

# ANNUAL REPORT 2004



Chubu Electric Power Co., Inc.

Year Ended March 31, 2004

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Notes: 1) The Company's 2004 fiscal year dates from April 1, 2003, to March 31, 2004.  
 2) Most figures in this report have been rounded off.  
 3) References to 9 Electric Power Companies mean Chubu, Hokkaido, Tohoku, Tokyo, Hokuriku, Kansai, Chugoku, Shikoku and Kyushu electric power companies. 10 Electric Power Companies means the above 9 companies and Okinawa electric power company.



▲Okumino Hydroelectric Power Station



▲Hekinan Thermal Power Station



▲Etsumi Trunk Line



▲LNG Tanker



▲Chubu Electric Power Co., Inc. Head Office

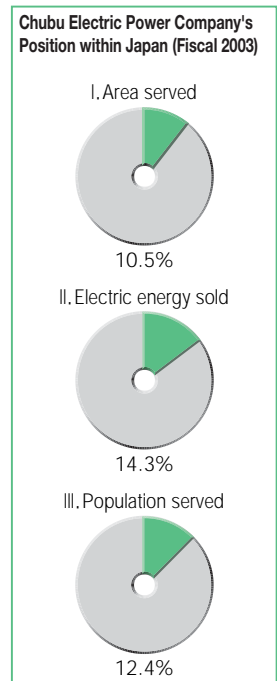
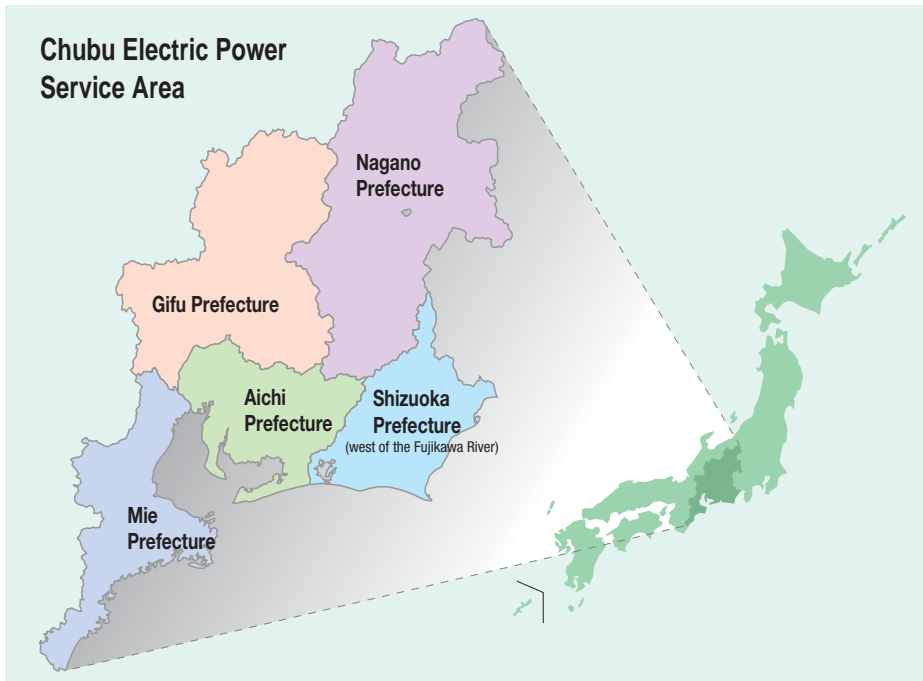


# I Company Profile

## 1. Chubu Electric Power Company, Incorporated

~ Grounded in a region that plays a vital role in transportation and manufacturing ~

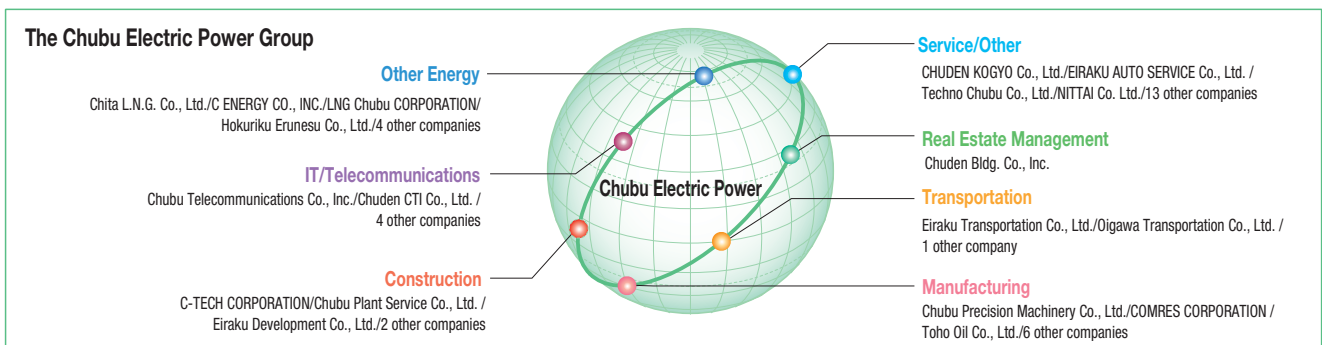
Chubu Electric Power Company, Incorporated is Japan's third-largest electric power company in terms of the capacity of its generating facilities, electric energy sold, operating revenues and total assets. Chubu Electric Power Company serves a total area of 39,000 square kilometers across five prefectures in central Japan, an area with a population of 16 million. Known as the Chubu (central) Region, this area is an important transportation, distribution and manufacturing center. The head office of the Company is located in Aichi Prefecture, Japan's leading manufacturing center and the site of Japan's largest seaport. Aichi lies directly between the capital, Tokyo, and the commercial district of Osaka. The Company operates eight centers within Japan and maintains offices in Washington, D.C., U.S.A. and London, U.K. Chubu Electric Power Company shares are listed on the Tokyo and Nagoya stock exchanges and the Osaka Securities Exchange.



## 2. Chubu Electric Power Group

~ Fulfilling our role as a multi-energy company ~

Our Group (comprising Chubu Electric Power Company and its affiliates) is committed to the effective deployment of its business assets in the core business of supplying electric power. The Group is also involved in other energy businesses that utilize electric power supply facilities, stored fuels and technologies. In addition, it establishes networks for its IT/telecommunications business that supply information with added value. Other businesses in which the Group is involved include construction for development and maintenance of various facilities, the manufacturing of materials and machinery, and the development of various businesses.



## II Consolidated Financial Highlights

For the years ended March 31, 2004 and 2003

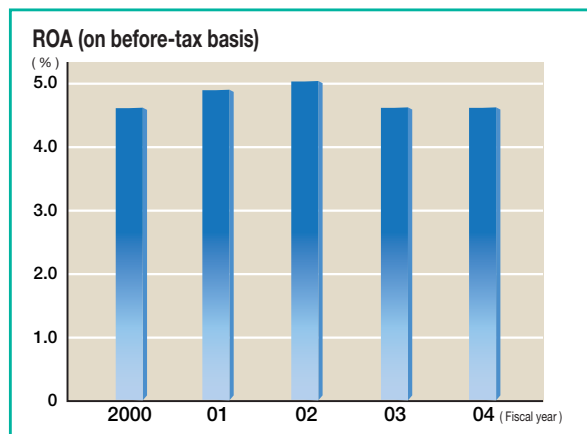
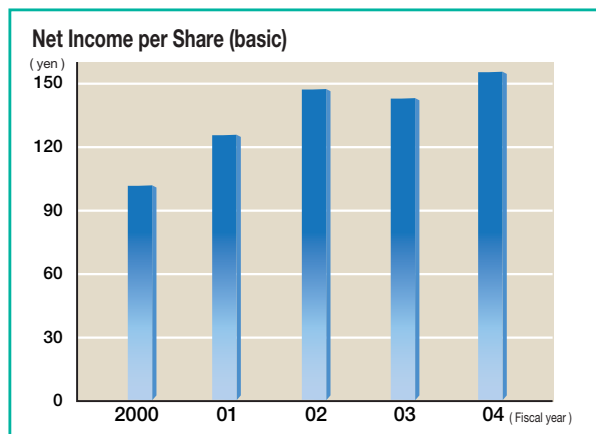
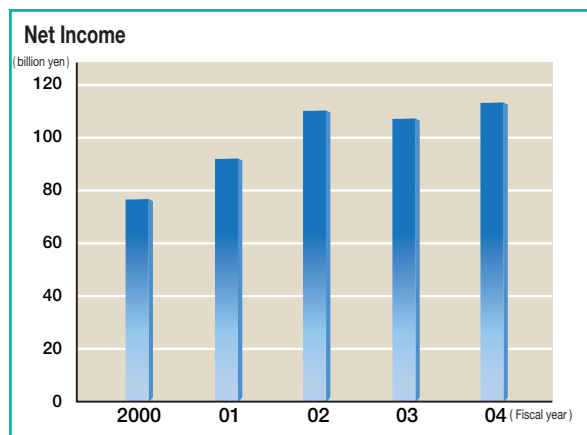
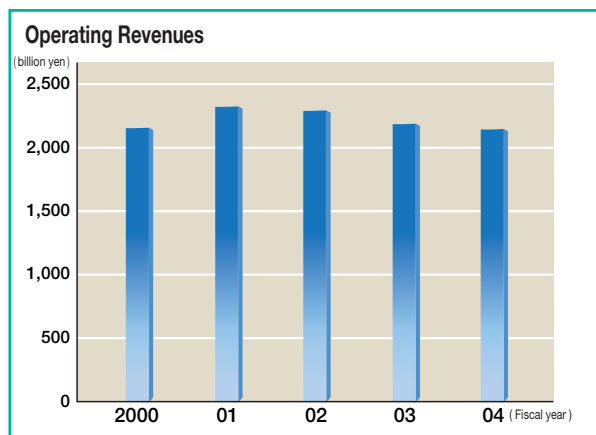
	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
<b>For the year</b>			
Operating Revenues .....	<b>¥2,101,072</b>	¥2,176,072	<b>\$19,879,573</b>
Operating Income .....	<b>334,412</b>	312,472	<b>3,164,081</b>
Net Income .....	<b>114,718</b>	106,494	<b>1,085,418</b>
<b>At year-end</b>			
Total Assets .....	<b>6,060,178</b>	6,282,500	<b>57,339,179</b>
Shareholders' Equity .....	<b>1,377,180</b>	1,307,180	<b>13,030,374</b>
<b>Per share data</b>			
Net Income ( yen and U.S. dollars ) .....	<b>157.21</b>	144.24	<b>1.49</b>
Cash Dividends ( yen and U.S. dollars ) .....	<b>60</b>	60	<b>0.57</b>
<b>Financial Ratios</b>			
ROA ( on before-tax basis )( % ) .....	<b>4.6</b>	4.6	
ROE ( % ) .....	<b>8.5</b>	8.4	
Electric Energy Sold (millions of kWh) .....	<b>122,216</b>	123,050	

Notes : 1) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥105.69=US\$1

2) Chubu Electric Power Company's fiscal year is from April 1 to March 31 of the following year.

3) These numbers are based on consolidated data.

4) ROA (on before-tax basis) = (Ordinary income + Interest expenses) / Total assets on average at beginning and end of the period



# III To Our Shareholders and Investors

## Results for the Year Ended March 31, 2004

### 【Sales and Supply of Electric Power】

For the year ended March 31, 2004 (fiscal 2004), the Japanese economy, particularly the private sector, returned to the recovery track with improved corporate performance attributable to rising exports and production as well as increased capital investment.

The Chubu Electric Power Co., Inc. sold 122.2 billion kWh of electricity during the period under review, which represents a decrease of 0.7% from the preceding fiscal year, in spite of the generally favorable market conditions. This result was attributable in part to unusually cool summer and warm winter weather. Specifically, demand for electricity for lighting decreased by 1.0% to 32.5 billion kWh, and demand for electricity for power decreased by 0.9% to 55.6 billion kWh, mainly due to declining demand for air conditioning. Demand from customers under liberalization (retail customers with access to the partially liberalized electricity market until March 31, 2004) decreased by 0.1% to 34.1 billion kWh, mainly due to the temporary slump in production during the cold summer, although they posted strong exports to Asia and North America. Regarding the supply of electricity, we provided a stable supply following the resumption of operations of Unit No. 3 and Unit No. 4 of the Hamaoka Nuclear Power Station and sustained operation of all other facilities.

Looking to facility development plans, we anticipate significant changes in the market, including a slowdown in demand for electricity and further liberalization of the electricity market. As for our power generation facilities, we have postponed the Suzu Nuclear Power Plant project indefinitely and cancelled the Kiso-Chuo Hydroelectric Power Plant project. Regarding our transmission facilities, we revised the construction plan for the Hekinan Thermal Power Line.

### 【Overview of Consolidated Financial Results】

Consolidated operating revenues decreased by 3.4% on a year-on-year basis to ¥2,101.1 billion, mainly due to a decline in electric energy sold and a rate reduction introduced in September 2002. On the other hand, operating expenses declined due to a reduction in fuel expense as a result of the drop in thermal power output as well as efforts to suppress costs - such as facilities-related expenses - throughout the enterprise. As a result, ordinary income (income before provision of reserve for fluctuation in water levels, income taxes and minority interests) totaled ¥184.9 billion and net income amounted to ¥114.7 billion.

### 【Hamaoka Nuclear Power Station】

For Units No. 3 and No. 4 of the Hamaoka Nuclear Power Station, we replaced a weld in the recirculation system where indications (signs of cracks) were found. We also evaluated the condition of the core shroud, where cracks had been detected, and we confirmed that no safety hazard existed. Therefore, we resumed operation of Unit No. 4 on September 3, 2003 and operation of Unit No. 3 on November 28, 2003.

As for Unit No. 1, further investigation and evaluation is required for cracks detected in the core shroud, and a technical evaluation of aging is required for the interior of the reactor core. These procedures will require a lengthy period to resolve. In consideration of the time required to replace the piping in the recirculation system as well, the regular inspection period was extended. We have also been conducting regular inspections of Unit No. 2 since February 2004.

For Unit No. 5, which is currently under construction, we are conducting various inspections and tests with the goal of starting operation in January 2005.

## Business Strategy and Management Policies

### 【Management Policies】

The liberalization of the retail electricity market has triggered intensified competition. The revised Electricity Utilities Industry Law was enacted in June 2003, which led to the introduction of more extensive liberalization in April 2004 that includes customers consuming more than 500kW of high-voltage electricity. Beginning in April 2005, all customers consuming high-voltage electricity will be included within the scope of the liberalization. It is anticipated that, in the interests of greater competition, a wholesale market for trading electric power and an independent council for reviewing utilization of the transmission network will be established and the transmission network utilization rate system will be reviewed.

Against this background, our Company is committed to taking the following measures in order to continue growing in tandem with our Group as a multi-energy company in Central Japan.

### 【Reinforcing Our Sales Capabilities】

Our goal is to provide services that satisfy individual customers. We are improving our contract options and actively proposing services in order to meet the diverse needs of individual customers to attract the greatest possible number of customers. We are employing the Chubu Electric Power Group's management resources to the maximum in order to introduce varied new services encompassing gas supply and on-site power generation, in addition to electric power.

### 【Ensuring Stability of Supply】

We are committed to ensuring the stability of our electricity supply so that our customers can use electric power with confidence. We provide optimum combinations of various power sources and take all possible measures to secure our electric power facilities, thereby fulfilling our responsibility as an enterprise supporting an essential portion of the infrastructure for the benefit of local industries and residential customers. Moreover, in the interests of energy security and prevention of global warming, we will promote nuclear power generation while giving the highest priority to ensuring safety and gaining the trust of local communities.



Fumio Kawaguchi  
President & Director

**【Strengthening Our Cost Competitiveness】**

In order to provide superior services at lower cost, we are implementing all possible methods and innovations to strengthen our cost competitiveness. Specifically, we aim to improve the efficiency of our facilities by aggressively introducing new technologies, promoting additional cost reductions in our procurement of materials and fuels, and enhancing the efficiency of facility operations. We also intend to downsize our labor force and reallocate employees in a more effective manner in order to improve efficiency.

**【Strengthening Our Financial Foundations】**

To increase our competitiveness, we are committed to strengthening our corporate foundations. We intend to formulate and implement managerial goals — including those calculated on a consolidated basis — targeting increased profitability and further improving the financial underpinnings and collective strengths of the Group. Furthermore, we are integratively managing and making efficient use of the Group's management resources in order to strengthen the Group's foundation.

**【Committed to Demonstrating Good Corporate Citizenship】**

In order to fulfill our social responsibilities as a corporate citizen, we intend to take steps to minimize global warming and will further implement other environmental conservation activities. We will also continue to comply with all laws, internal regulations, and corporate ethics while deepening our ties to local communities.

**【Paying Results-based Distributions】**

With the goal of achieving sustainable growth, we will continue to make appropriate and timely use of the benefits of the aforementioned corporate activities in order to improve the Company's financial structure, redistribute the gain to shareholders, and expand the scope of our business while keeping the energy business at the core.

Building on the unified efforts of the Chubu Electric Power Group, we intend to fashion our company as a robust enterprise that can respond flexibly and appropriately to structural changes in the energy market while justifying the trust our customers, shareholders, and investors have placed in us. As well, we are determined to contribute to the development of local communities.

*Fumio Kawaguchi*

President & Director

# IV Outstanding Issues and Future Challenges

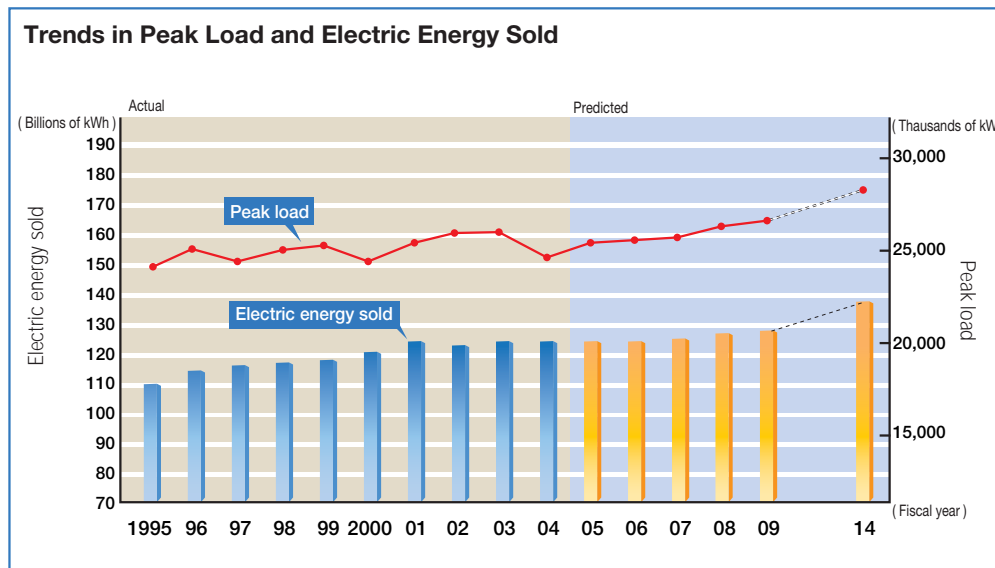
## 1. Electric Power Supply and Demand

### ~ Supplying high-quality electric power at lower cost ~

#### (1) Demand for Electric Power

We anticipate a further increase in the demand for electric power, the foundation that underpins both industrial activity and consumer convenience.

