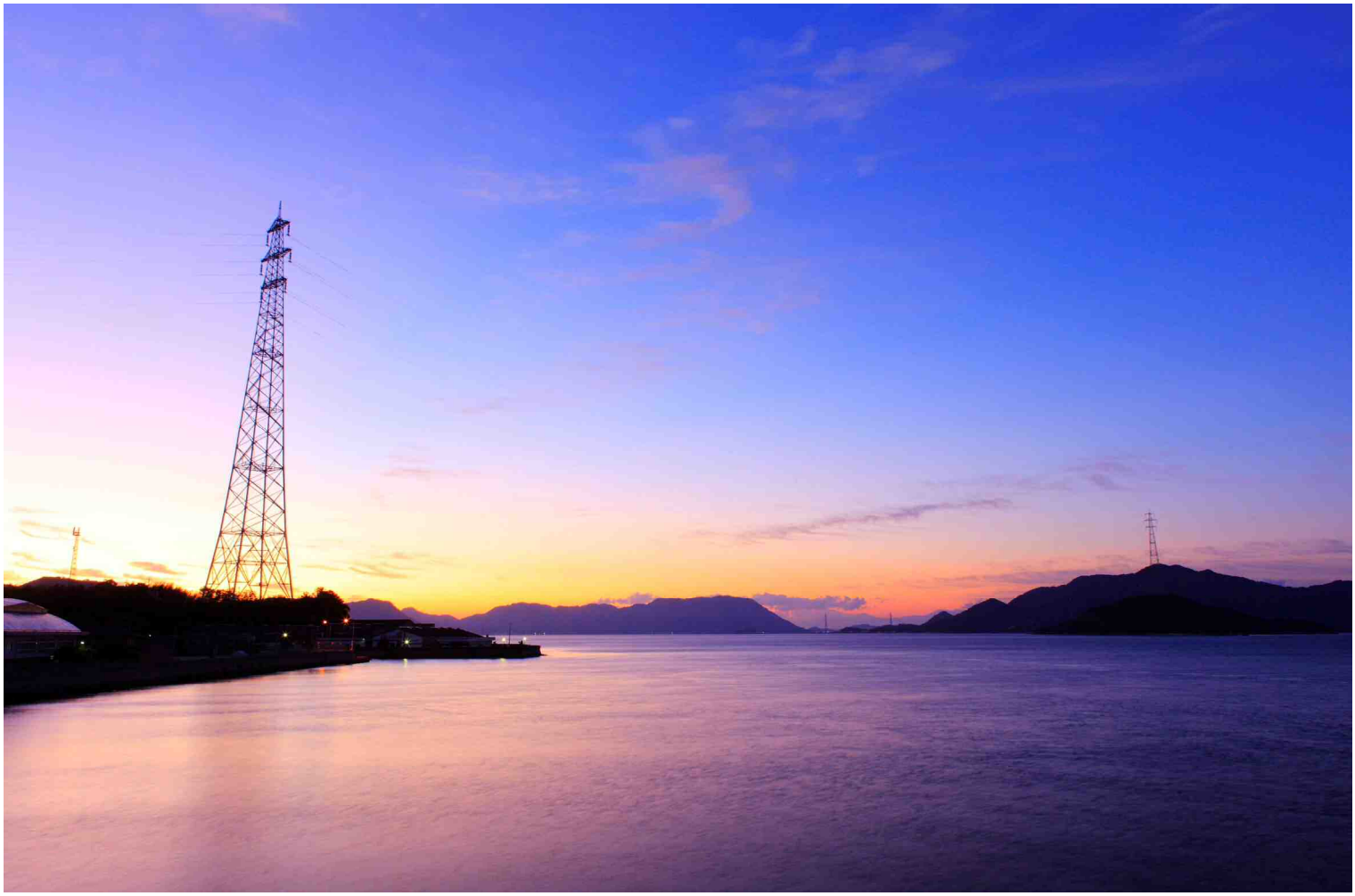
Energia

ANNUAL REPORT 2015

Year Ended March 31, 2015



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

Contents

2 To Our Dear Stockholders and Investors

3 Corporate Profile

5 Consolidated Financial Highlights

7 An interview with President Tomohide Karita

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

12 Efforts Toward Strengthening of Competitiveness

15 Status of Shimane Nuclear Power Station

17 Trend in Japan's Energy Policy

19 Corporate Information

21 Financial Section

60 Major Subsidiaries and Affiliated Companies

61 Investor Information

To Our Dear Stockholders and Investors

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

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

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

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

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

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

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

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

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

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

We request your continued cooperation and support into the future.

July 2015

Takashi Yamashita

Takashi Yamashita
Chairperson

Tomohide Karita

Tomohide Karita
President

Corporate Profile

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

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

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

Corporate Data (as of March 31,2015)

