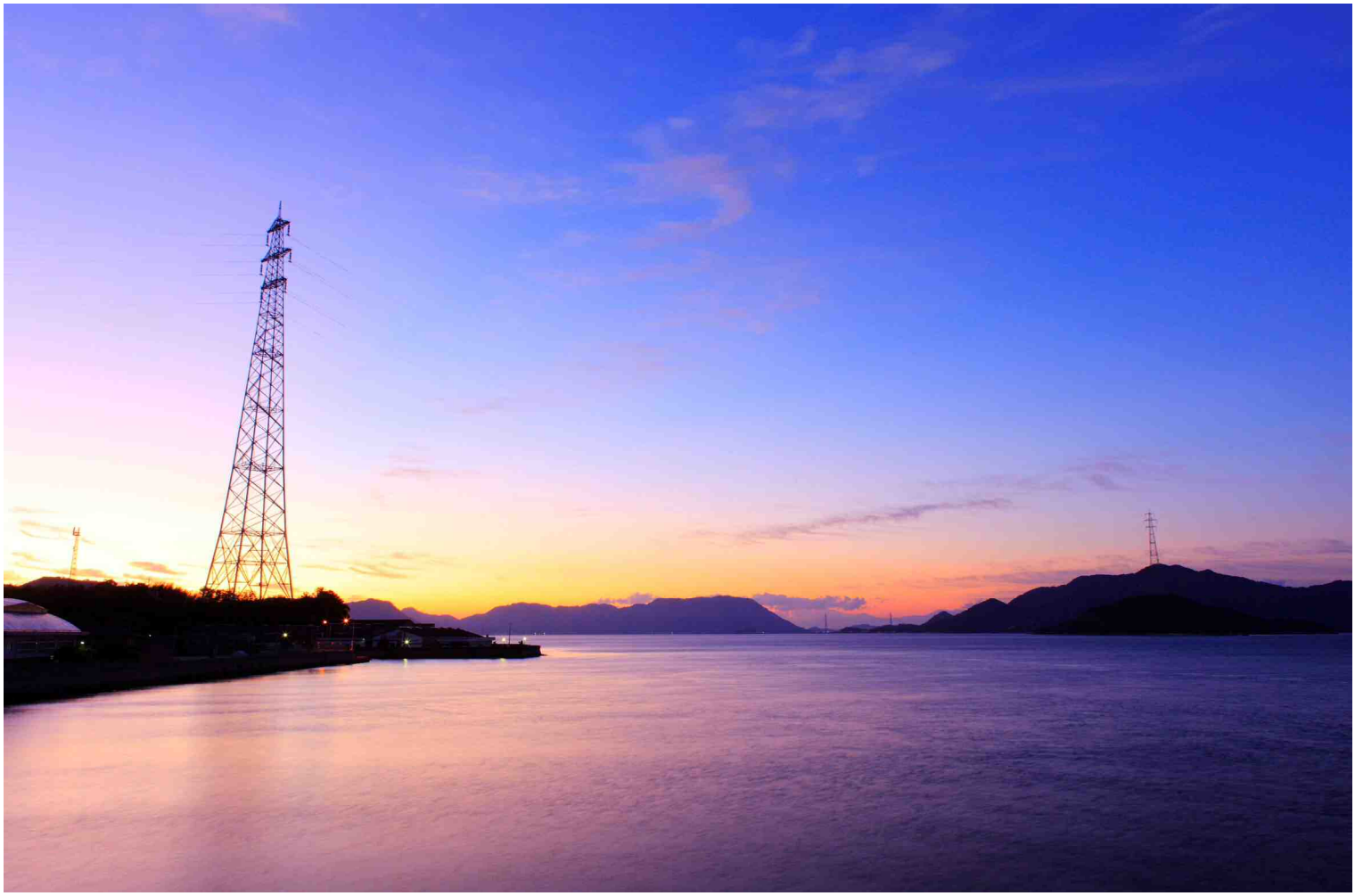
Energia

# ANNUAL REPORT 2015

Year Ended March 31, 2015



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

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**Aiming to be a corporate group that people choose in the region and that grows beyond the region, we will be meeting our stockholders' and investors' expectations by progressively winning out in the competition in the Chugoku Region which constitutes our operating base, and by taking on the challenges of new growing fields with an aggressive stance.**

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# To Our Dear Stockholders and Investors

We would like to express our most sincere gratitude for your continued cooperation and support.

Regarding our consolidated revenue and expenditure for the year ended March 2015, although our electricity sales decreased, we nonetheless posted increases in revenue and profits due to an increase in electricity charge income resulting partly from the effects of the fuel price adjustment system, and to a decrease in raw material costs, plus our efforts to improve efficiency across all aspects of our business, so that we were in the black for the first time in three years.

Regarding dividends, we implemented an interim dividend of 25 yen per share in November 2014 and a year-end dividend of 25 yen per share in June 2015, amounting to a dividend of 50 yen over the year.

But despite managing to get our consolidated revenue and expenditure for the year ended March 2015 into the black, we continue as before to be in a severe situation, as there is still no prospect of restarting our nuclear power station, which will be indispensable for radical improvement of our revenue-expenditure and stabilization of our business.

Regarding electric power system reform, full liberalization of the retail sale of electricity is to be implemented in April 2016. Meanwhile, as part of its energy policy, the government has put forward in July 2015 an energy mix that is based on the roles of various energy sources in the Basic Energy Plan.

The Energia Group, for its part, will be making efforts to improve the state of our revenue and expenditure, and to restrain our financial structure from deteriorating while responding to these major changes in our business environment, and further will be working toward achieving mid- and long-term income expansion and growth.

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

Furthermore, effective April 30, 2015, we have ended commercial operation of Shimane Unit 1. Over the future we will be engaging responsibly in the decommissioning measures, with top priority placed on ensuring safety.

Also, toward the full liberalization of the retail sale of electricity, we will be offering a more enhanced menu of electricity rates and services that satisfies users' diverse needs, so as to go on being chosen by the customers of the Chugoku Region, which is our operating base. In addition, we will be pushing ahead with cultivating and expanding growing business in areas outside the Chugoku Region and overseas, with the aim of gaining even greater profits.

We will be striving to be a corporate group that people choose in the region and that grows beyond the region, in order to be able to meet our stockholders' and investors' expectations.

We request your continued cooperation and support into the future.

July 2015

Takashi Yamashita

Takashi Yamashita
Chairperson

Tomohide Karita

Tomohide Karita
President

# Corporate Profile

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

The Chugoku Region, which forms the main part of our supply area, is located at the western end of Japan's main island of Honshu and has an area of 32,000 square kilometers and a population of roughly 7.4 million. The region contains a large number of manufacturing hubs, in fields such as machinery, chemicals and steel, which are pillars of Japan's manufacturing industry.

In the future as before, we will be aiming for even further development as a business group firmly rooted in its local region, while exploiting the combined abilities of our group in endeavors for stable supply of electricity.

## Corporate Data (as of March 31,2015)

| | |
|---|---|
| ■Corporate name | The Chugoku Electric Power CO., Inc |
| ■Head Office | 4-33 Komachi, Naka-ku, Hiroshima 730-8701 Japan |
| ■DATE established | May 1, 1951 |
| ■Paid-in capital | 185.5 billion yen |
| ■Common stock issued | 371,055,259 stocks |
| ■Number of employees | 9,648 |

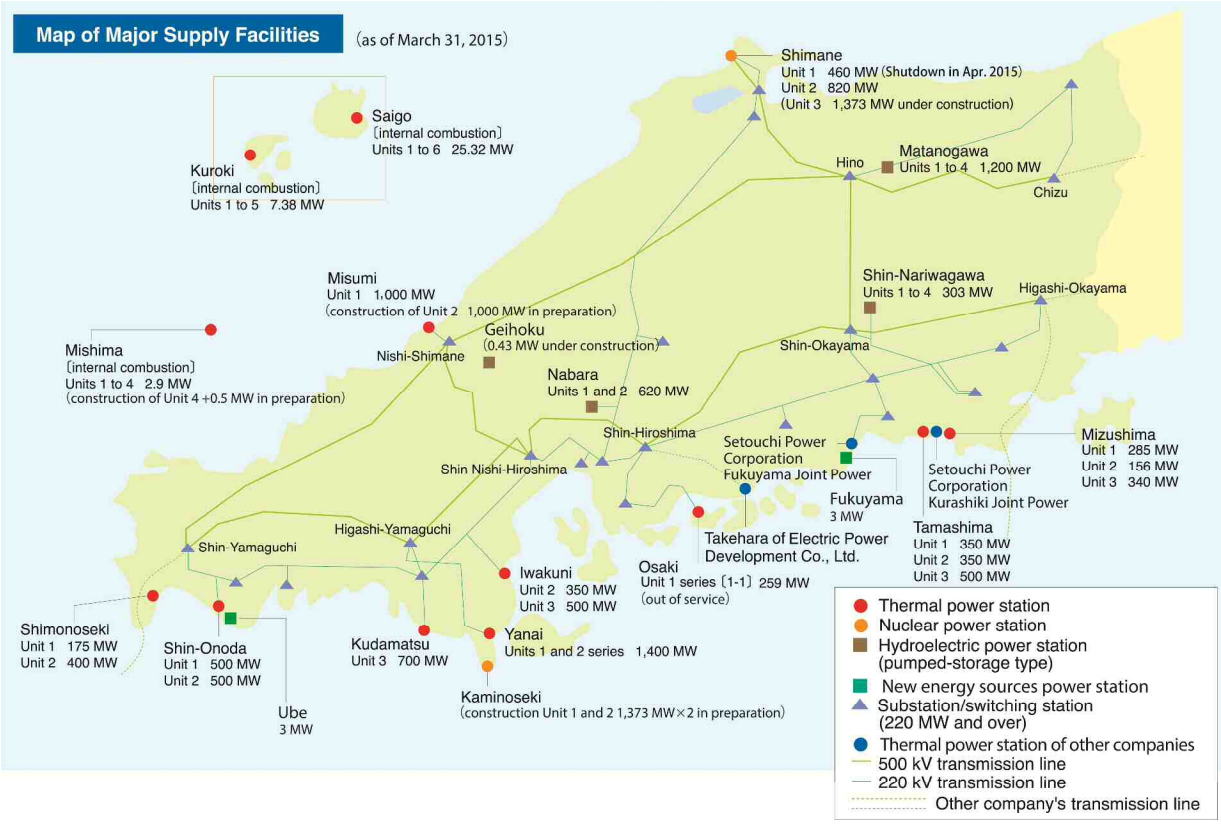
■Main supply facilities

| Power stations and total output | 113 stations | 11,995 MW |
|---|---|---|
| Thermal | 12 stations | 7,801 MW |
| Hydroelectric | 98 stations | 2,909 MW |
| Nuclear | 1 stations | 1,280 MW |
| New energy sources | 2 stations | 6 MW |

| Electric energy output (by own company and others, total) | 65,807 GWh |
|---|---|
| Thermal | 59,154 GWh |
| Hydroelectric | 4,359 GWh |
| Nuclear | 0 GWh |
| New energy sources | 2,294 GWh |

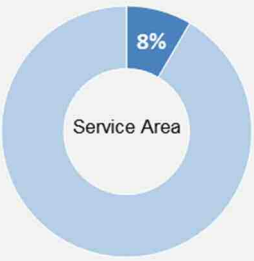
■Main business places

Regional Offices: 5 Sales Offices: 30
Power Management Offices: 11
Power Stations: 10



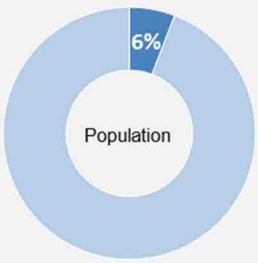
In this report, the term “Fiscal Year 2015” refers to the period which ended March 31, 2015. However, this does not apply to the referenced sources.

## Characteristics of Chugoku Region



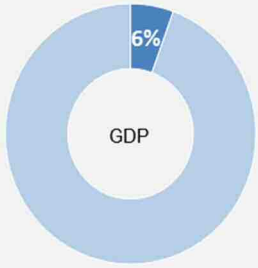

| | |
|---|---|
| Chugoku Region | 31,922km² |
| Japan | 377,972km² |

Source:"Statistical reports on the landarea by prefectures and municipalities in Japan (as of october 1st,2014)" by Geospatial Information Authority of Japan, Ministry of land, Infrastructure, Transport and Tourism.




| | |
|---|---|
| Chugoku Region | 7,436,101 |
| Japan | 127,082,819 |

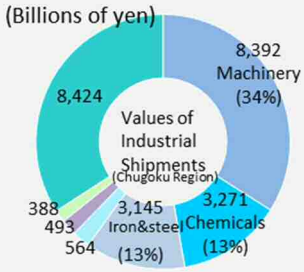
Source:"Current Population Estimates(as of October 1st,2014) " by Statistics Bureau, Ministry of International Affairs and Communications.




| | |
|---|---|
| Chugoku Region | 27,701,443 |
| Japan | 500,158,230 |

(millions of yen)

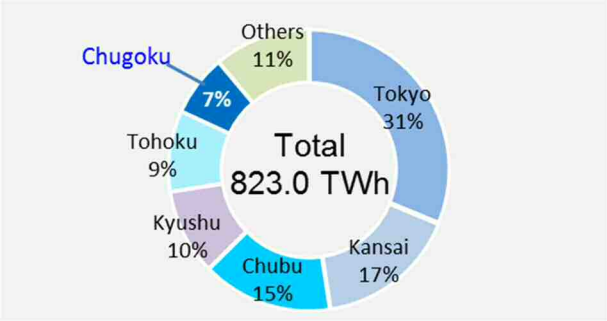
Source:"Annual Report on Prefectural Accounts for FY 2012" by Economic and SocialReserch Institute, Cabinet Office, Government of Japan



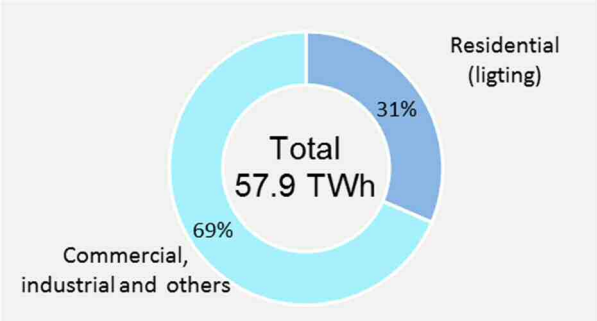

Sources:Ministry of Economy, Trade and Industry Web Site「Census of Manufactures 2013」◆Figures in ( ) represent the percentage distibution.

## Characteristics of Chugoku Electric

### Electric Sales Volume
**(Share among 10 electric power companies. )**



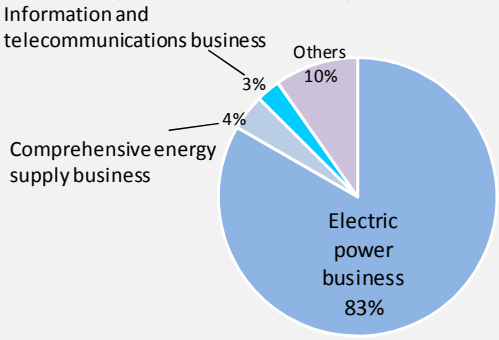

### Electric Sales Volume by Demand Type




### Sales Volume by Segment

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

■ Operating Revenue by Business Segment




| Segment | Sales volume (FY 2015) | Business content |
|---|---|---|
| Electric power business | 1,170.8 billion yen | Electric power supply |
| Comprehensive energy supply business | 58.3 billion yen | Fuel sales business, electricity and thermal energy supply business |
| Information and telecommunications business | 39.1 billion yen | Telecommunications business, data processing business |

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

# Consolidated Financial Highlights

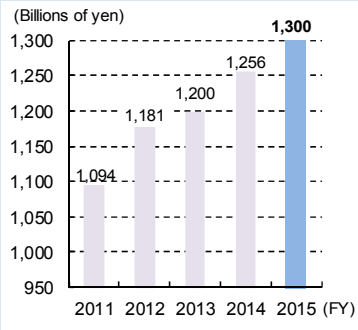
The Chugoku Electric Power Co.,Inc. and Consolidated Subsidiaries
For the years ended March 31

| | Millions of yen | | | | | Thousands of U.S. dollars (Note1) |
|---|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 | **2015** | **2015** |
| Operating revenues | ¥1,094,300 | ¥1,181,350 | ¥1,199,728 | ¥1,256,055 | **¥1,299,624** | **$10,830,200** |
| Operating income (loss) | 48,481 | 55,063 | (4,006) | 8,993 | **71,341** | **594,508** |
| Net income (loss) | 1,793 | 2,498 | (21,951) | (9,384) | **33,852** | **282,100** |
| Net assets | 661,247 | 644,873 | 615,551 | 606,483 | **624,875** | **5,207,292** |
| Total assets | 2,831,128 | 2,887,198 | 2,899,334 | 2,948,019 | **3,106,276** | **25,885,633** |
| Interest-bearing debt | 1,724,782 | 1,756,016 | 1,812,397 | 1,857,936 | **1,980,196** | **16,501,633** |
| Free cash flows (Note 2) | (32,782) | 27,279 | (37,333) | (23,980) | **2,229** | **18,575** |
| | | | | | | |
| Other financial data | | | | | | |
| Per share data (yen and dollars): | | | | | | |
| Net assets (Note 3) | 1,804.16 | 1,765.92 | 1,685.00 | 1,659.34 | **1,710.60** | **14.26** |
| Net income (loss): | | | | | | |
| Basic | 4.92 | 6.86 | (60.52) | (25.88) | **93.38** | **0.78** |
| Cash dividends | 50.00 | 50.00 | 50.00 | 50.00 | **50.00** | **0.42** |
| | | | | | | |
| Key financial ratios: | | | | | | |
| Equity ratio (%) | 23.2 | 22.2 | 21.1 | 20.4 | **20.0** | |
| Return on equity (ROE) (%) | 0.3 | 0.4 | (3.5) | (1.5) | **5.6** | |
| Return on assets (ROA) (%) (Note 4) | 1.1 | 1.2 | — | 0.2 | **1.6** | |
| Price earnings ratio (PER) (times)(Note 5) | 312.6 | 224.1 | — | — | **16.8** | |

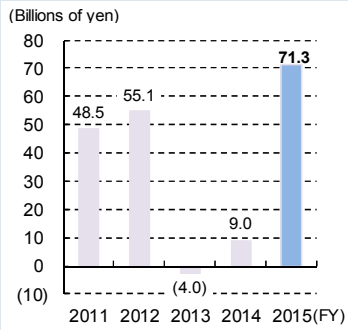
| | Millions of kWh | | | | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 | **2015** |
| Power generated and received | | | | | |
| Generated: | | | | | |
| Hydroelectric | 3,335 | 3,981 | 3,053 | 3,612 | **3,401** |
| Thermal | 39,606 | 38,254 | 40,662 | 39,796 | **38,768** |
| Nuclear | 2,281 | 5,919 | — | — | **—** |
| New energy sources | — | 1 | 5 | 5 | **6** |
| Total | 45,222 | 48,155 | 43,720 | 43,413 | **42,175** |
| Purchased power (NET) | 23,165 | 20,702 | 22,871 | 21,901 | **21,709** |
| Interchanged power (NET) | 849 | (2,336) | (1,921) | (227) | **(342)** |
| Transmission loss and other | (6,841) | (6,451) | (6,023) | (6,107) | **(5,674)** |
| Total | 62,395 | 60,070 | 58,647 | 58,980 | **57,868** |
| | | | | | |
| Electric sales: | | | | | |
| Residential (lighting) | 19,855 | 19,175 | 18,943 | 18,910 | **18,203** |
| Commercial, industrial and other | 42,540 | 40,895 | 39,704 | 40,070 | **39,665** |
| Total | 62,395 | 60,070 | 58,647 | 58,980 | **57,868** |

Notes:
1. U.S. dollar amounts above are given for the reader's convenience only and are converted from yen at ¥120 = US$1, the exchange rate prevailing on March 31, 2015.
2. Free cash flows represent the net cash flows from operating activities and from investing activities.
3. Net assets per share is computed using the number of shares of common stock in issue at the end of each year.
4. ROA = Operating income × (1 — Income tax rate) / Total assets × 100. ROA for the fiscal year ended March 2013 is not given, because an operating loss was recorded in that year.
5. PER for the fiscal years ended March 2013 and 2014 is not given, because net losses were recorded for those years.