Growth in demand for the electric power supplied by Chubu Electric Power Company has slowed over the past few years in tandem with the stagnation of the domestic economy. Over the longer term, however, we anticipate steady growth in consumer demand for power arising from society's increased reliance on information technology as well as the increasing representation of service industries in the Japanese economy.



#### (2) High-Quality Electric Power

In recent years, increased use of personal computers and other IT devices has made electricity an even more vital requirement for industry, commerce and the public.

Highly technical production methods and increasingly affluent lifestyles, along with society's ever-growing reliance on information, require that power be supplied with the minimum possible number of outages.

In addition to striving toward this goal, we have worked hard to stabilize the voltage and frequency of the power we supply in order to meet customer needs as closely as possible. As part of this effort, we have constructed and maintained various facilities in order to minimize service interruptions caused by natural phenomena such as lightning. Our unified power supply system, which encompasses every stage from generation to distribution, has enabled us to supply high-quality, economical and stable electric power free from voltage and frequency fluctuations. We have achieved this goal despite serving a constantly changing demand.

As a result of these efforts, we can supply electric power of the highest global standard. We remain committed to providing a consistent, high-quality, low-cost, and reliable product.

#### Service Interruptions due to Supply Incidents

(minutes/year)

Chubu Electric Power Co., Inc.	3 mins.
Japan	13 mins.
U.S.A.	82 mins.
U.K.	73 mins.
France	46 mins.

Note: Figures for Chubu Electric Power Company and Japan are for FY2003; other figures are for CY2000. With the exception of figures for Chubu Electric Power Co., Inc., figures are provided by the Federation of Electric Power Companies of Japan.



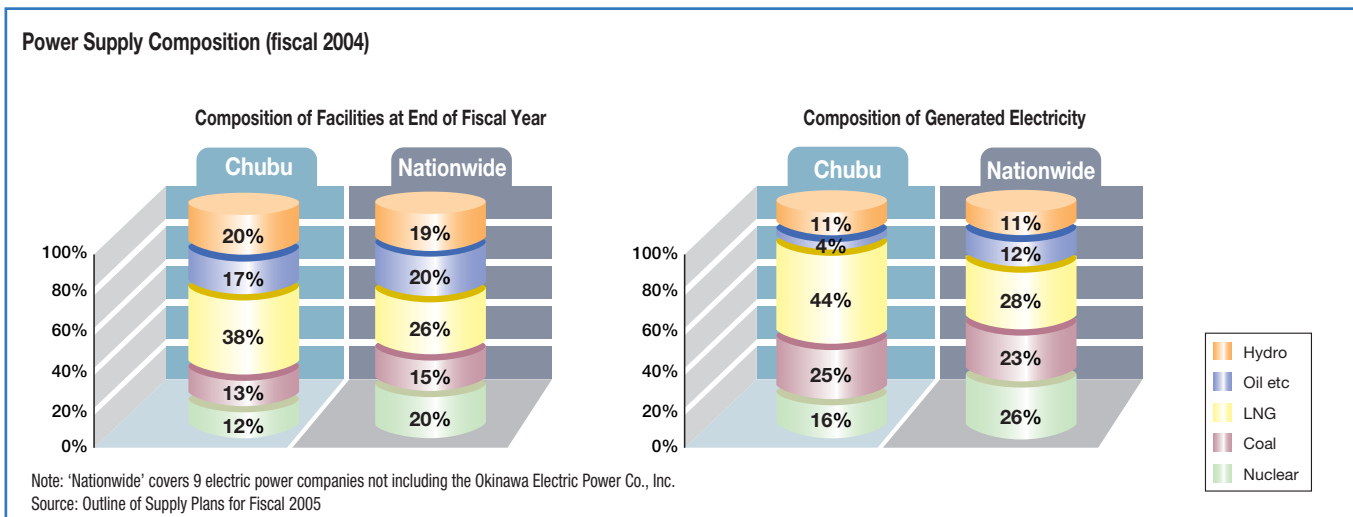
### (3) Planned Facilities

We are working to ensure long-term energy security and environmental protection through effective utilization of our facilities, which we consider a precondition for the stable supply of electric power.

Chubu Electric Power Company is committed to developing 4.14 million kW of new sources of electric power between fiscal 2005 and fiscal 2014. This includes power to be purchased from independent power producers (IPPs) and other companies. This initiative will ensure a stable supply of electric power that is expected to accommodate the forecasted growth in demand. This plan takes into account economic efficiency, reduced environmental load, and technical considerations and targets a well-balanced variety of electric power sources. We also seek to improve the overall efficiency of our power generation facilities and thereby reduce the cost of power generation by decommissioning high-cost, low-efficiency power generation facilities and making plans for the long-term suspension of each power generation plant.

When designing our transmission and distribution facilities, we focus on the stability of supply as well as economic and environmental factors.

We are working to reduce costs through the introduction of new technologies and rationalized designs and are committed to constructing these facilities in a planned and efficient manner.



## Planned Development of Electric Power Sources & Transmission Facilities

### 【Power Source】

<Developed by Chubu Electric Power Company>

- Hamaoka Nuclear Power Station, Plant No. 5 (Advanced Boiling Water Reactor) 1.38 million kW ..... January 2005

<Purchased from IPPs>

- Idemitsu Kosan Co., Ltd. (remaining oil) 252 thousand kW ..... July 2004

### 【Transmission Facilities】

- Higashi-Shimizu Substation Frequency Converter ..... September 2005

### 【Facilities to Be Decommissioned】

- Owase No. 2 (375 thousand kW) ..... December 2004
- Shin-Shimizu No. 1 (156 thousand kW) ..... December 2004

Year Introduced /  
Decommissioned



▲Hamaoka Nuclear Power Station

# IV Outstanding Issues and Future Challenges

## 2. Marketing Strategy

~ Sales strategy to survive in increasingly severe competition ~

### (1) Market Situation

The retail electricity markets for customers drawing more than 2,000kW of extra-high-voltage electricity and for those drawing more than 500kW of high-voltage electricity were liberalized in March 2003 and April 2004, respectively. To date, we have concluded about 7,000 contracts with customers in these markets. In April 2005, the scope of liberalization will be further expanded to include every customer drawing high-voltage electricity. Moreover, a wholesale market for trading electric power will be established and the transmission network utilization structure will undergo review, which will promote further competition. These conditions are expected to expose the Company to an increasingly competitive market.

### (2) Sales Activities

To ensure that our Company prevails in this new era, we have cut electricity rates, offered contracts with more varied options, and provided solutions services targeted at customer problems. Thanks to these efforts, customer turnover has remained at less than 1% of the entire base of customers who fall within the scope of the liberalization of the electric power market. Clearly, the vast majority of our customers have chosen to remain with us (as of March 31, 2004).

We are sparing no effort to win over customers. Specifically, we are continuing to reduce costs and improve our price competitiveness; moreover, we are actively providing customers with various innovations and services that meet their particular needs.

#### (a) Lower Charges and Increased Contract Options

As a result of existing and planned improvements to our business efficiency, we were able to reduce electric rates by an average of 6.18% in September 2002 for our supply contract divisions. We also reviewed our rate plans for liberalized markets.

As mentioned, we now offer a greater variety of contract options so that customers can use electricity with greater convenience and efficiency. For example, we provide a specific contract option for users of commercial electric kitchens, thereby encouraging restaurants and other commercial customers to introduce clean, safe, and convenient electric kitchens. As of March 31, 2004, we have signed roughly 200 contracts with customers who have converted their gas kitchens to electricity. Further, in April 2004, we defined additional rate plans and revised some of our existing rate plans in order to respond more flexibly to our commercial customers' uses for electric power, such as operating buildings, thereby increasing our competitiveness with new entrants to the industry and suppliers of other types of energy.

We remain committed to supplying electric power at lower prices and providing attractive contract options to meet the diverse demand for electricity.

#### (b) Developing Innovative Solutions

##### 【Business Applications】

##### <Strengthening of Sales Activities to Large Scale Customers>

In July 2003, we strengthened our sales system by establishing the Large Business Sales & Marketing Department within the Sales & Customer Service Division. In addition, we assigned sales staff and technical service staff to each regional office. As a result, they can exclusively handle about 7,000 contracts in total, each for more than 500kW of electricity. We assess each customer's needs, provide finely tuned services, and recommend energy from a combination of sources that include on-site power sources and gas as well as our own power plants. As a multi-energy company, we are adept at providing multifaceted solutions.



### <Solutions Services that Meet Customer Needs>

The needs of our customers vary widely and can include cost reduction, countermeasures against momentary voltage drops, reduction of environmental load, and efficient management of energy facilities. Chubu Electric Power Company and its group of companies excel at applying a wealth of technology and expertise in a comprehensive manner to meet those needs and solve customer problems.

As part of our solutions services, we recommend “E Air Conditioning,” which stands for ecology, easy maintenance and economy. For example, we worked together with electric manufacturers to develop innovative products including the Super Module Multi, the most efficient multi air conditioner for buildings in Japan, and an electrical desiccant air conditioning system that enables supermarkets to depend entirely on electricity for their energy needs. We are actively recommending these versatile products to our customers.

Another of our offerings is our commissioned thermal storage business. We can set up, operate and maintain a heat source facility for air conditioning within a customer’s own building, which represents a significant advantage to the customer.

Our efforts to offer customers reduced costs and increased convenience have resulted in an installed base of E Air Conditioning Systems equivalent to about 120,000kW of electricity for fiscal 2004.

The customer services we offer include consulting services targeting various energy-saving measures and mixed energy sources. We can recommend the most suitable rate plan for each customer and point out potential economic efficiencies that can accrue from the introduction of on-site power generation facilities. We analyze each customer’s actual use of energy and, if we estimate that the introduction of an on-site generation facility would be beneficial to the customer, we promote the sale of such a facility in collaboration with C ENERGY CO., INC. This approach to sales promotion has already reaped dividends, prompting a large LCD plant in our area to purchase an on-site power source from C ENERGY CO., INC. to supplement its electricity purchases from the electrical grid.

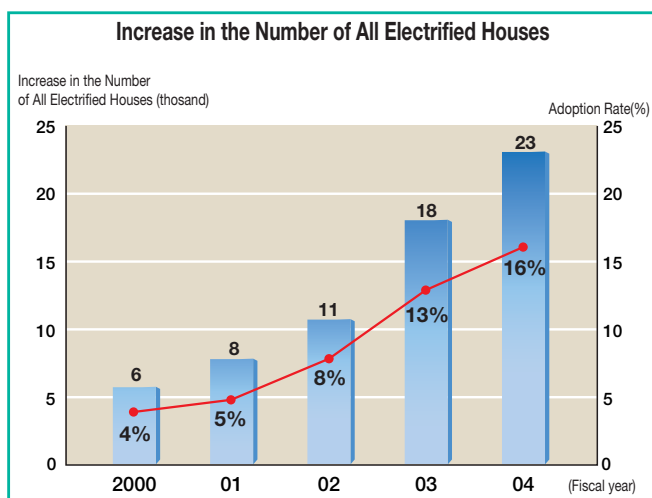
Working in tandem with our group companies, we will continue to offer such solutions services in order to establish closer relationships with our existing customers and win over customers.

### [Domestic Applications]

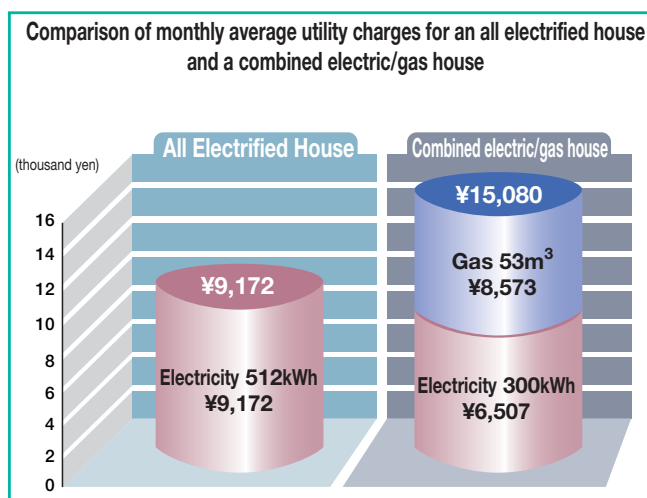
#### <Strengthening the Electric Power Demand Base>

We have been actively promoting the all electrified house by highlighting its safety and economic efficiency. As a result, the number of all electrified houses within our area has grown to the point where they constituted about 16% of housing starts in fiscal 2004. This represents a remarkable increase from the fiscal 2003 level of 13%. As of April 2004, our customers included a total of 160,000 all electrified houses. We continue to satisfy customers by developing products such as Eco-Kyu-to, a highly efficient and eco-friendly water heating system that incorporates a heat pump with a CO<sub>2</sub> refrigerant. In order to expand demand for our products, we will continue to innovate and promote our strengths.

With the goal of enhancing the comfort and convenience of our customers, we will continue to work toward our target of promoting the development of more than 200,000 all electrified houses in our service areas by fiscal 2006.



(Figures within scope confirmed by Chubu Electric Power Co., Inc.)



#### Notes on calculation

- The calculation was made on the basis of a family of four that consumes the same number of calories in both cases. Charges, including consumption tax, are current as of April 2004.
- All electrified house:  
E-Life Plan, 6 kVA contract, equipped with Eco-Kyu-to water heating system
- Combined electric/gas house:  
Electricity: Residential Lighting B, 30A contract  
Gas: Calculated according to tariff of city gas company

# IV Outstanding Issues and Future Challenges

## 3. Strengthening Our Cost Competitiveness

~ No holds barred in the challenge to supply lower-cost electric power ~

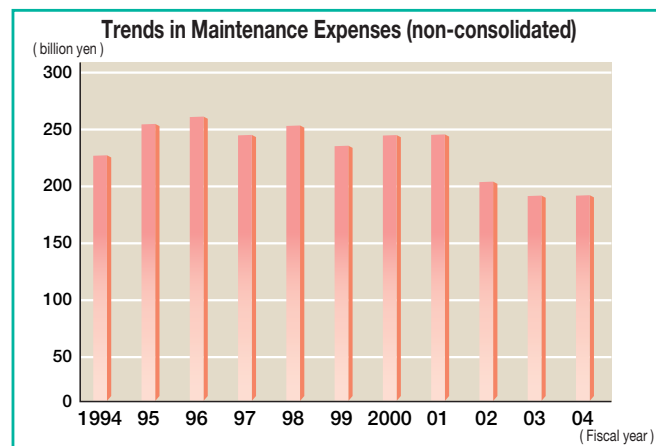
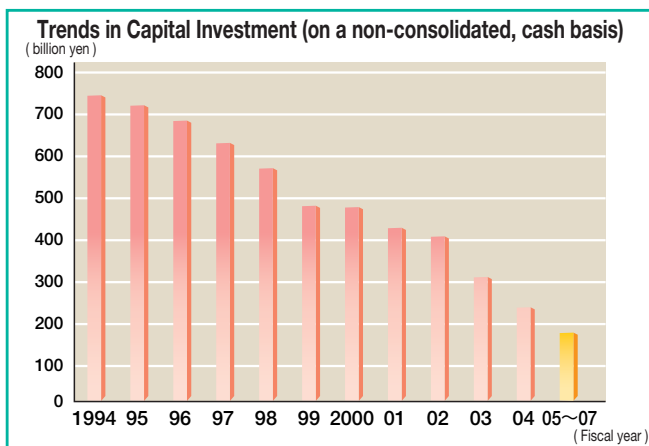
### (1) Facility-related Cost Containment

Chubu Electric Power Company fully examined how the capital investment of the Company should be implemented in order to survive and flourish in the face of future price competition resulting from liberalization. Based on that examination, we established a goal to reduce the cost of electric power production by 20% by fiscal 2006, compared with that immediately before liberalization.

Our efforts to achieve cost-cutting targets have borne fruit, as our capital investments have been decreasing annually since peaking in fiscal 1994 at ¥739.8 billion (on a non-consolidated, cash basis). Improvements in various aspects of our business efficiency — such as active application of new technologies and new construction methods and standardization of specifications — have enabled us to reduce our capital investments to ¥229.8 billion (on a non-consolidated, cash basis) in fiscal 2004, which represents a mere 30% of the peak expenditure.

We pledge to continue lowering our cost structure, thereby reducing our annual average capital investments between fiscal 2005 and 2007 to less than ¥170.0 billion on a non-consolidated basis and less than ¥200.0 billion on a consolidated basis.

With fewer large-scale capital projects, we will focus our efforts on the challenge of reducing the operating and maintenance costs of existing facilities. Moreover, we are determined to address supply chain management and other issues in order to reduce costs.

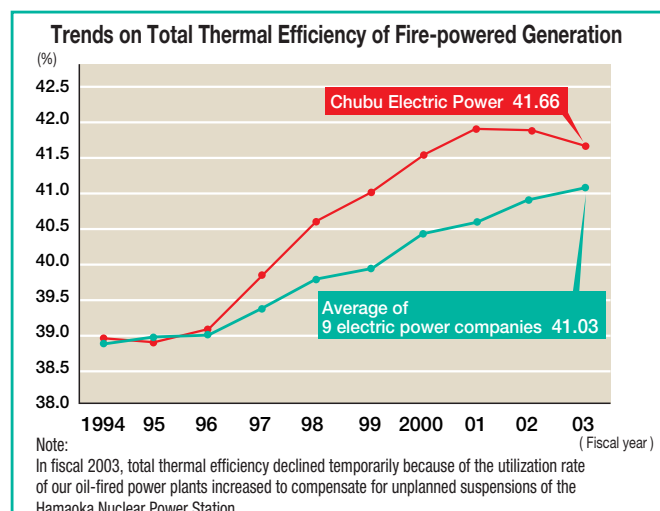


### (2) Increasing Overall Efficiency of Facilities Operations

We are in the process of introducing various measures to improve the operating efficiency of our facilities, beginning with thermal power plants, while maintaining the highest levels of safety and reliability. In addition, we are also rationalizing our maintenance and inspection programs to offer higher efficiency.

#### 【Improve Overall Thermal Efficiency at Thermal Power Plants】

Chubu Electric Power Company has been working on several measures to optimize operations and improve the overall thermal efficiency of its thermal power plants, such as the introduction of highly-efficient, combined-cycle plants, the operation of LNG-fired power plants at high availability factors and the installation of supplemental boilers, allowing for the complete shutdown of oil-powered generation during periods of low demand. As a result of these measures, the total thermal efficiency of our fire-powered plants has been the best in Japan for five years running since fiscal 1998, and we are committed to maintaining this top-class standard.



