

SEMI-ANNUAL FINANCIAL STATEMENTS

for the six months ended September 30 , 2003

THE CHUGOKU ELECTRIC POWER CO.,INC
JAPAN

Cautionary Statement with Regard to Forward-Looking Statements

In this semi-annual report, all information not based on historical results, including that concerning current plans, forecasts, strategies, assurances and other matters, is intended as projections related to future results, and is based on information available to company management at the time of writing. For this reason, readers are strongly urged not to make investment decisions based solely on the results forecasts contained herein. Actual performance may differ significantly from projections, owing to economic and other factors.

Specific significant factors with the potential to influence business results include economic conditions related to Chugoku Electric's business domains, currency fluctuations, fuel price fluctuations, climatic conditions that affect electric power sales, and trends in the liberalization of the Japanese electric power industry. However, these are not the only factors that might influence the Company's performance.

CONTENTS

(CONSOLIDATE FINANCIAL STATEMENTS)

SEMI-ANNUAL CONSOLIDATED BALANCE SHEETS(UNAUDITED)	• • • • • 2
SEMI-ANNUAL CONSOLIDATED STATEMENTS OF INCOME(UNAUDITED)	• • • • • 4
SEMI-ANNUAL CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)	• • • • • 5
SEMI-ANNUAL CONSOLIDATED STATEMENTS OF CASH FLOW (UNAUDITED)	• • • • • 6
NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)	• • • • • 7

(NON - CONSOLIDATE FINANCIAL STATEMENTS)

SEMI-ANNUAL NON-CONSOLIDATED BALANCE SHEETS(UNAUDITED)	• • • • • 19
SEMI-ANNUAL NON-CONSOLIDATED STATEMENTS OF INCOME(UNAUDITED)	• • • • • 21
SEMI-ANNUAL NON-CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY(UNAUDITED)	• • • • • 22
NOTES TO SEMI-ANNUAL NON-CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)	• • • • • 23

SEMI-ANNUAL CONSOLIDATED BALANCE SHEETS (UNAUDITED)

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries
September 30, 2003 and 2002

Assets	Millions of yen		Thousands of U. S. dollars (Note 1)
	2003	2002	2003
Property:			
Utility plant and equipment	¥5,286,063	¥5,247,097	\$48,055,118
Other plant	232,019	132,591	2,109,264
Construction in progress	135,157	138,869	1,228,700
	5,653,239	5,518,557	51,393,082
Less-			
Contributions in aid of construction	70,785	67,593	643,500
Accumulated depreciation	3,277,986	3,097,765	29,799,873
	3,348,771	3,165,358	30,443,373
Net property	2,304,468	2,353,199	20,949,709
Nuclear fuel	116,249	116,488	1,056,809
Investments and other assets:			
Investment securities (Note 4)	51,748	55,780	470,436
Investments in and advances to non-consolidated subsidiaries and affiliates	83,819	84,120	761,991
Long-term loans to employees	2,486	2,735	22,600
Deferred tax assets	59,498	51,967	540,891
Other assets	6,437	6,315	58,518
Total investments and other assets	203,988	200,917	1,854,436
Current assets:			
Cash and time deposits (Note 3)	21,147	23,148	192,245
Receivables, less allowance for doubtful accounts of ¥811 million (\$ 7,381 thousand) in 2003 and ¥844 million in 2002	59,308	64,373	539,164
Inventories, fuel and supplies	35,201	30,990	320,009
Deferred tax assets	8,832	7,387	80,291
Other current assets	12,823	12,158	116,573
Total current assets	137,311	138,056	1,248,282
Total assets	¥2,762,016	¥2,808,660	\$25,109,236

See accompanying notes.

Liabilities and Stockholders' Equity	Millions of yen		Thousands of U. S. dollars (Note 1)
	2003	2002	2003
Long-term debt due after one year (Note 6)	¥1,470,231	¥1,523,028	\$13,365,736
Other long-term liabilities due after one year	5,258	5,321	47,800
Employees' severance and retirement benefits	85,636	85,641	778,509
Reserve for reprocessing of irradiated nuclear fuel	86,116	85,545	782,873
Reserve for decommissioning of nuclear power generating plants	42,444	40,959	385,855
Current liabilities:			
Long-term debt due within one year (Note 6)	167,399	159,918	1,521,809
Short-term borrowings	82,090	84,880	746,273
Commercial paper	74,000	70,000	672,727
Accounts payable	30,349	37,083	275,900
Accrued income taxes	22,451	28,425	204,100
Accrued expenses	41,430	40,209	376,636
Other current liabilities (including other long-term liabilities due within one year)	32,452	31,596	295,018
Total current liabilities	450,171	452,111	4,092,463
Reserve for drought	1,873	—	17,027
Minority interests	4,948	4,852	44,982
Commitments and contingent liabilities (Note 8)			
Stockholders' equity (Note 9)			
Common stock :			
Authorized-1,000,000,000 shares			
Issued-371,055,259 shares	185,528	185,528	1,686,618
Capital surplus	16,680	16,677	151,636
Retained earnings (Note 11)	410,589	398,024	3,732,627
Net unrealized holding gains on securities	10,124	15,407	92,036
Foreign currency translation adjustments	17	16	156
Treasury stock	(7,599)	(4,449)	(69,082)
Total stockholders' equity	615,339	611,203	5,593,991
Total liabilities, minority interests and stockholders' equity	¥2,762,016	¥2,808,660	\$25,109,236

SEMI-ANNUAL CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries
For the six months ended September 30, 2003, 2002 and 2001

