

# Consolidated Financial Report

The information shown below is an English translation of extracts from the Kessan Tanshin (Renketsu) (Consolidated Financial Report). Fiscal year 2007 dates from 1st April 2006 to 31st March 2007.

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CHUBU ELECTRIC POWER COMPANY, INCORPORATED (April 27, 2007)

Code:9502

Financial Report for the 12-months Period ended March 31, 2007

(Consolidated)

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General meeting of shareholders: June 27, 2007

[1] Performance Over the Year Ended March 31, 2007 (Consolidated)

(Figures are rounded down to the nearest million yen)

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## (1) Consolidated Operating Results

	3/07	Change	3/06	Change
Operating Revenues (million yen)	2,213,792	2.9%	2,150,507	0.8%
Operating Income (million yen)	246,712	-23.4%	322,104	-5.9%
Ordinary Income (million yen)	178,611	-18.7%	219,692	12.6%
Net Income (million yen)	90,550	-24.2%	119,458	30.9%
Net Income per Share (Primary ; yen)	115.80		162.07	
Net Income per Share (Fully diluted ; yen)	115.79		152.72	

Notes: Equity in earnings of affiliates (3/07: 1,614 million yen, 3/06: 1,083 million yen)

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## (2) Consolidated Financial Standing

	3/07	3/06
Total Assets (million yen)	5,701,714	5,741,876
Shareholders' Equity (million yen)	1,769,824	1,659,313
Shareholders' Equity Ratio	30.3	28.9
Shareholders' Equity per Share (yen)	2,212.67	2,121.40

Note : Shareholders' Equity (3/07:1,729,949 million yen)

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## (3) Outline of Consolidated Cash Flows

	3/07	3/06
Cash Flows from Operating Activities (million yen)	441,515	307,157
Cash Flows from Investing Activities (million yen)	-174,357	-140,676
Cash Flows from Financing Activities (million yen)	-234,452	-165,221
Cash or Cash Equivalent at the End of the Period (million yen)	97,861	65,149

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## 2. Dividends

	3/07	3/06
Annual Dividends per Share (Yen)	60.00	60.00
Interim (Yen)	30.00	30.00
End of the period	30.00	30.00
Total Dividends paid (full-year)(million yen)	46,919	45,523
Payout Ratio	51.8	37.0
Dividends on equity	2.8	2.9

3. Forecasts of Consolidated Results for the 6-months period Ending September 30, 2007, and the Year Ending March 31, 2008(approximate estimates)

	6/07	Change	3/08	Change
Operating Revenues (million yen)	1,160,000	5.3%	2,360,000	6.6%
Operating Income (million yen)	163,000	7.0%	236,000	-4.0%
Ordinary Income (million yen)	130,000	18.0%	170,000	-5.0%
Net Income (million yen)	81,000	20.0%	104,000	15.0%
Net Income per Share (Primary ; yen)	103.60		133.02	

There are the premise or matters related to these forecasts on page 5.

4. Other

(1) Changes in important subsidiaries during the period

(accompanying changes in the extent of consolidated companies) :None

(2) Changes in principles or procedures of accounting treatment for creation or presentation of consolidated financial statements (changes to be recorded under important items that are basic to the creation of consolidated financial statements)

Changes accompanying the amendment of accounting standards, etc. Changes occurred

Changes other than under Changes occurred

Note: For details, see "Changes to Import Items that are Basic to the Creation of Consolidated Financial Statements" on p. 21, and "Segment Information" on p. 23.

(3) Number of shares issued (common stock)

Number of shares issued at end of period (including treasury stock)

3/07 : 782,153,165      3/06 : 782,153,165

Number of treasury shares at end of period

3/07 : 314,500      3/06 : 133,135

Note: For the number of shares, which is the basis for calculating current net income per share (consolidated), see "Per share data" on page 24.

(1) Operating Results

	3/07	Change	3/06	Change
Operating Revenues (million yen)	2,117,033	2.3%	2,069,358	0.9%
Operating Income (million yen)	232,394	-24.7%	308,484	-6.7%
Ordinary Income (million yen)	162,775	-21.0	205,973	11.1
Net Income (million yen)	64,136	-42.6	111,646	23.0
Net Income per Share (Primary ; yen)	82.01		151.70	
Net Income per Share (Fully diluted ; yen)	-		142.99	

(2) Financial Standing

	3/07	3/06
Total Assets (million yen)	5,287,281	5,488,007
Shareholders' Equity (million yen)	1,581,445	1,538,034
Shareholders' Equity Ratio	29.9%	28.0%
Shareholders' Equity per Share (yen)	2,022.52	1,966.27

Note: Shareholders' Equity : 3/07 : 1,581,445 million yen 3/06:-

(3) Forecasts of Non-Consolidated Results for the 6-months period Ending September 30, 2007, and the Year Ending March 31, 2008(approximate estimates)

	6/07	Change	3/08	Change
Operating Revenues (million yen)	1,070,000	1.3%	2,160,000	2.0%
Operating Income (million yen)	158,000	8.0%	223,000	-4.0%
Ordinary Income (million yen)	125,000	18.0%	155,000	-5.0%
Net Income (million yen)	79,000	20.0%	98,000	53.0%
Net Income per Share (Primary ; yen)	101.03		125.33	

## Operating Results

### 1. Operating Results

#### 1. Results for the Period under Review

During fiscal year 2006, steady corporate earnings continued to fuel rising capital investment while improvements in employment and personal income caused personal consumption to hold strong. As a result, the Japanese economy continued its gradual improvement. These tendencies were particularly conspicuous in the Chubu region.

In these economic circumstances, income for the period under review saw lighting and power revenues in the electric power business rise due to an increase in the amount of electric energy sold, while operating revenues also increased in our other businesses. As a result, sales rose to ¥2,213.7 billion, an increase of ¥63.2 billion year-on-year, while ordinary revenues were ¥2,052.1 billion, an increase of ¥114.7 billion year-on-year.

