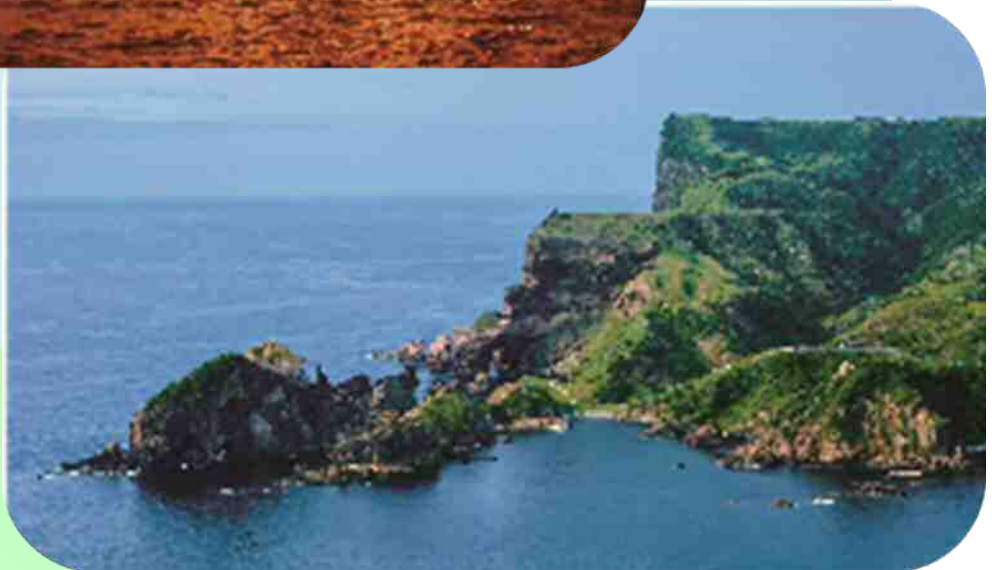


ANNUAL REPORT 2016

Year Ended March 31, 2016



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

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3 Corporate Profile

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7 An interview with President Mareshige Shimizu

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

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To Our Dear Stockholders and Investors

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

Regarding our consolidated revenue and expenditure for the year ended March 2016, although our revenue and profit decreased, we nonetheless were in the black.

We believe, however, that in addition to the enhanced business efficiency in our overall operations, reduced raw material costs due to a continuing fall in fuel prices and "temporary profit" resulting from the time lag before changes were reflected in the fuel cost adjustment unit price are major factors contributed to this profit.

We recognize that we continue to be in a severe situation, as there is still no prospect of restarting our Shimane Nuclear Power Station, which will be indispensable for radical improvement of our revenue-expenditure and stabilization of our business.

For this reason, we are making efforts to restart operation of the Shimane Nuclear Power Station at an early date, and are implementing business efficiency enhancement throughout our operations in order to keep revenue and finances from worsening in the meantime.

Regarding dividends, we implemented an interim dividend of 25 yen per share in November 2015 and a year-end dividend of 25 yen per share in June 2016, amounting to a dividend of 50 yen over the year.

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

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

In response to full liberalization of the retail sale of electricity, we began to offer a new menu of electricity rates and services. As we fully expect competition to intensify in the Chugoku Region as well, we are making efforts to provide high value-added services and will be engaged in strengthening the competitiveness of our power sources to ensure that customers continue to choose us.

Also, we will be engaged in establishing revenue bases in other regions of Japan and overseas in order to improve the base profitability of the group.

In January 2016, we announced the "Energia Group Corporate Vision", which describes our management policies for the future looking towards the 2020s. As stated in our Vision, we will be striving to be a "corporate group that people choose in the region and that grows beyond the region" in order to be able to meet our stockholders' and investors' expectations.

We request your continued cooperation and support into the future.



July 2016

Tomohide Karita

Representative Director
Chairperson of the Board

Mareshige Shimizu

Representative Director
President & Chief Executive Officer

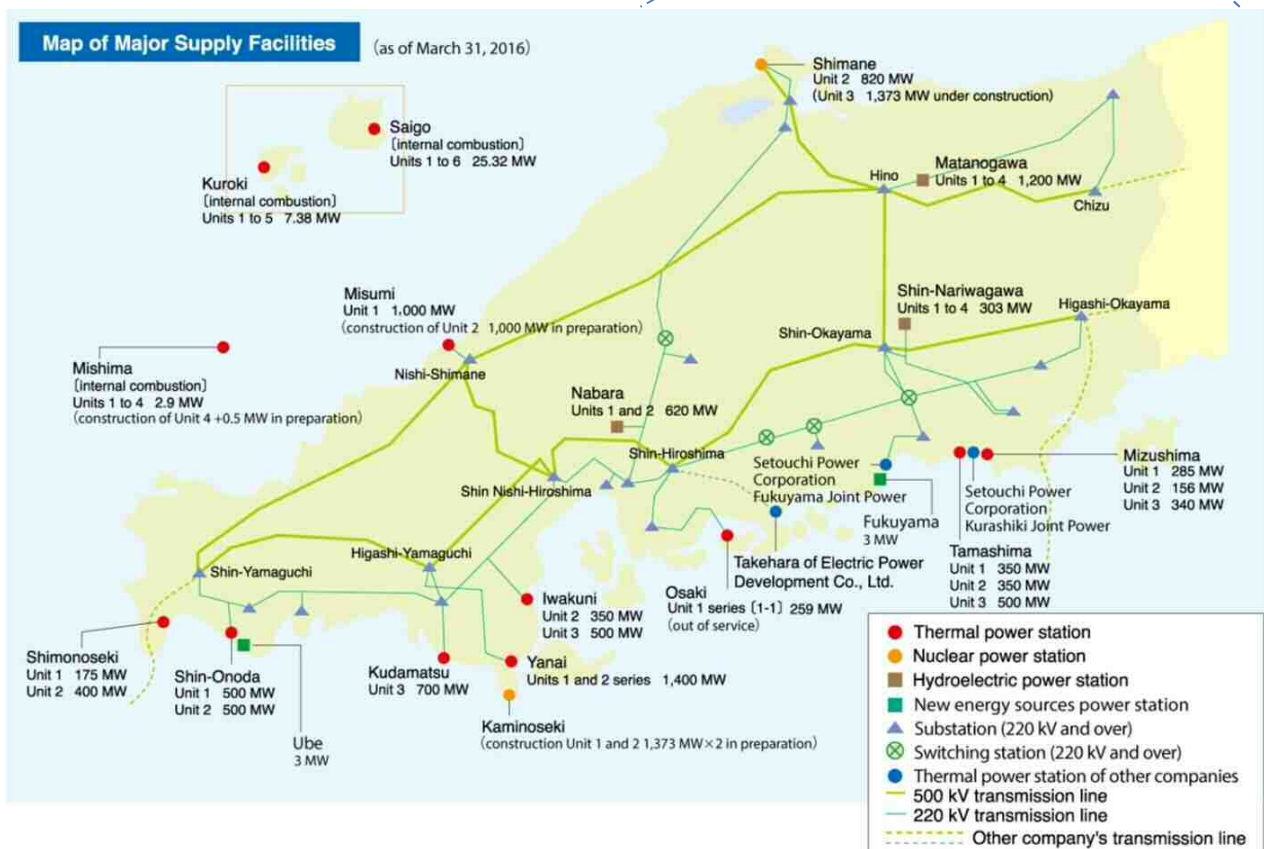
Corporate Profile

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 and has thereby contributed to the development of its region.

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

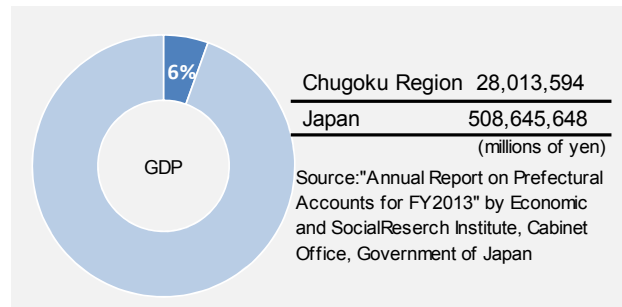
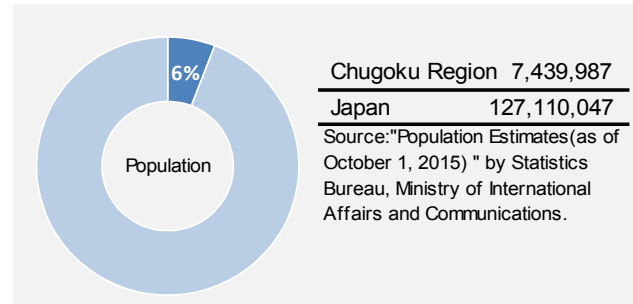
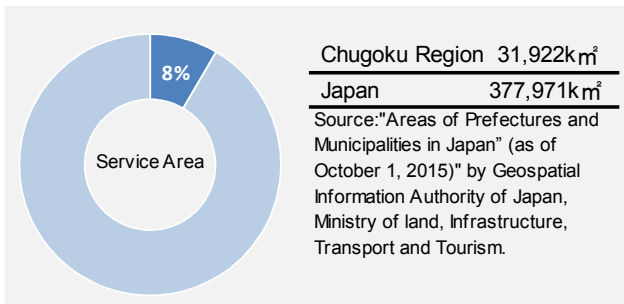
Corporate Data (as of March 31, 2016)

■ 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	9,524																
■ Main supply facilities	<table border="1"> <tr> <td>Power stations and total output</td> <td>114 stations</td> <td>11,536 MW</td> </tr> <tr> <td>Thermal</td> <td>12 stations</td> <td>7,801 MW</td> </tr> <tr> <td>Hydroelectric</td> <td>99 stations</td> <td>2,909 MW</td> </tr> <tr> <td>Nuclear</td> <td>1 stations</td> <td>820 MW</td> </tr> <tr> <td>New energy sources</td> <td>2 stations</td> <td>6 MW</td> </tr> </table>		Power stations and total output	114 stations	11,536 MW	Thermal	12 stations	7,801 MW	Hydroelectric	99 stations	2,909 MW	Nuclear	1 stations	820 MW	New energy sources	2 stations	6 MW
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	<table border="1"> <tr> <td>Electric energy output (by own company and others, total)</td> <td>64,842 GWh</td> </tr> <tr> <td>Thermal</td> <td>57,231 GWh</td> </tr> <tr> <td>Hydroelectric</td> <td>4,371 GWh</td> </tr> <tr> <td>Nuclear</td> <td>0 GWh</td> </tr> <tr> <td>New energy sources</td> <td>3,239 GWh</td> </tr> </table>		Electric energy output (by own company and others, total)	64,842 GWh	Thermal	57,231 GWh	Hydroelectric	4,371 GWh	Nuclear	0 GWh	New energy sources	3,239 GWh					
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Thermal	57,231 GWh																
Hydroelectric	4,371 GWh																
Nuclear	0 GWh																
New energy sources	3,239 GWh																
■ Main business places	Regional Offices: 5 Sales Offices: 30																



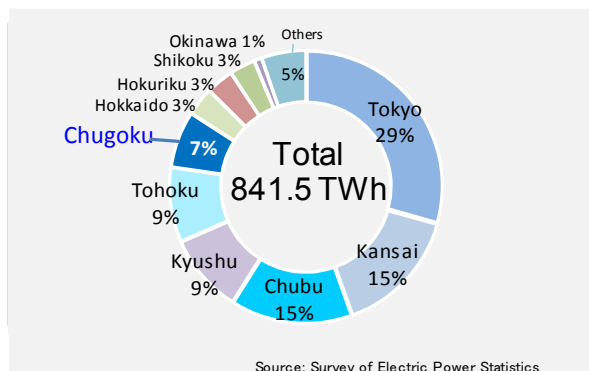
In this report, the term "Fiscal Year 2016" refers to the period which ended March 31, 2016. However, this does not apply to the referenced sources.

Characteristics of Chugoku Region

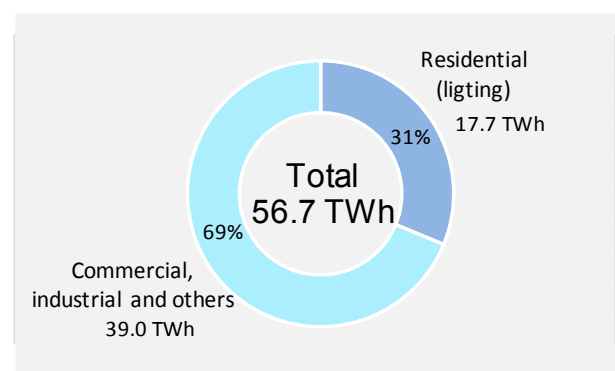


Characteristics of Chugoku Electric

Electric Sales Share by company



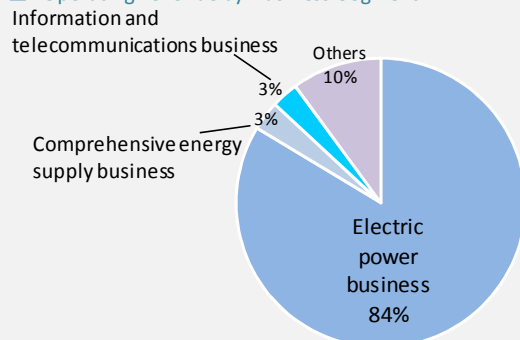
Electric Sales Volume by Demand Type



Operating revenues by Segment

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

Operating Revenue by Business Segment



Segment	Operating Revenue (FY 2016)	Business content
Electric power business	1,116.8 billion yen	Electric power supply
Comprehensive energy supply business	43.7 billion yen	Fuel sales business, electricity and thermal energy supply business
Information and telecommunications business	40.3 billion yen	Telecommunications business, data processing business

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

Consolidated Financial Highlights

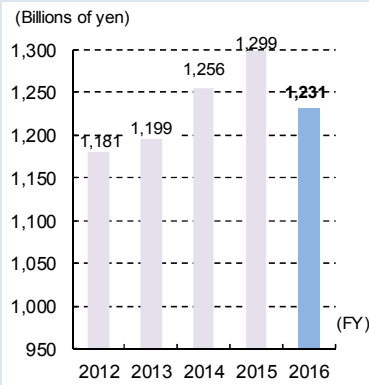
The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries
For the years ended March 31

	Millions of yen					Thousands of
	2012	2013	2014	2015	2016	U.S. dollars (Note1)
Operating revenues	¥1,181,350	¥1,199,728	¥1,256,055	¥1,299,624	¥1,231,572	\$10,898,867
Operating income (loss)	55,063	(4,006)	8,993	71,341	50,016	442,619
Profit (loss) attributable to owners of parent (Note2)	2,498	(21,951)	(9,384)	33,852	27,114	239,947
Net assets	644,873	615,551	606,483	624,875	608,535	5,385,265
Total assets	2,887,198	2,899,334	2,948,019	3,106,276	3,070,949	27,176,540
Interest-bearing debt	1,756,016	1,812,397	1,857,936	1,980,196	1,950,375	17,259,956
Free cash flows (Note 3)	27,279	(37,333)	(23,980)	2,229	(46,715)	(413,408)
Other financial data						
Per share data (yen and dollars):						
Net assets (Note 4)	1,765.92	1,685.00	1,659.34	1,710.60	1,668.47	14.77
Earnings:						
Basic	6.86	(60.52)	(25.88)	93.38	74.83	0.66
Cash dividends	50.00	50.00	50.00	50.00	50.00	0.44
Key financial ratios:						
Equity ratio (%)	22.2	21.1	20.4	20.0	19.7	
Return on equity (ROE) (%)	0.4	(3.5)	(1.5)	5.6	4.4	
Return on assets (ROA) (%) (Note 5)	1.2	—	0.2	1.6	1.2	
Price earnings ratio (PER) (times)(Note 6)	224.1	—	—	16.8	20.3	

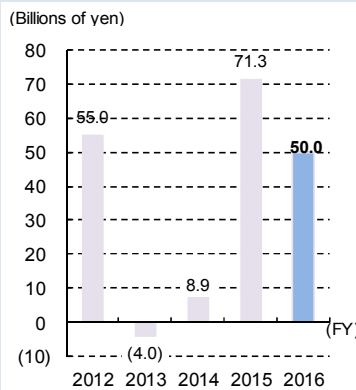
	Millions of kWh				
	2012	2013	2014	2015	2016
Power generated and received					
Generated:					
Hydroelectric	3,981	3,053	3,612	3,401	3,445
Thermal	38,254	40,662	39,796	38,768	36,612
Nuclear	5,919	—	—	—	—
New energy sources	1	5	5	6	8
Total	48,155	43,720	43,413	42,175	40,065
Purchased power (NET)	20,702	22,871	21,901	21,709	22,536
Interchanged power (NET)	(2,336)	(1,921)	(227)	(342)	(196)
Transmission loss and other	(6,451)	(6,023)	(6,107)	(5,674)	(5,686)
Total	60,070	58,647	58,980	57,868	56,719
Electric sales:					
Residential (lighting)	19,175	18,943	18,910	18,203	17,710
Commercial, industrial and other	40,895	39,704	40,070	39,665	39,009
Total	60,070	58,647	58,980	57,868	56,719

- Notes: 1. U.S. dollar amounts above are given for the reader's convenience only and are converted from yen at ¥ 113 = US\$1, the exchange rate prevailing on March 31, 2016.
2. Standards such as the "Revised Accounting Standard for Business Combinations"(ASBJ Statement No.21, September 13, 2013) have been applied from the current consolidated fiscal year. Accordingly, the presentation of "net income (loss)" has been changed to "profit (loss) attributable to owners of parent."
3. Free cash flows represent the net cash flows from operating activities and from investing activities.
4. Net assets per share is computed using the number of shares of common stock in issue at the end of each year.
5. ROA = Operating income × (1 - Income tax rate) / Total assets × 100. ROA for the fiscal year ended March 2013 is not given, because an operating loss was recorded in that year.
6. PER for the fiscal years ended March 2013 and 2014 is not given, because losses attributable to owners of parent were recorded for those years.

