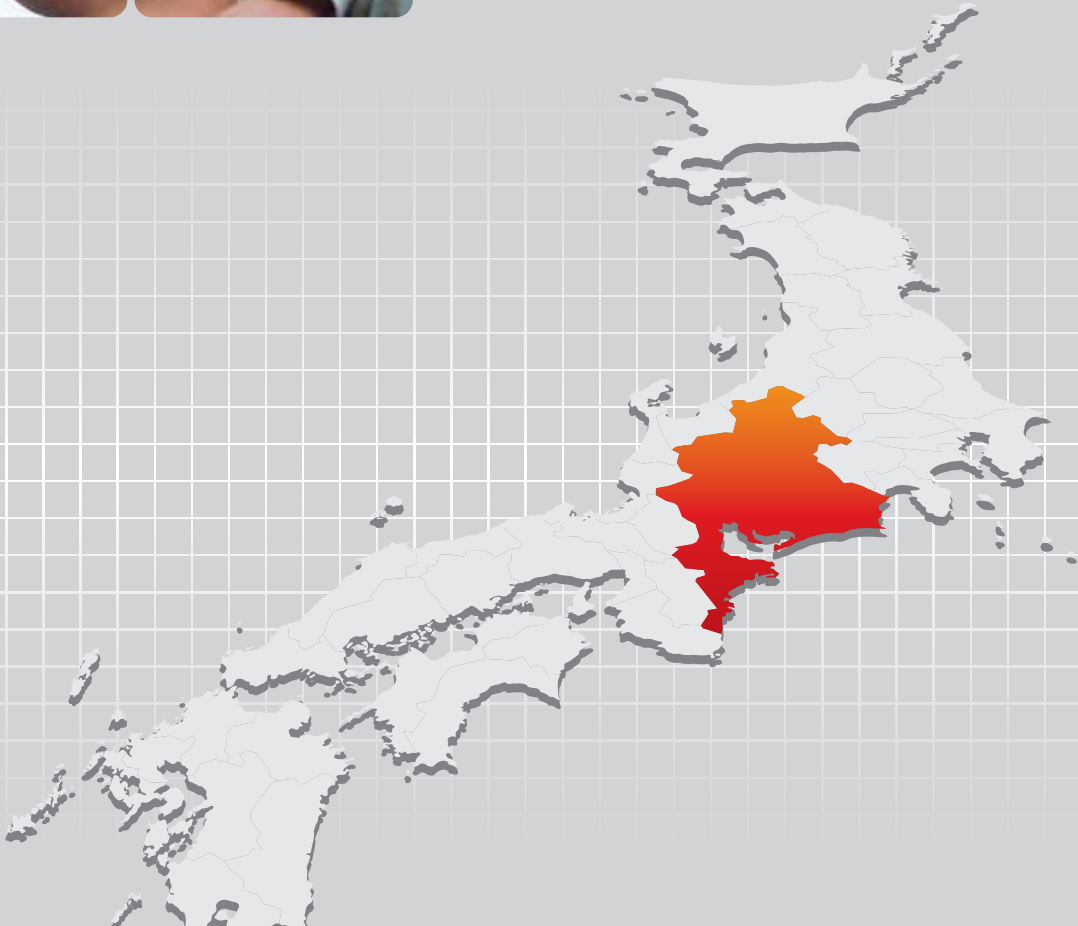




# Annual Report 2007

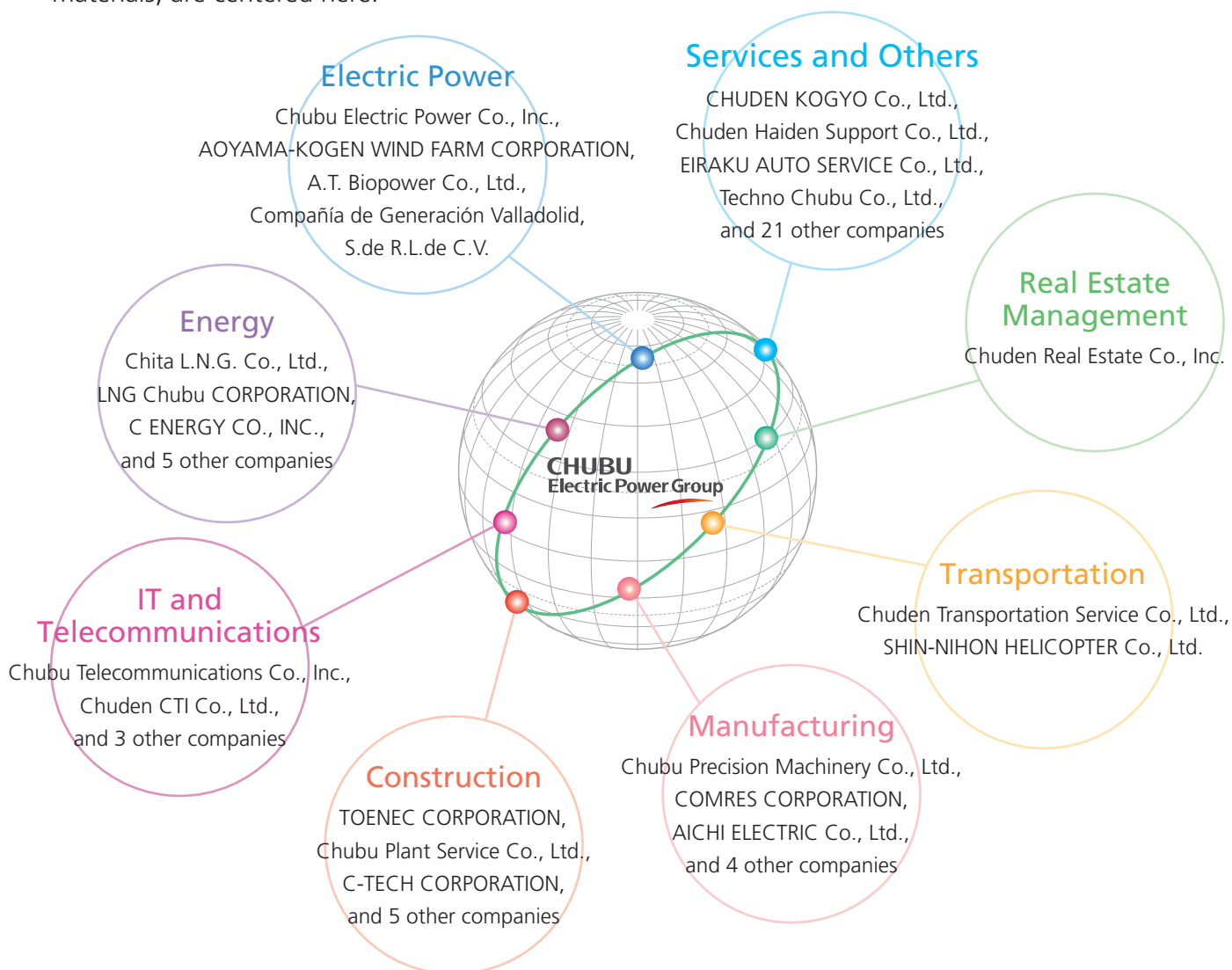


# Chubu Electric Power Group: Focused on Energy, Meeting a Range of Customer Needs

Chubu Electric Power Co., Inc. ranks third among Japan's largest electric power companies in power generation capacity, electric energy sold, operating revenues, and total assets.

With its core business in electric utilities, Chubu Electric Power Group has developed operations as a Multi-Energy Services Group. In addition to the electric utility business, we are active in a variety of other fields: energy businesses such as supplying gas and on-site energy, providing highly value-added IT and telecommunication services through our existing network facilities, construction for development and maintenance of electric utilities-related facilities, and manufacturing of materials and machinery.

Chubu Electric Power Company serves an area of nearly 39,000 square kilometers in five prefectures of central Japan (Chubu, in Japanese), home to some 16 million people. The Chubu region is known as one of Japan's leading manufacturing regions, and many worldclass Japanese industries, including manufacturers of automobiles, machine tools, electric components, aircraft components, and new materials, are centered here.

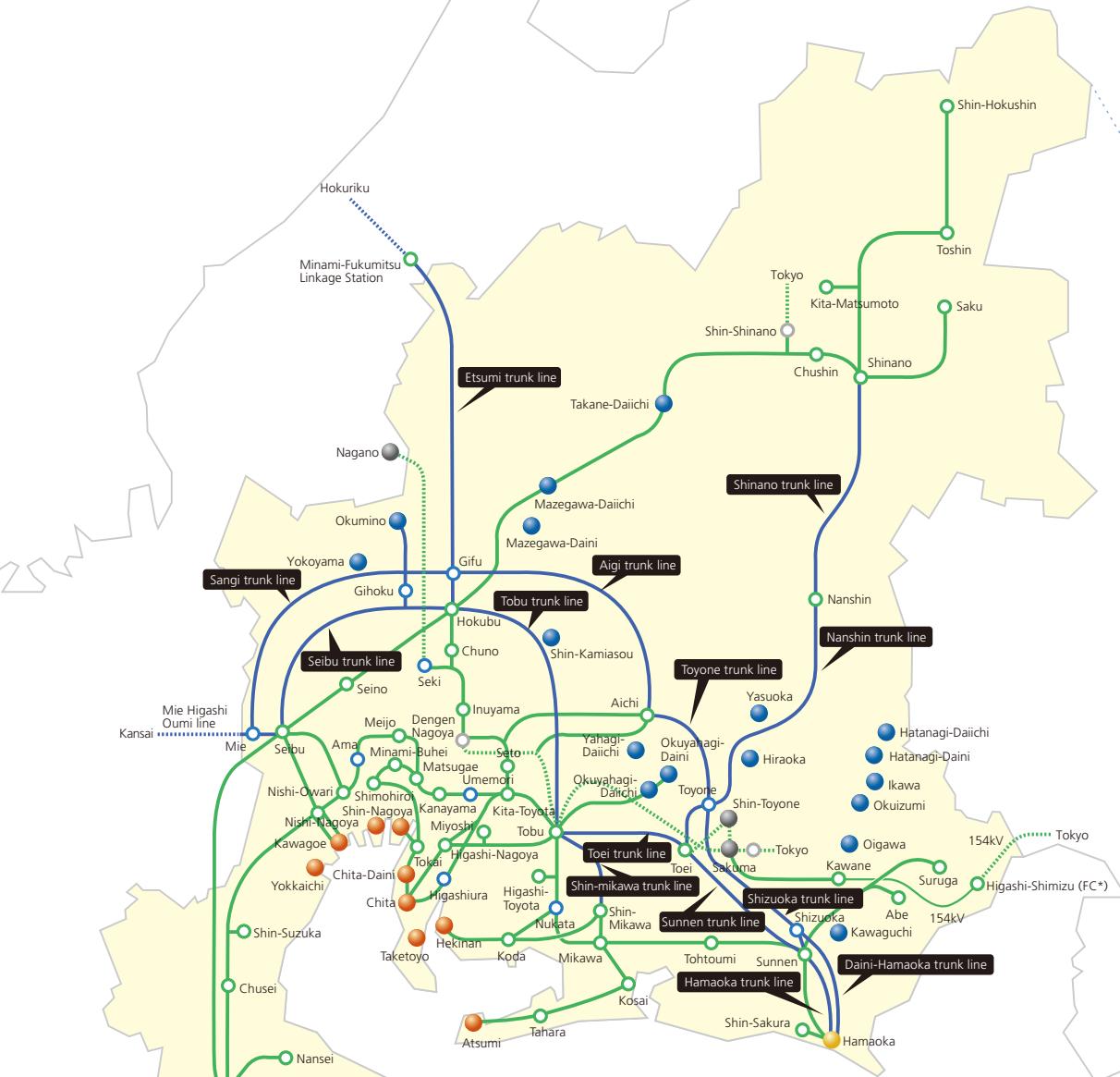













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# POWER SYSTEM MAP (as of March 31, 2007)

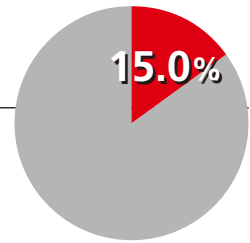


-  Substations (275 kV or more system)
  -  Switching stations (275 kV or more system)
  -  Thermal power stations (excluding internal combustion power generator)
  -  Hydroelectric power stations (50,000 kW or more)
  -  Nuclear power station
  -  500kV Transmission line
  -  275kV Transmission line
  -  External substations
  -  External hydroelectric power stations
  -  500kV External transmission line
  -  275kV External transmission line
- \*: Frequency converter

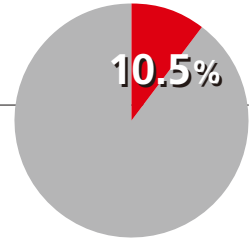


## Chubu Electric Power Company's Position within Japan (FY2006)

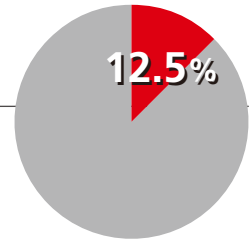
### Electric energy sold



### Area served



### Population served

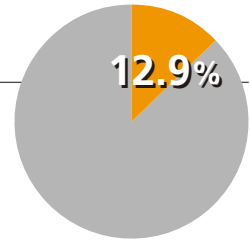


## Economic Foundation in the Chubu Region

### Composition of GDP (Real) in Japan (FY2004)

#### ■ Chubu Region

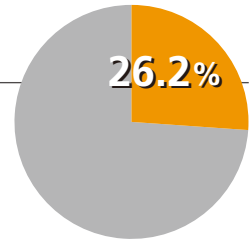
- Notes 1) Source: Cabinet Office/Annual Report on National Accounts  
 2) Chubu Region: Aichi Pref., Gifu Pref., Mie Pref., Shizuoka Pref. and Nagano Pref.



### Composition of Products Shipment in Japan (CY2005)

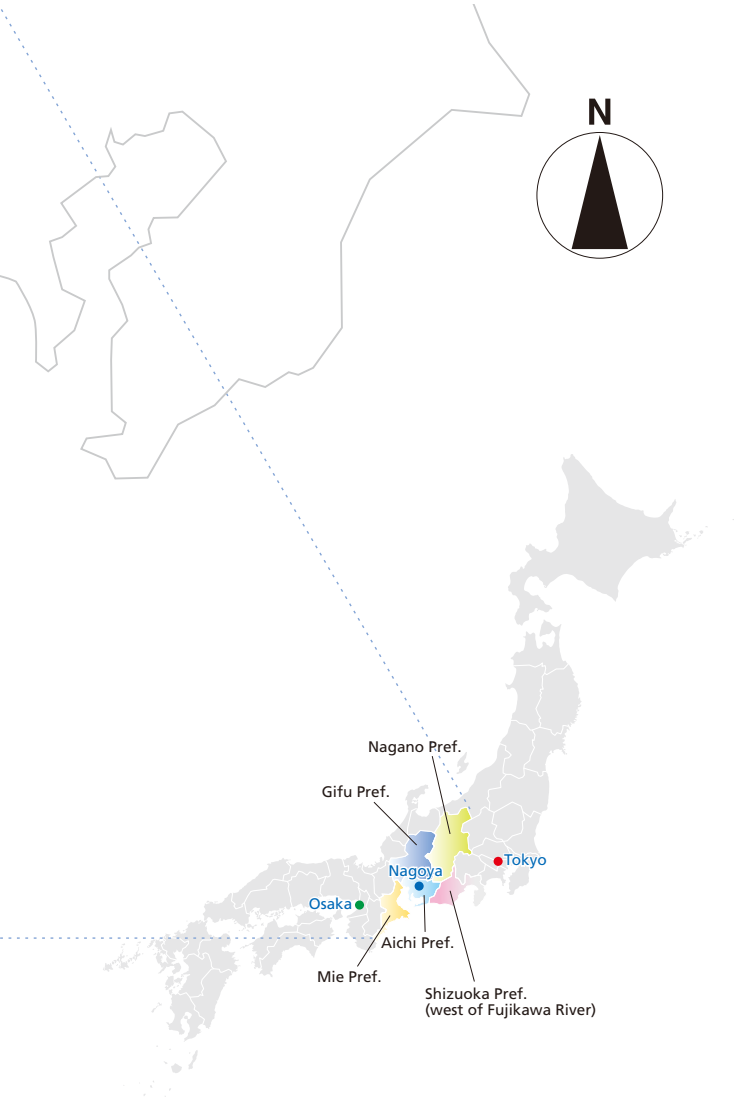
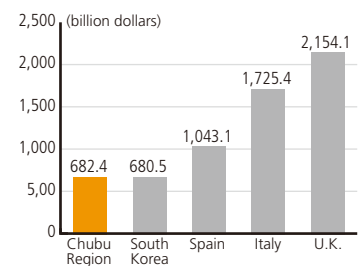
#### ■ Chubu Region

- Notes 1) Source: Ministry of Economy, Trade and Industry/Census of Manufactures  
 2) Chubu Region: Aichi Pref., Gifu Pref., Mie Pref., Shizuoka Pref. and Nagano Pref.



## Comparison of GDP (Nominal)

- Notes 1) Statistics for the Chubu region are from April 2004 to March 2005; all others are from January to December 2004  
 2) Source: Economic and Social Research Institute, Cabinet Office  
 3) Chubu Region: Aichi Pref., Gifu Pref., Mie Pref., Shizuoka Pref. and Nagano Pref.





## Results for the Fiscal Year 2006

### ■ Overview of Consolidated Financial Results

The Japanese economy continued to see a gradual recovery in FY2006. Solid corporate performance encouraged capital investment while higher employment and consumer earnings fueled a steady rise in personal consumption. This upward trend is especially noticeable in central Japan, where our business is focused.

Under these economic conditions, consolidated sales (operating revenues) rose by 2.9% over the previous year to ¥2,213.8 billion. Contributing factors included higher electricity revenues from a greater amount of electric energy sold in our core electricity business, as well as increased sales in other business. As for expenses, despite decreases mainly in salaries and employee benefits and depreciation expenses in the electricity business, factors such as increased fuel expenses due to higher fuel prices, and shutting down Unit 5 of the Hamaoka Nuclear Power Station, raised consolidated operating expenses by 7.6% to ¥1,967.1 billion. As a result, consolidated operating income dropped by 23.4% to ¥246.7 billion.

Additionally, we recorded a loss of ¥21.6 billion from the one-time amortization of goodwill in Chubu Telecommunications Co., Ltd., which, with other factors, led to a 24.2% decline of consolidated net income, to ¥90.6 billion.

### ■ Challenges to Overcome

Since March 2000, liberalization of electric power retailing has been gradually expanded in scope, and April 2007 saw the start of investigation regarding ongoing liberalization in view of progress so far. The gas sector faces greater liberalization as well, which has caused more intense competition transcending the boundaries between types of industry and

categories of business.

Against this background, while continuing to ensure a stable supply of electricity, the group is taking on the following challenges to succeed in an increasingly competitive energy market and achieve sustainable growth as a Multi-Energy Services Group based in the Chubu region.

### ■ Sales Efforts Geared

#### Toward Customer Satisfaction

We are fully committed to providing services that satisfy our customers. Toward this end, we have set new sales targets and are promoting an "all-electric" concept for homes, as well as electrification of air-conditioning, cooking, and other tasks, in addition to offering even more comprehensive consulting services on electricity use. We provide prompt, accurate solutions for a variety of customer needs. The group works in concert to offer a broad energy portfolio including gas, LNG, and on-site energy besides electricity, serving as a comprehensive one-stop energy solution provider for our customers.

### ■ Stable Generation and Reliable Supply of Affordable, High-Quality Energy

We generate affordable, superior energy and provide a reliable supply for our customers. Toward this aim, we build power facilities for a balanced energy portfolio ensuring energy security and environmental protection. This and other work is aimed at systematically and efficiently organizing and operating facilities from a medium- to long-term perspective.

In particular, we have been steadily developing advanced, high-efficiency LNG thermal plants—Shin-Nagoya Thermal Power Station Group No. 8 and Joetsu Thermal Power Station.



Meanwhile, even in the international energy market, with ongoing structural changes such as stringent conditions for LNG supply and demand, our efforts to continue procuring fuel in a stable and economical way have led us to diversify our sources while increasing our storage capacity, as with additional LNG tanks at the Kawagoe Thermal Power Plant.

We have taken appropriate measures at the Hamaoka Nuclear Power Station, including work to further improve earthquake fortifications. Ensuring safety and gaining the trust of local residents continue to be our foremost priorities, so that the plant can be a stable source of power for many years to come. Meanwhile, we are taking steps to win the understanding of stakeholders and communities regarding the Plutonium- Thermal Project.\*1

Based on guidance from the Nuclear and Industrial Safety Agency, we have conducted strict inspections at generating facilities to investigate inappropriate incidents. As a result, we have confirmed that inappropriate incidents had occurred at some of our nuclear, thermal, and hydroelectric power plants. Although we have verified that these incidents had not impaired plant safety, we treat this issue quite seriously and will take careful measures to prevent any recurrences.

### ■ Enhancement of Corporate Value by Strengthening the Group

By strengthening the collective strength of the group, we are working for greater corporate value as a multi-energy services group.

Toward this end, we are working to steadily achieve our new management objectives as we move toward FY2010 and restructure the group, strengthen group management, and strategically utilize management resources. As part of these efforts, we have acquired shares of TOENEC

\*1 The phrase "plutonium-thermal" (popularly termed "plutermal" in the Japanese/English formulation) refers to the process of recovering plutonium through spent fuel reprocessing and mixing it with uranium for use in a thermal reactor (i.e. an ordinary light-water reactor) in a nuclear power plant.



CORPORATION, through a take-over bid, to make it a subsidiary. Furthermore, we plan to restructure the group business between TOENEC CORPORATION and C-TECH CORPORATION through a corporate split-up by about October 2007.

### ■ Working Proactively to Practice Corporate Social Responsibility

We are taking the initiative in matters of corporate social responsibility (CSR). Our commitment to nurture ties with the local community remains strong, and the group practices good corporate citizenship by promoting regulatory compliance and care for the environment, among other efforts. We are working earnestly to meet the expectations of our customers, shareholders and investors, local communities, and all other stakeholders by disclosing information on group programs transparently, and with feedback from our stakeholders, we will be able to improve even further on these efforts.

Viewing fairness and transparency as central to management, we have already implemented

reforms affecting the overall management structure. To strengthen auditing functions further, we have again revised our management structure, mainly by introducing an external director and restructuring the executive officer system.

Operating cash flow produced by these corporate activities will be allocated for capital investment in a carefully planned way to ensure a stable, efficient supply of electricity. We also aim to provide steady returns to our shareholders over the long term. Looking ahead, strategic allocations will also be made to gas, LNG, and on-site energy business for our sustainable growth and to improve our financial position.

Building on the unified efforts of the Chubu Electric Power Group, we remain committed to being a robust enterprise that can respond flexibly and effectively to structural changes in the energy market, and a reliable firm sought out by customers, shareholders and investors, as well as one that contributes to the development of our local communities.

## Management Objectives (Target year: FY2010)

### ● Sales target for electric power

By the end of FY2010 we intend to meet the following targets: In the residential sector, increase the number of all-electric homes to over 600,000 in total by FY2010 end; in the commercial and industrial sectors, create 800 MW of demand by promoting the use of electricity for kitchens, air conditioning and so on.

### ● Sales target for gas, LNG, and on-site energy businesses

We have set a target of ¥45 billion in combined sales in FY2010 for our gas, LNG, and on-site energy businesses.

### ● Financial targets (consolidated)

All group efforts are focused on meeting the following targets.

| Item                                  | Target (Consolidated)  | Target Year                          |
|---------------------------------------|------------------------|--------------------------------------|
| Ordinary Income <sup>(1)</sup>        | ¥160 billion or more   | 4-year average from FY2007 to FY2010 |
| ROA (Return on Assets) <sup>(2)</sup> | 4.1% or more           |                                      |
| Operating Cash Flow                   | ¥470 billion or more   |                                      |
| Outstanding Interest-bearing Debt     | ¥2,600 billion or less | End of FY2010                        |

Notes 1) Ordinary Income: Income before provision (reversal) of reserve for fluctuation in water levels, income taxes and minority interests + (extra ordinary loss - extra ordinary gain).