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

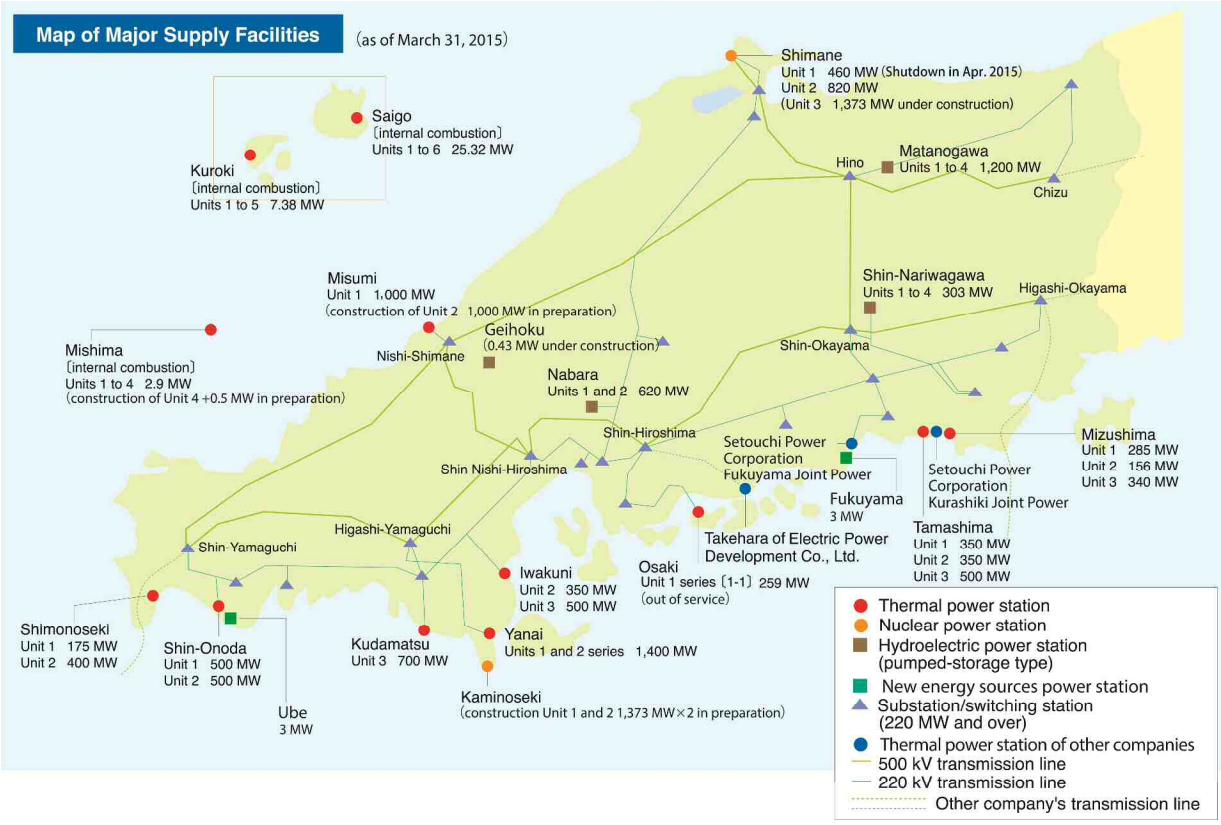
■Main supply facilities

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

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

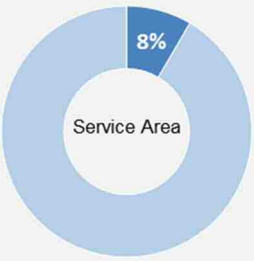
■Main business places

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



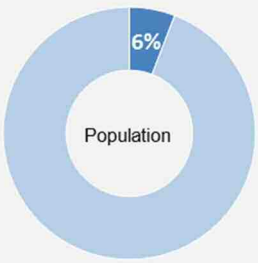
In this report, the term “Fiscal Year 2015” refers to the period which ended March 31, 2015. However, this does not apply to the referenced sources.

Characteristics of Chugoku Region



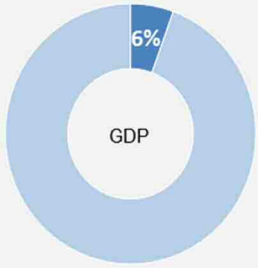
Chugoku Region	31,922km²
Japan	377,972km²

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



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

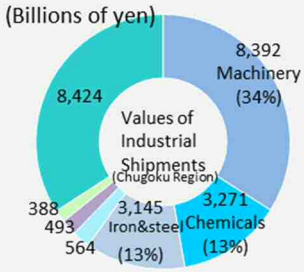
Source:"Current Population Estimates(as of October 1st,2014) " by Statistics Bureau, Ministry of International Affairs and Communications.



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

(millions of yen)

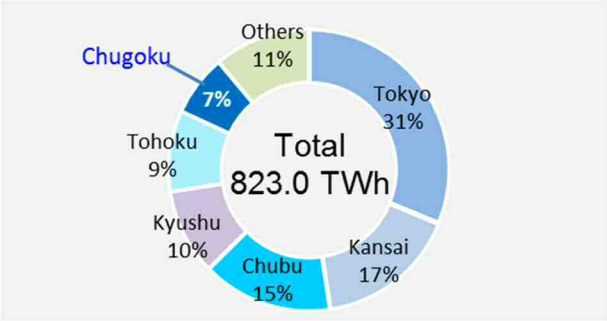
Source:"Annual Report on Prefectural Accounts for FY 2012" by Economic and SocialReserch Institute, Cabinet Office, Government of Japan



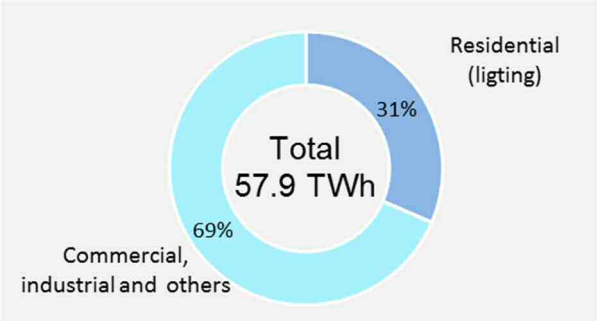
Sources:Ministry of Economy, Trade and Industry Web Site「Census of Manufactures 2013」◆Figures in ( ) represent the percentage distibution.

Characteristics of Chugoku Electric

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



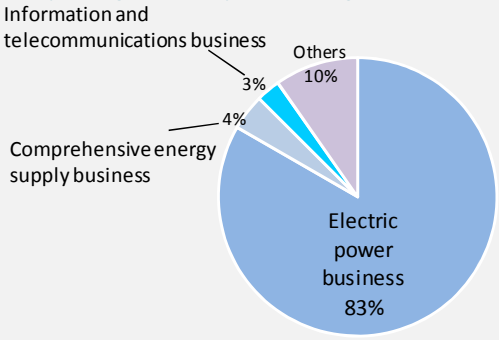
Electric Sales Volume by Demand Type



Sales Volume by Segment

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

■ Operating Revenue by Business Segment



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

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

Consolidated Financial Highlights

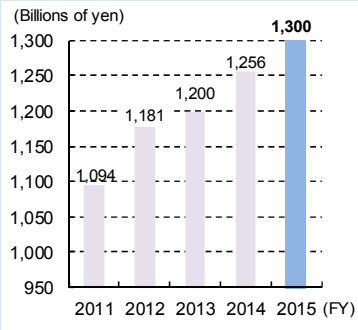
The Chugoku Electric Power Co.,Inc. and Consolidated Subsidiaries
For the years ended March 31

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

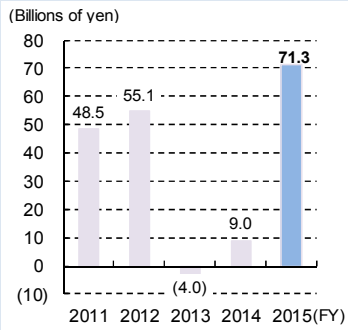
	Millions of kWh				
	2011	2012	2013	2014	**2015**
Power generated and received					
Generated:					
Hydroelectric	3,335	3,981	3,053	3,612	**3,401**
Thermal	39,606	38,254	40,662	39,796	**38,768**
Nuclear	2,281	5,919	—	—	**—**
New energy sources	—	1	5	5	**6**
Total	45,222	48,155	43,720	43,413	**42,175**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

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

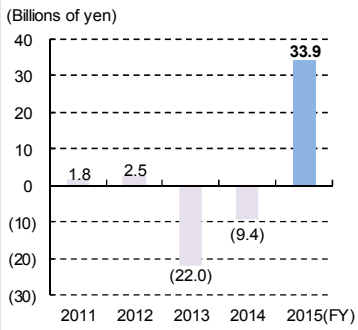
■Operating revenues



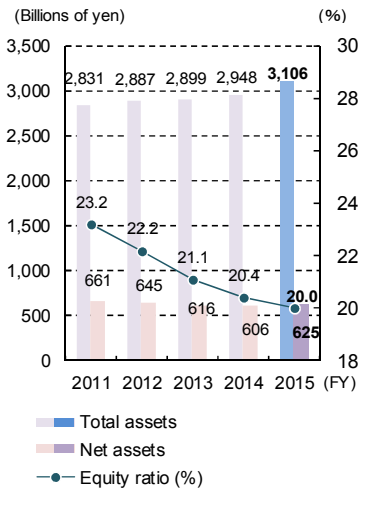
■Operating income(loss)