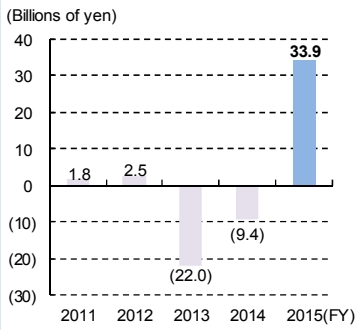
## ■Operating revenues



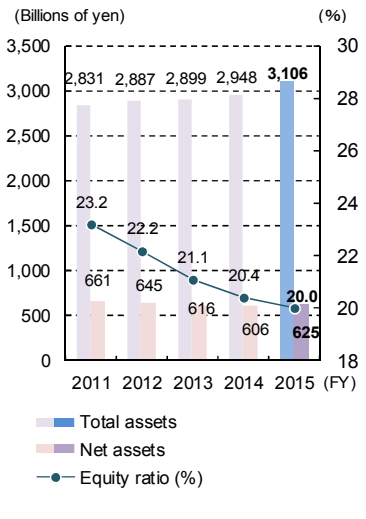

## ■Operating income(loss)



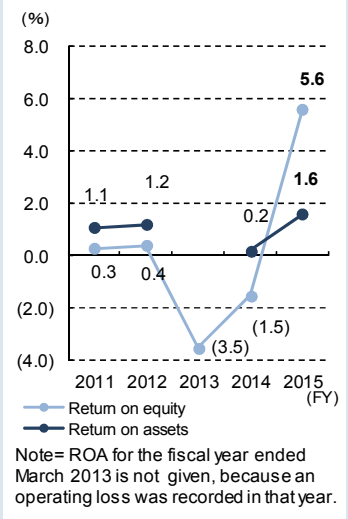

## ■Net income(loss)




## ■Total assets,Net assets, Equity ratio

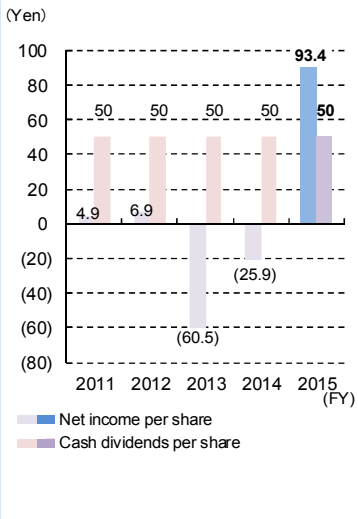



## ■ Return on equity, Return on asset

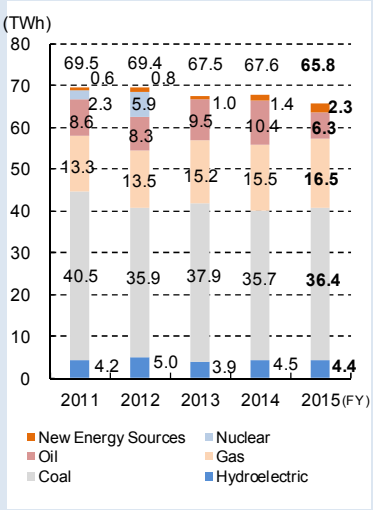



Note= ROA for the fiscal year ended March 2013 is not given, because an operating loss was recorded in that year.

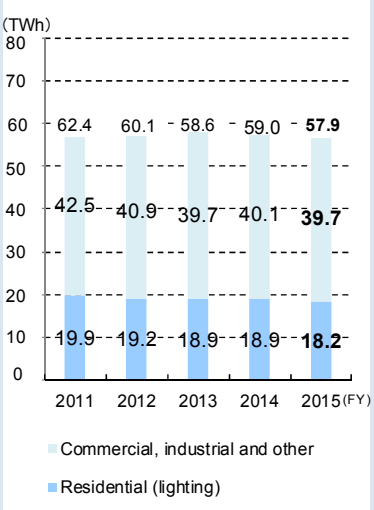
## ■ Net income per share, Cash dividends per share



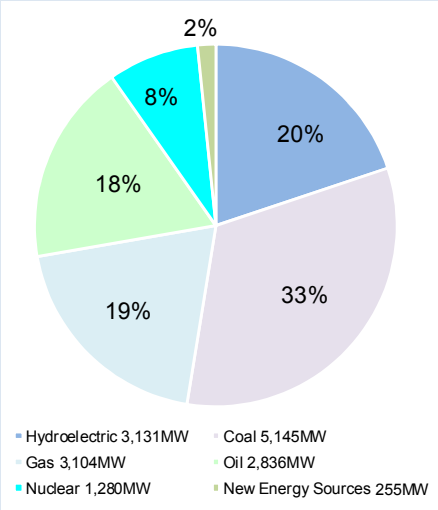

## ■Power generated and received by Power source




## ■Electric sales




## ■Breakdown in Power Sources (at March31,2015)



# An Interview with President Tomohide Karita

**Aiming to be a corporate group that people choose in the region and that grows beyond the region, we will be meeting our stockholders' and investors' expectations by progressively winning out in the competition in the Chugoku Region which constitutes our operating base, and by taking on the challenges of new growing fields with an aggressive stance.**

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

**A At our Shimane Nuclear Power Station, compliance examination of Unit 2 is in progress. I cannot forecast anything definite about when operation will restart. First of all we must get through the NRA's examination, and we are making full efforts to accommodate it.**

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

We applied for compliance verification of Unit 2 (commissioned 1989; 820 MW) in December 2013, and it is currently undergoing examination by the NRA.

Going by the situation at other companies' nuclear power stations, where examinations are proceeding ahead of ours, we believe that an important aspect in the examination will be whether the standard earthquake ground motion* is determined in a sound way. There are no active faults inside the Shimane Nuclear Power Station site, but we are implementing additional surveys and data analyses concerning the power station's surroundings, and we intend to submit these to the NRA as soon as they are completed.

At the present time, the state of progress of the examination is "halfway through", and I cannot say anything definite about specifically when operation will restart. But we are moving vigorously forward with measures for enhancing safety at the site, and I take it that we are making steady headway toward operation restart.

The advanced boiling water reactor (ABWR) to be employed as Unit 3 at Shimane Nuclear Power Station is a plant with outstanding safety and reliability that was developed jointly by the government, manufacturers and power companies. It will be a mainspring of competitiveness for us as competition under liberalization of the electric power business unfolds. The equipment itself is already complete, and the pre-use inspections carried out ahead of fuel loading have all ended. Currently we are proceeding with safety enhancement measures, and also with preparations for applying for compliance verification.

*The earthquake-induced tremor size that is used as the reference value for antiseismic design of facilities and equipment.

The local people's understanding will also be essential in order to restart the nuclear power station

and to make continuous use of it without any unscheduled stoppages. The following statements are made in the government's Basic Energy Plan (approved by the Cabinet in April 2014).

(a) "When the Nuclear Regulation Authority deems that the regulatory requirements are complied with, nuclear power stations will move ahead with restart."

(b) "The national government will proactively make efforts to obtain the understanding and cooperation of the local authorities and other concerned entities/persons where the power stations are sited."

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

## ■State of Safety Measure Implementation at Shimane Nuclear Power Station

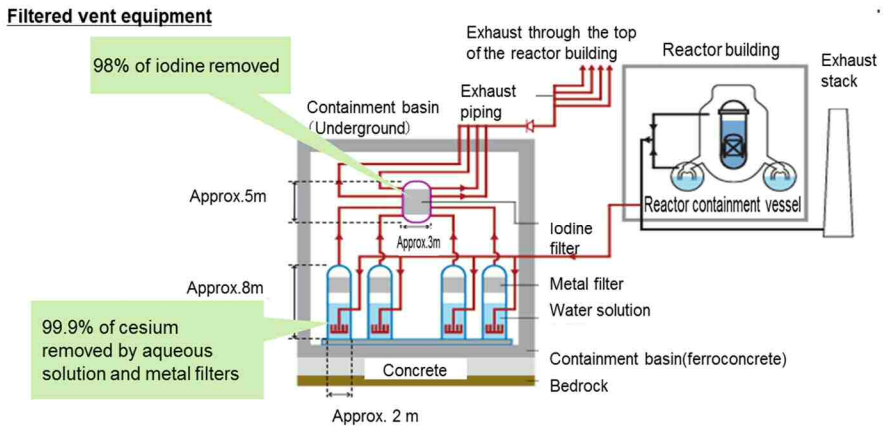
### ◆ Seismic Isolated Important Building Erected

The work of erecting a building with a seismically isolated structure on an elevation inside the nuclear power station site was completed in October 2014. This building will function as a center for emergency measures in the event that an accident or other emergency eventuality occurs at the power station. We have also erected a shielding wall around the building that will lessen the amount of exposure from ground contamination if radioactive substances should be released from the power station.

Seismic Isolated Important Building

### ◆ Work to install filtered vent equipment

In line with our concept of multilayered protection, we are proceeding with work to install filtered vent equipment as a measure to cope with a core damage accident. This equipment is for preventing rupture by releasing the air inside the reactor containment vessel to the exterior, while preventing radioactive substances from being released out of the building in large quantities. We are proceeding first with installing this equipment for Shimane Unit 2, aiming for completion by the end of September this year. (Because it became necessary to deliberate additional equipment in the course of the examination, the scheduled completion date was revised in March this year from end of March to end of September this year.)



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**Q This fiscal year's results and dividends are "unfixed", but could you tell us the forecasts at the present time regarding them?**

**A Regarding our business results, one cannot at the present time forecast when the nuclear power station will restart, and this renders it impossible to make rational estimates of the costs incurred for power supply-demand. Hence, we have termed these costs "unfixed".**

**We have also termed the dividends "undecided", but nonetheless we have no intention of revising our basic policy of continuing with a stable dividend of 50 yen per share over the year.**

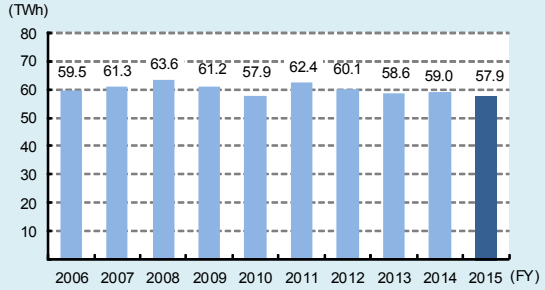
In the last fiscal year ended March 2015, we were able to secure a certain level of profit, even with our nuclear power unable to operate. This was due to our efforts for business efficiency enhancement, which included postponing works for emergency evacuation, and in addition to external factors such as a sharp fall in the price of crude oil. We believe that in order for radical improvement of our revenue-expenditure and stabilization of our business, it will be indispensable to have our nuclear power operating – on the major precondition that its safety is ensured. Accordingly, we are earnestly accommodating the NRA's examination, and hope that it will lead to operation restart at the earliest possible date.

In this fiscal year ending March 2016, the status of revenue-expenditure is expected to be very severe, as we will have an increase in our maintenance costs with scheduled inspection of our large thermal power generation facilities and installation of smart meters, besides also an increase in miscellaneous expenses. Nonetheless, by digging deeper with our efficiency enhancement, we hope to restrain our revenue -expenditure from deteriorating.

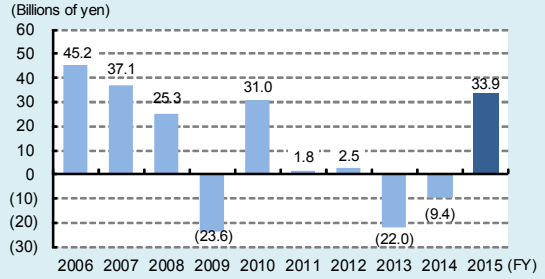
Regarding dividends, our basic approach is to continue with stable dividends, and we have been implementing dividends of 50 yen per share from an overall consideration of forecasts and so forth of the mid- and long-term revenue-expenditure and financial situations, not merely of the results for a single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

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

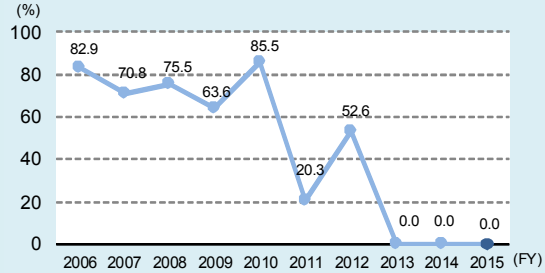
◆Electric sales



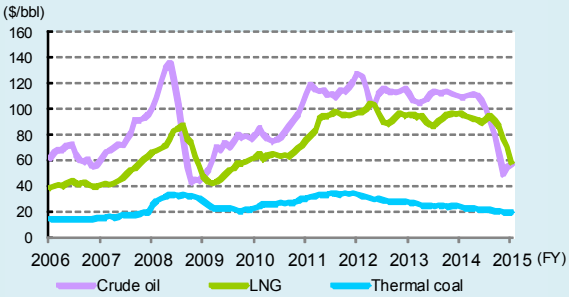

◆Net income (loss)(Consolidated)




◆Nuclear Power Plant Utilization Ratio




◆Trend in Fuel Prices




* All Japan CIF, calculated based on equivalence to the heating value of 1 bbl of crude oil (6,086MJ/bbl).

**Q Reform of the electric power system is underway in Japan, and full liberalization of the retail sale of electricity is to be implemented from April 2016. What kinds of responses do you intend to make? Also, there are those in the capital markets who hold the opinion it will be a big risk for private businesses to continue running nuclear power stations under free competition– what are your thoughts on this?**

**A We will be maintaining our current electricity rate levels to the utmost extent possible, and actively working to offer a more enhanced menu of electricity rates and services that satisfies users' many different needs, so as to go on being chosen by the customers of the Chugoku Region, which is our operating base.**

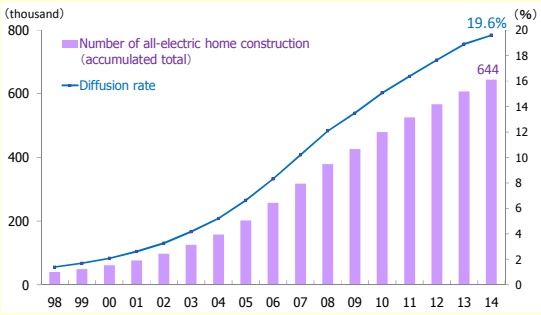
**As for private businesses, continuing to run nuclear power stations, we believe it will be indispensable to have in place an environment that gives them an outlook over the future, so that they can plan and implement long-term operations, and we will keep advocating that the requisite policies and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

We have been carrying out business in the Chugoku Region over many years, and have received high praise from our customers for not raising our rates even when business has been severe. The Chugoku Region will remain our operating base after the full liberalization of the retail sale of electricity starts, and so with the aim of being "the company that people choose in the region", we will first of all be maintaining our current electricity rate levels to the utmost extent possible, and working to strengthen our retail competitiveness, in such ways as offering a more enhanced menu of electricity rates and services that satisfies users' diverse needs.

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

Chugoku Electric believes that for private businesses to continue to run nuclear power stations, it will be indispensable to have in place an environment that gives them an outlook over the future so that they can plan and implement long-term operations, and we will keep advocating that the requisite policies and measures should be devised – such as intensified government involvement in nuclear fuel cycle operations, which entail great sums and long-term joint undertakings, and review of the nuclear damage compensation system, which imposes no-fault unlimited liability on nuclear operators and is almost unparalleled in foreign nations.

**Diffusion Rate of All-electric Homes (Chugoku Region)**




| | |
|---|---|
| **Percentage of all-electric homes in new housing starts** | **Approx. 46.1 %** |
| Percentage of all-electric homes in new detached houses | Approx. 74.0 % |

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

**A First of all we will be aiming to stably regain the profit levels that we had before the earthquake, by devoting our full energies to accommodating the NRA's examination of Shimane Nuclear Power Station so that we can have Unit 2 restart operation at an early date. Then if Unit 3 can be commissioned following that, we believe we will be able to assure even higher profits.**

**We are also going to make new investments in growing fields. As we do so, we will be thoroughly scrutinizing the risks, and will not be letting any opportunities get away. We intend to push ahead with cultivating and expanding growing business in areas outside the Chugoku Region and overseas, aiming to be "a corporate group that grows beyond the region".**

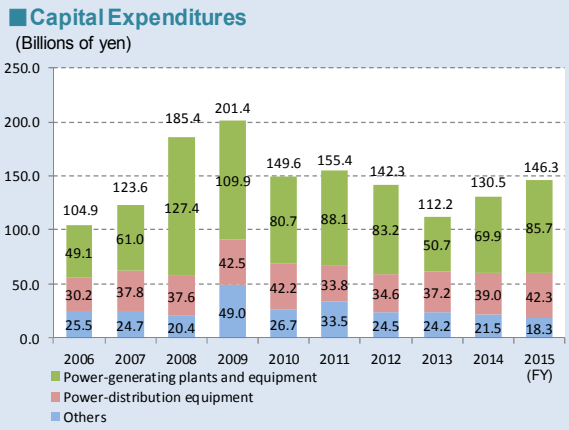
First of all we hope to effect a recovery in our revenue-expenditure by devoting our full energies to accommodating the NRA's examination of Shimane Nuclear Power Station and having Unit 2 restart operation at an early date. By combining this with the results of fuel conversion of our thermal power sources, efficiency enhancements, and the cost reductions we are currently proceeding with, we will be aiming to stably regain our pre-earthquake profit levels.

If Unit 3 can be commissioned following that, it will bring further improvement in our balance of payments, and in addition, the commencement of depreciation will generate free cash flows in large amounts. These cash flows will first of all be put toward recovery from the damage to our self-owned capital, and subsequently will be progressively applied to building a financial structure that will be suitably adapted to the unfolding competitive environment.

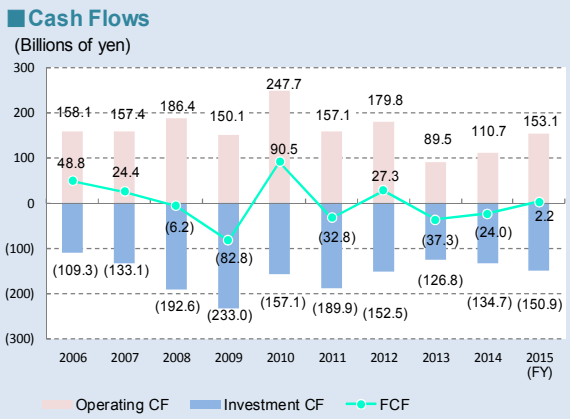
Regarding our new investments toward further profit growth, we will be making these while thoroughly scrutinizing the risks and will not be letting any opportunities get away. We will also be investing actively in power generation and supply business outside the Chugoku Region – in the Greater Tokyo area for example – and in overseas power generation business, etc. By thus moving ahead with cultivating and expanding growing business, we will be aiming to be "a corporate group that grows beyond the region".

## Trend in Capital Expenditures Sums

Amid an ongoing severe situation for revenues and expenditures, we have been implementing careful selection of necessary works and striving to reduce contracting and equipment/materials procurement costs, rationalize design and work implementation methods, and curb capital expenditures. Over the future, we intend to move steadily ahead with the safety measure works necessary for stable resumption of our nuclear power, and alongside that to study new investments in growing fields, balancing the risks with the yields. Thus, we expect that capital expenditures will increase.




Note:Figures are non-consolidated and exclude subsidiary operations.



# Efforts Toward Strengthening of Competitiveness

We are proceeding with various kinds of efforts that will lead to strengthening of competitiveness in our electricity business especially, and also in each of our other business fields, looking ahead to the unfolding of competition as a result of full liberalization of the retail sale of electricity.

## Strengthening of Competitiveness of Power Generation Facilities

Looking ahead to the intensification of competition in the power generation field, we are strategically engaged in constructing a power source mix that can ensure price competitiveness in the electric power market.

Regarding Misumi Unit 2, since we consider it as a substitute for our progressively aging existing thermal power, we have raised its output scale and brought forward its development schedule, aiming thereby to achieve a lowering of fuel costs and to strengthen the competitiveness of our power sources.

Currently, under the government's system, we are inviting bids for thermal power sources. We ourselves will submit a bid, and we are engaged in efforts for it to be successful.

* It is planned to construct Unit 2 next to Unit 1.

◆Outline of Misumi Unit 2

| | |
|---|---|
| Output | 1,000MW |
| Electricity generating system | Ultra Super Critical |
| Schedule | Work starting: November 2018<br>Operation starting: November 2022 |

## Partial interest acquired in Boggabri, Australia coal mine

In August 2014, we acquired a partial interest in the Boggabri coal mine owned by Idemitsu Kosan's Australia local subsidiary and concluded an agreement for long-term purchase of coal from this mine. In July of the same year we established a wholly-owned local subsidiary, Chugoku Electric Power Australia Resources Pty. Ltd., in Brisbane.

The mine is able to produce around 5.6 million tons per year (2014 result) of coal that is high in calorific value, low in sulfur and ash content, and high in quality. This acquisition of an interest in the upstream of the coal supply is a first for us, and we believe that it will contribute to ensuring long-term stability of fuel for our coal-fired thermal power generation, which is an important base-load power source for us.

◆Boggabri coal mine's location

◆Outline of Boggabri coal mine

| | |
|---|---|
| Location | New South Wales, Australia |
| Coal grade | Bituminous coal (ordinary coal for fuel use, and metallurgical coal) |
| Production volume | Around 5.6 million tons/year (2014 result) |

## Development of Technology for Oxygen-blown Coal Gasification

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

The ultimate in high-efficiency coal-fired thermal power generation technology is the Integrated Gasification Fuel Cell or IGFC*1, which drastically reduces $CO_2$. With the aim of making IGFC into reality, in March 2013 we began work on constructing a demonstration test plant for Oxygen-blown Integrated Gasification Combined Cycle (Oxygen-blown IGCC)*2, which is the fundamental technology for IGFC. We completed installation of the main large items of machinery and electrical equipment at the end of fiscal year 2015.

