Notes to Consolidated Financial Statements

1. Basis of Consolidated Financial Statements

(a) Basis of presenting the consolidated financial statements

The consolidated financial statements of Chubu Electric Power Company, Incorporated (the "Company") and its subsidiaries (together with the Company, the "Chubu Electric Group") have been prepared as required by the provisions set forth in the Japanese Corporate Law, the Financial Instruments and Exchange Law of Japan, the accounting regulations applicable to the electric power industry and on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards ("IFRS").

These consolidated financial statements are compiled from the original consolidated financial statements in Japanese, prepared by the Company as required by the Financial Instruments and Exchange Law of Japan and submitted to the Director of Kanto Finance Bureau in Japan.

(b) U.S. dollar amounts

The Company maintains its accounting records in Japanese yen. The U.S. dollar amounts included in the consolidated financial statements and notes thereto present the arithmetic results of translating yen amounts into U.S. dollar amounts on a basis of ¥112.19 to U.S. $1.00, the prevailing exchange rate at the fiscal year-end. The inclusion of the dollar amounts is solely for convenience of the reader and is not intended to imply that the assets and liabilities originating in Japanese yen have been or could readily be converted, realized or settled in U.S dollars at the above rate or at any other rate.

2. Summary of Significant Accounting Policies

(a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. Investments in all affiliates are accounted for by the equity method. The difference between the acquisition cost of investments in subsidiaries and affiliates and the underlying equity in their net assets adjusted based on the fair value at the time of acquisition are principally deferred and amortized over certain periods within twenty years on a straight-line basis. All significant intercompany transactions and accounts are eliminated on consolidation.

The number of subsidiaries and affiliates at March 31, 2017 and 2016 was as follows:

	March 31, 2017	March 31, 2016
Subsidiaries:		
Domestic	25	26
Overseas	4	26
Affiliates	24	42

The Company's overseas subsidiaries close their books at December 31, three months earlier than the Company and its domestic subsidiaries. The Company consolidates the financial statements of the overseas subsidiaries as of their fiscal year-end. Significant transactions for the period between the subsidiaries' year-end and the Company's year-end are adjusted for on consolidation. The financial statements of significant overseas subsidiaries are prepared in accordance with either IFRS or U.S. generally accepted accounting principles, with adjustments for the specified five items as required by "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" and "Practical Solution on Unification of Accounting Policies Applied to Affiliates Accounted for by the Equity Method" issued by the Accounting Standards Board of Japan ("ASBJ").

(b) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed by the declining balance method over the estimated useful life of the asset. Contributions in aid of construction are deducted from the depreciable costs of the assets.

(c) Nuclear fuel and amortization

Nuclear fuel is stated at cost, less amortization. The amortization of loaded nuclear fuel is computed based on the quantity of energy produced for the generation of electricity in accordance with the provisions prescribed by the regulatory authorities.

(d) Investments and marketable securities

The Chubu Electric Group classifies certain investments in debt and equity securities as "trading," "held-to-maturity" or "available-for-sale," the classification of which determines the respective accounting methods to be used to account for the investments as stipulated by the accounting standard for financial instruments. The Chubu Electric Group had no trading securities in the fiscal years under review. Held-to-maturity securities are stated at amortized cost. Available-for-sale securities with market quotations are stated at fair value, and net unrealized gains and losses on these securities are reported as accumulated other comprehensive income, net of applicable income taxes. Available-for sale securities without available market quotations are carried at cost determined by the moving average method. Adjustments in the carrying values of individual securities are charged to loss through write-downs when a decline in fair value is deemed other than temporary. The cost of securities is computed by the moving average method.

(e) Derivatives and hedge accounting

Derivatives are valued at fair value if hedge accounting is not appropriate or when there is no hedging designation, and the gains and losses on the derivatives are recognized in current earnings. Certain transactions classified as hedging transactions are accounted for under a deferral method by which unrealized gains and losses on the hedging instruments are carried as accumulated other comprehensive income on the balance sheet and the net changes are recognized as other comprehensive income on the consolidated statements of comprehensive income until the losses and gains on the hedged items are realized. Foreign exchange forward contracts are accounted for by translating foreign currency denominated assets and liabilities at contract rates as an interim measure if certain hedging criteria are met. According to the special treatment permitted by the accounting standard for financial instruments in Japan, interest rate swaps are not valued at fair value. Rather, the net amount received or paid is added to or deducted from the interest expense on the hedged items if certain conditions are met. The Chubu Electric Group enters into derivative transactions only with respect to assets and liabilities generated through the Chubu Electric Group's operations and to hedge exposure to fluctuations in exchange rates and interest rates.

(f) Inventories

Inventories consist of fuel, materials, supplies and construction work-in-process. Fuel is stated at the lower of cost, determined principally by the periodic average method.

(g) Allowance for doubtful accounts

An allowance for doubtful accounts has been provided for at the aggregate amount of estimated credit loss for doubtful or troubled receivables based on a financial review of certain individual accounts and a general reserve for other receivables based on the historical loss experience for a certain past period.

(h) Provision for loss in conjunction with discontinued operations of nuclear power plants

In the years ended March 31, 2017 and 2016, a provision was made based on a reasonable estimate of possible future expenses and losses related to the decommissioning of electric generating facilities that followed the termination of operations at Hamaoka Reactors No. 1 and No. 2.

(i) Reserve for fluctuation in water levels

In order to prepare for losses due to drought, the Company has recognized the maximum amount of allowance specified in Article 36 of the Electricity Business Act (No. 170, 1964) before revision, to which Article 1 of the Act for Amending Part of the Electricity Business Act (No. 72, 2014) is applied, as effective by replacing the terms of Paragraph 3, Article 16 of the Supplementary Provisions of the Act.

(j) Employee retirement benefits

To cover the payment of retirement benefits to employees, the difference between the amount of retirement benefit obligations and the value of plan assets has been recognized as a liability for retirement benefits (an asset for retirement benefits if the value of plan assets exceeds the amount of retirement benefit obligations).

(a) Method of allocation of estimated retirement benefits

To calculate retirement benefit obligations, the benefit formula basis is used to allocate estimated retirement benefits.

(b) Actuarial gains and losses and prior service cost amortized in expenses

Prior service cost is amortized using the straight-line method over certain periods (15 years for subsidiaries) which are within the average of the estimated remaining service years of the employees as of the year in which such cost arises. Actuarial gains and losses are amortized using the straight-line method (some subsidiaries use the declining balance method) over certain periods (3 years for the Company and 3 to 15 years for subsidiaries) which are within the average of the estimated remaining service years of the employees as of the year after such gains and losses arise (the year in which such gains and losses arise for some subsidiaries).

(k) Cash and cash equivalents

The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

(l) Research and development costs

Research and development costs included in operating expenses for the years ended March 31, 2017 and 2016 amounted to ¥9,903 million ($88,270 thousand) and ¥9,460 million, respectively.

(m) Income taxes

Income taxes are accounted for by the asset-liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the differences between the carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the promulgation date of the relevant law.

(n) Translation of foreign currency accounts

Receivables, payables and securities, other than stocks of subsidiaries and certain other securities, are translated into Japanese yen at the prevailing exchange rate at the fiscal year-end. Transactions in foreign currencies are translated based on the prevailing exchange rate on the transaction date. Resulting foreign exchange translation gains and losses are included in the consolidated statements of income.

For financial statement items of the overseas subsidiaries and affiliates, all asset and liability accounts are translated into Japanese yen by applying the exchange rate in effect at the respective fiscal year-end. All income and expense accounts are translated at the average rate of exchange prevailing during the year. Translation differences are reported in the consolidated balance sheets as foreign currency translation adjustments in accumulated other comprehensive income after allocating the portion attributable to minority interests, and the net change is recognized as other comprehensive income on the consolidated statement of comprehensive income.

(o) Per share information

Basic net income per share is computed by dividing income available to common shareholders by the weighted average number of shares outstanding during the year. Cash dividends per share shown for each fiscal year in the consolidated statements of income represent dividends declared as applicable to the respective year.

