CHUBU
Electric Power

Chubu Electric Power Company Group

# Annual Report 2012

www.chuden.co.jp/english

Chubu Electric Power Group Corporate Philosophy

# Chubu Electric Power Group delivers the energy that is indispensable for people's lives and so contributes to the development of society.

## Sincere and Sustained Effort

We make a constant and sincere effort to fulfill our unchanging mission and earn the trust of our customers and society.

## Creativity and Spirit of Challenge

We continually act with creativity and an enthusiasm for new challenges in order to pursue excellence in our services and meet the expectations of our customers and society.

## Independence and Cooperation

We work together as individuals showing respect for one another to create a vibrant and dynamic corporate culture.

## Editorial Policy

In order to communicate its corporate activities to its stakeholders in a more comprehensive manner, the Chubu Electric Power Group has integrated a financial report (internal performance review, financial statements, etc.) and a non-financial report (specific business initiatives, CSR activities, etc.), which had previously been published separately. This is the first report created under this new policy.

The non-financial section is designed to report on a range of CSR activities, including specific initiatives, targets set and actual results, in line with the core subjects under the ISO 26000 standards.

## Date of Publication

August 2012 (Next report: scheduled in July 2013; previous report: August 2011)

## Non-financial Information

■ Scope of this report
- ○ Organization
  Chubu Electric Power Co., Inc. and Group Companies
- ○ Period
  Fiscal year 2011 (April 2011 through March 2012)
  (This report also includes information regarding some important events and activities that occurred outside the above period.)

■ Guidelines used as references
GRI, Sustainability Reporting Guidelines (3.1 Version)
Ministry of the Environment, Environmental Reporting Guidelines (2012 Version)
ISO 26000

## Related Information

At the end of some reports, the number of pages that include details and related information are indicated.
(☞P. 00)

## About the Forecasts

The future plans and forecasts described in this document are based on information the company possesses at the present time and involve potential risks and uncertainty. Therefore, actual performance or business developments in the future may differ from those described. Examples of potential risks or uncertainty include changes in the economic or competitive circumstances affecting a business sector, fluctuations in fuel prices, or modifications of laws or regulations.

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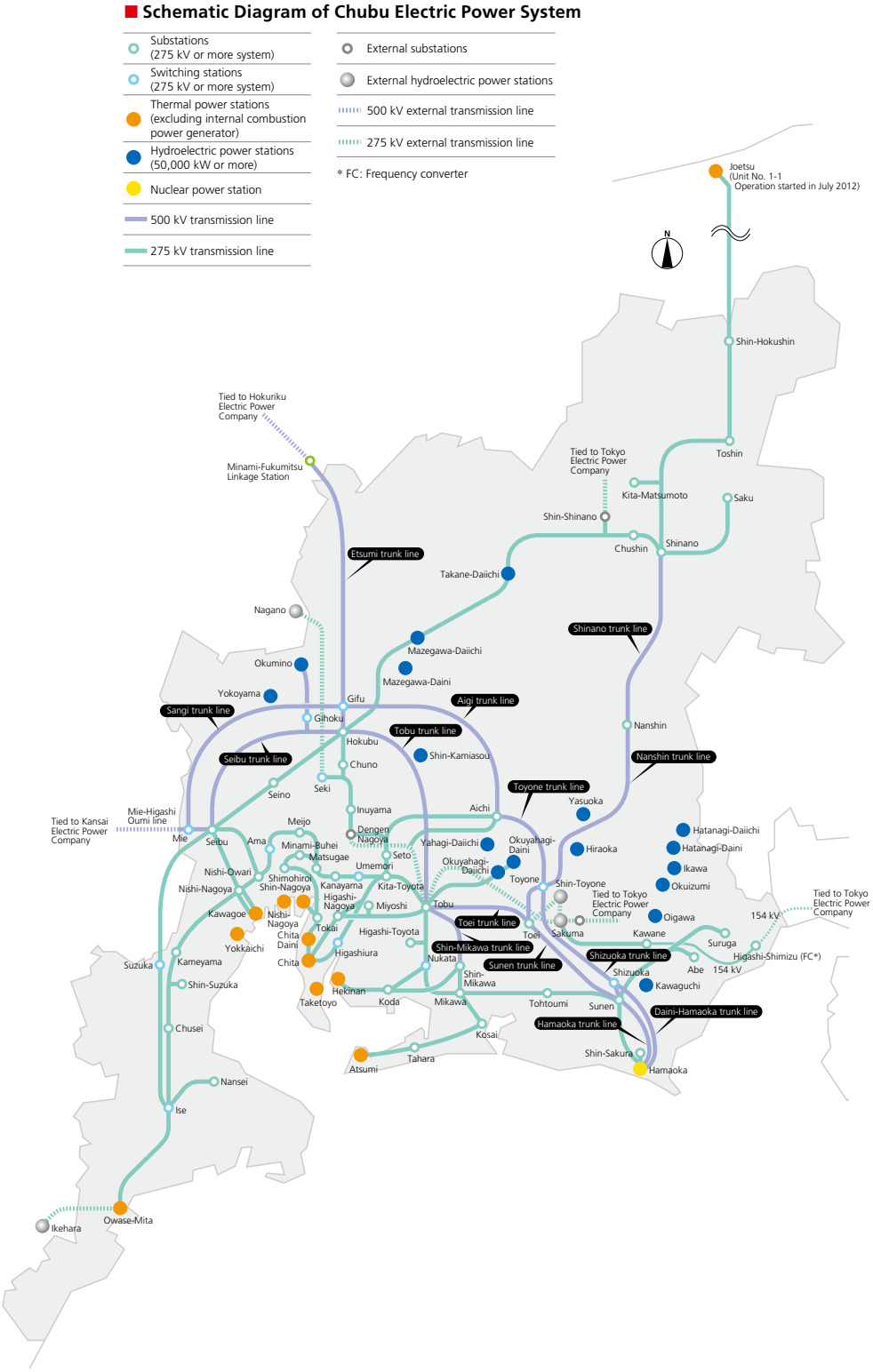
**Chubu Electric Power Company Group Annual Report 2012**

# Chubu Electric Power Group's Business Foundation

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

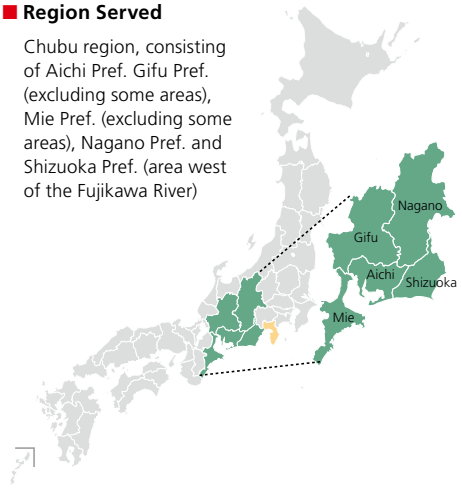
Chubu Electric Power serves an area of nearly 39,000 square kilometers in five prefectures of central Japan (Chubu, in Japanese), home to some 16 million people. The Chubu region is known as one of Japan's leading manufacturing regions, and many world-class Japanese industries, including manufacturers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

## Schematic Diagram of Chubu Electric Power System



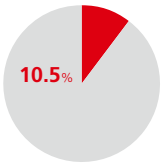

## Region Served

Chubu region, consisting of Aichi Pref. Gifu Pref. (excluding some areas), Mie Pref. (excluding some areas), Nagano Pref. and Shizuoka Pref. (area west of the Fujikawa River)



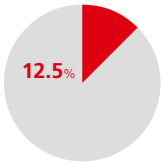

## Area Served

approx. 39,000 km²



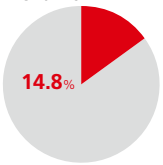

## Population Served

approx. 16 million people




## GDP (Real) (FY 2009)

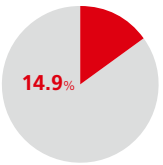
approx. ¥79 trillion




* Source: Annual Reports on Prefectural Accounts/Japan, Cabinet Office
* Chubu Region: Aichi Pref., Gifu Pref., Mie Pref., Shizuoka Pref. and Nagano Pref.

## Electric Energy Sold (FY 2011)

127.9 TWh




* Share among 10 electric power companies

## Summary of Facilities (as of the end of March 2012)

| | | | |
|---|---|---|---|
| Power Generation Facilities | Thermal | 23,969 MW | (11 locations)*1 |
| | Hydroelectric | 5,218 MW | (183 locations) |
| | Nuclear | 3,617 MW | (1 location) |
| | Renewable Energy | 31 MW | (3 locations) |
| | Total | 32,835 MW | (198 locations) |
| Power Transmission Facilities | Transmission Line Route Length | 12,265 km | |
| Transforming Facilities | Number of Substations | 940 locations | |
| | Capacity | 122.571 million kVA | |
| | | 300 MW*2 | |
| | Linkage Station | 1 location | |
| | Capacity | 300 MW | |
| Power Distribution Facilities | Distribution Line Length | 131,529 km | |

*1. Excluding Joetsu Thermal Power Station
*2. Frequency conversion facilities listed separately

# Financial/Operating and Other Statistics Highlights

(Consolidated, the company's fiscal year (FY) is from April 1 to March 31 of the following year in this report.)

## Financial Statistics

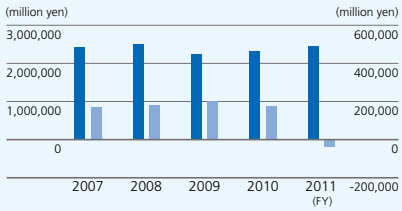
| | | | | | Millions of yen | Thousands of U.S. dollars*1 |
|---|---|---|---|---|---|---|
| | FY 2007 | FY 2008 | FY 2009 | FY 2010 | **FY 2011** | **FY 2011** |
| For the Year | | | | | | |
| Operating Revenues | ¥2,432,865 | ¥2,509,982 | ¥2,238,552 | ¥2,330,892 | ¥2,449,283 | $29,822,026 |
| Operating Income (Loss) | 167,863 | 182,235 | 200,032 | 174,238 | (37,667) | (458,627) |
| Ordinary Income (Loss)*2 | 123,389 | 130,505 | 178,543 | 146,275 | (67,857) | (826,215) |
| Net Income (Loss) | 70,619 | (18,968) | 108,559 | 84,598 | (92,195) | (1,122,550) |
| Depreciation | 341,567 | 312,464 | 297,517 | 284,047 | 289,451 | 3,524,303 |
| Capital Investments | 250,625 | 270,666 | 265,942 | 270,161 | 280,582 | 3,416,316 |
| At Year-End | | | | | | |
| Total Assets | ¥5,636,258 | ¥5,470,129 | ¥5,299,976 | ¥5,331,967 | ¥5,647,169 | $68,758,907 |
| Shareholders' Equity*3 | 1,712,665 | 1,616,655 | 1,637,602 | 1,660,130 | 1,511,260 | 18,400,828 |
| Outstanding Interest-Bearing Debt | 2,862,632 | 2,789,038 | 2,539,552 | 2,495,126 | 2,965,876 | 36,111,969 |
| Per Share of Common Stock (Yen, U.S. dollars) | | | | | | |
| Net Income (Loss)—Basic | ¥ 90.58 | ¥ (24.37) | ¥ 140.47 | ¥ 110.97 | ¥ (121.67) | $ (1.48) |
| Net Assets | 2,199.76 | 2,076.93 | 2,146.82 | 2,190.89 | 1,994.51 | 24.28 |
| Cash Dividends | 60 | 60 | 60 | 60 | 60 | 0.73 |
| Financial Indicators | | | | | | |
| ROA*4(%) | 3.1 | 3.7 | 4.0 | 3.4 | (0.6) | - |
| ROE (%) | 4.1 | (1.1) | 6.7 | 5.1 | (5.8) | - |
| Cash Flow Data | | | | | | |
| Cash Flows from Operating Activities | ¥ 471,958 | ¥ 358,880 | ¥ 539,106 | ¥ 449,755 | ¥ 176,845 | $ 2,153,233 |
| Cash Flows from Investing Activities | (272,742) | (215,135) | (242,394) | (336,056) | (247,073) | (3,008,316) |
| Cash Flows from Financing Activities | (199,931) | (90,238) | (333,496) | (105,088) | 422,007 | 5,138,281 |

*1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥82.13 =US$1.
*2. Ordinary income (loss) = Income (loss) before provision (reversal) of reserve for fluctuation in water levels, income taxes and minority interests + Settlement received (fiscal 2011) + Loss on transition to a defined contribution pension plan (fiscal 2011) + Loss on adjustment for changes of accounting standard for asset retirement obligations (fiscal 2010) + Loss in conjunction with discontinued operations of Hamaoka Reactors No. 1 and No. 2 (fiscal 2008) + Reserve for decommissioning costs of nuclear power plants for prior periods (fiscal 2007)
*3. Shareholders' Equity = Total Net Assets – Minority interests
*4. ROA (Return on Assets) = Operating income (Ordinary income + Interest) / Average of total assets at beginning and end of fiscal year

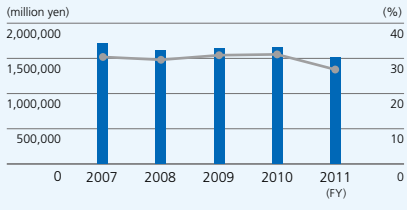
## Operating and Other Statistics

| | | | | | GWh |
|---|---|---|---|---|---|
| | FY 2007 | FY 2008 | FY 2009 | FY 2010 | **FY 2011** |
| Electric Energy Sold | | | | | |
| Customers Under Regulation | | | | | |
| Electric Lighting | 36,125 | 35,336 | 35,029 | 37,256 | 35,872 |
| Electric Power | 7,305 | 6,747 | 6,419 | 6,695 | 6,359 |
| Customers Under Liberalization | 94,054 | 87,651 | 81,401 | 86,960 | 85,666 |
| Total Electric Energy Sold | 137,484 | 129,734 | 122,849 | 130,911 | 127,897 |

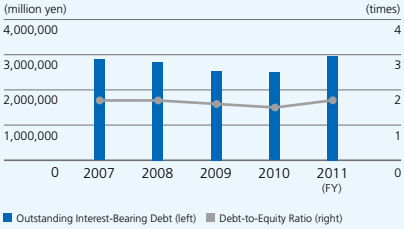
### Operating Revenues/Operating Income (Loss)



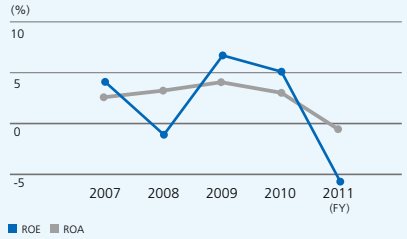

### Shareholders' Equity/Shareholders' Equity Ratio




### Outstanding Interest-Bearing Debt/ Debt-to-Equity Ratio




### ROE/ROA



# We will enhance our commitment to CSR management, aiming to earn more trust from our stakeholders

**Toshio Mita**
Chairman of the Board of Directors
Chubu Electric Power Co., Inc.

**Akihisa Mizuno**
President & Director
Chubu Electric Power Co., Inc.

The accident at Tokyo Electric Power Company's Fukushima Daiichi Nuclear Power Station triggered by the massive disaster that hit Japan in March 2011 affected the communities and personal lives of many people living and working in the surrounding area, forcing many of them to remain displaced and unable to return to normal life. As an electric power company, we would like to express our deepest regret over the undue inconvenience suffered by these people. We are implementing thoroughgoing safety measures with a resolve to prevent recurrence.

In May 2011 Chubu Electric Power shut down the Hamaoka Nuclear Power Station at the request of the national government. We made this decision based on the view that an electric utility company should give top priority to responding sincerely to a mounting sense of public concern over the safety of nuclear power generation and taking adequate measures to gain greater trust from society at large.

Since the shutdown, we have been making concerted efforts across the group to complete this mission, focusing on the three key themes of "increasing the safety of the Hamaoka Nuclear Power Station," "securing a stable supply of energy" and "improving management efficiency."

## Increasing the safety of the Hamaoka Nuclear Power Station

In addressing the first key issue, namely, increasing the safety of the Hamaoka Nuclear Power Station, Chubu Electric Power is taking a range of initiatives related to two areas of management systems and facilities. The former centers on enhancing disaster prevention plans in cooperation with national and local governments, while the latter focuses on breakwater and other facility reinforcement works designed to improve protection against tsunamis.

The anti-tsunami facility work conducted thus far was scheduled for completion in December 2012 based on the initial plan. How-

ever, the work period has been extended by about one year because of the substantially increased amount and complexity of the work as a result of the revision of the plan made public in March 2012.

While making vigorous efforts to ensure effective implementation of these measures aimed at higher levels of protection and strength against emergency risks, we also provide detailed explanations about the above-described actions in order to foster better understanding and increase the sense of security of local communities and society as a whole.

## Securing a stable supply of energy

Securing a stable supply of energy, the second theme, became a major challenge after the shutdown of the Hamaoka Nuclear Power Station. In order to make up for the resulting shortfall in electricity supply, we have taken various steps, including the resumed operation of thermal power generators that were under long-term planned shutdown.

These supply-side measures, combined with strenuous energy conservation efforts made by our customers, have successfully managed to avoid the possibly serious disruptions that could have been caused by expanded gaps between electricity supply and demand. We would like to express our sincere appreciation for customers living and working in our service areas for making various forms of energy-saving efforts at home and at work over the past year, including shifting operation hours, particularly in summer when energy demand is at a peak in Japan.

This coming summer, an even more serious electricity supply shortage is expected throughout the country, particularly in the western regions. Chubu Electric Power will step up efforts to make the utmost contribution to alleviating the tight electricity supply situation expected for wider areas in the western regions, while maintaining a focus on securing a stable supply for its service areas. The understanding and cooperation of our customers are essential in order to achieve this. In the coming summer, we would ask for continued efforts to save electricity to whatever extent is reasonable, and we would apologize for the inconvenience that this may cause to so many residents and workers in the region.

## Improving management efficiency

In fiscal 2011, Chubu Electric Power recorded the first operating loss in its history on a non-consolidated basis, mainly due to swelling thermal power fuel costs attributable to the shutdown of the Hamaoka station. To improve our financial standing despite tight conditions that are expected to continue unless the station resumes operation, we will continue working to maximize management efficiency, in the hope of meeting the expectations of our shareholders and other stakeholders.

## CSR management in the Chubu Electric Power Group

In Japan, growing public concern over energy issues after the Great East Japan Earthquake has prompted serious discussions on the reform of energy supply systems, including the feasibility of full liberalization of the electricity retail market and the possibility of separate operation of electricity generation and transmission, and on the national energy policy, which particularly focuses on the continuation of nuclear power generation.

These discussions will produce concrete proposals and approaches regarding specific individual issues in the near future. The Chubu Electric Power Group will endeavor to appropriately respond to these emerging proposals and approaches while firmly maintaining its corporate philosophy of "delivering the energy that is indispensable for people's lives and so contributing to the development of society." We believe that fulfilling this public mission as an electric power company forms the bedrock of the Group's fundamental corporate social responsibility.

In order to accomplish this public mission, we will strive to enhance our capability to effectively and flexibly respond to fluctuating energy market trends to ensure a stable electricity supply, thereby earning and maintaining the trust of society as a respected and responsible corporate citizen.

## Interactive relationships with our stakeholders

We believe that in order to promote CSR management, as described above, it is essential that our stakeholders, including local residents, have sufficient understanding of and confidence in our policies and activities relating to our CSR management.

As an effective approach to achieve this, we place value on promoting meaningful communication with our stakeholders, aiming to use the collected feedback to enhance our business operations and other activities.

As a major tool for communicating our corporate policies and activities to our stakeholders, we have hitherto created the CSR Report (to report CSR activities) and the Annual Report (to report financial performance) every year. With the intention of providing more comprehensive and streamlined explanations, this fiscal year we have integrated the two annual reports that were previously published separately, to create the Annual Report. We hope that the new format of the report will help enhance stakeholder communication and understanding of our activities. We would appreciate it if you, our readers, share your views and comments with us, as we seek to improve our CSR activities in the future.

August 2012

# Measures to Further Improve the Safety of the Hamaoka Nuclear Power Station

Chubu Electric Power shut down the Hamaoka Nuclear Power Station in May 2011, in response to a request by the national government. Our first priority in making this decision was to provide a sincere response to people's concerns about the safety of nuclear power generation and regain trust in the safety of nuclear energy from society at large, including local communities.

Under these circumstances, Chubu Electric Power is facing serious management challenges with regard to the fulfillment of its CSR: we should improve the safety of our power generation facilities, including the Hamaoka Nuclear Power Station, and increase public understanding of these facilities, while ensuring the stable supply of electricity and improving our financial situation.

In this feature article, we will introduce the measures that Chubu Electric Power has been implementing since the suspension of operations at the Hamaoka Nuclear Power Station.

(Based on the plan as of July 30, 2012. Should a significant change be made to the plan, a revised version will be made available through press releases and on the Web site.)

## 1 -1 Countermeasures against Tsunamis

### The Hamaoka Nuclear Power Station's Approach to Tsunami Countermeasures

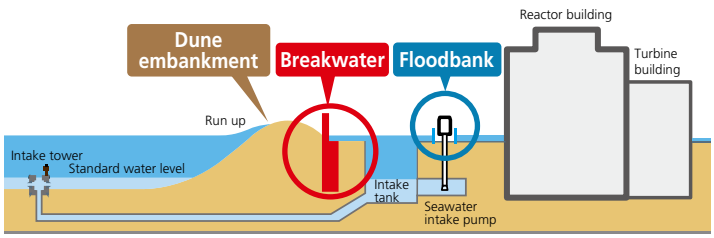
It is known that the direct cause of the accident at Tokyo Electric Power's Fukushima Daiichi Nuclear Power Station accident was the loss of its function to cool reactors due to the tsunami, which flooded important facilities such as seawater intake pumps and emergency power supply systems.

The dune embankment in front of the Hamaoka Nuclear Power Station will act as a barrier to prevent tsunami-related flooding. We are also implementing the flooding prevention measures 1 and 2, as described below, to prevent flooding on the Station grounds and in buildings, in order to maintain the function of important facilities used to cool the reactors even in the event of a tsunami.

