addition to the conventional Wholesale Electricity Utilities. Then, in March 2000, use of the transmission/distribution network owned by the electric power companies was liberalised, and the retail market was partially liberalised to allow the former PPSs to sell electricity to extra-high voltage users requiring 2MW or above. The scope of liberalisation was then expanded in April 2004 to high voltage users requiring 500kW or above, and subsequently in April 2005 to high-voltage users requiring 50kW or above. Thus, by 2011, the scope of liberalisation covered approximately 60 per cent. of total electricity demand in Japan. Electric power companies have responded to this trend of liberalisation by increasing their business efficiency while lowering electricity prices and offering a variety of pricing plans. To maintain fair and transparent use of the power transmission and distribution system, the Electric Power System Council of Japan was established as the sole private organisation to make rules and supervise operations from a neutral position, starting full-scale operation on 1 April 2005. In addition, Japan Electric Power Exchange was established in November 2003, with investments by the electric power companies, the former PPSs, self-generators and others, and started business on 1 April 2005. With the three goals of ensuring supply stability, suppressing electricity rates to the maximum extent possible and expanding the options for consumers and the business opportunities for operators, the government is planning to advance the reforms in three phases through the three key measures of enhancing nationwide grid operation, full deregulation of the electricity retail and generation sectors, and further ensuring neutrality in the transmission/distribution sector through legal unbundling while thoroughly inspecting each phase to solve any issues and taking necessary measures based on the results of the inspections.

Following the full-scale liberalisation of participation in retail electricity sales in April 2016, there are now different regulations for the three separate businesses of (i) electricity generation (which requires notification to METI), (ii) power transmission and distribution (which requires a licence from METI), and (iii) retail electricity sales (which requires registration with METI). The Specified Electric Utilities (being the former General Electric Utilities), including the Company, currently continue to be engaged in all three such businesses, while the former PPSs, which only used to supply electricity to high-voltage liberalised sector customers, now engage in electricity generation (subject to a notification requirement) and sell electricity to any retail customer (subject to a registration requirement). The obligation on the Specified Electric Utilities (being the former General Electric Utilities) to supply electricity was abolished (although, for the purposes of customer protection, the obligation to supply electricity to low-voltage customers based on regulated pricing of low-voltage demand remains until fair competition amongst retail electricity businesses is assured), and a transition was made from the previous regulation based on the "per company" concept to imposing different obligations, as well as different regulations, for each of the businesses of electricity generation, power transmission and distribution and retail electricity sales. In all, 593 companies had submitted notifications of retail electricity sales business status as of 1 July 2019. However, this number includes customers who submitted notifications with the aim of purchasing electricity from the wholesale electricity market for their own use.

The following diagram outlines the electricity supply structure in Japan from April 2016 onwards:



Source: Agency for Natural Resources and Energy website.

The following diagram sets out a summary of the changes made to the types of electricity businesses prior to and following the full-scale liberalisation of participation in retail electricity sales:

Prior to full liberalisation (partial liberalisation)		Full liberalisation		
		Electricity Generation Businesses (Notification system)	Electricity Transmission and Distribution (Licensing system)	Retail Electricity Sales Businesses (Registration system)
Former General Electric Utilities (10 companies)	Supply to the regulated sector subject to regional monopoly and supply obligations, with regulation of prices	✓	✓	✓
Former PPSs	Supply only to higher-voltage liberalised sector customers	✓	—	✓
Former Wholesale Electric Utilities (Electric Power Development Co., Ltd., The Japan Atomic Power Company)	Supply only to former General Electric Utilities and former PPSs	✓	—	—

In February 2017, the Ministry of Economy, Trade and Industry published the Electricity System Reform Interim Report, reporting on various discussions that took place with the aim of implementing measures to increase competition while also ensuring promotion of public interest against a background of further liberalisation (such as stable electricity supply). These measures include the establishment of a base-load power source market, a review of rules relating to usage of interconnected lines, the introduction of a capacity mechanism and the establishment of a non-fossil fuel value trading market and supply-demand adjustment market. With the aim of implementing such measures generally around 2020, most of their details have been considered, and the rest of the discussions are currently ongoing.

Electric Power Pricing

Until the full-scale liberalisation of participation in retail electricity sales in April 2016, pricing of electricity supplied in Japan was divided between those to liberalised sector customers, which comprised customers which received extra high-voltage and high-voltage power, and the regulated sector customers, which received low-voltage power. The liberalised sector included extra-high voltage customers in the industrial and business sectors such as large factories, department stores and office buildings, and high-voltage customers in the industrial and business sectors such as medium-sized factories, supermarkets and medium-sized and small buildings, while the regulated sector included low-voltage customers such as offices, as well as lighting-purpose usage customers such as households. For the fiscal year ended 31 March 2014, the liberalised sector comprised approximately 62 per cent. of the amount of electric power consumed, while the regulated sector comprised approximately 38 per cent. (with households comprising approximately 33 per cent.) of electric power consumed (source: "Full-Scale Liberalisation of the Retail Electricity Market", Agency for Natural Resources and Energy, the Ministry of Economy, Trade and Industry, October 2015).

Electricity rates in respect of liberalised sector customers were determined by negotiations between customers and suppliers based on such factors as electricity usage plans, while electricity rates in respect of regulated sector customers were determined based on the cost-of-service principle (the "comprehensive cost system”), in which costs used as a basis for calculating pricing include the assumed operating expenses (such as fuel costs, depreciation costs, repair costs, personnel costs and taxes) and capital/funding costs (dividend and interest expenses) for the relevant former General Electric Utility as a whole. To ensure fairness among the various demand categories and types of customers, rates were set according to rationally distributed costs, with the load characteristics particular to each category taken into account.

Following the Great East Japan Earthquake, amendments to the Electricity Business Act were enacted in June 2014 as the second stage of the electricity system reforms, and it was decided to liberalise the entry into the retail electricity market fully. With the aim of ensuring freedom of choice to all with respect to electricity suppliers and electricity rate plans, while realising cheaper electricity rate by enhancing the efficiency of the electric utility industry through competition in the retail sector, the scope of liberalisation has been expanded, and participation in retail electricity sales was fully liberalised from 1 April 2016.

Following such liberalisation, all customers in Japan are now able to select the retail supplier of its electricity. Retail electricity sales businesses are obliged to ensure a supply capacity commensurate with their own demand, and are free to set their own rates, in principle. However, as a transitional measure (until March 2020 at the earliest) to protect low-voltage consumers (to prevent increases in electricity rates in places where there is not enough competition), the government has nominated the Specified Electric Utilities (being the former General Electric Utilities) as businesses which will continue to have the obligation to supply electricity and have rate regulation imposed upon them with regard to low-voltage customers (former regulated sector customers); at such stage on or after the legislation-based separation of the power transmission and distribution division (in April 2020) as METI considers that customers’ interests will not be impeded, having consideration of the status of competition, METI may end such transitional measures by region.

Low-voltage Sector (Former Regulated Sector)

The Specified Electric Utilities develop “specific retail electricity supply provisions” (for customers to which supply obligation and rate regulation apply) and “optional electricity rate plans” (which enable customers to choose their electricity rate plans according to their type of usage). Specified Electric Utilities are required to obtain METI’s authorisation to change their specific retail electricity supply provisions before they can raise electricity rates for low-voltage customers; however, only a filing of a notification to METI is required where the change to specific retail electricity supply provisions is beneficial to customers (such as rate reductions). In addition, no administrative procedures are required for Specified Electric Utilities in respect of the establishment of and any amendment to optional electricity rate plans.

Fuel Cost Adjustment System

The fuel cost adjustment system (the “Fuel Cost Adjustment System”) was introduced in 1996 with the aim of promoting the stability of the management environment of electric utilities at the same time as making clear the results of the efforts of electric utilities to achieve management efficiency and reflecting the changes in economic environment in electricity rates as promptly as possible, by externalising the effects of fuel prices and exchange rates, which are beyond the control of electric utilities.

Under the current Fuel Cost Adjustment System, electricity rates are adjusted on a monthly basis in the following manner: fuel costs are calculated based on the average price of fuel (all-Japan average import prices of crude oil, LNG and coal recorded in foreign trade statistics) during a three-month period, and rates for the third month following the end of such period are adjusted automatically based on the degree of fluctuation from the base average fuel price at the time of the price revision (in the case of the Company, as of 1 July 2018) (i.e., the adjustment amount calculated based on the difference between the base fuel price and the average fuel prices for the January-March period is reflected in the rates for June, for example). To prevent an excessive impact on customers if fuel prices increased substantially, a certain ceiling (an increase of 50 per cent. from the base average fuel price) had been placed on the average fuel price which forms the basis of calculation of the adjustment amount with regard to the permissible range of automatic rate adjustments; for customers with new supply contracts or new terms from April 2016, the ceiling no longer applies.

High/Extra High Voltage Sector (Former Liberalised Sector)

High/extra high voltage sector customers could choose their suppliers freely even before liberalisation in April 2016. Contract terms and conditions are determined through negotiations between the customer and supplier based on electricity consumption plans, including such factors as demand scale, load characteristics, demand type and period. Electricity rates are calculated based on the electricity rate unit price set by such contract. The supplier is under no legal supply obligation, however, and may not agree to supply electric power as a result of the negotiations. Customers who are unable to obtain a supply of electric power from another company for some reason are guaranteed receipt of an electric power supply from the Specified Electric Utilities in whose service area they are located, based on a "last-resort service contract" notified by the Specified Electric Utilities to METI.

Wheeling Service Charge System

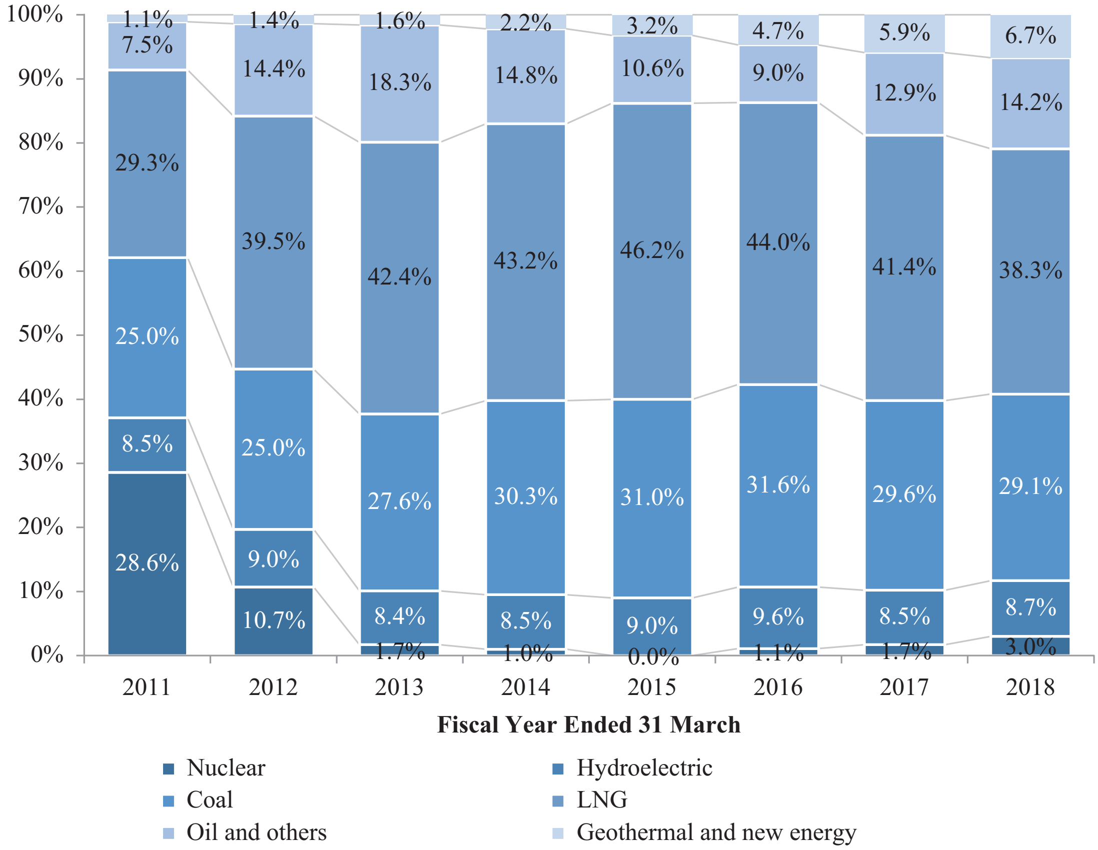
When former PPSs (after April 2020, including the retail sector of the former General Electric Utilities) conduct retail supply of electricity, or when retail sectors of Specified Electric Utilities conduct retail supply of electricity in supply service areas other than those of their transmission and distribution divisions, they will be using the electric power supply facilities of transmission and distribution divisions of the Specified Electric Utility that owns such facilities in the service area concerned. In such cases, the Specified Electric Utility in the relevant service area is required to compile a "wheeling service contract" stipulating the charges and terms and conditions for wheeling service (electricity transmission, transformation and distribution service), and submit it to METI, to ensure fair competition. Wheeling service charges are calculated in accordance with rules prescribed by a ministerial ordinance of the Ministry of Economy, Trade and Industry that provides a basis for appropriate recovery of the necessary costs and ensures fairness among transmission and distribution line users.

Japan's Energy Supply

Overview

Resource-poor Japan is dependent on imports for almost all of its coal, oil and natural gas requirements, making Japan's energy supply structure extremely vulnerable. Following the two oil crises in the 1970s, Japan has been attempting to promote energy efficiency at the same time as diversifying its energy sources through increasing the use of nuclear energy, natural gas and coal. Despite these improvements, oil still accounts for about 40 per cent. of Japan's primary energy supply, and more than 80 per cent. of imported oil comes from the politically unstable Middle East. Moreover, although Japan has one of the highest proportions of electricity demand in total energy demand at over 40 per cent., prospects for importing electricity from neighbouring countries are very poor because Japan is an island nation. In addition, there is an urgent need for global warming countermeasures such as reduction of CO_2 emissions from the use of energy. As such, in order to ensure a stable electricity supply, it is important to establish a multi-layered energy supply structure that can concurrently achieve energy security, economic efficiency, and environmental conservation, while ensuring safety.

The diagram below shows the breakdown in energy mix in Japan for the periods indicated:



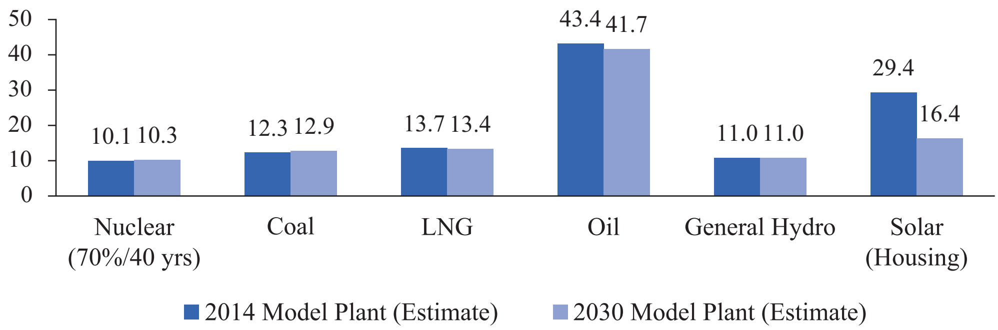
Notes:

(1) Source: Data based on the Federation of Electric Power Companies of Japan, 2018.

(2) Figures for the fiscal years ended 31 March 2011 to 2016 are based on the aggregate of the ten former General Electric Utilities, including power purchased from others. Figures for the fiscal years ended 31 March 2017 and 2018 are based on the aggregate of the ten areas.

(3) Oil and others includes LPG and other gases, etc.

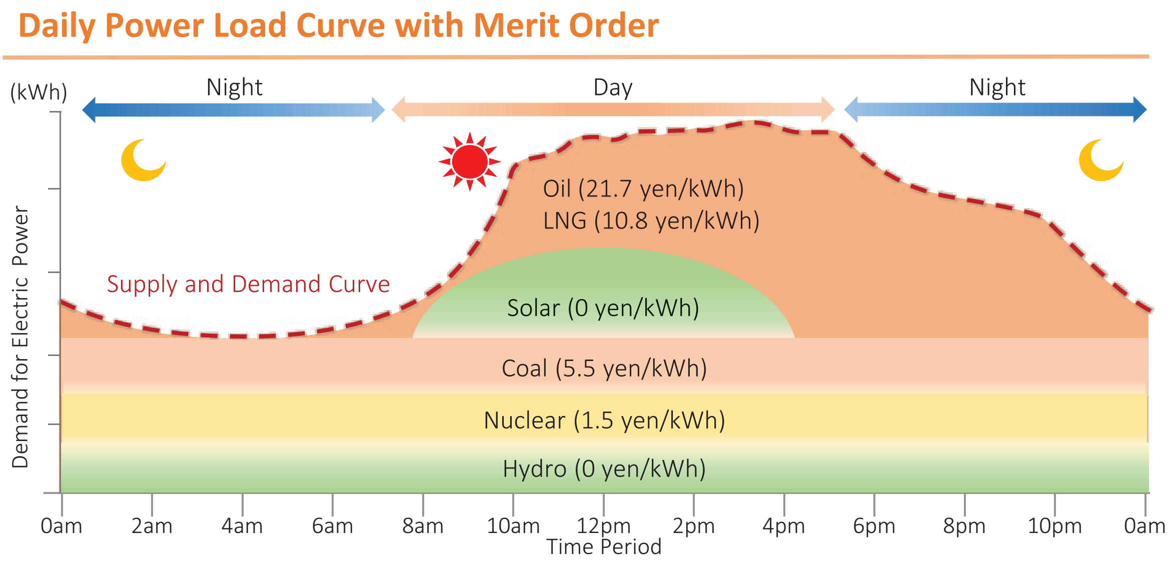
The diagram below shows the estimated power generation costs (the Japanese Government's trial calculations based on model plants theoretically newly established in 2014 and 2030) broken down by type of power source (in yen per kWh):



Note:

(1) Source: Data based on the Electricity Generation Cost Verification Working Group, Advisory Committee for Natural Resources and Energy, the Ministry of Economy, Trade and Industry, May 2015.

The diagram below shows the estimated power load curve with merit order (the Company's calculations based on published material by Electricity and Gas Industry Committee Nuclear Energy Subcommittee by Agency for Natural Resources and Energy, using fuel costs from the 2014 model which differs from the actual fuel costs) broken down by type of power source (in yen per kWh):



Note:

(1) Source: Data based on the Electricity Generation Cost Verification Working Group, Advisory Committee for Natural Resources and Energy, the Ministry of Economy, Trade and Industry, May 2015.

Trends in Japan's Energy Policy

Deliberations towards revision of energy policy and the electric power business system have been ongoing in Japan since the occurrence of the Great East Japan Earthquake and TEPCO's Fukushima Daiichi Nuclear Power Station accident in March 2011.

Basic Energy Plan

Based on the Basic Act on Energy Policy which became effective in June 2002, the government has framed a Basic Energy Plan with the aim of a long-term, comprehensive and systematic implementation of measures relating to energy supply and demand. Based on the Basic Act on Energy Policy, the Basic Energy Plan's contents must be reviewed at least once in every three years, and as amended when considered necessary.

The Fifth Basic Energy Plan (which was approved by the Cabinet in July 2018) has, from the point of view of stable supply of electricity, ensuring economic efficiency and preventing global warming, set out directions for continuing to progressively construct a balanced energy mix by 2030 that includes renewable energy, thermal and nuclear power generation, taking into account Japan's current state of over-dependence on fossil fuels due to drastic changes in the energy supply and demand situation following the Great East Japan Earthquake and TEPCO's Fukushima Daiichi Nuclear Power Station accident, in addition to the above-mentioned energy situation of Japan.

The following table sets out the positioning and the policy direction with respect to energy sources in the Fifth Basic Energy Plan of the government:

Energy source	**Positioning and policy direction**
Renewable energies	• Promising, multi-characteristic, important, low-carbon and domestic energy sources that emit no greenhouse gases and contribute to assuring energy security, utilised with a focus on reducing the environmental load over the long term. • Their introduction will continue to be actively promoted, advancing on early measures for laying the foundation for steady conversion of renewable energy into a major power source.

Energy source	Positioning and policy direction
Nuclear power	• As a low-carbon, quasi-domestic energy source, an important base-load power source that, on the major precondition that its safety is ensured, will contribute to the stability of the long-term energy supply-demand structure from the point of view of stable supply, lowering costs, and prevention of global warming. • With the aim to construct energy mix outlook by 2030 as set out below, necessary measures are to be conducted steadily. • Restart of nuclear power stations is to proceed with the government playing a proactive role when the NRA has deemed them to comply with the regulatory standards.
Coal	• Although problematic as it emits a large amount of greenhouse gas, currently an important base-load power source with superior stability and economic efficiency. It is expected that the need to adjust power output appropriately will grow as a consequence of the expansion of the introduction of renewable energy. • Conversion to high efficiency and next-generation coal thermal power generation will be promoted, and will continue to be utilised while focusing on reducing its environmental burdens in the long term, for example by making efforts to shift to the use of cleaner gas, and fade out inefficient coal use. • In addition to speeding up the metabolism through introduction of available leading-edge technology, promote the development of technologies to further improve power generation efficiency and reduce greenhouse gas emissions per unit of generated power.
Natural gas	• As a source involving relatively low geopolitical risk and as it emits the least amount of greenhouse gases among fossil fuels, it plays a central role as an intermediate power source; it may also become a part of the foundation of a hydrogen society. As the shift towards natural gas progresses with the "shale gas revolution", an important energy source whose role will expand in the future while focusing on reducing the environmental load in the long term. • To be utilised while reducing its costs through diversification of its supply source among other things, and avoiding over-dependence on it as an electricity source.
Oil	• An important energy source that will be utilised into the future, due to its wide range of applications (such as electricity generation, transportation) and high convenience (such as transportability, well-rounded infrastructure).

Deliberations of Details of the Energy Mix

In January 2015, the government, with a view to giving shape to the policies indicated under the Fourth Basic Energy Plan (approved by the Cabinet in April 2014), set up the Subcommittee on Long-term Energy Supply-demand Outlook in order to consider the details of energy mix. In July 2015, following the report of the Subcommittee, the Agency for Natural Resources and Energy of the Ministry of Economy, Trade and Industry issued a report on Japan's long-term energy supply and demand outlook. Under the report, the Ministry of Economy, Trade and Industry's outlook for the energy mix for the fiscal year ending 31 March 2031 is as follows (all percentages set out below are approximate):

- Renewable energies: 22 per cent. to 24 per cent., of which:
  - Geothermal: 1.0 per cent. to 1.1 per cent.
  - Biomass: 3.7 per cent. to 4.6 per cent.
  - Wind: 1.7 per cent.

  - Solar: 7.0 per cent.
  - Hydro: 8.8 per cent. to 9.2 per cent.
- Nuclear power: 20 per cent. to 22 per cent.
- LNG: 27 per cent.
- Coal: 26 per cent.
- Oil: 3 per cent.

Pursuant to the report, the government's outlook for primary energy supply structure for the fiscal year ending 31 March 2031 contemplates renewable energy and nuclear energy to comprise around 13 per cent. to 14 per cent. and 11 per cent. to 10 per cent., respectively, leading to an energy self-sufficiency rate of around 24.3 per cent.

Further, in May 2016, the Cabinet approved the Plan for Measures Against Global Warming, which included a mid-term aim of reducing Japan's greenhouse effect gas emission by 26.0 per cent. by the fiscal year ending 31 March 2031 (as compared to the level at the fiscal year ended 31 March 2014).

The Fifth Basic Energy Plan has, in addition to the energy mix outlook in 2030 set out above, set out challenges to achieve energy transitions and decarbonisation by 2050 with a view to reducing greenhouse gas emissions by 80 per cent. The primary directions towards the year 2050 set out in the Fifth Basic Energy Plan include the following:

- Renewable energy: aim to use as a major power source, economically independent and decarbonised;
- Nuclear power: one of the options for decarbonisation; pursue safe reactors and development of back-end technologies; and
- Fossil fuels: while a major power source during the transitional period, enhance resource diplomacy. Shift to gas, fade out inefficient coal, start hydrogen development for decarbonisation.

Electricity System Reform

Japan has been using a system whereby the former General Electric Utilities that have to carry out all the operations from power generation through to retail fulfil the supply responsibilities in their defined supply areas. But today, given facts such as the electricity shortages in the aftermath of the Great East Japan Earthquake, there are increased societal needs for "utilising supply capacity across wider areas" and "letting people choose a power company of their own free will". Accordingly, deliberations have been undertaken on the electric power business system which the nation should have in the future.

In April 2013, for the purposes of "ensuring a stable supply", "maximising restraint on electricity prices" and "expanding the choices of customers and business opportunities of businesses", the Cabinet approved the Policy on Electricity System Reform, which has three main components: "expansion of the cross-regional nationwide system operation", "full-scale liberalisation of participation in retail electricity sales", and "legislation-based separation of the power transmission and distribution division" (being the separation of the transmission and distribution business in a separate legal entity, while allowing a capital relationship between the power generation and power transmission and distribution companies). In November 2013, further to an amendment to the Electricity Business Act, rules relating to the Organization for Cross-regional Nationwide Coordination of Transmission Operators ("OCCTO") were added as the first phase of the reform, with the aim of contributing to, among others, the securing of a stable supply of electricity in a time of disaster as well as promoting the development of a transmission and distribution network necessary for utilising power sources across regions.

The OCCTO, which was established on 1 April 2015, has assumed the function of adjusting the supply-demand balance of electricity nation-wide in both normal and emergency situations. All electricity operators (including Specified Electric Utilities (including the Company), former wholesale electric utilities (being Electric Power Development Co., Ltd. and The Japan Atomic Power Company), former designated electric utilities and former PPSs) must be members of the OCCTO. The principal functions of the OCCTO include:

- co-ordination of demand-supply plans and grid operation plans, strengthening transmission infrastructures such as frequency converter facilities and cross-regional lines and nation-wide operation of grids;

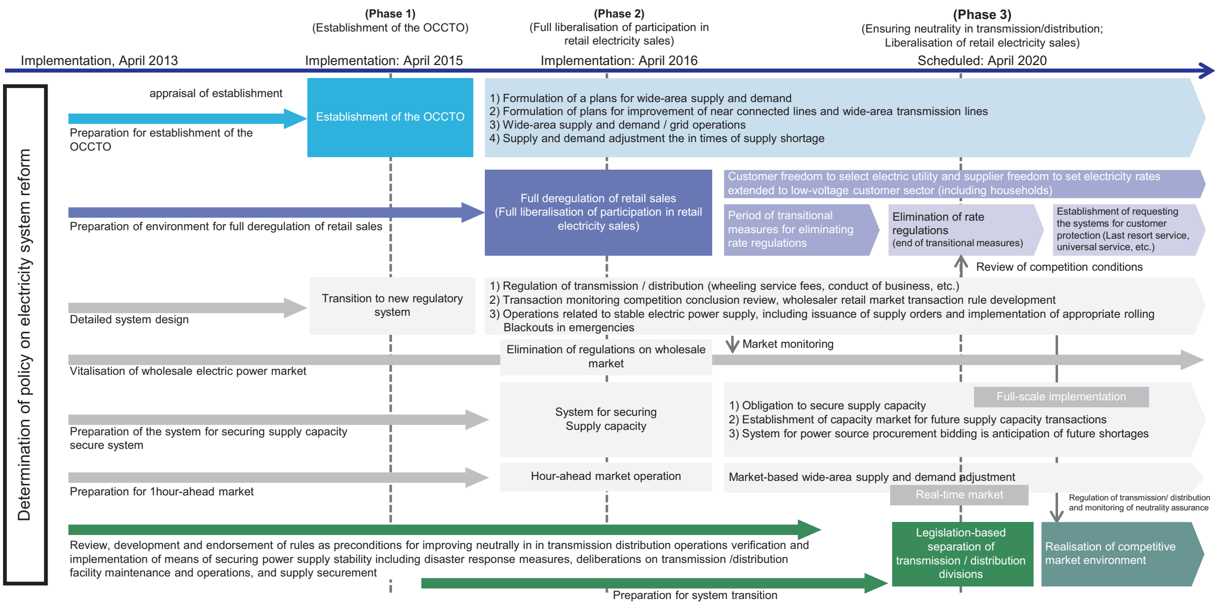
- cross-regional operational adjustment of demand-supply balance and frequency conversion by grid operators in each region in normal situations;
- demand-supply adjustment during emergency situations through ordering increased output and electric power interchange; and
- accepting applications for grid connections from a neutral standpoint, and making disclosures relating to grid information.

Initiatives being taken in line with the above include the reinforcement of FCs, planning to increase the capacity of East-West Grid Connection from 1,200MW in total to 2,100MW in total by the fiscal year ending 31 March 2021 and to 3,000MW in total by the fiscal year ending 31 March 2028.

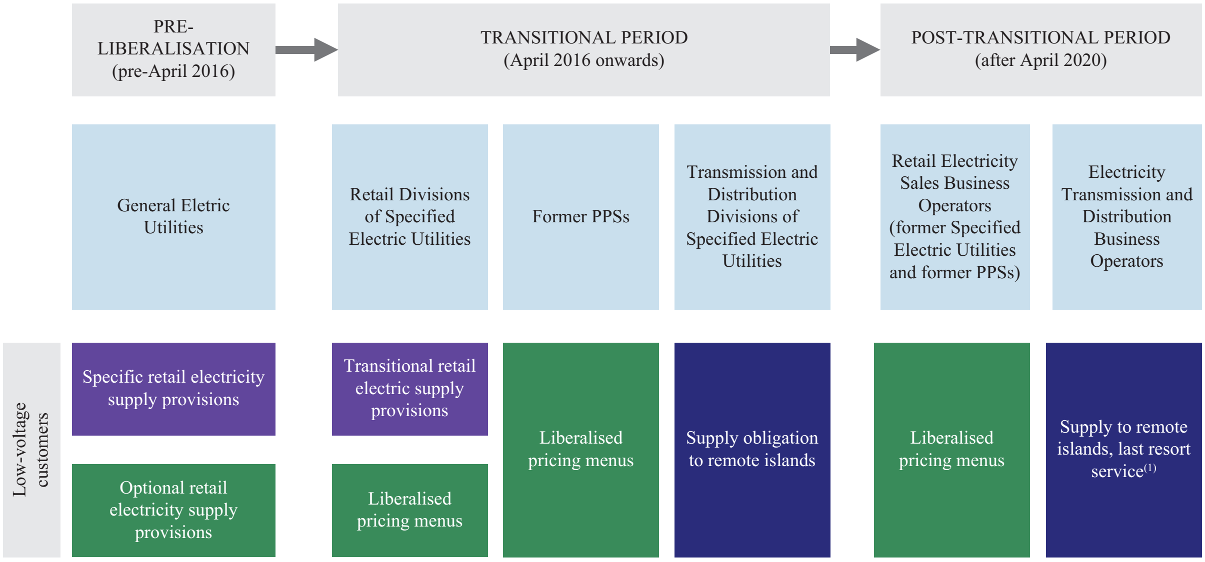
In June 2014, another amendment to the Electricity Business Act was made, to implement a full-scale liberalisation of participation in retail electricity sales from 1 April 2016. In June 2015, as the third stage of electricity system reforms, a further amendment to the Electricity Business Act was made in relation to the legislation-based separation of the power transmission and distribution division for securing its neutrality as well as the deregulation of retail electricity rates. These amendments were planned to become effective as of 1 April 2020, while the continuation of the regulation of retail electricity rates after April 2020 was announced by METI in July 2019, following the assessment of competitive position.

In September 2015, the Electricity Market Surveillance Commission was set up within the Ministry of Economy, Trade and Industry, in order to monitor the electricity market in consideration of full retail liberalisation, and conduct regulations in order to secure neutrality in the electric power network sector, among others.

The following sets out an outline and schedule of electricity system reforms being undertaken in Japan:



The following diagram shows the schedule for liberalisation of electric power pricing in Japan:

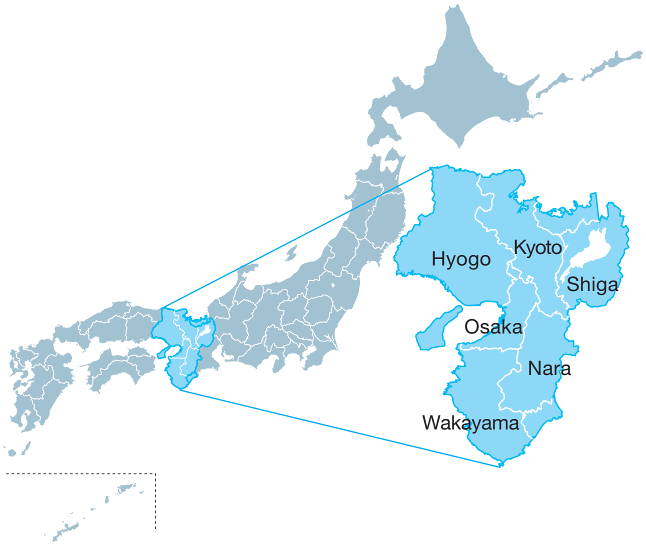


Overview of the Kansai Region

The Kansai region, which forms the main part of the Group's supply area, is located at the central part of Japan's main island of Honshu and has a population of around 20 million, and a GDP of approximately ¥83 trillion for the fiscal year ended 31 March 2016 (accounting for approximately 15 per cent. of Japan's GDP for such fiscal year). The Kansai region, with Osaka (the second largest city in Japan) as its central city, constitutes a powerful economic area in Japan, rivalling the Tokyo metropolitan area. In addition, Kyoto and Nara, the ancient capitals of Japan, are located in the area, and play an important role in the nation's culture.

The Company supplies electricity mainly in the six prefectures of the Kansai region (Osaka, Kyoto, Hyogo (to the greater part of which the Group supplies electricity), Nara, Shiga and Wakayama prefectures), as well as portions of Mie, Gifu and Fukui prefectures. The supply area covered by the Group amounts to 28,704km^2, comprising approximately 8 per cent. of Japan's total land area (source: "Statistical reports on the land area by prefectures and municipalities in Japan (as of 1 October 2018)" by Geospatial Information Authority of Japan, Ministry of Land, Infrastructure, Transport and Tourism).

The following diagram shows the location of the six prefectures of the Kansai region within Japan:



The following table sets out certain data with regard to the Kansai region (Osaka, Kyoto, Hyogo, Nara, Shiga and Wakayama prefectures), as compared to Japan as a whole:

	Kansai Region	Japan	Percentage
Population[(1)]	20,574,338	126,443,180	16%
GDP (billions of yen)[(2)]	¥ 83,215	¥ 546,550	15%

Notes:

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

(2) Source: "Statistics on Prefectural Economy Calculation for the fiscal year ended 31 March 2016" by the Economic and Social Research Institute, Cabinet Office, Government of Japan (published 31 August 2017).

