

SEMI-ANNUAL FINANCIAL STATEMENTS

for the six months ended September 30 , 2002

THE CHUGOKU ELECTRIC POWER CO.,INC
JAPAN

Cautionary Statement with Regard to Forward-Looking Statements

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

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

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SEMI-ANNUAL CONSOLIDATED BALANCE SHEETS(UNAUDITED)

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries
September 30, 2002 and 2001

Assets	Millions of yen		Thousands of U.S.dollars (Note 1)
	2002	2001	2002
Property:			
Utility plant and equipment	¥5,247,097	¥5,239,812	\$43,008,992
Other plant	132,591	102,433	1,086,811
Construction in progress	138,869	144,747	1,138,270
	5,518,557	5,486,992	45,234,073
Less-			
Contributions in aid of construction	67,593	63,209	554,041
Accumulated depreciation	3,097,765	2,972,653	25,391,516
	3,165,358	3,035,862	25,945,557
Net property	2,353,199	2,451,130	19,288,516
Nuclear fuel	116,488	105,062	954,820
Investments and other assets:			
Investment securities (Note 4)	55,780	59,087	457,213
Investments in and advances to non-consolidated subsidiaries and affiliates	84,120	79,259	689,508
Long-term loans to employees	2,735	3,126	22,418
Deferred tax assets	51,967	46,679	425,959
Other assets	6,315	3,922	51,763
Total investments and other assets	200,917	192,073	1,646,861
Current assets:			
Cash and time deposits (Note 3)	23,148	19,874	189,738
Receivables, less allowance for doubtful accounts of ¥844 million (\$ 6,915 thousand) in 2002 and ¥878 million in 2001	64,373	64,536	527,647
Inventories, fuel and supplies	30,990	39,484	254,016
Deferred tax assets	7,387	6,674	60,549
Other current assets	12,158	12,979	99,656
Total current assets	138,056	143,547	1,131,606
Total assets	¥2,808,660	¥2,891,812	\$23,021,803

See accompanying notes.

Liabilities and Stockholders' Equity	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Long-term debt due after one year (Note 6)	¥1,523,028	¥1,574,909	\$12,483,836
Other long-term liabilities due after one year	5,321	5,615	43,614
Employees' severance and retirement benefits	85,641	84,968	701,975
Reserve for reprocessing of irradiated nuclear fuel	85,545	72,449	701,189
Reserve for decommissioning of nuclear power generating plants	40,959	39,097	335,730
Current liabilities:			
Long-term debt due within one year (Note 6)	159,918	217,657	1,310,803
Short-term borrowings	84,880	116,270	695,738
Commercial paper	70,000	62,000	573,770
Accounts payable	37,083	37,636	303,959
Accrued income taxes	28,425	3,230	232,992
Accrued expenses	40,209	43,067	329,582
Reserve for casualty loss	-	680	-
Other current liabilities (including other long-term liabilities due within one year)	31,596	37,820	258,984
Total current liabilities	452,111	518,360	3,705,828
Minority interests	4,852	4,391	39,770
Commitments and contingent liabilities (Note 8)			
Stockholders' equity (Note 9)			
Common stock :			
Authorized-1,000,000,000 shares			
Issued-371,055,259 shares			
Issued-371,055,259 shares	185,528	185,528	1,520,721
Capital surplus	16,677	16,677	136,697
Retained earnings(Note 11)	398,024	373,896	3,262,492
Net unrealized holding gains on securities	15,407	15,933	126,287
Foreign currency translation adjustments	16	-	131
Treasury stock	(4,449)	(4)	(36,467)
Common stock held by consolidated subsidiaries	-	(7)	-
Total stockholders' equity	611,203	592,023	5,009,861
Total liabilities and stockholders' equity	¥2,808,660	¥2,891,812	\$23,021,803

SEMI-ANNUAL CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries
For the six months ended September 30, 2002, 2001 and 2000

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2002	2001	2000	2002
Operating revenues(Note 10) :				
Electric	¥487,501	¥488,096	¥517,153	\$3,995,910
Other	22,279	19,718	19,151	182,615
	509,780	507,814	536,304	4,178,525
Operating expenses (Note 10):				
Electric	411,756	416,978	431,058	3,375,049
Other	23,971	21,807	19,971	196,484
	435,727	438,785	451,029	3,571,533
Operating income	74,053	69,029	85,275	606,992
Other expenses(income):				
Interest expense	27,576	26,294	33,876	226,033
Interest income	(56)	(88)	(94)	(459)
Gains on sales of securities	(552)	(1,012)	-	(4,525)
Losses on revaluation of securities	-	4,601	-	-
Equity in earnings (losses) of affiliated companies	(146)	(491)	327	(1,197)
Other, net	(109)	(93)	66	(893)
	26,713	29,211	34,175	218,959
Income before income taxes and minority interests in net income of consolidated subsidiaries	47,340	39,818	51,100	388,033
Provision for income taxes				
Current	23,174	3,410	18,953	189,951
Deferred	(5,742)	2,631	1,182	(47,066)
	17,432	6,041	20,135	142,885
Income before minority interests in net income of consolidated subsidiaries	29,908	33,777	30,965	245,148
Minority interests in net loss (income) of consolidated subsidiaries	105	(87)	(658)	860
Net income	¥30,013	¥33,690	¥30,307	\$246,008

	Yen		U.S. dollars (Note 1)	
Per share data (Note 2):				
Net income:				
Basic	¥81.06	¥90.80	¥81.68	\$0.66
Diluted	81.06	89.77	80.78	0.66
Interim cash dividends applicable to the period	25.00	25.00	30.00	0.20

See accompanying notes.