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2003	2002	2001	2003
Operating revenues (Note 10) :				
Electric	¥451,084	¥487,501	¥488,096	\$4,100,764
Other	27,113	22,279	19,718	246,482
	478,197	509,780	507,814	4,347,246
Operating expenses (Note 10) :				
Electric	399,163	411,756	416,978	3,628,755
Other	30,100	23,971	21,807	273,636
	429,263	435,727	438,785	3,902,391
Operating income	48,934	74,053	69,029	444,855
Other expenses (income) :				
Interest expense	19,419	27,576	26,294	176,536
Interest income	(62)	(56)	(88)	(564)
Gains on sales of securities	(3,368)	(552)	(1,012)	(30,618)
Equity in earnings of affiliated companies	(144)	(146)	(491)	(1,309)
Other, net	3,482	(109)	4,508	31,656
	19,327	26,713	29,211	175,701
Special item				
Reserve for drought	1,873	—	—	17,027
Income before income taxes and minority interests in net income of consolidated subsidiaries	27,734	47,340	39,818	252,127
Provision for income taxes				
Current	17,862	23,174	3,410	162,382
Deferred	(7,114)	(5,742)	2,631	(64,673)
	10,748	17,432	6,041	97,709
Income before minority interests in net income of consolidated subsidiaries	16,986	29,908	33,777	154,418
Minority interests in net loss (income) of consolidated subsidiaries	(5)	105	(87)	(45)
Net income	¥16,981	¥30,013	¥33,690	\$154,373

	Yen		U.S. dollars (Note 1)	
	2003	2002	2003	2002
Per share data (Note 2) :				
Net income:				
Basic	¥46.34	¥81.06	¥90.80	\$0.42
Diluted	46.34	81.06	89.77	0.42
Interim cash dividends applicable to the period	25.00	25.00	25.00	0.23

See accompanying notes.

SEMI-ANNUAL CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries
For the six months ended September 30, 2003, 2002 and 2001

	Millions of yen							
	Shares of common stock	Common stock	Capital surplus	Retained earnings	Net unrealized holding gain on securities	Foreign currency translation adjustments	Treasury stock	Common stock held by consolidated subsidiaries
Balance at March 31, 2001	371,055,259	¥185,528	¥16,677	¥351,578	¥21,999	¥-	¥(4)	¥(7)
Net income				33,690				
Cash dividends paid (¥30.00 per share)				(11,103)				
Bonuses to directors and statutory auditors				(269)				
Decrease in unrealized holding gains on securities					(6,066)			
Purchase of treasury stock								
Balance at September 30, 2001	371,055,259	¥185,528	¥16,677	¥373,896	¥15,933	¥-	¥(4)	¥(7)
Balance at March 31, 2002	371,055,259	¥185,528	¥16,677	¥377,423	¥14,204	¥-	¥(74)	¥(6)
Net income				30,013				
Cash dividends paid (¥25.00 per share)				(9,251)				
Bonuses to directors and statutory auditors				(242)				
Effect of increase in investments accounted for by the equity method				281				
Effect of newly consolidated subsidiaries				(200)				
Increase in unrealized holding gains on securities					1,203			
Treasury stock							(4,375)	
Treasury stock held by consolidated subsidiaries								6
Foreign currency translation adjustments						16		
Balance at September 30, 2002	371,055,259	¥185,528	¥16,677	¥398,024	¥15,407	¥16	¥(4,449)	¥-
Balance at March 31, 2003	371,055,259	¥185,528	¥16,680	¥402,971	¥9,170	¥17	¥(7,532)	¥-
Net income				16,981				
Cash dividends paid (¥25.00 per share)				(9,142)				
Bonuses to directors and statutory auditors				(221)				
Increase in unrealized holding gains on securities					954			
Treasury stock							(67)	
Foreign currency translation adjustments						0		
Balance at September 30, 2003	371,055,259	¥185,528	¥16,680	¥410,589	¥10,124	¥17	¥(7,599)	¥-

	Thousands of U.S. dollars (Note 1)						
Balance at March 31, 2003	\$1,686,618	\$151,636	\$3,663,373	\$83,363	\$156	\$(68,473)	\$-
Net income			154,373				
Cash dividends paid (\$0.23 per share)			(83,109)				
Bonuses to directors and statutory auditors			(2,010)				
Increase in unrealized holding gains on securities				8,673			
Treasury stock						(609)	
Foreign currency translation adjustments					0		
Balance at September 30, 2003	\$1,686,618	\$151,636	\$3,732,627	\$92,036	\$156	\$(69,082)	\$-

See accompanying notes.

SEMI-ANNUAL CONSOLIDATED STATEMENTS OF CASH FLOW (UNAUDITED)

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries
For the six months ended September 30, 2003, 2002 and 2001