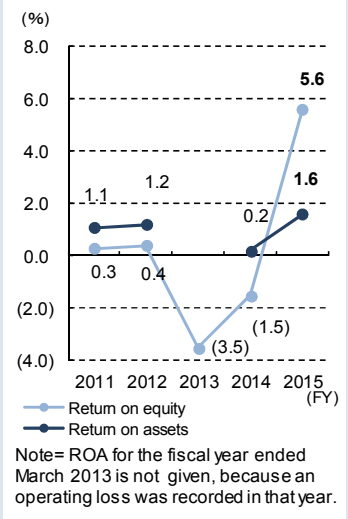
■Net income(loss)



■Total assets,Net assets, Equity ratio

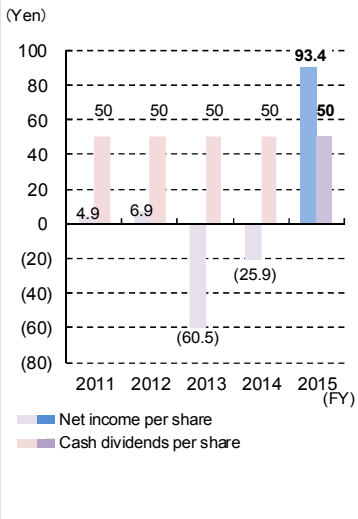


■ Return on equity, Return on asset

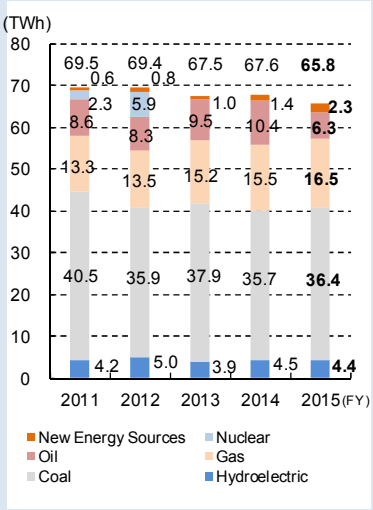


Note= ROA for the fiscal year ended March 2013 is not given, because an operating loss was recorded in that year.

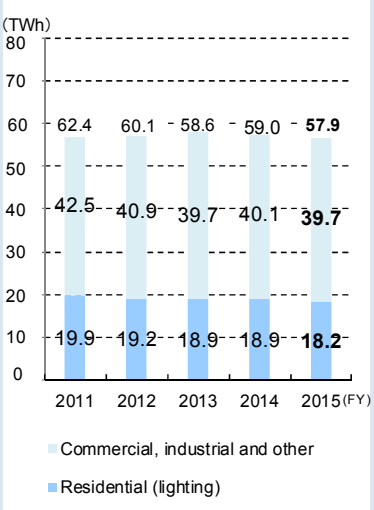
■ Net income per share, Cash dividends per share



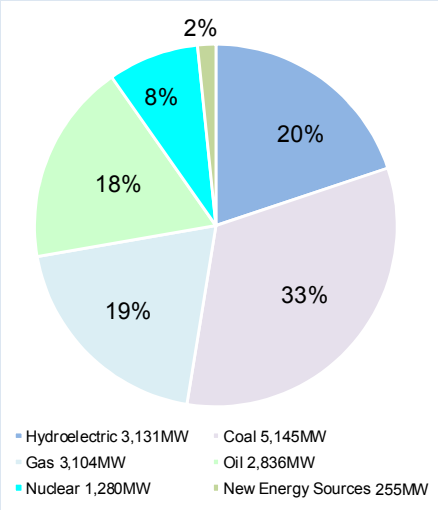
■Power generated and received by Power source



■Electric sales



■Breakdown in Power Sources (at March31,2015)



An Interview with President Tomohide Karita

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

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

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

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

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

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

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

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

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

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

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

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

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

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

■State of Safety Measure Implementation at Shimane Nuclear Power Station

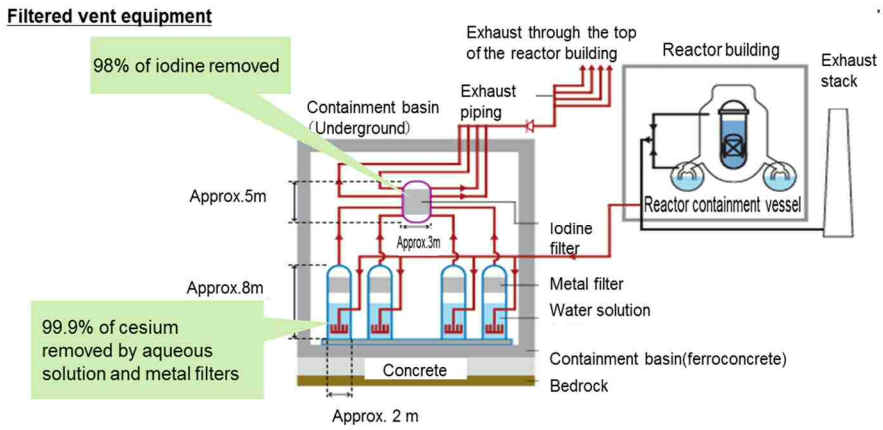
◆ Seismic Isolated Important Building Erected

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

Seismic Isolated Important Building

◆ Work to install filtered vent equipment

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



Filtering device

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

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

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

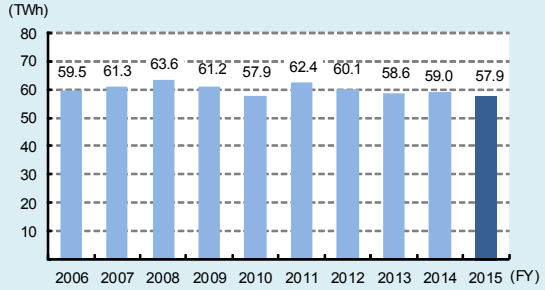
In the last fiscal year ended March 2015, we were able to secure a certain level of profit, even with our nuclear power unable to operate. This was due to our efforts for business efficiency enhancement, which included postponing works for emergency evacuation, and in addition to external factors such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

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

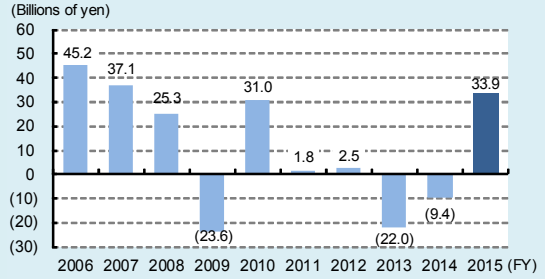
Regarding dividends, our basic approach is to continue with stable dividends, and we have been implementing dividends of 50 yen per share from an overall consideration of forecasts and so forth of the mid- and long-term revenue-expenditure and financial situations, not merely of the results for a single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