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

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries
For the six months ended September 30, 2002, 2001 and 2000

	Millions of yen							
	Shares of common stock	Common stock	Capital surplus	Retained earnings	Net unrealized holding gains on securities	Foreign currency translation adjustments	Treasury stock	Common stock held by consolidated subsidiaries
Balance at March 31, 2000	371,055,259	¥185,528	¥16,677	¥348,660	¥ -	¥ -	¥(2)	¥(7)
Net income				30,307				
Cash dividends paid (¥35.00 per share)				(12,954)				
Bonuses to directors and statutory auditors				(228)				
Adoption of new accounting standard for financial instruments					16,521			
Treasury stock purchased							(4)	
Balance at September 30, 2000	371,055,259	¥185,528	¥16,677	¥365,785	¥16,521	¥ -	¥(6)	¥(7)
Balance at March 31, 2001	371,055,259	¥185,528	¥16,677	¥351,578	¥21,999	¥ -	¥(4)	¥(7)
Net income				33,690				
Cash dividends paid (¥30.00 per share)				(11,103)				
Bonuses to directors and statutory auditors				(269)				
Decrease in unrealized holding gains on securities					(6,066)			
Balance at September 30, 2001	371,055,259	¥185,528	¥16,677	¥373,896	¥15,933	¥ -	¥(4)	¥(7)
Balance at March 31, 2002	371,055,259	¥185,528	¥16,677	¥377,423	¥14,204	¥ -	¥(74)	¥(6)
Net income				30,013				
Cash dividends paid (¥25.00 per share)				(9,251)				
Bonuses to directors and statutory auditors				(242)				
Effect of increase in investments accounted for by the equity method				281				
Effect of newly consolidated subsidiaries				(200)				
Increase in unrealized holding gains on securities					1,203			
Treasury stock purchased							(4,375)	
Decrease in treasury stock held by consolidated subsidiaries								6
Foreign currency translation adjustments						16		
Balance at September 30, 2002	371,055,259	¥185,528	¥16,677	¥398,024	¥15,407	¥16	¥(4,449)	¥ -

	Thousands of U.S. dollars (Note 1)							
Balance at March 31, 2002		\$1,520,721	\$136,697	\$3,093,632	\$116,426	\$-	\$(607)	\$(49)
Net income				246,008				
Cash dividends paid (\$0.20 per share)				(75,828)				
Bonuses to directors and statutory auditors				(1,984)				
Effect of increase in investments accounted for by the equity method				2,303				
Effect of newly consolidated subsidiaries				(1,639)				
Increase in unrealized holding gains on securities					9,861			
Treasury stock purchased							(35,860)	
Decrease in treasury stock held by consolidated subsidiaries								49
Foreign currency translation adjustments						131		
Balance at September 30, 2002		\$1,520,721	\$136,697	\$3,262,492	\$126,287	\$131	\$(36,467)	\$-

See accompanying notes.

SEMI-ANNUAL CONSOLIDATED STATEMENTS OF CASH FLOW (UNAUDITED)

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries
For the six months ended September 30, 2002, 2001 and 2000

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2002	2001	2000	2002
Cash flows from operating activities:				
Income before income taxes and minority interests in net income of consolidated subsidiaries	¥47,340	¥39,818	¥51,100	\$388,033
Depreciation	88,629	94,884	99,247	726,467
Amortization of nuclear fuel	4,079	4,435	3,399	33,434
Loss on disposal of property	3,142	2,341	2,735	25,754
Increase in employees' severance and retirement benefits	7,435	66	28,160	60,943
Increase in provision for decommissioning of nuclear power generating plants	1,214	2,624	1,842	9,951
Increase in provision for reprocessing of irradiated nuclear fuel	2,502	1,338	1,608	20,508
Decrease in provision for casualty loss	-	(2,932)	-	-
Interest and dividend income	(473)	(547)	(520)	(3,877)
Interest expense	27,576	26,294	33,876	226,033
Increase in notes and accounts receivable	(2,123)	(3,122)	(1,906)	(17,402)
Decrease(increase) in inventories	3,164	(5,360)	(7,815)	25,934
Decrease in notes and accounts payable	(4,902)	(6,041)	(4,299)	(40,180)
Other	(7,924)	(10,234)	(19,226)	(64,951)
Subtotal	169,659	143,564	188,201	1,390,647
Interest and dividends received	833	809	715	6,828
Interest paid	(27,777)	(26,919)	(34,296)	(227,680)
Income taxes paid	(8,857)	(9,235)	(11,808)	(72,598)
Net cash provided by operating activities	133,858	108,219	142,812	1,097,197
Cash flows from investing activities:				
Purchase of property	(58,939)	(64,221)	(77,530)	(483,107)
Purchase of investments in securities	(730)	(797)	(878)	(5,984)
Proceeds from sale of investment securities	797	4,058	1,846	6,533
Other	1,209	1,988	242	9,910
Net cash used in investing activities	(57,663)	(58,972)	(76,320)	(472,648)
Cash flows from financing activities:				
Proceeds from issue of bonds	29,870	69,713	29,855	244,836
Repayment of bonds	(70,000)	(130,000)	(35,000)	(573,770)
Proceeds from long-term debt	19,800	45,813	8,943	162,295
Repayment of long-term debt	(43,572)	(41,057)	(58,240)	(357,148)
Increase(decrease) in short-term bank loans	(22,900)	(47,960)	821	(187,705)
Increase(decrease) in commercial paper	26,000	62,000	(7,000)	213,115
Purchase of treasury stock	(4,158)	(89)	(102)	(34,082)
Cash dividends paid	(9,268)	(11,123)	(12,968)	(75,967)
Other	63	78	96	516
Net cash used in financing activities	(74,165)	(52,625)	(73,595)	(607,910)
Net increase(decrease) in cash and cash equivalents	2,030	(3,377)	(7,103)	16,639
Cash and cash equivalents at beginning of period	20,326	21,060	25,826	166,607
Increase resulting from consolidation of additional subsidiaries	606	-	-	4,967
Cash and cash equivalents at end of period	¥22,962	¥17,683	¥18,723	\$188,213