**【Decommissioning of High-cost, Low-efficiency Thermal Power Generation Facilities】**

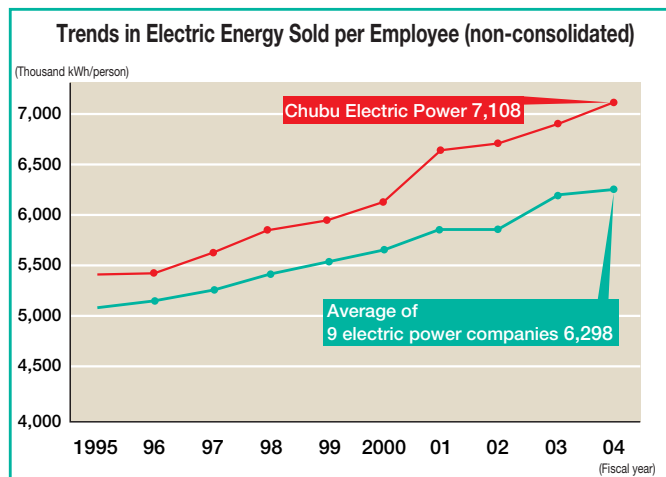
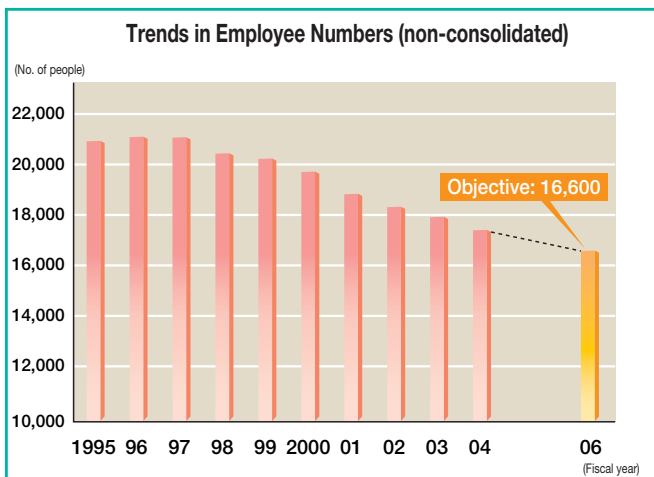
We evaluate the operating efficiency and characteristics of each facility and decommission high-cost, low-efficiency thermal power plants, thereby improving the overall efficiency of our power generation facilities while reducing their maintenance costs.

**Major Units Recently Decommissioned or Scheduled for Decommissioning**

Fiscal Year of Decommissioning	Power Station	Unit	Type	Output (in thousand kW)
2002	Shin-Nagoya	No.5	Heavy oil, crude oil, naphtha	220
	Shin-Nagoya	No.6	Heavy oil, crude oil, naphtha	220
	Taketoyo	No.1	Heavy oil	220
2003	Nishi-Nagoya	No.6	Heavy oil, crude oil, naphtha	500
2004	Nishi-Nagoya	No.5	Heavy oil, crude oil, naphtha	500
	Atsumi	No.2	Heavy oil, crude oil	500
2005 (estimated)	Owase	No.2	Heavy oil	375
	Shin-Shimizu	No.1	Heavy oil	156

**(3) Increasing Efficiency of Business Operations**

To date, Chubu Electric Power Company has promoted a sustained, no-holds-barred efficiency drive, which has included being among the first power companies to rationalize its workforce. As a result of this, through a process of transfer and recruitment controls the company's total workforce was reduced from 21,068 at the end of fiscal 1996 to 17,416 by the end of fiscal 2004 – a reduction of 3,652 members. We have maintained an extremely high standard among domestic electric power companies in terms of the electric energy sold per employee. We have set ourselves the target of further reducing our workforce to 16,600 employees by the end of fiscal 2006, in a further move to streamline the company and enable us to bring even further competitiveness to our work.



**【Reorganizing Business Offices and Downsizing】**

In July 2003, we combined the business offices for high-voltage contracts and low-voltage sales and reorganized our customer service offices and satellite service offices. These initiatives reduced the number of customer service offices from 71 to 54 while simultaneously improving both operating efficiency and service levels.

**【Centralized Telephone Call Center Established and Operation Consigned】**

In August 2002, we set up a centralized telephone call center and consigned its operation. This call center handles customer requests for starting and suspending electricity service in the area previously served by eight customer service offices in Nagoya. In July 2004, the call center began to serve the entire territory of the Nagoya Regional Office, further expanding the service area and improving efficiency.

As we streamline our organization and improve our operational efficiency, we assign our staff strategically in order to enhance our competitiveness. In short, we significantly increase the number of salespeople who can recommend the most suitable contract options for each large scale customer as well as the number of technical service people who can assist customers in utilizing energy efficiently.

# IV Outstanding Issues and Future Challenges

## 4. Strengthening Our Financial Foundations

### ~ Contributing to a Sound Financial Footing for Enhanced Competitiveness and Strategically Utilizing Management Resources for Growth ~

Liberalization of the electric power retail sector has led to various new companies entering the market, bringing increased competition among electric power companies.

The Chubu Electric Power Company has defined its business targets and sought to strengthen its corporate foundation in order to cope with today's shifting market environment. As a result, we have achieved all the targets in terms of ROA, ordinary income, and operating revenues as of the end of fiscal 2004. We have therefore updated our targets, making them more challenging and adding targets on a consolidated basis, in order to continue to grow the entire group.

#### New Business Targets

Item	Consolidated Targets	Non-consolidated Targets	Target year
ROA (on before-tax basis)	Above 4.5%	Above 4.5%	On annual average basis between fiscal 2005 and fiscal 2007
Ordinary Income	Above ¥ 165.0 billion	Above ¥ 160.0 billion	
Capital Investments	Below ¥ 200.0 billion	Below ¥ 170.0 billion	
Free Cash Flows	Above ¥ 360.0 billion	Above ¥ 350.0 billion	
Outstanding Interest-bearing Debt	Below ¥ 3,100 billion	Below ¥ 3,000 billion	By the end of fiscal 2007

#### Notes:

- ROA (on before-tax basis) = (Ordinary income + Interest expenses)/Total assets on average at beginning and end of the period
- Ordinary Income
  - consolidated: Income before provision of reserve for fluctuation in water levels, income taxes and minority interests
  - non-consolidated: Income before provision of reserve for fluctuation in water levels and income taxes
- Free Cash Flows = (Cash flows from operating activities) - (Cash flows from investing activities)

#### Reference: Previous business targets

Item	Non-consolidated Targets		Actual achievement
ROA (on after-tax basis)	Above 1.5%	On annual average basis between fiscal 2002 and fiscal 2004	Average for 3 fiscal years 1.7%
Ordinary Income	Above ¥ 150.0 billion		Average for 3 fiscal years ¥ 164.7 billion
Operating Revenues	Above ¥ 2,000 billion		Average for 3 fiscal years ¥ 2,085.8 billion
Capital Investments	Below ¥ 250.0 billion	On annual average basis between fiscal 2004 and fiscal 2005	Fiscal 2004 ¥ 219.3 billion
Outstanding Interest-bearing Debt	Below ¥ 3,600 billion	By the end of fiscal 2005	As of the end of fiscal 2004 ¥ 3,707.5 billion
Shareholders' Equity Ratio	Above 20 %	By the end of fiscal 2003	As of the end of fiscal 2003 Attained 20.1%
Targets continued: Personnel level	About 16,600 employees registered	By the end of fiscal 2006	As of the end of fiscal 2004 17,416 people

#### Notes:

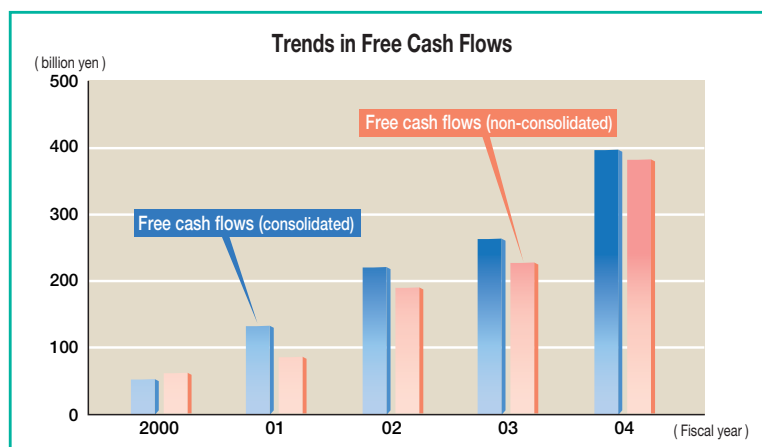
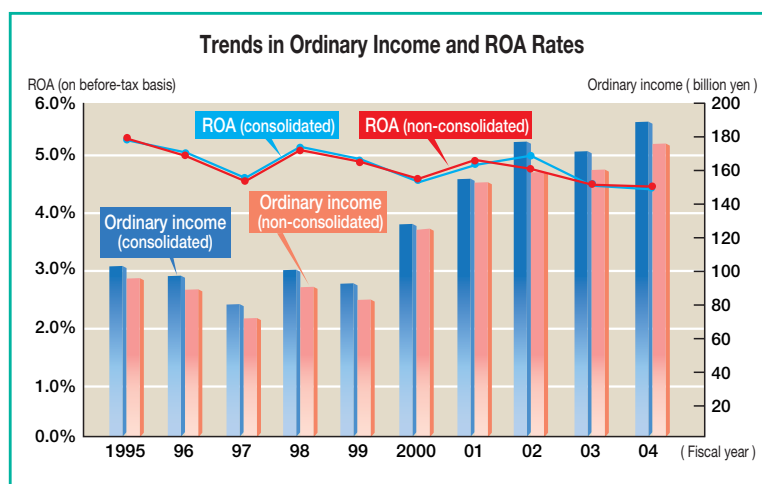
- ROA (on after-tax basis) = Net income/Total assets on average at beginning and end of the period
- Ordinary Income
  - consolidated: Income before provision of reserve for fluctuation in water levels, income taxes and minority interests
  - non-consolidated: Income before provision of reserve for fluctuation in water levels and income taxes

### 【Improving Profitability and Growth Potential】

In April 2004, the scope of liberalization was expanded, leading to an increasingly competitive business environment. Responding to this situation, we established higher targets for ordinary income\* and ROA in order to improve our profitability in terms of total assets. We have also included free cash flows among our target items in order to demonstrate our performance on a cash flow basis. In addition, we established consolidated targets with the goal of continued group-wide growth.

Chubu Electric Power Company and its group companies remain committed to achieving these new targets.

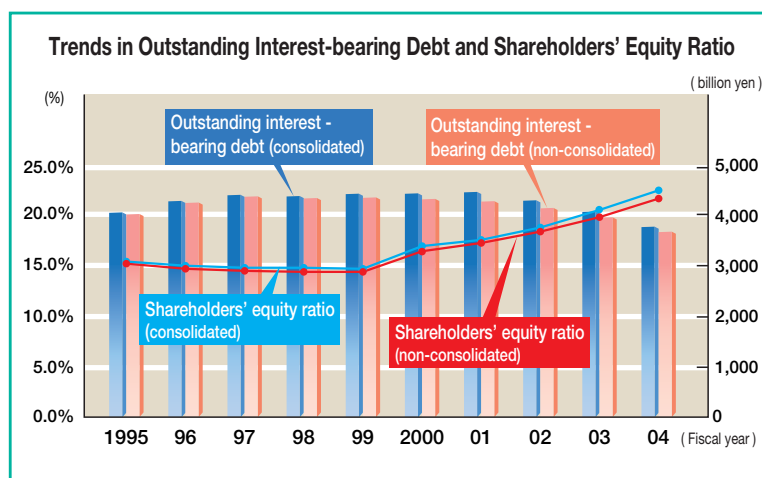
★Ordinary Income  
 consolidated: Income before provision of reserve for fluctuation in water levels, income taxes and minority interests  
 non-consolidated: Income before provision of reserve for fluctuation in water levels and income taxes



### 【Improving Our Financial Foundation】

The Company has been working to reduce interest-bearing debt and improve the shareholders' equity ratio. The non-consolidated shareholders' equity ratio (shareholders' equity/ total assets) rose from 14.8% at the end of fiscal 1999 to 20.1% at the end of fiscal 2003, reaching the non-consolidated target of above 20%.

Our previous target for interest-bearing debt was below ¥3.6 trillion by the end of fiscal 2005. To ensure a stronger financial footing, we have defined a new target: interest-bearing debt not to exceed ¥3.0 trillion on a non-consolidated basis or ¥3.1 trillion on a consolidated basis by the end of fiscal 2007.



### 【Strategic Deployment of Management Resources for Growth】

To pursue our sustainable growth, we will appropriately and timely allocate the free cash flows generated by the company's managerial efforts to strengthen our financial foundation, return profits to our shareholders, and expand our energy-centered business areas.

# IV Outstanding Issues and Future Challenges

## 5. New Businesses and Strengthening Group Business

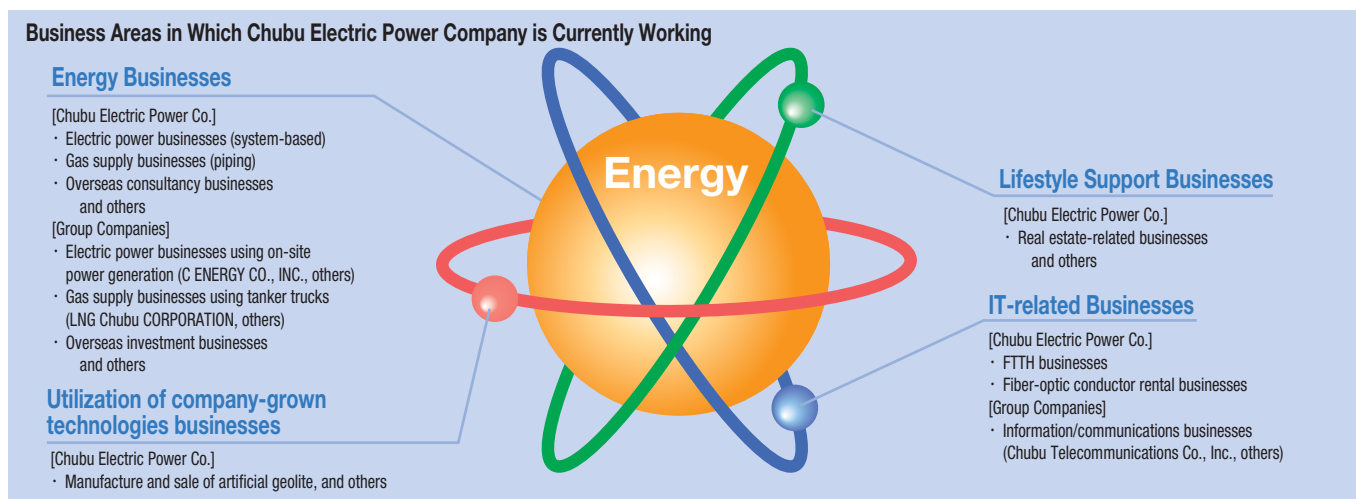
~ Developing our role as a multi-energy company on a foundation of energy businesses ~

### (1) Expanding the Scope of Our Business Operations

In an age in which the energy market is defined by competition and fusion among various forms of energy, the Chubu Electric Power Company has acknowledged the need for a broad profit base that will enable us to satisfy our customers through the services we offer as a multi-energy company.

We intend to expand and strengthen our revenue base by using all management resources available to the Chubu Electric Power Group. We are focusing on energy as the core of our business and are using our power generation facilities, fuels, and technological capabilities to the maximum in order to develop into a multi-energy company that offers not only electricity but also gas and on-site power generation.

We also intend to enhance our competitiveness and ability to add value in business areas such as Information Technology, Lifestyle Support, and Utilization of Company-Grown Technologies by fully exploiting our management resources. Through this approach, we will enhance the corporate value of the entire Group.



### (2) Promotion of Group Management

We intend to mobilize all available Group resources so that Chubu Electric Power Company and its group continue to grow. Toward this end, we have newly established business targets on a consolidated basis and are using each company's business resources effectively in order to strengthen the Group's financial underpinnings.

#### 【Strengthening of the Group Business Structure】

We are restructuring Group companies so that each plays a specific, strategic role within the Group. We encourage each company to deploy its business resources for the greatest benefit and we are pressing ahead with measures to enhance the efficiency of the business structure of the Group.

#### 【Implementing Group Support Measures】

Providing existing financial assistance, Chubu Electric Power Company, the core company of the Group, is actively committed to increasing the corporate strength of the Group by providing other assistance and concentrating common operations within the Group.

#### 【Strengthening of the Group Management System】

Chubu Electric Power Company undertakes annual evaluations of the administration of the individual companies within the Group, focusing on the state of implementation of their medium-term management plans. The Group Management Strategy Council, comprising senior executives of our Company and affiliates, was organized in 2001 to formulate integrated strategies for the Group and reflect them in concrete measures applicable to the individual companies.

#### Measures Related to the Restructuring of Businesses

October 2001	Chubu Measuring Instruments Industries Co., Ltd and Chubu Precision Machinery Co., Ltd. merge to form Chubu Precision Machinery Co., Ltd.
December 2001	Kasugai Komaki Communication Television Co., C-TECH CORPORATION CCNet Project Division, and Tomei Cable Television Co. merge their businesses to create CHUBU CABLE NETWORK COMPANY, INCORPORATED.
October 2002	Chuden Bldg. Co., Inc. and Uspac Co., Ltd. merge to form Chuden Bldg. Co., Inc.
October 2003	CTI Co., Ltd. and Chuden Computer Service Co., Ltd. merge to form Chuden CTI Co., Ltd.
October 2003	Chuden Engineering and Sales Service Shizuoka Co., Ltd. and Chuden Engineering and Sales Service Nagano Co. Ltd. undergo restructuring.

#### Group Support Activities

July 2001	CHUDEN CAPITAL CO., LTD. established to provide capital support for new businesses.
January 2003	Chuden Group Cash Management Service introduced to provide consolidated management of group capital to ensure its efficient application.
April 2004	Commissioned accounting service introduced. (Chuden Capital renamed CHUDEN BUSINESS SUPPORT Co., Ltd. in January 2004.)



## New Businesses in Operation

### 【Energy Businesses】

Outline		Business Entity	Major Clients / Description of Business
Gas Businesses	Supply through pipelines	Chubu Electric Power Co., Inc. / appurtenant businesses	Three clients including a chemical plant Total approx. 65,000 metric tons (All results shown for fiscal 2004)
	Sales through tanker trucks	LNG Chubu CORPORATION (Capital 200 million yen: 51% owned by Chubu Electric Power Co., 49% owned by 2 other companies)	Four clients including a city gas company Total approx. 12,000 metric tons
		Hokuriku Erunesu Co., Ltd. (Capital 200 million yen: 34% owned by Chubu Electric Power Co., 66% owned by 3 other companies)	Four clients including a city gas company Total approx. 12,000 metric tons
LNG sales quantities			Approx. 78,000 metric tons (fiscal 2004)
Electricity Business (on-site power generation)	Multi-energy service business supplying energy systems appropriate to customer needs	C ENERGY CO., INC. (Capital 400 million yen: 58% owned by Chubu Electric Power Co., 42% owned by 6 other companies)	Large supermarkets, electric equipment factory, others Approx. 120,000kW (contracts at March 31, 2004)
Overseas Businesses	Consultancy businesses	Chubu Electric Power Co., Inc. / appurtenant businesses	15 businesses established in fiscal 2004 Example · Philippines: Support for formulation of an electric power development plan
	Investment businesses	Chubu Electric Power Company International B.V. (Administration of international businesses)	Example · Thermal power generation project in Thailand
	Environmental businesses	Chubu Electric Power Company International B.V. (Administration of international businesses)	Example · Rice-chaff-fueled power generation project in Thailand

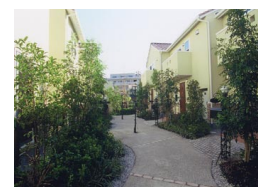


### 【IT-related Businesses】

Outline		Business Entity	Description of Business
FTTH	Use of company communications infrastructure to supply Internet connections and other services	Chubu Electric Power Co., Inc. / appurtenant businesses (in-house companies)	Gradual rollout in Nagoya (launched in November 2002) Target membership: 100,000 households within five years of business launch
Fiber-optic Conductor Rental Business	Rental of company fiber-optic conductors to common carriers and CATV providers	Chubu Electric Power Co., Inc. / appurtenant businesses	Current rollout within five prefectures of Chubu region Cumulative length: 1,849 km (at March 31, 2004)

### 【Lifestyle Support Businesses】

Outline		Business Entity	Description of Business
Real Estate-related Businesses	Businesses related to the letting of housing and care facilities for the elderly to be built on disused land owned by Chubu Electric Power Co. that was formerly used for company housing, etc. Also, land is rented to convenience stores and family restaurants.	Chubu Electric Power Co., Inc. / appurtenant businesses	Recent example: Chubu Electric Power Company and TOYOTA MOTOR CORPORATION built three blocks consisting of 11 all electrified houses on a former lot containing Chubu Electric's housing in Chikusa-ku, Nagoya. (November 2003) In addition, three blocks consisting of 24 houses were built by May 2004. The Company owns 17 blocks comprising 105 rental houses.