History

The Group's history is summarised as follows:

May	1951	Established in Osaka City, with a capital of ¥1,690 million, following the capital contribution and transfer from Kansai Haiden K.K. and Nippon Hatsusoden K.K.
July	1951	Listed on the Osaka Securities Exchange (integrated with the Tokyo Stock Exchange on July 2013)
August	1951	Listed on the Tokyo Stock Exchange
May	1964	Commenced operation of Mio Power Station, the Company's first pumped storage power station
March	1968	Commenced operation of Himeji No. 2 Power Station Unit 4, the first two-stage heat recovery supercritical pressure system
July	1970	Commenced operation of Mihama Power Station Unit 1, the Company's first nuclear power plant Commenced operation of Kisenyama Power Station Units 1 and 2, Japan's first recirculating pumped storage power plant
October	1973	Commenced operation of Himeji No. 2 Power Station Unit 5
May	1976	Commenced operation of 500 kV main transmission system upon completion of the pressure booster construction of 500 kV Wakasa main transmission line (city side) and Nishi-Kyoto transfer substation
June	1979	Commenced operation of Himeji LNG terminal
April	1988	Established Kansai Communication Equipment Service Co., Ltd. (currently OPTAGE, Inc., a consolidated subsidiary)
February	1991	Mihama Power Station Unit 2 steam generator tube rupture accident
October	1998	Joined San Roque hydroelectric power generation project in the Philippines, the first overseas power generation business by a Japanese power company
April	2001	Established Kanden Gas & Cogeneration Company Incorporated (currently Kanden Energy Solution Co., Inc., a consolidated subsidiary)
October	2002	Reduced electricity prices
June	2003	Introduced constant rated thermal power operation at all nuclear power plants
August	2004	Mihama Power Station Unit 3 secondary pipe rupture accident Commenced operation of Maizuru Power Station Unit 1, the first cross-compound steam turbine adopted by the Company
September	2011	Commenced operation of Sakai Solar Power Station, the first megasolar project by a Japanese power company
December	2012	Commenced operation of Awaji Wind Power Station, the Group's first wind farm
August	2013	Commenced operation of Himeji No.2 Power Station New Unit 1
April	2015	Ceased operation of Shimane Nuclear Power Plant
April	2016	Integrated the Kanden Fudosan group and MID Urban Development group in order to strengthen and promote the efficiency of the Group's real estate business
April	2019	Established Kansai Transmission and Distribution, Inc. and executed an absorption-type split agreement with it

Overview of the Group

The Group offers comprehensive energy solutions such as electricity supply, gas supply and utility services in the Group's principal service area of the Kansai region. Through the flexible and steady procurement of fuel and power generation using a well-balanced combination of diverse power supplies, the Group stably delivers electricity to customers and provides various services that are helpful in their lives, and also offers gas supply not only to factory and commercial facility customers but also to households, shops and other customers. In order to ensure stable supply of electricity from a neutral and fair standpoint, the Group maintains the supply and demand balance for its service area and constructs and maintains transmission and distribution equipment.

The Group's operations are currently principally divided into the following four reporting segments: (i) Electric Power, (ii) Gas/Other Energies, (iii) IT/Communications, and (iv) Life/Business Solutions. The aggregate of the Electric Power and Gas/Other Energies segments is referred to as the Comprehensive Energy/ Power Transmission and Distribution Business.

As of 30 June 2019, the Company had 78 consolidated subsidiaries, 16 non-consolidated subsidiaries and 56 affiliates (of which four were accounted for by the equity method).

As of 30 June, 2019, in addition to the Company, the Comprehensive Energy/Power Transmission and Distribution Business had 41 consolidated subsidiaries, four companies accounted for by the equity method, and 44 affiliates. As of the same date, the IT/Communications segment included seven consolidated subsidiaries and two affiliates of the Company, and the Life/Business Solutions segment included 30 consolidated subsidiaries, 16 non-consolidated subsidiaries, and six affiliates of the Company.

For the fiscal year ended 31 March 2019, the Group's operating revenues, operating income, ordinary income and net income attributable to owners of the parent amounted to ¥3,307.6 billion, ¥204.8 billion, ¥203.6 billion and ¥115.0 billion, respectively. For the three-month period ended 30 June 2019, the Group's operating revenues, operating income, ordinary income and net income attributable to owners of the parent amounted to ¥785.8 billion, ¥59.0 billion, ¥62.7 billion and ¥45.5 billion, respectively.

Legal separation of the power transmission and distribution business

Pursuant to the third stage of the amendment to the Electricity Business Act, Specified Electric Utilities, including the Company, are required to implement the legal separation of the power transmission and distribution business from the retail electricity sales business and electricity generation business by April 2020 to ensure the neutrality of the power transmission and distribution business. In April 2019, the Company established the Separated Company and began preparations to apply for and obtain the necessary licences and approvals to operate an power transmission and distribution business. The Board of Directors of the Company also resolved to enter into an absorption-type corporate split agreement to implement the legal separation of its power transmission and distribution business by way of an absorption-type corporate split, whereby the Company's transmission and distribution business would be transferred to the Separated Company, on the condition that such corporate split agreement would be approved at the annual general meeting of shareholders of the Company, and the necessary licences and approvals would be obtained. Such agreement was approved at the annual general meeting of the Company's shareholders held in June 2019. The Company expects the absorption-type corporate split to take effect from 1 April 2020 subject to obtaining certain regulatory approvals. Upon such absorption-type corporate split becoming effective, the assets and liabilities of the Company's transmission and distribution business will be transferred to the Separated Company.

Based on the Company's balance sheets as of 31 March 2019, the book value of the assets and liabilities that would be transferred from the Company to the Separated Company would be as follows (see page F-32):

Assets		Liabilities	
	(Millions of yen)		
Property	¥2,330,228	Long-term liabilities and reserves	¥187,866
Current assets	38,413	Current liabilities	133,425
Total	¥2,368,641	Total	¥321,292

The book values in the above table are estimates based on the Company's balance sheet data as of 31 March 2019, and do not represent the actual amounts of assets and liabilities that would be transferred at the time of the taking effect of the corporate split. The book values of the assets and liabilities which will be transferred from the Company to the Separated Company will be calculated taking into account any increases or decreases to the above book values until the day immediately preceding the effective date of the corporate split.

On the effective date for such absorption-type corporate split, the Company intends for the Separated Company to issue inter-company bonds with preferential right (so-called "*ippan tanpo*") to the Company in order to protect the rights of the bondholders in general. The principal amount of the inter-company bonds to be issued is expected to be an amount that the Company believes is appropriate for the Separated Company to bear in terms of the proportionate amount of obligations and will therefore only amount to a part of the principal amount of the Company's outstanding bonds at the time of such separation. With respect to the Bonds, the Company expects to enter into a U.S. dollar/Japanese yen currency swap transaction with a financial institution at the time of issuance (and therefore the Company's payment obligations will have been effectively fixed in Japanese yen at that time); the inter-company bonds planned to be issued with respect to the Bonds are therefore expected to be denominated in Japanese yen, taking into account the amounts payable under such currency swap transaction.

Strengths

The Company believes that it has the following key strengths:

Solid business foundation and comprehensive business portfolio

The Group currently has a near monopoly position in the supply of electricity within the Kansai region, located in the central part of the main island of Japan. The Group's supply area covers approximately 8 per cent. of the total land area of Japan and with Osaka as its central city, constitutes an economically important region in Japan, representing around 15 per cent. of Japan's GDP for the fiscal year ended 31 March 2016. As a result, the total volume of electric sales of the Group is among the top three electric power companies in Japan.

In addition to its core electric power generation, the Group has a transmission and distribution business which supplies electricity to customers in the Kansai region, which is a stable business, and has diversified businesses that contribute to the overall profitability of the Group. The Group is involved in overseas power generation, transmission and distribution projects, including ten projects already in operation, five projects under construction and three projects under development, working to improve profitability through measures such as entering into projects at their early stages.

The Group has also strived to provide various services that are helpful to the customers' lives. The Group engages in the gas supply business, serving gas to factories and commercial facilities as well as selling city gas to households, shops and other customers. The Group entered the gas sales business upon liberalisation of the gas sales business, principally in order to propose comprehensive energy services that combine electricity and gas services to its customers. The Group offers "Nattoku Pack" price plan for residential customers as well as the smaller businesses, which offers adjusted electricity rate menus for customers who subscribe to both the Group's electricity and gas services. The Group seeks to promote sales activities through alliances such as with mobile phone operators in addition to developing independent pipelines to also capture demand for business usage.

Against a background of two electricity rate hikes (in May 2013 and June 2015) following the Great East Japan Earthquake in March 2011 and the consequent halting of all nuclear power stations, the Group has, since its nuclear power generation has restarted, cut its electricity rate twice (4.29 per cent. in August 2017 and 5.36 per cent. in July 2018) but has managed to maintain its profitability (in terms of positive ordinary income) over the four fiscal years ended 31 March 2019.

Further, by utilising the Group's optical fibre network around the Kansai region, the Group provides FTTH, mobile phone services and solutions business, as well as real estate, home security, healthcare and caregiving businesses, all with a view to diversifying its revenue base leveraging on its assets and expertise.

Electric power portfolio with economic efficiency

The Group's electric power portfolio is well balanced amongst nuclear, thermal (LNG, coal and oil), hydroelectric and renewable energy, with nuclear power generation representing 29 per cent. of the total of electric power generated by the Company in the fiscal year ended 31 March 2019. Hydroelectric and renewable energy represented 13 per cent. of the total of electric power generated by the Company in the fiscal year ended 31 March 2019, resulting in more than 40 per cent. of the total of electric power generated by the Company in the fiscal year ended 31 March 2019 being generated through non-fossil power. The Group therefore has a cost-competitive electric power portfolio with nuclear and hydroelectric power's superior power generation costs as well as low fuel costs. The Group has managed to sell consistent volume of electricity in the last 5 years through actively working to offer highly cost-competitive electricity rates in an increasingly competitive market. The Group's offerings remain attractive which is complemented by a strong loyalty in both commercial and industry customers as well as residential customers. As a result, the volume of electricity sold started to rebound in the fiscal year ended 31 March 2019. Out of the Group's seven nuclear power plants (there are 36 nuclear power plants in Japan in total), the Group has four plants that have now restarted following TEPCO's Fukushima Daiichi Nuclear Power Station accident.

Sound financial condition and diversified funding sources

The Group has improved its financial position with free cash flow generation which has been supported by steady cash flow from operating activities. The Group has a strong relationship with financial institutions which has helped it achieve stable, diversified, low cost funding including borrowings from banks and issuances of bonds. The current rating of A3/stable by Moody's indicates the Group's competitive edge (see "Recent Business—Liquidity and Capital Resources—Funding").

Strategy

On 26 March 2019, the Group published its Medium-term Management Plan covering the period from the fiscal year ending 31 March 2020 to the fiscal year ending 31 March 2022 with the following vision: "Going a step ahead with eye on the future". Operating under this vision, the Group is pursuing the following four directions of strategy: "3D + D" being "Decarbonisation", "Digitalisation", "Decentralisation" and "Denka (meaning electrification)". The Group is focusing on its efforts to reduce environmental burdens, including tackling climate change as a leading company for "decarbonisation" and providing safe, comfortable, convenient and economical energy services using the problem-solving power that the Group has cultivated. The Group is pursuing the creation of new businesses and services using the comprehensive strengths of the Group and to realise digital transformation for creating new values in order to help solve a range of issues for its customers and communities.

The Group intends to maintain its focus on non-fossil power, combining its strengths of nuclear power and its efforts in expanding renewable energy. In light of the magnitude of impact that the power sector has on the global environment, the Group intends to continue to contribute to decarbonisation by expanding use of renewable energies and effectively using nuclear power and increasing the efficiency of thermal power plants. The Group will further continue its efforts to remain as a leading CO_2-free company in Japan and to contribute to further reduction of CO_2 emissions from power generation. Over the five fiscal years ended 31 March 2019, the Group has been successful in reducing CO_2 emission factor to 0.334 kg-CO_2 per kWh on a certain adjusted basis and to 0.352 kg-CO_2 per kWh before adjustment (these being provisional figures), these being below the goal set by the Electric Power Council for a Low Carbon Society for the fiscal year ending 31 March 2031 (being 0.37 kg-CO_2 per kWh).

The Group already has a diversified electric power portfolio with the nuclear power portion of its power source composition having met the Fifth Basic Energy Plan which set out directions for continuing to progressively construct a balanced energy mix by 2030. The goal of this energy plan is a stable supply of energy with economic efficiency and environmentally balanced mix on the premise of safety following the drastic changes in the energy supply and demand situation after the Great East Japan Earthquake and TEPCO's Fukushima Daiichi Nuclear Power Station accident. The Group aims to remain as a stable and sustainable electricity supplier.

Based on this strategy, the Group has been engaged in new power source development. CO_2 emission reduction has been achieved in hydro power, solar power, wind power and biomass power stations within the Group. As of 30 June 2019, the Group's equipment capacity for renewable energy sources in Japan and overseas was approximately 4,399MW, including power stations before operation but excluding equipment capacity for pumped-storage hydroelectricity (4,884 MW). The following table shows certain data (as of 30 June 2019) for various power sources of the Group:

Domestic Power Stations(1):

	Hydro Power(3)	**Solar Power**	**Wind Power**	**Biomass Power**
Power source capacity (for power stations in operation)	Approx. 3,350MW(4)	Approx. 82MW	Approx. 18MW	Approx. 6MW
CO_2 emission reduction(2)	Approx. 6 million tonnes per year	Approx. 27 thousand tonnes per year	Approx. 17 thousand tonnes per year	Approx. 18 thousand tonnes per year
Principal power stations in operation	• Nagatono	• Sakai • Arida	• Awaji • Tahara No. 4	• Asago
Power stations before operation	• Yamaguchi flow maintenance • Yatazodani	–	• Akita Noshiro offshore • Northern Akita offshore	• Fukushima Iwaki-shi • Fukuoka Kanda-machi

Overseas Power Stations(1):

	Hydro Power(3)	**Wind Power**
Power source capacity (for power stations in operation)	Approx. 245MW(4)	Approx. 54MW
CO_2 emission reduction(2)	Approx. 320 thousand tonnes per year	Approx. 59 thousand tonnes per year
Principal power stations in operation	• San Roque (Philippines) • Ming Jian (Taiwan) • Rajamandala (Indonesia)	• Evalair (Ireland)
Power stations before operation	• Nam Ngiep (Laos)	• Triton Knoll Offshore (UK) • Moray East Offshore (UK)

Notes:

(1) Equipment capacity including power stations before operation (as of 30 June 2019).

(2) CO_2 emissions are calculated based on the Company's operation power scale in the fiscal year ended 31 March 2019 with the national average coefficient 0.496kg-CO_2/kWh in the fiscal year ended 31 March 2018.

(3) With regard to hydropower, power stations after November 2012 (when the Group set its renewable energy introduction targets for the first time) are included.

(4) Equipment capacity for pumped-storage hydroelectricity (4,884 MW (as of April 2019); source: "Number of power plants and output of Electric Utilities" by the Agency for Natural Resources and Energy) is not included in Hydro Power.

The Group also intends to contribute to the sustainable development of society as a whole by solving global issues through sustainable development goals (SDGs) while trying to grow sustainably as a business group through stable and safe supply of clean energy, at the same time as solving social issues through new business endeavours and building solid foundations to support those businesses.

Operations

The Group's operations are currently principally divided into the following four reporting segments: (i) Electric Power, (ii) Gas/Other Energies, (iii) IT/Communications, and (iv) Life/Business Solutions. The aggregate of the Electric Power and Gas/Other Energies segments is referred to as the Comprehensive Energy/Power Transmission and Distribution Business.

The following tables set out (i) the Group's sales to external customers by segment, together with the percentages of such sales as a percentage of consolidated operating revenues, (ii) the Group's segment profit (loss) (operating income (loss)) by segment, and (iii) the Group's ordinary income by segment, in each case for the fiscal years ended 31 March 2017, 2018 and 2019, presented in accordance with the then-current business segmentation (and not restated to reflect the new business segmentation which the Group applied from 1 April 2019 (see "Presentation of Financial and Other Information—Changes in Reportable Segments")):

	Fiscal Year Ended 31 March					
	2017		2018		2019	
	Sales	Proportion	Sales	Proportion	Sales	Proportion
	(Millions of yen)	(Per cent.)	(Millions of yen)	(Per cent.)	(Millions of yen)	(Per cent.)
Sales to External Customers						
Reporting Segments:						
Electric Power	¥2,556,591	84.9%	¥2,596,114	82.8%	¥2,668,312	80.7%
Gas/Other Energies	93,220	3.1	141,240	4.5	210,819	6.4
IT/Communications	185,660	6.2	203,167	6.5	217,757	6.6
Other	175,864	5.8	193,110	6.2	210,771	6.4
Total consolidated operating revenues	¥3,011,337	100.0%	¥3,133,632	100.0%	¥3,307,661	100.0%

	Fiscal Year Ended 31 March		
	2017	2018	2019
	(Millions of yen)		
Segment Profit (Loss)			
Reporting Segments:			
Electric Power	¥ 165,279	¥ 170,335	¥ 140,577
Gas/Other Energies	6,014	941	(4,486)
IT/Communications	19,484	26,269	32,535
Other	25,395	30,431	38,661
Subtotal	216,173	227,977	207,287
Reconciliations(1)	1,573	(425)	(2,434)
Total consolidated operating income	¥ 217,747	¥ 227,551	¥ 204,853

Note:
(1) This includes inter-segment eliminations.

	Fiscal Year Ended 31 March		
	2017	2018	2019
	(Millions of yen)		
Ordinary Income			
Reporting Segments:			
Electric Power	¥ 144,474	¥ 150,420	¥ 137,102
Gas/Other Energies	6,277	7,148	2,798
IT/Communications	18,372	25,171	33,465
Other	36,423	43,469	52,431
Subtotal	205,547	226,209	225,799
Reconciliations(1)	(9,422)	(9,105)	(22,163)
Total consolidated ordinary income	¥ 196,125	¥ 217,104	¥ 203,636

Note:
(1) This includes inter-segment eliminations.

The following tables set out (i) the Group's sales to external customers by segment, together with the percentages of such sales as a percentage of consolidated operating revenues, and (ii) the Group's segment profit (loss) (ordinary income (loss)), in each case for the three-month periods ended 30 June 2018 and 2019, presented in accordance with the current business segmentation (with figures for the three-month period ended 30 June 2018 restated to conform to the new business segmentation which the Group applied from 1 April 2019 (see "Presentation of Financial and Other Information—Changes in Reportable Segments")):

	Three-Month Period Ended 30 June			
	2018		2019	
	Sales	Proportion	Sales	Proportion
	(Millions of yen)	(Per cent.)	(Millions of yen)	(Per cent.)
Sales to External Customers				
Reporting Segments:				
Electric Power	¥ 598,712	81.4%	¥ 612,354	77.9%
Gas/Other Energies	63,807	8.7	82,054	10.4
IT/Communications	51,743	7.0	54,520	7.0
Life/Business Solutions	21,273	2.9	36,908	4.7
Total consolidated operating revenues	¥ 735,536	100.0%	¥ 785,838	100.0%

	Three-Month Period Ended 30 June	
	2018	2019
	(Millions of yen)	
Segment Profit (Loss)		
Reporting Segments:		
Electric Power	¥ 30,473	¥ 38,386
Gas/Other Energies	3,924	10,460
IT/Communications	7,729	8,449
Life/Business Solutions	3,999	9,440
Subtotal	46,127	66,736
Reconciliations(1)	(7,714)	(4,009)
Total consolidated ordinary income	¥ 38,412	¥ 62,727

Note:

(1) This includes inter-segment eliminations.

The following table sets out certain information with respect to the significant properties, plant and equipment of the Group by type of facility as of 31 March 2019:

Type of Facility	Description of Facility	Book Value[5] Land[3][4]	Buildings	Machinery and Equipment	Total
		(Millions of yen, except land areas owned)			
Electric Power					
Hydroelectric power generation facilities	No. of plants: 152	(106,049,345)			
	Authorised maximum capacity: 8,228,445kW	¥ 16,152	¥ 12,644	¥ 263,887	¥ 292,684
Thermal (steam) power generation facilities[1][2]	No. of plants: 11	(5,296,667)			
	Authorised maximum capacity: 19,336,000kW	73,062	18,682	283,915	375,660
Nuclear power generation facilities	No. of plants: 3	(2,364,154)			
	Authorised maximum capacity: 6,578,000kW	21,083	35,001	341,833	397,918
Thermal (internal combustion) power generation facilities[1]	No. of plants: 1	(–)			
	Authorised maximum capacity: 105,400kW	–	368	3,146	3,514
Renewable energy power generation facilities	No. of plants: 3	(–)			
	Authorised maximum capacity: 11,000kW	–	54	994	1,049
Transmission facilities	Overhead transmission lines:	(14,886,123)			
	Route length: 14,255km	126,197	1,323	676,718	804,239
	Circuit length: 31,423km				
	Underground transmission lines:				
	Route length: 4,568km				
	Circuit length: 7,769km				
	No. of supports: 106,988				
Transformation facilities	No. of substations: 1,599	(9,727,893)			
	Authorised capacity: 156,407,542kVA	89,060	40,423	284,849	414,333
	Phase modifying equipment capacity: 18,464,300kVA				
Distribution facilities	Overhead distribution lines:	(87,697)			
	Route length: 125,830km	894	375	851,671	852,941
	Circuit length: 414,357km				
	Underground distribution lines:				
	Route length: 6,626km				
	Circuit length: 10,902km				
	No. of supports: 2,727,516				
	No. of transformers: 1,876,581				
	Capacity of transformers: 60,368,341kVA				
General facilities	No. of facilities:	(1,208,905)			
	Head office: 1	19,379	35,170	46,765	101,316
	Branches: 9				
	Distribution offices: 35				
	Power system offices: 17				
Other					
Other utility facilities		(902,276)			
		9,267	1,975	5,799	17,042
Total[7]		(140,523,060)			
		¥ 355,098	¥146,020	¥2,759,582	¥3,260,701

Notes:

(1) As Himeji No. 1 Power Station is equipped with both thermal (steam) power generation facilities and thermal (internal combustion) power generation facilities, the number of facilities are totalled in thermal (steam) power generation facilities and the generating capacities are indicated by the motive power.

(2) Authorised maximum capacity of thermal (steam) power generation facilities includes Kainan Power Station Unit 1 (450,000kW), Unit 2 (450,000kW), Unit 3 (600,000kW) and Unit 4 (600,000kW) all of whose operations ceased as of 1 April 2019.

(3) Figures in parentheses in this column are land areas owned in square metres.

(4) In addition to the above, the Company leases 1,667,679m^2 of land. Excludes leased land for utility poles at transmission and distribution facilities and also land used exclusively.

(5) Does not include leased facilities of ¥16,017 million.

(6) The above table does not include consumption tax amounts.

(7) The sum of the individual land areas may not match the totals due to the rounding of numerical values.

The following table sets out certain information with respect to the significant properties, plant and equipment of the consolidated subsidiaries of the Company as of 31 March 2019:

				Book Value			
Name of Consolidated Subsidiary	**Name of Office (Location)**	**Business Segment**	**Description of Facility**	**Land[1]**	**Buildings**	**Machinery and Equipment[2]**	**Total**
				(Millions of yen, except land areas owned)			
Kanden Energy Solution Co., Inc.	Head office and others Osaka, Japan	Gas/Other Energies	Utility (electricity/ thermal source) facilities and others	(4,471) ¥ 120	¥ 17,561	¥ 33,281	¥ 50,962
K-Opticom Corporation[3]......	Head office and others Osaka, Japan	IT/ Communications	Optical fibres, data transmission facilities, wireless base stations, network facilities and others	(30,995) 2,978	14,835	192,602	210,416
Kanden Realty & Development Co., Ltd.	Head office and others Osaka, Japan	Other	Office facilities for lease	(3,638,034) 158,034	122,111	10,186	290,332

Notes:

(1) Figures in parentheses in this column are land areas owned in square metres.

(2) Includes leased assets from those other than consolidated companies.

(3) On 1 April 2019, a corporate restructuring took place to enhance competitiveness in the comprehensive energy business and information and telecommunications business. Following this corporate restructuring, K-Opticom Corporation changed its corporate name to OPTAGE Inc.

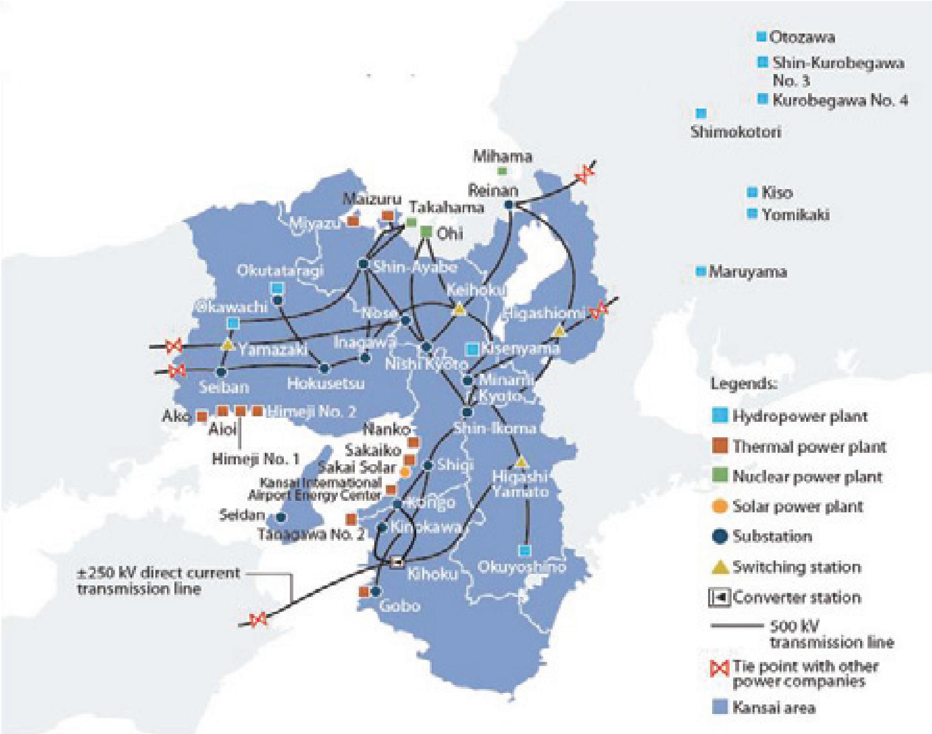
(4) The above table does not include consumption tax amounts.

Electric Power

Electric Power Generation, Transmission and Distribution

The Company's principal business is the supply of electricity principally in the Kansai region in Japan under a comprehensive system of power generation, transmission and retail distribution (including customer services). The Company delivers a stable supply of electricity, sending it along transmission lines from power stations to substations, and along distribution lines from substations to places such as homes and factories. The supply area covered by the Group amounts to 28,704km^2, comprising approximately 8 per cent. of Japan's total land area (source: "Statistical reports on the land area by prefectures and municipalities in Japan (as of 1 October 2018)" by Geospatial Information Authority of Japan, Ministry of Land, Infrastructure, Transport and Tourism).

Set out below is a map of the Company's major electric power supply facilities and networks as of 31 March 2019:



Further, in July 2016, the Group started electricity sales to low-voltage supply customers, including residential customers, in the Tokyo metropolitan area, and since then has been offering its electricity rate menu "Hapi e-Plus". In September 2017, the Group decided to acquire ORIX Electric Power Corporation's bulk electric purchasing service for condominium buildings, and founded a new company, Next Power Company Co., Ltd. ("Next Power Company"), in October 2017. In April 2018, Next Power Company entered into an absorption-type corporate split agreement with Haseko Anesis Corporation on the transfer of the latter's bulk electric purchasing service for condominium buildings, and the transfer of the business was completed in July 2018.

The following table sets out certain data relating to the Group's main supply facilities as of 31 March 2019:

	Number of Facilities	**Authorised Maximum Capacity**
		(MW)
Thermal	12	19,441
Hydroelectric	152	8,228
Nuclear	3	6,578
Renewable	3	11
Total	170	34,258

The following table sets out certain data relating to power generated and received by the Company for the periods indicated:

	Fiscal Year Ended 31 March		
	2017	2018	2019
	(Millions of kWh)		
Power generated[1] and received:			
Generated by the Company:			
Hydroelectric	13,362	13,761	13,496
Thermal[2]	81,523	67,787	61,207
Coal	13,085	13,147	10,509
LNG	61,859	52,740	49,465
Oil	6,579	1,900	1,233
Nuclear	(442)	12,865	30,092
Renewable energy sources[3]	93	80	19
Power purchased from or supplied to other suppliers (net)	34,899	27,525	21,353
Power used for pumped storage[4]	(1,653)	(1,490)	(2,284)
Total[5]	127,783	120,528	123,884
Retail electricity sales	121,500	115,244	117,826

Notes:

(1) Power generated is the amount of power generated at the transmission end.

(2) Total of steam-power generation and internal combustion power generation.

(3) Power generated by biomass at steam-power plants and solar light at the renewable energy sourced power plants.

(4) This is the electric power used to pump water for reservoir operations at pumped-storage power stations.

(5) The sum of the individual amounts may not match the totals due to the rounding of numerical values.

Through the flexible and steady procurement of fuel and power generation using a well-balanced combination of diverse power supplies, the Group stably delivers electricity to customers and provides various services that are helpful in their lives. In order to ensure stable supply of electricity from a neutral and fair standpoint, the Group maintains the supply and demand balance for its service area and constructs and maintains transmission and distribution equipment.

The following tables set out an overview of the Company's major power generation facilities as of 31 March 2019:

Hydroelectric

Name of Power Station	Authorised Maximum Capacity (MW)	Commencement of Commercial Operation[1]	Type
Okutataragi[2]	1,932	June 1974	Pumped storage
Kurobegawa Unit 4	335	January 1961	Dam waterway formula type
Shimokotori	142	May 1973	Dam waterway formula type

Notes:

(1) Commencement of commercial operation of the oldest of the units in the relevant power station.

(2) Okutataragi Power Station ceased operation on 1 April 2019.

Nuclear

Name of Power Station	Authorised Maximum Capacity (MW)	Commencement of Commercial Operation[1]	Type
Ohi	2,360	March 1979	Pressurised water reactor
Takahama	3,392	November 1974	Pressurised water reactor
Mihama	826	December 1976	Pressurised water reactor

Note:

(1) Commencement of commercial operation of the oldest of the units in the relevant power station.

Thermal

Name of Power Station	Authorised Maximum Capacity (MW)	Commencement of Commercial Operation(1)	Principal Fuel	Type
Himeji No. 2(2)	4,119	October 1973	LNG	Combined cycle power generation/ Thermal power generation
Kainan(3)	2,100	May 1970	Heavy oil, Crude oil	Thermal power generation
Sakaiko	2,000	April 2009	LNG	Combined cycle power generation
Gobo(4)	1,800	September 1984	Heavy oil, Crude oil	Thermal power generation
Nanko	1,800	November 1990	LNG	Thermal power generation
Maizuru	1,800	August 2004	Coal	Thermal power generation
Himeji No. 1	1,507	April 1995	LNG	Gas turbine power generation/ Combined cycle power generation
Tanagawa Unit 2	1,200	July 1977	Heavy oil, Crude oil	Thermal power generation
Ako	1,200	September 1987	Heavy oil, Crude oil	Thermal power generation
Aioi(5)	750	September 1982	Units 1&3: LNG, Heavy oil, Crude oil	Thermal power generation

Notes:

(1) Commencement of commercial operation of the oldest of the units in the relevant power station.

(2) Himeji No. 2 Power Station Units 5 and 6 are planned to be decommissioned in the fiscal year ending 31 March 2021.

(3) As of 1 April 2019, in consideration of the level of power demand, the Company has suspended operation of all units of the Kainan Power Station.

(4) Gobo Power Station Unit 2 ceased operation on 1 April 2019.

(5) Aioi Power Station Unit 2 was transferred to Aioi Bioenergy Corporation (a subsidiary of the Company) on 1 May 2019. Aioi Power Station Unit 2 ceased operation on 1 April 2018, to prepare for changing its principal fuel for operation to wood biomass, with operation planned to restart in 2023.

In addition, the Company is currently preparing for constructing a fossil fuel-fired power generation facility in Wakayama, Japan, with an expected capacity of 3,700MW.

The following table sets out certain data relating to the Company's electric sales for the periods indicated:

	Fiscal Year Ended 31 March		
	2017	2018	2019
Volume of electric sales (millions of kWh):			
Residential (lighting)	43,689	41,767	37,671
Commercial and industrial	77,811	73,477	80,155
Total(1)	121,500	115,244	117,826
Sales/interchanges to other utilities (millions of kWh)(2)	3,891	7,296	14,896
Revenues from electric sales (millions of yen)(3):			
Residential (lighting)	¥ 999,811	¥ 995,959	¥ 899,541
Commercial and industrial	1,296,832	1,240,661	1,312,728
Total(1)	¥2,296,643	¥2,236,621	¥2,212,270
Sales/interchanges to other utilities (millions of yen)(2)	¥ 34,960	¥ 68,459	¥ 150,214

Notes:

(1) The sum of the individual amounts may not match the totals due to the rounding of numerical values.

(2) Includes sales to other utility and non-utility companies.

(3) The above table does not include consumption tax amounts.

Status of Nuclear Power Stations

Since TEPCO's Fukushima Daiichi Nuclear Power Station accident in March 2011, in addition to emergency safety measures, the Group has been strengthening countermeasures for earthquakes, tsunamis and other natural disasters along with measures to prevent damage to reactor pressure vessels. Applications for the nuclear power plants that have implemented these measures are being made to the NRA for examination of their compliance with the new regulatory requirements. All of the Group's plans have so far received construction plan approvals. As the Group works to gain the understanding from the people in the communities where these nuclear power plants are located, the Group will continue to strive to resume the operation of those that have been confirmed to be safe and to maintain their safe and stable operation thereafter.

In 2017, the Group received from the NRA the "permission for changes in reactor installation", "construction plan approval" and "approval of technical specifications" necessary to resume operation of Ohi Power Station Unit 3 and Unit 4. After passing pre-operational inspections, the Company restarted commercial operation of Unit 3 in April 2018 and Unit 4 in June 2018. Moreover, Takahama Power Station Unit 3 and Unit 4, which resumed commercial operation in 2017, are continuing to operate safely and stably. The Group will continue to carefully work on the operation and maintenance of these plants, putting safety as its top priority.