See accompanying notes.

NOTES TO SEMI- ANNUAL CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

1. Basis of presenting semi-annual consolidated financial statements

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

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

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of the readers using the prevailing exchange rate at September 30, 2002, which was ¥122 to U.S.\$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Significant accounting policies

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

Consolidation

The Company prepared the semi-annual consolidated financial statements for the six months ended September 30, 2002, 2001 and 2000 in accordance with the Accounting Principles for Semi- annual Consolidated Financial Statements (the “Accounting Principles ”) effective from the six months ended September 30, 2000.

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 when the Company acquired control of the subsidiary. (Full goodwill method) The Company changed the method of the elimination of investments in subsidiaries from partial goodwill method to full goodwill method in the current semi-annual period. However this change has no effect on the financial statements.

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

For the six months ended September 30, 2002, all subsidiaries, directly invested by the Company, were consolidated and 17 (5 in 2001 and 2000) non-consolidated subsidiaries and affiliates were accounted for by the equity method.

For the six months ended September 30, 2002, investments in no (10 in 2001 and 2000) non-consolidated subsidiaries and 15 (18 in 2001 and 19 in 2000) affiliates were stated at cost without applying the equity method of accounting. If the equity method had been applied for these investments, the amounts of net income and retained earnings of these excluded subsidiaries and affiliates would not have had a material effect on the semi-annual consolidated financial statements.

Inventories, fuel and supplies

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

Securities

Prior to April 1, 2000, securities of the Companies were mainly stated at moving-average cost.

Effective April 1, 2000, the Companies adopted the new Japanese accounting standard "Accounting Standards for Financial Instruments" ("Opinion Concerning Establishment of Accounting Standard for Financial Instruments" issued by the Business Accounting Deliberation Council on January 22, 1999). As a result, debt securities designated as held-to-maturity are carried at amortized cost. Other investments for which market value is readily determinable are stated at market value as of the end of the period with unrealized gains and losses, net of applicable deferred tax assets /liabilities, not reflected in earnings but directly reported as a separate component of shareholders' equity. The cost of securities sold is determined by the moving-average method. Other investments for which market value is not readily determinable are stated primarily at moving-average cost.

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

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

As a result of adopting the new accounting standard for financial instruments, income before income taxes and minority interests in net income of consolidated subsidiaries decreased by ¥442 million for the six months ended September 30, 2000, including the effect of the new accounting standard on the allowance for doubtful accounts.

Property and depreciation

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

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

Nuclear fuel and amortization

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

Allowance for doubtful accounts

Effective April 1, 2000, in accordance with the new accounting standard for financial instruments, the Companies revised the method of accounting for the allowance for doubtful accounts which is provided in an amount sufficient to cover possible losses on collection.

It consists of the estimated uncollectible amount with respect to identified doubtful receivables and an amount calculated on the Companies' historical loss rate with respect to remaining receivables.

Previously, the allowance for doubtful accounts was stated at the maximum amount permitted to be charged to income under Japanese tax regulations.

The effect on the consolidated income statements of this change was immaterial.

Severance and retirement benefits

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

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

Prior to April 1, 2000, the liability for lump-sum payments was stated at 40%, with respect to the Company, and at 100%, with respect to most of the consolidated subsidiaries, of the amount which would be required if all eligible employees voluntarily retired as of the balance sheet date, less the portion covered by pension plans. The Companies recognized pension expense when, and to the extent, payments were made to the pension plans.

Effective April 1, 2000, the Companies adopted the new accounting standard, "Opinion on Setting Accounting Standard for Employees' Severance and Pension Benefits", issued by the Business Accounting Deliberation Council on June 16, 1998 (the "New Accounting Standard").

Under the New Accounting Standard, the liabilities and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Companies provided for employees' severance and retirement benefits at March 31, 2002 and 2001 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at that date.

The excess of the projected benefit obligation over the total of the fair value of pension assets as of April 1, 2000 and the liability for severance and retirement benefits recorded as of April 1, 2000 (the "net transition obligation") amounted to ¥8,150 million. The net transition obligation was expensed for the year ended March 31, 2001.