2) ROA (Return on Assets) = (Ordinary income + Interest expenses) / Average total assets at beginning and end of the period

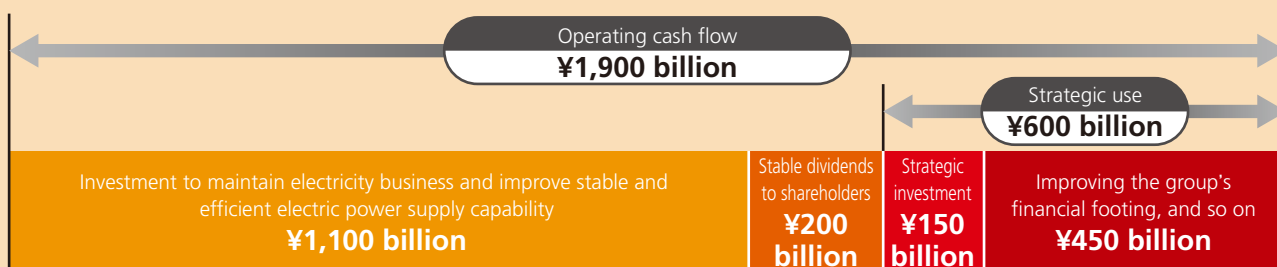
## Basic Policy on Allocation of Operating Cash Flow

For optimal use of the results of management activities for all stakeholders, we have established the following guidelines regarding the allocation of operating cash flow.

We will continue to seek optimal utilization of our operating cash flow as circumstances allow.

|  |  |
|--|--|
| <b>Investment to maintain electricity business and improve stable and efficient electric power supply capability</b> | We use operating cash flow to fulfill our duty to the public, and we feel that customers and all stakeholders share our appreciation of the significance of this investment.   |
| <b>Stable dividends to shareholders</b>  | Cash allocation to compensate our shareholders and investors.  |
| <b>Strategic investment for corporate growth and development</b>   | Investment that obviously meets the expectations of our shareholders and investors but also our customers and local communities.<br><small>Specific examples: Investment in gas, LNG, on-site energy, and overseas energy business, and also in other areas for sustainable growth</small> |
| <b>Improving the group's financial footing, and so on</b>  | Cash allocation that satisfies our creditors, financial institutions, and business partners. Also in the form of cost reduction, which is in the interest of all our stakeholders.   |

### ● Allocation of Operating Cash Flow (Consolidated) from FY2007 to FY2010 (Estimates)



**Toshio Mita**  
President & Director

## The Policy on Shareholder Return (Dividends)

With respect to dividend policy, while maintaining a basic policy of stable dividends, we have determined the dividend amount after a comprehensive assessment of our business performance, the improvement of our financial position, and our business environment. Taking into account the new management and financial objectives we have set (to be met by the target year of FY2010) as well as cash dividends per share and dividend payout ratios to date, we intend to maintain the dividend payout ratio at approximately 40% of net income on a non-consolidated basis for each term.

Even if business performance worsens, we will strive to keep annual dividends on the level of 60 yen per share, unless business performance deteriorates significantly from unforeseeable changes in the business environment or similar factors.

# Consolidated Financial Highlights

|                    | Millions of Yen | Millions of Yen | Thousands of U.S. Dollars |
|--------------------|-----------------|-----------------|---------------------------|
| For the year       | 2006            | 2005            | 2006                      |
| Operating Revenues | ¥2,213,793      | ¥2,150,508      | \$18,753,011              |
| Operating Income   | 246,712         | 322,105         | 2,089,897                 |
| Net Income         | 90,551          | 119,458         | 767,053                   |

|                       | Millions of Yen | Millions of Yen | Thousands of U.S. Dollars |
|-----------------------|-----------------|-----------------|---------------------------|
| At year-end           | 2006            | 2005            | 2006                      |
| Total Assets          | ¥5,701,715      | ¥5,741,876      | \$48,299,151              |
| Shareholders' Equity* | 1,729,950       | 1,659,313       | 14,654,381                |

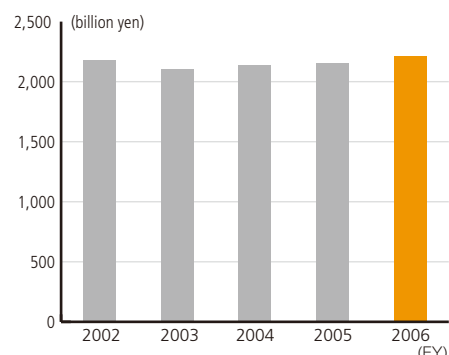
\*The definition of Shareholders' Equity  
 FY2006: Total Net Assets - Minority interests  
 FY2005: Total Shareholders' Equity

| Per share data                       | 2006    | 2005    | 2006   |
|--------------------------------------|---------|---------|--------|
| Net Income (yen and U.S. dollars)    | ¥115.80 | ¥162.07 | \$0.98 |
| Cash Dividends (yen and U.S.dollars) | 60      | 60      | 0.51   |

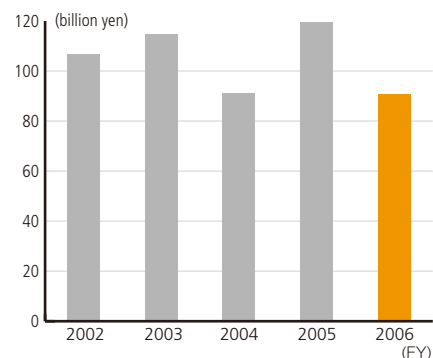
| Financial ratios           | 2006    | 2005    |
|----------------------------|---------|---------|
| ROA (%)                    | 4.4     | 5.5     |
| ROE (%)                    | 5.3     | 7.8     |
| Electric Energy Sold (GWh) | 132,687 | 130,561 |

Notes: 1) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥118.05=US\$1  
 2) Chubu Electric Power Company's fiscal year is from April 1 to March 31 of the following year.

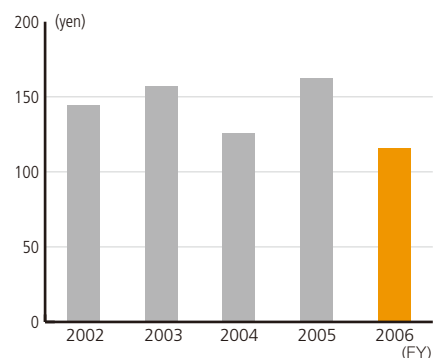
## Operating Revenues



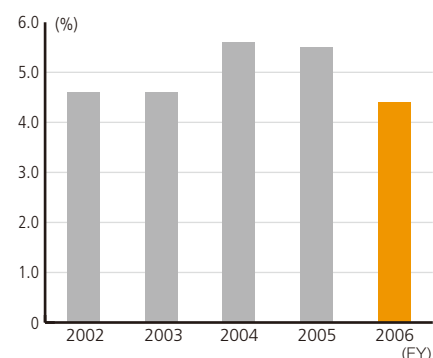
## Net Income



## Net Income per Share (basic)



## ROA



# Electric Power Supply and Demand

## ● Sales Plan

### Electric Energy Sold

(Average annual growth, FY2005–FY2016)

**1.0%**(Growth rate is value-corrected for temperature)

### Peak Load

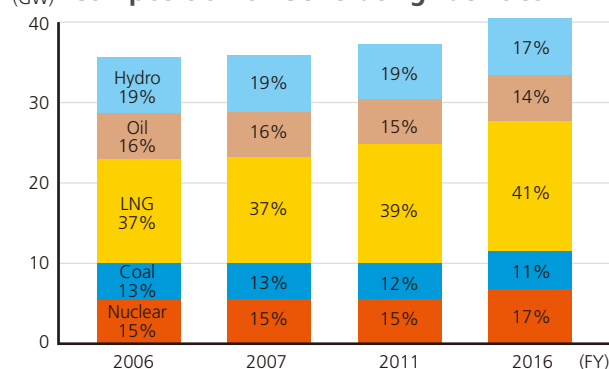
(Average annual growth, FY2005–FY2016)

**0.9%**(Growth rate is value-corrected for temperature)

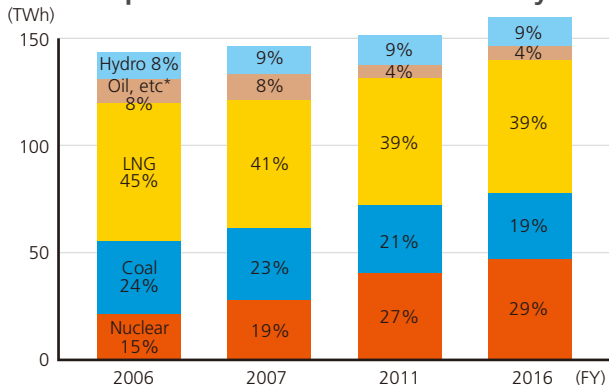
## ● Power Supply Composition

Power sources of Chubu Electric Power Company are developed from a comprehensive perspective ensuring a stable, economical, eco-friendly, and technologically sound energy supply, with an optimal balance of energy sources.

### Composition of Generating Facilities



### Composition of Generated Electricity



Note: Oil, etc. includes new energy sources (wind, biomass, and other power generation). Additionally, use of a biomass mixture at Hekinan Thermal Power Station is scheduled to begin in FY2009.

## ● Power Generation Facilities Plan

| Own-developed  | Start of Operation |
|--|--------------------|
| Shin-Nagoya Thermal Power Station Group No.8 (1,458 MW)    | FY 2008            |
| Joetsu Thermal Power Station Group No.1(1,190 MW)          | FY 2012            |
| Joetsu Thermal Power Station Group No.2-2-1 (595 MW)       | FY 2013            |
| Power Purchased  | Start of Operation |
| Oma Nuclear Power Station (205 MW)                         | FY2011             |
| Tsuruga Nuclear Power Station Units No. 3 and 4 (1,230 MW) | FY 2015 — 2016     |

## ■ Demand for Electric Power

Stable growth in electric power demand is expected in the Chubu region, fueled by steady industrial activity and the increased popularity of all-electric homes, against the background of a gradual economic recovery in Japan.

## ■ Development of New Facilities

Providing our customers with a stable supply of high quality energy services for years to come will require a careful assessment of our procurement options from sources developed by other power companies and the wholesale power exchange market, in addition to the development of our own power generation facilities. It is essential that we work toward securing an optimal energy portfolio that will account for energy efficiency, energy security, and protection of the environment.

For this reason, we are steadily advancing development of over 5 GW of new sources of electric power over the next 10 years (FY2007 to FY2016), including the purchase of power from other companies. As an effective way to cut CO<sub>2</sub> emissions, we are developing advanced, high-efficiency LNG thermal plants, Shin-Nagoya Thermal Power Station Group No. 8 and Joetsu Thermal Power Station Group No. 1, scheduled to commence operation in FY2008 and FY2012, respectively. Additionally, we are developing Joetsu Thermal Power Plant Group No. 2–1 ahead of schedule (slated for operation in FY2013) to meet increased demand from favorable economic conditions in the Chubu region and help reduce CO<sub>2</sub> emissions.

Nuclear power is an excellent source of energy from the standpoints of energy security and environmental protection, and the Nuclear Energy National Plan, established in August 2006, clearly indicates how development and use of these plants will be promoted as a key national policy. Because we view peace of mind in our local communities as essential, we have voluntarily started construction work at the Hamaoka Nuclear Power Station for additional fortification measures against earthquakes. We will continue to treat safety as our foremost priority, making appropriate inspections and repairs as needed,

## ● Power Transmission Facilities Plan

|                                      | Start of Operation |
|--------------------------------------|--------------------|
| 275 kV Joetsu Thermal Power line     | FY2011             |
| 275 kV Suruga - Higashi Shimizu line | FY2011             |
| 275 kV Higashi Shimizu Substation    | FY2011             |
| Higashi Shimizu Substation FC        | FY2011             |

in anticipation of expanded use of nuclear power. As we work toward an optimal energy portfolio with a higher proportion of nuclear power, we are focusing all efforts to ensure efficient development of new nuclear power sources for the company, and intensive preparations are underway.

In transmission and distribution facilities as well, we are constructing facilities in a systematic manner, in an effort to ensure a stable supply of electricity while promoting efficiency by introducing new technologies and more advanced security systems. Taking into account the aging of transmission and distribution facilities that had been built during the period of rapid economic growth in Japan, we are steadily and systematically repairing and improving facilities from a medium- to long-term perspective, in order to ensure reliability and better customer service. Additionally, as we streamline the group framework for construction work, we will continue to build and service facilities more efficiently.

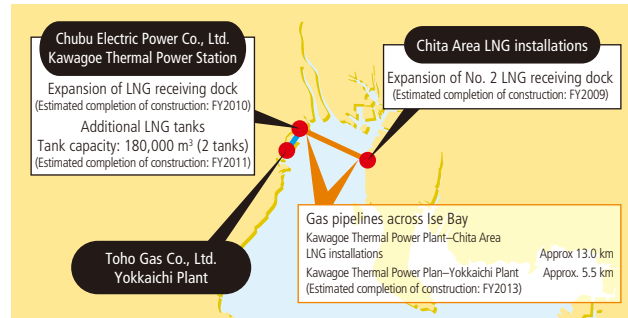
### ■ Stable, Economical Fuel Procurement and Improvement of Fuel-Related Infrastructure

Regarding fuel procurement, which is indispensable in supplying electricity, we continue to seek more economical sources besides ensuring stability of supply, and have enacted several measures that help us remain responsive to fluctuations in demand. Especially for a firm such as Chubu Electric, for which nearly 40% of the total amount of power is generated from LNG thermal plants, stable procurement of LNG is critical, as is controlling costs and seeking greater flexibility. Toward this end, we continue to diversify our sources of procurement and combine a variety of short- to long-term purchasing agreements, ensuring flexibility in the amount, period, and region of shipment destination. Swapping transactions (interchange of LNGs) with other buyers in Japan and overseas and spot procurement are among our resourceful approaches, and investigating the acquisition of upstream interests is another way we seek to strengthen our efforts for stable, economical fuel procurement.

From the standpoint of facilities, we must step up current construction of piers where supertankers being built for new LNG projects can dock and increase our storage capacity through additional LNG tanks. We are therefore reinforcing the LNG receiving dock and adding LNG tanks at our Kawagoe Thermal Power Station, while expanding the Chita LNG No. 2 receiving dock that is shared with Toho Gas Co., Ltd. Working with Toho Gas, we are also installing gas pipelines spanning Ise Bay across the sea floor using shield tunnels. The pipelines connect Kawagoe Thermal Power Station to Toho Gas' Yokkaichi Plant and to jointly operated

Chita Area LNG bases. This provides a backup system between each of the LNG bases and improves the reliability of Chubu Electric fuel supply to thermal power stations that use natural gas as fuel.

### ● Overview of LNG Facility Expansion



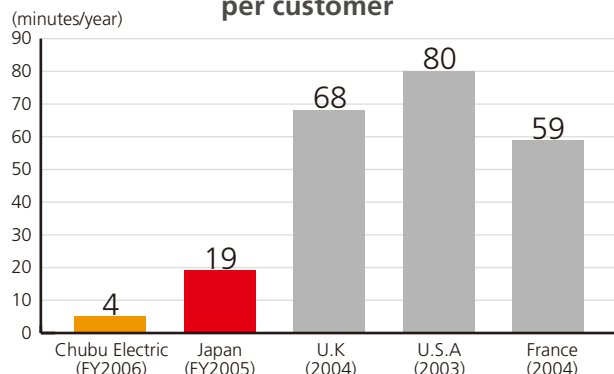
### ■ The Highest Quality Electricity in the World

High-quality electricity is essential for advanced manufacturing technology, for a comfortable and fulfilling lifestyle, and for supporting an ever-expanding IT-oriented society.

We have remained committed to providing a stable, uninterrupted supply of high-quality electricity, with minimal fluctuations in voltage or frequency, through an integrated system from power generation to delivery to our customers that enables us to manage occasional shifts in demand. We have prepared and maintain safeguard systems to minimize accidental power cuts from lightning and other natural phenomena.

As a result of these constant efforts, the quality of our electricity meets the highest standards worldwide. Looking ahead, we will continue to supply high-quality electricity to satisfy our customers.

### Service Interruptions due to Supply Incidents per customer



(Source) With the exception of figures for Chubu Electric, figures are provided by the Federation of Electric Power Companies of Japan and Japan Electric Power Information Center Inc.



Since the start of partial liberalization of electricity retailing in March 2000, the scope of liberalization has been gradually expanding. As of this spring, a national committee is reviewing progress and investigating future liberalization of the energy market. In the gas sector as well, partial liberalization of retailing has been phased in over time, which has caused more intense competition transcending the boundaries between types of industry and categories of business within the energy sector.

Under these circumstances, we are stepping up sales activities to attract customers. We met one sales target set in FY2005 ahead of schedule: instead of increasing electric power demand by 2,400 GWh by the end of FY2007, we met this target by the end of FY2006.

Starting this fiscal year, we are working toward meeting the following new targets by the end of FY2010: In the residential sector, increase the number of all-electric homes to over 600,000 in total; in the commercial and industrial sectors, create 800 MW of demand by promoting the use of electricity for kitchens, air conditioning and so on. To steadily progress toward these new objectives, we have expanded services and are actively marketing them. We

are fully committed to meeting diverse customer needs accurately and promptly.

## ① Enhancing Sales and Service

### ~Business Applications~

At all regional offices, dedicated account managers for business support and solutions staff for technical support (for efficient energy use) serve customers with contracts of 500 kW or more of high-voltage electricity. These representatives take the initiative in making proposals.

Customers with contracts of less than 500 kW of high-voltage are served at Business Customer Service Centers by expert staff who respond to a range of inquiries. Additionally, an information service for members called the Chuden Kit Club provides rate plan calculation services, information on lightning strikes, and a mail magazine. We are confident this information is valuable to customers. (The name of this service derives from a play on the Japanese word kitto (surely), which conveys our confidence that the service will surely be useful to customers.)

## ~Domestic Applications~

Greater customer satisfaction is the goal behind many of our activities, led by the sales offices, call centers, and "E-Life Consulting Center." Moreover, customer feedback in the form of opinions or requests is shared company-wide through our Customer Response System, which aids us in improving business processes and developing new services. These efforts were supplemented by our "E-Life Consulting Center" (accessible online or by calling a toll-free number), where dedicated staff answer questions on all-electric homes and other household uses of electricity.

The Chubu Electric All-Electric Plaza, located in sales offices, is a resource for customers considering building a new home or remodeling, where people can experience all kinds of electric appliances of all-electric homes firsthand.

Meanwhile, IH cooking and EcoCute (a highly efficient water heating and supply system incorporating a CO<sub>2</sub> refrigerant heat pump) have proven quite popular, helping bring the number of all-electric homes to over 300,000 in our service area as of January 2007. Homes with these facilities, more popular than ever, offer the advantages of a wholly electricity-based home energy supply for kitchen appliances, water heating, and air conditioning.

We will strive to provide even better customer service so that we can remain a trusted resource that customers can turn to for all matters concerning electricity. Aiming to position all-electric homes as the new standard in housing, we are committed to supporting a fulfilling, comfortable lifestyle for our customers through the electricity we provide.

## ② Rate Reductions and Diversification of Rate Plans

As a result of our efforts to improve management efficiency across the enterprise and promote ongoing cost-cutting measures, and also strategically allocate management resources, we have continued to reduce electricity rates and offer a broader range of rate plans. A recent rate reduction was implemented in April 2006, lowering rates by an average of 3.79% for customers under relevant supply agreements.

We will continue to exert our utmost effort into providing superior energy services at additional savings to our customers.

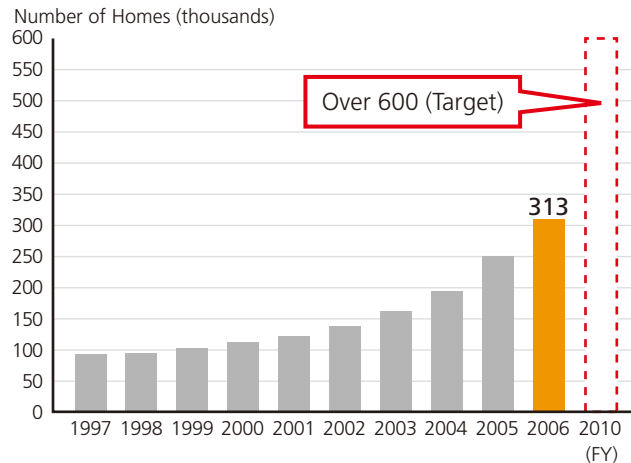
### ● Electricity Rate Reductions (%)<sup>\*1</sup>

|                            |         |
|----------------------------|---------|
| February 1998              | - 3.86% |
| October 2000 <sup>*2</sup> | - 5.78% |
| September 2002             | - 6.18% |
| January 2005               | - 5.94% |
| April 2006                 | - 3.79% |

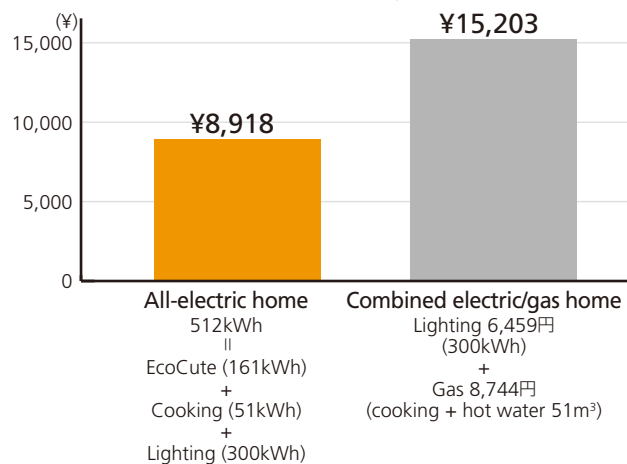
\*1 Rate reduction reported under the Electric Utility Law.

\*2 Rates since October 2000 are averages for customers under relevant supply agreements.

### Cumulative Number of All-electric Homes



### Comparison Of Monthly Average Utility Charges for an All-electric Home and a Combined Electric/gas Home



Calculation of utility charges based on the utility rates as of April 1, 2007 (including Consumption Tax) for an average family (of 4)'s consumption (Nagoya City).

All-electric home: customers of the E-Life Plan

Gas: contracted customers of Toho Gas Co., Ltd.



## ■ Greater Efficiency at Facilities

As a result of the collaboration of all group members in a no-holds-barred approach to reducing costs and improving management efficiency across the board, including scrap-and-build methods for power generation facilities, we have succeeded in lowering capital investment to ¥164.8 billion on a consolidated basis and ¥134.0 billion on a non-consolidated basis for the three-year average from FY2004 to FY2006; we achieved our targets in capital investment, which were a three-year average level of ¥200 billion or less (consolidated) and ¥170 billion (non-consolidated).

Looking ahead, we will work to lower costs overall from a medium- to long-term perspective by promoting cost-cutting measures while investing as needed for a stable supply of electricity and sustainable growth for years to come.



## ■ Optimization of Facilities

While evaluating the operating efficiency and characteristics of each facility so that we can decommission costlier, less efficient power plants, we are developing over 5 GW of new sources of electric power over the next ten years (FY2007 to FY2016), including power that is to be purchased from other companies.

Shin-Nagoya Thermal Power Station Group No. 8 (scheduled for startup operation in FY2008) will cut fuel costs and reduce CO<sub>2</sub> emissions through combined-cycle generation with a 1500°C-class gas turbine offering a power generating efficiency of approximately 57%.

Additionally, Joetsu Thermal Power Station Group No. 1 (scheduled for startup operation in FY2012) and Group No. 2 (scheduled for startup operation in FY2013 and FY2017) employ exceptionally efficient power-generation technology and will also help reduce CO<sub>2</sub> emissions.

## ■ Increasing Overall Operational Efficiency of Power Plants

Chubu Electric Power Company has been working on several measures to optimize plant operations. We make extensive use of LNG thermal power plants, including high-efficiency combined cycle plants. Installing auxiliary boilers enables us to temporarily shut down oil-fired thermal power plants when demand is low. As a result of these measures, we continued to maintain a total thermal efficiency rate in the top level nationwide in FY2006, at 45.07%.

## ■ Increasing the Efficiency of Business Operations

Pushing for greater efficiency in business operations, we are among the most highly rated Japanese utility companies in terms of the ratio of electric energy sold per employee. Further streamlining in business management over the coming years will support a high level of labor productivity.