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

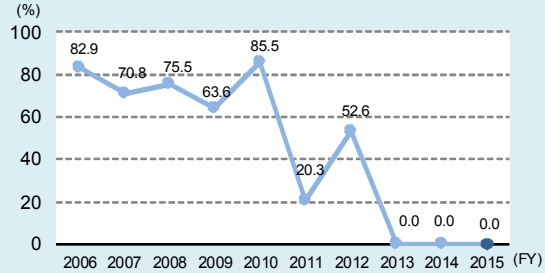
◆Electric sales



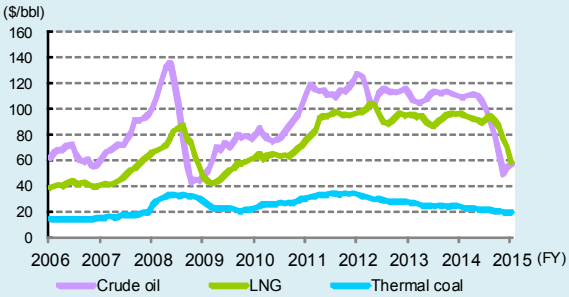
◆Net income (loss)(Consolidated)



◆Nuclear Power Plant Utilization Ratio



◆Trend in Fuel Prices



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

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

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

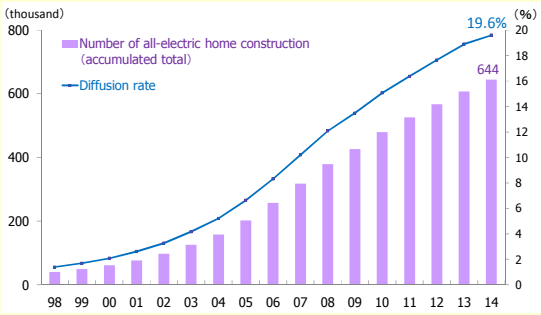
As for private businesses, continuing to run nuclear power stations, we believe it will be indispensable to have in place an environment that gives them an outlook over the future, so that they can plan and implement long-term operations, and we will keep advocating that the requisite policies and measures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

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

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

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

Diffusion Rate of All-electric Homes (Chugoku Region)



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

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

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

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

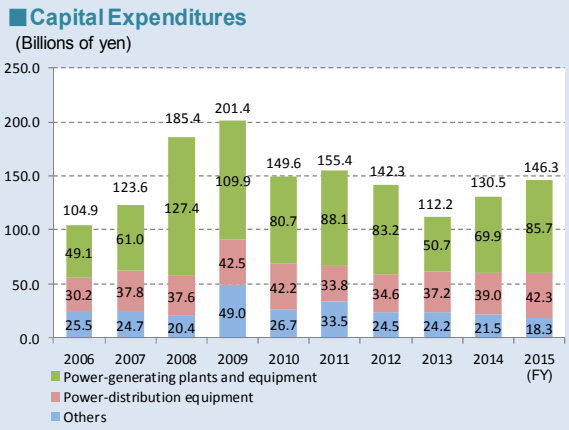
First of all we hope to effect a recovery in our revenue-expenditure by devoting our full energies to accommodating the NRA's examination of Shimane Nuclear Power Station and having Unit 2 restart operation at an early date. By combining this with the results of fuel conversion of our thermal power sources,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

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

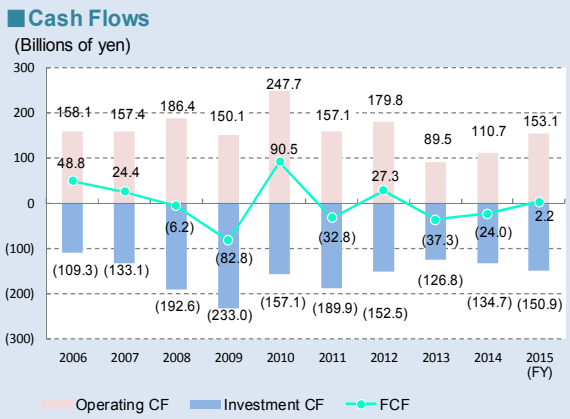
Regarding our new investments toward further profit growth, we will be making these while thoroughly scrutinizing the risks and will not be letting any opportunities get away. We will also be investing actively in power generation and supply business outside the Chugoku Region – in the Greater Tokyo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

Trend in Capital Expenditures Sums

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



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



Efforts Toward Strengthening of Competitiveness

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

Strengthening of Competitiveness of Power Generation Facilities

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

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

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

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

◆Outline of Misumi Unit 2

Output	1,000MW
Electricity generating system	Ultra Super Critical
Schedule	Work starting: November 2018 Operation starting: November 2022

Partial interest acquired in Boggabri, Australia coal mine

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

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

◆Boggabri coal mine's location

◆Outline of Boggabri coal mine

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

Development of Technology for Oxygen-blown Coal Gasification

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

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

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

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

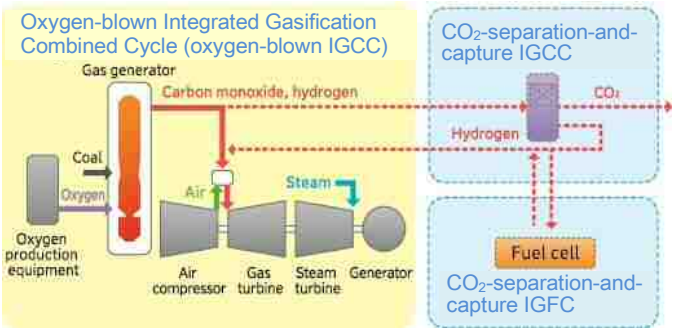
Amid increasing societal needs not only for economy but also for environmental performance, we believe that the establishment of this high-efficiency coal-fired thermal power generation technology will firmly entrench the positioning of coal-fired thermal power – important for our company, which holds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

View of the construction of Demonstration Test Plant

◆Outline of the Oxygen-blown IGCC Demonstration Testing

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

◆Outline of Demonstration Test System



Expansion of natural gas supply business

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

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

Mizushima LNG Base

Yanai LNG Base

◆Outline of the Bases

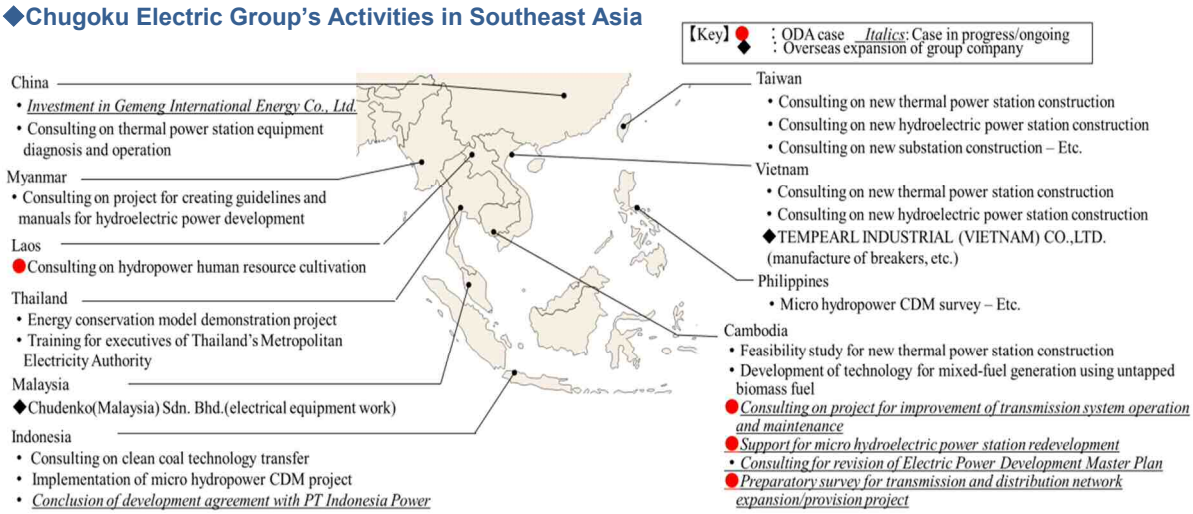
		Yanai Base	Mizushima Base
Equipment	Tanks	80,000 kl × 6	160,000 kl × 2
	Pipe Line	—	Mizushima Base to Okayama City (Linear distance roughly 30 km)
Volume handled annually		Approx. 1,500,000 tons	Approx. 1,000,000 tons