3. Additional information

On October 1, 2016, "Act for Partial Amendment to the Act for Deposit and Management of the Reserve Funds for Reprocessing of Spent Fuel from Nuclear Power Generation" (Act No. 40 of May 18, 2016) and "Ordinance for Partial Revision of the Ordinance on Accounting at Electricity Utilities and Other Provisions" (Ordinance of the Ministry of Economy, Trade and Industry No. 94 of September 30, 2016) came into effect, and "Ordinance on Accounting at Electric Utilities" (Ordinance of the Ministry of International trade and Industry No. 57 of June 15, 1965) were revised.

Prior to the changes, in order to set aside the expenses necessary for the reprocessing of irradiated nuclear fuel, the amount recognized as accrued at the end of this consolidated fiscal year had been allocated as a provision for the reprocessing of irradiated nuclear fuel and as a provision for preparation of the reprocessing irradiated nuclear fuel based on the estimated expenses necessary to reprocess irradiated nuclear fuel. However, from the said date of enforcement, it has been decided that an amount commensurate with the volume of irradiated nuclear fuel generated with the operations of the specific utility power generation reactor will be paid into the Nuclear Reprocessing Organization of Japan as a contribution and allocated as an electric utility operating expenses.

To date, a reserve fund for reprocessing of irradiated nuclear fuel in amount of 164,688 million yen ($1,467,938 thousand), a provision for the reprocessing of irradiated nuclear fuel in the amount of 186,414 million yen ($1,661,592 thousand), and a provision for the preparation of the reprocessing irradiated nuclear fuel in the amount of 16,995 million yen ($151,484 thousand), have been used up.

4. Cash and Cash Equivalents

For the consolidated statements of cash flows, reconciliation between cash and cash equivalents and cash balances on the consolidated balance sheets were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2017	March 31, 2016	**March 31, 2017**
Cash and deposits	¥133,764	¥143,946	$1,192,299
Time deposits with an original maturity of more than three months included in cash and deposits	(810)	(9,072)	(7,220)
Short-term investments	165,818	190,542	1,478,010
Short-term investments with an original maturity of over three months	(4,818)	(1,025)	(42,945)
Cash and cash equivalents	¥293,954	¥324,391	$2,620,144

5. Property, Plant and Equipment

The major classifications of property, plant and equipment at March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2017	March 31, 2016	**March 31, 2017**
Hydroelectric power production facilities	¥ 318,640	¥ 329,468	$ 2,840,182
Thermal power production facilities	579,275	597,555	5,163,339
Nuclear power production facilities	156,626	170,495	1,396,078
Transmission facilities	703,633	740,571	6,271,798
Transformation facilities	412,222	403,352	3,674,320
Distribution facilities	784,691	779,900	6,994,304
General facilities	110,092	111,411	981,300
Other electricity related to property, plant and equipment	15,224	11,687	135,698
Other property, plant and equipment	265,402	247,417	2,365,648
Construction in progress	398,279	340,221	3,550,040
Total	¥3,744,084	¥3,732,077	$33,372,707

Calculated according to the accounting principles and practices generally accepted in Japan, accumulated gains on the receipt of contributions in aid of real property construction deducted from the original acquisition costs amounted to ¥190,009 million ($1,693,636 thousand) and ¥183,612 million at March 31, 2017 and 2016, respectively.

6. Financial Instruments

(a) Items related to financial instruments

(1) Policy initiatives for financial instruments

The Chubu Electric Group raises funds for the equipment necessary to run its core electric power business through bond issues, bank loans and other means. Short-term working capital is secured principally through short-term borrowing and fund management is restricted to low-risk assets such as certificates of deposit. Derivative transactions are used to manage risk arising from the Chubu Electric Group's operations and are not used for speculative purposes.

(2) Breakdown of financial instruments and associated risks

Marketable securities include certificates of deposit and shares of domestic companies contributing to business operations or regional development, bond holdings of subsidiaries and other instruments estimated to raise our Group's corporate value from a mid-and long-term viewpoint. These securities, bonds, etc., are exposed to risks arising from changes in market prices.

Trade notes and accounts receivable are exposed to customer credit risks.

Most of the Chubu Electric Group's interest-bearing debt balance consists of bonds and long-term funds holdings from long-term borrowings. However, operational results may be minimally affected because most funds are raised at fixed interest rates.

Trade notes and accounts payable for operating debts are almost all due within one year.

Derivative transactions consist of currency swaps and interest rate swaps for financial liabilities connected to raising funds in order to avoid losses from future volatility in currency markets and interest rates on financial liabilities. Hedging methods and hedging objectives in hedge accounting, hedging policies, effective valuation methods for hedges and other related items are described in Note 2 (e), Summary of Significant Accounting Policies - Derivatives and hedge accounting.

(3) Risk management system for financial instruments

1) Credit risk management

For trade accounts receivable arising from electricity bills, due dates and account balances are managed for each customer based on terms and conditions for electricity supply. For derivative transactions, financial institutions and other enterprises with high credit ratings are selected and credit standing is assessed even after transaction contracts are completed.

2) Market risk management

For marketable securities, the fair value of the securities and the financial and operating conditions of the issuers are regularly assessed. Derivative transactions are enacted and managed based on the Company's internal rules established for authorizing trades, managing and reporting. A trade management department independently handles transactions and approves contract amounts (notional and other value) for each transaction by classification. For a subsidiary engaged in fuel trading, a management committee of the Company monitors approved transactions to ensure they are enacted according to agreed upon parameters.

3) Volatility risk management in financing

Financing plans are formulated and daily receipts and payments are validated for managing risk.

(4) Supplementary explanation of fair value for financial instruments

The fair value of financial instruments is based on market prices or reasonable alternative assessments if there is no market price. Since some variable factors are used in assessing value, the amounts calculated can change based on different assumptions that are applied. Derivative contract amounts noted below in "(b) Fair value of financial instruments" do not denote the market risk from the derivatives themselves. In addition, fair value and valuation gains and losses are reasonably quoted amounts based on market indicators for valuations and other measures. They are not necessarily amounts that would be received or paid in the future.

(b) Fair value of financial instruments

Differences between the valuation amounts of financial instruments as they appear on the consolidated balance sheets and their fair values as of March 31, 2017 and 2016 are shown below. Items with fair values that were extremely difficult to determine were not included (See Note 2).

	Millions of yen		
As of March 31, 2017	Carrying value	Fair value	Difference
Assets:			
(1) Marketable securities	¥ 253,610	¥ 250,285	¥ (3,325)
(2) Fund for reprocessing of irradiated nuclear fuel	–	–	–
(3) Cash and deposits	133,764	133,764	–
(4) Trade notes and accounts receivable	238,404	238,404	–
Liabilities:			
(5) Bonds *1	¥ 639,258	¥ 653,120	¥13,862
(6) Long-term borrowings *1	1,672,047	1,747,313	75,266
(7) Short-term borrowings	356,464	356,464	–
(8) Trade notes and accounts payable	109,328	109,328	–
(9) Derivative transactions *2	(3,930)	(3,930)	–

As of March 31, 2016	Millions of yen		
Assets:			
(1) Marketable securities	¥ 290,918	¥ 290,826	¥ (92)
(2) Fund for reprocessing of irradiated nuclear fuel	177,674	177,674	–
(3) Cash and deposits	143,946	143,946	–
(4) Trade notes and accounts receivable	237,143	237,143	–
Liabilities:			
(5) Bonds *1	¥ 553,753	¥ 575,750	¥21,997
(6) Long-term borrowings *1	1,715,364	1,766,475	51,111
(7) Short-term borrowings	349,637	349,637	–
(8) Trade notes and accounts payable	135,911	135,911	–
(9) Derivative transactions *2	(6,822)	(6,822)	–

As of March 31, 2017	Thousands of U.S. dollars		
	Carrying value	Fair value	Difference
Assets:			
(1) Marketable securities	$ 2,260,540	$ 2,230,903	$ (29,637)
(2) Fund for reprocessing of irradiated nuclear fuel	–	–	–
(3) Cash and deposits	1,192,299	1,192,299	–
(4) Trade notes and accounts receivable	2,125,002	2,125,002	–
Liabilities:			
(5) Bonds *1	$ 5,697,994	$ 5,821,553	$123,559
(6) Long-term borrowings *1	14,903,708	15,574,588	670,880
(7) Short-term borrowings	3,177,324	3,177,324	–
(8) Trade notes and accounts payable	974,490	974,490	–
(9) Derivative transactions *2	(35,030)	(35,030)	–

*1 (5) Bonds and (6) Long-term borrowings include scheduled redemptions within one year.
*2 The amounts denote net liabilities and obligations resulting from derivative transactions.