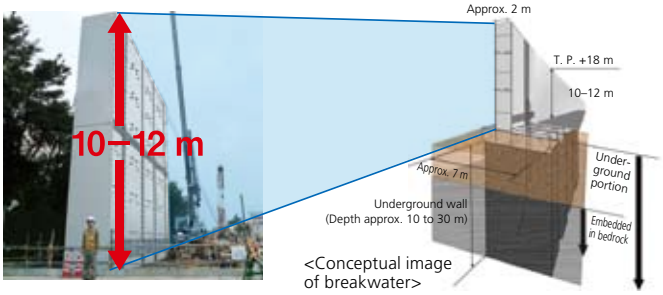
We are also enhancing emergency measures to ensure multiple ways of continuously cooling the reactors even if the functions provided by seawater intake pumps and emergency power supply systems fail, which is what occurred at the Fukushima Daiichi Nuclear Power Station.

Even if the cooling functions partially fail, we will thus be able to keep cooling the reactors using alternative means in quick succession. We believe we can increase the reliability of the entire cooling system by adding backup functions.

### Flooding Prevention Measure 1: Prevention of Flooding on the Station Site



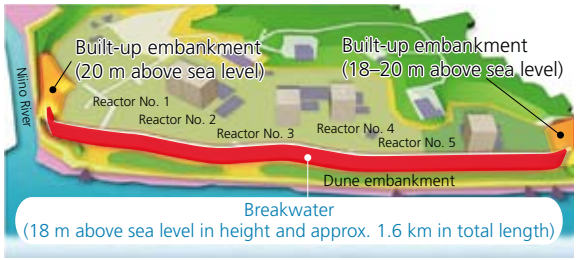





The breakwater will have a foundation consisting of a reinforced concrete underground wall anchored in bedrock and an L-shaped retaining wall of combined steel and steel-reinforced concrete; this structure will offer ample resistance against earthquakes and tsunami.

**Establishment of floodbank to protect seawater intake pumps**

A floodbank with a height of 1.5 m will be built around outdoor seawater intake pumps to prevent an overflow of water from the intake tank connected to the sea via tunnels in the event of a tsunami.



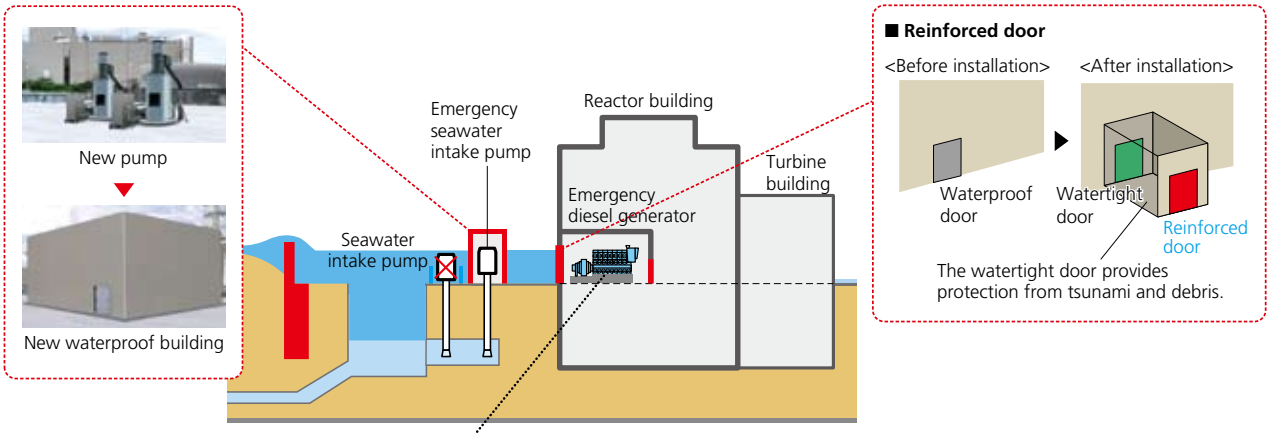
## Flooding Prevention Measure 2: Prevention of Flooding in Buildings

### Installation of emergency seawater intake systems (EWS)

Waterproof buildings will be constructed and fitted with new seawater intake pumps in preparation for possible flooding in outdoor seawater intake pumps.

### Increased pressure resistance and water tightness of reactor building outer walls

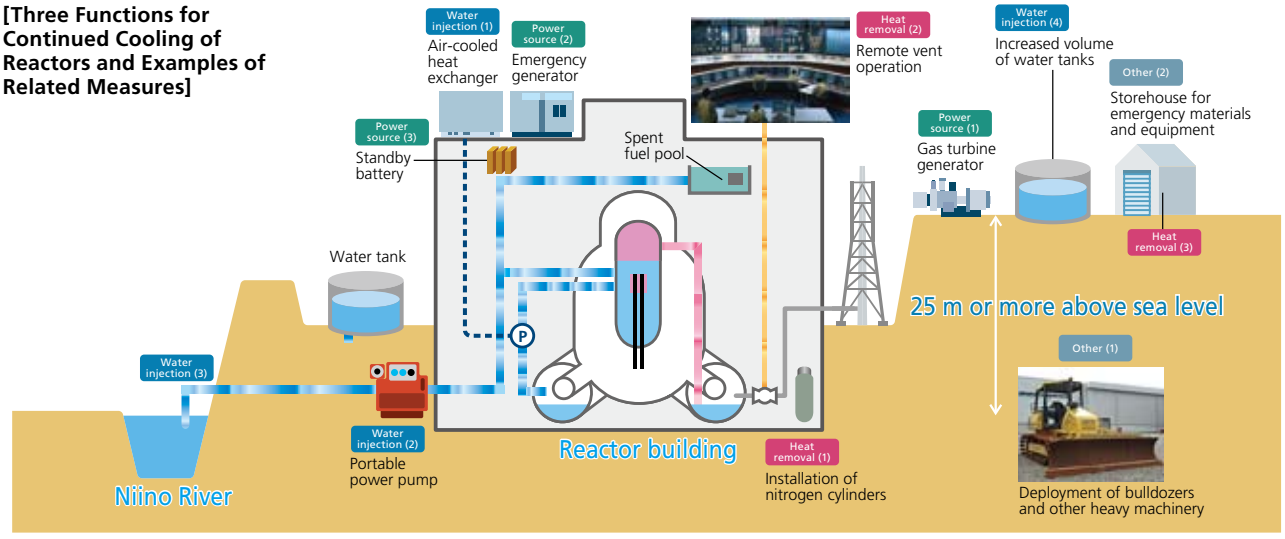
To prevent flooding in buildings, their waterproof structures will be improved by adding double doors and new reinforced doors as well as by replacing waterproof doors with watertight doors.




Unlike the Fukushima Daiichi Nuclear Power Station, where the emergency generators are located underground, all such generators are on the first floor of reactor buildings at Hamaoka Nuclear Power Station.

## Enhancement of Emergency Measures: Ensuring the Cooling Function

**[Three Functions for Continued Cooling of Reactors and Examples of Related Measures]**




**Water injection**

### For direct water supply to reactors

1. Air-cooled heat exchangers will be installed in preparation for possible cases in which motors powering pumps that send water to reactors at high pressure cannot be cooled with seawater.
2. Portable power pumps that do not require a power source will be installed to ensure continued water injection in emergencies.
3. Fresh water will be brought in from the Niino River adjacent to the plant using special hoses and other equipment.
4. Additional water tanks to ensure multiple water sources will be installed on high ground and in other locations.

**Heat removal**

### For removal of heat that is generated from fuel after shutdown

1. Nitrogen cylinders will be installed to enable ventilation in the event of power loss.
2. Remote operation will be introduced to enable direct ventilation from the central control room.
3. Spare equipment necessary for cold shutdown will be secured.

**Power source**

### For securing alternative power sources

1. Gas turbine generators will be installed on high ground (25 m or more above sea level).
2. Emergency generators will be installed on the roof of reactor buildings.
3. Standby batteries will be secured.

**Other**

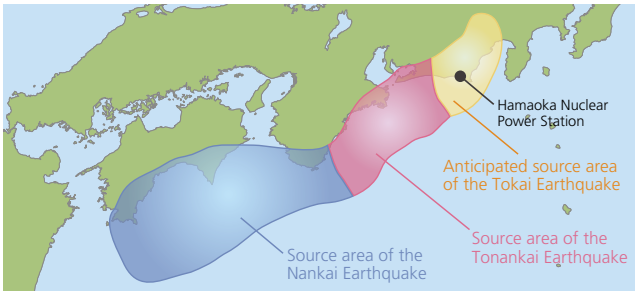
1. Heavy machinery will be deployed for removal of any debris carried by a tsunami.
2. Storehouses for spare items will be established on high ground.

# 1 -2 Preparations against Earthquakes

## Earthquake Conditions Anticipated by Chubu Electric Power

The intensity of earthquake motion varies by region, as it is determined by the location of the seismic source, the size of the source area, the distance from the source and other factors.

At the Hamaoka Nuclear Power Station, countermeasures are taken against the predicted Tokai Earthquake and against a possible large tremor (magnitude*1 8.7) comprised of three simultaneous quakes (the Tokai, Tonankai and Nankai Earthquakes).




## Earthquake Countermeasures Taken at the Hamaoka Nuclear Power Station

### Anti-earthquake design

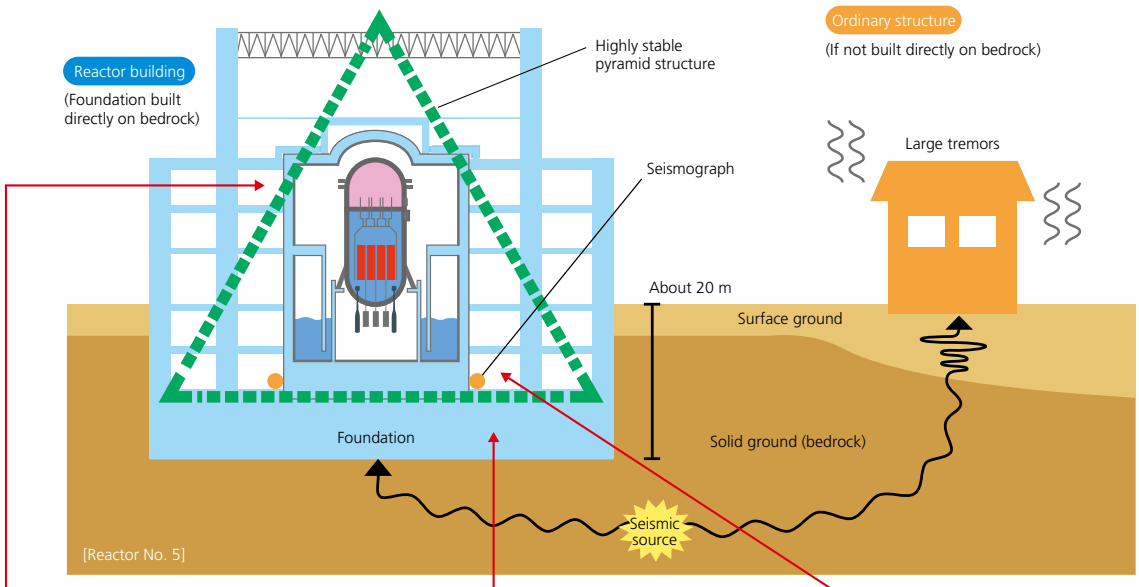
The Hamaoka Nuclear Power Station's reactor buildings have a highly stable pyramid structure, which is earthquake-resistant and rigid with foundations built directly on bedrock.

### Earthquake safety

Earthquake safety at the Hakamoka Nuclear Power Station is ensured assuming a maximum bedrock tremor strength of 800 Gals*2 in consideration of the size of the expected Tokai, the interrelated Tokai, Tonankai and Nankai Earthquakes and other tremors and based on the national government's earthquake resistance standards.*3

Moreover, Chubu Electric Power voluntarily set its own earthquake resistance criteria assuming a maximum tremor of about 1,000 Gals and completed the necessary seismic resistance reinforcement work in March 2008.

**[Rigid Structure Offering Earthquake Resistance]**




**Highly stable pyramid structure**

Reactor buildings are built to remain strong in earthquakes, with thick and wide foundations, numerous thick walls arranged systematically and a low center of gravity.

**Built directly on bedrock**

Reactor buildings were built directly on solid bedrock by excavating down to a depth of about 20 m. It is known that tremors on hard bedrock are only about a third to half as strong as those at the surface.

**Automatic shutdown even with small tremors**

Seismographs located on the second basement level of the reactor buildings are set to shut down the reactors automatically at 120 Gals. Reactors No. 4 and 5, which were in operation at the time of an earthquake in Suruga Bay on August 11, 2009, were shut down automatically to maintain safety. (At that time, the operation of Reactor No. 3 had been suspended for periodic inspection.)

*1. Numerical expression of the level of energy released by an earthquake
*2. Used to numerically express the intensity of shaking in the ground and buildings resulting from an earthquake
*3. An earthquake safety evaluation is now being made based on the national government's new earthquake resistance standards.

# 1 -3 Enhancement of Anti-Disaster Measures

## Review/Enhancement of Nuclear Disaster Management Measures

- In addition to implementing physical measures such as installing a breakwater, the group-wide disaster management system will be enhanced to make it possible to promptly respond in the event of a nuclear disaster.
- We will improve our disaster response capabilities by enhancing related education, training and safety manuals so that we can promptly respond in the event of a nuclear disaster caused by an earthquake/tsunami.

## Preparation/Improvement of Disaster Management Equipment and Materials

- We will stock more communication devices (TV conference systems and other items) for both internal and external information dispatch, and radiation meters and other necessary devices in preparation against nuclear disasters, while also improving the means to transport such devices to places that require them in the event of a disaster.

## Fostering Collaboration with National and Local Governments

- We will proactively support local governments in revising their disaster management plans and participate in disaster management drills conducted by national and local governments so that we can implement measures jointly with them in the event of a nuclear disaster.

**[Major Disaster Management Drills (FY 2011)]**

| | |
|---|---|
| Apr. 2011 | Conducted emergency response drills based on instructions from the Minister of Economy, Trade and Industry |
| Sept. 2011 | Held a company-wide disaster management drill (to verify the effectiveness of emergency safety measures) |
| Dec. 2011 | Held a disaster management drill jointly with Omaezaki City |
| Feb. 2012 | Participated in a nuclear disaster management drill held by Shizuoka Prefecture |
| Mar. 2012 | Conducted an emergency response drill based on the nuclear disaster management plan |

## TOPICS Carrying out an Emergency Response Drill

On March 13, 2012, we conducted an emergency response drill to verify the effectiveness of the measures formulated after the Great East Japan Earthquake.

Participants in the drill received training on all of the equipment along with operational functions. In addition, to increase their emergency response capabilities as an entire organization, participants received comprehensive training that was provided based on the assumption that all Power Station AC sources and the Reactor No. 5 water injection function had been lost due to an earthquake and tsunami. To deal with this mock disaster, participants conducted recovery activities using the emergency power generator and portable power pumps that had been installed at the site as part of tsunami countermeasures.

Emergency response drill for checking the contamination level of evacuated operators using survey meters at the 500,000 V switching station located in a nuclear power station


Emergency response drill to clean up rubble assuming a situation where wreckage caused by an earthquake prevents smooth recovery work

## VOICE Measures to Further Enhance Safety

Since the halt of operations of all reactors at the Hamaoka Nuclear Power Station in May 2011, we have developed anti-tsunami measures and conducted reinforcement work to enhance safety even further.

About 1,000 workers* per day are involved in the reinforcement work that is conducted around the clock. They work hard day and night to reinforce the power station to assure safety for local residents.

By placing the first priority on safety, employees of Chubu Electric Power and affiliated companies are united in their determination to assure safety and reliability of the nuclear power station.

* As of June 30, 2012

**Kenji Takada**
Manager, Maintenance Department
Hamaoka Nuclear Power Station

## TOPICS Establishing the Nuclear Power Safety Technology Research Center

Chubu Electric Power established the Nuclear Power Safety Technology Research Center within the Hamaoka Nuclear Power Station in July 2012, with the aim of enhancing its nuclear power research initiatives.

At this Research Center, we will foster research to further improve safety and management of the Power Station, making effective use of field knowledge and considering the field needs of the Station.

Moreover, we will conduct research to ensure that nuclear power can be used as a safe energy source into the future.

[Main Research Themes]

1. **Improvement of the safety of nuclear power stations**
2. **Improvement of the management of Reactors No. 1 and No. 2 (decommissioning procedures)**
3. **Improvement of the management of Reactors No. 3, No. 4 and No. 5 (operation and maintenance)**
4. **Future technologies**

## TOPICS Efforts to Inform Customers about Safety Measures

In an effort to address customers' concerns about earthquake/tsunami countermeasures taken by the Hamaoka Nuclear Power Station, Chubu Electric Power is taking a wide range of measures to disseminate information on the safety measures it is implementing.

Specifically, we produce videos and pamphlets that explain our earthquake/tsunami countermeasures in an easy-to-understand manner, and post the latest information on the progress of the construction work at our facilities on our website. We are working to seize every opportunity to provide accurate and detailed information to our stakeholders. Whenever possible, we dispatch our employees to visit various stakeholders to explain in person the countermeasures we are taking.

Moreover, at the Hamaoka Nuclear Power Station Exhibition Center, a full-scale exhibit of a breakwater is on display, allowing visitors to see the actual size and structure of the breakwater built around the nuclear power station, thereby facilitating their understanding of our efforts.

We will continue to provide extensive, detailed information to help our customers feel safe with the nuclear power station.

Breakwater exhibit displayed at the Hamaoka Nuclear Power Station Exhibition Center

**Initiatives made by the Hamaoka Nuclear Power Station are introduced at the following websites:**

■ Chubu Electric Power's website:
http://www.chuden.co.jp/english/

■ Special website: "The Hamaoka Nuclear Power Station, today and tomorrow"
http://hamaoka.chuden.jp/english/

# Response to the First Report of Nankai Trough Massive Earthquake Model Investigative Commission (Cabinet Office)

In March 2012, the Cabinet Office publicly announced that the maximum height of a tsunami that might strike the Hamaoka Nuclear Power Station would be 21 m above sea level, thus exceeding the height of the breakwater of the Power Station. Chubu Electric Power deems it necessary to design safety measures for the Power Station and set them in place in anticipation of tsunamis exceeding the height of the breakwater.

Regarding the most severe tsunamis, we will protect the Power Station by implementing the aforementioned flooding prevention measure 2 after mitigation of flooding on the premises by the breakwater. In addition we will enhance the emergency measures such that there will be multiple options available to maintain cooling of the reactors, thereby further increasing the safety of the Station.

Even in the event that the Power Station loses some of its functions, the Station will nevertheless be able to continue providing its minimum required functions by using sequential alternative approaches. We believe we can increase the reliability of the entire system by taking a step-by-step approach to tsunamis based on their height.

In reference to the fault model data that was based on the distribution of seismic intensity and tsunami heights that were estimated and announced by the Cabinet Office, Chubu Electric Power will undertake a range of examinations on the Hamaoka Nuclear Power Station, including examinations to predict seismic movements and tsunami heights at the site, and will continue to implement necessary measures that are also based on the estimates that will be announced by the Office in the future.

# 1 -4 Extension of Time for Completing Tsunami Countermeasures

Chubu Electric Power had made progress toward its December 2012 target for completing certain tsunami countermeasures (at a cost of about 140 billion yen) at the Hamaoka Nuclear Power Station as established in July 2011. However, with some measures for which revisions were announced in March 2012, the amount of work increased significantly, leading to problems such as too much work scheduled at one time. Subsequently on July 30, 2012, the company announced that it had become necessary to extend the work period by about a year.

"Flooding prevention measures 1" (such as the breakwater) and the "increase reliability of waterproof doors in outer walls of buildings" part of "Flooding prevention measures 2" continue to progress according to the original schedule.

Chubu Electric will examine the necessity of revising existing measures as well as implementing additional measures to ensure the safety of the Hamaoka Nuclear Power Station against earthquakes and tsunamis based on the results of surveys conducted on the Fukushima Daiichi Nuclear Power Station accident and on the announcements made by the Cabinet Office's "Nankai Trough Massive Earthquake Model Investigative Commission."

## (Reference) Rationale for Extension of the Work Period

| Revision of a part of the work plan (announced in March 2012) | Rationale for extension of the work period |
|---|---|
| We will be increasing the amount of cooling equipment that receives electric power from gas turbine generators located on high ground (emergency AC power supply equipment). To ensure enough electrical capacity to operate these pieces of cooling equipment, the number of gas turbine generators, cables, power panels, etc., will all be increased. | While studying detailed plans for site work as we prepared to place orders for revised measures, we found that the amount of work had increased significantly, leading to problems such as too much work scheduled at one time, so an extension of about one year is necessary. |

### ■ Construction of the Breakwater

Installation of reinforced concrete bases

The bedrock was strengthened by the use of 10 m to 30 m long reinforced concrete bases.

Installation of wall panels

The floor panels and wall panels are being installed one at a time. The panels have metal parts on the surface that are used for the attachment of additional rust-resistant panels.

Feature Article 2

# Measures to Ensure Business Continuity in the Event of a Large Disaster

As a company that provides people living in the Chubu region with the lifeline service of electricity, Chubu Electric Power has been committed to improving its risk management system. Specifically, we have been implementing measures against large earthquakes, such as the predicted triple interrelated earthquakes (Tokai, Tonankai and Nankai Earthquakes), focusing on improving the disaster resistance of our equipment, and creating a disaster management system to ensure early recovery from disaster damage.