The following table sets out the current status of the Company's nuclear power plants as of 26 July 2019:

Name of Power Plant	Capacity (MW)	Commencement of Commercial Operation	Years of Operation	Situation
Ohi Unit 1	1,175	March 1979	38	Reactor decommissioning determined in March 2018[(1)]
Ohi Unit 2	1,175	December 1979	37	Reactor decommissioning determined in March 2018[(1)]
Ohi Unit 3	1,180	December 1991	26	Permission for changes in reactor installation plan in May 2017 Approval for construction plan in August 2017[(2)] Recommenced operation in April 2018 Periodic inspections started in April 2019 (completed in July 2019)
Ohi Unit 4	1,180	February 1993	25	Permission for changes in reactor installation plan in May 2017 Approval for construction plan in August 2017[(2)] Recommenced operation in June 2018 Periodic inspections started in July 2019
Takahama Unit 1....	826	November 1974	43	Permission for changes in reactor installation plan in April 2016 Approval for construction plan in June 2016[(2)] Extension of operation period approved in June 2016 Undergoing safety improvement work for 60 years of operation
Takahama Unit 2....	826	November 1975	42	Permission for changes in reactor installation plan in April 2016 Approval for construction plan in June 2016[(2)] Extension of operation period approved in June 2016 Undergoing safety improvement work for 60 years of operation
Takahama Unit 3....	870	January 1985	33	Permission for changes in reactor installation plan in February 2015 Approval for construction plan in August 2015[(2)] Compliance with new regulation standard confirmed in October 2015 Recommenced commercial operation in July 2017 Periodic inspections will start from January 2020

Name of Power Plant	Capacity (MW)	Commencement of Commercial Operation	Years of Operation	Situation
Takahama Unit 4....	870	June 1985	33	Permission for changes in reactor installation plan in February 2015 Approval for construction plan in October 2015(2) Compliance with new regulation standard confirmed in October 2015 Recommenced commercial operation in June 2017 Periodic inspections will start in September 2019
Mihama Unit 1.......	340	November 1970	44	Reactor decommissioning determined in March 2015(1)
Mihama Unit 2.......	500	July 1972	42	Reactor decommissioning determined in March 2015(1)
Mihama Unit 3.......	826	December 1976	41	Permission for changes in reactor installation plan in October 2016 Approval for construction plan in October 2016(2) Extension of operation period approved in November 2016 Undergoing safety improvement work for 60 years of operation

Notes:

(1) In accordance with the Decommissioning Ordinance, the estimated aggregate expenses for Ohi Power Station Units 1 and 2, and for Mihama Power Station Units 1 and 2, are ¥118.7 billion and ¥68.1 billion, respectively.

(2) Relevant Specified Severe Accident Facilities are required to be built within five years of the date on which the relevant approval for construction plan is granted by the NRA.

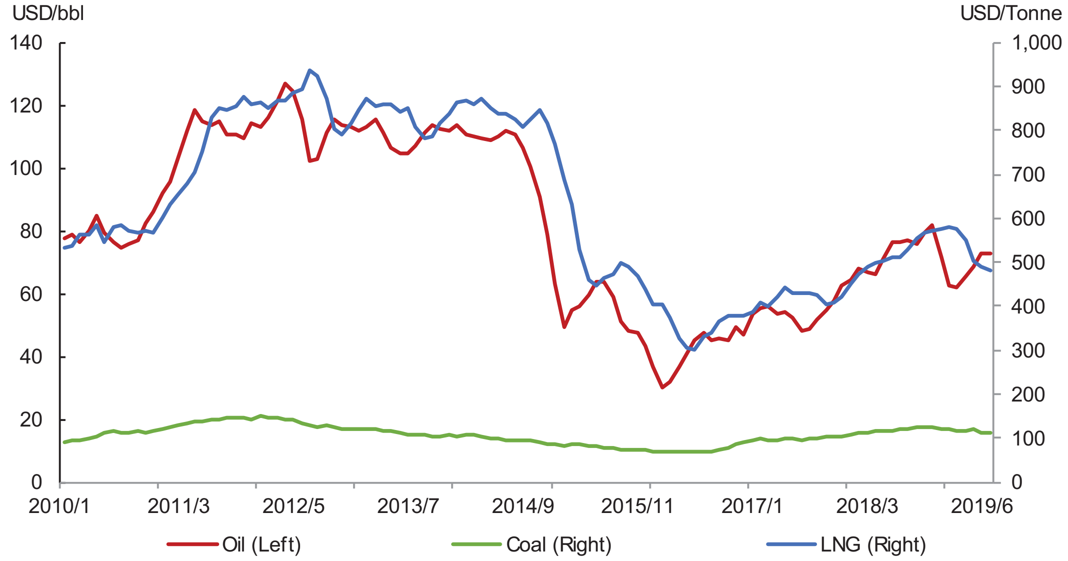
The entire decommissioning process for Mihama Power Station Units 1 and 2 is planned to take place over around 30 years. Specifically, the process is divided into four stages: the first stage (preparation for dismantling), the second stage (dismantling and removal of equipment around the reactor), the third stage (dismantling and removal of the reactor area), and the fourth stage (dismantling and removal of buildings, among others), and the Group is currently proceeding with the first stage of the process. In addition, regarding the Ohi Power Station Units 1 and 2, application to obtain approval for decommissioning plan was submitted in November 2018 and is currently under review by the NRA. Going forward, the Company intends to work on decommissioning with safety as the top priority, as well as with Mihama Power Station Units 1 and 2, whose decommissioning plans have already been approved.

Fuel Procurement

The Company's principal supply requirements comprise purchase of fuel for operation of its power stations. With regard to obtaining its supply of fuel, the Company considers factors such as price, quality, amount of reserves, political situation of the supplier country and the stability of the transportation routes as a whole, with a view to ensuring stable supply of electricity to its customers.

The Company purchases LNG, crude oil and coal principally for the purposes of operation of its thermal power stations. The Company also purchases nuclear fuel for the purposes of generating power in its nuclear power stations.

The following diagram sets out the trend in fuel prices (All Japan CIF) for the periods indicated:



The following table sets out the breakdown of certain of the Company's fuel costs for the periods indicated:

	Fiscal Year Ended 31 March		
	2017	2018	2019
	(Millions of yen)		
Total fuel costs	¥523,544	¥520,117	¥538,227
Of which:			
Coal	48,615	58,202	54,123
Oil	59,449	21,959	16,959
LNG[(1)]	414,324	427,292	443,481
Loss on loaded nuclear fuel[(2)]	–	11,795	22,951

Notes:
(1) Includes gas other than LNG, such as city gas.
(2) Excludes loss from adjustment of nuclear fuel damage (i.e., outstanding book value cost upon disposal).

The following table sets out certain data relating to certain supplies purchased and used by the Company for the periods indicated, and the amount in inventory as of the dates indicated:

	Coal	Heavy Oil	Crude Oil	LNG
	(Tonnes)	(Kilolitres)	(Kilolitres)	(Tonnes)
Amount in inventory as of 31 March 2016	413,378	70,831	480,138	254,063
Purchased during the fiscal year ended 31 March 2017	4,649,844	342,715	1,096,065	9,357,522
Used during the fiscal year ended 31 March 2017	4,433,789	298,280	1,359,020	9,337,224
Amount in inventory as of 31 March 2017	629,433	115,266	217,183	274,361
Purchased during the fiscal year ended 31 March 2018	4,069,609	179,597	296,122	8,059,647
Used during the fiscal year ended 31 March 2018	4,511,578	175,434	375,468	7,945,765
Amount in inventory as of 31 March 2018	187,464	119,428	137,838	388,243
Purchased during the fiscal year ended 31 March 2019	3,749,081	173,203	196,511	7,540,551
Used during the fiscal year ended 31 March 2019	3,654,197	150,391	193,982	7,578,775
Amount in inventory as of 31 March 2019	282,349	142,240	140,367	350,020

Note:
(1) The sum of the individual may not match the totals due to the rounding of numerical values.

Gas/Other Energies

Gas Supply

The Group engages in the gas supply business, serving gas to factory and commercial facility customers as well as selling city gas to households, shops and other customers.

The Group entered the gas sales business upon liberalisation of the gas sales business, principally in order to propose comprehensive energy services that combine electricity and gas services to its customers. The Group processes LNG brought by tankers from overseas into city gas at the Himeji No. 2 Power Station and the Sakaiko Power Station, and delivers the gas to customers using the pipeline network of Osaka Gas Co., Ltd. Since the full-scale liberalisation of the gas retail market in April 2017, the Group has offered gas to customers (including small customers such as households) in six prefectures in the Kansai region, and is promoting further customer expansion. Kanden Gas Support Co., Inc. and Kanden Services Co., Inc. conduct regular inspections of gas equipment and dissemination of gas use precautions to certain customers stipulated by laws.

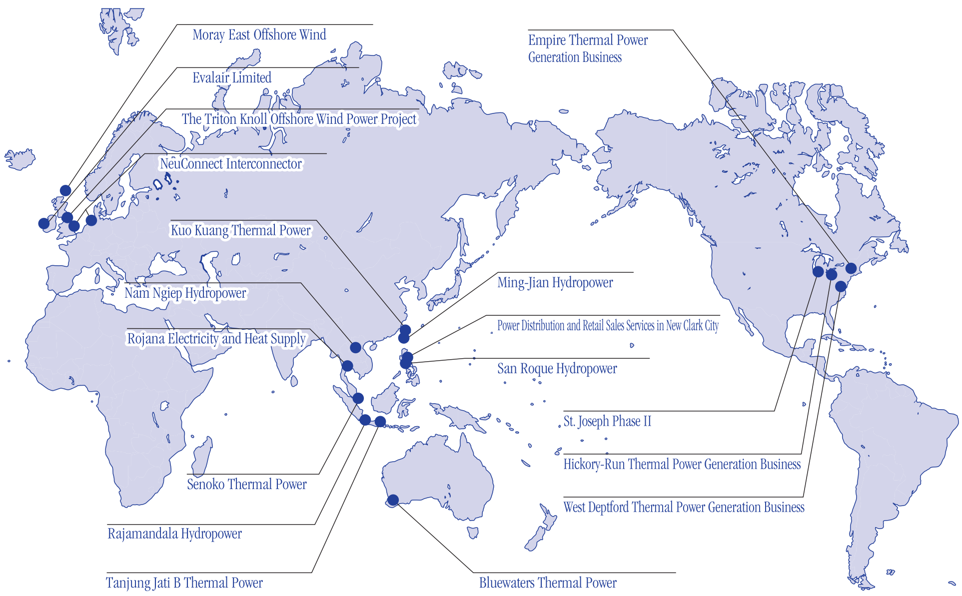
The Group offers "Nattoku Pack" price plan for residential customers as well as the smaller businesses, which offers adjusted electricity rate menus for customers who subscribe to both the Group's electricity and gas services.

As of 31 March 2019, the number of customers who have applied for the Group's gas supply services amounted to approximately 1.01 million, and for the fiscal year ended 31 March 2019, the Group's gas and LNG sales volume amounted to approximately 1.21 million tonnes.

Overseas Power Business

The Group participates in power generation, transmission and distribution projects across 11 countries worldwide including Asia, Europe and the U.S. by utilising its technological expertise and knowhow cultivated in the domestic electric power business. In developing countries, the Group has been undertaking international cooperation and contribution activities through consulting and workshops with regard to their power infrastructure improvement.

The following map shows a summary of the Group's international business and projects as of 26 July 2019:



In July 2019, the Company announced that it has reached agreement to acquire shares of Electricity North West Limited ("ENWL"), which is engaged in the operation of an electricity distribution network in the northwest of the United Kingdom, servicing an area of approximately 12.5 thousand square kilometres and approximately 5 million customers. The acquisition is being made through KDM Power Limited, a consortium led by the Company's subsidiary KPIC Netherlands B.V. (which has a 55.1 per cent. holding), which is acquiring 32.07 per cent. of the issued shares of ENWL (making the Company's interest in ENWL 17.67 per cent.).

The following table sets out the current status of the overseas projects in which the Group is involved:

Project Name	Country	Commencement of Operation (scheduled)	Total Output (A)	Group's investment (B)	Output by the Group's investment (MW equivalent) ((A) × (B))
			(MW)	(Per cent.)	(MW)
In Operation:					
San Roque Hydropower	Philippines	May 2003	436	50	218
Rojana Electricity and Heat Supply	Thailand	May 1999	505	39	197
Ming-Jian Hydropower	Taiwan	September 2007	17	24	4
Kuo Kuang Thermal Power	Taiwan	November 2003	480	20	96
Senoko Thermal Power	Singapore	October 1995 (established)	3,300	15	495
Bluewaters Thermal Power	Australia	December 2009	459	50	229
West Deptford Thermal Power Generation Business	USA	November 2014	768	17.5	134
Empire Thermal Power Generation Business	USA	September 2010	635	25	159
Evalair Limited (wind power)	Ireland	December 2013 (and other)	223	24	54
Rajamandala Hydropower	Indonesia	May 2019	47	49	23
Electricity North West Limited Distribution Network Operation	UK	July 2019 (participation)	–	17.67	–
Nam Ngiep Hydropower	Laos	September 2019	290	45	131
Under construction:					
Tanjung Jati B Thermal Power	Indonesia	2021 (scheduled)	2,140	25	535
Hickory-Run Thermal Power Generation Business	USA	2020 (scheduled)	1,000	30	300
The Triton Knoll Offshore Wind Power Project	UK	2022 (scheduled)	857	16	137
Moray East Offshore Wind Farm Project	UK	2022 (scheduled)	950	10	95
Under development:					
NeuConnect Interconnector	UK, Germany	2022 (scheduled)	–	18.3	–
St. Joseph Phase II Thermal Power Generation Business	USA	2023 (scheduled)	Approx. 710	20	–
Power Distribution and Retail Sales Services in New Clark City	Philippines	2019 (scheduled)	–	9	–

IT/Communications

Working principally through OPTAGE Inc., a consolidated subsidiary of the Company, the Group engages in the consumer IT/Communications business centring around the Kansai region, utilising the Group's optical fibre network. The Group's offerings include the "eo HIKARI" FTTH services for internet, phone and television connection, as well as the "eo Denki" electricity retail services.

The Group also offers the "mineo" mobile phone services (acting as a mobile virtual network operator (MVNO)) targeting the whole of Japan, providing services using the lines of all of the three principal mobile phone network operators (au, docomo and Softbank). The following table sets out the number of subscribers to the Group's FTTH services and the "mineo" mobile phone services as of the dates indicated:

	As of 31 March		
	2017	**2018**	**2019**
Number of FTTH subscribers (thousands)(1)	1,625	1,630	1,642
Number of the "mineo" subscribers (ten thousands)	60	100	114

Note:

(1) From April 2018, the definition of FTTH subscribers has changed to correct the situation under which some fluctuations in the number of lines upon contract changes were not properly reflected.

Life/Business Solutions

Real Estate

The Group offers consolidated real estate business, such as real estate leasing, sales, management and leisure, mainly in the Kansai area, principally through the Company's consolidated subsidiary Kanden Realty & Development Co., Ltd. which has created a new condominium brand "CIELIA". In addition to the two pillars of housing sales and leasing, the Group intends to focus on asset management business for institutional investors as a third pillar, with a view to creating a well-balanced portfolio that can withstand major market volatility. The Group also has business overseas in this business segment and has injected capital into an Australian building fund. The following table sets out the number of condominiums sold by the Group in the periods indicated:

	Fiscal Year Ended 31 March		
	2017	**2018**	**2019**
Number of condominiums sold	630	605	783

Other

The Group also provides various services that help peoples' life and business, including lifestyle support services such as home/office security services, healthcare services such as advanced medical check-ups and nursing care services, financial services such as loan, lease and collection agency services, and business solution services such as caregiving and call centres.

Competition

In Japan, after World War II, securement of large-scale electric power supply and guarantee of supply to regions were achieved through regional monopolisation by the former General Electric Utilities which carried out electric power generation through to retail supply and guaranteeing return on investment by the comprehensive cost system. However, since 1995, amidst the major trend of overall deregulation in society and introduction of the principle of competition, phased liberalisation has been introduced to the electric power business. Since March 2000, liberalisation of retail electricity sales has gradually progressed.

Pursuant to the second stage of the amendment to the Electricity Business Act enacted in June 2014, various measures such as liberalisation of retail electricity sales business and deregulation of wholesale regulations with a view to vitalising the wholesale electric power exchange have been implemented, with the full-scale liberalisation of participation in retail electricity sales having commenced in April 2016.

With the full-scale liberalisation of retail electricity sales and deregulation of wholesale regulations having commenced in April 2016, competition in retail sales of electricity is expected to further develop. The Group recognises that competition for customers may occur not only from new entrants into the industry who are able to procure supply of electricity from wholesale electric power exchange and others, but also from other Specified Electric Utilities which may attempt to enter into the regional market in which the Group's business is principally based.

Research and Development

The Company actively utilises the advanced technological capabilities and abundant knowledge which it has cultivated in the electric power business to deliver power safely and stably, while also working on the development of technologies that are useful to customers and society. In addition, as a best partner for living and business, the Company intends to continue to take on the challenge of developing new products and services that are not bound by conventional values.

Technological developments to support safe and stable power supply

In order to deliver stable power safely, the Company is working on various technological developments, including countermeasures for aging of electric power facilities, advanced equipment maintenance, advanced seismic design methods, system measures and energy security associated with the spread of renewable energy.

Technological development to meet the needs of customers and society

In order to meet the diverse needs of customers and society, such as energy saving and CO_2 reduction, the Company is working on activities to provide solutions in the Comprehensive Energy/Power Transmission and Distribution Business, and technological developments that may lead to the creation of attractive products and services that customers can choose.

Technological development leading to new value creation and group growth

Based on the core technologies cultivated in the electric power business, the Company will actively challenge technological development centered on growth fields and aim to create customer-based innovation.

The following table shows the Group's expenditure on research and development activities and their percentages of consolidated operating revenues for the periods indicated:

	Fiscal Year Ended 31 March		
	2017	**2018**	**2019**
	(Millions of yen / Per cent.)		
Total research and development costs	¥11,381	¥11,318	¥12,000
Percentage of consolidated operating revenues	0.4%	0.4%	0.4%

The Group allocated ¥10.7 billion of its research and development expenditures to the Electric Power segment and ¥1.2 billion to other segments in the fiscal year ended 31 March 2019.

Regulations

The Company is regulated principally under the Electricity Business Act. The Electricity Business Act is the law regulating electricity suppliers in Japan, and the principal governmental authority responsible for the supervision of such electricity suppliers is METI.

This section includes a description of the regulations applicable to Specified Electric Utilities (in this section, meaning persons who were General Electric Utilities as defined in the Electricity Business Act prior to its revision by the Second Stage Revision Act (as defined below); the business of such General Electric Utilities includes all of the electricity generation business, general power transmission and distribution business, and retail electricity sales business as defined in the Electricity Business Act), including the Company. This section also includes an outline of electricity industry regulations applicable to Japanese electricity suppliers and the electricity system reform which is currently in progress, as well as an outline of regulations applicable to persons who have installed nuclear power reactors. In addition, this section provides a description of environmental regulations applicable to electricity suppliers in Japan.

In this "—Regulations" section, the term "electric power facilities" means machinery, equipment, dams, waterways, reservoirs, transmission lines and other facilities installed for generation, transformation, transmission, distribution or use of electricity (excluding those installed in vessels, vehicles or aircraft, and others prescribed by a cabinet order).

Regulation of Electricity Business

Any person who engages in the electricity generation business, general power transmission and distribution business or retail electricity sales business is mainly subject to the following regulations in accordance with the Electricity Business Act:

Electricity Generation Business Operators

Any person who intends to become an electricity generation business operator (meaning a person who engages in electricity generation business conducted using electric power facilities for power generation of a certain size or larger) must file a notification with METI concerning its planned engagement in the electricity generation business.

If an electricity generation business operator has agreed to generate and supply electricity for the general power transmission and distribution business using electric power facilities for power generation which it maintains and operates, it may not refuse to generate and supply electricity without a justifiable reason.

General Power Transmission and Distribution Business Operators

Licensing Requirement to Engage in General Power Transmission and Distribution Business

Any person who intends to become a general power transmission and distribution business operator (meaning a person who affects the supply-demand balance in its entire service area by providing wheeling service and other services in that area using electric power facilities for power transmission and distribution which it maintains and operates) must obtain a licence from METI to engage in the general power transmission and distribution business.

A licence to be a general power transmission and distribution business operator may not be granted unless certain conditions are met, including that the planned general power transmission and distribution will meet demand in its service area.

METI has the authority to revoke this licence if, among others, the relevant general power transmission and distribution business operator violates any provision of the Electricity Business Act or any order issued thereunder resulting, in METI's judgment, in harm to the public interest.

Regulation of Corporate Reorganisation

Transfer or acquisition of a general power transmission and distribution business in its entirety, as well as consolidation, merger or corporate split (but only where the general power transmission and distribution business is transferred in its entirety to another entity through corporate split), by a general power transmission and distribution business operator will not be effective unless such transaction is approved by METI.

Generally, if a general power transmission and distribution business operator intends to transfer, or create any right other than the right of ownership (such as a security interest) in, certain facilities used for its general power transmission and distribution business, it must file a prior notification with METI.

If a general power transmission and distribution business operator intends to suspend or terminate all or any part of its general power transmission and distribution business, it must obtain permission from METI. Furthermore, a resolution for, or shareholders' consent to, dissolution of a general power transmission and distribution business operator will not be effective unless and until it is approved by METI.

Regulation of General Power Transmission and Distribution Business

A general power transmission and distribution business operator may not refuse to provide wheeling service and other services in its service area without a justifiable reason. In addition, a general power transmission and distribution business operator may not refuse to provide last resort service (meaning electricity supply to customers who are unable to receive electricity supply from retail electricity sales business operators or other businesses) without a justifiable reason. A general power transmission and distribution business operator must supply electricity to customers on isolated islands (universal service on isolated islands) at rates similar to those in areas other than such isolated islands in accordance with terms and conditions filed with METI (terms and conditions for electricity supply on isolated islands).

Regulation of Electricity Wheeling Service

Generally, general power transmission and distribution business operators must obtain approval from METI for rates and other terms and conditions of wheeling service and other services in their service areas. Such approval is subject to the condition that the rates are calculated on a fair cost under efficient management plus fair return on capital basis, among other things. However, it is sufficient just to file a notification in the case of any amendments to such terms and conditions that reduce rates and in other cases that are unlikely to jeopardise the interests of retail customers.

If METI judges that any rate or other term or condition of wheeling service or other services by any general power transmission and distribution business operator has become materially inappropriate due to any change in social or economic conditions and that such situation hinders the promotion of the public interest, METI may order such general power transmission and distribution business operator to change the rates and other terms and conditions of its electricity supply.

Retail Electricity Sales Business Operators

Any person who intends to become a retail electricity sales business operator (meaning a person who engages in the retail electricity sales business, which supplies electricity to meet general demand, but excluding any portion of its business falling within the definitions of either general power transmission and distribution business or electricity generation business) must register with METI to engage in the retail electricity sales business.

Retail electricity sales business operators must secure the supply capacity necessary to meet the electricity demand of the recipients of their retail supply, except where there is any justifiable reason. METI must refuse to register persons who are unlikely to secure such supply capacity, and other persons who are considered inappropriate to protect the interests of electricity users, for engagement in the retail electricity sales business.

The retail electricity sales business of Specified Electric Utilities, including the Company, continues to be subject for a certain period of time as transitional measures to the obligation to supply electricity to low-voltage sector customers that consume less than 50kW with voltages of less than 6,000 volts ("low-voltage sector customers") and the regulation of retail electricity rates. For details, including the termination of the transitional measures, see "—Electricity System Reform—Second Stage Revision Act" and "—Electricity System Reform—Third Stage Revision Act".

Preferential Rights

Under the Electricity Business Act, bondholders of any company concurrently engaged in the electricity businesses (a person who engages in all of the electricity generation business, general power transmission and distribution business, and retail electricity sales business), including the Company, have the right to receive payment of their claims from the company's property in preference to the other unsecured creditors. Such right is subject to certain general preferential rights prescribed by the Civil Code.

If a company concurrently engaged in the electricity businesses transfers its electricity generation business, general power transmission and distribution business or retail electricity sales business or conducts a corporate split, bondholders of any bonds issued by the company concurrently engaged in the electricity businesses and the companies which have acquired or succeeded to each business by way of such transfer or corporate split will, so long as current law remains in effect, also have the same right with respect to the property of each company.

Under a special law, Development Bank of Japan Inc. has the same right with respect to the loans extended by it to electric power companies, including the Company.

For the abolition of preferential rights starting from April 2020 pursuant to the Third Stage Revision Act, see "—Electricity System Reform—Third Stage Revision Act".

Regulation Relating to Security

Any person who has installed electric power facilities for business use (an "Electric Power Facility Installer"), including the Company, must maintain its electric power facilities for business use in conformity with technical standards prescribed by an ordinance of the competent ministry under the Electricity Business Act.

If an Electric Power Facility Installer intends to conduct any construction to install or change its electric power facilities for business use, it must generally file a notification with the principal governmental authority with respect to its plan for the construction.

Any Electric Power Facility Installer must establish security rules relating to construction, maintenance and operation of electric power facilities for business use, and file the security rules with the principal governmental authority in advance of commencement of use or, as the case may be, construction of the relevant electric power facilities for business use.

An Electric Power Facility Installer is required to conduct self-inspections of its electric power facilities for business use before using them. In addition, an Electric Power Facility Installer is required to conduct periodic operator's inspections of certain material electric power facilities including boilers and turbines used for power generation.

Regulation of Nuclear Power Generation

Regulation Relating to Installation, Operation and Decommissioning

Nuclear power reactors (including Mihama Power Station Units 1, 2 and 3, Takahama Power Station Units 1, 2, 3 and 4 and Ohi Power Station Units 1, 2, 3, and 4 owned by the Company) are subject to more stringent regulations than those imposed on other types of electric power stations, principally under the Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors (the "Act on Regulation of Reactors, etc.").

Any person who has installed a nuclear power reactor (a "Nuclear Power Reactor Installer"), including the Company, must maintain its nuclear power reactor in conformity with technical standards under the Act on Regulation of Reactors, etc. Following the accident at TEPCO's Fukushima Daiichi Nuclear Power Station, new regulatory standards for nuclear power stations were established in 2013 to develop countermeasures against, among others, severe accidents. This introduced a system which reflects the latest technical knowledge in its standards from time to time and requires existing facilities to conform to such evolving standards (the so-called "back-fit" system). If technical standards for safety are strengthened to reflect the latest technical knowledge, the Company may be required to take additional safety measures for its nuclear power reactors, and to suspend operation of its nuclear power reactors until the Company complies with this requirement.

If a Nuclear Power Reactor Installer intends to conduct any work to install or change a nuclear power reactor, it must obtain prior permission or approval from the NRA. In addition, a Nuclear Power Reactor Installer must establish security rules relating to measures necessary for security purposes before the start of operation of a nuclear power reactor at an existing nuclear power station, and obtain approval from the NRA.

In addition to a pre-use inspection by the NRA, a Nuclear Power Reactor Installer must also undergo periodic inspection of the facilities of nuclear power stations by the NRA at certain times after the start of operation thereof, as well as conduct periodic operator's inspections. The operation of a nuclear power reactor must be halted during the periodic inspection, and the nuclear power reactor may not resume commercial operation until it passes the final inspection.

Many nuclear power reactors in Japan, including Mihama Power Station Unit 3 and Takahama Power Station Units 1 and 2 owned by the Company, are currently subject to suspension of operation, mainly because they must satisfy the new and more stringent regulatory standards referred to above. To date, nine units within existing nuclear power stations have obtained the three principal permissions or approvals required under such standards to recommence operation, namely permission for amendment of installation of a nuclear power reactor, approval of amendment of construction plans and approval of security rules, and have recommenced operation.

If the NRA judges that, among others, a nuclear power reactor and its incidental facilities do not conform to any technical standard under the Act on Regulation of Reactors, etc., it may order the Nuclear Power Reactor Installer to suspend the use of or rebuild the nuclear power reactor and its incidental facilities or take any other measures necessary for security reasons.

The operational life of a nuclear power reactor is set at 40 years following first passage of the pre-use inspection referred to above. This may be extended once only, for up to 20 additional years, upon approval of the NRA after undergoing a more rigorous examination.

If a Nuclear Power Reactor Installer intends to decommission a nuclear power reactor, it must prepare a decommissioning plan in advance and obtain approval from the NRA. As for Mihama Power Station Units 1 and 2 owned by the Company, the Company decided to decommission these Units in March 2015, received an approval for their decommissioning plan from the NRA in April 2017, and began decommissioning of the Units in April 2017. As for Ohi Nuclear Power Station Units 1 and 2, the Company decided to decommission these Units in December 2017, and filed an application for approval of the decommissioning plan in November 2018.

Other

Any person who has installed a nuclear power station, including the Company, may enter into an agreement with local governments around the nuclear power station to ensure the safety of residents of that area, among others.

For example, pursuant to a safety agreement regarding Takahama Power Station between the Company, Fukui Prefecture and Takahama-cho, the Company must take all possible measures to ensure the safety of the surrounding environment and nuclear power station operation personnel during the construction, maintenance and operation of the nuclear power station. In addition, if the Company intends to materially change its nuclear facilities, the Company must obtain approval from the relevant officials of Fukui Prefecture and Takahama-cho in advance. The Company must cooperate with on-site investigation, if deemed necessary by Fukui Prefecture and Takahama-cho to ensure the safety of: the environment and areas around the nuclear power station or the nuclear power station operation personnel.

Compensation Scheme for Nuclear Damage

The following compensation scheme for nuclear damage has been established for the purpose of, among others, aiding the victims of nuclear accidents should they occur.

First, the Nuclear Damage Compensation Act imposes unlimited and no-fault liability on nuclear operators (including the Company) to compensate for any nuclear damage, and puts the liability entirely on nuclear operators (it stipulates that no person other than the nuclear operator bearing the liability for compensation will assume any liability to victims, and that any related business operators that provide nuclear operators with equipment or other items will be released from compensation claims of victims).

In addition, to ensure that compensation liability will be satisfied promptly and consistently, the law requires nuclear operators to take measures to compensate for nuclear damage, including execution of a nuclear damage liability insurance contract and a nuclear damage compensation and indemnification contract in the prescribed compensation amount (in the case of a normal commercial reactor, ¥120 billion at present). Based on such requirement, the Company has executed a nuclear damage liability insurance contract and a nuclear damage compensation and indemnification contract with a compensation amount of ¥120 billion per facility.

If any nuclear damage exceeding the compensation amount occurs, the Japanese government may provide the nuclear operator liable for compensation with financial support to cover compensation costs through the NDF, pursuant to the Nuclear Damage Compensation and Decommissioning Facilitation Corporation Act. The Nuclear Damage Compensation and Decommissioning Facilitation Corporation Act requires nuclear operators to make a general contribution (*ippan futankin*) each year to pay costs of the NDF’s operations.

Reflecting the fact that TEPCO has become liable for a huge amount of damage compensation as a result of the Fukushima Daiichi Nuclear Power Station accident, the Japanese government has discussed a possible revision of the prescribed maximum compensation amount described above, and continues to consider such revision as it is necessary to ascertain whether the risk of accidents has been reduced through, among others, measures to respond to a new safety regulation introduced after the accident and voluntary initiatives taken by business operators.

Regulation Relating to Reprocessing of Spent Nuclear Fuel

Pursuant to the Reprocessing Contribution Act, which became effective in October 2016, Nuclear Reprocessing Organisation of Japan, an accredited corporation which reprocesses or otherwise handles spent nuclear fuel, has been established. Any person who has installed a nuclear power reactor for commercial use, including the Company, must contribute to the organisation funds necessary for, among others, the reprocessing of spent nuclear fuel and related MOX (Mixed-Oxide) fuel processing business in accordance with the act.

Environmental Regulation

As business operators engaged in public services, electricity suppliers are required to conduct their business activities subject to various laws relating to environmental regulation.

Global environmental preservation measures include the Act on Promotion of Global Warming Countermeasures, which requires measures to reduce CO_2 emissions, and a feed-in tariff scheme for renewable energy, which obligates electricity suppliers to purchase electricity generated from renewable energy sources at such price and for such period as designated by the central government. In addition, a system has been put in place through recent amendments to relevant laws and regulations to realise a prescribed energy mix and to achieve a prescribed CO_2 emissions reduction target in the electricity business in fiscal year 2030. More specifically, a system review has been conducted in connection with the Act on the Promotion of Use of Non-fossil Energy Sources and Effective Use of Fossil Energy Materials by Energy Suppliers (the so-called “Act on Sophisticated Methods of Energy Supply Structures”), the main purpose of which is to promote the use of non-fossil energy sources by retail business operators, and the Act on the Rational Use of Energy (the so-called "Energy Saving Act"), which is intended to urge electricity generation business operators to improve the power generation efficiency of thermal power generation.

Legal regulations as to the preservation of communities and living environments include the Air Pollution Control Act, the Water Pollution Control Act and the Noise Regulation Act, under which emission standards may be applied to the maintenance and operation of facilities.

Legal regulations to create a recycling-oriented society include the Waste Management and Public Cleansing Act and the Act on Special Measures Concerning Promotion of Proper Treatment of Polychlorinated Biphenyl ("PCB") Wastes, which set forth methods of treating wastes, including PCBs.

Legal regulations relating to the new installation and extension or reconstruction of facilities such as large-scale electric power facilities include the Environmental Impact Assessment Act. Under this act and the Electricity Business Act, no person may start constructing a large-scale electric power facility which is likely to materially affect the environment, unless it obtains permission after environmental impact assessment procedures. In addition, development regulations such as those based on the Natural Parks Act, which are intended to conserve the natural environment, may be applied.

Moreover, many local governments have their own environmental regulations, which may include more stringent regulations than those under the laws above.

Electricity System Reform

The Act on the Partial Revision of the Electricity Business Act, which was enacted on 13 November 2013 (the "First Stage Revision Act"), sets forth (i) a series of general provisions for implementing a three -phase progressive reform of the electricity system, based on which the Second Stage Revision Act and Third Stage Revision Act (as referred to below) have been enacted, and (ii) specific provisions of the first phase reform as referred to below.

The general provisions are intended to ensure a stable electricity supply, reduce electricity rates to the maximum extent possible and broaden options for customers and business opportunities in the electricity supply business, and to advance a three-phase reform comprised of three major pillars: (1) establishment of an entity named the OCCTO, which will be responsible for adjusting the supply-demand balance on a nationwide basis and other functions, (2) fully deregulating the retail electricity sales and electricity generation sectors, and (3) further promoting neutrality of the transmission/distribution business through legislation-based separation (measures which prohibit the same legal entity from engaging in both the power transmission and distribution business and the retail electricity sales or wholesale electricity business), while providing for comprehensive inspection of each phase to solve any issues and for necessary actions based on the results of these inspections.

First Stage Revision Act

The First Stage Revision Act provides for the establishment of the OCCTO, which will develop power transmission and distribution networks necessary for cross-regional use of power sources and will be responsible for adjusting the supply-demand balance on a nationwide basis in both normal and emergency situations, in order to help ensure a stable supply of electricity in times of disaster. The First Stage Revision Act came into force on 1 April 2015. For a description of the OCCTO, see "The Japanese Electric Power Industry— Japan's Energy Supply—Trends in Japan's Energy Policy—Electricity System Reform".