Meanwhile, decreased depreciation and employment costs in the electricity business did bring expenditures down, however rising fuel prices and the shut-down of Hamaoka Nuclear Power Station Unit No. 5 combined with other factors to raise fuel costs. Operating expenses therefore increased by ¥73.6 billion over the previous period, to ¥2230.7 billion.

As a result of the above, current profit decreased ¥41.0 billion over the previous period, to ¥178.6 billion.

Factors including the lump-sum amortization of goodwill (trade rights) related to Chubu Telecommunications Co., Ltd., also resulted in extraordinary losses of ¥21.6 billion. Net income, therefore, totaled ¥90.5 billion.

#### [Production and Sales]

##### Electric Power Business

###### (1) Electric Energy Sold

Buoyed by steady industrial demand due to the business recovery, as well as the results of marketing activities, the amount of electric energy sold increased 1.8% over the previous period, to reach 132.7 TWh.

###### Demand from Customers under Regulation

Although the number of contracts increased, there was a drop in air conditioning demand because of cooler air temperatures over the summer and warmer air temperatures over the winter. Demand for electric lighting therefore decreased by 1.5% to 34.7 TWh. Meanwhile, the demand for low-voltage electric power decreased by 6.3% to 7.4 TWh due to a variety of factors including the same atmospheric temperature effect on demand for electric lighting combined with a decrease in the number of contracts.

###### Demand from Customers under Liberalization

Commercial power demand increased by 1.6% to 22.9 TWh due to steady growth in supply to commercial facilities. Demand for industrial power increased by 4.3% to 67.7TWh because of steady growth in the machinery

and chemical sectors.

(TWh,%)

		3/07	3/06	Change	
		(A)	(B)	(A - B)	(A - B)/B
Demand from customers under regulation	Electric lighting	34.7	35.3	0.6	1.5
	Electric power	7.4	7.9	0.5	6.3
	Subtotal	42.1	43.2	1.1	2.4
Demand from customers under liberalization	Commercial power	22.9	22.5	0.4	1.6
	Industrial power	67.7	64.9	2.8	4.3
	Subtotal	90.6	87.4	3.2	3.6
Total		132.7	130.6	2.1	1.6

## (2) Electric Energy Supplied

With regard to electric power supply, even though water shortages (water flow-rate of 95.7%) occurred, hydroelectric power output was greater than the previous period (water flow-rate of 82.6%). It increased by 14.4% over the previous period to reach 8.7 TWh.

Nuclear power output, affected by the shutdown of Unit No. 5 at the Hamaoka Nuclear Power Station and other factors, decreased 34.3% from the previous period to 18.1 TWh.

As a result, the amount of thermally generated power increased by 10.5% over the previous period to 100.6 TWh.

## Summary of Consolidated Income and Expenditures

(TWh,%)

		3/07	3/06	Change	
		(A)	(B)	(A-B)	(A-B)/B
Chubu Electric	Hydroelectric power	8.7	7.6	1.1	14.5
	(water supply rate)	95.7	81.4	14.3	
	Thermal power	100.6	91.0	9.6	14.5
	Nuclear power	18.1	27.6	-9.5	-44.4
	(utilization rate)	41.5	65.7	-24.2	
Interchanged power		4.7	3.8	0.9	57.0
Purchased power		13.6	13.4	0.2	1.3
Power used for pumped storage storage		-1.6	-1.3	-0.3	-10.8
Total		144.1	142.1	2.0	2.3

## (1) Operating Revenues and Expenditures

### <1> Electric Power Business

In terms of revenue, lighting and power revenues rose due to increases in the volume of electric power sold. As a result, sales rose to ¥2,080.4 billion, an increase of ¥39.1 billion over the previous period.

As for expenses, a decrease in depreciation and lower employment costs due to a decrease in retirement benefits and other factors were more than offset by increased fuel costs resulting from factors including higher fuel prices and the shutdown of Hamaoka Nuclear Power Station Unit No. 5. Operating expenses therefore increased by ¥119.2 billion over the previous period, to ¥1,846.3 billion.

As a result of these developments, operating income decreased by ¥80.1 billion from the previous period, to ¥234.0 billion.

#### <2> Other Businesses

In terms of revenue, increasing sales in the energy and construction businesses were among the factors that caused sales to rise by ¥24.1 billion over the previous period, to ¥133.3 billion.

As for expenses, the rise in production costs entailed by growing sales in the energy and construction businesses, among other factors, caused operating expenses to increase by ¥19.4 billion over the previous period, to ¥120.7 billion.

As a result, operating income totaled ¥12.6 billion, an increase of ¥4.7 billion over the previous period.

Sales in businesses by sector are as shown below.

##### <Energy Business>

The growing volume of sales in the gas business and on-site energy business resulted in sales increasing by ¥8.2 billion over the previous period, to ¥34.9 billion yen.

##### <IT and Telecommunications Business>

There was a growing volume of corporate sales in the IT and telecommunications sectors, as well as an increase in consumer sales from expansion of the FTTH service area. As a result, sales increased by ¥1.5 billion over the previous period, to ¥28.0 billion yen.

##### <Other Business>

Increases in sales in the construction and service industries caused sales to rise by ¥14.2 billion over the previous year, to ¥70.3 billion.

#### (2) Ordinary income

Non-operating income increased by ¥10.3 billion over the previous period to ¥16.9 billion as a result of a rise in interest income and other factors. In combination with sales, the total of interim ordinary income increased by ¥73.6 billion over the previous period, to total ¥2,230.7 billion.

Meanwhile, non-operating expenses were affected by factors including lower interest rates due to reduced early repayments, so that non-operating expenses decreased by ¥23.9 billion over the previous period, to ¥85.0 billion. In combination with operating expenses, therefore, the total interim ordinary expenses increased by ¥114.7 billion year on year, to ¥2,052.1 billion.

As a result, current profit decreased ¥41.0 billion over the previous period, to ¥178.6 billion.