(Note 1) Methods for calculating the fair value of financial instruments, marketable securities and derivative transactions. The fair value of "(2) Fund for reprocessing of irradiated nuclear fuel" was calculated using the method from the year ended March 31, 2016.

(1) Marketable securities
The value of equity securities is determined from stock market prices and bonds from their market prices or prices quoted by financial institutions. The fair value of marketable securities settled in the short-term such as certificates of deposit are presented by their book values because their market prices are almost equal to them. See Note 7, Marketable Securities and Investments Securities, for purposes of retaining holdings.

(2) Fund for reprocessing of irradiated nuclear fuel
Assets are allocated as stipulated under the Law on the Creation and Management of Reserve Funds for the Reprocessing of Spent Fuel at Nuclear Power Stations (Article 48, May 20, 2005). Redemptions must meet requirements under the Ministry of Economy, Trade and Industry's plans for redeeming funds for reprocessing irradiated nuclear fuel. Since the carrying value is based on the current value of assets that are scheduled to be redeemed in the future according to plans at the end of the year for years ended March 31, 2017 and 2016, the fair value is derived from the carrying value.

(3) Cash and deposits and (4) Trade notes and accounts receivable
For cash and deposits, trade notes and accounts receivable, the carrying value is used for fair value because the accounts will be settled in the near future, meaning the fair value is largely equivalent to the carrying value.

(5) Bonds
Bonds with market prices are valued by the market price, and bonds without market prices are valued based on terms projected as if they were being newly issued. Some bonds are subject to foreign exchange forward contracts in the allocation process. These are valued based on the same terms and conditions applied to derivative transactions.

(6) Long-term borrowings
The value of long-term borrowings is calculated using terms as if the borrowings were new loans. Some borrowings are subject to special foreign exchange forward contracts or interest rate swaps in the allocation process. These are valued based on the same terms and conditions applied to derivative transactions.

(7) Short-term borrowings and (8) Trade notes and accounts payable
For short-term borrowings and trade notes and accounts payable, the carrying value is used for these amounts because the accounts will be settled in the near future, meaning the fair value is largely equivalent to the carrying value.

(9) Derivative transactions
Refer to Note 14, Derivatives.

(Note 2) Financial instruments for which assessing fair value is extremely difficult to determine.

	Millions of yen		Thousands of U.S. dollars
	March 31, 2017	March 31, 2016	March 31, 2017
Unlisted stocks, etc.	¥445,036	¥307,290	$3,966,806

These financial instruments do not have market prices, and estimating their future cash flows would require considerable costs. Consequently, these securities are not included in "(1) Marketable securities" above.

(Note 3) Anticipated redemption schedule for monetary instruments and securities with maturity dates subsequent to the fiscal year-end.

			Millions of yen			
As of March 31, 2017:			Within 1 year	Over 1 year through 5 years	Over 5 years through 10 years	Over 10 years
Securities:	Held-to-maturity debt securities:	National and local government bonds, etc.	¥ 1,600	¥ 200	¥ –	¥ –
		Corporate bonds	1,600	1,700	–	–
		Other	1,400	400	200	–
	Available-for-sale securities with maturity dates:					
	Debt securities:	National and local government bonds, etc.	–	–	–	–
		Corporate bonds	–	314	–	250
		Other	–	–	–	–
	Other		161,000	–	–	–
Fund for reprocessing of irradiated nuclear fuel *			–	–	–	–
Cash and deposits			133,764	–	–	–
Trade notes and accounts receivable			238,390	15	–	–
Total			¥537,754	¥2,629	¥200	¥250

			Millions of yen			
As of March 31, 2016:						
Securities:	Held-to-maturity debt securities:	National and local government bonds, etc.	¥ 200	¥1,800	¥ –	¥ –
		Corporate bonds	–	3,300	–	–
		Other	400	1,799	200	–
	Available-for-sale securities with maturity dates:					
	Debt securities:	National and local government bonds, etc.	–	–	–	–
		Corporate bonds	–	320	–	257
		Other	200	–	–	–
	Other		189,000	–	–	–
Fund for reprocessing of irradiated nuclear fuel *			25,354	–	–	–
Cash and deposits			143,946	–	–	–
Trade notes and accounts receivable			236,966	177	–	–
Total			¥596,066	¥7,396	¥200	¥257

			Thousands of U.S. dollars			
As of March 31, 2017:						
Securities:	Held-to-maturity debt securities:	National and local government bonds, etc.	$ 14,262	$ 1,782	$ –	$ –
		Corporate bonds	14,262	15,153	–	–
		Other	12,479	3,565	1,783	–
	Available-for-sale securities with maturity dates:					
	Debt securities:	National and local government bonds, etc.	–	–	–	–
		Corporate bonds	–	2,799	–	2,228
		Other	–	–	–	–
	Other		1,435,065	–	–	–
Fund for reprocessing of irradiated nuclear fuel *			–	–	–	–
Cash and deposits			1,192,299	–	–	–
Trade notes and accounts receivable			2,124,877	134	–	–
Total			$4,793,244	$23,433	$1,783	$2,228

* Anticipated redemption of the funds for the reprocessing of irradiated nuclear fuel over more than one year for the year ended March 31, 2016 is not disclosed due to contract requirements and other considerations.

(Note 4) Anticipated redemption schedule for bonds, long-term borrowings and other interest-bearing debt subsequent to the fiscal year-end.

	Millions of yen					
As of March 31, 2017:	Within 1 year	Over 1 year through 2 years	Over 2 years through 3 years	Over 3 years through 4 years	Over 4 years through 5 years	Over 5 years
Bonds	¥ 40,000	¥ 60,000	¥100,000	¥ 60,000	¥ –	¥ 379,260
Long-term borrowings	217,852	174,323	177,971	234,372	186,020	681,511
Short-term borrowings	356,464	–	–	–	–	–
Total	¥614,316	¥234,323	¥277,971	¥294,372	¥186,020	¥1,060,771

	Millions of yen					
As of March 31, 2016:						
Bonds	¥124,500	¥ 40,000	¥ 60,000	¥100,000	¥ 60,000	¥ 169,260
Long-term borrowings	236,813	216,875	173,346	176,995	232,185	679,151
Short-term borrowings	349,637	–	–	–	–	–
Total	¥710,950	¥256,875	¥233,346	¥276,995	¥292,185	¥ 848,411

	Thousands of U.S. dollars					
As of March 31, 2017						
Bonds	$ 356,538	$ 534,807	$ 891,345	$ 534,807	$ –	$3,380,515
Long-term borrowings	1,941,813	1,553,819	1,586,336	2,089,063	1,658,080	6,074,615
Short-term borrowings	3,177,324	–	–	–	–	–
Total	$5,475,675	$2,088,626	$2,477,681	$2,623,870	$1,658,080	$9,455,130

7. Marketable Securities and Investments Securities

Held-to-maturity debt securities at March 31, 2017 and 2016 were as follows:

	Millions of yen		
As of March 31, 2017	Carrying value	Fair value	Difference
Securities whose fair value exceeds carrying value:			
National and local government bonds, etc.	¥1,800	¥1,821	¥ 21
Corporate bonds	3,300	3,374	74
Other	1,800	1,845	45
Subtotal	6,900	7,040	140
Securities whose carrying value exceeds fair value:			
National and local government bonds, etc.	–	–	–
Corporate bonds	–	–	–
Other	200	196	(4)
Subtotal	200	196	(4)
Total	¥7,100	¥7,236	¥136