Second Stage Revision Act

As the second phase of the reform, the Act on the Partial Revision of the Electricity Business Act, etc. (the "Second Stage Revision Act") was enacted on 11 June 2014. This law, which contains measures necessary to fully deregulate participation in retail electricity sales, came into force on 1 April 2016.

The Second Stage Revision Act implemented a radical revision of business types permitted under the Electricity Business Act, reflecting the fact that in order to achieve full liberalisation of participation in retail electricity sales, traditional regulations that assumed a vertically integrated system, i.e., one based on general electric utilities which engaged in all electricity businesses of electricity generation, transmission and distribution and retail electricity sales and which were given supply monopolies over low-voltage sector customers, would need to be eliminated. As a result, new regulations were adopted applying different rules to each business type, in accordance with the characteristics of such business. Among these were differing entry and exit regulations and various obligations imposed on each of the electricity generation, transmission and distribution business and the retail electricity sales business as described below.

Under the Second Stage Revision Act, engagement in the electricity generation business has become subject to a notification requirement. In addition, wholesale regulations, which had been imposed on wholesale electric utilities as a system to supplement the supply obligation and regulations on rates of General Electric Utilities (meaning persons who engage in the general electricity supply business, and who have obtained a licence from METI, including the Company) under the Electricity Business Act prior to its revision by the Second Stage Revision Act, have been lifted to revitalise the wholesale electric power market.

Engagement in the retail electricity sales business has become subject to a registration requirement, and all registered retail electricity sales business operators have become able to supply electricity to small-scale customers, including households (full-scale liberalisation of participation in retail electricity sales). However, the retail electricity sales business of the above-mentioned General Electric Utilities, including the Company, will continue to be subject for a certain period of time as transitional measures to the obligation to supply electricity to low-voltage sector customers and the regulation of retail electricity rates. For details, including the termination of the relevant transitional measures, see also "—Third Stage Revision Act" below.

Meanwhile, engagement in the general power transmission and distribution business has become subject to a licence requirement, reflecting the fact that this business entails operation of power transmission and distribution networks functioning as public infrastructure. The general power transmission and distribution business has become subject to last resort obligations to supply electricity, in order to prevent the situation in which a customer might be unable to obtain electricity from any supplier, and has also become subject to a set of privileges and regulations previously granted or applied to General Electric Utilities, including grant of regional monopoly, rates (such as a comprehensive cost system and an approval requirement relating to electricity rate increases) and regulations applicable to corporate restructuring.

Bondholders of entities which were previously General Electric Utilities, like the Company, and Development Bank of Japan Inc. will continue to have the preferential right described above with respect to such entities' property after the Second Stage Revision Act comes into force.

Third Stage Revision Act

As the third phase of the reform, the Act on the Partial Revision, etc. of the Electricity Business Act, etc. (the "Third Stage Revision Act") was enacted on 17 June 2015, under which a legislation-based separation of the electricity transmission and distribution business from the retail electricity sales business and electricity generation business will be effective as of 1 April 2020. Thereafter, if it is determined that customers' interests would not be inhibited given the progress of competitive environment, the regulation of retail electricity rates per supply area will be removed.

Specifically, as measures to secure neutrality of the power transmission and distribution business vis-à-vis the retail electricity sales business and electricity generation business, general power transmission and distribution business operators will be prohibited from engaging in the retail electricity sales business and electricity generation business (in contrast to the current situation, in which Specified Electric Utilities engage simultaneously in the electricity generation business, general power transmission and distribution business, and retail electricity sales business) (the legislation-based separation of the power transmission and distribution business will be required as a result), except where they have obtained a licence from METI. Further, in order to ensure neutrality and fairness in the retail electricity sales business and electricity generation business, general power transmission and distribution business operators will be subject to certain business restrictions, including one under which their directors will be prohibited from simultaneously assuming management roles in any other electricity generation business operators and retail electricity sales business operators within the same corporate group.

Additionally, as measures for full-scale liberalisation of retail electricity rates in supply areas where appropriate competition among retail electricity sales businesses is secured, the obligation to supply electricity to low-voltage sector customers that consume less than 50kW with voltages of less than 6,000 volts and the regulation of retail electricity rates, to which the retail electricity sales businesses of current Specified Electric Utilities are subject, may be lifted on and after April 2020 through termination by METI of the transitional measures provided in the Second Stage Revision Act referred to above (to be reviewed and considered on an annual basis in general).

Furthermore, the preferential rights granted to bondholders of entities which were previously General Electric Utilities and Development Bank of Japan Inc. will be abolished upon the effectiveness of the Third Stage Revision Act. However, preferential rights in connection with bonds issued prior to such abolition, including the Bonds, and loans to General Electric Utilities made by Development Bank of Japan Inc. will remain effective. Further, as a transitional measure, general electricity transmission and distribution business operators, electricity transmission business operators, electricity generation business operators and their respective parent companies, in each case if accredited by METI, will be able to issue bonds with preferential rights until the end of March 2025.

In addition to the above, the Electricity Market Surveillance Commission was established on 1 September 2015 (it was reorganised into The Electricity and Gas Market Surveillance Commission on 1 April 2016) pursuant to the Third Stage Revision Act to monitor electricity markets and to implement regulations on the electricity business. The Commission has been granted authority by METI to require reports from and make on-site inspections of electricity suppliers and may, if it considered this necessary to secure appropriate electricity trading, make necessary recommendations to electricity suppliers.

Act on the Protection of Personal Information

The Group receives and manages personal information from a large number of customers, especially in connection with its electricity supply. The Act on the Protection of Personal Information and its related rules, regulations and guidelines impose various requirements on businesses, including the Group, that use databases containing personal information, such as appropriate custody of such information and restrictions on information sharing with third parties.

Corporate Governance and Compliance

Corporate Governance

To ensure the continuous improvement of its corporate value while maintaining the transparency and soundness of its business management, the Group views its commitment to improving corporate governance as a key management initiative. The Group is always striving to make effective improvements in this area.

Regular meetings of executive officers ("Executive Meetings") and various committees are placed under the Board of Directors, which has been charged with management responsibility by the general meeting of shareholders of the Company. The Board of Directors and others supervise the execution of duties by the Directors, while Corporate Auditors audit the execution of duties by the Directors. In addition, to strengthen the supervisory functions of the Board of Directors and the audit functions of the Board of Corporate Auditors, and to provide advice on the execution of duties by the Directors, four Outside Directors and four Outside Corporate Auditors have been appointed to ensure independence.

A meeting of the Board of Directors is convened regularly once a month, complemented by additional meetings held when deemed necessary, where matters of essential importance of the Group management are deliberated and decided. To ensure prompt and appropriate decision-making regarding important business matters, the Company convenes the Executive Meetings. A Transmission and Distribution Management Council has been set up to ensure neutrality and fairness in the execution of business duties in the transmission and distribution business.

The Company adopts a Board of Corporate Auditors system working in tandem with the Board of Directors to continuously and effectively ensure that Directors are performing their duties in a way that is lawful, appropriate and reasonable. The remuneration of Directors is decided by the Board of Directors based on the appropriate participation and advice of the Personnel and Compensation Advisory Committee. Various committees have been set up under three functions: planning coordination, inspections and deliberations to ensure appropriate and seamless execution of policies and action plans.

With respect to risk management, risks associated with business activities are to be managed autonomously by each operating division including the Company's subsidiaries. A Risk Management Committee has been established to comprehensively manage risks associated with the Group, reporting periodically to the Executive Meeting and the Board of Directors.

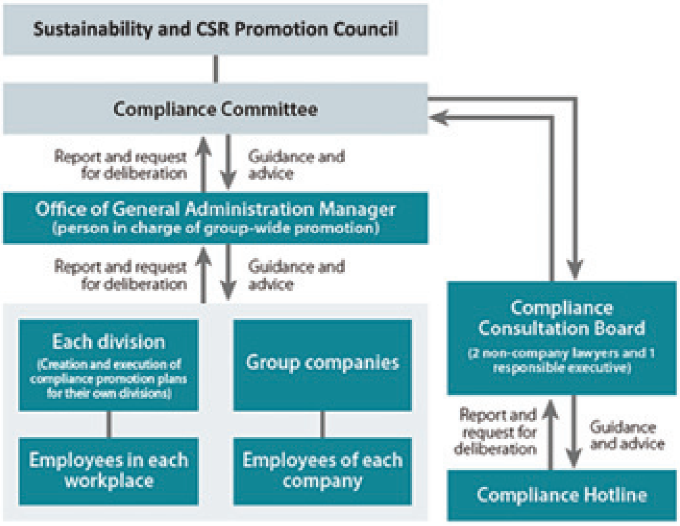
The Nuclear Safety Enhancement Committee, composed of directors of all divisions, was set up to enhance the safety of nuclear power and to evaluate voluntary and continuous activities for safety in nuclear power generation. The Nuclear Safety Verification Committee, composed mainly of outside experts, provides opinions and advice on the Group's voluntary and continuous activities for safety in nuclear power generation.

Compliance

Within the Group, the Office of General Administration (legal), acting as the Group's compliance headquarters, oversees compliance promotion for the entire Group with guidance from the Compliance Committee, which is chaired by the President.

All divisions in the Group promote compliance independently, with their individual "compliance promotion plans" established by themselves according to the characteristics of their own businesses and work duties, utilising the Plan-Do-Check-Act cycles under the leadership of their division heads, company presidents and others.

The diagram below sets out the structure of the Group's compliance system:



The Compliance Hotline established by the Company receives consultations when people have doubts related to compliance about their workplaces or work tasks, including various types of legal violations and improper work conduct at its workplace. This hotline is available not only to employees of the Group companies but also to the Group's contractors. This system enables the Group to collect a wider range of risk information. The hotline also provides compliance consultations to resolve problems after investigating the facts, if necessary.

Corporate Social Responsibility

The Group's business activities draw support from customers, regional communities, shareholders, investors, business partners, employees and many other segments of society.

This trust the Group earns from all these communities is the very bedrock of the Group's operations, without which it would be unable to maintain sustainable growth and fulfil its mission.

The Group works to fulfil its responsibilities as a member of society, including maintaining compliance and transparency. In addition, by responding sincerely to the expectations of members of society for its business activities, the Group aims to contribute to the sustainable development of society and the realisation of a future that is bright and affluent as well as keep the trust that it receives unshakable.

Thus, the Group develops its business activities and fulfils its corporate social responsibilities as an enterprise based on its six Corporate Social Responsibility (CSR) Action Principles set out below.

1. Safe and Stable Delivery of Products and Services As Chosen by Customers

The Group will endeavour to develop and improve the products and services as chosen by customers and as a business operator responsible for lifelines that are indispensable to society, it will take every conceivable measure, day by day, to deliver its product and services safely and stably.

2. Proactive Approach with a View to Creating Ever Better Environment

As a provider of energy services that are closely connected with the environment, the Group recognises well the scale of impact its business activities have on the global environment and therefore will strive to alleviate the environmental burden and environmental risks accompanying its business activities. Furthermore, the Group will aspire for creating ever better environment and contribute proactively to the development of a sustainable society through provision of products and services having lesser environmental impact.

3. Proactive Contributions to Development of Local Communities

As a business operator closely linked with its local communities and lives of their inhabitants, the Group fully recognises that its own development is not conceivable without the development of the local communities associated with its business activities and therefore the Group intends to proactively contribute to the development of its local communities through initiatives to revitalise these communities and the local economy. Also with regard to its overseas business activities, the Group will strive to contribute to the development of the respective local communities with due consideration to local culture and practices.

4. Respect for Human Rights and Development of Favourable Work Environment by Taking Advantage of Diversity

The Group recognises human rights as a common and universal value of the global society, supports the international standards relating to the human rights and respects the human rights in all of its business activities. Accordingly, the Group will strive to secure safe and comfortable work environment for all the people associated with its business activities and take advantage of diversity (each individual's diversity) to the full extent.

5. Highly Transparent and Open Business Activities

In order to properly reflect social opinions in its business activities, to ensure fairness in the management of its business operations and to faithfully carry out its accountability to society through timely transmission and disclosure of information, the Group will promote increased communication with all members of society and conduct business activities that are transparent and open.

6. Strict Enforcement of Compliance

In all aspects of its business activities, the Group will strive to comply with all laws and regulations, internal rules and business ethics and will ensure strict enforcement of compliance as the basis of its management. The Group as a whole will build the structure that should ensure these actual practices and will strive to maintain and improve its structure.

ESG Efforts

The Group intends to contribute to the sustainable development of society as a whole by solving global issues through sustainable development goals (SDGs) while trying to grow sustainably as a business group through stable and safe supply of clean energy, at the same time as solving social issues through new business endeavours and building solid foundations to support those businesses.

With respect to the environment, the Group recognises the magnitude of impact that the power sector has on the global environment and will continue to contribute to decarbonisation through expanding the use of renewable energies, effectively using nuclear power and increasing the efficiency of thermal power plants. With respect to social matters, the Group seeks to grow sustainably by strengthening the resilience of its unchanging mission to safely and stably supply electric power. It seeks to create new values by welcoming diverse ideas and innovating "human capital" and helping to solve social issues through new business endeavours. With respect to governance, the Group seeks to build solid foundations to support growth.

Insurance

The Group maintains insurance policies against accidents and disasters with respect to, among others, facilities related to its electricity supply business, to the extent practicable. These policies include coverage against fires, explosions and other incidents in respect of certain power generators, tanks of over a certain size and fuel held in tanks, as well as in respect of nuclear assets at the Group's nuclear power stations.

For compensatory damage payable by any nuclear power generation facility operators pursuant to the Nuclear Damage Compensation and Decommissioning Facilitation Corporation Act, see "—Regulations—Regulation of Nuclear Power Generation—Compensation Scheme for Nuclear Damage".

Legal Proceedings

The Group is currently involved in certain legal disputes and proceedings that have arisen during its normal course of business. The Group also from time to time faces other legal proceedings, and is currently involved in legal proceedings relating to the Company's nuclear power stations, including claims to cease their operations. While the Company currently does not expect such claims and requests to be successful, should they turn out to be successful, that could materially adversely affect the Group's business, financial condition or results of operations. Apart from the above , the Group is not involved in any litigation or other legal proceedings that it believes would individually or in the aggregate have a material adverse effect on the Group's business, financial condition or results of operations.

MANAGEMENT AND EMPLOYEES

Management

The Company's Board of Directors have ultimate responsibility for the management and administration of the affairs of the Company. The Company's Articles of Incorporation stipulate a maximum of 20 Directors. Directors are elected at a general meeting of shareholders. The normal term of office of any Director expires at the close of the annual general meeting of shareholders held with respect to the last fiscal year ending within one year after such Director's election, although they may serve any number of consecutive terms. The Board of Directors elects one or more Representative Directors, which has the authority to individually represent the Company. Further, the Board of Directors elects a Chairperson of the Board and a President and may also elect one or more Executive Vice Presidents and Managing Executive Officers, from among its members.

The Company's Articles of Incorporation also provide for not more than seven Corporate Auditors, who are elected at a general meeting of shareholders. The normal term of office of any Corporate Auditor expires at the close of the annual general meeting of shareholders held with respect to the last fiscal year ending within four years after such Corporate Auditor's election, although they may serve any number of consecutive terms. Under Japanese laws, Corporate Auditors are not required to be, and are not, certified public accountants and may not at the same time be directors or employees of the Company or any of its subsidiaries. The Corporate Auditors form the Board of Corporate Auditors. In addition, at least half of the Corporate Auditors are required to be persons who have never been directors, accounting advisors, executive officers or employees of the Company or of any of its subsidiaries within 10 years prior to assuming the position of Corporate Auditors. Corporate Auditors have the duties of supervising the administration by the Directors of the Company's affairs and of examining the financial statements and business reports of the Company to be submitted by the Representative Director to the general meetings of shareholders and of reporting their opinions thereon to the shareholders. They are required to attend meetings of the Board of Directors in general and to express their opinions when or if necessary at such meetings but they are not entitled to vote. In addition, they are required to elect from among themselves one or more Standing Corporate Auditors. Corporate Auditors also have a statutory duty to provide their report to the Board of Corporate Auditors, which must submit its auditing report to the relevant Directors and the independent auditor. The Board of Corporate Auditors will also determine matters relating to the duties of the Corporate Auditors, such as audit policy and methods of investigation of the affairs of the Company.

In addition, under the Securities Listing Regulations of the Tokyo Stock Exchange, listed companies in Japan, including the Company, are required to have at least one independent officer. Such independent officer is required to be an outside Director or outside Corporate Auditor (as defined under the Companies Act) who is unlikely to have conflicts of interest with shareholders of the relevant company. In addition, the Company must appoint by a resolution of a general meeting of shareholders independent certified public accountants as an independent auditor, who has the statutory duties of auditing the financial statements to be submitted by a Representative Director to the general meetings of shareholders and reporting thereon to the relevant Corporate Auditors and the relevant Director. Currently, the Company's independent auditor is Deloitte Touche Tohmatsu LLC.

The Company's Directors and Corporate Auditors as of the date of this Offering Circular are set out in the table below:

Name	Title
Makoto Yagi(1)	Chairperson and Director
Shigeki Iwane(1)	President and Director
Yoshihiro Doi(1)	Director, Executive Vice President
Takashi Morimoto(1)	Director, Executive Vice President
Toyokazu Misono(1)	Director, Executive Vice President
Koji Inada(1)	Director, Executive Vice President
Ikuo Morinaka(1)	Director, Executive Vice President
Yasuji Shimamoto	Director, Managing Executive Officer
Takao Matsumura	Director, Managing Executive Officer
Noriyuki Inoue(2)	Director
Takamune Okihara(2)	Director
Tetsuya Kobayashi(2)	Director
Hisako Makimura(2)	Director
Yasuhiro Yashima	Standing Corporate Auditor
Yasushi Sugimoto	Standing Corporate Auditor
Yukishige Higuchi	Standing Corporate Auditor
Tsutomu Toichi(3)	Corporate Auditor
Fumio Otsubo(3)	Corporate Auditor
Shigeo Sasaki(3)	Corporate Auditor
Atsuko Kaga(3)	Corporate Auditor

Notes:

(1) Representative Director.

(2) Outside Director under the Companies Act.

(3) Outside Corporate Auditor under the Companies Act.

All the Directors of the Company, other than the Outside Directors, are engaged in the business of the Company on a full-time basis.

The business address for the Company's Directors is 6-16 Nakanoshima 3-chome, Kita-ku Osaka 530-8270, Japan.

The aggregate remuneration of the Directors (excluding the Outside Directors), the Corporate Auditors (excluding the Outside Corporate Auditors), the Outside Directors and the Outside Corporate Auditors for the fiscal year ended 31 March 2019 paid by the Company was ¥542 million, ¥116 million, ¥27 million and ¥37 million, respectively.

Under the Company's Articles of Incorporation, the Company may exempt, by resolution of the Board of Directors, its Directors or Corporate Auditors from liabilities to the Company arising in connection with their failure to execute their duties in good faith and without gross negligence, within the limits stipulated by applicable laws and regulations. In addition, the Company's Articles of Incorporation provide that the Company may enter into liability limitation contracts with any of its Outside Directors and Outside Corporate Auditors to limit the maximum amount of damages arising in connection with their failure to execute their duties in good faith and without gross negligence to the total amount stipulated in Article 425, Paragraph 1, Item 1 and Item 2 of the Companies Act.

As of 31 March 2019, no Director of the Company had an interest in any transaction which was unusual in its nature or conditions or significant to the Group's business which was effected by the Company. As of 31 March 2019, there were no outstanding loans granted by any company of the Group to the Company's Directors, and no guarantees provided by any company of the Group for the benefit of any of the Directors of the Company.

Employees

The following table sets out the number of full-time employees (excluding secondees to outside the Group and employees on temporary leave) of the Group as of 31 March 2017, 2018 and 2019, according to reporting segments applicable to the periods indicated:

	As of 31 March		
	2017	**2018**	**2019**
Electric Power	19,486	19,187	18,823
Gas and Other Energy	574	637	669
IT/Communications	3,217	3,249	3,595
Others	9,389	9,454	9,510
Total	32,666	32,527	32,597

The Company considers the Group's labour relations (including those with the relevant labour unions) to be good.

SUBSIDIARIES AND AFFILIATES

The following table sets out certain information as of 31 March 2019 with respect to the Company's principal consolidated subsidiaries and affiliates accounted for by the equity method:

Name	Capital	Percentage of Voting Rights[1]	Business
	(Millions of yen, unless otherwise stated)	(Per cent.)	
Consolidated Subsidiaries			
Kanden Energy Solutions Co., Inc	¥15,200	100.0	Gas sales agency, operation and maintenance services including construction and ownership of utility facilities (for electric and heating), and electric power business
SAKAI LNG Corp.	1,000	70.0	Receipt, storage, vaporisation and delivery of LNG
ECHIZEN ENELINE CO., INC.	495	61.2	Manufacture, supply and sales of gas
Aioi Bioenergy Corporation	225	60.0	Design, construction, operation, maintenance and management of power generation facilities and the supply and sale of electricity
Next Power Company	100	100.0	Condominium bulk high-voltage electric receiving service business
Osaka Bioenergy Co., Ltd.	50	52.0 (1.0)	Inspection, design, construction, maintenance and operation of digestion gas power generation facilities
KANDEN GAS SUPPORT CO., INC.	50	51.0	Safety services such as gas sales agency services and gas consumption equipment inspection
Fukui City Gas Corporation	50	56.0	Manufacture, supply and sale of gas
KE Fuel International Co., Ltd.	10	100.0	Fuel trading and fuel transportation
Biopower Kanda GK	1	100.0	Ownership, operation, maintenance and management of biomass power generation facilities, and the supply and sale of electricity
LNG EBISU Shipping Corporation	1	70.0	LNG ships ownership and LNG transportation
LNG FUKUROKUJU Shipping Corporation	1	70.0	LNG ships ownership and LNG transportation
LNG JUROJIN Shipping Corporation	1	70.0	LNG ships ownership and LNG transportation
LNG SAKURA Shipping Corporation	1	70.0	LNG ships ownership and LNG transportation
Kansai Electric Power Holdings Australia Pty Ltd.	US$623 million	100.0	Development, operation and management of LNG projects in Australia

Name	Capital	Percentage of Voting Rights(1)	Business
	(Millions of yen, unless otherwise stated)	(Per cent.)	
Kansai Electric Power Australia Pty Ltd	US$391 million	100.0 (100.0)	Development, operation and management of Pluto LNG projects in Australia
Kansai Sojitz Enrichment Investing S.A.S.	91.8 million Euro	80.0	Investment in uranium enrichment business and related businesses
KE Fuel Trading Singapore Pte. Ltd...........	300 thousand Singapore dollars	100.0	Agency services for sales of the Group's spot LNG and procurement
Kansai Energy Solutions (Thailand) Co., Ltd.	30 million Thai Baht	100.0	Design, procurement, construction, repair and maintenance of electric, steam and heat supply service facilities, and the manufacture and sale of electricity, steam and heat
K-Opticom Corp.(2)	33,000	100.0	Telecommunications business (internet connection services for individual customers and telecommunications services for corporate customers), cable general broadcasting business, retail electricity sales business, and leasing of telecommunications facilities
Kanden System Solutions Co., Inc.(3)	90	100.0	Consulting for information systems and telecommunications, system development, operation and maintenance, and development, sales and leasing of software and equipment, and design, installation and maintenance of information processing and telecommunications equipment
K4 DIGITAL CO, INC.	90	80.0	Collection of state-of-the-art digital technologies and case studies, and support for the creation of ideas and reform themes of business utilising digital technologies
Kanden Joy Life Co., Ltd.	950	100.0 (0.6)	Operation of private nursing homes, home-visit nursing care, nursing care services and other similar services
Kanden Realty & Development Co., Ltd.	810	100.0	Sale, lease and management of real estate
Clearpass Co., Ltd.	465	100.0	Corporate payment, loan, club, and mail order businesses

Name	Capital	Percentage of Voting Rights(1)	Business
	(Millions of yen, unless otherwise stated)	(Per cent.)	
KANDEN Security of Society, Inc.	400	81.0	Electronic security (detached houses, condominiums, offices), release of power supply suspension (including first aid service concerning electricity supply), and sales of security products
Kanden E House Co., Ltd.	300	100.0	Sales of household equipment, contracting of construction work, and renovation work
Kansai Medical Net Co., Inc.	300	80.0	Membership-only health management support (comprehensive medical check-ups and other similar services), specified health guidance, and sales of supplements
Kanden Facilities Co., Ltd.	100	100.0 (100.0)	Management of office buildings, commercial facilities and hospitals, and operation and management of parking lots
Kanden Life Support Co., Ltd.	100	100.0 (0.4)	Operation of private nursing homes, home-visit nursing care and day-care services
KANDEN AMENIX Corp.	10	100.0 (64.3)	Hotel business, operation of golf courses and golf facilities and bus business
Kanden Engineering Corp.	786	100.0 (4.2)	Maintenance and construction of electricity transmission facilities, electrical facilities and telecommunication facilities
NIHON NETWORK SUPPORT CO., LTD.	412	80.5 (17.7)	Manufacture and sale of materials and equipment for power distribution such as overhead wire hardware, insulators and bushings, steel pipe poles, and concrete poles
Kanden Plant Corp.	300	100.0	Maintenance and construction of thermal and nuclear power generation facilities
The Kurobe Gorge Railway Co., Ltd.	250	100.0	Passenger and freight transport services
Institute of Nuclear Safety System, Inc.	200	100.0	Research and development on safety technology for nuclear power generation
NEWJEC INC.	200	84.0 (6.0)	Inspection, design and construction supervision of civil engineering, construction and buildings and other business related thereto
Kanden L-Heart Co., Inc.	200	51.0	Flower growing, flowerbed maintenance, printing services and sales of novelty products

Name	Capital	Percentage of Voting Rights(1)	Business
	(Millions of yen, unless otherwise stated)	(Per cent.)	
Kanden Power-Tech Corp.	100	100.0	Operation, maintenance and management of power plant equipment, radiation management, disposal of radioactive waste, chemical analysis, sales of coal ash and materials and equipment, disposal and recycling of industrial waste, disaster prevention (firefighting), security and cleaning of facilities
Kansai Electron Beam Co., Ltd.	100	99.3	Sterilization and material modification business using electron beam irradiation
Nuclear Engineering, Ltd.	100	55.6	Engineering related to nuclear power generation
THE GENERAL ENVIRONMENTAL TECHNOS CO., LTD.	100	100.0	Inspection, research, consulting and construction related to environment, civil engineering, construction and buildings
The Kanden Services Co., Inc.	70	100.0 (31.5)	Contracted services for power sales, power distribution, land and public relations services, and poles advertising
Kanden CS Forum Inc.	45	100.0	Call centre operations, marketing, IT and communications services
Kanden Office Work Co., Inc.	40	100.0	Contracted services related to handling of human resource, labour, general affairs, accounting, etc.
The Kanden L&A Co., Ltd.	30	100.0 (17.1)	Lease, car maintenance and insurance agent businesses
K4 Ventures GK	10	100.0 (0.4)	Investments in and loans to venture companies and consulting services
KPIC Netherlands, B.V.(3)	18 thousand Euro	100.0	Investments and loans related to overseas business
KPIC USA, LLC	US$297 million	100.0	Investments and loans related to overseas business
Affiliates Accounted for by the Equity Method			
JAPAN NUCLEAR FUEL LIMITED	400,000	16.6	Business in relation to uranium enrichment, reprocessing of irradiated nuclear fuel, temporary storage of nuclear fuel materials and wastes, and disposal of low-level radioactive wastes

Name	Capital	Percentage of Voting Rights(1)	Business
	(Millions of yen, unless otherwise stated)	(Per cent.)	
KINDEN CORPORATION	26,411	33.9 (6.7)	Construction of electric facilities, telecommunication systems, and environmental-related facilities
ENEGATE Co., Ltd.	497	49.0	Manufacture, sale, repair and replacement of electric meters and manufacture and sale of electrical control equipment
San Roque Power Corporation	18.8 million Philippine peso	50.0 (50.0)	Hydroelectric power generation business in Philippines

Notes:

(1) Figures in parentheses denote indirect holding.

(2) On 1 April 2019, a corporate restructuring took place to enhance competitiveness in the comprehensive energy business and Information and telecommunications business. Following this corporate restructuring, K-Opticom Corp. and Kanden System Solutions Co., Inc. changed their corporate names to OPTAGE, Inc. and Kanden Systems Inc., respectively.

(3) In July 2019, the Company announced that it has reached agreement to acquire shares of ENWL, which is engaged in the operation of an electricity distribution network in the northwest of the United Kingdom, with such acquisition being made through KDM Power Limited, a consortium led by KPIC Netherlands B.V. (which has a 55.1 per cent. holding), which is acquiring 32.07 per cent. of the issued shares of ENWL (making the Company's interest in ENWL 17.67 per cent.).

JAPANESE TAXATION

The following is a general description of certain aspects of Japanese tax treatment primarily in relation to payments of principal of and interest on the Bonds. It does not purport to be a comprehensive description of the tax treatment of the Bonds. Prospective investors should note that, although the general tax information on Japanese taxation is described hereunder for convenience, the statements below are general in nature and not exhaustive.

Prospective investors are advised to consult their own legal, tax, accountancy or other professional advisers in order to ascertain their particular circumstances regarding taxation. The statements below are based on the current tax laws and regulations of Japan and the current income tax treaties entered into by Japan all as in effect on the date of this Offering Circular and all of which are subject to change or differing interpretations (possibly with retroactive effect). Neither such statements nor any other statement in this Offering Circular are to be regarded as advice on the tax position of any holder or beneficial owner of the Bonds or any person subscribing for, purchasing, selling or otherwise dealing in the Bonds or any tax implication arising from the subscription for or purchase, sale or other dealings in respect of the Bonds.

The Bonds

The Bonds do not fall under the concept of so-called "taxable linked notes" as described in Article 6, Paragraph 4 of the Special Taxation Measures Act, i.e., notes of which the amount of interest is to be calculated or determined by reference to certain indicators (as prescribed in the Cabinet Order) in respect of the issuer of such notes or any other person who has a special relationship with such issuer (that is, in general terms, a person who directly or indirectly controls or is directly or indirectly controlled by, or is directly or indirectly controlled by a person who also directly or indirectly controls, such issuer) as described in Article 6, Paragraph 4 of the Special Taxation Measures Act and Article 3-2-2, Paragraphs 5 to 7 of the Cabinet Order.

Representation by Investor upon Initial Distribution

By subscribing for the Bonds, an investor will be deemed to have represented that it is (i) a beneficial owner of the Bonds that is, for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation (a "Resident Holder"), nor (y) an individual non-resident of Japan or a non-Japanese corporation (a "Non-Resident Holder") that in either case is a Specially-Related Party of the Company, (ii) a Designated Financial Institution, or (iii) any other excluded category of persons, corporations or other entities under the Special Taxation Measures Act. The Bonds are not as part of the initial distribution by the Managers at any time to be directly or indirectly offered or sold to, or for the benefit of, any person other than (i) a beneficial owner of the Bonds that is, for Japanese tax purposes, neither (x) a Resident Holder, nor (y) a Non-Resident Holder that is a Specially-Related Party of the Company, (ii) a Designated Financial Institution or (iii) any other excluded category of persons, corporations or other entities under the Special Taxation Measures Act.

Interest Payments on the Bonds

The following description of Japanese taxation (limited to national taxes) applies exclusively to interest on the Bonds, where the Bonds are issued by the Company outside Japan and payable outside Japan. It is not intended to be exhaustive and prospective purchasers are recommended to consult their tax advisers as to their exact tax position.

1. Non-Resident Holders that are not Specially-Related Parties of the Company

If the recipient of interest on the Bonds is a Non-Resident Holder for Japanese tax purposes, as described below, the Japanese tax consequences on such Non-Resident Holder are significantly different depending upon whether such Non-Resident Holder is a Specially-Related Party of the Company. Most importantly, if such Non-Resident Holder is a Specially-Related Party of the Company, income tax at the rate of 15.315 per cent. of the amount of such interest will be withheld by the Company under Japanese tax law.

(1) If the recipient of interest on the Bonds is a Non-Resident Holder that is not a Specially-Related Party of the Company having no permanent establishment within Japan or having a permanent establishment within Japan but where the receipt of the interest on the Bonds is not attributable to such permanent establishment, no Japanese income tax or corporate tax is payable with

respect to such interest whether by way of withholding, deduction or otherwise, if such recipient complies with certain requirements, *inter alia*:

(i) if the relevant Bonds are held through certain participants in an international clearing organisation such as the Euroclear and Clearstream, Luxembourg or certain financial intermediaries prescribed by the Special Taxation Measures Act and the Cabinet Order (together with the ministerial ordinance and other regulations thereunder, the "Law") (each such participant or financial intermediary, a "Participant"), the requirement to provide, at the time of entrusting a Participant with the custody of the relevant Bonds, certain information (the "Interest Recipient Information") prescribed by the Law to enable the Participant to establish that the recipient is exempt from the requirement for Japanese tax to be withheld or deducted and to advise the Participant if such Non-Resident Holder ceases to be so exempted (including the case where it became a Specially-Related Party of the Company); and

(ii) if the relevant Bonds are not held through a Participant, the requirement to submit to the relevant paying agent a written application for tax exemption (*hikazei tekiyo shinkokusho*) (the "Written Application for Tax Exemption") together with certain documentary evidence.

Failure to comply with the foregoing requirements (including the case where the Interest Recipient Information is not duly communicated through a Participant or to the relevant paying agent as required under the Law) will result in the withholding by the Company of income tax at the rate of 15.315 per cent. of the amount of such interest.

(2) If the recipient of interest on the Bonds is a Non-Resident Holder having a permanent establishment within Japan and the receipt of interest is attributable to such permanent establishment, such interest will not be subject to a 15.315 per cent. withholding tax by the Company, if the recipient provides the Interest Recipient Information or submits the Written Application for Tax Exemption as set out in paragraph (1) above. Failure to do so will result in the withholding by the Company of income tax at the rate of 15.315 per cent. of the amount of such interest. The amount of such interest will be aggregated with the recipient's other Japanese source income and will be subject to regular income tax or corporate tax, as appropriate.

2. Resident Holders, and Non-Resident Holders that are Specially-Related Parties of the Company

Payments of interest on the Bonds to be made to a Resident Holder (except for (a) a Designated Financial Institution which has complied with the requirements under Article 6 of the Special Taxation Measures Act and (b) a public corporation, a financial institution, a financial instruments business operator or certain other entity which has complied with the requirement for tax exemption under Article 3-3, Paragraph 6 of the Special Taxation Measures Act which has received interest through a payment handling agent in Japan as defined in Article 3-3, Paragraph 1 of the Special Taxation Measures Act and Article 2-2, Paragraph 2 of the Cabinet Order (a "Japanese Payment Handling Agent")) or to a Non-Resident Holder that is a Specially-Related Party of the Company will be subject to deduction in respect of Japanese income tax at the rate of 15.315 per cent.