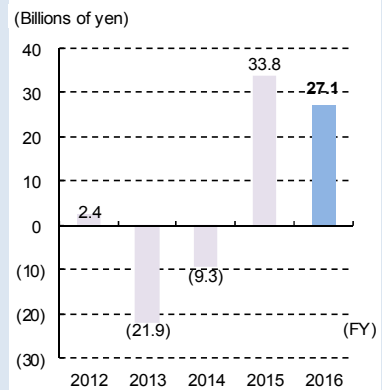
Operating revenues



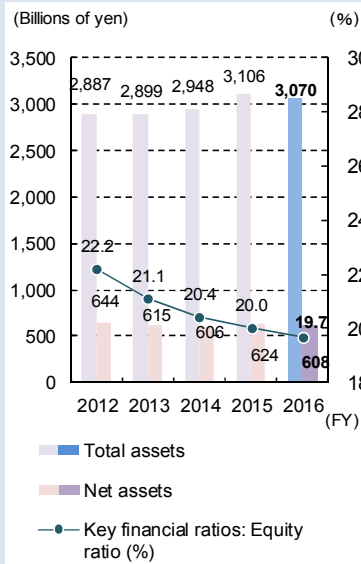
Operating income(loss)



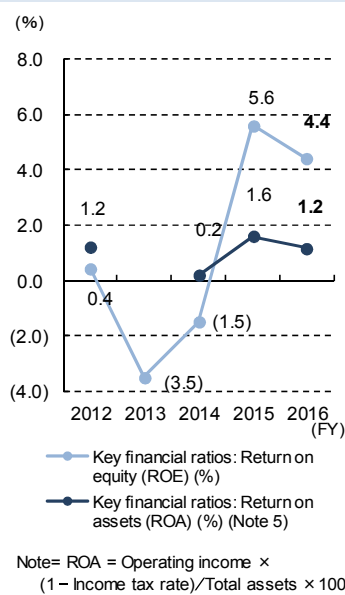
Profit (loss) attributable to owners of parent



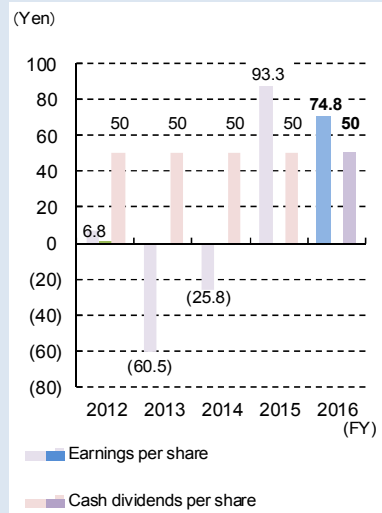
Total assets, Net assets, Equity ratio



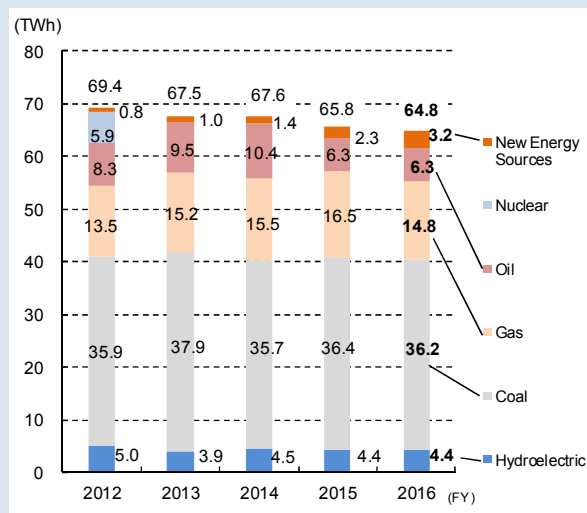
Return on equity, Return on asset



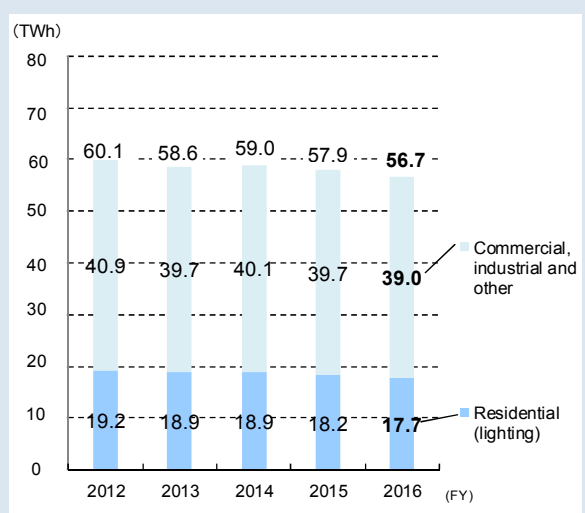
Earnings per share, Cash dividends per share



Power generated and received by Power source (by own company and others, total)



Electric sales



An Interview with President Mareshige Shimizu

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



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

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

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

We applied for compliance verification of Unit 2 (commissioned 1989; 820 MW) in December 2013, and it is currently undergoing examination by the Nuclear Regulation Authority. We believe that the determination of the standard earthquake ground

motion* will be an important aspect in the examination.

I cannot say anything definite about specifically when operation will restart. But we are moving vigorously forward with measures for enhancing safety at the site, and I take it that we are making steady headway toward operation restart.

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

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

The local people's understanding will also be essential in order to restart the nuclear power station and to make continuous use of it without any unscheduled stoppages. The following statements are made in the government's Basic Energy Plan (approved by the Cabinet in April 2014).

- (a) "When the Nuclear Regulation Authority deems that the regulatory requirements are complied with, nuclear power stations will move ahead with restart."
- (b) "The national government will proactively make efforts to obtain the understanding and cooperation of the local authorities and other concerned entities/persons where the power stations are sited."

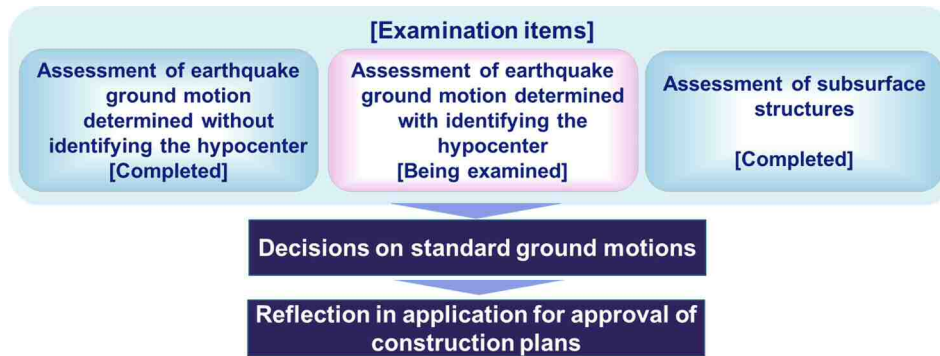
At the same time that it is moving ahead with equipment-related efforts aimed at raising safety,

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

■ State of Shimane Nuclear Power Station

◆ Flow of Examinations Pertaining to Standard Ground Motions

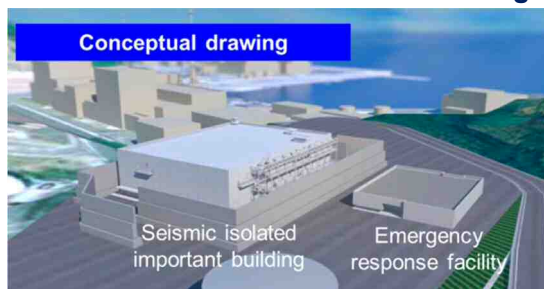
Establishing the standard ground motions involves assessing the subsurface structures, "earthquake ground motion determined with identifying the hypocenter", and "earthquake ground motion determined without identifying the hypocenter", in the site, then selecting the ground motions that are to be envisioned as occurring at the power station.



◆ State of Safety Measure Works

We revised the scheduled completion date for safety measure works from "the end of FY2016 (ended in March 2016)" to "as early as possible in FY2017", in consideration of the new installation of the aseismic emergency response facility and others.

< New installation of the aseismic emergency response facility >



The emergency response headquarters requires enough airtightness to prevent inflow of radioactive substances.

It was found that at the emergency response headquarters in the seismic isolated important building, enough airtightness might not be secured because of the floor crack.

(Application of seismic isolated important building)

We continue to utilize the seismic isolated important building together with the new emergency response facility for emergency response activities, aiming to enhance the response capabilities in case of emergency.

We decided to newly install the aseismic emergency response facility and relocate the emergency response headquarters from the seismic isolated important building.

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

A Although the forecasts of revenue and expenditure in the fiscal year ending March 2017 cannot be announced at this time, we plan to focus on restarting Shimane Nuclear Power Station as soon as possible and on achieving further efficiency improvement, so that we are in the black.

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

For the fiscal year ended March 2016, we were in the black. We believe, however, that in addition to the enhanced business efficiency in our overall operations, reduced raw material costs due to a continuing fall in fuel prices and "temporary profit" resulting from the time lag before changes were reflected in the fuel cost adjustment unit price are major factors contributed to this profit. We recognize that we continue to be in a severe situation, as there is still no prospect of restarting our Shimane Nuclear Power Station, which will be indispensable for radical improvement of our revenue-expenditure and stabilization of our business.

In this fiscal year ending March 2017, as we cannot

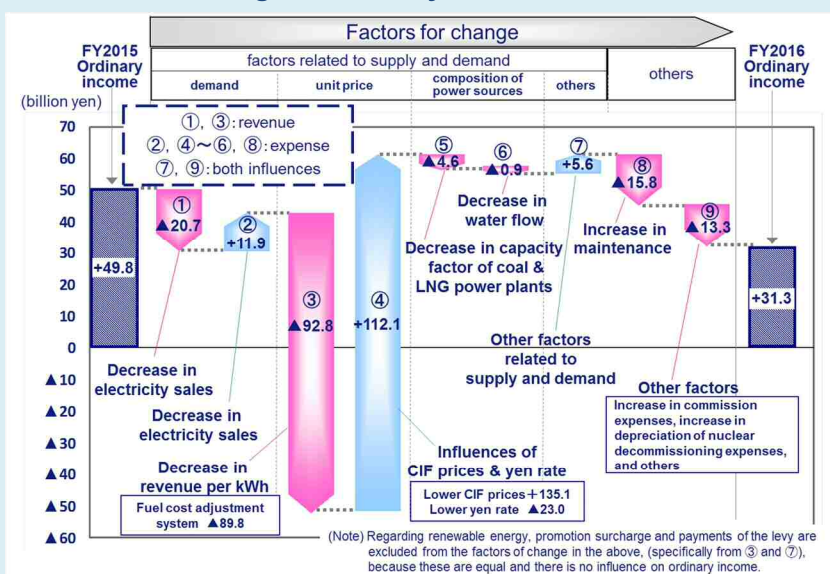
formulate reasonable cost forecasts of electrical power supply/demand, the forecasts of operation, ordinary, and net income cannot be announced at this time.

While there are fluctuations each fiscal year, we do believe that, barring any unforeseen sudden causes of revenue-expenditure deterioration such as stopping large-scale coal-fired thermal power, we can prevent any serious deficits. Restart of operations at the Shimane Nuclear Power Station remains an indispensable condition for stabilization of our business. We believe that our top priority is to focus on restarting operation of the Shimane Nuclear Power Station as soon as possible, and on achieving further efficiency improvement.

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

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

◆Factors for change in Ordinary income < Non-Consolidated >



◆Nuclear Power Plant Utilization Ratio



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

A Targeting the full liberalization of the retail sale of electricity, we started to provide a new menu of electricity rates and services for home customers.

We will continue to create new value and grow together with the community to become a company that people choose here in the Chugoku Region, which is our operating base.

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

Targeting the full liberalization of the retail sale of electricity, we started to provide a new menu of electricity rates and services for home customers.

Our company has been based in the Chugoku Region for many years, and the Chugoku Region will remain as our base of operations even after the full liberalization. As we fully expect competition to intensify in the Chugoku Region as well, through our new menu of electricity rates and services, we will continue to make our efforts so that our customers will continue to choose us. Additionally, we aim to meet our customers' expectations by creating new value and growing with the region.

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

In May 2016, as part of this business environment improvement and with a certain level of involvement by the government, laws were established for the purpose of stably securing funds necessary for nuclear fuel cycle operations, so that the operations could be carried out steadily and efficiently. The government has been reviewing the nuclear damage compensation system as well, including examining appropriate role-sharing between the government and businesses.

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



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

A First of all, we aim for an early restart of the Shimane Nuclear Power Station, and will strive to strengthen the competitiveness of our power sources by developing Misumi Power Station Unit 2. Also, by striving to increase earning capability through growth businesses in other regions of Japan and overseas, we aim to stably ensure profit levels above our pre-earthquake levels.

In January 2016, we announced the "Energia Group Corporate Vision", which describes our profit and financial targets for the future looking towards the 2020s.

First of all, we will make an all-out effort to accommodate the examination of the Shimane Nuclear Power Station in hopes of restarting Unit 2 early and proceeding steadily toward the commissioning of state-of-the-art Unit 3. In addition, we will strive to strengthen the competitiveness of our power sources, including developing Misumi Power Station Unit 2, a 1000 MW coal-fired thermal power plant.

Also, we are making efforts to increase the earning capability of the group by engaging in the establishment of revenue bases in other regions of Japan and overseas, including electricity sales businesses in the Greater Tokyo area and investing in a coal-fired power generation project in Malaysia.

Through these efforts, we hope to achieve the profit and financial targets stated in the Corporate Vision.



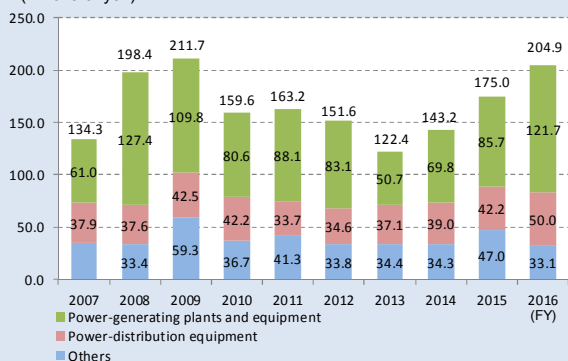
◆Trend in Capital Expenditures Sums

Amid an ongoing severe situation for revenues and expenditures, we have been implementing careful selection of necessary works and striving to reduce contracting and equipment/materials procurement costs, rationalize design and work implementation methods, and curb capital expenditures.