As of March 31, 2016	Millions of yen		
Securities whose fair value exceeds carrying value:			
National and local government bonds, etc.	¥2,000	¥2,051	¥ 51
Corporate bonds	3,300	3,419	119
Other	2,199	2,278	79
Subtotal	7,499	7,748	249
Securities whose carrying value exceeds fair value:			
National and local government bonds, etc.	–	–	–
Corporate bonds	–	–	–
Other	200	196	(4)
Subtotal	200	196	(4)
Total	¥7,699	¥7,944	¥245

As of March 31, 2017	Thousands of U.S. dollars		
Securities whose fair value exceeds carrying value:			
National and local government bonds, etc.	$16,045	$16,232	$ 187
Corporate bonds	29,414	30,074	660
Other	16,044	16,445	401
Subtotal	61,503	62,751	1,248
Securities whose carrying value exceeds fair value:			
National and local government bonds, etc.	–	–	–
Corporate bonds	–	–	–
Other	1,783	1,747	(36)
Subtotal	1,783	1,747	(36)
Total	$63,286	$64,498	$1,212

Available-for-sale securities at March 31, 2017 and 2016 were as follows:

	Millions of yen		
As of March 31, 2017	Carrying value	Acquisition cost	Difference
Securities whose carrying value exceeds acquisition cost:			
Stocks	¥ 74,541	¥ 17,030	¥57,511
Bonds			
National and local government bonds, etc.	–	–	–
Corporate bonds	565	500	65
Other	–	–	–
Other	–	–	–
Subtotal	75,106	17,530	57,576
Securities whose acquisition cost exceeds carrying value:			
Stocks	777	821	(44)
Bonds			
National and local government bonds, etc.	–	–	–
Corporate bonds	–	–	–
Other	–	–	–
Other	161,000	161,000	–
Subtotal	161,777	161,821	(44)
Total	¥236,883	¥179,351	¥57,532

As of March 31, 2016	Millions of yen Carrying value	 Acquisition cost	 Difference
Securities whose carrying value exceeds acquisition cost:			
Stocks	¥ 74,602	¥ 18,829	¥55,773
Bonds			
National and local government bonds, etc.	–	–	–
Corporate bonds	577	500	77
Other	201	200	1
Other	–	–	–
Subtotal	75,380	19,529	55,851
Securities whose acquisition cost exceeds carrying value:			
Stocks	1,327	1,793	(466)
Bonds			
National and local government bonds, etc.	–	–	–
Corporate bonds	–	–	–
Other	–	–	–
Other	189,517	189,517	–
Subtotal	190,844	191,310	(466)
Total	¥266,224	¥210,839	¥55,385

As of March 31, 2017	Thousands of U.S. dollars		
Securities whose carrying value exceeds acquisition cost:			
Stocks	$ 664,418	$ 151,796	$512,622
Bonds			
National and local government bonds, etc.	–	–	–
Corporate bonds	5,036	4,457	579
Other	–	–	–
Other	–	–	–
Subtotal	669,454	156,253	513,201
Securities whose acquisition cost exceeds carrying value:			
Stocks	6,926	7,318	(392)
Bonds			
National and local government bonds, etc.	–	–	–
Corporate bonds	–	–	–
Other	–	–	–
Other	1,435,065	1,435,065	–
Subtotal	1,441,991	1,442,383	(392)
Total	$2,111,445	$1,598,636	$512,809

Available-for sale securities that were sold during the year ended March 31, 2017 and 2016 were as follows.

As of March 31, 2017	Millions of yen Sales value	 Total profit on sales	 Total loss on sales
Stocks	¥3,067	¥608	¥ –
Bonds			
National and local government bonds, etc.	–	–	–
Corporate bonds	–	–	–
Other	–	–	–
Other	339	7	–
Total	¥3,406	¥615	¥ –

As of March 31, 2016	Millions of yen		
Stocks	¥ 37	¥11	¥ 1
Bonds			
National and local government bonds, etc.	–	–	–
Corporate bonds	–	–	–
Other	–	–	–
Other	130	30	14
Total	¥167	¥41	¥15

As of March 31, 2017	Thousands of U.S. dollars		
Stocks	$27,337	$5,419	$ –
Bonds			
National and local government bonds, etc.	–	–	–
Corporate bonds	–	–	–
Other	–	–	–
Other	3,022	63	–
Total	$30,359	$5,482	$ –

8. Investment in capital of associated companies (especially amount of investment to jointly controlled entities)

At March 31, 2017 and 2016, investment in capital of associated companies (especially amount of investment to jointly controlled entities) consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2017	March 31, 2016	**March 31, 2017**
Investment in capital of associated companies	¥357,571	¥212,864	$3,187,191
<amount of investment to jointly controlled entities>	<310,079>	<68,106>	<2,763,874>

9. Inventories

Inventories at March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2017	March 31, 2016	**March 31, 2017**
Merchandise and finished products	¥ 572	¥ 568	$ 5,099
Work-in-process	5,439	4,515	48,480
Raw materials and supplies	62,821	69,569	559,952
Total	¥68,832	¥74,652	$613,531

The ending balance of inventories is an amount after decreasing the value due to a fall in profitability. This valuation loss on inventories, which amounted to ¥16,288 million ($145,182 thousand) and ¥32,968 million at March 31, 2017 and 2016 respectively, is included in operating expenses.

10. Long-term Debt and Short-term Debt

At March 31, 2017 and 2016, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2017	March 31, 2016	**March 31, 2017**
Bonds:			
Domestic issue:			
0.100% to 4.000%, maturing serially through 2037	¥ 639,258	¥ 553,753	$ 5,697,995
Loans from the Development Bank of Japan, other banks and insurance companies, maturing serially through 2037	1,672,047	1,715,365	14,903,708
Lease obligations	37,732	29,311	336,322
Subtotal	2,349,037	2,298,429	20,938,025
Less current portion of long-term debt	(262,408)	(364,885)	(2,338,961)
Total	¥2,086,629	¥1,933,544	$18,599,064

At March 31, 2017 and 2016, all assets of the Company were subject to certain statutory preferential rights as collateral for loans from the Development Bank of Japan in the amount of ¥381,635 million ($3,401,685 thousand) and ¥386,257 million, respectively, and for bonds (including those assigned under debt assumption agreements) of ¥980,710 million ($8,741,510 thousand) and ¥973,710 million, respectively.

At March 31, 2017 and 2016, property, plant and equipment of a certain subsidiary pledged as collateral for some long-term debt amounted to ¥554 million ($4,938 thousand) and ¥546 million, respectively.

At March 31, 2017 and 2016, assets which were pledged as collateral for long-term loans from financial institutions to investees of certain subsidiaries consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2017	March 31, 2016	**March 31, 2017**
Property, plant and equipment	¥ –	¥ 4,378	$ –
Construction in progress	–	10,542	–
Long-term investments	63	12,142	562
Long-term investments in subsidiaries and associates	1,388	44,750	12,372
Cash and deposits	–	6,140	–
Inventories	–	121	–
Other current assets	–	181	–

At March 31, 2017 and 2016, short-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2017	March 31, 2016	**March 31, 2017**
Short-term borrowings	¥356,464	¥349,637	$3,177,324

Short-term borrowings consisted mainly of bank loans bearing an average interest rate of 0.193% per annum at March 31, 2017.

11. Employee Retirement Benefits

The Chubu Electric Group has defined benefit pension plans, lump-sum retirement benefit plans and defined contribution retirement plans. The Company also may pay premium severance benefits to its retiring employees.