Under the Law, if a Non-Resident Holder becomes a Specially-Related Party of the Company, and if such Bonds are held through a Participant, then such Non-Resident Holder is required to notify the Participant of such change in status by the immediately following interest payment date of the Bonds. As the status of such Non-Resident Holder as a Specially-Related Party of the Company for Japanese withholding tax purposes is determined based on the status as of the beginning of the fiscal year of the Company in which the relevant interest payment date falls, such Non-Resident Holder should, by such notification, identify and advise the Participant of the specific interest payment date on which Japanese withholding tax commences to apply with respect to such Non-Resident Holder as being a Specially-Related Party of the Company.

The Japanese withholding tax imposed upon interest on the Bonds paid to a Non-Resident Holder that is a Specially-Related Party of the Company as mentioned above may be reduced or exempted by an income tax treaty between Japan and the country of residence of such Non-Resident Holder in accordance with its terms.

Capital Gains, Stamp Tax and Other Similar Taxes, Inheritance Tax and Gift Tax

Gains derived from the sale or disposition of the Bonds outside Japan by a Non-Resident Holder having no permanent establishment within Japan are, in general, not subject to Japanese income tax or corporate tax.

No stamp, issue, registration or similar taxes or duties will, under current Japanese law, be payable in Japan by holders of the Bonds in connection with the issue of the Bonds, or will such taxes be payable by holders of the Bonds in connection with their transfer if such transfer takes place outside Japan.

Japanese inheritance tax or gift tax at progressive rates may be payable by an individual, wherever resident, who has acquired the Bonds from another individual as legatee, heir or donee.

SUBSCRIPTION AND SALE

Morgan Stanley & Co. International plc, Nomura International plc, Mizuho Securities Asia Limited and Citigroup Global Markets Limited (together, the "Joint Lead Managers") and Merrill Lynch International, Daiwa Capital Markets Europe Limited, SMBC Nikko Capital Markets Limited and BNP Paribas (together with the Joint Lead Managers, the "Managers") have entered into a subscription agreement with the Company dated 11 September 2019 in respect of the Bonds (the "Subscription Agreement"), under which, subject to the satisfaction of certain conditions set out therein, the Managers have agreed severally but not jointly to subscribe for the Bonds at 100 per cent. of the principal amount of the Bonds, in the amounts described below:

Managers	Aggregate principal amount of the Bonds
Morgan Stanley & Co. International plc	U.S.$165,000,000
Nomura International plc	117,500,000
Mizuho Securities Asia Limited	117,500,000
Citigroup Global Markets Limited	70,000,000
Merrill Lynch International	10,000,000
Daiwa Capital Markets Europe Limited	7,500,000
SMBC Nikko Capital Markets Limited	7,500,000
BNP Paribas	5,000,000
Total	U.S.$500,000,000

The Company has agreed to pay certain costs in connection with the issue and offering of the Bonds. The Managers are entitled to be released and discharged from their obligations under the Subscription Agreement or to terminate the Subscription Agreement in certain circumstances prior to payment to the Company as set out therein. The Company has agreed to indemnify the Managers against certain liabilities in connection with the issue and offering of the Bonds.

Selling Restrictions

United States

The Bonds have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Bonds have not been and will not be registered under the Securities Act or may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in accordance with Regulation S or pursuant to an exemption from the registration requirements of the Securities Act. Each Manager has represented and agreed that it has not offered or sold and will not offer or sell the Bonds (i) as part of their distribution, at any time or (ii) otherwise, until 40 days after the later of the commencement of the offering of the Bonds and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons, and only in accordance with Rule 903 of Regulation S, and it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration to whom it sells the Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meaning given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of the Bonds within the United States by any dealer (whether or not participating in the offering of the Bonds) may violate the registration requirements of the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S.

European Economic Area

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Offering Circular to any retail investor in the European Economic Area. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or

(ii) a customer within the meaning of Directive 2016/97/EU (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Switzerland

This Offering Circular is not intended to constitute an offer or solicitation to purchase or invest in the Bonds described therein. The Bonds may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the Bonds constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland, and neither this Offering Circular nor any other offering or marketing material relating to the Bonds may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Offering Circular nor any other offering or marketing material relating to the offering, nor the Company nor the Bonds have been or will be filed with or approved by any Swiss regulatory authority. The Bonds are not subject to the supervision by any Swiss regulatory authority, e.g., the Swiss Financial Markets Supervisory Authority FINMA, and investors in the Bonds will not benefit from protection or supervision by such authority.

United Kingdom

Each Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and it will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Company; and

(b) it has complied with and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Japan

The Bonds have not been and will not be registered under the FIEA and are subject to the Special Taxation Measures Act. Each Manager has represented and agreed that, (I) it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any person resident in Japan for Japanese securities law purposes (including any corporation or entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of any person resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan; and, (II) it has not, directly or indirectly, offered or sold and will not, as part of its initial distribution at any time, directly or indirectly, offer or sell any Bonds to, or for the benefit of, any person other than (i) a beneficial owner that is, for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a Specially-Related Party of the Company, (ii) a Japanese financial institution, designated in Article 3-2-2, Paragraph 28 of the Cabinet Order that will hold the Bonds for its own proprietary account or (iii) any other excluded category of persons, corporations or other entities under the Special Taxation Measures Act.

Singapore

Each Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Hong Kong

Each Manager has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions Ordinance (Cap. 32) of Hong Kong (the "C(WUMP)O") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

General

Neither the Company nor any of the Managers represents that the Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating such sales.

Other Relationships

Certain of the Managers or their affiliates may purchase the Bonds and be allocated the Bonds for asset management and/or proprietary purposes but not with a view to distribution.

In connection with the offering of the Bonds, any Manager may purchase the Bonds for its or their own account and may for its or their own account enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps or other derivatives relating to the Bonds and/or other securities of the Company or its subsidiaries or affiliates and/or components of such Bonds and/or other securities, at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). As a result of such transactions any of the Managers may hold long or short positions in the Bonds and/or derivatives relating thereto. No disclosure will be made of any such positions.

Certain of the Managers or their affiliates have in the past provided, are currently providing and may in the future provide, investment and commercial banking, underwriting, advisory and other services to the Company and its subsidiaries and affiliates for which they have received, expect to receive or may receive (as the case may be) customary compensation. Interests may evolve out of these transactions that could potentially conflict with the interests of a purchaser of the Bonds. In particular, Mizuho Bank, Ltd. ("Mizuho Bank") is one of the Company's principal bank lenders and is an affiliate of Mizuho Securities Asia Limited, a Joint Lead Manager in respect of the offering of the Bonds. Mizuho Bank is also one of the Company's principal shareholders.

In addition, in the ordinary course of their business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Company or its subsidiaries or affiliates. Certain of the Managers or their affiliates that have a lending relationship with the Company or its subsidiaries or affiliates routinely hedge their credit exposure to it consistent with their customary risk management policies. Typically, such Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Company's securities, including potentially the Bonds. Any such short positions could adversely affect future trading prices of the Bonds. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

GENERAL INFORMATION

1. The Bonds have been accepted for clearance through Euroclear and through Clearstream, Luxembourg. The ISIN for the Bonds is XS2045072282 and the Common Code for the Bonds is 204507228. The LEI for the Company is 353800PFUKP5ONPJNZ86.

2. Approval in-principle has been received for the listing of the Bonds on the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of U.S.$200,000 for so long as the Bonds are listed on the SGX-ST. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Company will appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption, in the event that the Global Certificate is exchanged for definitive Certificates. In addition, in the event that the Global Certificate is exchanged for definitive Certificates, an announcement of such exchange shall be made by or on behalf of the Company through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Certificates, including details of the paying agent in Singapore.

3. The Company has obtained all necessary consents, approvals and authorisations in Japan, if any, in connection with the issue and performance of the Bonds. The issue of the Bonds was authorised by a resolution dated 26 March 2019 of the Board of Directors of the Company.

4. Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Group and no material adverse change in the prospects of the Group since 31 March 2019.

5. Save as disclosed in this Offering Circular, neither the Company nor any other member of the Group is, or has been involved in, any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the 12 months preceding the date of this Offering Circular, a significant effect on the financial position or the profitability of the Group nor is the Company aware that any such proceedings are pending or threatened.

6. Copies of the latest annual report of the Company including the audited annual consolidated financial statements in English, and the Company's latest unaudited annual and interim consolidated financial statements in English (being English summaries of the Company's published *Kessan tanshin* (preliminary results announcement) in Japanese) may be obtained, and copies of the Deed of Covenant and the Agency Agreement will be available for inspection, at the Specified Offices of each of the Agents during normal business hours, so long as any of the Bonds is outstanding.

7. The consolidated financial statements of the Group for each of the three fiscal years ended 31 March 2019, 2018 and 2017, included in this Offering Circular, have been audited by Deloitte Touche Tohmatsu LLC, the Company's independent auditor, as stated in their audit reports appearing herein.

8. The unaudited interim consolidated financial statements of the Company for each of the three-month periods ended 30 June 2019 and 2018, included in this Offering Circular, have been reviewed by Deloitte Touche Tohmatsu LLC, the Company's independent auditor, as stated in its review report appearing herein.

INDEX TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

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Deloitte.

Deloitte Touche Tohmatsu LLC
Yodoyabashi Mitsui Building
4-1-1 Imabashi, Chuo-ku
Osaka 541-0042
Japan

Tel: +81 (6) 4560 6000
Fax: +81 (6) 4560 6001
www.deloitte.com/jp/en

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of The Kansai Electric Power Company, Incorporated (the "Company") and its consolidated subsidiaries as of March 31, 2019, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

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 audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we 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 the auditor's 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, the auditor considers 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, but 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 referred to above present fairly, in all material respects, the consolidated financial position of The Kansai Electric Power Company, Incorporated and its subsidiaries as of March 31, 2019, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

As discussed in Note 21 to the consolidated financial statements of the Company and its consolidated subsidiaries as of and for the year ended March 31, 2019, from the consolidated accounting period for the year ending March 31, 2020, the Company and its consolidated subsidiaries change the primary depreciation method for tangible fixed assets from the declining-balance method to the straight-line method. Our opinion is not modified in respect of this matter.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 20, 2019
(August 9, 2019 as to Note 21)

Member of
Deloitte Touche Tohmatsu Limited

Consolidated Balance Sheet

The Kansai Electric Power Company, Incorporated and Its Subsidiaries
March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2019	2018	2019
PROPERTY:			
Utility plant and equipment	¥ 14,647,136	¥ 14,741,988	$ 13,194,295
Other plant and equipment (Note 7)	2,054,938	2,020,597	18,511,292
Construction in progress (Note 7)	579,917	457,442	5,224,008
Contributions in aid of construction	(491,138)	(485,895)	(4,424,268)
Accumulated depreciation and amortization	(12,208,608)	(12,301,087)	(109,977,554)
Plant and equipment—net (Note 4)	4,582,245	4,433,045	41,277,773
Nuclear fuel, net of amortization (Note 2.d)	506,278	494,124	4,560,661
Property—net	5,088,524	4,927,169	45,838,434
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5, 7, and 16)	232,242	232,870	2,092,087
Investments in and advances to unconsolidated subsidiaries and associated companies (Note 7)	456,672	431,764	4,113,793
Special account related to nuclear power decommissioning (Note 2.n)	73,025	78,332	657,825
Special account related to reprocessing of spent nuclear fuel (Note 2.j)	56,134	25,168	505,675
Deferred tax assets (Note 12)	372,906	402,874	3,359,211
Other assets (Note 7)	147,170	153,891	1,325,742
Total investments and other assets	1,338,151	1,324,902	12,054,335
CURRENT ASSETS:			
Cash and cash equivalents (Notes 7 and 16)	158,978	144,176	1,432,106
Receivables (Notes 7 and 16)	342,145	297,999	3,082,113
Allowance for doubtful accounts	(2,531)	(2,859)	(22,806)
Inventories (Notes 6 and 7)	163,937	129,127	1,476,780
Other current assets (Notes 5, 7, and 16)	168,157	164,571	1,514,799
Total current assets	830,687	733,015	7,482,994
TOTAL	¥ 7,257,363	¥ 6,985,088	$ 65,375,765

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2019	Millions of Yen 2018	Thousands of U.S. Dollars (Note 1) 2019
LONG-TERM LIABILITIES:			
Long-term debt, less current maturities (Notes 7 and 16)	¥ 2,939,093	¥ 2,783,359	$ 26,475,933
Liability for retirement benefits (Note 8)	369,472	367,875	3,328,284
Asset retirement obligations (Notes 2.k and 9)	501,354	444,302	4,516,297
Deferred tax liabilities (Note 12)	1,831	1,346	16,498
Other long-term liabilities	250,350	255,191	2,255,209
Total long-term liabilities	4,062,102	3,852,076	36,592,223
CURRENT LIABILITIES:			
Current maturities of long-term debt (Notes 7 and 16)	516,483	636,331	4,652,587
Short-term borrowings (Notes 10 and 16)	416,096	300,226	3,748,281
Notes and accounts payable (Notes 7 and 16)	195,659	183,525	1,762,539
Accrued income taxes (Note 16)	13,361	14,471	120,362
Reserve for disaster restoration costs	2,104		18,953
Accrued expenses and other current liabilities	490,219	496,710	4,415,993
Total current liabilities	1,633,925	1,631,266	14,718,719
RESERVE FOR FLUCTUATIONS IN WATER LEVEL	28,389	28,948	255,737
COMMITMENTS AND CONTINGENCIES (Notes 14 and 19)			
EQUITY (Note 11):			
Common stock—authorized, 1,784,059,697 shares; issued, 938,733,028 shares in 2019 and 2018	489,320	489,320	4,407,897
Capital surplus	66,656	66,725	600,453
Retained earnings	979,669	904,806	8,825,058
Treasury stock—at cost: 45,561,730 shares in 2019 and 45,372,355 shares in 2018	(96,806)	(96,504)	(872,056)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	82,937	91,135	747,117
Deferred loss on derivatives under hedge accounting	(9,514)	(3,369)	(85,707)
Foreign currency translation adjustments	9,015	11,016	81,215
Defined retirement benefit plans	(7,034)	(9,041)	(63,366)
Total	1,514,244	1,454,087	13,640,611
Noncontrolling interests	18,702	18,709	168,472
Total equity	1,532,946	1,472,797	13,809,084
TOTAL	¥ 7,257,363	¥ 6,985,088	$ 65,375,765

Consolidated Statement of Income

The Kansai Electric Power Company, Incorporated and Its Subsidiaries
Year Ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
OPERATING REVENUES:			
Electric	¥2,668,312	¥2,596,114	$24,036,682
Other	639,349	537,518	5,759,383
Total operating revenues	3,307,661	3,133,632	29,796,066
OPERATING EXPENSES (Note 13):			
Electric	2,536,281	2,430,106	22,847,322
Other	566,526	475,975	5,103,384
Total operating expenses	3,102,807	2,906,081	27,950,707
OPERATING INCOME	204,853	227,551	1,845,359
OTHER (INCOME) EXPENSES:			
Interest and dividend income	(13,631)	(10,927)	(122,795)
Interest expense	30,430	37,219	274,126
Gain on sales of property, plant, and equipment (Note 3)	(17,941)	(1,201)	(161,624)
Equity in earnings of associated companies	(11,671)	(11,704)	(105,143)
Other—net	14,031	(2,939)	126,402
Total other expenses	1,217	10,447	10,965
EXTRAORDINARY EXPENSES:			
Loss on disaster (Note 2.u)	12,828		115,560
Investment loss on subsidiaries and associated companies (Note 2.u)	18,093		162,993
Total extraordinary expenses	30,922		278,554
INCOME BEFORE PROVISION FOR RESERVE FOR FLUCTUATIONS IN WATER LEVEL AND INCOME TAXES	172,713	217,104	1,555,839
PROVISION FOR (REVERSAL OF) RESERVE FOR FLUCTUATIONS IN WATER LEVEL	(558)	1,495	(5,032)
INCOME BEFORE INCOME TAXES	173,272	215,608	1,560,872
INCOME TAXES (Note 12):			
Current	27,210	24,387	245,115
Deferred	30,319	38,699	273,128
Total income taxes	57,530	63,087	518,243
NET INCOME	115,742	152,520	1,042,628
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	664	639	5,987
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 115,077	¥ 151,880	$ 1,036,641

	Yen		U.S. Dollars
	2019	2018	2019
PER SHARE OF COMMON STOCK (Notes 2.s and 20):			
Basic net income	¥ 128.83	¥ 170.01	$ 1.16
Cash dividends applicable to the year	50.00	35.00	0.45

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

The Kansai Electric Power Company, Incorporated and Its Subsidiaries
Year Ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
NET INCOME	¥115,742	¥152,520	$1,042,628
OTHER COMPREHENSIVE INCOME (Note 18):			
Unrealized (loss) gain on available-for-sale securities	(6,535)	7,566	(58,868)
Deferred (loss) gain on derivatives under hedge accounting	(6,150)	583	(55,403)
Foreign currency translation adjustments	(2,757)	(1,519)	(24,841)
Defined retirement benefit plans	2,148	6,091	19,358
Share of other comprehensive income in associates	(1,479)	3,171	(13,323)
Total other comprehensive income	(14,773)	15,892	(133,078)
COMPREHENSIVE INCOME	¥100,969	¥168,413	$ 909,549
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥100,741	¥167,254	$ 907,500
Noncontrolling interests	227	1,158	2,049

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

The Kansai Electric Power Company, Incorporated and Its Subsidiaries
Year Ended March 31, 2019

		Millions of Yen										
						Accumulated Other Comprehensive Income						
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, APRIL 1, 2017	938,733,028	¥489,320	¥66,726	¥788,674	¥(96,424)	¥81,037	¥(3,894)	¥13,433	¥(16,209)	¥1,322,663	¥22,032	¥1,344,696
Cash dividends, ¥40 per share				(35,747)						(35,747)		(35,747)
Net income attributable to owners of the parent				151,880						151,880		151,880
Purchase of treasury stock					(83)					(83)		(83)
Disposal of treasury stock			(1)		3					2		2
Transfer to capital surplus from retained earnings			1	(1)								
Capital increase of consolidated subsidiaries			(1)							(1)		(1)
Net change in the year						10,097	525	(2,417)	7,168	15,373	(3,322)	12,050
BALANCE, MARCH 31, 2018	938,733,028	489,320	66,725	904,806	(96,504)	91,135	(3,369)	11,016	(9,041)	1,454,087	18,709	1,472,797
Cash dividends, ¥50 per share				(40,213)						(40,213)		(40,213)
Net income attributable to owners of the parent				115,077						115,077		115,077
Purchase of treasury stock					(304)					(304)		(304)
Disposal of treasury stock					2					1		1
Transfer to capital surplus from retained earnings												
Capital increase of consolidated subsidiaries												
Purchase of stock of consolidated subsidiaries			(69)							(69)		(69)
Net change in the year						(8,197)	(6,144)	(2,000)	2,007	(14,335)	(7)	(14,343)
BALANCE, MARCH 31, 2019	938,733,028	¥489,320	¥66,656	¥979,669	¥(96,806)	¥82,937	¥(9,514)	¥ 9,015	¥ (7,034)	¥1,514,244	¥18,702	¥1,532,946

	Thousands of U.S. Dollars (Note 1)										
					Accumulated Other Comprehensive Income						
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, MARCH 31, 2018	$4,407,897	$601,072	$8,150,674	$(869,333)	$820,966	$(30,353)	$ 99,236	$(81,450)	$13,098,711	$168,541	$13,267,253
Cash dividends, $0.45 per share			(362,251)						(362,251)		(362,251)
Net income attributable to owners of the parent			1,036,641						1,036,641		1,036,641
Purchase of treasury stock				(2,745)					(2,745)		(2,745)
Disposal of treasury stock		(5)		22					17		17
Transfer to capital surplus from retained earnings		5	(5)								
Capital increase of consolidated subsidiaries		3							3		3
Purchase of stock of consolidated subsidiaries		(623)							(623)		(623)
Net change in the year					(73,848)	(55,354)	(18,021)	18,084	(129,141)	(69)	(129,210)
BALANCE, MARCH 31, 2019	$4,407,897	$600,453	$8,825,058	$(872,056)	$747,117	$(85,707)	$ 81,215	$(63,366)	$13,640,611	$168,472	$13,809,084

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

The Kansai Electric Power Company, Incorporated and Its Subsidiaries
Year Ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
OPERATING ACTIVITIES:			
Income before income taxes	¥ 173,272	¥ 215,608	$ 1,560,872
Adjustments for:			
Income taxes—paid	(27,185)	(15,210)	(244,894)
Depreciation and amortization	331,984	340,287	2,990,578
Decommissioning cost of nuclear power units	16,050	13,275	144,584
Depreciation of special account related to nuclear power decommissioning	5,307	1,845	47,812
Amortization of nuclear fuel	22,966	11,795	206,889
Loss on disposal of property, plant, and equipment	9,394	10,325	84,624
Loss on disaster	12,828		115,560
Investment loss on subsidiaries and associated companies	18,093		162,993
Changes in assets and liabilities:			
Increase in receivables	(41,446)	(36,245)	(373,361)
Decrease in interest and dividends receivable	4,650	4,773	41,893
Decrease in inventories (Note 3)	(34,777)	(6,316)	(313,280)
(Decrease) increase in notes and accounts payable	(1,123)	3,202	(10,118)
Decrease in interest payable	(1,159)	(1,236)	(10,448)
Increase in liability for retirement benefits	4,570	15,941	41,168
Payments for loss on disaster	(10,724)		(96,606)
(Decrease) increase in reserve for fluctuations in water level	(558)	1,495	(5,032)
Other—net	(32,426)	63,724	(292,101)
Total adjustments	276,443	407,658	2,490,260
Net cash provided by operating activities	449,716	623,266	4,051,133
INVESTING ACTIVITIES:			
Purchases of property, plant, and equipment	(475,437)	(398,028)	(4,282,838)
Payments for investments and advances	(88,572)	(58,829)	(797,875)
Proceeds from sales of investments or collections of advances	25,247	14,355	227,433
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(11,734)	(20,492)	(105,707)
Payments for transfer of business	(22,055)		(198,679)
Other—net	34,706	15,757	312,642
Net cash used in investing activities	(537,846)	(447,237)	(4,845,025)
FINANCING ACTIVITIES:			
Proceeds from issuance of bonds	309,081	249,465	2,784,267
Proceeds from long-term debt (exclusive of bonds)	374,212	326,092	3,370,983
Proceeds from short-term loans	271,346	273,282	2,444,340
Proceeds from issuance of commercial papers	625,000	404,000	5,630,123
Redemption of bonds	(290,675)	(331,100)	(2,618,457)
Repayments of long-term debt (exclusive of bonds)	(360,138)	(390,337)	(3,244,200)
Repayments of short-term loans	(268,284)	(282,667)	(2,416,759)
Repayments of commercial papers	(509,000)	(364,000)	(4,585,172)
Dividends paid	(40,098)	(35,674)	(361,213)
Other—net	(8,371)	(11,337)	(75,409)
Net cash provided by (used in) financing activities	103,073	(162,277)	928,502
NET CASH PROVIDED BY OPERATING, INVESTING, AND FINANCING ACTIVITIES	14,942	13,751	134,609
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(141)	(394)	(1,276)
NET INCREASE IN CASH AND CASH EQUIVALENTS	14,801	13,356	133,332
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	144,176	130,820	1,298,773
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 158,978	¥ 144,176	$ 1,432,106

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

The Kansai Electric Power Company, Incorporated and Its Subsidiaries
Year Ended March 31, 2019

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which The Kansai Electric Power Company, Incorporated (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥111.01 to $1, the approximate rate of exchange as of March 31, 2019. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Principles of Consolidation and Accounting for Investments in Associated Companies***—The consolidated financial statements as of March 31, 2019, include the accounts of the Company and 77 (69 in 2018) subsidiaries (collectively, the "Companies"). Had the unconsolidated subsidiary been included in the accounts, the effect on the accompanying consolidated financial statements would not be material.

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

Investments in four in 2019 and 2018 associated companies are accounted for by the equity method. Investments in the remaining associated companies are stated at cost. Had the equity method been applied to the investments in these companies and unconsolidated subsidiary, the effect on the accompanying consolidated financial statements would not be material.

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

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

b. ***Subsidiaries' Fiscal Year End***—The fiscal year end of eight subsidiaries is December 31. The Company consolidates such subsidiaries' financial statements using their financial results for the year ended December 31. The effects of any significant transactions during the period between the subsidiaries' fiscal year end and the Company's fiscal year end are reflected in the consolidated financial statements.

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

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

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

Amortization of nuclear fuel is computed based on the quantity of heat produced for the generation of electricity. Accumulated amortization of nuclear fuel as of March 31, 2019 and 2018, was ¥73,548 million ($662,543 thousand) and ¥68,959 million, respectively.

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

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

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

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

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

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

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

The Companies account for the liability for retirement benefits based on the projected benefit obligations and plan assets at the consolidated balance sheet date.

Prior service cost is amortized by the straight-line method over a period of principally three years. Actuarial gains or losses are recognized by the straight-line method over a period of principally three years.

Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over three years no longer than the expected average remaining service period of the employees. The discount rate is determined using a single weighted-average discount rate reflecting the estimated timing and amount of benefit payment.

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

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

With regard to the unrecognized amount of ¥82,953 million ($747,257 thousand) at the time of enforcement of the Revised Act out of ¥312,810 million ($2,817,857 thousand) (the difference which resulted from the change in the accounting standard relating to reserve for reprocessing of irradiated nuclear fuel in 2005) set forth in Article 2 of Supplementary Provisions of Ministry Order Relating to the Partial Revision of the Ordinance on Accounting at Electricity Utilities (Ordinance of the Ministry of Economy, Trade and Industry No. 92, in 2005), the Company has paid and will pay such amount in installments in each fiscal year up to 2019 in accordance with Paragraph 1 of Article 6 of Supplementary Provisions of the Revised Act, and the Company has recorded and will record the amount paid in each fiscal year as expenses in accordance with Article 4 of Supplementary Provisions of Ministry Order Relating to the Partial Revision of the Ordinance on Accounting at Electricity Utilities (Ordinance of the Ministry of Economy, Trade and Industry No. 94, in 2016). The unrecognized amount of difference which occurred in connection with the change in the accounting standard was ¥20,738 million ($186,814 thousand) as of March 31, 2019.

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

The Company mainly recognizes an asset retirement obligation with regard to the costs for decommissioning of nuclear power units, which are regulated under the Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material, and Reactors. The amount of this asset retirement obligation is based on the total estimation amount of decommissioning of nuclear power units. The estimated useful life is equal to the expected safe storage period and the expected operating period of a specific nuclear power unit, and a discount rate of 2.3% is used. In addition, in accordance with Accounting Standards Board of Japan ("ASBJ") Guidance No. 21 and the Ministerial Ordinance Concerning Reserve for Decommissioning of Nuclear Power Units, the asset retirement cost is subsequently allocated to expenses based on the straight-line method throughout the expected safe storage period and the expected operating period.

On April 1, 2018, the "Ministry Order Relating to Reserves for Decommissioning of Nuclear Power Plants" (Ordinance Ministry of International Trade and Industry No. 30, 1989; "Ordinance of Decommissioning") was revised, following the enforcement of the "Ordinance to Partially Revise the Ordinance on Reserves for Scrapping Nuclear Power Plants" (Ordinance of the Ministry of Economy, Trade and Industry No. 17, 2018; "Revised Ordinance").

For the assets equal to asset retirement obligations related to the decommissioning of a specific nuclear power unit, among the nuclear power production facilities, costs are accounted for in accordance with the Ordinance of Decommissioning. Although the amortization period was defined as throughout the expected safe storage period and the expected operating period in the past, the Revised Ordinance defines the amortization period as the period from the month in which a specific nuclear power unit was utilized for power production for the first time after its completion (the "Starting Month of Utilization"), to the month in which a period of 40 years elapses (or the month in which the final day of an extension falls, if the operation period was extended based on the Paragraph 2 of Article 43-3-32; "the Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material, and Reactors [Law No. 166, 1957]").

Also, the amortization period for decommissioning nuclear reactors associated with a specific nuclear power unit has been revised to the period from the Starting Month of Utilization to the month in which day the total cost estimation in accordance with the provisions of Paragraph 1, Article 5 of the Ordinance of Decommissioning was approved. However, if an application for extending the reserve funding period based on Paragraph 3, Article 5 of the Ordinance of Decommissioning was filed, the period ends in the month in which a period of 10 years elapses from the month in which the day of decommissioning falls (or, if the reactor was decommissioned by the day before the enforcement of the Revised Ordinance, in the month 10 years from the month of decommissioning (or 50 years from the Starting Month of Utilization, if the day of decommissioning was past the 40 years mark from the Starting Month of Utilization)).

Accordingly, operating income, income before provision for reserve for fluctuations in water level, and income taxes and income before income taxes decreased by ¥2,229 million ($20,079 thousand).

Furthermore, although the expected usage period, used for the calculation of the asset retirement obligations related to the decommissioning of a specific nuclear power unit, was defined as throughout the expected safe storage period and the expected operating period in the past was changed to the expected operating period.

Accordingly, asset retirement obligation and assets equal to asset retirement obligations increased by ¥45,512 million ($409,988 thousand).

l. ***Reserve for Fluctuations in Water Level***—A reserve for fluctuations in water level is provided for costs expected to be incurred from insufficient water levels in accordance with the Electricity Utilities Industry Act and the Ordinance on Accounting at Electricity Utilities.

m. Leases

As lessee—Finance lease transactions are capitalized to recognizing lease assets and lease obligations in the balance sheet.

In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued. Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's consolidated financial statements. The revised accounting standard permits leases that existed at the transition date and that do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions with certain "as if capitalized" information disclosed in the notes to the lessee's consolidated financial statements.

The Companies applied the revised accounting standard effective April 1, 2008. In addition, the Companies continue to account for leases that existed at the transition date and that do not transfer ownership of the leased property to the lessee as operating lease transactions. However, the Companies do not disclose "as if capitalized" information because there is an immaterial effect on the consolidated financial statements.

All other leases are accounted for as operating leases.

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

All other leases are accounted for as operating leases.

n. ***Special Account Related to Nuclear Power Decommissioning***—The special account related to nuclear power decommissioning shall be amortized in relation to the collection of the regulated power fees after the date of approval of the Ministry of Economy, Trade and Industry pursuant to Article 7 of Supplementary Provisions of Ministry Order Relating to the Partial Revision of the Ordinance on Accounting at Electricity Utilities (Ordinance of the Ministry of Economy, Trade and Industry No. 50, 2016).

o. ***Income Taxes***—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

The Companies file a tax return under the consolidated corporate tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

On February 16, 2018, the ASBJ issued ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting," which requires deferred tax assets and deferred tax liabilities to be classified as investments and other assets and long-term liabilities, respectively. Deferred tax assets were previously classified as current assets and investments and other assets, and deferred tax liabilities were previously classified as current liabilities and long-term liabilities under the previous accounting standard. The revised accounting standard is effective for annual periods beginning on or after April 1, 2018. The Company retrospectively applied the revised accounting standard effective April 1, 2018, and deferred tax assets of ¥68,272 million, which were previously classified as current assets, as of March 31, 2018, have been reclassified as investments and other assets, in the accompanying consolidated balance sheet.

p. ***Foreign Currency Transactions***—All receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates as of the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by the forward exchange contracts.

q. ***Foreign Currency Financial Statements***—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date, except for equity, which is translated at the historical rate. Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

r. ***Derivatives and Hedging Activities***—The Companies principally use foreign exchange forward contracts, currency swaps, interest rate swaps, and commodity swaps in the normal course of business to manage their exposures to fluctuations in foreign exchange, interest rates, fuel prices, and so on. The Companies do not enter into derivatives for trading or speculative purposes. Derivative financial instruments are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income and (2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on those derivatives are deferred until maturity of the hedged transactions.

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

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

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

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

t. ***Accounting Changes and Error Corrections***—Under ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on

Accounting Standard for Accounting Changes and Error Corrections," accounting treatments are required as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively, unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions; (2) Changes in Presentation—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation; (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods; and (4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated.

u. Details of Extraordinary Losses

Loss on disaster—The Company accounts for loss on disaster; loss on disposal of property, plant, and equipment, which is equal to the book value of destroyed assets, and extraordinary loss, which represents restoration costs for equipment damaged by typhoon No. 21, that occurred in 2018.

The amounts included in loss on disposal of property, plant, and equipment for the year ended March 31, 2019, were ¥17 million ($153 thousand) for provision for reserve for disaster restoration costs and ¥3 million ($34 thousand) for losses on disposal of property, plant, and equipment.

The amounts included in extraordinary loss for the year ended March 31, 2019, were ¥2,086 million ($18,800 thousand) for provision for reserve for disaster restoration costs and ¥10,720 million ($96,572 thousand) for restoration costs.

Investment loss on subsidiaries and associated companies—The Company accounts for investment loss at overseas power businesses as investment loss on subsidiaries and associated companies.

v. Stock-Based Incentive System for Directors and Executive Officers—The Company introduced a new stock-based incentive system (the "System") for the Company's directors (excluding outside directors and nonresidents of Japan) and executive officers (excluding nonresidents of Japan, hereinafter referred to as "Directors & Officers" collectively) through the 94th General Meeting of Shareholders held on June 27, 2018, with an aim to improve business performance of the group and to enhance the motivation of Directors & Officers to contribute to enhancing corporate value of the Company over the medium to long term.

1. Outline of transaction

   The Company adopts a mechanism called Board Incentive Plan (BIP) Trust (the "Trust"). The System is a stock-based incentive system, under which the Company's shares are acquired through the Trust using money, equivalent to the amount of remuneration for Directors & Officers contributed by the Company, granting/providing of the Company's shares and cash equivalents in amounts obtained by converting a part of the shares into cash, offering them to eligible Directors & Officers based on the positions of the respective Directors & Officers.

   Furthermore, the System is accounted for as "Practical Solution on Transaction of Granting Treasury Stock to Employees through the Trust Using Money" (ASBJ Practical Issues Task Force No. 30, March 26, 2015).

2. The Company's shares that remain in the Trust

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

   The book value and number of shares of such treasury stock at the end of the current consolidated fiscal year is ¥234 million ($2,111 thousand) and 147,800 shares.

w. New Accounting Pronouncements—On March 30, 2018, the ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition." The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contracts with a customer
Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when the entity satisfies a performance obligation

The accounting standard and guidance are effective for annual periods beginning on or after April 1, 2021. Earlier application is permitted for annual periods beginning on or after April 1, 2018.

The Company expects to apply the accounting standard and guidance for annual periods beginning on or after April 1, 2021, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

3. CHANGES IN PRESENTATION

"Gain on sales of property, plant, and equipment" was included in "Other—net" within other (income) expenses of the consolidated statement of income for the year ended March 31, 2018. Since the amount increased significantly, such amount is disclosed separately in other (income) expenses of the consolidated statement of income for the year ended March 31, 2019. The amount included in "Other—net" for the year ended March 31, 2018 was ¥1,201 million.