#### (3) Net Income

The company recorded an extraordinary loss of ¥35.5 billion on the non-consolidated statement for the period

under review owing to losses from revaluation of securities. The amount equivalent to the subsidiary's stock was deleted from the consolidated statement, however, where extraordinary losses, including ¥16.3 billion for the lump-sum amortization of goodwill (trade rights) related to Chubu Telecommunications Co., Ltd., amounted to ¥21.6 billion.

The previous period showed a loss of ¥UUU million from discontinuation of construction work on the Kaore Hydroelectric Power Station project. Extraordinary losses, therefore, decreased by ¥33.5 billion from the previous period.

As a result, net income for the period before taxes and adjustments came to ¥159.6 billion. After income taxes and other adjustments are subtracted, net income decreased ¥28.9 billion from the previous period, to ¥90.5 billion yen.

## 2. Outlook for the Next Period

With commercial power demand expected to continue growing steadily, the Company foresees the volume of electric power sold in the electric power business during fiscal year 2007 to increase 1.7% over the previous period to approximately 135.0 billion kWh.

The outlook for results in fiscal year 2007 will reflect an increase in electricity sales and other factors in the electric power business, as well as increased sales in other businesses. Both consolidated and non-consolidated sales results are therefore expected to show increased earnings.

Increased employment and maintenance expenditures are anticipated in the electricity business.

As a result, both consolidated and non-consolidated results are expected to show a decrease in ordinary profit.

### [Consolidated]

	9/07 Forecast (A)	3/08 Forecast (B)
Operating Revenues	1,160(5.3%)	2,360(6.6%)
Operating Income	163.0(7%)	236(-4%)
Ordinary Income	130.0(18%)	170(-5%)
Net Income	81.0(20%)	104(15%)

### [Non-consolidated]

	9/07 Forecast (A)	3/08 Forecast (B)
Operating Revenues	1,070(1.3%)	2,160(2.0%)
Operating Income	158.0(8%)	223(-4%)
Ordinary Income	125.0(18%)	155(-5%)
Net Income	79.0(20%)	98(53%)

[Major Factors]

	3/08 Forecast	3/07	3/06
CIF price : crude oil (\$/b)	Approx.63	63.6	55.8
Fx rate (yen/\$)	Approx.120	117.0	113.0
Nuclear power utilization rate(%)	Approx.59	41.5	63.1

Note: This forecast is based on information available at the time of publication and current assumptions regarding uncertain factors affecting future business results. Actual results may significantly differ, depending on a variety of factors in the coming months.

## 2. Financial Position

### (1) Summary of Assets, Liabilities and Shareholders' Equity

#### <1> Assets

Electricity-related property, plant and equipment amounted to ¥3,825.7 billion, a decrease of ¥205.7 billion compared to the end of the previous period. This decrease occurred due to restraint in capital investment and progressive depreciation in combination with a variety of other factors, including the fact that no major plant construction was completed during the period under review.

The acquisition of Toenec Corporation as a consolidated subsidiary at the end of the current period brought an increase in trade notes and accounts receivable, combined with other such factors, that caused current assets to increase by ¥126.8 billion over the end of the previous period, to ¥436.3 billion.

As a result, total assets decreased by ¥40.1 billion from the end of the previous period, to ¥5,701.7 billion.

#### <2> Liabilities

A decrease in interest-bearing debt in combination with other such factors caused total liabilities to decrease by ¥139.7 billion from the end of the previous period, to ¥3,931.8 billion.

#### <3> Shareholders' Equity

The electric power business saw increases in fuel and other costs, however rising lighting and power revenues combined with decreasing depreciation and employment costs enabled the company to post net income of ¥90.5 billion. Total net assets consequently showed an increase of ¥110.5 billion relative to the end of the previous period, and reached ¥1,769.8 billion.

As a result, the equity-to-assets ratio rose to 30.3%, an increase of 1.4% compared to the end of the previous period.

### (2) Summary of Consolidated Cash Flows



<1> Cash Flows

This group allocates cash and cash equivalents from business activities to acquire new fixed assets and treasury stock, improve the group's financial footing, and pay dividends to shareholders.

The electricity business experienced increases in fuel expenses, however these were offset by the growth in lighting and power revenues owing to the increased amount of electric energy sold and other such factors, as well as reduced funding of the reserve for reprocessing of irradiated nuclear fuel (in the previous period, this had required lump-sum funding for past fiscal year portions). Cash flow from operating activities therefore increased by 43.7% over the previous period, to ¥441.5 billion.

Net cash outflow from investment activities reflected factors such as increased expenditures for the acquisition of fixed assets in the electricity business. The outflow increase by 23.9% over the previous period caused free cash flow to drop ¥174.3 billion.

As a result, free cash flow rose by 60.5% over the previous period, to ¥267.1 billion.

Reduction of outstanding interest-bearing debt and payment of dividends to shareholders increased cash flows from financing activities by 41.9% over the previous period and caused free cash flow to drop by ¥234.4 billion.

The above factors increased cash and cash equivalents by 50.2% over the end of the previous period to ¥97.8 billion at the end of the period under review.

Furthermore, total outstanding interest-bearing debt was reduced by 5.5% from the end of the previous period to ¥3,001.7 billion as of the end of the period under review.

[Summary]

(billion yen.%)

	3/07 (A)	3/06 (B)	Change	
			(A - B)	(A-B)/B
Cash Flow from operating activities	441.5	307.1	134.3	43.7
Cash Flow from investing activities	-174.3	-140.6	-33.6	23.9
Cash Flow from financing activities	-234.4	-165.2	-69.2	41.9
Free Cash flows -	267.1	166.4	100.6	60.5

	3/07 (A)	3/06 (B)	Change	
			(A - B)	(A-B)/B
Cash and cash equivalents	97.8	65.1	32.7	50.2
Outstanding Interest-bearing Debt	3001.7	3175	-173.2	-5.5

### 3. Profit Allocation Policy and Dividends for This Year and Next Year

Regarding the achievements of our corporate activities, in order to help expand our revenue base, we will make strategic investments in stable, efficient energy supplies for the further growth and development of our operations. In addition, we will make effective allocations to improve the firm's financial standing, all with the goal of increasing corporate value and providing appropriate returns to all of our shareholders.