Employee retirement benefits at March 31, 2017 and 2016 were as follows:

Defined benefit plans

(a) Movement in retirement benefit obligations except for plans applying the simplified method

	Millions of yen		Thousands of U.S. dollars
	March 31, 2017	March 31, 2016	**March 31, 2017**
Balance at the beginning of current period	¥586,807	¥581,492	$5,230,475
Service cost	17,576	18,350	156,663
Interest cost	4,712	5,400	42,000
Actuarial loss	6,055	13,619	53,971
Benefits paid	(48,197)	(35,151)	(429,602)
Other	(20)	3,097	(178)
Balance at the end of current period	¥566,933	¥586,807	$5,053,329

(b) Movement in plan assets except for plans applying the simplified method

	Millions of yen		Thousands of U.S. dollars
	March 31, 2017	March 31, 2016	**March 31, 2017**
Balance at the beginning of current period	¥413,567	¥417,389	$3,686,309
Expected return on plan assets	8,272	8,539	73,732
Actuarial loss	(4,657)	(218)	(41,510)
Contributions paid by the employer	9,668	9,530	86,176
Benefits paid	(23,214)	(21,672)	(206,917)
Other	(1)	(1)	(9)
Balance at the end of current period	¥403,635	¥413,567	$3,597,781

(c) Movement in liability for retirement benefits of defined benefit plans applying the simplified method

	Millions of yen		Thousands of U.S. dollars
	March 31, 2017	March 31, 2016	**March 31, 2017**
Balance at the beginning of current period	¥4,852	¥4,348	$43,248
Retirement benefit costs	833	746	7,425
Benefits paid	(669)	(721)	(5,963)
Contributions paid by the employer	(52)	(49)	(464)
Other	(23)	528	(205)
Balance at the end of current period	¥4,941	¥4,852	$44,041

(d) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits including plans applying the simplified method

	Millions of yen		Thousands of U.S. dollars
	March 31, 2017	March 31, 2016	**March 31, 2017**
Funded retirement benefit obligations	¥ 413,263	¥ 418,412	$ 3,683,599
Plan assets	(404,988)	(414,946)	(3,609,840)
	8,275	3,466	73,759
Unfunded retirement benefit obligations	159,963	174,625	1,425,822
Total net liability for retirement benefits	168,238	178,091	1,499,581
Liability for retirement benefits	187,141	204,413	1,668,072
Asset for retirement benefits	(18,903)	(26,322)	(168,491)
Total net liability for retirement benefits	¥ 168,238	¥ 178,091	$ 1,499,581

(e) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	March 31, 2017	March 31, 2016	**March 31, 2017**
Service cost	¥17,576	¥18,350	$156,663
Interest cost	4,712	5,400	42,000
Expected return on plan assets	(8,272)	(8,540)	(73,732)
Net actuarial gain and loss amortization	(8,330)	(7,084)	(74,249)
Prior service costs amortization	(35)	(35)	(312)
Retirement benefit costs based on the simplified method	834	746	7,434
Other	4,761	8,145	42,437
Total retirement benefit costs	¥11,246	¥16,982	$100,241

(f) Adjustments for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	March 31, 2017	March 31, 2016	**March 31, 2017**
Prior service costs amortization	¥ (35)	¥ (35)	$ (312)
Net actuarial gain and loss amortization	(19,039)	(20,920)	(169,703)
Total balance	¥(19,074)	¥(20,955)	$(170,015)

(g) Accumulated adjustments for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	March 31, 2017	March 31, 2016	**March 31, 2017**
Past service costs that are yet to be recognized	¥ (105)	¥ (140)	$ (936)
Actuarial gains and losses that are yet to be recognized	17,226	(1,813)	153,543
Total balance	¥17,121	¥(1,953)	$152,607

(h) Plan assets

(1) Plan assets comprise:

	March 31, 2017	March 31, 2016
Bonds	46%	56%
General accounts of life insurance companies	29%	28%
Stock	12%	13%
Other	13%	3%
Total	100%	100%

(2) Long-term expected rate of return

Asset allocation, historical returns, operating policy, marketing trends and other have been considered in determining the long-term expected rate of return.

(i) Actuarial assumptions

The principle actuarial assumptions at March 31, 2017 and 2016 were as follows:

		March 31, 2017	March 31, 2016
Discount rate	(Company)	0.9%	0.9%
	(Subsidiaries)	0.1–0.8%	0.1–0.8%
Long-term expected rate of return	(Company)	2.0%	2.0%
	(Subsidiaries)	2.0%	1.9–2.5%

Defined contribution plans

Contributions to defined contribution plans required by the Company and its subsidiaries amounted to ¥2,664 million ($23,745 thousand) and ¥3,038 million at March 31, 2017 and 2016, respectively.

12. Lease Transactions

(a) Lessee

Future lease payments under non-cancelable operating leases at March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2017	March 31, 2016	**March 31, 2017**
Within 1 year	¥ 34	¥ 13	$ 303
Over 1 year	121	88	1,079
Total	¥155	¥101	$1,382

(b) Lessor

Future lease commitments to be received under non-cancelable operating leases at March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2017	March 31, 2016	**March 31, 2017**
Within 1 year	¥246	¥ 285	$2,193
Over 1 year	585	832	5,214
Total	¥831	¥1,117	$7,407

13. Asset Retirement Obligations

(a) Overview of Asset Retirement Obligations

Asset retirement obligations are recorded mainly in conjunction with measures to decommission specified nuclear power plants under the "Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors" (Act No. 166 of June 10, 1957). The asset retirement cost corresponding to the asset retirement obligations in relation to the decommissioning of specified nuclear power plants is recorded in tangible fixed assets based on the estimated total cost of decommissioning the nuclear power plants and is expensed based on the straight-line method over the period (the operational period plus the safe storage period) in accordance with "Ministerial Ordinance for the Setting of Reserve for the Decommissioning of Nuclear Power Plants" (Ordinance No. 30 of the Ministry of International Trade and Industry, May 25, 1989).

(b) Method for calculating monetary amounts of asset retirement obligations

With regard to the decommissioning of specified nuclear power plants, the monetary amount of asset retirement obligations is calculated based on a discount rate of 2.3% and the relevant period (the operational period plus the safe storage period) as prescribed by "Ministerial Ordinance for the Setting of Reserves for the Decommissioning of Nuclear Power Plants" (Ordinance No. 30 of the Ministry of International Trade and Industry, May 25, 1989). If the monetary amount of asset retirement obligations calculated in accordance with the "Ministerial Ordinance for the Setting of Reserves for the Decommissioning of Nuclear Power Plants" (Ordinance No. 30 of the Ministry of International Trade and Industry, May 25, 1989) exceeds the monetary amount calculated by the previous method, we will record the monetary amount calculated according to the Ministerial Ordinance as obligations.

(c) Net increase (decrease) in asset retirement obligations for the fiscal year

	Millions of yen		Thousands of U.S. dollars
	March 31, 2017	March 31, 2016	**March 31, 2017**
Balance at beginning of year	¥198,908	¥194,087	$1,772,956
Reductions due to execution of asset retirement obligations	(1,305)	(2,201)	(11,632)
Other	9,210	7,022	82,093
Balance at end of year	¥206,813	¥198,908	$1,843,417

14. Derivatives

The Chubu Electric Group enters into derivative financial instruments, including interest rate swaps, foreign exchange forward contracts, currency swaps, commodity future contracts, commodity swaps, commodity options and commodity forward contracts. The Chubu Electric Group's derivative financial instruments outstanding at March 31, 2017 and 2016 were as follows:

(a) Derivatives for which hedge accounting is not applied

	Millions of yen			
	Contract amount			Unrealized
As of March 31, 2017	Total	More than 1 year	Fair value	gains and losses
Commodity swaps and options contracts:				
Receive floating, pay fixed	¥–	¥–	¥–	¥–
Commodity forward contracts:				
Long position	–	–	–	–
Short position	–	–	–	–
Total	¥–	¥–	¥–	¥–

As of March 31, 2016	Millions of yen			
Commodity swaps and options contracts:				
Receive floating, pay fixed	¥219	¥ –	¥(39)	¥(39)
Commodity forward contracts:				
Long position	203	–	(18)	(18)
Short position	203	–	18	18
Total	¥ –	¥ –	¥(39)	¥(39)

