

# Annual Report 2012

Year Ended March 31, 2012



# 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 7.5 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.

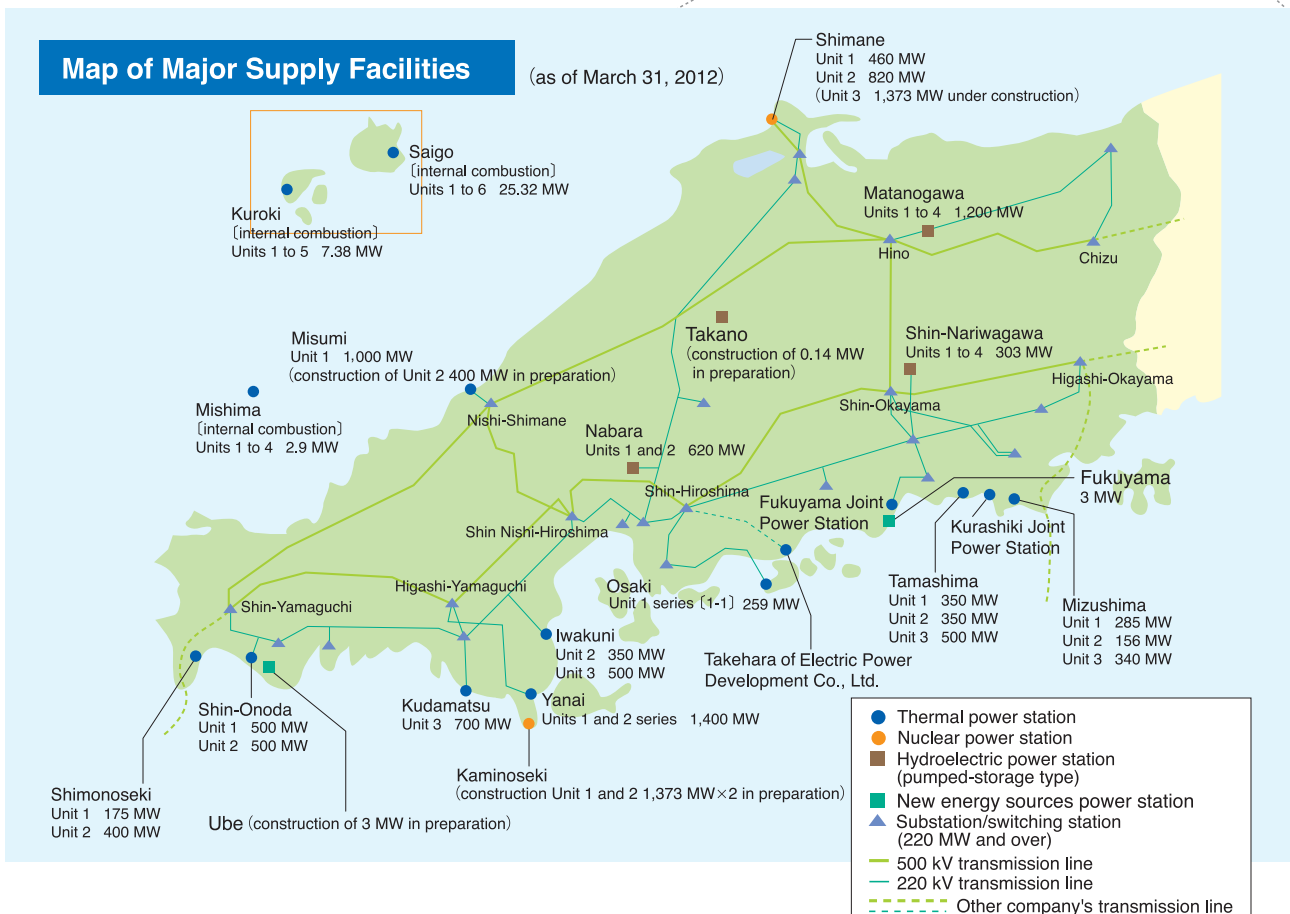
In the future as before, we will be aiming for even further development as a business group firmly rooted in its local region, while exploiting the combined abilities of our group in endeavors for stable supply of electricity.

## Corporate Data (as of March 31, 2012)

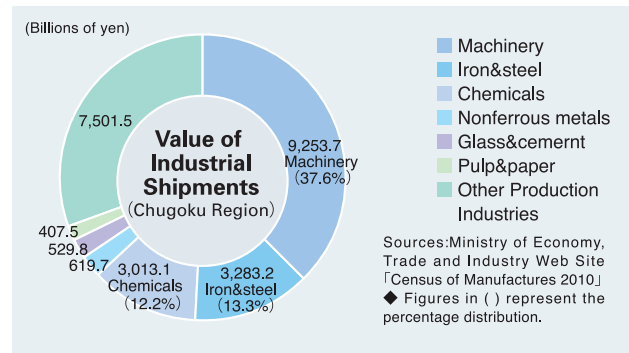
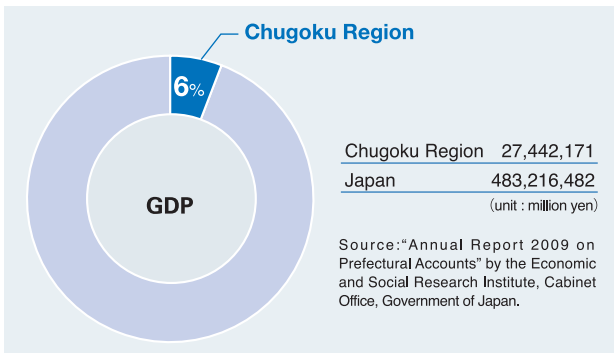
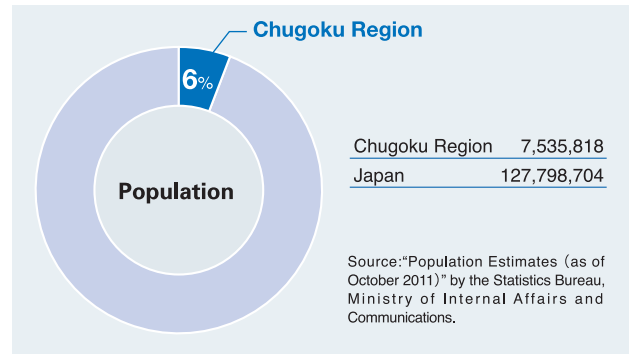
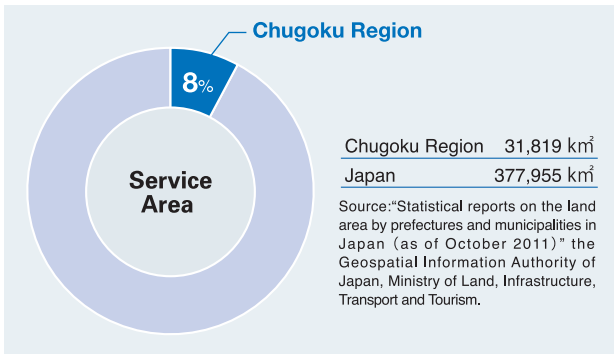
■ Corporate name	The Chugoku Electric Power Co., Inc.	
■ Head Office	4-33 Komachi, Naka-ku, Hiroshima 730-8701 Japan	
■ Date established	May 1, 1951	
■ Paid-in capital	185.5 billion yen	
■ Common stock issued	371,055,259 stocks	
■ Number of employees	9,830	
■ Main supply facilities	Power stations and total output 111 stations 11,989 MW	
	Thermal	12 stations 7,801 MW
	Hydroelectric	97 stations 2,906 MW
	Nuclear	1 station 1,280 MW
	New energy sources	1 station 3 MW
	Electric energy output (by own company and others, total) 69,351 GWh	
	Thermal	57,671 GWh
	Hydroelectric	4,981 GWh
	Nuclear	5,919 GWh
	New energy sources	780 GWh
■ Main business places	Regional Offices: 5 Sales Offices: 30 Power Management Offices: 11 Power Stations: 10	



## Map of Major Supply Facilities (as of March 31, 2012)

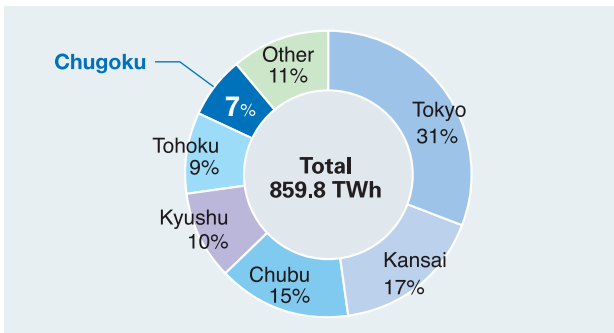


## Characteristic of Chugoku Region

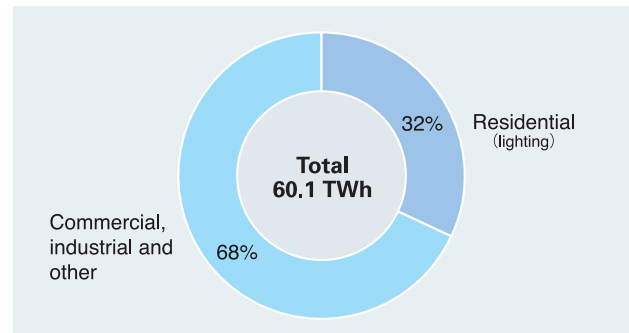


## Characteristic of Chugoku Electric Power

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



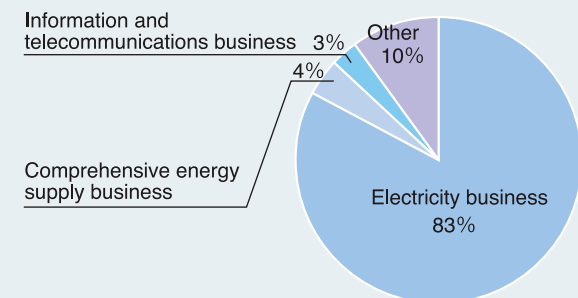
### Electricity Sales Volume by Demand Type



### 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 electricity business but also in other areas including comprehensive energy supply business and information and telecommunications business.

#### Operating Revenue by Business Segment



Segment	Sales volume (FY 2012)	Business content
Electricity business	1,0783 trillion yen	Electricity supply
Comprehensive energy supply business	46.1 billion yen	Fuel sales, thermal energy utilization services
Information and telecommunications business	37.7 billion yen	Telecommunications services, data processing services

"Other" refers to businesses which are not included among the Reporting Segments. Such businesses include environmental harmony creation, business / lifestyle support, 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 (Note 1)
	2012	2011	2010	2009	2008	2012
Operating revenues	<b>¥1,181,350</b>	¥1,094,300	¥1,038,443	¥1,173,727	¥1,108,354	<b>\$14,406,707</b>
Operating income (loss)	<b>55,063</b>	48,481	81,515	15,525	84,416	<b>671,500</b>
Net income (loss)	<b>2,498</b>	1,793	31,002	(23,576)	25,271	<b>30,463</b>
Total stockholders' equity/Net assets	<b>644,873</b>	661,247	679,685	663,974	711,080	<b>7,864,305</b>
Total assets	<b>2,887,198</b>	2,831,128	2,781,990	2,806,112	2,710,681	<b>35,209,732</b>
Interest-bearing debt	<b>1,756,016</b>	1,724,782	1,650,859	1,717,736	1,595,098	<b>21,414,829</b>
Free cash flows (Note 2)	<b>27,279</b>	(32,782)	90,548	(82,848)	(6,203)	<b>332,671</b>
<b>Other financial data</b>						
<b>Per share data (yen and dollars):</b>						
Stockholders' equity (Note 3)	<b>1,765.92</b>	1,804.16	1,855.16	1,809.91	1,938.37	<b>21.54</b>
Net income (loss):						
Basic	<b>6.86</b>	4.92	85.14	(64.73)	69.37	<b>0.08</b>
Cash dividends	<b>50.00</b>	50.00	50.00	50.00	50.00	<b>0.61</b>
<b>Key financial ratios:</b>						
Equity ratio (%)	<b>22.2</b>	23.2	24.3	23.5	26.0	
Return on equity (ROE) (%)	<b>0.4</b>	0.3	4.6	(3.5)	3.6	
Return on assets (ROA) (%) (Note 4)	<b>1.2</b>	1.1	1.9	0.4	2.0	
Price earnings ratio (PER) (times) (Note 5)	<b>224.1</b>	312.6	21.8	—	32.0	

Notes: 1. U.S.dollar amounts presented are translated from yen, for convenience only, at the rate of ¥82=US\$1, the exchange rate prevailing on March 31, 2012.

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

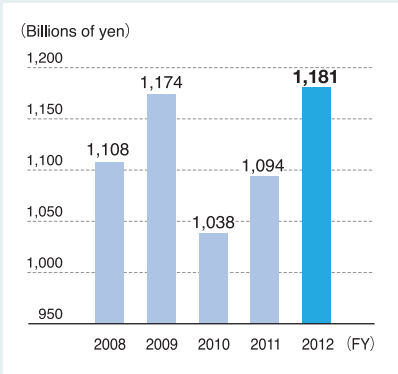
3. Stockholders' equity per share is computed using the number of shares of common stock in issue at the end of each year.

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

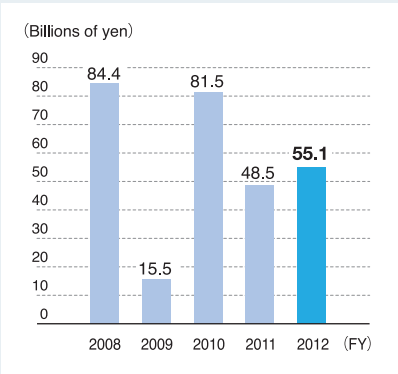
5. PER at the period on March, 2009 has not been described for the net deficit for the period.

	Millions of kWh				
	2012	2011	2010	2009	2008
<b>Power generated and received</b>					
<b>Generated:</b>					
Hydroelectric	<b>3,981</b>	3,335	2,978	3,044	2,875
Thermal	<b>38,254</b>	39,606	33,230	36,671	40,081
Nuclear	<b>5,919</b>	2,281	9,585	7,131	8,485
New Energy Sources	<b>1</b>	—	—	—	—
Total	<b>48,155</b>	45,222	45,793	46,846	51,441
Purchased power (NET)	<b>20,702</b>	23,165	18,482	20,903	20,649
Interchanged power (NET)	<b>(2,336)</b>	849	15	(16)	(1,593)
Transmission loss and other	<b>(6,451)</b>	(6,841)	(6,379)	(6,511)	(6,918)
Total	<b>60,070</b>	62,395	57,911	61,222	63,579
<b>Electric sales:</b>					
Residential (lighting)	<b>19,175</b>	19,855	18,547	18,737	18,890
Commercial, industrial and other	<b>40,895</b>	42,540	39,364	42,485	44,689
Total	<b>60,070</b>	62,395	57,911	61,222	63,579

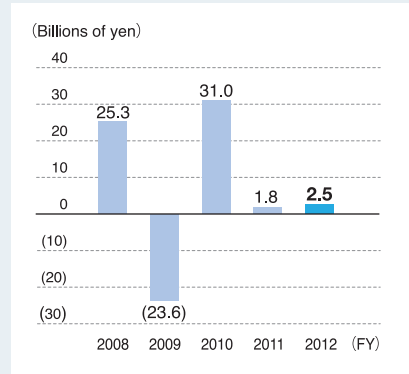
### Operating revenues



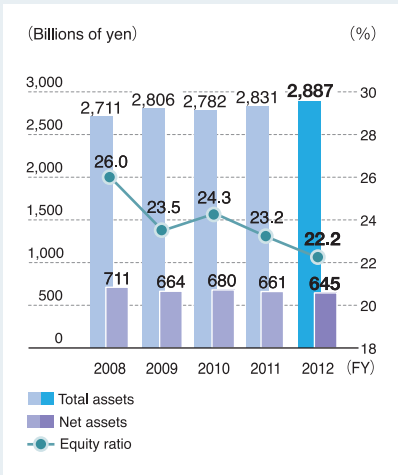
### Operating income (loss)



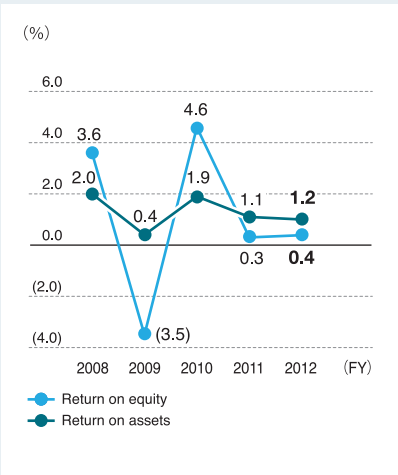
### Net income (loss)



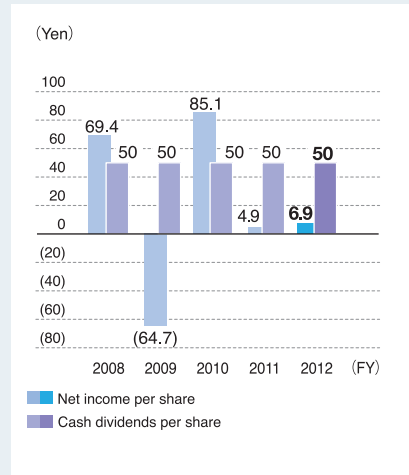
### Total assets, Net assets, Equity ratio