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2003	2002	2001	2003
Cash flows from operating activities:				
Income before income taxes and minority interests in net income of consolidated subsidiaries	¥27,734	¥47,340	¥39,818	\$252,127
Depreciation	87,514	88,629	94,884	795,582
Amortization of nuclear fuel	2,515	4,079	4,435	22,864
Loss on disposal of property	3,158	3,142	2,341	28,709
Increase in employees' severance and retirement benefits	6,718	7,435	66	61,073
Increase in provision for decommissioning of nuclear power generating plants	241	1,214	2,624	2,191
Increase (decrease) in provision for reprocessing of irradiated nuclear fuel	(4,281)	2,502	1,338	(38,918)
Decrease in provision for casualty loss	—	—	(2,932)	—
Increase in provision for drought	1,873	—	—	17,027
Interest and dividends income	(508)	(473)	(547)	(4,618)
Interest expense	19,419	27,576	26,294	176,536
Gains on sales of securities	(3,368)	(552)	(1,012)	(30,618)
Increase in notes and accounts receivable	(496)	(2,123)	(3,122)	(4,509)
Decrease (increase) in inventories	(1,375)	3,164	(5,360)	(12,500)
Decrease in notes and accounts payable	(5,852)	(4,902)	(6,041)	(53,200)
Other	4,109	(7,372)	(9,222)	37,354
Subtotal	137,401	169,659	143,564	1,249,100
Interest and dividends received	803	833	809	7,300
Interest paid	(19,838)	(27,777)	(26,919)	(180,345)
Income taxes paid	(28,816)	(8,857)	(9,235)	(261,964)
Net cash provided by operating activities	89,550	133,858	108,219	814,091
Cash flows from investing activities:				
Purchase of property	(51,205)	(58,939)	(64,221)	(465,500)
Purchase of investments in securities	(1,143)	(730)	(797)	(10,391)
Proceeds from sale of investment securities	4,818	797	4,058	43,800
Other	2,778	1,209	1,988	25,255
Net cash used in investing activities	(44,752)	(57,663)	(58,972)	(406,836)
Cash flows from financing activities:				
Proceeds from issue of bonds	39,838	29,870	69,713	362,164
Repayment of bonds	(65,000)	(70,000)	(130,000)	(590,909)
Proceeds from long-term debt	50,600	19,800	45,813	460,000
Repayment of long-term debt	(33,165)	(43,572)	(41,057)	(301,500)
Decrease in short-term bank loans	(27,090)	(22,900)	(47,960)	(246,273)
Decrease (increase) in commercial paper	(4,000)	26,000	62,000	(36,364)
Purchase of treasury stock	(67)	(4,158)	(89)	(609)
Cash dividends paid	(9,164)	(9,268)	(11,123)	(83,309)
Other	31	63	78	282
Net cash used in financing activities	(48,017)	(74,165)	(52,625)	(436,518)
Net increase (decrease) in cash and cash equivalents	(3,219)	2,030	(3,377)	(29,263)
Cash and cash equivalents at beginning of period	24,225	20,326	21,060	220,227
Increase resulting from consolidation of additional subsidiaries	—	606	—	—
Cash and cash equivalents at end of period	¥21,006	¥22,962	¥17,683	\$190,964

See accompanying notes.

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

1. Basis of presenting semi-annual consolidated financial statements

The Chugoku Electric Power Co., Inc. (the “Company”) and its consolidated subsidiaries (the “Companies”) maintain their accounts and records in accordance with the provisions set forth in the Japanese Commercial Code (the “Code”) and the Electricity Utilities Industry Law and in conformity with accounting principles and practices generally accepted in Japan (“Japanese GAAP”). Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying semi-annual consolidated financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

The accompanying semi-annual consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of statements of stockholders' equity) from the semi-annual consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language semi-annual consolidated financial statements, but not required for fair presentation is not presented in the accompanying semi-annual consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of the readers outside Japan, using the prevailing exchange rate at September 30, 2003, which was ¥110 to U.S.\$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Significant accounting policies

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

Consolidation

The accompanying semi-annual consolidated financial statements include the accounts of the Company and significant companies over which the Company has power of control through majority voting rights or existence of certain conditions evidencing control by the Company. In the elimination of investments in subsidiaries, all the assets and liabilities of a subsidiary, not only to the extent of the Company's share, but also including the minority interest share, are evaluated based on fair value at the time when the Company acquired control of the subsidiary. (Full goodwill method) The Company changed the method of the elimination of investments in subsidiaries from partial goodwill method to full goodwill method for the year ended in March 31, 2003. However this change has no effect on the financial statements.

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

For the six months ended September 30, 2003, 23 subsidiaries (19 in 2002, 15 in 2001) were consolidated and 19 (17 in 2002, 5 in 2001) non-consolidated subsidiaries and affiliates were accounted for by the equity method.

For the six months ended September 30, 2003, investments in no (0 in 2002, 10 in 2001) non-consolidated subsidiaries and 11(15 in 2002, 18 in 2001) affiliates were stated at cost without applying the equity method of accounting. If the equity method had been applied for these investments, the amounts of net income and retained earnings of these excluded subsidiaries and affiliates would not have had a material effect on the semi-annual consolidated financial statements.

Inventories, fuel and supplies

Inventories, fuel and supplies are stated at cost, determined principally by the weighted average method.

Securities

Debt securities designated as held-to-maturity are carried at amortized cost. Other investments for which market value is readily determinable are stated at market value as of the end of the period with unrealized gains and losses, net of applicable deferred tax assets /liabilities, not reflected in earnings but directly reported as a separate component of shareholders' equity. The cost of securities sold is determined by the moving-average method. Other investments for which market value is not readily determinable are stated primarily at moving-average cost.

Debt securities with no available fair market value are stated at amortized cost, net of the amount considered not collectible. Other securities with no available fair market values are stated at moving-average cost.

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

Property and depreciation

Property is stated at cost, which includes interest on borrowed funds during construction, in accordance with rules established by the regulatory authorities. Contributions in aid of construction are deducted from the cost of the related assets when computing depreciation.

Depreciation is computed using the declining-balance method, based on the estimated useful lives of the respective assets.

Nuclear fuel and amortization

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

Allowance for doubtful accounts

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

Severance and retirement benefits

Under the terms of the retirement plans of the Companies, all employees are entitled to a lump-sum payment at the time of retirement. Employees terminating their employment with the Companies, either voluntarily or upon reaching mandatory retirement age, are entitled, under most circumstances, to retirement payments based on their rate of pay at the time of termination, length of service and certain other factors.

The Companies, in general, have also adopted non-contributory funded pension plans which provide a part of total retirement benefits for employees.

The liabilities and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions. The Companies provide for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the plan assets.

Prior service costs are recognized in expenses as incurred. Actuarial gains and losses are recognized as expenses in equal amounts over 5 years commencing with the following period.

Retirement benefits to directors and statutory auditors are charged to income when approved at the stockholders' meeting.