As of March 31, 2017	Thousands of U.S. dollars			
Commodity swaps and options contracts:				
Receive floating, pay fixed	$–	$–	$–	$–
Commodity forward contracts:				
Long position	–	–	–	–
Short position	–	–	–	–
Total	$–	$–	$–	$–

(b) Derivatives for which hedge accounting is applied

		Millions of yen		
		Contract amount		Fair value
As of March 31, 2017		Total	More than 1 year	
	Hedged items			
General treatment:				
Foreign exchange forward contracts:	Construction in progress			
Long position	(forecasted transactions)	¥ –	¥ –	¥ –
Interest rate swaps:				
Receive floating, pay fixed	Bonds and long-term borrowings	324,500	288,500	(6,179)
Receive fixed, pay floating	Bonds and long-term borrowings	50,000	50,000	2,249
Commodity swaps:				
Receive floating, pay fixed	Other operating expenses	–	–	–
Allocation of gain/loss on foreign exchange forward contracts and others:				
Currency swaps:	Bonds	20,000	20,000	*
Foreign exchange forward contracts:				
Long position	Accounts payable - other	–	–	–
Special treatment of interest rate swaps:				
Interest rate swaps:				
Receive floating, pay fixed	Long-term borrowings	78,153	16,415	*
Total		¥ –	¥ –	¥ (3,930)

As of March 31, 2016		Millions of yen: Contract amount: Total	More than 1 year	Fair value
	Hedged items			
General treatment:				
Foreign exchange forward contracts:	Construction in progress			
Long position	(forecasted transactions)	¥ 1,917	¥ –	¥ (0)
Interest rate swaps:				
Receive floating, pay fixed	Bonds and long-term borrowings	360,500	324,500	(9,452)
Receive fixed, pay floating	Bonds and long-term borrowings	50,000	50,000	3,662
Commodity swaps:				
Receive floating, pay fixed	Other operating expenses	2,742	–	(993)
Allocation of gain/loss on foreign exchange forward contracts and others:				
Currency swaps:	Bonds	20,000	20,000	*
Foreign exchange forward contracts:				
Long position	Accounts payable - other	370	–	*
Special treatment of interest rate swaps:				
Interest rate swaps:				
Receive floating, pay fixed	Long-term borrowings	73,476	73,353	*
Total		¥ –	¥ –	¥(6,783)

As of March 31, 2017		Thousands of U.S. dollars		
	Hedged items			
General treatment:				
Foreign exchange forward contracts:	Construction in progress			
Long position	(forecasted transactions)	$ –	$ –	$ –
Interest rate swaps:				
Receive floating, pay fixed	Bonds and long-term borrowings	2,892,415	2,571,530	(55,076)
Receive fixed, pay floating	Bonds and long-term borrowings	445,673	445,673	20,046
Commodity swaps:				
Receive floating, pay fixed	Other operating expenses	–	–	–
Allocation of gain/loss on foreign exchange forward contracts and others:				
Currency swaps:	Bonds	178,269	178,269	*
Foreign exchange forward contracts:				
Long position	Accounts payable - other	–	–	–
Special treatment of interest rate swaps:				
Interest rate swaps:				
Receive floating, pay fixed	Long-term borrowings	696,613	146,314	*
Total		$ –	$ –	$ (35,030)

* For the allocation method of currency swaps and special treatment of interest rate swaps, the fair value was included in fair value of the respective hedged items.
(Note) The fair value of derivative transactions is measured at quoted prices obtained from the financial institutions.

15. Contingent Liabilities

As of March 31, 2017 and 2016, contingent liabilities were as follows:

	Millions of yen: **March 31, 2017**	Millions of yen: March 31, 2016	Thousands of U.S. dollars: **March 31, 2017**
Guarantees of bonds and loans of companies and others:			
Japan Nuclear Fuel Limited	¥117,227	¥121,386	$1,044,897
Guarantees of housing and other loans for employees	62,298	70,619	555,290
The Japan Atomic Power Company	38,095	38,095	339,558
Other companies	49,577	35,182	441,902
Guarantees related to other contracts	16,415	11,322	146,314
The amount borne by other joint and several obligors out of joint and several obligations against the fulfillment of payment obligations associated with connection and supply contracts	–	1,546	–
Recourse under debt assumption agreements	341,450	419,950	3,043,498
Notes receivable discounted and notes receivable endorsed	–	127	–

16. Net Assets

The authorized number of shares of common stock without par value is 1,190 million. At both March 31, 2017 and 2016, the number of shares of common stock issued was 758,000,000. At March 31, 2017 and 2016, the number of shares of treasury stock held by the Chubu Electric Group was 799,852 and 743,530, respectively.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the consolidated balance sheets.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

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

At the annual shareholders' meeting held on June 28, 2017, the shareholders approved cash dividends amounting to ¥11,359 million ($101,248 thousand) or ¥15 per share. The appropriation was not recorded in the consolidated financial statements as of March 31, 2017. Such appropriations are recognized in the period in which they are approved by the shareholders.

17. Income Taxes

(a) The tax effects of temporary differences that give rise to deferred tax assets and liabilities at March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2017	March 31, 2016	**March 31, 2017**
Deferred tax assets:			
Liability for retirement benefits	¥ 50,401	¥ 58,080	$ 449,247
Depreciation	34,916	35,823	311,222
Asset retirement obligations	33,656	32,317	299,991
Depreciation of easement rights	28,209	25,891	251,440
Intercompany unrealized profits	18,801	18,386	167,582
Maintenance	14,612	16,551	130,243
Impairment loss on fixed assets	13,449	14,043	119,877
Reprocessing of irradiated nuclear fuel	12,542	10,715	111,792
Other	66,166	88,462	589,767
Total gross deferred tax assets	272,752	300,268	2,431,161
Less valuation allowance	(47,293)	(46,948)	(421,544)
Total deferred tax assets	225,459	253,320	2,009,617
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	14,573	13,808	129,896
Asset retirement costs corresponding to asset retirement obligations	7,665	7,788	68,321
Other	11,483	27,269	102,353
Total deferred tax liabilities	33,721	48,865	300,570
Net deferred tax assets	¥191,738	¥204,455	$1,709,047

At March 31, 2017 and 2016, deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2017	March 31, 2016	**March 31, 2017**
Deferred tax assets:			
Noncurrent	¥165,856	¥176,418	$1,478,349
Current	28,303	31,155	252,277
Deferred tax liability:			
Noncurrent	2,405	3,119	21,437
Current	15	–	134

(b) A reconciliation of the difference between the statutory income tax rate and the effective income tax rate for the years ended March 31, 2017 and 2016 is set forth below.

	March 31, 2017	March 31, 2016
Statutory income tax rate	27.8%	28.4%
Increase (decrease) due to:		
Share of profit and loss of entities accounted for using equity method	(6.7%)	(0.0%)
Less valuation allowance	1.1%	1.4%
Other	1.0%	2.5%
Effective income tax rate	23.2%	32.3%

18. Operating Expenses

Operating expenses in the electricity business for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2017	March 31, 2016	**March 31, 2017**
Salaries	¥ 132,764	¥ 132,946	$ 1,183,385
Retirement benefits	7,805	13,687	69,569
Fuel	614,569	805,625	5,477,930
Maintenance	204,677	200,962	1,824,378
Subcontracting fees	125,610	97,141	1,119,619
Depreciation	236,290	239,356	2,106,159
Power purchased from other suppliers	335,370	292,493	2,989,304
Levy under act on purchase of renewable energy sourced electricity	233,443	161,043	2,080,783
Other	341,250	374,124	3,041,715
Subtotal	2,231,778	2,317,377	19,892,842
Adjustment	(12,131)	(9,055)	(108,129)
Total	¥2,219,647	¥2,308,322	$19,784,713

19. Reversal of Reserve for Loss in Conjunction with Discontinued Operations of Nuclear Power Plants

A reasonable estimate was made as a reserve for possible future expenses and losses related to the decommissioning of electric generating facilities that followed the termination of operations at Hamaoka Reactors No. 1 and 2. In the year ended March 31, 2016, the difference between the estimate and reserve for loss in conjunction with discontinued operations of nuclear power plants was appropriated to the extraordinary income of ¥10,812 million as progress was made in the decommissioning plan.