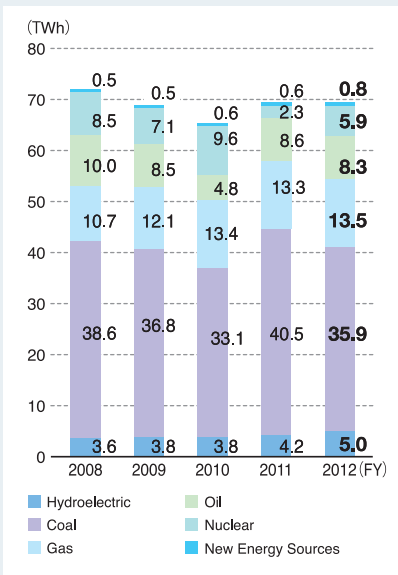
### Return on equity, Return on asset



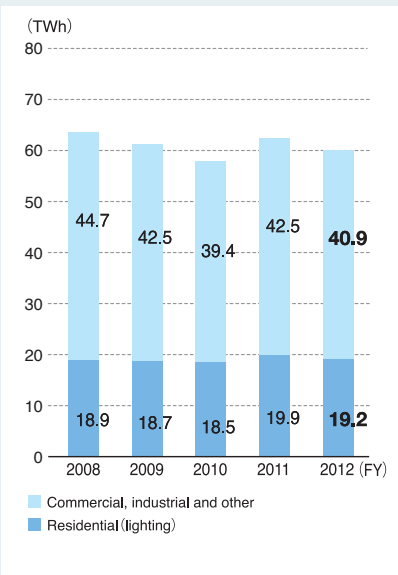
### Net income per share, Cash dividends per share



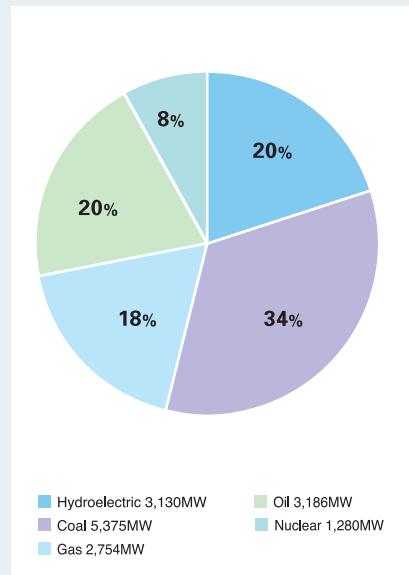
### Power generated and received by Power source



### Electric Sales



### Breakdown in Power Sources (at March 31, 2012)



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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.

## ■ Environment Surrounding our Company

Nearly a year and a half has now passed since the Fukushima accident. During that time, strenuous efforts to clear up after the accident have been continuing at the Fukushima Daiichi Nuclear Power Station. Meanwhile, amid the stoppage of the nuclear power stations in Japan, various debates concerning the electric utility system – including the placement of nuclear power – are underway and the business environment is exceedingly opaque, as things stand.

## ■ Efforts for the Shimane Nuclear Power Station

Thus, the situation is a severe one. But we remain unchanged in our conviction that nuclear power is an extremely important power source for our company. In earnest response to the heightened societal demand for nuclear power safety in the wake of the Fukushima Daiichi Nuclear Power Station accident, we have diligently implemented safety measures and reliability enhancement measures at the Shimane Nuclear Power Station, based on our strong resolve never to allow such an accident to occur there. Aware that efforts for safety and reliability enhancement must be perpetual, we intend in the future to aim for a safer and more reassuring nuclear power station while responding appropriately to new information.

## ■ Toward Realization of Stable Supply and Low-price Electricity Rates

Meanwhile, in FY 2012 Chugoku Electric had severe business results, due to an increase in fuel costs that was partly caused by the slump in nuclear power utilization ratio. Chugoku Electric will be working all-out to get its nuclear power running at an early date – while keeping safety assurance as top requirement – in order to recover profitability, and furthermore will be utilizing a balance of power sources which includes nuclear power, in order to realize the stable supply of electricity and low electricity rates that are our mission. Further, with a view to the mid and long term, we are moving steadily ahead with drastic cost restructuring and strengthening of our human resource foundations as we aim for a turnaround into a robust corporate structure.

## ■ Conclusion

As heretofore, we will be contributing to our regional community through stable supply, as well as doing all we can to expand our business to meet the expectations of our stockholders and investors, and, accordingly, we would like to request your continued cooperation and support.

August 2012

*Takashi Yamashita*

Takashi Yamashita  
Chairperson

*Tomohide Karita*

Tomohide Karita  
President





**Tomohide Karita**  
President

*Tomohide Karita*

# An Interview with President Tomohide Karita

We are boldly taking up the challenges toward a situation of intense change, while clearly distinguishing things that need to be altered from those that must not be altered.



**Q** How do you view the fiscal year 2012 financial accounts statement?

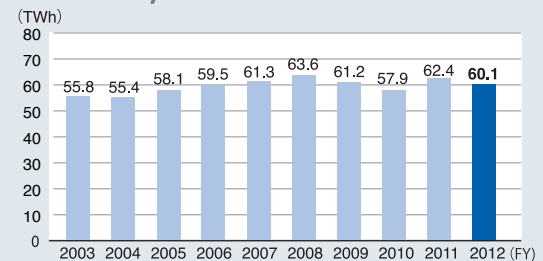
**A** Expenditure increases due to the slump in nuclear power utilization ratio, and to the rise in fuel prices led the revenue and expenditure situation to a severe one.

In the FY 2012 financial accounts statement, we kept our consolidated balance in the black at 2.5 billion yen. Nonetheless, our non-consolidated balance showed a deficit of 1.4 billion yen – in the red for the second consecutive term. My view is thus that our revenue and expenditure situation continues to be a very severe one.

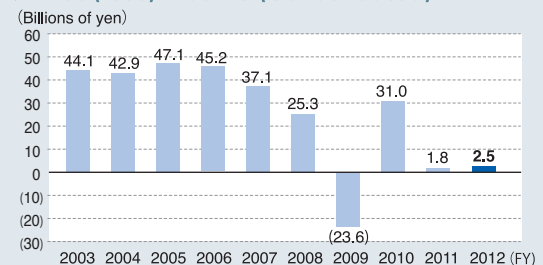
On the revenue side, despite the economic slow-down and other impacts of the Great East Japan Earthquake, our electricity sales volume amounted to 60 billion kWh – almost the normal-year level – and the sales volume came to somewhat over 1,100 billion yen, maintaining the level of normal years.

On the other hand, our expenses increased drastically and in the case of our non-consolidated balance we were unable to maintain our past profit levels and went into the red. This was owing to the increase in our fuel expenses that followed on the rise in fuel prices, and to the increase in our expenditures on alternative thermal power fuels in response to the slump in the nuclear power plant utilization ratio, which had been trending at around 70% previously.

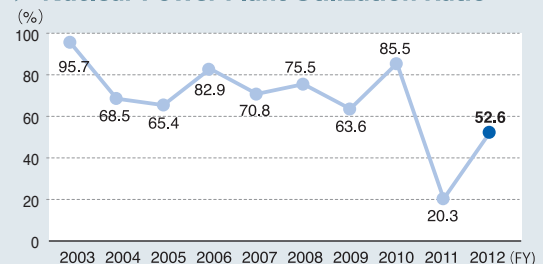
## ► Electricity sales



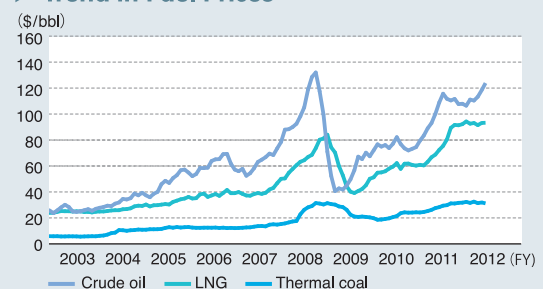
## ► Net (loss) income (Consolidated)



## ► 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 (6,073MJ/bbl).

## Q How will you be ensuring profitability in the future?

**A The business environment is opaque, but we will be working to ensure future profits through an early return to operation of our nuclear power station, drastic cost restructuring, and other means.**

The big key to getting profitability back to normal at our company will be to start up the Shimane Nuclear Power Station – which is now stopped – at an early date. However, since the accident at Fukushima Daiichi Nuclear Power Station in March last year, the situation facing nuclear power in Japan has been exceedingly opaque, and it is difficult to see ahead to a specific restart time for our company’s nuclear power station – or for the other nuclear power stations.

As the marked increase in fossil fuel cost continues due to the nuclear power shutdown, we are in a situation where it is difficult to avoid a worsening of business results over the short term. First of all, our most important task is to tackle improvement of our business results by restarting our nuclear power at an early date, after fully ensuring safety. Alongside that, I believe it will be important to accelerate our efforts for drastic cost restructuring and the like, in addition to our longstanding efficiency enhancement measures. In this we will proceed diligently, making it our ceaseless activity to effect efficiency enhancements through creativity and ingenuity, in ways such as expanding our suppliers and order placement methods, revising equipment and materials transportation methods based on group-scale supply chain management, and improving procurement

### Specific Examples of Efficiency Enhancement Efforts

#### ■ FY 2012 Business Results

- Adoption of the Value Engineering (VE) order placement method for replacement of submarine cables (capital expenditures)
- Reduction of fuel tank inspection costs through adoption of self-propelled wall thickness measuring device (maintenance costs)
- Reduction of rental expenses through concentration of systems in private clouds (overhead costs) – Etc.

#### ■ FY 2013 plans

- Revision of conduit laying methods for cable work (capital expenditures)
- Revision of extent of tubing replacement for boiler work (maintenance costs) – Etc.

operations through two-way information sharing with our business partners. I believe such efforts will not only contribute to cutting costs in our immediate surroundings, but also lead to rendering our business structure robust.

### From the Mid- and Long-term Perspective

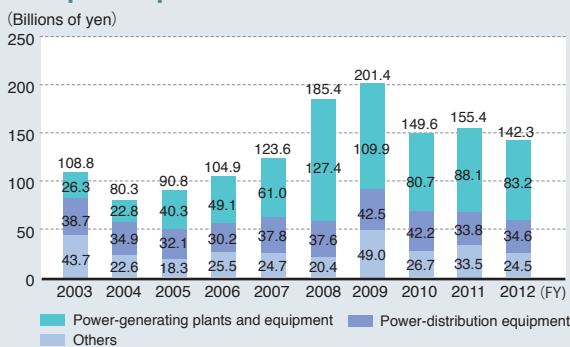
However, it will not be a question exclusively of cost-cutting. It will also be important, from the perspective of fulfilling our mission and ensuring profits over the mid and long term, to appropriately direct the necessary funding into facility maintenance and formation, so as to make a certainty of stable supply of electricity. I, as management, look to keep making the appropriate decisions so that we can achieve nuclear power restart at an early date and progressively normalize our profitability, and also so that we can firm up our revenue basis through appropriate facility formation.

A further important area of endeavor is human resource cultivation. The motive force for soundly implementing the efforts I have related earlier will, I believe, be the sense of mission in each of the em-

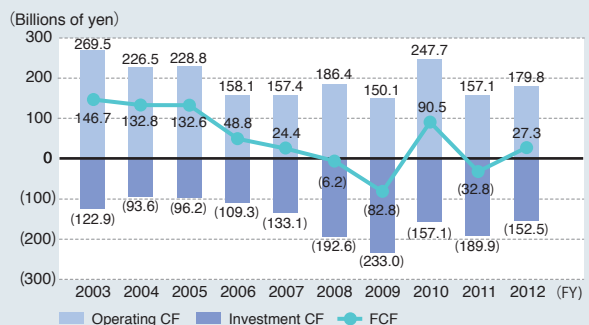
### Trend in Capital Expenditures Sums

Regarding capital expenditures for structural strengthening, we will be proceeding with curbing and evening out the investment sums and equipment-related costs through group-wide rationalization of design and work implementation methods, systematic implementation of construction work, and so forth, so as to keep these investments within the scope of our own funding to the extent possible.

#### ▶ Capital Expenditures



#### ▶ Cash Flows



employees who have sustained our operations up to the present time, and their skills and capabilities. Aiming to be a robust corporate group, we will in the future go on continually cultivating, across the group, human resources who possess both an unswerving sense of mission and high-level skills and capabilities.

**Q What are your thoughts on the changes taking place in the business environment surrounding nuclear power?**

**A Nuclear power is still an important power source for our company and – after safety has been assured – we will be utilizing it in the future.**

Various debates concerning nuclear power are currently underway. But the fact remains unaltered that, when one considers Japan's energy security, the ensuring of a stable electricity supply into the future, the stability of prices, and so forth, nuclear power is an important power source for Chugoku Electric.

At our Shimane Nuclear Power Station, Units 1 and 2 are currently stopped for periodical inspection and we have Unit 3 under construction. By implementing safety measures based on the accident at the Fukushima Daiichi Nuclear Power Station, we are working to ensure even greater safety so as to obtain confidence and ease of mind from the local people, and we hope in the future to resume utilizing nuclear power as an important power source for stable supply of electricity.

**Q What kinds of safety measures for nuclear power plants are being taken?**

**A We are taking “Measures to keep an accident from occurring” and “Measures for swift recovery if an accident should occur”, as well as other measures.**

In the Fukushima Daiichi Nuclear Power Station accident, important equipment was inundated by the tsunami, so that all of the AC power sources went down and cooling capability was lost, with the result that the reactor cores were damaged and fell into a state in which radioactive substances were released.

At our Shimane Nuclear Power Station we are implementing safety measures on all of the units,



based on our strong resolve “Never to allow such an accident to occur”.

Our measures to keep an accident from occurring are being taken from three broad perspectives: inundation prevention, power source assurance, and cooling capability assurance. Accordingly we have: installed watertight doors and similar, or replaced existing doors with them, to prevent major facilities from being inundated in the event of a tsunami; assured emergency power sources for supplying power to major facilities if the power sources became unusable due to inundation or other trouble; and installed additional equipment and materials to assure the capability of cooling the nuclear reactors. Currently, we are carrying out work to strengthen and otherwise enhance the floodwalls.

In addition to the foregoing, we have put procedure documents in place, and secured equipment and materials, to enable a swift recovery of the situation in the event that an accident does come about. Later, we will be taking anti measures to prevent hydrogen explosions and installing vents with filters for the reactor buildings, and implementing other measures to ensure even more reliable responses to a severe accident.

In the future, we will go on working for a nuclear power station that is safe and reassuring, and will respond appropriately to new information as we do so.

**Q** What kinds of steps will need to be taken in order for the nuclear power station to be restarted?

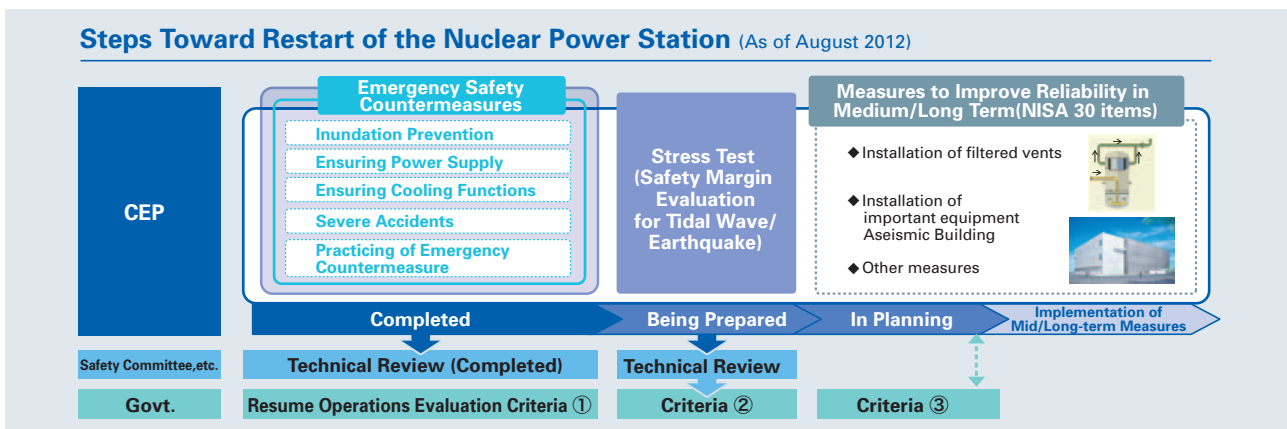
**A** It will need to conform to the restart criteria prescribed by the government, and will also need the understanding of its local people.

In order to start up the nuclear power station, we first have to implement the “emergency safety measures” and “stress tests” prescribed by the government, and we must also conform to the criteria for safe resumption of nuclear power station operation, which look ahead to new safety regula-

tions. After that, the government will make an all-round judgment on the rightness or wrongness of a restart, and if that judgment is favorable we can start up the nuclear power station. Of course, a precondition for that is that we have the understanding of the local people.