### 【Businesses Utilizing Company-grown Technologies】

Outline		Business Entity	Description of Business
Manufacture and Sale of Artificial Geolite	The Company manufactures and sells artificial geolite — a new material made from the coal ash discharged from the Hekinan Thermal Power Station. This sponge-like material contains countless small bubbles, has absorbent properties, and is capable of exchanging ions and acting as a catalyst. It can be used for various purposes such as elimination of odors, water purification, and production of ecologically friendly concrete.	Chubu Electric Power Co., Inc. / appurtenant businesses	A plant capable of manufacturing 3,000 metric tons of artificial geolite per year is slated to begin operation at the Hekinan Thermal Power Station in October 2004.

# IV Outstanding Issues and Future Challenges

## 6. Research and Development

### ~ Future-Oriented Technological Development ~

At the initiative of our Research & Development Division — comprising our Research & Development Planning Department, Electric Power Research & Development Center and Energy Applications Research & Development Center — we are promoting technological development in the three major areas shown below. Embracing a flexible and strategic approach in response to business conditions, we are working on cost reductions on a company-wide basis and undertaking research and development with a greater emphasis than ever on cost-effectiveness. Focusing on research with the potential for profitability, we are incorporating research breakthroughs in all aspects of our business and are using a variety of opportunities to introduce them into society in a comprehensive manner.

#### Basic Approach to Technical Development

##### Technical developments for a sound business foundation

- Technical development for equipment to support our customers' comfortable lifestyle and for energy conservations systems
- Technical development for cost reduction
- Technical development for new businesses

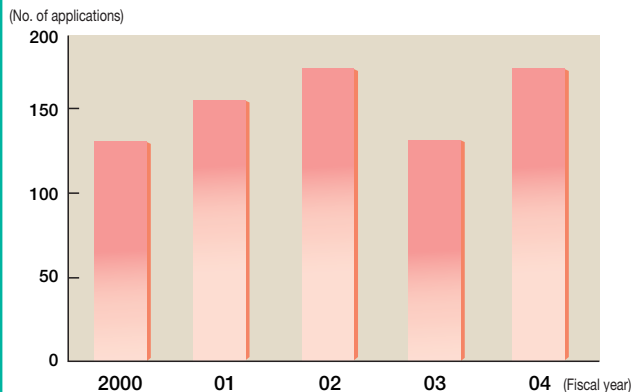
##### Technical developments related to the general energy supply

- Technical development to ensure a long-term, stable supply of electric power
- Technical development to create new energy supply systems

##### Technical research related to environmental conservation

- Technical development for environmental conservation
- Technical development for creating resource recycling systems

#### No. of patent / Utility Design / Industrial Design Applications Pending



## Major Research Achievements

### (1) High-efficiency air conditioner

#### 【A multi-air conditioner for use in buildings】

In collaboration with Toshiba Carrier Corporation, we have developed the Super Module Multi, the most efficient model in the market for multi-air conditioners for buildings. Its coefficient of performance (COP), a barometer of an air conditioner's energy efficiency, has been increased by 56% in the 10-horsepower model and by 39% in the 20-horsepower model compared with conventional models. It offers a clear advantage over competing gas air conditioners in terms of energy conservation and cost-effectiveness. Many customers have purchased the Super Module Multi, which has enhanced our electric power foundation.

#### Our research is recognized with an Energy Conservation Award.

##### ~ Super Module Multi, a Multi Air Conditioner for Building ~



The Super Module Multi, a multi air conditioner for buildings developed jointly by our Energy Applications Research & Development Center and Toshiba Carrier Corporation, has received the Award of the Director-General of the Agency of Natural Resources and Energy, one of the 2004 Energy Conservation Awards of the Energy Conservation Center. This innovative air conditioner employs various advanced technologies, including an ozone-friendly high-efficiency refrigerant and a high-efficiency compressor, thereby achieving the highest efficiency in Japan.



### (2) Development of Backup Systems for Momentary Voltage Drops

Production lines and plants manufacturing semiconductors, precision equipment and so on require electricity of an extremely high quality. Momentary voltage drops caused by lightning can lead to malfunctions and shutdown of electric power equipment in those facilities, resulting in an enormous impact on our customers' production activities. In order to prevent such incidents, we are developing the following backup systems.

### 【Superconducting Magnetic Energy Storage System (SMES)】

A backup system designed to provide auxiliary power during momentary voltage drops at large manufacturing plants and the like, this system employs superconductor technology in its power storage area to compensate for momentary voltage drops at large electric power plants. Since July 2003, we have been undertaking a field test at the large LCD plant in our area. We expect that this product will become marketable in fiscal 2007.



Verification test of SMES (5,000kW / 1 second)

### (3) Fuel Cell Development

Fuel cells offer an entirely new method of directly generating power from fuel (such as hydrogen) and air (oxygen). Fuel cells can be divided into several categories according to the materials and temperatures utilized. We are committed to research and development of high-temperature fuel cells that are expected to improve power generating efficiency and serve as medium-sized on-site power sources and power sources for electric utilities in future.

#### 【Molten Carbonate Fuel Cell】

Molten carbonate fuel cells operate at a temperature of around 650°C. They accommodate higher capacities and are expected to serve as co-generation power sources for business use and industrial use. Chubu Electric Power Company is at the center of development of these fuel cells in Japan and is committed to conducting R&D with the goals of fuel diversification and extending the service life of fuel cells.

We are currently implementing a verification test of a combined waste gasification furnace and 300kW fuel cell at our Shin-Nagoya Thermal Power Station. Our goal is to achieve practical and commercial application in fiscal 2007 at the earliest. At the 2005 World Exposition, Aichi, Japan, we are planning to perform a verification test of the 300kW co-generator combined with a biogasification unit using raw garbage and other wastes.

#### 【Solid Oxide Fuel Cell】

Solid oxide fuel cells (SOFC) operate at a temperature of around 1,000°C and are expected to serve as a high-efficiency cogeneration power source. Chubu Electric Power Company is developing an SOFC with a train mono-block layer build (T-MOLB) type, which can reduce the size and production costs while ensuring high power density. At present, we are developing a 50kW co-generator jointly with Mitsubishi Heavy Industries, Ltd. Our goal is to achieve practical and commercial application for hospitals and hotels as early as fiscal 2008. We are planning to perform a verification test as a partial power source for the "Wonder Circus - The Electric Power Pavilion" at the 2005 World Exposition, Aichi, Japan.

### 【Uninterruptible Power Supply Systems Utilizing Double-Layer Capacitors】

We have developed an uninterruptible power supply system incorporating an innovative double-layer capacitor capable of storing a large volume of electricity to compensate for small and medium-scale loads, thereby reducing maintenance and making possible long-term compensation. This system is sold by MEIDENSHA CORPORATION and SHIZUKI ELECTRIC CO., INC., which are also developing systems that accommodate higher voltages and higher capacities.

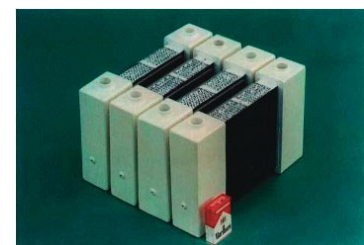
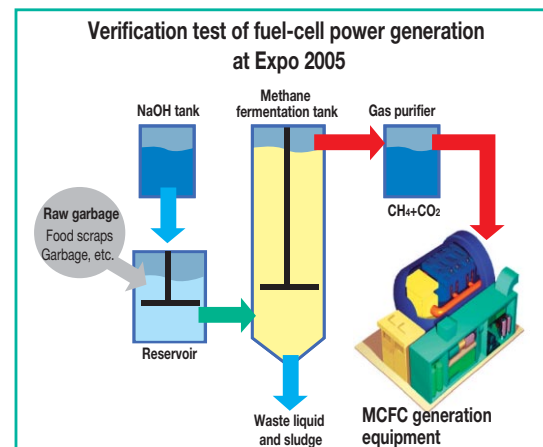
Compensating device  
(2 seconds, 200 V, 50 kVA)



Compensating device  
(1 minute, 200 V, 50 kVA)



Uninterruptible power supply system incorporating electric double-layer capacitor (for low voltage)



MOLB-type SOFC block  
(1kW-level blocks × 4)

# IV Outstanding Issues and Future Challenges

## 7. Environmental Conservation

Since implementing the Chubu Electric Power Group Environmental Declaration in April 2004 — which defines the Group's philosophy and vision with respect to the environment — we have been working actively to promote environmental conservation. The Chubu Electric Power Group is promoting an environmental management targeting both environment conservation and improved profitability with the goal of achieving a society capable of sustainable development.

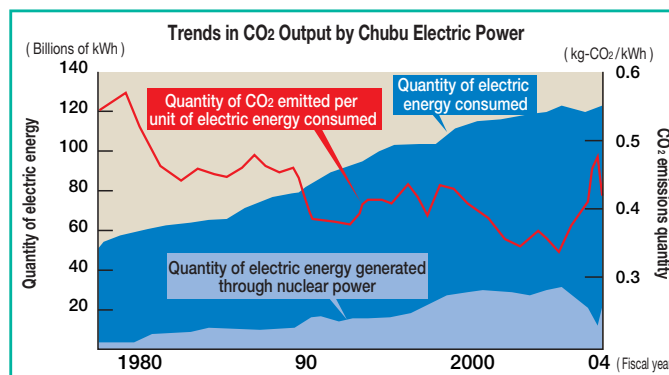
Environmental Philosophy	Environmental Vision	
We will conduct ourselves responsibly and in good faith as members of the energy industry, and strive to protect the global environment through local, regional, and international cooperation.	We will promote global environmental conservation and contribute to the development of local communities capable of sustainable growth. Transforming ourselves into a corporate group that enables each member to share in the environmental culture	
	<b>Guideline 1</b> We will use resources effectively.	We will work toward the development and practical application of renewable energy. We will promote the efficient use of energy.
	<b>Guideline 2</b> We will reduce our environmental load.	We will proactively reduce emissions of CO <sub>2</sub> and other greenhouse gases. We will aim for zero emissions and realization of a society dedicated to recycling.
	<b>Guideline 3</b> We will improve our level of environmental management.	We will clearly recognize the environmental impact of our operations and undertake thorough environmentally conscious management. We will cultivate personnel capable of taking action on environmental concerns on their own.
	<b>Guideline 4</b> We will promote environment-related communication and enhance cooperation with the community on a local and global level.	We will improve interactive communication related to the environment and energy. We will cooperate with people in a wide range of fields outside the conventional framework.

### 【Practical Application and Development of Renewable Energy】

In order to develop and produce wind power for public utilities, we are conducting a feasibility survey on wind conditions and environmental impact at three sites in our business area. C-TECH CORPORATION of the Chubu Electric Power Group is constructing Wind Park Misato, a wind power station in Misato Village, Age, Mie, with the goal of launching operations in March 2006.

### 【Controlling CO<sub>2</sub> Emissions】

In an effort to prevent global warming by reducing the quantity of CO<sub>2</sub> emitted per kWh of electric energy generated, Chubu Electric Power Company is endeavoring to introduce renewable energy and increase the thermal efficiency of its thermal power plants. The thermal efficiency of these plants has remained among the top of Japan's ten electric power companies. In order to make effective use of the Kyoto Mechanism provided in the Kyoto Protocol, Chubu Electric Power Company is actively engaged in international businesses related to the environment. For example, we have invested US\$10 million in the World Bank's Prototype Carbon Fund (PCF) and made a commitment to a rice-chaff-fueled power generation project in Thailand, which is approved as a Clean Development Mechanism (CDM) project.



### 【Controlling Sulfur Oxide and Nitrogen Oxide Emissions】

We are working to reduce emissions of sulfur oxides and nitrogen oxides from our thermal power plants by introducing LNG, which contains no sulfur, as a fuel and by utilizing sulfur- and nitrate-removing devices on our emissions systems. As a result of these measures, sulfur oxide and nitrogen oxide emissions from our thermal power plants are not only lower than those of most developed countries, but also among the lowest of the ten electric power companies in Japan.

Sulfur Oxide and Nitrogen Oxide Emissions from Thermal Power Plants in Various Countries (g/kWh)

	U.K. CY 1996	France CY 1996	U.S.A. CY 1997	Japan CY 2001	Chubu Electric Power Co., Inc. FY 2004
SO <sub>x</sub>	5.5	8.3	4.6	0.21	0.04
NO <sub>x</sub>	1.9	3.0	2.2	0.27	0.09

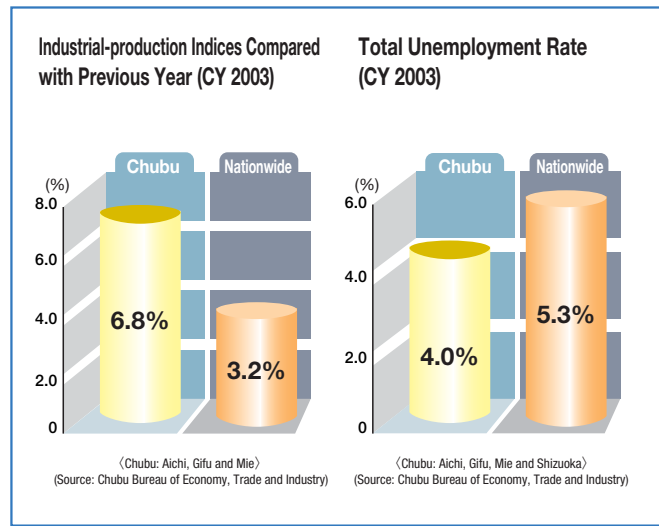
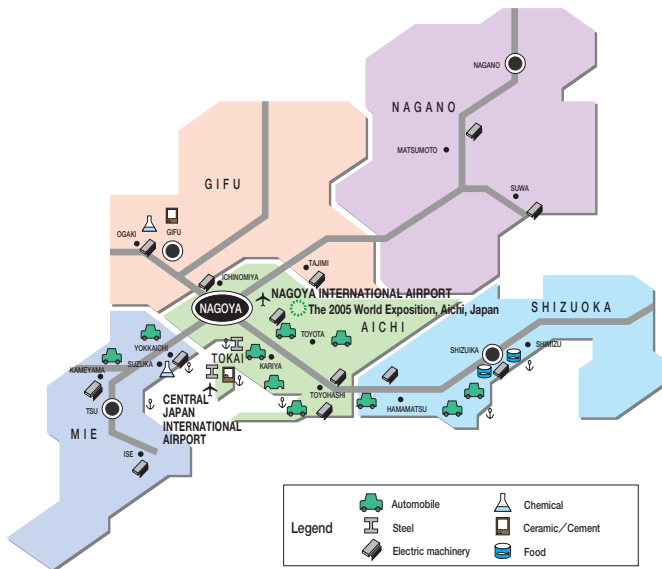
### 【Meeting the Challenges of ISO 14001】

We are working to obtain certification of ISO 14001 registration of the environmental management systems being implemented throughout our companies. As of the end of March 2004, approximately 90% of our business premises had introduced such a system.

For further details about our commitment to environmental conservation, please refer to our Annual Environmental Report.

## 8. The Chubu Region: Economic Base and Regional Projects

Under the liberalized retail electric power market, the strength of the economic base of the market has become increasingly important for suppliers providing unified service encompassing the generation, transmission, distribution and sale of electricity. Compared with Japan's overall industrial base, the Chubu Region is extremely strong in terms of human resources, finance, manufacturing and technology. Thanks to the technical innovations currently being implemented in the sectors involved in high-added-value product development and manufacturing — notably aerospace and the environmental industry — many new businesses are expected to emerge. As well, other industries — such as the assembly, processing and supply of materials for the transportation sector — are performing exceptionally well. The region clearly benefits from a high density of manufacturing centers.



### 【The 2005 World Exposition, Aichi, Japan】

The first World Exposition of the 21st century, Expo 2005 Aichi Japan (the 2005 World Exposition), will be held in Aichi Prefecture between March 25 and September 25, 2005. As a member of the Federation of Electric Power Companies of Japan, Chubu Electric Power Company will be among the companies presenting “Wonder Circus — The Electric Power Pavilion.”

#### <Expo 2005 Aichi in Brief>

- Location: Nagoya Eastern Hills (Nagakute Town, Toyota City and Seto City)
- Theme: Nature's Wisdom
- Projected attendance: 15 million minimum



▲ Wonder Circus — The Electric Power Pavilion

### 【Chubu (Central Japan) International Airport】

Chubu International Airport (“Centrair”) is located on an island off the coast of Tokoname in Ise Bay, approximately 35 km south of Nagoya. Construction of the airport is under way, with the opening scheduled for February 2005. Central Japan International Airport Co., Ltd. is managing the project, which is making rapid progress. The cost of the project has been cut by more than ¥130 billion from the initial plan; consequently, landing fees will be lower than those of Narita International Airport and Kansai International Airport.

#### <The Airport in Brief>

- Runway: 3,500 meters (Plans call for eventual extension to 4,000 meters and the addition of a second 4,000-meter runway.)
- Area: 470 hectares (Expansion to 700 hectares is planned.)
- Access: By road: 30–40 min. from central Nagoya  
By rail: Less than 30 min. from Shin-Nagoya Station



▲ Aerial view of the Airport (Photographed May 2004)

According to estimates by the Aichi Prefectural Government, these two major regional projects — Expo 2005 Aichi, Japan and Chubu International Airport — are forecast to accrue a regional economic benefit of ¥2.2 trillion between fiscal 2006 and 2011, and about 22,000 new jobs can be expected in fiscal 2011.

# V Five-Year Operating and Financial Statistics

## FIVE-YEAR OPERATING STATISTICS

Chubu Electric Power Company, Incorporated and Subsidiaries  
For the Years Ended March 31, 2000, 2001, 2002, 2003 and 2004

	2000	2001	2002	2003	2004
<b>Electric Energy Sold</b> (millions of kWh) :					
Customers Other Than Those Under Liberalization					
Residential .....	37,774	38,777	38,680	39,580	<b>38,680</b>
Commercial .....	18,066	18,597	18,741	19,049	<b>19,057</b>
Industrial .....	29,229	30,130	29,260	29,811	<b>29,937</b>
Other .....	551	514	498	484	<b>444</b>
<b>Total</b> .....	<b>85,620</b>	<b>88,018</b>	<b>87,179</b>	<b>88,924</b>	<b>88,118</b>
Customers Under Liberalization* .....	34,448	35,019	33,679	34,126	<b>34,098</b>
<b>Total Electric Energy Sold</b> .....	<b>120,068</b>	<b>123,037</b>	<b>120,858</b>	<b>123,050</b>	<b>122,216</b>

\*Customers supplied electricity through extra high-voltage transmission lines (generally 20,000V or higher) and whose peak usage generally exceeds 2,000kW.