As for the dividend level, we have considered both dividend amount and dividend payout ratio to the present and, based on non-consolidated net income for the year ended March 31, 2007, we have decided on the goal of a dividend payout ratio of 40%. Even if performance worsens, as long as the worsening is not dramatic, such as would be caused by unforeseen changes in business conditions, we will strive to maintain a dividend level of ¥60 per year.

Internal reserves will be used to fund capital investments in electric power and other energy operations, and to improve the firm's overall financial standing.

As for year-end dividends for the year ended March 31, 2007, although net profit for the year decreased considerably due to extraordinary losses such as the shutdown of reactor 5 at the Hamaoka Nuclear Power Station, and the booking of loss from reevaluation of securities on Chubu Telecommunications stock, we anticipate a year-end dividend equal to the midyear dividend, or ¥30 yen per share. Consequently, the dividend payout ratio (non-consolidated basis) for the year will be 73.2%.

As for next year's dividends, in accordance with the above policies and performance forecasts, we foresee midyear and year-end dividends of ¥30 per share.

### 4. Business and Other Risks

Of all the variables affecting the Chubu Electric Group's performance and financial situation, the primary factors most likely to have a major effect on investors' decisions are listed below.

Factors concerning future events discussed here are the Chubu Electric Group's viewpoint as of the day these materials are being announced.

#### (1) Risks of the economic environment

##### <1> Economic and climatic conditions

In the electric power business, which is at the core of the Chubu Electric Group's business, the volume of electric energy sold fluctuates with economic and climatic trends. Economic and climatic conditions, therefore, can affect the performance of the Chubu Electric Group.

In addition, the amount of yearly precipitation affects how much hydroelectric power we can produce, which in turn impacts our overall power-generating costs; Chubu Electric, however, has set aside a reserve for fluctuation in water levels, which limits the effect on performance.

### <2> Changes in fuel prices, etc.

Fuel is one of the major cost items in the electric power business, which depends on foreign imports of such fuels as liquefied natural gas (LNG), coal and oil. As such, Chubu Electric's performance is susceptible to LNG, coal and oil import prices as well as fluctuations in the currency exchange market, among other factors.

Since such fluctuations can be reflected in electricity rate under the fuel adjustment system, the impact of these factors on performance is limited.

The ability to procure fuel is another concern that could potentially affect the performance of the Chubu Electric Group, if fuel becomes difficult to procure, for example, because of the supply and demand situation, facility or operating problems at our suppliers, or changes in the political situation.

### <3> Changes in interest rates

The balance of interest-bearing debts at the Chubu Electric Group stood at 3,001,700,000,000 yen at the end of March 2007, an amount equivalent to 52.6% of our total assets. Interest payments on this debt, which comprise one of our major cost items, are susceptible to future market interest rates.

Of this interest-bearing debt, however, 84.4% comes from long-term funds (bonds and long-term debts), and most of this funding was procured at fixed interest rates. The Chubu Electric Group is furthermore striving to reduce its interest-bearing debt to enhance our overall financial health, so the effect of changes in interest rates is considered limited.

## (2) Risks associated with Chubu Electric Group business activities

### <1> Changes in the environment of the electric power business

The retail electric power business has gradually become more deregulated since March 2000. In April of this year, the government is reviewing the deregulation process thus far and beginning to study its policy for future deregulation.

Given the changes in the business environment, the Chubu Electric Group is making the maximum effort to enhance business efficiency, and is conducting proactive sales initiatives to respond precisely to customer needs. Even so, future systemic changes and the more competitive market that results could potentially have an effect on our performance.

### <2> Nuclear power back-end costs, etc.

The back-end business of nuclear power affects an extremely long time period and has many uncertainties. The government's October 1, 2005 Law on the Creation and Management of Reserve Funds for the Reprocessing of Spent Fuel at Nuclear Power Stations, as well as the revised accounting regulations for Japanese utility companies, are designed to facilitate nuclear power and its back-end business. To prepare for future backend costs associated with nuclear power in accordance with this law and the revised accounting regulations, Chubu Electric has established reserve funds and set aside a reserve for reprocessing of irradiated nuclear fuel.

In the past, we have dealt with costs relating to the reprocessing of spent fuel (other than that reprocessed at the Rokkasho facility) by immediately accounting for the entire amount as soon as we were able to obtain a reasonable estimate. In March 2007, the electric power business accounting rules were again revised as a temporary measure for use until a specific reprocessing plan can be formed, based on the desire to handle these costs appropriately in the account books. Following the revised accounting rules, Chubu Electric is setting aside a reserve fund to prepare for such events as the reprocessing of spent fuel, thus evening out future financial burdens.

Even so, the costs of nuclear fuel cycles, including back-end costs, may vary depending on regulatory reform, changes in estimates of future expenses (mandated and voluntary), the operating status of reprocessing facilities, and updates to our own nuclear power plan. As a result, company performance may potentially be affected.

### <3> Businesses other than electric power

Besides electric power, the Chubu Electric Group is active in a number of businesses making effective use of our management resources as an enterprise built around the electric power business. These include: other energy services taking advantage of our electric power facilities, fuel and technology; information and communication businesses providing knowledge-based, value-added services with our network facilities; construction services for expanding and maintaining electric power facilities; and manufacturing services for providing materials and equipment. These businesses are subject to changing business environments, including increasing competition with other enterprises, and could potentially affect performance if they fail to produce the results expected by the Chubu Electric Group.

### (3) Other risks

#### <1> Natural disasters and other operating problems

Utilizing its integrated power supply system from generation to distribution, the Chubu Electric Group makes every effort to build and maintain facilities to minimize accidental blackouts caused by lightning strikes, etc., to enable us to continue providing high-quality electricity that is economical and stable. Regardless of these efforts, however, earthquakes, typhoons and other large-scale natural disasters, as well as accidents, acts of terrorism or other situations, may cause operating problems, such as damage to equipment or long-term power station shutdowns, either at Chubu Electric or other businesses from which we receive power. Were such operating problems to occur, they could potentially impact Group performance.