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

As a result of the adoption of the New Accounting Standard, for the six months ended September 30, 2000, severance and retirement benefit expenses decreased by ¥12,115 million, compared with what would have been recorded under the previous accounting standard. The reason why severance and retirement benefit expenses decreased was mainly due to the expanded application of the Company's early retirement system at September 30, 2000.

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

Reserve for reprocessing of irradiated nuclear fuel

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

Reserve for decommissioning of nuclear power plants

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

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

Reserve for drought

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

For the six months ended September 30, 2002, 2001 and 2000, no reserve was recorded because it was not required.

Reserve for casualty loss

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

Accounting for certain lease transactions

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

Derivatives and hedge accounting

The new accounting standard for financial instruments, effective from the year ended March 31, 2001, requires companies to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

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

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

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

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

Cash and cash equivalents

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

Bond issue expenses and bond issue discounts

Bond issue expenses are charged to income when paid or incurred. Bond issue discounts are charged to interest expense through the maturity of the bonds.

Income taxes

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

Foreign currency translation

Effective April 1, 2000, the Companies adopted the revised accounting standard for foreign currency translation, "Opinion Concerning Revision of Accounting Standard for Foreign Currency Translation," issued by the Business Accounting Deliberation Council on October 22, 1999 (the " Revised Accounting Standard "). Under the Revised Accounting Standard, receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rate. Previously, short-term and long-term monetary assets and liabilities denominated in foreign currencies were translated into Japanese yen at the historical exchange rates. The effect on the consolidated statements of income of adopting the Revised Accounting Standard was immaterial.

Effect of bank holiday on September 30, 2001

In case of the balance sheet date is bank holiday, notes maturing on the balance sheet date are settled on the following business day and accounted for accordingly.

Accounting standard for treasury stock and reduction of statutory reserves

Effective April 1, 2002 the Companies adopted the new accounting standard for treasury stock and reduction of statutory reserves (Accounting Standards Board Statement No. 1," Accounting Standard for Treasury Stock and Reduction of Statutory Reserves ", issued by the Accounting Standards Board of Japan on February 21, 2002). The effect on consolidated semi-annual financial statements of the adoption this new accounting standard was immaterial.

Earnings per share

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

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

	For the six months ended September 30, 2001
Net income per share:	
Basic	¥90.83
Diluted	89.64

Reclassifications

Certain prior year amounts have been reclassified to conform to the 2002 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

3. Cash and cash equivalents

The reconciliations of cash and time deposits shown in the semi-annual consolidated balance sheets and cash and cash equivalents shown in the semi-annual consolidated statements of cash flows at September 30, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Cash and time deposits	¥23,148	¥19,874	\$189,738
Less: Time deposits with maturities exceeding three months	(186)	(2,543)	(1,525)
Add: Short-term highly liquid investments with maturities not exceeding three months	-	352	-
Cash and cash equivalents	¥22,962	¥17,683	\$188,213

4. Securities

A. The following tables summarize acquisition costs, book values (fair values) of securities with available fair market values as of September 30, 2002 and 2001 :

(a) Held-to-maturity debt securities

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Book value	¥1	¥1	\$8
Fair value	1	1	8
Difference	¥0	¥0	\$0

(b) Available-for-sale securities

	Millions of yen						Thousands of U.S. dollars		
	Acquisition cost		Book value		Difference		Acquisition cost	Book value	Difference
	2002	2001	2002	2001	2002	2001	2002	2002	2002
Equity securities	¥7,549	¥7,143	¥31,720	¥32,354	¥24,171	¥25,211	\$61,877	\$260,000	\$198,123
Bonds	77	81	76	87	(1)	6	631	623	(8)
Other	43	47	27	29	(16)	(18)	352	221	(131)
Total	¥7,669	¥7,271	¥31,823	¥32,470	¥24,154	¥25,199	\$62,860	\$260,844	\$197,984

B. Book values of securities with no available fair value as of September 30, 2002 and 2001 are as follows:

(a) Held-to-maturity debt securities

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Non-listed bonds	¥1	¥4	\$8

(b) Available-for-sale securities

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Non-listed equity securities	¥22,417	¥21,157	\$183,746
Other	1,408	2,320	11,541
Total	¥23,825	¥23,477	\$195,287

5. Derivatives

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

As of September 30, 2002 and 2001, derivatives for hedging foreign currency items and interest swaps were used. Disclosure of information on hedging derivatives is not required.

6. Long-term debt

Long-term debt at September 30, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Domestic bonds due serially through 2029 at rates of 0.6% to 5.35%	¥1,019,800	¥1,054,800	\$8,359,016
Domestic convertible bonds due in 2002 at a rate of 1.9%	-	15,750	-
U.S. dollar notes due in 2001 at a rate of 6.25%	-	27,798	-
Deutsche mark bonds due in 2003 at a rate of 5.625%	22,125	22,125	181,352
Loans from the Development Bank of Japan due serially through 2023 at rates of 1.2% to 6.9%	322,431	349,866	2,642,877
Unsecured loans, principally from banks and insurance companies, due serially through 2032 at rates of 0.3875% to 7.2%	318,590	322,227	2,611,394
	1,682,946	1,792,566	13,794,639
Less amount due within one year	(159,918)	(217,657)	(1,310,803)
Total	¥1,523,028	¥1,574,909	\$12,483,836

All bonds, notes and loans from the Development Bank of Japan are secured by a statutory preferential right which gives the creditors a security interest in all assets of the Company, totaling ¥2,671,042 million (\$21,893,787 thousand), senior to that of general creditors. Some assets of subsidiaries are being used as collateral for loans from financial institutions and other sources.