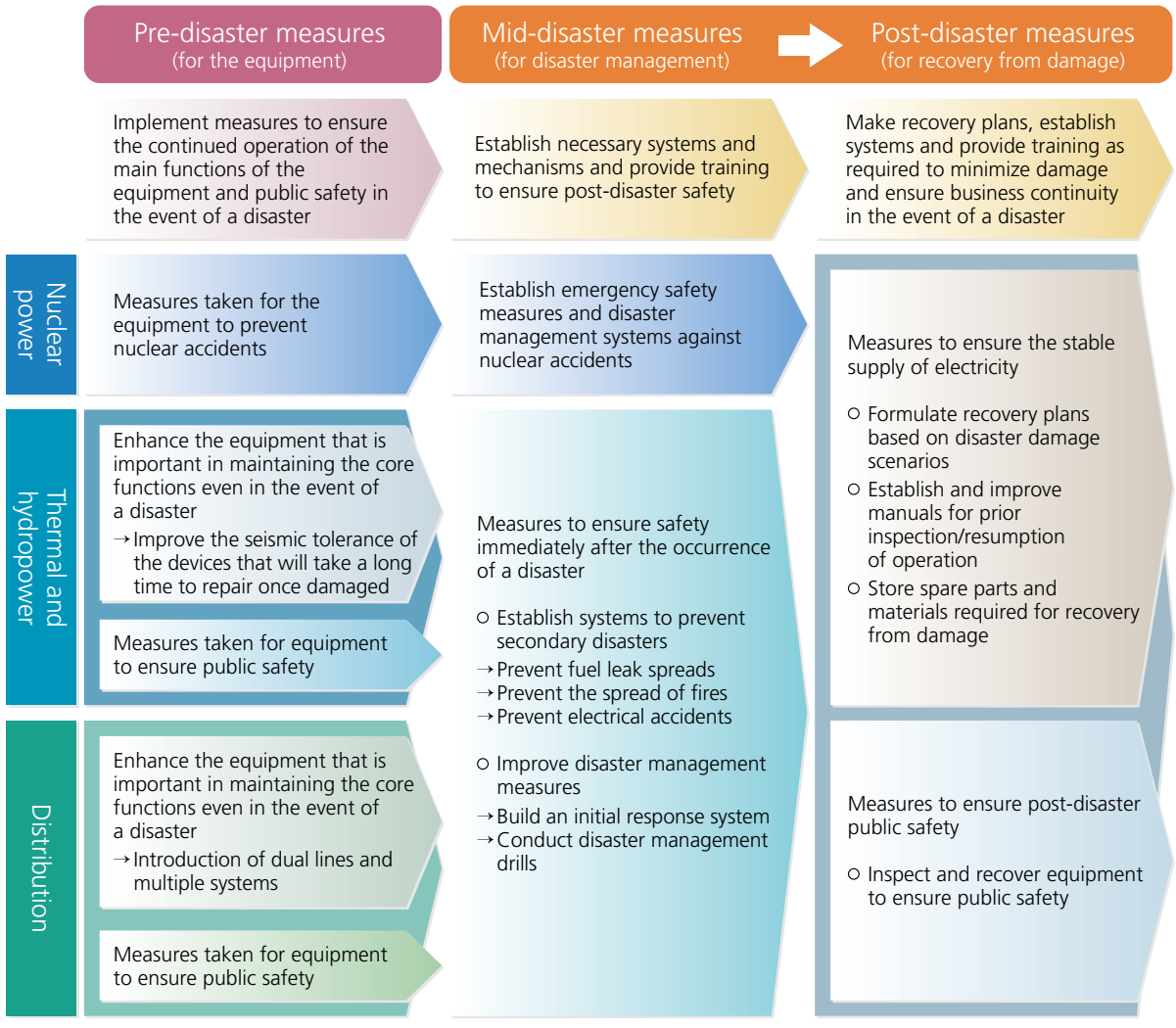
We will continue to implement necessary measures to improve both our equipment and business operations by incorporating new findings in the measures as appropriate.

## 2 -1 Measures for Equipment

Chubu Electric Power deems it necessary to implement the following three types of measures against large earthquakes, such as the aforementioned triple interrelated earthquakes, and tsunamis: (1) "pre-disaster measures" (to ensure public safety and the continued operation of the main functions of the equipment even in the event of a disaster); (2) "mid-disaster measures" (to make appropriate initial responses to a disaster to prevent fires and electrical accidents, with sufficient emergency response staff); and (3) "post-disaster measures" (to minimize damage and ensure business continuity by preparing recovery plans and storing spare items and materials in advance).

In particular, we believe it is essential to implement the "mid-disaster measures" and "post-disaster measures" in preparation against any calamity that might exert an adverse impact beyond the assumptions upon which the "pre-disaster measures" are based.

**[Pre-disaster, Mid-disaster and Post-disaster Measures against Large Earthquakes]**




Note: See Feature Article 1 for details for present measures for nuclear power stations.

## Present Measures Taken for Thermal Power Generation Facilities

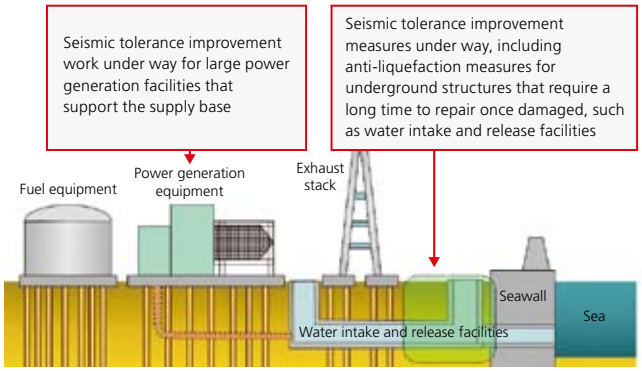
### 1. Pre-disaster measures

We have designed our thermal power generation facilities to be safe enough to ensure public safety even in the event that damage is caused to the main facilities due to large earthquakes, in compliance with the provisions on the safety of electric facilities set forth in the Electricity Business Act of Japan.

At present we are further reinforcing the earthquake resistance of our base power supply systems and fuel infrastructure so that we can resume the supply of electricity as soon as possible after the occurrence of a large earthquake.

At the Hekinan Thermal Power Station, for example, we are conducting ground reinforcement work around the intake tank area to prevent any damage to the tank in the event of an earthquake, and also making design examinations regarding the work to increase the seismic tolerance of the coal conveyor system.

**[Pre-disaster Measures Taken for Thermal Power Generation Facilities]**

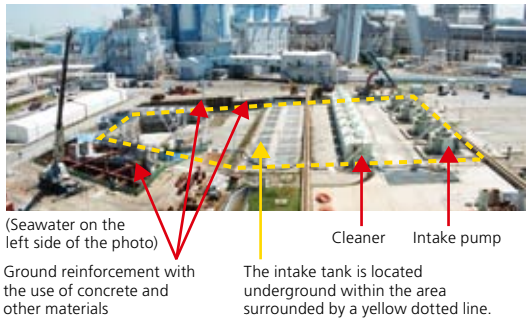



**[Ground Reinforcement Work Conducted around the Intake Tank Area of the Hekinan Thermal Power Station]**

At the Hekinan Thermal Power Station, we are now conducting ground reinforcement work around the intake tank area.

At the thermal power station, steam generated by a boiler is sent to the turbine generator system to generate electricity. The used steam is then condensed into water using cooling water.

The intake tank is used to take in seawater and feed it to the cooling equipment, and ground reinforcement work is conducted around the area using concrete and other materials. (See the photo on the right.)



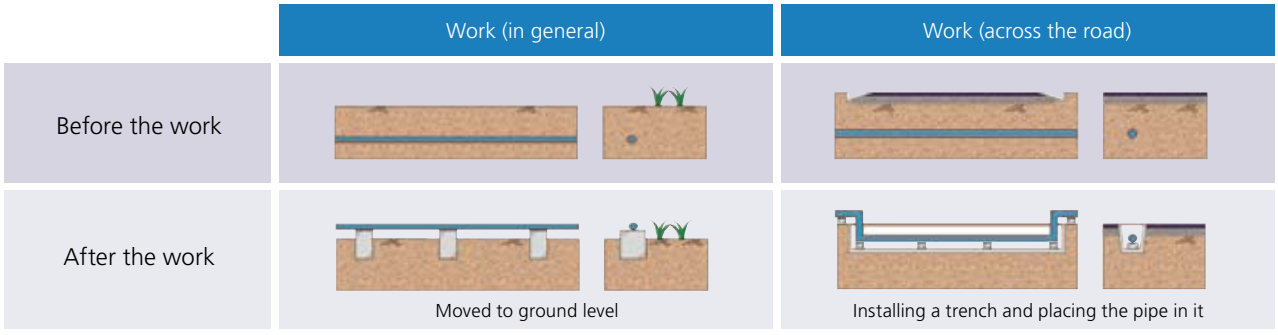

### 2. Mid-disaster measures

Chubu Electric Power has been conducting "mid-disaster measures" for its thermal power generation facilities, including installing oil and gas leakage detectors, using emergency shutdown valves to prevent fuel leak spreads, and installing fire prevention and extinguishing equipment to prevent the spread of fires.

We are also fostering measures to prevent the occurrence of secondary disasters following earthquakes and tsunamis. For example, we are conducting work to move to ground level the fire prevention/control pipes that are currently buried underground so that we can conduct firefighting activities without fail if a fire is caused by an earthquake at the Hekinan Thermal Power Station. We will conduct this work also at other power stations as necessary.

For the Owase Mita Thermal Power Station, which could be hit by tsunamis, we will install a circuit that allows us to simultaneously close multiple oil tank-fuel ship connecting lines and the introduction of equipment to move fuel ships from the pier in the event of a tsunami, in an effort to minimize fuel leak spreads.

**[Moving the Fire Prevention/Extinguishing Pipe to Ground Level (Illustration)]**

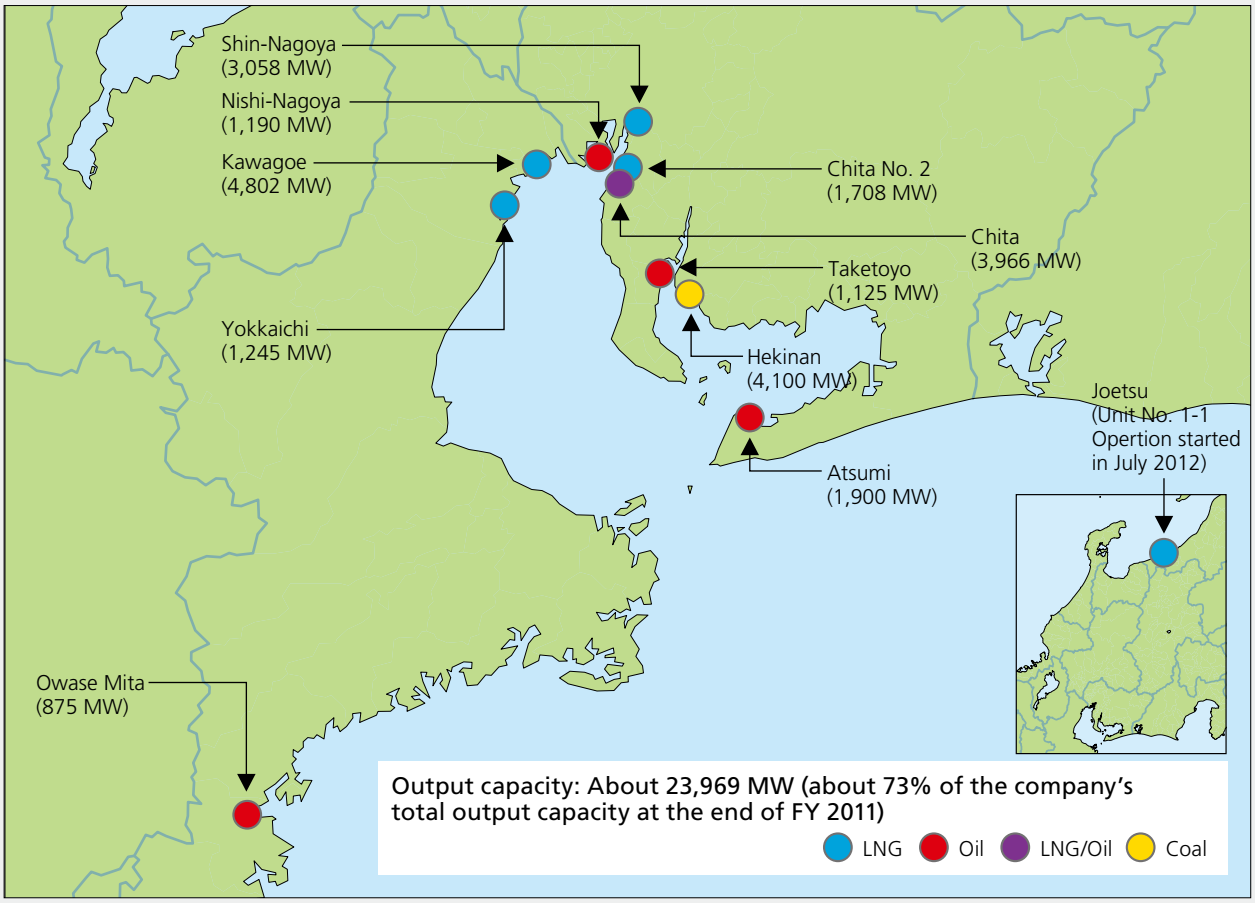



### 3. Post-disaster measures

It is important to make recovery plans and have necessary systems and procedures in place, in order to ensure that we can resume the supply of electricity to users soon after the occurrence of a disaster. Chubu Electric Power has been implementing measures to resume the operation of its main power generation facilities steadily and safely after a disaster, including improving the related manuals to ensure the safe resumption of the facilities. We have also been storing spare parts and materials necessary to recover from a disaster.

At present we are examining storing more spare parts and materials in order to enable a swifter recovery from earthquakes and tsunamis.

## TOPICS Impacts of Tsunamis on Thermal Power Generation Facilities




Generally, tsunamis tend to increase in height upon entering a bay or other narrow place after passing through wide bodies of water.

Chubu Electric Power's thermal power generation facilities are located in the Ise Bay area. The bay, however, is relatively spacious compared with the narrowness of its entrance, so the height of tsunamis will not easily increase in the bay.

Accordingly, the Central Disaster Prevention Council announced in 2003 that since the height of tsunamis that might reach Ise Bay in the event of the triple interrelated earthquakes would be about 2 m above sea level and thus be lower than the elevation of the thermal power plants (about 3 m to 4 m above sea level), there would be no safety problems regarding tsunamis.

We will continue implementing appropriate measures based on the results of relevant examinations made by the national government.

### Present Measures Taken for Hydropower Plants

Chubu Electric Power has confirmed that the dams themselves will be safe and will not be seriously affected by the potential triple interrelated earthquakes. We will assess the seismic performance of dam-related structures (hydraulic iron pipes, dam floodgate columns) sequentially, and take measures to improve the seismic tolerance as necessary.

### Present Measures Taken for Distribution Facilities

Chubu Electric Power has verified the resistance of the distribution facilities against vibrations and tsunamis caused by the predicted triple interrelated earthquakes and implemented anti-flooding measures.

With regard to early recovery from possible blackouts, we have also improved the portable substation facilities and made arrangements to store enough materials for recovery.

We will make appropriate responses if the national and local governments make changes to their assumptions about the damage caused by possible earthquakes.

At present, in light of the Great East Japan Earthquake, we are examining the documents of the Cabinet Office on large earthquakes and tsunamis that might occur around the Nankai Trough, as well as the new disaster management plans made by local governments. Based on the new findings and criteria, we will further enhance our disaster management systems.

# 2 -2 Measures for Business Operations

Chubu Electric Power has been formulating a business continuity plan (BCP) in cooperation with its affiliates to ensure that the Chubu Electric Power Group can carry on with its work even in the event of a large disaster. To this end, we have incorporated the findings obtained through the Great East Japan Earthquake into the conventional disaster management plans (including preventive measures and initial responses).

Specifically, we are identifying the priority issues to be implemented in the event of a large disaster and clarifying the procedures to be taken from initial responses to the normalization of business operations. At the same time we are enhancing the PDCA cycle for education and training, in order to maintain and improve our disaster management abilities.

**[Business Operations to be Prioritized in the Event of a Large Disaster]**

| Initial responses | Recovery of facilities | Others |
|---|---|---|
| ● Securing the necessary staff and establishing the response headquarters<br>● Communicating information and reporting to governmental agencies<br>● Relaying information to customers | ● Operating power generation facilities and substations<br>● Restoring power systems to their normal status<br>● Procuring fuels<br>● Making arrangements for personnel, accommodations and materials and checking the quantities | ● Making responses to customers (establishing a contact)<br>● Securing necessary funds<br>● Making emergency payments |

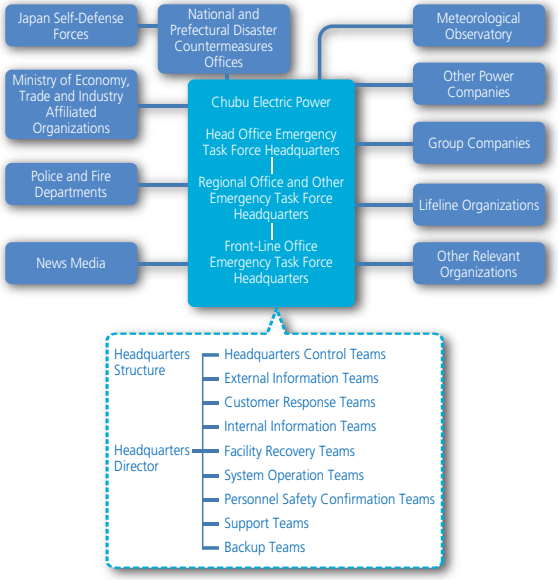
## ■ Establishment of a Disaster Management System

Chubu Electric Power makes every effort to configure facilities to be highly disaster-resistant at every phase of delivery, to enable our customers to freely use electricity with full peace of mind. We have also developed disaster management measures geared to promote restoration of service in the unlikely event that a natural disaster occurs. If a disaster strikes or is anticipated to strike shortly, an emergency will be declared immediately and an emergency task force will be set up at each business location.

If an emergency is declared, predetermined response personnel will work on duties assigned in advance, including determination of damage and recovery status, recovery response and coordination with government agencies under the supervision of the Headquarters Director.

We also seek close collaboration with national and regional public service groups, police and fire departments and other agencies on a regular basis to be prepared for any disaster. Chubu Electric Power has also established mutual cooperative systems with other power companies for emergency allocation of power, dispatch of support personnel and related matters.

**[Disaster Management System]**




## ■ Measures for Early Recovery

We own a helicopter that can be used to gather information, as well as to transport materials, equipment and personnel. The means of communication among Emergency Task Force Headquarters personnel has been secured. A network will be set up encompassing radio and fiber optic communications equipment, as well as satellite communications.

To aid in the supply of emergency power to hospitals, shelters and other vital facilities, we also maintain special power-generation and mobile-transformer vehicles at main business locations.

**TOPICS** Joint Drill for the Recovery of Power Distribution Facilities from Disaster Damage

In May 2012, Chubu Electric carried out a drill for the recovery of power distribution facilities from disaster damage, the first drill of its kind held with the participation of all 10 electric power companies in Japan.

A total of 144 employees participated in the training, including 52 employees of nine other electric power companies. Based on the assumption that the triple interrelated earthquakes would cause serious damage to the supply of electricity in Chubu Electric's service area, participants received training in the recovery of service wires and the delivery/receipt of inspection- and repair-related slips.

Training on distribution facilities held with the participation of all 10 electric power companies in Japan (Nisshin City, Aichi Prefecture)

# Measures to Ensure a Stable Supply of Electricity

Electricity is an essential element for households, businesses and all other organizations. To ensure a safe and stable supply of electricity, Chubu Electric Power will implement special supply-demand plans this summer. We will also implement rigorously measures for stable supply of electricity from a medium- to long-term perspective.

## 3 -1 Electric Power Supply and Demand Measures for Summer 2012

### ■ Electric Power Supply and Demand Outlook This Summer

Peak load this summer (found by taking the one-time peak load during the 2010 heat wave and factoring in energy conservation measures) is estimated to reach 26,480 MW in August.

We have augmented our supply capacity through measures that include starting the commercial operation of Joetsu Thermal Power Station Unit No. 1-1 (Output: 595 MW), continuing to operate thermal power units that were under long-term planned shutdown and deferring all periodic inspections of thermal power stations that had been planned for August this year.

Additionally, other regional power companies facing supply shortages have asked Chubu Electric Power to supplement their supplies, and we plan to supplement about 1,000 MW during the peak hours between 1:00–4:00 p.m. and up to 2,300 MW during other hours.

Our supply capacity to the Chubu Electric Power service area will therefore be 27,850 MW (which includes an emergency increase of 100 MW in thermal power output in August).

**[Measures to Secure Stable Supply]**

| Measures | Specific actions |
|---|---|
| Change in regular inspection schedule for thermal units, etc. | ● Conduct regular inspections after the legally-set schedule.* (Postponed for the fall or later.)<br>• Kawagoe Thermal Power Station Unit No. 3-3<br>• Chita Thermal Power Station Unit No. 1<br>● Continue operation of Taketoyo Thermal Power Station Unit No. 2 and other facilities that were scheduled for shutdown in the long-term plan.<br>● Move up regular inspections to times of the year in which the least burden will be imposed (i.e. spring) (4 units).<br>● Accomplish the inspection in the shortest time possible (4 units). |
| Priority inspections of power plants and transmission/transformation facilities. | To assure completion of the priority inspections at power plants and transmission/transformation facilities before the summer in order to secure a stable supply. |

* Will obtain governmental authorization before implementation.

**[Measures to Modify Demand]**

• Expanding Planned Adjustment Contract

| | Detail |
|---|---|
| Request to enter special contracts, such as contract for customers with summer weekly schedule | We invited customers (large-scale manufacturers, for example) to join special payment programs (contracts), such as programs for customers who change factory holidays from weekends to weekdays during the summer, thus enabling us to increase our ability to adjust demand. We have signed contracts for these programs at a total of 450 MW for fiscal 2012. (360 MW, excluding automobile-related companies, in fiscal 2011) |
| Request to increase the capacity of off-grid electric generation systems | We requested customers with off-grid electric generation systems to increase their capacity so that we can enhance our ability to adjust demand (by decreasing the amount of electricity the customers need to obtain from the grid). We have signed contracts for these requests at 160 MW for fiscal 2012. (80 MW in fiscal 2011) |

• Newly Implemented Measures

| | Detail |
|---|---|
| Reducing demand with the help of aggregators*<br>* Companies that provide customers with power demand control services by remote enablement of customers' power equipment | We have concluded agreements with two aggregators to reduce the power use of customers who have a contract demand of less than 0.5 MW, on a trial basis. Upon a request by Chubu Electric Power, in the case of power shortages, the aggregators will curb customers' power demand during peak hours (1:00 p.m. to 4:00 p.m.) by remote control. |
| Concluding new contracts to reduce power demand in the event that other electric power companies face power shortages | In order to supply more electricity to Kansai Electric Power when the company faces severe power shortages, Chubu Electric Power concluded new contracts with some of its large customers. Based on the agreements, we notified the customers about the shortages and asked them to curb their power use. As a result, as much as 250 MW of electricity was saved. |

# 3 -2 Measures to Ensure Stable Supply

Chubu Electric Power will implement measures to ensure a safe and stable supply of electricity from a mid- to long-term perspective.