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

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

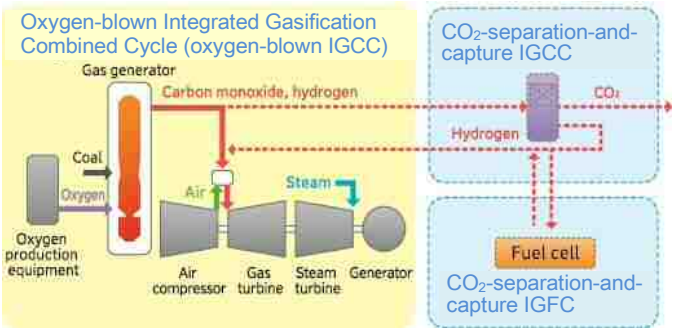
Amid increasing societal needs not only for economy but also for environmental performance, we believe that the establishment of this high-efficiency coal-fired thermal power generation technology will firmly entrench the positioning of coal-fired thermal power – important for our company, which holds large capacity in this energy form – and furthermore will lead to progressive raising of our competitiveness.

View of the construction of Demonstration Test Plant

◆Outline of the Oxygen-blown IGCC Demonstration Testing

| | |
|---|---|
| Testing location | Inside Osaki Power Station site |
| Output | 166 MW |
| Construction work started | March 2013 |
| Testing scheduled to commence | March 2017 |

◆Outline of Demonstration Test System




## Expansion of natural gas supply business

The Group company Energia Solution and Service Co., Ltd. (ESS) delivers liquid natural gas (LNG) to city gas companies and industrial users, primarily in the Chugoku Region.

Over the future, it will be working to expand its business, with the two LNG bases at Mizushima and Yanai as hubs, while responding to users' increasing LNG utilization needs.

Mizushima LNG Base

Yanai LNG Base

◆Outline of the Bases

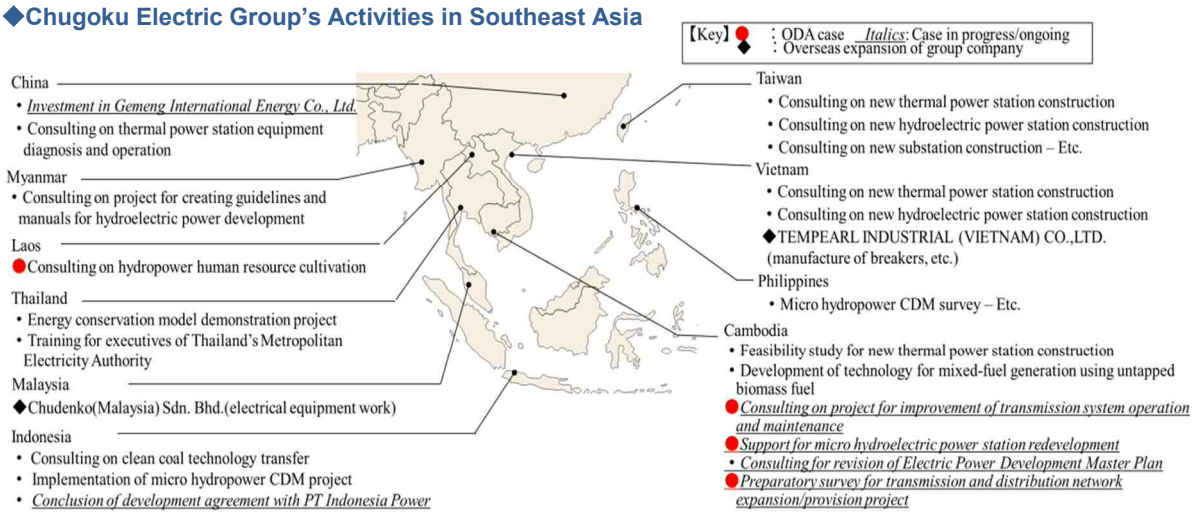
| | | Yanai Base | Mizushima Base |
|---|---|---|---|
| Equipment | Tanks | 80,000 kl × 6 | 160,000 kl × 2 |
| | Pipe Line | — | Mizushima Base to Okayama City (Linear distance roughly 30 km) |
| Volume handled annually | | Approx. 1,500,000 tons | Approx. 1,000,000 tons |

## Development of Overseas Business

In June 2015, in order to push progressively ahead with strengthening our efforts for overseas business, we set up an independent business unit, the International Business Division, which is under our President's direct control.

We will be continuing to engage in unearthing/concretizing cases for future investment in hydroelectric and thermal power stations, while working to build relationships with local operators and governmental agencies by undertaking consulting centered on the Asia region, such as support for the revision of the Electric Power Development Master Plan in Cambodia.

### ◆Chugoku Electric Group's Activities in Southeast Asia

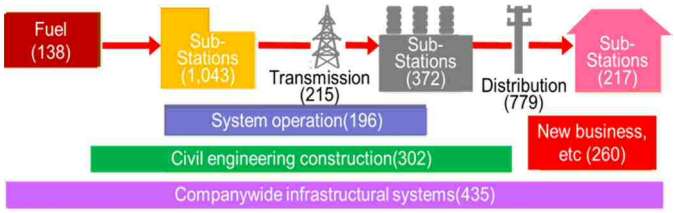



## Promotion of Intellectual Property (IP) Strategy

Since 2003, the whole Energia Group has been moving ahead with an IP Strategy aiming for strengthening of market competitiveness and raising of corporate value, and we have been maintaining the top position in the energy industry as regards the number of patents granted– since 2010 on a year-by-year basis and since March 2013 on a cumulative basis (3,957 patents granted as of the end of March 2015).

With full liberalization of the retail sale of electricity soon to be upon us, we are proceeding with patent information analysis at the conceptual stage of our operational strategies, and with licensing activities toward introducing external technologies and establishing standardized technologies, while regarding it as basic to ensure of a degree of freedom in our business activities. In these and similar ways, we are making use of IP to strengthen competitiveness and to cultivate growth business and support its expansion.

### ◆Field-by-Field Breakdown of Patents Granted to Chugoku Electric (As of End of March 2015)




### ◆Top 10 companies in Patent asset scale ranking*

| ranking | ranking (last year) | Company Name | patent assets scale (pt) | the number of registration |
|---|---|---|---|---|
| 1 | 1 | Chugoku Electric Power | 26,010 | 874 |
| 2 | 2 | Idemitsu Kosan | 15,526 | 414 |
| 3 | 3 | JX Nippon Oil & Energy Corporation | 11,642 | 562 |
| 4 | 4 | Osaka Gas | 9,304 | 351 |
| 5 | 6 | Tokyo Gas | 5,168 | 181 |
| 6 | 5 | Tokyo Electric Power | 3,899 | 173 |
| 7 | 8 | Chubu Electric Power | 2,689 | 111 |
| 8 | 9 | Shell International Reserch Maatschappij | 2,641 | 79 |
| 9 | 10 | Cosmo Oil | 2,583 | 108 |
| 10 | 11 | ExxonMobil Research and Engineering | 2,525 | 59 |

Source: Oil and Energy Patent Asset Scale Ranking (November 2014)

*Index that expresses the overall patent strength of a company, by analyzing its patented technologies from the perspective of their value as assets. (Survey by Patent Result Co., Ltd.)

# Status of Shimane Nuclear Power Station

## Outline of Shimane Nuclear Power Station

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

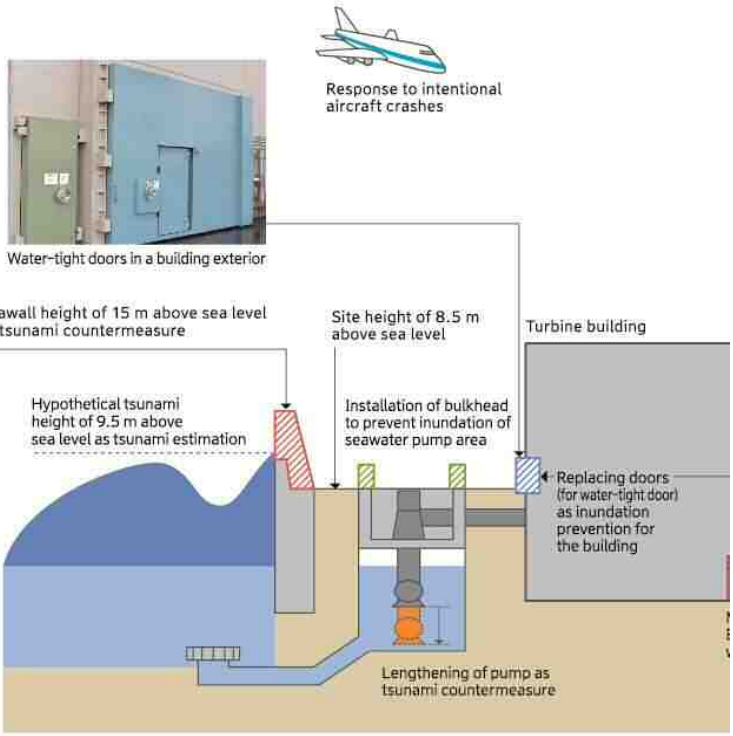
- In March 2014, Unit 1 reached 40 years since it was commissioned, and we took this occasion to make the decision to decommission it.
- Regarding Unit 2, we applied in December 2013 for examination to verify its compliance with the new regulatory requirements, and examination of its earthquake/tsunami-related and equipment-related aspects is currently in progress.
- Regarding Unit 3, we are currently proceeding with implementing works for the filtered vent equipment and other required safety measures pursuant to the new regulatory requirements, and with drawing up the application for permission for change in reactor installation license.

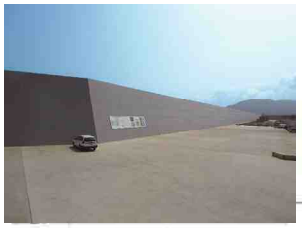
## Main safety measures at Shimane Nuclear Power Station

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

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

■Conceptual graphic of Shimane Nuclear Power Station Unit 2 safety countermeasures





Unit 3 area seawall

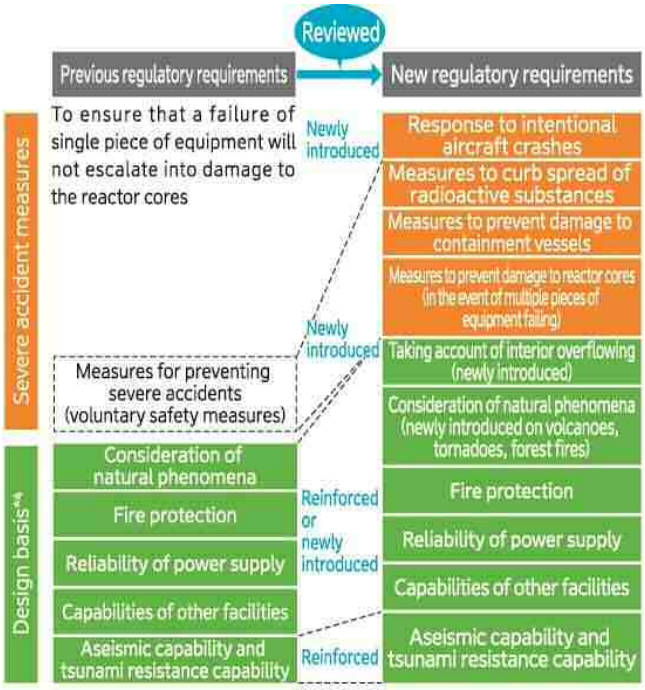
## Outline of the new regulatory requirements

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

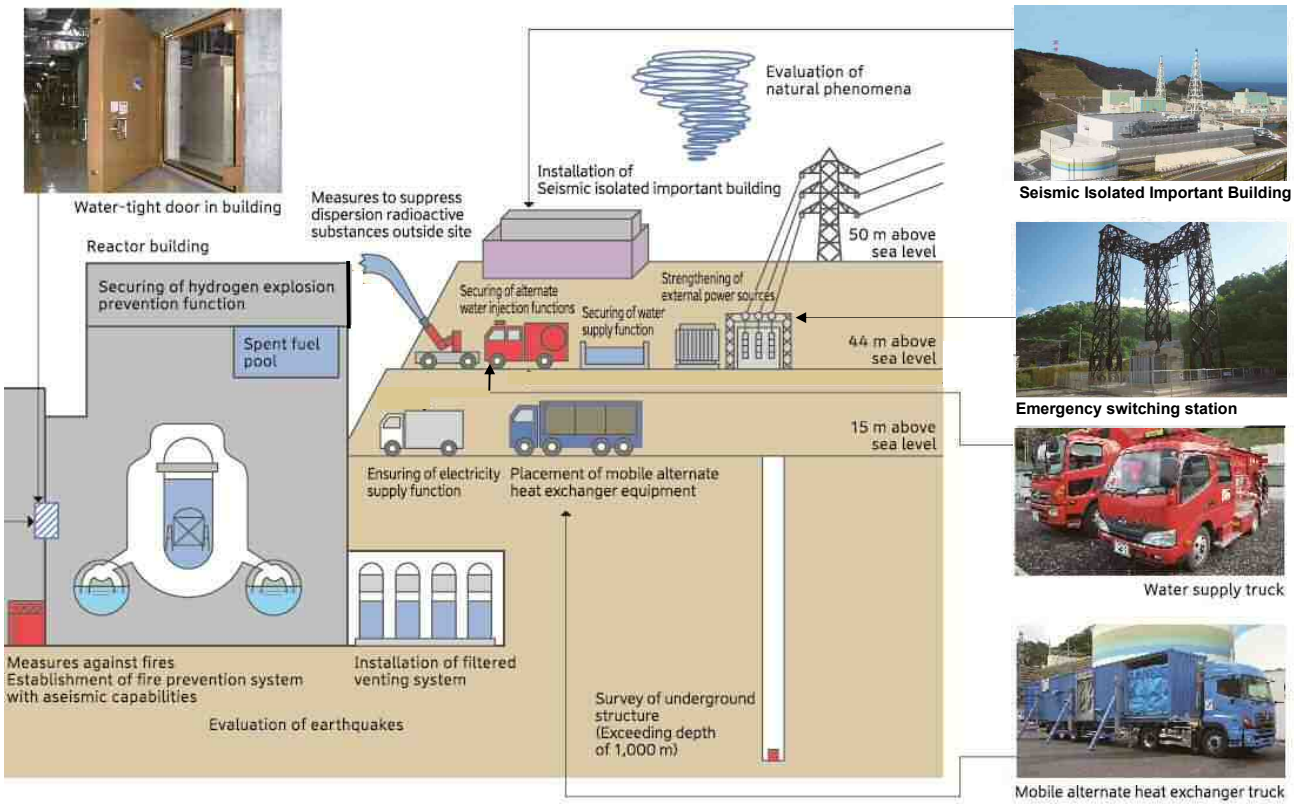
The new regulatory requirements have stricter assumptions for earthquakes and tsunami, and newly require measures for volcanoes, tornados and interior overflowing*2.

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

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



Source: Nuclear Regulation Authority



# Trend in Japan's Energy Policy

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

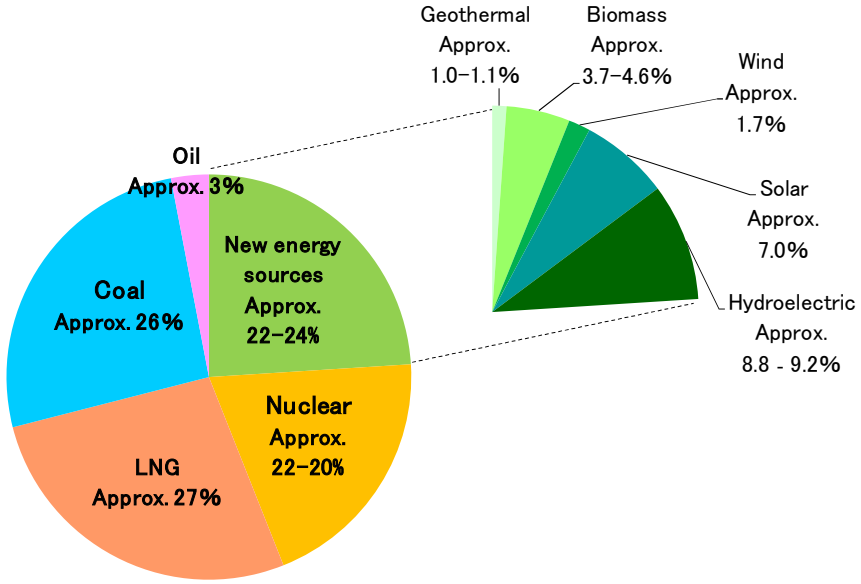
## Energy Mix

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

In April 2014 the Cabinet approved the Fourth Basic Energy Plan. On the basis of an "S + 3 Es"* approach, this plan positions nuclear power generation as "an important base-load power source" contributing to the stability of the energy supply-demand structure, and moreover sets forth an orientation of accelerating the introduction of renewable energies. In July of this year, an energy mix for 2030 has been put forward that is based on the roles of such energy source and is balanced so as not to depend excessively on any particular energy source.

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

◆ Power source mix in 2030 according to new energy mix
(percentages of the various power source types in the total power generation of 1,065,000 GWh)




◆Policy Targets for Achievement by 2030 set forth in the Long-Term Energy Supply-Demand Outlook

| | | |
|---|---|---|
| **Energy Security:** Improve energy self-sufficiency to levels in excess of those before the Great East Japan Earthquake | → | Improve energy self-sufficiency rate to around 24.3% |
| **Environment:** Put forward a Long-Term Energy Supply-Demand Outlook that sets forth greenhouse gas reduction targets on a par with those of the U.S. and EU and will contribute to leading the world | → | Reduce $CO_2$ emissions by 26%* from 2013 levels |
| **Economic Efficiency:** It will be necessary to construct an energy supply-demand structure that supports economic growth | → | Reduce electric power costs below present levels |

*Total of reductions in energy source $CO_2$ emissions and other greenhouse gas emissions, plus effects of carbon-sink measures, etc.

## Electricity System Reform

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

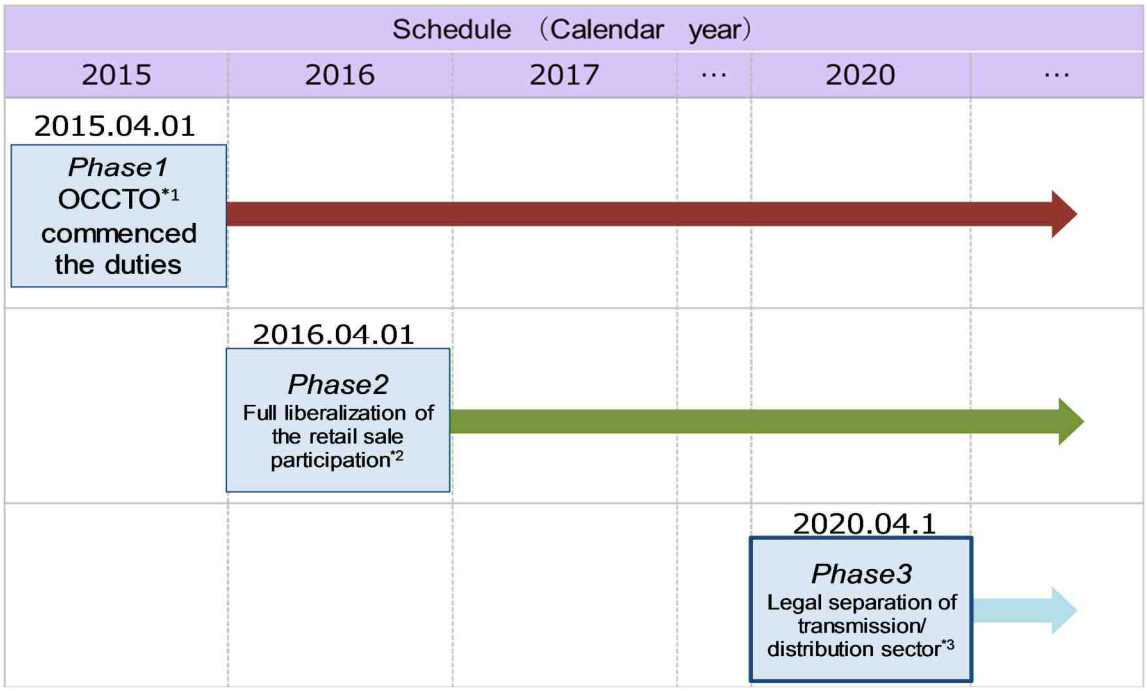
The first phase –"Expanding operations of wide-area electrical grids"– got underway in April 2015, when the "Organization for Cross-regional Coordination of Transmission Operators" commenced their duties. These bodies are to coordinate certain power supply-demand plans and operations across wide areas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

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

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

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

◆Outline and Schedule of Electricity System Reform



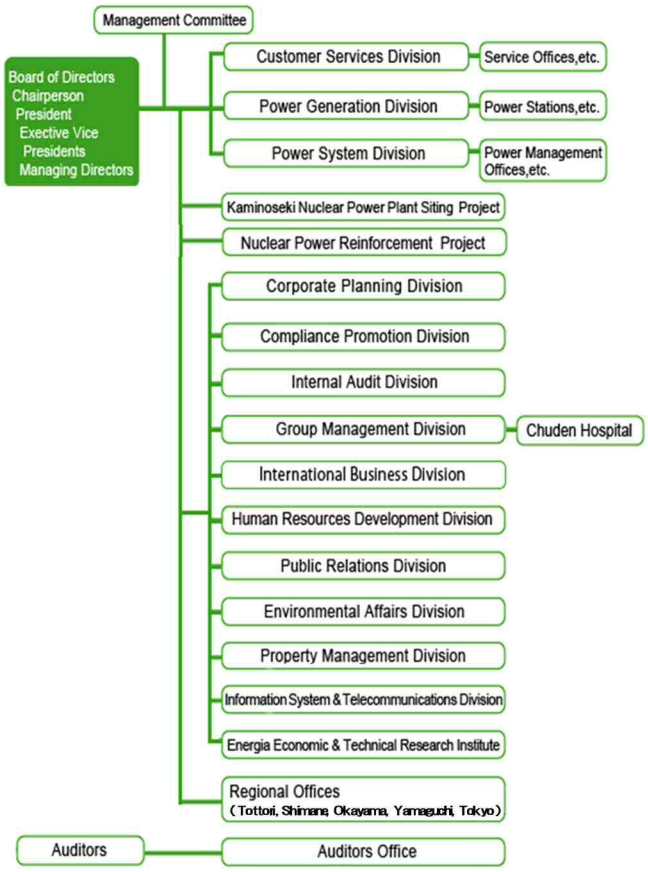

*1 ·Organization for Cross-regional Coordination of Transmission Operators : Independent organizations that centrally collect information on system users and coordinate supply-demand plans/operation across a wide area in their various regions.