Implementation of all of the government-prescribed emergency safety measures has now been completed at Chugoku Electric. Currently we are moving ahead for the stress test report and with formulating an implementation plan for measures to further improve safety and reliability.

Through sound implementation of these efforts, we are aiming for the earliest possible restart of the Shimane Nuclear Power Station.



**Q** What are your thoughts on the various reviews and deliberations that are being undertaken by the government with regard to electric utilities?

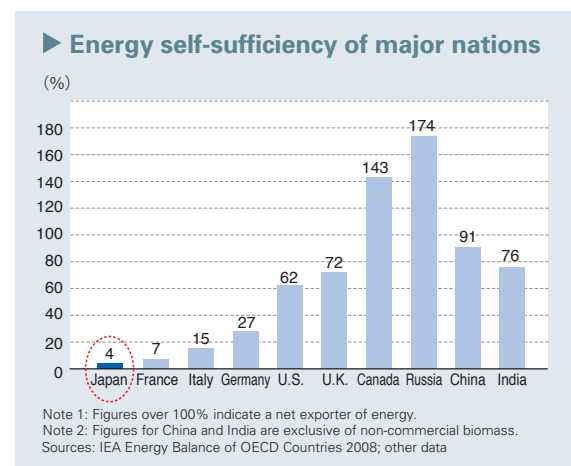
**A** I think they should deliberate circumspectly, based on the social economy, the impacts on customers, and the advantages / disadvantages.

Energy policy is an important issue that greatly affects citizens’ lives and socioeconomic activities, and electric power is an extremely important part of the social infrastructure. Hence, in reviewing that policy, it is indispensable that they proceed circumspectly with the debate, taking full account of electricity’s characteristics – that it is an essential resource that is low in substitutability and problematic to store – and of Japan’s unique circumstances in terms of energy security, geographical characteristics and so forth.

Debates are currently taking place on a new energy mix with “freedom from nuclear energy dependence” as its basic policy. But in Japan, with its low energy self-sufficiency of just 4%, we must use various different energy sources in a balanced

manner, exploiting the special features of each one, in order to supply electric power stably and at low cost into the future.

Renewable energies such as photovoltaic power and wind power constitute valuable energies that are of purely domestic production and emit no CO2 during generation, and we are actively engaged in expanding their utilization. However, they have issues including unstable output, low energy density and high costs. Although technology is expected to be developed in the future that will overcome these issues, it is uncertain whether these energies will ever be able to fulfill the role of core power sources.



Also, relying excessively on thermal power generation using LNG and so on could give rise to problems with ensuring energy security and with costs. For its part, Chugoku Electric believes that, in consideration of stable electricity supply assurance, price stability, global warming prevention and related matters, it will be important to maintain nuclear power as a certain proportion of the company's power generation into the future – with safety assurance as a major precondition.

### Chugoku Electric's Stance on Separation of Power Generation and Transmission

Further, debates are also being carried on concerning reform of the electric power system in ways such as separating power generation and transmission. But Japan has a constricted national territory and limited land suitable for construction of power facilities, besides which, when one takes account of the construction lead times over the long term, it is necessary to engage in power source development that is coordinated with transmission facilities. Also, in Japan with its sharp fluctuations in electricity demand, it is imperative that various power sources be secured to meet base, middle and peak demand, and also that the system segment agilely adjust the outputs of these power sources, in order to achieve a demand-supply balance from moment to moment. Thus, for Japan, I think that in order to ensure a stable supply into the future, the most suitable approach will be "integrated generation and transmission systems", whereby power generation facilities and power transmission facilities are formed and run in an integrated manner by the power companies, which are responsible for supply all the way through from generation to retailing.

In any case, I think that in reviewing the energy policy or the electric utility system, the deliberations must be undertaken circumspectly, with due regard for great impacts on the socioeconomy and customers, and based adequately on the envisionable

advantages and disadvantages, so that there will be no hindrance to achievement of stable supply and low electricity rates.

Chugoku Electric intends to actively propagate the above way of thinking in connection with energy policy review.

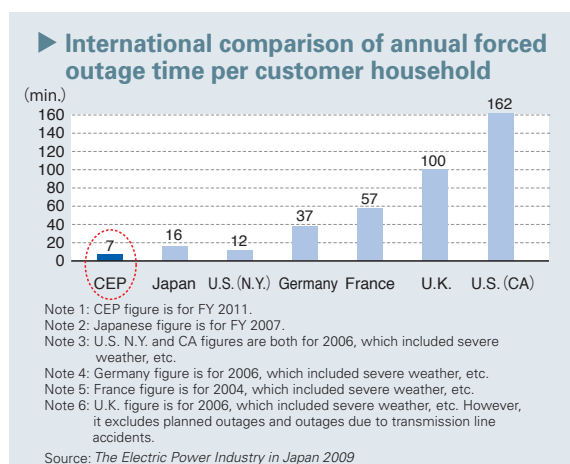
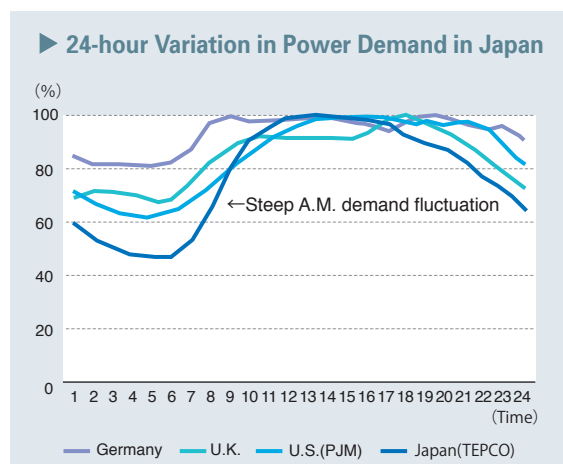
### Chugoku Electric's Efforts

On the basis of the foregoing ideas, Chugoku Electric is making efforts to render even firmer its supply reliability, and in each of those efforts is working to strengthen competitiveness by pursuing economy and efficiency.

In the area of fuel procurement for instance, we are proceeding strategically with definite fuel assurance through diversification of our suppliers and related measures based on demand projections into the future, thus realizing supply reliability of electricity, and at the same time we are carrying out efforts to cut procurement costs. As another example, we are carrying out demand-matching power source development in phase with formation of network facilities, thus realizing supply reliability assurance through effective capital investment. Also, facility maintenance and repair are indispensable for a stable supply, and we are implementing high efficiency enhancement of our thermal power generation facilities alongside measures to counter advanced aging of facilities, thus effecting improvement of economy and environmental performance at the same time as ensuring reliability.

Delivering good-quality electricity stably and at low rates to the customer is our company's unchanging mission, and our profit base is in our running business operations that are trusted and selected by the customer.

We hope in the future as before to soundly fulfill our supply responsibility, contributing to the development of our region through the supply of electric power, and also to work to link that to profit creation so as to augment stockholder value.





**Q** What kind of power source development will you be implementing in order to achieve stable supply?

**A** We are aiming at a balanced power source configuration that is not excessively dependent on a single form of energy.

Given that we have to rely on imports for most of our energy resources, it is important to have a balanced power source configuration that is based on the features of each power source without relying excessively on a particular energy source. This is in order to assure a stable supply into the future, to assure economic performance amid high volatility in fuel prices, to accommodate the change to a Low Carbon Society, and to meet daily variations in the electric power demand.

Although our nuclear power is currently stopped, the detriment to our revenues and supply capability has been relatively small compared to other companies, thanks to the high proportion of thermal power sources in our operations. But if our procurement of fossil fuels were disrupted there would be immense impacts. I believe that we must maintain a judicious balance among various power sources – coal, oil, LNG, hydropower, renewable energy, and nuclear – so that if any of various events should occur, we will be able to keep the impacts down to a minimum. Our company has a low proportion of nuclear power, and is striving to have its Shimane Nuclear Power Station Unit 3 – which is currently under construction – enter operation at an early date so that we will have a more balanced power source configuration.

**Q** How will you be addressing the demand for lowering of environmental loads?

**A** Besides utilization of nuclear power, we will be working to lower environmental burdens through advanced utilization of coal and introduction of renewable energies.

We are aware that for our company, which engages in electrical utility business, the biggest issue for lowering environmental burdens is how to reduce CO<sub>2</sub> emissions during power generation.

Accordingly, we will be effecting reduction of CO<sub>2</sub> at our thermal power stations by taking measures to counter advanced aging, and alongside that, by replacing aging power generation equipment with high-efficiency equipment so as to practice efficient consumption of fuel.

For mid- and long-term lowering of environmental loads, it will also be important to make use of nuclear power. We are currently moving ahead with development of the Shimane Nuclear Power Station Unit 3, aiming to have it enter operation at an early date.

Further, while we have a high share of coal-fired thermal power – superior in procurement stability and economical performance – among our power source facilities and will continue to treat it as an important power source, it has the issue of imposing high environmental loads. We have realized clean coal technology through verification experiments combining Integrated Gasification Fuel Cell Combined Cycle (IGFC) – the ultimate in high-efficiency coal-fired thermal power generation technology – with CO<sub>2</sub> separation and recovery, and by improving the advanced utilization and environmental performance of coal, we hope to consolidate the status of coal-fired thermal power into the future, as well as to effect lowering of environmental loads.

### Mega Solar Power Station

Outline of the Fukuyama Photovoltaic Power Station



Overall-view photo/Artist's rendering

- Output size  
3MW
- Electric energy generated per year (projected)  
Approx. 3,680 MWh (equivalent to the annual consumption of around 1,000 ordinary homes)
- CO<sub>2</sub> reduction amount  
Approx. 2,100 t-CO<sub>2</sub>/year

We also intend to engage actively in introducing renewable energies, which impose low environmental loads and are increasingly being demanded by customers and society.

Chugoku Electric aims to develop roughly 10 MW of mega solar power generation by the year 2031. To that end, we brought our first mega solar power station into operation last year and are planning the construction of a second.

**Q** What kinds of efforts will the company be making to have customers select it in the future?

**A** In addition to delivering good-quality low-priced electricity stably to customers, we will be raising customer satisfaction by carrying out efforts to have them utilize energy efficiently.

Delivering stably to customers the good-quality low-priced electricity that is our mission as an electricity company is a major prerequisite for having customers select us. Another way that we are looking to have customers select us is by engaging in efforts that will help them to utilize energy efficiently.

Amid the intensification of energy saving and electricity-saving measures since the Great East Japan Earthquake of last year, customers' needs to "Save energy, costs and CO<sub>2</sub>" have heightened. We are making various kinds of efforts to meet those needs of our customers. These efforts include recommending high-efficiency equipment, providing information on energy saving via our website and leaflets, and furthermore offering an energy diagnosis service whereby we survey the customer's

equipment usage situation and propose operational improvements.

Through these activities, we are working to raise customer satisfaction and to be a company of choice.

**Q** For the final question, please tell us about your policy regarding dividends.

**A** Although the business environment for the immediate future is exceedingly opaque, we plan to work at rigorous cost reductions and pay out dividends of 50 yen per stock.

In sharing profits with our stockholders, we deem the continuance of stable dividends to be fundamental, and have paid out dividends of 50 yen per stock, taking account of the general picture from a mid- and long-term perspective rather than only the results for a given fiscal year.

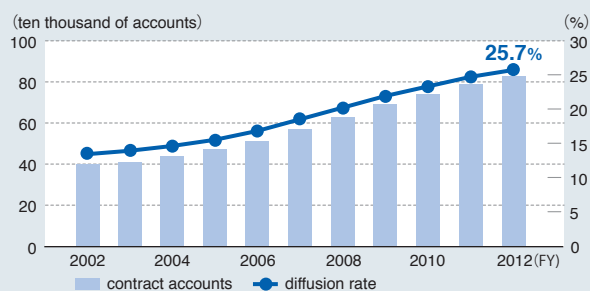
Our revenue and expenditure results for FY 2012 were severe and the business environment is opaque as regards the immediate future, so that our business performance outlook is uncertain. Despite that however, in FY 2013 we intend, as hitherto, to pay out a 25 yen dividend per stock in the interim period and at the year-end, in accordance with our fundamental policy.

So that we can live up to our stockholders' expectations, we will be devoting all-out efforts toward restarting the Shimane Nuclear Power Station, as well as working at rigorous cost-cutting and further in-depth efficiency enhancement to raise our earning power, while according top priority to ensuring a safe and stable supply.

### Situation Regarding Diffusion of Completely Electrical Housing

The many different advantages – including energy savings and economical performance – that converting to completely electrical housing brings have won wide-ranging support from our customers. Last summer, the number of contracts for electric water heaters hit the 800,000 mark and the number of households adopting completely electrical equipment hit the 500,000 mark. As of the end of March 2012, the proportion of completely electrical housing in the Chugoku region has risen to 16.4%.

#### ► Situation regarding diffusion of electric water heaters

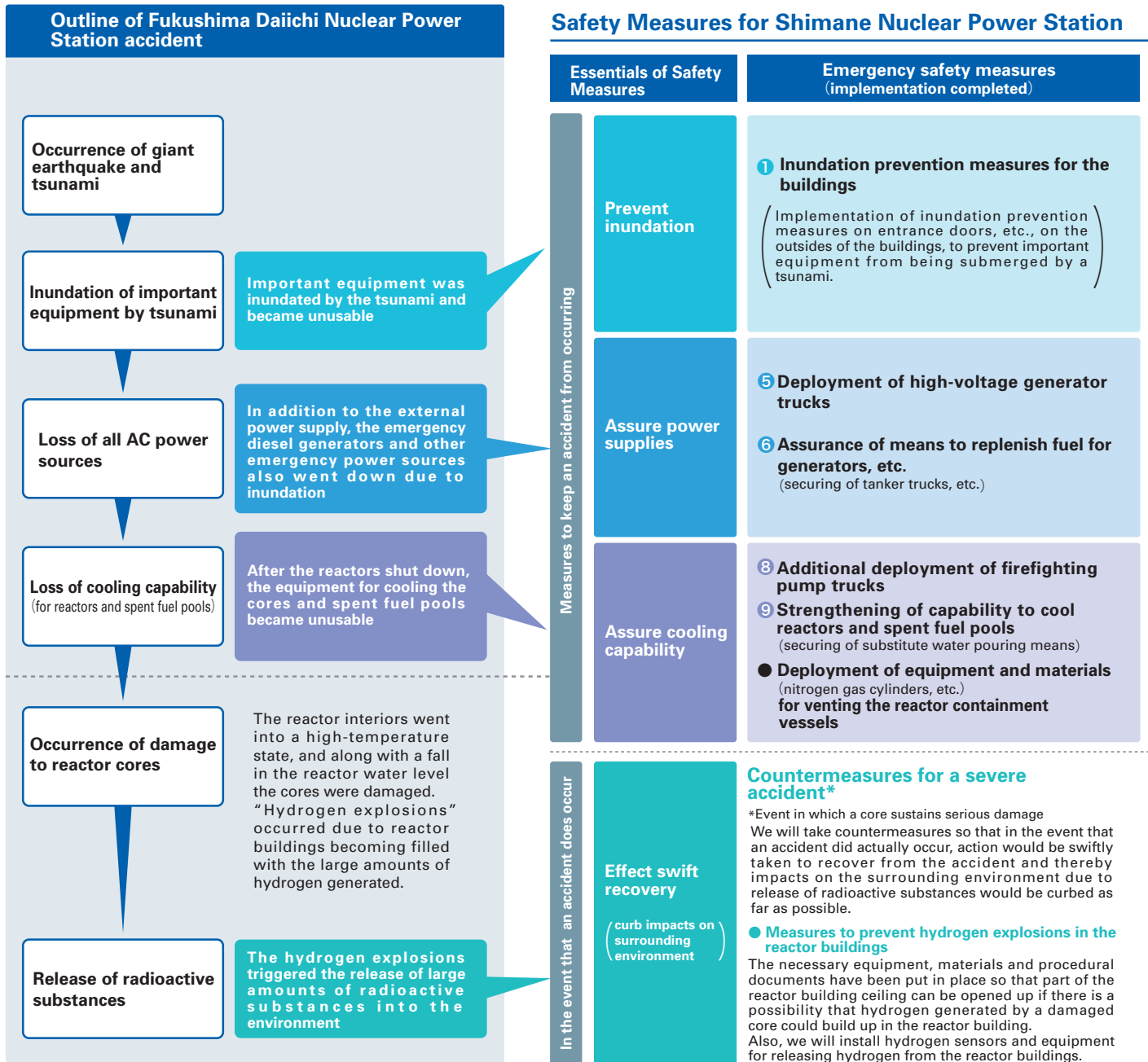


#### ► Situation regarding diffusion of completely electrical housing



# Safety Measures for Shimane Nuclear Power Station

In the wake of the Fukushima Daiichi Nuclear Power Station accident, we have formed a cast-iron resolve not to allow such an accident to be repeated a second time. Based on that resolve, at our Shimane Nuclear Power Station we have implemented various emergency safety measures, including measures for ensuring power sources and cooling capability and for preventing inundation, in order to prevent damage to the reactors or spent fuel, taking due care to provide a multiplicity and diversity of measures for safety assurance. Currently we are earnestly engaged in work to strengthen the breakwaters and in other ways to further heighten the power station's safety.