20. Accounting Standards for Presentation of Comprehensive Income

Amounts reclassified as net loss is the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2017	March 31, 2016	**March 31, 2017**
Net unrealized gains on available-for-sale securities:			
Increase (decrease) during the year	¥ 2,368	¥ (2,991)	$ 21,107
Reclassification adjustments	(247)	(34)	(2,202)
Subtotal, before tax	2,121	(3,025)	18,905
Tax (expense) benefit	(764)	997	(6,809)
Subtotal, net of tax	1,357	(2,028)	12,096
Net deferred gain (loss) on hedging instruments:			
Increase (decrease) during the year	880	(5,497)	7,843
Reclassification adjustments	2,243	1,293	19,993
Subtotal, before tax	3,123	(4,204)	27,836
Tax benefit	(864)	1,140	(7,701)
Subtotal, net of tax	2,259	(3,064)	20,135
Foreign currency translation adjustments:			
Decrease during the year	(13,899)	(3,302)	(123,888)
Reclassification adjustments	2,313	(5,695)	20,617
Subtotal, net of tax	(11,586)	(8,997)	(103,271)
Adjustments for retirement benefits			
Decrease during the year	(10,715)	(13,068)	(95,508)
Reclassification adjustments	(8,359)	(7,888)	(74,507)
Subtotal, before tax	(19,074)	(20,956)	(170,015)
Tax benefit	5,349	6,138	47,678
Subtotal, net of tax	(13,725)	(14,818)	(122,337)
Share of other comprehensive income of affiliates accounted for using equity method:			
Decrease during the year	(3,784)	(1,410)	(33,728)
Reclassification adjustments	19,223	2,991	171,343
Acquisition cost adjustment of assets	469	225	4,180
Subtotal, net of tax	15,908	1,806	141,795
Total other comprehensive income	¥ (5,787)	¥(27,101)	$(51,582)

21. Related Party Transactions

Significant transactions of the Company and its subsidiaries with unconsolidated subsidiaries and affiliates for the years ended March 31, 2017 and 2016 were as follows:

JERA Co., Inc. (an affiliate)

JERA Co., Inc. operates in the fuel business and power generation infrastructure businesses both in Japan and abroad. The Company has a 50% share of the voting rights in JERA Co., Inc. Its involvement with JERA Co., Inc. includes fuel purchases and interlocking directors. Fuel purchases are determined after due consideration of market conditions and negotiations.

	Millions of yen		Thousands of U.S. dollars
	March 31, 2017	March 31, 2016	**March 31, 2017**
The Company's transactions during the year:			
Transaction amount	¥422,194	¥–	$3,763,205
Balances at the fiscal year-end:			
Other current liabilities	¥ 34,623	¥–	$ 308,610

22. Business Combinations

(a) Formation of a jointly controlled entity

At the Board of Directors' meeting held on May 23, 2016, the Company resolved that it would enter into an absorption-type company split agreement with JERA Co., Inc. (hereinafter, "JERA") to the effect that JERA would succeed the Company's existing fuel business (upstream investments and fuel procurement), the existing overseas power generation and energy infrastructure businesses, and the replacement and construction business of thermal power plants (hereinafter, "the Businesses") conducted by Hitachinaka Generation Co., Inc. by way of company split. The Company concluded the agreement on the same day. Based on the agreement, JERA succeeded the businesses of the Company on July 1, 2016.

Concurrently, JERA concluded a separate absorption-type company split agreement with TEPCO Fuel & Power, Inc. (hereinafter, "TEPCO F&P") so that JERA would succeed the existing fuel business (upstream investments and fuel procurement) and the existing overseas IPP business (thermal power plants) of TEPCO F&P and the replacement and construction business of thermal power plants conducted by Hitachinaka Generation Co., Inc.

(1) Outline of transactions

1) Name of the target business and details of the relevant business
   Existing fuel business (upstream investments and fuel procurement), the existing overseas power generation and energy infrastructure businesses and the replacement and construction business of thermal power plants conducted by Hitachinaka Generation Co., Inc.
2) Date of business combination
   July 1, 2016
3) Legal form of business combination
   Absorption-type company split to be implemented by the Company as a split company and JERA as a successor company.
4) Company name after business combination
   JERA Co., Inc.
5) Other matters concerning the outline of transactions
   On February 9, 2015, the Company reached an agreement with Tokyo Electric Power Company, Incorporated (hereinafter, "TEPCO") concerning the implementation of a comprehensive alliance and entered into a joint venture agreement to establish a new company in which both companies' fuel procurement, other fuel-related businesses, such as upstream investments and trading, as well as new development and replacement businesses related to domestic and overseas power plants would be integrated. In addition, on December 22, 2015, the Company reached a related agreement of the businesses with TEPCO (hereinafter, "Related Agreement") which determined terms and conditions and procedural matters concerning the existing fuel business (upstream investments and fuel procurement), the existing overseas power generation and energy infrastructure businesses and the replacement and construction business of thermal power plants conducted by Hitachinaka Generation Co., Inc. Based on the agreement, it was decided that JERA, which was established on April 30, 2015, would succeed the businesses.
6) Reason for judging it a formation of a jointly controlled entity
   In establishing this jointly controlled entity, the Company and TEPCO concluded a joint venture agreement under which both companies would jointly control JERA and other related agreements and have decided to pay for the business combination entirely with shares with voting rights. There exist no other circumstances indicating controlling relationships. Accordingly, in our opinion, this business combination was formed as a jointly controlled entity.

(2) Outline of Accounting Treatment Applied

Following the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued on September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, issued on September 13, 2013) and "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, issued on September 13, 2013), this business combination was accounted for as a formation of a jointly controlled entity.

(b) Significant subsequent events regarding business combinations (formation of a jointly controlled entity)

Conclusion of a joint venture agreement concerning the integration of existing thermal power generation business at the Board of Directors' meeting held on June 8, 2017, the Company resolved that it would enter into a joint venture agreement with TEPCO Fuel & Power, Inc. (a wholly owned subsidiary of Tokyo Electric Power Company Holdings, Inc. ("TEPCO F&P")) concerning the integration of fuel acceptance, storage and gas transmission businesses and the existing thermal power generation business ("the Businesses") into JERA Co., Inc. and signed the joint venture agreement on the same day.

Going forward, both companies will proceed with detailed discussions and necessary procedures aiming for business integration in the first half of fiscal year 2019 on equal footing and in the spirit of compromise. Following the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued on September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, issued on September 13, 2013) and "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, issued on September 13, 2013), this business combination will be accounted for as formation of a jointly controlled entity.

23. Segment Information

The reporting segments are constituent business units of the Chubu Electric Power Group for which separate financial information is obtained and examined regularly by the Board of Directors of the Company to evaluate business performance. The Group's core operations are based on the twin pillars of the Electric Power business and the Energy business, which mainly entails the supply of gas and on-site energy. Our business activities also include the application of our know-how (developed in the domestic sector) to energy projects overseas, construction for the development and maintenance of electric utilities related facilities, and the manufacturing of materials and machinery for these facilities. Additionally, amid drastic changes in the business environment, the company system was introduced and three companies—"Power Generation", "Power Network" and "Customer Service & Sales"—were formed in April 2016 for the purpose of building an autonomous business structure that enables swift and flexible response in the power generation, power transmission/distribution and retail business fields.

Accordingly, "Power Generation", "Power Network" and "Customer Service & Sales" have become three reporting segments, starting from the business year ended March 31, 2017.