<b>Electric Energy Supplied</b> (millions of kWh) :					
Kilowatt-Hours Generated .....	120,406	119,706	115,593	118,384	<b>117,741</b>
Hydroelectric .....	8,791	9,184	8,623	7,940	<b>10,420</b>
Thermal .....	86,545	82,966	84,949	99,760	<b>90,432</b>
Nuclear .....	25,070	27,556	22,021	10,684	<b>16,889</b>
Purchased Power .....	7,540	10,204	11,085	11,503	<b>13,616</b>
Interchanged Power (net) .....	5,248	5,738	6,607	5,621	<b>3,345</b>
Power Used for Pumped Storage .....	(2,169)	(1,941)	(1,906)	(1,151)	<b>(1,547)</b>
<b>Total Electric Energy Supplied</b> .....	<b>131,025</b>	<b>133,707</b>	<b>131,379</b>	<b>134,357</b>	<b>133,155</b>

<b>Generating Capacity</b> (thousands of kW) :					
Hydroelectric .....	5,211	5,213	5,213	5,216	<b>5,218</b>
Thermal .....	22,941	22,941	23,401	23,901	<b>22,901</b>
Nuclear .....	3,617	3,617	3,617	3,617	<b>3,617</b>
<b>Total Generating Capacity</b> .....	<b>31,769</b>	<b>31,771</b>	<b>32,230</b>	<b>32,733</b>	<b>31,735</b>

Annual Peak Load (three-day average of sending end; thousands of kW) .....	24,694	25,414	26,246	26,313	<b>24,895</b>
Transmission Lines (route length in km) .....	12,097	12,122	12,232	12,183	<b>12,212</b>
Substation Capacity (MVA) .....	117,100	119,039	120,301	120,202	<b>120,206</b>
BTB Station Capacity (thousands of kW) .....	300	300	300	300	<b>300</b>
Distribution Lines (line length in km) .....	519,795	523,983	527,321	530,139	<b>532,820</b>
Number of Employees .....	19,788	18,851	18,312	17,994	<b>17,416</b>

\*Note: Parentheses denote negative figures.

## FIVE-YEAR FINANCIAL STATISTICS (CONSOLIDATED)

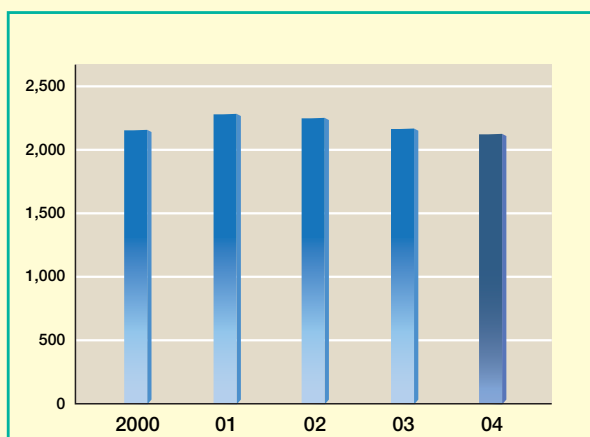
Chubu Electric Power Company, Incorporated and Subsidiaries  
For the Years Ended March 31, 2000, 2001, 2002, 2003 and 2004

	Millions of Yen					Thousands of U.S. Dollars
	2000	2001	2002	2003	2004	2004
<b>Operating Revenues</b> .....	¥2,167,637	¥2,252,779	¥2,228,925	¥2,176,072	<b>¥2,101,072</b>	<b>\$19,879,573</b>
<b>Operating Income</b> .....	297,338	324,308	332,878	312,472	<b>334,412</b>	<b>3,164,081</b>
<b>Net Income</b> .....	77,120	94,093	110,358	106,494	<b>114,718</b>	<b>1,085,418</b>
<b>Per Share</b> (yen and U.S. dollars):						
Net Income (Basic) .....	¥104.65	¥127.70	¥149.78	¥144.24	<b>¥157.21</b>	<b>\$1.49</b>
Shareholders' Equity .....	1,483.41	1,596.46	1,667.10	1,775.44	<b>1,897.81</b>	<b>17.96</b>
<b>Total Assets</b> .....	¥6,316,916	¥6,573,727	¥6,435,215	¥6,282,500	<b>¥6,060,178</b>	<b>\$57,339,179</b>
<b>Total Shareholders' Equity</b> .....	1,093,045	1,176,346	1,228,231	1,307,180	<b>1,377,180</b>	<b>13,030,374</b>

Notes: 1) U.S.dollar amounts are translated from yen, for convenience only, at the rate of ¥105.69=US\$1.  
2) These numbers are based on consolidated data.

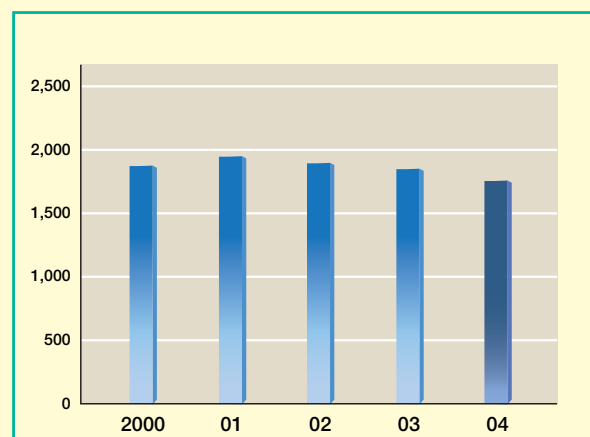
### Operating Revenues

Billions of Yen



### Operating Expenses

Billions of Yen



# VI Management's Discussion and Analysis

## Overview

For the fiscal year ended March 31, 2004 (fiscal 2004), electric energy sold for lighting declined 1.0% on a year-on-year basis to 32,530 million kWh, while electric energy sold for power decreased by 0.9% to 55,588 million kWh, mainly due to a lower demand for air conditioning. Electric energy sold to customers under liberalization (customers who receive the supply of electric power from extra high-voltage transmission lines and whose peak usage is generally 2,000kW or higher) decreased by 0.1% to 34,098 million kWh, primarily because of the temporary stagnation of production during the cool summer period, although exports to Asia and the U.S.A. remained strong. Consequently, electric energy sold totaled 122,216 million kWh, a decline of 0.7% in relation to sales for the preceding fiscal year. Looking to electric power supply, the electric power generated by nuclear increased by 58.1% on a year-on-year basis to 16,889 million kWh following the resumption of operation of Units No. 3 and No. 4 of the Hamaoka Nuclear Power Plant. The electric power generated by hydroelectric increased by 31.2% compared with the previous fiscal year to 10,420 million kWh thanks to a water supply rate of 113.9% during this period. Consequently, the amount of electric power generated by thermal power plants decreased by 9.3% on a year-on-year basis to 90,432 million kWh.

## Consolidated Operating Revenues, Expenses, and Earnings

Regarding consolidated operating revenues for fiscal 2004, operating revenues generated by

the electric utility segment totaled ¥2,014,818 million, representing a 3.0% decrease compared with the result for the preceding fiscal year. This can be attributed mainly to a decrease in electric energy sold and a rate reduction implemented in September 2002. Operating revenues from other segments totaled ¥86,254 million, representing a year-on-year decrease of 11.9% mainly due to declining revenues from the Company's IT/Telecommunications segment as a consequence of increased competition in that industry. Accordingly, consolidated operating revenues totaled ¥2,101,072 million, representing a year-on-year decrease of 3.4%.

As for consolidated operating expenses for fiscal 2004, operating expenses for the electric utility segment totaled ¥1,684,671 million, for a 5.0% year-on-year decline attributable to four factors: a more efficient rate of nuclear power utilization; a decrease in thermal power output thanks to an ample water supply; reduction in fuel expenses as a result of a drop in thermal power fuel prices; and efforts to curtail costs throughout the company. Operating expenses for other business segments decreased by 8.6% on a year-on-year basis to ¥81,989 million due to a drop in operating expenses for the IT/Telecommunications segment. This decline was triggered by decreased revenues arising from heightened competition in the industry and company-wide efforts to contain costs. Accordingly, total consolidated operating expenses decreased by 5.2% from the preceding fiscal year to ¥1,766,660 million.

Consolidated operating income for fiscal 2004 increased by 7.0% to ¥334,412 million.

Total other expenses, calculated by deducting consolidated non-operating expenses from

consolidated non-operating revenues, increased to ¥149,486 million, representing a year-on-year increase of 5.7%. This resulted from two developments: an increase in expenses accruing from the buyback and extinguishment of bonds intended to improve financial conditions; and disposition of a loss following a change in construction plans. On the other hand, interest expenses fell as a result of lower interest rates and efforts to repay interest-bearing debt.

Consequently, consolidated income before provision of reserve for fluctuation in water levels, income taxes and minority interests for fiscal 2004 totaled ¥184,926 million, an increase of 8.1% compared with the result for the preceding fiscal year.

Because of the ample water supply available for hydroelectric power generation during fiscal 2004, provision of reserve for fluctuation in water levels was ¥8,647 million. Consequently, consolidated income before income taxes and minority interests rose to ¥176,279 million, representing a 3.0% increase compared with the preceding fiscal year.

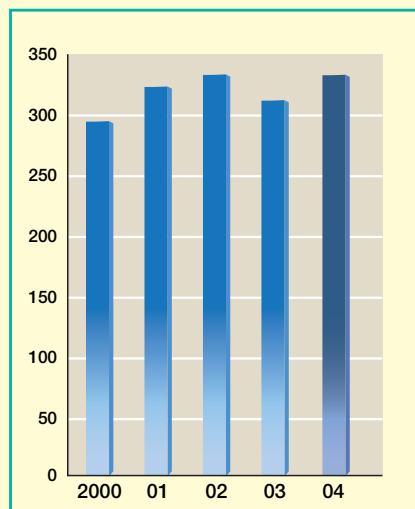
Consolidated net income, determined by deducting minority interests in earnings of subsidiaries from net income after taxes, climbed to ¥114,718 million for a year-on-year increase of 7.7%.

## Consolidated Financial Standing

As of March 31, 2004, consolidated assets totaled ¥6,060,178 million, representing a decline of 3.5% measured against the preceding fiscal year. Although the value of property, plant and equipment assets, including construction in progress increased due to the transfer of assets from Joetsu Co-operative Thermal Power Co.,

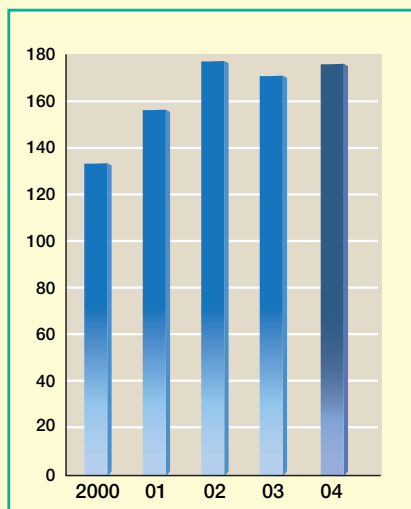
Operating Income

Billions of Yen



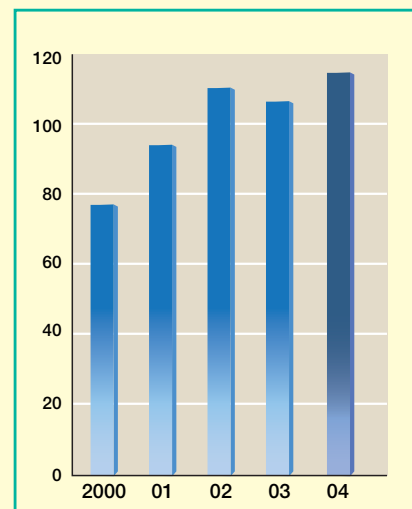
Income before Income Taxes

Billions of Yen



Net Income

Billions of Yen





Inc. and progress in the construction of Unit No. 5 of the Hamaoka Nuclear Power Plant, the net value of property, plant and equipment assets decreased by 4.2% to ¥5,136,724 million for the fiscal year. This resulted from efforts to reduce capital investment in property, plant and equipment assets for the electric utility segment - through, for example, the active adoption of new technologies and construction methods, and the revision of existing work processes - and from annual depreciation of fixed assets for the electric utility segment and other segments. The total cost of nuclear fuel increased by 4.9% to ¥246,266 million; investments and other increased by 2.0% to ¥424,946 million; and total current assets decreased by 6.6% to ¥252,242 million, all measured against the results for the preceding fiscal year.

Total liabilities reported on the consolidated balance sheet decreased by 5.9% on a year-on-year basis to ¥4,659,065 million due to a reduction in interest-bearing debt, despite an increase in employee retirement benefit liabilities.

Shareholders' equity reported on the consolidated balance sheet increased by 5.4% from the preceding fiscal year to ¥1,377,180 million due to increased retained earnings and an increase in net unrealized gains on available-for-sale securities arising from the recovery of share prices.

The Company share buyback of ¥23,184 million in fiscal 2004 was part of its proactive management policy. This initiative included share exchanges and cancellation of shares to address future changes in the business environment.

### Outline of Consolidated Cash Flows

During fiscal 2004, cash flows from operating activities amounted to an increase of ¥592,362 million, which represents only a 1.2% decrease compared with the total for the preceding fiscal year due to lower fuel costs and cost reduction efforts across all areas of management. On the other hand, electric power revenues decreased due to a drop in electric energy sold and a reduction in electricity rates.

Cash flows from investing activities resulted in a decrease of ¥199,325 million, representing a decline of 40.4% measured against the preceding fiscal year, thanks to cost reduction efforts such as the curtailment of capital investment.

Cash flows from financing activities contributed to a decrease of ¥395,210 million, which represents an increase of 41.8% compared with the result for the preceding fiscal year. This was attributable to repayment of interest-bearing debt, share buybacks, and dividend payouts.

The aforementioned factors resulted in a decrease in cash and cash equivalents to ¥59,854 million, representing a year-on-year decline of 3.6%.

### Business Risks

The following significant variables could affect the operating results and financial condition of the Chubu Electric Power Group (as of June 2004).

In the electric utility segment, the amount of electric energy sold varies with economic trends and air temperature. Therefore, the Group's performance can be affected by economic shifts and weather conditions as well as the occurrence of large-scale natural disasters and

accidents.

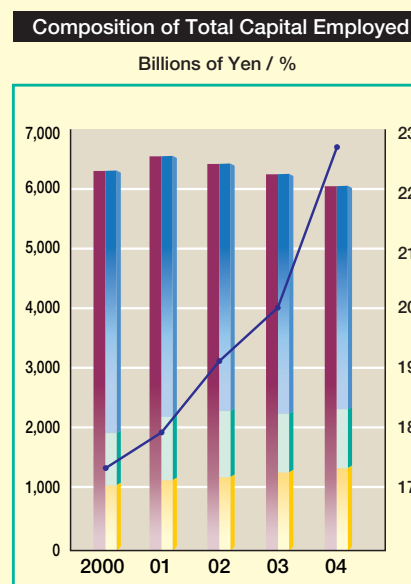
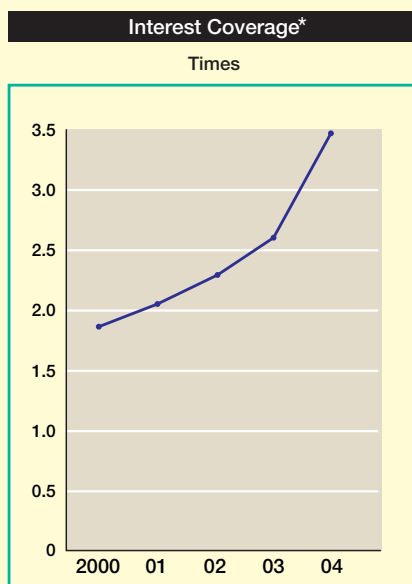
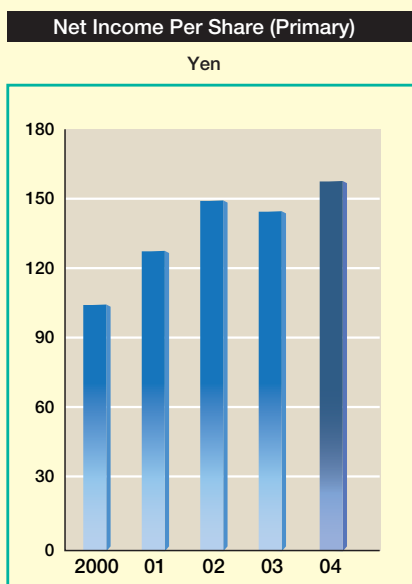
Because the Company depends on imports of liquid natural gas (LNG) and coal, fuel expenses in the electric utility segment can be affected by changes in CIF costs, currency exchange rates and so on. However, any such changes in fuel price can be reflected in electricity rates under the Fuel Adjustment System, so fuel price changes have only a limited effect on performance.

The Group's interest expenses are likely to be influenced by future changes in market interest rates. However, most of the outstanding interest-bearing debt is long-term funds raised at fixed interest rates, and the Group is making every effort to reduce its outstanding interest-bearing debt. Therefore, changes in interest rates have only a limited effect on performance.

Regarding the Hamaoka Nuclear Power Plant, the regular inspection for Unit No. 1 was rescheduled for March 31, 2005. Since it is difficult to determine specific processes at present, the upcoming shutdown could affect performance.

Since April 2004, the scope of liberalization in the electric utility segment has been expanding in phases. It is anticipated that the electric utility system will be revised in order to promote further competition. To cope with these developments, the Group will continue to make every possible effort to maximize management efficiency and aggressively pursue sales.

Nevertheless, future revisions of the system and the resulting increased competition could affect the performance.



\*Interest coverage =  $\frac{\text{Operating income} + \text{Interest and dividends received}}{\text{Interest expenses}}$

Legend: Total assets (dark blue), Short-and long-term debt (light blue), Other liabilities (teal), Shareholders' equity (yellow), Equity ratio (right scale) (blue line).

# VII Auditor's Report and Consolidated Financial Statements

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To the Board of Directors and Shareholders of  
Chubu Electric Power Company, Incorporated

We have audited the accompanying consolidated balance sheets of Chubu Electric Power Company, Incorporated and its subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. This report, including the opinion, has been prepared for and only for the Company's shareholders as a body in accordance with the Securities and Exchange Law of Japan and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Chubu Electric Power Company, Incorporated and its subsidiaries as of March 31, 2004 and 2003 and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying consolidated financial statements.