## Other Measures

### Erection of Important Equipment Aseismic Building (provisional name)

We have decided to erect an Important Equipment Aseismic Building (provisional name) on an elevation (40 meters or higher) inside the power station site. Important equipment for plant monitoring, telecommunications and so forth will be concentrated in this building, so that if a large-scale earthquake occurs there will be no hindrance to emergency actions.



Important Equipment Aseismic Building (provisional name)  
Artist's rendering



Quake-absorbing devices

Quake-absorbing structure  
Refers to a structure whereby, to reduce swaying of a building during an earthquake, quake-absorbing devices such as laminated rubber blocks are provided between the foundations and the body of the building, rendering it difficult for the earthquake's energy to propagate directly to the body of the building.



Shimane Nuclear Power Station

**Further safety measures**

Safety has been assured through the emergency safety measures. However in order to further enhance safety, we are taking the safety measures below. Further more the measures necessary for assuring the safety of Unit 3 are complete, and we are currently engaged on the measures for Units 1 and 2.

**2 Strengthening of measures to prevent building inundation**

(additional installation of/replacement with enhanced-watertightness doors)

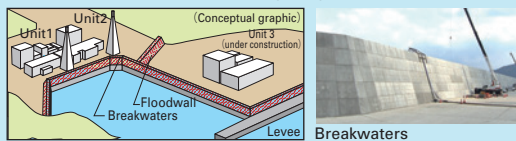
We are replacing doors with enhanced-watertightness doors to prevent inundation of the building interiors, and taking other measures to heighten the capability to protect the equipment.



Watertight door

**3 Strengthening of breakwaters**

The breakwaters around the seaward side of the power station site are being strengthened by raising their height to T.P.\* 15 meters, to prevent inundation of the power station's main equipment. \*Tokyo Bay mean sea level



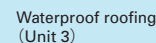
Breakwaters

**4 Measures to prevent inundation of seawater pump area**

We will install waterproof barriers in the seawater pump area to prevent flooding of the reactor auxiliary seawater pumps\*. We have installed waterproof roofing over Unit 3.



Waterproof barrier (Unit 1)



Waterproof roofing (Unit 3)

\*Pumps that lift seawater needed for cooling the reactors and spent fuel pools, etc.

**7 Additional installation of emergency generators on elevation**

(around 40 meters high)

We have installed gas turbine generators on an elevation inside the power station site, as backup for the emergency diesel generators.

(12MW class gas turbine generators × 2 units)



Gas turbine generators



Fuel tank

**10 Securing of spares and substitute items for seawater pumps**

We have secured spares and substitute items for in case the reactor auxiliary seawater pumps should be inundated by a tsunami.



Substitute item (diesel-driven pump)



Spare (motor)

**Deployment of heavy machinery to remove rubble**

We have deployed wheel loaders inside the power station site so that rubble inside the site can be swiftly removed in an emergency.

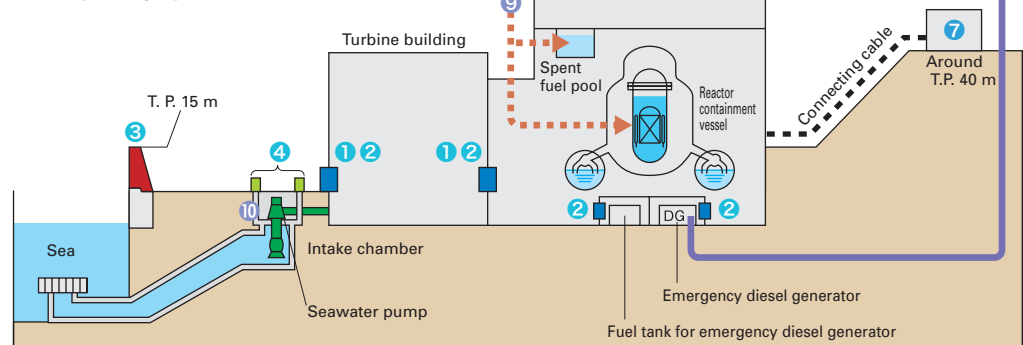


Wheel loader

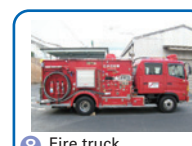
**Installation of filtered vent equipment**

We have installed filtered vent equipment that, if a severe accident should occur, will be able to drastically suppress release of radioactive substances by releasing through filters the gases inside the reactor containment vessels.

**[Conceptual graphic of Shimane Unit 2]**



(artist's rendering)  
6 Tanker truck



8 Fire truck



5 High-voltage generator trucks

**Emergency response exercises**

Daytime and nighttime emergency response exercises envisaging a severe situation where all power sources are down because of an earthquake and/or tsunami have been performed by employees of Chugoku Electric and its affiliates. Such exercises are to be implemented on a continuous basis in the future, so that we will be able to take swift and accurate actions.

**Structural strengthening of nuclear power segment**

With the aim of even higher safety, we have revised the current organization of our nuclear power segment and set up a new section to be in charge of "nuclear power safety engineering". Besides handling compliance with safety regulations, this section will play a safety-furthering role of identifying and constantly implementing measures necessary to ensure safety, and also will engage in operations to ensure even greater safety as regards action and exercises, etc., for occurrence of a serious accident.

## ■ Efforts Toward a Stable Supply of Electricity

Chugoku Electric is moving ahead with ensuring the stability and improving the economical performance of its electricity supply, and also with environmental responses. We are implementing various different endeavors for the whole series of processes from power generation through to retail, including formation of generation and transmission equipment, operation, maintenance and management of that equipment, and fuel procurement, etc.

### ■ Stable procurement of fuel

We need to reliably secure oil, coal, LNG and other fuels needed for thermal power generation in the quantities that are necessary to match power generation demand, and we need to procure these fuels economically. To achieve these ends, we are spreading out our sources of procurement, expanding the range of fuel properties that we can use, diversifying contract contents, and so forth. In addition, we are working to switch to dedicated vessels for both ocean and coastal transportation and to gain acceptance for large-sized vessels.



LNG vessel alongside Yanai Power Station

### ■ Assuring security and maintaining reliability of power generation facilities

We are working to assure security of thermal power generation facilities and to enhance their reliability, by soundly implementing equipment inspection, accurately determining the post-maintenance work status of equipment, and implementing advance assessments based on trouble case histories, along with rigorous lateral spread.

Also, toward ensuring supply capability of electricity we are implementing changes in the timing of repairs for our thermal power stations and speed-up of the repair work processes, besides also strengthening/implementing inspections and repair of each unit prior to heavy load periods of electricity.

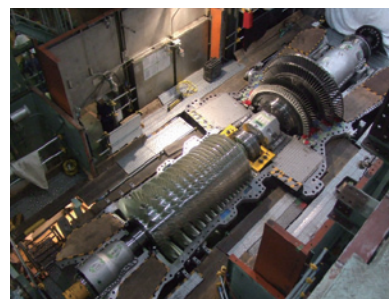


Replacing boiler tubing at Misumi Power Station

### ■ Thermal efficiency improvement of thermal power stations

As replacements for aging equipment at our thermal power stations, we are introducing high-efficiency gas turbines, steam turbines and similar, in pursuit of economy through efficient fossil fuel utilization and in an effort to curb CO<sub>2</sub> emissions.

At Yanai Power Station's Group 1, which entered operation 20 years ago and was our first LNG combined cycle generation system, we are proceeding with sequential replacement with high-efficiency gas turbines and air compressors.



New gas turbine being installed

	Existing	Post-replacement
Combustion temperature	1,104°C	1,250°C
Generating efficiency	43.3%	47.4% (+4.1%)
Output	125 MW × 6 units	
CO <sub>2</sub> reduction amount	Approx. 200,000 t-CO <sub>2</sub> / year	
Work period	December 2010 to March 2017(scheduled)	

### ■ Maintaining reliability of network equipment

We are aiming for appropriate maintenance and effective utilization of equipment, by moving ahead with sophisticated enhancement of our maintenance technology. An example is our development of techniques for determining the deterioration status of advanced-age power network equipment and prolonging the life of such equipment.

We have devised and are utilizing criteria for whether equipment can continue in use. To arrive at these criteria we conducted sampling surveys of deterioration on removed equipment, and used these surveys to elucidate the mechanisms leading to aging deterioration of equipment and methods of inferring remaining life correctly.



Survey of transformer coil deterioration

## Efficient formation of power facilities

We are implementing development of our power sources and extension and improvement, etc., of our network facilities to match future demand.

At the Okayama Substation – an extra-high voltage substation – we are taking measures to counter equipment aging. Alongside this, we have removed two existing transformers (totaling 300,000 kVA) and replaced them with a new 400,000 kVA transformer, so as to cope with increase in power demand.



Extra-high voltage transformer (400,000 kVA) at Okayama Substation

## Technology development for oxygen-blown coal gasification

We are advancing with development of technology that will contribute to rendering coal “high-efficiency” and “clean”, in order to retain coal-fired thermal power, with its superior supply stability and economical performance, well into the future. One of our goals is Integrated Gasification Fuel Cell Combined Cycle (IGFC)\*<sup>1</sup>, an ultimate form of high-efficiency coal-fired thermal power generation that drastically reduces CO<sub>2</sub>. In FY 2013 we will start verificatory testing operations for oxygen-blown Integrated Gasification Combined Cycle (oxygen-blown IGCC)\*<sup>2</sup> – the core technology for IGFC – with the aim of having IGFC in practical use by the mid 2020s.

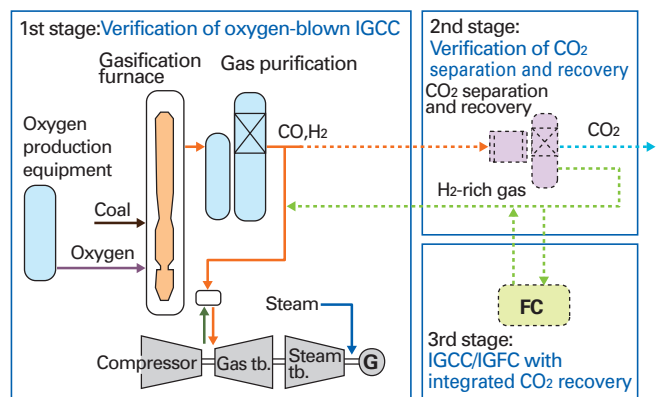
\*<sup>1</sup> Integrated Gasification Fuel Cell Combined Cycle (IGFC)

Technology that combines fuel cells with IGCC to further improve generating efficiency.

\*<sup>2</sup> Oxygen-blown Integrated Gasification Combined Cycle (oxygen-blown IGCC)

Technology whereby oxygen is used to gasify coal, yielding a product gas with H<sub>2</sub> and CO as main constituents, which is used to drive gas turbines alongside steam turbines in combined cycle generation.

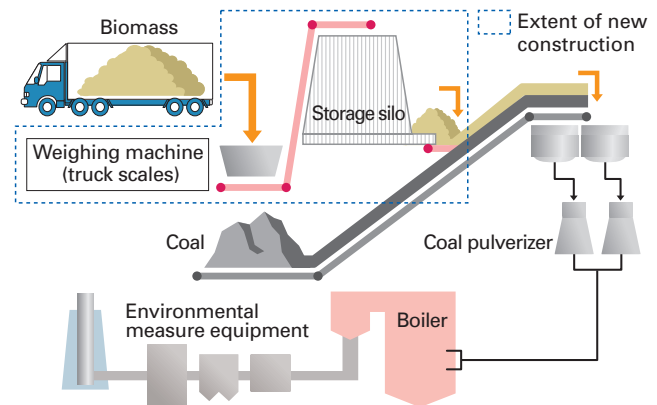
### Outline of the verificatory testing system



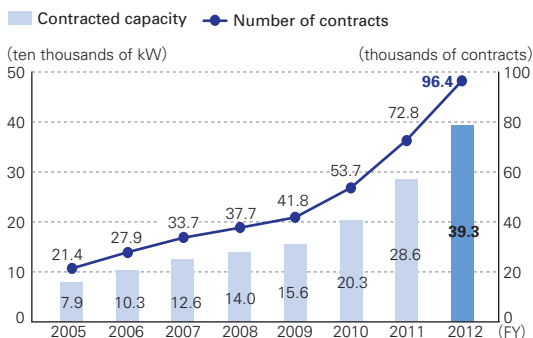
## Efforts to lower environmental loads

Besides engaging in our own mega solar development, we are also actively promoting purchase of electricity generated by solar, wind and other power and moving ahead with introduction and expansion of renewable energies, so as to lower environmental loads.

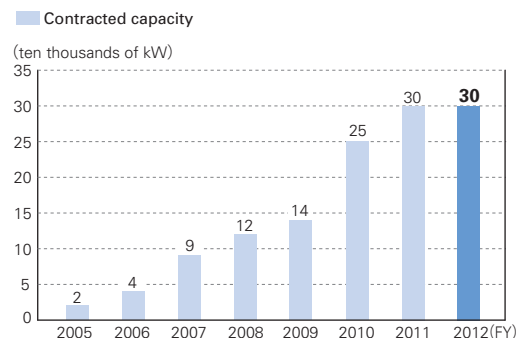
Also, at the Shin-Onoda Power Station – one of our coal-fired thermal power stations – we are implementing biomass power generation that burns woody biomass mixed with coal, as a means of reducing CO<sub>2</sub> emissions.



### State of solar power purchase contracts

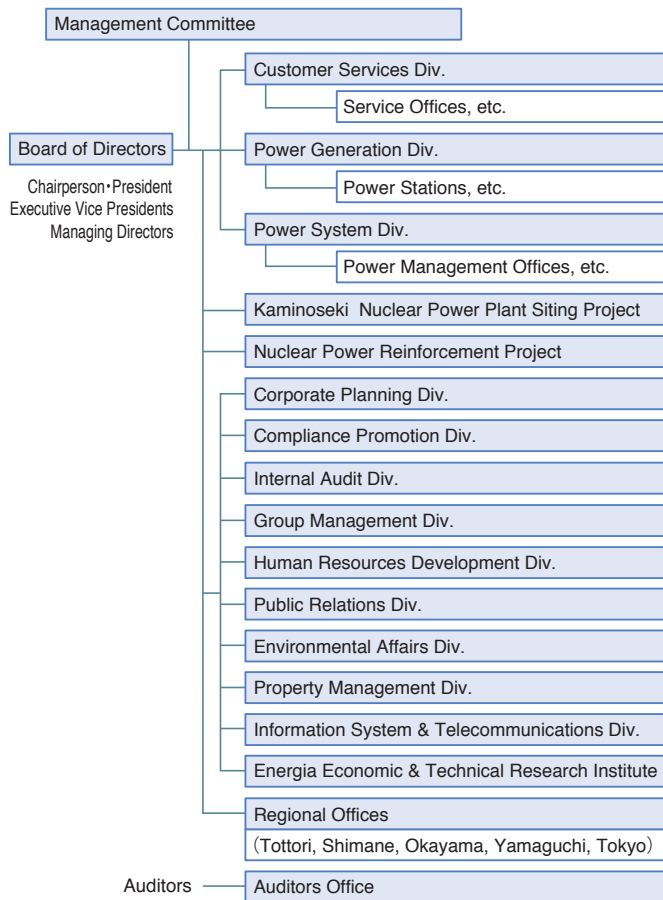


### State of wind power purchase contracts



# Corporate Information

## Organization Chart (as of March 31, 2012)



## Members of the Board (as of June 27, 2012)

Chairperson	Takashi Yamashita
President	Tomohide Karita
Executive Vice President	Mitsuo Matsui
Executive Vice President	Hirofumi Obata
Executive Vice President	Mareshige Shimizu
Managing Director	Yoshio Kumano
Managing Director	Satoshi Kumagai
Managing Director	Masaki Ono
Managing Director	Akira Sakotani
Managing Director	Yukio Furubayashi
Managing Director	Kazuyuki Nobusue
Managing Director	Nobuo Watanabe
Managing Director	Moriyoshi Ogawa
Managing Director	Hideo Matsumura
Director (part-time)	Kosuke Hayashi
Standing Auditor	Yasuhisa Iwasaki
Standing Auditor	Masao Sato
Auditor	Kazuo Inoue
Auditor (part-time)	Kazuhide Watanabe
Auditor (part-time)	Etsuko Nosohara

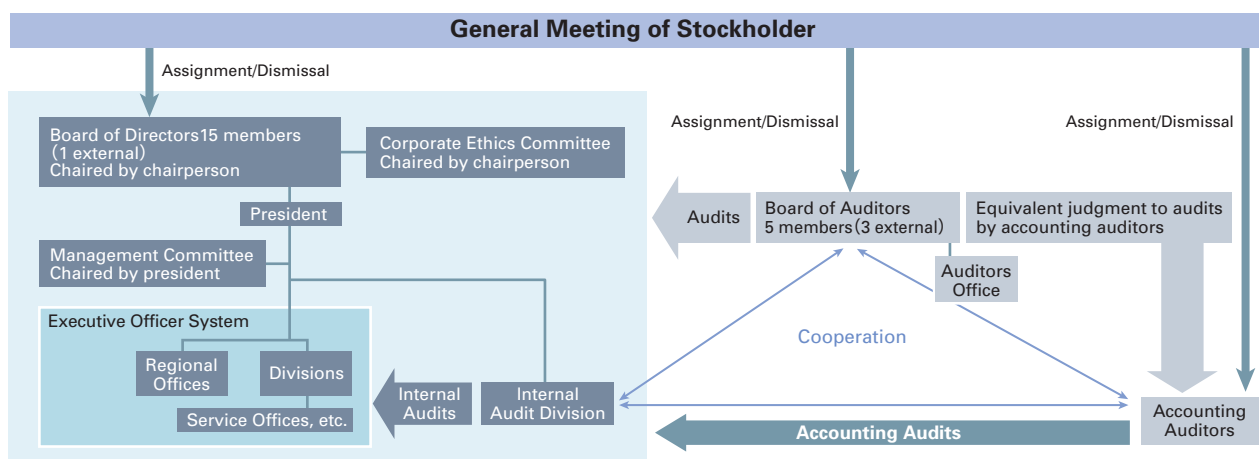
## Corporate Governance

### Basic Concept

With the electric power business a vital service to society at the core of Chugoku Electric Power's operations, 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 (As of June, 2012)



## ■ 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”.

All our various compliance measures are implemented under the Chairperson’s supervision and the President’s overall control.