Reserve for reprocessing of irradiated nuclear fuel

A reserve for reprocessing of irradiated nuclear fuel is provided at 60% of the future reprocessing costs of nuclear fuel which is currently irradiated, in accordance with the provisions of the 1995 revision of the Ordinance of the Ministry of International Trade and Industry (now Ministry of Economy, Trade and Industry).

Reserve for decommissioning of nuclear power plants

In accordance with the provisions of the Accounting Regulations of the Electric Power Industry, the Company provides the reserve for decommissioning of nuclear power plants by charging to income periodically the future decommissioning costs of nuclear power plants.

The provision is made based on such factors as the estimated total decommissioning costs and the (actual and estimated) total volume of nuclear power generation.

Reserve for drought

The Company is required, under certain conditions, to set up a reserve for drought under the Electricity Utilities Industry Law to stabilize its income position for variations in water levels.

For the six months ended September 30, 2002 and 2001, no reserve was recorded because it was not required.

Reserve for casualty loss

Property of the Company suffered damage from the Tottori Prefecture and Geiyo earthquakes. For the six months ended September 30, 2001, the Company provided for the estimated expenses of repair work following its casualty loss.

Accounting for certain lease transactions

Finance leases which do not transfer ownership to lessees are accounted for in the same manner as operating leases.

Derivatives and hedge accounting

The Companies state derivative financial instruments at fair value and recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gains or losses resulting from changes in the fair value of derivative financial instruments until the related gains or losses on the hedged items are recognized.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

1. If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,

(a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the consolidated statements of income in the period which includes the inception date, and

(b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

2. If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

If commodity swap contracts are used as hedges and meet certain hedging criteria, the gain or loss is deferred until the gain or loss on the hedged item is recognized. Commodity swap contracts that don't qualify as hedges are stated at current value and unrealized gains or losses are recorded in the statements of income.

Amortization of consolidated differences

Differences between acquisition cost and the underlying net equity at the time of acquisition are being amortized on a straight-line basis principally over five years.

Consolidation differences arising from investment in Chugoku Telecommunication Network Co., Inc. were written-off for the year ended March 31, 2003.

Cash and cash equivalents

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

Bond issue expenses

Bond issue expenses are charged to income when paid or incurred.

Income taxes

The Companies use the asset and liability approach to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Foreign currency translation

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

Amounts per share of common stock

The computations of basic net income per share of common stock are based on the weighted average number of shares in issue during each fiscal year.

The computations of diluted net income per share assume conversion of all dilutive convertible bonds at the beginning of the period or at later date of issuance.

Effective April 1, 2002, the Companies adopted the new accounting standard for earnings per share (Accounting Standard Board Statement No. 2, "Accounting Standard for Earnings per Share", issued by the Accounting Standards Board of Japan on September 25, 2002).

The effect of adopting the new accounting standard was immaterial.

Cash dividends per share represent actual amounts applicable to the respective periods.

Accounting standard for treasury stock and reduction of statutory reserves

Effective April 1, 2002, the Companies adopted the new accounting standard for treasury stock and reduction of statutory reserves (Accounting Standards Board Statement No. 1, "Accounting Standard for Treasury Stock and Reduction of Statutory Reserves", issued by the Accounting Standards Board of Japan on February 21, 2002).

The effect on the consolidated statements of income of adopting this new accounting standard was immaterial.

Reclassifications

Certain prior year amounts have been reclassified to conform to the 2003 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

3. Cash and cash equivalents

The reconciliations of cash and time deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the semi-annual consolidated statements of cash flows at September 30, 2003 and 2002 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Cash and time deposits	¥21,147	¥23,148	\$192,245
Less: Time deposits with maturities exceeding three months	(141)	(186)	(1,281)
Cash and cash equivalents	¥21,006	¥22,962	\$ 190,964

4. Securities

A. The following tables summarize acquisition costs, book values (fair values) of securities with available fair market values as of September 30, 2003 and 2002 are as follows:

(a) Book values and fair values of held-to-maturity debt securities

Securities with available fair values exceeding book values

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Book value	¥1	¥1	\$9
Fair value	1	1	9
Difference	¥ -	¥ -	\$ -

(b) Acquisition costs and book values of available-for-sale securities

	Millions of yen						Thousands of U.S. dollars		
	Acquisition cost		Book value		Difference		Acquisition cost	Book value	Difference
	2003	2002	2003	2002	2003	2002	2003		
Equity securities	¥5,013	¥7,549	¥23,220	¥31,720	¥18,207	¥24,171	\$45,573	\$211,091	\$165,518
Bonds	77	77	76	76	(1)	(1)	700	691	(9)
Other	25	43	28	27	3	(16)	227	254	27
Total	¥5,115	¥7,669	¥23,324	¥31,823	¥18,209	¥24,154	\$46,500	\$212,036	\$165,536

B. Book values of available-for-sale securities with no available fair market value as of September 30, 2003 and 2002 are as follows:

	Millions of yen		Thousands of U.S. dollars
	Book value		Book value
	2003	2002	2003
Non-listed equity securities	¥26,959	¥22,417	\$245,082
Other	1,374	1,408	12,491
Total	¥28,333	¥23,825	\$257,573

5. Derivatives

The Companies enter into forward foreign exchange contracts, currency swap contracts, interest rate swap contracts and commodity swap contracts to hedge market risk in relation to receivables and payables. The amounts of such transactions are limited to the respective receivables and payables. To minimize credit risk, the Companies use only creditable financial institutions as counterparties to derivative transactions.

As of September 30, 2003 and 2002, derivatives for hedging foreign currency items and interest swaps were used. Disclosure of information on hedging derivatives is not required.

As of September 30, 2003, there were outstanding commodity swap contracts that did not serve as hedges, but these are not disclosed because they were not significant.