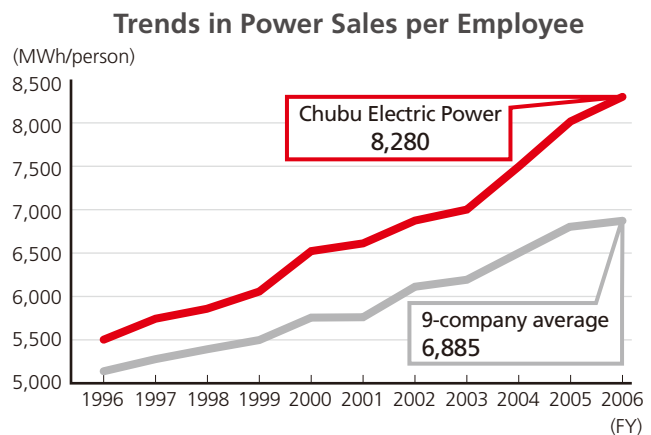
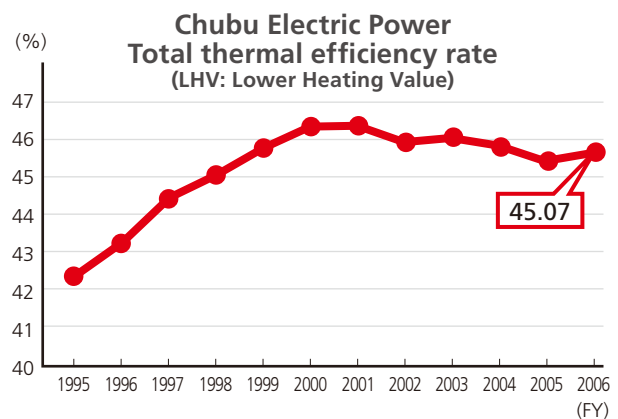
Meanwhile, we have implemented a consolidated electronic mapping system for design of power distribution systems and routing maps, and we take advantage of information technology. These are only a few of our diligent efforts to conduct internal business processes more efficiently.



Shin-Nagoya Thermal Power Station Group No.8



Central control room





Working together in business development, the group has evolved as a Multi-Energy Services Group with a focus on energy business as our core domain. Through our efforts to meet consolidated management and financial objectives targeted for FY2004 to FY2006, we have worked to strengthen the group as a whole.

As the business environment becomes increasingly difficult, while working steadily toward business objectives for FY2010, we expect to increase our corporate value as a competitive Multi-Energy Services Group organization and meet the expectations of our shareholders and investors.

### ● Management and Financial Targets (Consolidated)

| Item                              | Target                 | Target Year                          |
|-----------------------------------|------------------------|--------------------------------------|
| Ordinary Income                   | ¥160 billion or more   | 4-year Average from FY2007 to FY2010 |
| ROA (Return on Assets)            | 4.1% or more           |                                      |
| Operating Cash Flow               | ¥470 billion or more   |                                      |
| Outstanding Interest-bearing Debt | ¥2,600 billion or less | End of FY2010                        |

Note: ROA (Return on Assets) = (Ordinary income + Interest expenses) / Average total assets at beginning and end of the period

## ■ Profitability and Growth

Despite a difficult business environment with surging fuel prices and intense market competition, the group has met objectives for ROA (return on assets) and ordinary income as targeted for FY2004 to FY2006 through improved sales capability, management efficiency, and thoroughgoing cost-cutting.

However, our target for free cash flow was not met. This can be attributed to special factors such as our external funding of approximately ¥260 billion in FY2005 after the enactment of the Law on the Creation and Management of Reserve Funds for the Reprocessing of Spent Fuel at Nuclear Power Stations, and the shutting down of Unit 5 of the Hamaoka Nuclear Power Station for eight months this fiscal year.

## ● Progress in Meeting Established Management and Financial Targets

(Consolidated) (billion Yen)

|   | Target                 | Results |         |         | 3-year Average |
|---|------------------------|---------|---------|---------|----------------|
|   |                        | FY2004  | FY2005  | FY2006  |                |
| ROA (Return on Assets)  | 4.5% or more           | 5.6%    | 5.5%    | 4.4%    | 5.1%           |
| Ordinary Income*  | ¥165 billion or more   | 195.1   | 219.7   | 178.6   | 197.8          |
| Capital Investment  | ¥200 billion or less   | 149.9   | 156.2   | 188.4   | 164.8          |
| Free Cash Flow  | ¥360 billion or more   | 442.2   | 166.5   | 267.2   | 291.9          |
| Outstanding Interest-bearing Debt (Target Year: March 31, 2007) | ¥3,100 billion or less | 3,426.0 | 3,175.0 | 3,001.8 |                |

\*Ordinary Income: Income before provision (reversal) of reserve for fluctuation in water levels, income taxes and minority interests + (Amortization of goodwill + Impairment loss on fixed assets + Gain on disposition of investment securities + Loss on discontinued construction of hydroelectric power plant)

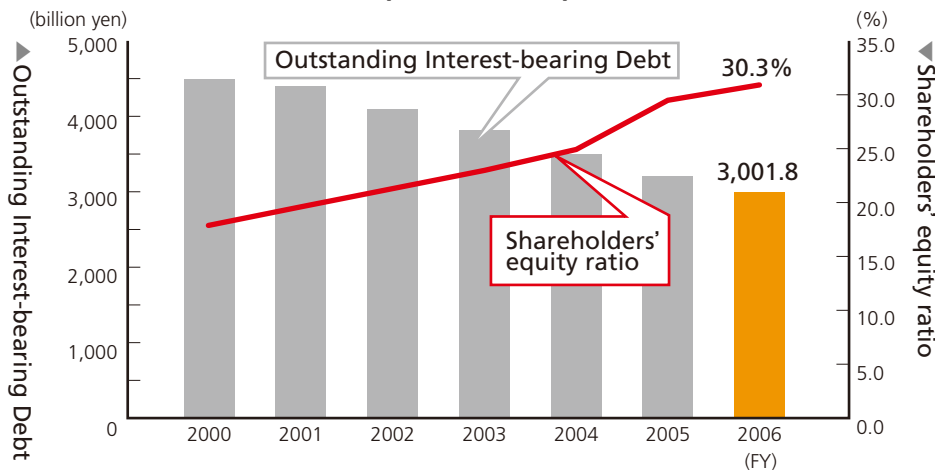
## ■ Improving our Financial Footing

With our continuous efforts to improve our financial position, we successfully reduced our consolidated interest-bearing debt to ¥3,001.8 billion as of the end of FY2006, achieving our objective to reduce consolidated interest-bearing debt to ¥3,100 billion or less by the end of FY2006.

We continue to increase our shareholders' equity ratio each year, and as of this fiscal year, it stands at 30.3% (consolidated).



## Outstanding Interest-bearing Debt and Shareholders' Equity Ratio (Consolidated)



# Promotion of Group Management

## ■ Business Development Policy

Focusing on energy businesses as the core of our business, we have developed as a Multi-Energy Services Group offering not only electricity but also gas, LNG and on-site energy options.

We also intend to enhance the corporate value of the group as a whole in business areas, including environment and lifestyle support and information technology, by fully applying our management resources.

## ■ Gas, LNG, and On-site Energy Business

The Gas Sales & Service Department was established in July 2006 to provide the framework for centralized development of gas sales using Chubu-owned pipelines, LNG sales by tanker truck through the group company LNG Chubu CORPORATION, and on-site energy sales and service by C ENERGY CO., INC. We are now able to meet a variety of needs more efficiently as a one-stop energy solution provider for our customers, offering an even greater assortment of energy solutions.

We will continue to do all in our power to meet our target of ¥45 billion in combined sales for the three facets of this division in FY2010.

## ■ Overseas Energy Businesses

We have developed overseas energy businesses harnessing our proven technical expertise, skilled personnel, and other management resources to gain new sources of revenue while considering our contribution to protecting the global environment and maintaining and transferring power technologies.

In planning investments for business development, we will focus on power generation businesses that can ensure stable long-term revenues. Building from countries where we have established a track record (namely Thailand, Mexico, and Qatar), we will be expanding in stages into neighboring countries. We will be developing environmental businesses seeking to secure revenue and gain CO<sub>2</sub> emission rights, working in countries that have ratified the Kyoto Protocol and are actively seeking approval for clean development mechanism (CDM) and joint implementation (JI) businesses.

## ■ Strengthening of Group Business Structure

We have been proceeding with the reorganisation of our group companies in an effort to consolidate management

resources and put companies on sounder footing in business. We are also stepping up measures to enhance the efficiency of the business structure of the group as a whole.

## ● Measures to Strengthen Group Management

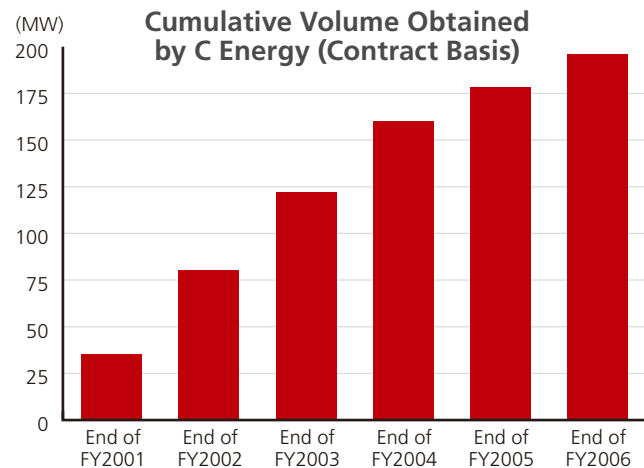
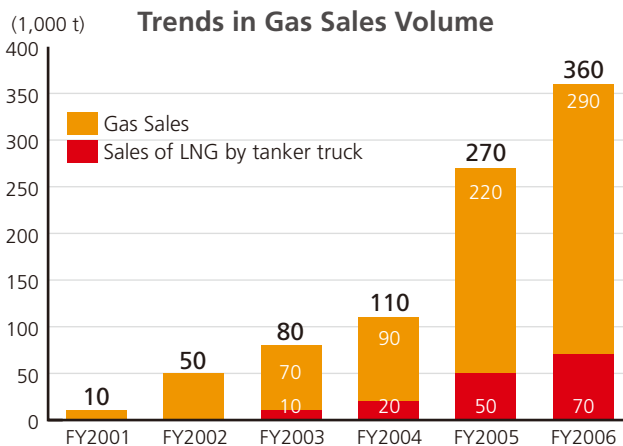
| Period                 | Summary   |  |
|------------------------|---|--|
| October 2002           | · Merger of Chuden Buildings Co., Inc. and Aspac Co., Ltd.  | Reorganization of building leasing business  |
| October 2003           | · Merger of CCS and CTI<br>· Reorganization of Chuden Engineering and Sales Service Shizuoka Co., Ltd. and Chuden Engineering and Sales Service Nagano Co., Ltd.                      | Reorganization of IT and telecommunications business<br>Dissolution of regional businesses |
| January 2006           | · Merger of Eiraku Transportation Co. Ltd. and Oigawa Transportation Co. Ltd.   | Reorganization of transportation business  |
| January 2006           | · Transfer of Chubu Electric Power's telecommunications network assets and FTTH business to CTC   | Reorganization of telecommunications business  |
| October 2006           | · Merger of Eiraku Development Co., Chuden Building Co., and Chubu Greenery Co.<br>· Transfer of business related to power distribution sites of Eiraku Development Co. to NITTAI Co. | Reorganization of buildings business   |
| March 2007             | · TOB of TOENEC Corp. shares to make it a subsidiary of Chubu Electric Power  | Strengthening capital ties   |
| October 2007 (planned) | · Split-up and business transferal of TOENEC and C-TECH   | Reorganization of construction business  |

## ■ Strengthening of Group Management System

To ensure that we meet consolidated management targets, in FY2005 we introduced a group results evaluation system to evaluate progress in plans prepared by group companies. Under this system, plans are evaluated objectively and quantitatively by Chubu Electric Power Company and clear parameters of managerial responsibility are set. And to make this system even more effective, starting this fiscal year we are taking a different approach to director compensation by adopting a performance-based bonus system.

We also plan to increase the efficacy of management supervision by discussing target attainment measures during the strategic group conference that is to be attended by executives from Chubu Electric Power and group companies.

\*CDM/JI business: projects that find, study, and launch clean development mechanism and joint-implementation opportunities, with the goal of gaining CO<sub>2</sub> emission rights.



## ● New Businesses in Operation

| Energy Businesses (in Japan)               |   |  |
|--|---|--|
| Business                                   | Business Entity   | Summary  |
| On-site energy services                    | C-ENERGY CO., INC. Capital: ¥3.4 billion<br>73.4% owned by Chubu Electric Power, 26.6% owned by six other companies       | Established in April 2001, C-ENERGY CO., INC. is a comprehensive energy service provider that serves as a one-stop solution for customers. Business activities include fuel procurement as well as installation, operation, and maintenance of on-site power generation systems. |
| Gas supply (through Chubu-owned pipelines) | Chubu Electric Power ancillary businesses   | Gas sales since 2001, leveraging Chubu Electric-owned fuel for power generation and gas pipelines in areas around power plants. Sales volume has been steadily expanding, with sales to six companies as of March 31, 2007.  |
| Sales of LNG by tanker truck               | LNG Chubu Corp. Capital: ¥200 million<br>51% owned by Chubu Electric Power, 49% owned by two other companies              | Established in June 2000, LNG Chubu Corp. sells LNG (liquefied natural gas) to large corporate customers.  |
|  | Hokuriku Eruneso Co., Ltd. Capital: ¥200 million<br>34% owned by Chubu Electric Power, 66% owned by three other companies | Hokuriku Eruneso Co., Ltd. was established in Aug. 2001 by Hokuriku Electric Power Co., Inc. and two other firms to handle LNG sales in the Hokuriku region.   |

| Energy Businesses (Overseas) |   |  |
|------------------------------|---|--|
| Business                     | Business Entity   | Summary  |
| Power generation             | Chubu Electric Power Company International B.V.(Administration of international businesses)<br>Chubu Electric Power Company U.S.A. Inc. (U.S. investment) | Overseas investment businesses, including IPP businesses.                              |
| Environmental businesses     | Chubu Electric Power Company International B.V. (Administration of international businesses)  | Investment businesses, including overseas CO <sub>2</sub> emission rights acquisition. |
| Overseas consultancies       | Chubu Electric Power ancillary businesses   | Electric power infrastructure consultancies, mainly operating in Asian countries.      |

| Environmental and Lifestyle Support Businesses |   |  |
|--|---|--|
| Business                                       | Business Entity                           | Summary  |
| Manufacture and sales of synthetic zeolite     | Chubu Electric Power ancillary businesses | Manufacture and sales of synthetic zeolite (a substance with properties for deodorizing, water purification and soil conditioning), produced from waste coal ash at thermal power plants.  |
| Real estate businesses                         | Chubu Electric Power ancillary businesses | Makes use of the company's real estate, through land rentals to convenience stores and family restaurants, residential leasing, and sales of residential lots.   |
| Super Sentou (Deluxe bath houses)              | Chuden Real Estate Co., Ltd.              | Kiray Yu Co., Inc. has been established as a new company under the management of Chuden Real Estate Co., Ltd., a group company. The therapeutic bath in urban settings was opened in April 2006 in front of our Okazaki Office in Japan. |

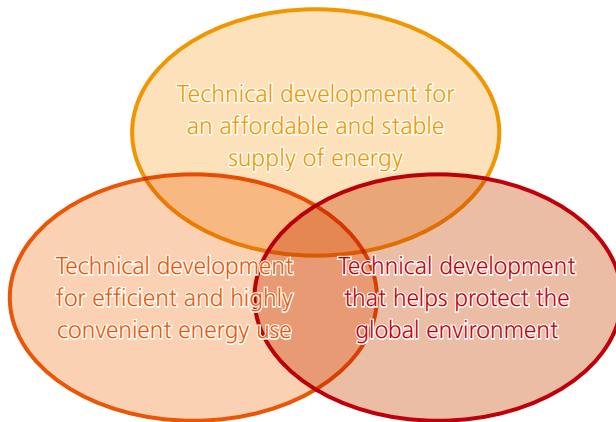
| IT-Related Business |  |  |
|---------------------|--|--|
| Business            | Business Entity  | Summary  |
| FTTH                | Chubu Telecommunications Co., Ltd.<br>Capital: ¥38.8 billion<br>Wholly owned by Chubu Electric Power | The fiber-optic cable network of group company Chubu Telecommunications Co., Ltd. is used to offer fiber to the home (FTTH). The service, which has high-speed internet service up to 100 Mbps was introduced in the city of Nagoya in November 2002. Starting in January 2006, service is being expanded to cover major cities in the four prefectures of the Chubu region. |

# Research and Development

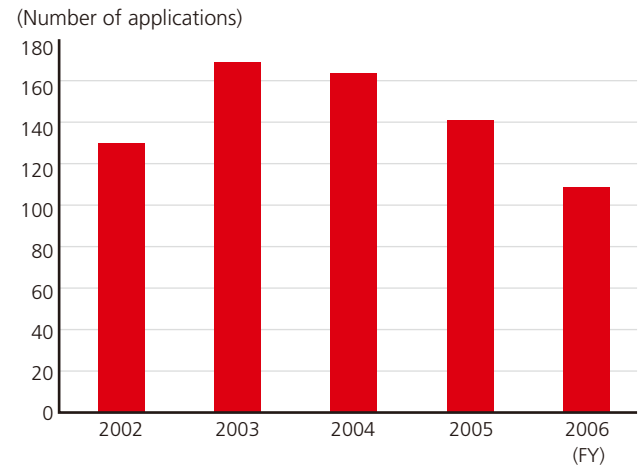
Development by our Research & Development Division (comprising the Research & Development Planning Section, Electric Power Research & Development Center, and Energy Applications Research & Development Center) is focused on the three areas described below. The division practices a flexible and strategic approach in response to business conditions.

Research and development is more cost-effective than ever, in line with cost-cutting measures throughout the company. We prioritize research with a solid potential for profitability, and we apply the results in all aspects of business, including sales activities.

## Fields of Technical Development



## Number of Patent, Utility Design, and Industrial Design Applications Pending



## Major Research Achievements



Ultra high-efficiency air-cooled heat pump chiller "High Eff Heat Pump"

### Development of a highly efficient air-cooled heat pump chiller

As part of our commitment to energy efficiency and reduced CO<sub>2</sub> emissions, we have jointly developed with The Tokyo Electric Power Company, Inc., The Kansai Electric Power Co., Inc., and Kobe Steel, Ltd. the ultra high-efficiency "High Eff Heat Pump" with a cooling capacity of 528 kW. Air-cooled heat pump chillers produce cold and hot water used by air conditioners in factories and office buildings.

The newly developed machine offers significantly better performance of the air heat-exchanger, which releases exhaust heat when an air conditioner is in use. As an innovative feature of the chiller, water is sprayed to enhance cooling. The result is a unit offering industry-leading energy efficiency.

The technical innovation and energy efficiency of this chiller was recognized with the 17th Energy Conservation Prize by the Ministry of Economy, Trade and Industry (specifically, the Chairman Prize of the Energy Conservation Center, Japan).

### Development of Backup Systems for Momentary Voltage Drops

Manufacturing plants for semiconductors and precision tools require electricity of extremely high quality. Momentary voltage drops from lightning or other factors can lead to malfunctions and shutdowns of manufacturing equipment, with severe repercussions for our customers' production activities. To prevent such incidents, we have developed a variety of backup systems.

## SMES: Superconducting Magnetic Energy Storage System

A backup system designed to provide auxiliary power during momentary voltage drops at large manufacturing plants; this system employs superconductor coils, which allow for massive amounts of electric power to be charged or discharged rapidly. Since July 2003, we have been carrying out verification tests at a major electrical appliance manufacturer.

## Momentary Voltage Dip Compensator using EDLC (Electric Double-Layer Capacitors)

By incorporating a double-layer capacitor capable of storing a large amount of electricity in a small device, we have developed a momentary voltage dip compensator that is highly efficient and maintenance-free. Successful development of systems from low-voltage, low-capacity units (200 V and 50–200 kVA) to high-voltage, high-capacity units (6,600 V and 500–10,000 kVA) enables us to provide broad support for customers with a range of needs in preventing momentary voltage dips.

## Development of Equipment for CFC Destruction

CFCs are known to deplete the ozone layer and contribute to global warming. We have developed equipment for destruction of CFCs as a technological response to this global environmental problem that also helps ensure regulatory compliance. This equipment breaks down CFCs in a dry process involving a chemical reaction between solid alkaline materials (which regulate the reaction) and CFCs, using our proprietary technology. Requiring no complicated wastewater treatment, the process can break down CFCs at a lower temperature than conventional thermal decomposition systems.

The equipment is installed at Chukyo Fron Co., Ltd., a company involved in CFC destruction, and was granted official approval in March 2006 under the Law concerning the Recovery and Destruction of Fluorocarbons, enacted by the Japanese Ministry of Economy, Trade and Industry and the Ministry of the Environment. This equipment is useful in preventing ozone depletion and global warming, which responds to the growing social need for appropriate destruction of CFCs.

## Development and Marketing of Synthetic Zeolite, "Circulash"

Synthetic zeolite is a fine gray powder created from chemically treated coal ash. Its porous crystalline structure has absorbent, cation-exchange, and catalytic capabilities, making synthetic zeolite useful in many different applications, such as removing odorous gases and improving the environment through water purification and soil improvement. Chubu Electric Power Company has developed technology to produce high-quality synthetic zeolite from coal ash generated at coal-fired power plants. We have marketed this product since October 2004 under the name "Circulash."



Verification test of SMES (10,000 kW/second compensation)



High Voltage Large Capacity Momentary Voltage Dip Compensator using EDLC (Electric Double-Layer Capacitors) (10,000kVA/second compensation)



Development of equipment for CFC destruction



Circulash synthetic zeolite

# Corporate Social Responsibility



## 1 Managerial Activities

Strengthening Corporate Governance  
Promotion of Compliance Management

## 2 Environmental Activities

Controlling CO<sub>2</sub> Emissions  
Reduction of Sulphur Oxide and  
Nitrogen Oxide Emissions  
Maintaining Environmental Management  
Systems

## 3 Community Activities

## CSR

The group has worked actively to fulfill our responsibilities as a good corporate citizen through our initiatives to establish a compliance system and to resolve global environmental issues. Looking ahead, we will continue to fulfill our corporate social responsibility (CSR) by working in good faith to meet the expectations of all our stakeholders—our customers, shareholders and investors, local communities, business partners, and employees; communicating our initiatives in a clear and easy-to-understand manner; and continually improving them with the help of feedback from our stakeholders.

As for specific efforts, we have created a stronger framework for CSR by establishing a CSR Group in our Corporate Planning & Strategy Division in July 2005, followed in September by the creation of a CSR Council consisting of division managers. The council selects socially significant CSR topics for management and prioritizes them, and tracks progress in each division.

To summarize our approach to CSR and communicate our message more directly and clearly to all stakeholders, we have also formulated a CSR Declaration.

## 1 Managerial Activities

### Strengthening Corporate Governance

Fairness and transparency are central to our management. In FY2005 we reduced the number of directors on our board and implemented other reforms that affect our management structure as a whole. To promote these efforts and enhance the board's supervisory functions, after a general shareholders' meeting in June 2007, we revised the management structure through measures focused on the introduction of external directors and the reconstruction of the executive officer system.

We are committed to further strengthening our corporate governance with the goal of gaining an even greater level of trust from our stakeholders with regard to our management.



## CSR Declaration

Fulfilling our responsibilities and meeting the expectations of society

### Chubu Electric Power are committed to:

Contributing to the development of a sustainable society by giving top priority to safety and striving to both provide a stable supply of energy and protect the global environment;  
 Managing our businesses in a fair and manner manne by observing laws, regulations, and social rules, and by respecting corporate ethics; and  
 Giving priority to dialogue with all our stakeholders and maintaining high levels of transparency and openness in our business activities.

#### (Customers)

We are committed to providing our customers with safe, reliable, convenient, and inexpensive energy services.

#### (Shareholders and investors)

We are striving to maintain and increase profits for our shareholders and investors through efficient management and effective investment.

#### (Local communities)

We are determined to contribute to sustainable local development in partnership with local communities.

#### (Business Partners)

We promise to deal fairly with our suppliers as equal business partners.