### ● 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.

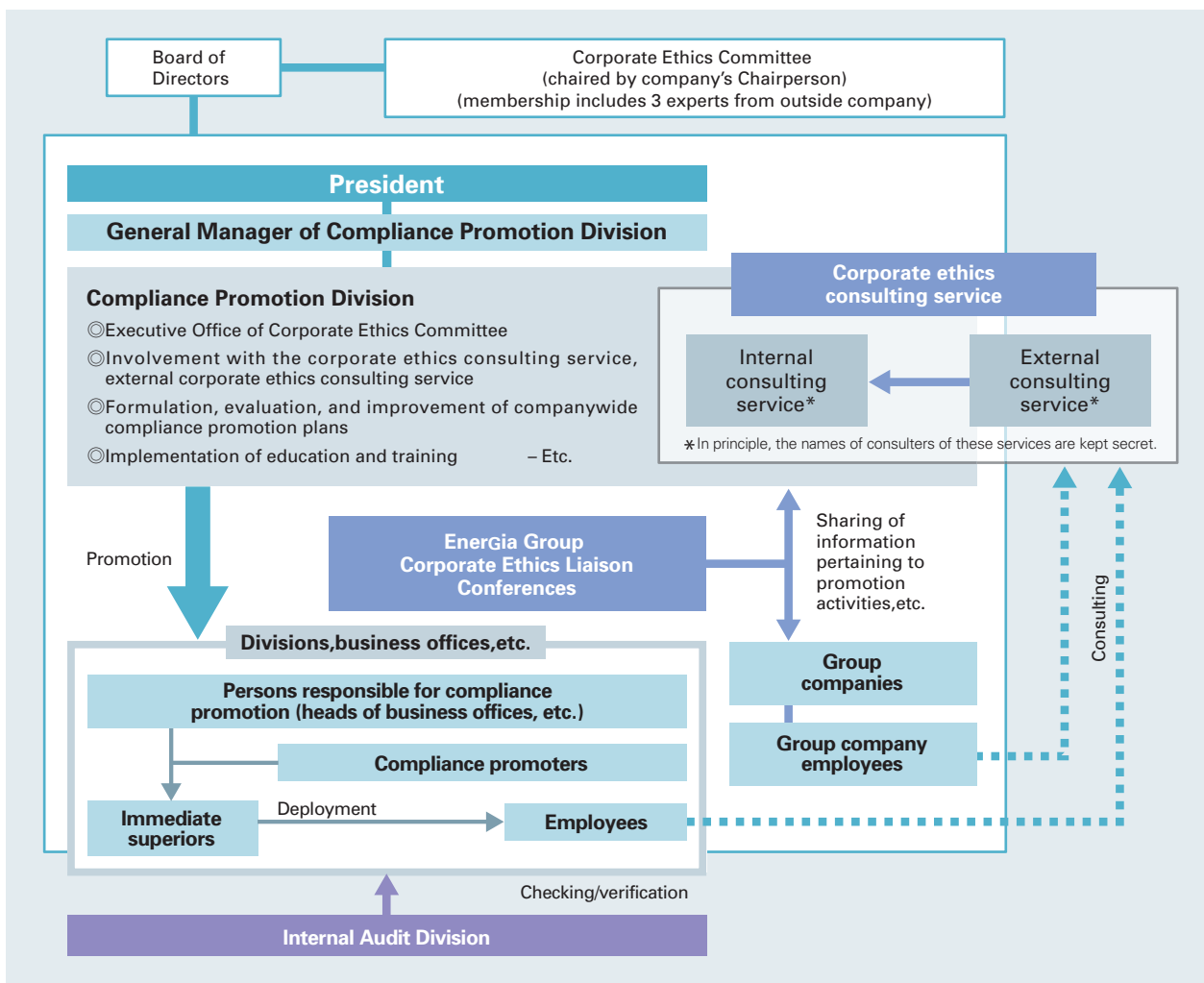
◎ We will explain matters voluntarily and appropriately to customers and the community.

#### 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 (Note 1)
	2012	2011	2010	2009	2008	2012
Operating revenues	¥ 1,181,350	¥ 1,094,300	¥ 1,038,443	¥ 1,173,727	¥ 1,108,354	\$ 14,406,707
Operating income (loss)	55,063	48,481	81,515	15,525	84,416	671,500
Net income (loss)	2,498	1,793	31,002	(23,576)	25,271	30,463
Total stockholders' equity / Net assets	644,873	661,247	679,685	663,974	711,080	7,864,305
Total assets	2,887,198	2,831,128	2,781,990	2,806,112	2,710,681	35,209,732
Interest-bearing debt	1,756,016	1,724,782	1,650,859	1,717,736	1,595,098	21,414,829
Free cash flows (Note 2)	27,279	(32,782)	90,548	(82,848)	(6,203)	332,671
<b>Other financial data</b>						
<b>Per share data (yen and dollars):</b>						
Stockholders' equity (Note 3)	1,765.92	1,804.16	1,855.16	1,809.91	1,938.37	21.54
Net income (loss):						
Basic	6.86	4.92	85.14	(64.73)	69.37	0.08
Cash dividends	50.00	50.00	50.00	50.00	50.00	0.61
<b>Key financial ratios:</b>						
Equity ratio (%)	22.2	23.2	24.3	23.5	26.0	
Return on equity (ROE) (%)	0.4	0.3	4.6	(3.5)	3.6	
Return on assets (ROA) (%) (Note 4)	1.2	1.1	1.9	0.4	2.0	
Price earnings ratio (PER) (times)(Note 5)	224.1	312.6	21.8	-	32.0	

	Millions of kWh				
	2012	2011	2010	2009	2008
<b>Power generated and received</b>					
<b>Generated:</b>					
Hydroelectric	3,981	3,335	2,978	3,044	2,875
Thermal	38,254	39,606	33,230	36,671	40,081
Nuclear	5,919	2,281	9,585	7,131	8,485
New energy sources	1	-	-	-	-
Total	48,155	45,222	45,793	46,846	51,441
Purchased power (NET)	20,702	23,165	18,482	20,903	20,649
Interchanged power (NET)	(2,336)	849	15	(16)	(1,593)
Transmission loss and other	(6,451)	(6,841)	(6,379)	(6,511)	(6,918)
Total	60,070	62,395	57,911	61,222	63,579
<b>Electric sales:</b>					
Residential (lighting)	19,175	19,855	18,547	18,737	18,890
Commercial, industrial and other	40,895	42,540	39,364	42,485	44,689
Total	60,070	62,395	57,911	61,222	63,579

- Notes: 1. U.S.dollar amounts presented are translated from yen, for convenience only, at the rate of ¥82=US\$1, the exchange rate prevailing on March31, 2012.  
2. Free cash flows represent net of cash flows from operating activities and those from investing activities.  
3. Stockholders' equity 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  
5. PER at the period on March, 2009 has not been described for the net deficit for the period.

# Consolidated Financial Review

## Summary of Operations

- In the fiscal year ended March 31, 2012, the Japanese economy was in a severe situation, against a background of the impacts of the Great Eastern Japan Earthquake and a historically high level of the yen. The economic situation in the Chugoku region, similar to that in the rest of the country, was severe, as industrial activity slumped amid constraints on parts supplies and a decline in exports.
- Consolidated sales of electricity decreased 3.7% from the previous fiscal year, to 60.1 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 ¥1,181.3 billion (US\$14,406.7 million), up 8.0% or ¥87.0 billion (US\$1,061.6 million), from fiscal 2011. Net income was ¥2.5 billion (US\$30.5 million), up ¥0.7 billion (US\$8.6 million). Free cash flow (net cash provided by operating activities minus net cash used in investing activities) amounted to ¥27.3 billion (US\$332.7 million).
- The Company maintained cash dividends per share at ¥50.00 (US\$0.61).

## Operating Revenues

- As mentioned above, operating revenues for the fiscal year were ¥1,181.3 billion (US\$14,406.7 million), up 8.0%, or ¥87.0 billion (US\$1,061.6 million).
- Operating revenues from electric power operations amounted to ¥1,075.3 billion (US\$13,113.6 million), up 7.9%, or ¥78.7 billion (US\$960.4 million).
- Operating revenues from other operations such as a comprehensive energy supply business and information and telecommunication businesses were up 8.5%, or ¥8.3 billion (US\$101.2 million), to ¥106.0 billion (US\$1,293.1 million).

## Operating Expenses And Operating Income

- Operating expenses for the term increased 7.7%, or ¥80.5 billion (US\$981.3 million), to ¥1,126.3 billion (US\$13,735.2 million).
- Operating expenses in electric power operations were up 7.6%, or ¥72.2 billion (US\$880.4 million), to ¥1,027.4 billion (US\$12,528.9 million). This stemmed from an increase in materials costs, including a rise in fuel prices.
- In operations other than electric power operations, operating expenses were ¥98.9 billion (US\$1,206.4 million), up 9.1%, or ¥8.3 billion (US\$100.9 million).
- Operating income thus increased 13.6%, or ¥6.6 billion (US\$80.3 million), to ¥55.1 billion (US\$671.5 million).

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

- Total other expenses (income) decreased 19.8%, or ¥6.2 billion (US\$75.7 million), to ¥25.2 billion (US\$307.6 million).
- As a result of these factors, income before income taxes and minority interests in net income of consolidated subsidiaries was up ¥15.0 billion (US\$182.7 million), to ¥19.9 billion (US\$242.7 million). Net income increased ¥0.7 billion (US\$8.6 million), to ¥2.5 billion (US\$30.5 million).
- Net income per share was ¥6.86 (US\$0.08), up ¥1.94, from ¥4.92.

## Financial Position

### Assets

- At fiscal year-end, total assets were ¥2,887.2 billion (US\$35,209.7 million), up 2.0%, or ¥56.1 billion (US\$683.7 million), from the close of the previous term, due among other factors to an increase in current assets such as cash and time deposits.
- Fixed property stood at ¥2,087.7 billion (US\$25,459.6 million), down 0.1%, or ¥1.9 billion (US\$ 22.9 million).
- Nuclear fuel was ¥166.2 billion (US \$2,026.5 million), up 0.3%, or ¥0.5 billion (US \$6.1 million).
- Total investments and other assets decreased to ¥342.1 billion (US \$4,172.2 million), down 1.1%, or ¥ 4.0 billion (US \$ 48.4 million).
- Total current assets were ¥291.2 billion (US\$3,551.5 million), up 26.7%, or ¥61.4 billion (US\$749.0 million).

### Liabilities, Minority Interests and Net Assets

- Total liabilities were ¥2,242.3 billion (US\$27,345.4 million), up 3.3%, or ¥72.4 billion (US\$883.4 million), due mainly to an increase in interest-bearing debt and an increase in notes payable and accounts payable. Among those, interest-bearing debt rose 1.8%, or ¥31.2 billion (US\$380.9 million), to ¥1,756.0 billion (US\$21,414.8 million). Other liabilities increased 9.3%, or ¥41.2 billion (US\$502.5 million), to ¥486.3 billion (US\$5,930.6 million).
- Total net assets were ¥644.9 billion (US\$7,864.3 million), a decrease of 2.5%, or ¥16.3 billion (US\$ 199.7 million). The equity ratio declined 1.0 percentage points, to 22.2%, from 23.2%.

### Cash Flows

- Net cash provided by operating activities for fiscal 2012 amounted to ¥179.8 billion (US\$2,192.5 million), up 14.5%, or ¥22.7 billion (US\$276.9 million), compared with the previous period. This was achieved – despite an increase in inventories – through factors including an increase in income before income taxes and minority interests in net income of consolidated subsidiaries and a decrease in payments of income taxes.
- Net cash used in investing activities was ¥152.5 billion (US\$1,859.8 million), down 19.7%, or ¥37.4 billion (US\$ 455.6 million), mainly because equipment investment and purchase of investments in securities decreased.
- Free cash flow therefore amounted to a revenue of ¥27.3 billion (US\$332.7 million).
- Net cash provided by financing activities was ¥9.9 billion (US\$120.2 million), down 81.6% from ¥53.6 billion in the previous year. With the procurements exceeding the repayments, bonds and long-term debt increased ¥79.8 billion (US\$974.2 million). Cash dividends paid were ¥18.2 billion (US\$222.0 million).
- Cash and cash equivalents at end of year totaled ¥85.6 billion (US\$1,044.2 million), up 76.2%, or ¥37.0 billion (US\$451.6 million).

### Summary of Cash Flows

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Net cash provided by (used in) operating activities	¥ 179,786	¥ 157,080	\$ 2,192,512
Net cash provided by (used in) investing activities	(152,507)	(189,861)	(1,859,841)
Net cash provided by (used in) financing activities	9,859	53,635	120,232
Effect of exchange rate changes on cash and cash equivalents	(107)	(69)	(1,305)
Net increase (decrease) in cash and cash equivalents	37,031	20,785	451,598
Cash and cash equivalents at beginning of year	48,595	27,810	592,622
Cash and cash equivalents at end of year	¥ 85,626	¥ 48,595	\$ 1,044,220

# 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, 2012.

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

We are taking steps to further enhance and render doubly sure the safety of our nuclear power station in the light of the accident that occurred at the Fukushima Daiichi Nuclear Power Station. These steps include countermeasures against tsunamis, severe accidents and the like, and measures to assure reliability of external power sources. 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

Various deliberations in the light of the Great Eastern Japan Earthquake are underway, including deliberations on what form of energy mix is desirable, and deliberations toward the formulation of new energy and environmental strategies involving measures to address global warming and other issues.

Also being deliberated is a revision of the structure of the electric power business, in such ways as promoting competition through further expansion of liberalization, and separating power transmission from power generation.