We intend to continue to move steadily ahead with the safety measure works necessary for stable resumption of our nuclear power, and alongside that to study new investments in growing fields, balancing the risks with the yields. Thus, for the time being, we expect that capital expenditures will remain at a high level.

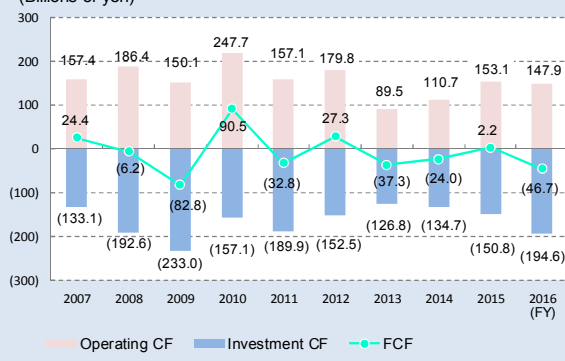
■ Capital Expenditures

(Billions of yen)



■ Cash Flows

(Billions of yen)



Energia Group Corporate Vision

In January 2016, we announced the "Energia Group Corporate Vision", which describes our management policies for the future looking towards the 2020s.

We are steadily promoting efforts to achieve the Corporate Vision, and are aiming to be a "corporate group that people choose in the region and that grows beyond the region".

【Corporate Group Image We Aim For as We Look at the 2020s】

**A corporate group that people choose in the region
and that grows beyond the region**

- We will provide services with the highest customer satisfaction.
- We will achieve power source competitiveness on the top level in Japan.
- We will deliver an inexpensive, high-quality power transmission and distribution network service.
- We will establish a revenue base in other regions of Japan and overseas.
- We will contribute to solving issues and expanding our community through our business activities.

【 Profit / Financial Targets 】

- We will stably ensure profit levels above our pre-earthquake levels (consolidated ordinary income of 60 billion yen or more per year).
- As the financial base needed for a healthy business, first, we will ensure pre-earthquake levels (approx. 25% consolidated equity ratio).

*We will aim to achieve this as early as possible in the 2020s.

Efforts to achieve the Corporate Vision

▶ Responses for full liberalization of the retail sale of electricity

The full liberalization of the retail sale of electricity began in April 2016, giving about five million customers in the Chugoku Region the opportunities to freely choose their electricity.

By providing high value-added services to meet diverse energy-related needs ranging from home to commercial, we aim to be chosen by customers.

Specifically, we launched a membership website and also introduced a new menu of electricity rate menu, community-based loyalty points program, and a collaboration menu with local companies.

◆ The number of applications for Switching (As of Jun 3,2016)

Service area	Switching*1 (10 thousand)	Percentage*2 (%)
Hokkaido	4.70	1.70
Tohoku	1.83	0.33
Tokyo	66.25	2.88
Chubu	6.61	0.87
Hokuriku	0.23	0.19
Kansai	22.08	2.19
Chugoku	0.26	0.07
Shikoku	0.43	0.22
Kyusyu	3.67	0.59
Okinawa	—	—
Japan(Total)	106.07	1.70

*1 “Switching” shows the number of switching applications made through the Switching Support System.

*2 Estimated using the number of normal contracts in FY2016, including general households (approx. 62.53 million).

Source: Eighth Institutional Design Specialists Meeting; materials submitted by Executive Office

▶ Status of Shimane Nuclear Power Station

【Outline of Shimane Nuclear Power Station】

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

- ◆ Unit 1 was shut down on April 30,2015. On July 4,2016, we submitted an application to the NRA for approval of a decommissioning plan for unit 1.
- ◆ Regarding Unit 2, we applied in December 2013 for examination to verify its compliance with the new regulatory requirements, and examination of its earthquake/tsunami-related and equipment-related aspects is currently in progress. At the same time, we are taking required safety measures.
- ◆ Regarding Unit 3, we are proceeding with taking required safety measures, and with preparing for applying for compliance verification.



【Outline of the new regulatory requirements】

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

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

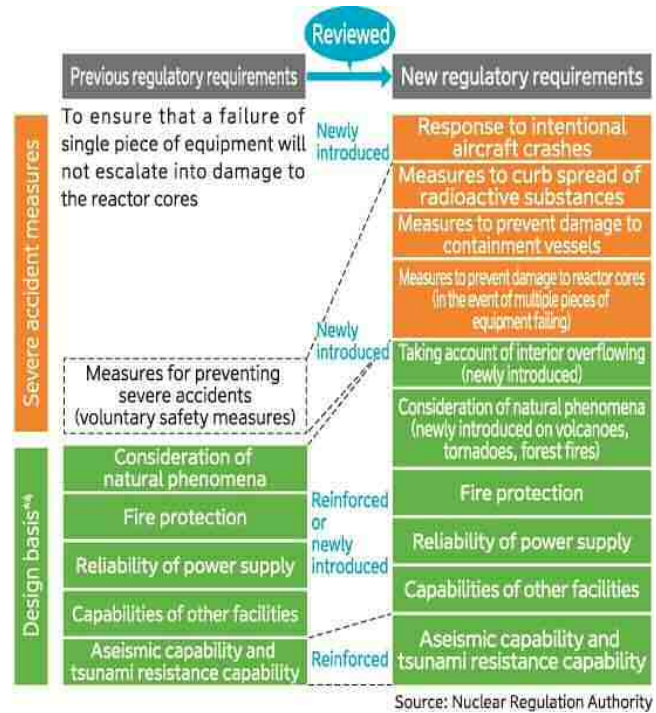
Countermeasures for a severe accidents^{*3} are now regulated, whereas previously they had been voluntary safety measures.

*1 Defense-in-depth: To adopt multilayered safety measures, however, when designing each safety measure, ensure that the purpose can be achieved with the relevant measure without relying on other measures.

*2 Interior overflowing: Water that flows into the building because of water leaks from damage of devices and piping in the power station buildings or activation of fire extinguishing equipment.

*3 Severe accident: Phenomenon in which nuclear reactor is subject to serious damage.

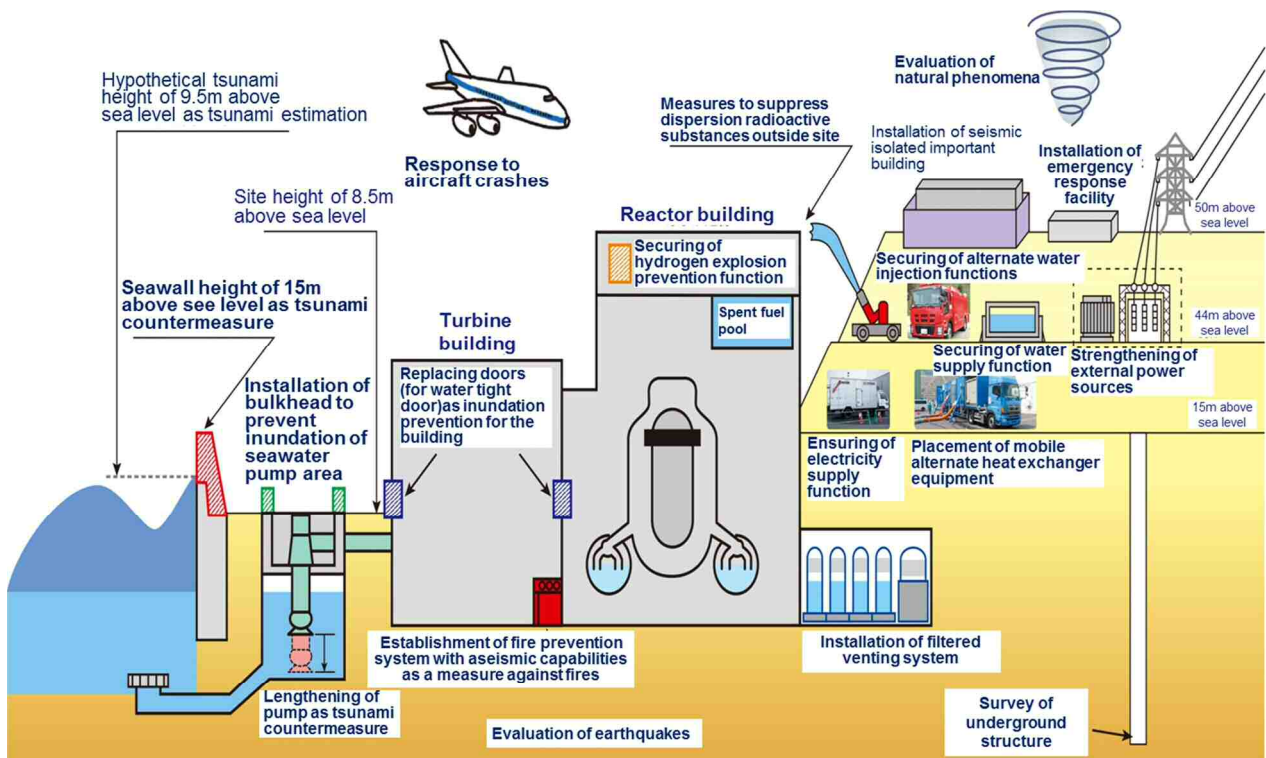
*4 Design basis: Standards for preventing severe accidents



【Main safety measures at Shimane Nuclear Power Station】

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

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



▶ Improvement competitiveness of power sources

We will improve the competitiveness of our power sources, aiming to both ensure competitiveness in wide-area operation as well as reduce the CO2 emissions intensity.

【New power source development~Misumi Power Station Unit 2(Coal)】

By adopting the most advanced power generation method (USC*1) corresponding to the best available technology (BAT*2), and by applying knowledge gained from operating Misumi Unit 1, we have developed plans for power generation facilities having superior environmental qualities, operation reliability, and economy.



*1 Ultra Super Critical

*2 Best Available Technology

◆Outline of Misumi Unit 2

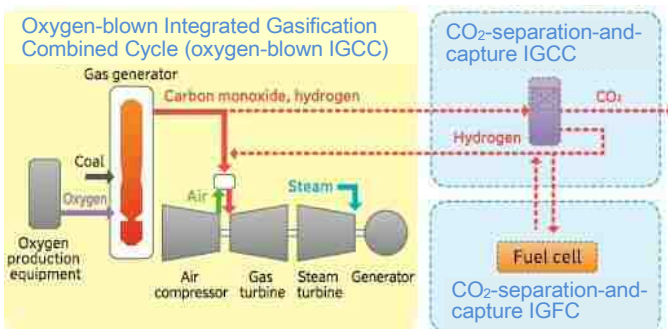
Name	Misumi Power Station Unit 2
Address	1810 Okami, Misumi-cho, Hamada-shi, Shimane prefecture
Output	1,000MW
Electricity generating system	Ultra Super Critical
Fuels used	Coal
Schedule	Work starting: November 2018 Operation starting: November 2022

【Efforts toward reducing environmental loads】

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

Aiming for the Integrated Gasification Fuel Cell (IGFC)*1, the ultimate high-efficiency coal-fired thermal power generation technology, which drastically reduces CO2, we started performing test operations with an Oxygen-blown Integrated Gasification Combined Cycle (Oxygen-blown IGCC)*2 facility, which is the fundamental technology for IGFC. We plan to start demonstration tests in March 2017.

◆Outline of Demonstration Test System



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

*2 Technology whereby oxygen is used to gasify coal, yielding a product gas with H₂ and CO as main constituents, which is used to drive gas turbines alongside steam turbines in combined cycle generation.

◆Outline of the Oxygen-blown IGCC Demonstration Testing

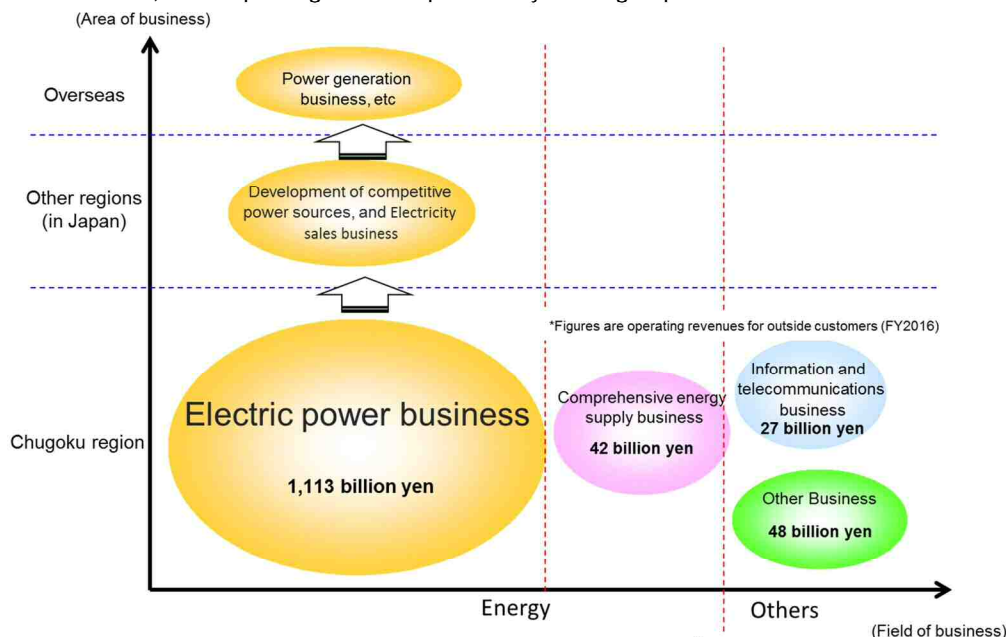
Testing location	Inside Osaki Power Station site
Output	166 MW
Construction work started	March 2013
Testing scheduled to commence	March 2017

◆View of the Demonstration Test Plant



▶ Establish a revenue base in other regions and overseas

We will cooperate with influential partners in Japan and overseas to establish a revenue base both in other regions of Japan and overseas, thus improving the base profitability of the group.



【Expansion of Electricity sales business in other regions in Japan】

In April 2016, we started selling electricity to home customers in the Greater Tokyo area.

After electricity retailing in the Greater Tokyo area gets rolling, we will make preparations that will enable us to appropriately expand service to other regions, while monitoring competition in each region.

【Investment in power generating business overseas】

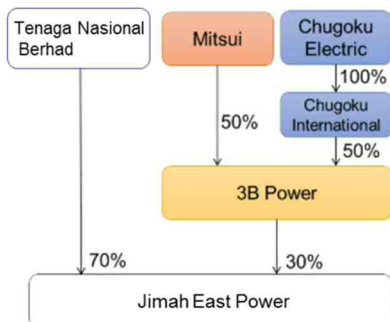
We are assigning overseas generating projects to the growth-oriented projects aimed at the future growth and development of the Chugoku Electric Group, and invested in a coal-fired power generation project in Malaysia on March 2016.

We maximize the usage of the accomplishments, experience and environmental technology the company has accumulated through the construction management and operation of coal-fired power plants in order to provide a stable supply of electricity in Malaysia and contribute to the realization of a low-carbon society.

We will continue implementing measures to strengthen our earning capacity by seeking out and actualizing other new foreign investment projects.

Also, in July 2016 we established a Singapore Representative Office in order to strengthen our information-gathering activities centering on the Southeast Asia region.

◆ Investment scheme



◆ Plant Location



◆ Project Overview

Installed Capacity	Ultra super critical (USC) coal-fired power generation 2,000MW (1,000MW × 2 units)
Start of Operations	Unit No. 1: June 2019 Unit No. 2: December 2019
Offtaker and Period	TNB (Malaysian electric power company) for 25 years
Total Project Cost	Approx. 12 billion MYR (Approx. 320 billion JPY)

【Development of Overseas Consulting Business】

Utilizing our knowledge of the electricity business cultivated up to now both in Japan and overseas, we plan to contribute to the electricity business overseas and develop our overseas consulting business, positioning it as a pioneering effort related to the overseas electricity generation business.