As the first step to achieve this goal, we will strive to assure the even safer operation of Hamaoka Nuclear Power Station. Meanwhile, each unit of Joetsu Thermal Power Station (total capacity: 2,380 MW) will enter commercial operation between July 2012 and May 2014. In order to accelerate the use of renewable energy, we will continue to steadily develop Tokuyama Hydro Power Station (total capacity: 153.4 MW), while continuing group-wide efforts to develop mega solar power stations, wind power stations and smaller-sized hydro power stations.

In addition, we will work to start the operation of Nishi-Nagoya Thermal Power Station Unit No. 7 (total capacity: approximately 2,316 MW) in fiscal 2017. This is in response to the decisions by other electric companies to delay the construction of nuclear power stations, from which we were planning to receive electricity, meaning that we now have to secure other sources of supply. By bringing forward the launch of Nishi-Nagoya Thermal Power Station Unit No. 7, we can also cut fuel consumption and $CO_2$ emissions.

Chubu Electric Power will continue to aim for a balanced mix of sources to secure the safe and stable supply of electricity, while taking consideration of energy security issues and the goal of a lower carbon society.

Joetsu Thermal Power Station: Unit No. 1-1 started operation in July 2012

# 3 -3 Electric Power Supply and Demand for Summer and Fall 2011

In the summer and winter of 2011, Chubu Electric Power worked on various measures to compensate the energy supply reduced by the suspension of operation at Hamaoka Nuclear Power Station. We resumed the operation of some thermal power plants that had planned for long-term shutdown plan and changed the timing or duration of regular inspection of operating plants. We also conducted detailed inspections of some facilities and ensured additional procurement of fuels, such as oil and LNG.

While we worked on these measures to overcome the situation on the supply side, many of our customers supported us by reducing consumption or changing their operational schedule to avoid peak hours. Thanks to their cooperation, we were able to supply electricity in a stable manner.

## TOPICS Resumed Operation of Taketoyo Thermal Power Station Unit No. 2

In August 2011, we resumed the operation of Taketoyo Thermal Power Station Unit No. 2 (capacity: 375 MW) to supplement the electricity supply reduced by the suspension of operations at Hamaoka Nuclear Power Station in May 2011. When the Taketoyo unit was restarted after a quick decision, we found a number of problems with the almost 40-year-old thermal plant. In cooperation with Chubu Plant Service, a member of the Chubu Electric Power Group, however, we fixed the problems and the station contributed to the stable power supply throughout the summer.

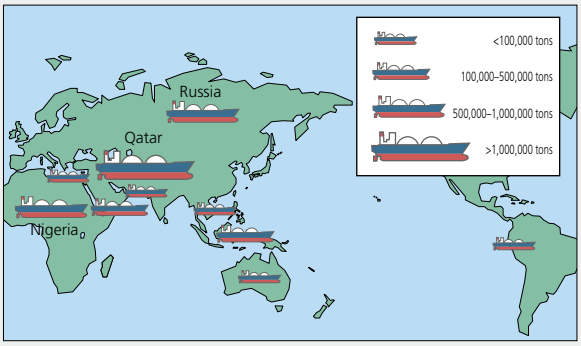
Equipment maintenance conducted by Chubu Plant Service employees for recovery

## TOPICS Additional Procurement of LNG

In order to compensate the supply capacity lost due to the suspension of operations at Hamaoka Nuclear Power Station, Chubu Electric Power increased its annual procurement of LNG in fiscal 2011 to 13 million tons (an increase of 4.6 million tons from the original plan).

This is 1.3 times larger than the amounts procured in previous years. The number of LNG vessels we received in fiscal 2011 was 193 (exceeding the previous record by 20 vessels).

Our efforts to maximize LNG procurement, including negotiation with vendors all over the world (particularly those in Qatar), enabled us to successfully procure enough LNG for the year.




Additional procurement of LNG (fiscal 2011 by nation)

Feature Article 4

# Measures to Improve Management Efficiency

We continue to promote measures to improve management efficiency in all aspects of our operations.

## 4 -1 Measures to Increase Management Efficiency in Fiscal 2011

The Chubu Electric Power Group has been working on management efficiency enhancement in all aspects of building and managing facilities, procurement and operations. In fiscal 2011, when our fuel costs substantially increased due to the suspension of operations at Hamaoka Nuclear Power Station, we reviewed and revised our management efficiency plans and put together more stringent measures for stronger investment and cost reduction.

### ■ Measures to Improve Management Efficiency

We implemented the following measures in order to improve our management efficiency.

- In order to ensure stable power supply and public security, we reviewed the timing, scope and methods of facility construction so as to reduce the amount of investment and costs needed for repair.
- We accomplished overall cost cuts throughout all management areas by reviewing the individual details and scale of public relations and sales activities, as well as R&D and system development, while reducing fuel expenses through more economical procurement and operation.

**[Cost Increase due to the Suspension of Operations at Hamaoka Nuclear Power Station]**

| | |
|---|---|
| Increase in fuel expenses (to switch to LNG and oil-fired thermal power generation) | 258 billion yen |
| Increase in other expenses (to restart operations of long-suspended thermal power generation units, etc.) | 15 billion yen |
| **Total amount affecting the balance** | **273 billion yen** |

**[Total Amount Gained by Improved Management Efficiency]**

| | |
|---|---|
| Reduction in investment | 75 billion yen |
| Reduction in expenses (repair, fuel and other expenses) | 75 billion yen |
| **Total amount gained by improved management efficiency** | **150 billion yen** |

### ■ Restructure of Management Scheme

In order to ensure further efficiency in our business operations and to build a solid business foundation, Chubu Electric Power is making business restructuring plans in all divisions, branches and offices, and is working on the implementation of these plans. We review all the business transactions on a "zero base" to promote elimination or simplification of unnecessary transactions and to reallocate these resources to the areas where functional enhancement is needed.

## 4 -2 Basic Ideas and Measures to Improve Management Efficiency

### ■ Efficiency Improvement in Facility Construction

In facility construction, we work on improvement of thermal efficiency and reduction of losses in power transmission and distribution. We also concentrate and streamline facilities, while adopting new design and construction methods.

**Installation of high-efficiency combined-cycle power generation systems*1**

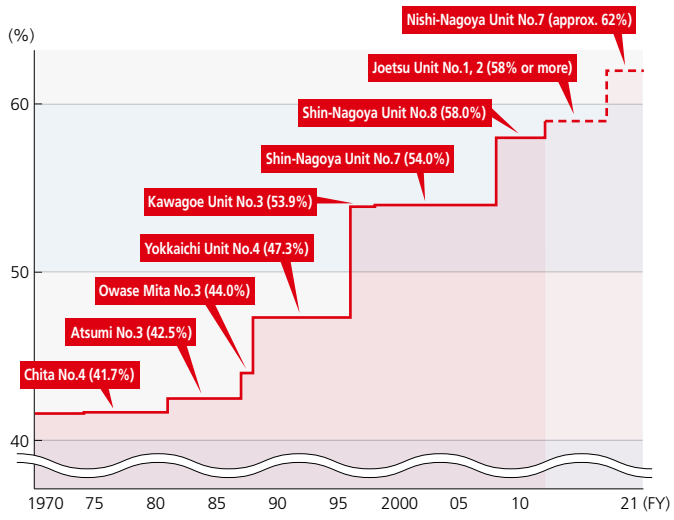
The installation of high-efficiency combined-cycle power generation systems has been contributing to the improvement of thermal efficiency in thermal power generation, and to the reduction of fuel expenses.

We will also launch the operation of Joetsu Thermal Power Station in the period between fiscal 2012 and 2014, while working on the early development of Nishi Nagoya Thermal Power Station Unit No. 7, in order to further reduce fuel expenses.

**[Operation Schedule for High-efficiency Combined-cycle Power Generation Systems]**

| | Joetsu Thermal Power Station | Nishi Nagoya Thermal Power Station Unit No. 7*2 |
|---|---|---|
| Capacity | 2,380 MW | 2,316 MW |
| Planned start of operation | July 2012 to May 2014 | Fiscal 2017 |
| Thermal efficiency*3 | 58% or more (LHV basis)*4 | approx. 62% (LHV basis) |
| Reduction in LNG consumption | 0.6 million ton/year | 0.4 million ton/year |
| Reduction in $CO_2$ emission | 1.6 million ton/year | 1 million ton/year |

**[Thermal Efficiency of Thermal Power Generation Facilities (LHV Basis)]**




*1. Combined-cycle power generation system: An electric power generation system using a combination of gas turbines and steam turbines as power sources.
*2. Unit No. 7: The existing Unit (No. 1 to 4: total capacity: 1,190 MW) will be decommissioned and removed and the Unit No. 5 and 6 (already decommissioned) will be removed before the launch of Unit No. 7.
*3. Thermal efficiency: Rate of energy generated as electricity for the thermal energy used as fuel
*4. LHV basis: Thermal efficiency calculated by deducting the condensation heat of the water contained in the fuel and the water generated by combustion

### Reducing losses in power transmission and distribution

We have been working to reduce losses during power transmission and distribution by increasing voltage in power transmission lines, adopting substations that generate low transmission losses, and by operating distribution networks designed to minimize power loss. As a result of these efforts, we have kept power transmission and distribution losses below 5% since 1993, making Chubu Electric Power one of the top performers in Japan in terms of losses in transmission and distribution.

## Improvement of Efficiency in Construction and Management of Facilities

Chubu Electric Power always seeks the best ways to operate its facilities through improvement of facility utilization rate, including improvements in composite thermal efficiency, and rationalization of inspection and maintenance procedures.

### Improvement of composite thermal efficiency at thermal power plants through efficient operation

In order to improve composite thermal efficiency at thermal power plants, Chubu Electric Power operates high-efficiency combined-cycle power generation plants, while accomplishing regular inspections in shorter times. As a result, in fiscal 2011 we were able to reach a composite thermal efficiency rate (LHV basis) of 45.98%, a level of efficiency that is among the best in the world.

## Achieving Greater Operational Efficiency

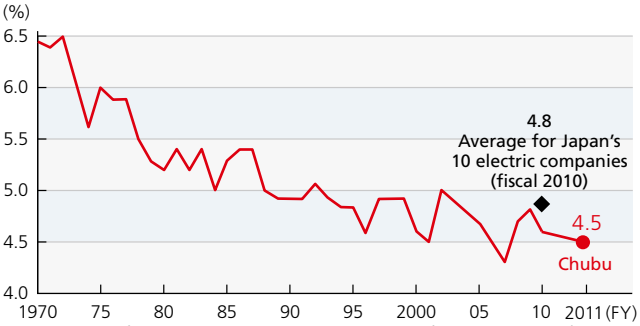
### Labor productivity of Chubu Electric Power

As a result of our ongoing efforts to promote operational efficiency, Chubu Electric Power has achieved per-employee electric power sales, a measure of productivity, among the highest of any in Japan's domestic power industry. In fiscal 2011, we marked 7,433 MWh of per-employee electric power sales.

### Establishment of efficiency business scheme for the whole group

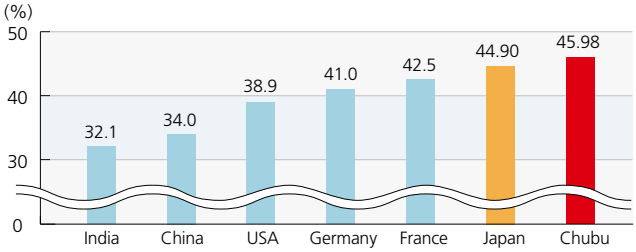
The Chubu Electric Power Group has been restructuring the constitution of member companies as a strategy to concentrate its operational resources, build a stronger operational foundation, and thereby establish an even more efficient business scheme.
(Details of the activities from fiscal 2007 are summarized below.)

**[Changes in Losses in Power Transmission and Distribution Since 1970]**



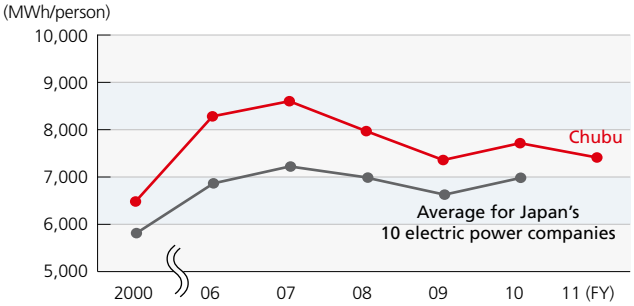

Source: Average for Japan's 10 electric power companies from *Hand Book of Electric Power Industry*, Federation of the Electric Power Companies of Japan

**[Comparison of Thermal Efficiency of Thermal Power Generation Facilities between Chubu Electric Power and Major Countries (LHV basis)]**




Source: Data from Federation of the Electric Power Companies of Japan etc.
(Chubu: data for fiscal 2011; Japan: data for fiscal 2010; others: data for fiscal 2008)

**[Change in Per-employee Electric Power Sales]**




Source: Average for Japan's 10 electric power companies from *Hand Book of Electric Power Industry*, Federation of the Electric Power Companies of Japan

| | |
|---|---|
| March 2007 | Chubu Electric Power made a tender offer for TOENEC CORPORATION to enhance its capital. |
| October 2007 | TOENEC CORPORATION and C-TEC CORPORATION split and some responsibilities were transferred between the two companies. |
| October 2008 | Toenec Service Co., Ltd. was split and its auto re-leasing business was transferred to Eiraku Automobile Co., Ltd. (Eiraku Automobile Co., Ltd. renamed Chuden Auto Lease Co., Ltd.) |
| July 2009 | Chubu Electric Power merged with Toho Oil Co., Ltd. |
| | Comlis Co., Ltd. was split and its artificial zeolite business and some other businesses were transferred to Techno Chubu Co., Ltd.; the rest of the businesses were taken over by Taiheiyo Cement Corporation, its co-parent company. |
| July 2011 | The businesses of Chubu Electric Power were split, and part of its real estate business was transferred to Chuden Real Estate Co., Inc. |
| April 2012 | LNG Chubu Corporation merged into C Energy Co., Inc. |

### Merger of C Energy Co., Inc. and LNG Chubu Corporation

C Energy Co., Inc. and LNG Chubu Corporation, both members of Chubu Electric Power Group, were merged in April 2012. The merger will generate a "synergistic effect" and the group will be equipped with a system that can provide integrated solutions for everything from fuel marketing to energy facilities and a capability to respond to customer expectations on a swifter basis. (☞P. 27)

# Management-Related Targets

## ■ Management Target

In light of decreased profitability and cash flow following the suspension of operations of the Hamaoka Nuclear Power Station and uncertainty about the government's energy policies, Chubu Electric Power has refrained from setting its new management targets.

## ■ The Policy on Shareholder Return

Chubu Electric Power has made progress toward its December 2012 target for completing tsunami countermeasures at the Hamaoka Nuclear Power Station, but recently decided on an extension of about a year. As a result, the company expects its challenging financial situation to continue (such as a continuation of its greatly increased thermal power fuel costs) for the time being.

In light of these circumstances, the Board of Directors of Chubu Electric Power decided at its July 30, 2012 meeting to revise "The Policy on Shareholder Return" as follows.

**<New Policy on Shareholder Return>**

The company will work to maintain stable dividends after taking account of financial condition and other factors, while continuously investing in building and operating facilities that are essential for a safe and stable supply of electricity.

# Chubu Electric Power Group Management Vision 2030—"What We Aim For"

In February 2011, the Chubu Electric Power Group set out to consider the factors important for meeting the trust of its customers and society, as well as the kinds of changes it should make to fulfill expectations for the Group. This process was prompted by a rapidly changing operating environment, as well as conditions at the time that continued to fuel deep uncertainty with respect to future outcomes. The result was the formulation by the Group of "What We Aim For," and four missions toward the realization of this objective.

## "What We Aim For"

**"To be a corporate group that satisfies all energy-related needs and keeps growing"**

- Under the basic principle of "satisfying all energy-related needs," we aim to be "the top corporate group in energy services" that can be chosen by customers, by pursuing optimal energy use together with our customers.
- To ensure sustainable growth, we will create new corporate value by launching businesses overseas, making best use of managerial resources and know-how we have cultivated in our domestic electric power businesses.

## 4 Missions toward realization of "What We Aim For"

### ▶Mission 1 Ensure stable supply of low-carbon, high quality energy at reasonable prices (☞PP. 23-26)

In any era, we will contribute to the development of communities and society and work to realize a low-carbon society, by ensuring stable supply of high-quality energy, indispensable for our customers' lives and industries, at reasonable prices.

### ▶Mission 2 Become "the top corporate group in energy services" (☞PP. 26-27)

We aim to be "the top corporate group in energy services" by pursuing optimal energy use together with our customers.

### ▶Mission 3 Increase revenues through active overseas business deployment (☞P. 28)

To ensure sustainable growth in the future, we aim to increase revenues by accelerating deployment of overseas businesses, making the best use of our managerial resources. We will also strengthen our management foundation by improving technological capability and brand appeal through overseas businesses, and further enhance domestic energy services.

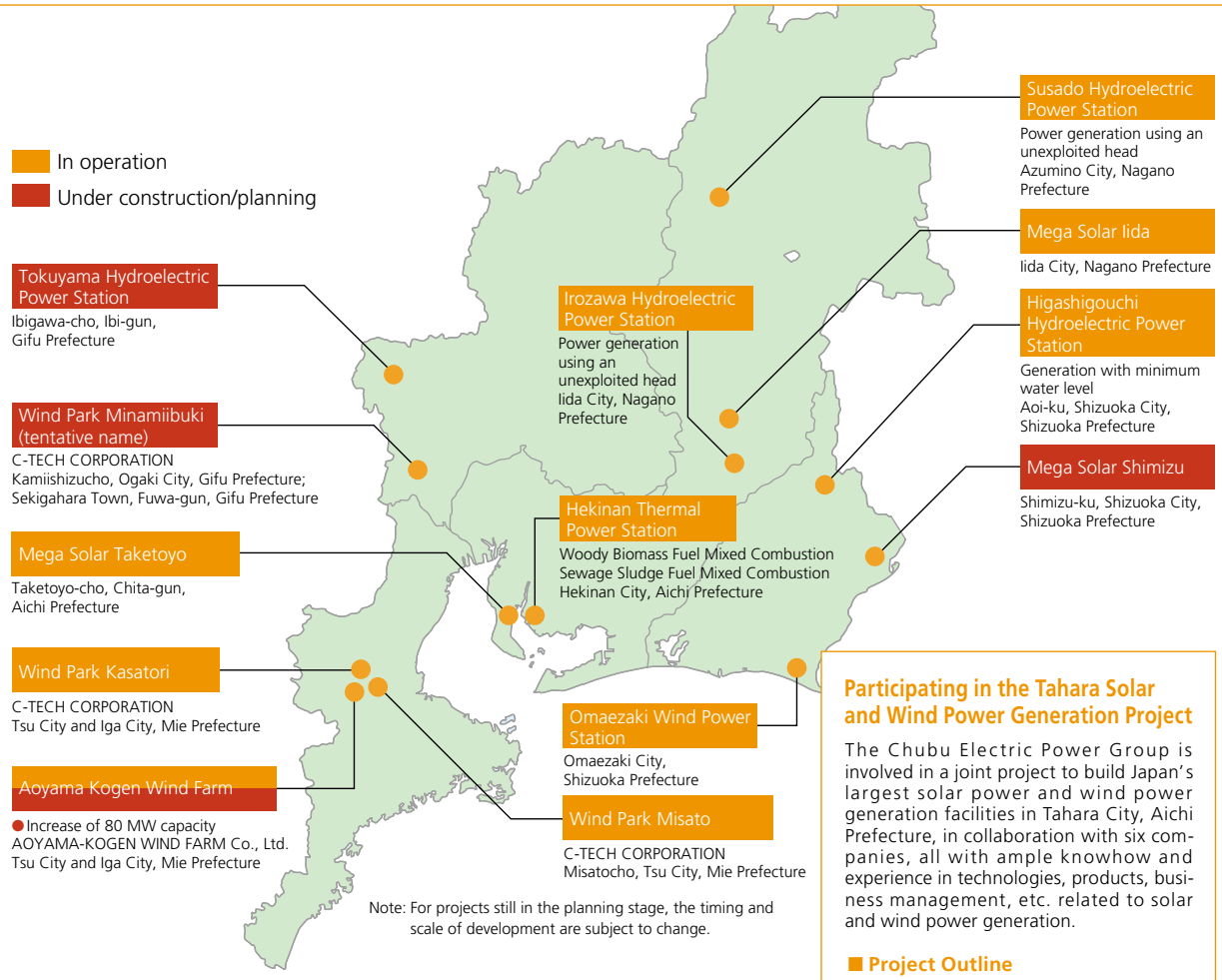
### ▶Mission 4 Establish a business base that ensures growth (☞PP. 29-30)

To respond to the trust and the expectations of our customers and society, we will make further efforts to fulfill our social responsibility and enhance "human resources*/organizations," "comprehensive group ability" and "technology research & development," which are basic elements of business activities.

* In Japanese, a Chinese character meaning "property" is used to represent human resources, since we consider employees to be a valuable asset of our company.

# Promotion of Renewable Energy

Chubu Electric Power is working together with group companies to develop renewable energy sources in an effort to realize a low-carbon society. Furthermore, we are also striving to popularize and promote renewable energy by purchasing mainly solar and wind-generated power.




Note: For projects still in the planning stage, the timing and scale of development are subject to change.