*ChuoAoyama PricewaterhouseCoopers*

ChuoAoyama PricewaterhouseCoopers

Nagoya, Japan

June 25, 2004

## CONSOLIDATED BALANCE SHEETS

Chubu Electric Power Company, Incorporated and Subsidiaries  
As of March 31, 2004 and 2003

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
<b>Property, Plant and Equipment:</b>			
Property, plant and equipment .....	¥12,532,746	¥12,487,142	\$118,580,245
Construction in progress .....	545,077	522,700	5,157,314
	<b>13,077,823</b>	13,009,842	<b>123,737,559</b>
Less:			
Contributions in aid of construction .....	(139,232)	(133,484)	(1,317,359)
Accumulated depreciation .....	(7,801,867)	(7,515,240)	(73,818,402)
	<b>(7,941,099)</b>	(7,648,724)	<b>(75,135,761)</b>
Property, Plant and Equipment, Net (Notes 4 and 6) .....	<b>5,136,724</b>	5,361,118	<b>48,601,798</b>
<b>Nuclear Fuel:</b>			
Loaded nuclear fuel .....	54,294	34,641	513,712
Nuclear fuel in processing .....	191,972	200,091	1,816,369
Total Nuclear Fuel .....	<b>246,266</b>	234,732	<b>2,330,081</b>
<b>Investments and Other:</b>			
Long-term investments (Note 5) .....	264,283	282,847	2,500,552
Deferred tax assets (Note 11) .....	147,124	126,150	1,392,029
Other .....	14,654	9,413	138,655
Less, allowance for doubtful accounts .....	(1,115)	(1,886)	(10,552)
Total Investments and Other .....	<b>424,946</b>	416,524	<b>4,020,684</b>
<b>Current Assets:</b>			
Cash .....	45,667	43,107	432,084
Trade notes and accounts receivable .....	102,509	113,227	969,906
Inventories .....	55,391	53,463	524,087
Deferred tax assets (Note 11) .....	17,661	15,159	167,097
Other (Note 5) .....	31,618	46,136	299,158
Less, allowance for doubtful accounts .....	(604)	(966)	(5,716)
Total Current Assets .....	<b>252,242</b>	270,126	<b>2,386,616</b>
Total Assets .....	<b>¥6,060,178</b>	¥6,282,500	<b>\$57,339,179</b>

The accompanying notes to consolidated financial statements are an integral part of these statements.

LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
<b>Long-term Liabilities and Reserves:</b>			
Long-term debt (Note 6).....	¥3,222,547	¥3,508,917	\$30,490,558
Employee retirement benefit liability (Note 7) .....	200,945	168,380	1,901,266
Reserve for reprocessing of irradiated nuclear fuel .....	231,219	220,634	2,187,710
Reserve for decommissioning nuclear power plant .....	80,000	79,753	756,934
Deferred tax liabilities (Note 11) .....	20	17	189
Other long-term liabilities .....	37,440	44,302	354,238
Total Long-term Liabilities and Reserves .....	3,772,171	4,022,003	35,690,895
<b>Current Liabilities:</b>			
Current portion of long-term debt and other (Note 6) .....	175,677	157,047	1,662,196
Short-term borrowings (Note 6).....	308,235	339,961	2,916,406
Trade notes and accounts payable .....	59,599	83,469	563,906
Income taxes payable and other .....	91,636	80,714	867,027
Other (Note 6) .....	243,100	268,291	2,300,118
Total Current Liabilities .....	878,247	929,482	8,309,653
Reserve for Fluctuation in Water Levels .....	8,647	—	81,815
Total Liabilities .....	4,659,065	4,951,485	44,082,363
Minority Interests in Subsidiaries .....	23,933	23,835	226,442
<b>Shareholders' Equity (Notes 10 and 13):</b>			
Common stock, no par value:			
Authorized- 1,190,000,000 shares;			
Issued- 736,857,187 shares in 2004 and 2003 .....	374,520	374,520	3,543,569
Capital surplus .....	14,248	14,248	134,811
Retained earnings .....	978,360	907,815	9,256,887
Net unrealized gains on available-for-sale securities .....	35,000	12,024	331,154
Foreign currency translation adjustment .....	(68)	5	(642)
Less, treasury stock, at cost – 11,321,487 shares in 2004 and 757,610 shares in 2003 .....	(24,880)	(1,432)	(235,405)
Total Shareholders' Equity .....	1,377,180	1,307,180	13,030,374
<b>Commitments and Contingent Liabilities (Notes 8 and 9)</b>			
Total Liabilities, Minority Interests and Shareholders' Equity .....	¥6,060,178	¥6,282,500	\$57,339,179

## CONSOLIDATED STATEMENTS OF INCOME

Chubu Electric Power Company, Incorporated and Subsidiaries  
For the Years Ended March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
<b>Operating Revenues:</b>			
Electricity .....	¥2,014,818	¥2,078,170	\$19,063,474
Other .....	86,254	97,902	816,099
Total Operating Revenues (Note 12) .....	<b>2,101,072</b>	2,176,072	<b>19,879,573</b>
<b>Operating Expenses:</b>			
Electricity .....	1,684,671	1,773,860	15,939,736
Other .....	81,989	89,740	775,756
Total Operating Expenses (Note 12) .....	<b>1,766,660</b>	1,863,600	<b>16,715,492</b>
<b>Operating Income</b> .....	<b>334,412</b>	312,472	<b>3,164,081</b>
<b>Other (Income) Expenses:</b>			
Interest expense .....	96,428	121,236	912,369
Other, net .....	53,058	20,147	502,014
Total Other Expenses .....	<b>149,486</b>	141,383	<b>1,414,383</b>
<b>Income before Provision of Reserve for Fluctuation in Water Levels, Income Taxes and Minority Interests</b> .....	<b>184,926</b>	171,089	<b>1,749,698</b>
<b>Provision of Reserve for Fluctuation in Water Levels</b> .....	<b>8,647</b>	—	<b>81,815</b>
<b>Income before Income Taxes and Minority Interests</b> .....	<b>176,279</b>	171,089	<b>1,667,883</b>
<b>Income Taxes:</b>			
Current .....	96,815	85,356	916,024
Deferred .....	(35,609)	(21,526)	(336,918)
Total Income Taxes .....	<b>61,206</b>	63,830	<b>579,106</b>
<b>Less, Minority Interests in Earnings of Subsidiaries</b> .....	<b>355</b>	765	<b>3,359</b>
<b>Net Income</b> .....	<b>¥114,718</b>	¥106,494	<b>\$1,085,418</b>
	Yen		U.S. Dollars (Note 1)
	2004	2003	2004
<b>Per Share of Common Stock:</b>			
Net income:			
Basic .....	¥157.21	¥144.24	\$1.49
Diluted .....	¥146.64	¥134.75	\$1.39
Cash dividends .....	¥ 60.00	¥ 60.00	\$0.57

The accompanying notes to consolidated financial statements are an integral part of these statements.

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Chubu Electric Power Company, Incorporated and Subsidiaries  
For the Years Ended March 31, 2004 and 2003

	Millions of Yen						
	Number of common shares issued	Common stock	Capital surplus	Retained earnings	Net unrealized gains on available-for- sale securities	Foreign currency translation adjustment	Treasury stock
<b>Balance at March 31, 2002</b> .....	736,855,980	¥374,518	¥14,246	¥823,948	¥15,772	¥ —	¥(253)
Net income .....	—	—	—	106,494	—	—	—
Cash dividends .....	—	—	—	(44,201)	—	—	—
Bonuses to directors and corporate auditors .....	—	—	—	(272)	—	—	—
Conversion of convertible bonds .....	1,207	2	2	—	—	—	—
Decrease in other retained earnings .....	—	—	—	(6)	—	—	—
Increase in retained earnings through change in scope of consolidations .....	—	—	—	17,578	—	—	—
Increase in retained earnings through change in scope of equity method .....	—	—	—	4,274	—	—	—
Net change in net unrealized gains on available-for-sale securities, net of applicable income taxes .....	—	—	—	—	(3,748)	—	—
Translation adjustment .....	—	—	—	—	—	5	—
Purchase of treasury stock and fractional shares .....	—	—	—	—	—	—	(1,179)
<b>Balance at March 31, 2003</b> .....	<b>736,857,187</b>	<b>¥374,520</b>	<b>¥14,248</b>	<b>¥907,815</b>	<b>¥12,024</b>	<b>¥5</b>	<b>¥(1,432)</b>
Net income .....	—	—	—	114,718	—	—	—
Cash dividends .....	—	—	—	(43,905)	—	—	—
Bonuses to directors and corporate auditors .....	—	—	—	(268)	—	—	—
Net change in net unrealized gains on available-for-sale securities, net of applicable income taxes .....	—	—	—	—	22,976	—	—
Translation adjustment .....	—	—	—	—	—	(73)	—
Purchase of treasury stock and fractional shares, net .....	—	—	—	—	—	—	(23,448)
<b>Balance at March 31, 2004</b> .....	<b>736,857,187</b>	<b>¥374,520</b>	<b>¥14,248</b>	<b>¥978,360</b>	<b>¥35,000</b>	<b>¥(68)</b>	<b>¥(24,880)</b>

	Thousands of U.S. Dollars (Note1)						
<b>Balance at March 31, 2003</b> .....	—	<b>\$3,543,569</b>	<b>\$134,811</b>	<b>\$8,589,414</b>	<b>\$113,764</b>	<b>\$48</b>	<b>\$(13,545)</b>
Net income .....	—	—	—	1,085,418	—	—	—
Cash dividends .....	—	—	—	(415,409)	—	—	—
Bonuses to directors and corporate auditors .....	—	—	—	(2,536)	—	—	—
Net change in net unrealized gains on available-for-sale securities, net of applicable income taxes .....	—	—	—	—	217,390	—	—
Translation adjustment .....	—	—	—	—	—	(690)	—
Purchase of treasury stock and fractional shares, net .....	—	—	—	—	—	—	(221,860)
<b>Balance at March 31, 2004</b> .....	—	<b>\$3,543,569</b>	<b>\$134,811</b>	<b>\$9,256,887</b>	<b>\$331,154</b>	<b>\$(642)</b>	<b>\$(235,405)</b>

The accompanying notes to consolidated financial statements are an integral part of these statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Chubu Electric Power Company, Incorporated and Subsidiaries  
For the Years Ended March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes and minority interests .....	¥176,279	¥171,089	\$1,667,883
Adjustments for:			
Depreciation and amortization .....	391,179	432,813	3,701,196
Loss of loaded nuclear fuel .....	9,882	6,051	93,504
Loss on disposal of property, plant and equipment .....	16,130	11,999	152,619
Increase in employee retirement benefit liability .....	32,560	20,287	308,068
Increase in reserve for reprocessing of irradiated nuclear fuel.....	10,585	5,250	100,151
Increase in reserve for decommissioning nuclear power Plant.....	248	1,999	2,344
Increase in reserve for fluctuation in water levels .....	8,647	—	81,815
Interest and dividends income.....	(2,556)	(2,460)	(24,184)
Interest expenses.....	96,428	121,236	912,369
Decrease in trade notes and accounts receivable .....	11,977	2,665	113,319
Decrease in inventories .....	3,631	1,532	34,358
(Increase) decrease in trade notes and accounts payable .....	(23,922)	9,771	(226,339)
Other .....	45,149	27,480	427,180
Subtotal .....	776,217	809,712	7,344,283
Interest and dividends received .....	2,583	2,386	24,438
Interest paid .....	(99,485)	(122,357)	(941,289)
Income taxes paid .....	(86,953)	(90,371)	(822,719)
<b>Net cash provided by operating activities .....</b>	<b>592,362</b>	<b>599,370</b>	<b>5,604,713</b>
<b>Cash Flows from Investing Activities:</b>			
Purchases of property, plant and equipment .....	(248,275)	(322,463)	(2,349,090)
Increase in investments and other .....	(27,115)	(31,068)	(256,555)
Proceeds for recoveries from investments and other .....	63,947	12,016	605,045
Acquisition .....	1,710	—	16,185
Other .....	10,408	7,324	98,477
<b>Net cash used in investing activities .....</b>	<b>(199,325)</b>	<b>(334,191)</b>	<b>(1,885,938)</b>
<b>Cash Flows from Financing Activities:</b>			
Proceeds from issuance of bonds.....	93,964	198,683	889,051
Redemption of bonds .....	(229,244)	(121,800)	(2,169,019)
Proceeds from long-term loans .....	46,978	43,252	444,484
Repayment of long-term loans .....	(199,616)	(210,280)	(1,888,694)
Proceeds from short-term borrowings .....	314,707	354,870	2,977,642
Repayment of short-term borrowings .....	(348,651)	(379,140)	(3,298,808)
Proceeds from issuance of commercial paper .....	1,058,000	1,036,000	10,010,408
Redemption of commercial paper .....	(1,064,000)	(1,155,000)	(10,067,178)
Dividends paid .....	(43,890)	(44,190)	(415,273)
Other .....	(23,458)	(1,115)	(221,949)
<b>Net cash used in financing activities .....</b>	<b>(395,210)</b>	<b>(278,720)</b>	<b>(3,739,336)</b>
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents .....</b>	<b>(34)</b>	<b>(17)</b>	<b>(319)</b>
<b>Net Decrease in Cash and Cash Equivalents .....</b>	<b>(2,207)</b>	<b>(13,558)</b>	<b>(20,880)</b>
<b>Cash and Cash Equivalents at Beginning of Year .....</b>	<b>62,061</b>	<b>66,277</b>	<b>587,201</b>
<b>Increase in Cash and Cash Equivalents upon Inclusion of Additional Subsidiaries on Consolidation.....</b>	<b>—</b>	<b>9,342</b>	<b>—</b>
<b>Cash and Cash Equivalents at End of Year (Note 3) .....</b>	<b>¥59,854</b>	<b>¥62,061</b>	<b>\$566,321</b>

The accompanying notes to consolidated financial statements are an integral part of these statements.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Chubu Electric Power Company, Incorporated and Subsidiaries

## 1

### Basis of Consolidated Financial Statements

#### (a) Basis of presenting the consolidated financial statements

The accompanying consolidated financial statements of Chubu Electric Power Company, Incorporated (the "Company") and its subsidiaries (together with the Company, the "Chubu Electric Group") have been prepared in accordance with the provisions set forth in the Commercial Code of Japan, the Securities and Exchange Law of Japan, and the Japanese Electric Utility Law and on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. These consolidated financial statements are compiled from the original consolidated financial statements in Japanese prepared by the Company as required by the Securities and Exchange Law of Japan and submitted to the Director of Kanto Finance Bureau in Japan.

#### (b) U.S. dollar amounts

The Chubu Electric Group maintains its accounting records in Japanese yen. The dollar amounts included in the accompanying consolidated financial statements and notes thereto present the arithmetic results of translating yen into U.S. dollars on a basis of ¥105.69 to \$1, the rate of exchange prevailing on March 31, 2004. The inclusion of such dollar amounts is solely for convenience and is not intended to imply that the assets and liabilities originating in yen have been or could readily be converted, realized or settled in dollars at ¥105.69 to \$1 or at any other rates.

## 2

### Summary of Significant Accounting Policies

#### (a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and all of its subsidiaries. Investment in all affiliates is accounted for by the equity method. The differences between acquisition costs of investments in subsidiaries and the underlying equity in their net assets adjusted based on the fair value at the time of acquisition are principally deferred and amortized over certain periods within twenty years on a straight-line basis. All significant intercompany transactions and accounts are eliminated on consolidation.

The number of subsidiaries and affiliates for the years ended March 31, 2004 and 2003 was as follows:

	2004	2003
Subsidiaries:		
Domestic	29	29
Overseas	2	2
Affiliates, accounted for by the equity method	18	20

The Company's overseas consolidated subsidiaries close their books at December 31 every year, three months earlier than the Company and other domestic subsidiaries. The Company consolidated such subsidiaries' financial statements as of their year-end. Significant transactions for the period between subsidiaries' year-end and the Company's year-end are adjusted on consolidation. Overseas subsidiaries have adopted accounting principles generally accepted in their respective countries, and no adjustments to conform to accounting principles generally accepted in Japan have been made to their financial statements on consolidation as allowed under accounting principles and practices generally accepted in Japan.

#### (b) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed by the declining-balance method over the estimated useful lives of related assets.

Contributions in aid of construction are deducted from the depreciable costs of the assets.

#### (c) Nuclear fuel and amortization

Nuclear fuel is stated at cost less amortization. Amortization of loaded nuclear fuel is computed based on the quantity of energy produced for generation of electricity in accordance with the provisions prescribed by the regulatory authorities.

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#### **(d) Investments and marketable securities**

The Chubu Electric Group classifies certain investments in debt and equity securities as "held-to-maturity", "trading" or "available-for-sale", whose classification determines the respective accounting methods as stipulated by the accounting standard for financial instruments. Held-to-maturity securities are stated at amortized cost.

Marketable securities with market quotations for available-for-sale securities are stated at fair value and net unrealized gains or losses on these securities are reported as a separate component of shareholders' equity, net of applicable income taxes. Gains and losses on disposition of securities are computed by the moving average method. Nonmarketable securities without available market quotations for available-for-sale securities are carried at cost determined by the moving average method. Adjustments in carrying values of individual securities are charged to income through write-downs, when a decline in value is deemed other than temporary.

#### **(e) Hedge accounting**

Derivatives used for hedge purposes are accounted for under the deferral hedge accounting, special treatments as permitted for interest rate swaps and designated treatments for foreign currency translation. The Company's derivative transactions are applied only to the assets and liabilities generated through the Company's operations to hedge exposures to fluctuations in exchange rates or interest rates.

#### **(f) Inventories**

Inventories consisted of fuel, materials, supplies and construction work in process. Fuel is stated at cost, being determined by the periodic average method.

#### **(g) Allowance for doubtful accounts**

Allowance for doubtful accounts has been provided for at the aggregate amount of estimated credit loss for doubtful or troubled receivables based on the individual financial review approach and a general reserve for other receivables calculated based on the historical loss experience for a certain past period.

#### **(h) Employee retirement benefit liability**

Employees who terminate their employment with the Chubu Electric Group, either voluntarily or upon reaching mandatory retirement age, are entitled under most circumstances to a severance payment based on the rate of payment at the time of termination of employment, years of service and certain other factors.

In accordance with the accounting standard for employee retirement benefits, the Chubu Electric Group has principally recognized the retirement benefits including pension cost and related liability based on actuarial present value of projected benefit obligation using actuarial appraisal approach and the pension plan assets available for benefits at the respective fiscal year-ends. Unrecognized actuarial differences as changes in the projected benefit obligation or pension plan assets resulting from the experience different from that assumed and from changes in assumptions are amortized principally on a straight-line basis over certain periods within remaining service lives of employees such as three to five years from the respective year following the fiscal year they arise.

#### **(i) Reserve for reprocessing of irradiated nuclear fuel**

The Company provides for the costs for reprocessing of irradiated nuclear fuel based on the 60% of amount required to pay for it at fiscal year-end in accordance with the provisions prescribed by the regulatory authorities.

#### **(j) Reserve for decommissioning nuclear power plants**

The Company provides for the costs for decommissioning nuclear power plants based on the electricity supplied by nuclear power generation in accordance with the provisions prescribed by the regulatory authorities.

#### **(k) Reserve for fluctuation in water levels**

The Company provides reserves at the amount required under the Japanese Electric Utility Law to stabilize its income position for fluctuation in water levels.

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**(l) Lease transactions**

Leases that transfer substantially all the risks and rewards of ownership of the assets are accounted for as capital leases, except that the leases do not transfer ownership of the assets at the end of the lease term are accounted for as operating leases, as permitted by the accounting principles generally accepted in Japan.

**(m) Cash and cash equivalents**

The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

**(n) Research and development costs**

Research and development costs included in operating expenses for the years ended March 31, 2004 and 2003 amounted to ¥17,596 million (\$166,483 thousand) and ¥18,388 million, respectively.

**(o) New share issue expenses, bond issue expenses and bond discounts**

New share issue expenses and bond issue expenses are charged to income as incurred. Bond discounts are amortized over the life of related bonds.

**(p) Income taxes**

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

**(q) Translation of foreign currency accounts**

Receivables, payables and securities, other than stocks of subsidiaries and certain other securities, are translated into Japanese yen at the exchange rates at the fiscal year-end. Transactions in foreign currencies are recorded based on the prevailing exchange rates on the transaction dates. Resulting translation gains or losses are included in the current earnings.