For example, for over ten years in Cambodia, we have fostered a trusting relationship by taking on consulting work, including consulting involving the revision of electric power master plans and development of small hydroelectric plants.

◆ Consulting for revision of Electric Power Development Master Plan (Cambodia)



◆ Consulting for development of small-scale hydropower plants (Cambodia)



▶ Efforts to expand introduction of renewable energy

From the standpoint of improving self-sufficiency and reducing global environmental loads, renewable energy is recognized as a valuable resource, and thus we are engaged in expanding its introduction.

【Demonstration Project utilizing Hybrid Storage Battery System in the Oki-islands】

To further penetration of renewable energy, we constructed a hybrid power storage system that combines two types of storage batteries, and started operation in September, 2015 in the Oki islands, as the first challenge in Japan.

For three years starting from the end of September 2015, we verify the technology to manage and control efficient charging and discharging of the storage batteries.



*On remote islands where transmission lines are not linked to the mainland, electricity usage is small, and fluctuations in the amount of renewable energy generated have a large impact; therefore, in order to expand the introduction of renewable energy, measures such as installation of storage batteries are necessary.

【Purchasing power from renewable energy】

Since the launch of the feed-in tariff scheme for renewable energy in July 2012, there has been a rapid rise in the installation of solar power generation facilities. As of March 31, 2016, the total has reached 5,720 MW, including connected (2,670 MW) and applied for (3,050 MW).

◆ Installation of renewable energy facilities (As of March 31, 2016)



	application for contract completed	connection completed	Total
solar power	305	267	572
Wind power	17	30	47
Hydro-electric	2	2	4
Biomass	23	9	32
Geothermal	0	0	0
Total	347	308	655

Trend in Japan's Energy Policy

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

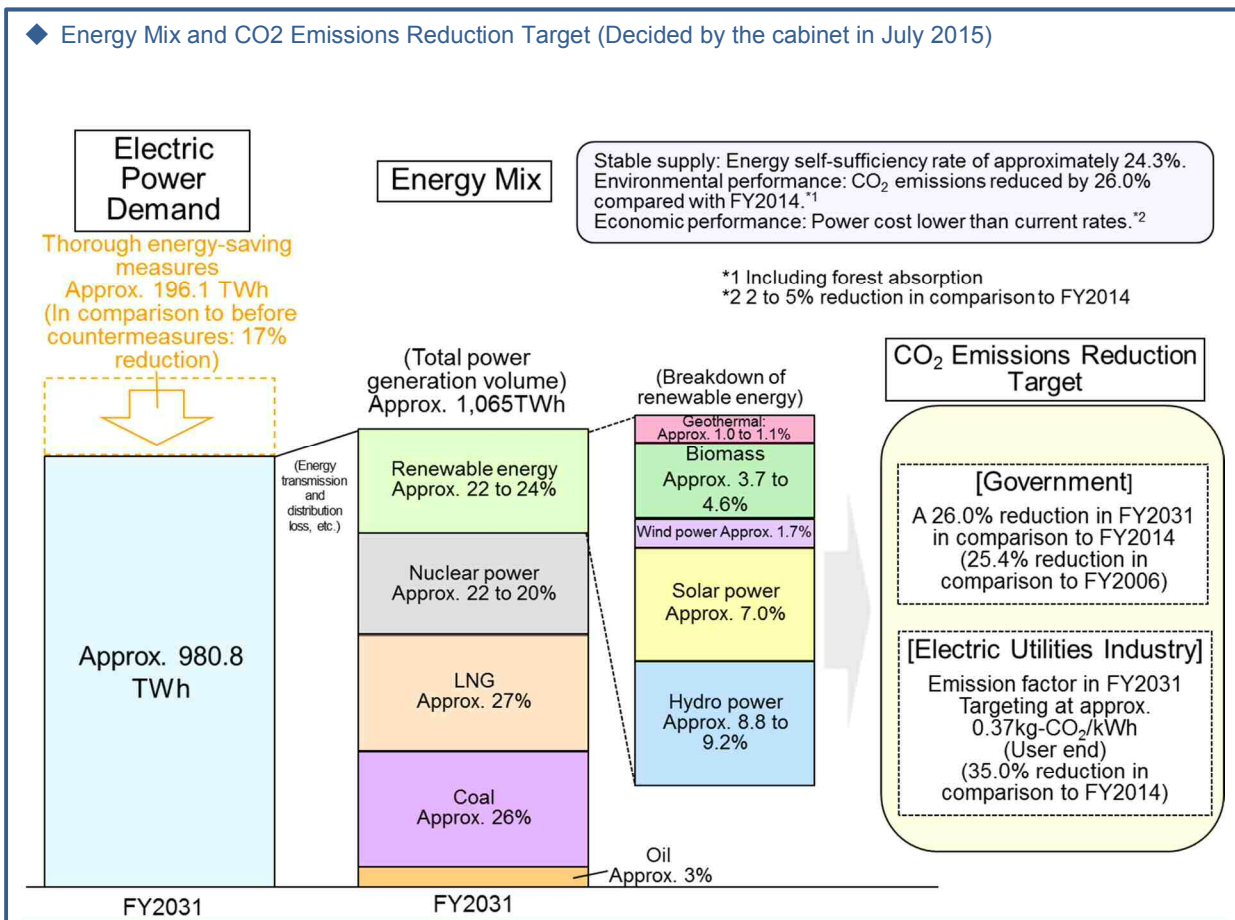
▶ Energy Mix

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

In April 2014 the Cabinet approved the Fourth Basic Energy Plan. On the basis of an "S + 3 Es"* approach, this plan positions nuclear power generation as "an important base-load power source" contributing to the stability of the energy supply-demand structure, and moreover sets forth an orientation of accelerating the introduction of renewable energies. In July of this year, an energy mix for FY2031 has been put forward that is based on the roles of such energy source and is balanced so as not to depend excessively on any particular energy source.

In a form that conforms to this energy mix, Japan's overall CO2 emission control target was set as a "26% reduction in FY2031 compared to FY2014", and a target "aiming for an emission factor of approximately 0.37 kg-CO2/kWh in FY2031 (35.0% reduction compared to FY2014)" was set for electricity businesses, too, provided that the energy mix was achieved. Aiming to achieve the overall electricity business targets, each business is currently moving ahead with efforts.

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



► Electricity System Reform

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

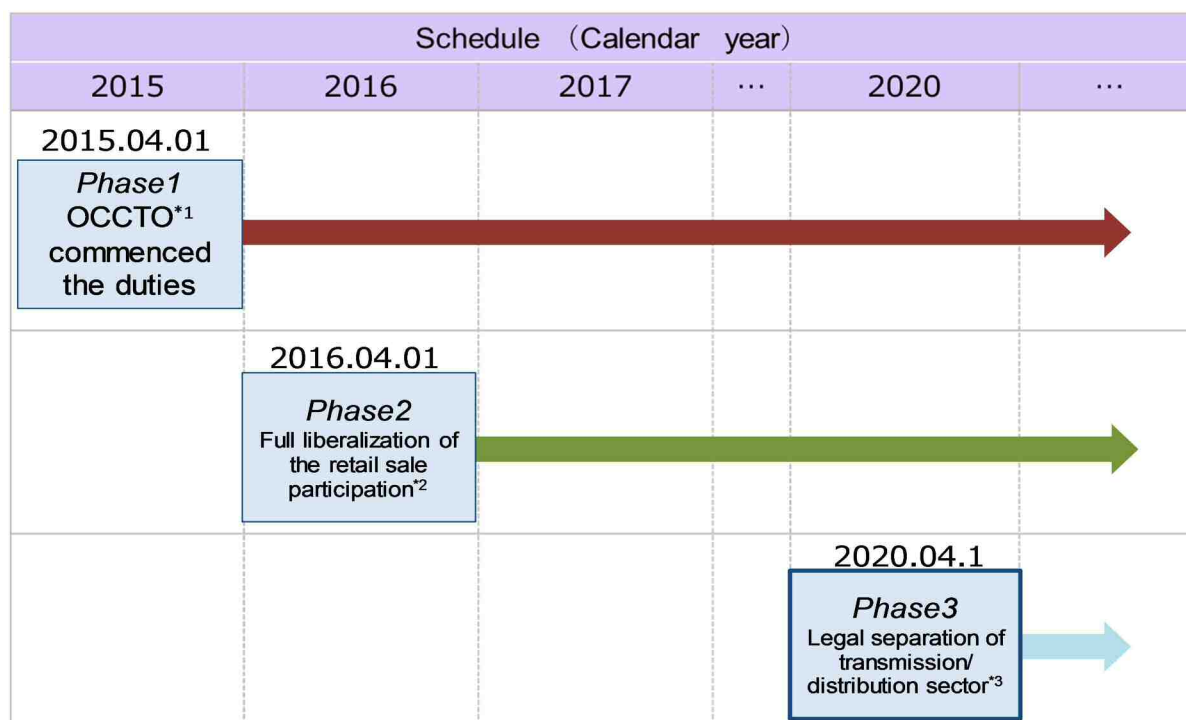
The first phase –“Expanding operations of wide-area electrical grids”– got underway in April 2015, when the “Organization for Cross-regional Coordination of Transmission Operators” commenced their duties. These bodies are to coordinate certain power supply-demand plans and operations across wide areas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

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

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

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

◆ Outline and Schedule of Electricity System Reform



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

*² ·Expansion of the scope of liberalization to include low-voltage customers (homes, offices and so on), thus enabling all customers to select the business they purchase power from.

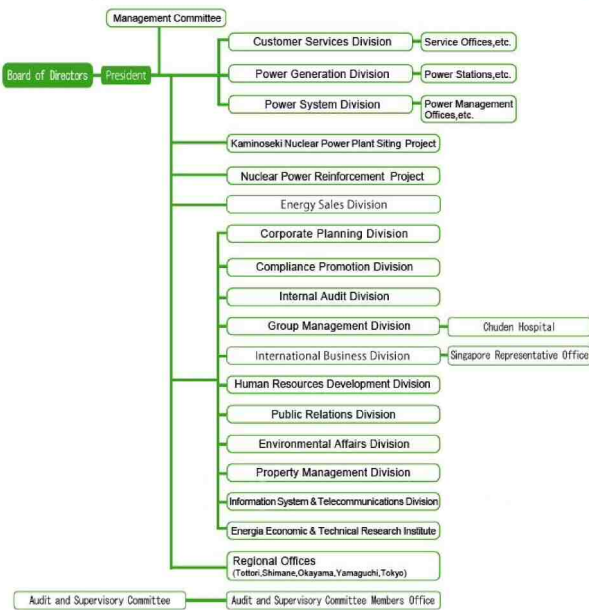
·Retail businesses will be obliged to ensure a supply capacity commensurate with their own demand.
·Businesses will be free to set their own rates, in principle. However, as a transitional measure to protect consumers, the supply obligation and rate regulation with regard to low-voltage customers will continue to be imposed on the general electric utilities.

*³ ·The Act prohibits general power transmission and distribution businesses, and power transmission businesses, from engaging in retail electricity business or electricity generation business.

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

Corporate Information

Organization Chart (As of July 1, 2016)



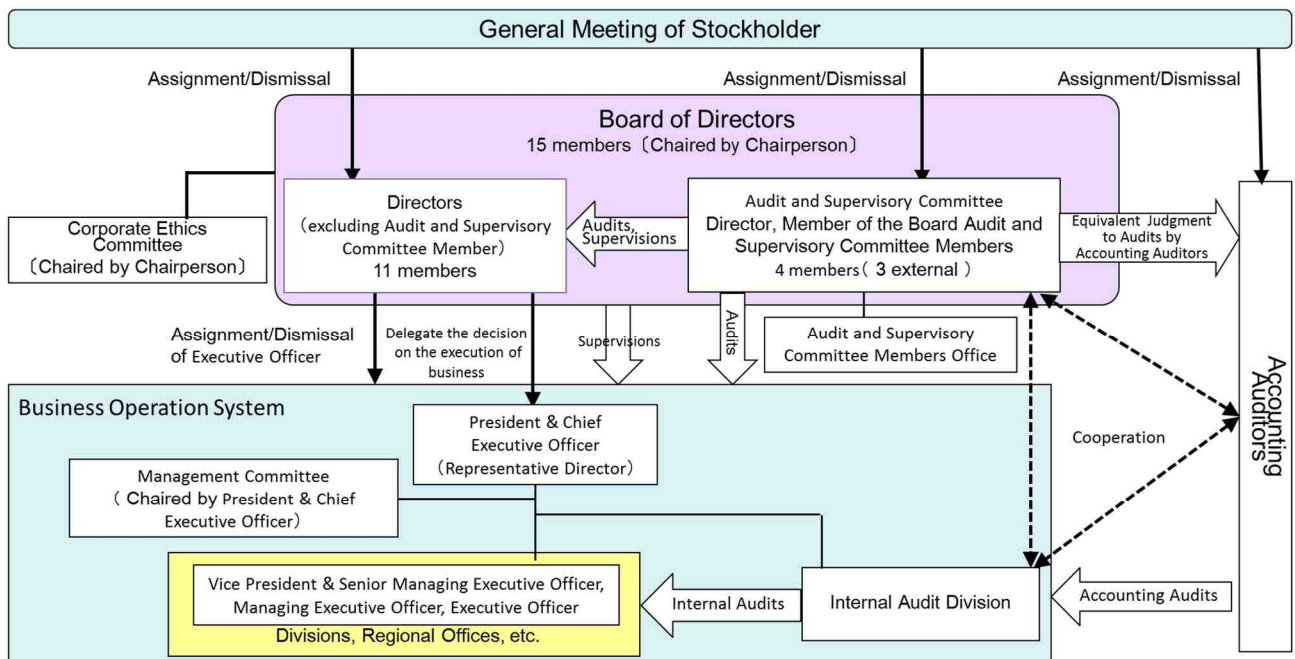
Board Members / Management (As of June 28, 2016)

◆ Board Members		◆ Main Executive Officers	
Representative Director Chairperson of the Board	Tomohide Karita	President & Chief Executive Officer	Mareshige Shimizu
Representative Directors	Mareshige Shimizu	Vice President & Senior Managing Executive Officers	Akira Sakotani
	Akira Sakotani		Nobuo Watanabe
	Nobuo Watanabe		Moriyoshi Ogawa
	Moriyoshi Ogawa	Managing Executive Officers	Yukio Furubayashi
Directors	Yukio Furubayashi	Hideo Matsumura	Masaki Hirano
	Hideo Matsumura	Shigehiko Morimae	Hideo Matsuoka
	Masaki Hirano	Hideo Matsuoka	Akimasa Iwasaki
	Shigehiko Morimae	Koro Ito	Masahiro Yamashita
	Hideo Matsuoka	Takafumi Shigeto	Shigeru Ashitani
	Akimasa Iwasaki		
Directors Audit and Supervisory Committee Members	Hiroshi Segawa		
	Hiroaki Tamura		
	Kunio Uchiyamada		
	Etsuko Nosohara		

Corporate Governance

The business environment in which our company operates is undergoing great changes such as the full liberalization of the retail sale of electricity. We believe that it is necessary to build a system that can adopt even more flexibly and quickly to such changes. Therefore, in June 2016, to enable quick, resolute decision-making, further improve management transparency and fairness, and strengthen supervisory functions, we converted to a company with audit and supervisory committee from a company with audit & supervisory board members. We continue striving to enhance and strengthen corporate governance to establish trust of our stakeholders such as our stockholders and investors, our customers, local communities and our business partners.