6. Long-term debt

Long-term debt at September 30, 2003 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Domestic bonds due serially through 2029 at rates of 0.58% to 5.0%	¥959,800	¥1,019,800	\$8,725,455
Deutsche mark bonds due in 2003 at a rate of 5.625%	22,125	22,125	201,136
Loans from the Development Bank of Japan due serially through 2023 at rates of 0.75% to 6.9%	311,610	322,431	2,832,818
Unsecured loans, principally from banks and insurance companies, due serially through 2032 at rates of 0.17% to 7.2%	344,095	318,590	3,128,136
	1,637,630	1,682,946	14,887,545
Less amount due within one year	(167,399)	(159,918)	(1,521,809)
Total	¥1,470,231	¥1,523,028	\$13,365,736

All bonds and loans from the Development Bank of Japan are secured by a statutory preferential right which gives the creditors a security interest in all assets of the Company, totaling ¥2,576,986 million (US\$23,427,125 thousand), senior to that of general creditors. Some assets of subsidiaries are being used as collateral for loans from financial institutions and other sources.

7. Leases

(As lessee)

The Companies lease certain equipment for business use.

Lease payments under non-capitalized finance leases amounted to ¥ 206 million (US\$1,873 thousand), ¥195 million and ¥419 million for the six months ended September 30, 2003, 2002 and 2001, respectively.

The present values of future minimum lease payments under non-capitalized finance leases and future minimum lease payments under operating leases as of September 30, 2003 and 2002 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	Finance leases		Operating leases		Finance leases	Operating leases
	2003	2002	2003	2002	2003	2003
Current portion	¥341	¥364	¥240	¥77	\$3,100	\$2,181
Non-current portion	542	495	95	122	4,927	864
Total	¥883	¥859	¥335	¥199	\$8,027	\$3,045

(As lessor)

Lease payments received under finance leases, accounted for as operating leases, amounted to ¥110 million (US\$1,000 thousand), ¥72 million and ¥47 million for the six months ended September 30, 2003, 2002 and 2001, respectively.

The present values of future minimum lease payments to be received under finance leases as of September 30, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Current portion	¥228	¥153	\$2,073
Non-current portion	719	442	6,536
Total	¥947	¥595	\$8,609

8. Commitments and contingent liabilities

At September 30, 2003, the Companies were contingently liable as guarantor for loans of other companies in the amount of ¥123,806 million (US\$1,125,509 thousand), mainly in connection with the Company's procurement of fuel.

At the same date, the Company was also contingently liable with respect to certain domestic bonds, which were assigned to certain banks under debt assumption agreements in the aggregate amount of ¥132,721 million (US\$1,206,555 thousand).

9. Stockholders' equity

Under the Commercial Code of Japan, the entire amount of the issue price of shares is required to be accounted for as capital, although a company may, by resolution of its Board of Directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

Effective October 1, 2001, the Commercial Code provides that an amount equal to at least 10% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal earnings reserve until the total amount of legal earnings reserve and additional paid-in capital equals 25% of common stock. The total amount of legal earnings reserve and additional paid-in capital of the Company has reached 25% of common stock, and therefore the Company is not required to provide any more legal earnings reserve. The legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the shareholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal earnings reserve and additional paid-in capital remains being equal to or exceeding 25% of common stock, they are available for distribution by the resolution of shareholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying semi-annual financial statements.

The maximum amount that the Company can distribute as dividends is calculated based on the semi-annual non-consolidated financial statements of the Company in accordance with the Commercial Code.

10. Segment information

The Companies' primary business activities include electric and other segments.

A summary of net sales, costs and expenses and operating income by segment for the six months ended September 30, 2003, 2002 and 2001 is as follows:

Millions of yen					
2003					
	Electric	Other	Total	Elimination	Consolidated
Operating revenues:					
Outside customers	¥451,084	¥27,113	¥478,197	¥ -	¥478,197
Intersegment	690	39,540	40,230	(40,230)	-
Total	451,774	66,653	518,427	(40,230)	478,197
Cost and expenses	401,127	68,997	470,124	(40,861)	429,263
Operating income (loss)	¥50,647	¥(2,344)	¥48,303	¥631	¥48,934

Thousands of U.S. dollars					
2003					
	Electric	Other	Total	Elimination	Consolidated
Operating revenues:					
Outside customers	\$4,100,764	\$246,482	\$4,347,246	\$ -	\$4,347,246
Intersegment	6,272	359,455	365,727	(365,727)	-
Total	4,107,036	605,937	4,712,973	(365,727)	4,347,246
Cost and expenses	3,646,609	627,245	4,273,854	(371,463)	3,902,391
Operating income (loss)	\$460,427	\$(21,308)	\$439,119	\$5,736	\$444,855

Millions of yen					
2002					
	Electric	Other	Total	Elimination	Consolidated
Operating revenues:					
Outside customers	¥487,501	¥22,279	¥509,780	¥ -	¥509,780
Intersegment	492	39,985	40,477	(40,477)	-
Total	487,993	62,264	550,257	(40,477)	509,780
Cost and expenses	413,899	62,906	476,805	(41,078)	435,727
Operating income (loss)	¥74,094	¥(642)	¥73,452	¥601	¥74,053

Millions of yen					
2001					
	Electric	Other	Total	Elimination	Consolidated
Operating revenues:					
Outside customers	¥488,096	¥19,718	¥507,814	¥ -	¥507,814
Intersegment	520	37,915	38,435	(38,435)	-
Total	488,616	57,633	546,249	(38,435)	507,814
Cost and expenses	419,044	58,722	477,766	(38,981)	438,785
Operating income (loss)	¥69,572	¥(1,089)	¥68,483	¥546	¥69,029

Geographic segment information is not shown due to the Company having no overseas consolidated subsidiaries.

Information for overseas sales of the Companies for the six months ended September 30, 2003, 2002 and 2001 is not shown due to aggregate overseas sales being less than 10% of total operating revenues.