**(r) Appropriation of retained earnings**

Cash dividends and bonuses to directors and corporate auditors are recorded in the fiscal year when a proposed appropriation of retained earnings is approved by the Board of Directors and/or shareholders.

**(s) Per share data**

Basic net income per share is computed by dividing income available to common shareholders by the weighted-average number of shares outstanding during the respective years. Diluted net income per share is computed assuming that all convertible bonds converted were converted at the time of issue unless having anti-dilutive effects. Cash dividends per share shown for each fiscal year in the accompanying consolidated statements of income represent dividends declared as applicable to the respective years.

**(t) Adoption of new accounting standards**

On August 9, 2002, the Business Accounting Council of Japan issued "Accounting Standard for Impairment of Fixed Assets". The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of the asset's net selling price and value in use. The standard shall be effective for fiscal years beginning April 1, 2005, with earlier adoption permitted. The Chubu Electric Group will apply this new standard from the year beginning April 1, 2004 and is the process of evaluating what impact, if any, the new standard may have on the consolidated financial statements.

# 3

## Cash and Cash Equivalents

For the purpose of the consolidated statements of cash flows, reconciliation between cash and cash equivalents and cash balances on the consolidated balance sheets was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Cash .....	<b>¥45,667</b>	¥43,107	<b>\$432,084</b>
Time deposits with an original maturity more than three months included in cash account .....	<b>(877)</b>	(396)	<b>(8,294)</b>
Short term investments with an original maturity of three months or less included in other current assets account .....	<b>15,064</b>	19,350	<b>142,531</b>
Cash and cash equivalents .....	<b>¥59,854</b>	¥62,061	<b>\$566,321</b>

# 4

## Property, Plant and Equipment

The major classifications of property, plant and equipment at March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Hydroelectric power production facilities .....	<b>¥374,308</b>	¥392,963	<b>\$3,541,570</b>
Thermal power production facilities .....	<b>901,844</b>	1,018,692	<b>8,532,916</b>
Nuclear power production facilities .....	<b>190,336</b>	211,748	<b>1,800,889</b>
Transmission facilities .....	<b>1,281,878</b>	1,311,984	<b>12,128,661</b>
Transformation facilities .....	<b>516,937</b>	533,339	<b>4,891,070</b>
Distribution facilities .....	<b>858,337</b>	870,906	<b>8,121,271</b>
General facilities .....	<b>172,685</b>	183,962	<b>1,633,880</b>
Other electricity-related property, plant and equipment .....	<b>1,589</b>	1,607	<b>15,030</b>
Other property, plant and equipment .....	<b>293,733</b>	313,217	<b>2,779,197</b>
Construction on progress .....	<b>545,077</b>	522,700	<b>5,157,314</b>
	<b>¥5,136,724</b>	¥5,361,118	<b>\$48,601,798</b>

As permitted by the accounting principles and practices generally accepted in Japan, accumulated deferred gains in relation to the receipt of contribution in aid of real property construction deducted from the original acquisition costs amounted to ¥139,232 million (\$1,317,359 thousand) and ¥133,484 million at March 31, 2004 and 2003, respectively.

# 5

## Investments and Marketable Securities

At March 31, 2004 and 2003, investments consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Long-term investments:			
Marketable securities:			
Equity securities .....	<b>¥70,417</b>	¥35,290	<b>\$666,266</b>
Bonds .....	<b>10,856</b>	10,757	<b>102,713</b>
Other .....	<b>1,851</b>	1,162	<b>17,510</b>
	<b>83,124</b>	47,209	<b>786,489</b>
Other nonmarketable securities .....	<b>82,558</b>	84,724	<b>781,136</b>
Investments in affiliates .....	<b>32,189</b>	59,306	<b>304,561</b>
Other .....	<b>66,412</b>	91,608	<b>628,366</b>
	<b>¥264,283</b>	¥282,847	<b>\$2,500,552</b>
Short-term investments included in other current assets:			
Marketable securities:			
Bonds .....	<b>¥ —</b>	¥ 388	<b>\$ —</b>
Other .....	<b>857</b>	797	<b>8,109</b>
	<b>857</b>	1,185	<b>8,109</b>
Other nonmarketable securities .....	<b>17,864</b>	19,451	<b>169,018</b>
	<b>¥18,721</b>	¥20,636	<b>\$177,127</b>

Investments in securities are classified as held-to-maturity or available-for-sale under the investment policy of the Chubu Electric Group. Held-to-maturity debt securities are stated at amortized cost. Available-for-sale securities with market quotations are stated at fair value with unrealized gains and losses excluded from the current earnings and reported as a net amount within the shareholders' equity account until realized. At March 31, 2004 and 2003, gross unrealized gains and losses for such marketable securities are summarized as follows:

	Carrying value	Gross unrealized gains	Gross unrealized losses	Fair value
	Millions of Yen			
Held-to-maturity debt securities with fair value:				
As of March 31, 2004:				
National and local government bonds .....	¥2,820	¥ 71	¥ 11	¥2,880
Corporate bonds and debentures .....	2,238	63	8	¥2,293
Others .....	1,419	25	8	¥1,436
	<b>¥6,477</b>	<b>¥ 159</b>	<b>¥ 27</b>	<b>¥6,609</b>
As of March 31, 2003:				
National and local government bonds .....	¥2,613	¥ 153	¥ —	¥2,766
Corporate bonds and debentures .....	2,043	125	—	¥2,168
Others .....	1,419	62	8	¥1,473
	<b>¥6,075</b>	<b>¥ 340</b>	<b>¥ 8</b>	<b>¥6,407</b>

	Carrying value	Gross unrealized gains	Gross unrealized losses	Fair value
Thousands of U.S. Dollars				
As of March 31, 2004:				
National and local government bonds .....	\$26,679	\$ 670	\$ 101	\$27,248
Corporate bonds and debentures .....	21,179	596	76	21,699
Others .....	13,429	236	81	13,584
	\$61,287	\$ 1,502	\$ 258	\$62,531

	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
Millions of Yen				

Available-for-sale securities with fair value:

As of March 31, 2004:				
Equity securities .....	¥16,536	¥53,914	¥ 32	¥70,418
Bonds:				
Bonds and debentures .....	907	17	2	922
Other bonds .....	3,787	23	353	3,457
Others .....	2,709	10	12	2,707
	¥23,939	¥53,964	¥ 399	¥77,504

As of March 31, 2003:				
Equity securities .....	¥15,774	¥20,546	¥ 1,030	¥35,290
Bonds:				
Bonds and debentures .....	1,734	69	19	1,784
Other bonds .....	3,270	78	62	3,286
Others .....	2,001	1	43	1,959
	¥22,779	¥20,694	¥ 1,154	¥42,319

Thousands of U.S. Dollars

As of March 31, 2004:				
Equity securities .....	\$156,455	\$510,115	\$ 304	\$666,266
Bonds:				
Bonds and debentures .....	8,580	162	21	8,721
Other bonds .....	35,829	219	3,344	32,704
Others .....	25,637	96	114	25,619
	\$226,501	\$510,592	\$ 3,783	\$733,310

During the years ended March 31, 2004 and 2003, the Chubu Electric Group sold available-for-sale securities and recorded gains of ¥106 million (\$1,008 thousand) and ¥363 million and losses of ¥83 million (\$787 thousand) and ¥60 million on the accompanying consolidated statements of income, respectively.

Expected maturities of debt securities held-to-maturity and available-for-sale at March 31, 2004 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less .....	¥ 486	\$ 4,604
Due after one year through five years .....	2,658	25,153
Due after five years through ten years .....	4,504	42,611
Due after ten years .....	3,083	29,167
	¥ 10,731	\$ 101,535

# 6

## Long-term Debt and Short-term Borrowings

As of March 31, 2004 and 2003, long-term debt consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Bonds and notes payable:			
Domestic issue:			
0.4% to 4.8%, maturing serially through 2028 .....	<b>¥1,674,574</b>	¥1,764,900	<b>\$15,844,205</b>
Floating rate, maturing serially through 2013 .....	<b>259,000</b>	259,000	<b>2,450,563</b>
1.0% convertible bonds, due 2006 .....	<b>146,344</b>	146,347	<b>1,384,653</b>
Overseas issue:			
6.25%, due 2003 (payable in U.S. dollars) .....	—	37,853	—
0.085% to 0.76%, maturing serially through 2013 (payable in Euro yen) .....	<b>59,500</b>	45,500	<b>562,967</b>
Floating rate, maturing serially through 2005 (payable in Euro yen) .....	<b>22,000</b>	22,000	<b>208,156</b>
Loans from the Development Bank of Japan, other banks and insurance companies, due through 2023 .....	<b>1,234,725</b>	1,387,724	<b>11,682,516</b>
Less, intercompany elimination .....	<b>(892)</b>	(1,193)	<b>(8,442)</b>
Total .....	<b>3,395,251</b>	3,662,131	<b>32,124,618</b>
Less, current portion .....	<b>(172,704)</b>	(153,214)	<b>(1,634,060)</b>
	<b>¥3,222,547</b>	¥3,508,917	<b>\$30,490,558</b>

At March 31, 2004, the current conversion price of 1.0% convertible bonds due 2006 is ¥2,484, which is subject to adjustment in certain circumstances including in the event of a stock split. Such bonds may be converted, at the option of the holders, for the period through March 30, 2006. At March 31, 2004, approximately 59 million common shares of the Company will be issuable in relation to the conversion of convertible bonds.

At March 31, 2004 and 2003 the Company's entire property (see also Note 14) was subject to certain statutory preferential rights as collateral for loans from the Development Bank of Japan of ¥442,812 million (\$4,189,725 thousand) and ¥495,879 million, respectively, and for bonds (including those assigned under debt assumption agreements) of ¥2,409,819 million (\$22,800,823 thousand) and ¥2,586,559 million, respectively. At March 31, 2004 and 2003, property, plant and equipment of certain subsidiaries pledged as collateral for long-term debt amounted to ¥37,083 million (\$350,863 thousand) and ¥41,631 million, respectively.

The aggregate annual maturities of long-term debt as of March 31, 2004 are summarized as follows:

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2005 .....	¥172,704	\$1,634,060
2006 .....	274,356	2,595,856
2007 .....	128,657	1,217,307
2008 .....	145,954	1,380,960
2009 .....	371,611	3,516,049
2010 and thereafter .....	2,301,969	21,780,386

Short-term borrowings were principally represented by bank loans with an average interest rate of 0.348% per annum at March 31, 2004.

At March 31, 2004 and 2003, other current liabilities included commercial paper issued by the Company in the amounts of ¥105,000 million (\$993,471 thousand) and ¥111,000 million, respectively. At March 31, 2004, such commercial paper bears at the average rate of 0.008% per annum.

# 7

## Employee Retirement Benefits

The Chubu Electric Group has non-contributory defined benefit pension plans and lump sum retirement benefit plans, which substantially cover all employees.

The following table reconciles the benefit liability and net periodic retirement benefit expense as at or for the years ended March 31, 2004 and 2003:

As of March 31,	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Projected benefit obligation (*1) .....	<b>¥577,930</b>	¥533,823	<b>\$5,468,160</b>
Less, fair value of pension plan assets at end of year .....	<b>(347,319)</b>	(275,262)	<b>(3,286,209)</b>
	<b>230,611</b>	258,561	<b>2,181,951</b>
Unrecognized actuarial differences (loss) .....	<b>(30,151)</b>	(90,948)	<b>(285,277)</b>
Unrecognized prior service cost (*2) .....	<b>485</b>	767	<b>4,592</b>
Balance of employee retirement benefit liability recorded on the consolidated balance sheets .....	<b>¥200,945</b>	¥168,380	<b>\$1,901,266</b>

Note: 1: Projected benefit obligation of certain subsidiaries was calculated using the simplified calculation method as permitted by the accounting standard for employee retirement benefits.

2: Unrecognized prior service cost resulted from the pension plan amendment for certain subsidiaries in the year 2001.

Years ended March 31,	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Components of net periodic retirement benefit expense:			
Service cost .....	<b>¥17,961</b>	¥18,040	<b>\$169,939</b>
Interest cost .....	<b>13,085</b>	12,834	<b>123,806</b>
Expected return on pension plan assets .....	<b>(319)</b>	(373)	<b>(3,015)</b>
Amortization of actuarial differences .....	<b>51,197</b>	39,281	<b>484,405</b>
Amortization of prior service cost .....	<b>(281)</b>	(281)	<b>(2,660)</b>
Other .....	<b>(56)</b>	—	<b>(527)</b>
Net periodic retirement benefit expense .....	<b>¥81,587</b>	¥69,501	<b>\$771,948</b>

Major assumptions used in the calculation of the above information for the years ended March 31, 2004 and 2003 were as follows:

	2004	2003
Method attributing the projected benefits to periods of services	Straight-line method	Straight-line method
Discount rate .....	(Company) <b>2.0%</b>	2.5%
	(Subsidiaries) <b>2.5%</b>	2.5, 3.0%
Expected rate of return on pension plan assets .....	(Company) <b>0.1%</b>	0.1%
	(Subsidiaries) <b>0.5 to 1.0%</b>	1.0, 1.5%
Amortization of prior service cost .....	(Company) —	—
	(Subsidiaries) <b>5 years</b>	5 years
Amortization of actuarial differences .....	(Company) <b>3 years</b>	3 years
	(Subsidiaries) <b>3,5 years</b>	3,5 years



# 8

## Lease transactions

### (a) Lessee

Total lease expenses under financial leases other than those which transfer ownership of the assets at the end of the lease term amounted to ¥3,079 million (\$29,132 thousand) and ¥2,951 million for the years ended March 31, 2004 and 2003, respectively.

Pro forma information of the leased property such as acquisition cost, accumulated depreciation and future minimum lease payments, all of which included imputed interest expense under these finance leases, on "as if capitalized" basis at March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Acquisition cost .....	<b>¥18,161</b>	¥14,202	<b>\$171,829</b>
Accumulated depreciation .....	<b>3,987</b>	9,257	<b>37,719</b>
Net leased property .....	<b>¥14,174</b>	¥4,945	<b>\$134,110</b>
Future minimum lease payments:			
Due within one year .....	<b>¥ 3,285</b>	¥2,426	<b>\$ 31,078</b>
Due after one year .....	<b>10,934</b>	2,578	<b>103,457</b>
Total .....	<b>¥14,219</b>	¥5,004	<b>\$134,535</b>

### (b) Lessor

Revenue under finance leases other than those which transfer ownership of the assets at the end of the lease term amounted to ¥2,072 million (\$19,601 thousand) and ¥2,364 million for the years ended March 31, 2004 and 2003, respectively, while depreciation expenses of ¥1,442 million (\$13,647 thousand) and ¥1,556 million were recorded on the accompanying consolidated statements of income for the years ended March 31, 2004 and 2003, respectively.

Information of the leased property such as acquisition cost, accumulated depreciation and future lease commitments to be received under these finance leases at March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Acquisition cost .....	<b>¥9,856</b>	¥10,350	<b>\$93,253</b>
Accumulated depreciation .....	<b>4,655</b>	4,827	<b>44,043</b>
Net leased property .....	<b>¥5,201</b>	¥5,523	<b>\$49,210</b>
Future lease commitments to be received:			
Due within one year .....	<b>¥1,817</b>	¥1,928	<b>\$17,187</b>
Due after one year .....	<b>5,089</b>	4,972	<b>48,155</b>
Total .....	<b>¥6,906</b>	¥6,900	<b>\$65,342</b>

# 9

## Contingent Liabilities

As of March 31, 2004 and 2003, contingent liabilities were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Co-guarantees of loans for others:			
Japan Nuclear Fuel Limited .....	<b>¥159,955</b>	¥150,138	<b>\$1,513,438</b>
Nuclear Fuel Transport Co., Ltd. and other companies .....	<b>3,469</b>	4,285	<b>32,825</b>
Guarantees of housing and other loans for the employees .....	<b>98,974</b>	96,379	<b>936,458</b>
Recourses under debt assumption agreements .....	<b>249,294</b>	312,152	<b>2,358,729</b>
Trade notes endorsed to others .....	<b>2</b>	13	<b>15</b>

# 10

## Shareholders' Equity

The authorized number of shares of common stock without par value is 1,190 million at March 31, 2004, unless there may be a reduction due to a cancellation of treasury stock acquired.

Pursuant to the Commercial Code of Japan and the Company's amended article of incorporation approved by shareholders at the annual general meeting on June 25, 2004, the Company can purchase the treasury stock subject to the resolution of the Board of Directors from that date.

At March 31, 2004 and 2003, respectively, capital surplus principally consisted of additional paid-in capital. Retained earnings included legal reserve of the Company in the amounts of ¥93,629 million (\$885,878 thousand) at March 31, 2004 and 2003, respectively. The Commercial Code of Japan requires all companies to appropriate as a legal reserve an amount equivalent to at least 10% of cash payments for appropriation of retained earnings until the total amount of such legal reserve and additional paid-in capital equals 25% of stated capital. Legal reserve is not available for the distribution as dividends, but may be used to reduce a deficit or may be transferred to common stock by proper actions of the Board of Directors and/or shareholders.

# 11

## Income Taxes

The tax effects on temporary differences that give to a significant portion of deferred tax assets and liabilities at March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Deferred tax assets:			
Employee retirement benefit liability .....	<b>¥63,801</b>	¥45,628	<b>\$603,663</b>
Depreciation .....	<b>28,677</b>	25,925	<b>271,327</b>
Amortization of deferred charges .....	<b>24,208</b>	18,668	<b>229,047</b>
Intercompany profits .....	<b>13,906</b>	14,474	<b>131,571</b>
Provision for reserve for reprocessing of irradiated nuclear fuel .....	<b>11,980</b>	11,980	<b>113,355</b>
Provision for reserve for decommissioning nuclear power plant .....	<b>7,353</b>	7,353	<b>69,573</b>
Accrued bonus to employees .....	<b>9,970</b>	7,775	<b>94,335</b>
Others .....	<b>28,410</b>	17,267	<b>268,806</b>
Total gross deferred tax assets .....	<b>188,305</b>	149,070	<b>1,781,677</b>
Less, valuation allowance .....	<b>(4,064)</b>	(179)	<b>(38,461)</b>
Total deferred tax assets .....	<b>184,241</b>	148,891	<b>1,743,216</b>
Deferred tax liabilities:			
Unrealized gains on securities .....	<b>19,289</b>	7,416	<b>182,510</b>
Others .....	<b>187</b>	183	<b>1,769</b>
Total deferred tax liabilities .....	<b>19,476</b>	7,599	<b>184,279</b>
Net deferred tax assets .....	<b>¥164,765</b>	¥141,292	<b>\$1,558,937</b>

At March 31, 2004 and 2003, deferred tax assets and liabilities were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Deferred tax assets:			
Non-Current .....	<b>¥147,124</b>	¥126,150	<b>\$1,392,029</b>
Current .....	<b>17,661</b>	15,159	<b>167,097</b>
Deferred tax liabilities:			
Non-Current .....	<b>20</b>	17	<b>189</b>

In assessing the realizability of deferred tax assets, management of the Chubu Electric Group considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of the future taxable income during the periods in which those temporary differences become deductible. At March 31, 2004 and 2003, a valuation allowance was established to reduce the deferred tax assets to the extent that the management of the Chubu Electric Group believes that the amount of the deferred tax assets is expected to be realizable.