## Participating in the Tahara Solar and Wind Power Generation Project

The Chubu Electric Power Group is involved in a joint project to build Japan's largest solar power and wind power generation facilities in Tahara City, Aichi Prefecture, in collaboration with six companies, all with ample knowhow and experience in technologies, products, business management, etc. related to solar and wind power generation.

### ■ Project Outline

| | |
|---|---|
| Location | Midorigahama, Tahara City, Aichi Prefecture |
| Development scale | Solar power 50 MW<br>Wind power 6 MW |
| Construction start | FY 2012 (planned) |
| Operation commencement | FY 2013 (planned) |

## Mega Solar Power Generation

Chubu Electric Power aims to develop technical knowledge concerning large-scale solar power generation in a bid to popularize and expand solar power generation. More specifically, we aim to develop a 15-20 MW mega solar power generation capacity by FY 2020.

Mega Solar Taketoyo

## Wind Power Generation

In January 2011, Chubu Electric Power brought eight turbines online as Phase 2 of the Omaezaki Wind Power Station. Combined with the Phase 1 turbines, Chubu Electric Power now operates 11 turbines (22 MW) at this power station. Regarding group companies, C-TECH CORPORATION and AOYAMA-KOGEN WIND FARM Co., Ltd. currently operate 47 turbines (69 MW) in total. Furthermore, these two companies are respectively preparing to expand capacity by adding 40 turbines (80 MW) at Aoyama Kogen Wind Farm, and developing 32 MW of new wind power at Wind Park Minamiibuki (tentative name).

### ■ Status of Development of Mega Solar Power Stations

| | Output (MW) | Operation commencement | $CO_2$ reduction (t/year) |
|---|---|---|---|
| Mega Solar Iida | 1.0 | January 2011 | 400 |
| Mega Solar Taketoyo | 7.5 | October 2011 | 3,400 |
| Mega Solar Shimizu | 8.0 | FY 2014 (planned) | 4,000 |

Omaezaki Wind Power Station

### ■ Status of Development of Wind Power Stations

| | | Output (MW) | Operation commencement | $CO_2$ reduction (t/year) |
|---|---|---|---|---|
| Chubu Electric Power | Omaezaki Wind Power Station | 22 | (Phase 1) February 2010<br>(Phase 2) January 2011 | 29,000 |
| C-TECH | Wind Park Misato | 16 | February 2006 | 213,000 |
| | Wind Park Kasatori | 38 | (Phase 1) February 2010<br>(Phase 2) December 2010 | |
| | Wind Park Minamiibuki (tentative name) | 32 | FY 2017 (planned) | |
| Aoyama Kogen Wind Farm (in operation) | | 15 | March 2003 | |
| Aoyama Kogen Wind Farm (expanded capacity) | | 80 | FY 2014-2016 (planned) | |

## Hydroelectric Power Generation

Hydroelectric power is a renewable energy source that can be expected to provide a stable supply of power. Therefore, Chubu Electric Power will continue working to develop general hydroelectric power generation and generation with minimum water level*1. Efforts will also be made to enhance the output and the amount of power generated from existing hydroelectric power stations through schematic renovations.

### ■ Status of Development of Hydroelectric Power Stations

| | | | Output (MW) | Operation commencement | $CO_2$ reduction (t/year) |
|---|---|---|---|---|---|
| New development | Susado | | 0.24 | September 2010 | 600 |
| | Tokuyama | Turbine No. 1 | 131 | FY 2015 (planned) | 150,000 |
| | | Turbine No. 2 | 22.4 | FY 2014 (planned) | |
| | General hydroelectric power (2 locations) | | 11.5 in total | FY 2020-2021 (planned) | 31,000 |
| | Generation with minimum water level (5 locations) | | 1.29 in total | FY 2014-2018 (planned) | 3,400 |
| Improvement | Wago | | 0.1*2 | FY 2012 (planned) | 200 |

*1. Hydroelectric power generation utilizing minimum required volume of water released to maintain a good environment for downstream areas.
*2. Represents amount of improvement (3.0 MW→3.1 MW)

## Biomass Power Generation

Since FY 2010, Chubu Electric Power has conducted mixed combustion using woody biomass as fuel to follow the carbon-neutral concept*3 at its Hekinan Thermal Power Station. Thanks to this effort, we have been able to reduce $CO_2$ emissions at the power station. Furthermore, we participated in a project to turn sewage sludge into fuel at the Kinuura East Purification Center in Aichi Prefecture. This project aims to generate biomass fuel from sewage sludge, which has traditionally been incinerated, by carbonizing it in a fuel-producing facility within the purification center. The fuel produced is burnt together with coal (mixed combustion) at the nearby Hekinan Thermal Power Station (☞P. 46).

### ■ Status of Development of Biomass Power Stations

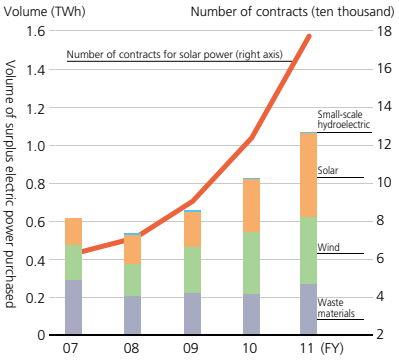
| | Operation commencemen | Amount used for mixed combustion (t/year) | $CO_2$ reduction (t/year) |
|---|---|---|---|
| Woody Biomass Fuel Mixed Combustion | September 2010 | Approx. 200,000 | 200,000 |
| Sewage Sludge Fuel Mixed Combustion | April 2012 | Approx. 2,700 | 4,000 |

*3. The $CO_2$ emitted due to biomass combustion etc. does not increase atmospheric $CO_2$ within the lifecycle because it is identical to the $CO_2$ absorbed by growing plants from the atmosphere in their photosynthetic process.

## Purchasing Electric Power from Renewable Energy Sources

Chubu Electric Power is helping popularize and expand power generation using new energy sources by purchasing electric power from renewable sources such as solar power and wind power.

### ■ Trends in Volume of Surplus Electric Power Purchased

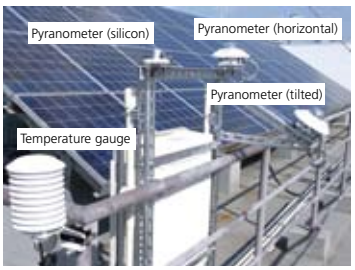



### Evaluation of Effects on the Power Grid from the Spread and Growth of Solar Power Generation

If a large amount of renewable energy from a source that does not have stable output, such as solar or wind power generation, is linked to an electric power network, possible voltage and frequency variations can pose a problem in regard to the stable supply of electric power.

In advance of future large-scale use of solar power, we collected and analyzed basic data to assess the impact of solar power output variability on the power grid.

Specifically, we measured the amount of sunlight and other meteorological data as well as the amount of solar power output at 61 locations within our service area. This research showed that the smoothing effect was not remarkable on solar power output variability related to weather changes such as the passage of a front, although steep variations in output due to the movement of small clouds were somewhat lessened by the smoothing effect.




Sunlight and other measurement equipment and solar panels on the roof of a customer service office

# More Reliable, Economical and Flexible Fuel Procurement

In order to procure fuel in a manner that ensures reliability, is economical and also flexible, Chubu Electric Power is working to improve fuel-related infrastructure, enhance fuel trading, and acquire upstream interests. Our aim here is to enhance the fuel supply chain.

## Enhancing and Making the Best Use of Fuel-Related Infrastructure

Chubu Electric Power is also working to enhance its fuel-related infrastructure in support of its ability to procure LNG in a stable and flexible manner. Such initiatives include reinforcing LNG receiving docks to berth larger vessels and adding more LNG tanks to boost storage capacity. Another initiative is installing gas pipelines. One of these is the pipeline across Ise Bay. Another of these is the Mie-Shiga Line.

## Expansion of Coal Procurement through Trading

Effective April 2010, Chubu Electric Power transitioned to a structure in which it delegated all its coal procurement activities and the management of its coal assets to Chubu Energy Trading, Inc. Furthermore, Chubu Electric Power established Chubu Energy Trading Singapore Pte Ltd. in Singapore, which acts as a hub for coal trading in the Asian market, to strengthen coal trading function from April 2012.

## Decentralization and Diversification of LNG Procurement Sources

In order to ensure stable and flexible procurement of LNG, Chubu Electric Power is working to decentralize and diversify LNG procurement sources by implementing new projects and increasing procurement of LNG from an unconventional natural gas.

We are also working to further stabilize LNG procurement by switching from conventional agreements which limit the source of the supply to a particular project to portfolio agreements which enable LNG procurement from more than one source.

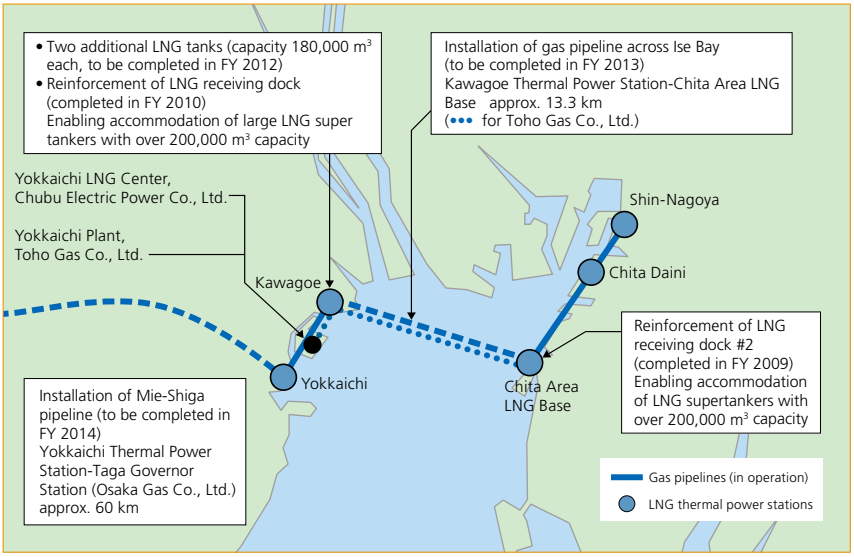
## Acquisition of Upstream Interests

Chubu Electric Power has been involved in several projects including the LNG project in Australia.

In May 2011, the company agreed to participate in a shale gas* development project in Canada (Cordova Project).

This marks the first time that a Japanese electric power company has participated in a shale gas project. Participation in this project will allow Chubu Electric Power to gain beneficial knowledge about trends in shale gas development. The consortium will study the possibility of exporting the produced shale gas to Japan as LNG.

■ **Enhancement of LNG-Related Facilities**




*Shale gas is a form of unconventional natural gas which is more difficult to extract than the ordinary form of natural gas. It is drawing attention worldwide as a new gas resource for its diversity of producer countries and low prices; its commercial production became feasible with the establishment of hydraulic fracturing and other techniques.

■ **Acquisition of Upstream Interests**


**TOPICS**

### Efforts to Minimize the Price Gap between European/US Natural Gas and Asian LNG

With well-developed gas pipeline networks, Europe and the United States have a market structure in which LNG and pipelines compete with each other in natural gas procurement.

In contrast, in the East Asian region, including Japan, South Korea and Taiwan, LNG dominates the natural gas market, which is one cause of the higher procurement cost trend seen in the region compared to Europe and the United States. Chubu Electric Power is striving to minimize this gap, which is commonly known as the Asian premium.

# Building a Next-Generation Electric Power Network

Chubu Electric Power will work on promoting distributed energy sources, a mode of power generation taking place at locations near the sites of electricity consumption. Chubu Electric Power aims to build an electric power network that is robust and can withstand natural disasters and other risks by efficiently combining large-scale centralized power sources with distributed energy sources to increase the reliability of the power grid as a whole, while at the same time making the best use of new technologies such as the Smart Community and the Smart Meter to ensure harmonization with customer energy supply systems.

## Toward Spreading Smart Homes and Smart Communities

Smart homes and smart communities enable energy to be used efficiently and also in emergencies by employing an information network that links home electrical appliances and other household equipment, solar power panels, home-use power storage batteries, automobile electricity storage batteries and homes. We are making efforts to popularize these new systems, including participation in verification research sponsored by the Japanese Government.

## Making the Best Use of Smart Meters

With its sophisticated features, including "visualization" of the amount of electricity consumed by customers, distant meter reading and remote switching, the Smart Meter is expected to be effective in improving our customer service and increasing the operating efficiency of our business activities. Other expectations from the use of the Smart Meter are efficient use of electricity and stable supply of electric power as demand-related measures.

Against this background, and with the August 5, 2011 Cabinet decision "to use smart meters for 80% of total electricity demand within five years" in mind, we aim to take an active role in popularizing the Smart Meter.

### ■ Outline of the Smart Meter System

Basic functions

- Metering
- Data transmission
- Switching

| Smart Meter Applications | Service Innovations |
|---|---|
| 30-minute measurements* | "Visualization" of the amount of electricity consumed, etc. |
| Meter reading by remote operation | Enabling automated remote meter reading |
| Turning electric power on and off by remote operation | Turning electric power on and off as needed in case of residential transfers etc. |

* The amount of electricity consumed is measured at 30-minute intervals.

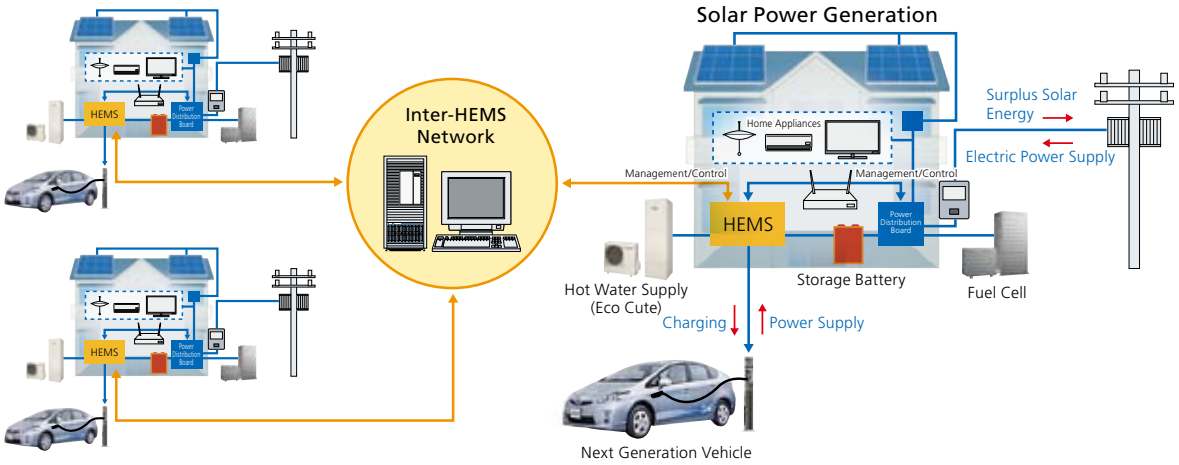
## Verification Test in Preparation for Introduction of the Smart Meter

Starting in April 2011, we conducted a verification test using approximately 1,500 new electronic Smart Meters which were installed at households in part of Kasugai City, Aichi Prefecture. We gathered data on the basic remote meter reading function and the effectiveness of "visualization" of household electricity usage. We aim to introduce the new system in full based on the findings of this test.

Conceptual image of "visualization" in the verification test

## Participation in the Verification Project for Establishment of a Household and Community-Based Low-Carbon City in Toyota City, Aichi Prefecture

Japan's central government has selected Toyota City, Aichi Prefecture, as the location for a next-generation energy and social system demonstration project. Chubu Electric Power is involved in related demonstrations to encourage households and communities to use energy more effectively. In collaboration with partners such as Toyota Motor Corporation and DENSO CORPORATION, we are looking particularly at "visualization" of household power use and controls, as well as development and evaluation of the home energy management system (HEMS) which enables effective household use of solar energy generated within the house by using batteries and Eco Cute.



# Becoming "the Top Corporate Group in Energy Services"

The Chubu Electric Power Group aims to be "the top corporate group in energy services" by pursuing optimal energy use together with customers.

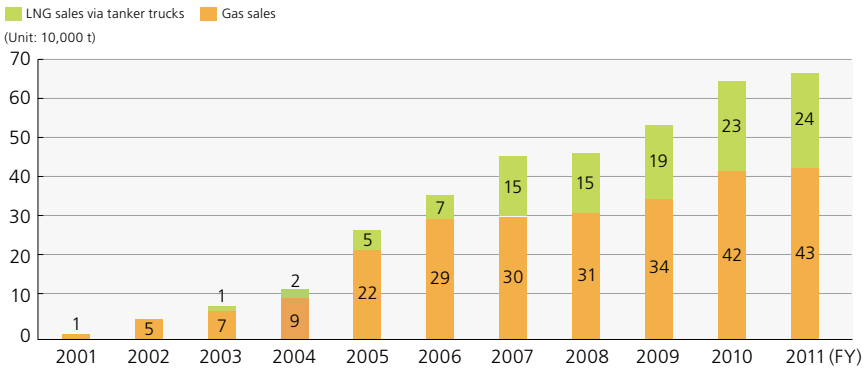
## Proposal for Residential Customers

In addition to PR suggesting ways to use electricity better, we are informing residential customers about how to use energy efficiently, and encouraging them to use heat pumps, like the high energy-efficiency "Eco Cute," as well as solar power generation and electric vehicles. By doing so, we will endeavor to help residential customers realize safe, convenient and environmentally friendly lifestyles.

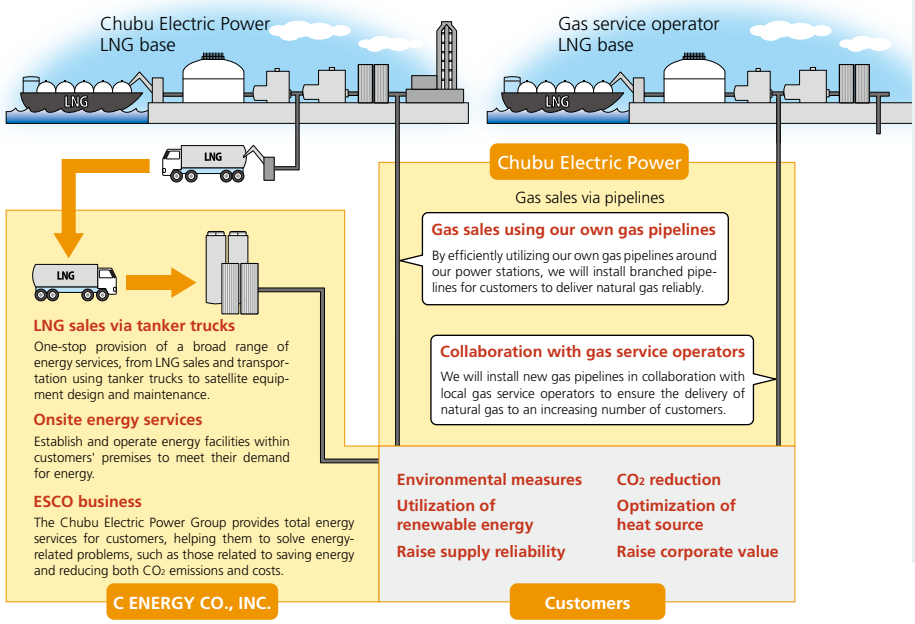
## Proposal for Business Customers

To meet business customers' growing needs for more diverse and sophisticated functions, such as saving energy, reducing $CO_2$ emissions, improving productivity and building disaster-resistant energy systems, Chubu Electric Power will propose a variety of solutions based on the distinct strengths and benefits of gas and electricity, including optimal combination of energy, operation methods and heating system utilization (production processes, air conditioners, water heaters, kitchens). The Chubu Electric Power Group provides optimal energy services by combining gas, LNG and onsite energy services for businesses, helping them to save energy, reduce both $CO_2$ emissions and costs and realize a highly reliable energy supply system.

### Trends in LNG and Natural Gas Sales



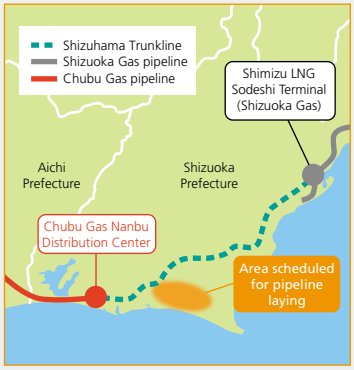

### Gas and LNG Sales and Onsite Energy Services in Collaboration with Group Companies (Image)




## TOPICS

### Installing Minami Enshu Pipeline

In April 2012, we, in collaboration with Chubu Gas Co., Ltd. and Shizuoka Gas Co., Ltd., established a new company, Minami Enshu Pipeline Co., Ltd., which is engaged in building a pipeline and supplying natural gas for large-lot customers. The new company will begin supplying gas through the Shizuhama Trunkline, a high-pressure natural gas pipeline between Shizuoka and Hamamatsu being constructed jointly by Chubu Gas and Shizuoka Gas. At the end of 2013, after the Shizuhama Trunkline becomes operational, gas supply through the pipeline will be started, thereby accelerating the spread of natural gas and stabilizing its supply.



# Overseas Energy Projects

Based on the knowhow, human assets and other management resources cultivated through business activities in Japan, the Chubu Electric Power Group is advancing energy-related infrastructure businesses, including power generation, in foreign countries. We will also aim to secure revenues, mainly in the power generation field, which is rich in business opportunities worldwide, while also focusing on business efficiency and risk management.

## Participation in Thermal Power Generation

The Chubu Electric Power Group will effectively leverage its knowhow to expand businesses, particularly the gas thermal power business which is rich in business opportunities, in an effort to secure long-term, stable earnings. We are also working to strengthen the earnings base through careful management of existing investments.

## Participation in Renewable Energy Projects

Following careful analysis of investment options, we will participate in renewable energy projects that are becoming more widespread throughout the world, including wind, solar and hydroelectric power. By doing so, we will secure revenues and contribute to the reduction of $CO_2$ emissions across the globe.