11. Subsequent event

The following appropriation of retained earnings at September 30, 2003 was approved at the Board of Directors' meeting held on November 19, 2003:

	Millions of yen	Thousands of U.S. dollars
Semi-annual cash dividends, ¥25 (\$0.23) per share	¥9,172	\$83,382

SEMI-ANNUAL NON-CONSOLIDATED BALANCE SHEETS (UNAUDITED)

The Chugoku Electric Power Co., Inc.
September 30, 2003 and 2002

Assets	Millions of yen		Thousands of U. S. dollars (Note 1)
	2003	2002	2003
Property:			
Plant and equipment	¥5,399,597	¥5,358,258	\$49,087,245
Construction in progress	133,926	141,134	1,217,509
	5,533,523	5,499,392	50,304,754
Less-			
Contributions in aid of construction	69,365	67,075	630,591
Accumulated depreciation	3,233,409	3,097,250	29,394,627
	3,302,774	3,164,325	30,025,218
Net property	2,230,749	2,335,067	20,279,536
Nuclear fuel	116,249	116,488	1,056,809
Investments and other assets:			
Investment securities	44,036	48,403	400,327
Investments in and advances to subsidiaries and affiliated companies (Note 3)	38,265	33,656	347,864
Long-term loans to employees	2,389	2,625	21,718
Deferred tax assets	43,871	36,067	398,827
Other assets	3,158	3,331	28,709
Total investments and other assets	131,719	124,082	1,197,445
Current assets:			
Cash and time deposits	9,101	10,429	82,736
Receivables, less allowance for doubtful accounts of ¥699 million(\$ 6,355 thousand) in 2003 and ¥786 million in 2002	47,924	52,357	435,673
Inventories, fuel and supplies	24,647	21,812	224,064
Deferred tax assets	7,229	5,951	65,718
Other current assets	9,368	4,856	85,164
Total current assets	98,269	95,405	893,355
Total assets	¥2,576,986	¥2,671,042	\$23,427,145

See accompanying notes.

Liabilities and Stockholders' Equity	Millions of yen		Thousands of U. S. dollars (Note 1)
	2003	2002	2003
Long-term debt due after one year (Note 4)	¥1,434,367	¥1,517,867	\$13,039,700
Other long-term liabilities due after one year	1,312	1,552	11,927
Employees' severance and retirement benefits	76,202	76,616	692,745
Reserve for reprocessing of irradiated nuclear fuel	86,116	85,545	782,873
Reserve for decommissioning of nuclear power generating plants	42,444	40,959	385,855
Current liabilities:			
Long-term debt due within one year (Note 4)	161,172	158,685	1,465,200
Short-term borrowings	69,050	81,950	627,727
Commercial paper	71,000	70,000	645,455
Accounts payable	21,535	27,920	195,773
Accrued income taxes	21,500	27,560	195,455
Accrued expenses	36,791	36,202	334,464
Other current liabilities (including other long-term liabilities due within one year)	24,696	26,301	224,508
Total current liabilities	405,744	428,618	3,688,582
Reserve for drought	1,873	—	17,027
Commitments and contingent liabilities (Note 6)			
Stockholders' equity (Note 7)			
Common stock			
Authorized-1,000,000,000 shares			
Issued-371,055,259 shares	185,528	185,528	1,686,618
Capital surplus	16,680	16,677	151,636
Retained earnings (Note 8)	326,740	310,599	2,970,364
Net unrealized holding gains on securities	7,158	11,313	65,073
Treasury stock	(7,178)	(4,232)	(65,255)
Total stockholders' equity	528,928	519,885	4,808,436
Total liabilities and stockholders' equity	¥2,576,986	¥2,671,042	\$23,427,145

SEMI-ANNUAL NON-CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

The Chugoku Electric Power Co., Inc.
For the six months ended September 30, 2003, 2002 and 2001

	Millions of yen			Thousands of U. S. dollars (Note 1)
	2003	2002	2001	2003
Operating revenues	¥453,595	¥489,229	¥488,617	\$4,123,591
Operating expenses:				
Personnel	69,161	65,378	65,651	628,736
Fuel	53,687	52,730	55,204	488,064
Purchased power	67,462	72,746	72,418	613,291
Depreciation	80,272	85,483	92,984	729,745
Maintenance	40,577	40,903	41,328	368,882
Taxes other than income taxes	34,638	35,274	35,617	314,891
Purchased services	14,945	16,788	15,130	135,864
Other	42,044	45,652	40,712	382,218
	402,786	414,954	419,044	3,661,691
Operating income	50,809	74,275	69,573	461,900
Other expenses (income):				
Interest expense	18,939	27,452	25,802	172,173
Interest income	(45)	(43)	(67)	(409)
Other, net	1,111	98	20,374	10,100
	20,005	27,507	46,109	181,864
Income before special item and income taxes	30,804	46,768	23,464	280,036
Special item				
Reserve for drought	1,873	—	—	17,027
Provision for income taxes				
Current	16,859	22,302	2,460	153,264
Deferred	(6,760)	(5,412)	5,345	(61,455)
Net income	¥18,832	¥29,878	¥15,659	\$171,200

Per share data (Note 2):	Yen			U. S. dollars (Note 1)
Net income:				
Basic	¥51.33	¥80.62	¥42.20	\$0.47
Diluted	51.33	80.62	41.86	0.47
Interim cash dividends applicable to the period	25.00	25.00	25.00	0.23

See accompanying notes.

SEMI-ANNUAL NON-CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY(UNAUDITED)

The Chugoku Electric Power Co., Inc.