Development of Overseas Business

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

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

◆Chugoku Electric Group's Activities in Southeast Asia

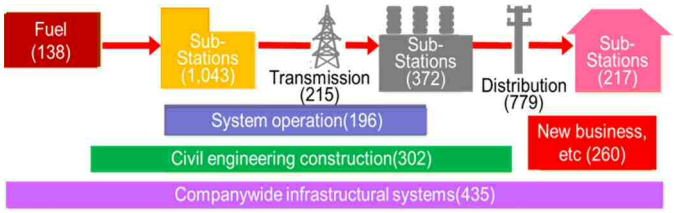


Promotion of Intellectual Property (IP) Strategy

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

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

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



◆Top 10 companies in Patent asset scale ranking*

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

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

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

Status of Shimane Nuclear Power Station

Outline of Shimane Nuclear Power Station

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

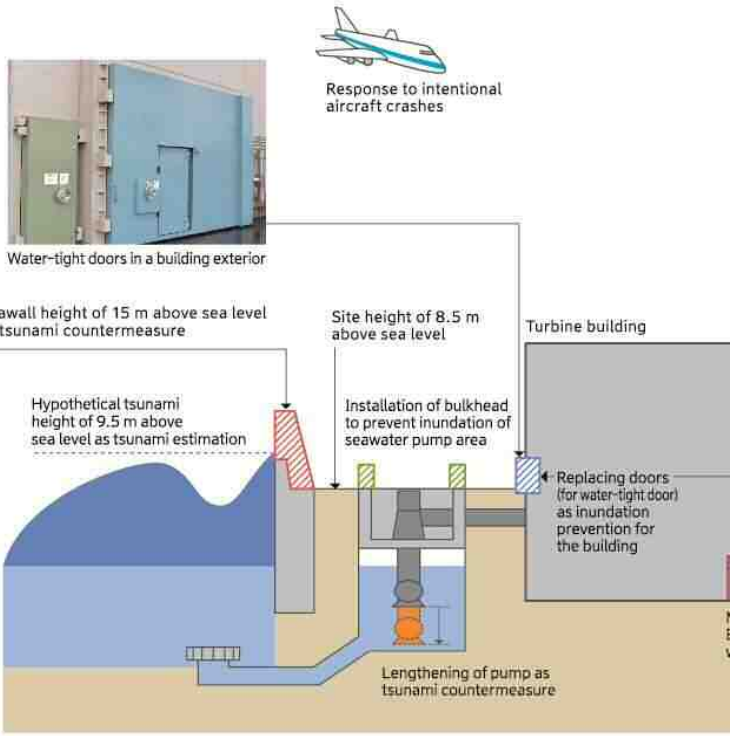
- In March 2014, Unit 1 reached 40 years since it was commissioned, and we took this occasion to make the decision to decommission it.
- Regarding Unit 2, we applied in December 2013 for examination to verify its compliance with the new regulatory requirements, and examination of its earthquake/tsunami-related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

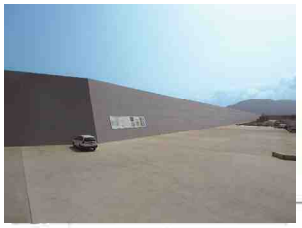
Main safety measures at Shimane Nuclear Power Station

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

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

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




Unit 3 area seawall

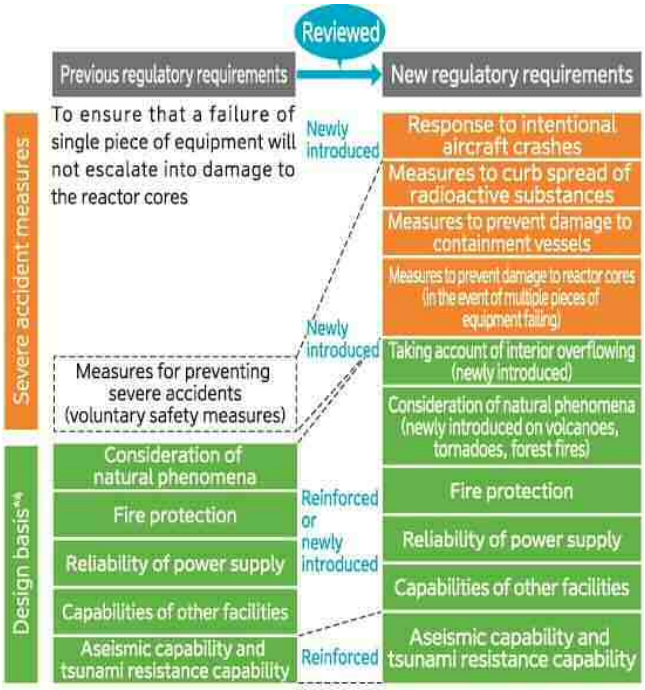
Outline of the new regulatory requirements