7. Leases

(As lessee)

The Companies lease certain equipment for business use.

Lease payments under non-capitalized finance leases amounted to ¥195 million (US\$1,598 thousand), ¥419 million and ¥427 million for the six months ended September 30, 2002, 2001 and 2000, respectively.

The present values of future minimum lease payments under non-capitalized finance leases and future minimum lease payments under operating leases as of September 30, 2002 and 2001 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	Finance leases		Operating leases		Finance leases	Operating leases
	2002	2001	2002	2001	2002	2002
Current portion	¥364	¥770	¥77	¥81	\$2,984	\$631
Non-current portion	495	2,726	122	194	4,057	1,000
Total	¥859	¥3,496	¥199	¥275	\$7,041	\$1,631

(As lessor)

Lease payments received under finance leases, accounted for as operating leases, amounted to ¥72 million (\$590 thousand) and ¥47 million for the six months ended September 30, 2002 and 2001, respectively.

The present values of future minimum lease payments to be received under finance leases as of September 30, 2002 and 2001 were as follows:

	Millions of yen		Thousands of
	2002	2001	U.S. dollars
	2002	2001	2002
Current portion	¥153	¥118	\$1,254
Non-current portion	442	387	3,623
Total	¥595	¥505	\$4,877

8. Commitments and contingent liabilities

At September 30, 2002, the Company had a number of fuel purchase commitments, most of which contain provisions for specified quantities of fuel and for terms when fuel is to be supplied, but the purchase prices are contingent upon fluctuations in market prices.

At September 30, 2002, the Companies were contingently liable as guarantor for loans of other companies in the amount of ¥117,332 million (\$961,738 thousand), mainly in connection with the Company's procurement of fuel.

At the same date, the Company was also contingently liable with respect to certain domestic bonds, which were assigned to certain banks under debt assumption agreements in the aggregate amount of ¥165,156 million (\$1,353,738 thousand).

9. Stockholders' equity

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

In accordance with the Code, certain issues of shares of common stock, including conversions convertible bonds, are required to be credited to the common stock account to the extent of at least 50% of the proceeds by resolution of the Board of Directors. The remaining amounts are credited to capital surplus.

Stock splits are allowed under the Code. Generally, such stock splits, including those which have been made by the Company, do not purport to be distributions of earnings and, in Japan, are not taxable to stockholders.

10. Segment information

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

A summary of operating revenues, costs and expenses and operating income and other information by segment for the six months ended September 30, 2002, 2001 and 2000 is as follows:

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

Thousands of U.S. dollars					
2002					
	Electric	Other	Total	Elimination	Consolidated
Operating revenues:					
Outside customers	\$3,995,910	\$182,615	\$4,178,525	\$ -	\$4,178,525
Intersegment	4,033	327,746	331,779	(331,779)	-
Total	3,999,943	510,361	4,510,304	(331,779)	4,178,525
Cost and expenses	3,392,615	515,623	3,908,238	(336,705)	3,571,533
Operating income (loss)	\$607,328	\$(5,262)	\$602,066	\$4,926	\$606,992

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

Millions of yen					
2000					
	Electric	Other	Total	Elimination	Consolidated
Operating revenues:					
Outside customers	¥517,153	¥19,151	¥536,304	¥ -	¥536,304
Intersegment	617	34,620	35,237	(35,237)	-
Total	517,770	53,771	571,541	(35,237)	536,304
Cost and expenses	433,091	53,626	486,717	(35,688)	451,029
Operating income	¥84,679	¥145	¥84,824	¥451	¥85,275

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

Information for overseas sales of the Companies for the six months ended September 30, 2002, 2001 and 2000 is not shown due to aggregate overseas sales being less than 10% of total operating revenues.

11. Subsequent events

The following appropriation of retained earnings at September 30, 2002 was approved at the Board of Directors' meeting held on November 20, 2002:

	Millions of yen	Thousands of U.S. dollars
Semi-annual cash dividends, ¥25 (\$0.20) per share	¥9,214	\$75,525

On November 20, 2002 the Company agreed to a stock exchange contract to take effect on March 1, 2003 with The Chugoku Telecommunication Network Co., Inc. ("CTNet") which is an affiliated company accounted for under the equity method. The rate of exchange will be one share of CTNet stock for 29.6 shares of the Company's stock.