◆ Corporate Structure and Internal Controls (As of June 2016)



Consolidated Five-Year Summary

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

	Millions of yen				Thousands of U.S. dollars (Note1)	
	2012	2013	2014	2015	2016	2016
Operating revenues	¥1,181,350	¥1,199,728	¥1,256,055	¥1,299,624	¥1,231,572	\$10,898,867
Operating income (loss)	55,063	(4,006)	8,993	71,341	50,016	442,619
Profit (loss) attributable to owners of parent (Note2)	2,498	(21,951)	(9,384)	33,852	27,114	239,947
Net assets	644,873	615,551	606,483	624,875	608,535	5,385,265
Total assets	2,887,198	2,899,334	2,948,019	3,106,276	3,070,949	27,176,540
Interest-bearing debt	1,756,016	1,812,397	1,857,936	1,980,196	1,950,375	17,259,956
Free cash flows (Note 3)	27,279	(37,333)	(23,980)	2,229	(46,715)	(413,408)
Other financial data						
Per share data (yen and dollars):						
Net assets (Note 4)	1,765.92	1,685.00	1,659.34	1,710.60	1,668.47	14.77
Earnings:						
Basic	6.86	(60.52)	(25.88)	93.38	74.83	0.66
Cash dividends	50.00	50.00	50.00	50.00	50.00	0.44
Key financial ratios:						
Equity ratio (%)	22.2	21.1	20.4	20.0	19.7	
Return on equity (ROE) (%)	0.4	(3.5)	(1.5)	5.6	4.4	
Return on assets (ROA) (%) (Note 5)	1.2	—	0.2	1.6	1.2	
Price earnings ratio (PER) (times)(Note 6)	224.1	—	—	16.8	20.3	

	Millions of kWh				
	2012	2013	2014	2015	2016
Power generated and received					
Generated:					
Hydroelectric	3,981	3,053	3,612	3,401	3,445
Thermal	38,254	40,662	39,796	38,768	36,612
Nuclear	5,919	—	—	—	—
New energy sources	1	5	5	6	8
Total	48,155	43,720	43,413	42,175	40,065
Purchased power (NET)	20,702	22,871	21,901	21,709	22,536
Interchanged power (NET)	(2,336)	(1,921)	(227)	(342)	(196)
Transmission loss and other	(6,451)	(6,023)	(6,107)	(5,674)	(5,686)
Total	60,070	58,647	58,980	57,868	56,719
Electric sales:					
Residential (lighting)	19,175	18,943	18,910	18,203	17,710
Commercial, industrial and other	40,895	39,704	40,070	39,665	39,009
Total	60,070	58,647	58,980	57,868	56,719

- Notes: 1. U.S. dollar amounts above are given for the reader's convenience only and are converted from yen at ¥113 = US\$1, the exchange rate prevailing on March 31, 2016.
2. Standards such as the "Revised Accounting Standard for Business Combinations"(ASBJ Statement No.21, September 13, 2013) have been applied from the current consolidated fiscal year. Accordingly, the presentation of "net income (loss)" has been changed to "profit (loss) attributable to owners of parent."
3. Free cash flows represent the net cash flows from operating activities and from investing activities.
4. Net assets per share is computed using the number of shares of common stock in issue at the end of each year.
5. ROA = Operating income × (1 - Income tax rate) / Total assets × 100. ROA for the fiscal year ended March 2013 is not given, because an operating loss was recorded in that year.
6. PER for the fiscal years ended March 2013 and 2014 is not given, because losses attributable to owners of parent were recorded for those years.

Consolidated Financial Review

Summary of Operations

- In the consolidated fiscal year ended March 31, 2016, the Japanese economy continued to show improvement in the employment and income environment as consumer spending remained steady; however, with sluggish growth in exports contributing to a delay in the recovery of production activities, for instance, the economy was limited to a moderate recovery. The situation in the Chugoku region trended similarly to the rest of the country.
- Consolidated sales of electricity decreased by 2.0% from the previous fiscal year, to 56.7 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 ¥1,231.6 billion (US\$10,898.9 million), a decrease of 5.2%, or ¥68.1 billion (US\$602.2 million) from fiscal 2015. Profit attributable to owners of parent for the fiscal year was ¥27.1 billion (US\$239.9 million), a decrease of ¥6.7 billion (US\$59.6 million). Free cash flow (net cash provided by operating activities minus net cash used in investing activities) amounted to an outflow of ¥46.7 billion (US\$413.4 million).
- The Company maintained cash dividends per share at ¥50.00 (US\$0.44).

Operating Revenues

- As mentioned above, operating revenues for the fiscal year were ¥1,231.6 billion (US\$10,898.9 million), a decrease of 5.2%, or ¥68.1 billion (US\$602.2 million).
- Operating revenues from electric power operations amounted to ¥1,113.6 billion (US\$9,855.2 million), a decrease of 4.6%, or ¥54.1 billion (US\$478.7 million).
- Operating revenues from other operations such as comprehensive energy supply business and information and telecommunication business decreased by 10.6%, or ¥14.0 billion (US\$123.5 million), to ¥117.9 billion (US\$1,043.7 million).

Operating Expenses and Operating Income

- Operating expenses for the fiscal year were ¥1,181.6 billion (US\$10,456.2 million), a decrease of 3.8%, or ¥46.7 billion (US\$413.5 million).
- Despite increases in "Feed-in Tariff Scheme for Renewable Energy" payments, repair costs, etc., operating expenses in electric power business decreased by 3.0%, or ¥33.0 billion (US\$292.4 million), to ¥1,070.9 billion (US\$9,477.0 million). This resulted partly from efforts to improve operational efficiency across the board, and from a decrease in raw material costs due to a drop in fuel prices.
- In operations other than electric power operations, operating expenses were ¥110.7 billion (US\$979.3 million), a decrease of 11.0%, or ¥13.7 billion (US\$121.1 million).
- Operating income was ¥50.0 billion (US\$442.6 million), a decrease of ¥21.3 billion (US\$188.7 million).

Other Expenses (Income), Profit (Loss) before Income Taxes and Profit (Loss) Attributable to Owners of Parent

- Total other expenses (income) decreased by 64.1%, or ¥8.0 billion (US\$71.1 million), to ¥4.5 billion (US\$39.8 million).
- As a result of drawing down the reserve for fluctuation in water levels and applying the provision for depreciation of nuclear power plants, profit before income taxes was ¥41.4 billion (US\$366.8 million), a decrease of ¥14.9 billion (US\$131.9 million). Profit attributable to owners of parent was ¥27.1 billion (US\$239.9 million), a decrease of ¥6.7 billion (US\$59.6 million).
- Earnings per share went to ¥74.83 (US\$0.66), from ¥93.38 in the previous fiscal year.

Financial Position

Assets

- At fiscal year-end, total assets were ¥3,070.9 billion (US\$27,176.5 million), a decrease of 1.1%, or ¥35.3 billion (US\$312.6 million), from the close of the previous term, due among other items to a decrease in current assets such as short-term investments.
- Fixed assets were ¥2,180.3 billion (US\$19,295.0 million), a rise of 3.0%, or ¥63.7 billion (US\$563.5 million).
- Nuclear fuel was ¥158.6 billion (US \$1,403.3 million), a decrease of 15.0%, or ¥28.0 billion (US \$247.8 million).
- Total investments and other assets were ¥413.5 billion (US\$3,659.0 million), a rise of 11.4%, or ¥42.2 billion (US\$373.3 million).
- Total current assets were ¥318.6 billion (US\$2,819.1 million), a decrease of 26.2%, or ¥113.2 billion (US\$1,001.6 million).

Liabilities, Non-controlling Interests and Net Assets

- Total liabilities were ¥2,462.4 billion (US\$21,791.3 million), a decrease of 0.8%, or ¥19.0 billion (US\$168.0 million), due mainly to a decrease in interest-bearing debt. Among those, interest-bearing debt decreased by 1.5%, or ¥29.8 billion (US\$263.9 million), to ¥1,950.4 billion (US\$17,260.0 million). Other liabilities increased by 2.2%, or ¥10.8 billion (US\$95.9 million), to ¥512.0 billion (US\$4,531.3 million).
- Total net assets were ¥608.5 billion (US\$5,385.3 million), a decrease of 2.6%, or ¥16.3 billion (US\$144.6 million). Although the allocation of profit attributable to owners of parent caused said net assets to increase, other factors, including the payment of dividends, caused the total to decrease. The equity ratio declined 0.3 percentage points, to 19.7%, from 20.0%.

Cash Flows

- Net cash provided by operating activities was ¥147.9 billion (US\$1,309.2 million), a decrease of 3.4%, or ¥5.2 billion (US\$45.9 million), due to a decrease in profit before income taxes, among other factors.
- Net cash used in investing activities was ¥194.6 billion (US\$1,722.6 million), a rise of 29.0%, or ¥43.8 billion (US\$387.2 million), due to an increase in equipment investment and other factors.
- Free cash flow therefore amounted to an expenditure of ¥46.7 billion (US\$413.4 million).
- Net cash provided by financing activities turned in a negative balance of ¥51.0 billion (US\$451.5 million), a decrease of ¥152.9 billion (US\$1,353.2 million) from ¥101.9 billion in the previous year. With the repayments exceeding the procurements, bonds and long-term borrowings decreased ¥31.4 billion (US\$277.7 million).

Cash dividends paid were ¥18.1 billion (US\$160.4 million).

- Cash and cash equivalents at end of the fiscal year totaled ¥93.5 billion (US\$827.2 million), a decrease of ¥98.1 billion (U.S.\$868.3 million) over the total at the end of the previous year.

Summary of Cash Flows

Years ended March 31	Millions of yen		Thousands of US dollars
	2016	2015	2016
Net cash provided by (used in) operating activities	¥147,934	¥153,120	\$1,309,150
Net cash provided by (used in) investing activities	(194,649)	(150,891)	(1,722,558)
Net cash provided by (used in) financing activities	(51,024)	101,892	(451,540)
Effect of exchange rate changes on cash and cash equivalents	(380)	156	(3,362)
Net increase (decrease) in cash and cash equivalents	(98,119)	104,277	(868,310)
Cash and cash equivalents at beginning of the fiscal year	191,594	87,431	1,695,522
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(114)	—
Cash and cash equivalents at end of the fiscal year	¥93,475	¥191,594	\$827,212

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, 2016.

1. Revision of systems pertaining to nuclear power generation

We are continuously taking steps not only to comply with the new regulatory standards enacted in July 2013 but to further enhance safety. These steps include countermeasures against earthquakes and tsunamis, measures to assure reliability of external power sources, and measures to deal with severe accidents, which include installing filtered vent equipment. These measures are being taken in response to the accident that occurred at the Fukushima Daiichi Nuclear Power Station. 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 policies and systems pertaining to electric power business

Full-scale liberalization of retail electricity has begun and the Electricity Business Act has been amended, providing measures to ensure further neutrality of the power transmission and power distribution sectors through a method of legal separation. It is possible that accompanying detailed system study and other reexamination of systems pertaining to the electric power business will affect the Companies' business results.

Also, it is possible that the Companies' business results will be affected by the trend of energy and environmental policies, such as those pertaining to the FY 2031 energy mix and reductions in greenhouse gas emissions.

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

In addition to the electric power business, the Companies are engaged in the "comprehensive energy supply business", "information and telecommunications business", "environmental business", and "business and lifestyle support business". If these businesses do not grow as the Companies expect due to changes in the business environment or other factors, the Companies' business results may be affected.

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 financial market

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.

Also, the Companies' cost and liabilities for retirement benefits are accounted based on assumptions for actuarial calculation, such as the discount rate and the long-term expected rate of return on plan assets. Changes in the discount rate and expected rate of return have the potential to affect the Companies' results and financial condition.

9. 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.

10. 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 31,2016 and 2015

Assets	Millions of yen		Thousands of U.S.dollars (Note 1)
	2016	2015	2016
Property,plant and equipment:			
Utility plant and equipment	¥5,508,900	¥5,463,359	\$48,751,327
Other plant	311,105	315,090	2,753,141
Construction in progress	714,841	639,963	6,326,027
Suspense account related to the decommissioning of nuclear power stations	13,482	18,087	119,310
	6,548,328	6,436,499	57,949,805
Less-			
Contributions in aid of construction	92,085	87,058	814,911
Accumulated depreciation	4,275,903	4,232,773	37,839,850
	4,367,988	4,319,831	38,654,761
Net property,plant and equipment (Note 5)	2,180,340	2,116,668	19,295,044
Nuclear fuel	158,577	186,577	1,403,336
Investments and other assets:			
Investment securities (Note 6, 7)	75,450	86,377	667,699
Fund reserved reprocessing of irradiated nuclear fuel (Note 6)	46,058	50,225	407,593
Investments to non-consolidated subsidiaries and affiliated companies	119,037	104,509	1,053,425
Long-term loans to employees	121	160	1,071
Asset for retirement benefits (Note 13)	42,369	48,916	374,947
Deferred tax assets (Note 14)	66,628	59,012	589,628
Other assets	63,807	22,092	564,664
Total investments and other assets	413,470	371,291	3,659,027
Current assets:			
Cash and time deposits (Note 4, 6)	133,485	138,864	1,181,283
Receivables,less allowance for doubtful accounts of ¥587 million (\$5,195 thousand) in 2016 and ¥608 million in 2015 (Note 6)	100,132	107,159	886,124
Short-term investment (Note 6)	—	83,000	—
Inventories,fuel and supplies	55,076	70,651	487,398
Deferred tax assets (Note 14)	9,455	11,248	83,673
Other current assets	20,414	20,818	180,655
Total current assets	318,562	431,740	2,819,133
Total assets	¥3,070,949	¥3,106,276	\$27,176,540

See notes to consolidated financial statements

Liabilities and Net Assets	Millions of yen		Thousands of U.S.dollars (Note 1)
	2016	2015	2016
Long-term liabilities:			
Long-term debt (Note 6, 9)	¥1,627,223	¥1,677,374	\$14,400,204
Liability for retirement benefits (Note 13)	71,503	67,040	632,770
Retirement allowances for directors and corporate auditors	272	301	2,407
Provision for reprocessing of irradiated nuclear fuel	54,486	62,760	482,177
Provision for reprocessing of irradiated nuclear fuel without a fixed plan to reprocess	7,762	7,463	68,690
Asset retirement obligations (Note 15)	75,736	73,972	670,230
Other long-term liabilities	16,530	18,069	146,283
Total long-term liabilities	1,853,512	1,906,979	16,402,761
Current liabilities:			
Long-term debt due within one year (Note 6, 9)	232,859	214,078	2,060,699
Short-term borrowings (Note 6)	71,305	69,155	631,018
Accounts payable (Note 6)	78,263	87,357	692,593
Accrued income taxes	14,918	8,214	132,018
Accrued expenses	64,452	51,890	570,372
Allowance for bonuses to directors and corporate auditors	67	77	593
Other current liabilities, including other long-term liabilities due within one year	69,047	69,724	611,035
Total current liabilities	530,911	500,495	4,698,328
Reserve for fluctuation in water levels	435	935	3,850
Provision for depreciation of nuclear power plants	77,556	72,992	686,336
Contingent liabilities (Note 11)			
Net assets (Note 16):			
Common stock :	185,528	185,528	1,641,841
Authorized-1,000,000,000 shares			
Issued-371,055,259 shares in 2016 and 2015			
Capital surplus	17,103	17,270	151,354
Retained earnings (Note 18)	393,859	384,864	3,485,478
Treasury stock (8,828,716 shares in 2016 and 8,674,328 shares in 2015)	(15,169)	(14,933)	(134,239)
Total stockholders' equity	581,321	572,729	5,144,434
Net unrealized holding gains (losses) on securities	20,449	29,382	180,965
Net unrealized gains (losses) on hedges	(448)	(170)	(3,965)
Foreign currency translation adjustments	(305)	174	(2,699)
Accumulated adjustments for retirement benefit	3,347	17,772	29,619
Accumulated other comprehensive income	23,043	47,158	203,920
Non-controlling interests (Note 3)	4,171	4,988	36,911
Total net assets	608,535	624,875	5,385,265
Total liabilities and net assets	¥3,070,949	¥3,106,276	\$27,176,540

See notes to consolidated financial statements

Consolidated Statements of Comprehensive Income

The Chugoku Electric Power Co.,Inc. and Consolidated Subsidiaries
For the years ended March 31,2016 and 2015