For the six months ended September 30 2003,2002 and 2001

	Shares of common stock	Millions of yen				Treasury stock
		Common stock	Capital surplus	Retained earnings	Net unrealized holding gains on securities	
Balance at March 31,2001	371,055,259	¥185,528	¥16,677	¥286,181	¥21,270	¥-
Net income				15,659		
Cash dividends paid(¥30.00 per share)				(11,132)		
Bonuses to directors and statutory auditors				(125)		
Decrease in unrealized holding gains on securities					(9,360)	
Balance at September 30,2001	371,055,259	¥185,528	¥16,677	¥290,583	¥11,910	¥-
Balance at March 31,2002	371,055,259	¥185,528	¥16,677	¥290,116	¥10,383	¥(74)
Net income				29,878		
Cash dividends paid(¥25.00 per share)				(9,275)		
Bonuses to directors and statutory auditors				(120)		
Increase in unrealized holding gains on securities					930	
Treasury stock						(4,158)
Balance at September 30,2002	371,055,259	¥185,528	¥16,677	¥310,599	¥11,313	¥(4,232)
Balance at March 31,2003	371,055,259	¥185,528	¥16,680	¥317,201	¥5,719	¥(7,111)
Net income				18,832		
Cash dividends paid(¥25.00 per share)				(9,173)		
Bonuses to directors and statutory auditors				(120)		
Increase in unrealized holding gains on securities					1,439	
Treasury stock						(67)
Balance at September 30,2003	371,055,259	¥185,528	¥16,680	¥326,740	¥7,158	¥(7,178)

	Thousands of U.S. dollars (Note1)				
Balance at March 31,2003	\$1,686,618	\$151,636	\$2,883,645	\$51,991	\$ (64,645)
Net income			171,200		
Cash dividends paid (\$0.23 per share)			(83,391)		
Bonuses to directors and statutory auditors			(1,090)		
Increase in unrealized holding gains on securities				13,082	
Treasury stock					(610)
Balance at September 30,2003	\$1,686,618	\$151,636	\$2,970,364	\$65,073	\$ (65,255)

See accompanying notes.

NOTES TO SEMI-ANNUAL NON-CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The Chugoku Electric Power Company, Inc.

1. Basis of presenting semi-annual non-consolidated financial statements

The Chugoku Electric Power Co., Inc. (the "Company") maintains its accounts and records in accordance with the provisions set forth in the Japanese Commercial Code (the "Code") and the Electricity Utilities Industry Law and in conformity with accounting principles and practices generally accepted in Japan ("Japanese GAAP"). Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying semi-annual financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

The accompanying semi-annual non-consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of statements of stockholders' equity) from the semi-annual non-consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language non-consolidated financial statements, but not required for fair presentation is not presented in the accompanying financial statements.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of the readers outside Japan, using the prevailing exchange rate at September 30, 2003, which was ¥110 to U.S.\$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Significant accounting policies

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

Inventories, fuel and supplies

Fuel and supplies are stated at cost, determined principally by the weighted average method.

Securities

Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies are stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of stockholders' equity. Realized gains and losses on the sale of such securities are computed using the moving-average cost.

Debt securities with no available fair market value are stated at amortized cost, net of the amount considered not collectible. Other securities with no available fair market value are stated at moving-average cost.

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

Property and depreciation

Property is stated at cost, which includes interest on borrowed funds during construction, in accordance with rules established by the regulatory authorities. Contributions in aid of construction are deducted from the cost of the related assets when computing depreciation.

Depreciation is computed using the declining-balance method, based on the estimated useful lives of the respective assets.

Nuclear fuel and amortization

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

Allowance for doubtful accounts

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

Severance and retirement benefits

Under the terms of the Company's retirement plan, all employees are entitled to a lump-sum payment at the time of retirement. Employees terminating their employment with the Company, either voluntarily or upon reaching mandatory retirement age, are entitled, under most circumstances, to retirement payments based on their rate of pay at the time of termination, length of service and certain other factors. If the termination is made voluntarily at one of a number of specified ages, the employee is entitled to certain additional payments.

The Company has also adopted a non-contributory funded pension plan which provides a part of total retirement benefits for employees with 20 years or more of service and who have reached age 55 or more.

The liabilities and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions. The Company provides for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the plan assets.

Prior service costs are recognized in expenses in equal amounts within the average of estimated remaining periods of the employees (over 5 years), and actuarial gains and losses are recognized in expenses using a straight-line basis within the average of the estimated remaining services periods (over 5 years) commencing with the following period.

Retirement benefits to directors and statutory auditors are charged to income when approved at the stockholders' meeting.

Reserve for reprocessing of irradiated nuclear fuel

A reserve for reprocessing of irradiated nuclear fuel is provided at 60% of the future reprocessing costs of nuclear fuel which is currently irradiated, in accordance with the provisions of the 1995 revision of the Ordinance of the Ministry of International Trade and Industry (now Ministry of Economy, Trade and Industry).

Reserve for decommissioning of nuclear power plants

In accordance with the provisions of the Accounting Regulations of the Electric Power Industry, the Company provides the reserve for decommissioning of nuclear power plants by charging to income periodically the future decommissioning costs of nuclear power plants.

The provision is made based on such factors as the estimated total decommissioning costs and the (actual and estimated) total volume of nuclear power generation.

Reserve for drought

The Company is required, under certain conditions, to set up a reserve for drought under the Electricity Utilities Industry Law to stabilize its income position for variations in water levels.

For the six months ended September 30, 2002 and 2001, no reserve was recorded because it was not required.

Reserve for casualty loss

Property of the Company suffered damage from the Tottori Prefecture and Geiyo earthquakes. For the six months ended September 30, 2001, the Company provided for the estimated expenses of repair work following its casualty loss.

Accounting for certain lease transactions

Finance leases which do not transfer ownership to lessees are accounted for in the same manner as operating leases.