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

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

# Corporate Information

## Organization Chart (as of June 25 2015)




## Members of the Board (as of June 25 2015)

| | |
|---|---|
| Chairperson of the Board | Takashi Yamashita |
| President and Director | Tomohide Karita |
| Executive Vice Presidents and Directors | Mareshige Shimizu |
| | Kazuyuki Nobusue |
| | Akira Sakotani |
| | Nobuo Watanabe |
| Managing Directors | Yukio Furubayashi |
| | Moriyoshi Ogawa |
| | Hideo Matsumura |
| | Masaki Hirano |
| | Shigehiko Morimae |
| | Hiroshi Segawa |
| | Hideo Matsuoka |
| | Akimasa Iwasaki |
| Director | Hiroaki Tamura |
| Standing Auditor | Kazuo Inoue |
| Auditors | Kazuhiko Tamekumi |
| | Kazuhide Watanabe |
| | Masao Satou |
| | Etsuko Nosohara |

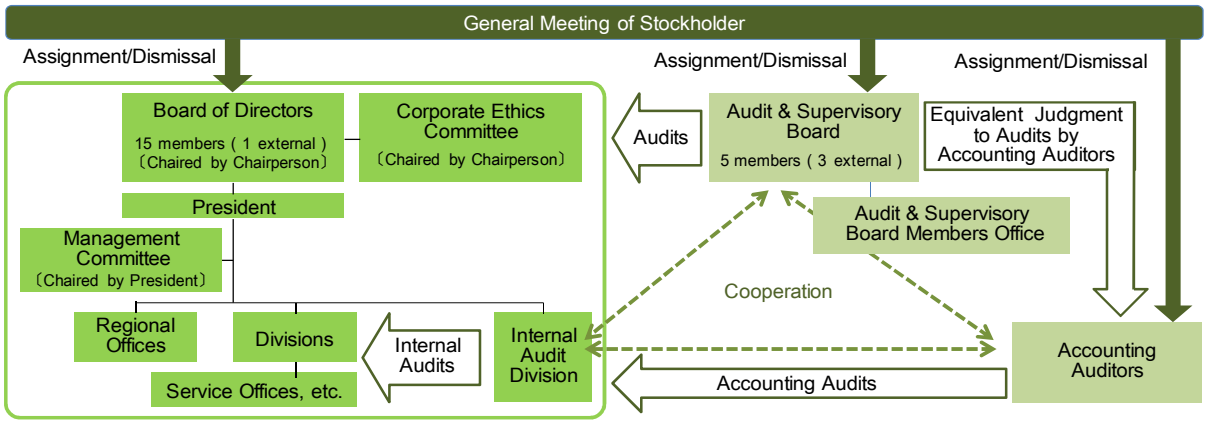
## Corporate Governance

### ◎Basic Concept

Chugoku Electric carries out operations at the core of which is the socially vital electric power business, and a management structure that integrates the functions of decision making and execution of operations is essential to expedite responses to market conditions and preserve the integrity of the Company, the Group and overall operations. Consequently, the Company has adopted the corporate auditor system.

We know that building a reputation of trust with stakeholders and continuously creating value for them enhances our ability to fulfill the social responsibilities incumbent upon corporate citizens. Establishing a governance structure to support these efforts is therefore a top management priority. With this in mind, we strive to enhance corporate governance along with measures to strengthen Group management.

### ◎Corporate Structure and Internal Controls



## Promotion of Compliance

After introspecting on the series of improper incidents involving our generation facilities that came to light from the fall of 2006 onward, in June 2007 we determined to make "placing top priority on compliance in every business activity" the foundation of our management and announced our resolve and stance in that regard through a "Declaration of Compliance Management Promotion".

Also, our executives and the responsible persons in each unit of our organization – Divisions, Departments, regional offices and so forth – have made a commitment to set the example in compliance management efforts, among other commitments, by signing a Pledge to Promote Compliance Management.

### ◎ Declaration of Compliance Management Promotion

**The Chugoku Electric Power Co., Inc. will unite the efforts of the whole company to engage in promotion of compliance management, with our executive setting the example.**

- We recognize that "compliance" means "valuing and abiding by social norms including ethics and morality," and that engagement therewith is indispensable in order for an enterprise to continue its existence in the community.
- Based on such recognition, we will work with our whole strength to promote management that takes as its foundation "to place top priority on compliance in managing every business activity," so as to meet the community's demands for thoroughgoing securing of power facility safety, stable supply of electricity, and low electricity rates.
- In order to realize "placing top priority on compliance," we will strictly abide by the code of conduct in the Chugoku Electric Corporate Code of Ethics, practicing daily the following "three actions" therein as requiring particular observance.

**1. Consulting our social consciences**

- We will be aware of our own actions and examine them in the light of our social consciences.
- We will consult the rules without fail whenever we have any doubts about our work.

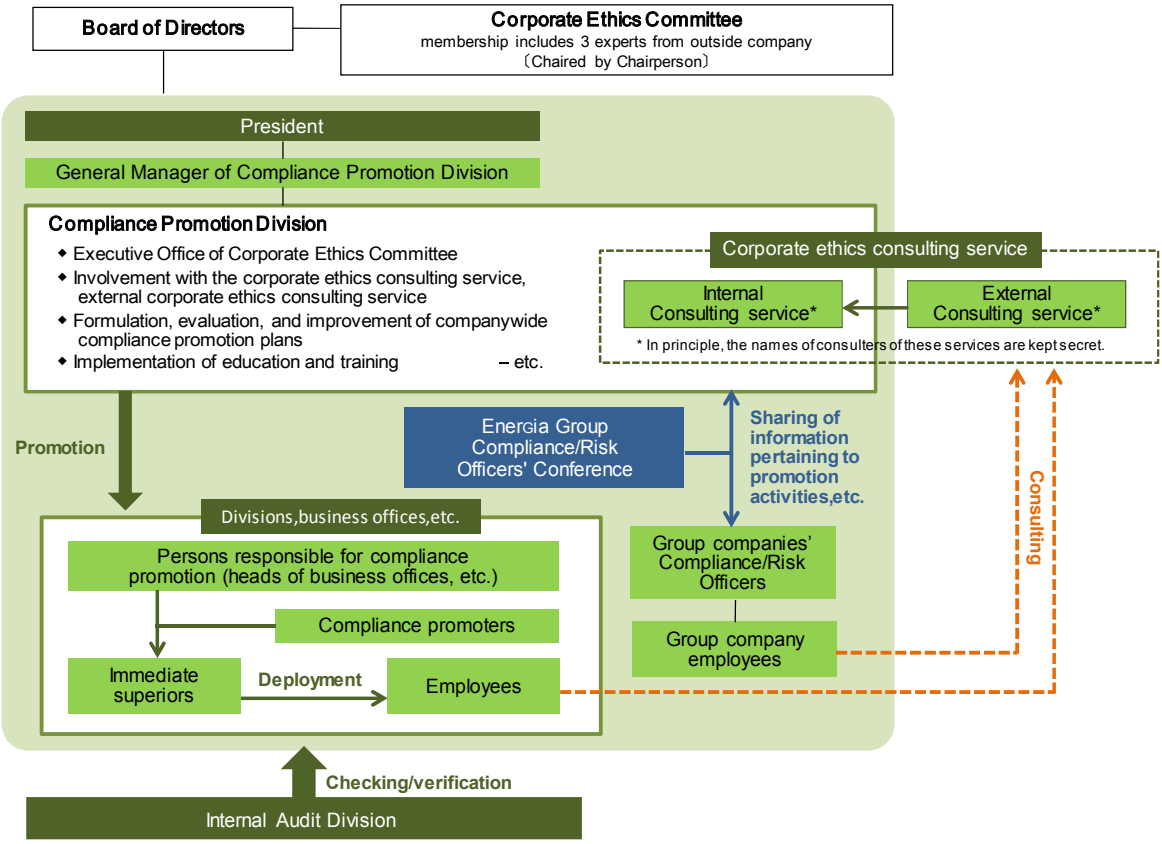
**2. Speaking honestly**

- We will not keep doubts and problems to ourselves, but will talk them over with others in our workplaces and among organizational units.
- We will explain matters voluntarily and appropriately to customers and the community.

**3. Actively correcting things**

- Where matters have been handled inappropriately, we will actively correct them without delay.
- We will endeavor to revise any rules that do not match actual circumstances.

### ◎ Compliance Promotion System



# Consolidated Five-Year Summary

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

| | Millions of yen | | | | | Thousands of U.S. dollars (Note1) |
|---|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 | **2015** | **2015** |
| Operating revenues | ¥1,094,300 | ¥1,181,350 | ¥1,199,728 | ¥1,256,055 | **¥1,299,624** | **$10,830,200** |
| Operating income (loss) | 48,481 | 55,063 | (4,006) | 8,993 | **71,341** | **594,508** |
| Net income (loss) | 1,793 | 2,498 | (21,951) | (9,384) | **33,852** | **282,100** |
| Net assets | 661,247 | 644,873 | 615,551 | 606,483 | **624,875** | **5,207,292** |
| Total assets | 2,831,128 | 2,887,198 | 2,899,334 | 2,948,019 | **3,106,276** | **25,885,633** |
| Interest-bearing debt | 1,724,782 | 1,756,016 | 1,812,397 | 1,857,936 | **1,980,196** | **16,501,633** |
| Free cash flows (Note 2) | (32,782) | 27,279 | (37,333) | (23,980) | **2,229** | **18,575** |
| | | | | | | |
| Other financial data | | | | | | |
| Per share data (yen and dollars): | | | | | | |
| Net assets (Note 3) | 1,804.16 | 1,765.92 | 1,685.00 | 1,659.34 | **1,710.60** | **14.26** |
| Net income (loss): | | | | | | |
| Basic | 4.92 | 6.86 | (60.52) | (25.88) | **93.38** | **0.78** |
| Cash dividends | 50.00 | 50.00 | 50.00 | 50.00 | **50.00** | **0.42** |
| | | | | | | |
| Key financial ratios: | | | | | | |
| Equity ratio (%) | 23.2 | 22.2 | 21.1 | 20.4 | **20.0** | |
| Return on equity (ROE) (%) | 0.3 | 0.4 | (3.5) | (1.5) | **5.6** | |
| Return on assets (ROA) (%) (Note 4) | 1.1 | 1.2 | — | 0.2 | **1.6** | |
| Price earnings ratio (PER) (times)(Note 5) | 312.6 | 224.1 | — | — | **16.8** | |

| | Millions of kWh | | | | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 | **2015** |
| Power generated and received | | | | | |
| Generated: | | | | | |
| Hydroelectric | 3,335 | 3,981 | 3,053 | 3,612 | **3,401** |
| Thermal | 39,606 | 38,254 | 40,662 | 39,796 | **38,768** |
| Nuclear | 2,281 | 5,919 | — | — | **—** |
| New energy sources | — | 1 | 5 | 5 | **6** |
| Total | 45,222 | 48,155 | 43,720 | 43,413 | **42,175** |
| Purchased power (NET) | 23,165 | 20,702 | 22,871 | 21,901 | **21,709** |
| Interchanged power (NET) | 849 | (2,336) | (1,921) | (227) | **(342)** |
| Transmission loss and other | (6,841) | (6,451) | (6,023) | (6,107) | **(5,674)** |
| Total | 62,395 | 60,070 | 58,647 | 58,980 | **57,868** |
| | | | | | |
| Electric sales: | | | | | |
| Residential (lighting) | 19,855 | 19,175 | 18,943 | 18,910 | **18,203** |
| Commercial, industrial and other | 42,540 | 40,895 | 39,704 | 40,070 | **39,665** |
| Total | 62,395 | 60,070 | 58,647 | 58,980 | **57,868** |

Notes: 1. U.S. dollar amounts above are given for the reader's convenience only and are converted from yen at ¥120 = US$1, the exchange rate prevailing on March 31, 2015.
2. Free cash flows represent the net cash flows from operating activities and from investing activities.
3. Net assets per share is computed using the number of shares of common stock in issue at the end of each year.
4. ROA = Operating income × (1 − Income tax rate) / Total assets × 100. ROA for the fiscal year ended March 2013 is not given, because an operating loss was recorded in that year.
5. PER for the fiscal years ended March 2013 and 2014 is not given, because net losses were recorded for those years.

# Consolidated Financial Review

## Summary of Operations

- In the fiscal year ended March 31, 2015, the Japanese economy showed feeble motion, despite improvements in capital investment and the employment situation. This was due among other factors to the consumption tax hike, which was preceded by a hurried surge in demand and was followed, as reactions, by depressions in consumer spending and housing investment. Production also was slow to recover. The situation in the Chugoku region trended similarly to the rest of the country.
- Consolidated sales of electricity decreased by 1.9% from the previous fiscal year, to 57.9 billion kilowatt hours.
- Operating revenues of the Chugoku Electric Power Co., Inc. ("the Company"), and its consolidated subsidiaries (together with the Company, called "the Companies") for the fiscal year were ¥1,299.6 billion (US$10,830.2 million), an increase of 3.5% or ¥43.6 billion (US$363.1 million) from fiscal 2014. Net income for the fiscal year was ¥33.9 billion (US$282.1 million), an increase of ¥43.2 billion (US$360.3 million). Free cash flow (net cash provided by operating activities minus net cash used in investing activities) amounted to an inflow of ¥2.2 billion (US$18.6 million).
- The Company maintained cash dividends per share at ¥50.00 (US$0.42).

## Operating Revenues

- As mentioned above, operating revenues for the fiscal year were ¥1,299.6 billion (US$10,830.2 million), an increase of 3.5%, or ¥43.6 billion (US$363.1 million).
- Operating revenues from electric power operations amounted to ¥1,167.7 billion (US$9,731.1 million), an increase of 3.5%, or ¥39.2 billion (US$327.0 million).
- Operating revenues from other operations such as comprehensive energy supply business and information and telecommunication business increased by 3.4%, or ¥4.3 billion (US$36.1 million), to ¥131.9 billion (US$1,099.1 million).

## Operating Expenses and Operating Income

- Operating expenses for the fiscal year were ¥1,228.3 billion (US$10,235.7 million), a decrease of 1.5%, or ¥18.8 billion (US$156.5 million).
- Operating expenses in electric power operations decreased by 2.1%, or ¥23.5 billion (US$196.0 million), to ¥1,103.9 billion (US$9,199.5 million). This resulted partly from a decrease in materials costs, which was due to factors including a CIF price fall outweighing the low foreign exchange rate of the yen, a decrease in electricity sales, and increased use of coal and LNG. Additionally, it was the fruit of our efforts to raise operational efficiency across the board by reducing repair costs, personnel costs and so forth.
- In operations other than electric power operations, operating expenses were ¥124.3 billion (US$1,036.2 million), an increase of 4.0%, or ¥4.7 billion (US$39.5 million).
- Operating income was ¥71.3 billion (US$594.5 million), an increase of ¥62.3 billion (US$519.6 million).

## Other Expenses (Income), Income (Loss) before Income Taxes and Minority Interests and Net Income (Loss)

- Total other expenses (income) decreased by 0.7%, or ¥0.1 billion (US$0.7 million), to ¥12.5 billion (US$104.5 million).
- When the provision for depreciation of nuclear power plants was applied to such expenses, the income before income taxes and minority interests in net income of consolidated subsidiaries was ¥56.3 billion (US$469.6 million), an increase of ¥64.1 billion (US$534.5 million). Net income was ¥33.9 billion (US$282.1 million), an increase of ¥43.2 billion (US$360.3 million).
- Net income per share went to ¥93.38 (US$0.78), from net loss, ¥25.88, in the previous fiscal year.

## Financial Position

### Assets

- At fiscal year-end, total assets were ¥3,106.3 billion (US$25,885.6 million), a rise of 5.4%, or ¥158.3 billion (US$1,318.8 million), from the close of the previous term, due among other items to an increase in current assets such as short-term investments.
- Fixed assets were ¥2,116.7 billion (US$17,638.9 million), a rise of 2.8%, or ¥56.7 billion (US$472.3 million).
- Nuclear fuel was ¥186.6 billion (US $1,554.8 million), a rise of 2.0%, or ¥3.7 billion (US $30.7 million).
- Total investments and other assets were ¥371.3 billion (US$3,094.1 million), a decrease of 1.8%, or ¥6.9 billion (US$57.6 million).
- Total current assets were ¥431.7 billion (US$3,597.8 million), an increase of 32.1%, or ¥104.8 billion (US$873.4 million).

### Liabilities, Minority Interests and Net Assets

- Total liabilities were ¥2,481.4 billion (US$20,678.3 million), a rise of 6.0%, or ¥139.9 billion (US$1,165.5 million), due mainly to an increase in interest-bearing debt. Among those, interest-bearing debt rose 6.6%, or ¥122.3 billion (US$1,018.8 million), to ¥1,980.2 billion (US$16,501.6 million). Other liabilities increased 3.6%, or ¥17.6 billion (US$146.7 million), to ¥501.2 billion (US$4,176.7 million).
- Total net assets were ¥624.9 billion (US$5,207.3 million), an increase of 3.0%, or ¥18.4 billion (US$153.3 million). This was due among other factors to the inclusion of net income in the reckoning, and was achieved despite dividend payments and a decrease in retained earnings due to application of the Accounting Standard for Retirement Benefits. The equity ratio declined 0.4 percentage points, to 20.0%, from 20.4%.

### Cash Flows

- Net cash provided by operating activities was ¥153.1 billion (US$1,276.0 million), a rise of 38.3%, or ¥42.4 billion (US$353.7 million), due to an increase in income before income taxes and minority interests in net income of consolidated subsidiaries, among other factors.
- Net cash used in investing activities was ¥150.9 billion (US$1,257.4 million), a rise of 12.1%, or ¥16.2 billion (US$135.2 million), due to an increase in equipment investment and other factors.
- Free cash flow therefore amounted to a revenue of ¥2.2 billion (US$18.6 million).
- Net cash provided by financing activities was ¥101.9 billion (US$849.1 million), a rise of ¥76.1 billion (US$634.2 million) from ¥25.8 billion in the previous year. With the procurements exceeding the repayments, bonds and long-term borrowings increased ¥124.5 billion (US$1,037.3 million).
  Cash dividends paid were ¥18.1 billion (US$151.1 million).
- Cash and cash equivalents at end of year totaled ¥191.6 billion (US$1,596.6 million), an increase of ¥104.2 billion (U.S.$868.0 million) over the total at the end of the previous year.

### Summary of Cash Flows

| Years ended March 31 | Millions of yen | | Thousands of US dollars |
|---|---|---|---|
| | 2015 | 2014 | 2015 |
| Net cash provided by (used in) operating activities | ¥153,120 | ¥110,682 | $1,276,000 |
| Net cash provided by (used in) investing activities | (150,891) | (134,662) | (1,257,425) |
| Net cash provided by (used in) financing activities | 101,892 | 25,784 | 849,100 |
| Effect of exchange rate changes on cash and cash equivalents | 156 | (13) | 1,300 |
| Net increase (decrease) in cash and cash equivalents | 104,277 | 1,791 | 868,975 |
| Cash and cash equivalents at beginning of the fiscal year | 87,431 | 85,640 | 728,592 |
| Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation | (114) | — | (950) |
| Cash and cash equivalents at end of the fiscal year | ¥191,594 | ¥87,431 | $1,596,617 |

# Risk Factors

The following primary risk factors to which the Companies are subject may exert a significant influence on investor decisions. The Companies recognize these risk factors and will try to prevent and address those risks. The forward-looking statements included below represent estimates as of March 31, 2015.