Power Generation: Provision of electric power from thermal and renewable energies
Power Network: Provision of electric power network services
Customer Service & Sales: Operation of comprehensive energy services focused on gas and power

Information by segment for the years ended March 31, 2017 and 2016 was as follows:

	Millions of yen							
Year ended March 31, 2017	Power Generation	Power Network	Customer Service & Sales	Subtotal	Other	Total	Adjustment	Consolidated
Operating revenues:								
External customers	¥ 29,478	¥ 50,710	¥2,344,141	¥2,424,329	¥ 179,209	¥2,603,538	¥ –	¥2,603,538
Intersegment	956,800	682,191	108,465	1,747,456	530,960	2,278,416	(2,278,416)	–
Total	986,278	732,901	2,452,606	4,171,785	710,169	4,881,954	(2,278,416)	2,603,538
Operating income (loss)	¥ 61,295	¥ 35,095	¥ 51,111	¥ 147,501	¥ (8,514)	¥ 138,987	¥ (2,543)	¥ 136,444
Total assets	¥1,134,454	¥2,168,496	¥ 213,355	¥3,516,305	¥2,160,185	¥5,676,490	¥ (264,183)	¥5,412,307
Depreciation and amortization	85,692	128,640	6,022	220,354	39,300	259,654	(3,962)	255,692
Increase in tangible and intangible fixed assets	125,143	114,677	7,268	247,088	105,128	352,216	(6,527)	345,689

	Millions of yen						
Year ended March 31, 2017	Electric Power	Energy	Subtotal	Other	Total	Adjustment	Consolidated
Operating revenues:							
External customers	¥2,340,792	¥59,962	¥2,400,754	¥202,784	¥2,603,538	¥ –	¥2,603,538
Intersegment	2,806	3,949	6,755	302,673	309,428	(309,428)	–
Total	2,343,598	63,911	2,407,509	505,457	2,912,966	¥(309,428)	2,603,538
Operating income	¥ 111,820	¥ 7,587	¥ 119,407	¥ 19,581	¥ 138,988	(2,544)	¥ 136,444
Total assets	¥4,604,636	¥83,387	¥4,688,023	¥988,627	¥5,676,650	¥(264,343)	¥5,412,307
Depreciation and amortization	236,377	5,717	242,094	17,560	259,654	(3,962)	255,692
Increase in tangible and intangible fixed assets	306,058	6,466	312,524	39,692	352,216	(6,527)	345,689

	Millions of yen						
Year ended March 31, 2016	Electric Power	Energy	Subtotal	Other	Total	Adjustment	Consolidated
Operating revenues:							
External customers	¥2,570,960	¥ 87,363	¥2,658,323	¥195,721	¥2,854,044	¥ –	¥2,854,044
Intersegment	1,494	2,866	4,360	313,343	317,703	(317,703)	–
Total	2,572,454	90,229	2,662,683	509,064	3,171,747	(317,703)	2,854,044
Operating income	¥ 255,077	¥ 12,937	¥ 268,014	¥ 17,825	¥ 285,839	¥ (847)	¥ 284,992
Total assets	¥4,795,122	¥ 86,089	¥4,881,211	¥940,146	¥5,821,357	¥(282,411)	¥5,538,946
Depreciation and amortization	239,449	5,422	244,871	16,166	261,037	(3,974)	257,063
Increase in tangible and intangible fixed assets	244,072	7,956	252,028	41,756	293,784	(5,412)	288,372

	Thousands of U.S. dollars							
Year ended March 31, 2017	Power Generation	Power Network	Customer Service & Sales	Subtotal	Other	Total	Adjustment	Consolidated
Operating revenues:								
External customers	$ 262,751	$ 452,001	$20,894,384	$21,609,136	$ 1,597,371	$23,206,507	$ –	$23,206,507
Intersegment	8,528,389	6,080,676	966,798	15,575,863	4,732,685	20,308,548	(20,308,548)	–
Total	8,791,140	6,532,677	21,861,182	37,184,999	6,330,056	43,515,055	(20,308,548)	23,206,507
Operating income (loss)	$ 546,350	$ 312,818	$ 455,575	$ 1,314,743	$ (75,889)	$ 1,238,854	$ (22,667)	$ 1,216,187
Total assets	$10,111,899	$19,328,782	$ 1,901,729	$31,342,410	$19,254,702	$50,597,112	$ (2,354,782)	$48,242,330
Depreciation and amortization	763,811	1,146,626	53,677	1,964,114	350,299	2,314,413	(35,315)	2,279,098
Increase in tangible and intangible fixed assets	1,115,456	1,022,168	64,783	2,202,407	937,053	3,139,460	(58,178)	3,081,282

	Millions of yen							
Year ended March 31, 2017	Electric Power	Energy		Subtotal	Other	Total	Adjustment	Consolidated
Operating revenues:								
External customers	$20,864,534	$534,468		$21,399,002	$1,807,505	$23,206,507	$ –	$23,206,507
Intersegment	25,011	35,199		60,210	2,697,861	2,758,071	(2,758,071)	–
Total	20,889,545	569,667		21,459,212	4,505,366	25,964,578	(2,758,071)	23,206,507
Operating income	$ 996,702	$ 67,627		$ 1,064,329	$ 174,534	$ 1,238,863	$ (22,676)	$ 1,216,187
Total assets	$41,043,194	$743,266		$41,786,460	$8,812,078	$50,598,538	$(2,356,208)	$48,242,330
Depreciation and amortization	2,106,935	50,958		2,157,893	156,520	2,314,413	(35,315)	2,279,098
Increase in tangible and intangible fixed assets	2,728,033	57,634		2,785,667	353,793	3,139,460	(58,178)	3,081,282

(a) Method for calculating operating revenues, income, assets and other amounts for each reporting segment

The accounting treatment and methods used for the reporting segments are consistent with the accounting treatment and methods described in Note 2, Summary of Significant Accounting Policies. Segment income for each reporting segment is presented on an operating income basis. Intersegment internal sales and transfers are, in principle, calculated in accordance with internal transaction prices that are based on costs.

(b) Information about products and services

The Company has omitted a disclosure of information for sales of a single product/service category to external customers which accounted for more than 90% of all sales in the consolidated statements of income.

(c) Information by geographic regions

(1) Operating revenues

The Company has omitted a disclosure of information for operating revenues because operating revenues to external customers in Japan accounted for more than 90% of the operating revenues reported in the consolidated statements of income.

(2) Property, plant and equipment

The Company has omitted a disclosure of information for property, plant and equipment because property, plant and equipment in Japan accounted for more than 90% of the property, plant and equipment reported in the consolidated balance sheets.

(d) Information about major customers

The Company has not disclosed information about major customers because no customer contributed 10% or more to operating revenues in the consolidated statements of income.

(e) Impairment loss on fixed assets and amortization of goodwill and the unamortized balance

The Company has omitted information by segment on impairment loss on fixed assets, amortization of goodwill and the unamortized balance due to the negligible importance of this information.

(f) Gain arising from negative goodwill

Not applicable

(g) Changes in reporting segments

Amid drastic changes in the business environment, the company system was introduced and three companies—"Power Generation", "Power Network" and "Customer Service & Sales"—were formed in April 2016 for the purpose of building an autonomous business structure that enables swift and flexible response in the power generation, power transmission/distribution and retail business fields.

Accordingly, "Power Generation", "Power Network" and "Customer Service & Sales" have become three reporting segments, starting from the business year ended March 31, 2017.

Power Generation:Provision of electric power from thermal and renewable energies

Power Network:Provision of electric power network services

Customer Service & Sales:Operation of comprehensive energy services focused on gas and power

Additionally, the method used to calculate the amount of sales and profit/loss by business segment has been changed. Intersegment internal sales and transfers are, in principle, calculated in accordance with internal transaction prices that are based on costs.

Since we introduced the company system in April 2016, it is difficult to retroactively restructure segment information for the fiscal year ended March 31, 2016 in the segment classifications for the fiscal year ended March 31, 2017. Consequentry, as seen below, data for the fiscal year ended March 31, 2017 has been prepared based on the classification method used for the fiscal year ended March 31, 2016.