It is possible that changes in the business and competitive environments resulting from the revision of energy and environmental policy 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 businesses", "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 of employees' severance and retirement benefits**

The Companies' cost and liabilities of employees' severance and retirement benefits are accounted based on assumptions for actuarial calculation, such as the discount rate and the expected rate of return on pension 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 31,2012 and 2011

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
<b>Property,plant and equipment:</b>			
Utility plant and equipment	¥ 5,413,077	¥ 5,383,520	\$ 66,013,135
Other plant	296,799	293,859	3,619,500
Construction in progress	544,257	492,087	6,637,280
	<b>6,254,133</b>	6,169,466	<b>76,269,915</b>
Less-			
Contributions in aid of construction	84,418	83,078	1,029,488
Accumulated depreciation	4,082,031	3,996,821	49,780,866
	<b>4,166,449</b>	4,079,899	<b>50,810,354</b>
Net property, plant and equipment (Note 5)	<b>2,087,684</b>	2,089,567	<b>25,459,561</b>
<b>Nuclear fuel</b>	<b>166,174</b>	165,673	<b>2,026,512</b>
<b>Investments and other assets:</b>			
Investment securities (Note 6,7)	67,756	64,987	826,293
Fund reserved reprocessing of irradiated nuclear fuel (Note 6)	72,111	76,053	879,402
Investments to non-consolidated subsidiaries and affiliated companies	86,611	86,824	1,056,232
Long-term loans to employees	336	446	4,098
Deferred tax assets (Note 14)	76,067	80,234	927,646
Other assets	39,238	37,542	478,512
Total investments and other assets	<b>342,119</b>	346,086	<b>4,172,183</b>
<b>Current assets:</b>			
Cash and time deposits (Note 4,6)	115,636	78,711	1,410,195
Receivables,less allowance for doubtful accounts of ¥801 million (\$9,768 thousand) in 2012 and ¥678 million in 2011 (Note 6)	82,029	68,278	1,000,354
Inventories,fuel and supplies	58,192	48,882	709,659
Deferred tax assets (Note 14)	12,286	10,074	149,829
Other current assets	23,078	23,857	281,439
Total current assets	<b>291,221</b>	229,802	<b>3,551,476</b>
Total assets	<b>¥ 2,887,198</b>	¥ 2,831,128	<b>\$ 35,209,732</b>

See notes to consolidated financial statements

Liabilities and Net Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
<b>Long-term liabilities:</b>			
Long-term debt (Note 6,9)	¥ 1,495,233	¥ 1,425,608	\$ 18,234,549
Employees' severance and retirement benefits (Note 13)	61,471	61,420	749,646
Retirement allowances for directors and corporate auditors	356	397	4,341
Provision for reprocessing of irradiated nuclear fuel	82,522	86,593	1,006,366
Provision for reprocessing of irradiated nuclear fuel without a fixed plan to reprocess	5,769	5,254	70,354
Asset retirement obligations (Note 15)	79,665	77,783	971,524
Other long-term liabilities	16,698	23,697	203,634
Total long-term liabilities	1,741,714	1,680,752	21,240,414
<b>Current liabilities:</b>			
Long-term debt due within one year (Note 6,9)	153,387	143,148	1,870,573
Short-term borrowings (Note 6)	70,520	71,200	860,000
Commercial Paper (Note 6)	18,000	65,000	219,512
Accounts payable (Note 6)	82,596	66,646	1,007,269
Accrued income taxes	15,636	6,107	190,683
Accrued expenses	46,207	39,371	563,500
Allowance for bonuses to directors and corporate auditors	69	73	841
Other current liabilities, including other long-term liabilities due within one year	46,375	39,705	565,549
Total current liabilities	432,790	431,250	5,277,927
Reserve for fluctuation in water levels	2,080	-	25,366
Provision for depreciation of nuclear power plants	65,741	57,879	801,720
Contingent liabilities (Note 11)			
<b>Net assets (Note 16):</b>			
<b>Stockholders' equity</b>			
Common stock :	185,528	185,528	2,262,537
Authorized-1,000,000,000 shares			
Issued-371,055,259 shares in 2012 and 2011			
Capital surplus	17,257	17,218	210,451
Retained earnings (Note 18)	446,486	462,193	5,444,951
Treasury Stock (8,357,115 shares in 2012 and 6,946,271 shares in 2011)	(14,459)	(12,541)	(176,329)
Total stockholders' equity	634,812	652,398	7,741,610
Net unrealized holding gains(losses) on securities	5,808	4,523	70,829
Net unrealized gains(losses) on hedges	-	97	-
Foreign currency translation adjustments	(122)	(108)	(1,488)
Accumulated other comprehensive income	5,686	4,512	69,341
Minority interests	4,375	4,337	53,354
Total net assets	644,873	661,247	7,864,305
Total liabilities and net assets	¥ 2,887,198	¥ 2,831,128	\$ 35,209,732



# Consolidated Statements of Comprehensive Income

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries  
For the years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Income(loss) before minority interests in net income of consolidated subsidiaries	<b>¥ 2,568</b>	¥ 1,987	<b>\$ 31,317</b>
<b>Other comprehensive income (loss):</b>			
Net unrealized holding gains(losses) on securities	<b>607</b>	(1,847)	<b>7,403</b>
Net unrealized gains(losses) on hedges	<b>(97)</b>	97	<b>(1,183)</b>
Share of other comprehensive income (loss) of associates accounted for using equity method	<b>668</b>	(412)	<b>8,146</b>
	<b>1,178</b>	(2,162)	<b>14,366</b>
<b>Comprehensive income (loss)</b>	<b>¥ 3,746</b>	¥ (175)	<b>\$ 45,683</b>
<b>Comprehensive income (loss) attribute to:</b>			
Comprehensive income (loss) attribute to owners of the parent	<b>3,673</b>	(367)	<b>44,793</b>
Comprehensive income (loss) attribute to minority interests	<b>73</b>	192	<b>890</b>

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, 2012 and 2011

	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	Minority interests	Total
<b>Balance at April 1, 2010</b>	371,055,259	¥ 185,528	¥ 17,218	¥ 478,607	¥ (12,506)	¥ 6,741	¥ -	¥ (71)	¥ 4,168	¥ 679,685
Net income				1,793						1,793
Cash dividends paid (¥50 per share)				(18,207)						(18,207)
Surplus from sale of treasury stock					8					8
Treasury stock purchased, net					(43)					(43)
Net changes other than stockholders' equity						(2,218)	97	(37)	169	(1,989)
<b>Balance at March 31, 2011</b>	371,055,259	¥ 185,528	¥ 17,218	¥ 462,193	¥ (12,541)	¥ 4,523	¥ 97	¥ (108)	¥ 4,337	¥ 661,247
Net income				2,498						2,498
Cash dividends paid (¥50 per share)				(18,205)						(18,205)
Surplus from sale of treasury stock			(1)		6					5
Treasury stock purchased, net					(1,924)					(1,924)
Other			40							40
Net changes other than stockholders' equity						1,285	(97)	(14)	38	1,212
<b>Balance at March 31, 2012</b>	<b>371,055,259</b>	<b>¥ 185,528</b>	<b>¥ 17,257</b>	<b>¥ 446,486</b>	<b>¥ (14,459)</b>	<b>¥ 5,808</b>	<b>¥ -</b>	<b>¥ (122)</b>	<b>¥ 4,375</b>	<b>¥ 644,873</b>

	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	Minority interests	Total	
<b>Balance at March 31, 2011</b>	\$ 2,262,537	\$ 209,976	\$ 5,636,500	\$ (152,939)	\$ 55,158	\$ 1,183	\$ (1,317)	\$ 52,890	\$ 8,063,988	
Net income			30,463						30,463	
Cash dividends paid (\$0.61 per share)			(222,012)						(222,012)	
Surplus from sale of treasury stock		(12)		73					61	
Treasury stock purchased, net				(23,463)					(23,463)	
Other		487							487	
Net changes other than stockholders' equity					15,671	(1,183)	(171)	464	14,781	
<b>Balance at March 31, 2012</b>	<b>\$ 2,262,537</b>	<b>\$ 210,451</b>	<b>\$ 5,444,951</b>	<b>\$ (176,329)</b>	<b>\$ 70,829</b>	<b>\$ -</b>	<b>\$ (1,488)</b>	<b>\$ 53,354</b>	<b>\$ 7,864,305</b>	

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, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
<b>Cash flows from operating activities:</b>			
Income (loss) before income taxes and minority interests in net income of consolidated subsidiaries	¥ 19,899	¥ 4,924	\$ 242,670
Depreciation	123,058	128,167	1,500,707
Decommissioning cost of nuclear power generating plants	1,737	836	21,183
Amortization of nuclear fuel	4,191	1,604	51,110
Equity in losses (earnings) of affiliated companies	174	(1,443)	2,122
Loss on disposal of property	5,349	6,219	65,232
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	6,816	-
Increase (decrease) in employees' severance and retirement benefits	50	550	610
Increase(decrease) in provision for reprocessing of irradiated nuclear fuel	(4,071)	(8,033)	(49,646)
Increase(decrease) in provision for reprocessing of irradiated nuclear fuel without a fixed plan to reprocess	514	620	6,268
Increase (decrease) in reserve for fluctuation in water levels	2,080	-	25,366
Increase(decrease) in provision for depreciation of nuclear power plants	7,861	12,124	95,866
Interest and dividend income	(2,220)	(2,141)	(27,073)
Interest expense	26,191	26,550	319,402
Decrease (increase) in fund reserved for reprocessing of irradiated nuclear fuel	3,941	7,726	48,061
Decrease (increase) in notes and accounts receivable	(14,315)	(2,151)	(174,573)
Decrease (increase) in inventories	(9,217)	5,220	(112,402)
Increase (decrease) in notes and accounts payable	16,224	1,968	197,854
Other	27,959	18,415	340,963
Subtotal	209,405	207,971	2,553,720
Interest and dividends received	2,801	2,692	34,158
Interest paid	(26,486)	(26,922)	(323,000)
Income taxes refund (paid)	(5,934)	(26,661)	(72,366)
<b>Net cash provided by (used in) operating activities</b>	<b>179,786</b>	<b>157,080</b>	<b>2,192,512</b>
<b>Cash flows from investing activities:</b>			
Purchase of property	(154,505)	(171,777)	(1,884,207)
Purchase of investments in securities	(67,277)	(84,464)	(820,451)
Proceeds from sale of investment securities	64,414	61,431	785,537
Other	4,861	4,949	59,280
<b>Net cash provided by (used in) investing activities</b>	<b>(152,507)</b>	<b>(189,861)</b>	<b>(1,859,841)</b>

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
<b>Cash flows from financing activities:</b>			
Proceeds from issue of bonds	-	89,701	-
Repayment of bonds	(80,000)	(70,000)	(975,610)
Proceeds from long-term debt	223,000	86,300	2,719,512
Repayment of long-term debt	(63,267)	(56,494)	(771,549)
Proceeds from short-term loans	170,780	158,840	2,082,683
Repayment of short-term loans	(171,470)	(159,620)	(2,091,098)
Proceeds from issue of commercial paper	375,000	633,000	4,573,171
Repayment of commercial paper	(422,000)	(608,000)	(5,146,341)
Purchase of treasury stock	(1,924)	(43)	(23,463)
Cash dividends paid	(18,205)	(18,206)	(222,012)
Other	(2,055)	(1,843)	(25,061)
<b>Net cash provided by (used in) financing activities</b>	<b>9,859</b>	<b>53,635</b>	<b>120,232</b>
Effect of exchange rate changes on cash and cash equivalents	(107)	(69)	(1,305)
Net increase(decrease) in cash and cash equivalents	37,031	20,785	451,598
Cash and cash equivalents at beginning of year	48,595	27,810	592,622
Cash and cash equivalents at end of year (Note 4)	<b>¥ 85,626</b>	<b>¥ 48,595</b>	<b>\$ 1,044,220</b>

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, 2012, which was ¥82 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, 2012, 21 subsidiaries (21 in 2011) were consolidated and 6 subsidiaries were excluded from consolidation due to immateriality in terms of consolidated total assets, sales and revenues, net income and retained earnings on the consolidated financial statements.

For the year ended March 31, 2012, 6 non-consolidated subsidiaries (6 in 2011) and 11 affiliated companies (11 in 2011) were accounted for by the equity method.

For the year ended March 31, 2012, 7 affiliated companies (7 in 2011) 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 not have had a material effect on the consolidated financial statements.

### 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 owners' equity. 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 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.

## **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.

## **Employees' severance and retirement benefits**

The Companies have defined benefits plans. On some occasions, employees are entitled to certain additional payments upon retirement.

The Companies provide for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the plan assets.

Prior service costs are recognized in expenses within the average of estimated remaining periods of the employees (mainly one year). Actuarial differences are recognized in expenses using a straight-line method over five years within the average of the estimated remaining service period commencing with the following period.

### **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 of summing up since fiscal year 2008 is ¥3,306 million of the term evenness.

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 minus ¥607 million (minus US\$7,402 thousand) on March 31, 2012.

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

A provision for the reprocessing of irradiated nuclear fuel without a fixed plan to reprocess is provided in the amount of estimated reprocessing costs.

Irradiated nuclear fuel without a fixed plan to reprocess has not yet been included in the provision for the reprocessing of irradiated nuclear fuel. In a temporary measure until a fixed plan has been established, the Ministry of Economy, Trade and Industry is determining a provision for reprocessing costs.

### **Reserve for fluctuation in water levels**

The Company provides drought reserves as required under the Electricity Business Act to stabilize its income situation with respect to fluctuation in water levels.

### **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.

### **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 unless the 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 the derivative financial instruments until the related gains or losses on the hedged items are recognized.

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, 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:

If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency and meets certain hedging criteria, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized. In this case, assessment of hedge effectiveness is not necessary.

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. In this case, assessment of hedge effectiveness is not necessary.

If commodity swap contracts are used as hedges and meet certain hedging criteria, the gain or loss is deferred until the gain or loss on the hedged item is recognized. In this case, hedge effectiveness is assessed based on the extent of correlation in recent years using statistical methods at the inception of the hedge, and by comparing the cumulative changes in fair value on an ongoing basis at each period-end.

Commodity swap contracts that do not qualify as hedges are stated at current value and unrealized gains or losses are recognized in the statements of operations.

### 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

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 in accordance with the prescriptions of an Ordinance of the Ministry of Economy, Trade and Industry, based on the proportion of the current generation of electric power to the estimated total generation of electric power of each plants.

### 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. Additional information

The Company and its consolidated domestic subsidiaries adopted "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan ("ASBJ") Statement No.24 issued on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No.24 issued on December 4, 2009) for accounting changes and corrections of prior period errors which are made from the fiscal year beginning on April 1, 2011.

## 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, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Cash and time deposits	¥ 115,636	¥ 78,711	\$ 1,410,195
Time deposits with maturities exceeding three months	(30,010)	(30,116)	(365,975)
Cash and cash equivalents	¥ 85,626	¥ 48,595	\$ 1,044,220

## 5. Property, plant and equipment

The major classifications of property, plant and equipment at March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Hydroelectric power production facilities	¥ 141,388	¥ 146,168	\$ 1,724,244
Thermal power production facilities	192,290	234,817	2,345,000
Nuclear power production facilities	76,491	77,151	932,817
Transmission facilities	374,089	391,087	4,562,061
Transformation facilities	150,006	155,766	1,829,341
Distribution facilities	374,650	382,333	4,568,903
General facilities	89,934	94,590	1,096,756
Inactive facilities	29,940	—	365,122
Other electric utility plant and equipment	4,659	2,774	56,817
Other plant	109,980	112,794	1,341,220
Construction in progress	544,257	492,087	6,637,280
Total	¥ 2,087,684	¥ 2,089,567	\$ 25,459,561

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 ¥84,418 million (US\$1,029,488 thousand), and ¥83,078 million at March 31, 2012 and 2011, 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.

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 forward exchange contracts, currency swap contracts, interest rate 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.

Currency swap contracts, forward exchange contracts, interest rate 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 nonperformance by counterparties is quite low, since the Companies use highly creditable financial institutions and others 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 rules providing authorization limits, methods of execution, reporting and management, etc.

Certain of the consolidated subsidiaries require such derivative financial instruments to be authorized by each representative director and executed in compliance with the respective internal rules.

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 does not have a market value. Since value calculation reflects variation factors, the relevant value may change depending on preconditions.

Please note that in terms of contract amount for derivative transactions described in "2. Issues related to fair value of financial instruments", the amount itself does not indicate market risk for derivative transactions.

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

The following are book values, fair values and the differences as of March 31, 2012 and 2011. 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		
	2012			2011			2012		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
<b>Assets</b>									
(1) Long-term investment: Available-for-sale securities	¥ 19,597	¥ 19,597	¥ –	¥ 17,160	¥ 17,160	¥ –	\$ 238,988	\$ 238,988	\$ –
(2) Fund reserved reprocessing of irradiated nuclear fuel	72,111	72,111	–	76,053	76,053	–	879,402	879,402	–
(3) Cash and time deposits	115,636	115,636	–	78,711	78,711	–	1,410,195	1,410,195	–
(4) Notes receivable and accounts receivable	78,088	78,088	–	64,157	64,157	–	952,293	952,293	–
<b>Liabilities</b>									
(5) Bonds	¥ 889,984	¥ 935,244	¥ 45,260	¥ 969,981	¥ 1,019,856	¥ 49,875	\$ 10,853,463	\$ 11,405,415	\$ 551,952
(6) Long-term borrowings	758,545	770,191	11,646	598,659	615,143	16,484	9,250,549	9,392,573	142,024
(7) Short-term borrowings	70,520	70,520	–	71,200	71,200	–	860,000	860,000	–
(8) Commercial Paper	18,000	18,000	–	65,000	65,000	–	219,512	219,512	–
(9) Notes payable and accounts payable	61,959	61,959	–	45,619	45,619	–	755,598	755,598	–
(10) Derivative transactions	(1,440)	(1,440)	–	(2,259)	(2,259)	–	(17,561)	(17,561)	–

(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 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, and (4) Notes receivable and accounts receivable

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.

(5) Bonds

The bonds with market value are valued as such. The bonds without market value are valued based on terms projected as if they were being newly issued. 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.

(6) 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.

(7) Short-term borrowings, (8) Commercial Paper, and (9) 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.