**As of the end of fiscal 2011**

Total cumulative investment: approx. ¥90.0 billion

Total output contribution*: approx. 3,240 MW

*Output attributable to Chubu Electric Power in total output from all projects

### Overseas Investments (As of the end of FY 2011)

| | Region | Projects | Total Output (MW) | Chubu Electric Power's Investment (%) | Start of Participation (FY) | Start of Operation |
|---|---|---|---|---|---|---|
| Gas thermal power generation projects | North America | USA Tenaska Gas Thermal Power Generation Project (5 power stations) | 4,780 | Approx. 11-18 | 2010 | 2001-2004 |
| | | Canada Goreway Gas Thermal Power Generation Project | 875 | 50 | 2009 | June 2009 |
| | | Mexico Valladolid Gas Thermal Power Generation Project | 525 | 50 | 2003 | June 2006 |
| | | Mexico Gas Thermal Power Generation Project (Falcon, 5 power stations) | 2,233 | 20 | 2010 | 2001-2005 |
| | Asia | Thailand Ratchaburi Gas Thermal Power Generation Project | 1,400 | 15 | 2001 | June 2008 |
| | | Thailand Cogeneration Projects in Industrial Areas | Approx. 110×3 | 19 (2 sites) 24 (1 site) | 2011 | After 2014 (planned) |
| | Middle East | Qatar Ras Laffan B Independent Water and Power Project | 1,025 | 5 | 2004 | June 2008 |
| | | Qatar Mesaieed A Independent Power Project | 2,007 | 10 | 2008 | July 2010 |
| | | Qatar Ras Laffan C Independent Water and Power Project | 2,730 | 5 | 2008 | April 2011 |
| | | Oman Sur Gas Thermal Power Generation Project | 2,000 | 30 | 2011 | 2014 (planned) |
| Renewable energy projects | Asia | Thailand Rice Husk Biomass Power Generation Project | 20 | 34 | 2003 | December 2005 |
| | | Malaysia Oil Palm Empty Fruit Bunch Biomass Power Generation Project | 10×2 | 18 | 2006 | January 2009 (Base 1) March 2009 (Base 2) |
| | | Asian Environmental Funds | – | 26 | 2003 | 2004-2014 (fund operation period) |
| | | Thailand Wind Power Generation Project | 90×2 | 20 | 2011 | 2013 (planned) |

In March 2011, we acquired additional interests in gas thermal power generation in Canada (Goreway Gas Thermal Power Generation Project).

In Thailand, we invest in gas thermal power generation and provide technical support for power station operation and maintenance (Thailand Ratchaburi Gas Thermal Power Generation Project).

# Major Activities, Goals and Plans

Chubu Electric Power has systems that allow the Company to continually step up the level of and improve its CSR activities through the plan-do-check-act (PDCA) cycle.

| ▼ Section | ▼ Subsection | ▼ Relevant page | ▼ Goals and plans for FY2011 |
|---|---|---|---|
| **Corporate Governance of Chubu Electric Power** | Corporate Governance | PP. 31–32 | ● Continue preparation and operation of the internal control system based on the Companies Act.<br>● Conduct proper internal controls over financial reporting. |
| | Risk Management | P. 33 | ● Continue implementing the risk management flow in the management plan development process.<br>● Start discussions on the establishment of business continuity plans (BCPs). |
| | Information Management | P. 33 | ● Continue systematic information management. |
| | CSR Management | P. 35 | ● Promote employees' understanding of Chubu's Corporate Philosophy, established in February 2011.<br>● Implement the "Executives Caravan" to promote direct dialogue between management and employees. |
| | Dialogues with Stakeholders | P. 36 | ● Promote interactive communication with stakeholders.<br>● Implement dialogues with stakeholders. |
| **Human Rights, Labor Practices** (Respect for Human Rights, Work Environment) | Respect for Human Rights | P. 37 | ● Continue employee education to promote human rights awareness and prevent harassment. |
| | Development of Human Resources | P. 37 | ● Start education for each level of employees.<br>● Improve the technical skills of engineering staff.<br>● Support employees' voluntary efforts for self-development. |
| | Creating a Comfortable Work Environment | PP. 38–39 | ● Develop a corporate culture in which each employee can fully exhibit their ability.<br>● Promote work-life balance. |
| | Ensuring the Safety and Health of Employees | P. 40 | ● Prevent traffic and industrial accidents.<br>● Continue measures to promote mental health care and prevent health problems associated with overwork. |
| **Environment*** (Commitment to Environmental Conservation) | Promoting Environmental Management | PP. 41–44 | ● Promote group-wide environmental management.<br>● Develop environmental education trainers and implement an environmental education curriculum for all employees. |
| | Building a Low-Carbon Society | P. 45 | ● Reduce $CO_2$ emission intensity by 20% relative to FY1990 during the period FY2008 to FY2012. |
| | Creating a Recycling Society | PP. 46–47 | ● Achieve an external landfill waste ratio of less than 1%.<br>● Treat at least 6,803 kl of insulation oil and 110,160 pole-mounted transformers containing low-level PCBs. |
| | Conserving the Local Environment | PP. 48–50 | ● Implement an environmental assessment for the Nishi-Nagoya Thermal Power Station (Unit No. 7), for which construction is slated to start in FY2014.<br>● Implement wild bird investigations at the pond in the Hekinan Tantopia.<br>● Plant trees. Accumulated total goal: 500,000 trees |
| **Fair Business Practices** (Ensuring Compliance Management) | Compliance | P. 51 | ● Continuously promote compliance and review how well it takes root.<br>● Provide employees with education to raise awareness of and combat insider trading. |
| | Fair and Equitable Transactions | P. 52 | ● Promote procurement activities according to the Chubu Electric Power Group Basic Procurement Policy.<br>● Ensure sufficient interactive communication with business partners. |
| | Intellectual Property | P. 52 | ● Enhance knowledge and awareness regarding intellectual property. |
| **Commitments to Our Customers** (Customer Services) | Delivering High-Quality Energy | P. 53 | ● Implement safety measures to reduce the accident rate to zero. |
| | Working for Customer Satisfaction | PP. 54–56 | ● Continuously improve business operations by reflecting customer feedback.<br>● Continue customer service improvement measures. |
| **Supporting the Development of Communities** (Contribution to Society) | Contribution to Communities | PP. 57–59 | ● Promote social contribution according to the Basic Corporate Citizenship Policies of the Chubu Electric Power Group. |

* Please refer to the Action Plan on our website for more details of our medium-term goals (FY2020) of our environmental activities. http://www.chuden.co.jp/energy/kankyo/actionplan/index.html

Evaluation Criteria: ○ : The measure was implemented as planned, achieving satisfactory results.
△ : The measure was implemented as planned, but the goal was not achieved or there is significant room for improvement.
× : The measure was not implemented as planned.

| ▼ Major activities for FY2011 | ▼ Evaluation | ▼ Goals and plans for FY2012 |
|---|---|---|
| ● Internal audits were conducted for Group companies in and outside Japan to enhance internal control across the Group.<br>● Each department conducted self-inspections and internal audits for each financial report. | ○ | ● Continue preparation and operation of the internal control system based on the Companies Act.<br>● Conduct proper internal controls over financial reporting. |
| ● Proper risk management was implemented at the Corporate Planning & Strategy Division and other divisions, and included measures such as the identification of important risks and the introduction of countermeasures against each risk.<br>● The BCP Committee was established to promote the formulation of BCPs. | ○ | ● Continue implementing the risk management flow in the management plan development process.<br>● Strengthen BCP measures and promote business continuity management (BCM). |
| ● To ensure strict information management, inspections were carried out at major operation sites and Group companies to check how information is managed. | ○ | ● Continue systematic information management. |
| ● Workshops targeted at all the 826 heads of workplaces, among various other activities, were carried out to instill the Corporate Philosophy across the Company.<br>● The Executives Caravan visited all the operation sites to enable management and employees to share issues and opinions related to the Company. | ○ | ● Continue promoting the Corporate Philosophy through various training programs. |
| ● After the shutdown of the Hamaoka Nuclear Power Station, dialogue with stakeholders was implemented across the Company to discuss energy issues.<br>● Dialogue with a diverse array of stakeholders, such as opinion exchanges with Mie University, were implemented. | ○ | ● Further promote interactive communication with stakeholders.<br>● Continue implementing dialogue with a diverse array of stakeholders. |
| ● Education on human rights and harassment was implemented as part of training for each level of employees.<br>● Lectures on human rights were organized. | ○ | ● Continue employee education to promote human rights awareness and prevent harassment. |
| ● Training was implemented for newcomers, newly appointed chiefs, employees newly appointed to managerial positions, and other levels of employees.<br>● A hands-on technical training program was introduced for young engineers.<br>● 604 employees took part in external correspondence courses, and 129 employees were supported to acquire a new qualification. | ○ | ● Start education for each level of employees.<br>● Continue improving the technical skills of engineering staff.<br>● Continue supporting employees' voluntary efforts for self-development. |
| ● Diversity promotion staff visited each workplace to raise awareness of the importance of diversity, and implemented diversity management training.<br>● "No overtime day" was set up across the entire Company. Employees were encouraged to make plans for taking leave. | ○ | ● Continue training of employees aimed at developing the corporate culture.<br>● Continue efforts to promote work-life balance. |
| ● The position of Safety Driving Manager Trainer was set up. Joint safety patrols were implemented among Group companies.<br>● Mental health education classes were continued to protect employees' from health problems associated with overwork. | ○ | ● Continue efforts to prevent traffic and industrial accidents.<br>● Continue measures to promote mental health care and prevent health problems associated with overwork. |
| ● The second meeting of the Chubu Electric Power Group Environmental Measures Committee was held. The percentage of Group companies that introduced environmental management systems reached 100%.<br>● 439 environmental education trainers were developed.<br>● Environmental education was implemented at all operation sites. | ○ | ● Promote group-wide environmental management.<br>● Develop environmental education trainers and implement environmental education for all employees. |
| ● $CO_2$ emissions intensity before reflecting Kyoto Mechanism credits: 0.518 kg-$CO_2$/kWh (11.7% increase over FY1990)<br>● $CO_2$ emissions intensity after reflecting Kyoto Mechanism credits: 0.469 kg-$CO_2$/kWh (1.0% increase over FY1990) | — (*1) | ● Reduce $CO_2$ emission intensity by 20% relative to FY1990 during the period of FY2008 to FY2012. |
| ● External landfill waste ratio: 0.9%<br>● 6,882 kl of insulation oil and 109,808 pole-mounted transformers containing low-level PCBs were treated. The progress ratios were 101.2% and 99.7%, respectively. | ○ | ● Achieve an external landfill waste ratio of less than 1%.<br>● Treat at least 6,714 kl of insulation oil and 110,880 pole-mounted transformers containing low-level PCBs. |
| ● Environmental assessment for the Nishi-Nagoya Thermal Power Station (Unit No. 7): Refurbishment Plan approved by the government<br>● Wild bird investigations at the pond in the Hekinan Tantopia were completed.<br>● 514,000 trees were planted, achieving the accumulated total goal. | ○ | ● Implement an environmental assessment for the Nishi-Nagoya Thermal Power Station (Unit No. 7), for which construction is slated to start in Dec. 2013. |
| ● Various compliance promotion measures were implemented, such as an employee survey to understand the current status of measures and identify issues.<br>● An e-learning program was implemented for employees in departments handling important management information. | △ (*2) | ● Promote compliance across the Group.<br>● Continue providing employees with education to raise awareness and combat insider trading. |
| ● New business partners were provided with an explanation on the Chubu Electric Power Group Basic Procurement Policy, and requested to practice CSR.<br>● Round tables that can be used when business partners receive or deliver documents were installed in the waiting area in response to feedback from business partners. | ○ | ● Promote procurement activities according to the Chubu Electric Power Group Basic Procurement Policy.<br>● Ensure sufficient interactive communication with business partners. |
| ● Intellectual property seminars were provided at the Head Office, regional offices, and some of the major operation sites to enhance employees' knowledge and awareness of intellectual property. | ○ | ● Continue enhancing knowledge and awareness of intellectual property. |
| ● Various measures were implemented to ensure a safe and stable supply of electricity, such as regular patrols and inspections for early detection of any abnormalities and protection from lightning. | ○ | ● Continue implementing safety measures to reduce the accident rate to zero. |
| ● Operational improvement was implemented after customer feedback was discussed and advice from third parties was taken into account.<br>● Various customer service improvement measures were implemented, such as the disclosure of problem/outage information on the website for customers. | △ (*3) | ● Continue improving our business operations by reflecting customer feedback.<br>● Continue customer service improvement measures. |
| ● Various activities were carried out centering around the key areas of "Ensuring Local Welfare and Peace of Mind," "Environmental Conservation," "Education of the Next Generation," and "Cultural and Sports Activities."<br>● Personnel were dispatched to support the nuclear accident recovery after the Great East Japan Earthquake. | ○ | ● Continue promoting social contributions according to the Basic Corporate Citizenship Policies of the Chubu Electric Power Group. |

*1. The goal of 20% is an average over a five-year period from 2008 to 2012, and therefore evaluation is not made for each year.
*2. The evaluation result was "△" due to incidents resulting from the failure of Chubu Electric Power and a Group company to observe compliance.
*3. The evaluation result was "△" due to one incident resulting from the failure of a customer service office to follow the proper operational method.

# Corporate Governance of Chubu Electric Power

We are committed to keeping Chubu Electric Power a corporation that our stakeholders trust and choose above others. To that end, we are making every effort to raise corporate governance to a higher level of enhancement with fairness and transparency as central priorities.

## Corporate Governance Structure

In addition to the corporate bodies prescribed by the Japanese Companies Act (such as a board of directors, board of auditors, and corporate auditors), Chubu Electric Power's governance structure includes the Management Strategy Committee and Senior Executive Committee.

The Board of Directors meets monthly in principle to discuss and decide important matters of management and items governed by law or the articles of incorporation. The Board also hears progress reports to monitor as they execute their duties. Additionally, two outside directors have been appointed in order to enhance monitoring functions.

The Senior Executive Committee meets once a week in principle for preliminary deliberation of items on the agenda of the Board of Directors and to discuss other important business matters. Meanwhile, the Management Strategy Committee composed of representative directors and other officers discusses the course of action in medium- to long-term management. Matters requiring special attention are submitted to the Senior Executive Committee and the Board of Directors.

We have adopted an executive officer system to ensure that management's decision-making and supervision duties are separate from the execution side and to help accelerate execution. Substantial authority is delegated from the president to the managing executive officers with other responsibilities who serve as general managers, and the execution of duties in specified areas is completed by persons at or below the rank of general manager. To ensure consistency between managerial decisions and actual business operations in specified areas, as a rule directors serve in a dual capacity as managing executive officers whenever the position involves weighty responsibilities such as general manager. Directors then contribute their expertise in meetings of the Board of Directors.

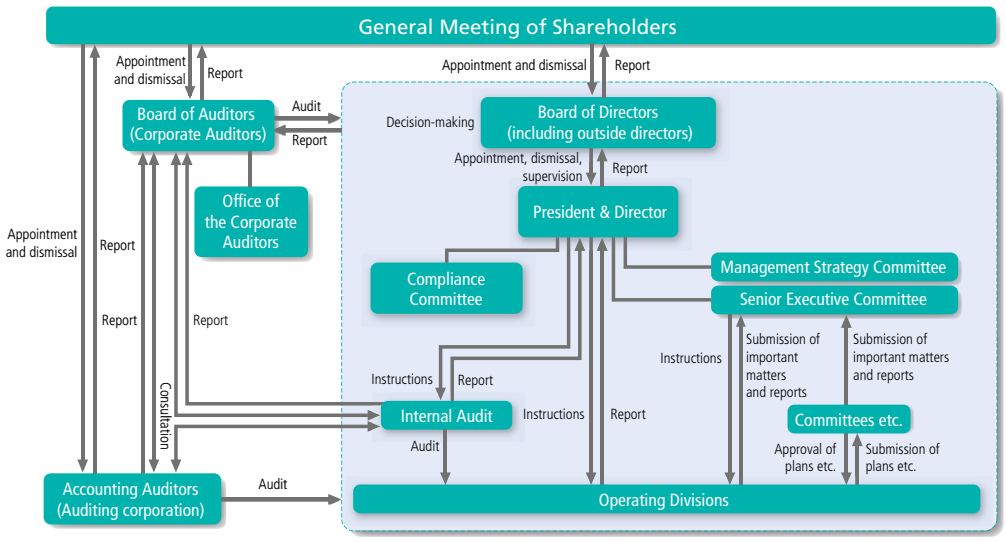
To ensure that our management system is capable of responding quickly to changes in the business environment and that management responsibilities and executive responsibilities are clear, directors, managing executive officers and executive officers serve a one-year term.

The Board of Auditors consists of seven Corporate Auditors (including four Outside Corporate Auditors), and works to allocate the roles of the Corporate Auditors and share information in order to conduct audits more systematically and efficiently. It also issues decisions and approvals regarding matters of law and the items prescribed by the articles of incorporation.

Corporate Auditors audit every aspect of the performance of duties by the directors, for which purpose they deepen their understanding of the Directors, the internal audit divisions, and other employees, attend meetings of the Board of Directors and other important meetings, hear from Directors regarding the performance of their duties, and examine the circumstances of the Company's operations and finances. They also perform their duties for the purpose of thoroughly monitoring and verifying resolutions made by the Board of Directors regarding establishment of systems to ensure the quality of corporate administration and the operating status of the system (internal control) developed by such resolutions. With regard to subsidiaries, we maintain communication and share information with their directors and auditors, and keep ourselves informed of their business activities whenever necessary. Our Corporate Auditors include those who have been engaged in accounting work for many years and possess a high level of expertise in finance and accounting. There are also 11 staff members working under the Corporate Auditors' direct orders.

The Internal Audit Department (38 staff members), which is under the direct control of the president and independent of the operating divisions, is responsible for internal audits. It performs audits on the activities of the operating divisions such as quality control for safety at nuclear power plants, basing its perspective on internal control system (including internal controls over financial reporting) effectiveness and CSR. The results of each of these initiatives are reported to the president and presented as advice admonishments to relevant divisions to encourage continuous improvement.

■ Chubu Electric Power's Corporate Governance Framework



## Directors and Corporate Auditors (as of July 1, 2012)

### ■ Chairman of the Board of Directors

Toshio Mita

April 1969 Joined Chubu Electric Power
June 2003 Director, General Manager of Tokyo Office
June 2005 Director & Managing Executive Officer
General Manager of Customer Service Division
June 2006 President & Director
June 2007 President & Director (Executive Officer)
June 2010 Chairman of the Board of Directors (current)
May 2011 Chairman of Chubu Economic Federation (current)

### ■ President & Director

Akihisa Mizuno

April 1978 Joined Chubu Electric Power
June 2008 Director & Senior Managing Executive Officer
General Manager of Corporate Planning & Strategy Division
June 2009 Director & Executive Vice President
General Manager of Corporate Planning & Strategy Division, and Affiliated Business Planning & Development Dept.
June 2010 President & Director (current)

### ■ Director, Executive Vice President

Yoshihito Miyaike
General Manager of Information Systems Dept.
General Manager of Power Generation Division

Masatoshi Sakaguchi
General Manager of Nuclear Power Division

Kazuhiro Matsubara
General Manager of Legal Affairs Dept., General Affairs Dept., Finance & Accounting Dept., and Purchasing & Contracting Dept.

Tomohiko Ohno
General Manager of Secretarial Services Dept., Corporate Communication Dept., Personnel Dept., and Affiliated Business Management & Development Dept.

### ■ Director, Senior Managing Executive Officer

Ryosuke Mizutani (General Manager of Hamaoka Central Administration Office and affiliated with Environmental Affairs & Plant Siting Division)
Satoru Katsuno (General Manager of Corporate Planning & Strategy Division)
Akira Matsuyama (General Manager of Land Affairs Dept., Telecommunications Engineering Dept., and General Manager of Power System Division)
Atsushi Ishida (General Manager of Research & Development Division)
Yoshinori Masuda (General Manager of Gas Sales & Service Dept., Deputy General Manager of Corporate Planning & Strategy Division)
Hiromi Yamazaki (General Manager of Environmental Affairs & Plant Siting Division and affiliated with Nuclear Power Division)
Yutaka Watanabe (General Manager of Customer Service Division)
Yuji Kakimi (General Manager of Fuels Dept., and International Business Dept.)

### ■ Director

Yuji Kume

### ■ Outside Directors

Hideko Katsumata, Shun Matsushita

### ■ Senior Corporate Auditor (full-time)

Hidetaka Tomita

### ■ Corporate Auditors (full-time)

Katsuyuki Naito, Masato Harada

### ■ Outside Corporate Auditors

Toshiko Aburada, Kenji Matsuo, Shigehisa Sao, Tokuichi Okaya

# Internal Controls

## Preparation and Operation of Internal Control System

Chubu Electric Power established a basic stance on the preparation of an internal control system, formulating a set of systems to ensure the proper conduct of business operations. Our internal control system has been developed and operated based on these individual systems.

### Systems for Ensuring Proper Conduct of Business Operations (excerpt)

1. System regarding management control
2. System regarding risk management
3. System regarding compliance
4. System regarding audits
5. System to ensure proper business operations by the Chubu Electric Group

## Enhancing Internal Controls at Group Companies

The Chubu Electric Power Group has a department responsible for oversight of Group companies' internal controls. This department formulates business strategies and policies applicable to the entire Group, and manages Group companies.

In fiscal 2011, among other activities, the department conducted internal audits for 11 Group companies including consolidated subsidiaries as a way to support them in their efforts to establish and execute internal controls. These audits were focused on Group companies' initiatives to promote compliance as well as on their actual status of compliance with relevant laws and regulations. These joint internal audits by Chubu Electric Power and Group companies are also expected to promote the sharing of audit skills. Through these various measures, we are working hard to bolster the Group's overall internal controls.

## Internal Controls over Financial Reporting

Concerning internal controls required by the Financial Instruments and Exchange Act, Chubu Electric Power has prepared and is operating a system to visualize, confirm, and evaluate important business processes relating to financial reporting. We will continue to work to ensure appropriate financial reporting.