SEMI-ANNUAL NON-CONSOLIDATED BALANCE SHEETS(UNAUDITED)

The Chugoku Electric Power Co., Inc.
September 30, 2002 and 2001

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Property:			
Plant and equipment	¥5,358,258	¥5,333,513	\$43,920,148
Construction in progress	141,134	147,094	1,156,836
	5,499,392	5,480,607	45,076,984
Less-			
Contributions in aid of construction	67,075	62,855	549,795
Accumulated depreciation	3,097,250	2,965,819	25,387,295
	3,164,325	3,028,674	25,937,090
Net property	2,335,067	2,451,933	19,139,894
 Nuclear fuel	 116,488	 105,062	 954,820
 Investments and other assets:			
Investment securities	48,403	48,190	396,746
Investments in and advances to subsidiaries and affiliated companies (Note 3)	33,656	14,793	275,869
Long-term loans to employees	2,625	3,007	21,516
Deferred tax assets	36,067	30,426	295,631
Other assets	3,331	4,160	27,303
Total investments and other assets	124,082	100,576	1,017,065
 Current assets:			
Cash and time deposits	10,429	9,817	85,484
Receivables, less allowance for doubtful accounts of ¥786 million(\$ 6,443 thousand) in 2002 and ¥725 million in 2001	52,357	54,189	429,156
Inventories, fuel and supplies	21,812	28,859	178,787
Deferred tax assets	5,951	5,703	48,778
Other current assets	4,856	5,670	39,803
Total current assets	95,405	104,238	782,008
 Total assets	 ¥2,671,042	 ¥2,761,809	 \$21,893,787

See accompanying notes.

Liabilities and Stockholders' Equity	Millions of yen		Thousands of U.S.dollars (Note 1)
	2002	2001	2002
Long-term debt due after one year (Note 4)	¥1,517,867	¥1,568,526	\$12,441,533
Other long-term liabilities due after one year	1,552	1,755	12,721
Employees' severance and retirement benefits	76,616	75,769	628,000
Reserve for reprocessing of irradiated nuclear fuel	85,545	72,449	701,189
Reserve for decommissioning of nuclear power generating plants	40,959	39,097	335,730
Current liabilities:			
Long-term debt due within one year (Note 4)	158,685	216,560	1,300,697
Short-term borrowings	81,950	115,400	671,721
Commercial paper	70,000	62,000	573,770
Accounts payable	27,920	28,268	228,852
Accrued income taxes	27,560	2,363	225,902
Accrued expenses	36,202	37,699	296,738
Reserve for casualty loss	-	680	-
Other current liabilities (including other long-term liabilities due within one year)	26,301	36,545	215,582
Total current liabilities	428,618	499,515	3,513,262
Commitments and contingent liabilities (Note 6)			
Stockholders' equity (Note 7)			
Common stock			
Authorized-1,000,000,000 shares			
Issued-371,055,259 shares	185,528	185,528	1,520,721
Capital surplus	16,677	16,677	136,697
Retained earnings (Note 8)	310,599	290,583	2,545,893
Net unrealized holding gains on securities	11,313	11,910	92,730
Treasury stock(Note 2)	(4,232)	-	(34,689)
Total stockholders' equity	519,885	504,698	4,261,352
Total liabilities and stockholders' equity	¥2,671,042	¥2,761,809	\$21,893,787

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

The Chugoku Electric Power Co., Inc.
For the six months ended September 30, 2002, 2001 and 2000

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2002	2001	2000	2002
Operating revenues	¥489,229	¥488,617	¥517,770	\$4,010,074
Operating expenses:				
Personnel	65,378	65,651	71,059	535,885
Fuel	52,730	55,204	61,832	432,213
Purchased power	72,746	72,418	68,632	596,279
Depreciation	85,483	92,984	97,368	700,680
Maintenance	40,903	41,328	42,229	335,271
Taxes other than income taxes	35,274	35,617	36,329	289,131
Purchased services	16,788	15,130	14,000	137,607
Other	45,652	40,712	41,642	374,197
	414,954	419,044	433,091	3,401,263
Operating income	74,275	69,573	84,679	608,811
Other expenses(income):				
Interest expense	27,452	25,802	33,346	225,016
Interest income	(43)	(67)	(61)	(352)
Losses on revaluation of securities	-	4,601	-	-
Loss on investments in subsidiaries and affiliated companies	-	17,100	2,919	-
Other, net	98	(1,327)	(55)	803
	27,507	46,109	36,149	225,467
Income before income taxes	46,768	23,464	48,530	383,344
Provision for income taxes				
Current	22,302	2,460	18,106	182,803
Deferred	(5,412)	5,345	(704)	(44,361)
Net income	¥29,878	¥15,659	¥31,128	\$244,902

	Yen			U.S. dollars (Note 1)
Per share data (Note 2):				
Net income:				
Basic	¥80.62	¥42.20	¥83.89	\$0.66
Diluted	80.62	41.86	82.95	0.66
Interim cash dividends applicable to the period	25.00	25.00	30.00	0.20

See accompanying notes.

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

The Chugoku Electric Power Co., Inc.
For the six months ended September 30 2002, 2001 and 2000

	Shares of common stock	Millions of yen				Treasury stock
		Common stock	Capital surplus	Retained earnings	Net unrealized holding gains on securities	
Balance at March 31, 2000	371,055,259	¥185,528	¥16,677	¥278,424	¥ -	¥ -
Net income				31,128		
Cash dividends paid(¥35.00 per share)				(12,987)		
Bonuses to directors and statutory auditors				(131)		
Adoption of new accounting standard financial instruments					16,964	
Balance at September 30, 2000	371,055,259	185,528	16,677	296,434	16,964	-
Balance at March 31, 2001	371,055,259	185,528	16,677	286,181	21,270	-
Net income				15,659		
Cash dividends paid(¥30.00 per share)				(11,132)		
Bonuses to directors and statutory auditors				(125)		
Decrease in unrealized holding gains on securities					(9,360)	
Balance at September 30, 2001	371,055,259	185,528	16,677	290,583	11,910	-
Balance at March 31, 2002	371,055,259	185,528	16,677	290,116	10,383	(74)
Net income				29,878		
Cash dividends paid(¥25.00 per share)				(9,275)		
Bonuses to directors and statutory auditors				(120)		
Increase in unrealized holding gains on securities					930	
Treasury stock(Note 2)						(4,158)
Balance at September 30, 2002	371,055,259	¥185,528	¥16,677	¥310,599	¥11,313	¥(4,232)