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2016	2015	2016
Profit (loss) (Note 3)	¥26,942	¥34,020	\$238,425
Other comprehensive income (loss):			
Net unrealized holding gains (losses) on securities	(7,239)	7,971	(64,062)
Net unrealized gains (losses) on hedges	(278)	(106)	(2,460)
Foreign currency translation adjustments	(479)	144	(4,239)
Adjustments for retirement benefit	(13,680)	1,610	(121,062)
Share of other comprehensive income (loss) of affiliated companies accounted for using equity method	(2,597)	2,945	(22,983)
	(24,273)	12,564	(214,806)
Comprehensive income (loss)	¥2,669	¥46,584	\$23,619
Comprehensive income (loss) attribute to:			
Comprehensive income (loss) attributable to owners of parent	¥2,999	¥46,355	\$26,539
Comprehensive income (loss) attributable to non-controlling interests	(330)	229	(2,920)

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, 2016 and 2015

	Millions of yen										
	Shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains(losses) on securities	Net unrealized gains(losses) on hedges	Foreign currency translation adjustments	Accumulated adjustments for retirement benefit	Non-controlling interests (Note 3)	Total
Balance at April 1, 2014	371,055,259	¥185,528	¥17,251	¥378,831	¥(14,586)	¥19,548	¥(64)	¥(24)	¥15,196	¥4,803	¥606,483
Cumulative effects of changes in accounting policies				(9,377)						4	(9,373)
Restated balance at April 1, 2014		185,528	17,251	369,454	(14,586)	19,548	(64)	(24)	15,196	4,807	597,110
Profit attributable to owners of parent (Note 3)				33,852							33,852
Cash dividends paid (¥50 per share)				(18,129)							(18,129)
Surplus from sale of treasury stock			(1)		3						2
Treasury stock purchased, net					(351)						(351)
Change in scope of equity method				(313)							(313)
Change in treasury stocks of parent arising from transactions with non-controlling shareholders (Note 3)											—
Other			20		1						21
Net changes other than stockholders'equity						9,834	(106)	198	2,576	181	12,683
Balance at March 31, 2015	371,055,259	¥185,528	¥17,270	¥384,864	¥(14,933)	¥29,382	¥(170)	¥174	¥17,772	¥4,988	¥624,875
Cumulative effects of changes in accounting policies											—
Restated balance at March 31, 2015		185,528	17,270	384,864	(14,933)	29,382	(170)	174	17,772	4,988	624,875
Profit attributable to owners of parent (Note 3)				27,114							27,114
Cash dividends paid (¥50 per share)				(18,119)							(18,119)
Surplus from sale of treasury stock			(0)		4						4
Treasury stock purchased, net					(236)						(236)
Change in scope of equity method											—
Change in treasury stocks of parent arising from transactions with non-controlling shareholders (Note 3)			(183)								(183)
Other			16		(4)						12
Net changes other than stockholders'equity						(8,933)	(278)	(479)	(14,425)	(817)	(24,932)
Balance at March 31, 2016	371,055,259	¥185,528	¥17,103	¥393,859	¥(15,169)	¥20,449	¥(448)	¥(305)	¥3,347	¥4,171	¥608,535

	Thousands of U.S. dollars (Note 1)									
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains(losses) on securities	Net unrealized gains(losses) on hedges	Foreign currency translation adjustments	Accumulated adjustments for retirement benefit	Non-controlling interests (Note 3)	Total
Balance at March 31, 2015	\$1,641,841	\$152,832	\$3,405,876	\$(132,150)	\$260,018	\$(1,505)	\$1,540	\$157,274	\$44,141	\$5,529,867
Cumulative effects of changes in accounting policies										—
Restated balance at March 31, 2015	1,641,841	152,832	3,405,876	(132,150)	260,018	(1,505)	1,540	157,274	44,141	5,529,867
Profit attributable to owners of parent (Note 3)			239,947							239,947
Cash dividends paid (\$0.44 per share)			(160,345)							(160,345)
Surplus from sale of treasury stock		(0)		35						35
Treasury stock purchased, net				(2,089)						(2,089)
Change in scope of equity method										—
Change in treasury stocks of parent arising from transactions with non-controlling shareholders (Note 3)			(1,619)							(1,619)
Other		141		(35)						106
Net changes other than stockholders'equity					(79,053)	(2,460)	(4,239)	(127,655)	(7,230)	(220,637)
Balance at March 31, 2016	\$1,641,841	\$151,354	\$3,485,478	\$(134,239)	\$180,965	\$(3,965)	\$(2,699)	\$29,619	\$36,911	\$5,385,265

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, 2016 and 2015

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2016	2015	2016
Cash flows from operating activities:			
Profit (loss) before income taxes	¥41,448	¥56,350	\$366,796
Depreciation	106,170	108,477	939,558
Decommissioning cost of nuclear power generating plants	1,540	1,448	13,628
Amortization of suspense account related to the decommissioning of nuclear power stations	4,605	—	40,752
Equity in losses (earnings) of affiliated companies	(5,784)	(5,751)	(51,186)
Loss on disposal of property	8,760	6,801	77,522
Increase (decrease) in liability for retirement benefits	(503)	369	(4,451)
Decrease (increase) in asset for retirement benefits	(7,505)	(9,063)	(66,416)
Increase (decrease) in provision for reprocessing of irradiated nuclear fuel	(8,274)	(7,266)	(73,221)
Increase (decrease) in provision for reprocessing of irradiated nuclear fuel without a fixed plan to reprocess	299	1,224	2,646
Increase (decrease) in reserve for fluctuation in water levels	(499)	567	(4,416)
Increase (decrease) in provision for depreciation of nuclear power plants	4,564	1,882	40,389
Interest and dividend income	(2,754)	(2,432)	(24,372)
Interest expense	22,421	22,915	198,416
Loss (gain) on sales of stocks of subsidiaries and affiliated companies	(6,286)	—	(55,628)
Decrease (increase) in fund reserved for reprocessing of irradiated nuclear fuel	4,167	7,393	36,876
Decrease (increase) in notes and accounts receivable	1,559	(5,497)	13,797
Decrease (increase) in inventories	13,165	9,524	116,505
Increase (decrease) in notes and accounts payable	(13,559)	(16,688)	(119,991)
Other	7,829	5,020	69,283
Subtotal	171,363	175,273	1,516,487
Interest and dividends received	4,820	3,665	42,655
Interest paid	(23,249)	(23,389)	(205,744)
Income taxes refund (paid)	(5,000)	(2,429)	(44,248)
Net cash provided by (used in) operating activities	147,934	153,120	1,309,150
Cash flows from investing activities:			
Purchase of property	(198,250)	(170,331)	(1,754,425)
Purchase of investments in securities	(85,989)	(66,082)	(760,965)
Proceeds from sale of investment securities	74,379	69,655	658,221
Proceeds from sales of stocks of subsidiaries resulting in change in scope of consolidation	1,476	—	13,062
Other	13,735	15,867	121,549
Net cash provided by (used in) investing activities	(194,649)	(150,891)	(1,722,558)

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2016	2015	2016
Cash flows from financing activities:			
Proceeds from issue of bonds	49,823	169,692	440,911
Repayment of bonds	(55,000)	(140,000)	(486,726)
Proceeds from long-term borrowings	132,600	166,086	1,173,451
Repayment of long-term borrowings	(159,248)	(67,190)	(1,409,274)
Proceeds from short-term borrowings	218,000	205,230	1,929,203
Repayment of short-term borrowings	(216,267)	(203,600)	(1,913,867)
Proceeds from issue of commercial paper	32,000	18,000	283,186
Repayment of commercial paper	(32,000)	(26,000)	(283,186)
Purchase of treasury stock	(37)	(28)	(327)
Purchase of treasury stocks of subsidiaries	(652)	—	(5,770)
Cash dividends paid	(18,125)	(18,126)	(160,398)
Dividends paid to non-controlling interests	(18)	(48)	(159)
Other	(2,100)	(2,124)	(18,584)
Net cash provided by (used in) financing activities	(51,024)	101,892	(451,540)
Effect of exchange rate changes on cash and cash equivalents	(380)	156	(3,362)
Net increase (decrease) in cash and cash equivalents	(98,119)	104,277	(868,310)
Cash and cash equivalents at beginning of the fiscal year	191,594	87,431	1,695,522
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(114)	—
Cash and cash equivalents at end of the fiscal year (Note 4)	¥93,475	¥191,594	\$827,212

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, 2016, which was ¥113 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 non-controlling 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, 2016, 18 subsidiaries (21 in 2015) were consolidated and 6 (5 in 2015) subsidiaries were excluded from consolidation due to their immateriality for the consolidated total assets, sales and revenues, profit attributable to owners of parent and retained earnings, etc. in the consolidated financial statements.

For the year ended March 31, 2016, 6 non-consolidated subsidiaries (5 in 2015) and 9 affiliated companies (7 in 2015) were accounted for by the equity method.

For the year ended March 31, 2016, 13 affiliated companies (11 in 2015) 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 profit and retained earnings, etc. of the excluded affiliated companies would individually have had only a slight effect, and together would have had no material effect, on the consolidated financial statements.

The consolidated subsidiaries whose accounting closing date differs from the consolidated closing date

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

Inventories, fuel and supplies

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

Securities

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

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

Property and depreciation

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

Nuclear fuel and amortization

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

Allowance for doubtful accounts

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

Provision for reprocessing of irradiated nuclear fuel

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

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

The difference in estimated costs will be amortized over the periods of generating the irradiated nuclear fuel for which there are concrete reprocessing plans, starting from the following fiscal year. The unrecognized difference in estimated costs was ¥33,311 million (US\$294,788 thousand) on March 31, 2016.

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

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

Reserve for fluctuation in water levels

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

Provision for depreciation of nuclear power plants

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

Accounting methods pertaining to retirement benefits

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

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

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

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

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

Derivatives and hedge accounting

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

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

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

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

Capitalization of interest expenses

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

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

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

Money transfer and accrual methods for suspense account related to the decommissioning of nuclear power stations, and in expense summing methods

With the change in energy policy, the accounting method used for the retirement of a reactor includes the following: "The book value (excluding the estimated cost of disposal) of nuclear power generation facilities related to the relevant reactor (excluding decommissioned assets and assets equivalent to asset retirement obligations), construction in progress related to the relevant nuclear power generation facilities, and nuclear fuel related to the reactor" and "the cost of reprocessing the irradiated fuel and cost of dissolving the nuclear fuel in connection with the relevant reactor's decommissioning" can be reckoned up as write-off costs in suspense account related to the decommissioning of nuclear power stations. Specifically, the power company submits an application form for the Minister of Economy, Trade and Industry's approval and carries out, at that point, the transfers and additions into suspense account related to the decommissioning of nuclear power stations. Then, starting from the month in which approval is received, the company adds write-off costs to those expense accounts in amounts commensurate with its electricity rate revenue.

Cash and cash equivalents

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

Foreign currency transaction

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

Consolidated tax system

The Companies apply the consolidated tax system.

3. Changes in Accounting Policy, Etc.

(1) Changes in accounting policy

•Application of Accounting Standard for Retirement Benefits

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

In accordance with the provisions for transitional handling in Article 37 of the Accounting Standard, the retained earnings at the beginning of the consolidated fiscal year ended March 31, 2015 have been adjusted for the effects of the changes in the methods for calculating retirement benefit obligations and

current service costs.

As a result of the application, at the beginning of the consolidated fiscal year ended March 31, 2015, the liabilities for retirement benefits increased by ¥2,221 million, while the assets for retirement benefits, and the retained earnings, decreased by ¥9,671 million and ¥9,377 million, respectively. Operating income for the consolidated fiscal year ended March 31, 2015 rose by ¥625 million, and profit before income taxes rose by ¥638 million.

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

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

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

We filed the application in question on March 18, 2015, and accordingly we transferred and added ¥11,712 million of nuclear power generation facility book value and ¥6,375 million of decommissioning-related cost equivalent amounts, pertaining to Shimane Nuclear Power Station Unit 1, into the suspense account related to the decommissioning of nuclear power stations for the consolidated fiscal year ended March 31, 2015. Also, profit before income taxes rose by ¥18,087 million, compared to the figure with the previous method. Approval of our application was received from the Minister of Economy, Trade and Industry on April 21, 2015.

•Application of revised accounting standard for business combinations

Standards such as the "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013; below, the "Business Combination Accounting Standard"), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013; below, the "Consolidated Accounting Standard"), and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013; below, the "Business Divestitures Accounting Standard") have been applied from the current consolidated fiscal year. As a result, the Company changed its accounting policies to recognize in capital surplus the differences arising from the changes in the Company's ownership interest of subsidiaries over which the Company continues to maintain control. Also, there has been a change in the presentation of net income, etc., as well as a change in presentation from minority interests to non-controlling interests. In order to reflect this change in presentation, we have made a rearrangement to the consolidated financial statements, relative to last fiscal year's.

Regarding the application of the Business Combination Accounting Standard, etc., the transitional handling set forth in section 58-2 (4) of the Business Combination Accounting Standard, section 44-5 (4) of the Consolidated Accounting Standard, and section 57-4 (4) of the Business Divestitures Accounting Standard is being followed, has been applied from the beginning of this consolidated fiscal year prospectively.

Incidentally, the effect on the consolidated financial statements in the current consolidated fiscal year has been minor.

(2) Changes in presentation methods

•Consolidated statement of cash flows

Because there has been a drop in the monetary importance of "Proceeds from contribution received for construction," which was noted as a separate item in "Cash flows from investing activities" last consolidated fiscal year, we are including it in "Other" starting this consolidated fiscal year. In order to reflect this change in presentation method, we have made a rearrangement to the consolidated financial statements, relative to last fiscal year's.

As a result, the ¥15,679 million in "Proceeds from contribution received for construction" and ¥188 million in "Other" that were indicated in "Cash flows from investing activities" in last year's consolidated financial statements of cash flows have been reclassified as ¥15,867 million in "Other."

4. Cash and cash equivalents

Reconciliations of cash and time deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Cash and time deposits	¥ 133,485	¥ 138,864	\$ 1,181,283
Time deposits with maturities exceeding 3 months	(40,010)	(30,270)	(354,071)
Short-term investments that mature within 3 months of the acquisition date	—	83,000	—
Cash and cash equivalents	¥ 93,475	¥ 191,594	\$ 827,212

5. Property, plant and equipment

The major classifications of property, plant and equipment at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Hydroelectric power production facilities	¥ 123,010	¥ 124,934	\$ 1,088,584
Thermal power production facilities	187,162	188,714	1,656,301
Nuclear power production facilities	88,989	75,307	787,513
Transmission facilities	322,699	330,983	2,855,743
Transformation facilities	143,580	143,542	1,270,619
Distribution facilities	362,013	364,956	3,203,655
General facilities	80,660	82,672	713,805
Inactive facilities	21,350	22,712	188,938
Other electric utility plants and equipments	4,662	4,731	41,257
Other plants	117,892	120,067	1,043,292
Construction in progress	714,841	639,963	6,326,027
Suspense account related to the decommissioning of nuclear power stations	13,482	18,087	119,310
Total	¥ 2,180,340	¥ 2,116,668	\$ 19,295,044

Calculated according to the accounting principles and practices generally accepted in Japan, accumulated gains in relation to the receipt of contributions in aid of construction deducted from the original acquisition costs amounted to ¥92,085 million (US\$814,911 thousand), and ¥87,058 million at March 31, 2016 and 2015, 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 customer's due date and balance are controlled in accordance with power supply conditions.

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

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

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

The Company enters into interest rate swap contracts, forward exchange contracts and commodity swap contracts to mitigate and avoid market fluctuation risk. The Company adopts hedge accounting for interest rate swap contracts, forward exchange contracts and commodity swap contracts.