#### <2> Information leaks

The Chubu Electric Group adheres to the relevant laws, maintains internal systems and establishes rules on information handling to ensure proper management of personal and other critical information. We have also increased information system security as well as employee training for this purpose.

Were an information leak to occur and cause problems, however, this could lead to tangible or intangible damage, including the direct cost of responding to the situation and loss of public trust in the Group.

### <3> Concerns with Hamaoka Nuclear Power Station

Reactors 1 and 2 at Hamaoka Nuclear Power Station are undergoing periodic inspection, a status which has been extended until March 2011 in order to repair equipment within the reactors and make seismic upgrades. As total costs and time required for these projects are not known at this time, these factors may also affect performance.

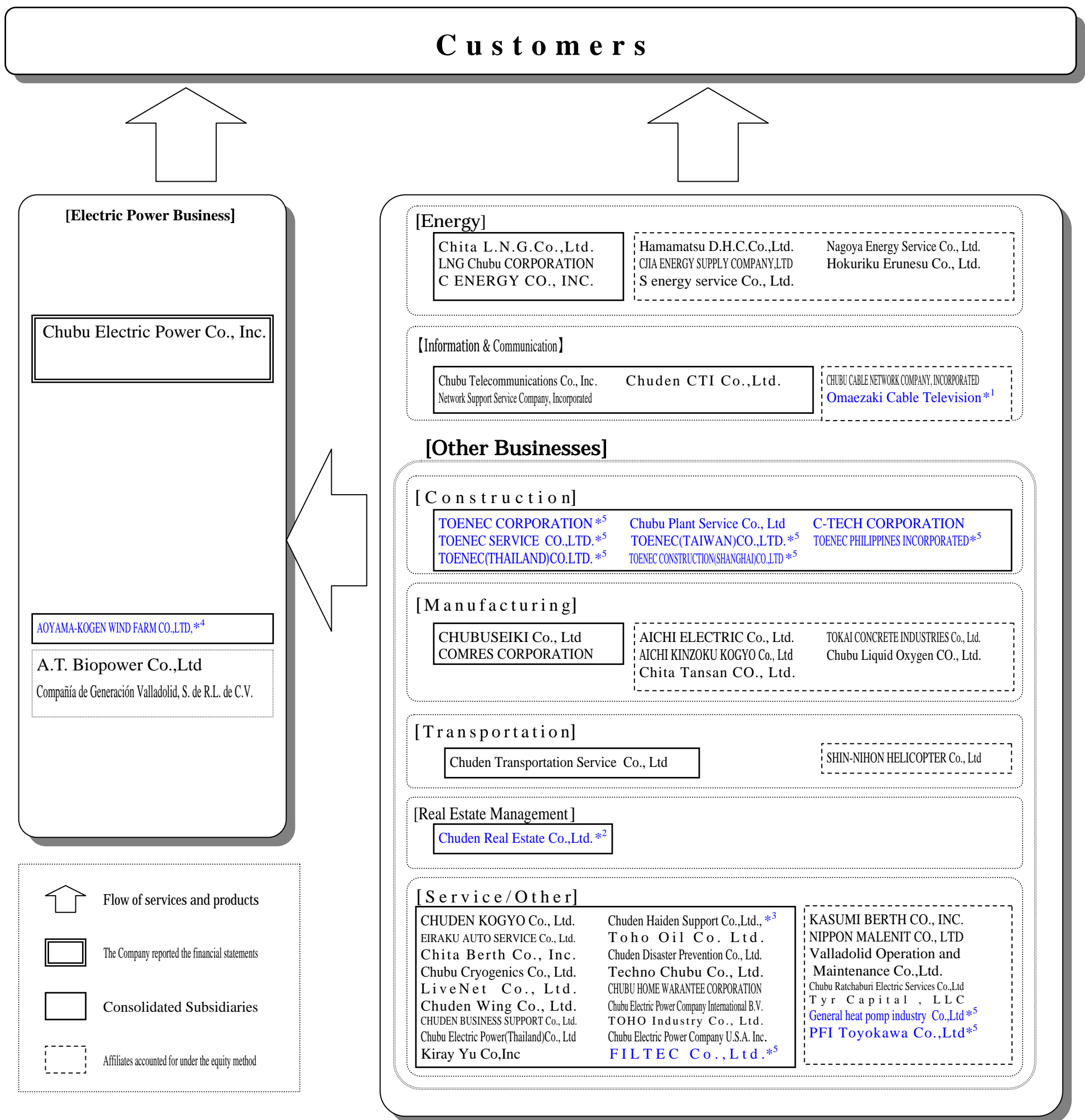
Hamaoka Nuclear Power Station Reactor 5 was taken out of operation temporarily in June 2006 because of damage to the blades of a low-pressure turbine. Chubu Electric addressed the problem by installing pressure plates, a solution which passed inspection by the Ministry of Economy, Trade and Industry (METI) in March 2007. Commercial operation has now resumed.

**Corporate Group Position**

The Chubu Electric Group is composed of 37 subsidiaries and 22 affiliates (as of Mar 31, 2007), and engages in a wide range of businesses, as a multi-energy company group.

The Chubu Electric Group is making efficient use of its business resources, such as energy business by supplying gas and on-site energy, IT business supplying added value based on network facilities, the construction industry for the upgrading and maintenance of facilities related to the electricity business, and the manufacturing industry of necessary materials and equipment.

Our group businesses are as below.



## Management Policies

### Basic Management Policies

In the electric power business, liberalization of electric power retailing has been increasing by stages since March 2000, and since April of this year, a further study has been initiated for the consideration of the shape of future liberalization in the business, based on the course of the process to date. Natural gas operations are also affected by factors such as on going liberalization, and in the energy market as a whole, competition is growing increasingly fierce in ways that supersede traditional boundaries of industries and business categories.