#### (Employees)

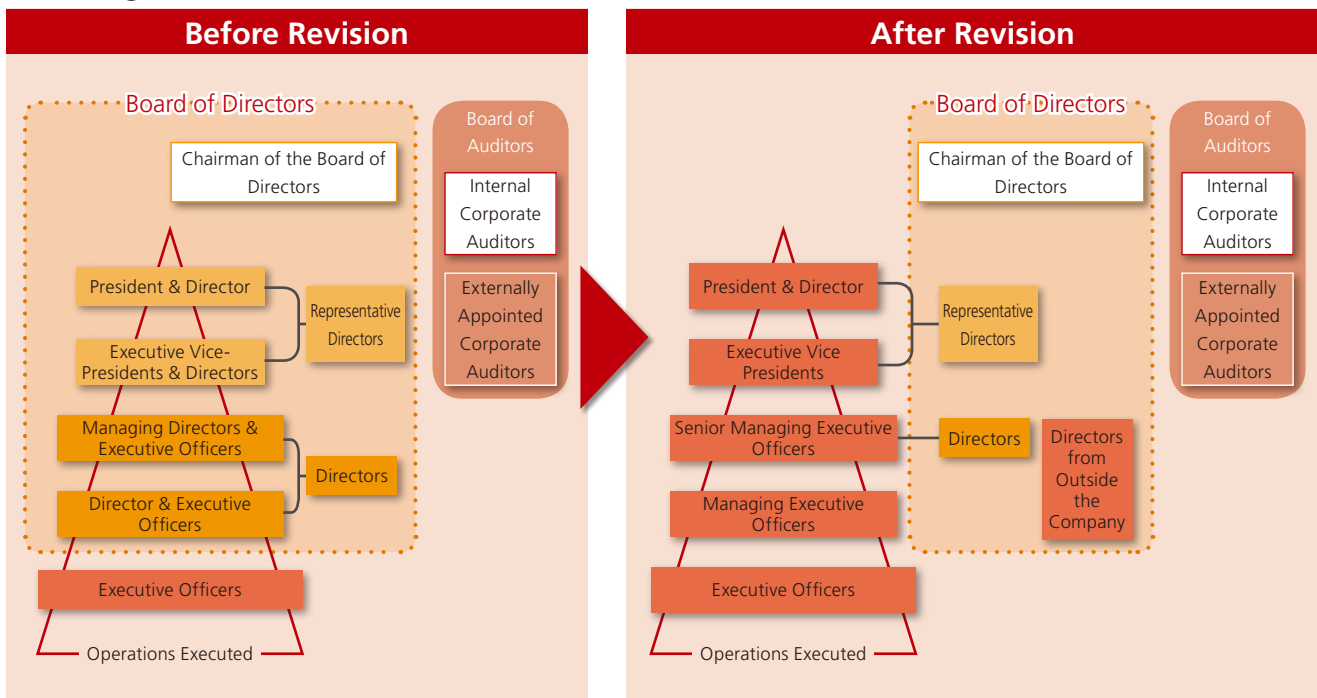
We respect individuals, and are endeavoring to create a cheerful and motivating workplace.



### Chubu Electric Power CSR Report (reference)

To keep our stakeholders informed, we publish the Chubu Electric Power CSR Report as a summary of our initiatives in the fields of management and economy, the environment, and society.

## Management Structure



## Chubu Electric Power Declaration of Compliance

Without compliance, there cannot be trust.  
Without trust, there cannot be growth.

## The Eight Action Guidelines of Chubu Electric Power Co., Inc.

Becoming a "good corporate citizen"  
that is highly trusted and has the support of society.

### Thorough Compliance

We comply with the law, CEPCO's rules and corporate ethics.

### Fair and Sincere Corporate Activities

We treat our customers, business partners and local communities fairly.

### Proper Information Management and Disclosure

We deal with information fairly, confidentially and accurately, and we disclose information required of CEPCO on time.

### Establishing a Sound Corporate Culture

We respect human rights and provide for a sound business culture.

### Maintaining a Good Relationship with the Government and Authorities

We will take no actions that make people doubt our fairness in undertaking our business activities.

### Proper Management and Utilization of Assets

We administer and use CEPCO's assets in a proper fashion.

### Environmental Conservation

We make efforts to minimize the environmental impact of CEPCO's operations.

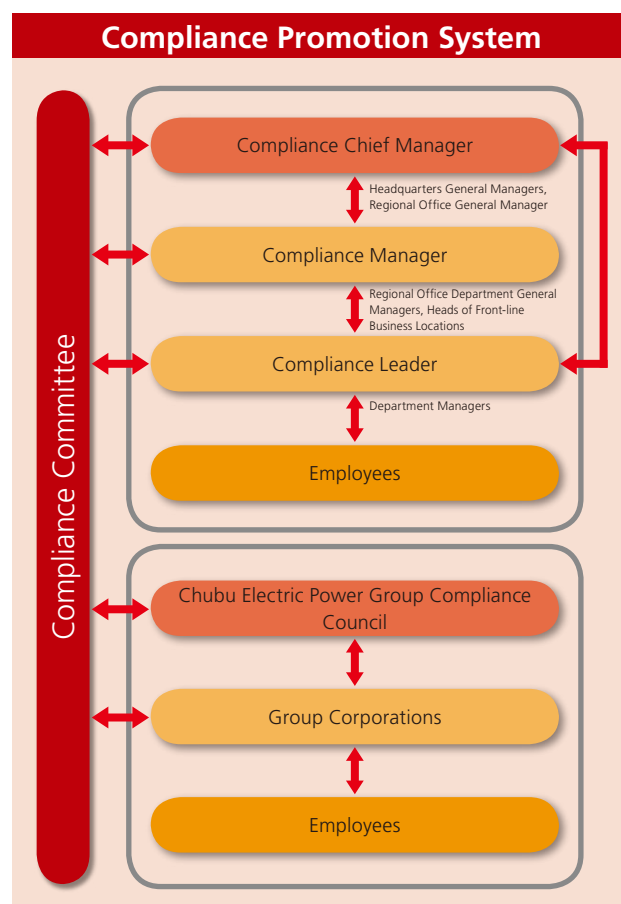
### Assuring Safety, Hygiene and Security

We strive to maintain a safe and healthy work environment and ensure the security of CEPCO's plants and infrastructure.

## Promotion of Compliance Management

We have created a company-wide compliance regime and created policies including the Chubu Electric Power Declaration of Compliance and the Eight Action Guidelines of Chubu Electric Power Co., Inc. to ensure that each division and facility acts autonomously under the guidance of the Compliance Committee. What's more, we have established internal and external help lines regarding compliance, with the latter supported by legal professionals, and as we educate all employees on matters of compliance, we feel these efforts represent proactive compliance management.

Furthermore, we are working to establish our compliance system as a group by setting up the Chubu Electric Power Group Compliance Council and a dedicated joint-help line for inquiries from group companies. At the council meeting held in FY2006, we confirmed that directors of group companies should take the initiative in setting a good example for others to follow. Additionally, after adopting a joint declaration, we issued a statement regarding mutual cooperation.



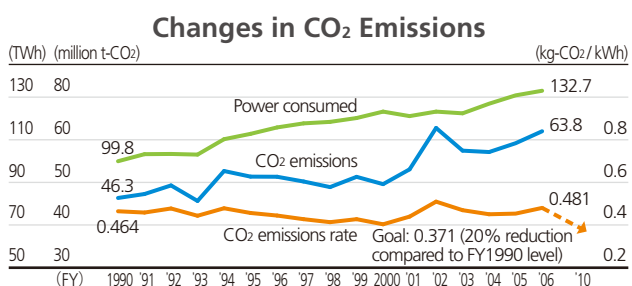
## 2 Environmental Activities

Recognizing environmental activities as one of the foremost issues for the group as a whole, Chubu Electric Power Company established the Chubu Electric Power Group Environmental Declaration in April 2004, defining the group's philosophy and vision with respect to the environment. Under this declaration, we continue to evolve into a corporate group that shares environmental values with society, and one that contributes to the sustainable development of our local communities.

### Reducing CO<sub>2</sub> Emissions

As we work to ensure a stable supply of electric power, we are making efforts to reduce the quantity of CO<sub>2</sub> emitted per kWh of electric power consumed (that is, the CO<sub>2</sub> emission base unit). Specifically, we are increasing the capacity utilization rate of nuclear power stations (while maintaining the highest levels of safety), steadily developing high-efficiency LNG thermal generators, introducing new energy sources (such as the wind, biomass, and small hydroelectric power plants developed in-house), and acquiring CO<sub>2</sub> emission credits using the Kyoto mechanism. These are only a few of the programs we actively promote.

Through these efforts, we are striving to lower our average CO<sub>2</sub> emission rate by 20% relative to FY1990 levels during the first commitment period of the Kyoto Protocol (FY2008–2012). In FY2006, the CO<sub>2</sub> emission rate was



0.481 kg-CO<sub>2</sub>/kWh, an increase of 3.6% over FY1990 levels. This was due to greater sales of electric energy and problems with a low-pressure turbine at Hamaoka Nuclear Power Station No. 5, among other factors.

### Reduction of Sulphur Oxide and Nitrogen Oxide Emissions

By expanding our use of LNG, which contains no sulphur, and utilizing sulphur- and nitrate-removing devices, SO<sub>x</sub> and NO<sub>x</sub> emissions per unit of electricity generated from our thermal power plants are exceptionally low, at the level of all other leading plants worldwide.

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

|                               | SO <sub>x</sub> | NO <sub>x</sub> |
|-------------------------------|-----------------|-----------------|
| U.K. (2002)                   | 2.6             | 1.5             |
| France (2002)                 | 2.0             | 2.0             |
| U.S.A. (2002)                 | 3.7             | 1.7             |
| Japan (2005)                  | 0.2             | 0.3             |
| Chubu Electric Power (FY2006) | 0.05            | 0.09            |

### Maintaining Environmental Management Systems

For some time now, we have maintained environmental management systems based on the international standard ISO 14001. We supplement ISO 14001 certification with our own certification system\*, for which approximately 97% of our offices and facilities have been certified as of the end of FY2005.

To enhance EMS efficacy and efficiency, we have implemented a system that enables environmental management directly linked to our business activities, and we seek greater efficiency at all offices through this management system.

## ● Chubu Electric Power Group Environmental Declaration

|  |   |   |
|--|---|---|
| <b>Environmental Philosophy</b>  | 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.   |   |
| <b>Environmental Vision</b>  | We will promote global environmental conservation and contribute to the development of local communities capable of sustainable growth.<br>— Transforming ourselves into a corporate group that enables each member to share in the environmental culture — |   |
|  | Guideline 1. 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.  |
|  | Guideline 2. 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>Environmental Vision</b>  | Guideline 3. We will improve our level of environmental management.   |   |
|  | • We will clearly recognize the environmental impact of our operations and undertake thorough environmentally conscious administration.   | • We will cultivate personnel capable of independently taking action on environmental concerns. |
|  | Guideline 4. 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.   |   |

\*Internal certification system: After sites issue self-declarations of conformity according to ISO 14001, auditing by our subsidiary Techno Chubu Co., Ltd. is conducted on a level equivalent to that of auditing and registration institutions.

### ③ Community Activities

We actively contribute to the sustainable development of our local communities through highly transparent business management practices, which we feel are an earnest commitment that answers the expectations of our stakeholders.

Especially in an industry involving facilities such as ours, public and employee safety is paramount. Our most fundamental concern is the safe and stable operation of all of our many facilities, and because we view this as the basis for trust, we will continue to work diligently in this regard.



Eco-Talk Session

#### Customers

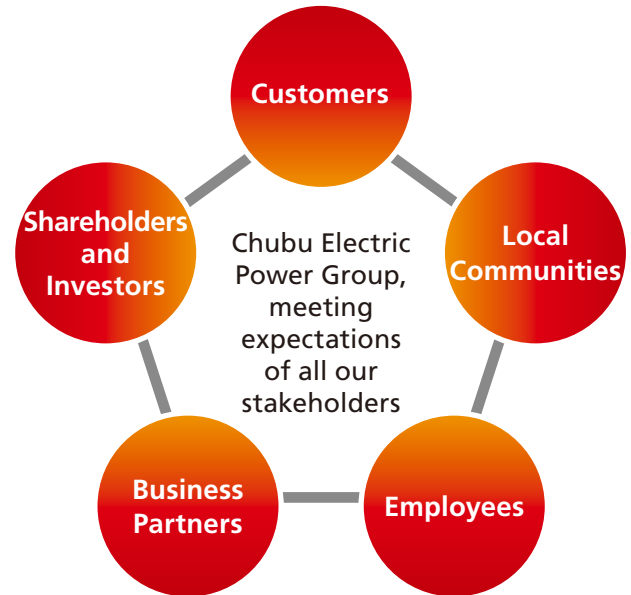
Our efforts to improve services are guided by a regard for our customers' point of view, and we listen carefully to a range of feedback and suggestions from them. To protect personal information, we have established basic policies to promote appropriate practices and internal rules, along with employee education on those policies.

#### Shareholders and Investors

Through our investor relations programs, we provide timely and appropriate information disclosure to shareholders and investors, ensuring significant transparency. We strive to encourage mutual communication as a commitment to maintaining the trust of our stakeholders.

#### Local Communities

Enhancing the safety and peace-of-mind of local communities, supporting the next generation, participating in volunteer activities, contributing to regional development projects of business groups, and building social trust are some examples of our wide-ranging and active commitment to community development.



#### Business Partners

Based on a basic procurement policy accounting for CSR, we strive to foster solid bonds of trust through open communication and fair and sincere dealings with our business partners. In collaborative procurement of materials, we seek to broaden applications for practicing CSR.

#### Employees

To let a corporation fulfill its social responsibility and contribute to the society where sustainable development is possible, employees who directly support business activities must be aware of corporate social responsibility. It is crucial for us that employees behave as leaders in matters of regulatory compliance and other facets of CSR. For this reason, we fairly evaluate the roles employees fulfill and offer commensurate compensation, enabling us to foster workplace environments in which employees feel professional pride in serving the public and work with enthusiasm. We encourage respect in the workplace and are committed to improving our hiring, training, and health and safety programs, among other efforts.



Chairman of the Board of Directors  
Fumio Kawaguchi



President & Director  
Toshio Mita

## Chairman of the Board of Directors

Fumio Kawaguchi

## President & Director

Toshio Mita

## Directors, Executive Vice Presidents

Hiroshi Ochi

(Corporate Communication Dept., General Affairs Dept., General Manager of Secretarial Services Dept., General Manager of Affiliated Business Planning & Development Division)

Shirou Mizutani

(Finance & Accounting Dept., Fuels Dept., General Manager of Gas Sales & Service Dept.)

Haruhiko Asano

(Personnel Dept., Human Resources Development Center, General Manager of Power Generation Division)

Masahiro Kakumu

(Legal Affairs Dept., General Manager of Corporate Planning & Strategy Division)

Yoshihito Miyaike

(Purchasing & Contracting Dept., General Manager of Information Systems Dept., General Manager of Environmental Affairs & Plant Siting Division)

## Directors, Senior Managing Executive Officers

Toshiyuki Nosaka

(General Manager of Land Affairs Dept., and Telecommunications Engineering Dept., General Manager of Power System Division)

Yuji Kume

(General Manager of Customer Service Division)

Takaaki Tanaka

(General Manager of Research & Development Division)

Ryousuke Mizutani

(General Manager of Hamaoka Central Administration Office)

## Directors

Norihisa Ito

Hideko Katsumata

Shun Matsushita

## Senior Corporate Auditors

Ryuichi Hamada (full-time)

Hitoshi Yoshida (full-time)

## Corporate Auditors

Kouta Asada (full-time)

Masaaki Iritani

Minoru Matsuo

Toshiko Aburada

Kenji Matsuo



Director, Executive Vice President

Hiroshi Ochi



Director, Executive Vice President

Shirou Mizutani



Director, Executive Vice President

Haruhiko Asano



Director, Executive Vice President

Masahiro Kakumu



Director, Executive Vice President

Yoshihito Miyaike



Director, Senior Managing Executive Officer

Toshiyuki Nosaka



Director, Senior Managing Executive Officer

Yuji Kume



Director, Senior Managing Executive Officer

Takaaki Tanaka



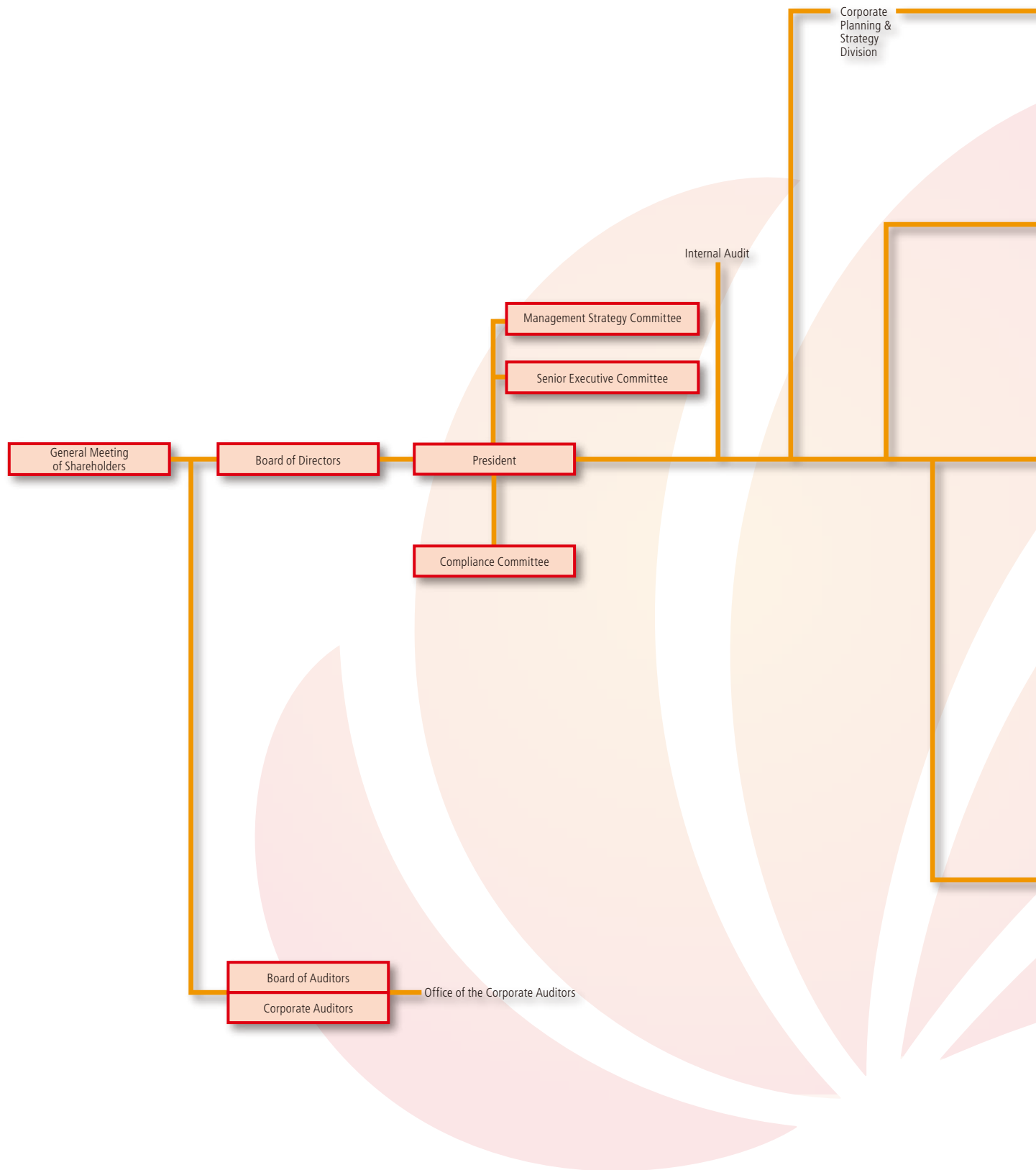
Director, Senior Managing Executive Officer

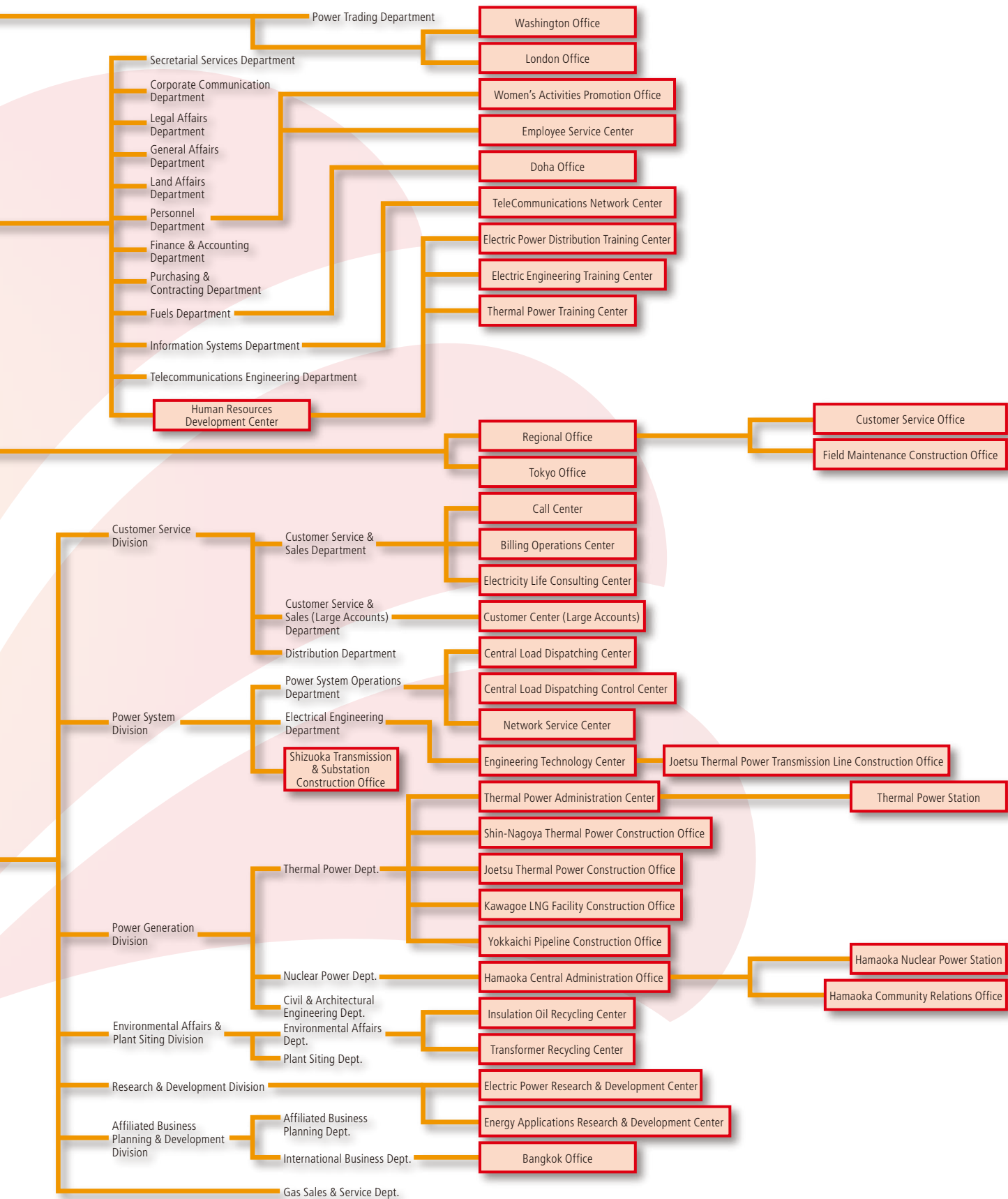
Ryousuke Mizutani

Notes 1) Directors Hideko Katsumata and Shun Matsushita are directors from outside the company as defined in Article 2, Clause 15 of the Japanese Corporate Law.

2) Auditors Masaaki Iritani, Minoru Matsuo, Toshiko Aburada, and Kenji Matsuo are externally appointed corporate auditors as defined in Article 2, Clause 16 of the Japanese Corporate Law.

# Chubu Electric Power Co., Inc. Organization Chart (As of July 1, 2007)





Chubu Electric Power Co., Inc. Organization Chart

## Electric Power Business

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

AOYAMA-KOGEN WIND FARM CORPORATION

A. T. Biopower Co., Ltd.

Compañía de Generación Valladolid, S. de R.L. de C.V.