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

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

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

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

(3) Supplemental explanation for financial instruments' fair value

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

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

2. Issues related to fair value of financial instruments

The following are book values, fair values and the differences as of March 31, 2016 and 2015. 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		
	2016			2015			2016		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets									
(1) Long-term investment: Available-for-sale securities	¥ 31,138	¥ 31,138	¥ —	¥ 41,500	¥ 41,500	¥ —	\$ 275,558	\$ 275,558	\$ —
(2) Fund reserved reprocessing of irradiated nuclear fuel	46,058	46,058	—	50,225	50,225	—	407,593	407,593	—
(3) Cash and time deposits	133,485	133,485	—	138,864	138,864	—	1,181,283	1,181,283	—
(4) Notes receivable and accounts receivable	93,747	93,747	—	97,319	97,319	—	829,619	829,619	—
(5) Short-term investment: Held-to-maturity securities	—	—	—	83,000	83,000	—	—	—	—
Liabilities									
(6) Bonds	¥ 949,994	¥ 990,661	¥ 40,667	¥ 954,992	¥ 998,660	¥ 43,668	\$ 8,407,027	\$ 8,766,912	\$ 359,885
(7) Long-term borrowings	910,060	943,553	33,493	936,443	965,289	28,846	8,053,628	8,350,027	296,399
(8) Short-term borrowings	71,305	71,305	—	69,155	69,155	—	631,018	631,018	—
(9) Notes payable and accounts payable	45,283	45,283	—	61,005	61,005	—	400,735	400,735	—
(10) Derivative transactions	¥ (624)	¥ (624)	—	¥ (239)	¥ (239)	—	\$ (5,522)	\$ (5,522)	—

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

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

Their values depend on Stock Exchange quotations.

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

(2) Fund reserved reprocessing of irradiated nuclear fuel

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

In order to redeem the relevant reserve, it is necessary to follow the redemption plan for fund reserved reprocessing of irradiated nuclear fuel, which was approved by the Minister of Economy, Trade and

Industry. Because the book value is based on the current value for the potential redemption amount as of the end of the current fiscal year, its fair value is also estimated by the relevant book value.

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

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

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

(6) Bonds

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

(7) Long-term borrowings

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

(8) Short-term borrowings 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 the notes in "8. Derivatives and hedge accounting".

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

	Millions of yen		Thousands of U.S. dollars
	Book value		
	2016	2015	2016
Unlisted stocks	¥ 37,864	¥ 37,837	\$ 335,080
Other	1,046	1,055	9,256
Total	¥ 38,910	¥ 38,892	\$ 344,336

The above do not have market value, and it is hard to estimate their cash flow in the future. Hence, they are not included in "(1) Long-term investment: Available-for-sale securities".

(Note c) Anticipated redemption schedule for monetary claims and debt securities held to maturity subsequent to the fiscal year-end

	Millions of yen		Thousands of U.S. dollars
	Within 1 year		
	2016	2015	2016
Long-term investment:			
Available-for-sale securities with maturity	¥ —	¥ —	\$ —
Fund reserved reprocessing of irradiated nuclear fuel	12,380	11,925	109,558
Cash and time deposits	133,485	138,864	1,181,283
Notes receivable and accounts receivable	93,747	97,319	829,619
Short-term investment:			
Held-to-maturity securities	—	83,000	—
Total	¥ 239,612	¥ 331,108	\$ 2,120,460

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

	Millions of yen					
	2016					
	Within 1 year	1 year - 2 years	2 years - 3 years	3 years - 4 years	4 years - 5 years	Over 5 Years
Bonds	¥ 115,000	¥ 205,000	¥ 135,000	¥ 160,000	¥ 120,000	¥ 215,000
Long-term borrowings	117,852	60,500	79,224	89,762	78,821	483,901
Short-term borrowings	71,305	—	—	—	—	—
Total	¥ 304,157	¥ 265,500	¥ 214,224	¥ 249,762	¥ 198,821	¥ 698,901

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

	Thousands of U.S. dollars					
	2016					
	Within 1 year	1 year - 2 years	2 years - 3 years	3 years - 4 years	4 years - 5 years	Over 5 Years
Bonds	\$ 1,017,699	\$ 1,814,160	\$ 1,194,691	\$ 1,415,929	\$ 1,061,947	\$ 1,902,655
Long-term borrowings	1,042,938	535,398	701,097	794,354	697,531	4,282,310
Short-term borrowings	631,018	—	—	—	—	—
Total	\$ 2,691,655	\$ 2,349,558	\$ 1,895,788	\$ 2,210,283	\$ 1,759,478	\$ 6,184,965

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

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

7. Securities

Held-to-maturity securities

Categories	Millions of yen						Thousands of U.S. dollars		
	2016			2015			2016		
	Book value	Fair Value	Difference	Book value	Fair Value	Difference	Book value	Fair Value	Difference
Held-to-maturity securities with fair values exceeding book values									
Bonds	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —
Other	—	—	—	—	—	—	—	—	—
Subtotal	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —
Held-to-maturity securities with fair values not exceeding book values									
Bonds	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —
Other	—	—	—	83,000	83,000	—	—	—	—
Subtotal	¥ —	¥ —	¥ —	¥ 83,000	¥ 83,000	¥ —	\$ —	\$ —	\$ —
Total	¥ —	¥ —	¥ —	¥ 83,000	¥ 83,000	¥ —	\$ —	\$ —	\$ —

Available-for-sale securities

Categories	Millions of yen						Thousands of U.S. dollars		
	2016			2015			2016		
	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	¥ 30,280	¥ 9,080	¥ 21,200	¥ 41,024	¥ 9,954	¥ 31,070	\$ 267,965	\$ 80,354	\$ 187,611
Bonds	—	—	—	—	—	—	—	—	—
Other	8	3	5	9	3	6	71	27	44
Subtotal	¥ 30,288	¥ 9,083	¥ 21,205	¥ 41,033	¥ 9,957	¥ 31,076	\$ 268,036	\$ 80,381	\$ 187,655
Available-for-sale securities with book values not exceeding acquisition costs									
Equity securities	¥ 850	¥ 902	¥ (52)	¥ 467	¥ 724	¥ (257)	\$ 7,522	\$ 7,982	\$ (460)
Bonds	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—	—
Subtotal	¥ 850	¥ 902	¥ (52)	¥ 467	¥ 724	¥ (257)	\$ 7,522	\$ 7,982	\$ (460)
Total	¥ 31,138	¥ 9,985	¥ 21,153	¥ 41,500	¥ 10,681	¥ 30,819	\$ 275,558	\$ 88,363	\$ 187,195

Since, for the fiscal years ended March 31, 2016 and 2015, unlisted stocks (¥38,910 million (US\$344,336 thousand), ¥38,892 million in book value) have no market value and there is no way of estimating their cash flow in the future, it is difficult to evaluate their fair value. Hence, unlisted stocks are not included in the above "Available-for-sale securities".

8. Derivatives and hedge accounting

Derivative transaction where hedge accounting is applied

<Interest>

			Millions of yen					
Hedge accounting method	Type of transaction	Items to be hedged	2016			2015		
			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	Bonds & long-term borrowings						
	Fixed-rate receipt & flexible-rate payment		¥ 84,659	¥ 62,145	(Note a)	¥ 85,373	¥ 84,659	(Note a)
	Fixed-rate payment & flexible-rate receipt		3,000	3,000	(Note a)	17,500	3,000	(Note a)

			Thousands of U.S. dollars		
Hedge accounting method	Type of transaction	Items to be hedged	2016		
			Amount of contract	Amount of contract longer than 1 year	Fair value
Special treatment of interest rate swaps	Interest-rate swap	Bonds & long-term borrowings			
	Fixed-rate receipt & flexible-rate payment		\$ 749,195	\$ 549,956	(Note a)
	Fixed-rate payment & flexible-rate receipt		26,549	26,549	(Note a)

(Note a) 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	2016			2015		
			Amount of contract	Amount of contract longer than 1 year	Fair value	Amount of contract	Amount of contract longer than 1 year	Fair value
General method	Commodity swap Fixed-rate payment & flexible-rate receipt	Fuel import payment debt (projected transaction)	¥ 13,442	¥ —	¥ (624)	¥ 1,899	¥ —	¥ (239)

Hedge accounting method	Type of transaction	Items to be hedged	Thousands of U.S. dollars		
			2016		
			Amount of contract	Amount of contract longer than 1 year	Fair value
General method	Commodity swap Fixed-rate payment & flexible-rate receipt	Fuel import payment debt (projected transaction)	\$ 118,956	\$ —	\$ (5,522)

(Note b) The fair value of derivative transactions is measured at quoted prices from the financial institutions.

9. Long-term debt

Long-term debt at March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Domestic bonds due through 2031 at rates of 0.27% to 4.1%	¥ 949,994	¥ 954,992	\$ 8,407,027
Long-term loans from the Development Bank of Japan Inc., other banks and insurance companies due through 2031	910,060	936,443	8,053,628
Lease obligations	28	17	248
	1,860,082	1,891,452	16,460,903
Less amounts due within one year	(232,859)	(214,078)	(2,060,699)
Total	¥ 1,627,223	¥ 1,677,374	\$ 14,400,204

At March 31, 2016 and 2015, long-term loans from the Development Bank of Japan Inc. in the amounts of ¥243,624 million (US\$2,155,965 thousand) and ¥235,271 million, and all bonds were secured by a statutory preferential right which gives the creditors a security interest in all assets of the Company, totaling ¥2,840,161 million (US\$25,134,168 thousand) and ¥2,868,247 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, 2016 and 2015 were as follows:

Year ending March 31, 2016	Millions of Yen	Thousands of U.S. dollars
2017	¥ 232,852	\$ 2,060,637
2018	265,500	2,349,558
2019	214,224	1,895,788
2020	249,762	2,210,283
Thereafter	897,722	7,944,443

Year ending March 31, 2015	Millions of Yen
2016	¥ 214,072
2017	231,228
2018	263,567
2019	212,282
Thereafter	970,295

Note: Excluding lease obligations.

10. Leases

(As lessee)

1. Finance lease transactions

The Companies lease certain equipment for business use.

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

Lease payments under non-capitalized finance leases amounted to ¥0 and ¥7 million for the years ended March 31, 2016 and 2015, respectively.

The present values of future minimum lease payments under non-capitalized finance leases as of March 31, 2016 and 2015, were both zero.

2. Operating lease transactions

The present values of future minimum lease payments pertaining to the operating leases that are non-cancelable, as of March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Current portion	¥ 181	¥ 10	\$ 1,602
Non-current portion	380	17	3,363
Total	¥ 561	¥ 27	\$ 4,965

(As lessor)

1. Finance lease transactions

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

Lease payments received under non-capitalized finance leases amounted to ¥210 million (US\$1,858 thousand) and ¥230 million for the years ended March 31, 2016 and 2015, respectively.

The present values of future minimum lease payments to be received under non-capitalized finance leases as of March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Current portion	¥ 205	¥ 221	\$ 1,814
Non-current portion	838	1,149	7,416
Total	¥ 1,043	¥ 1,370	\$ 9,230

11. Contingent liabilities

At March 31, 2016 and 2015, the Companies were contingently liable as guarantors for loans of other companies and employees in the amount of ¥116,210 million (US\$1,028,407 thousand), and ¥121,491 million, respectively.

At March 31, 2015, 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.

12. Research and development expenses

Research and development expenses charged to operating expenses were ¥4,965 million (US \$43,938 thousand), and ¥4,679 million for the years ended March 31, 2016 and 2015, respectively.

13. Retirement benefits

1. Overview of the retirement benefit plan adopted

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

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

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

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

2. Defined benefit plans

(1) Movement in retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Balance at beginning of the fiscal year	¥ 265,803	¥ 251,887	\$ 2,352,239
Cumulative effects of changes in accounting policies	—	11,892	—
Restated balance at beginning of the fiscal year	¥ 265,803	¥ 263,779	\$ 2,352,239
Service cost	8,638	8,649	76,442
Interest cost	1,807	2,574	15,991
Actuarial loss (gain)	14,260	3,179	126,195
Benefits paid	(12,839)	(12,371)	(113,619)
Past service cost	(1,204)	—	(10,655)
Other	(2,187)	(7)	(19,354)
Balance at end of the fiscal year	¥ 274,278	¥ 265,803	\$ 2,427,239

(2) Movements in plan assets

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Balance at beginning of the fiscal year	¥ 247,679	¥ 235,340	\$ 2,191,850
Expected return on plan assets	3,384	3,245	29,947
Actuarial loss (gain)	596	12,970	5,274
Contributions paid by the companies	4,982	5,183	44,089
Benefits paid	(9,321)	(9,054)	(82,487)
Other	(2,176)	(5)	(19,257)
Balance at end of the fiscal year	¥ 245,144	¥ 247,679	\$ 2,169,416

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Retirement benefit obligations for defined benefit corporate pension schemes	¥ 204,683	¥ 199,747	\$ 1,811,354
Plan assets	(245,144)	(247,679)	(2,169,416)
	(40,461)	(47,932)	(358,062)
Retirement benefit obligations for retirement lump sum schemes	69,595	66,056	615,885
Total net liability (asset) for retirement benefits at end of the fiscal year	¥ 29,134	¥ 18,124	\$ 257,823

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Liability for retirement benefits	¥ 71,503	¥ 67,040	\$ 632,770
Asset for retirement benefits	(42,369)	(48,916)	(374,947)
Total net liability (asset) for retirement benefits at end of the fiscal year	¥ 29,134	¥ 18,124	\$ 257,823

(4) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Service cost	¥ 8,638	¥ 8,649	\$ 76,442
Interest cost	1,807	2,574	15,991
Expected return on plan assets	(3,384)	(3,245)	(29,947)
Net actuarial loss (gain) amortization	(5,372)	(8,185)	(47,539)
Past service costs amortization	(1,195)	13	(10,575)
Premium severance payments made on a special basis	240	228	2,124
Retirement benefit costs for defined benefit plans	¥ 734	¥ 34	\$ 6,496

(5) Adjustments for retirement benefit

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Past service costs	¥ 8	¥ 13	\$ 71
Actuarial gains/losses	(19,236)	1,606	(170,230)
Total	¥ (19,228)	¥ 1,619	\$ (170,159)

(6) Accumulated adjustments for retirement benefit

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Unrecognized past service costs	¥ —	¥ 9	\$ —
Unrecognized actuarial gains/losses	(4,199)	(23,235)	(37,159)
Total	¥ (4,199)	¥ (23,226)	\$ (37,159)

(7) Plan assets

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

	2016	2015
Bonds	51%	49%
Equity securities	11%	17%
Life insurance general accounts	37%	33%
Other	1%	1%
Total	100%	100%

② Long-term expected rates of return

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

(8) Actuarial assumptions

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

	2016	2015
Discount rate	mainly 0.1%	mainly 0.7%
Long-term expected rates of return	mainly 1.3%	mainly 1.3%

3. Defined contribution pension plan

The contributions required from the Companies to the defined contribution pension plan amounted to ¥777 million (US\$6,876 thousand) for both of the years ended March 31, 2016 and 2015.

14. Income taxes

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

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Deferred tax assets:			
Provision for depreciation of nuclear power plants	¥ 21,685	¥ 21,022	\$ 191,903
Excess depreciation	19,953	17,145	176,575
Asset retirement obligations	12,377	7,569	109,531
Adjustment for unrealized intercompany profits	8,494	11,995	75,168
Liability for retirement benefits	8,487	5,649	75,106
Provision for reprocessing of irradiated nuclear fuel	5,941	6,476	52,575
Accrued bonuses and other expenses	3,752	3,908	33,204
Book value of nuclear power generation facilities following decommissioning of Shimane Nuclear Power Station Unit 1	—	3,373	—
Other	17,994	20,505	159,239
Total gross deferred tax assets	98,683	97,642	873,301
Less valuation allowance	(10,884)	(10,739)	(96,319)
Total deferred tax assets	87,799	86,903	776,982
Deferred tax liabilities:			
Unrealized holding gains on securities	(6,377)	(9,437)	(56,434)
Suspense account related to the decommissioning of nuclear power stations	(3,792)	(5,209)	(33,557)
Other	(1,547)	(1,997)	(13,690)
Total deferred tax liabilities	(11,716)	(16,643)	(103,681)
Net deferred tax assets	¥ 76,083	¥ 70,260	\$ 673,301

The causes of the discrepancy between the statutory effective tax rate and the income tax rate after application of tax effect accounting, in the years ended March 31, 2016 and 2015, were as follows.