## 1. Revision of systems pertaining to nuclear power generation

We are taking definite steps in response to the new regulatory standards enacted in July 2013. These steps include countermeasures against earthquakes and tsunamis, measures to assure reliability of external power sources, installation of filtered vent equipment, and other measures to deal with severe accidents. These measures are being taken in the light of the accident that occurred at the Fukushima Daiichi Nuclear Power Station. In addition, we are enhancing safety and will be doing so continually into the future, aiming to maintain safety of the highest global standards. However, should the revision of policies and regulations pertaining to nuclear power take certain directions, the Companies' results and financial condition could be affected.

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

## 2. Revision of systems pertaining to electric power business

The government is currently deliberating new energy and environmental strategies – namely the best form of energy mix based on the Basic Energy Plan, and measures to address global warming.

Also, the Electricity Business Act was amended in June 2014 to prescribe implementation schedules for full-scale liberalization of retail electricity, and a review of the structure of the electric power business is underway – for example, measures to ensure further independence of power transmission segments and power distribution segments through legal forms of separation are being deliberated.

It is possible that revision of policy pertaining to the electric power business such as described above will affect the Companies' results and financial condition.

## 3. Natural disasters, troubles

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

## 4. Business other than electric power

As well as the electric power business, the Companies run "comprehensive energy supply business", "information and telecommunications business", "environmental business", and "business and lifestyle support business" as far as regulations and other conditions permit. Although these businesses may be expected to make profits, they have the potential to affect the Companies' results and financial condition in case they do not grow as the Companies expect or that their profitability is reduced through intensifying competition.

## 5. Economic conditions in power supply area

The Company supplies electric power mainly in the five prefectures of the Chugoku region, and accordingly electricity sales are subject to the influence of economic conditions such as industrial activities in the power supply area. As a result, the economic conditions in the power supply area have the potential to affect the Companies' results and financial condition.

## 6. Seasonal variations in weather

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

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

## 7. Changes in fuel prices

Sources of fuel for the Company's thermal power generation include coal, liquefied natural gas (LNG) and heavy and crude oil.

Therefore, fluctuations in energy prices, such as coal, LNG, and heavy and crude oil, and that of foreign exchange rates may affect the Companies' results and financial condition. However, the impact of these factors is considered to be limited, because the Companies are trying to mitigate fuel price fluctuation risk by aiming at diversifying the energy mix, and because the fluctuation in fuel prices and foreign exchange rates are reflected in electricity rates through the Fuel Cost Adjustment System.

## 8. Changes in interest rates

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

## 9. Cost and liabilities for retirement benefits

The Companies' cost and liabilities for retirement benefits are accounted based on assumptions for actuarial calculation, such as the discount rate and the long-term expected rate of return on plan assets.

Changes in the discount rate and expected rate of return have the potential to affect the Companies' results and financial condition.

## 10. Compliance

The Companies make giving top priority to progressing with compliance in all business operations the foundation of management.

We are striving for thorough compliance and take prompt corrective action for acts of non-compliance. Should a major case of non-compliance occur, however, there is a possibility that our social credibility would decline and affect the smooth operation of business.

## 11. Management of business information

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

# Consolidated Balance Sheets

The Chugoku Electric Power Co.,Inc. and Consolidated Subsidiaries
March 31,2015 and 2014

| Assets | Millions of yen | | Thousands of U.S.dollars (Note 1) |
|---|---|---|---|
| | 2015 | 2014 | 2015 |
| Property,plant and equipment: | | | |
| Utility plant and equipment | ¥5,463,359 | ¥5,457,343 | $45,527,992 |
| Other plant | 315,090 | 299,108 | 2,625,750 |
| Construction in progress | 639,963 | 586,418 | 5,333,025 |
| Suspense account related to the decommissioning of nuclear power stations | 18,087 | — | 150,725 |
| | 6,436,499 | 6,342,869 | 53,637,492 |
| Less- | | | |
| Contributions in aid of construction | 87,058 | 84,177 | 725,483 |
| Accumulated depreciation | 4,232,773 | 4,198,701 | 35,273,109 |
| | 4,319,831 | 4,282,878 | 35,998,592 |
| Net property,plant and equipment (Note 5) | 2,116,668 | 2,059,991 | 17,638,900 |
| Nuclear fuel | 186,577 | 182,889 | 1,554,808 |
| Investments and other assets: | | | |
| Investment securities (Note 6, 7) | 86,377 | 80,780 | 719,808 |
| Fund reserved reprocessing of irradiated nuclear fuel (Note 6) | 50,225 | 57,619 | 418,542 |
| Investments to non-consolidated subsidiaries and affiliated companies | 104,509 | 98,461 | 870,908 |
| Long-term loans to employees | 160 | 193 | 1,333 |
| Asset for retirement benefits (Note 13) | 48,916 | 46,702 | 407,633 |
| Deferred tax assets (Note 14) | 59,012 | 75,241 | 491,767 |
| Other assets | 22,092 | 19,205 | 184,101 |
| Total investments and other assets | 371,291 | 378,201 | 3,094,092 |
| Current assets: | | | |
| Cash and time deposits (Note 4, 6) | 138,864 | 108,501 | 1,157,200 |
| Receivables,less allowance for doubtful accounts of ¥608 million ($5,067 thousand) in 2015 and ¥569 million in 2014 (Note 6) | 107,159 | 96,116 | 892,992 |
| Short-term investment (Note 3, 6) | 83,000 | 9,000 | 691,667 |
| Inventories,fuel and supplies | 70,651 | 78,323 | 588,758 |
| Deferred tax assets (Note 14) | 11,248 | 11,551 | 93,733 |
| Other current assets (Note 3) | 20,818 | 23,447 | 173,483 |
| Total current assets | 431,740 | 326,938 | 3,597,833 |
| Total assets | ¥3,106,276 | ¥2,948,019 | $25,885,633 |

See notes to consolidated financial statements

| Liabilities and Net Assets | Millions of yen | | Thousands of U.S.dollars (Note 1) |
|---|---|---|---|
| | 2015 | 2014 | 2015 |
| Long-term liabilities: | | | |
| Long-term debt (Note 6, 9) | ¥1,677,374 | ¥1,559,962 | $13,978,117 |
| Liability for retirement benefits (Note 13) | 67,040 | 63,249 | 558,667 |
| Retirement allowances for directors and corporate auditors | 301 | 311 | 2,508 |
| Provision for reprocessing of irradiated nuclear fuel | 62,760 | 65,901 | 523,000 |
| Provision for reprocessing of irradiated nuclear fuel without a fixed plan to reprocess | 7,463 | 6,239 | 62,192 |
| Asset retirement obligations (Note 15) | 73,972 | 72,320 | 616,433 |
| Other long-term liabilities | 18,069 | 13,968 | 150,574 |
| Total long-term liabilities | 1,906,979 | 1,781,950 | 15,891,491 |
| Current liabilities: | | | |
| Long-term debt due within one year (Note 6, 9) | 214,078 | 207,020 | 1,783,983 |
| Short-term borrowings (Note 6) | 69,155 | 68,105 | 576,292 |
| Commercial paper (Note 6) | — | 8,000 | — |
| Accounts payable (Note 6) | 87,357 | 98,816 | 727,975 |
| Accrued income taxes | 8,214 | 6,911 | 68,450 |
| Accrued expenses | 51,890 | 48,279 | 432,417 |
| Allowance for bonuses to directors and corporate auditors | 77 | 72 | 642 |
| Other current liabilities, including other long-term liabilities due within one year | 69,724 | 50,906 | 581,032 |
| Total current liabilities | 500,495 | 488,109 | 4,170,791 |
| Reserve for fluctuation in water levels | 935 | 368 | 7,792 |
| Provision for depreciation of nuclear power plants | 72,992 | 71,109 | 608,267 |
| Contingent liabilities (Note 11) | | | |
| Net assets (Note 16): | | | |
| Common stock : | 185,528 | 185,528 | 1,546,067 |
| Authorized-1,000,000,000 shares | | | |
| Issued-371,055,259 shares in 2015 and 2014 | | | |
| Capital surplus | 17,270 | 17,251 | 143,917 |
| Retained earnings (Note 18) | 384,864 | 378,831 | 3,207,200 |
| Treasury stock (8,674,328 shares in 2015 and 8,452,785 shares in 2014) | (14,933) | (14,586) | (124,442) |
| Total stockholders' equity | 572,729 | 567,024 | 4,772,742 |
| Net unrealized holding gains(losses) on securities | 29,382 | 19,548 | 244,850 |
| Net unrealized gains(losses) on hedges | (170) | (64) | (1,417) |
| Foreign currency translation adjustments | 174 | (24) | 1,450 |
| Accumulated adjustments for retirement benefit | 17,772 | 15,196 | 148,100 |
| Accumulated other comprehensive income | 47,158 | 34,656 | 392,983 |
| Minority interests | 4,988 | 4,803 | 41,567 |
| Total net assets | 624,875 | 606,483 | 5,207,292 |
| Total liabilities and net assets | ¥3,106,276 | ¥2,948,019 | $25,885,633 |

# Consolidated Statements of Operations

The Chugoku Electric Power Co.,Inc. and Consolidated Subsidiaries
For the years ended March 31,2015 and 2014

| | Millions of yen | | Thousands of U.S.dollars (Note 1) |
|---|---|---|---|
| | 2015 | 2014 | 2015 |
| Operating revenues (Note 17) : | | | |
| Electric | ¥1,167,730 | ¥1,128,495 | $9,731,083 |
| Other | 131,894 | 127,560 | 1,099,117 |
| | 1,299,624 | 1,256,055 | 10,830,200 |
| Operating expenses (Note 12) : | | | |
| Electric | 1,103,942 | 1,127,456 | 9,199,517 |
| Other | 124,341 | 119,606 | 1,036,175 |
| | 1,228,283 | 1,247,062 | 10,235,692 |
| Operating income(loss) (Note 17) | 71,341 | 8,993 | 594,508 |
| Other expenses(income): | | | |
| Interest expense | 22,915 | 24,269 | 190,958 |
| Interest income | (1,264) | (1,365) | (10,533) |
| Gains on sales of securities | (0) | (207) | (0) |
| Equity in losses (earnings) of affiliated companies | (5,751) | (6,301) | (47,925) |
| Other,net | (3,358) | (3,771) | (27,983) |
| | 12,542 | 12,625 | 104,517 |
| Special item: | | | |
| Provision(reversal) of reserve for fluctuation in water levels | 567 | 368 | 4,725 |
| Provision for depreciation of nuclear power plants | 1,882 | 3,787 | 15,683 |
| Income(loss) before income taxes and minority interests in net income of consolidated subsidiaries | 56,350 | (7,787) | 469,583 |
| Provision for income taxes: (Note 14) | | | |
| Current | 4,466 | 1,513 | 37,217 |
| Deferred | 17,864 | (209) | 148,866 |
| | 22,330 | 1,304 | 186,083 |
| Income (loss) before minority interests in net income of consolidated subsidiaries | 34,020 | (9,091) | 283,500 |
| Minority interests in net income (loss) of consolidated subsidiaries | 168 | 293 | 1,400 |
| Net income (loss) | ¥33,852 | ¥(9,384) | $282,100 |

| | Yen | | U.S.dollars (Note 1) |
|---|---|---|---|
| | 2015 | 2014 | 2015 |
| Per share data : | | | |
| Net income (loss) (Basic) | ¥93.38 | ¥(25.88) | $0.78 |
| Cash dividends | 50.00 | 50.00 | 0.42 |

See notes to consolidated financial statements

# Consolidated Statements of Comprehensive Income

The Chugoku Electric Power Co.,Inc. and Consolidated Subsidiaries
For the years ended March 31,2015 and 2014

| | Millions of yen | | Thousands of U.S.dollars (Note 1) |
|---|---|---|---|
| | 2015 | 2014 | 2015 |
| Income(loss) before minority interests in net income of consolidated subsidiaries | ¥34,020 | ¥(9,091) | $283,500 |
| Other comprehensive income (loss): | | | |
| Net unrealized holding gains(losses) on securities | 7,971 | 2,347 | 66,425 |
| Net unrealized gains(losses) on hedges | (106) | (33) | (883) |
| Foreign currency translation adjustments | 144 | — | 1,200 |
| Adjustments for retirement benefit | 1,610 | — | 13,417 |
| Share of other comprehensive income (loss) of associates accounted for using equity method | 2,945 | 684 | 24,541 |
| | 12,564 | 2,998 | 104,700 |
| Comprehensive income (loss) | ¥46,584 | ¥(6,093) | ¥388,200 |
| Comprehensive income (loss) attribute to: | | | |
| Comprehensive income (loss) attribute to owners of the parent | ¥46,355 | ¥(6,390) | ¥386,292 |
| Comprehensive income (loss) attribute to minority interests | 229 | 297 | 1,908 |

See notes to consolidated financial statements

# Consolidated Statements of Changes in Net Assets

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries
For the years ended March 31, 2015 and 2014

| | | Millions of yen | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shares of common stock | Common stock | Capital surplus | Retained earnings | Treasury stock | Net unrealized holding gains(losses) on securities | Net unrealized gains(losses) on hedges | Foreign currency translation adjustments | Accumulated adjustments for retirement benefit | Minority interests | Total |
| **Balance at April 1, 2013** | 371,055,259 | ¥185,528 | ¥17,255 | ¥406,350 | ¥(14,470) | ¥16,588 | ¥(31) | ¥(90) | — | ¥4,421 | ¥615,551 |
| Net loss | | | | (9,384) | | | | | | | (9,384) |
| Cash dividends paid (¥50 per share) | | | | (18,135) | | | | | | | (18,135) |
| Surplus from sale of treasury stock | | | (1) | | 2 | | | | | | 1 |
| Treasury stock purchased, net | | | | | (118) | | | | | | (118) |
| Other | | | (3) | | 0 | | | | | | (3) |
| Net changes other than stockholders'equity | | | | | | 2,960 | (33) | 66 | 15,196 | 382 | 18,571 |
| **Balance at March 31, 2014** | 371,055,259 | ¥185,528 | ¥17,251 | ¥378,831 | ¥(14,586) | ¥19,548 | ¥(64) | ¥(24) | ¥15,196 | ¥4,803 | ¥606,483 |
| Cumulative effects of changes in accounting policies | | | | (9,377) | | | | | | 4 | (9,373) |
| **Restated balance at March 31, 2014** | | 185,528 | 17,251 | 369,454 | (14,586) | 19,548 | (64) | (24) | 15,196 | 4,807 | 597,110 |
| Net income | | | | 33,852 | | | | | | | 33,852 |
| Cash dividends paid (¥50 per share) | | | | (18,129) | | | | | | | (18,129) |
| Surplus from sale of treasury stock | | | (1) | | 3 | | | | | | 2 |
| Treasury stock purchased, net | | | | | (351) | | | | | | (351) |
| Change in scope of equity method | | | | (313) | | | | | | | (313) |
| Other | | | 20 | | 1 | | | | | | 21 |
| Net changes other than stockholders'equity | | | | | | 9,834 | (106) | 198 | 2,576 | 181 | 12,683 |
| **Balance at March 31, 2015** | **371,055,259** | **¥185,528** | **¥17,270** | **¥384,864** | **¥(14,933)** | **¥29,382** | **¥(170)** | **¥174** | **¥17,772** | **¥4,988** | **¥624,875** |

| | Thousands of U.S. dollars (Note 1) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Net unrealized holding gains(losses) on securities | Net unrealized gains(losses) on hedges | Foreign currency translation adjustments | Accumulated adjustments for retirement benefit | Minority interests | Total |
| **Balance at March 31, 2014** | $1,546,067 | $143,758 | $3,156,925 | $(121,550) | $162,900 | $(533) | $(200) | $126,633 | $40,025 | $5,054,025 |
| Cumulative effects of changes in accounting policies | | | (78,142) | | | | | | 33 | (78,109) |
| **Restated balance at March 31, 2014** | 1,546,067 | 143,758 | 3,078,783 | (121,550) | 162,900 | (533) | (200) | 126,633 | 40,058 | 4,975,916 |
| Net income | | | 282,100 | | | | | | | 282,100 |
| Cash dividends paid ($0.42 per share) | | | (151,075) | | | | | | | (151,075) |
| Surplus from sale of treasury stock | | (8) | | 25 | | | | | | 17 |
| Treasury stock purchased, net | | | | (2,925) | | | | | | (2,925) |
| Change in scope of equity method | | | (2,608) | | | | | | | (2,608) |
| Other | | 167 | | 8 | | | | | | 175 |
| Net changes other than stockholders'equity | | | | | 81,950 | (884) | 1,650 | 21,467 | 1,509 | 105,692 |
| **Balance at March 31, 2015** | **$1,546,067** | **$143,917** | **$3,207,200** | **$(124,442)** | **$244,850** | **$(1,417)** | **$1,450** | **$148,100** | **$41,567** | **$5,207,292** |

See notes to consolidated financial statements

# Consolidated Statements of Cash Flows

The Chugoku Electric Power Co.,Inc. and Consolidated Subsidiaries
For the years ended March 31, 2015 and 2014

| | Millions of yen | | Thousands of U.S.dollars (Note 1) |
|---|---|---|---|
| | 2015 | 2014 | 2015 |
| Cash flows from operating activities: | | | |
| Income (loss) before income taxes and minority interests in net income of consolidated subsidiaries | ¥56,350 | ¥(7,787) | $469,583 |
| Depreciation | 108,477 | 107,887 | 903,975 |
| Decommissioning cost of nuclear power generating plants | 1,448 | 661 | 12,067 |
| Equity in losses (earnings) of affiliated companies | (5,751) | (6,301) | (47,925) |
| Loss on disposal of property | 6,801 | 6,340 | 56,675 |
| Increase (decrease) in liability for retirement benefits | 369 | 15,709 | 3,075 |
| Decrease (increase) in asset for retirement benefits | (9,063) | (22,760) | (75,525) |
| Increase (decrease) in provision for reprocessing of irradiated nuclear fuel | (7,266) | (8,973) | (60,550) |
| Increase (decrease) in provision for reprocessing of irradiated nuclear fuel without a fixed plan to reprocess | 1,224 | 240 | 10,200 |
| Increase (decrease) in reserve for fluctuation in water levels | 567 | 368 | 4,725 |
| Increase (decrease) in provision for depreciation of nuclear power plants | 1,882 | 3,787 | 15,683 |
| Interest and dividend income | (2,432) | (2,338) | (20,267) |
| Interest expense | 22,915 | 24,269 | 190,958 |
| Gains on sales of securities | (0) | (207) | (0) |
| Decrease (increase) in fund reserved for reprocessing of irradiated nuclear fuel | 7,393 | 7,182 | 61,608 |
| Decrease (increase) in notes and accounts receivable | (5,497) | (14,739) | (45,808) |
| Decrease (increase) in inventories | 9,524 | (9,703) | 79,367 |
| Increase (decrease) in notes and accounts payable | (16,688) | 13,228 | (139,067) |
| Other | 5,020 | 20,664 | 41,834 |
| Subtotal | 175,273 | 127,527 | 1,460,608 |
| Interest and dividends received | 3,665 | 2,914 | 30,542 |
| Interest paid | (23,389) | (24,360) | (194,908) |
| Income taxes refund (paid) | (2,429) | 4,601 | (20,242) |
| Net cash provided by (used in) operating activities | 153,120 | 110,682 | 1,276,000 |
| Cash flows from investing activities: | | | |
| Purchase of property | (170,331) | (136,964) | (1,419,425) |
| Proceeds from contribution received for construction | 15,679 | 7,707 | 130,658 |
| Purchase of investments in securities | (66,082) | (76,306) | (550,683) |
| Proceeds from sale of investment securities | 69,655 | 65,679 | 580,458 |
| Other | 188 | 5,222 | 1,567 |
| Net cash provided by (used in) investing activities | (150,891) | (134,662) | (1,257,425) |

| | Millions of yen | | Thousands of U.S.dollars (Note 1) |
|---|---|---|---|
| | 2015 | 2014 | 2015 |
| Cash flows from financing activities: | | | |
| Proceeds from issue of bonds | 169,692 | 119,639 | 1,414,100 |
| Repayment of bonds | (140,000) | (80,000) | (1,166,667) |
| Proceeds from long-term borrowings | 166,086 | 208,000 | 1,384,050 |
| Repayment of long-term borrowings | (67,190) | (158,776) | (559,917) |
| Proceeds from short-term borrowings | 205,230 | 184,270 | 1,710,250 |
| Repayment of short-term borrowings | (203,600) | (180,960) | (1,696,667) |
| Proceeds from issue of commercial paper | 18,000 | 59,000 | 150,000 |
| Repayment of commercial paper | (26,000) | (105,000) | (216,667) |
| Purchase of treasury stock | (28) | (31) | (233) |
| Cash dividends paid | (18,126) | (18,127) | (151,050) |
| Other | (2,172) | (2,231) | (18,099) |
| Net cash provided by (used in) financing activities | 101,892 | 25,784 | 849,100 |
| Effect of exchange rate changes on cash and cash equivalents | 156 | (13) | 1,300 |
| Net increase (decrease) in cash and cash equivalents | 104,277 | 1,791 | 868,975 |
| Cash and cash equivalents at beginning of the fiscal year | 87,431 | 85,640 | 728,592 |
| Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation | (114) | — | (950) |
| Cash and cash equivalents at end of the fiscal year (Note 4) | ¥191,594 | ¥87,431 | $1,596,617 |

See notes to consolidated financial statements

# Notes to Consolidated Financial Statements

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

## 1. Basis of presenting consolidated financial statements

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

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

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2015, which was ¥120 to U.S. $1. The convenience translation should not be construed as representation that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

## 2. Significant accounting policies

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

### Consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant companies over which the Company has power of control through majority voting rights or existence of certain 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 the Company acquired control of the subsidiary.