Flow of services and products



The Company reported the financial statements



Consolidated Subsidiaries



Affiliates accounted for under the equity method

## Energy Businesses

|                       |                                 |                                 |
|-----------------------|---------------------------------|---------------------------------|
| Chita L.N.G.Co., Ltd. | Hamamatsu D.H.C.Co., Ltd.       | Nagoya Energy Service Co., Ltd. |
| LNG Chubu CORPORATION | CJIA ENERGY SUPPLY COMPANY,LTD. | Hokuriku Erunesu Co., Ltd.      |
| C ENERGY CO., INC.    | S energy service Co., Ltd.      |                                 |

## IT and Telecommunications

|   |                      |  |
|---|----------------------|--|
| Chubu Telecommunications Co.,Inc.             | Chuden CTI Co., Ltd. | CHUBU CABLE NETWORK COMPANY,INCORPORATED |
| Network Support Service Company, Incorporated |                      | Omaezaki Cable Television                |

## Other Businesses

### Construction

|                           |   |                                 |
|---------------------------|---|---------------------------------|
| TOENEC CORPORATION        | Chubu Plant Service Co., Ltd.           | G-TECH CORPORATION              |
| TOENEC Service Co., Ltd.  | TOENEC(TAIWAN)Co., Ltd.                 | TOENEC PHILIPPINES INCORPORATED |
| TOENEC(THAILAND)Co., Ltd. | TOENEC CONSTRUCTION (SHANGHAI)Co., Ltd. |                                 |

### Manufacturing

|                                     |                               |                                     |
|-------------------------------------|-------------------------------|-------------------------------------|
| Chubu Precision Machinery Co., Ltd. | AICHI ELECTRIC Co., Ltd.      | TOKAI CONCRETE INDUSTRIES Co., Ltd. |
| COMRES CORPORATION                  | AICHI KINZOKU KOGYO Co., Ltd. | Chubu Liquid Oxygen CO., Ltd.       |
|                                     | Chita Tansan Co., Ltd.        |                                     |

### Transportation

|   |                                 |  |
|---|---------------------------------|--|
| Chuden Transportation Service Co., Ltd. | SHIN-NIHON HELICOPTER Co., Ltd. |  |
|---|---------------------------------|--|

### Real Estate Management

|                              |  |  |
|------------------------------|--|--|
| Chuden Real Estate Co., Inc. |  |  |
|------------------------------|--|--|

### Services/Others

|   |   |   |
|---|---|---|
| CHUDEN KOGYO Co., Ltd.                    | Chuden Haiden Support Co., Ltd.                 | KASUMI BERTH CO., Inc.                            |
| EIRAKU AUTO SERVICE Co., Ltd.             | Toho Oil Co., Ltd.                              | NIPPON MALENIT Co., LTD.                          |
| Chita Berth Co., Inc.                     | Chuden Disaster Prevention Co., Ltd.            | Compañía de Operación Valladolid,S.de R.L.de C.V. |
| Chubu Cryogenics Co.,Ltd.                 | Techno Chubu Co., Ltd.                          | Chubu Ratchaburi Electric Services Co., Ltd.      |
| LiveNet Co., Ltd.                         | CHUBU HOME WARRANTEE CORPORATION                | Tyr Capital, LLC                                  |
| Chuden Wing Co., LTD.                     | Chubu Electric Power Company International B.V. | Zeneral Heatpump Industry Co., Ltd.               |
| CHUDEN BUSINESS SUPPORT Co., Ltd.         | Toho Industry Co., Ltd.                         | PFI Toyokawa Hoisaijyo Co., LTD.                  |
| Chubu Electric Power (Thailand) Co., Ltd. | Chubu Electric Power Company U.S.A. Inc.        |   |
| Kiray Yu Co., Inc.                        | FILLTECH CORPORATION                            |   |



## Operating / Financial Data Section

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## FIVE-YEAR OPERATING AND FINANCIAL STATISTICS

### OPERATING STATISTICS

Chubu Electric Power Company, Incorporated

|                                   | FY 2002        | FY 2003        | FY 2004        | FY 2005        | FY 2006        |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>Electric Energy Sold (GWh)</b> |                |                |                |                |                |
| Customers Under Regulation        |                |                |                |                |                |
| Electric Lighting                 | 32,844         | 32,530         | 34,079         | 35,291         | 34,753         |
| Electric Power                    | 8,573          | 7,878          | 8,013          | 7,864          | 7,366          |
| Total                             | 41,417         | 40,408         | 42,092         | 43,155         | 42,119         |
| Customers Under Liberalization*   | 81,633         | 81,808         | 84,571         | 87,406         | 90,568         |
| <b>Total Electric Energy Sold</b> | <b>123,050</b> | <b>122,216</b> | <b>126,663</b> | <b>130,561</b> | <b>132,687</b> |

Notes: 1) Customers under liberalization in FY2005 corresponds to demand from all customers of high-voltage electricity.

2) Customers Under Liberalization in and before FY2004 are re-categorized in the same definition as is in FY2005.

### Breakdown of Industrial Large-lot Electric Energy Sold (GWh)

|                        | FY 2002       | FY 2003       | FY 2004       | FY 2005       | FY 2006       |
|------------------------|---------------|---------------|---------------|---------------|---------------|
| Mining and Industry    |               |               |               |               |               |
| Mining                 | 68            | 51            | 41            | 41            | 49            |
| Manufacturing Industry |               |               |               |               |               |
| Foodstuffs             | 2,219         | 2,210         | 2,261         | 2,330         | 2,459         |
| Textiles               | 800           | 743           | 705           | 820           | 818           |
| Pulps and Papers       | 1,737         | 1,674         | 1,571         | 1,712         | 1,733         |
| Chemicals              | 2,979         | 3,047         | 3,088         | 3,134         | 3,366         |
| Oil and Coal Products  | 152           | 37            | 56            | 54            | 79            |
| Rubber                 | 928           | 941           | 949           | 939           | 872           |
| Clay and Stone         | 2,286         | 2,268         | 2,304         | 2,444         | 2,632         |
| Iron and Steel         | 5,967         | 6,095         | 6,270         | 6,426         | 6,574         |
| Non-ferrous Metals     | 1,524         | 1,448         | 1,445         | 1,570         | 1,698         |
| Machinery              | 18,075        | 18,212        | 19,151        | 19,880        | 21,678        |
| Others                 | 4,878         | 4,849         | 4,994         | 5,147         | 5,547         |
| Total                  | 41,545        | 41,524        | 42,794        | 44,456        | 47,456        |
| Total                  | 41,613        | 41,575        | 42,835        | 44,497        | 47,505        |
| Others                 |               |               |               |               |               |
| Railways               | 2,633         | 2,618         | 2,728         | 2,814         | 2,752         |
| Others                 | 3,170         | 3,216         | 3,218         | 3,306         | 3,342         |
| Total                  | 5,803         | 5,834         | 5,946         | 6,120         | 6,094         |
| <b>Total</b>           | <b>47,416</b> | <b>47,409</b> | <b>48,781</b> | <b>50,617</b> | <b>53,599</b> |

### Electric Energy Supplied (GWh)

|                                       |                |                |                |                |                |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Kilowatt-Hours Generated              | 118,384        | 117,741        | 122,926        | 126,234        | 127,399        |
| Hydroelectric                         | 7,940          | 10,420         | 10,450         | 7,564          | 8,651          |
| Thermal                               | 99,760         | 90,432         | 90,285         | 91,045         | 100,603        |
| Nuclear                               | 10,684         | 16,889         | 22,191         | 27,625         | 18,145         |
| Purchased Power                       | 11,503         | 13,616         | 14,075         | 13,347         | 13,554         |
| Interchanged Power (net)              | 5,621          | 3,345          | 2,935          | 3,793          | 4,698          |
| Power Used for Pumped Storage         | (1,151)        | (1,547)        | (1,941)        | (1,275)        | (1,590)        |
| <b>Total Electric Energy Supplied</b> | <b>134,357</b> | <b>133,155</b> | <b>137,995</b> | <b>142,099</b> | <b>144,061</b> |

|   | FY 2002       | FY 2003       | FY 2004       | FY 2005       | FY 2006       |
|---|---------------|---------------|---------------|---------------|---------------|
| <b>Generating Capacity (MW)</b>                           |               |               |               |               |               |
| Hydroelectric   | 5,215         | 5,217         | 5,218         | 5,220         | 5,220         |
| Thermal   | 23,901        | 22,901        | 22,370        | 22,369        | 22,369        |
| Nuclear   | 3,617         | 3,617         | 4,997         | 4,997         | 4,884         |
| <b>Total Generating Capacity</b>                          | <b>32,733</b> | <b>31,735</b> | <b>32,585</b> | <b>32,586</b> | <b>32,473</b> |
| Annual Peak Load<br>(three-day average of sending end;MW) | 26,313        | 24,895        | 25,446        | 25,558        | 26,852        |
| Transmission Lines (route length in km)                   | 12,183        | 12,212        | 12,186        | 12,149        | 12,218        |
| Substation Capacity (MVA)                                 | 120,202       | 120,206       | 119,670       | 120,110       | 120,613       |
| BTB Station Capacity (MW)                                 | 300           | 300           | 300           | 300           | 300           |
| Distribution Lines (line length in km)                    | 530,139       | 532,820       | 535,399       | 537,731       | 540,069       |
| Number of Employees (people)                              | 17,994        | 17,416        | 16,834        | 16,245        | 16,025        |

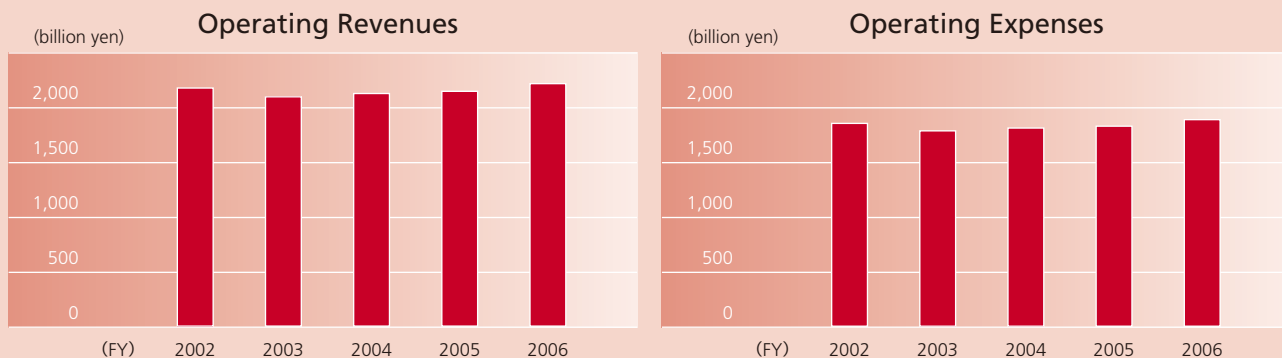
## FINANCIAL STATISTICS (CONSOLIDATED)

Chubu Electric Power Company, Incorporated and Subsidiaries

|                                  | Millions of Yen |            |            |            |            | Thousands of<br>U.S. Dollars |
|----------------------------------|-----------------|------------|------------|------------|------------|------------------------------|
|                                  | FY 2002         | FY 2003    | FY 2004    | FY 2005    | FY 2006    | FY 2006                      |
| Operating Revenues               | ¥2,176,072      | ¥2,101,072 | ¥2,133,224 | ¥2,150,508 | ¥2,213,793 | \$18,753,011                 |
| Operating Income                 | 312,472         | 334,412    | 342,160    | 322,105    | 246,712    | 2,089,894                    |
| Net Income                       | 106,494         | 114,718    | 91,271     | 119,458    | 90,551     | 767,056                      |
| Per Share (yen and U.S. dollars) |                 |            |            |            |            |                              |
| Net Income (Basic)               | ¥144.24         | ¥157.21    | ¥125.68    | ¥162.07    | ¥115.80    | \$0.98                       |
| Shareholders' Equity             | 1,775.44        | 1,897.81   | 1,952.45   | 2,121.40   | 2,212.67   | 18.74                        |
| Total Assets                     | ¥6,282,500      | ¥6,060,178 | ¥5,703,558 | ¥5,741,876 | ¥5,701,715 | \$48,299,153                 |
| Total Shareholders' Equity       | 1,307,180       | 1,377,180  | 1,413,233  | 1,659,313  | —          | —                            |
| Total Net Assets                 | —               | —          | —          | —          | 1,769,825  | 14,992,164                   |

Notes: 1) U.S.dollar amounts are translated from yen, for convenience only, at the rate of ¥118.05=US\$1.

2) The above figures are based on consolidated data.



## Management Discussion and Analysis of Results

< FY2006 >

### Overview

Total electric energy sold increased by 1.6% over that of FY2005 to 132.7 TWh as a result of steady demand in the industrial sector due to a general domestic economic recovery, in addition to marketing efforts.

Considering demand from customers under regulation, despite an increase in contracts, demand for electric lighting was down 1.5% from the previous fiscal year, recording a figure of 34.7 TWh, mainly due to a reduction in demand for air conditioners caused by cooler summer temperatures and warmer winter temperatures. In addition to climate conditions, as seen in the demand for electric lighting, a decline in contracts also affected demand for low-voltage, which recorded a drop of 6.3% to 7.4 TWh. Turning to demand from customers facing liberalization, commercial demand increased by 1.6% to 22.9 TWh with steady demand from commercial facilities, and strengthening demand from the machinery and chemical sectors saw an increase of 4.3% in industrial demand to 67.7 TWh.

On the supply front, despite a water shortage, the water flow rate increased to 95.7%, against 82.6% in FY2005, and hydroelectric power generation increased by 14.4% to 8.7 TWh.

However, nuclear power generation was down by 34.3% to 18.1 TWh, mainly due to the suspension of operation of Hamaoka Nuclear Power Station Unit 5.

The conditions indicated above resulted in a 10.5% increase in thermal power generation to 100.6 TWh.

### Consolidated Operating Revenues, Expenses, and Income

Consolidated operating revenues for our electricity business increased by 1.9% over the previous fiscal year to ¥2,080.5 billion, mainly due to increased electricity sales revenues generated by an increase in the amount of electric energy sold.

However, despite a decrease in salaries and employee benefits expenses (due to a reduction in employee retirement benefits, among other factors) and in

depreciation expenses, consolidated operating expenses in electricity business increased by 6.9% to ¥1,846.4 billion with an increase in fuel expenses, due to rising fuel prices and the effect of the suspension of operation of Hamaoka Nuclear Power Station Unit 5.

Total operating revenues in other business segments increased by 22.1% to ¥133.3 billion, primarily due to increased revenues in group energy and construction businesses.

However, increased energy and construction revenues have also generated increased costs, resulting in a 19.2% increase in operating expenses for other business segments to ¥120.7 billion.

As a result, consolidated operating income for our electricity business and other business segments recorded a 23.4% decline from that of FY2005, totaling ¥246.7 billion.

Total other expenses, calculated by deducting consolidated non-operating expenses from consolidated non-operating revenues, decreased to ¥89.7 billion, down 34.0% from FY2005. A loss of ¥16.3 billion was recorded from the one-time amortization of goodwill of Chubu Telecommunications, but this was offset by reductions in interest expenses and a reduction in the loss on the discontinuation of construction of a hydroelectric power plant.

Consequently, consolidated income before provision of a reserve for fluctuation in water levels, income taxes and minority interests totaled ¥157.0 billion, down 15.7% from the previous fiscal year.

The low water levels that characterized FY2005 continued in FY2006 with a water flow rate of 95.7%, resulting in the use of ¥2.7 billion from the reserve for fluctuation in water levels.

As a result, income before income taxes and minority interests decreased by 18.3% to ¥159.7 billion over the previous fiscal year. Net income following deduction of income taxes and other items was ¥90.6 billion, down 24.2% from FY2005.

### Consolidated Financial Standing

Net consolidated property, plant and equipment

totaled ¥4,314.6 billion, down 3.4% from the previous fiscal year end, due to reduced capital investment and ongoing depreciation.

Total nuclear fuel assets rose by 1.7% to ¥254.3 billion with an increase in the amount of nuclear fuel in processing.

Investments and other assets were reduced by 3.0% to ¥696.4 billion, mainly due to reductions in long-term investments and deferred tax assets.

Current assets rose by 41.0% to ¥436.4 billion with an increase in trade notes receivable and accounts receivable when TOENEC became a consolidated subsidiary at the end of FY2006.

As a result, total assets were on par with figures for the previous fiscal year at ¥5,701.7 billion.

Total liabilities declined 3.4% to ¥3,931.9 billion, mainly due to reduced interest-bearing debt.

While fuel expenses and other expenses in our electricity business rose, increased electricity sales revenues and reductions in salaries and employee benefits expenses and depreciation expenses enabled the achievement of a net income of ¥90.6 billion, and net assets remained on a par with the figure recorded for FY2005 at ¥1,769.8 billion.

As a result, our shareholders' equity ratio increased by 1.4% over the previous fiscal year to 30.3%.

### Outline of Consolidated Cash Flow

The Chubu Electric Power Group mainly allocates cash and cash equivalents obtained from business activities ("funds" hereafter) for shareholders' returns, such as acquiring new fixed assets, improving the group's financial footing, purchasing treasury stocks, and paying dividends to shareholders.

Increased fuel expenses in our electricity business were offset by a rise in electricity sales revenues due to an increased amount of electric energy sold and a reduction in the level of funding of the fund for reprocessing of irradiated nuclear fuel (as a result of having allocated funds for previous years to the reserve in FY2005), resulting in a 43.7% increase over the previous fiscal year in cash flow from operating activities to ¥441.5 billion.

Net cash used in investment activities rose 23.9% from that in FY2005 to ¥174.4 billion, mainly due to increased expenditure for acquisition of fixed assets in our electricity business.

As a result, free cash flow increased by 60.5% to ¥267.2 billion.

Reduction of interest-bearing debts and payment of dividends to shareholders resulted in an increase of 41.9% in net cash used in financial activities, to ¥234.5 billion.

These factors resulted in a balance of funds of ¥97.9 billion, an increase of 50.2% over that of FY2005.

As of the end of FY2006, outstanding interest-bearing debt stood at ¥3,001.8 billion, representing a reduction of 5.5% from that of the previous fiscal year.

### <Fiscal 2007 Outlook (Consolidated) as of the end of July 2007>

In our electricity business, we project a 2.1% increase over FY2006 in electricity sales for the entire term to approximately 135.4 TWh, buoyed by continuing growth in industrial demand.

In terms of results for FY2007, we anticipate a 7.3% increase over FY2006 in operating revenues to ¥2,375.0 billion, mainly due to increased electricity sales and higher revenues in other business segments.

As for expenses, salaries and employee and maintenance expenses are expected to increase in our electricity business. As a result, operating income is expected to decline by 4.3% against FY2006 to ¥236.0 billion. However, due mainly to a reduction in the cost of the one-time amortization of goodwill of Chubu Telecommunications, net income is projected to increase by 14.9% against FY2006 to ¥104.0 billion.

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

## <Business Risks>

Among a variety of factors that could affect the group's operating results and financial standing, the following are considered to have the potential to exert a significant influence on the decisions of investors. (Valid as of June 2007).

### Risks Relating to the Economic Environment

#### <1> Economic situation and weather conditions

The amount of electric energy sold in our electricity business, the group's core business, varies with changes in economic trends and the air temperature. The group's performance may therefore be affected by economic shifts and weather conditions.

In addition, annual precipitation levels affect the amount of electric energy generated by hydroelectric power plants, which in turn affects overall power generation costs, although a reserve for fluctuation in water levels is intended to limit the effect of such factors on operating results.

#### <2> Fluctuations in fuel prices

The group depends on imports of liquefied natural gas (LNG), coal, and crude oil. The cost of fuel, a major expense item in our electricity business, can therefore be affected by fluctuations in import prices and foreign exchange rates, among other factors.

However, the effect of fuel price fluctuations on performance can be considered to be limited because these fluctuations are able to be reflected in electricity rates under the fuel adjustment system.

In addition, group performance may be affected if we become unable to smoothly procure fuel due to changes in fuel demand trends, the occurrence of trouble in the facilities or operations of fuel suppliers, or changes in the political situation of fuel supplying countries.

#### <3> Fluctuations in interest rates

Interest payments represent another major factor in the group's expenses, and these expenses are subject to change with fluctuations in market interest rates. As of the end of March 2007, outstanding interest-bearing

debt stood at ¥3,001.8 billion, corresponding to 52.6% of the group's total assets.

However, 84.4% of the group's outstanding interest-bearing debt comprises long-term liabilities such as bonds and long-term loans, and the interest rates of the majority of these are fixed. In addition, we have worked aggressively to reduce interest-bearing debt in order to further strengthen our financial position. We therefore consider interest rate fluctuations to have a limited effect on operating performance.

### Risks Surrounding Chubu Electric Power Group Business Activities

#### <1> Changes in the electricity business environment

The scope of retail market liberalization of the Japanese electric utilities industry has been expanded in stages since March 2000, and examination of the optimum course for future liberalization, based on past results, commenced from April 2007.

In this changing environment, the group is expanding its marketing activities to respond to the needs of its customers while seeking to optimize its management efficiency. However, further regulatory reform and the more vigorous competition that it encourages may affect results.

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

Because nuclear back-end operations are ultra-long-term and subject to uncertainties, the Law on the Creation and Management of Reserve Funds for the Reprocessing of Spent Fuel at Nuclear Power Stations was enacted on October 1, 2005, and accounting regulations for Japanese utility companies have been revised, in order to enable efficient management of nuclear power generation and back-end operations. To prepare for future back-end costs associated with nuclear power, in accordance with the law and the revised accounting regulations, we have established reserve funds and set aside a reserve for the reprocessing of irradiated nuclear fuel.

Up to the present we have been required to record expenses for the reprocessing of irradiated nuclear fuels at facilities other than the Rokkasho Reprocessing Plant

in a lump sum at a point in time at which it is possible to make a rational estimate of these expenses.

Given the desirability of appropriate treatment of these costs in the corporate accounts commencing immediately, the accounting regulations for electric utility companies were again revised in March 2007 to provide a temporary measure for the period until specific reprocessing plans can be formulated.

In accordance with the new regulations, we have set aside a reserve in preparation for the reprocessing of irradiated nuclear fuels in order to equalize the future financial burden of reprocessing nuclear fuel.

However, the costs associated with the nuclear fuel cycle, including back-end costs, will fluctuate with changes to the system, variations in estimates of future expenses both covered and not covered by the system, the operating status of reprocessing facilities, and changes in our nuclear generation plans, and these factors may affect results.

### <3> Other businesses

The Chubu Electric Power Group is committed to the effective allocation of management resources, with our electricity business as our core undertaking. In order to achieve this goal, we are active in other energy businesses focusing on power plants, stored fuels, and expertise in the field of energy. Our multi-faceted business activities also include the provision of intelligent value-added IT and telecommunications services through our existing network facilities, construction related to the development and maintenance of electric utilities facilities, and the manufacture of materials and machinery. As competition increases and other changes occur in the business environments surrounding these enterprises, results may differ from group projections, and this may affect group performance.

## Other Risks

### <1> Natural disasters/Operational problems

In order to ensure a stable and economical supply of high-quality electricity through an integrated system

from generation to distribution, the group has invested in the construction and maintenance of facilities designed to minimize disruptions from lightning strikes and other natural phenomena. However, large-scale natural disasters such as earthquakes and typhoons, accidents, or acts of terrorism may damage group supply facilities or the supply facilities of companies from which the group purchases electricity or may cause the long-term shutdown of generation facilities, and this may affect group performance.

### <2> Leaks of information

To ensure appropriate management of important data, in particular personal information, we carefully observe the regulations stipulated by law, and have also established internal frameworks and rules for the treatment of information. In addition, we have enhanced the security of our information systems, and we also conduct employee training in this area.

However, any leaks of information may result in direct costs for resolution, and other tangible and intangible losses may occur, such as loss of company credibility.

### <3> Hamaoka Nuclear Power Station

We have extended the schedule for regular inspections of Hamaoka Nuclear Power Station Units 1 and 2 until March 2011 for maintenance of reactor equipment and additional fortification against earthquakes. At present, the cost and specific schedule for this work is undecided, and may affect company results.

Operation of Hamaoka Unit 5 was suspended from June 2006 due to damage to the vanes of the low-pressure turbine. With pressure plates installed as a measure to prevent future turbine damage, unit 5 commenced trial operation and in March 2007, it passed an inspection by the Ministry of Economy, Trade and Industry. Unit 5 has since returned to commercial operation.