(10) Derivative transactions

Please refer to 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		
	2012	2011	2012
Unlisted stocks	¥ 42,967	¥ 43,084	\$ 523,988
Other	1,029	1,022	12,549
Total	¥ 43,996	¥ 44,106	\$ 536,537

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		
	2012	2011	2012
Long-term investment:	¥ —	¥ —	\$ —
Available-for-sale securities with maturity			
Fund reserved reprocessing of irradiated nuclear fuel	11,779	12,845	143,646
Cash and time deposits	115,636	78,711	1,410,195
Notes receivable and accounts receivable	78,088	64,157	952,293
Total	¥ 205,503	¥ 155,713	\$ 2,506,134

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

Millions of yen						
2012						
	Within 1 year	1 year–2 years	2 years–3 years	3 years–4 years	4 years–5 years	Over 5 Years
Bonds	¥ 75,000	¥ 80,000	¥ 140,000	¥ 55,000	¥ 90,000	¥ 450,000
Long-term borrowings	78,343	158,339	64,943	131,336	78,100	247,484
Short-term borrowings	70,520	—	—	—	—	—
Commercial Paper	18,000	—	—	—	—	—
Total	¥ 241,863	¥ 238,339	¥ 204,943	¥ 186,336	¥ 168,100	¥ 697,484

Millions of yen						
2011						
	Within 1 year	1 year–2 years	2 years–3 years	3 years–4 years	4 years–5 years	Over 5 Years
Bonds	¥ 80,000	¥ 75,000	¥ 80,000	¥ 140,000	¥ 55,000	¥ 540,000
Long-term borrowings	63,107	78,344	108,340	59,944	113,336	175,588
Short-term borrowings	71,200	—	—	—	—	—
Commercial Paper	65,000	—	—	—	—	—
Total	¥ 279,307	¥ 153,344	¥ 188,340	¥ 199,944	¥ 168,336	¥ 715,588

Thousands of U.S. dollars						
2012						
	Within 1 year	1 year–2 years	2 years–3 years	3 years–4 years	4 years–5 years	Over 5 Years
Bonds	\$ 914,634	\$ 975,610	\$ 1,707,317	\$ 670,732	\$ 1,097,561	\$ 5,487,805
Long-term borrowings	955,403	1,930,963	791,988	1,601,658	952,439	3,018,097
Short-term borrowings	860,000	—	—	—	—	—
Commercial Paper	219,512	—	—	—	—	—
Total	\$ 2,949,549	\$ 2,906,573	\$ 2,499,305	\$ 2,272,390	\$ 2,050,000	\$ 8,505,902

(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

### Available-for-sale securities

Categories	Millions of yen						Thousands of U.S. dollars		
	2012			2011			2012		
	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	¥ 16,699	¥ 5,901	¥ 10,798	¥ 14,547	¥ 3,788	¥ 10,759	\$ 203,646	\$ 71,963	\$ 131,683
Bonds	—	—	—	—	—	—	—	—	—
Other	19	17	2	19	17	2	232	208	24
Subtotal	¥ 16,718	¥ 5,918	¥ 10,800	¥ 14,566	¥ 3,805	¥ 10,761	\$ 203,878	\$ 72,171	\$ 131,707
Available-for-sale securities with book values not exceeding acquisition costs									
Equity securities	¥ 2,879	¥ 3,373	¥ (494)	¥ 2,594	¥ 3,013	¥ (419)	\$ 35,110	\$ 41,134	\$ (6,024)
Bonds	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—	—
Subtotal	¥ 2,879	¥ 3,373	¥ (494)	¥ 2,594	¥ 3,013	¥ (419)	\$ 35,110	\$ 41,134	\$ (6,024)
Total	¥ 19,597	¥ 9,291	¥ 10,306	¥ 17,160	¥ 6,818	¥ 10,342	\$ 238,988	\$ 113,305	\$ 125,683

Since, for the fiscal years ended March 31, 2012 and 2011, unlisted stocks (¥43,996 million (US\$536,537 thousand), ¥44,106 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".

Further, in the fiscal year ended March 31, 2011, we have carried out ¥944 million of amortization of available-for-sale security stocks.

## 8. Derivatives and hedge accounting

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

<Currencies>

			Millions of yen							
			2012				2011			
Categories	Type of transaction		Amount of contract	Amount of contract longer than 1 year	Fair value	Unrealized gains or losses	Amount of contract	Amount of contract longer than 1 year	Fair value	Unrealized gains or losses
Transaction outside market	Forward foreign exchange contracts	USD Long	<b>¥ 3,913</b>	<b>¥ 1,259</b>	<b>¥ (648)</b>	<b>¥ (648)</b>	¥ 6,560	¥ 3,913	¥ (1,070)	¥ (1,070)
		EURO Long	<b>4,198</b>	<b>1,812</b>	<b>(882)</b>	<b>(882)</b>	8,476	5,003	(1,457)	(1,457)
	Currency swaps (received in USD/paid in JPY)		<b>1,242</b>	<b>532</b>	<b>90</b>	<b>90</b>	1,952	1,242	116	116

			Thousands of U.S. dollars			
			2012			
Categories	Type of transaction		Amount of contract	Amount of contract longer than 1 year	Fair value	Unrealized gains or losses
Transaction outside market	Forward foreign exchange contracts	USD Long	<b>\$ 47,720</b>	<b>\$ 15,354</b>	<b>\$ (7,902)</b>	<b>\$ (7,902)</b>
		EURO Long	<b>51,195</b>	<b>22,098</b>	<b>(10,756)</b>	<b>(10,756)</b>
	Currency swaps (received in USD/paid in JPY)		<b>15,146</b>	<b>6,488</b>	<b>1,098</b>	<b>1,098</b>

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

## B. Derivative transaction where hedge accounting is applied

<Currencies>

			Millions of yen					
			2012			2011		
Hedge accounting method	Type of transaction	Items to be hedged	Amount of contract	Amount of contract longer than 1 year	Fair value	Amount of contract	Amount of contract longer than 1 year	Fair value
Principled processing method	Forward foreign exchange contracts	USD Long	¥ -	¥ -	¥ -	¥ 1,690	¥ -	¥ 28
		GBP Long	-	-	-	354	-	6

			Thousands of U.S. dollars		
			2012		
Hedge accounting method	Type of transaction	Items to be hedged	Amount of contract	Amount of contract longer than 1 year	Fair value
Principled processing method	Forward foreign exchange contracts	USD Long	\$ -	\$ -	\$ -
		GBP Long	-	-	-

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

<Interest>

			Millions of yen					
			2012			2011		
Hedge accounting method	Type of transaction	Items to be hedged	Amount of contract	Amount of contract longer than 1 year	Fair value	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	¥ 89,515	¥ 88,801	(Note c)	¥ 91,229	¥ 89,515	(Note c)
	Fixed-rate receipt & flexible-rate receipt		84,500	74,000	(Note c)	101,000	84,500	(Note c)

			Thousands of U.S. dollars		
			2012		
Hedge accounting method	Type of transaction	Items to be hedged	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	\$ 1,091,646	\$ 1,082,939	(Note c)
	Fixed-rate receipt & flexible-rate receipt		1,030,488	902,439	(Note c)

(Note c) 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>

			Millions of yen					
Hedge accounting method	Type of transaction	Items to be hedged	2012			2011		
			Amount of contract	Amount of contract longer than 1 year	Fair value	Amount of contract	Amount of contract longer than 1 year	Fair value
Principled processing method	Commodity swap	Fuel import payment debt (projected transaction)	¥ -	¥ -	¥ -	¥ 1,143	¥ -	¥ 118
	Fixed-rate payment & flexible-rate receipt							
			Thousands of U.S. dollars					
Hedge accounting method	Type of transaction	Items to be hedged	2012					
			Amount of contract	Amount of contract longer than 1 year	Fair value			
Principled processing method	Commodity swap	Fuel import payment debt (projected transaction)	\$ -	\$ -	\$ -			
	Fixed-rate payment & flexible-rate receipt							

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

## 9. Long-term debt

Long-term debt at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Domestic bonds due through 2029 at rates of 0.33% to 4.1%	¥ 889,984	¥ 969,981	\$ 10,853,463
Loans from the Development Bank of Japan Inc., other banks and insurance companies due through 2031	758,545	598,659	9,250,549
Lease obligations	91	116	1,110
	<b>1,648,620</b>	1,568,756	<b>20,105,122</b>
Less amounts due within one year	(153,387)	(143,148)	(1,870,573)
Total	<b>¥ 1,495,233</b>	¥ 1,425,608	<b>\$ 18,234,549</b>

At March 31, 2012 and 2011, loans from the Development Bank of Japan Inc. in amount of ¥213,992 million (US\$2,609,659 thousand) and ¥187,905 million, respectively, and all bonds were secured by a statutory preferential right which gives the creditors a security interest in all assets of the Company, totaling ¥2,688,959 million (US\$32,792,183 thousand) and ¥2,635,191 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, 2012 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2013	¥ 153,343	\$ 1,870,037
2014	238,339	2,906,573
2015	204,943	2,499,305
2016	186,336	2,272,390
Thereafter	865,584	10,555,902

(Note) Excluding lease obligations.

## 10. Leases

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.

(As lessee)

Lease payments under non-capitalized finance leases amounted to ¥39 million (US\$476 thousand) and ¥68 million for the years ended March 31, 2012 and 2011, respectively.

The present values of future minimum lease payments under non-capitalized finance leases and future minimum lease payments under operating leases as of March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Current portion	¥ 17	¥ 39	\$ 207
Non-current portion	19	37	232
Total	¥ 36	¥ 76	\$ 439

(As lessor)

Lease payments received under non-capitalized finance leases amounted to ¥308 million (US\$3,756 thousand) and ¥343 million for the years ended March 31, 2012 and 2011, respectively.

The present values of future minimum lease payments to be received under non-capitalized finance leases as of March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Current portion	¥ 368	¥ 316	\$ 4,488
Non-current portion	1,845	2,223	22,500
Total	¥ 2,213	¥ 2,539	\$ 26,988

## 11. Contingent liabilities

At March 31, 2012, the Companies were contingently liable as guarantors for loans of other companies and employees in the amount of ¥135,315 million (US\$1,650,183 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 ¥5,000 million (US\$60,976 thousand).

## 12. Research and development expenses

Research and development expenses charged to operating expenses were ¥5,971 million (US \$72,817 thousand), and ¥6,364 million for the years ended March 31, 2012 and 2011, respectively.

### 13. Employees' severance and retirement benefits

The liabilities for employees' severance and retirement benefits included in the liabilities section of the consolidated balance sheets as of March 31, 2012 and 2011 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Projected benefit obligation	¥ (250,875)	¥ (246,379)	\$ (3,059,451)
Fair value of plan assets	214,678	211,741	2,618,024
	(36,197)	(34,638)	(441,427)
Unrecognized actuarial differences	3,259	3,959	39,744
Unrecognized prior service costs	68	(37)	829
Prepaid pension expense	28,601	30,704	348,792
Employees' severance and retirement benefits	¥ (61,471)	¥ (61,420)	\$ (749,646)

Included in the consolidated statements of income for the years ended March 31, 2012 and 2011 are employees' severance and retirement benefit expenses comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Service costs-benefits earned during the year	¥ 7,894	¥ 7,819	\$ 96,269
Interest cost on projected benefit obligation	5,136	5,329	62,634
Expected return on plan assets	(3,449)	(3,433)	(42,061)
Amortization of actuarial differences	1,800	(2,590)	21,951
Amortization of prior service costs	(107)	207	(1,305)
Severance and retirement benefit expenses	11,274	7,332	137,488
Defined contribution pension premium, etc.	693	686	8,451
Total	¥ 11,967	¥ 8,018	\$ 145,939

The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year using the estimated number of total service years. For the year ended March 31, 2012, the discount rate and the rates of expected return on plan assets used by the Companies are 1.8% and mainly 1.7%, respectively.

For the year ended March 31, 2011, the discount rates and the rates of expected return on plan assets used by the Companies were 2.1% and mainly 1.7%, respectively.

## 14. Income taxes

The Company is subject to a number of taxes based on income, which, in the aggregate, indicate a statutory rate in Japan of approximately 36% for the years ended March 31, 2012 and 2011. The Companies' statutory tax rate is lower than companies in other industries because enterprise tax is included in the operating expenses of electrical utilities.

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
<b>Deferred tax assets:</b>			
Provision for depreciation of nuclear power plants	¥ 21,451	¥ 20,923	\$ 261,598
Excess depreciation	16,399	17,615	199,988
Adjustment for unrealized intercompany profits	12,780	12,934	155,854
Employees' severance and retirement benefits	11,322	11,493	138,073
Asset retirement obligations	10,465	12,196	127,622
Provision for reprocessing of irradiated nuclear fuel	7,335	8,842	89,451
Accrued bonuses and other expenses	5,041	5,548	61,476
Other	18,792	18,527	229,170
Total gross deferred tax assets	103,585	108,078	1,263,232
Less valuation allowance	(8,992)	(10,522)	(109,659)
Total deferred tax assets	94,593	97,556	1,153,573
<b>Deferred tax liabilities:</b>			
Unrealized holding gains (losses) on securities	(3,282)	(3,822)	(40,024)
Asset cost equivalent of asset retirement obligations	(2,744)	(3,176)	(33,463)
Other	(213)	(250)	(2,598)
Total deferred tax liabilities	(6,239)	(7,248)	(76,085)
Net deferred tax assets	¥ 88,354	¥ 90,308	\$ 1,077,488

The causes of the discrepancies between the statutory effective tax rates and the rates of income taxes after application of tax effect accounting in the fiscal years ended March 31, 2012 and 2011 were as follows:

	2012	2011
The Company's statutory effective tax rate	36.15%	36.15%
(Adjustment)		
Decrease in year-end deferred tax assets due to tax rate changes	47.52%	—%
Difference from consolidated subsidiaries' effective tax rate	3.19%	8.07%
Other	0.23%	15.43%
Income taxes rate after application of tax effect accounting	87.09%	59.65%

### Adjustment of deferred tax assets and liabilities due to changes in rates of income taxes

The Japanese government has announced the Act for Partial Amendment of the Income Tax Act and Other Acts in Order to Build a Tax System Accommodating Structural Changes in the Social Economy and the Act on Special Measures to Secure Financing for Implementing Steps for Recovery from the Great Eastern Japan Earthquake. The statutory effective tax rates for calculation of deferred tax assets and deferred tax liabilities in the fiscal year ended March 31, 2012. As a result, we have used the changed tax rates.

Based on these Acts, our deferred tax assets have decreased ¥8,909 million (US\$108,646 thousand) and the amount of our deferred income tax expenses has been adjusted ¥9,455 million (US\$115,305 thousand). Also, our accumulated other comprehensive income has increased by ¥545 million (US\$6,646 thousand) and minority interest share has increased by ¥1 million (US\$12 thousand).

## 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 asset retirement obligations are reckoned up by taking the total estimated cost of the demolition to be the cost of demolishing the nuclear power generation facility and taking into account the nuclear power generation record.

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

The value of the asset retirement obligations was calculated by taking as the estimated use period the generation facility operational period which is the basis for the calculation of projected total electrical energy output that 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, 2012:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Balance at beginning of the fiscal year	¥ 77,783	¥ —	\$ 948,573
Balance at beginning of the fiscal year after application of Accounting Standard	—	75,808	—
Changes in estimated obligations and accretion	1,882	1,975	22,951
Balance at end of the fiscal year	¥ 79,665	¥ 77,783	\$ 971,524

The “Balance at beginning of the fiscal year after application of Accounting Standard” for the fiscal year ended March 31, 2011 includes ¥61,346 million transferred from the provision for decommissioning of nuclear power generating plants, and extraordinary losses calculated at ¥6,816 million for the fiscal year ended March 31, 2011.

## 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 27, 2012, the stockholders approved cash dividends amounting to ¥9,068 million (US\$110,585 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2012. 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 telecommunications 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, 2012 and 2011 is as follows:

	Millions of yen							
	2012							
	Reporting segment				Other	Total	Adjustment	Consolidated
Electric power	Comprehensive energy supply	Information and Telecommunications	Total					
<b>Operating revenues:</b>								
Outside customers	¥ 1,075,318	¥ 43,914	¥ 24,162	¥ 1,143,394	¥ 37,956	¥ 1,181,350	¥ -	¥ 1,181,350
Intersegment	3,022	2,209	13,491	18,722	88,178	106,900	(106,900)	-
Total	1,078,340	46,123	37,653	1,162,116	126,134	1,288,250	(106,900)	1,181,350
Segment income (loss)	¥ 43,182	¥ 1,002	¥ 5,889	¥ 50,073	¥ 4,994	¥ 55,067	¥ (4)	¥ 55,063
Segment assets	2,656,147	20,990	72,197	2,749,334	233,456	2,982,790	(95,592)	2,887,198
<b>Other items:</b>								
Depreciation expense	¥ 111,672	¥ 2,039	¥ 7,174	¥ 120,885	¥ 3,989	¥ 124,874	¥ (1,816)	¥ 123,058
Investment in equity method affiliated companies	9,122	2,057	552	11,731	74,714	86,445	-	86,445
Value increase in tangible and intangible assets	142,288	57	8,101	150,446	3,786	154,232	(2,556)	151,676

	Millions of yen							
	2011							
	Reporting segment				Other	Total	Adjustment	Consolidated
Electric power	Comprehensive energy supply	Information and Telecommunications	Total					
<b>Operating revenues:</b>								
Outside customers	¥ 996,563	¥ 35,641	¥ 22,545	¥ 1,054,749	¥ 39,551	¥ 1,094,300	¥ –	¥ 1,094,300
Intersegment	3,033	1,860	12,335	17,228	93,740	110,968	(110,968)	–
Total	999,596	37,501	34,880	1,071,977	133,291	1,205,268	(110,968)	1,094,300
Segment income (loss)	¥ 37,442	¥ 1,108	¥ 5,304	¥ 43,854	¥ 5,675	¥ 49,529	¥ (1,048)	¥ 48,481
Segment assets	2,602,382	19,418	71,218	2,693,018	235,246	2,928,264	(97,136)	2,831,128
<b>Other items:</b>								
Depreciation expense	¥ 115,500	¥ 2,304	¥ 7,170	¥ 124,974	¥ 4,026	¥ 129,000	¥ (833)	¥ 128,167
Investment in equity method affiliated companies	8,792	1,808	442	11,042	75,616	86,658	–	86,658
Value increase in tangible and intangible assets	155,375	349	6,681	162,405	3,813	166,218	(2,983)	163,235

	Thousands of U.S. dollars							
	2012							
	Reporting segment				Other	Total	Adjustment	Consolidated
Electric power	Comprehensive energy supply	Information and Telecommunications	Total					
<b>Operating revenues:</b>								
Outside customers	\$ 13,113,634	\$ 535,536	\$ 294,659	\$ 13,943,829	\$ 462,878	\$ 14,406,707	\$ –	\$ 14,406,707
Intersegment	36,854	26,939	164,524	228,317	1,075,342	1,303,659	(1,303,659)	–
Total	13,150,488	562,475	459,183	14,172,146	1,538,220	15,710,366	(1,303,659)	14,406,707
Segment income (loss)	\$ 526,610	\$ 12,219	\$ 71,817	\$ 610,646	\$ 60,903	\$ 671,549	\$ (49)	\$ 671,500
Segment assets	32,392,037	255,975	880,451	33,528,463	2,847,025	36,375,488	(1,165,756)	35,209,732
<b>Other items:</b>								
Depreciation expense	\$ 1,361,854	\$ 24,865	\$ 87,488	\$ 1,474,207	\$ 48,646	\$ 1,522,853	\$ (22,146)	\$ 1,500,707
Investment in equity method affiliated companies	111,244	25,085	6,732	143,061	911,146	1,054,207	–	1,054,207
Value increase in tangible and intangible assets	1,735,220	695	98,792	1,834,707	46,171	1,880,878	(31,171)	1,849,707

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 Income for the fiscal years ended March 31, 2012 and 2011, 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, 2012 and 2011, 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 Income for the fiscal years ended March 31, 2012 and 2011, information concerning major customers is omitted here.