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

For the year ended March 31, 2015, 21 subsidiaries (20 in 2014) were consolidated and 5 (5 in 2014) subsidiaries were excluded from consolidation due to their immateriality for the consolidated total assets, sales and revenues, net income and retained earnings in the consolidated financial statements.

For the year ended March 31, 2015, 5 non-consolidated subsidiaries (5 in 2014) and 7 affiliated companies (8 in 2014) were accounted for by the equity method.

For the year ended March 31, 2015, 11 affiliated companies (9 in 2014) were stated at cost without applying the equity method of accounting. Even if the equity method had been applied for these investments, the amounts of net income and retained earnings of the excluded affiliated companies would individually have had only a slight effect, and together would have had no material effect, on the consolidated financial statements.

The consolidated subsidiaries whose accounting closing date differs from the consolidated closing date are Chugoku Electric Power Australia Resources Pty. Ltd. and Chugoku Electric Power International

Netherlands B.V. Both of these have December 31 as their closing date. In drawing up the consolidated financial statements, we use these consolidated subsidiaries' financial statements as of their closing dates, and make the necessary adjustments, in consolidated terms, for their important transactions that take place between those dates and the consolidated closing date.

## Inventories, fuel and supplies

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

## Securities

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

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

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

## (Additional information)

On March 18, 2015, we took a decision to retire Shimane Nuclear Power Station Unit 1. Accordingly, in line with the Ordinance Partially Amending the Accounting Rules for the Electric Power Industry (Ministry of Economy, Trade and Industry Ordinance No. 52 of 2013), we are continuing as before to handle the fixed assets required for retirement of reactors and the fixed assets requiring maintenance and management after reactor retirement by including such assets (below, "retirement measure assets") in the nuclear power production facilities and carrying out depreciation accounting. The balance of the retirement measure assets included in the nuclear power production facilities at the end of this fiscal year is ¥8,141 million (US$67,842 thousand).

## Nuclear fuel and amortization

Nuclear fuel is stated at cost less accumulated amortization. The amortization of loaded nuclear fuel is computed based on the quantity of heat produced for the 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 based on the Companies' historical loss rate with respect to remaining receivables.

## Provision for reprocessing of irradiated nuclear fuel

A provision for the reprocessing of irradiated nuclear fuel is provided at the present value amount equivalent to the expense of the reprocessing of irradiated nuclear fuel.

The difference of ¥51,533 million due to the change in estimating the costs of reprocessing irradiated nuclear fuel at March 31, 2005 is included in operating expenses equally over 15 years from April 1, 2005. The amount so included has been uniformly ¥3,306 million in each fiscal year since the year from April 2008 to March 2009.

The difference in estimated costs will be amortized over the periods of generating the irradiated nuclear fuel for which there are concrete reprocessing plans, starting from the following fiscal year. The unrecognized difference in estimated costs was ¥24,994 million (US$208,283 thousand) on March 31, 2015.

## Provision for reprocessing of irradiated nuclear fuel without a fixed plan to reprocess

For such of the irradiated nuclear fuel from nuclear reactors as has no fixed plan for reprocessing, a sum is reckoned up based on the estimated reprocessing costs. Such sum is reckoned according to the volume of such irradiated nuclear fuel that is recognized as having occurred at the end of the consolidated accounting year, and is allocated to expenses for reprocessing of irradiated nuclear fuel.

## Reserve for fluctuation in water levels

As required under the Electricity Business Act, the Company provides drought reserves against fluctuation in water levels, in the sums stipulated by a Ministry of Economy, Trade and Industry ordinance.

## Provision for depreciation of nuclear power plants

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

## Accounting methods pertaining to retirement benefits

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

As regards the method for attributing the estimated retirement benefit sum to the period up until the end of the fiscal year in determining the retirement benefit obligations, the benefit formula basis are principally followed.

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

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

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

## Derivatives and hedge accounting

The Companies adopt deferred processing and state derivative financial instruments at fair value and recognize changes in the fair value as gains or losses. As regards recognition timing, if high correlation and efficacy is observed between the hedging means and hedged item and the requirements for hedge accounting are met, processing is deferred until the loss/gain on the hedged item is recognized.

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

It goes by comparing the total cash flow change of the means for hedging and the total cash flow change of the hedged item in the quarterly about the efficacy evaluation of the hedge.

However, assessment of hedge effectiveness is not necessary for interest rate swap transactions and forward foreign exchange transactions that meet certain requirements.

### Capitalization of interest expenses

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

### Method of reckoning asset cost equivalent of asset retirement obligations pertaining to measures for decommissioning specified nuclear power generation facilities

In accordance with the prescriptions of an Ordinance of the Ministry of Economy, Trade and Industry, the cost of the asset retirement obligations pertaining to measures for decommissioning specified nuclear power generation facilities, which are among our tangible fixed assets, is reckoned up as the cost of decommissioning the nuclear power generation facilities, which is calculated by applying the straight-line method to the estimated total decommissioning cost for the period equal to the facilities' forecast operating period plus the estimated safe storage period.

### Cash and cash equivalents

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

### Foreign currency transaction

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

### Consolidated tax system

The Companies apply the consolidated tax system.

## 3. Changes in Accounting Policy, Etc.

### (1) Changes in accounting policy

#### ・Application of Accounting Standard for Retirement Benefits

Effective from the year ended March 31, 2015, the Company and its consolidated domestic subsidiaries have applied the provisions of the main text of Article 35 of the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26; below, "Accounting Standard") and of the main text of Article 67 of the Guidance on the Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25; below, "Accounting Standard Guidance"), and have implemented a revision of the accounting methods for retirement benefit obligations and current service costs, whereby we have changed from fixed-period sum basis using mainly the period attribution method on the estimated retirement sum, to mainly benefit formula basis, and moreover have changed the discount rate calculation method from discount rates based on remaining service period to a single weighted-average discount rate.

In accordance with the provisions for transitional handling in Article 37 of the Accounting Standard, the retained earnings at the beginning of the fiscal year have been adjusted for the effects of the changes in the methods for calculating retirement benefit obligations and current service costs.

As a result of the application, at the beginning of the fiscal year the liabilities for retirement benefits

increased by ¥2,221 million (US$18,508 thousand), while the assets for retirement benefits, and the retained earnings, decreased by ¥9,671 million (US$80,592 thousand) and ¥9,377 million (US$78,142 thousand), respectively. Operating income for the current fiscal year rose by ¥625 million (US$5,208 thousand), and income before income taxes and minority interests in net income of consolidated subsidiaries rose by ¥638 million (US$5,317 thousand).

### ・Changes in money transfer and accrual methods for suspense account related to the decommissioning of nuclear power stations, and in expense summing methods

On March 13, 2015, the Ordinance Partially Amending the Accounting Rules for the Electric Power Industry (Ministry of Economy, Trade and Industry Ordinance No. 10 of 2015; below, "Amended Ordinance") was put into force, amending the Accounting Rules for the Electric Power Industry.

This amendment does away with the former requirement to comprehensively sum up the book value of the nuclear power generation facilities and the decommissioning-related cost equivalent amounts when a decision is made to decommission a nuclear reactor. Instead, in cases where decommissioning results from a change, etc., in energy policy, it allows such values to be reckoned up as write-off costs in the suspense account related to the decommissioning of nuclear power stations. Specifically, the power company submits an application form for the Minister of Economy, Trade and Industry's approval and carries out, at that point, the transfers and additions into the suspense account related to the decommissioning of nuclear power stations. Then, starting from the month in which approval is received, the company adds write-off costs to those expense accounts in amounts commensurate with its electricity rate revenue. We have now changed to this method. In accordance with the stipulations of the Amended Ordinance, this change will not be applied retroactively.

We filed the application in question on March 18, 2015, and accordingly we transferred and added ¥11,712 million (US$97,600 thousand) of nuclear power generation facility book value and ¥6,375 million (US$53,125 thousand) of decommissioning-related cost equivalent amounts, pertaining to Shimane Nuclear Power Station Unit 1, into the suspense account related to the decommissioning of nuclear power stations for the fiscal year. Also, income before income taxes and minority interests in net income of consolidated subsidiaries has risen by ¥18,087 million (US$150,725 thousand), compared to the figure with the previous method. Approval of our application was received from the Minister of Economy, Trade and Industry on April 21, 2015.

## (2) Changes in indication methods

### ・Consolidated balance sheets

Because there has been an increase in the monetary importance of short-term investments, which were included in "Other current assets" of "Current assets" last fiscal year, we have decided to post them as a separate item from this fiscal year onward. In order to reflect this change in indication method, we have made a rearrangement to the consolidated financial statements, relative to last fiscal year's.

As a result of this rearrangement, the ¥32,447 million which was indicated for "Other current assets" under "Current assets" in last year's consolidated balance sheets is now indicated as ¥9,000 million for "Short-term investments" and ¥23,447 million for "Other current assets".

### ・Consolidated statement of cash flows

Because there has been an increase in the monetary importance of revenue from contributions in aid of real property construction, which was included in "Other" of "Cash flows from investing activities" last fiscal year, we are posting it as a separate item from this fiscal year onward. In order to reflect this change in indication method, we have made a rearrangement to the consolidated financial statements, relative to last fiscal year's.

As a result of this rearrangement, the ¥12,929 million which was indicated for "Other" under "Cash flows from investing activities" in last year's consolidated statements of cash flows is now indicated as ¥7,707 million for "Proceeds from contribution received for construction" and ¥5,222 million for "Other".

## 4. Cash and cash equivalents

Reconciliations of cash and time deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows at March 31, 2015 and 2014 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2015 | 2014 | 2015 |
| Cash and time deposits | ¥ 138,864 | ¥ 108,501 | $ 1,157,200 |
| Time deposits with maturities exceeding 3 months | (30,270) | (30,070) | (252,250) |
| Short-term investments that mature within 3 months of the acquisition date | 83,000 | 9,000 | 691,667 |
| Cash and cash equivalents | ¥ 191,594 | ¥ 87,431 | $ 1,596,617 |

## 5. Property, plant and equipment

The major classifications of property, plant and equipment at March 31, 2015 and 2014 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2015 | 2014 | 2015 |
| Hydroelectric power production facilities | ¥ 124,934 | ¥ 129,816 | $ 1,041,117 |
| Thermal power production facilities | 188,714 | 187,801 | 1,572,617 |
| Nuclear power production facilities | 75,307 | 74,656 | 627,558 |
| Transmission facilities | 330,983 | 344,627 | 2,758,192 |
| Transformation facilities | 143,542 | 147,958 | 1,196,183 |
| Distribution facilities | 364,956 | 368,120 | 3,041,300 |
| General facilities | 82,672 | 83,767 | 688,933 |
| Inactive facilities | 22,712 | 24,673 | 189,267 |
| Other electric utility plants and equipments | 4,731 | 4,397 | 39,425 |
| Other plants | 120,067 | 107,758 | 1,000,558 |
| Construction in progress | 639,963 | 586,418 | 5,333,025 |
| Suspense account related to the decommissioning of nuclear power stations | 18,087 | — | 150,725 |
| Total | ¥ 2,116,668 | ¥ 2,059,991 | $ 17,638,900 |

Calculated according to the accounting principles and practices generally accepted in Japan, accumulated gains in relation to the receipt of contributions in aid of real property construction deducted from the original acquisition costs amounted to ¥87,058 million (US$725,483 thousand), and ¥84,177 million at March 31, 2015 and 2014, respectively.

## 6. Financial instruments

### 1. Issues related to financial instruments

### (1) Approach to financial instruments

Most of the Companies' business consists of electric power business, and fund that is necessary for capital investment and operation is raised from bonds, long-term borrowings, short-term borrowings and commercial paper ("CP"), based on plans.

Fund management involves only highly safe monetary assets based on plans.

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

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

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

The amount of fund reserved reprocessing of irradiated nuclear fuel is calculated in accordance with "Spent Nuclear Fuel Reprocessing Fund Act" in order to appropriately reprocess spent fuel generated in the course of operating particular nuclear reactors.

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

Short-term investments (held-to-maturity securities) are negotiable deposits and are exposed to banks' credit risk. But we manage such risk by operating these investments only through banks that have a high credit rating.

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

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

The Company and certain of its consolidated subsidiaries enter into interest rate swap contracts, forward exchange contracts, currency swap contracts and commodity swap contracts to mitigate and avoid market fluctuation risk. The Company adopts hedge accounting for interest rate swap contracts, and a part of forward exchange contract and commodity swap contracts.

The Companies' policy is to hedge risk exposure related to receivables and payables incurred in their business operations (actual demand transactions) and not to enter into contracts for speculative purposes.

Interest rate swap contracts, forward exchange contracts, currency swap contracts and commodity swap contracts are exposed to market risk arising from market price fluctuations.

The Companies believe that the related credit risk arising from the event of contract nonperformance by counterparties is extremely low, since the Companies use highly creditworthy financial institutions and the like as counterparties to derivative transactions, and determine fair values and credit information on a periodic basis.

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

Certain of the consolidated subsidiaries require such derivative transactions to be authorized by their representative director and executed in compliance with their internal regulations.

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

## (3) Supplemental explanation for financial instruments' fair value

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

Please note that as regards the contract amount for derivative transactions in the Notes to "8. Derivatives and hedge accounting", the amount itself does not indicate the market risk for the derivative transaction.

## 2. Issues related to fair value of financial instruments

The following are book values, fair values and the differences as of March 31, 2015 and 2014. Please note that items whose fair value is difficult to evaluate are not included (See Note b).

| | Millions of yen | | | | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2015 | | | 2014 | | | 2015 | | |
| | Book value | Fair value | Difference | Book value | Fair value | Difference | Book value | Fair value | Difference |
| Assets | | | | | | | | | |
| (1) Long-term investment: Available-for-sale securities | ¥ 41,500 | ¥ 41,500 | ¥ — | ¥ 31,798 | ¥ 31,798 | ¥ — | $ 345,833 | $ 345,833 | $ — |
| (2) Fund reserved reprocessing of irradiated nuclear fuel | 50,225 | 50,225 | — | 57,619 | 57,619 | — | 418,542 | 418,542 | — |
| (3) Cash and time deposits | 138,864 | 138,864 | — | 108,501 | 108,501 | — | 1,157,200 | 1,157,200 | — |
| (4) Notes receivable and accounts receivable | 97,319 | 97,319 | — | 90,772 | 90,772 | — | 810,992 | 810,992 | — |
| (5) Short-term investment: Held-to-maturity securities | 83,000 | 83,000 | — | 9,000 | 9,000 | — | 691,667 | 691,667 | — |
| Liabilities | | | | | | | | | |
| (6) Bonds | ¥ 954,992 | ¥ 998,660 | ¥ 43,668 | ¥ 924,989 | ¥ 967,960 | ¥ 42,971 | $ 7,958,267 | $ 8,322,167 | $ 363,900 |
| (7) Long-term borrowings | 936,443 | 965,289 | 28,846 | 841,969 | 864,569 | 22,600 | 7,803,692 | 8,044,075 | 240,383 |
| (8) Short-term borrowings | 69,155 | 69,155 | — | 68,105 | 68,105 | — | 576,292 | 576,292 | — |
| (9) Commercial Paper | — | — | — | 8,000 | 8,000 | — | — | — | — |
| (10) Notes payable and accounts payable | 61,005 | 61,005 | — | 77,666 | 77,666 | — | 508,375 | 508,375 | — |
| (11) Derivative transactions | ¥ (239) | ¥ (239) | — | ¥ (85) | ¥ (85) | — | $ (1,992) | $ (1,992) | — |

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

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

Their values depend on Stock Exchange quotations.

For the difference between book value of available-for-sale securities and their acquisition cost, please refer to the notes in "7. Securities".

### (2) Fund reserved reprocessing of irradiated nuclear fuel

Amount of fund reserved reprocessing of irradiated nuclear fuel is calculated in accordance with "Spent Nuclear Fuel Reprocessing Fund Act" in order to appropriately reprocess spent fuel generated in the course of operating particular nuclear reactors.

In order to redeem the relevant reserve, it is necessary to follow the redemption plan for fund reserved reprocessing of irradiated nuclear fuel, which was approved by the Minister of Economy, Trade and Industry. Because the book value is based on the current value for the potential redemption amount as of the end of the current fiscal year, its fair value is also estimated by the relevant book value.

### (3) Cash and time deposits, (4) Notes receivable and accounts receivable, and (5) Short-term investment: Held-to-maturity securities

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

For the difference between fair value of held-to-maturity securities, and their book value, please refer to the notes in "7. Securities".

### (6) Bonds

The bonds with market value are valued as such. The bonds without market value are valued based on conditions projected as if they were being newly issued, or on a price put forward by the financial institution or other organization. Some bonds are subject to special treatment of interest rate swaps, these are valued based on the same terms and conditions applied to the relevant interest-rate swap transactions.

### (7) Long-term borrowings

The values of long-term borrowings are calculated using terms as if the borrowings were new loans. Some long-term borrowings are subject to special treatment of interest rate swaps, these are valued based on the same terms and conditions applied to the relevant interest-rate swap transactions.

### (8) Short-term borrowings, (9) Commercial Paper, and (10) Notes payable and accounts payable

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

### (11) Derivative transactions

Please refer to the notes in “8. Derivatives and hedge accounting”.

### (Note b) Book values of financial instruments whose fair values may be difficult to estimate

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | Book value | | |
| | 2015 | 2014 | 2015 |
| Unlisted stocks | ¥ 37,837 | ¥ 42,775 | $ 315,308 |
| Other | 1,055 | 1,040 | 8,792 |
| Total | ¥ 38,892 | ¥ 43,815 | $ 324,100 |

Since the above do not have market value, it is hard to estimate their cash flow in the future, as well as to estimate their fair value. Hence, they are not included in “(1) Long-term investment: Available-for-sale securities”.