The Chubu Electric Power Group has seen continued growth as a corporate group of comprehensive energy service companies based in the Chubu region, which can overcome intense competition in the energy markets while carrying out its responsibility of providing stable supplies of energy. To that end, we present the following operational and management objectives, aimed at meeting the expectations of our customers, shareholders, investors, and other interested parties through more concerted efforts based on specific operational and administrative guidelines.

### Management Objectives

- Sales Target for Electric Power

We aim to have more than 600,000 all-electric homes in the household sector and to create a demand for 800,000 kW through promotion of electrification of heating, air conditioning and other functions in the commercial and industrial sectors, by the end of FY2010.

- Sales Targets for Gas, Liquid Natural Gas (LNG), and On-site Energy

We aim to achieve combined sales of about ¥45 billion in the three areas of gas, LNG sales, and on-site energy.

Item	Target (Consolidated)	Target Year
Ordinary Income	160 bn yen or above	4-Year Average from Mar-2008 to Mar-2011
ROA (Return on Assets)	4.1% or above	
Operating Cash Flow	470 bn yen or above	
Outstanding Interest-bearing Debt	2.6 trillion yen or below	By the end of Mar-2011

\*1:Return = Ordinary Income + Interest expenses

#### Operational and Management Policies

##### (1) Sales programs that strive for customer satisfaction

We will strive to improve and expand our range of services and actively promote products and services to our customers, in order to increase their satisfaction by responding appropriately to their diverse needs. We will offer packages combining electricity, gas, LNG, and on-site energy in order to provide new value to our customers built around a core of energy-related products and services.

##### (2) Steady production and dependable supplies of low-cost, high-quality energy

With due consideration for energy security and protection of the global environment, we will take a mid- to long-term view in establishing and administering well-planned and efficient facilities, through such means as the construction of balanced power facilities, in order to ensure steady production and dependable supplies of low-cost, high-quality energy.

##### (3) Increasing the value of the company through enhancement of group strengths

We will enhance the combined strengths of the Chubu Electric Power Group through restructuring of the affiliated companies, improvement of our administrative and management practices, and strategic use of management resources. In addition to resolutely achieving our management objectives for FY2010, we will also meet the expectations of our shareholders and investors by increasing the company's value as a competitive corporate group of comprehensive energy service companies.

##### (4) A proactive approach to fulfilling our corporate social responsibilities (CSR)

We will make compliance management an integral part of our corporate practices, as well as taking a proactive approach to fulfilling our social responsibilities as good corporate citizens, by such means as emphasizing good relationships with local communities, practicing environmental stewardship, and developing our relationship of trust with the citizens of the region.



In addition, in order to ensure a stable supply of energy while making effective use of our uranium resources, we plan to convert the Hamaoka Nuclear Power Station No. 4 to pluthermal operation by FY2010. With safety as a priority, we are conducting educational and public relations programs in the local community as we proceed with this project.

## Consolidated Balance Sheets

(million yen)

Assets	2007.3	2006.3	Change
Property, Plant and Equipment	5,265,343	5,432,282	-166,938
Electric utility property, plant and equipment	3,825,745	4,031,514	-205,769
Hydroelectric power production facilities	322,130	336,854	-14,723
Thermal power production facilities	654,854	724,122	-69,268
Nuclear power production facilities	361,260	398,972	-37,712
Transmission facilities	1,098,779	1,147,185	-48,406
Transformation facilities	457,486	475,975	-18,489
Distribution facilities	792,134	799,602	-7,468
General facilities	139,099	148,801	-9,701
Other property, plant and equipment	336,409	286,945	49,464
Construction in progress	152,429	146,050	6,378
Nuclear fuel	254,345	250,199	4,145
Loaded nuclear fuel	41,485	40,033	1,452
Nuclear fuel in processing	212,859	210,165	2,693
Investments and other	696,414	717,572	-21,157
Long-term investments	268,263	252,217	16,046
Reserve fund for reprocessing of irradiated nuclear fuel	244,726	263,382	-18,656
Deferred tax assets	124,155	149,188	-25,032
Other	59,270	52,784	6,485
Current Assets	436,370	309,532	126,838
Cash	75,709	51,440	24,268
Trade notes and accounts receivable	178,084	124,145	53,939
Inventories	103,080	75,133	27,946
Deferred tax assets	19,141	17,922	1,218
Other	60,356	40,890	19,465
Deferred Assets	-	60	-60
Total Assets	5,701,714	5,741,876	-40,161
Liabilities, Minority interests and Shareholders' Equity			
Long-Term Liabilities and Reserves	2,973,510	3,089,371	-115,861
Bonds	1,405,885	1,445,726	-39,840
Long-term loans	972,752	1,033,421	-60,668
Employee retirement benefit liability	192,108	191,613	495
Reserve for reprocessing of irradiated nuclear fuel	270,488	261,018	9,469
Reserve for preparation of reprocessing of irradiated nuclear fuel	3,769	-	3,769
Reserve for decommissioning nuclear power plant	92,020	89,093	2,926
Deferred tax liabilities	11	1	10
Other	36,474	68,497	-32,022
Current Liabilities	954,374	975,632	-21,258
Current portion of long-term debt and other	157,739	129,680	28,059
Short-term borrowings	323,190	299,459	23,730
Commercial paper	145,000	270,000	-125,000
Accrued income taxes and other	50,723	56,141	-5,418
Other	277,720	220,351	57,369
Reserve for Drought	4,005	6,665	-2,660
Total Liabilities	3,931,890	4,071,670	-139,780
Minority Interests in Consolidated Subsidiaries	-	10,892	-10,892
Common stock	-	430,777	-430,777
Capital surplus	-	73,956	-73,956
Retained earnings	-	1,101,340	-1,101,340
Net unrealized gains on available-for-sale securities	-	53,040	-53,040
Foreign Currency Translation Adjustment	-	303	-303
Less: Treasury stock	-	-104	104
Total Shareholder's Equity	-	1,659,313	-1,659,313
Shareholders' Equity	1,648,851	-	1,648,851
Common stock	430,777	-	430,777
Capital surplus	74,054	-	74,054
Retained earnings	1,144,874	-	1,144,874
Treasury stock	-854	-	-854
Valuation and translation adjustments	81,097	-	81,097
Minority Interests in Consolidated Subsidiaries	39,875	-	39,875
Total Shareholder's Equity	1,769,824	-	1,769,824
Total Liabilities, Minority interests and Shareholders' Equity	5,701,714	5,741,876	-40,161

Note: Above figures are rounded down to the nearest million yen.