Derivatives and hedge accounting

The Company states derivative financial instruments at fair value and recognizes changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company defers recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

1. If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,
 - (a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the statement of income in the period which includes the inception date, and
 - (b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.
2. If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

If commodity swap contracts are used as hedges and meet certain hedging criteria, the gain or loss is deferred until the gain or loss on the hedged item is recognized. Commodity swap contracts that don't qualify as hedges are stated at current value and unrealized gains or losses are recorded in the statements of income.

Bond issue expenses

Bond issue expenses are charged to income when paid or incurred.

Income taxes

The Company uses the asset and liability approach to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Foreign currency translation

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

Amounts per share of common stock

The computations of basic net income per share of common stock are based on the weighted average number of shares in issue during each fiscal year.

The computations of diluted net income per share assume conversion of all dilutive convertible bonds at the beginning of the period or at later date of issuance.

Effective April 1, 2002, the Company adopted the new accounting standard for earnings per share (Accounting Standards Board Statement No. 2," Accounting Standard for Earnings per Share", issued by the Accounting Standards Board of Japan on September 25, 2002).

Earnings per share for the previous period would have been reported as follows, if this new accounting standard was applied retroactively.

	For the six months ended September 30, 2001
Net income per share:	
Basic	¥42.20
Diluted	41.86

Cash dividends per share represent actual amounts applicable to the respective years.

Treasury Stock

Effective April 1, 2002 the Company adopted the new accounting standard for treasury stock and reduction of statutory reserves (Accounting Standards Board Statement No. 1," Accounting Standard for Treasury Stock and Reduction of Statutory Reserves ", issued by the Accounting Standards Board of Japan on February 21, 2002).

The effect on the statements of income of adoption this new accounting standard was immaterial.

Reclassifications

Certain prior year amounts have been reclassified to conform to the 2003 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

3. Securities

Disclosure of market value information of securities, except for investments in subsidiaries and affiliates, with readily available market values at September 30, 2003 is required only on a consolidated basis.

Book values and fair values of equity securities issued by subsidiaries and affiliated companies with available fair values as of September 30, 2003 and 2002 were as follows:

	Millions of yen						Thousands of U.S. dollars		
	Book value		Fair value		Difference		Book value	Fair value	Difference
	2003	2002	2003	2002	2003	2002	2003		
Equity securities of affiliated companies	¥2,493	¥2,493	¥35,317	¥38,023	¥32,824	¥35,530	\$22,664	\$321,064	\$298,400

4. Long- term debt

Long-term debt at September 30, 2003 and 2002 consisted of the following:

	Millions of yen		Thousands of
	2003	2002	U.S. dollars
			2003
Domestic bonds due serially through 2029 at rates of 0.58% to 5.0%	¥ 960,000	¥ 1,020,000	\$ 8,727,273
Deutsche mark bonds due in 2003 at a rate of 5.625%	22,125	22,125	201,136
Loans from the Development Bank of Japan due serially through 2023 at rates of 0.75% to 6.9%	287,649	319,159	2,614,991
Unsecured loans, principally from banks and insurance companies, due serially through 2032 at rates of 0.17% to 7.2%	325,765	315,268	2,961,500
	1,595,539	1,676,552	14,504,900
Less amount due within one year	(161,172)	(158,685)	(1,465,200)
Total	¥ 1,434,367	¥ 1,517,867	\$ 13,039,700

All bonds and loans from the Development Bank of Japan are secured by a statutory preferential right which gives the creditors a security interest in all assets of the Company senior to that of general creditors.

5. Leases

(As lessee)

The Company leases certain equipment for business use including heating power equipment, nuclear power equipment and other assets.

Lease payments under non-capitalized finance leases amounted to ¥461 million (US\$4,191 thousand), ¥403 million and ¥298 million for the six months ended September 30, 2003, 2002 and 2001, respectively.

The present values of future minimum lease payments under non-capitalized finance leases and future minimum lease payments under operating leases as of September 30, 2003 and 2002 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	Finance leases		Operating leases		Finance leases	Operating leases
	2003	2002	2003	2002	2003	2003
Current portion	¥843	¥782	¥209	¥111	\$7,664	\$1,900
Non-current portion	1,390	1,813		1	12,636	
Total	¥2,233	¥2,595	¥209	¥112	\$20,300	\$1,900

6. Commitments and contingent liabilities

At September 30, 2003, the Company was contingently liable as guarantor for loans of other companies in the amount of ¥137,772 million (US\$1,252,473 thousand), mainly in connection with the Company's procurement of fuel.

At the same date, the Company was also contingently liable with respect to certain domestic bonds, which were assigned to certain banks under debt assumption agreements in the aggregate amount of ¥132,721 million (US\$1,206,555 thousand).

7. Stockholders' equity

Under the Commercial Code of Japan, the entire amount of the issue price of shares is required to be accounted for as capital, although a company may, by resolution of its Board of Directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

Effective October 1, 2001, the Commercial Code provides that an amount equal to at least 10% of cash dividends and other cash appropriations shall be appropriated and set as a legal earnings reserve until the total amount of earnings reserve and additional paid-in capital equals 25% of common stock. The total amount of legal earnings reserve and additional paid-in capital of the Company has reached 25% of common stock, and therefore the Company is not required to provide any more legal earnings reserve. The legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the shareholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal earnings reserve and additional paid-in capital remains being equal to or exceeding 25% of common stock, they are available for distribution by the resolution of shareholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying financial statements.

8. Subsequent event

The following appropriation of retained earnings at September 30, 2003, was approved at the Board of Directors' meeting held on November 19, 2003:

	Millions of yen	Thousands of U.S. dollars
Semi-annual cash dividends, ¥25 (\$0.23) per share	¥9,172	\$83,382

THE CHUGOKU ELECTRIC POWER CO., INC.

4-33, Komachi, Naka-Ku, Hiroshima 730-8701, Japan

Tel:(81)82-241-0211

Fax:(81)82-523-6207

<http://www.energia.co.jp/>