## Report of Independent Auditors

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

We have audited the accompanying consolidated balance sheet of Chubu Electric Power Company, Incorporated and its subsidiaries as of March 31, 2007, and the related consolidated statements of income, changes in net assets, and cash flows for the year 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 audit. 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 audit 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 audit provides 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, 2007, and the consolidated results of their operations and their cash flows for the year 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.

*Misuzu Audit Corporation*

Misuzu Audit Corporation  
Nagoya, Japan

*KPMG AZSA & Co.*

KPMG AZSA & Co.  
Nagoya, Japan

June 27, 2007



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

Dai Nagoya Building  
3-28-12, Meieki, Nakamura-ku  
Nogoya, 450-8565 Japan  
Telephone 81-52-551-3001  
Facsimile 81-52-551-3005

We have audited the accompanying consolidated balance sheets of Chubu Electric Power Company, Incorporated and its subsidiaries as of March 31, 2006 and 2005, 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, 2006 and 2005 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.

As disclosed in Note 3, effective for the year ended March 31, 2006, Chubu Electric Power Company, Incorporated changed the accounting policies relating to the amortization of easement for transmission lines, the amendment of accounting standard for retirement benefits, and accounting for reserve for reprocessing of irradiated nuclear fuel. As also described in Note 3, effective for the year ended March 31, 2005, Chubu Electric Power Company, Incorporated and its domestic subsidiaries adopted a new accounting standard for impairment of fixed assets.

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  
Nagaya, Japan  
June 28, 2006

## CONSOLIDATED BALANCE SHEETS

Chubu Electric Power Company, Incorporated  
As of March 31, 2007 and 2006

Thousands of  
U.S. Dollars  
(Note 1)

|  | Millions of Yen    |                    | 2007                |
|--|--------------------|--------------------|---------------------|
|  | 2007               | 2006               |                     |
| <b>Property, Plant and Equipment:</b>              |                    |                    |                     |
| Property, plant and equipment                      | ¥12,986,261        | ¥12,809,172        | \$110,006,447       |
| Construction in progress                           | 152,429            | 146,050            | 1,291,224           |
|  | <b>13,138,690</b>  | <b>12,955,222</b>  | <b>111,297,671</b>  |
| Less:  |                    |                    |                     |
| Contributions in aid of construction               | (152,541)          | (145,323)          | (1,292,173)         |
| Accumulated depreciation                           | (8,671,565)        | (8,345,388)        | (73,456,713)        |
|  | <b>(8,824,106)</b> | <b>(8,490,711)</b> | <b>(74,748,886)</b> |
| Property, Plant and Equipment, Net (Notes 4 and 6) | <b>4,314,584</b>   | <b>4,464,511</b>   | <b>36,548,785</b>   |
| <b>Nuclear Fuel:</b>                               |                    |                    |                     |
| Loaded nuclear fuel                                | 41,486             | 40,034             | 351,427             |
| Nuclear fuel in processing                         | 212,859            | 210,165            | 1,803,126           |
| Total Nuclear Fuel                                 | <b>254,345</b>     | <b>250,199</b>     | <b>2,154,553</b>    |
| <b>Investments and Other Long-term Assets:</b>     |                    |                    |                     |
| Long-term investments (Notes 5 and 6)              | 291,026            | 292,518            | 2,465,277           |
| Deferred tax assets (Note 11)                      | 124,155            | 149,188            | 1,051,715           |
| Fund for reprocessing of irradiated nuclear fuel   | 244,727            | 263,383            | 2,073,079           |
| Other  | 38,272             | 13,346             | 324,202             |
| Less, allowance for doubtful accounts              | (1,765)            | (802)              | (14,951)            |
| Total Investments and Other Long-term Assets       | <b>696,415</b>     | <b>717,633</b>     | <b>5,899,322</b>    |
| <b>Current Assets:</b>                             |                    |                    |                     |
| Cash   | 75,709             | 51,440             | 641,330             |
| Trade notes and accounts receivable                | 178,084            | 124,145            | 1,508,547           |
| Less, allowance for doubtful accounts              | (1,143)            | (717)              | (9,682)             |
| Inventories  | 103,080            | 75,134             | 873,189             |
| Deferred tax assets (Note 11)                      | 19,142             | 17,923             | 162,152             |
| Other (Note 5)                                     | 61,499             | 41,608             | 520,957             |
| Total Current Assets                               | <b>436,371</b>     | <b>309,533</b>     | <b>3,696,493</b>    |
| <b>Total Assets</b>                                | <b>¥5,701,715</b>  | <b>¥5,741,876</b>  | <b>\$48,299,153</b> |

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

|   | Millions of Yen |            | Thousands of<br>U.S. Dollars<br>(Note 1) |
|---|-----------------|------------|--|
|   | 2007            | 2006       | 2007                                     |
| <b>Long-term Liabilities</b>  |                 |            |  |
| Long-term debt (Note 6)   | ¥2,378,638      | ¥2,479,147 | \$20,149,411                             |
| Employee retirement benefit liability (Note 7)                      | 192,108         | 191,613    | 1,627,345                                |
| Reserve for reprocessing of irradiated nuclear fuel                 | 270,488         | 261,019    | 2,291,300                                |
| Reserve for preparation for reprocessing of irradiated nuclear fuel | 3,770           | -          | 31,936                                   |
| Reserve for decommissioning nuclear power plant                     | 92,020          | 89,094     | 779,500                                  |
| Deferred tax liabilities (Note 11)                                  | 11              | 1          | 93                                       |
| Other long-term liabilities   | 36,475          | 68,498     | 308,979                                  |
| Total Long-term Liabilities   | 2,973,510       | 3,089,372  | 25,188,564                               |
| <b>Current Liabilities:</b>   |                 |            |  |
| Current portion of long-term debt and other (Note 6)                | 157,740         | 129,680    | 1,336,213                                |
| Short-term borrowings (Note 6)                                      | 323,190         | 299,459    | 2,737,738                                |
| Commercial papers (Note 6)  | 145,000         | 270,000    | 1,228,293                                |
| Trade notes and accounts payable                                    | 139,553         | 92,321     | 1,182,152                                |
| Income taxes payable and other                                      | 50,723          | 56,142     | 429,674                                  |
| Other   | 138,169         | 128,030    | 1,170,428                                |
| Total Current Liabilities   | 954,375         | 975,632    | 8,084,498                                |
| <b>Reserve for Fluctuation in Water Levels</b>                      | 4,005           | 6,666      | 33,927                                   |
| Total Liabilities   | 3,931,890       | 4,071,670  | 33,306,989                               |
| <b>Commitments and Contingent Liabilities (Notes 8 and 9)</b>       |                 |            |  |
| <b>Net Assets (Note 10):</b>  |                 |            |  |
| Common stock  | 430,777         | -          | 3,649,107                                |
| Capital surplus   | 74,055          | -          | 627,319                                  |
| Retained earnings   | 1,144,875       | -          | 9,698,221                                |
| Less, treasury stock, at cost                                       | (855)           | -          | (7,243)                                  |
| Total shareholders' equity  | 1,648,852       | -          | 13,967,404                               |
| Valuation and translation adjustments                               | 81,098          | -          | 686,980                                  |
| Minority interests  | 39,875          | -          | 337,780                                  |
| Total Net Assets  | 1,769,825       | -          | 14,992,164                               |
| Total Liabilities and Net Assets                                    | ¥5,701,715      | -          | \$48,299,153                             |
| <b>Minority Interests</b>   | -               | 10,893     | -  |
| <b>Shareholders' Equity:</b>  |                 |            |  |
| Common stock  | -               | 430,777    | -  |
| Capital surplus   | -               | 73,956     | -  |
| Retained earnings   | -               | 1,101,340  | -  |
| Net unrealized gains on available-for-sale securities               | -               | 53,041     | -  |
| Foreign currency translation adjustment                             | -               | 303        | -  |
| Less, treasury stock, at cost                                       | -               | (104)      | -  |
| Total equity  | -               | 1,659,313  | -  |
| Total Liabilities, Minority Interests and Shareholders' Equity      | -               | ¥5,741,876 | -  |



## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Chubu Electric Power Company, Incorporated  
For the Years Ended March 31, 2007 and 2006

|   | Number of<br>common<br>shares<br>issued | Common<br>stock | Capital<br>surplus | Retained<br>earnings | Net<br>unrealized<br>gains on<br>available-<br>for-sale<br>securities | Foreign<br>currency<br>translation<br>adjustment | Treasury<br>stock | Total equity |
|---|---|-----------------|--------------------|----------------------|---|--|-------------------|--------------|
| Millions of Yen   |   |                 |                    |                      |   |  |                   |              |
| Balance at March 31, 2005   | ¥ 736,857,187                           | ¥ 374,520       | ¥ 14,261           | ¥ 1,025,901          | ¥ 27,972  | ¥ (292)  | ¥ (29,129)        | ¥ 1,413,233  |
| Net income  | -                                       | -               | -                  | 119,458              | -   | -  | -                 | 119,458      |
| Cash dividends  | -                                       | -               | -                  | (43,773)             | -   | -  | -                 | (43,773)     |
| Bonuses to directors and corporate auditors   | -                                       | -               | -                  | (254)                | -   | -  | -                 | (254)        |
| Increase in retained earnings through change of scope of equity method                              | -                                       | -               | -                  | 8                    | -   | -  | -                 | 8            |
| Net change in net unrealized gains on available-for-sale securities, net of applicable income taxes | -                                       | -               | -                  | -                    | 25,069  | -  | -                 | 25,069       |
| Translation adjustment  | -                                       | -               | -                  | -                    | -   | 595  | -                 | 595          |
| Purchase of treasury stock and fractional shares, net of disposition                                | -                                       | -               | 3,260              | -                    | -   | -  | 29,025            | 32,285       |
| Stock exchange transaction  | -                                       | -               | 178                | -                    | -   | -  | -                 | 178          |
| Conversion of convertible bond  | 45,295,978                              | 56,257          | 56,257             | -                    | -   | -  | -                 | 112,514      |
| Balance at March 31, 2006   | ¥ 782,153,165                           | ¥ 430,777       | ¥ 73,956           | ¥ 1,101,340          | ¥ 53,041  | ¥ 303  | ¥ (104)           | ¥ 1,659,313  |

|  | Shareholders' equity                    |                 |                    |                      |                   | Valuation and translation adjustments |   |   |  |   | Total equity |                       |
|--|---|-----------------|--------------------|----------------------|-------------------|---------------------------------------|---|---|--|---|--------------|-----------------------|
|  | Number of<br>common<br>shares<br>issued | Common<br>stock | Capital<br>surplus | Retained<br>earnings | Treasury<br>stock | Total<br>shareholders'<br>equity      | Net<br>unrealized<br>gains on<br>available-<br>for-sale<br>securities | Net<br>deferred<br>gains on<br>hedging<br>instruments | Foreign<br>currency<br>translation<br>adjustment | Total valuation<br>and translation<br>adjustments |              | Minority<br>interests |
| Millions of Yen  |   |                 |                    |                      |                   |                                       |   |   |  |   |              |                       |
| Shareholders' equity at March 31, 2006 as previously reported  | ¥ 782,153,165                           | ¥ 430,777       | ¥ 73,956           | ¥ 1,101,340          | ¥ (104)           | ¥ 1,605,969                           | ¥ 53,041  | ¥ -   | ¥ 303  | ¥ 53,344  | ¥ -          | ¥ 1,659,313           |
| Reclassification due to adoption of new accounting standard for presentation of net assets in the balance sheet at April 1, 2006 | -                                       | -               | -                  | -                    | -                 | -                                     | -   | 26,741  | -  | 26,741  | 10,893       | 37,634                |
| Net assets at April 1, 2006  | ¥ 782,153,165                           | ¥ 430,777       | ¥ 73,956           | ¥ 1,101,340          | ¥ (104)           | ¥ 1,605,969                           | ¥ 53,041  | ¥ 26,741  | ¥ 303  | ¥ 80,085  | ¥ 10,893     | ¥ 1,696,947           |
| Net income   | -                                       | -               | -                  | 90,551               | -                 | 90,551                                | -   | -   | -  | -   | -            | 90,551                |
| Cash dividends   | -                                       | -               | -                  | (46,926)             | -                 | (46,926)                              | -   | -   | -  | -   | -            | (46,926)              |
| Bonuses to directors and corporate auditors  | -                                       | -               | -                  | (319)                | -                 | (319)                                 | -   | -   | -  | -   | -            | (319)                 |
| Increase in retained earnings through inclusion of additional subsidiaries on consolidation                                      | -                                       | -               | -                  | 229                  | -                 | 229                                   | -   | -   | -  | -   | -            | 229                   |
| Purchase of treasury stock and fractional shares, net of disposition   | -                                       | -               | 99                 | -                    | (751)             | (652)                                 | -   | -   | -  | -   | -            | (652)                 |
| Net changes other than shareholders' equity  | -                                       | -               | -                  | -                    | -                 | -                                     | (3,117)   | 4,230   | (100)  | 1,013   | 28,982       | 29,995                |
| Balance at March 31, 2007  | ¥ 782,153,165                           | ¥ 430,777       | ¥ 74,055           | ¥ 1,144,875          | ¥ (855)           | ¥ 1,648,852                           | ¥ 49,924  | ¥ 30,971  | ¥ 203  | ¥ 81,098  | ¥ 39,875     | ¥ 1,769,825           |

|  | Thousands of U.S. Dollars (Note 1)      |                 |                    |                      |                   |                                  |   |   |  |   |                       |         |
|--|---|-----------------|--------------------|----------------------|-------------------|----------------------------------|---|---|--|---|-----------------------|---------|
|  | Number of<br>common<br>shares<br>issued | Common<br>stock | Capital<br>surplus | Retained<br>earnings | Treasury<br>stock | Total<br>shareholders'<br>equity | Net<br>unrealized<br>gains on<br>available-<br>for-sale<br>securities | Net<br>deferred<br>gains on<br>hedging<br>instruments | Foreign<br>currency<br>translation<br>adjustment | Total valuation<br>and translation<br>adjustments | Minority<br>interests |         |
| Shareholders' equity at March 31, 2006 as previously reported  | \$ 3,649,107                            | \$ 626,480      | \$ 9,329,437       | \$ (881)             | \$ 13,604,143     | \$ 449,309                       | \$ -  | \$ 2,567  | \$ 451,876                                       | \$ -  | \$ 14,056,019         |         |
| Reclassification due to adoption of new accounting standard for presentation of net assets in the balance sheet at April 1, 2006 | -                                       | -               | -                  | -                    | -                 | -                                | -   | 226,523   | -  | 226,523   | 92,274                | 318,797 |
| Net assets at April 1, 2006  | \$ 3,649,107                            | \$ 626,480      | \$ 9,329,437       | \$ (881)             | \$ 13,604,143     | \$ 449,309                       | \$ 226,523  | \$ 2,567  | \$ 678,399                                       | \$ 92,274   | \$ 14,374,816         |         |
| Net income   | -                                       | -               | 767,056            | -                    | 767,056           | -                                | -   | -   | -  | -   | 767,056               |         |
| Cash dividends   | -                                       | -               | (397,510)          | -                    | (397,510)         | -                                | -   | -   | -  | -   | (397,510)             |         |
| Bonuses to directors and corporate auditors  | -                                       | -               | (2,702)            | -                    | (2,702)           | -                                | -   | -   | -  | -   | (2,702)               |         |
| Increase in retained earnings through inclusion of additional subsidiaries on consolidation                                      | -                                       | -               | 1,940              | -                    | 1,940             | -                                | -   | -   | -  | -   | 1,940                 |         |
| Purchase of treasury stock and fractional shares, net of disposition   | -                                       | 839             | -                  | (6,362)              | (5,523)           | -                                | -   | -   | -  | -   | (5,523)               |         |
| Net changes other than shareholders' equity  | -                                       | -               | -                  | -                    | -                 | (26,404)                         | 35,832  | (847)   | 8,581  | 245,506   | 254,087               |         |
| Balance at March 31, 2007  | \$ 3,649,107                            | \$ 627,319      | \$ 9,698,221       | \$ (7,243)           | \$ 13,967,404     | \$ 422,905                       | \$ 262,355  | \$ 1,720  | \$ 686,980                                       | \$ 337,780  | \$ 14,992,164         |         |

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Chubu Electric Power Company, Incorporated  
For the Years Ended March 31, 2007 and 2006

Thousands  
of U.S.  
Dollars  
(Note 1)

|   | Millions of Yen  |                  | 2007               |
|---|------------------|------------------|--------------------|
|   | 2007             | 2006             |                    |
| <b>Cash Flows from Operating Activities:</b>                                    |                  |                  |                    |
| Income before income taxes and minority interests                               | ¥159,659         | ¥195,497         | \$1,352,469        |
| Adjustments for:  |                  |                  |                    |
| Depreciation and amortization   | 335,262          | 365,296          | 2,840,000          |
| Loss on discontinued construction of hydroelectric power plant                  | 5,267            | 33,506           | 44,617             |
| Loss of loaded nuclear fuel   | 8,775            | 12,966           | 74,333             |
| Loss on disposal of property, plant and equipment                               | 8,347            | 10,178           | 70,707             |
| Amortization of goodwill  | 16,346           | -                | 138,467            |
| Decrease in employee retirement benefit liability                               | (34,890)         | (15,522)         | (295,553)          |
| Increase in reserve for reprocessing of irradiated nuclear fuel                 | 9,469            | 7,645            | 80,212             |
| Increase in reserve for preparation for reprocessing of irradiated nuclear fuel | 3,770            | -                | 31,936             |
| Increase in reserve for decommissioning nuclear power plant                     | 2,926            | 6,455            | 24,786             |
| Decrease in reserve for fluctuation in water levels                             | (2,661)          | (9,311)          | (22,541)           |
| Interest and dividend income  | (6,950)          | (2,449)          | (58,873)           |
| Interest expense  | 71,572           | 95,200           | 606,285            |
| Increase (decrease) in fund for reprocessing of irradiated nuclear fuel         | 18,656           | (263,383)        | 158,035            |
| Increase in trade notes and accounts receivable                                 | (8,933)          | (13,839)         | (75,672)           |
| Increase in inventories   | (10,806)         | (18,587)         | (91,538)           |
| Increase in trade notes and accounts payable                                    | 1,823            | 29,975           | 15,443             |
| Other   | (14,243)         | 48,511           | (120,652)          |
| Subtotal  | 563,389          | 482,138          | 4,772,461          |
| Interest and dividend received  | 5,558            | 2,295            | 47,082             |
| Interest paid   | (72,253)         | (96,725)         | (612,054)          |
| Income taxes paid   | (55,179)         | (80,551)         | (467,421)          |
| <b>Net cash provided by operating activities</b>                                | <b>441,515</b>   | <b>307,157</b>   | <b>3,740,068</b>   |
| <b>Cash Flows from Investing Activities:</b>                                    |                  |                  |                    |
| Purchases of property, plant and equipment                                      | (183,085)        | (150,571)        | (1,550,911)        |
| Increase in investments and other long-term assets                              | (17,836)         | (8,238)          | (151,089)          |
| Proceeds for recoveries from investments  | 13,987           | 8,629            | 118,484            |
| Proceeds from purchases of subsidiaries' shares, net of cash acquired (Note 3)  | 6,106            | -                | 51,724             |
| Other   | 6,471            | 9,504            | 54,816             |
| <b>Net cash used in investing activities</b>                                    | <b>(174,357)</b> | <b>(140,676)</b> | <b>(1,476,976)</b> |
| <b>Cash Flows from Financing Activities:</b>                                    |                  |                  |                    |
| Proceeds from issuance of bonds   | 124,609          | 142,383          | 1,055,561          |
| Redemption of bonds   | (141,356)        | (226,456)        | (1,197,425)        |
| Proceeds from long-term loans   | 43,517           | 109,664          | 368,632            |
| Repayment of long-term loans  | (108,019)        | (129,997)        | (915,028)          |
| Proceeds from short-term borrowings   | 424,781          | 369,910          | 3,598,314          |
| Repayment of short-term borrowings  | (404,550)        | (342,246)        | (3,426,938)        |
| Proceeds from issuance of commercial papers                                     | 1,530,000        | 1,155,000        | 12,960,610         |
| Redemption of commercial papers   | (1,655,000)      | (1,189,000)      | (14,019,483)       |
| Dividends paid  | (46,881)         | (43,732)         | (397,128)          |
| Other   | (1,553)          | (10,748)         | (13,155)           |
| <b>Net cash used in financing activities</b>                                    | <b>(234,452)</b> | <b>(165,222)</b> | <b>(1,986,040)</b> |
| <b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>             | <b>5</b>         | <b>30</b>        | <b>42</b>          |
| <b>Net Increase in Cash and Cash Equivalents</b>                                | <b>32,711</b>    | <b>1,289</b>     | <b>277,094</b>     |
| <b>Cash and Cash Equivalents at Beginning of Year</b>                           | <b>65,150</b>    | <b>63,861</b>    | <b>551,885</b>     |
| <b>Cash and Cash Equivalents at End of Year (Note 3)</b>                        | <b>¥97,861</b>   | <b>¥65,150</b>   | <b>\$828,979</b>   |

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 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 Japanese Corporate Law (former the Japanese Commercial Code), 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 ¥118.05 to \$1, the rate of exchange prevailing on March 31, 2007. The inclusion of such dollar amounts is solely for convenience of the reader 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 ¥ 118.05 to \$1 or at any other rates.

### 2. Summary of Significant Accounting Policies

#### (a) Basis of consolidation

The 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, 2007 and 2006 was as follows:

|  | 2007 | 2006 |
|--|------|------|
| Subsidiaries:                                  |      |      |
| Domestic                                       | 30   | 29   |
| Overseas                                       | 7    | 3    |
| Affiliates, accounted for by the equity method | 22   | 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 adopt 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) Accounting standard for presentation of net assets in the balance sheet

Effective from the year ended March 31, 2007, the Chubu Electric Group adopted the new accounting standard, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No.5 issued by the Accounting Standards Board of Japan ("ASBJ") on December 9, 2005), and the implementation guidance for the accounting standard for presentation of net assets in the balance sheet (the Financial Accounting Standard Implementation Guidance No. 8 issued by ASBJ on December 9, 2005), (collectively, "the New Accounting Standards").

The consolidated balance sheet as of March 31, 2007 prepared in accordance with the New Accounting Standards comprises three sections, which are the assets, liabilities and net assets sections. The consolidated balance sheet as of March 31, 2006 prepared pursuant to the previous presentation rules comprises the assets, liabilities, minority interests and shareholders' equity sections.

Under the New Accounting Standards, the following items are presented differently at March 31, 2007 compared to March 31, 2006. The net assets section includes unrealized gains /losses on hedging derivatives, net of taxes. Under the previous presentation rules, unrealized gains/losses on hedging derivatives were included in the assets or liabilities section without considering the related income tax effects. Minority interests are included in the net assets section at March 31, 2007. Under the previous presentation rules, companies were required to present minority interests between the non-current liabilities and the shareholders' equity sections.

The adoption of the New Accounting Standards had no impacts on the consolidated statement of income for the year ended March 31, 2007. Also, if the New Accounting Standards had not been adopted at March 31, 2007, the shareholders' equity amounting to 1,698,979 million (\$14,392,029 thousand) would have been presented.

### **(c) Accounting Standard for Statement of Changes in Net Assets**

Effective from the year ended March 31, 2007, the Chubu Electric Group adopted, "Accounting Standard for Statement of Changes in Net Assets" (Statement No.6 issued by ASBJ on December 27, 2005), and the implementation guidance for the accounting standard for statement of changes in net assets (the Financial Accounting Standard Implementation Guidance No. 9 issued by ASBJ on December 27, 2005), (collectively, "the Additional New Accounting Standards").

The Company prepared the accompanying consolidated statement of changes net assets for the year ended March 31, 2007 in accordance with the Additional New Accounting Standards. The accompanying consolidated statement of shareholders' equity for the year ended March 31, 2006, which was voluntarily prepared for inclusion in the consolidated financial statements, has not been adopted to the new presentation rules of 2007.

### **(d) 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.

### **(e) 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.

### **(f) 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. The Chubu Electric Group had no trading securities. Held-to-maturity securities are stated at amortized cost. Available-for-sale securities with market quotations are stated at fair value and net unrealized gains or losses on these securities are reported as a component of net assets, net of applicable income taxes. Available-for sale securities without available market quotations 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. Gains and losses on disposition of investment securities are computed by the moving average method.