## Consolidated Statements of Income

(million yen)

	2007.3	2006.3	Change
Revenues			
Operating Revenues	2,213,792	2,150,507	63,285
Electricity	2,080,449	2,041,325	39,124
Other	133,343	109,182	24,161
Other Revenues	16,998	6,601	10,396
Proceed from dividends	1,928	1,285	643
Proceed from interests	5,020	1,163	3,857
Equity in net earnings of affiliate	1,614	1,083	531
Other	8,433	3,069	5,364
Total Ordinary Revenues	2,230,790	2,157,109	73,681
Expenses			
Operating Expenses	1,967,080	1,828,403	138,677
Electric	1,846,368	1,727,123	119,245
Other	120,711	101,279	19,431
(Operating Income)	246,712	322,104	-75,392
Other Expenses	85,098	109,014	-23,915
Interest expenses	71,572	95,200	-23,628
Other	13,526	13,814	-287
Total Ordinary Expenses	2,052,179	1,937,417	114,762
Ordinary Income	178,611	219,692	-41,080
Special Item			
Provision for (reversal of) reserve for drought	-2,660	-9,311	6,650
Extraordinary Losses	21,612	33,506	-11,893
Loss on discontinuing construction of hydroelectric power plant	5,266	33,506	-28,239
Other	16,345	-	16,345
Income before income taxes	159,659	195,497	-35,837
Income Taxes-Current	47,005	67,771	-20,766
Income Taxes-Deferred	21,202	7,709	13,492
Minority Interests in Earnings of Consolidated Subsidiaries	900	558	342
Net Income	90,550	119,458	-28,907

Note: Above figures are rounded down to the nearest million yen.

## Consolidated Statements of Cash Flows

(million yen)

Cash Flows from Operating Activities:	2007.3	2006.3	Change
Income before income taxes and minority interests	159,659	195,497	-35,837
Depreciation and amortization	335,262	365,295	-30,033
Loss of loaded nuclear fuel	8,775	12,965	-4,190
Loss on disposal of property, plant and equipment	8,347	10,177	-1,830
Loss on discontinuing construction of hydroelectric power plant	5,266	33,506	-28,239
	16,345	-	16,345
Increase(Decrease) in employee retirement benefit liability	-34,890	-15,522	-19,368
Increase(Decrease) in reserve for reprocessing of irradiated nuclear fuel	9,469	7,645	1,823
	3,769	-	3,769
Increase(Decrease) in reserve for decommissioning nuclear power plant	2,926	6,454	-3,528
Reversal of reserve for drought	-2,660	-9,311	6,650
Interest and dividends income	-6,949	-2,448	-4,500
Interest expenses	71,572	95,200	-23,628
Increase(Decrease) in fund for reprocessing of irradiated nuclear fuel	18,656	-263,382	282,039
Increase(Decrease) in trade notes and accounts receivable	-8,932	-13,839	4,906
Increase(Decrease) in inventories	-10,806	-18,586	7,780
Increase(Decrease) in trade notes and accounts payable	1,822	29,974	-28,152
Other	-14,243	48,511	-62,754
Subtotal	563,389	482,138	81,251
Interest and dividends received	5,558	2,295	3,262
Interest paid	-72,253	-96,725	24,472
Income taxes paid	-55,178	-80,550	25,371
Net cash provided by operating activities	441,515	307,157	134,358
Cash Flows from Investing Activities:			
Purchases of property, plant and equipment	-183,085	-150,571	-32,514
Increase in investments and other	-17,835	-8,237	-9,598
Proceeds for recoveries from investments and other	13,986	8,629	5,357
Other	12,576	9,503	3,073
Net cash used in investing activities	-174,357	-140,676	-33,681
Cash Flows from Financing Activities:			
Proceeds from issuance of bonds	124,608	142,382	-17,773
Redemption of bonds	-141,356	-226,456	85,100
Proceeds from long-term loans	43,517	109,664	-66,147
Repayment of long-term loans	-108,018	-129,997	21,978
Proceeds from short-term borrowings	424,780	369,909	54,871
Repayment of short-term borrowings	-404,550	-342,246	-62,304
Proceeds from issuance of commercial paper	1,530,000	1,155,000	375,000
Redemption of commercial paper	-1,655,000	-1,189,000	-466,000
Dividends paid	-46,881	-43,731	-3,149
Dividends paid for minority shareholders	-45	-6	-39
Other	-1,506	-10,740	9,233
Net cash used in financing activities	-234,452	-165,221	-69,230
Effect of Exchange Rate Changes on Cash and Cash Equivalents	5	29	-24
Net Increase (Decrease) in Cash and Cash Equivalents	32,711	1,288	31,422
Cash and Cash Equivalents at Beginning of the Period	65,149	63,860	1,288
Cash and Cash Equivalents at End of the Period	97,861	65,149	32,711

Note: Above figures are rounded down to the nearest million yen.