### (Note c) Anticipated redemptions after consolidated account settlements for monetary claims and debt securities held to maturity

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | Within 1 year | | |
| | 2015 | 2014 | 2015 |
| Long-term investment: Available-for-sale securities with maturity | ¥ – | ¥ – | $ – |
| Fund reserved reprocessing of irradiated nuclear fuel | 11,925 | 11,581 | 99,374 |
| Cash and time deposits | 138,864 | 108,501 | 1,157,200 |
| Notes receivable and accounts receivable | 97,319 | 90,772 | 810,992 |
| Short-term investment: Held-to-maturity securities | 83,000 | 9,000 | 691,667 |
| Total | ¥ 331,108 | ¥ 219,854 | $ 2,759,233 |

(Note d) Anticipated redemptions after consolidated account settlements for bonds, long-term borrowings, and other interest-bearing debts

| | Millions of yen | | | | | |
|---|---|---|---|---|---|---|
| | 2015 | | | | | |
| | Within 1 year | 1 year - 2 years | 2 years - 3 years | 3 years - 4 years | 4 years - 5 years | Over 5 Years |
| Bonds | ¥ 55,000 | ¥ 115,000 | ¥ 205,000 | ¥ 135,000 | ¥ 160,000 | ¥ 285,000 |
| Long-term borrowings | 159,072 | 116,228 | 58,567 | 77,282 | 82,806 | 442,489 |
| Short-term borrowings | 69,155 | — | — | — | — | — |
| Commercial Paper | — | — | — | — | — | — |
| Total | ¥ 283,227 | ¥ 231,228 | ¥ 263,567 | ¥ 212,282 | ¥ 242,806 | ¥ 727,489 |

| | Millions of yen | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | | | | | |
| | Within 1 year | 1 year - 2 years | 2 years - 3 years | 3 years - 4 years | 4 years - 5 years | Over 5 Years |
| Bonds | ¥ 140,000 | ¥ 55,000 | ¥ 115,000 | ¥ 155,000 | ¥ 135,000 | ¥ 325,000 |
| Long-term borrowings | 67,013 | 153,562 | 94,828 | 52,167 | 70,882 | 403,517 |
| Short-term borrowings | 68,105 | — | — | — | — | — |
| Commercial Paper | 8,000 | — | — | — | — | — |
| Total | ¥ 283,118 | ¥ 208,562 | ¥ 209,828 | ¥ 207,167 | ¥ 205,882 | ¥ 728,517 |

| | Thousands of U.S. dollars | | | | | |
|---|---|---|---|---|---|---|
| | 2015 | | | | | |
| | Within 1 year | 1 year - 2 years | 2 years - 3 years | 3 years - 4 years | 4 years - 5 years | Over 5 Years |
| Bonds | $ 458,333 | $ 958,333 | $ 1,708,333 | $ 1,125,000 | $ 1,333,333 | $ 2,375,000 |
| Long-term borrowings | 1,325,600 | 968,567 | 488,059 | 644,017 | 690,050 | 3,687,408 |
| Short-term borrowings | 576,292 | — | — | — | — | — |
| Commercial Paper | — | — | — | — | — | — |
| Total | $ 2,360,225 | $ 1,926,900 | $ 2,196,392 | $ 1,769,017 | $ 2,023,383 | $ 6,062,408 |

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

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

## 7. Securities

### Held-to-maturity securities

| Categories | Millions of yen | | | | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2015 | | | 2014 | | | 2015 | | |
| | Book value | Fair Value | Difference | Book value | Fair Value | Difference | Book value | Fair Value | Difference |
| Held-to-maturity securities with fair values exceeding book values | | | | | | | | | |
| Bonds | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | $ — | $ — | $ — |
| Other | — | — | — | — | — | — | — | — | — |
| Subtotal | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | $ — | $ — | $ — |
| Held-to-maturity securities with fair values not exceeding book values | | | | | | | | | |
| Bonds | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | $ — | $ — | $ — |
| Other | 83,000 | 83,000 | — | 9,000 | 9,000 | — | 691,667 | 691,667 | — |
| Subtotal | ¥ 83,000 | ¥ 83,000 | ¥ — | ¥ 9,000 | ¥ 9,000 | ¥ — | $ 691,667 | $ 691,667 | $ — |
| Total | ¥ 83,000 | ¥ 83,000 | ¥ — | ¥ 9,000 | ¥ 9,000 | ¥ — | $ 691,667 | $ 691,667 | $ — |

### Available-for-sale securities

| Categories | Millions of yen | | | | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2015 | | | 2014 | | | 2015 | | |
| | Book value | Acquisition cost | Difference | Book value | Acquisition cost | Difference | Book value | Acquisition cost | Difference |
| Available-for-sale securities with book values exceeding acquisition costs | | | | | | | | | |
| Equity securities | ¥ 41,024 | ¥ 9,954 | ¥ 31,070 | ¥ 31,152 | ¥ 9,726 | ¥ 21,426 | $ 341,867 | $ 82,950 | $ 258,917 |
| Bonds | — | — | — | — | — | — | — | — | — |
| Other | 9 | 3 | 6 | 7 | 3 | 4 | 75 | 25 | 50 |
| Subtotal | ¥ 41,033 | ¥ 9,957 | ¥ 31,076 | ¥ 31,159 | ¥ 9,729 | ¥ 21,430 | $ 341,942 | $ 82,975 | $ 258,967 |
| Available-for-sale securities with book values not exceeding acquisition costs | | | | | | | | | |
| Equity securities | ¥ 467 | ¥ 724 | ¥ (257) | ¥ 639 | ¥ 951 | ¥ (312) | $ 3,891 | $ 6,033 | $ (2,142) |
| Bonds | — | — | — | — | — | — | — | — | — |
| Other | — | — | — | — | — | — | — | — | — |
| Subtotal | ¥ 467 | ¥ 724 | ¥ (257) | ¥ 639 | ¥ 951 | ¥ (312) | $ 3,891 | $ 6,033 | $ (2,142) |
| Total | ¥ 41,500 | ¥ 10,681 | ¥ 30,819 | ¥ 31,798 | ¥ 10,680 | ¥ 21,118 | $ 345,833 | $ 89,008 | $ 256,825 |

Since, for the fiscal years ended March 31, 2015 and 2014, unlisted stocks (¥38,892 million (US$324,100 thousand), ¥43,815 million in book value) have no market value and there is no way of estimating their cash flow in the future, it is difficult to evaluate their fair value. Hence, unlisted stocks are not included in the above “Available-for-sale securities”.

## 8. Derivatives and hedge accounting

### 1. Derivative transactions where hedge accounting is not applied

<Currencies>

| Categories | Type of transaction | | Millions of yen 2015 Amount of contract | 2015 Amount of contract longer than 1 year | 2015 Fair value | 2015 Unrealized gains or losses | 2014 Amount of contract | 2014 Amount of contract longer than 1 year | 2014 Fair value | 2014 Unrealized gains or losses |
|---|---|---|---|---|---|---|---|---|---|---|
| Transaction outside market | Forward foreign exchange contracts | USD Long | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — |
| | | EURO Long | — | — | — | — | — | — | — | — |
| | Currency swaps (received in USD /paid in JPY) | | ¥ — | ¥ — | ¥ — | ¥ — | ¥ 20 | ¥ — | ¥ 7 | ¥ 7 |

| Categories | Type of transaction | | Thousands of U.S. dollars 2015 Amount of contract | 2015 Amount of contract longer than 1 year | 2015 Fair value | 2015 Unrealized gains or losses |
|---|---|---|---|---|---|---|
| Transaction outside market | Forward foreign exchange contracts | USD Long | $ — | $ — | $ — | $ — |
| | | EURO Long | — | — | — | — |
| | Currency swaps (received in USD /paid in JPY) | | $ — | $ — | $ — | $ — |

(Note a) Calculation of fair value depends on the value offered by financial institutions.

### 2. Derivative transaction where hedge accounting is applied

<Interest>

| Hedge accounting method | Type of transaction | Items to be hedged | Millions of yen 2015 Amount of contract | 2015 Amount of contract longer than 1 year | 2015 Fair value | 2014 Amount of contract | 2014 Amount of contract longer than 1 year | 2014 Fair value |
|---|---|---|---|---|---|---|---|---|
| Special treatment of interest rate swaps | Interest-rate swap | | | | | | | |
| | Fixed-rate receipt & flexible-rate payment | Bonds & long-term borrowings | ¥ 85,373 | ¥ 84,659 | (Note b) | ¥ 86,087 | ¥ 85,373 | (Note b) |
| | Fixed-rate payment & flexible-rate receipt | | 17,500 | 3,000 | (Note b) | 51,500 | 17,500 | (Note b) |

| Hedge accounting method | Type of transaction | Items to be hedged | Thousands of U.S. dollars 2015 Amount of contract | Amount of contract longer than 1 year | Fair value |
|---|---|---|---|---|---|
| Special treatment of interest rate swaps | Interest-rate swap | | | | |
| | Fixed-rate receipt & flexible-rate payment | Bonds & long-term borrowings | $ 711,442 | $ 705,492 | (Note b) |
| | Fixed-rate payment & flexible-rate receipt | | 145,833 | 25,000 | (Note b) |

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

<Commodities>

| Hedge accounting method | Type of transaction | Items to be hedged | Millions of yen 2015 Amount of contract | Amount of contract longer than 1 year | Fair value | 2014 Amount of contract | Amount of contract longer than 1 year | Fair value |
|---|---|---|---|---|---|---|---|---|
| Principled processing method | Commodity swap Fixed-rate payment & flexible-rate receipt | Fuel import payment debt (projected transaction) | ¥ 1,899 | ¥ — | ¥ (239) | ¥ 1,508 | ¥ — | ¥ (92) |

| Hedge accounting method | Type of transaction | Items to be hedged | Thousands of U.S. dollars 2015 Amount of contract | Amount of contract longer than 1 year | Fair value |
|---|---|---|---|---|---|
| Principled processing method | Commodity swap Fixed-rate payment & flexible-rate receipt | Fuel import payment debt (projected transaction) | $ 15,825 | $ — | $ (1,992) |

(Note c) Calculation of fair value depends on the value offered by financial institutions.

## 9. Long-term debt

Long-term debt at March 31, 2015 and 2014 consisted of the following:

| | Millions of yen 2015 | 2014 | Thousands of U.S. dollars 2015 |
|---|---|---|---|
| Domestic bonds due through 2029 at rates of 0.27% to 4.1% | ¥ 954,992 | ¥ 924,989 | $ 7,958,267 |
| Long-term loans from the Development Bank of Japan Inc., other banks and insurance companies due through 2031 | 936,443 | 841,969 | 7,803,692 |
| Lease obligations | 17 | 24 | 141 |
| | 1,891,452 | 1,766,982 | 15,762,100 |
| Less amounts due within one year | (214,078) | (207,020) | (1,783,983) |
| Total | ¥ 1,677,374 | ¥ 1,559,962 | $ 13,978,117 |

At March 31, 2015 and 2014, long-term loans from the Development Bank of Japan Inc. in the amounts of ¥235,271 million (US$1,960,592 thousand) and ¥247,737 million, and all bonds were secured by a statutory preferential right which gives the creditors a security interest in all assets of the Company, totaling ¥2,868,247 million (US$23,902,058 thousand) and ¥2,739,232 million, respectively, senior to that of general creditors. Some assets of subsidiaries are being used as collateral for loans from financial institutions and other sources.

The annual maturities of long-term debt at March 31, 2015 were as follows:

| Year ending March 31 | Millions of Yen | Thousands of U.S. dollars |
|---|---|---|
| 2016 | ¥ 214,072 | $ 1,783,933 |
| 2017 | 231,228 | 1,926,900 |
| 2018 | 263,567 | 2,196,392 |
| 2019 | 212,282 | 1,769,017 |
| Thereafter | 970,295 | 8,085,791 |

Note: Excluding lease obligations.

## 10. Leases

### (As lessee)

### 1. Finance lease transactions

The Companies lease certain equipment for business use.

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

Lease payments under non-capitalized finance leases amounted to ¥7 million (US$58 thousand) and ¥12 million for the years ended March 31, 2015 and 2014, respectively.

The present values of future minimum lease payments under non-capitalized finance leases as of March 31, 2015 and 2014 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2015 | 2014 | 2015 |
| Current portion | ¥ — | ¥ 7 | $ — |
| Non-current portion | — | — | — |
| Total | ¥ — | ¥ 7 | $ — |

### 2. Operating lease transactions

The present values of future minimum lease payments pertaining to the operating leases that are non-cancelable, as of March 31, 2015 and 2014, were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2015 | 2014 | 2015 |
| Current portion | ¥ 10 | ¥ 10 | $ 83 |
| Non-current portion | 17 | 27 | 142 |
| Total | ¥ 27 | ¥ 37 | $ 225 |

### (As lessor)

### 1. Finance lease transactions

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

Lease payments received under non-capitalized finance leases amounted to ¥230 million (US$1,917 thousand) and ¥239 million for the years ended March 31, 2015 and 2014, respectively.

The present values of future minimum lease payments to be received under non-capitalized finance leases as of March 31, 2015 and 2014 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2015 | 2014 | 2015 |
| Current portion | ¥ 221 | ¥ 234 | $ 1,842 |
| Non-current portion | 1,149 | 1,370 | 9,575 |
| Total | ¥ 1,370 | ¥ 1,604 | $ 11,417 |

## 11. Contingent liabilities

At March 31, 2015 and 2014, the Companies were contingently liable as guarantors for loans of other companies and employees in the amount of ¥121,491 million (US$1,012,425 thousand), and ¥126,253 million, respectively, 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 ¥5,000 million (US$41,667 thousand), and ¥5,000 million, respectively.

## 12. Research and development expenses

Research and development expenses charged to operating expenses were ¥4,679 million (US $38,992 thousand), and ¥4,756 million for the years ended March 31, 2015 and 2014, respectively.

## 13. Retirement benefit related

### 1. Overview of the retirement benefit plan adopted

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

A premium severance payment is also sometimes made when employees retire or withdraw.

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

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

### 2. Defined benefit plans

#### (1) Movement in retirement benefit obligations

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2015 | 2014 | 2015 |
| Balance at beginning of the fiscal year | ¥ 251,887 | ¥ 259,412 | $ 2,099,058 |
| Cumulative effects of changes in accounting policies | 11,892 | — | 99,100 |
| Restated balance at beginning of the fiscal year | ¥ 263,779 | ¥ 259,412 | $ 2,198,158 |
| Service cost | 8,649 | 8,395 | 72,075 |
| Interest cost | 2,574 | 3,612 | 21,450 |
| Actuarial loss (gain) | 3,179 | (5,633) | 26,492 |
| Benefits paid | (12,371) | (13,899) | (103,092) |
| Other | (7) | — | (58) |
| Balance at end of the fiscal year | ¥ 265,803 | ¥ 251,887 | $ 2,215,025 |

## (2) Movements in plan assets

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2015 | 2014 | 2015 |
| Balance at beginning of the fiscal year | ¥ 235,340 | ¥ 228,289 | $ 1,961,167 |
| Expected return on plan assets | 3,245 | 3,137 | 27,042 |
| Actuarial loss (gain) | 12,970 | 8,085 | 108,083 |
| Contributions paid by the companies | 5,183 | 5,493 | 43,192 |
| Benefits paid | (9,054) | (9,664) | (75,450) |
| Other | (5) | — | (42) |
| Balance at end of the fiscal year | ¥ 247,679 | ¥ 235,340 | $ 2,063,992 |

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

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2015 | 2014 | 2015 |
| Retirement benefit obligations for defined benefit corporate pension schemes | ¥ 199,747 | ¥ 190,179 | $ 1,664,559 |
| Plan assets | (247,679) | (235,340) | (2,063,992) |
| | (47,932) | (45,161) | (399,433) |
| Retirement benefit obligations for retirement lump sum schemes | 66,056 | 61,708 | 550,467 |
| Total net liability (asset) for retirement benefits at end of the fiscal year | ¥ 18,124 | ¥ 16,547 | $ 151,034 |

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2015 | 2014 | 2015 |
| Liability for retirement benefits | ¥ 67,040 | ¥ 63,249 | $ 558,667 |
| Asset for retirement benefits | (48,916) | (46,702) | (407,633) |
| Total net liability (asset) for retirement benefits at end of the fiscal year | ¥ 18,124 | ¥ 16,547 | $ 151,034 |

## (4) Retirement benefit costs

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2015 | 2014 | 2015 |
| Service cost | ¥ 8,649 | ¥ 8,395 | $ 72,075 |
| Interest cost | 2,574 | 3,612 | 21,450 |
| Expected return on plan assets | (3,245) | (3,137) | (27,042) |
| Net actuarial loss amortization | (8,185) | 199 | (68,208) |
| Past service costs amortization | 13 | 19 | 108 |
| Premium severance payments made on a special basis | 228 | 2,828 | 1,900 |
| Retirement benefit costs for defined benefit plans | ¥ 34 | ¥ 11,916 | $ 283 |

### (5) Adjustments for retirement benefit

The breakdown of the items (before tax effect deduction) that have been reckoned up as adjustments for retirement benefits was as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2015 | 2014 | 2015 |
| Past service costs | ¥ 13 | ¥ — | $ 108 |
| Actuarial gains/losses | 1,606 | — | 13,384 |
| Total | ¥ 1,619 | ¥ — | $ 13,492 |

### (6) Accumulated adjustments for retirement benefit

The breakdown of the items (before tax effect deduction) that have been reckoned up as accumulated adjustments for retirement benefits was as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2015 | 2014 | 2015 |
| Unrecognized past service costs | ¥ 9 | ¥ 22 | $ 75 |
| Unrecognized actuarial gains/losses | (23,235) | (21,629) | (193,625) |
| Total | ¥ (23,226) | ¥ (21,607) | $ (193,550) |

### (7) Items relating to plan assets

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

| | 2015 | 2014 |
|---|---|---|
| Bonds | 49% | 48% |
| Equity securities | 17% | 18% |
| Life insurance general accounts | 33% | 33% |
| Other | 1% | 1% |
| Total | 100% | 100% |

② Method of determining long-term expected rates of return
In order to determine the long-term expected rates of return on plan assets, account is taken of the allocation of current and envisioned plan assets, and of the long-term rates of return to be expected currently and in the future from the various different assets that make up the plan assets.

### (8) Matters relating to actuarial assumptions

The major actuarial assumptions at the end of the fiscal year were as follows.

| | 2015 | 2014 |
|---|---|---|
| Discount rate | mainly 0.7% | mainly 1.5% |
| Long-term expected rates of return | mainly 1.3% | mainly 1.3% |

## 3. Defined contribution pension plan

The contributions required from the Companies to the defined contribution pension plan amounted to ¥777 million (US$6,475 thousand), and ¥764 million for the years ended March 31, 2015 and 2014, respectively.

## 14. Income taxes

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

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2015 and 2014 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2015 | 2014 | 2015 |
| Deferred tax assets: | | | |
| Provision for depreciation of nuclear power plants | ¥ 21,022 | ¥ 21,852 | $ 175,183 |
| Excess depreciation | 17,145 | 17,608 | 142,875 |
| Adjustment for unrealized intercompany profits | 11,995 | 11,744 | 99,958 |
| Asset retirement obligations | 7,569 | 7,966 | 63,075 |
| Provision for reprocessing of irradiated nuclear fuel | 6,476 | 5,906 | 53,967 |
| Liability for retirement benefits | 5,649 | 5,668 | 47,075 |
| Accrued bonuses and other expenses | 3,908 | 4,095 | 32,567 |
| Book value of nuclear power generation facilities following decommissioning of Shimane Nuclear Power Station Unit 1 | 3,373 | — | 28,108 |
| Other | 20,505 | 30,437 | 170,875 |
| Total gross deferred tax assets | 97,642 | 105,276 | 813,683 |
| Less valuation allowance | (10,739) | (10,497) | (89,491) |
| Total deferred tax assets | 86,903 | 94,779 | 724,192 |
| Deferred tax liabilities: | | | |
| Unrealized holding gains (losses) on securities | (9,437) | (6,893) | (78,642) |
| Suspense account related to the decommissioning of nuclear power stations | (5,209) | — | (43,408) |
| Other | (1,997) | (1,094) | (16,642) |
| Total deferred tax liabilities | (16,643) | (7,987) | (138,692) |
| Net deferred tax assets | ¥ 70,260 | ¥ 86,792 | $ 585,500 |

The causes of the discrepancy between the statutory effective tax rate and the income tax rate after application of tax effect accounting, in the years ended March 31, 2014 and 2015, were as follows.

| | 2015 | 2014 |
|---|---|---|
| The Company's statutory effective tax rate | 30.73% | |
| (adjustment) | | |
| Decrease in year-end deferred tax assets due to tax rate changes | 8.83% | (See Note) |
| Other | 0.07% | |
| Income tax rate after application of tax effect accounting | 39.63% | |

(Note) The discrepancy between the statutory effective tax rate and the income tax rate after application of tax effect accounting is not stated, because the loss before income taxes and minority interests in net income of consolidated subsidiaries has been reckoned up in the accounting for the year ended March 31, 2014.

The statutory effective tax rate used in the calculations of deferred tax assets and liabilities at the end of the fiscal year was the changed rate following the promulgation of the Act for Partial Amendment of the Income Tax Act (March 31, 2015) and other measures.

Due to this, deferred tax assets decreased by ¥3,796 million (US$31,633 thousand), while accumulated other comprehensive income and provision for income taxes deferred both increased, by ¥1,232 million (US$10,267 thousand) and ¥4,973 million (US$41,442 thousand), respectively.

## 15. Asset retirement obligations

Asset retirement obligations included in the consolidated balance sheets

### (1) Outline of the asset retirement obligations

In accordance with the prescriptions of an Ordinance of the Ministry of Economy, Trade and Industry, the cost is reckoned up mainly by applying the straight-line method for the period equal to the generation facilities' forecast operating period plus the estimated safe storage period.

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

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

### (3) Variation in the total value of the asset retirement obligations during the fiscal year ended March 31, 2015 and 2014:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2015 | 2014 | 2015 |
| Balance at beginning of the fiscal year | ¥ 72,320 | ¥ 82,529 | $ 602,667 |
| Changes in estimated obligations and accretion(Note) | 1,652 | (10,209) | 13,766 |
| Balance at end of the fiscal year | ¥ 73,972 | ¥ 72,320 | $ 616,433 |

(Note) Changes in estimated obligations and accretion for the year ended March 31, 2014 include the effect (a decrease of ¥11,653 million) resulting from the change in the estimated use period used for calculating the asset retirement obligations pertaining to measures for decommissioning specified nuclear power generation facilities – namely, the change from the forecast operating period alone to the forecast operating period plus the estimated safe storage period.

## 16. Net assets

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock.

However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the prices of the new shares as additional paid-in capital, which is included in capital surplus.

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

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

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

At the annual stockholders' meeting held on June 25, 2015, the stockholders approved cash dividends amounting to ¥9,066 million (US$75,550 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2015. Such appropriations are recognized in the period in which they are approved by the stockholders.

## 17. Segment information

The Companies' Reporting segment is able to obtain financial information, which is one of the Companies' structural units that is separated off from the others. This information is the subject of periodic deliberations by the Board of Directors in order to decide allocation of business resources and evaluate business results.

With electric power as their core, the Companies are developing total solution operations by pouring business resources concentratedly into business domains (strategic business domains) that can exploit the Companies' strengths.