### **(g) Hedge accounting**

Derivatives are valued at fair value, if hedge accounting is not appropriate or where there is no hedging designation, and the gains or losses on derivatives are recognized in the current earnings. Certain transactions



classified as hedging transactions are accounted for under a deferral method, whereby unrealized gains or losses on hedging instruments are carried as net assets on the balance sheet for 2007 and as assets or liabilities on the balance sheet for 2006, until the gains and losses on the hedged items are realized. Foreign exchange forward contracts are accounted for by translating foreign currency denominated assets and liabilities at such contract rates as an interim measure, if certain hedging criteria are met. According to the special treatment as permitted by the accounting standard for financial instruments, the interest rate swap is accounted for on an accrual basis and the net amount received is added to, or the net amount paid is deducted from, the interest expense, on the hedged items, if certain conditions are met. 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, interest rates or fuel prices.

#### **(h) Inventories**

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

#### **(i) 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.

#### **(j) 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 recognizes the retirement benefits including pension cost and related liability based on actuarial present value of projected benefit obligation using actuarial appraisal approach and based on the pension plan assets available for benefits at the respective fiscal year ends. Unrecognized prior service cost is amortized using the straight-line basis over certain periods within remaining service lives of employees such as three to fifteen years from the year in which they occur. Unrecognized actuarial differences including changes in the projected benefit obligation or pension plan assets resulting from the actual outcome being different from that assumed and from changes in assumptions are amortized on a straight-line basis over certain periods within average remaining service lives of employees such as three to fifteen years from the respective year following the fiscal year in which they arise.

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

Until March 31, 2005, reserve for reprocessing of irradiated nuclear fuel was recorded based on 60% of the amount which would be required to reprocess all the Company's irradiated nuclear fuel. However, the ministerial ordinance regulating the rules of reserve for reprocessing of irradiated nuclear fuel has been repealed by "Ministerial Ordinance to Repeal the Existing Ordinance Set for Reserve for Reprocessing of Irradiated Nuclear Fuel" (Ordinance electricity business (Ordinance No.57 of the Ministry of International Trade and Industry, 1965) have been revised accordingly, due to the fact that the expenses relating to back-end business such as disposals of equipment installed in the reprocessing facilities, for which there had been no estimations available, have been provided based on the reasonable valuation measures by the mid-term report titled "Economic Measures to Deal with Back-end Business" (published by the Electric Industry Committee, a sub-committee of the Advisory Committee on Energy and Natural Resources on August 30, 2004). Therefore, effective April 1, 2005, the Company adopted the new accounting regulations mentioned above to determine the reserve for reprocessing of irradiated nuclear fuel. Per these regulations, the Company determines and provides the reserve for the costs deemed to be incurred as of the year-end based on the Company's estimates for reprocessing of only the irradiated nuclear fuel actually planned to be reprocessed. As a result of this change, the related expenses increased by ¥12,889 million and each of operating income and income before income taxes and minority interests for the year ended March 31, 2006

decreased by the same amount, respectively, as compared with the previous accounting method.

Of the difference that has arisen due to the accounting change for the provision for the reserve, an amount of ¥127,932 million specified by the Article 2 of the supplementary provision in Ordinance partially revising accounting regulations for Japanese Electric utility companies (Ministry of Economy, Trade and Industry Ordinance No. 92, 2005) was allocated on a straight-line basis as operating expenses over 15 years from the year ended March 31, 2006. The unrecorded balance amounted to ¥110,874 million (\$939,212 thousand) and ¥119,403 million at March 31, 2007 and 2006, respectively.

Regarding the difference in estimates for reprocessing costs, the Company provides for the cost estimated for reprocessing spent fuel with a specific reprocessing plan from the next fiscal year throughout the period it is generated, following the article in the accounting regulations applicable to electricity business. The unrecognized difference for this estimate amounted to ¥19,662 million (\$166,557 thousand) and ¥13,202 million at March 31, 2007 and 2006, respectively.

### **(l) Reserve for preparation for reprocessing of irradiated nuclear fuel**

The reserve for the reprocessing of irradiated nuclear fuel is provided as a portion, which is recognized as the amount attributable to this fiscal year, of the estimated costs needed to reprocess the irradiated nuclear fuel without a definite plan of reprocessing.

(Additional Information)

The subcommittee to the establishment of investment environment for nuclear power generation in the Electric Industry Committee at the Advisory Committee for Natural Resources and Energy, the advisory board of the Minister of the Economy, Trade and Industry of Japan, has been discussed possible systems to reserve for reprocessing of irradiated nuclear fuel without a definite plan of reprocessing as temporary measures until a definite plan of reprocessing is authorized. Following the discussion, the accounting regulations applicable to the electricity industry has been revised to allow electricity utilities to fund estimated costs associated with irradiated nuclear fuels without definite reprocessing plans as a reserve for preparation for reprocessing of irradiated nuclear fuel. The Company applied for the regulations from the year ended March 31, 2007. As a result, each of operating income and income before income taxes and minority interests for the year ended 31 March 2007 decreased by ¥3,769 million.

### **(m) 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.

(Additional Information)

In December 2005, "Law to Amend the Law on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors" and the related regulation were issued. The law and related regulation changed the criteria of density of radioactive waste. Following the changes, further cost analysis and estimation on the types and amount of waste generated in the process of decommissioning have been conducted by the subcommittee to the establishment of investment environment for nuclear power generation in the Electricity Industry Committee at the Advisory Committee for Natural Resources and Energy, the advisory board of the Minister of the Economy, Trade and Industry of Japan. The subcommittee reported that the estimated costs associated with the decommissioning of all the nuclear power generation facilities nationwide total would increase by ¥329 billion based on the calculation with a model plant. However, the actual calculation methods regarding the estimation of decommissioning costs per power generation unit, which will be applied for electricity utilities reserve for decommissioning in the future, has not been disclosed and is subjected to appropriate investigation in the future. Therefore, the reserve for decommissioning of nuclear power units for this fiscal year is recorded based on estimation by the former criteria.

**(n) Reserve for fluctuation in water levels**

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

**(o) Lease transactions**

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

**(p) 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.

**(q) Research and development costs**

Research and development costs included in operating expenses for the years ended March 31, 2007 and 2006 amounted to ¥14,261 million (\$120,805 thousand) and ¥16,638 million, respectively.

**(r) 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.

**(s) 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 prevailing exchange rates at the fiscal year end. Transactions in foreign currencies are translated based on the prevailing exchange rates on the transaction dates. Resulting foreign exchange translation gains or losses are included in the consolidated statements of income.

In respect of the financial statement items of overseas subsidiaries, all asset and liability accounts are translated into Japanese yen by applying the exchange rates in effect at the respective fiscal year-ends. All income and expense accounts are translated at the average rates of exchange prevailing during each year. Translation differences, after allocating the portion attributable to minority interests, are reported as foreign currency translation adjustment in a component of net assets in the consolidated balance sheets.

**(t) 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. From the year ended March 31, 2007, the Chubu Electric Group has adopted "Accounting Standard for Directors' Bonus (ASBJ Statement No.4)" issued by ASBJ on November 29, 2005. The standard requires that the directors' bonuses, including those for corporate auditors, shall be accounted for as an expense of the accounting period in which such bonuses are accrued. Until the year ended March 31, 2006, bonuses to directors and corporate auditors were recorded as a part of the appropriation of retained earnings in the fiscal year when a proposed appropriation of retained earnings for directors and corporate auditors' bonuses was approved by the Board of Directors and/or shareholders.

**(u) 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 were converted at the time of issue unless having anti-dilutive effects. Cash dividends per share shown for each fiscal year in the consolidated statements of income represent dividends declared as applicable to the respective years.

**(v) Amortization of easement for transmission lines**

Easement for transmission lines of the Company was previously accounted for as unamortized intangible assets. Effective April 1, 2005, the Company changed the accounting treatment to amortize the consideration received for easement for transmission lines over the estimated useful lives of equipment related to wheeling service in accordance with an amendment to the Electric Utilities Industry law (Denki Jigyo-Ho). As a result, each of operating income and income before income taxes and minority interests for the year ended 31 March 2006 decreased by ¥8,550 million compared with the previous accounting method.

**(w) Amendment of accounting standard for retirement benefits**

The Company adopted "Partial Amendment of Accounting Standard for Retirement Benefits (Accounting Standard No.3)" and "Practical Guidance for Partial Amendment of Accounting Standard for Retirement Benefits (Practical Guidance No.7)" issued by the Accounting Standards Board of Japan on March 16, 2005 applied for the period beginning on April 1, 2005. As a result of this adoption, each of operating income and income before income taxes and minority interests for the year ended 31 March 2006 increased by ¥941 million compared with the previous accounting method.

**(x) Accounting for Impairment of fixed assets**

The Chubu Electric Group has adopted "Accounting Standard for Impairment of Fixed Assets" and related practical guideline issued by ASBJ. 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. Fixed assets include land, plants, buildings and other forms of property, plant and equipment as well as intangible assets and are to be grouped at the lowest level for which there are identifiable cash flows from other groups of assets. For the purpose of recognition and measurement of an impairment loss, fixed assets of the Chubu Electric Group are grouped into two cash-generating units, such as the electric utility business unit and other business, other than idle or unused property. The Chubu Electric Group determines if assets are impaired by comparing their undiscounted expected cash flows to the carrying amounts in the accounting records. An impairment loss is recognized if undiscounted expected cash flows are less than the carrying amount of the asset. Recoverable amounts of the assets were measured based on their net selling prices, which are based on appraisal valuations less costs of disposal or municipal property tax bases.

### 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      |
|---|-----------------|-----------------|-------------------|
|   | 2007            | 2006            | U.S. Dollars      |
| Cash  | ¥ 75,709        | ¥ 51,440        | \$ 641,330        |
| Time deposits with an original maturity of more than three months included in cash account                        | (1,152)         | (325)           | (9,759)           |
| Short-term investments with an original maturity of three months or less included in other current assets account | 23,304          | 14,035          | 197,408           |
| Cash and cash equivalents   | <u>¥ 97,861</u> | <u>¥ 65,150</u> | <u>\$ 828,979</u> |

Significant non-cash flow transactions for the year ended March 31, 2006 was as follows:

|   | Millions of Yen  |
|---|------------------|
|   | 2006             |
| Conversion of convertible bonds:                        |                  |
| Increase in common stock                                | ¥ 56,257         |
| Increase in capital surplus                             | 56,257           |
| Record of gain relating to reissuance of treasury stock | 3,239            |
| Decrease in treasury stock                              | 28,682           |
| Decrease in convertible bonds                           | <u>¥ 144,435</u> |

Certain subsidiaries were newly included in the scope of consolidation as a result of purchases of common shares for the year ended March 31, 2007. The following table represents assets and liabilities of the subsidiaries at the dates of the purchases and relationship between acquisition costs of the subsidiaries' shares and net payments for the purchases of subsidiaries.

|   | Millions of Yen  | Thousands of U.S.  |
|---|------------------|--------------------|
|   |                  | Dollars            |
| Property, plant and equipment, net  | ¥ 74,306         | \$ 629,445         |
| Current assets  | 108,076          | 915,510            |
| Goodwill  | 250              | 2,118              |
| Long-term liabilities   | (42,440)         | (359,509)          |
| Current liabilities   | (74,835)         | (633,926)          |
| Minority interests  | <u>(31,930)</u>  | <u>(270,478)</u>   |
|   | 33,427           | 283,160            |
| The Companies' interests in subsidiaries prior to the inclusion in the scope of consolidation | <u>(17,358)</u>  | <u>(147,040)</u>   |
| Acquisition costs of subsidiary' shares   | 16,069           | 136,120            |
| Cash and cash equivalents held by subsidiaries  | <u>(22,175)</u>  | <u>(187,844)</u>   |
| Proceeds from purchases of subsidiaries' shares, net of cash acquired                         | <u>¥ (6,106)</u> | <u>\$ (51,724)</u> |

## 4. Property, Plant and Equipment

The major classifications of property, plant and equipment at March 31, 2007 and 2006 were as follows:

|   | Millions of Yen    |                    | Thousands of<br>U.S. Dollars |
|---|--------------------|--------------------|------------------------------|
|   | 2007               | 2006               | 2007                         |
| Hydroelectric power production facilities               | ¥ 322,130          | ¥ 336,854          | \$ 2,728,759                 |
| Thermal power production facilities                     | 654,855            | 724,123            | 5,547,268                    |
| Nuclear power production facilities                     | 361,260            | 398,972            | 3,060,229                    |
| Transmission facilities                                 | 1,098,780          | 1,147,186          | 9,307,751                    |
| Transformation facilities                               | 457,486            | 475,976            | 3,875,358                    |
| Distribution facilities                                 | 792,134            | 799,602            | 6,710,157                    |
| General facilities                                      | 138,140            | 148,146            | 1,170,182                    |
| Other electricity-related property, plant and equipment | 960                | 656                | 8,132                        |
| Other property, plant and equipment                     | 336,410            | 286,946            | 2,849,725                    |
| Construction in progress                                | 152,429            | 146,050            | 1,291,224                    |
|   | <u>¥ 4,314,584</u> | <u>¥ 4,464,511</u> | <u>\$ 36,548,785</u>         |

As permitted by the accounting principles and practices generally accepted in Japan, accumulated gains in relation to the receipt of contributions in aid of real property construction deducted from the original acquisition costs amounted to ¥152,541 million (\$1,292,173 thousand) and ¥145,323 million at March 31, 2007 and 2006, respectively.

Loss on discontinued construction of hydroelectric power plant included impairment loss of ¥7,209 million for the year ended March 31, 2006.

## 5. Investments and Marketable Securities

At March 31, 2007 and 2006, investments consisted of the following:

|  | Millions of Yen  |                  | Thousands of<br>U.S. Dollars |
|--|------------------|------------------|------------------------------|
|  | 2007             | 2006             | 2007                         |
| Long-term investments:                                   |                  |                  |                              |
| Marketable securities:                                   |                  |                  |                              |
| Equity securities  | ¥ 98,347         | ¥ 91,804         | \$ 833,096                   |
| Bonds  | 16,495           | 16,234           | 139,729                      |
| Other  | 1,029            | 3,430            | 8,717                        |
|  | <u>115,871</u>   | <u>111,468</u>   | <u>981,542</u>               |
| Other non-marketable securities                          | 100,339          | 87,604           | 849,970                      |
| Investments in affiliates                                | 14,487           | 35,062           | 122,719                      |
| Other  | 60,329           | 58,384           | 511,046                      |
|  | <u>¥ 291,026</u> | <u>¥ 292,518</u> | <u>\$ 2,465,277</u>          |
| Short-term investments included in other current assets: |                  |                  |                              |
| Marketable securities:                                   |                  |                  |                              |
| Bonds  | ¥ 599            | ¥ 1,003          | \$ 5,074                     |
| Other  | -                | 857              | -                            |
|  | <u>599</u>       | <u>1,860</u>     | <u>5,074</u>                 |
| Other non-marketable securities                          | 23,304           | 14,036           | 197,408                      |
|  | <u>¥ 23,903</u>  | <u>¥ 15,896</u>  | <u>\$ 202,482</u>            |

At March 31, 2007 and 2006, 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                          |                   |                        |                         |                         |
| <b>Held-to-maturity debt securities:</b> |                   |                        |                         |                         |
| As of March 31, 2007:                    |                   |                        |                         |                         |
| National and local government bonds      | ¥ 4,828           | ¥ 22                   | ¥ 22                    | ¥ 4,828                 |
| Corporate bonds and debentures           | 2,194             | 14                     | 13                      | 2,195                   |
| Other                                    | 1,699             | 13                     | 70                      | 1,642                   |
|  | <u>¥ 8,721</u>    | <u>¥ 49</u>            | <u>¥ 105</u>            | <u>¥ 8,665</u>          |
| As of March 31, 2006:                    |                   |                        |                         |                         |
| National and local government bonds      | ¥ 4,825           | ¥ 27                   | ¥ 68                    | ¥ 4,784                 |
| Corporate bonds and debentures           | 2,192             | 20                     | 27                      | 2,185                   |
| Other                                    | 1,500             | 6                      | 71                      | 1,435                   |
|  | <u>¥ 8,517</u>    | <u>¥ 53</u>            | <u>¥ 166</u>            | <u>¥ 8,404</u>          |
| Thousands of U.S. Dollars                |                   |                        |                         |                         |
| As of March 31, 2007:                    |                   |                        |                         |                         |
| National and local government bonds      | \$ 40,898         | \$ 186                 | \$ 186                  | \$ 40,898               |
| Corporate bonds and debentures           | 18,585            | 119                    | 110                     | 18,594                  |
| Other                                    | 14,392            | 110                    | 593                     | 13,909                  |
|  | <u>\$ 73,875</u>  | <u>\$ 415</u>          | <u>\$ 889</u>           | <u>\$ 73,401</u>        |
| Millions of Yen                          |                   |                        |                         |                         |
|  | Cost              | Gross unrealized gains | Gross unrealized losses | Fair and carrying value |
| <b>Available-for-sale securities:</b>    |                   |                        |                         |                         |
| As of March 31, 2007:                    |                   |                        |                         |                         |
| Equity securities                        | ¥ 18,259          | ¥ 80,108               | ¥ 21                    | ¥ 98,346                |
| Bonds:                                   |                   |                        |                         |                         |
| Bonds and debentures                     | 2,535             | 9                      | 6                       | 2,538                   |
| Other bonds                              | 4,758             | 193                    | 314                     | 4,637                   |
| Other                                    | 1,015             | 14                     | –                       | 1,029                   |
|  | <u>¥ 26,567</u>   | <u>¥ 80,324</u>        | <u>¥ 341</u>            | <u>¥ 106,550</u>        |
| As of March 31, 2006:                    |                   |                        |                         |                         |
| Equity securities                        | ¥ 14,541          | ¥ 77,265               | ¥ 2                     | ¥ 91,804                |
| Bonds:                                   |                   |                        |                         |                         |
| Bonds and debentures                     | 2,607             | 3                      | 14                      | 2,596                   |
| Other bonds                              | 4,335             | 136                    | 352                     | 4,119                   |
| Other                                    | 2,573             | 1                      | 1                       | 2,573                   |
|  | <u>¥ 24,056</u>   | <u>¥ 77,405</u>        | <u>¥ 369</u>            | <u>¥ 101,092</u>        |
| Thousands of U.S. Dollars                |                   |                        |                         |                         |
| As of March 31, 2007:                    |                   |                        |                         |                         |
| Equity securities                        | \$ 154,672        | \$ 678,594             | \$ 178                  | \$ 833,088              |
| Bonds:                                   |                   |                        |                         |                         |
| Bonds and debentures                     | 21,474            | 76                     | 51                      | 21,499                  |
| Other bonds                              | 40,305            | 1,635                  | 2,660                   | 39,280                  |
| Other                                    | 8,598             | 119                    | –                       | 8,717                   |
|  | <u>\$ 225,049</u> | <u>\$ 680,424</u>      | <u>\$ 2,889</u>         | <u>\$ 902,584</u>       |

During the years ended March 31, 2007 and 2006, the Chubu Electric Group sold available-for-sale securities and recorded gains of ¥361 million (\$3,058 thousand) and ¥162 million and losses of ¥86 million (\$729 thousand) and ¥23 million in the consolidated statements of income, respectively.

Expected maturities of held-to-maturity and available-for-sale debt securities at March 31, 2007 were as follows:

|  | Millions of Yen |               | Thousands of U.S. Dollars |                |
|--|-----------------|---------------|---------------------------|----------------|
| Due in one year or less                | ¥               | 10,194        | \$                        | 86,353         |
| Due after one year through five years  |                 | 5,977         |                           | 50,631         |
| Due after five years through ten years |                 | 5,120         |                           | 43,372         |
| Due after ten years                    |                 | 2,680         |                           | 22,702         |
|  | ¥               | <u>23,971</u> | \$                        | <u>203,058</u> |

## 6. Long-term Debt and Short-term Borrowings

As of March 31, 2007 and 2006, long-term debt consisted of the following:

|   | Millions of Yen |                  | Thousands of U.S. Dollars |                   |
|---|-----------------|------------------|---------------------------|-------------------|
|   | 2007            | 2006             | 2007                      |                   |
| Bonds and notes payable:  |                 |                  |                           |                   |
| Domestic issue:   |                 |                  |                           |                   |
| 0.4% to 4.0%, maturing serially through 2028  | ¥               | 1,190,685        | ¥                         | 1,201,626         |
| Floating rate, maturing serially through 2013   |                 | 259,000          |                           | 259,000           |
| Overseas issue:   |                 |                  |                           |                   |
| 0.08% to 1.036%, maturing serially through 2013 (payable in Euro yen)                           |                 | 21,000           |                           | 26,000            |
| Loans from the Development Bank of Japan, other banks and insurance companies, due through 2026 |                 | 1,062,716        |                           | 1,119,128         |
| Less, intercompany elimination  |                 | (800)            |                           | (900)             |
| Total   |                 | <u>2,532,601</u> |                           | <u>2,604,854</u>  |
| Less, current portion of long-term debt   |                 | (153,963)        |                           | (125,707)         |
|   | ¥               | <u>2,378,638</u> | ¥                         | <u>2,479,147</u>  |
|   |                 |                  | \$                        | <u>20,149,411</u> |

At March 31, 2007 and 2006 all assets of the Company were subject to certain statutory preferential rights as collateral for loans from the Development Bank of Japan of ¥295,529 million (\$2,503,422 thousand) and ¥345,201 million, respectively, and for bonds (including those assigned under debt assumption agreements) of ¥2,169,709 million (\$18,379,576 thousand) and ¥2,155,649 million, respectively. At March 31, 2007 and 2006, property, plant and equipment, and long-term investments of certain subsidiaries pledged as collateral for long-term debt amounted to ¥37,117 million (\$314,418 thousand) and ¥33,573 million, respectively.

The aggregate annual maturities of long-term debt as of March 31, 2006 are summarized as follows:

| Year ending March 31, | Millions of Yen |           | Thousands of U.S. Dollars |            |
|-----------------------|-----------------|-----------|---------------------------|------------|
| 2007                  | ¥               | 153,963   | \$                        | 1,304,219  |
| 2008                  |                 | 235,851   |                           | 1,997,891  |
| 2009                  |                 | 187,351   |                           | 1,587,048  |
| 2010                  |                 | 328,463   |                           | 2,782,406  |
| 2011                  |                 | 257,648   |                           | 2,182,533  |
| 2012 and thereafter   |                 | 1,369,325 |                           | 11,599,534 |

Short-term borrowings consisted mainly of bank loans bearing an average interest rate of 0.857% per annum at March 31, 2007. At March 31, 2007, commercial papers bear an average interest rate of 0.652% per annum.



## 7. Employee Retirement Benefits

The Chubu Electric Group has several defined benefit retirement plans, principally consisted of non-contributory pension plans, welfare pension fund and lump-sum retirement benefit plans.