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

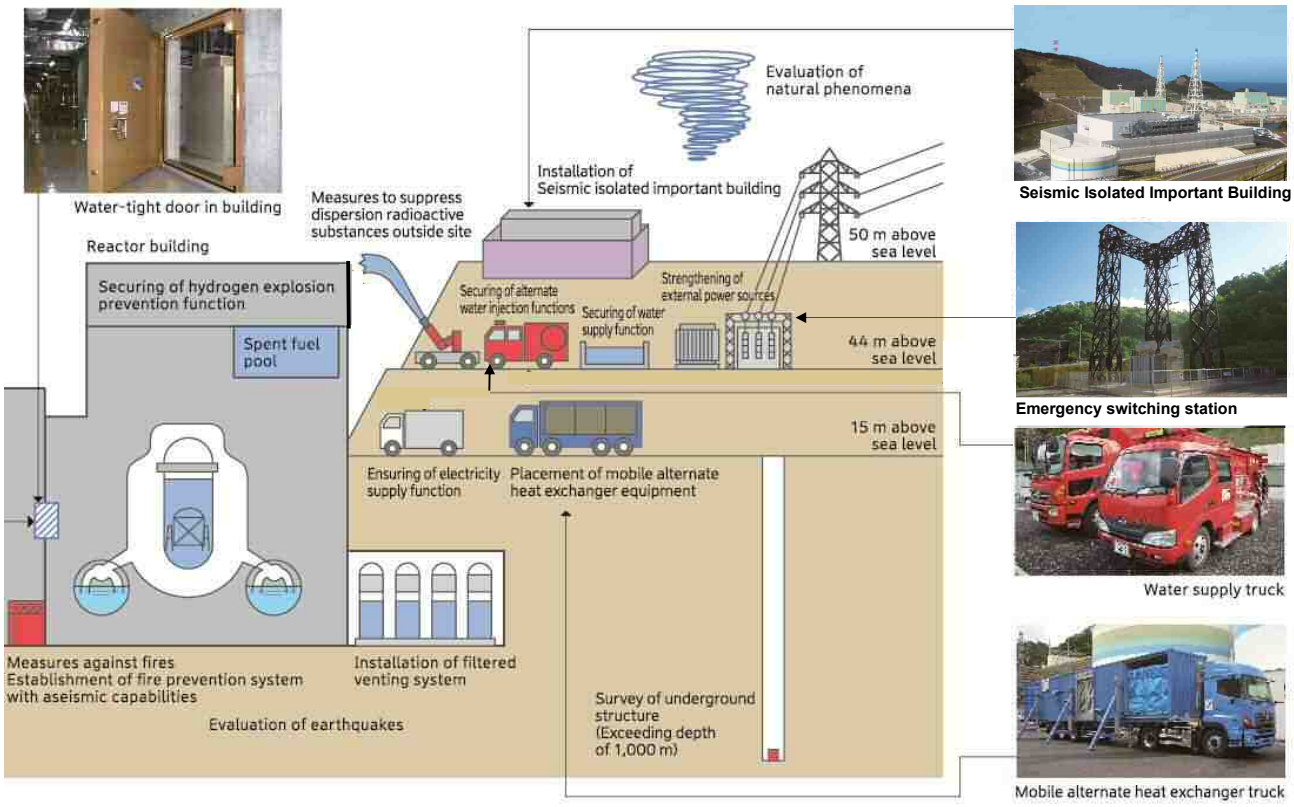
The new regulatory requirements have stricter assumptions for earthquakes and tsunami, and newly require measures for volcanoes, tornados and interior overflowing*2.

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

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



Source: Nuclear Regulation Authority



Trend in Japan's Energy Policy

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

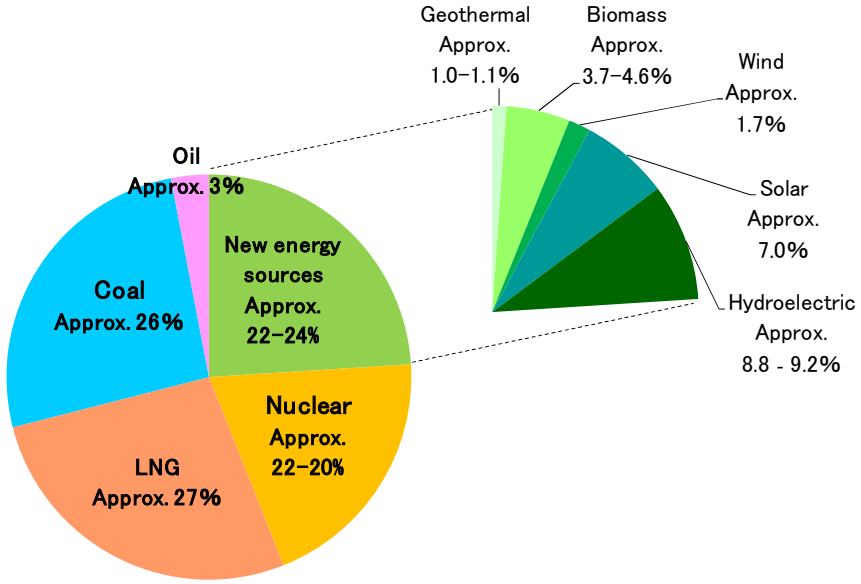
Energy Mix

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

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

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

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



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

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

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

Electricity System Reform

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

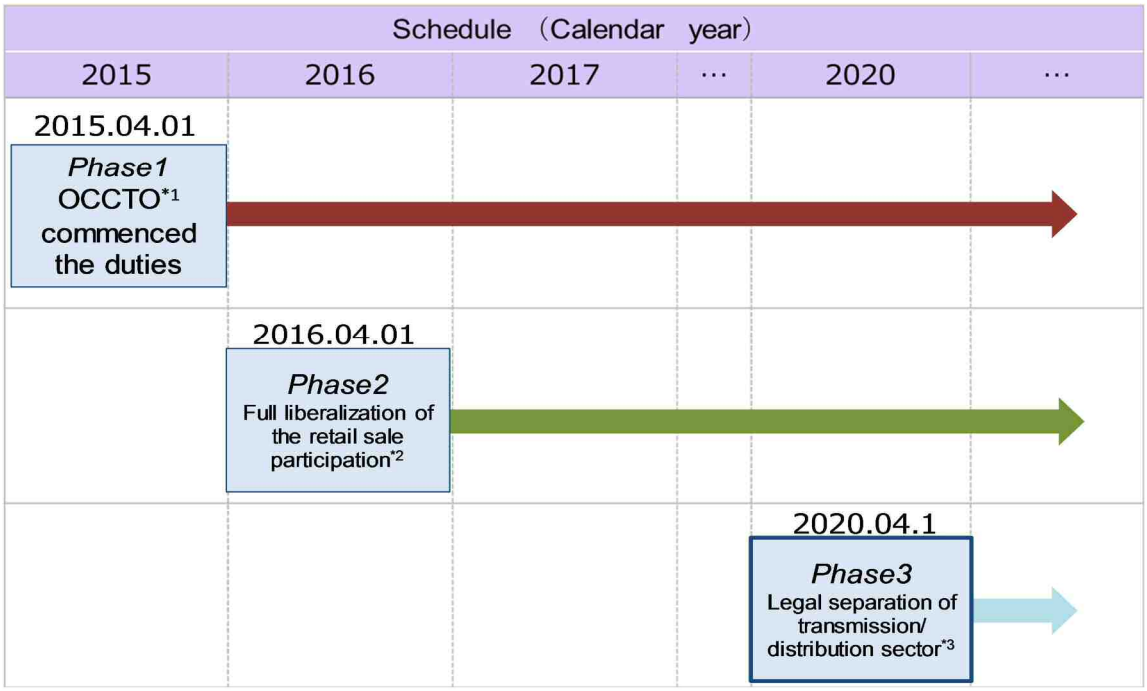
The first phase –"Expanding operations of wide-area electrical grids"– got underway in April 2015, when the "Organization for Cross-regional Coordination of Transmission Operators" commenced their duties. These bodies are to coordinate certain power supply-demand plans and operations across wide areas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