Thus, the Companies, with electric power as their nucleus, are composed of segments each of which provides different products and services using the business resources possessed by the Companies, and the Reporting segment is regarded as comprising three others - "Electric power", "Comprehensive energy supply", and "Information and Telecommunications".

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

Other business segments, not comprised in the above-mentioned Reporting segment, include those where we carry out environmental harmony creation, business/lifestyle support, electric power business support, and the like operations.

A summary by segment for the years ended March 31, 2015 and 2014 was as follows:

| | Millions of yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | | | | | | | |
| | Reporting segment | | | | | | | |
| | Electric power | Comprehensive energy supply | Information and tele-communications | Total | Other | Total | Adjustment (Note) | Consolidated |
| Operating revenues: | | | | | | | | |
| Outside customers | ¥ 1,167,730 | ¥ 56,529 | ¥ 27,743 | ¥ 1,252,002 | ¥ 47,622 | ¥ 1,299,624 | ¥ — | ¥ 1,299,624 |
| Intersegment | 3,075 | 1,775 | 11,385 | 16,235 | 89,019 | 105,254 | (105,254) | — |
| Total | 1,170,805 | 58,304 | 39,128 | 1,268,237 | 136,641 | 1,404,878 | (105,254) | 1,299,624 |
| Segment income (loss) | ¥ 59,729 | ¥ 1,403 | ¥ 6,120 | ¥ 67,252 | ¥ 5,065 | ¥ 72,317 | ¥ (976) | ¥ 71,341 |
| Segment assets | 2,846,771 | 28,017 | 78,868 | 2,953,656 | 284,464 | 3,238,120 | (131,844) | 3,106,276 |
| Other items: | | | | | | | | |
| Depreciation expense | ¥ 97,347 | ¥ 1,356 | ¥ 7,967 | ¥ 106,670 | ¥ 3,448 | ¥ 110,118 | ¥ (1,641) | ¥ 108,477 |
| Investment in equity method affiliated companies | 9,723 | 3,030 | — | 12,753 | 90,624 | 103,377 | — | 103,377 |
| Value increase in tangible and intangible assets | 146,272 | 823 | 12,602 | 159,697 | 19,035 | 178,732 | (3,637) | 175,095 |

| | Millions of yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | | | | | | | |
| | Reporting segment | | | | | | | |
| | Electric power | Comprehensive energy supply | Information and tele-communications | Total | Other | Total | Adjustment (Note) | Consolidated |
| Operating revenues: | | | | | | | | |
| Outside customers | ¥ 1,128,495 | ¥ 55,475 | ¥ 26,722 | ¥ 1,210,692 | ¥ 45,363 | ¥ 1,256,055 | ¥ — | ¥ 1,256,055 |
| Intersegment | 3,308 | 2,294 | 12,173 | 17,775 | 88,137 | 105,912 | (105,912) | — |
| Total | 1,131,803 | 57,769 | 38,895 | 1,228,467 | 133,500 | 1,361,967 | (105,912) | 1,256,055 |
| Segment income (loss) | ¥ (3,729) | ¥ 1,894 | ¥ 6,986 | ¥ 5,151 | ¥ 4,342 | ¥ 9,493 | ¥ (500) | ¥ 8,993 |
| Segment assets | 2,721,782 | 24,458 | 74,519 | 2,820,759 | 249,519 | 3,070,278 | (122,259) | 2,948,019 |
| Other items: | | | | | | | | |
| Depreciation expense | ¥ 97,208 | ¥ 1,496 | ¥ 7,322 | ¥ 106,026 | ¥ 3,484 | ¥ 109,510 | ¥ (1,623) | ¥ 107,887 |
| Investment in equity method affiliated companies | 9,890 | 2,004 | — | 11,894 | 86,026 | 97,920 | — | 97,920 |
| Value increase in tangible and intangible assets | 130,466 | 1,181 | 10,560 | 142,207 | 4,069 | 146,276 | (3,043) | 143,233 |

| | Thousands of U.S. dollars | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | | | | | | | |
| | Reporting segment | | | | | | | |
| | Electric power | Comprehensive energy supply | Information and tele-communications | Total | Other | Total | Adjustment (Note) | Consolidated |
| Operating revenues: | | | | | | | | |
| Outside customers | $ 9,731,083 | $ 471,075 | $ 231,192 | $ 10,433,350 | $ 396,850 | $ 10,830,200 | $ — | $ 10,830,200 |
| Intersegment | 25,625 | 14,792 | 94,875 | 135,292 | 741,825 | 877,117 | (877,117) | — |
| Total | 9,756,708 | 485,867 | 326,067 | 10,568,642 | 1,138,675 | 11,707,317 | (877,117) | 10,830,200 |
| Segment income (loss) | $ 497,742 | $ 11,691 | $ 51,000 | $ 560,433 | $ 42,209 | $ 602,642 | $ (8,134) | $ 594,508 |
| Segment assets | 23,723,092 | 233,475 | 657,233 | 24,613,800 | 2,370,533 | 26,984,333 | (1,098,700) | 25,885,633 |
| Other items: | | | | | | | | |
| Depreciation expense | $ 811,225 | $ 11,300 | $ 66,392 | $ 888,917 | $ 28,733 | $ 917,650 | $ (13,675) | $ 903,975 |
| Investment in equity method affiliated companies | 81,025 | 25,250 | — | 106,275 | 755,200 | 861,475 | — | 861,475 |
| Value increase in tangible and intangible assets | 1,218,933 | 6,858 | 105,017 | 1,330,808 | 158,625 | 1,489,433 | (30,308) | 1,459,125 |

(Note) "Adjustment" of "Segment income (loss)" in an amount of ¥(976) million (US$(8,134) thousand) and ¥(500) million refers to inter-segment elimination for the years ended March 31, 2015 and 2014, respectively.

"Adjustment" of "Segment assets" in an amount of ¥(131,844) million (US$(1,098,700) thousand) and ¥(122,259) million refers mainly to inter-segment elimination for the years ended March 31, 2015 and 2014, respectively.

"Adjustment" of "Value increase in tangible and intangible assets" in an amount of ¥(3,637) million (US$(30,308) thousand) and ¥(3,043) million refers mainly to inter-segment elimination for the years ended March 31, 2015 and 2014, respectively.

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

Since the Companies' sales to external customers in Japan accounted for over 90% of the total sales in the Consolidated Statements of Operations for the fiscal years ended March 31, 2015 and 2014, information concerning region-by-region sales amounts is omitted here.

Since the value of the Companies' tangible fixed assets located in Japan accounted for over 90% of the value of tangible fixed assets in the consolidated balance sheets as of March 31, 2015 and 2014, information concerning region-by-region tangible fixed assets is omitted here.

Since no customer among the Companies' external customers accounted for 10% or more of the total sales in the Consolidated Statements of Operations for the fiscal years ended March 31, 2015 and 2014, information concerning major customers is omitted here.

## 18. Subsequent event

The following appropriations of retained earnings at March 31, 2015 were approved at the annual meeting of stockholders held on June 25, 2015:

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| Year-end cash dividends, ¥25 (US$0.21) per share | ¥ 9,066 | $ 75,550 |

KPMG

## Independent Auditor's Report

To the Board of Directors of
The Chugoku Electric Power Co., Inc.

We have audited the accompanying consolidated financial statements of The Chugoku Electric Power Co., Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2015 and 2014, and the consolidated statements of operations, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended , and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Chugoku Electric Power Co., Inc. and its consolidated subsidiaries as at March 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

**Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 3 to the consolidated financial statements, on March 13, 2015, the Ordinance Partially Amending the Accounting Rules for the Electric Power Industry (Ministry of Economy, Trade and Industry Ordinance No.10 of 2015) was put into force, and effective from the year ended March 31, 2015, the Company has applied the amendment to the Accounting Rules for the Electric Power Industry.

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

**Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

July 21, 2015
Hiroshima, Japan

# Non-Consolidated Balance Sheets

The Chugoku Electric Power Co.,Inc.
March 31,2015 and 2014

| Assets | Millions of yen 2015 | Millions of yen 2014 | Thousands of U.S.dollars 2015 |
|---|---|---|---|
| Property,plant and equipment: | | | |
| Plant and equipment | ¥5,607,649 | ¥5,602,539 | $46,730,408 |
| Construction in progress | 640,666 | 592,617 | 5,338,883 |
| Suspense account related to the decommissioning of nuclear power stations | 18,087 | — | 150,725 |
| | 6,266,402 | 6,195,156 | 52,220,016 |
| Less- | | | |
| Contributions in aid of construction | 85,229 | 82,388 | 710,242 |
| Accumulated depreciation | 4,141,778 | 4,112,035 | 34,514,816 |
| | 4,227,007 | 4,194,423 | 35,225,058 |
| Net property,plant and equipment | 2,039,395 | 2,000,733 | 16,994,958 |
| Nuclear fuel | 186,577 | 182,889 | 1,554,808 |
| Investments and other assets: | | | |
| Investment securities | 76,738 | 73,381 | 639,483 |
| Fund reserved for reprocessing of irradiated nuclear fuel | 50,225 | 57,619 | 418,542 |
| Investments to subsidiaries and affiliated companies | 40,164 | 34,157 | 334,700 |
| Long-term loans to employees | 84 | 104 | 700 |
| Deferred tax assets | 53,348 | 68,342 | 444,567 |
| Other assets | 44,809 | 42,739 | 373,408 |
| Total investments and other assets | 265,368 | 276,342 | 2,211,400 |
| Current assets: | | | |
| Cash and time deposits | 126,247 | 101,639 | 1,052,059 |
| Receivables,less allowance for doubtful accounts of ¥420 million ($3,500 thousand) in 2015 and ¥463 million in 2014 | 87,331 | 77,638 | 727,758 |
| Short-term investment | 83,000 | 9,000 | 691,667 |
| Inventories,fuel and supplies | 54,937 | 64,517 | 457,808 |
| Deferred tax assets | 8,682 | 8,675 | 72,350 |
| Other current assets | 16,710 | 17,799 | 139,250 |
| Total current assets | 376,907 | 279,268 | 3,140,892 |
| Total assets | ¥2,868,247 | ¥2,739,232 | $23,902,058 |

| Liabilities and Net Assets | Millions of yen | | Thousands of U.S.dollars |
|---|---|---|---|
| | 2015 | 2014 | 2015 |
| Long-term liabilities: | | | |
| Long-term debt | ¥1,651,378 | ¥1,548,079 | $13,761,483 |
| Employees' severance and retirement benefits | 55,813 | 52,849 | 465,108 |
| Provision for reprocessing of irradiated nuclear fuel | 62,760 | 65,901 | 523,000 |
| Provision for reprocessing of irradiated nuclear fuel without a fixed plan to reprocess | 7,463 | 6,239 | 62,192 |
| Asset retirement obligations | 73,726 | 72,277 | 614,383 |
| Other long-term liabilities | 16,806 | 11,937 | 140,050 |
| Total long-term liabilities | 1,867,946 | 1,757,282 | 15,566,216 |
| Current liabilities: | | | |
| Long-term debt due within one year | 206,704 | 199,816 | 1,722,533 |
| Short-term borrowings | 66,035 | 66,035 | 550,292 |
| Commercial paper | — | 8,000 | — |
| Accounts payable | 66,054 | 80,478 | 550,450 |
| Accrued income taxes | 7,439 | 6,097 | 61,992 |
| Accrued expenses | 46,876 | 43,930 | 390,633 |
| Other current liabilities,including other long-term liabilities due within one year | 84,540 | 67,498 | 704,500 |
| Total current liabilities | 477,648 | 471,854 | 3,980,400 |
| Reserve for fluctuation in water levels | 935 | 368 | 7,792 |
| Provision for depreciation of nuclear power plants | 72,992 | 71,109 | 608,267 |
| Net Assets： | | | |
| Common stock | 185,528 | 185,528 | 1,546,067 |
| Authorized-1,000,000,000 shares | | | |
| Issued-371,055,259 shares in 2015 and 2014 | | | |
| Capital surplus | 16,729 | 16,729 | 139,408 |
| Retained earnings | 244,078 | 240,061 | 2,033,983 |
| Treasury stock (8,396,370 shares in 2015 and 8,378,598 shares in 2014) | (14,517) | (14,492) | (120,975) |
| Net unrealized holding gains(losses) on securities | 17,078 | 10,857 | 142,317 |
| Net unrealized gains(losses) on hedges | (170) | (64) | (1,417) |
| Total net assets | 448,726 | 438,619 | 3,739,383 |
| Total liabilities and net assets | ¥2,868,247 | ¥2,739,232 | $23,902,058 |

# Non-Consolidated Statements of Operations

The Chugoku Electric Power Co.,Inc.
For the years ended March 31,2015 and 2014

| | Millions of yen | | Thousands of U.S.dollars |
|---|---|---|---|
| | 2015 | 2014 | 2015 |
| Operating revenues | ¥1,221,848 | ¥1,181,174 | $10,182,067 |
| Operating expenses: | | | |
| Personnel | 96,374 | 108,185 | 803,117 |
| Fuel | 364,519 | 401,387 | 3,037,658 |
| Purchased power | 254,287 | 233,219 | 2,119,058 |
| Depreciation | 97,347 | 97,208 | 811,225 |
| Maintenance | 82,277 | 92,587 | 685,642 |
| Taxes other than income taxes | 55,454 | 55,758 | 462,117 |
| Purchased services | 47,696 | 47,453 | 397,467 |
| Other | 163,398 | 148,489 | 1,361,650 |
| | 1,161,352 | 1,184,286 | 9,677,934 |
| Operating income(loss) | 60,496 | (3,112) | 504,133 |
| Other expenses(income): | | | |
| Interest expense | 22,803 | 24,139 | 190,025 |
| Interest income | (1,237) | (1,360) | (10,308) |
| Other,net | (10,949) | (7,624) | (91,242) |
| | 10,617 | 15,155 | 88,475 |
| Income(loss) before special item and income taxes | 49,879 | (18,267) | 415,658 |
| Special item： | | | |
| Provision(reversal) of reserve for fluctuation in water levels | 567 | 368 | 4,725 |
| Provision for depreciation of nuclear power plants | 1,882 | 3,787 | 15,683 |
| Income(loss) before income taxes | 47,430 | (22,422) | 395,250 |
| Provision for income taxes: | | | |
| Current | 539 | (2,716) | 4,492 |
| Deferred | 16,585 | (845) | 138,208 |
| | 17,124 | (3,561) | 142,700 |
| Net income(loss) | ¥30,306 | ¥(18,861) | $252,550 |

| | Yen | | U.S.dollars |
|---|---|---|---|
| | 2015 | 2014 | 2015 |
| Per share data: | | | |
| Net income(loss) (Basic) | ¥83.56 | ¥(52.00) | $0.70 |
| Cash dividends | 50.00 | 50.00 | 0.42 |

# Major Subsidiaries and Affiliated Companies

As of March 31, 2015

| Name | Capital (Millions of yen except for ※1,※2 ) | a percentage of voting rights (%) | Business |
|---|---|---|---|
| CHUDEN KOGYO CO.,LTD.* | 77 | 100.0 | Contracting out construction and painting projects |
| CHUDEN PLANT CO.,LTD.* | 200 | 100.0 | Construction of power facilities |
| CHUGOKU INSTRUMENTS CO.,INC.* | 30 | 100.0 | Assembly and repair of electric power meters |
| CHUGOKU KIGYO Co.,INC.* | 104 | 100.0 | Realty and leasing |
| CHUGOKU ELECTRIC MFG.CO.,LTD.* | 150 | 100.0 | Manufacturing of electric machine tools |
| CHUDEN KANKYO TECHNOS CO.,LTD.* | 50 | 100.0 | Operation and management of power station equipment |
| Energia Communications,Inc.* | 6,000 | 100.0 | Telecommunications business,data processing |
| EnerGia Business Service Co.,Inc.* | 490 | 100.0 | Financial services for the Group,accounting and personnel-related services |
| Energia Solution & Service Company, Incorporated* | 4,653 | 100.0 | Cogeneration, dispersed power sources,fuel sales and other energy use business |
| EnerGia Real Estate Co.,Inc.* | 295 | 100.0 | Housing sales,rental business |
| Power Engineering and Training Services, Incorporated* | 288 | 100.0 | Training in thermal power generation technology, engineering |
| Chugoku Electric Power Australia Resources Pty. LTD* | 60 Millions of Australian $ ※1 | 100.0 | Exploration, development, production business of energy resources |
| Chugoku Electric Power International Netherlands B.V.* | 1 US $ ※2 | 100.0 | Investment, financing and providing guarantees for overseas electricity projects |
| OZUKI STEEL INDUSTRIES CO.,LTD.* | 50 | 100.0 (20.0) | Manufacturing of cast steel products |
| CHUDEN ENGINEERING CONSULTANTS CO., LTD.* | 100 | 100.0 (20.0) | Civil engineering and construction consulting |
| EnerGia Life & Access Co.,Inc.* | 65 | 84.9 (7.2) | Water heater sales and leasing |
| The Energia Logistics Co.,Inc.* | 40 | 70.0 | Logistics and warehousing |
| TEMPEARL INDUSTRIAL CO.,LTD.* | 150 | 57.6 (1.0) | Manufacturing of electric machine tools |
| CHUGOKU KOATSU CONCRETE INDUSTRIES CO.,LTD.* | 150 | 50.1 | Manufacturing of concrete products |
| SANKO INC.* | 30 | 47.6 (0.9) | Printing,advertising |
| EnerGia Care Service Co.,Inc.* | 78 | 100.0 (66.7) | Management of a nursing home,day-care services,home nursing care services |
| Setouchi Joint Thermal Power Co.,Ltd.** | 5,000 | 50.0 | Thermal power generation |
| CHUGOKU HEALTH AND WELFARE CLUB CO.,INC.** | 50 | 50.0 | Welfare agency services |
| MIZUSHIMA LNG COMPANY,LIMITED** | 800 | 50.0 | Accepting consignments to receive,store,convert into gas form and deliver liquefied natural gas (LNG) |
| Setouchi Power Corporation** | 100 | 50.0 | Supply of electric power |
| Osaki CoolGen Corporation** | 490 | 50.0 | Development of Coal Gasification Technology |
| CHUDENKO CORPORATION** | 3,481 | 41.5 (0.2) | Electrical and telecommunications engineering |
| Houseplus Chugoku Housing Warranty Corporation Limited** | 50 | 33.3 | Functional evaluation and construction confirmation checks for housing |

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

# Investor Information

**(As of March 31,2015)**

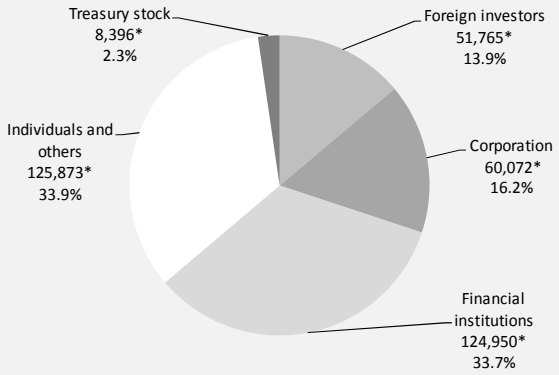
**INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS:**
KPMG AZSA LLC
**TRANSFER AGENT AND REGISTRAR:**
Sumitomo Mitsui Trust Bank,Limited
**SECURITIES TRADED:**
Tokyo Stock Exchange
**NUMBER OF STOCKHOLDERS**:128,485
**COMMON STOCK ISSUED:**371,055,259 shares

**MAJOR STOCKHOLDERS**

| Name | Number of Stocks Held (thousands) | Percentage (%) |
|---|---|---|
| Yamaguchi Prefecture | 34,005 | 9.4 |
| Nippon Life Insurance Company | 18,518 | 5.1 |
| The Master Trust Bank of Japan, Ltd.(Trust account) | 16,933 | 4.7 |
| Japan Trustee Services Bank, Ltd.(Trust account) | 11,879 | 3.3 |
| Mizuho Bank,Ltd. | 8,235 | 2.3 |
| Company stock investment | 7,178 | 2.0 |
| The Hiroshima Bank,Ltd. | 5,842 | 1.6 |
| The San-in Godo Bank, Ltd. | 5,547 | 1.5 |
| Kochi Shinkin Bank | 5,101 | 1.4 |
| Sumitomo Mitsui Trust Bank,Limited | 4,986 | 1.4 |

Note:The table above excludes 8,396thousand shares of treasury stock.

**DISTRIBUTION OF COMMON STOCK ISSUED:**




*Thousands of stocks

**STOCK PRICE RANGE ON THE TOKYO STOCK EXCHANGE**

| Fiscal year | | | High（yen） | Low（yen） |
|---|---|---|---|---|
| 2015 | 1st | quarter | 1,440 | 1,227 |
| | 2nd | quarter | 1,449 | 1,335 |
| | 3rd | quarter | 1,633 | 1,272 |
| | 4th | quarter | 1,706 | 1,423 |
| 2016 | 1st | quarter | 1,955 | 1,547 |

The Chugoku Electric Power Co., Inc.

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