	2016	2015
The Company's statutory effective tax rate	28.80%	30.73%
(adjustment)		
Decrease in year-end deferred tax assets due to tax rate changes	5.08%	8.83%
Other	1.12%	0.07%
Income tax rate after application of tax effect accounting	35.00%	39.63%

The statutory effective tax rate used in the calculations of deferred tax assets and liabilities at the end of the fiscal year was the newly revised rate that followed enactment of the Act for Partial Amendment of the Income Tax Act by the Diet on March 29, 2016.

Due to this, deferred tax assets decreased by ¥1,844 million (US\$16,319 thousand), while provision for income taxes deferred and accumulated other comprehensive income both increased, by ¥2,107 million (US\$18,646 thousand) and ¥270 million (US\$2,389 thousand), respectively.

15. Asset retirement obligations

Asset retirement obligations included in the consolidated balance sheets

(1) Outline of the asset retirement obligations

Asset retirement obligations are recorded mainly in conjunction with measures to decommission specified nuclear power generation facilities under the “Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors”. In accordance with the prescriptions of an Ordinance of the Ministry of Economy, Trade and Industry, the cost is reckoned up as the cost of decommissioning the nuclear power generation facilities, which is calculated by applying the straight-line method to the estimated total decommissioning cost for the period equal to the facilities’ forecast operating period plus the estimated safe storage period.

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

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

(3) Variation in the total value of the asset retirement obligations during the fiscal year ended March 31, 2016 and 2015:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Balance at beginning of the fiscal year	¥ 73,972	¥ 72,320	\$ 654,619
Changes in estimated obligations and accretion	1,775	1,652	15,708
Balance at end of the fiscal year	¥ 75,747	¥ 73,972	\$ 670,327

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 28, 2016, the stockholders approved cash dividends amounting to ¥9,063 million (US\$80,204 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2016. Such appropriations are recognized in the period in which they are approved by the stockholders.

17. Segment information

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

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

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

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

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

A summary by segment for the years ended March 31, 2016 and 2015 was as follows:

	Millions of yen							
	2016							
	Reporting segment				Other	Total	Adjustment (Note)	Consolidated
Electric power	Comprehensive energy supply	Information and tele- communications	Total					
Operating revenues:								
Outside customers	¥ 1,113,637	¥ 42,081	¥ 27,553	¥1,183,271	¥ 48,301	¥ 1,231,572	¥ —	¥ 1,231,572
Intersegment	3,200	1,650	12,756	17,606	86,014	103,620	(103,620)	—
Total	1,116,837	43,731	40,309	1,200,877	134,315	1,335,192	(103,620)	1,231,572
Segment income (loss)	¥ 38,727	¥ 3,632	¥ 4,602	¥ 46,961	¥ 4,193	¥ 51,154	¥ (1,138)	¥ 50,016
Segment assets	2,812,509	38,514	80,182	2,931,205	274,382	3,205,587	(134,638)	3,070,949
Other items:								
Depreciation expense	¥ 94,290	¥1,204	¥ 8,299	¥ 103,793	¥ 3,537	¥ 107,330	¥ (1,160)	¥ 106,170
Investment in equity method affiliated companies	9,526	3,845	—	13,371	104,239	117,610	—	117,610
Value increase in tangible and intangible assets	185,957	3,925	10,573	200,455	7,628	208,083	(3,116)	204,967

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

Thousands of U.S. dollars								
2016								
Reporting segment								
	Electric power	Comprehensive energy supply	Information and tele-communications	Total	Other	Total	Adjustment (Note)	Consolidated
Operating revenues:								
Outside customers	\$9,855,195	\$372,398	\$ 243,832	\$ 10,471,425	\$ 427,442	\$10,898,867	\$ —	\$ 10,898,867
Intersegment	28,318	14,602	112,885	155,805	761,186	916,991	(916,991)	—
Total	9,883,513	387,000	356,717	10,627,230	1,188,628	11,815,858	(916,991)	10,898,867
Segment income (loss)	\$ 342,717	\$ 32,141	\$ 40,726	\$ 415,584	\$37,106	\$ 452,690	\$ (10,071)	\$ 442,619
Segment assets	24,889,460	340,832	709,575	25,939,867	2,428,159	28,368,026	(1,191,486)	27,176,540
Other items:								
Depreciation expense	\$ 834,425	\$ 10,655	\$ 73,442	\$918,522	\$ 31,301	\$ 949,823	\$ (10,265)	\$ 939,558
Investment in equity method affiliated companies	84,301	34,026	—	118,327	922,469	1,040,796	—	1,040,796
Value increase in tangible and intangible assets	1,645,637	34,735	93,566	1,773,938	67,504	1,841,442	(27,575)	1,813,867

(Note) "Adjustment" of "Segment income (loss)" in an amount of ¥(1,138) million (US\$(10,071) thousand) and ¥(976) million refers to inter-segment elimination for the years ended March 31, 2016 and 2015, respectively.

"Adjustment" of "Segment assets" in an amount of ¥(134,638) million (US\$(1,191,486) thousand) and ¥(131,844) million refers mainly to inter-segment elimination for the years ended March 31, 2016 and 2015, respectively.

"Adjustment" of "Value increase in tangible and intangible assets" in an amount of ¥(3,116) million (US\$(27,575) thousand) and ¥(3,637) million refers mainly to inter-segment elimination for the years ended March 31, 2016 and 2015, respectively.

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

Since the Companies' sales to external customers in Japan accounted for over 90% of the total sales in the Consolidated Statements of Operations for the fiscal years ended March 31, 2016 and 2015, 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, 2016 and 2015, information concerning region-by-region tangible fixed assets is omitted here.

Since no customer among the Companies' external customers accounted for 10% or more of the total sales in the Consolidated Statements of Operations for the fiscal years ended March 31, 2016 and 2015, information concerning major customers is omitted here.

18. Subsequent event

The following appropriations of retained earnings at March 31, 2016 were approved at the annual meeting of stockholders held on June 28, 2016:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥25 (US\$0.22) per share	¥ 9,063	\$ 80,204



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, 2016 and 2015, 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 misstatement, 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, 2016 and 2015, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

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



Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2016 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

July 21, 2016
Hiroshima, Japan

Non-Consolidated Balance Sheets

The Chugoku Electric Power Co., Inc.
March 31, 2016 and 2015

Assets	Millions of yen		Thousands of U.S.dollars
	2016	2015	2016
Property, plant and equipment:			
Plant and equipment	¥5,667,193	¥5,607,649	\$50,152,150
Construction in progress	710,065	640,666	6,283,761
Suspense account related to the decommissioning of nuclear power stations	13,482	18,087	119,310
	6,390,740	6,266,402	56,555,221
Less-			
Contributions in aid of construction	89,245	85,229	789,779
Accumulated depreciation	4,198,447	4,141,778	37,154,398
	4,287,692	4,227,007	37,944,177
Net property, plant and equipment	2,103,048	2,039,395	18,611,044
Nuclear fuel	158,577	186,577	1,403,336
Investments and other assets:			
Investment securities	65,505	76,738	579,690
Fund reserved for reprocessing of irradiated nuclear fuel	46,058	50,225	407,593
Investments to subsidiaries and affiliated companies	42,138	40,164	372,903
Long-term loans to employees	60	84	531
Deferred tax assets	57,932	53,348	512,672
Other assets	94,005	44,809	831,903
Total investments and other assets	305,698	265,368	2,705,292
Current assets:			
Cash and time deposits	124,712	126,247	1,103,646
Receivables, less allowance for doubtful accounts of ¥438 million (\$3,876 thousand) in 2016 and ¥420 million in 2015	83,395	87,331	738,009
Short-term investment	—	83,000	—
Inventories, fuel and supplies	42,648	54,937	377,416
Deferred tax assets	7,254	8,682	64,195
Other current assets	14,829	16,710	131,230
Total current assets	272,838	376,907	2,414,496
Total assets	¥2,840,161	¥2,868,247	\$25,134,168

Liabilities and Net Assets	Millions of yen		Thousands of U.S.dollars
	2016	2015	2016
Long-term liabilities:			
Long-term debt	¥1,593,815	¥1,651,378	\$14,104,557
Employees' severance and retirement benefits	56,786	55,813	502,531
Provision for reprocessing of irradiated nuclear fuel	54,486	62,760	482,177
Provision for reprocessing of irradiated nuclear fuel without a fixed plan to reprocess	7,762	7,463	68,690
Asset retirement obligations	75,265	73,726	666,062
Other long-term liabilities	15,457	16,806	136,788
Total long-term liabilities	1,803,571	1,867,946	15,960,805
Current liabilities:			
Long-term debt due within one year	230,066	206,704	2,035,982
Short-term borrowings	67,035	66,035	593,230
Accounts payable	62,479	66,054	552,912
Accrued income taxes	14,240	7,439	126,018
Accrued expenses	59,290	46,876	524,690
Other current liabilities, including other long-term liabilities due within one year	81,997	84,540	725,637
Total current liabilities	515,107	477,648	4,558,469
Reserve for fluctuation in water levels	435	935	3,850
Provision for depreciation of nuclear power plants	77,556	72,992	686,336
Net Assets :			
Common stock	185,528	185,528	1,641,841
Authorized-1,000,000,000 shares			
Issued-371,055,259 shares in 2016 and 2015			
Capital surplus	16,728	16,729	148,035
Retained earnings	246,970	244,078	2,185,575
Treasury stock (8,547,616 shares in 2016 and 8,396,370 shares in 2015)	(14,749)	(14,517)	(130,522)
Net unrealized holding gains (losses) on securities	9,463	17,078	83,744
Net unrealized gains (losses) on hedges	(448)	(170)	(3,965)
Total net assets	443,492	448,726	3,924,708
Total liabilities and net assets	¥2,840,161	¥2,868,247	\$25,134,168

Major Subsidiaries and Affiliated Companies

(As of March 31, 2016)

Name	Capital (Millions of yen except for ※1,※2)	a percentage of voting rights(%)	Business
CHUDEN KOGYO CO.,LTD.*	77	100.0	Contracting out construction and painting projects
CHUDEN PLANT CO.,LTD.*	200	100.0	Construction of power facilities
CHUGOKU INSTRUMENTS CO.,INC.*	30	100.0	Assembly and repair of electric power meters
CHUGOKU KIGYO Co.,Inc.*	104	100.0	Realty, building management and leasing
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
Power Engineering and Training Services, Incorporated*	288	100.0	Training in thermal power generation technology, engineering
Chugoku Electric Power Australia Resources Pty. Ltd*	60 Millions of Australian \$ ※1	100.0	Exploration, development, production business of energy resources
Chugoku Electric Power International Netherlands B.V.*	1 US \$ ※2	100.0	Investment, financing and providing guarantees for overseas electricity projects
Energia Life & Access Co.,Inc.*	65	100.0	Water heater sales and leasing, design of distribution equipment
CHUDEN ENGINEERING CONSULTANTS CO., LTD.*	100	100.0 (10.0)	Civil engineering and construction consulting
The Energia Logistics Co.,Inc.*	40	70.0	Logistics
TEMPEARL INDUSTRIAL CO.,LTD.*	150	57.6 (1.0)	Manufacturing of electric machine tools
CHUGOKU KOATSU CONCRETE INDUSTRIES CO.,LTD.*	150	50.1	Manufacturing of concrete products
ADPLEX Co.,Ltd.*	30	47.6 (0.9)	Printing,advertising
EnerGia Care Service Co.,Inc.*	78	100.0 (66.7)	Management of a nursing home,day-care services,home nursing care services
Setouchi Joint Thermal Power Co.,LTD.**	5,000	50.0	Thermal power generation
CHUGOKU HEALTH AND WELFARE CLUB CO.,INC.**	50	50.0	Welfare agency services
MIZUSHIMA LNG COMPANY,LIMITED**	800	50.0	Accepting consignments to receive,store,convert into gas form and deliver liquefied natural gas(LNG), gas pipeline service business
Setouchi Power Corporation**	100	50.0	Supply of electric power
Osaki CoolGen Corporation**	490	50.0	Development of Coal Gasification Technology
CHUDENKO CORPORATION**	3,481	42.1 (0.2)	Electrical and telecommunications engineering
CHUGOKU ELECTRIC MFG.CO.,LTD.**	150	40.0	Manufacturing of electric machine tools
Houseplus Chugoku Housing Warranty Corporation Limited**	50	33.3	Functional evaluation and construction confirmation checks for housing
OZUKI STEEL INDUSTRIES CO.,LTD.**	50	20.0	Manufacturing of cast steel products

* Consolidated subsidiary

** Affiliated company accounted for by the equity method

Note:The figure in parentheses () after a proportion of voting rights held is the percentage, among those, of indirectly-held voting rights.

Investor Information

(As of March 31, 2016)

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

KPMG AZSA LLC

TRANSFER AGENT AND REGISTRAR:

Sumitomo Mitsui Trust Bank, Limited

SECURITIES TRADED:

Tokyo Stock Exchange

NUMBER OF STOCKHOLDERS: 119,476

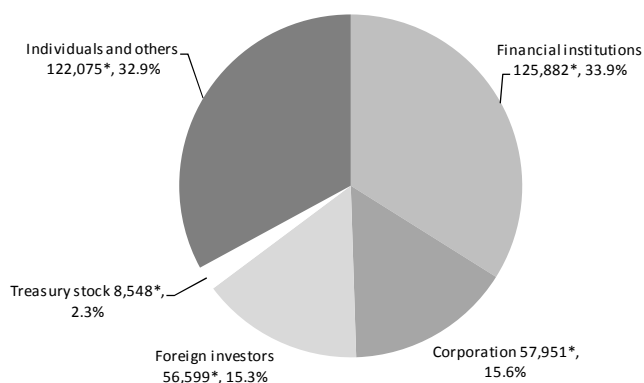
COMMON STOCK ISSUED: 371,055,259 shares

MAJOR STOCKHOLDERS

Name	Number of Stocks Held (thousands)	Percentage (%)
Japan Trustee Services Bank, Ltd.	38,424	10.36
Yamaguchi Prefecture	34,005	9.16
The Master Trust Bank of Japan, Ltd.	23,177	6.25
Nippon Life Insurance Company	18,567	5.00
Mizuho Bank, Ltd.	8,235	2.22
Company stock investment	7,203	1.94
The Hiroshima Bank, Ltd.	5,842	1.57
THE SAN-IN GODO BANK, LTD.	5,547	1.50
Sumitomo Mitsui Trust Bank, Limited	4,986	1.34
STATE STREET BANK WEST CLIENT - TREAT	4,299	1.16

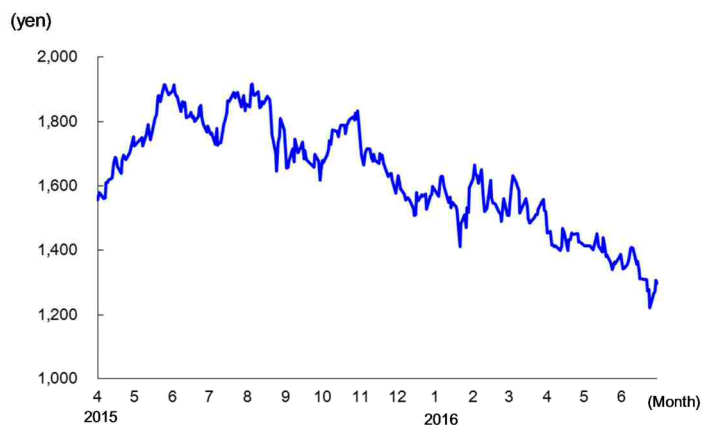
Note: The table above excludes 8,548 thousand shares of treasury stock.

DISTRIBUTION OF COMMON STOCK ISSUED



*Thousands of stocks

STOCK PRICE RANGE ON THE TOKYO STOCK EXCHANGE



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