# Risk Management

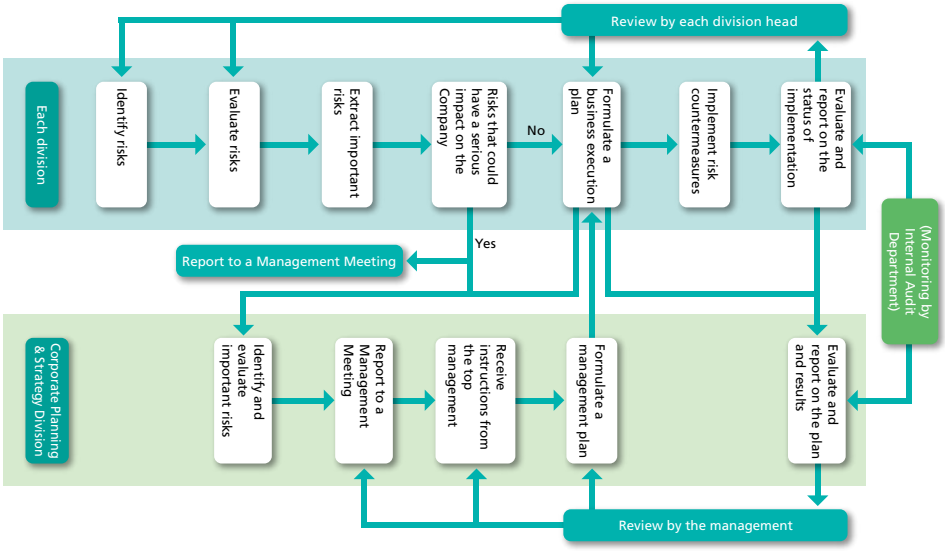
Risk management for the Company as a whole and for the individual divisions seeks to prevent risks, as well as to put the organizations, authority and internal regulations in place to transfer and mitigate risks following their occurrence.

Specifically, risks that can have a serious impact on management are subject to risk management protocol and other internal regulations. Based on these regulations, the Corporate Planning & Strategy Division and the various individual divisions are to ascertain and evaluate such risks, which are then to be reported at Management Meetings. They are also to act on the instructions of top management to formulate and implement management plans and business operation plans incorporating risk countermeasures.

In the event of an emergency or other such event that could have a serious impact on the Company's assets or credibility in society, actions are to be taken in accordance with disaster countermeasure procedures, crisis management regulations, and other such regulations. Such actions include reporting to command posts, emergency action for damage control, and response and restoration procedures.

Group-wide business continuity plans (BCPs) are also in place to ensure undisrupted operations even in the event of a catastrophic disaster (☞P.13-16).

■ **Risk management flow in the management plan development process**




# Information Management

## Systematic Management

Based on the belief that proper management of information is an essential element for maintaining its social trust and ensuring quick and accurate business operations, Chubu Electric Power has developed relevant rules and established a department dedicated to information management. In addition to calling for employees to handle information carefully, the department undertakes various other activities to assure Group-wide systematic management of information, including inspections of major Group companies to check how they manage information. In order to prevent unauthorized disclosure of important electronic information that is considered likely to cause serious damage to the Company if divulged, we have introduced technologies to protect information from leakage and falsification and taken other measures to ensure the security of the entire information system. We are also making utmost efforts to ensure that large volumes of personal information received from customers and others are handled properly, by creating a basic personal information privacy policy based on the Act on the Protection of Personal Information.

## Establishment of the Chubu Electric Power Group IT Promotion Council

We have established the Chubu Electric Power Group IT Promotion Council to facilitate the utilization of the optimum information technology across the group, and declared a "Joint Statement on Information Security," on which to base our information security measures, in order to strengthen information management of the entire group.

### Specific information management measures taken by Chubu Electric Power

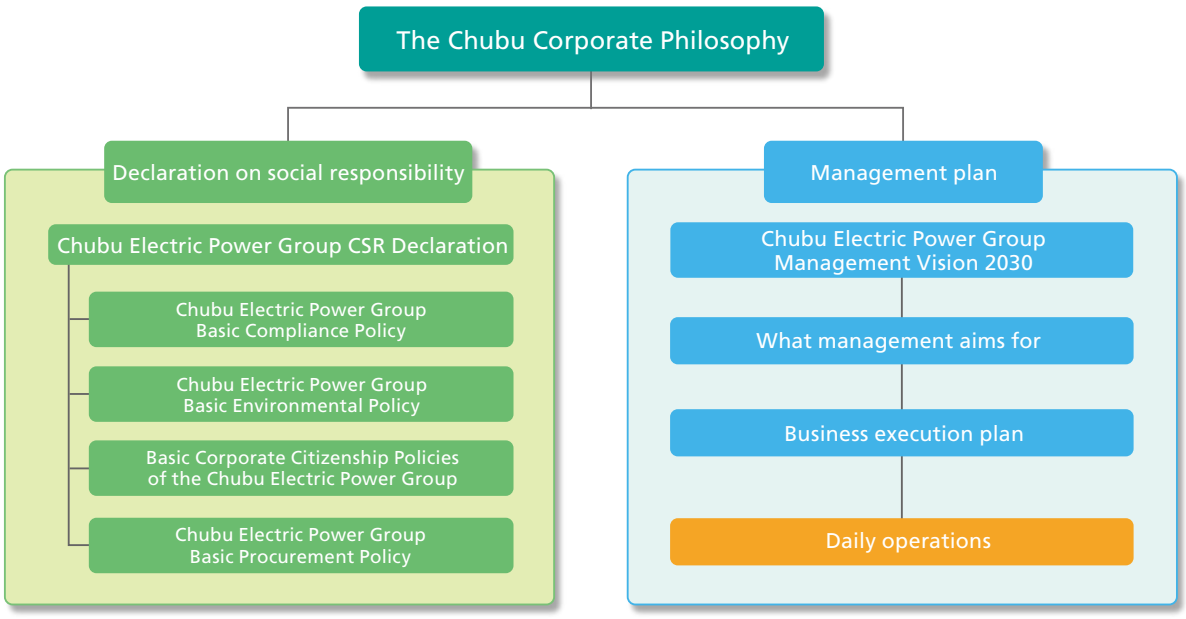
- **Systematic countermeasures**
A department responsible for promoting proper information management has been established under the information management officer appointed by the president, and information management supervisors are allocated to each workplace to build a systematic company-wide information management framework.
- **Human countermeasures**
Efforts are being made to enhance employees' awareness of the importance of information management though E-learning programs and by requiring employees to carry an information management pocketbook that summarizes the Company's internal rules at all times while at work.
- **Physical countermeasures**
Areas where employees work are kept locked and separate from areas accessible to non-Company personnel.
- **Technical countermeasures**
Computer viruses and unauthorized access are deterred, while computer access is controlled by IC card, and recorded and analyzed.

# The Chubu Corporate Philosophy and CSR Declaration

We believe that the Chubu Electric Power Group can fulfill its social responsibility only when each employee understands the Chubu Corporate Philosophy established in February 2011 and puts it into practice in their everyday work.

In order to facilitate employees' understanding of the Philosophy, its relationship with daily operations, as well as its position in relation to the CSR Declaration and each basic policy, are clarified in a systematic manner as shown below.

[Relationship between the Corporate Philosophy and the CSR Declaration/management plan]




[Chubu Electric Power Group CSR Declaration]

## Fulfilling our responsibilities and meeting public expectations

Chubu Electric Power Group, as a group of sustainably growing businesses meeting a wide range of energy needs, contributes 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. We aim to accomplish these goals by allowing the individuality of group companies to be fully expressed while achieving group synergy in enterprises within our core competence in energy.

We manage our businesses in a fair and sincere manner by observing national and international 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 affordable energy services, as well as other services of value that meet their needs. |
| 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 motivated workplace. |

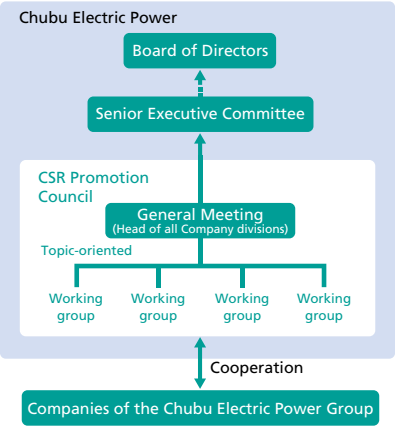
# CSR Management

## Framework for Promotion of CSR

At Chubu Electric Power, important CSR concerns are deliberated on by the CSR Promotion Council, which comprises the heads of all Company divisions, and the results are reported to the Senior Executive Committee. The CSR & Business Reform Promotion Group has also been established in the Corporate Planning & Strategy Division to promote CSR activities.

The Company is also in close collaboration with its Group companies and shares information regularly for promoting CSR.

### ■ CSR Promotion System




### ■ CSR Seminars for Top Management

CSR seminars are organized every year for executives of Chubu Electric Power and the top management of Group companies to continuously raise their CSR awareness. In fiscal 2011, Mr. Yoshito Hori, President of GLOBIS University was invited to give a lecture on the leaders necessary for reviving Japan, offering many inspiring suggestions, including those concerning the abilities and mindset needed by leaders.

Lecture by Mr. Yoshito Hori

## Putting the Corporate Philosophy into Practice

Chubu Electric Power is working hard to disseminate the Chubu Corporate Philosophy established in February 2011 throughout the Group.

### ■ Implementation of Workshops

Chubu Electric Power conducted workshops for 826 managers (heads of all the workplaces) in October and November 2011 to instill the Corporate Philosophy across the group. In each workshop, the participants discussed and shared the significance of acting based on the philosophy, and identified specific measures needed to put the philosophy into practice. After these workshops, each participant held a similar workshop for the staff in their respective workplaces.

We will continue organizing these kinds of communication activities regularly to share values so that we can further consolidate the unity of employees and enhance our corporate culture under a unified philosophy.

**VOICE**

### What I learnt from the workshop

**Takeshi Yamamoto**
**Manager, Customer Service Section, Matsuzaka Customer Service Office, Mie Regional Office**

I was reminded that the Corporate Philosophy represents the basic mindset we need to maintain to further develop Chubu Electric Power and recover customers' trust in the Company. The Customer Service Section is the Company's interface with customers, so we need to carefully listen to any concerns or comments expressed by customers, and give detailed explanations until they are satisfied. This is the way we can build a relationship of trust with customers. We also need to continuously improve business processes and rules with flexible ideas and an active commitment to change, and for this purpose I will provide the appropriate advice and support to my staff.

A workshop held in a workplace
Manager Yamamoto (far left in the photo)

## Stakeholder Dialogue Exchanging Opinions with Mie University

As part of its efforts to promote industry-academia collaboration, Chubu Electric Power holds a meeting with Mie University, a national university, every year to exchange opinions regarding corporate/university social responsibility.

In the meeting held in September 2011, representatives of the Company and the university made comments on the CSR Report/Environmental Report submitted by their counterpart, and Chubu Electric Power received many valuable comments from students and other participants from the university. We will work to reflect them in our CSR initiatives and next year's report.

### ■ Major opinions on Chubu Electric Power's CSR Report 2011

- As some of the data shown in the report, such as the composition of generated electricity in fiscal 2020 (Electric Power Supply Plan for FY2011), are data compiled before the shutdown of the Hamaoka Nuclear Power Station, it is difficult to understand your company's stance on nuclear power generation at the time of the publication of the report.
- Because there is no reference to the specific effects of high efficiency power generation and renewable energy power generation on $CO_2$ reduction, we cannot fully understand their benefits for the environment.
- In its feature article, the report highlights compliance violations committed by the company, information adversely affecting the reputation of the company, and explains measures taken to prevent any recurrence. I think this is an encouraging thing to do.

A scene from the meeting

# Dialogues with Stakeholders

## CSR Promotion through Dialogues

Chubu Electric Power works to continuously improve its CSR efforts through dialogues with customers, shareholders and investors, local communities, business partners, and employees.

## Timely and Appropriate Information Disclosure

In order to fulfill its accountability, Chubu Electric Power discloses information in a timely and appropriate manner through means such as regular press conferences with the president and press releases on the chubu's website.

## Communication with Shareholders and Investors

Chubu Electric Power holds briefing sessions about three times a year for institutional investors (securities and bonds) and analysts to meet management and trade views on performance and management plans directly; other activities include individual visits to shareholders and institutional investors in Japan and abroad as needed.

Partly due to the unclear energy policy of the government, we are often requested by institutional investors and analysts during these meetings to clarify our future management stance, and receive very candid comments from them. These opinions are reported to the senior management.

We also provide tours of power stations and other facilities, hold company orientations for individual investors, and conduct other such activities to foster a better understanding of our business activities.

### ■ Fiscal 2011 IR Activity Results

| Who is covered | Description | No. of times |
|---|---|---|
| Institutional investors (securities and bonds), analysts | Company briefing | 3 |
| | Facility tour | 2 |
| Individual shareholders | Facility tour | 20 |

## Direct Dialogues between the Management and Employees

At Chubu Electric Power, as its business environment is becoming increasingly uncertain after the shutdown of the Hamaoka Nuclear Power Station, executives are visiting all the Company's operation sites under the "Executives Caravan" campaign to hold direct discussions with employees.

The objective of this campaign is to reduce the distance between the management and workers, allowing them to share and exchange opinions regarding the current circumstances surrounding the Company, the future direction of the Company, and other issues in order to maintain and enhance workers' motivation, and give the management feedback from workers.

An executive exchanging opinions with workers at the Nakamura Field Maintenance Construction Office

### ■ Dialogues with Stakeholders

| Stakeholder | Major examples |
|---|---|
| Customers | • Opinions and requests cited by customers who visit the Customer Service Offices and via telephone are registered in the Customer Response System and shared among all employees, and registered details are examined at regular meetings to help improve our operations and customer services.<br>• Opinions are exchanged with advisory specialists for consumer affairs regarding customer services, and their opinions are valued during the process of planning measures for customer service refinement. |
| Shareholders and investors | • We promote understanding of our business activities among institutional investors (securities and bonds) and analysts through company briefings and personal visits, and report their opinions to the senior management.<br>• We organize facility tours for individual shareholders and company orientations for individual investors to promote their understanding of our business activities. |
| Local communities | • After the shutdown of the Hamaoka Nuclear Power Station, discussions on energy issues with various stakeholders in the community are being implemented across the Company.<br>• We hold stakeholder dialogues regularly and listen to the opinions of nonprofit organizations so that we can reflect them in our environmental management and social contributions. |
| Business partners | • In addition to exchanging opinions in the course of daily negotiations, we make sure that we maintain interactive communication with business partners through procurement overview briefing sessions, a permanent consultation desk, and by other means. |
| Employees | • The "Executives Caravan" campaign is underway to allow direct opinion exchanges between the management and employees working at field operation sites to communicate the management's intentions to employees and listen to the voices of employees. |

# Human Rights, Labor Practices
## (Respect for Human Rights, Work Environment)

Chubu Electric Power employs diverse human resources, and works to create a work environment where the ability and aptitude of each employee are respected and employees can show their individuality to the fullest.
We also continually improve our support system for employees to ensure that they can work comfortably without any health or safety concerns.

## Respect for Human Rights

### Human Rights Awareness and Education Policy

In order to fulfill our corporate social responsibility to build a society in which all human rights are respected, Chubu Electric Power has formulated a Human Rights Awareness and Education Policy, and set up Individual Rights Awareness Promotion Committees at Head Office and regional offices.

We also make sure that all employees have an equal opportunity to work by eliminating any discrimination based on gender, age, education, nationality, or other factors and maintaining transparency in the treatment of employees when recruited and during employment.

Specific activities include education to raise awareness of the importance of human rights and prevent harassment. This is provided as part of the training for all levels of employees together with lectures on human rights at Head Office and regional offices. Harassment consultation desks have also been established within the Company and at a specialist organization outside the Company to deal with a range of problems.

**Human Rights Awareness and Education Policy**

1. We conduct initiatives to deepen correct understanding and awareness among employees, etc., in regards to problems of human rights (e.g., problems of social integration and discrimination based on disability, nationality, gender, etc.)
2. We perform awareness-raising initiatives on problems of social integration, understanding this to be an important part of human rights issues.
3. Our awareness-raising initiatives are systematic and continuous.

## Development of Human Resources

### Our Perspectives on the Development of Human Resources

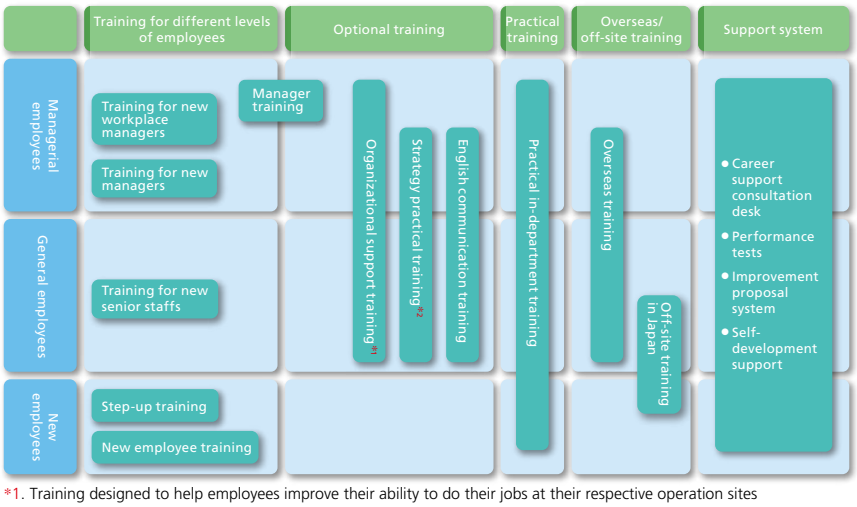
Chubu Electric Power works to develop the next generation of human resources by encouraging supervisors to give instructions on a daily basis and holding interviews with individual employees semiannually to set targets and challenges.

We have also introduced a systematic training program, which encompasses training for different levels of employees, including new/managerial employees, training for managers who assist the company executives, opti onal training and practical training offering technical knowledge and skills, in order to develop human resources who can contribute to social development through their duties.

To promote human resources development across the entire Group, we have established the Chubu Electric Power Group Education Promotion Council to consolidate collaboration among Group companies to make our education system even more effective.

We also provide support for voluntary efforts by employees towards self-development, and have set up a consultation desk where employees can seek advice regarding their career, in order to back up their progress.

**■ Overview of Training & Education Support Program**




*1. Training designed to help employees improve their ability to do their jobs at their respective operation sites
*2. Training on English contracts, risk management, accounting, finance, etc.

**VOICE** Voice of a Training Participant

**Yuriko Seko**
Operational Security Section
Yokkaichi LNG Office
Chita L.N.G Co., Ltd.

I took part in the fiscal 2011 communication training organized by the Chubu Electric Power Group Education Promotion Council. In this training, I took a personality test called Egogram, which gave me a good idea of my personality and usual way of speaking. I want to utilize these results to improve the way I communicate with others. The training also gave me a chance to listen to other participants' views. The training was very inspiring and meaningful for me.

# Creating a Comfortable Work Environment

## Achieving Work-Life Balance

### ■Work System Designed to Harmonize Jobs and Family Life

We offer a planned holiday and designated work program, which gives our employees flexibility to select and specify working days and hours, based on the individual's preferences in addition to the work situation.

The program enhances our ability to run our operations systematically and efficiently while enriching employees' home lives.

### ■Life-Support Leave

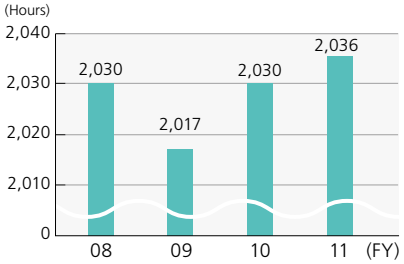
In addition to annual paid leave, Chubu Electric Power provides Life-Support Leave to support employees who are actively trying to fulfill their roles in their families and their local communities. Employees can use this paid leave for volunteer activities, to register as donors, and for other social commitments, as well to recover from illness or injury, to care for their family, or to take part in school events.

### ■"Merihari Work" Campaign

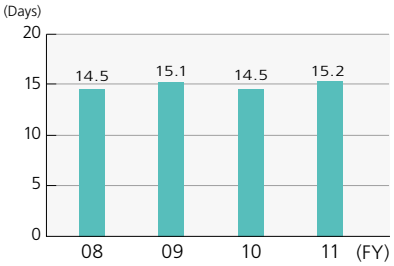
"Merihari Work" refers to an efficient, focused way of working. Chubu Electric Power encourages employees to work with maximum productivity in a limited time so that they can achieve a more fulfilling work-life balance.

One example is visualizing the work schedule, in which employees identify tasks they need to do on each day, prioritize and allocate time to these tasks, and enter their task schedule on their PC every morning. This helps employees to concentrate on each task and complete it within a set time frame, and use time more efficiently by, for example, doing lower-priority tasks in small pockets of time between scheduled tasks.

### ■Hours Worked per Employee




### ■Days of Paid Annual Leave Taken per Person

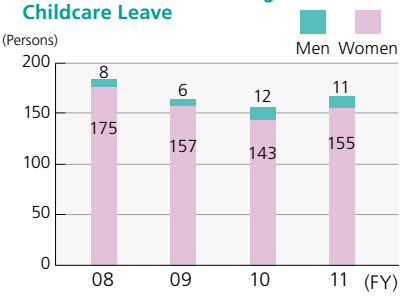



## Support System for Childcare and Nursing Care

### ■Support for Childcare

Under this program employees can take leave until the day their child turns two, and work shorter hours until the last day of the fiscal year in which their child is a first grader in elementary school. We also offer a system that lets employees apply Life-Support Leave for parental leave purposes for a certain period of time so that they can be even more involved with their children.

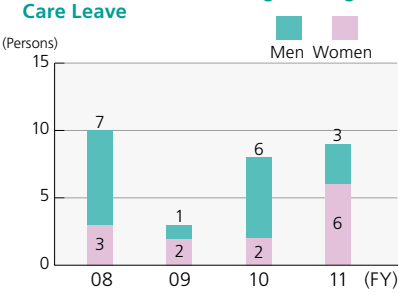
### ■Number of Persons Taking Childcare Leave




### ■Support for Long-term Care/ Nursing Care

Our Nursing Care Leave System lets employees take time off for two years or work shorter hours.

### ■Number of Persons Taking Nursing Care Leave




## VOICE The "Merihari Work" Campaign

All group members are working on the "Merihari Work" campaign to achieve efficient operations and their own work-life balance. As a result of this campaign, I feel that everyone has begun to think about others and cooperate with each other, resulting in better teamwork.