	Thousands of U.S. dollars(Note1)				
Balance at March 31, 2002	\$1,520,721	\$136,697	\$2,378,000	\$85,107	\$(607)
Net income			244,902		
Cash dividends paid (\$0.20 per share)			(76,025)		
Bonuses to directors and statutory auditors			(984)		
Increase in unrealized holding gains on securities				7,623	
Treasury stock(Note 2)					(34,082)
Balance at September 30, 2002	\$1,520,721	\$136,697	\$2,545,893	\$92,730	\$(34,689)

See accompanying notes.

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

The Chugoku Electric Power Co., Inc.

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

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

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

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of the readers, using the prevailing exchange rate at September 30, 2002, which was ¥122 to U.S.\$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Significant accounting policies

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

Inventories, fuel and supplies

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

Securities

Prior to April 1, 2000, the securities of Company were stated at moving-average cost.

Effective April 1, 2000, the Company adopted the new Japanese accounting standard for financial instruments ("Opinion Concerning Establishment of Accounting Standard for Financial Instruments" issued by the Business Accounting Deliberation Council on January 22, 1999).

Upon applying the new accounting standard, all companies are required to examine the intent of holding each security and classify those securities as (a) securities held for trading purposes (hereafter, "trading securities"), (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, and (d) all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

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

Debt securities with no available fair market value are stated at amortized cost, net of the amount considered not

collectible. Other securities with no available fair market value are stated at moving-average cost.

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

As a result of adopting the new accounting standard for financial instruments, income before income taxes decreased by ¥346 million for the six months ended September 30, 2000, including the effect of the new accounting standard on the allowance for doubtful accounts.

Property and depreciation

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

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

Nuclear fuel and amortization

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

Allowance for doubtful accounts

Effective April 1, 2000, in accordance with the revised accounting standard for financial instruments, the Company revised the method of accounting for the allowance for doubtful receivables which is provided for in an amount sufficient to cover possible losses on collection. It consists of the estimated uncollectible amount with respect to identified doubtful receivables and an amount calculated on the Company's historical loss rate with respect to remaining receivables.

Previously, the allowance for doubtful accounts was stated at the maximum amount permitted to be charged to income under Japanese tax regulations.

The effect on the income statement of this change was immaterial.

Severance and retirement benefits

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

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

Prior to April 1, 2000, the liability for lump-sum payments was stated at 40% of the amount which would be required if all eligible employees voluntarily retired as of the balance sheet date, less the portion covered by the pension fund. The Company recognized pension expense when, and to the extent, payments were made to the pension plans.

Effective April 1, 2000, the Company adopted the new accounting standard, "Opinion on Setting Accounting Standard for Employees' Severance and Pension Benefits", issued by the Business Accounting Deliberation Council on June 16, 1998 (the "New Accounting Standard").

Under the New Accounting Standard, the liabilities and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Company provided for employees' severance and retirement benefits at March 31, 2002 and 2001 based on

the estimated amounts of projected benefit obligation and the fair value of the plan assets at that date.

The excess of the projected benefit obligation over the total of the fair value of pension assets as of April 1, 2001 and the liabilities for severance and retirement benefits recorded as of April 1, 2000 (the "net transition obligation") amounted to ¥12,394 million. The net transition obligation amounting to ¥12,394 million was expensed in the year ended March 31, 2001.

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

As a result of the adoption the new accounting standard, for the six months ended September 30, 2000, severance and retirement benefits expenses decreased by ¥7,377 million, and income before income taxes increased by ¥7,377 million compared with what would have been recorded under the previous accounting standard. The reason why severance and retirement benefit expenses decreased was mainly due to the expanded application of the Company's early retirement system at September 30, 2000.

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

Reserve for reprocessing of irradiated nuclear fuel

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

Reserve for decommissioning of nuclear power plants

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

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

Reserve for drought

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

For the six months ended September 30, 2002, 2001 and 2000, no reserve was recorded because it was not required.

Reserve for casualty loss

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

Accounting for certain lease transactions

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

Derivatives and hedge accounting

The new accounting standard for financial instruments, effective from the year ended March 31, 2001, requires companies to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

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

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

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

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

Bond issue expenses and bond issue discounts

Bond issue expenses are charged to income when paid or incurred. Bond issue discounts are charged to interest expense through the maturity of the bonds.

Income taxes

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

Foreign currency translation

Effective April 1, 2000, the Company adopted the revised accounting standard for foreign currency translation, "Opinion Concerning Revision of Accounting Standard for Foreign Currency Translation," issued by the Business Accounting Deliberation Council on October 22, 1999 (the " Revised Accounting Standard "). Under the Revised Accounting Standard, receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rate.