The following table reconciles the retirement benefit liability and net periodic retirement benefit expense as at or for the years ended March 31, 2007 and 2006:

| As of March 31,  | Millions of Yen |           | Thousands of<br>U.S. Dollars |
|--|-----------------|-----------|------------------------------|
|  | 2007            | 2006      | 2007                         |
| Projected benefit obligation *                         | ¥ 618,635       | ¥ 531,331 | \$ 5,240,449                 |
| Less, fair value of pension plan assets at end of year | (503,984)       | (452,009) | (4,269,242)                  |
|  | 114,651         | 79,322    | 971,207                      |
| Unrecognized actuarial differences                     | 50,306          | 96,149    | 426,142                      |
| Unrecognized prior service cost                        | 2,662           | 16,137    | 22,550                       |
| Prepaid pension cost                                   | 24,489          | 5         | 207,446                      |
| Employee retirement benefit liability                  | ¥ 192,108       | ¥ 191,613 | \$ 1,627,345                 |

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

| As of March 31,  | Millions of Yen |          | Thousands of<br>U.S. Dollars |
|--|-----------------|----------|------------------------------|
|  | 2007            | 2006     | 2007                         |
| Components of net periodic retirement benefit expense: |                 |          |                              |
| Service cost   | ¥ 16,007        | ¥ 16,227 | \$ 135,595                   |
| Interest cost  | 10,527          | 10,385   | 89,174                       |
| Expected return on pension plan assets                 | (13,311)        | (482)    | (112,757)                    |
| Amortization of actuarial differences                  | (37,195)        | (205)    | (315,078)                    |
| Amortization of prior service cost                     | (14,320)        | (14,517) | (121,305)                    |
| Net periodic retirement benefit expense                | ¥ (38,292)      | ¥ 11,408 | \$ (324,371)                 |

Major assumptions used in the calculation of the above information for the years ended March 31, 2007 and 2006 were as follows:

|   | 2007   | 2006                 |
|---|--|----------------------|
| Amortization method for projected benefits over periods of services | <b>Straight-line method</b>                        | Straight-line method |
| Discount rate   | (Company) 2.0%<br>(Subsidiaries) 2.0, 2.5%         | 2.0%                 |
| Expected rate of return on pension plan assets                      | (Company) 3.0%<br>(Subsidiaries) 0.5 to 4.0%       | 0.1%                 |
| Amortization period for prior service cost                          | (Company) 3 years<br>(Subsidiaries) 5, 15 years    | 0.5 to 2.0%          |
| Amortization period for actuarial differences                       | (Company) 3 years<br>(Subsidiaries) 3, 5, 15 years | 3 years              |

## 8. Lease transactions

### (a) Lessee

Total lease expenses under finance leases other than those which substantially transfer the risks and rewards of ownership of the assets at the end of the lease term amounted to ¥3,772 million (\$31,953 thousand) and ¥3,509 million for the years ended March 31, 2007 and 2006, respectively. A subsidiary recognized an impairment loss of ¥120 million (\$1,017 thousand) with respect to such leases for the year ended March 31, 2007. Since such leases were not capitalized, the subsidiary recorded other long-term liabilities of ¥120 million (\$1,017 thousand) at March

31, 2007 to recognize the impairment loss for the year ended March 31, 2007. Such a liability is being amortized over the respective lease terms and the subsidiary recorded a reversal as income of ¥1 million (\$8 thousand) for the year ended March 31, 2007.

Pro forma information on 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, 2007 and 2006 were as follows:

|   | Millions of Yen |          | Thousands of<br>U.S. Dollars |
|---|-----------------|----------|------------------------------|
|   | 2007            | 2006     | 2007                         |
| Acquisition cost                            | ¥ 30,472        | ¥ 20,924 | \$ 258,128                   |
| Accumulated depreciation                    | (10,551)        | (8,669)  | (89,377)                     |
| Accumulated impairment loss on fixed assets | (120)           | —        | (1,017)                      |
| Net leased property                         | ¥ 19,801        | ¥ 12,255 | \$ 167,734                   |
| Future minimum lease payments:              |                 |          |                              |
| Due within one year                         | ¥ 4,134         | ¥ 3,369  | \$ 35,019                    |
| Due after one year                          | 15,816          | 8,957    | 133,977                      |
| Total                                       | ¥ 19,950        | ¥ 12,326 | \$ 168,996                   |

Information on the future lease payments under non-cancelable operating leases at March 31, 2007 and 2006 were as follows:

|                     | Millions of Yen |      | Thousands of<br>U.S. Dollars |
|---------------------|-----------------|------|------------------------------|
|                     | 2007            | 2006 | 2007                         |
| Due within one year | ¥ 8             | ¥ 8  | \$ 68                        |
| Due after one year  | 61              | 69   | 517                          |
| Total               | ¥ 69            | ¥ 77 | \$ 585                       |

### (b) Lessor

Revenue under finance leases other than those which substantially transfer the risks and rewards of ownership of the assets at the end of the lease term amounted to ¥2,502 million (\$21,194 thousand) and ¥2,071 million for the years ended March 31, 2007 and 2006, respectively. The related depreciation expense of ¥2,051 million (\$17,374 thousand) and ¥1,528 million was recorded on the consolidated statements of income for the years ended March 31, 2007 and 2006, respectively.

Information on the leased property such as acquisition cost, accumulated depreciation and future lease commitments to be received under these finance leases at March 31, 2007 and 2006 were as follows:

|  | Millions of Yen |          | Thousands of<br>U.S. Dollars |
|--|-----------------|----------|------------------------------|
|  | 2007            | 2006     | 2007                         |
| Acquisition cost                         | ¥ 14,801        | ¥ 10,800 | \$ 125,379                   |
| Accumulated depreciation                 | (5,183)         | (4,472)  | (43,905)                     |
| Net leased property                      | ¥ 9,618         | ¥ 6,328  | \$ 81,474                    |
| Future lease commitments to be received: |                 |          |                              |
| Due within one year                      | ¥ 2,660         | ¥ 1,897  | \$ 22,533                    |
| Due after one year                       | 8,791           | 5,995    | 74,468                       |
| Total                                    | ¥ 11,451        | ¥ 7,892  | \$ 97,001                    |

Information on the future lease commitments to be received under non-cancelable operating leases at March 31, 2007 and 2006 were as follows:

|                     | Millions of Yen |         | Thousands of<br>U.S. Dollars |
|---------------------|-----------------|---------|------------------------------|
|                     | 2007            | 2006    | 2007                         |
| Due within one year | ¥ 296           | ¥ 563   | \$ 2,507                     |
| Due after one year  | 2,879           | 6,494   | 24,388                       |
| Total               | ¥ 3,175         | ¥ 7,057 | \$ 26,895                    |

## 9. Contingent Liabilities

As of March 31, 2007 and 2006, contingent liabilities were as follows:

|   | Millions of Yen |           | Thousands of<br>U.S. Dollars |
|---|-----------------|-----------|------------------------------|
|   | 2007            | 2006      | 2007                         |
| Co-guarantees of loans for others:                                  |                 |           |                              |
| Japan Nuclear Fuel Limited  | ¥ 143,125       | ¥ 154,546 | \$ 1,212,410                 |
| Nuclear Fuel Transport Co., Ltd. and other companies                | 2,469           | 2,298     | 20,915                       |
| Guarantees of housing and other loans for the employees             | 103,257         | 101,814   | 874,689                      |
| Guarantee relating to electricity purchase agreement for affiliates | 1,757           | 1,980     | 14,884                       |
| Recourses under debt assumption agreements                          | 699,723         | 669,923   | 5,927,344                    |

## 10. Net Assets

The authorized number of shares of common stock without par value is 1,190 million. At March 31, 2007 and 2006, respectively, the number of shares of common stock issued was 782,153,165 shares. At March 31, 2007 and 2006, respectively, the number of treasury stock held by the Chubu Electric Group was 314,500 and 133,135 shares.

The Japanese Corporate Law ("the Law") became effective on May 1, 2006, replacing the Japanese Commercial Code ("the Code"). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock; they were available for distribution by resolution of the shareholders' meeting. Under the Law, all additional paid-in-capital and all legal earnings reserve may be transferred to other

capital surplus and retained earnings, respectively, which are potentially available for dividends.

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

At the annual shareholders' meeting held on June 27, 2007, the shareholders approved cash dividends amounting to 23,458 million (\$198,712 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2007. Such appropriations are recognized in the period in which they are approved by the shareholders.

## 11. Income Taxes

The tax effects on temporary differences that give to deferred tax assets and liabilities at March 31, 2007 and 2006 were as follows:

|   | Millions of Yen |           | Thousands of |
|---|-----------------|-----------|--------------|
|   | 2007            | 2006      | U.S. Dollars |
| Deferred tax assets:                                |                 |           | 2007         |
| Employee retirement benefit liability               | ¥ 71,047        | ¥ 69,231  | \$ 601,838   |
| Depreciation  | 31,149          | 30,536    | 263,863      |
| Amortization of deferred charges                    | 19,172          | 22,031    | 162,406      |
| Impairment loss on fixed assets                     | 16,289          | 17,309    | 137,984      |
| Intercompany profits                                | 17,776          | 12,733    | 150,580      |
| Reserve for reprocessing of irradiated nuclear fuel | 10,830          | 7,640     | 91,741       |
| Accrued bonus to employees                          | 10,873          | 9,459     | 92,105       |
| Reserve for decommissioning nuclear power plant     | 7,353           | 7,353     | 62,287       |
| Others  | 46,452          | 42,176    | 393,494      |
| Total gross deferred tax assets                     | 230,941         | 218,468   | 1,956,298    |
| Less, valuation allowance                           | (32,101)        | (25,695)  | (271,927)    |
| Total deferred tax assets                           | 198,840         | 192,773   | 1,684,371    |
| Deferred tax liabilities:                           |                 |           |              |
| Unrealized gains on securities                      | 26,922          | 25,505    | 228,056      |
| Deferred gains on hedging instruments               | 19,286          | –         | 163,371      |
| Others  | 9,346           | 158       | 79,170       |
| Total deferred tax liabilities                      | 55,554          | 25,663    | 470,597      |
| Net deferred tax assets                             | ¥ 143,286       | ¥ 167,110 | \$ 1,213,774 |

At March 31, 2007 and 2006, deferred tax assets and liabilities were as follows:

|                           | Millions of Yen |           | Thousands of |
|---------------------------|-----------------|-----------|--------------|
|                           | 2007            | 2006      | U.S. Dollars |
| Deferred tax assets:      |                 |           | 2007         |
| Non-Current               | ¥ 124,155       | ¥ 149,188 | \$ 1,051,715 |
| Current                   | 19,142          | 17,923    | 162,152      |
| Deferred tax liabilities: |                 |           |              |
| Non-Current               | 11              | 1         | 93           |

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, 2007 and 2006, 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.

A reconciliation of the differences between the statutory income tax rate and the effective income tax rate for the years ended March 31, 2007 and 2006 were as follows:

|                                   | 2007  | 2006  |
|-----------------------------------|-------|-------|
| Statutory tax rate                | 35.7% | 35.7% |
| Increase due to:                  |       |       |
| Amortization of goodwill          | 3.9   | -     |
| Valuation allowance               | 3.0   | 3.6   |
| Tax credit                        | (0.8) | (1.2) |
| Equity in earnings of affiliates  | (0.3) | (0.2) |
| Permanent non-deductible expenses | 0.3   | 0.3   |
| Other                             | 0.9   | 0.4   |
| Effective income tax rate         | 42.7% | 38.6% |

## 12. Segment information

The Chubu Electric Group's operations are classified into four segments, electric power business, energy business, IT and telecommunications business and other business. Electric power segment is composed of electric power supply business. Energy business segment involves gas supply. Information technology segment involves telecommunications and information software and services. Other segment composed of developing electric power-related areas including construction for the upgrade and maintenance of facilities and manufacture for supply of materials and equipments and other various businesses. Information by industry segment for years ended March 31, 2007 and 2006 was as follows:

|                                    | Electric power  | Energy   | IT and<br>Telecommunications | Other     | Total       | Elimination | Consolidated |
|------------------------------------|-----------------|----------|------------------------------|-----------|-------------|-------------|--------------|
|                                    | Millions of Yen |          |                              |           |             |             |              |
| For the year ended March 31, 2007: |                 |          |                              |           |             |             |              |
| Operating revenues:                |                 |          |                              |           |             |             |              |
| External customers                 | ¥ 2,080,450     | ¥ 34,969 | ¥ 28,036                     | ¥ 70,338  | ¥ 2,213,793 | ¥ -         | ¥ 2,213,793  |
| Inter-segment                      | 5,891           | 6,178    | 50,510                       | 141,977   | 204,556     | (204,556)   | -            |
| Total operating revenues           | 2,086,341       | 41,147   | 78,546                       | 212,315   | 2,418,349   | (204,556)   | 2,213,793    |
| Operating expenses                 | ¥ 1,861,344     | ¥ 32,940 | ¥ 77,305                     | ¥ 199,923 | ¥ 2,171,512 | ¥ (204,431) | ¥ 1,967,081  |
| Operating income                   | 224,997         | 8,207    | 1,241                        | 12,392    | 246,837     | (125)       | 246,712      |
| Identifiable assets                | ¥ 5,268,017     | ¥ 50,423 | ¥ 169,065                    | ¥ 420,498 | ¥ 5,908,003 | ¥ (206,288) | ¥ 5,701,715  |
| Depreciation and amortization      | 300,246         | 3,478    | 22,670                       | 11,591    | 337,985     | (2,723)     | 335,262      |
| Capital expenditures               | 139,640         | 5,596    | 20,950                       | 16,428    | 182,614     | (2,492)     | 180,122      |
| For the year ended March 31, 2006: |                 |          |                              |           |             |             |              |
| Operating revenues:                |                 |          |                              |           |             |             |              |
| External customers                 | ¥ 2,041,326     | ¥ 26,676 | ¥ 26,437                     | ¥ 56,069  | ¥ 2,150,508 | ¥ -         | ¥ 2,150,508  |
| Inter-segment                      | 3,719           | 6,779    | 41,578                       | 132,863   | 184,939     | (184,939)   | -            |
| Total operating revenues           | 2,045,045       | 33,455   | 68,015                       | 188,932   | 2,335,447   | (184,939)   | 2,150,508    |
| Operating expenses                 | ¥ 1,739,573     | ¥ 26,852 | ¥ 67,709                     | ¥ 180,482 | ¥ 2,014,616 | ¥ (186,213) | ¥ 1,828,403  |
| Operating income                   | 305,472         | 6,603    | 306                          | 8,450     | 320,831     | 1,274       | 322,105      |
| Identifiable assets                | ¥ 5,471,617     | ¥ 46,887 | ¥ 178,513                    | ¥ 226,160 | ¥ 5,923,177 | ¥ (181,301) | ¥ 5,741,876  |
| Depreciation and amortization      | 333,035         | 3,475    | 19,633                       | 12,046    | 368,189     | (2,893)     | 365,296      |
| Capital expenditures               | 111,539         | 7,423    | 16,793                       | 17,433    | 153,188     | (2,062)     | 151,126      |

|                                    | Electric power | Energy     | IT and<br>Telecommunications | Other        | Total         | Elimination    | Consolidated  |
|------------------------------------|----------------|------------|------------------------------|--------------|---------------|----------------|---------------|
| Thousands of U.S. Dollars          |                |            |                              |              |               |                |               |
| For the year ended March 31, 2007: |                |            |                              |              |               |                |               |
| Operating revenues:                |                |            |                              |              |               |                |               |
| External customers                 | \$ 17,623,464  | \$ 296,222 | \$ 237,493                   | \$ 595,832   | \$ 18,753,011 | \$ -           | \$ 18,753,011 |
| Inter-segment                      | 49,903         | 52,334     | 427,869                      | 1,202,685    | 1,732,791     | (1,732,791)    | -             |
| Total operating revenues           | 17,673,367     | 348,556    | 665,362                      | 1,798,517    | 20,485,802    | (1,732,791)    | 18,753,011    |
| Operating expenses                 | \$ 15,767,420  | \$ 279,034 | \$ 654,850                   | \$ 1,693,545 | \$ 18,394,849 | \$ (1,731,732) | \$ 16,663,117 |
| Operating income                   | 1,905,947      | 69,522     | 10,512                       | 104,972      | 2,090,953     | (1,059)        | 2,089,894     |
| Identifiable assets                | \$ 44,625,303  | \$ 427,133 | \$ 1,432,147                 | \$ 3,562,033 | \$ 50,046,616 | \$ (1,747,463) | \$ 48,299,153 |
| Depreciation and amortization      | 2,543,380      | 29,462     | 192,037                      | 98,187       | 2,863,066     | (23,066)       | 2,840,000     |
| Capital expenditures               | 1,182,889      | 47,404     | 177,467                      | 139,161      | 1,546,921     | (21,110)       | 1,525,811     |

Note: With effect from the year ended March 31, 2007, the Company adopted 4 reportable business segments mentioned above, instead of 2 reportable business segments consisting of electric power business and other business, which were previously reported, in order to disclose segment information more properly. Segment information for the year 2006 disclosed above was reclassified to confirm to the current year's classification for comparative purposes.

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

### 13. 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)<br>As of March 31, 2007 and 2006 | Millions of Yen |              | Thousands of<br>U.S. Dollars |
|--|-----------------|--------------|------------------------------|
|  | 2007            | 2006         | 2007                         |
| Property, Plant and Equipment:   |                 |              |                              |
| Property, plant and equipment  | ¥ 12,284,743    | ¥ 12,228,475 | \$ 104,063,897               |
| Construction in progress   | 145,829         | 133,574      | 1,235,315                    |
|  | 12,430,572      | 12,362,049   | 105,299,212                  |
| Less:  |                 |              |                              |
| Contributions in aid of construction   | (145,437)       | (142,688)    | (1,231,995)                  |
| Accumulated depreciation   | (8,237,166)     | (7,978,781)  | (69,776,925)                 |
|  | (8,382,603)     | (8,121,469)  | (71,008,920)                 |
| Property, Plant and Equipment, Net   | 4,047,969       | 4,240,580    | 34,290,292                   |
| Nuclear Fuel:  |                 |              |                              |
| Loaded nuclear fuel  | 41,486          | 40,034       | 351,427                      |
| Nuclear fuel in processing   | 212,859         | 210,165      | 1,803,126                    |
| Total Nuclear Fuel   | 254,345         | 250,199      | 2,154,553                    |
| Investments and Other Long-term Assets:  |                 |              |                              |
| Long-term investments  | 367,748         | 383,264      | 3,115,188                    |
| Deferred tax assets  | 92,078          | 125,605      | 779,992                      |
| Fund for reprocessing of irradiated nuclear fuel                                     | 244,727         | 263,383      | 2,073,079                    |
| Other  | 34,709          | 9,847        | 294,020                      |
| Less, allowance for doubtful accounts  | (338)           | (405)        | (2,863)                      |
| Total Investments and Other Long-term Assets   | 738,924         | 781,694      | 6,259,416                    |

|   | Millions of Yen |             | Thousands of<br>U.S. Dollars |
|---|-----------------|-------------|------------------------------|
|   | 2007            | 2006        | 2007                         |
| <b>Current Assets:</b>  |                 |             |                              |
| Cash  | 29,241          | 17,389      | 247,700                      |
| Trade accounts receivable   | 105,724         | 103,422     | 895,587                      |
| Less, allowance for doubtful accounts                               | (665)           | (644)       | (5,633)                      |
| Inventories   | 72,489          | 58,867      | 614,053                      |
| Deferred tax assets   | 14,602          | 15,053      | 123,693                      |
| Other   | 24,652          | 21,448      | 208,827                      |
| Total Current Assets  | 246,043         | 215,535     | 2,084,227                    |
| Total Assets  | ¥ 5,287,281     | ¥ 5,488,008 | \$ 44,788,488                |
| <b>Long-term Liabilities</b>  |                 |             |                              |
| Long-term debt  | ¥ 2,329,263     | ¥ 2,426,753 | \$ 19,731,156                |
| Employee retirement benefit liability                               | 137,840         | 170,690     | 1,167,641                    |
| Reserve for reprocessing of irradiated nuclear fuel                 | 270,488         | 261,019     | 2,291,300                    |
| Reserve for preparation for reprocessing of irradiated nuclear fuel | 3,770           | -           | 31,936                       |
| Reserve for decommissioning nuclear power plant                     | 92,020          | 89,094      | 779,500                      |
| Other long-term liabilities   | 25,487          | 64,808      | 215,900                      |
| Total Long-term Liabilities   | 2,858,868       | 3,012,364   | 24,217,433                   |
| <b>Current Liabilities:</b>   |                 |             |                              |
| Current portion of long-term debt and other                         | 139,980         | 113,954     | 1,185,769                    |
| Short-term borrowings   | 314,400         | 294,400     | 2,663,278                    |
| Commercial papers   | 145,000         | 270,000     | 1,228,293                    |
| Trade accounts payable  | 74,101          | 71,195      | 627,709                      |
| Income taxes payable  | 11,016          | 20,843      | 93,316                       |
| Reserve for bonus to directors and corporate auditors               | 106             | -           | 898                          |
| Other   | 158,359         | 160,552     | 1,341,457                    |
| Total Current Liabilities   | 842,962         | 930,944     | 7,140,720                    |
| Reserve for Fluctuation in Water Levels                             | 4,005           | 6,666       | 33,927                       |
| Total Liabilities   | 3,705,835       | 3,949,974   | 31,392,080                   |
| <b>Net Assets:</b>  |                 |             |                              |
| Common stock  | 430,777         | -           | 3,649,107                    |
| Capital surplus   | 73,967          | -           | 626,573                      |
| Retained earnings   | 999,047         | -           | 8,462,914                    |
| Less, treasury stock, at cost                                       | (799)           | -           | (6,769)                      |
| Other components of equity  | 78,454          | -           | 664,583                      |
| Total Net Assets  | 1,581,446       | -           | 13,396,408                   |
| Total Liabilities and Net Assets                                    | ¥ 5,287,281     | -           | \$ 44,788,488                |
| <b>Shareholders' Equity:</b>  |                 |             |                              |
| Common stock  | -               | 430,777     | -                            |
| Capital surplus   | -               | 73,956      | -                            |
| Retained earnings   | -               | 981,967     | -                            |
| Net unrealized gains on available-for-sale securities               | -               | 51,362      | -                            |
| Less, treasury stock, at cost                                       | -               | (28)        | -                            |
| Total Shareholders' Equity  | -               | 1,538,034   | -                            |
| Total Liabilities and Shareholders' Equity                          | -               | ¥ 5,488,008 | -                            |





# Corporate Data As of March 31, 2007

## Chubu Electric Power Co., Inc.

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#### Washington Office

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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

#### Bangkok Office

Unit 4, 18th Floor, M.Thai Tower,  
All Seasons Place, 87 Wireless Road, Phatumwan,  
Bangkok 10330, THAILAND  
tel: 02-654-0688 fax: 02-654-0689

#### Doha Office (Established in July 2007)

Links Office No. 4, Ground Floor, A1 Mirqab  
Toower, A1 Corniche P. O. Box 24863, Doha-Qatar  
tel: 974-4954-607 fax: 974-4954-608

### DATE OF ESTABLISHMENT

May 1st, 1951

### CAPITAL

¥430,777,362,600

### AUTHORIZED NUMBER OF SHARES

1,190,000,000

### NUMBER OF ISSUED SHARES

782,153,165

### NUMBER OF SHAREHOLDERS

331,701

### SECURITIES TRADED

Tokyo Stock Exchange  
Osaka Securities Exchange  
Nagoya Stock Exchange

### Manager of Shareholder List

Mitsubishi UFJ Trust and Banking Corporation  
4-5, Marunouchi 1-chome, Chiyoda-ku  
Tokyo 100-8212, Japan

### GENERAL MEETING OF SHAREHOLDERS

June

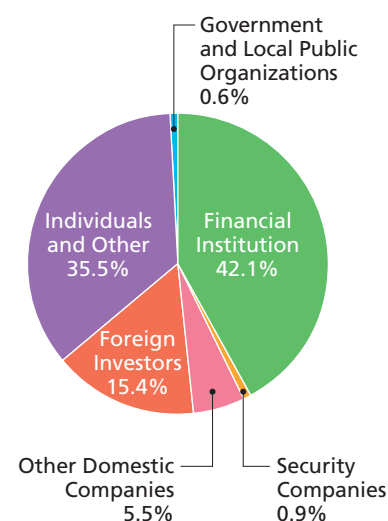
### AUDITORS

MISUZU Audit Corporation  
KPMG AZSA & Co.

### PRINCIPAL SHAREHOLDERS

| Name   | Number of Shares (thousands) | Percentage of Total Shares in Issue (%) |
|--|------------------------------|---|
| The Master Trust Bank of Japan, Ltd.   | 52,225                       | 6.68                                    |
| Meiji Yasuda Life Insurance Company  | 42,662                       | 5.45                                    |
| Japan Trustee Services Bank, Ltd.  | 38,809                       | 4.96                                    |
| Nippon Life Insurance Company  | 34,440                       | 4.40                                    |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd.   | 19,104                       | 2.44                                    |
| Sumitomo Mitsui Banking Corporation  | 14,943                       | 1.91                                    |
| Mizuho Corporate Bank, Ltd.  | 14,064                       | 1.80                                    |
| Trust & Custody Services Bank, Ltd.  | 13,681                       | 1.75                                    |
| Kondo Cotton Spinning Co., Ltd.  | 12,146                       | 1.55                                    |
| The Children's Investment Master Fund<br>(Standing proxy: The Hong Kong and Shanghai<br>Banking Corporation Limited, Tokyo Branch) | 10,988                       | 1.40                                    |

### COMPOSITION OF SHAREHOLDERS



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

1, Higashi-shincho, Higashi-ku, Nagoya 461-8680, Japan  
Tel: 052-951-8211 Fax: 052-962-4624  
[www.chuden.co.jp/english](http://www.chuden.co.jp/english)



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