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

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

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

◆Outline and Schedule of Electricity System Reform



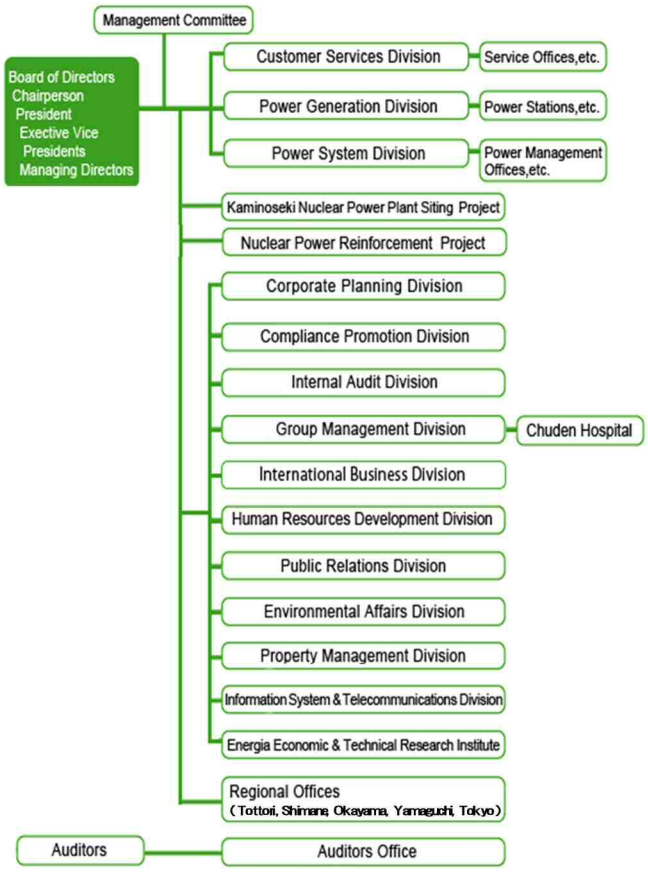
*1 ·Organization for Cross-regional Coordination of Transmission Operators : Independent organizations that centrally collect information on system users and coordinate supply-demand plans/operation across a wide area in their various regions.

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

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

Corporate Information

Organization Chart (as of June 25 2015)



Members of the Board (as of June 25 2015)