Previously, short-term and long-term momentary assets and liabilities denominated in foreign currencies were translated into Japanese yen at the historical exchange rates.

The effect on the statements of income of adopting the Revised Accounting Standard was immaterial.

Treasury stock

In accordance with the Revised Regulations of Financial Statements, the Company reports treasury stock as deduction in the stockholder's equity, at March 31, 2002. In prior years it had been included in current assets.

Accounting standard for treasury stock and reduction of statutory reserves

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

As a result of adopting this new accounting standard, treasury stock which was previously included in current assets has been presented as a deduction in stockholders' equity in the balance sheet as of September 30, 2002. The effect on non-consolidated semi-annual statements of income of the adoption this new accounting standard was immaterial.

Earnings per share

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

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

	For six months ended September 30, 2001
<hr/>	
Net income per share:	
Basic	¥42.20
Diluted	41.86
<hr/>	

3. Securities

Disclosure of market value information of securities except for investments in subsidiaries and affiliates with readily available market values at September 30, 2002 and 2001 is required only on a consolidated basis.

Book values and fair values of equity securities issued by subsidiaries and affiliated companies with available fair values as of September 30, 2002 and 2001 were as follows:

	Millions of yen			Thousands of U.S. dollars		
		2002			2002	
	Book value	Fair value	Difference	Book value	Fair value	Difference
Equity securities of affiliated companies	¥2,493	¥38,023	¥35,530	\$20,434	\$311,664	\$291,230

	Millions of yen		
		2001	
	Book value	Fair value	Difference
Equity securities of affiliated companies	¥2,493	¥44,969	¥42,476

4. Long- term debt

Long-term debt at September 30, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Domestic bonds due serially through 2029			
at rates of 0.6% to 5.35%	¥1,020,000	¥1,055,000	\$8,360,656
Domestic convertible bonds due in 2002 at a rate of 1.9%	-	15,750	-
U.S. dollar notes due in 2001 at a rate of 6.25%	-	27,798	-
Deutsche mark bonds due in 2003 at a rate of 5.625%	22,125	22,125	181,352
Loans from the Development Bank of Japan due serially			
through 2023 at rates of 1.2% to 6.9%	319,159	346,306	2,616,058
Unsecured loans, principally from banks and insurance companies,			
due serially through 2032 at rates of 0.3875% to 7.2%	315,268	318,107	2,584,164
	1,676,552	1,785,086	13,742,230
Less amount due within one year	(158,685)	(216,560)	(1,300,697)
Total	¥1,517,867	¥1,568,526	\$12,441,533

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

5. Leases

(As lessee)

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

Lease payments under non-capitalized finance leases amounted to ¥403 million (\$3,303 thousand), ¥298 million and ¥333 million for the six months ended September 30, 2002, 2001 and 2000, respectively.

The present values of future minimum lease payments under non-capitalized finance leases and future minimum lease payments under operating leases as of September 30, 2002 and 2001 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	Finance leases		Operating leases		Finance leases	Operating leases
	2002	2001	2002	2001	2002	2002
Current portion	¥782	¥519	¥111	¥31	\$6,410	\$910
Non-current portion	1,813	1,765	1	27	14,861	8
Total	¥2,595	¥2,284	¥112	¥58	\$21,271	\$918

6. Commitments and contingent liabilities

At September 30, 2002, the Company had a number of fuel purchase commitments, most of which contain provisions for specified quantities of fuel and for terms when fuel is to be supplied, but the purchase prices are contingent upon fluctuations in market prices.

At September 30, 2002, the Company was contingently liable as guarantor for loans of other companies in the amount of ¥117,287 million (\$961,369 thousand), mainly in connection with the Company's procurement of fuel.

At the same date, the Company was also contingently liable with respect to certain domestic bonds, which were assigned to certain banks under debt assumption agreements in the aggregate amount of ¥165,166 million (\$1,353,820 thousand).

7. Stockholders' equity

In accordance with the Commercial Code (the "Code"), certain issues of shares of common stock, including conversions of convertible bonds, are required to be credited to the common stock account to the extent of at least 50% of the proceeds by resolution of the Board of Directors. The remaining amounts are credited to capital surplus.

Stock splits are allowed under the Code. Generally, such stock splits, including those which have been made by the Company, do not purport to be distributions of earnings and, in Japan, are not taxable to stockholders.

Under the Code, the Company is required to appropriate to legal reserve an amount equal to at least 10% of the total amount of cash dividends plus bonuses to directors and statutory auditors until capital surplus and the reserve equal 25% of common stock.

This reserve is not available for dividends but may be used to reduce a deficit by resolution of the stockholders or may be capitalized by resolution of the Board of Directors.

8. Subsequent events

The following appropriation of retained earnings at September 30, 2002, was approved at the Board of Directors' meeting held on November 20, 2002:

	Millions of yen	Thousands of U.S. dollars
Semi-annual cash dividends, ¥25 (\$0.20) per share	¥9,214	\$75,525

On November 20, 2002 the Company agreed to a stock exchange contract to take effect on March 1, 2003 with The Chugoku Telecommunication Network Co., Inc. ("CTNet") which is an affiliated company accounted for under the equity method. The rate of exchange will be one share of CTNet stock for 29.6 shares of the Company's stock.

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