## 18. Subsequent event

The following appropriations of retained earnings at March 31, 2012 were approved at the annual meeting of stockholders held on June 27, 2012:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥25 (\$0.30) per share	¥ 9,068	\$ 110,585

# Independent Auditors' Report



## 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, 2012 and 2011, 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, 2012 and 2011, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012 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**

August 9, 2012  
Hiroshima, Japan

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.

# Non-Consolidated Balance Sheets

The Chugoku Electric Power Co., Inc.  
March 31, 2012 and 2011

Assets	Millions of yen		Thousands of U.S.dollars
	2012	2011	2012
<b>Property, plant and equipment:</b>			
Plant and equipment	<b>¥ 5,561,771</b>	¥ 5,534,039	<b>\$ 67,826,475</b>
Construction in progress	<b>549,202</b>	496,519	<b>6,697,585</b>
	<b>6,110,973</b>	6,030,558	<b>74,524,060</b>
Less-			
Contributions in aid of construction	<b>82,847</b>	81,528	<b>1,010,329</b>
Accumulated depreciation	<b>4,000,654</b>	3,921,812	<b>48,788,463</b>
	<b>4,083,501</b>	4,003,340	<b>49,798,792</b>
Net property, plant and equipment	<b>2,027,472</b>	2,027,218	<b>24,725,268</b>
<b>Nuclear fuel</b>	<b>166,174</b>	165,673	<b>2,026,512</b>
<b>Investments and other assets:</b>			
Investment securities	<b>64,062</b>	61,368	<b>781,244</b>
Fund reserved for reprocessing of irradiated nuclear fuel	<b>72,111</b>	76,053	<b>879,402</b>
Investments to subsidiaries and affiliated companies	<b>35,323</b>	35,841	<b>430,768</b>
Long-term loans to employees	<b>220</b>	324	<b>2,683</b>
Deferred tax assets	<b>60,079</b>	63,742	<b>732,671</b>
Other assets	<b>38,116</b>	35,407	<b>464,830</b>
Total investments and other assets	<b>269,911</b>	272,735	<b>3,291,598</b>
<b>Current assets:</b>			
Cash and time deposits	<b>87,547</b>	56,598	<b>1,067,646</b>
Receivables, less allowance for doubtful accounts of ¥611 million (\$7,451 thousand) in 2012 and ¥536 million in 2011	<b>67,163</b>	54,516	<b>819,061</b>
Inventories, fuel and supplies	<b>45,413</b>	36,526	<b>553,817</b>
Deferred tax assets	<b>9,919</b>	7,639	<b>120,963</b>
Other current assets	<b>15,360</b>	14,286	<b>187,318</b>
Total current assets	<b>225,402</b>	169,565	<b>2,748,805</b>
Total assets	<b>¥ 2,688,959</b>	¥ 2,635,191	<b>\$ 32,792,183</b>

Liabilities and Net Assets	Millions of yen		Thousands of U.S.dollars
	2012	2011	2012
<b>Long-term liabilities:</b>			
Long-term debt	¥ 1,473,644	¥ 1,405,061	\$ 17,971,268
Employees' severance and retirement benefits	52,199	52,099	636,573
Provision for reprocessing of irradiated nuclear fuel	82,522	86,593	1,006,366
Provision for reprocessing of irradiated nuclear fuel without a fixed plan to reprocess	5,769	5,254	70,354
Asset retirement obligations	79,665	77,783	971,524
Other long-term liabilities	14,062	15,879	171,488
Total long-term liabilities	1,707,861	1,642,669	20,827,573
<b>Current liabilities:</b>			
Long-term debt due within one year	151,414	136,755	1,846,512
Short-term borrowings	68,570	69,300	836,220
Commercial paper	18,000	65,000	219,512
Accounts payable	70,029	53,764	854,012
Accrued income taxes	14,847	5,355	181,061
Accrued expenses	40,214	33,972	490,415
Other current liabilities, including other long-term liabilities due within one year	35,544	34,639	433,463
Total current liabilities	398,618	398,785	4,861,195
Reserve for fluctuation in water levels	2,080	-	25,366
Provision for depreciation of nuclear power plants	65,741	57,879	801,720
<b>Net Assets:</b>			
Common stock	185,528	185,528	2,262,537
Authorized-1,000,000,000 shares			
Issued-371,055,259 shares in 2012 and 2011			
Capital surplus	16,731	16,732	204,036
Retained earnings	321,860	341,460	3,925,122
Treasury stock (8,349,402 shares in 2012 and 6,938,560 shares in 2011)	(14,453)	(12,534)	(176,256)
Net unrealized gains(losses) on hedges	-	97	-
Net unrealized holding gains(losses) on securities	4,993	4,575	60,890
Total net assets	514,659	535,858	6,276,329
Total liabilities and net assets	¥ 2,688,959	¥ 2,635,191	\$ 32,792,183

# Non-Consolidated Statements of Operations

The Chugoku Electric Power Co.,Inc.  
For the years ended March 31,2012 and 2011

	Millions of yen		Thousands of U.S.dollars
	2012	2011	2012
Operating revenues	<b>¥ 1,115,763</b>	¥ 1,028,844	<b>\$ 13,606,866</b>
Operating expenses:			
Personnel	<b>111,411</b>	106,799	<b>1,358,671</b>
Fuel	<b>319,990</b>	254,402	<b>3,902,317</b>
Purchased power	<b>201,882</b>	200,186	<b>2,461,976</b>
Depreciation	<b>111,672</b>	115,500	<b>1,361,854</b>
Maintenance	<b>100,075</b>	90,114	<b>1,220,427</b>
Taxes other than income taxes	<b>58,408</b>	58,765	<b>712,292</b>
Purchased services	<b>42,747</b>	42,438	<b>521,305</b>
Other	<b>126,553</b>	122,870	<b>1,543,329</b>
	<b>1,072,738</b>	991,074	<b>13,082,171</b>
Operating income(loss)	<b>43,025</b>	37,770	<b>524,695</b>
Other expenses(income):			
Interest expense	<b>25,831</b>	26,120	<b>315,012</b>
Interest income	<b>(1,347)</b>	(1,435)	<b>(16,427)</b>
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	6,816	-
Other,net	<b>(1,768)</b>	(1,703)	<b>(21,561)</b>
	<b>22,716</b>	29,798	<b>277,024</b>
Income(loss) before special item and income taxes	<b>20,309</b>	7,972	<b>247,671</b>
Special item:			
Provision of reserve for fluctuation in water levels	<b>2,080</b>	-	<b>25,366</b>
Provision for depreciation of nuclear power plants	<b>7,861</b>	12,124	<b>95,866</b>
Income (loss) before income taxes	<b>10,368</b>	(4,152)	<b>126,439</b>
Provision for income taxes:			
Current	<b>9,930</b>	5,780	<b>121,098</b>
Deferred	<b>1,832</b>	(6,922)	<b>22,341</b>
	<b>11,762</b>	(1,142)	<b>143,439</b>
Net income(loss)	<b>¥ (1,394)</b>	¥ (3,010)	<b>\$ (17,000)</b>

	Yen		U.S.dollars
	2012	2011	2012
Per share data:			
Net income(loss) (Basic)	<b>¥ (3.83)</b>	¥ (8.27)	<b>\$ (0.05)</b>
Cash dividends	<b>50.00</b>	50.00	<b>0.61</b>

# Non-Consolidated Statements of Changes in Net Assets

The Chugoku Electric Power Co., Inc.  
For the years ended March 31, 2012 and 2011

	Millions of yen							Total
	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	
<b>Balance at April 1, 2010</b>	371,055,259	¥ 185,528	¥ 16,733	¥ 362,677	¥ (12,500)	¥ 6,284	¥ -	¥ 558,722
Net loss				(3,010)				(3,010)
Cash dividends paid (¥50 per share)				(18,207)				(18,207)
Surplus from sale of treasury stock			(1)		9			8
Treasury stock purchased, net					(43)			(43)
Net changes other than stockholders' equity						(1,709)	97	(1,612)
<b>Balance at March 31, 2011</b>	371,055,259	¥ 185,528	¥ 16,732	¥ 341,460	¥ (12,534)	¥ 4,575	¥ 97	¥ 535,858
Net loss				(1,394)				(1,394)
Cash dividends paid (¥50 per share)				(18,206)				(18,206)
Surplus from sale of treasury stock			(1)		5			4
Treasury stock purchased, net					(1,924)			(1,924)
Net changes other than stockholders' equity						418	(97)	321
<b>Balance at March 31, 2012</b>	<b>371,055,259</b>	<b>¥ 185,528</b>	<b>¥ 16,731</b>	<b>¥ 321,860</b>	<b>¥ (14,453)</b>	<b>¥ 4,993</b>	<b>¥ -</b>	<b>¥ 514,659</b>

	Thousands of U.S. dollars							Total
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains(losses) on securities	Net unrealized gains(losses) on hedges		
<b>Balance at March 31, 2011</b>	\$ 2,262,537	\$ 204,049	\$ 4,164,146	\$ (152,854)	\$ 55,793	\$ 1,183	\$ 6,534,854	
Net loss			(17,000)				(17,000)	
Cash dividends paid (\$0.61 per share)			(222,024)				(222,024)	
Surplus from sale of treasury stock		(13)		61			48	
Treasury stock purchased, net				(23,463)			(23,463)	
Net changes other than stockholders' equity					5,097	(1,183)	3,914	
<b>Balance at March 31, 2012</b>	<b>\$ 2,262,537</b>	<b>\$ 204,036</b>	<b>\$ 3,925,122</b>	<b>\$ (176,256)</b>	<b>\$ 60,890</b>	<b>\$ -</b>	<b>\$ 6,276,329</b>	

# Major Subsidiaries and Affiliated Companies

As of March 31, 2012

Name	Capital (Millions of yen)	Chugoku Electric Power's Ownership (%)	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
The Chugoku Electric Manufacturing Company, Incorporated*	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
Energia Eco Materia Company,Incorporated*	300	100.0	Processing and marketing of products made of coal ash and powdered limestone
OZUKI STEEL INDUSTRIES CO.,LTD.*	50	80.0	Manufacturing of cast steel products
CHUDEN ENGINEERING CONSULTANTS CO., LTD.*	100	80.0	Civil engineering and construction consulting
Energia Life & Access Co.,Inc.*	65	77.7	Water heater sales and leasing
The Energia Logistics Co.,Inc.*	40	70.0	Logistics and warehousing
TEMPEARL INDUSTRIAL CO.,LTD.*	150	56.6	Manufacturing of electric machine tools
CHUGOKU KOATSU CONCRETE INDUSTRIES CO.,LTD.*	150	50.1	Manufacturing of concrete products
Sanko Inc.*	30	46.7	Printing,advertising
Energia Care Service Co.,Inc.*	78	33.3	Management of a nursing home,day-care services,home nursing care services
Energia Human Resource Solutions Co.,Inc.*	60	30.0	Personnel dispatching business
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	Procurement of electric power
Okayama Pipeline Corporation	400	50.0	Gas piping business
Osaki Coolgen Corporation	490	50.0	Development of Coal Gasification Technology
CHUDENKO CORPORATION**	3,481	41.6	Electrical and telecommunications engineering
MIZUSHIMA LNG SALES COMPANY,LIMITED**	175	40.0	sales of LNG
Houseplus Chugoku Housing Warranty Corporation Limited**	50	33.3	Functional evaluation and construction confirmation checks for housing
Hiroshima Cable Television Corp.**	1,200	34.9	Cable television broadcasting
EAML Engineering Company Limited**	50	21.8	Manufacturing of instruments for hydroelectric power generation

\* Consolidated subsidiary

\*\* Affiliated company accounted for by the equity method

# Corporate Data (As of March 31, 2012)

## LOCATIONS:

### Head Office

4-33, Komachi, Naka-ku, Hiroshima 730-8701, Japan  
Tel:+81-82-241-0211 Fax:+81-82-523-6150

### Tottori Office

1-2, Shinhonjicho, Tottori 680-0812, Japan  
Tel:+81-857-24-2241 Fax:+81-857-67-3016

### Shimane Office

115, Horomachi, Matsue, Shimane 690-8514, Japan  
Tel:+81-852-27-1113 Fax:+81-852-77-3002

### Okayama Office

11-1, Uchisange 1-chome, Kita-ku Okayama 700-8706, Japan  
Tel:+81-86-222-6731 Fax:+81-86-227-4805

### Yamaguchi Office

3-1, Chuo 2-chome, Yamaguchi 753-8506, Japan  
Tel:+81-83-922-0690 Fax:+81-83-921-3151

### Tokyo Office

7-12, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan  
Tel:+81-3-3201-1171 Fax:+81-3-5223-8224

## NUMBER OF USERS

Residential (lighting)	4,723,569
Industrial and commercial	487,386
<b>Total</b>	<b>5,210,955</b>

## SUPPLY INFRASTRUCTURE

Power Stations	Number of Facilities	Generating Capacity (MW)
Hydroelectric	97	2,906
Thermal	12	7,801
Nuclear	1	1,280
New energy sources	1	3
<b>Total</b>	<b>111</b>	<b>11,989</b>

**Transmission Lines (Route length)** :8,366 kilometers

**Number of Substations** :470

**Distribution Lines(Route length)** :82,328 kilometers

# Investor Information (As of March 31, 2012)

## INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS:

KPMG AZSA & Co.

## TRANSFER AGENT AND REGISTRAR:

The Sumitomo Trust & Banking Co.,Ltd.

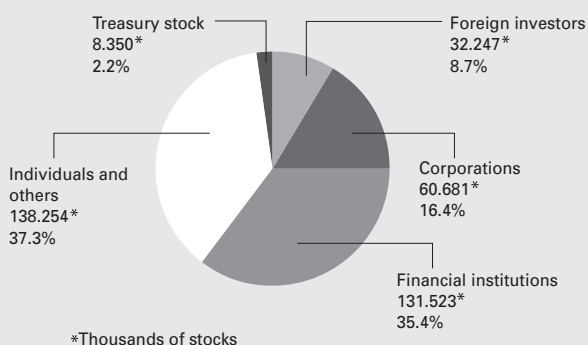
## SECURITIES TRADED:

Tokyo Stock Exchange,Osaka Securities Exchange

**NUMBER OF STOCKHOLDERS:**141,906

**COMMON STOCK ISSUED:**371,055,259 shares

## DISTRIBUTION OF COMMON STOCK ISSUED:



## MAJOR STOCKHOLDERS

Name	Number of Stocks Held (thousands)	Percentage (%)
Yamaguchi Pref.Shinko Zaidan	34,005	9.4
Nippon Life Insurance Company	23,148	6.4
The Master Trust Bank of Japan, Ltd.(Trust account)	15,412	4.2
Japan Trustee Services Bank, Ltd.(Trust account)	12,296	3.4
The Hiroshima Bank,Ltd.	6,592	1.8
Company stock investment	6,529	1.8
Mizuho Corporate Bank,Ltd.	6,301	1.7
The Sumitomo Trust & Banking Co.,Ltd.	5,736	1.6
The San-in Godo Bank, Ltd.	5,547	1.5
Kochi Shinkin Bank	4,442	1.2

Note:The table above excludes 8,349thousand shares of treasury stock.

## STOCK PRICE RANGE ON THE TOKYO STOCK EXCHANGE

Fiscal year		High (yen)	Low (yen)
2012	1st quarter	1,561	990
	2nd quarter	1,436	1,095
	3rd quarter	1,369	1,115
	4th quarter	1,592	1,335
2013	1st quarter	1,565	1,167

# MEMO

# **The Chugoku Electric Power Co., Inc.**

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

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