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

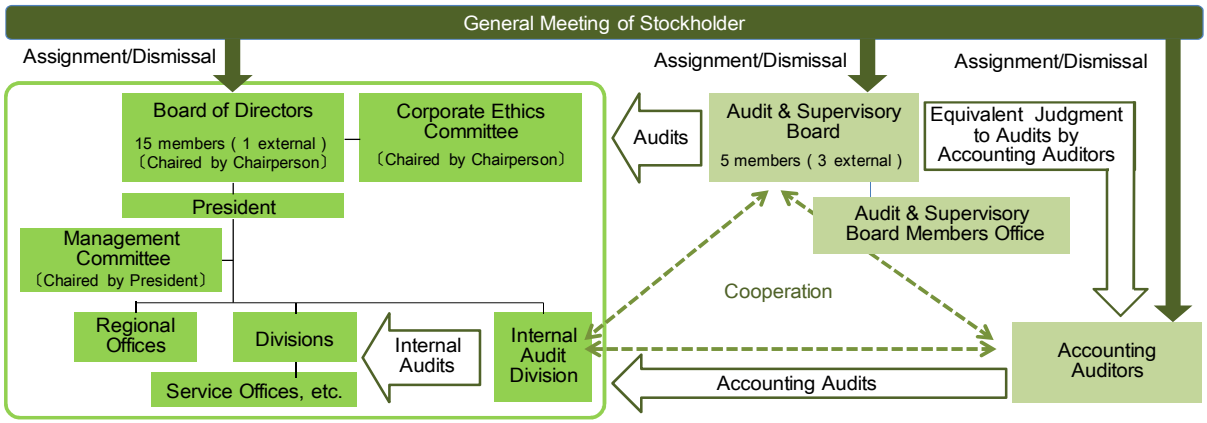
Corporate Governance

◎Basic Concept

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

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

◎Corporate Structure and Internal Controls



Promotion of Compliance

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

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

◎ Declaration of Compliance Management Promotion

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

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

1. Consulting our social consciences

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

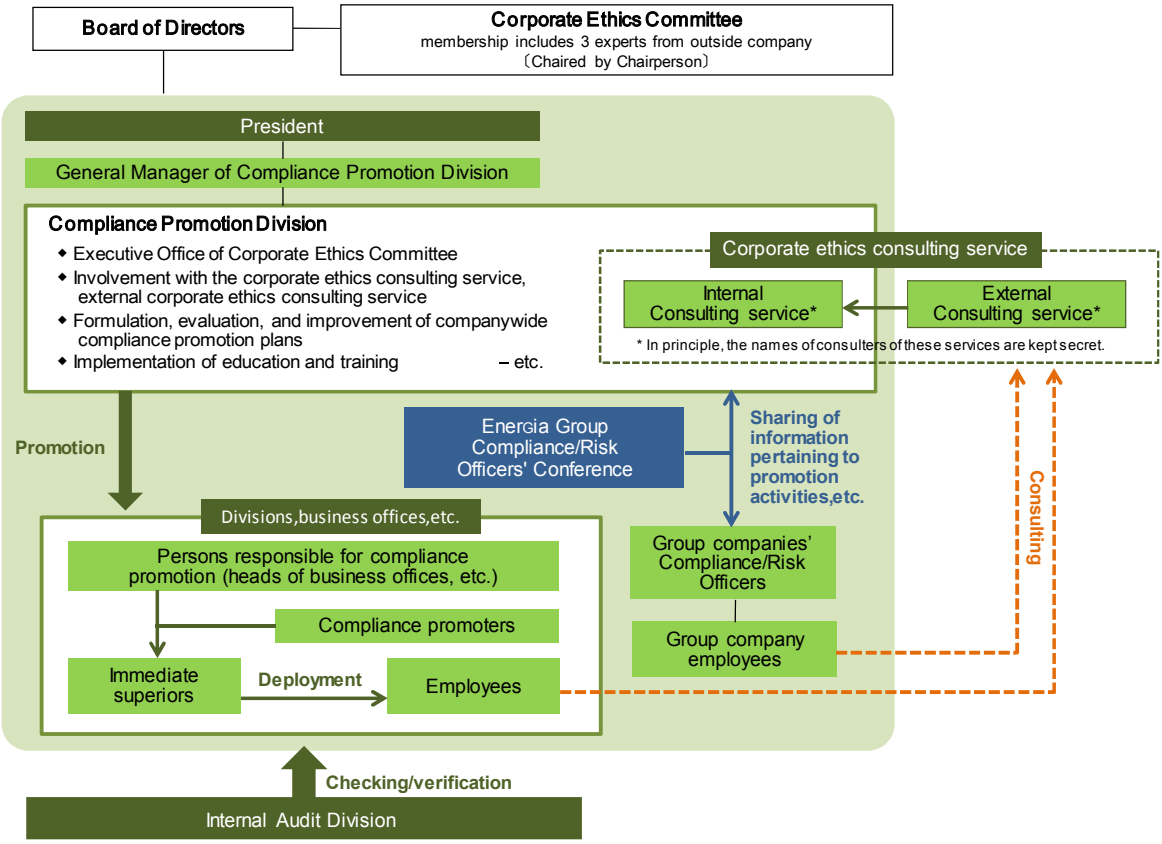
2. Speaking honestly

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

3. Actively correcting things

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

◎ Compliance Promotion System



Consolidated Five-Year Summary

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

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

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

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

Consolidated Financial Review

Summary of Operations

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

Operating Revenues

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

Operating Expenses and Operating Income

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

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

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

Financial Position

Assets

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

Liabilities, Minority Interests and Net Assets

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

Cash Flows

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

Summary of Cash Flows

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

Risk Factors

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

1. Revision of systems pertaining to nuclear power generation

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

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

2. Revision of systems pertaining to electric power business

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

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

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

3. Natural disasters, troubles

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

4. Business other than electric power

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

5. Economic conditions in power supply area

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

6. Seasonal variations in weather

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

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

7. Changes in fuel prices

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

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

8. Changes in interest rates

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

9. Cost and liabilities for retirement benefits

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

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

10. Compliance

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

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

11. Management of business information

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

Consolidated Balance Sheets

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

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

See notes to consolidated financial statements

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

Consolidated Statements of Operations

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

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

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

See notes to consolidated financial statements

Consolidated Statements of Comprehensive Income

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

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

See notes to consolidated financial statements

Consolidated Statements of Changes in Net Assets

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

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

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

See notes to consolidated financial statements

Consolidated Statements of Cash Flows

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

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

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

See notes to consolidated financial statements

Notes to Consolidated Financial Statements

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

1. Basis of presenting consolidated financial statements

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

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

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

2. Significant accounting policies

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

Consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant companies over which the Company has power of control through majority voting rights or existence of certain conditions evidencing control by the Company. In the elimination of investments in subsidiaries, all the assets and liabilities of a subsidiary, not only to the extent of the Company's share but also including the minority interest share, are evaluated based on fair value at the time the Company acquired control of the subsidiary.

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

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

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

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

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

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

Inventories, fuel and supplies

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

Securities

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

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

Property and depreciation

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

(Additional information)

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

Nuclear fuel and amortization

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

Allowance for doubtful accounts

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

Provision for reprocessing of irradiated nuclear fuel

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

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

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

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

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

Reserve for fluctuation in water levels

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

Provision for depreciation of nuclear power plants

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

Accounting methods pertaining to retirement benefits

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

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

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

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

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

Derivatives and hedge accounting

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

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

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

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

Capitalization of interest expenses

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

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

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

Cash and cash equivalents

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

Foreign currency transaction

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

Consolidated tax system

The Companies apply the consolidated tax system.

3. Changes in Accounting Policy, Etc.

(1) Changes in accounting policy

・Application of Accounting Standard for Retirement Benefits

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

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

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

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

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

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

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

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

(2) Changes in indication methods

・Consolidated balance sheets

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

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

・Consolidated statement of cash flows

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

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

4. Cash and cash equivalents

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

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

5. Property, plant and equipment

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

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

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

6. Financial instruments

1. Issues related to financial instruments

(1) Approach to financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(3) Supplemental explanation for financial instruments' fair value

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

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

2. Issues related to fair value of financial instruments

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

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

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

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

Their values depend on Stock Exchange quotations.

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

(2) Fund reserved reprocessing of irradiated nuclear fuel

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

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

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

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

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

(6) Bonds

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

(7) Long-term borrowings

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

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

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

(11) Derivative transactions

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

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

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

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

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

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

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

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

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

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

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

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

7. Securities

Held-to-maturity securities

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

Available-for-sale securities

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

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

8. Derivatives and hedge accounting

1. Derivative transactions where hedge accounting is not applied

<Currencies>

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

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

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

2. Derivative transaction where hedge accounting is applied

<Interest>

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

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

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

<Commodities>

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

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

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

9. Long-term debt

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

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

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

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

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

Note: Excluding lease obligations.

10. Leases

(As lessee)

1. Finance lease transactions

The Companies lease certain equipment for business use.

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

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

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

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

2. Operating lease transactions

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

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

(As lessor)

1. Finance lease transactions

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

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

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

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

11. Contingent liabilities

At March 31, 2015 and 2014, the Companies were contingently liable as guarantors for loans of other companies and employees in the amount of ¥121,491 million (US$1,012,425 thousand), and ¥126,253 million, respectively, mainly in connection with the Company's procurement of fuel.

At the same date, the Company was also contingently liable with respect to certain domestic bonds, which were assigned to certain banks under debt assumption agreements in the aggregate amount of ¥5,000 million (US$41,667 thousand), and ¥5,000 million, respectively.

12. Research and development expenses

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

13. Retirement benefit related

1. Overview of the retirement benefit plan adopted

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

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

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

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

2. Defined benefit plans

(1) Movement in retirement benefit obligations

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

(2) Movements in plan assets

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

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

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

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

(4) Retirement benefit costs

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

(5) Adjustments for retirement benefit

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

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

(6) Accumulated adjustments for retirement benefit

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

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

(7) Items relating to plan assets

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

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

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

(8) Matters relating to actuarial assumptions

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

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

3. Defined contribution pension plan

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

14. Income taxes

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

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

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

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

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

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

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

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

15. Asset retirement obligations

Asset retirement obligations included in the consolidated balance sheets

(1) Outline of the asset retirement obligations

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

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

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

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

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

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

16. Net assets

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

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

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

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

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

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

17. Segment information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

18. Subsequent event

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

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

KPMG

Independent Auditor's Report

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

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

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

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

Convenience Translation

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

KPMG AZSA LLC

July 21, 2015
Hiroshima, Japan

Non-Consolidated Balance Sheets

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

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

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

Non-Consolidated Statements of Operations

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

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

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

Major Subsidiaries and Affiliated Companies

As of March 31, 2015

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

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

Investor Information

(As of March 31,2015)

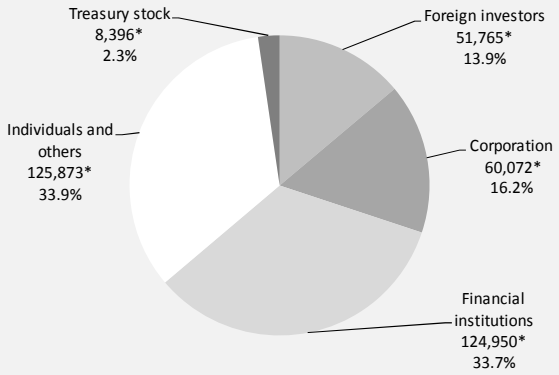
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS:
KPMG AZSA LLC
TRANSFER AGENT AND REGISTRAR:
Sumitomo Mitsui Trust Bank,Limited
SECURITIES TRADED:
Tokyo Stock Exchange
NUMBER OF STOCKHOLDERS:128,485
COMMON STOCK ISSUED:371,055,259 shares

MAJOR STOCKHOLDERS

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

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

DISTRIBUTION OF COMMON STOCK ISSUED:



*Thousands of stocks

STOCK PRICE RANGE ON THE TOKYO STOCK EXCHANGE

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

The Chugoku Electric Power Co., Inc.

4-33, Komachi, Naka-ku, Hiroshima 730-8701, Japan
Tel:+81-82-241-0211 Fax:+81-82-544-2792
http://www.energia.co.jp/