## Non-consolidated Balance Sheets

(million yen)

	2007.3	2006.3	Change
<b>Assets</b>			
Property, Plant and Equipment	5,041,238	5,272,411	-231,173
Electric utility property, plant and equipment	3,869,429	4,078,308	-208,878
Hydroelectric power production facilities	323,720	340,245	-16,525
Thermal power production facilities	659,247	728,976	-69,728
Nuclear power production facilities	363,514	401,239	-37,724
Internal combustion engine power production facilities	158	181	-22
Transmission facilities	1,110,891	1,159,846	-48,955
Transformation facilities	461,507	480,169	-18,662
Distribution facilities	809,402	816,895	-7,492
General facilities	140,985	150,754	-9,769
Subsidiary enterprise property, plant and equipment	18,974	14,546	4,428
Other property, plant and equipment	13,735	14,151	-415
Construction in progress	145,829	133,573	12,255
Nuclear fuel	254,345	250,199	4,145
Loaded nuclear fuel	41,485	40,033	1,452
Nuclear fuel in processing	212,859	210,165	2,693
Investments and other	738,924	781,632	-42,708
Long-term investments	228,863	228,241	622
Investments in subsidiaries and affiliates	138,884	155,022	-16,137
Reserve fund for reprocessing of irradiated nuclear fuel	244,726	263,382	-18,656
Deferred tax assets	92,078	125,605	-33,526
Other	34,371	9,382	24,989
Current Assets	246,042	215,534	30,507
Cash	29,240	17,389	11,851
Accounts receivable-customers	105,724	103,421	2,302
Inventories	72,489	58,867	13,622
Deferred tax assets	14,601	15,053	-451
Other	23,986	20,803	3,183
Deferred Assets	-	60	-60
<b>Total Assets</b>	<b>5,287,281</b>	<b>5,488,007</b>	<b>-200,726</b>
<b>Liabilities and Shareholders' Equity</b>			
Long-Term Liabilities and Reserves	2,858,867	3,012,363	-153,495
Bonds	1,406,685	1,446,626	-39,940
Long-term loans	922,577	980,126	-57,549
Employee retirement benefit liability	137,840	170,690	-32,850
Reserve for reprocessing of irradiated nuclear fuel	270,488	261,018	9,469
Reserve for preparation of reprocessing of irradiated nuclear fuel	3,769	-	3,769
Reserve for decommissioning nuclear power plant	92,020	89,093	2,926
Other	25,486	64,808	-39,322
Current Liabilities	842,961	930,943	-87,981
Current portion of long-term debt and other	139,979	113,953	26,026
Short-term borrowings	314,400	294,400	20,000
Commercial paper	145,000	270,000	-125,000
Accrued income taxes and other	41,353	51,781	-10,428
Other-mainly accounts payable	202,229	200,808	1,421
Reserve for Drought	4,005	6,665	-2,660
<b>Total Liabilities</b>	<b>3,705,835</b>	<b>3,949,973</b>	<b>-244,137</b>
Shareholders' Equity			
Common stock	-	430,777	-430,777
Capital surplus	-	73,956	-73,956
Retained earnings	-	981,967	-981,967
Net unrealized gains on available-for-sale securities	-	51,361	-51,361
Less:Tresury stock	-	-28	28
Total Shareholder's Equity	-	1,538,034	-1,538,034
Shareholders' Equity	1,502,992	-	1,502,992
Common stock	430,777	-	430,777
Capital surplus	73,967	-	73,967
Retained earnings	999,046	-	999,046
Tresury stock	-798	-	-798
Valuation and translation adjustments	78,453	-	78,453
Total Shareholder's Equity	1,581,445	-	1,581,445
<b>Total Liabilities and Shareholders' Equity</b>	<b>5,287,281</b>	<b>5,488,007</b>	<b>-200,726</b>

Note: Above figures are rounded down to the nearest million yen.

## Non-consolidated Statements of Income

(million yen)

	2007.3	2006.3	Change
<b>Revenues</b>			
Operating Revenues	2,117,033	2,069,358	47,675
Electric utility revenues	2,086,340	2,045,044	41,295
Residential	716,735	725,242	-8,507
Commercial and Industrial	1,327,779	1,285,633	42,146
Sold power to other electric utilities and other companies	16,434	10,966	5,468
Other	25,389	23,203	2,186
Subsidiary enterprise revenues	30,693	24,313	6,380
Other Revenues	10,041	4,342	5,699
Financing revenues	7,353	2,578	4,774
Non-operating revenues	2,688	1,763	924
Profit from sale of fixed asset	150	411	-261
Other	2,537	1,351	1,186
Total Ordinary Revenues	2,127,075	2,073,700	53,374
<b>Expenses</b>			
Operating Expenses	1,884,639	1,760,873	123,765
Electric utility expenses	1,861,343	1,739,572	121,771
Hydro electric power production expenses	45,704	48,343	-2,638
Thermal power production expenses	849,220	688,509	160,710
Nuclear power production expenses	174,797	167,062	7,734
Internal combustion engine power production expenses	29	86	-57
Purchased power from other electric utilities and other companies	176,002	159,979	16,023
Transmission expenses	127,260	130,724	-3,464
Transformation expenses	70,552	73,469	-2,916
Distribution expenses	183,223	187,240	-4,016
Selling expenses	73,298	68,849	4,449
General and administrative expenses	82,365	137,552	-55,187
Electric power development promotion tax	53,358	52,473	884
Enterprise tax	25,513	25,265	248
Other operating expenses	16	15	1
Subsidiary enterprise expenses	23,295	21,301	1,994
(Operating Income)	232,394	308,484	-76,089
Other Expenses	79,660	106,852	-27,192
Financing expenses	70,897	94,504	-23,607
Interest expenses	70,105	93,430	-23,325
Other	792	1,074	-282
Non-operating expenses	8,762	12,348	-3,586
Loss from sale of fixed asset	27	87	-60
Other	8,735	12,260	-3,524
Total Ordinary Expenses	1,964,299	1,867,726	96,572
Ordinary Income	162,775	205,973	-43,197
<b>Special Item</b>			
Provision for (reversal of) reserve for drought	-2,660	-9,311	6,650
Extraordinary Losses	40,865	33,506	7,359
Loss on discontinuing construction of hydroelectric power plant	5,266	33,506	-28,240
Income before Income Taxes	124,570	181,778	-57,207
Income Taxes-Current	41,497	63,648	-22,150
Income Taxes-Deferred	18,936	6,483	12,453
Net Income	64,136	111,646	-47,510

Note: Above figures are rounded down to the nearest million yen.