"Decrease in inventories" was included in "Other—net" within operating activities of the consolidated statement of cash flows for the year ended March 31, 2018. Since the amount increased significantly, such amount is disclosed separately within operating activities of the consolidated statement of cash flows for the year ended March 31, 2019. And, "Increase (decrease) in consumption taxes payable" was disclosed separately in operating activities of the consolidated statement of cash flows for the year ended March 31, 2018. Since the amount decreased significantly, such amount is included in "Other—net" within operating activities of the consolidated statement of cash flows for the year ended March 31, 2019. The amount of "Increase (decrease) in consumption taxes payable" included in "Other—net" for the year ended March 31, 2018, was ¥60,782 million.

4. PLANT AND EQUIPMENT

Plant and equipment, at carrying value, as of March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Hydroelectric power production facilities	¥ 287,637	¥ 294,175	$ 2,591,097
Thermal power production facilities	374,364	414,312	3,372,346
Nuclear power production facilities	390,501	344,032	3,517,715
Transmission facilities	790,303	819,294	7,119,205
Transformation facilities	407,612	416,948	3,671,854
Distribution facilities	803,893	811,479	7,241,634
General facilities	100,211	100,412	902,725
Other utility facilities	20,567	21,624	185,276
Other plant and equipment	827,236	753,323	7,451,908
Construction in progress	579,917	457,442	5,224,008
Total	¥4,582,245	¥4,433,045	$41,277,773

The book value of specified assets for nuclear power is included in nuclear power production facilities, which amounted to ¥32,381 million ($291,701 thousand) and ¥38,671 million as of March 31, 2019 and 2018, respectively.

5. INVESTMENT SECURITIES

The information for available-for-sale securities, whose fair values are readily determinable, and held-to-maturity securities as of March 31, 2019 and 2018, is as follows:

	Millions of Yen			
March 31, 2019	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available for sale:				
Equity securities	¥68,004	¥99,317	¥(701)	¥166,620
Debt securities	199	16		216
Held-to-maturity debt securities	1,921	57		1,978

	Millions of Yen			
March 31, 2018	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available for sale:				
Equity securities	¥68,156	¥108,245	¥(138)	¥176,263
Debt securities	399	22		422
Held-to-maturity debt securities	2,147	55	(2)	2,200

	Thousands of U.S. Dollars			
March 31, 2019	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available for sale:				
Equity securities	$612,599	$894,669	$(6,315)	$1,500,953
Debt securities	1,800	149		1,950
Held-to-maturity debt securities	17,309	513		17,823

6. INVENTORIES

Inventories as of March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Merchandise and finished products	¥ 3,614	¥ 4,377	$ 32,558
Work in process	6,136	7,837	55,281
Raw materials and supplies	84,521	73,199	761,388
Real estate for sale	69,664	43,712	627,552
Total	¥163,937	¥129,127	$1,476,780

7. LONG-TERM DEBT

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Secured bonds:			
0.14% to 2.925%, due serially through 2038:			
The Company	¥1,259,300	¥1,239,797	$11,344,023
Subsidiaries	200	200	1,801
(Nonrecourse debt included above)	100	100	900
Unsecured bonds	282		2,544
Secured loans principally from the Development Bank of Japan:			
0.36% to 3.15% maturing serially through 2028:			
The Company	329,595	320,386	2,969,059
Subsidiaries	15,129	3,897	136,291
(Nonrecourse debt included above)	7,384	900	66,516
Unsecured loans from banks, insurance companies, and other sources:			
0.07% to 3.59% (0.07% to 3.8% in 2018) maturing serially through 2039	1,832,868	1,843,732	16,510,841
Obligations under finance leases	18,201	11,677	163,959
Total	3,455,577	3,419,691	31,128,521
Less current maturities	516,483	636,331	4,652,587
Long-term debt, less current maturities	¥2,939,093	¥2,783,359	$26,475,933

Annual maturities of long-term debt as of March 31, 2019, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2020	¥ 516,483	$ 4,652,587
2021	529,609	4,770,829
2022	581,666	5,239,770
2023	437,638	3,942,331
2024	381,581	3,437,360
2025 and thereafter	1,008,597	9,085,641
Total	¥3,455,577	$31,128,521

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

The carrying amounts of subsidiaries' assets pledged as collateral for notes and accounts payable of ¥1,912 million ($17,226 thousand) and the above secured loans as of March 31, 2019, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2019	2019
Other plant and equipment	¥21,394	$192,730
Construction in progress	5,094	45,890
Other assets	414	3,730
Cash and cash equivalents	2,595	23,380
Other current assets	91	826

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

	Millions of Yen	Thousands of U.S. Dollars
	2019	2019
Other plant and equipment	¥37,789	$340,412
Construction in progress	340	3,067
Investment securities	5,183	46,695
Investments in and advances to unconsolidated subsidiaries and associated companies	64,893	584,573
Other assets	14,780	133,145
Cash and cash equivalents	699	6,302
Receivables	2,774	24,991
Inventories	205	1,853
Other current assets	655	5,906

8. RETIREMENT AND PENSION PLAN

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

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

In addition, certain consolidated subsidiaries participate in a contributory multiemployer pension plan covering substantially all of their employees.

1. The changes in defined benefit obligation for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of year (as restated)	¥369,514	¥362,009	$3,328,655
Current service cost	13,298	13,760	119,795
Interest cost	3,483	3,474	31,377
Actuarial gains	1,787	5,435	16,105
Benefits paid	(16,731)	(14,240)	(150,719)
Others	(294)	(924)	(2,654)
Balance at end of year	¥371,057	¥369,514	$3,342,559

2. The changes in plan assets for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of year	¥ 1,638	¥ 1,646	$ 14,762
Expected return on plan assets	40	41	369
Actuarial losses	(81)	(78)	(730)
Contributions from the employer	137	136	1,234
Benefits paid	(151)	(107)	(1,360)
Balance at end of year	¥ 1,584	¥ 1,638	$ 14,274

3. A reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2019 and 2018, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Funded defined benefit obligation	¥ 2,659	¥ 2,651	$ 23,955
Plan assets	(1,584)	(1,638)	(14,274)
Total	1,074	1,012	9,680
Unfunded defined benefit obligation	369,398	366,862	3,318,604
Net liability arising from defined benefit obligation	¥369,472	¥367,875	$3,328,284

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Liability for retirement benefits	¥369,472	¥367,875	$3,328,284
Net liability arising from defined benefit obligation	¥369,472	¥367,875	$3,328,284

4. The components of net periodic retirement benefit costs for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Service cost	¥ 13,298	¥ 13,760	$ 119,795
Interest cost	3,483	3,474	31,377
Expected return on plan assets	(40)	(41)	(369)
Recognized actuarial losses	4,885	13,972	44,007
Amortization of prior service cost	(18)	(16)	(163)
Others	154	180	1,393
Net periodic retirement benefit costs	¥ 21,762	¥ 31,330	$ 196,040

5. Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Prior service cost	¥ (18)	¥ (16)	$ (163)
Actuarial losses	3,016	8,458	27,171
Total	¥ 2,998	¥ 8,441	$ 27,007

6. Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Unrecognized prior service cost	¥ (99)	¥ (117)	$ (896)
Unrecognized actuarial losses	6,999	10,015	63,051
Total	¥ 6,899	¥ 9,897	$ 62,154

7. Plan assets

(1) Components of plan assets

Plan assets at March 31, 2019 and 2018, consisted of the following:

	2019	2018
Debt investments	44%	44%
General account of life insurance	39	38
Equity investments	8	10
Others	9	8
Total	100%	100%

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

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

8. Assumptions used for the years ended March 31, 2019 and 2018, are set forth as follows:

	2019	2018
Discount rate	1.00%	1.02%
Expected rate of return on plan assets	2.50%	2.50%

9. Defined contribution

The required contribution amount of the Company and certain consolidated subsidiaries was ¥6,867 million ($61,866 thousand) and ¥6,846 million for the years ended March 31, 2019 and 2018, respectively.

9. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of year	¥444,302	¥436,483	$4,002,363
Additional provisions	72,674	11,448	654,668
Reduction	(15,622)	(3,629)	(140,734)
Balance at end of year	¥501,354	¥444,302	$4,516,297

10. SHORT-TERM BORROWINGS

Short-term borrowings at March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Short-term loans from banks and other sources with weighted-average interest rate of 0.3824% and 0.3035% at March 31, 2019 and 2018, respectively	¥416,096	¥300,226	$3,748,281

Commercial paper included in short-term borrowings in the above table was ¥270,000 million ($2,432,213 thousand) and ¥154,000 million as of March 31, 2019 and 2018, respectively.

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

11. EQUITY

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

(a) Dividends

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

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

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

(b) Increases/decreases and transfer of common stock, reserve, and surplus

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

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

12. INCOME TAXES

The Companies are subject to taxes based on income, such as corporate income tax and inhabitant tax, which, in the aggregate, resulted in normal statutory tax rates of approximately 28.0% and 28.2% for the years ended March 31, 2019 and 2018, respectively. The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities as of March 31, 2019 and 2018, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Deferred tax assets:			
Liability for retirement benefits	¥ 104,653	¥104,216	$ 942,740
Net operating tax loss carryforwards	103,047	123,052	928,272
Depreciation and amortization	92,809	92,373	836,050
Asset retirement obligations	58,756	45,183	529,291
Intercompany profit elimination	24,631	23,684	221,888
Other	168,907	169,260	1,521,553
Less valuation allowance (net operating tax loss carryforwards)	(29,826)		(268,681)
Less valuation allowance	(75,724)		(682,137)
Total valuation allowance	(105,550)	(93,328)	(950,819)
Total deferred tax assets	447,256	464,443	4,028,977
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	22,659	28,960	204,121
Special account related to nuclear power decommissioning	20,414	21,898	183,901
Asset equal to asset retirement obligations	13,226	1,035	119,150
Other	19,880	11,021	179,089
Total deferred tax liabilities	76,182	62,916	686,263
Net deferred tax assets	¥ 371,074	¥401,527	$3,342,713

(Note) "Asset equal to asset retirement obligations" was included in "Other" in the deferred tax liabilities section as of March 31, 2018. Since the amount is material, such amount is disclosed separately as of March 31, 2019. The amount included in "Other" as of March 31, 2018, was ¥1,035 million.

"Reserve for special depreciation" was disclosed separately as of March 31, 2018. Since the amount is immaterial, such amount is included in "Other" in the deferred tax liabilities section as of March 31, 2019. The corresponding amount included in "Other" as of March 31, 2018, was ¥2,814 million.

The expiration of net operating tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2019, was as follows:

	Millions of Yen						
March 31, 2019	One Year or Less	After One Year through Two Years	After Two Years through Three Years	After Three Years through Four Years	After Four Years through Five Years	After Five Years	Total
Net operating tax loss carryforwards[a]	¥ 365	¥ 1,717	¥ 57,112	¥ 6,080	¥ 25,567	¥ 12,203	¥ 103,047
Less valuation allowance	(365)	(1,717)	(186)	(109)	(25,486)	(1,961)	(29,826)
Deferred tax assets			56,926	5,971	80	10,242[b]	73,221

	Thousands of U.S. Dollars						
March 31, 2019	One Year or Less	After One Year through Two Years	After Two Years through Three Years	After Three Years through Four Years	After Four Years through Five Years	After Five Years	Total
Net operating tax loss carry forwards[a]	$ 3,290	$ 15,469	$514,484	$54,776	$ 230,316	$109,934	$ 928,272
Less valuation allowance	(3,290)	(15,469)	(1,678)	(985)	(229,587)	(17,670)	(268,681)
Deferred tax assets			512,805	53,791	729	92,264[b]	659,590

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

(b) The Company considers deferred tax assets as of March 31, 2019, as recoverable based on past and current consolidated taxable income and prospects of future consolidated taxable income.

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2019, is as follows:

	2019	2018
Normal effective statutory tax rate	28.0%	%
Less valuation allowance	4.7	
Other—net	0.5	
Actual effective tax rate	33.2%	%

(Note) The Company does not disclose a reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2018, because the reconciliation was 5% or less.

13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥12,000 million ($108,099 thousand) and ¥11,318 million for the years ended March 31, 2019 and 2018, respectively.

14. RELATED-PARTY DISCLOSURES

Related-party transactions of the Companies with an associated companies for the years ended March 31, 2019 and 2018, were as follows:

(1) 2019

Category	Name	Address	Capital Stock or Stake	Description of Business	Voting Right	Relationship with Related Party	Detail of Transactions	Transaction Amount	
			Millions of Yen					Millions of Yen	Thousands of U.S. Dollars
Associated company	Japan Nuclear Fuel Limited	Rokkasho-mura, Kamikita-gun, Aomori prefecture	¥400,000	Uranium enrichment, reprocessing of irradiated nuclear fuel, temporary storage of nuclear fuel materials and wastes, and disposal of low-level radioactive wastes	16.6%	Contract on uranium enrichment and disposal of low-level radioactive wastes A director concurrently serves as the Company's director and was transferred from the Company.	Co-guarantees or guarantees of loans and bonds	¥164,582	$1,482,592

(2) 2018

Category	Name	Address	Capital Stock or Stake	Description of Business	Voting Right	Relationship with Related Party	Detail of Transactions	Transaction Amount
			Millions of Yen					Millions of Yen
Associated company	Japan Nuclear Fuel Limited	Rokkasho-mura, Kamikita-gun, Aomori prefecture	¥400,000	Uranium enrichment, reprocessing of irradiated nuclear fuel, temporary storage of nuclear fuel materials and wastes, and disposal of low-level radioactive wastes	16.6%	Contract on uranium enrichment and disposal of low-level radioactive wastes A director concurrently serves as the Company's director and was transferred from the Company.	Co-guarantees or guarantees of loans and bonds	¥174,387

15. LEASES

Because of insignificant amounts of investment in leases, the Company has omitted notation in the notes to consolidated financial statements.

16. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Policy for Financial Instruments

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

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

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

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

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

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

Payment terms of accounts are generally less than one year. Imports of fuels are payable in foreign currencies and are exposed to the market risk of fluctuation in foreign currency exchange rates. Long-term loans with variable interest rates are exposed to market risks from changes in interest rates.

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

Derivatives mainly include forward foreign currency contracts, currency swaps, interest rate swaps, and commodity swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of payables, changes in interest rates of long-term loans, and changes in fuel prices. Please see Note 17 for more details about derivatives.

(3) Risk Management for Financial Instruments

Market risk management

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

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

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

Liquidity risk management

The Companies manage liquidity risk by ensuring ready liquidity at the required level, along with financial planning, prepared and updated in a timely manner by the Accounting Department of the Company and each subsidiary.

(4) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. Please see Note 17 for details of the fair value of derivatives.

(a) Fair value of financial instruments

March 31, 2019	Millions of Yen Carrying Amount	Fair Value	Unrealized Gain
Investment securities	¥ 168,758	¥ 168,815	¥ 57
Cash and cash equivalents	158,978	158,977	
Receivables	342,145	342,145	
Total	¥ 669,882	¥ 669,939	¥ 57
Long-term debt	¥ 3,437,376	¥ 3,483,328	¥ 45,952
Short-term borrowings	416,096	416,096	
Notes and accounts payable	195,659	195,659	
Accrued income taxes	13,361	13,361	
Total	¥ 4,062,493	¥ 4,108,445	¥ 45,952
Derivatives	¥ (10,641)	¥ (10,641)	

Some investment securities are included in other current assets in the consolidated balance sheet.

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

Derivatives are stated at the net amount.

March 31, 2018	Millions of Yen Carrying Amount	Fair Value	Unrealized Gain
Investment securities	¥ 178,833	¥ 178,885	¥ 52
Cash and cash equivalents	144,176	144,176	
Receivables	297,999	297,999	
Total	¥ 621,009	¥ 621,062	¥ 52
Long-term debt	¥3,408,013	¥3,470,984	¥62,970
Short-term borrowings	300,226	300,226	
Notes and accounts payable	183,525	183,525	
Accrued income taxes	14,471	14,471	
Total	¥3,906,237	¥3,969,208	¥62,970
Derivatives	¥ (6,464)	¥ (6,464)	

March 31, 2019	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain
Investment securities	$ 1,520,213	$ 1,520,727	$ 513
Cash and cash equivalents	1,432,106	1,432,103	
Receivables	3,082,113	3,082,113	
Total	$ 6,034,433	$ 6,034,944	$ 513
Long-term debt	$ 30,964,561	$ 31,378,507	$ 413,945
Short-term borrowings	3,748,281	3,748,281	
Notes and accounts payable	1,762,539	1,762,539	
Accrued income taxes	120,362	120,362	
Total	$ 36,595,745	$ 37,009,691	$ 413,945
Derivatives	$ (95,857)	$ (95,857)	

Investment securities

The fair values of investment securities are measured at the quoted market price on the stock exchange for the equity instruments or at the quoted price obtained from the financial institution. Information related to the fair value of investment securities by classification is included in Note 5.

Cash and cash equivalents and receivables

The carrying values of cash and cash equivalents and receivables approximate fair value because of their short maturities.

Long-term debt

The fair values of loans are determined by discounting the cash flows related to the debt at the Companies' assumed corporate borrowing rate.

The fair values of corporate bonds approximate market value.

Short-term borrowings, notes and accounts payable, and accrued income taxes

The carrying values of short-term borrowings, notes and accounts payable, and accrued income taxes approximate fair value because of their short maturities.

Derivatives

Fair value information for derivatives is included in Note 17.

(b) Financial instruments whose fair value cannot be reliably determined were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Investments in equity instruments that do not have a quoted market price in an active market	¥ 36,912	¥ 34,628	$ 332,514
Invested instruments and other	25,410	18,178	228,900

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

	Millions of Yen			
March 31, 2019	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Investment securities:				
Held-to-maturity securities	¥ 190	¥ 915	¥ 310	¥ 500
Available-for-sale securities with contractual maturities		100	100	
Cash and cash equivalents	158,977			
Receivables	311,137	1,368	12	1

	Thousands of U.S. Dollars			
March 31, 2019	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Investment securities:				
Held-to-maturity securities	$ 1,711	$ 8,242	$ 2,792	$ 4,504
Available-for-sale securities with contractual maturities		900	900	
Cash and cash equivalents	1,432,103			
Receivables	2,802,790	12,323	110	14

Please see Note 7 for annual maturities of long-term debt.

17. DERIVATIVES

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

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

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

Derivative Transactions to Which Hedge Accounting Is Not Applied

	Millions of Yen			
March 31, 2019	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Loss
Currency swaps (U.S. dollar payment, Japanese yen receipt)	¥ 10,237	¥ 5,134	¥ (1,468)	¥ (1,468)
March 31, 2018				
Currency swaps (U.S. dollar payment, Japanese yen receipt)	¥ 15,340	¥ 10,237	¥ (1,368)	¥ (1,368)

	Thousands of U.S. Dollars			
March 31, 2019	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Loss
Currency swaps (U.S. dollar payment, Japanese yen receipt)	$ 92,222	$ 46,256	$ (13,232)	$ (13,232)

Derivative Transactions to Which Hedge Accounting is Applied

		Millions of Yen		
March 31, 2019	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Principle treatment:				
Buying U.S. dollars	Fuel purchasing fund	¥ 219,075	¥ 219,075	¥ (6,272)
Foreign exchange forward contracts:				
Buying U.S. dollars	Fuel purchasing fund	1,282	562	28
Principle treatment:				
Interest rate swaps (fixed price payment, floating price receipt)	Long-term debt	56,376	55,660	(2,213)
Special hedging treatment:				
Interest rate swaps (fixed price payment, floating price receipt)	Long-term debt	343,579	281,167	(*)
Commodity swaps (fixed price payment, floating price receipt)	Fuel	19,141		(715)

		Millions of Yen		
March 31, 2018	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Principle treatment:				
Buying U.S. dollars	Fuel purchasing fund	¥ 70,140	¥ 70,140	¥ (2,165)
Foreign exchange forward contracts:				
Buying U.S. dollars	Fuel purchasing fund	1,684	1,208	(84)
Principle treatment:				
Interest rate swaps (fixed price payment, floating price receipt)	Long-term debt	16,621	15,906	(292)
Special hedging treatment:				
Interest rate swaps (fixed price payment, floating price receipt)	Long-term debt	413,799	341,079	(*)
Commodity swaps (fixed price payment, floating price receipt)	Fuel	39,013	19,080	(2,554)

March 31, 2019	Hedged Item	Thousands of U.S. Dollars Contract Amount	Contract Amount Due after One Year	Fair Value
Principle treatment:				
Buying U.S. dollars	Fuel purchasing fund	$ 1,973,474	$ 1,973,474	$ (56,504)
Foreign exchange forward contracts:				
Buying U.S. dollars	Fuel purchasing fund	11,552	5,065	260
Principle treatment:				
Interest rate swaps (fixed price payment, floating price receipt)	Long-term debt	507,848	501,401	(19,939)
Special hedging treatment:				
Interest rate swaps (fixed price payment, floating price receipt)	Long-term debt	3,095,033	2,532,815	(*)
Commodity swaps (fixed price payment, floating price receipt)	Fuel	172,426		(6,442)

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

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

18. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen 2019	Millions of Yen 2018	Thousands of U.S. Dollars 2019
Unrealized gain (loss) on available-for-sale securities:			
(Losses) gains arising during the year	¥ (8,985)	¥ 10,667	$ (80,945)
Reclassification adjustments to loss	(116)		(1,050)
Amount before income tax effect	(9,102)	10,667	(81,996)
Income tax effect	2,567	(3,100)	23,127
Total	¥ (6,535)	¥ 7,566	$ (58,868)
Deferred (loss) gain on derivatives under hedge accounting:			
Loss arising during the year	¥ (2,885)	¥ (4,959)	$ (25,991)
Reclassification adjustments to loss	(2)	(1)	(18)
Adjustments to acquisition costs of assets	(1,027)	5,785	(9,256)
Amount before income tax effect	(3,914)	825	(35,266)
Income tax effect	(2,235)	(242)	(20,136)
Total	¥ (6,150)	¥ 583	$ (55,403)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ (2,757)	¥ (1,519)	$ (24,841)
Defined retirement benefit plans:			
Adjustments arising during the year	¥ (1,868)	¥ (5,513)	$ (16,835)
Reclassification adjustments to profit	4,867	13,955	43,843
Amount before income tax effect	2,998	8,441	27,007
Income tax effect	(849)	(2,350)	(7,649)
Total	¥ 2,148	¥ 6,091	$ 19,358
Share of other comprehensive income in associates:			
(Losses) gains arising during the year	¥ (1,744)	¥ 2,740	$ (15,714)
Reclassification adjustments to profit	265	431	2,391
Total	¥ (1,479)	¥ 3,171	$ (13,323)
Total other comprehensive income	¥ (14,773)	¥ 15,892	$ (133,078)

19. COMMITMENTS AND CONTINGENCIES

At March 31, 2019, the Companies had firm purchase commitments, principally related to utility plant expansion, of approximately ¥496,278 million ($4,470,575 thousand). Additionally, the Companies had a number of fuel purchase commitments, most of which specify quantities and terms. Purchase prices are principally contingent upon fluctuations of market prices.

At March 31, 2019, the Companies had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
	2019	2019
Co-guarantees or guarantees of loans and bonds of other companies:		
Japan Nuclear Fuel Limited (Note 14)	¥ 164,582	$ 1,482,592
Other	93,034	838,070
Total	¥ 257,616	$ 2,320,663
A guarantee about power supply for PT Bhumi Jati Power	¥ 7,250	$ 65,310
Fuel purchase commitment with Able Energy Limited Liability Company	3,360	30,270

20. NET INCOME PER SHARE

Diluted net income per share ("EPS") for the years ended March 31, 2019 and 2018, is not disclosed because the Companies do not issue dilutive securities.

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
For the year ended March 31, 2019				
Basic EPS:				
Net income attributable to common shareholders	¥ 115,077	893,240	¥ 128.83	$ 1.16
For the year ended March 31, 2018				
Basic EPS:				
Net income attributable to common shareholders	¥ 151,880	893,385	¥ 170.01	

As noted in Note 2.v, the Company applied the BIP Trust mechanism. In calculating the number of weighted-average shares above, the number of shares that are held by the Trust (98,533 shares in 2019) is reflected.

21. SUBSEQUENT EVENTS

1. SPIN OFF OF THE GENERAL POWER TRANSMISSION AND DISTRIBUTION BUSINESS THROUGH COMPANY SPLIT

On April 25, 2019, by resolution of the Board of Directors, the Company decided that on April 1, 2020, the Company will transfer its general power transmission and distribution business through company split to Kansai Transmission and Distribution, Inc. (the "succeeding company"), and on the same date, the Company executed an absorption-type split agreement with the succeeding company (this company split is hereinafter referred to as the "Split"). In addition, the related proposals of the Split were approved at the 95th general shareholders' meeting held on June 21, 2019.

The effect of the Split is subject to the issue, by the competent authorities, of the permits and approvals necessary for the performance of business.

(1) Background and Purpose of the Split

In regard to Japan's energy policy, from the standpoint of stable supply of energy and reduction of energy costs, electric power systems reform aiming to "secure a stable supply of electric power," "suppress electricity rates to the maximum extent possible" and to "expand choices for consumers and business opportunities" have proceeded. In April 2020, as the third step of such reform, the revised Electricity Business Act will come into force, in which a company engaged in the general electricity transmission and distribution business is prohibited, in principal, to simultaneously also engage in the electricity generation business or the retail electricity business, in order to further secure neutrality of the electricity transmission division and to realize a more competitive market environment. As a result, spin off of the general electricity transmission and distribution business will be required ("Legal Separation").

In order to accommodate the requirement of the revised Electricity Business Act, on April 1, 2019, the Company established the succeeding company (100%-owned subsidiary of the Company) as a business operator to undertake the general electricity transmission and distribution business and any business incidental thereto, and on the same date, executed an absorption-type split agreement with the succeeding company to transfer, on April 1, 2020, such business to the succeeding company through such absorption-type split.

In regard to the electricity generation business and the retail electricity business, the Company will work in a consolidated way as the operating holding company even after Legal Separation, to allow the best use of management resources according to the then-current environment, and aim to maximize the value of the Companies by providing a variety of energy solutions to the Company's customers and society, and to encourage them select the Company from among others.

The Company will not only appropriately respond to Legal Separation, but will also realize sustainable growth for the Companies (including Kansai Transmission and Distribution, Inc.) by continuing to achieve safe and stable supply, overcome changes in the business environment and proceed with reform.

(2) Outline of the Split

(a) Schedule of the Split

Board of Directors to approve the agreement on absorption-type split (the Company):	April 25, 2019
Resolution of directors to approve the agreement on absorption-type split (the succeeding company):	April 25, 2019
Execution of the agreement on absorption-type split:	April 25, 2019
General stockholders meeting to approve the agreement on absorption-type split:	June 21, 2019
Extraordinary stockholders meeting to approve the agreement on absorption-type split (the succeeding company):	June 21, 2019
Absorption-type split to come into effect:	April 1, 2020

(b) Type of split

This is an absorption-type split where the Company is the splitting company and Kansai Transmission and Distribution, Inc., a subsidiary wholly owned by the Company, is the succeeding company.

(c) Particulars of allotment due to the Split

For the Company split, the succeeding company shall make a new issue of 40,900,000 common shares and allot all of them to the Company.

(d) Arrangement of the Company's share options and corporate bonds with share options

The Company has not issued share options and corporate bonds with share options.

(e) Capital increased or decreased due to the Split

There will be no change in capital due to the Split.

(f) Rights and obligations succeeded to by the succeeding company

Kansai Transmission and Distribution, Inc. shall succeed the rights and obligations held with respect to the general electricity transmission and distribution business and any business incidental thereto on the effective day in accordance with the provisions of the absorption-type company split agreement with the Company on April 25, 2019.

With respect to the assumption of obligations by the succeeding company through the Split, the succeeding company will assume, and in doing so, release the Company from, such obligations.

The succeeding company will not assume obligations, etc., associated with existing public bonds of the Company.

(g) Perspective of performance of obligation

It is expected that the Company and the succeeding company will still have assets in excess of liabilities after the Split, and presently the Company do not envision the occurrence of any events that would cause an impediment to the performance of obligations arising after the Split, and for these reasons, the Company judges that there will be no problems with respect to the prospects for the Company and the succeeding company to perform its obligations after the Split.

(3) Outline of Business Unit to Be Split

(a) Description of business unit to be split

General electricity transmission and distribution business and any business incidental thereto

(b) Operating results of business unit to be split [Fiscal year ended March 31, 2019]

Businesses of Divisions Subject to the Split	Sales of Businesses Subject to the Split (a)	Unconsolidated Sales of the Company (b)	Ratio (a/b)
General electricity transmission and distribution business and any business incidental thereto	¥192,841 million ($1,737,152 thousand)	¥2,797,191 million ($25,197,650 thousand)	6.9%

(Note) External sales are stated.

(c) Items and amounts of assets and liabilities to be split [As of March 31, 2019]

Assets		Liabilities	
Item	Book Value	Item	Book Value
Property	¥2,330,228 million ($20,991,159 thousand)	Long-term liabilities and reserves	¥187,866 million ($1,692,341 thousand)
Current assets	¥38,413 million ($346,034 thousand)	Current liabilities	¥133,425 million ($1,201,920 thousand)
Total	¥2,368,641 million ($21,337,193 thousand)	Total	¥321,292 million ($2,894,262 thousand)

(Note) The amounts of assets and liabilities to be divided shown above are the estimates pursuant to the current status as of March 31, 2019. The amounts that will actually be transferred will reflect any increases or decreases made to the above amounts up to the day immediately preceding the effective date of the Split.

(4) State of Affairs of the Company after the Split [As of April 1, 2020 (Schedule)]

	Splitting Company
(1) Company name	The Kansai Electric Power Company, Incorporated
(2) Location	3-6-16 Nakanoshima, Kita-Ku, Osaka City
(3) Title and name of authorized representative	Shigeki Iwane, President and Director
(4) Description of business	Electricity business, etc.
(5) Capital	¥489,320 million ($4,407,897 thousand)
(6) Fiscal year end	March 31

(5) State of Affairs of the Succeeding Company after the Split [As of April 1, 2020 (Schedule)]

	Succeeding Company
(1) Company name	Kansai Transmission and Distribution, Incorporated
(2) Location	3-6-16 Nakanoshima, Kita-Ku, Osaka City
(3) Title and name of authorized representative	Yoshihiro Doi, President and Director
(4) Description of business	General electricity transmission and distribution business, etc.
(5) Capital	¥40,000 million ($360,327 thousand)
(6) Fiscal year end	March 31

2. CHANGE IN DEPRECIATION METHOD FOR TANGIBLE FIXED ASSETS

From the consolidated accounting period for the year ending March 31, 2020, the Company and its consolidated subsidiaries will change the primary depreciation method for tangible fixed assets from the declining-balance method to the straight-line method.

In the Kansai area, which is the Company's main supply area, demand for electric power is expected to remain stable due to factors such as decline in population and widespread use of energy-saving facilities.

Also, the electricity generation and retail business is placed in a competitive environment due to progress in deregulation of the electric-power industry in response to the electricity system reform, and the electricity transmission and distribution business is expected to play a role in contributing to safe and stable supply of electricity by ensuring neutrality, equitability, and efficient operation.

In addition to the above, in the Basic Energy Plan, nuclear power, hydropower, and coal-fired thermal power are positioned as the base load power supply and are expected to operate stably. In regard to oil-fired thermal power and pumped-storage hydropower, value is added to installed capacity as a peak load electricity source and adjustable power supply.

As summarized above, the business environment surrounding the Company has changed drastically, therefore the Company will be prepared for a wide range of eventualities regarding changes in the environment, focusing on the electricity business, which is its core business, and will continue its efforts to increase its corporate value.

In particular, based on the Basic Energy Plan, the Company will strive to maintain steady operation of current electricity power sources in the electricity generation business, taking advantage of the characteristics of each power source. In regard to the transmission and distribution business, the Company will fulfill its duties to maintain a steady supply of electricity in response to social needs, and endeavor to maintain and utilize facilities efficiently.

Reflecting the aforementioned management policy, in the Medium-term Management Plan that commenced in 2019, the efficient and stable operation of all facilities was positioned as one of the Company's major efforts to be taken.

Taking into consideration the above, as stable use of facilities can be expected mainly in the electric power business, the Company determined that changing the depreciation method for tangible fixed assets to the straight-line method would more properly reflect the consumption pattern of future economic benefits.

22. SEGMENT INFORMATION

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

1. Description of reportable segments

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

The Companies' operating segments consist of Electric Power, Gas/Other Energies, IT/Communications, and real estate/life, in accordance with the "Kansai Electric Power Group Medium-Term Management Plan (2016-2018)," and Electric Power, Gas/Other Energies, and IT/Communications are disclosed as reportable segments under ASBJ Statement No. 17.

The aggregate of the Electric Power and Gas/Other Energies segments is presented as the Comprehensive Energy/Power Transmission and Distribution Business.

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

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

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

	Millions of Yen								
	2019								
	Reportable Segment								
	Comprehensive Energy/ Power Transmission and Distribution Business								
	Electric Power	Gas/Other Energies	Subtotal	IT/ Communications	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	¥2,668,312	¥210,819	¥2,879,132	¥217,757	¥3,096,889	¥ 210,771	¥3,307,661		¥3,307,661
Intersegment sales or transfers	20,558	73,266	93,824	49,689	143,514	233,924	377,439	¥(377,439)	
Total	¥2,688,870	¥284,086	¥2,972,956	¥267,447	¥3,240,404	¥ 444,696	¥3,685,100	¥(377,439)	¥3,307,661
Segment profit	¥ 140,577	¥ (4,486)	¥ 136,091	¥ 32,535	¥ 168,626	¥ 38,661	¥ 207,287	¥ (2,434)	¥ 204,853
Segment assets	5,859,348	588,546	6,447,895	339,255	6,787,150	1,198,965	7,986,116	(728,752)	7,257,363
Other:									
Depreciation	244,486	24,971	269,457	55,484	324,942	12,745	337,687	(5,703)	331,984
Increase in property and intangible assets	366,340	24,589	390,929	39,023	429,952	63,791	493,743	(8,443)	485,299

	Millions of Yen								
	2018								
	Reportable Segment								
	Comprehensive Energy/ Power Transmission and Distribution Business								
	Electric Power	Gas/Other Energies	Subtotal	IT/ Communications	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	¥2,596,114	¥141,240	¥2,737,354	¥203,167	¥2,940,522	¥ 193,110	¥3,133,632		¥3,133,632
Intersegment sales or transfers	16,864	32,918	49,782	40,242	90,025	230,122	320,148	¥(320,148)	
Total	¥2,612,979	¥174,158	¥2,787,137	¥243,410	¥3,030,548	¥ 423,232	¥3,453,781	¥(320,148)	¥3,133,632
Segment profit	¥ 170,335	¥ 941	¥ 171,276	¥ 26,269	¥ 197,545	¥ 30,431	¥ 227,977	¥ (425)	¥ 227,551
Segment assets	5,493,197	523,395	6,016,592	343,927	6,360,520	1,246,340	7,606,860	(621,772)	6,985,088
Other:									
Depreciation	250,752	25,309	276,061	58,015	334,077	12,067	346,145	(5,857)	340,287
Increase in property and intangible assets	294,503	25,443	319,947	41,091	361,039	50,886	411,926	(4,914)	407,012

	Thousands of U.S. Dollars								
	2019								
	Reportable Segment								
	Comprehensive Energy/ Power Transmission and Distribution Business								
	Electric Power	Gas/Other Energies	Subtotal	IT/ Communications	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	$24,036,682	$1,899,107	$25,935,790	$1,961,602	$27,897,393	$ 1,898,673	$29,796,066		$29,796,066
Intersegment sales or transfers	185,194	659,997	845,192	447,616	1,292,808	2,107,238	3,400,047	$(3,400,047)	
Total	$24,221,877	$2,559,105	$26,780,982	$2,409,219	$29,190,202	$ 4,005,911	$33,196,113	$(3,400,047)	$29,796,066
Segment profit	$ 1,266,349	$ (40,414)	$ 1,225,934	$ 293,086	$ 1,519,020	$ 348,269	$ 1,867,290	$ (21,931)	$ 1,845,359
Segment assets	52,782,171	5,301,741	58,083,912	3,056,082	61,139,994	10,800,515	71,940,510	(6,564,744)	65,375,765
Other:									
Depreciation	2,202,381	2,224,946	2,427,327	499,819	2,927,146	114,812	3,041,959	(51,380)	2,990,578
Increase in property and intangible assets	3,300,064	221,502	3,521,567	351,528	3,873,095	574,643	4,447,739	(76,062)	4,371,676

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Deloitte.