The reconciliation of the differences between the statutory tax rate and the effective income tax rate for the years ended March 31, 2004 and 2003 were not disclosed, as differences between the statutory tax rate and effective income tax rate were not material

# 12

## Segment information

The Group's operations are classified into two segments, electric utility business and other business. Electric utility segment is composed of electric power supply business. Other segment is composed of energy, other than electricity, related businesses that utilize electricity supplying facilities, fuels and technologies, as well as information technology businesses based on company's information networks that supply information with added intellectual value. The Group is also developing electric power-related areas including construction for the upgrade and maintenance of facilities and manufacture for supply of materials and equipments and other variety of businesses. Information by industry segment for the years ended March 31, 2004 and 2003 was as follows:

	Electric utility	Other	Total	Elimination	Consolidated
Millions of Yen					
For the year ended March 31, 2004:					
Operating revenues:					
Outside customers .....	¥2,014,818	¥86,254	¥2,101,072	¥ —	¥2,101,072
Inter-segment .....	3,169	199,206	202,375	(202,375)	—
Total operating revenues .....	2,017,987	285,460	2,303,447	(202,375)	2,101,072
Operating expenses .....	1,693,213	275,519	1,968,732	(202,072)	1,766,660
Operating income .....	¥324,774	¥9,941	¥334,715	¥ (303)	¥334,412
Identifiable assets .....	¥5,760,680	¥426,182	¥6,186,862	¥(126,684)	¥6,060,178
Depreciation and amortization .....	351,726	42,613	394,339	(3,160)	391,179
Capital expenditures .....	205,337	29,188	234,525	(2,848)	231,677

	Electric utility	Other	Total	Elimination	Consolidated
Millions of Yen					
For the year ended March 31, 2003:					
Operating revenues:					
Outside customers .....	¥2,078,170	¥97,902	¥2,176,072	¥ —	¥ 2,176,072
Inter-segment .....	3,025	209,144	212,169	(212,169)	—
Total operating revenues .....	¥2,081,195	307,046	2,388,241	(212,169)	2,176,072
Operating expenses .....	1,783,253	292,702	2,075,955	(212,355)	1,863,600
Operating income .....	¥297,942	¥14,344	¥312,286	¥186	¥312,472
Identifiable assets .....	¥5,965,802	¥436,124	¥6,401,926	¥(119,426)	¥6,282,500
Depreciation and amortization .....	389,188	46,971	436,159	(3,346)	432,813
Capital expenditures .....	259,535	27,308	286,843	(3,241)	283,602

	Electric utility	Other	Total	Elimination	Consolidated
Thousands of U.S. Dollars					
For the year ended March 31, 2004:					
Operating revenues:					
Outside customers .....	\$19,063,474	\$816,099	\$19,879,573	\$ —	\$19,879,573
Inter-segment .....	29,978	1,884,817	1,914,795	(1,914,795)	—
Total operating revenues .....	19,093,452	2,700,916	21,794,368	(1,914,795)	19,879,573
Operating expenses .....	16,020,560	2,606,856	18,627,416	(1,911,924)	16,715,492
Operating income .....	\$3,072,892	\$94,060	\$3,166,952	\$(2,871)	\$3,164,081
Identifiable assets .....	\$54,505,439	\$4,032,379	\$58,537,818	\$(1,198,639)	\$57,339,179
Depreciation and amortization .....	3,327,905	403,189	3,731,094	(29,897)	3,701,197
Capital expenditures .....	1,942,822	276,168	2,218,990	(26,946)	2,192,044

Geographic segment information is not shown, as operating revenues of overseas subsidiaries were not material. Information for overseas sales is not disclosed as such sales were not material.

# 13

## Subsequent Event

On June 25, 2004, shareholders of the Company approved the appropriation of retained earnings at the annual general meeting as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends (¥30 per share) .....	¥21,770	\$205,977
Bonuses to directors and corporate auditors .....	131	1,239

# 14

Financial Information of  
Chubu Electric Power Company,  
Incorporated (Parent)

Presented below are the non-consolidated balance sheets, and non-consolidated statements of income and retained earnings of Chubu Electric Power Company, Incorporated (Parent)

## NON-CONSOLIDATED BALANCE SHEETS

Chubu Electric Power Company, Incorporated (Parent)  
As of March 31, 2004 and 2003

ASSETS	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
<b>Property, Plant and Equipment:</b>			
Property, plant and equipment .....	¥11,955,802	¥11,926,492	\$113,121,408
Construction in progress .....	538,859	516,040	5,098,486
	<b>12,494,661</b>	12,442,532	<b>118,219,894</b>
Less:			
Contributions in aid of construction .....	(137,672)	(132,307)	(1,302,602)
Accumulated depreciation .....	(7,418,125)	(7,166,763)	(70,187,572)
	<b>(7,555,797)</b>	(7,299,070)	<b>(71,490,174)</b>
Property, Plant and Equipment, Net .....	<b>4,938,864</b>	5,143,462	<b>46,729,720</b>
<b>Nuclear Fuel:</b>			
Loaded nuclear fuel .....	54,294	34,641	513,712
Nuclear fuel in processing .....	191,972	200,091	1,816,369
Total Nuclear Fuel .....	<b>246,266</b>	234,732	<b>2,330,081</b>
<b>Investments and Other:</b>			
Long-term investments .....	293,749	317,458	2,779,349
Deferred tax assets .....	121,914	101,202	1,153,502
Other .....	11,474	5,737	108,561
Less, allowance for doubtful accounts .....	(684)	(969)	(6,467)
Total Investments and Other .....	<b>426,453</b>	423,428	<b>4,034,945</b>
<b>Current Assets:</b>			
Cash .....	13,535	14,089	128,068
Trade accounts receivable .....	84,623	94,927	800,673
Inventories .....	39,787	37,562	376,447
Deferred tax assets .....	14,817	12,729	140,191
Other .....	12,552	17,164	118,765
Less, allowance for doubtful accounts .....	(457)	(578)	(4,329)
Total Current Assets .....	<b>164,857</b>	175,893	<b>1,559,815</b>
<b>Total Assets</b> .....	<b>¥5,776,440</b>	¥5,977,515	<b>\$54,654,561</b>

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
<b>Long-term Liabilities and Reserves:</b>			
Long-term debt .....	<b>¥3,148,186</b>	¥3,418,838	<b>\$29,786,980</b>
Employee retirement benefit liability .....	<b>181,116</b>	148,843	<b>1,713,650</b>
Reserve for reprocessing of irradiated nuclear fuel .....	<b>231,219</b>	220,634	<b>2,187,710</b>
Reserve for decommissioning nuclear power plant .....	<b>80,000</b>	79,753	<b>756,934</b>
Other long-term liabilities .....	<b>33,167</b>	40,323	<b>313,813</b>
Total Long-term Liabilities and Reserves .....	<b>3,673,688</b>	3,908,391	<b>34,759,087</b>
<b>Current Liabilities:</b>			
Current portion of long-term debt and other .....	<b>156,956</b>	134,475	<b>1,485,061</b>
Short-term borrowings .....	<b>300,288</b>	335,372	<b>2,841,215</b>
Commercial paper .....	<b>105,000</b>	111,000	<b>993,471</b>
Trade accounts payable .....	<b>40,967</b>	56,362	<b>387,618</b>
Income taxes payable .....	<b>51,508</b>	41,581	<b>487,345</b>
Other .....	<b>173,870</b>	189,936	<b>1,645,098</b>
Total Current Liabilities .....	<b>828,589</b>	868,726	<b>7,839,808</b>
<b>Reserve for Fluctuation in Water Levels .....</b>	<b>8,647</b>	—	<b>81,815</b>
Total Liabilities .....	<b>4,510,924</b>	4,777,117	<b>42,680,710</b>
<b>Shareholders' Equity :</b>			
Common stock .....	<b>374,520</b>	374,520	<b>3,543,569</b>
Capital surplus .....	<b>14,248</b>	14,248	<b>134,811</b>
Retained earnings .....	<b>867,049</b>	800,484	<b>8,203,699</b>
Net unrealized gains on available-for-sale securities .....	<b>34,504</b>	12,502	<b>326,464</b>
Less, treasury stock, at cost .....	<b>(24,805)</b>	(1,356)	<b>(234,692)</b>
Total Shareholders' Equity .....	<b>1,265,516</b>	1,200,398	<b>11,973,851</b>
<b>Total Liabilities and Shareholders' Equity .....</b>	<b>¥5,776,440</b>	¥5,977,515	<b>\$54,654,561</b>

## NON-CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

Chubu Electric Power Company, Incorporated (Parent)  
As of March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
<b>Operating Revenues</b> .....	<b>¥2,023,210</b>	¥2,085,087	<b>\$19,142,871</b>
<b>Operating Expenses:</b>			
Fuel .....	<b>343,181</b>	392,770	<b>3,247,057</b>
Personnel .....	<b>268,923</b>	253,560	<b>2,544,448</b>
Purchased Power .....	<b>141,199</b>	165,802	<b>1,335,971</b>
Maintenance .....	<b>184,639</b>	185,218	<b>1,746,990</b>
Depreciation .....	<b>351,578</b>	389,055	<b>3,326,500</b>
Taxes other than income taxes .....	<b>137,662</b>	141,425	<b>1,302,510</b>
Other .....	<b>273,493</b>	260,012	<b>2,587,691</b>
Total Operating Expenses .....	<b>1,700,675</b>	1,787,842	<b>16,091,167</b>
<b>Operating Income</b> .....	<b>322,535</b>	297,245	<b>3,051,704</b>
<b>Other (Income) Expenses:</b>			
Interest expense .....	<b>93,770</b>	117,251	<b>887,216</b>
Other, net .....	<b>53,600</b>	19,381	<b>507,147</b>
Total Other Expenses .....	<b>147,370</b>	136,632	<b>1,394,363</b>
<b>Income before Provision of Reserve for Fluctuation in Water Levels and Income Taxes</b> .....	<b>175,165</b>	160,613	<b>1,657,341</b>
<b>Provision of Reserve for Fluctuation in Water Levels</b> .....	<b>8,647</b>	—	<b>81,815</b>
<b>Income before Income Taxes</b> .....	<b>166,518</b>	160,613	<b>1,575,526</b>
<b>Income Taxes:</b>			
Current .....	<b>90,924</b>	78,505	<b>860,289</b>
Deferred .....	<b>(35,016)</b>	(20,798)	<b>(331,307)</b>
Total Income Taxes .....	<b>55,908</b>	57,707	<b>528,982</b>
<b>Net Income</b> .....	<b>110,610</b>	102,906	<b>1,046,544</b>
<b>Retained Earnings:</b>			
Balance at Beginning of Year .....	<b>800,484</b>	741,919	<b>7,573,889</b>
Appropriations:			
Cash dividends .....	<b>(43,905)</b>	(44,201)	<b>(415,409)</b>
Bonuses to directors and corporate auditors .....	<b>(140)</b>	(140)	<b>(1,325)</b>
Balance at End of Year .....	<b>¥867,049</b>	¥800,484	<b>\$8,203,699</b>
	Yen		U.S. Dollars
	2004	2003	2004
<b>Per Share of Common Stock:</b>			
Net income:			
Basic .....	<b>¥151.72</b>	¥139.53	<b>\$1.44</b>
Diluted .....	<b>¥141.56</b>	¥130.39	<b>\$1.34</b>
Cash dividends .....	<b>¥ 60.00</b>	¥ 60.00	<b>\$0.57</b>





## DIRECTORS AND AUDITORS

As of June 25, 2004

The Directors and Statutory Auditors of the Company are as follows:

<b>Chairman of the Board of Directors</b>	<b>Director</b>
Hiroji Ota	Koichi Ikeda
	Yutaka Yamamoto
	Haruhiko Asano
<b>President &amp; Director</b>	Hiroshi Suzuki
Fumio Kawaguchi	Toshiyuki Nosaka
	Hirohiko Mizuno
<b>Executive Vice President &amp; Director</b>	Yoshihito Miyaake
Takeshi Ootari	
Shingo Ichihara	Masahiro Kakumu
Takashi Nojima	Yuji Kume
Yasuhiro Noda	Yuzuru Jougo
Takuo Yamauchi	Takaaki Tanaka
Takahiko Ito	Akira Fujjoka
	Toshio Mita
<b>Managing Director</b>	Norihisa Ito
Sanji Ito	
Masao Shimizu	<b>Senior Corporate Auditor</b>
Hiroshi Makita	
Hiroshi Ochi	Ryuichi Hamada
Yoshio Kawazu	
Shoichi Kinoshita	
Masakatsu Horikoshi	<b>Corporate Auditor</b>
Shirou Mizutani	Masatoshi Suzuki
Tadashi Morimoto	Hitoshi Yoshida
	Kenjiro Hata
	Hiroshi Suda
	Masaaki Iritani
	Minoru Matsuo

Note: Auditors Kenjiro Hata, Hiroshi Suda, Masaaki Iritani and Minoru Matsuo are externally appointed auditors (as defined according to Sub-Section 1, Section 18 of the Law Concerning the Special Cases in the Commercial Law Concerning Audit of Incorporated Companies

## CORPORATE DATA

### HEADQUARTERS

1 Higashi-shincho, Higashi-ku,  
Nagoya 461-8680, Japan  
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fax: 052-962-4624  
URL: <http://www.chuden.co.jp>

### OVERSEAS OFFICES

#### Washington Office

900 17th Street., N.W., Suite 1220,  
Washington, D.C. 20006, U.S.A.  
tel: 202-775-1960  
fax: 202-331-9256

#### London Office

Nightingale House,  
65 Curzon Street,  
London W1J 8PE, U.K.  
tel: 020-7409-0142  
fax: 020-7408-0801

### SECURITIES TRADED

Tokyo Stock Exchange  
Osaka Securities Exchange  
Nagoya Stock Exchange

### TRANSFER AGENT AND REGISTRAR

UFJ Trust Bank Limited  
4-3, Marunouchi 1-chome, Chiyoda-ku,  
Tokyo 100-0005, Japan

### GENERAL MEETING OF SHAREHOLDERS

The annual general meeting of shareholders of the Company is held in June each year.

The Company may hold a special general meeting of shareholders whenever necessary.

All general meetings of shareholders of the Company shall be held in Nagoya, Japan, by giving at least two weeks' advance notice to shareholders.

### AUDITOR

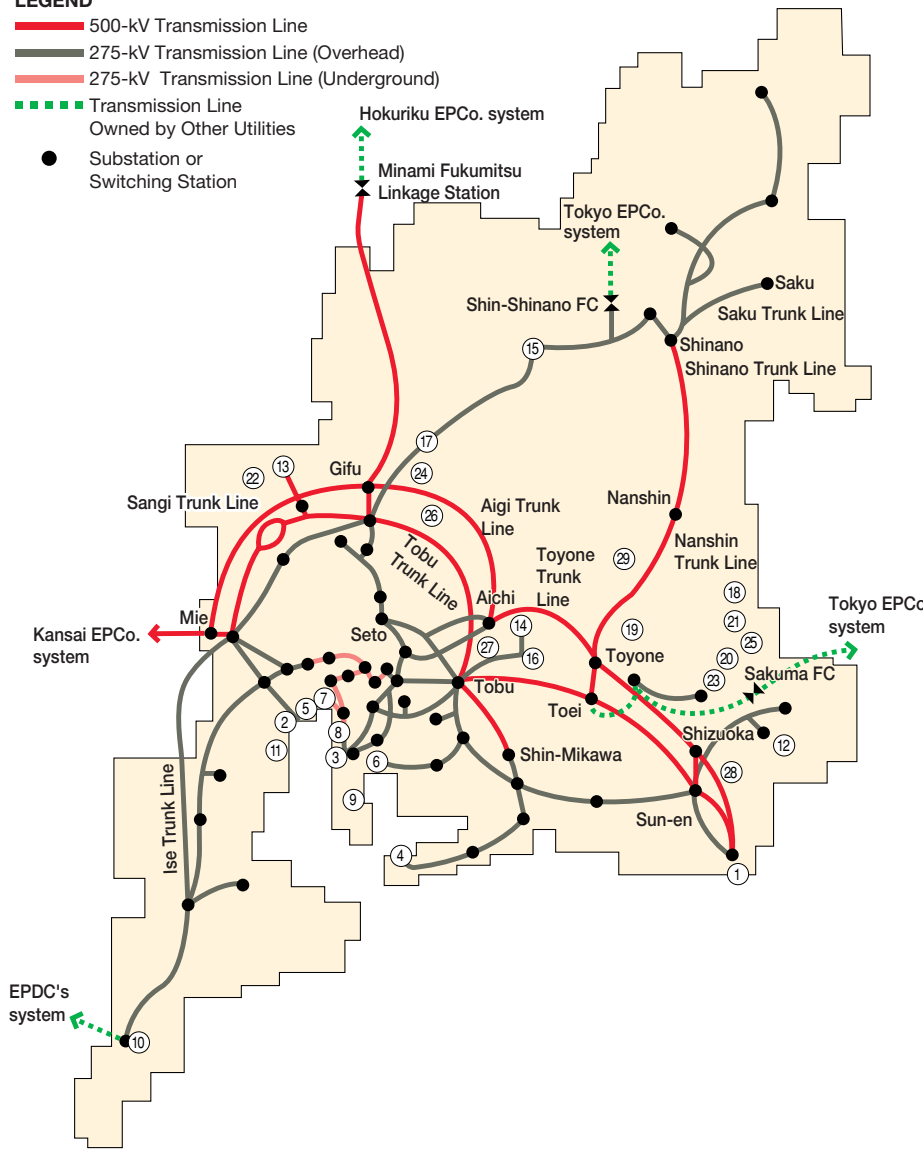
ChuoAoyama Audit Corporation  
Dai Nagoya Building  
3-28-12 Meieki, Nakamura-ku,  
Nagoya 450-8565, Japan

# POWER SYSTEM MAP AND GENERATING FACILITIES

As of March 31, 2004

## LEGEND

- 500-kV Transmission Line
- 275-kV Transmission Line (Overhead)
- 275-kV Transmission Line (Underground)
- - - Transmission Line Owned by Other Utilities
- Substation or Switching Station



Map No. Thousand of kW

### Nuclear Power Plant

① Hamaoka ..... 3,617

### Thermal Power Plants

② Kawagoe	4,802
③ Chita	3,966
④ Atsumi	1,900
⑤ Nishi-Nagoya	1,190
⑥ Hekinan	4,100
⑦ Shin-Nagoya	1,458
⑧ Chita Daini	1,708
⑨ Taketoyo	1,125
⑩ Owase Mita	1,250
⑪ Yokkaichi	1,245
⑫ Shin-Shimizu	156
Other(one plant)	1
<b>Total</b>	<b>22,901</b>

### Hydroelectric Power Plants

⑬ Okumino	1,500
⑭ Okuyahagi No.2	780
⑮ Takane No.1	340
⑯ Okuyahagi No.1	315
⑰ Mazegawa No.1	288
⑱ Hatanagi No.1	137
⑲ Hiraoka	101
⑳ Okuizumi	87
㉑ Hatanagi No.2	85
㉒ Yokoyama	70
㉓ Oigawa	68
㉔ Mazegawa No.2	66
㉕ Ikawa	62
㉖ Shin-Kamiaso	61
㉗ Yahagi No.1	60
㉘ Kawaguchi	58
㉙ Yasuoka	53
Other(165 plants)	1,086
<b>Total</b>	<b>5,218</b>

Total generating capacity  
(195 plants) ..... 31,735



**Chubu Electric Power Co., Inc.**

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