Deloitte Touche Tohmatsu LLC
Yodoyabashi Mitsui Building
4-1-1 Imabashi, Chuo-ku
Osaka 541-0042
Japan

Tel: +81 (6) 4560 6000
Fax: +81 (6) 4560 6001
www.deloitte.com/jp/en

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of The Kansai Electric Power Company, Incorporated and its consolidated subsidiaries as of March 31, 2018, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

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 audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we 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 the auditor's 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, the auditor considers 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, but 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 referred to above present fairly, in all material respects, the consolidated financial position of The Kansai Electric Power Company, Incorporated and its subsidiaries as of March 31, 2018, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 27, 2018

Member of
Deloitte Touche Tohmatsu Limited

Consolidated Balance Sheet

The Kansai Electric Power Company, Incorporated and Its Subsidiaries
March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2018	2017	2018
PROPERTY:			
Utility plant and equipment	¥ 14,741,988	¥ 14,774,598	$ 138,722,013
Other plant and equipment (Note 8)	2,020,597	1,861,206	19,013,810
Construction in progress (Note 8)	457,442	458,850	4,304,529
Contributions in aid of construction	(485,895)	(482,557)	(4,572,270)
Accumulated depreciation and amortization	(12,301,087)	(12,150,408)	(115,753,155)
Plant and equipment—net (Note 5)	4,433,045	4,461,689	41,714,927
Nuclear fuel, net of amortization (Note 2.d)	494,124	481,371	4,649,706
Property—net	4,927,169	4,943,061	46,364,633
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 6, 8, and 17)	232,870	210,605	2,191,308
Investments in and advances to associated companies (Note 8)	431,764	401,610	4,062,902
Special account related to nuclear power decommissioning (Notes 2.n and 3)	78,332	26,598	737,111
Special account related to reprocessing of spent nuclear fuel (Note 2.j)	25,168		236,839
Deferred tax assets (Note 13)	334,601	375,101	3,148,600
Other assets (Note 8)	153,891	124,140	1,448,120
Total investments and other assets	1,256,630	1,138,055	11,824,882
CURRENT ASSETS:			
Cash and cash equivalents (Notes 8 and 17)	144,176	130,820	1,356,703
Receivables (Notes 8 and 17)	297,999	284,835	2,804,176
Allowance for doubtful accounts	(2,859)	(2,437)	(26,905)
Inventories (Notes 7 and 8)	129,127	122,818	1,215,085
Deferred tax assets (Note 13)	68,272	72,009	642,443
Other current assets (Notes 6, 8, and 17)	164,571	164,019	1,548,615
Total current assets	801,288	772,065	7,540,118
TOTAL	¥ 6,985,088	¥ 6,853,182	$ 65,729,635

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars (Note 1) 2018
LONG-TERM LIABILITIES:			
Long-term debt, less current maturities (Notes 8 and 17)	¥ 2,783,359	¥ 2,843,448	$ 26,191,399
Liability for retirement benefits (Note 9)	367,875	360,362	3,461,703
Asset retirement obligations (Notes 2.k and 10)	444,302	436,483	4,180,882
Deferred tax liabilities (Note 13)	1,346	1,632	12,674
Other long-term liabilities	255,191	285,354	2,401,351
Total long-term liabilities	3,852,076	3,927,280	36,248,011
CURRENT LIABILITIES:			
Current maturities of long-term debt (Notes 8 and 17)	636,331	721,943	5,987,878
Short-term borrowings (Notes 11 and 17)	300,226	269,524	2,825,128
Notes and accounts payable (Notes 8 and 17)	183,525	172,652	1,726,975
Accrued income taxes (Note 17)	14,471	5,622	136,179
Accrued expenses and other current liabilities	496,710	384,010	4,674,042
Total current liabilities	1,631,266	1,553,753	15,350,204
RESERVE FOR FLUCTUATIONS IN WATER LEVEL	28,948	27,452	272,401
COMMITMENTS AND CONTINGENCIES (Notes 15 and 20)			
EQUITY (Note 12):			
Common stock—authorized, 1,784,059,697 shares; issued, 938,733,028 shares in 2018 and 2017	489,320	489,320	4,604,504
Capital surplus	66,725	66,726	627,882
Retained earnings	904,806	788,674	8,514,222
Treasury stock—at cost: 45,372,355 shares in 2018 and 45,317,079 shares in 2017	(96,504)	(96,424)	(908,108)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	91,135	81,037	857,584
Deferred loss on derivatives under hedge accounting	(3,369)	(3,894)	(31,706)
Foreign currency translation adjustments	11,016	13,433	103,663
Defined retirement benefit plans	(9,041)	(16,209)	(85,083)
Total	1,454,087	1,322,663	13,682,958
Noncontrolling interests	18,709	22,032	176,059
Total equity	1,472,797	1,344,696	13,859,017
TOTAL	¥ 6,985,088	¥ 6,853,182	$ 65,729,635

Consolidated Statement of Income

The Kansai Electric Power Company, Incorporated and Its Subsidiaries
Year Ended March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
OPERATING REVENUES:			
Electric	¥2,596,114	¥2,556,591	$24,429,421
Other	537,518	454,745	5,058,043
Total operating revenues	3,133,632	3,011,337	29,487,464
OPERATING EXPENSES (Note 14):			
Electric	2,430,106	2,394,719	22,867,284
Other	475,975	398,870	4,478,926
Total operating expenses	2,906,081	2,793,589	27,346,210
OPERATING INCOME	227,551	217,747	2,141,254
OTHER (INCOME) EXPENSES:			
Interest and dividend income	(10,927)	(14,255)	(102,824)
Interest expense	37,219	48,391	350,236
Equity in earnings of associated companies	(11,704)	(11,397)	(110,136)
Other—net	(4,141)	(1,115)	(38,969)
Total other expenses	10,447	21,622	98,306
INCOME BEFORE PROVISION FOR RESERVE FOR FLUCTUATIONS IN WATER LEVEL AND INCOME TAXES	217,104	196,125	2,042,948
PROVISION FOR (REVERSAL OF) RESERVE FOR FLUCTUATIONS IN WATER LEVEL	1,495	(1,034)	14,076
INCOME BEFORE INCOME TAXES	215,608	197,160	2,028,871
INCOME TAXES (Note 13):			
Current	24,387	17,832	229,489
Deferred	38,699	38,519	364,166
Total income taxes	63,087	56,351	593,655
NET INCOME	152,520	140,808	1,435,216
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	639	18	6,017
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 151,880	¥ 140,789	$ 1,429,198

	Yen		U.S. Dollars
	2018	2017	2018
PER SHARE OF COMMON STOCK (Notes 2.s and 21):			
Basic net income	¥ 170.01	¥ 157.58	$ 1.60
Cash dividends applicable to the year	35.00	25.00	0.33

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

The Kansai Electric Power Company, Incorporated and Its Subsidiaries
Year Ended March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
NET INCOME	¥152,520	¥140,808	$1,435,216
OTHER COMPREHENSIVE INCOME (Note 19):			
Unrealized gain (loss) on available-for-sale securities	7,566	(5,256)	71,202
Deferred gain on derivatives under hedge accounting	583	4,265	5,486
Foreign currency translation adjustments	(1,519)	(5,124)	(14,303)
Defined retirement benefit plans	6,091	7,541	57,319
Share of other comprehensive income in associates	3,171	943	29,846
Total other comprehensive income	15,892	2,369	149,552
COMPREHENSIVE INCOME	¥168,413	¥143,177	$1,584,768
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥167,254	¥144,108	$1,573,862
Noncontrolling interests	1,158	(930)	10,905

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

The Kansai Electric Power Company, Incorporated and Its Subsidiaries
Year Ended March 31, 2018

		Millions of Yen										
						Accumulated Other Comprehensive Income						
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, APRIL 1, 2016	938,733,028	¥489,320	¥66,634	¥648,154	¥(96,492)	¥85,930	¥(8,244)	¥17,726	¥(24,365)	¥1,178,665	¥23,165	¥1,201,831
Net income attributable to owners of the parent				140,789						140,789		140,789
Change of scope of consolidation				(269)						(269)		(269)
Change in ownership interest of parent due to transactions with noncontrolling interests			92							92		92
Purchase of treasury stock					(41)					(41)		(41)
Disposal of treasury stock					109					108		108
Net change in the year						(4,893)	4,349	(4,292)	8,155	3,319	(1,133)	2,186
BALANCE, MARCH 31, 2017	938,733,028	489,320	66,726	788,674	(96,424)	81,037	(3,894)	13,433	(16,209)	1,322,663	22,032	1,344,696
Cash dividends, ¥40 per share				(35,747)						(35,747)		(35,747)
Net income attributable to owners of the parent				151,880						151,880		151,880
Change of scope of consolidation												
Purchase of treasury stock					(83)					(83)		(83)
Disposal of treasury stock			(1)		3					2		2
Transfer to capital surplus from retained earnings			1	(1)								
Capital increase of consolidated subsidiaries			(1)							(1)		(1)
Net change in the year						10,097	525	(2,417)	7,168	15,373	(3,322)	12,050
BALANCE, MARCH 31, 2018	938,733,028	¥489,320	¥66,725	¥904,806	¥(96,504)	¥91,135	¥(3,369)	¥11,016	¥ (9,041)	¥1,454,087	¥18,709	¥1,472,797

	Thousands of U.S. Dollars (Note 1)										
					Accumulated Other Comprehensive Income						
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, MARCH 31, 2017	$4,604,504	$627,897	$7,421,418	$(907,353)	$762,565	$(36,649)	$126,412	$(152,535)	$12,446,259	$207,327	$12,653,586
Cash dividends, $0.38 per share			(336,384)						(336,384)		(336,384)
Net income attributable to owners of the parent			1,429,198						1,429,198		1,429,198
Change of scope of consolidation											
Purchase of treasury stock				(784)					(784)		(784)
Disposal of treasury stock		(9)		28					19		19
Transfer to capital surplus from retained earnings		9	(9)								
Capital increase of consolidated subsidiaries		(14)							(14)		(14)
Net change in the year					95,019	4,942	(22,749)	67,451	144,664	(31,267)	113,396
BALANCE, MARCH 31, 2018	$4,604,504	$627,882	$8,514,222	$(908,108)	$857,584	$(31,706)	$103,663	$ (85,083)	$13,682,957	$176,059	$13,859,017

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

The Kansai Electric Power Company, Incorporated and Its Subsidiaries
Year Ended March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
OPERATING ACTIVITIES:			
Income before income taxes	¥ 215,608	¥ 197,160	$ 2,028,871
Adjustments for:			
Income taxes – paid	(15,210)	(31,179)	(143,133)
Depreciation and amortization	340,287	368,768	3,202,105
Decommissioning cost of nuclear power units	13,275	10,120	124,918
Depreciation of special account related to nuclear power decommissioning	1,845	748	17,365
Amortization of nuclear fuel	11,795		110,995
Loss on disposal of property, plant, and equipment	10,325	10,719	97,165
Nuclear fuel transferred to reprocessing costs		6,781	
Changes in assets and liabilities:			
Decrease in reserve fund for reprocessing of irradiated nuclear fuel		29,009	
Increase in receivables	(36,245)	(10,691)	(341,066)
Decrease in interest and dividends receivable	4,773	7,001	44,921
Increase in notes and accounts payable	3,202	2,293	30,136
Increase (decrease) in consumption taxes payable	60,782	(56,151)	571,960
Decrease in interest payable	(1,236)	(1,142)	(11,631)
Increase in liability for retirement benefits	15,941	13,405	150,006
Increase (decrease) in reserve for fluctuations in water level	1,495	(1,034)	14,076
Decrease in reserve for reprocessing of irradiated nuclear fuel		(16,383)	
Other—net	(3,375)	(43,755)	(31,759)
Total adjustments	407,658	288,509	3,836,059
Net cash provided by operating activities	623,266	485,669	5,864,931
INVESTING ACTIVITIES:			
Purchases of property, plant, and equipment	(398,028)	(338,126)	(3,745,450)
Payments for investments and advances	(58,829)	(37,630)	(553,585)
Proceeds from sales of investments or collections of advances	14,355	8,437	135,082
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(20,492)		(192,829)
Other—net	15,757	21,569	148,281
Net cash used in investing activities	(447,237)	(345,749)	(4,208,500)
FINANCING ACTIVITIES:			
Proceeds from issuance of bonds	249,465	179,436	2,347,467
Proceeds from long-term debt (exclusive of bonds)	326,092	237,010	3,068,531
Proceeds from short-term loans	273,282	303,512	2,571,582
Proceeds from issuance of commercial papers	404,000	380,000	3,801,637
Redemption of bonds	(331,100)	(259,700)	(3,115,648)
Repayments of long-term debt (exclusive of bonds)	(390,337)	(401,861)	(3,673,073)
Repayments of short-term loans	(282,667)	(297,435)	(2,659,902)
Repayments of commercial papers	(364,000)	(266,000)	(3,425,237)
Dividends paid	(35,674)	(93)	(335,697)
Other—net	(11,337)	(5,228)	(106,687)
Net cash used in financing activities	(162,277)	(130,359)	(1,527,028)
NET CASH USED IN OPERATING, INVESTING, AND FINANCING ACTIVITIES	13,751	9,560	129,402
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(394)	(1,765)	(3,715)
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,356	7,795	125,687
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	130,820	123,025	1,231,024
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 144,176	¥ 130,820	$ 1,356,703

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

The Kansai Electric Power Company, Incorporated and Its Subsidiaries
Year Ended March 31, 2018

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which The Kansai Electric Power Company, Incorporated (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥106.27 to $1, the approximate rate of exchange at March 31, 2018. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Principles of Consolidation and Accounting for Investments in Associated Companies***—The consolidated financial statements as of March 31, 2018, include the accounts of the Company and all (69 in 2018 and 62 in 2017) subsidiaries (collectively, the "Companies").

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

Investments in four (four in 2017) associated companies are accounted for by the equity method. Investments in the remaining associated companies are stated at cost. Had the equity method been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would be immaterial.

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

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

b. ***Subsidiaries' Fiscal Year End***—The fiscal year end of seven subsidiaries is December 31. The Company consolidates such subsidiaries' financial statements using their financial results for the year ended December 31. The effects of any significant transactions during the period between the subsidiaries' fiscal year end and the Company's fiscal year end are reflected in the consolidated financial statements.

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

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

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

Amortization of nuclear fuel is computed based on the quantity of heat produced for the generation of electricity. Accumulated amortization of nuclear fuel at March 31, 2018 and 2017, was ¥68,959 million ($648,907 thousand) and ¥86,143 million, respectively.

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

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

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

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

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

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

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

The Companies account for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

Prior service cost is amortized by the straight-line method over a period of principally three years. Actuarial gains or losses are recognized by the straight-line method over a period of principally three years.

Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over three years no longer than the expected average remaining service period of the employees. The discount rate is determined using a single weighted-average discount rate reflecting the estimated timing and amount of benefit payment.

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

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

With regard to the unrecognized amount of ¥82,953 million ($780,588 thousand) at the time of enforcement of the Revised Act out of ¥312,810 million ($2,943,543 thousand) (the difference which resulted from the change in the accounting standard relating to Reserve for reprocessing of irradiated nuclear fuel in 2005) set forth in Article 2 of Supplementary Provisions of Ministry Order Relating to the Partial Revision of the Ordinance on Accounting at Electricity Utilities (Ordinance of the Ministry of Economy, Trade and Industry No. 92, in 2005), the Company has paid and will pay such amount in installments in each fiscal year up to 2019 in accordance with Paragraph 1 of Article 6 of Supplementary Provisions of the Revised Act, and the Company has recorded and will record the amount paid in each fiscal year as expenses in accordance with Article 4 of Supplementary Provisions of Ministry Order Relating to the Partial Revision of the Ordinance on Accounting at Electricity Utilities (Ordinance of the Ministry of Economy, Trade and Industry No. 94, in 2016). The unrecognized amount of difference which occurred in connection with the change in the accounting standard was ¥41,476 million ($390,294 thousand) as of March 31, 2018.

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

The Company mainly recognizes an asset retirement obligation with regard to the costs for decommissioning of nuclear power units, which are regulated under the Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material, and Reactors. The amount of this asset retirement obligation is based on the total estimation amount of decommissioning of nuclear power units. The estimated useful life is equal to the expected safe storage period and the expected operating period of a specific nuclear power unit, and a discount rate of 2.3% is used. In addition, in accordance with Accounting Standards Board of Japan ("ASBJ") Guidance No. 21 and the Ministerial Ordinance Concerning Reserve for Decommissioning of Nuclear Power Units, the asset retirement cost is subsequently allocated to expenses based on the straight-line method throughout the expected safe storage period and the expected operating period.

On April 1, 2018, the "Ministry Order Relating to Reserves for Decommissioning of Nuclear Power Plants" (Ordinance Ministry of International Trade and Industry No. 30, 1989; "Ordinance of Decommissioning") was revised, following the enforcement of the "Ordinance to Partially Revise the Ordinance on Reserves for Scrapping Nuclear Power Plants" (Ordinance of the Ministry of Economy, Trade and Industry No. 17, 2018; "Revised Ordinance").

For the assets equal to asset retirement obligations related to the decommissioning of a specific nuclear power unit, among the nuclear power production facilities, costs are accounted for in accordance with the Ordinance of Decommissioning. Although the accounting period was defined as throughout the expected safe storage period and the expected operating period in the past, the Revised Ordinance defines the accounting period as the period from the month in which a specific nuclear power unit was utilized for power production for the first time after its completion (hereinafter referred to as the "Starting Month of Utilization"), to the month in which a period of 40 years elapses (or the month in which the final day of an extension falls, if the operation period was extended based on the Paragraph 2 of Article 43-3-32; "the Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material, and Reactors [Law No. 166, 1957]").

Also, the accounting period for decommissioning nuclear reactors associated with a specific nuclear power unit has been revised to the period from the Starting Month of Utilization to the month in which the day the total cost estimation in accordance with the provisions of Paragraph 1, Article 5 of the Ordinance of Decommissioning was approved. However, if an application for extending the reserve funding period based on Paragraph 3, Article 5 of the Ordinance of Decommissioning was filed, the period ends in the month in which a period of 10 years elapses from the month in which the day of decommissioning falls (or, if the reactor was decommissioned by the day before the enforcement of the Revised Ordinance, in the month 10 years from the month of decommissioning (or 50 years from the Starting Month of Utilization, if the day of decommissioning was past the 40 years mark from the Starting Month of Utilization)).

l. ***Reserve for Fluctuations in Water Level***—A reserve for fluctuations in water level is provided for costs expected to be incurred from insufficient water levels in accordance with the Electricity Utilities Industry Act and the Ordinance on Accounting at Electricity Utilities.

m. ***Leases***

As lessee—Finance lease transactions are capitalized to recognizing lease assets and lease obligations in the balance sheet.

In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued. Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's consolidated financial statements. The revised accounting standard permits leases that existed at the transition date and that do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions with certain "as if capitalized" information disclosed in the notes to the lessee's consolidated financial statements.

The Companies applied the revised accounting standard effective April 1, 2008. In addition, the Companies continue to account for leases that existed at the transition date and that do not transfer ownership of the leased property to the lessee as operating lease transactions. However, the Companies do not disclose "as if capitalized" information because there is an immaterial effect on the consolidated financial statements.

All other leases are accounted for as operating leases.

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

All other leases are accounted for as operating leases.

n. ***Special Account Related to Nuclear Power Decommissioning***—The Special account related to nuclear power decommissioning shall be amortized in relation to the collection of the regulated power fees after the date of approval of the Ministry of Economy, Trade and Industry pursuant to Article 7 of Supplementary Provisions of Ministry Order Relating to the Partial Revision of the Ordinance on Accounting at Electricity Utilities (Ordinance of the Ministry of Economy, Trade and Industry No. 50, 2016).

o. ***Income Taxes***—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

The Companies file a tax return under the consolidated corporate tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

p. ***Foreign Currency Transactions***—All receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates as of the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by the forward exchange contracts.

q. ***Foreign Currency Financial Statements***—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date, except for equity, which is translated at the historical rate. Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

r. ***Derivatives and Hedging Activities***—The Companies principally use foreign exchange forward contracts, currency swaps, interest rate swaps, and commodity swaps in the normal course of business to manage their exposures to fluctuations in foreign exchange, interest rates, fuel prices, and so on. The Companies do not enter into derivatives for trading or speculative purposes. Derivative financial instruments are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income and (2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on those derivatives are deferred until maturity of the hedged transactions.

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

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

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

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

t. ***Accounting Changes and Error Corrections***—Under ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections," accounting treatments are required as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively, unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated.

u. ***New Accounting Pronouncements***—On March 30, 2018, the ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition." The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contracts with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when the entity satisfies a performance obligation

The accounting standard and guidance are effective for annual periods beginning on or after April 1, 2021. Earlier application is permitted for annual periods beginning on or after April 1, 2018.

The Company expects to apply the accounting standard and guidance for annual periods beginning on or after April 1, 2021, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

3. DECISION TO DECOMMISSION OHI NUCLEAR POWER STATION UNITS 1 AND 2 AND SUBMISSION OF APPLICATION FOR APPROVAL OF SPECIFIED ASSETS FOR NUCLEAR POWER AND SPECIAL ACCOUNT RELATED TO NUCLEAR POWER DECOMMISSIONING BASED ON THE ORDINANCE ON ACCOUNTING AT ELECTRICITY UTILITIES

On December 22, 2017, the Company decided to decommission the Ohi Nuclear Power Station Units 1 and 2 and, on the same day, submitted applications to the Minister of Economy, Trade and Industry for approval of specified assets for nuclear power and special account related to nuclear power decommissioning based on Paragraph 2 of Article 28-2 and Paragraph 2 of Article 28-3; the "Ordinance on Accounting at Electricity Utilities."

Accordingly, the Company continues to post ¥25,460 million ($239,584 thousand) for the book value of assets described below in item (A), which is hereinafter referred to as "Book Value of Specified Assets for Nuclear Power," to the Nuclear power production facilities or the Construction in progress: (A) in an attempt to decommission nuclear reactors under operation, fixed assets described below in 2 items (i) and (ii) including fixed assets posted to the Construction in progress (limited to those to be completed after decommissioning) and excluding assets equal to asset retirement obligations: (i) fixed assets contaminated by nuclear fuel materials (in accordance with Paragraph 2 of Article 3; the "Atomic Energy Basic Act") as a result of the operation of nuclear reactors and (ii) fixed assets for which control of maintenance is necessary even after nuclear reactors are decommissioned.

In addition, the Company has posted or transferred ¥38,198 million ($359,450 thousand) for the book value of assets described below in item (B) and ¥15,381 million ($144,737 thousand) for the equivalent of costs described below in item (C) to the Special account related to nuclear power decommissioning: (B) in an attempt to decommission nuclear reactors under operation, the book value of assets described below in item (iii) and of nuclear fuel used for nuclear reactors excluding the estimated disposal price: (iii) the book value of fixed assets for which control of maintenance is necessary even after nuclear reactors are decommissioned, excluding the Book Value of Specified Assets for Nuclear Power and including the book value of fixed assets posted to Construction in progress (limited to those not to be completed after decommissioning), and (C) the Cost of reprocessing of irradiated nuclear fuel (excluding the Cost of reprocessing of irradiated nuclear fuel related to past years' power generation) and costs necessary for separating the components of the nuclear fuel, both generated in connection with decommissioning of the nuclear reactors.

4. CHANGES IN PRESENTATION

"Gain on sales of property, plant, and equipment" was disclosed separately in OTHER (INCOME) EXPENSES of the consolidated statement of income for the year ended March 31, 2017. Since the amount decreased significantly, such amount is included in "Other – net" within OTHER (INCOME) EXPENSES of the consolidated statement of income for the year ended March 31, 2018. The amount included in "Gain on sales of property, plant, and equipment" for the year ended March 31, 2017 was ¥15,311 million.

"Dividends paid" was included in "Other – net" within FINANCING ACTIVITIES of the consolidated statement of cash flows for the year ended March 31, 2017. Since the amount increased significantly, such amount is disclosed separately within FINANCING ACTIVITIES of the consolidated statement of cash flows for the year ended March 31, 2018. The amount included in "Other – net" for the year ended March 31, 2017 was ¥(93) million.

5. PLANT AND EQUIPMENT

Plant and equipment, at carrying value, at March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Hydroelectric power production facilities	¥ 294,175	¥ 290,593	$ 2,768,188
Thermal power production facilities	414,312	452,947	3,898,678
Nuclear power production facilities	344,032	350,749	3,237,345
Transmission facilities	819,294	850,856	7,709,552
Transformation facilities	416,948	402,961	3,923,481
Distribution facilities	811,479	818,171	7,636,016
General facilities	100,412	106,287	944,880
Other utility facilities	21,624	22,905	203,487
Other plant and equipment	753,323	707,364	7,088,767
Construction in progress	457,442	458,850	4,304,529
Total	¥4,433,045	¥4,461,689	$41,714,927

The Book Value of Specified Assets for Nuclear Power is included in nuclear power production facilities, which amounted to ¥38,671 million ($363,900 thousand) and ¥18,685 million as of March 31, 2018 and 2017, respectively.

Information related to The Book Value of Specified Assets for Nuclear Power is included in Note 3.

6. INVESTMENT SECURITIES

The information for available-for-sale securities, whose fair values are readily determinable, and held-to-maturity securities at March 31, 2018 and 2017, is as follows:

	Millions of Yen			
March 31, 2018	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available for sale:				
Equity securities	¥68,156	¥108,245	¥(138)	¥176,263
Debt securities	399	22		422
Held-to-maturity debt securities	2,147	55	(2)	2,200

	Millions of Yen			
March 31, 2017	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available for sale:				
Equity securities	¥69,185	¥ 97,395	¥(270)	¥166,310
Debt securities	470	31		501
Held-to-maturity debt securities	3,788	87	(7)	3,868

	Thousands of U.S. Dollars			
March 31, 2018	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available for sale:				
Equity securities	$641,351	$1,018,586	$(1,302)	$1,658,635
Debt securities	3,762	210		3,972
Held-to-maturity debt securities	20,210	522	(28)	20,704

7. INVENTORIES

Inventories at March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Merchandise and finished products	¥ 4,377	¥ 4,879	$ 41,187
Work in process	7,837	8,111	73,753
Raw materials and supplies	73,199	70,572	688,805
Real estate for sale	43,712	39,254	411,338
Total	¥129,127	¥122,818	$1,215,085

8. LONG-TERM DEBT

Long-term debt at March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Secured bonds:			
0.21% to 2.925%, due serially through 2036:			
The Company	¥ 1,239,797	¥ 1,320,888	$ 11,666,487
Subsidiaries	200		1,881
(Nonrecourse debt included above)	100		940
Secured loans principally from the Development Bank of Japan:			
0.4% to 3.15% maturing serially through 2027:			
The Company	320,386	318,126	3,014,831
Subsidiaries	3,897	3,697	36,679
(Nonrecourse debt included above)	900		8,468
Unsecured loans from banks, insurance companies, and other sources:			
0.07% to 3.8% (0.05% to 4.69% in 2017) maturing serially through 2037	1,843,732	1,909,314	17,349,508
Obligations under finance leases	11,677	13,365	109,888
Total	3,419,691	3,565,391	32,179,277
Less current maturities	636,331	721,943	5,987,878
Long-term debt, less current maturities	¥ 2,783,359	¥ 2,843,448	$ 26,191,399

Annual maturities of long-term debt at March 31, 2018, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2019	¥ 636,331	$ 5,987,878
2020	524,417	4,934,767
2021	537,639	5,059,181
2022	534,479	5,029,445
2023	250,216	2,354,536
2024 and thereafter	936,607	8,813,468
Total	¥ 3,419,691	$ 32,179,277

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

The carrying amounts of subsidiaries' assets pledged as collateral for notes and accounts payable of ¥2,297 million ($21,618 thousand) and the above secured loans at March 31, 2018, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2018	2018
Other plant and equipment	¥ 39,263	$ 369,471
Construction in progress	269	2,539
Other assets	165	1,559
Cash and cash equivalents	2,454	23,093

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

	Millions of Yen	Thousands of U.S. Dollars
	2018	2018
Other plant and equipment	¥ 9,096	$ 85,598
Construction in progress	26,573	250,058
Investment securities	3,782	35,595
Investments in and advances to associated companies	55,085	518,350
Other assets	10,417	98,028
Cash and cash equivalents	369	3,480
Receivables	1,726	16,249
Inventories	222	2,091
Other current assets	506	4,767

9. RETIREMENT AND PENSION PLAN

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

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

In addition, certain consolidated subsidiaries participate in a contributory multiemployer pension plan covering substantially all of their employees.

1. The changes in defined benefit obligation for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Balance at beginning of year (as restated)	¥ 362,009	¥ 361,483	$ 3,406,503
Current service cost	13,760	14,038	129,490
Interest cost	3,474	3,571	32,690
Actuarial gains	5,435	1,266	51,146
Benefits paid	(14,240)	(14,166)	(134,004)
Others	(924)	(4,183)	(8,702)
Balance at end of year	¥ 369,514	¥ 362,009	$ 3,477,124

"Decrease due to transfer to defined contribution pension plan" was disclosed separately for the year ended March 31, 2017. Since the amount decreased significantly, such amount is included in "Others" for the year ended March 31, 2018. The amount included in "Decrease due to transfer to defined contribution pension plan" for the year ended March 31, 2017 was ¥3,774 million.

2. The changes in plan assets for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Balance at beginning of year	¥ 1,646	¥ 4,003	$ 15,494
Expected return on plan assets	41	41	387
Actuarial losses	(78)	(10)	(735)
Contributions from the employer	136	137	1,289
Benefits paid	(107)	(168)	(1,014)
Decrease due to transfer to defined contribution pension plan		(2,356)	
Balance at end of year	¥ 1,638	¥ 1,646	$ 15,420

3. A reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2018 and 2017, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Funded defined benefit obligation	¥ 2,651	¥ 2,625	$ 24,946
Plan assets	(1,638)	(1,646)	(15,420)
Total	1,012	979	9,525
Unfunded defined benefit obligation	366,862	359,383	3,452,178
Net liability arising from defined benefit obligation	¥ 367,875	¥ 360,362	$ 3,461,703

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Liability for retirement benefits	¥ 367,875	¥ 360,362	$ 3,461,703
Net liability arising from defined benefit obligation	¥ 367,875	¥ 360,362	$ 3,461,703

4. The components of net periodic retirement benefit costs for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Service cost	¥ 13,760	¥ 14,038	$ 129,490
Interest cost	3,474	3,571	32,690
Expected return on plan assets	(41)	(41)	(387)
Recognized actuarial losses	13,972	11,816	131,479
Amortization of prior service cost	(16)	(16)	(157)
Others	180	22	1,701
Net periodic retirement benefit costs	¥ 31,330	¥ 29,390	$ 294,816

5. Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Prior service cost	¥ (16)	¥ (16)	$ (157)
Actuarial losses	8,458	10,539	79,596
Total	¥ 8,441	¥ 10,522	$ 79,438

6. Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Unrecognized prior service cost	¥ (117)	¥ (134)	$ (1,107)
Unrecognized actuarial losses	10,015	18,474	94,246
Total	¥ 9,897	¥ 18,339	$ 93,138

7. Plan assets

(1) Components of plan assets

Plan assets at March 31, 2018 and 2017, consisted of the following:

	2018	2017
Debt investments	44%	31%
General account of life insurance	38	37
Equity investments	10	8
Others	8	24
Total	100%	100%

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

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

8. Assumptions used for the years ended March 31, 2018 and 2017, are set forth as follows:

	2018	2017
Discount rate	1.02%	1.04%
Expected rate of return on plan assets	2.50%	2.50%

9. Defined contribution

The required contribution amount of the Company and certain consolidated subsidiaries was ¥6,846 million ($64,430 thousand) and ¥6,859 million for the years ended March 31, 2018 and 2017, respectively.

10. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Balance at beginning of year	¥ 436,483	¥ 426,449	$ 4,107,303
Additional provisions	11,448	13,020	107,730
Reduction	(3,629)	(2,986)	(34,151)
Balance at end of year	¥ 444,302	¥ 436,483	$ 4,180,882

11. SHORT-TERM BORROWINGS

Short-term borrowings at March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Short-term loans from banks and other sources with weighted-average interest rate of 0.3035% and 0.2838% at March 31, 2018 and 2017, respectively	¥300,226	¥269,524	$2,825,128

Commercial paper included in short-term borrowings in the above table was ¥154,000 million ($1,449,138 thousand) and ¥114,000 million as of March 31, 2018 and 2017, respectively.

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

12. EQUITY

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

(a) Dividends

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

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

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

(b) Increases/decreases and transfer of common stock, reserve, and surplus

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

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

13. INCOME TAXES

The Companies are subject to taxes based on income, such as corporate income tax and inhabitant tax, which, in the aggregate, resulted in normal statutory tax rates of approximately 28.2% for the years ended March 31, 2018 and 2017. The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities at March 31, 2018 and 2017, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Deferred tax assets:			
Net operating tax loss carryforwards	¥ 123,052	¥ 148,317	$ 1,157,921
Liability for retirement benefits	104,216	102,173	980,675
Depreciation and amortization	92,373	90,327	869,236
Asset retirement obligations	45,183	45,048	425,180
Intercompany profit elimination	23,684	23,719	222,874
Other	169,260	173,338	1,592,742
Less valuation allowance	(93,328)	(89,080)	(878,220)
Total deferred tax assets	464,443	493,844	4,370,409
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	28,960	26,616	272,515
Special account related to nuclear power decommissioning	21,898	7,440	206,066
Reserve for special depreciation	2,814	3,976	26,485
Other	9,242	10,331	86,972
Total deferred tax liabilities	62,916	48,366	592,040
Net deferred tax assets	¥ 401,527	¥ 445,478	$ 3,778,369

14. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥11,318 million ($106,507 thousand) and ¥11,381 million for the years ended March 31, 2018 and 2017, respectively.

15. RELATED-PARTY DISCLOSURES

Related-party transactions of the Companies with an associated companies for the years ended March 31, 2018 and 2017, were as follows:

(1) 2018

Category	Name	Address	Capital Stock or Stake	Description of Business	Voting Right	Relationship with Related Party	Detail of Transactions	Transaction Amount	
			Millions of Yen					Millions of Yen	Thousands of U.S. Dollars
Associated company	Japan Nuclear Fuel Limited	Rokkasho-mura, Kamikita-gun, Aomori prefecture	¥400,000	Uranium enrichment, reprocessing of irradiated nuclear fuel, temporary storage of nuclear fuel materials and wastes, and disposal of low-level radioactive wastes	16.6%	Contract on uranium enrichment and disposal of low-level radioactive wastes A director concurrently serves as the Company's director and was transferred from the Company.	Co-guarantees or guarantees of loans and bonds	¥174,387	$1,640,985

(2) 2017

Category	Name	Address	Capital Stock or Stake	Description of Business	Voting Right	Relationship with Related Party	Detail of Transactions	Transaction Amount
			Millions of Yen					Millions of Yen
Associated company	Japan Nuclear Fuel Limited	Rokkasho-mura, Kamikita-gun, Aomori prefecture	¥400,000	Uranium enrichment, reprocessing of irradiated nuclear fuel, temporary storage of nuclear fuel materials and wastes, and disposal of low-level radioactive wastes	16.6%	Contract on uranium enrichment and disposal of low-level radioactive wastes A director concurrently serves as the Company's director and was transferred from the Company.	Co-guarantees or guarantees of loans and bonds	¥186,440

16. LEASES

Because of insignificant amounts of investment in leases, the Company has omitted notation in the notes to consolidated financial statements.

17. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Policy for Financial Instruments

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

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

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

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

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

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

Payment terms of accounts are generally less than one year. Imports of fuels are payable in foreign currencies and are exposed to the market risk of fluctuation in foreign currency exchange rates. Long-term loans with variable interest rates are exposed to market risks from changes in interest rates.

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

Derivatives mainly include forward foreign currency contracts, currency swaps, interest rate swaps, and commodity swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of payables, changes in interest rates of long-term loans, and changes in fuel prices. Please see Note 18 for more details about derivatives.

(3) Risk Management for Financial Instruments

Market risk management

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

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

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

Liquidity risk management

The Companies manage liquidity risk by ensuring ready liquidity at the required level, along with financial planning, prepared and updated in a timely manner by the Accounting Department of the Company and each subsidiary.

(4) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. Please see Note 18 for details of the fair value of derivatives.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2018	Carrying Amount	Fair Value	Unrealized Gain
Investment securities	¥ 178,833	¥ 178,885	¥ 52
Cash and cash equivalents	144,176	144,176	
Receivables	297,999	297,999	
Total	¥ 621,009	¥ 621,062	¥ 52
Long-term debt	¥ 3,408,013	¥ 3,470,984	¥62,970
Short-term borrowings	300,226	300,226	
Notes and accounts payable	183,525	183,525	
Accrued income taxes	14,471	14,471	
Total	¥ 3,906,237	¥ 3,969,208	¥62,970
Derivatives	¥ (6,464)	¥ (6,464)	

Some investment securities are included in Other current assets in the consolidated balance sheet.

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

Derivatives are stated at the net amount.

	Millions of Yen		
March 31, 2017	Carrying Amount	Fair Value	Unrealized Gain
Investment securities	¥ 170,601	¥ 170,681	¥ 80
Cash and cash equivalents	130,820	130,820	
Receivables	284,835	284,835	
Total	¥ 586,258	¥ 586,338	¥ 80
Long-term debt	¥3,552,025	¥3,634,416	¥82,391
Short-term borrowings	269,524	269,524	
Notes and accounts payable	172,652	172,652	
Accrued income taxes	5,622	5,622	
Total	¥3,999,825	¥4,082,216	¥82,391
Derivatives	¥ (9,218)	¥ (9,218)	

March 31, 2018	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain
Investment securities	$ 1,682,818	$ 1,683,313	$ 494
Cash and cash equivalents	1,356,703	1,356,703	
Receivables	2,804,176	2,804,176	
Total	$ 5,843,698	$ 5,844,193	$ 494
Long-term debt	$32,069,389	$32,661,945	$592,556
Short-term borrowings	2,825,128	2,825,128	
Notes and accounts payable	1,726,975	1,726,975	
Accrued income taxes	136,179	136,179	
Total	$36,757,672	$37,350,228	$592,556
Derivatives	$ (60,831)	$ (60,831)	

Investment securities

The fair values of investment securities are measured at the quoted market price on the stock exchange for the equity instruments or at the quoted price obtained from the financial institution. Information related to the fair value of investment securities by classification is included in Note 6.

Cash and cash equivalents and receivables

The carrying values of cash and cash equivalents and receivables approximate fair value because of their short maturities.

Long-term debt

The fair values of loans are determined by discounting the cash flows related to the debt at the Companies' assumed corporate borrowing rate.

The fair values of corporate bonds approximate market value.

Short-term borrowings, notes and accounts payable, and accrued income taxes

The carrying values of short-term borrowings, notes and accounts payable, and accrued income taxes approximate fair value because of their short maturities.

Derivatives

Fair value information for derivatives is included in Note 18.

(b) Financial instruments whose fair value cannot be reliably determined were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Investments in equity instruments that do not have a quoted market price in an active market	¥34,628	¥25,515	$325,852
Invested instruments and other	18,178	14,640	171,061

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

March 31, 2018	Millions of Yen Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 Years
Investment securities:				
Held-to-maturity securities	¥ 309	¥1,005	¥ 325	¥ 500
Available-for-sale securities with contractual maturities		300	100	
Cash and cash equivalents	144,176			
Receivables	269,879	720	44	4

March 31, 2018	Thousands of U.S. Dollars Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 Years
Investment securities:				
Held-to-maturity securities	$ 2,917	$9,457	$3,058	$4,704
Available-for-sale securities with contractual maturities		2,822	940	
Cash and cash equivalents	1,356,703			
Receivables	2,539,567	6,781	414	38

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

18. DERIVATIVES

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

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

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

Derivative Transactions to Which Hedge Accounting Is Not Applied

	Millions of Yen Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Loss
March 31, 2018				
Currency swaps (U.S. dollar payment, Japanese yen receipt)	¥15,340	¥10,237	¥(1,368)	¥(1,368)
March 31, 2017				
Currency swaps (U.S. dollar payment, Japanese yen receipt)	¥20,442	¥15,340	¥(3,363)	¥(3,363)

March 31, 2018	Thousands of U.S. Dollars Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Loss
Currency swaps (U.S. dollar payment, Japanese yen receipt)	$144,351	$96,335	$(12,876)	$(12,876)

Derivative Transactions to Which Hedge Accounting is Applied

March 31, 2018	Hedged Item	Millions of Yen Contract Amount	Millions of Yen Contract Amount Due after One Year	Millions of Yen Fair Value
Principle treatment:				
Buying U.S. dollars	Fuel purchasing fund	¥ 70,140	¥ 70,140	¥(2,165)
Foreign exchange forward contracts:				
Buying U.S. dollars	Fuel purchasing fund	1,684	1,208	(84)
Principle treatment:				
Interest rate swaps (fixed price payment, floating price receipt)	Long-term debt	16,621	15,906	(292)
Special hedging treatment:				
Interest rate swaps (fixed price payment, floating price receipt)	Long-term debt	413,799	341,079	(*)
Commodity swaps (fixed price payment, floating price receipt)	Fuel	39,013	19,080	(2,554)

March 31, 2017	Hedged Item	Millions of Yen Contract Amount	Millions of Yen Contract Amount Due after One Year	Millions of Yen Fair Value
Foreign exchange forward contracts:				
Buying U.S. dollars	Equipment fund	¥ 4,635		¥ (224)
Principle treatment:				
Interest rate swaps (fixed price payment, floating price receipt)	Long-term debt	8,406	¥ 7,691	(185)
Special hedging treatment:				
Interest rate swaps (fixed price payment, floating price receipt)	Long-term debt	482,682	409,799	(*)
Commodity swaps (fixed price payment, floating price receipt)	Fuel	57,505	38,722	(5,444)

March 31, 2018	Hedged Item	Thousands of U.S. Dollars Contract Amount	Thousands of U.S. Dollars Contract Amount Due after One Year	Thousands of U.S. Dollars Fair Value
Principle treatment:				
Buying U.S. dollars	Fuel purchasing fund	$ 660,018	$ 660,018	$(20,374)
Foreign exchange forward contracts:				
Buying U.S. dollars	Fuel purchasing fund	15,847	11,370	(790)
Principle treatment:				
Interest rate swaps (fixed price payment, floating price receipt)	Long-term debt	156,411	149,677	(2,751)
Special hedging treatment:				
Interest rate swaps (fixed price payment, floating price receipt)	Long-term debt	3,893,849	3,209,557	(*)
Commodity swaps (fixed price payment, floating price receipt)	Fuel	367,118	179,542	(24,038)

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

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

19. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Unrealized gain (loss) on available-for-sale securities:			
Gains (loss) arising during the year	¥ 10,667	¥ (3,790)	$ 100,380
Reclassification adjustments to profit or loss		(4,189)	
Amount before income tax effect	10,667	(7,979)	100,380
Income tax effect	(3,100)	2,723	(29,177)
Total	¥ 7,566	¥ (5,256)	$ 71,202
Deferred gain on derivatives under hedge accounting:			
(Loss) gain arising during the year	¥ (4,959)	¥ 2,866	$ (46,665)
Reclassification adjustments to loss	(1)	(52)	(16)
Adjustments to acquisition costs of assets	5,785	3,240	54,445
Amount before income tax effect	825	6,054	7,763
Income tax effect	(242)	(1,788)	(2,277)
Total	¥ 583	¥ 4,265	$ 5,486
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ (1,519)	¥ (5,124)	$ (14,303)
Defined retirement benefit plans:			
Adjustments arising during the year	¥ (5,513)	¥ (1,277)	$ (51,882)
Reclassification adjustments to profit	13,955	11,800	131,321
Amount before income tax effect	8,441	10,522	79,438
Income tax effect	(2,350)	(2,981)	(22,119)
Total	¥ 6,091	¥ 7,541	$ 57,319
Share of other comprehensive income in associates:			
Gains arising during the year	¥ 2,740	¥ 275	$ 25,785
Reclassification adjustments to profit or loss	431	667	4,060
Total	¥ 3,171	¥ 943	$ 29,846
Total other comprehensive income	¥ 15,892	¥ 2,369	$ 149,552

20. COMMITMENTS AND CONTINGENCIES

At March 31, 2018, the Companies had firm purchase commitments, principally related to utility plant expansion, of approximately ¥347,604 million ($3,270,954 thousand). Additionally, the Companies had a number of fuel purchase commitments, most of which specify quantities and terms. Purchase prices are principally contingent upon fluctuations of market prices.

At March 31, 2018, the Companies had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
	2018	2018
Co-guarantees or guarantees of loans and bonds of other companies:		
Japan Nuclear Fuel Limited (Note 15)	¥ 174,387	$ 1,640,985
Other	82,638	777,626
Total	¥ 257,025	$ 2,418,611
A guarantee about power supply for PT Bhumi Jati Power	¥ 8,697	$ 81,846

21. NET INCOME PER SHARE

Diluted net income per share ("EPS") for the years ended March 31, 2018 and 2017, is not disclosed because the Companies do not issue dilutive securities.

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
For the year ended March 31, 2018				
Basic EPS:				
Net income attributable to common shareholders	¥ 151,880	893,385	¥ 170.01	$1.60
For the year ended March 31, 2017				
Basic EPS:				
Net income attributable to common shareholders	¥ 140,789	893,430	¥ 157.58	

22. SEGMENT INFORMATION

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

1. Description of reportable segments

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

The Companies' operating segments consist of Electric Power, Gas/Other Energies, IT/Communications, and real estate/life, in accordance with the "Kansai Electric Power Group Medium-Term Management Plan (2016-2018)," and Electric Power, Gas/Other Energies, and IT/Communications are disclosed as reportable segments under ASBJ Statement No. 17.

The aggregate of the Electric Power and Gas/Other Energies segments is presented as the Comprehensive Energy/Power Transmission and Distribution Business.

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

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

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

Millions of Yen

2018

	Reportable Segment: Comprehensive Energy/ Power Transmission and Distribution Business: Electric Power	Gas/Other Energies	Subtotal	IT/ Communications	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	¥ 2,596,114	¥ 141,240	¥ 2,737,354	¥ 203,167	¥ 2,940,522	¥ 193,110	¥ 3,133,632		¥ 3,133,632
Intersegment sales or transfers	16,864	32,918	49,782	40,242	90,025	230,122	320,148	¥ (320,148)	
Total	¥ 2,612,979	¥ 174,158	¥ 2,787,137	¥ 243,410	¥ 3,030,548	¥ 423,232	¥ 3,453,781	¥ (320,148)	¥ 3,133,632
Segment profit	¥ 170,335	¥ 941	¥ 171,276	¥ 26,269	¥ 197,545	¥ 30,431	¥ 227,977	¥ (425)	¥ 227,551
Segment assets	5,493,197	523,395	6,016,592	343,927	6,360,520	1,246,340	7,606,860	(621,772)	6,985,088
Other:									
Depreciation	250,752	25,309	276,061	58,015	334,077	12,067	346,145	(5,857)	340,287
Increase in property and intangible assets	294,503	25,443	319,947	41,091	361,039	50,886	411,926	(4,914)	407,012

Millions of Yen

2017

	Reportable Segment: Comprehensive Energy/ Power Transmission and Distribution Business: Electric Power	Gas/Other Energies	Subtotal	IT/ Communications	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	¥ 2,556,591	¥ 93,220	¥ 2,649,811	¥ 185,660	¥ 2,835,472	¥ 175,864	¥ 3,011,337		¥ 3,011,337
Intersegment sales or transfers	12,895	24,218	37,114	41,196	78,310	230,046	308,357	¥ (308,357)	
Total	¥ 2,569,487	¥117,438	¥ 2,686,925	¥ 226,857	¥ 2,913,783	¥ 405,910	¥ 3,319,694	¥ (308,357)	¥ 3,011,337
Segment profit	¥ 165,279	¥ 6,014	¥ 171,293	¥ 19,484	¥ 190,778	¥ 25,395	¥ 216,173	¥ 1,573	¥ 217,747
Segment assets	5,441,042	496,295	5,937,337	357,621	6,294,959	1,068,598	7,363,557	(510,375)	6,853,182
Other:									
Depreciation	277,553	21,565	299,119	63,856	362,975	11,863	374,839	(6,071)	368,768
Increase in property and intangible assets	227,956	28,417	256,373	43,535	299,908	48,981	348,890	(4,791)	344,098

Thousands of U.S. Dollars

2018

	Reportable Segment: Comprehensive Energy/ Power Transmission and Distribution Business: Electric Power	Gas/Other Energies	Subtotal	IT/ Communications	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	$ 24,429,421	$ 1,329,067	$ 25,758,489	$ 1,911,807	$ 27,670,296	$ 1,817,168	$ 29,487,464		$ 29,487,464
Intersegment sales or transfers	158,698	309,759	468,457	378,685	847,142	2,165,450	3,012,593	$(3,012,593)	
Total	$ 24,588,119	$ 1,638,827	$ 26,226,946	$ 2,290,492	$ 28,517,439	$ 3,982,618	$ 32,500,058	$(3,012,593)	$ 29,487,464
Segment profit	$ 1,602,852	$ 8,860	$ 1,611,713	$ 247,192	$ 1,858,905	$ 286,357	$ 2,145,262	$ (4,008)	$ 2,141,254
Segment assets	51,690,950	4,925,143	56,616,093	3,236,359	59,852,453	11,728,054	71,580,508	(5,850,872)	65,729,635
Other:									
Depreciation	2,359,578	238,158	2,597,736	545,929	3,143,666	113,556	3,257,222	(55,117)	3,202,105
Increase in property and intangible assets	2,771,280	239,427	3,010,708	386,673	3,397,381	478,841	3,876,223	(46,242)	3,829,980

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INDEX TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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Deloitte.

Deloitte Touche Tohmatsu LLC
Yodoyabashi Mitsui Building
4-1-1 Imabashi, Chuo-ku
Osaka 541-0042
Japan

Tel: +81 (6) 4560 6000
Fax: +81 (6) 4560 6001
www.deloitte.com/jp/en

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying interim consolidated balance sheet of The Kansai Electric Power Company, Incorporated (the "Company") and its consolidated subsidiaries as of June 30, 2019, and the related interim consolidated statements of income, and comprehensive income for the three-month period ended June 30, 2019, and the related notes, all expressed in Japanese yen.

Management's Responsibility

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

Accountant's Responsibility

Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review. We conducted our review in accordance with quarterly review standards generally accepted in Japan.

A review of interim financial statements consists of making inquiries, primarily of management and persons responsible for financial and accounting matters, and applying analytical and other quarterly review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Japan and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We believe that we have obtained the evidence to provide a basis for our review conclusion.

Accountant's Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of The Kansai Electric Power Company, Incorporated and its consolidated subsidiaries as of June 30, 2019, and the consolidated results of their operations for the three-month period then ended in accordance with accounting principles for interim consolidated financial statements generally accepted in Japan.

Emphasis of Matter

As discussed in Note 3 to the interim consolidated financial statements of the Company and its consolidated subsidiaries as of and for the three-month period ended June 30, 2019, from the 1st interim consolidated financial statements, the Company and its consolidated subsidiaries have changed the primary depreciation method for tangible fixed assets from the declining-balance method to the straight-line method. Our conclusion is not modified in respect of this matter.

Convenience Translation

Our review also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, based upon our review, nothing has come to our attention that causes us to believe that such translation has not been made in accordance with the basis stated in Note 1 to the interim consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC.

August 9, 2019

Member of
Deloitte Touche Tohmatsu Limited

Interim Consolidated Balance Sheet

The Kansai Electric Power Company, Incorporated and Its Subsidiaries
June 30, 2019 (Unaudited)

	Millions of Yen	
ASSETS	June 30, 2019	March 31, 2019
PROPERTY:		
Utility plant and equipment	¥ 14,416,532	¥ 14,647,136
Other plant and equipment	2,177,101	2,054,938
Construction in progress	580,691	579,917
Contributions in aid of construction	(496,640)	(491,138)
Accumulated depreciation and amortization	(12,093,492)	(12,208,608)
Plant and equipment – net	4,584,193	4,582,245
Nuclear fuel, net of amortization	501,536	506,278
Property – net	5,085,730	5,088,524
INVESTMENTS AND OTHER ASSETS:		
Investment securities	231,941	232,242
Investments in and advances to subsidiaries and associated companies	460,493	456,672
Special account related to nuclear power decommissioning	71,028	73,025
Special account related to reprocessing of spent nuclear fuel	62,791	56,134
Deferred tax assets	359,795	372,906
Other assets	149,769	147,170
Total investments and other assets	1,335,818	1,338,151
CURRENT ASSETS:		
Cash and cash equivalents	124,683	158,978
Receivables	335,757	342,145
Allowance for doubtful accounts	(2,206)	(2,531)
Inventories	143,336	163,937
Other current assets	190,151	168,157
Total current assets	791,721	830,687
TOTAL	¥ 7,213,271	¥ 7,257,363

See notes to interim consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen	
	June 30, 2019	March 31, 2019
LONG-TERM LIABILITIES:		
Long-term debt, less current maturities	¥ 3,093,866	¥ 2,939,093
Liability for retirement benefits	368,696	369,472
Asset retirement obligations	502,660	501,354
Deferred tax liabilities	1,393	1,831
Other long-term liabilities	255,635	250,350
Total long-term liabilities	4,222,252	4,062,102
CURRENT LIABILITIES:		
Current maturities of long-term debt	499,189	516,483
Short-term borrowings	387,980	416,096
Notes and accounts payable	121,915	195,659
Accrued income taxes	5,440	13,361
Reserve for disaster restoration costs	1,724	2,104
Accrued expenses and other current liabilities	395,283	490,219
Total current liabilities	1,411,533	1,633,925
RESERVE FOR FLUCTUATIONS IN WATER LEVEL	27,036	28,389
COMMITMENTS AND CONTINGENCIES (Note 4)		
EQUITY:		
Common stock – authorized, 1,784,059,697 shares; issued, 938,733,028 shares on June 30, 2019 and March 31, 2019	489,320	489,320
Capital surplus	66,658	66,656
Retained earnings	1,001,415	979,669
Treasury stock – at cost: 45,564,015 shares on June 30, 2019 and 45,561,730 shares on March 31, 2019	(96,809)	(96,806)
Accumulated other comprehensive income:		
Unrealized gain on available-for-sale securities	80,216	82,937
Deferred loss on derivatives under hedge accounting	(9,703)	(9,514)
Foreign currency translation adjustments	8,742	9,015
Defined retirement benefit plans	(3,629)	(7,034)
Total	1,536,211	1,514,244
Noncontrolling interests	16,236	18,702
Total equity	1,552,448	1,532,946
TOTAL	¥ 7,213,271	¥ 7,257,363

Interim Consolidated Statement of Income

The Kansai Electric Power Company, Incorporated and Its Subsidiaries
Three-Month Period Ended June 30, 2019 (Unaudited)

	Millions of Yen	
	Three-Month Period Ended June 30	
	2019	2018
OPERATING REVENUES:		
Electric	¥ 612,354	¥ 598,712
Other	173,483	136,824
Total operating revenues	785,838	735,536
OPERATING EXPENSES:		
Electric	578,659	574,871
Other	148,103	122,115
Total operating expenses	726,763	696,986
OPERATING INCOME	59,074	38,549
OTHER (INCOME) EXPENSES:		
Interest and dividend income	(4,077)	(2,911)
Interest expense	6,733	8,349
Gain on sales of property, plant, and equipment		(2,592)
Equity in earnings of associated companies	(4,110)	(2,257)
Other – net	(2,198)	(449)
Total other expenses	(3,652)	137
ORDINARY INCOME	62,727	38,412
INCOME BEFORE PROVISION FOR RESERVE FOR FLUCTUATIONS IN WATER LEVEL AND INCOME TAXES	62,727	38,412
PROVISION FOR (REVERSAL OF) RESERVE FOR FLUCTUATIONS IN WATER LEVEL	(1,353)	270
INCOME BEFORE INCOME TAXES	64,080	38,141
INCOME TAXES:		
Current	5,522	2,145
Deferred	12,795	9,116
Total income taxes	18,317	11,261
NET INCOME	45,762	26,879
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	187	180
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 45,575	¥ 26,699

	Yen	
	Three-Month Period Ended June 30	
	2019	2018
PER SHARE OF COMMON STOCK (Note 6):		
Basic net income	¥ 51.03	¥ 29.89
Cash dividends applicable to the interim	25.00	20.00

See notes to interim consolidated financial statements.

Interim Consolidated Statement of Comprehensive Income

The Kansai Electric Power Company, Incorporated and Its Subsidiaries
Three-Month Period Ended June 30, 2019 (Unaudited)

	Millions of Yen	
	Three-Month Period Ended June 30	
	2019	2018
NET INCOME	¥ 45,762	¥ 26,879
OTHER COMPREHENSIVE INCOME:		
Unrealized (loss) gain on available-for-sale securities	(1,484)	1,321
Deferred (loss) gain on derivatives under hedge accounting	(194)	3,364
Foreign currency translation adjustments	(201)	(5,795)
Defined retirement benefit plans	555	875
Share of other comprehensive income in associates	1,272	539
Total other comprehensive (loss) income	(52)	305
COMPREHENSIVE INCOME	¥ 45,710	¥ 27,184
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent	¥ 45,661	¥ 27,177
Noncontrolling interests	48	7

See notes to interim consolidated financial statements.

Notes to Interim Consolidated Financial Statements

The Kansai Electric Power Company, Incorporated and Its Subsidiaries
Three-Month Period Ended June 30, 2019 (Unaudited)

1. BASIS OF PRESENTATION OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

The accounting standard for quarterly financial statements requires The Kansai Electric Power Company, Incorporated (the "Company") to prepare a set of interim consolidated financial statements for each quarter comprised of the consolidated balance sheet as of the current quarter-end and the consolidated statements of income, comprehensive income, and cash flows for the year-to-date period. A statement of changes in equity is not required, and the year-to-date consolidated statements of cash flows for the first quarter and the third quarter are not required but may be prepared at the Company's option. Therefore, the consolidated statements of changes in equity and cash flows are not presented herein.

Under the accounting standard, the consolidated statements of income and comprehensive income for the current quarter are not required but may be prepared at the Company's option. The Company presents herein the consolidated statements of income and comprehensive income for the current quarterly period.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Substantially the same accounting policies have been followed in these interim consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended March 31, 2019, with certain simplified methods, except for such policies as specifically allowed and adopted for interim accounting periods described below.

3. CHANGE IN ACCOUNTING POLICY

Change in Depreciation Method for Tangible Fixed Assets – From this 1st interim consolidated accounting period, the Company and its consolidated subsidiaries have changed the primary depreciation method for tangible fixed assets from the declining-balance method to the straight-line method.

In the Kansai area, which is the Company's main supply area, demand for electric power is expected to remain stable due to factors such as decline in population and widespread use of energy-saving facilities.

Also, the electricity generation and retail business is placed in a competitive environment due to progress in deregulation of the electric-power industry in response to the electricity system reform, and the electricity transmission and distribution business is expected to play a role in contributing to safe and stable supply of electricity by ensuring neutrality, equitability, and efficient operation.

In addition to the above, in the Basic Energy Plan, nuclear power, hydropower, and coal-fired thermal power are positioned as the base load power supply and are expected to operate stably. In regard to oil-fired thermal power and pumped-storage hydropower, value is added to installed capacity as a peak load electricity source and adjustable power supply.

As summarized above, the business environment surrounding the Company has changed drastically, therefore the Company will be prepared for a wide range of eventualities regarding changes in the environment, focusing on the electricity business, which is its core business, and will continue its efforts to increase its corporate value.

In particular, based on the Basic Energy Plan, the Company will strive to maintain steady operation of current electricity power sources in the electricity generation business, taking advantage of the characteristics of each power source. In regard to the transmission and distribution business, the Company will fulfill its duties to maintain a steady supply of electricity in response to social needs, and endeavor to maintain and utilize facilities efficiently.

Reflecting the aforementioned management policy, in the Medium-term Management Plan that commenced in 2019, the efficient and stable operation of all facilities was positioned as one of the Company's major efforts to be taken.

Taking into consideration the above, as stable use of facilities can be expected mainly in the electric power business, the Company determined that changing the depreciation method for tangible fixed assets to the straight-line method would more properly reflect the consumption pattern of future economic benefits.

Due to this change, operating income increased by ¥11,477 million, and ordinary income and income before income taxes increased by ¥11,431 million, compared to the previous depreciation method.

4. DIVIDENDS

The following appropriation of retained earnings as of March 31, 2019 was approved at the Company's shareholders' meeting held on June 21, 2019. The dividends were paid during the three-month period ended June 30, 2019. The total amount of dividends includes ¥3 million in dividends paid to the shares that were held by the Board Incentive Plan ("BIP") Trust.

	Millions of Yen
Year-end cash dividends, ¥25 per share	¥22,340

5. CONTINGENCIES

At June 30, 2019, the Company and its consolidated subsidiaries had the following contingent liabilities:

	Millions of Yen	
	June 30, 2019	March 31, 2019
Co-guarantees or guarantees of loans and bonds of other companies:		
Japan Nuclear Fuel Limited	¥163,312	¥ 164,582
Other	84,443	93,034
Total	¥247,756	¥ 257,616
Guarantee for power supply for PT Bhumi Jati Power	¥ 7,039	¥ 7,250
Fuel purchase commitment with Able Energy Limited Liability Company	3,262	3,360

6. CASH FLOW INFORMATION

As stated in Note 1 to the interim consolidated financial statements, the consolidated statements of cash flows are not presented herein. Depreciation and amortization recognized for the three-month periods ended June 30, 2019 and 2018, are as follows:

	Millions of Yen	
	Three-Month Period Ended June 30	
	2019	2018
Depreciation and amortization	¥67,586	¥81,437

7. NET INCOME PER SHARE

Diluted net income per share ("EPS") for the three-month periods ended June 30, 2019 and 2018, is not disclosed because the Company and its consolidated subsidiaries do not issue dilutive securities.

	Millions of Yen	Thousands of Shares	Yen
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS
For the Three-Month Period Ended June 30, 2019			
Basic EPS:			
Net income attributable to common shareholders	¥ 45,575	893,168	¥51.03
For the Three-Month Period Ended June 30, 2018			
Basic EPS:			
Net income attributable to common shareholders	¥ 26,699	893,356	¥29.89

The Company applied the BIP Trust mechanism. In calculating the number of weighted-average shares above, the number of shares that are held by the Trust (146,878 shares in 2019) is reflected.

8. SEGMENT INFORMATION

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

1. Description of reportable segments

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

2. Matters on the changes of reportable segments

   The Company established the "Kansai Electric Power Group Medium-term Management Plan (2019-2021)" in March 2019 and announced its intention to fulfill its responsibilities to provide electricity power safely and stably and make efforts to enhance its business foundation with a focus on "Safety as the Company's Top Priority" and "Fulfilling Corporate Social Responsibilities" as key guidelines for action, and develop its business accordingly.

   In accordance with the above, from this 1st interim consolidated accounting period, changes are made to the Company's reportable segments and the following operating segments were determined as reportable segments in accordance with the quantitative standards stipulated in the ASBJ Statement No. 17: The operating segments consist of the "Electric Power business," which provides the Company's electricity in Japan; the "Gas/Other Energies business," which provides businesses other than the Electric Power business in the Comprehensive Energy business/Power Transmission and Distribution business; the "Information & Telecommunications business," which provides comprehensive information and communication services; and the "Life/Business Solutions business," which provides real-estate related services and life/business-related services. The aggregate of the Electric Power business and Gas/Other Energies business is presented as the Comprehensive Energy business/Power Transmission and Distribution business.

   The main changes are that the other businesses included in the "Other" reportable segment are rearranged in accordance with their goals and business activities.

   Specifically, consolidated subsidiaries in the value chain of the Comprehensive Energy business/Power Transmission and Distribution business, which contribute to the enhancement of competiveness from both sales and cost aspects, and such companies that expand comprehensive energy-related business overseas are included in the "Comprehensive Energy business/Power Transmission and Distribution business."

   Also, companies that provide common solutions for business are included in the "Life/Business Solutions business" together with the "Real Estate business."

   Furthermore, segment information for the previous consolidated accounting period was reclassified after such changes, and the profit of reportable segments was changed from an "Operating Income" basis to an "Ordinary Income" basis in accordance with the financial goal of the Kansai Electric Power Group.

   (Change in Depreciation Method for Tangible Fixed Assets)

   As discussed in Note 3 to the interim consolidated financial statements of the Company and its consolidated subsidiaries as of and for the three-month period ended June 30, 2019, from the 1st interim consolidated financial statements, the Company and its consolidated subsidiaries have changed the primary depreciation method for tangible fixed assets from the declining-balance method to the straight-line method.

   Due to this change, the profits of "Electric Power business" and "Gas/Other Energies business" the reportable segments, increased by ¥10,951 million and ¥714 million respectively, and "Reconciliations" decreased by ¥234 million, compared to the previous depreciation method.

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

	Millions of Yen							
	Three-Month Period Ended June 30, 2019							
	Reportable Segment							
	Comprehensive Energy/ Power Transmission and Distribution Business							
	Electric Power	Gas/Other Energies	Subtotal	IT/ Communications	Life/Business Solution	Total	Reconciliations	Consolidated
Sales:								
Sales to external customers	¥ 612,354	¥ 82,054	¥ 694,409	¥ 54,520	¥ 36,908	¥785,838		¥ 785,838
Intersegment sales or transfers	5,046	55,287	60,334	13,913	11,472	85,720	¥ (85,720)	
Total	¥ 617,400	¥ 137,342	¥ 754,743	¥ 68,433	¥ 48,381	¥871,558	¥ (85,720)	¥ 785,838
Segment profit	¥ 38,386	¥ 10,460	¥ 48,846	¥ 8,449	¥ 9,440	¥ 66,736	¥ (4,009)	¥ 62,727

	Millions of Yen							
	Three-Month Period Ended June 30, 2018							
	Reportable Segment							
	Comprehensive Energy/ Power Transmission and Distribution Business							
	Electric Power	Gas/Other Energies	Subtotal	IT/ Communications	Life/Business Solution	Total	Reconciliations	Consolidated
Sales:								
Sales to external customers	¥ 598,712	¥ 63,807	¥ 662,519	¥ 51,743	¥ 21,273	¥735,536		¥ 735,536
Intersegment sales or transfers	3,842	47,423	51,266	8,729	11,320	71,315	¥ (71,315)	
Total	¥ 602,554	¥ 111,230	¥ 713,785	¥ 60,472	¥ 32,593	¥806,852	¥ (71,315)	¥ 735,536
Segment profit	¥ 30,473	¥ 3,924	¥ 34,398	¥ 7,729	¥ 3,999	¥ 46,127	¥ (7,714)	¥ 38,412

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THE COMPANY

Registered office

6-16, Nakanoshima 3-chome
Kita-ku, Osaka 530-8270
Japan

FISCAL AGENT, PAYING AGENT, TRANSFER AGENT AND REGISTRAR

Mizuho Trust & Banking (Luxembourg) S.A.
1B, Rue Gabriel Lippmann
L-5365 Munsbach
Grand-Duché de Luxembourg

LEGAL ADVISERS

To the Managers as to English law

Clifford Chance
(Gaikokuho Kyodo Jigyo)
Palace Building, 3rd Floor
1-1, Marunouchi 1-chome
Chiyoda-ku, Tokyo 100-0005
Japan

To the Company as to Japanese law

Anderson Mori & Tomotsune
Otemachi Park Building
1-1, Otemachi 1-chome
Chiyoda-ku, Tokyo 100-8136
Japan

INDEPENDENT AUDITORS

Deloitte Touche Tohmatsu LLC
Marunouchi Nijubashi Building
2-3, Marunouchi 3-chome
Chiyoda-ku, Tokyo 100-8360
Japan

Kansai Electric Power

power with heart