**Masatsugu Aoki**

Assistant Manager, Construction Service Group, Power Distribution Section, Ueda Customer Service Office, Nagano Regional Office

### ■Major Activities

- The rules prohibit delivering slips or issuing task requests to other departments after 16:30 except in emergency situations. (Employees are encouraged to consider what processing will be involved after the slip is delivered or the task is requested.)
- All group members create and share (visualize) their plans for when they are planning to take their semiannual leave.
- Deadlines for tasks for all relevant workers are entered on the calendar.

Assistant Manager Aoki (front row, right)

## VOICE Voice of an Employee Who Took Childcare Leave

When my second child was born, partly because my first son was only two years old and still a bit of a handful, I decided to take childcare leave for a couple of weeks to include the year-end and New Year's holiday. I had given notice that I would be taking leave well in advance when my wife was pregnant, and this had helped me to get the support and understanding of my manager and colleagues. Childcare is hard work, a different kind of work from what I experience in my job, but our child is growing up very healthily.

**Taro Ito**

Customer Service & Sales (Large Accounts) Group
Customer Service & Sales (Large Accounts) Department
Nagoya Regional Office

## Female Activities Promotion Office Programs

At Chubu Electric Power, we believe that a diverse staff whose members are respectful of each other's individuality and who work to the full extent of their talents is essential. Promoting the active involvement of women is a particularly important part of this, and the Female Activities Promotion Office takes this as its full-time mission. Initiatives of the office include creation of opportunities for female employees to cultivate themselves and be active, work-style reform and external collaboration.

More specifically, the activities of the office include providing training for managers and female employees, operating a dedicated website, and listening to opinions and requests from female employees through roundtable talks at each workplace and periodical awareness surveys.

With the aim of developing a corporate climate that acknowledges and has respect for diversity in the workforce, Chubu Electric Power, Denso Corporation, and Toyota Tsusho Corporation have established Chubu Diversity Net. Under this project, as of June 30, 2012, 64 companies and organizations in the Chubu region are collaborating and sharing diversity-related information and best practices through forums, joint cross-industry training sessions, and lectures for executives.

### ■ Employment Statistics

| | Men | Women |
|---|---|---|
| Number of employees | 15,385 (89%) | 1,821 (11%) |
| Average age | 41 | 37 |
| Average years of service | 22 | 17 |
| Numbers in managerial positions | 5,610 (98%) | 96 (2%) |
| Persons newly hired | 478 (88%) | 68 (12%) |

As of March 31, 2012; "persons newly hired" is the number of employees entering in April 2012.

## Hiring Challenged People

We established Chuden Wing Co., Ltd. in 2001 to create new work opportunities for challenged persons. As of June 30, 2012, 52 challenged individuals are working in printing, marketing of gifts, gardening and so on in keeping with Chuden Wing's business philosophy of "coexistence" and "respect for people."

As of June 30, 2012, including Chuden Wing, the percentage of Chubu Electric Power employees who are challenged is 1.95%. (The legally required percentage is 1.8%.)

## Hiring Older People

To put the superior capabilities of employees at retirement age to effective use across a wider range of activities, Chubu Electric Power offers a "senior staff" system for rehiring employees who have reached the age of mandatory retirement. We also hold training for older employees to review their careers and help them to re-acknowledge their own abilities and strengths so that they can maintain motivation and skills and work vigorously, even after they reach 60 years of age.

## Creating an Open Workplace

Chubu Electric Power is working to build a workplace that promotes good communication, an open atmosphere, and mutual respect, where employees identify and solve issues on their own initiative to help the Company to respond flexibly to social change.

To accelerate this endeavor, we have introduced the C-Up initiative to effectively encourage employees to propose their ideas and ensure that commendations are given to those who deserve recognition.

## Favorable Labor-Management Relations

A union shop system is adopted at Chubu Electric Power, and all employees except for the managers are members of the Chubu Electric Power Workers Union.

The management and the union hold Joint Management Council Meetings as needed to discuss management plans and important policies, and exchange opinions regularly through other opportunities to maintain favorable relations.

**TOPICS** Role Model Forum

To encourage female employees to be successful in their careers, the 2nd Role Model Forum was organized in May 2012 to give an opportunity for female employees with a career of five to seven years to learn from the experiences of senior female employees on how to work and live.

The forum in action

During the forum, 6 experienced female employees, including a general manager from Customer Service Office, talked about how they are involved in work, communicating with other employees in the workplace, and maintaining work-life balance.

After listening to the way the experienced female employees are working and living, participants expressed their satisfaction, saying, "The forum was very useful," and "I also want to be a role model for younger female employees."

**TOPICS**

### Club/Circle Activities

Chubu Electric Power promotes club/circle activities as a way to help create a lively workplace.

**■ Major Achievements in Fiscal 2011**

**Curling Team**

■ February 2012

The 29th Japan Curling Championship
First place

**Rowing Team**

■ September 2011

The 89th All Japan Regatta

● Third place in the men's coxless four

■ October 2011

The 66th National Athletic Meet

● First place in the women's coxed quadruple sculls

● First place in the women's double sculls

**Rugby Team**

■ September 2011–January 2012

Japan Rugby Top West
Second place in the A League
Took part in Top Challenge 2

The Rugby Team played in Top Challenge 2 for the first time.

# Ensuring the Safety and Health of Employees

## Labor Safety and Well-Being Campaign Policies

Chubu Electric Power considers the health and safety of employees to be the foundation of a corporation's existence. To promote comprehensive health and safety management, we hold a Corporate Labor Safety and Well-Being Campaign Policies Meeting to discuss and decide on the company-wide safety and well-being activities and policies based on opinions from regional offices and health and safety supervision departments.

Based on these company-wide policies, regional offices establish their own health and safety policies, while operation sites create their own health and safety activity plans and carry out various effective measures.

### Fiscal 2012 Safety and Well-Being Campaign Policies: Key Points

**1. Safety**

(1) Traffic:
Reduce automobile accidents by providing safety education through the united efforts of each operation site.

(2) Work:
Prevent the recurrence of similar accidents by providing safety guidance based on the actual conditions at work and facilities.

**2. Well-Being**

(1) Mental health care measures
(2) Measures to prevent passive smoking and support for stopping smoking
(3) Measures to prevent health problems due to overwork
(4) Measures to prevent illness, including lifestyle diseases

## Safety and Well-Being Activities of the Chubu Electric Power Group

To ensure the sound development of labor welfare throughout the Group, we have organized the Group Companies Safety and Well-Being Council, and are conducting a wide range of activities.

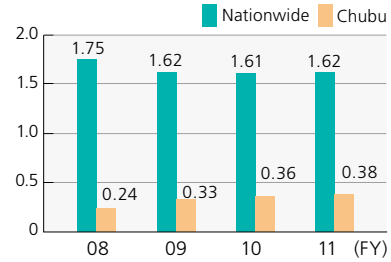
Convening about four times a year, the council works to prevent accidents and illness by facilitating close communication among Group companies and through consciousness-raising activities such as joint safety patrols and seminars on health and safety management.

## Chubu Electric Power Group's Activities to Ensure Health and Safety at Contractors

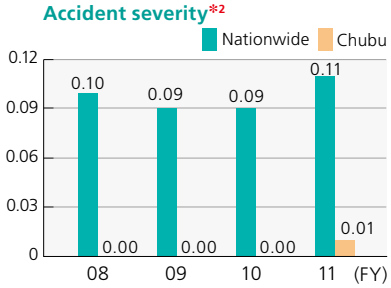
To eradicate accidents among contractors, we hold ad-hoc conferences composed of the departments of Group companies in charge of safety and those that contract out work as needed under our Safety and Well-Being Campaign Policies. At these conferences, policies on how to advise contractors on preventing accidents are determined to ensure that our safety advice will be thorough and appropriate.

### ■ Industrial Accident Frequency and Accident Severity

**Accident frequency*1**




**Accident severity*2**




*1. Accident frequency: Numbers of persons killed or seriously injured (with at least one day of leave) by industrial accidents per million working hours

*2. Accident severity: Numbers of days of work lost by industrial accidents per 1,000 working hours (figures less than 0.005 are recorded as 0.00.)

### ■ Number of Industrial Accidents (excluding commuting injuries)

| | FY 2008 | FY 2009 | FY 2010 | FY 2011 |
|---|---|---|---|---|
| Chubu Electric Power employees | 9 | 13 | 21 | 26 |
| Contractors | 46 | 38 | 63 | 50 |

## Promoting Mental Health

Our industrial health care staff and outside counselors provide health care for our employees. We also give training to managers for the early detection and treatment of employees' mental and physical health problems.

To ensure a smooth return to work for employees who have been absent from work due to injury or illness, we have introduced a system to check that they have fully recovered and their ability to adapt to the work environment to support them before they go back to work. We also have a system to support reinstated employees, which involves increasing their workload slowly in accordance with a reinstatement support program created for each employee, and observing their work performance carefully.

## Promoting Physical Health

We actively provide employees with health and nutrition advice and information to help them make lifestyle changes that will prevent metabolic syndrome and other lifestyle diseases and maintain and improve their physical health.

We also make sure that every employee receives face-to-face advice from occupational physicians to prevent harm to their health from overwork, and we provide training and the necessary information to managers to encourage them to pay greater attention to their own and their staff's health.

## Stakeholder Dialogue — Exchanging Opinions with Employees

The CSR staff of the Company visited 14 operation sites including power plants, customer service offices, and field maintenance construction offices in October and November 2011 to discuss CSR initiatives, improvement activities, and measures taken to enhance productivity.

The staff made sure that every operation site has high CSR awareness and is working hard to meet the requests of their local communities while maintaining close collaboration with their stakeholders. Opinions and suggestions on the Company's measures cited by each operation site will be utilized in planning future activities.

Discussions at the Iwakura Field Maintenance Construction Office

# Environment (Commitment to Environmental Conservation)

The basic responsibility of Chubu Electric Power is to achieve S (Safety) + 3E's (Energy security, Economy, Environmental conservation) simultaneously during the process of delivering energy.

## Promoting Environmental Management

### Chubu Electric Power Group Basic Environmental Policy

Chubu Electric Power considers the fight against environmental degradation to be one of the Group's most important issues, and established the Chubu Electric Power Group Environmental Declaration in April 2004. This declaration was then reviewed in March 2011 when the Corporate Philosophy was established, and reissued as the Chubu Electric Power Group Basic Environmental Policy.

Based on this policy, we formulated an Action Plan of our specific activity goals, and are striving, among other things, to promote zero emission power sources, efficient use of resources and energy, concern for ecosystems in our business activities, the three R's (reduce, reuse, recycle), and the development of human resources who show concern for the environment in their actions.

### Environmental Management Promotional Framework

**■Environmental Measures Support Council**

The Council, chaired by the General Manager of the Environmental Affairs and Plant Siting Division and having heads of each department as members, engages in discussion and coordination of basic policies, action targets and specific measures related to protection of the global environment.

**■Chubu Electric Power Environmental Roundtable**

This roundtable functions as a forum for the General Manager of the Environmental Affairs and Plant Siting Division to receive advice and suggestions from experts in environmental issues.

**■Chubu Electric Power Group Environmental Measures Committee**

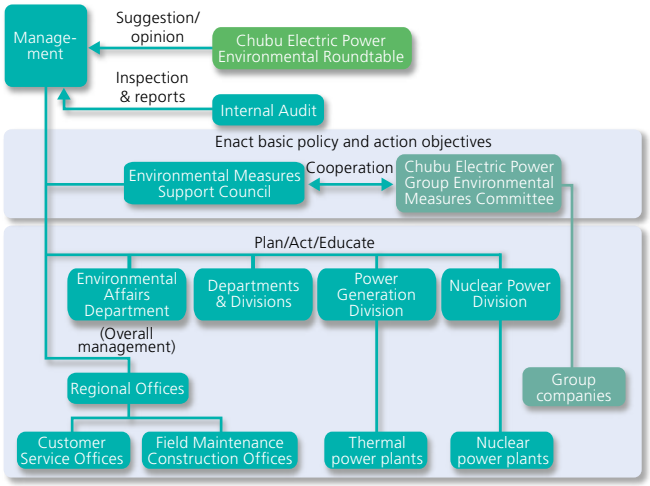
This committee ensures that Group companies are also working to continually improve their environmental measures. (Number of participating Group companies: 29 (as of the end of fiscal 2011))

### Chubu Electric Power Group Basic Environmental Policy (excerpt)

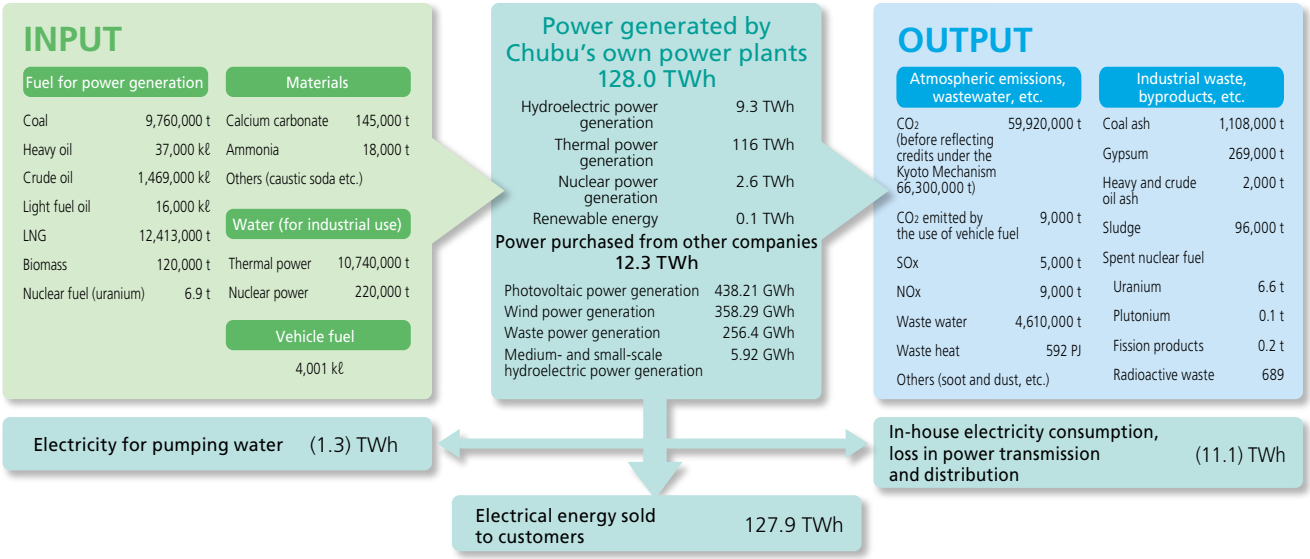
As a member of the energy industry, the Chubu Electric Power Group practices responsible environmental management and contributes to the development of a sustainable society by working to protect the global environment with employees who act on their own initiative.

1. We aim to achieve a low carbon society.
2. We endeavor to coexist with nature.
3. We aim to achieve a recycling society.
4. We strengthen our connections to local communities and the world.

**■ Regime for Protecting the Global Environment**




**■ Environmental Inputs and Outputs Across Our Business**



Related Website
Action Plan http://www.chuden.co.jp/energy/kankyo/actionplan/index.html
Environmental Management Data http://www.chuden.co.jp/energy/kankyo/publication/pub_data/index.html

## Environmental Accounting

We are continually working to improve our environmental accounting as a way to achieve both efficient management and environmental conservation, while disclosing the accounting results within and outside the Company to communicate our efforts to protect the environment and the specific activities we have undertaken.

* Bases of environmental accounting
Chubu Electric Power's environmental accounting is developed with reference to the Environmental Accounting Guidelines 2005 published by the Ministry of the Environment. It also incorporates the Company's own methods of categorization, calculation, and others.
Target period: Fiscal 2011
Scope of calculations: All operation sites of Chubu Electric Power

### ■ Environmental Conservation Costs

Environmental conservation investments amounted to 40.6 billion yen, while expenses totaled 180.3 billion yen. These amounts represented 16.1% and 7.7% respectively of our capital investment and total operating expenses.

| Category | Item | Investment (in 100 millions of yen) | | | Expenses (in 100 millions of yen) | | |
|---|---|---|---|---|---|---|---|
| | | FY 2010 | FY 2011 | Change | FY 2010 | FY 2011 | Change |
| Preserving the global environment | Preventing global warming and preserving the ozone layer | 189 | 131 | (59) | 286 | 346 | 60 |
| Preserving regional environments | Preventing air pollution, water pollution, etc. | 65 | 65 | 0 | 531 | 474 | (57) |
| Resource recycling | Resource conservation, measures for industrial waste and radioactive material | 25 | 16 | (9) | 310 | 358 | 48 |
| Purchase of low environmental impact products, etc. (electric vehicles, low-pollution vehicles, etc.) | | 2 | 2 | 0 | 4 | 5 | 1 |
| Management programs | Personnel costs related to environmental preservation, costs of obtaining and maintaining ISO 14001 certification, etc. | 4 | 3 | (1) | 18 | 19 | 1 |
| Research and development | Environment-related research and development | 1 | 1 | 0 | 44 | 49 | 5 |
| Social programs | International cooperation, landscape protection, greening, preserving the natural environment, etc. | 184 | 188 | 3 | 546 | 545 | (2) |
| Countermeasures for environmental damage | Pollution impact levy under the pollution-related health damage compensation system | 0 | 0 | 0 | 7 | 7 | 0 |
| Total | | 472 | 406 | (66) | 1,747 | 1,803 | 56 |
| Percentage of total capital investment | | 18.4% | 16.1% | — | — | — | — |
| Percentage of total operating expenses | | — | — | — | 8.6% | 7.7% | — |

Note: The totals may not match because figures are rounded off to the nearest 100 million yen.

**Basis for calculation**

Investments and expenses related to preventing, reducing and/or avoiding environmental impact, removing the impact, putting right any damage, and other activities instrumental to these are measured.

- Investment amounts are expenditures allocated out of capital investment for environmental conservation.
- Expenses associated with investments such as depreciation, equipment leasing, and maintenance and operating costs are calculated taking into account factors such as the depreciation period for each type of facility or equipment.

### ■ Environmental Conservation Benefit

| Category | | Item | FY 2010 | FY 2011 |
|---|---|---|---|---|
| Preserving the global environment | Preventing global warming | $CO_2$ emissions intensity* | 0.341 kg-$CO_2$/kWh | 0.469 kg-$CO_2$/kWh |
| | | Power purchases from renewable energy sources | 829.27 million kWh | 1,058.81 million kWh |
| | | $SF_6$ recovery rate (at inspection time) | 99.2% | 99.5% |
| Preserving regional environments | Preventing air pollution | SOx emissions (thermal power) | 0.05 g/kWh | 0.05 g/kWh |
| | | NOx emissions (thermal power) | 0.08 g/kWh | 0.08 g/kWh |
| Resource recycling | Industrial waste measures | External landfill waste | 53,000 t | 14,000 t |
| | General waste measures | Waste paper recovery rate | 88.1% | 88.1% |
| Social programs | Landscape protection | Total length of underground power distribution cables laid | 19 km | 10 km |
| | Greening | Green areas at power plants | 2.391 million $m^2$ | 2.353 million $m^2$ |

* After reflecting Kyoto Mechanism credits, etc.

Note: These figures indicate the levels (numerical targets etc.) of the reduction/avoidance of environmental impact accomplished and the level of environmental improvement achieved for the items of the environmental conservation costs.

### ■ Economic Benefit Associated with Environmental Conservation Activities

| Category | | Item | Amount (in 100 millions of yen) | |
|---|---|---|---|---|
| | | | FY 2010 | FY 2011 |
| Preserving the global environment | Preventing global warming | Fuel cost reductions due to change in gross thermal efficiency of thermal power plants, etc. | 0.2 | 13 |
| Resource recycling | Industrial waste measures | Income from selling recycling gypsum, coal ash, etc., and reduced expenses from the reuse of transformers and other equipment | 100 | 107 |

Note: These figures represent changes in gains from the recycling of gypsum and other waste and expenses related to environmental conservation.

## Environmental Management and Education

### ■Environmental Management

Chubu Electric Power received ISO 14001 certification for its model operation sites in fiscal 1998, and introduced an internal certification system aligned with the ISO 14001 standard in fiscal 1999 to develop its own environmental management systems (EMS).

All operation sites of the Company have begun to implement environmental management activities based on the above systems. Regarding acquisition of ISO 14001 standard accreditation, we decided in fiscal 2010 that the related decision should be left to the head of each operation site in order to encourage voluntary environmental management (self-declaration of conformance). As of fiscal 2012, the Hamaoka Nuclear Power Station remains ISO 14001 certified.

We will continue our environmental management activities by continually improving our EMS through the PDCA cycle.

### ■Environmental Education

**[Environmental Education Trainer System]**

Under this system, Chubu Electric Power holds seminars for environmental education trainers who are selected at each operation site every year. These trainers apply the knowledge gained through the seminars in educating employees at their operation sites about the environment.

Since the system was established in fiscal 1998, a total of 4,151 trainers have attended the seminars up to the end of fiscal 2011. The trainers and the employees they have trained are all incorporating the latest environmental knowledge obtained under this system in their daily operations.

**[Environmental E-Learning]**

Chubu Electric Power has developed E-learning programs concerning environmental management activities, energy and the environment, reduction of waste and recycling, biodiversity, and significance of communication and collaboration, and is utilizing them in its environmental training for new employees as well as in employees' self-study on the environment.

## Energy Conservation

### ■Energy Conservation for Logistics

Chubu Electric Power is striving to conserve energy and reduce $CO_2$ emissions in the transportation of fuel, materials, and waste. Emissions in fiscal 2011 in Japan rose by about 30% in comparison with the previous year to approximately 17,000 tons. This is mainly because the use of fuel for thermal power plants increased significantly due to the shutdown of the Hamaoka Nuclear Power Station.

For shipments of fuel into Japan, we can expect a reduction of $CO_2$ of about 40% if we use large ships. We are therefore encouraging the use of large ships to carry LNG to achieve both reduced $CO_2$ emissions and efficient transportation. In July 2010, we became the first company in Japan to receive a delivery by Qatar's Q-Max, the world's largest LNG carrier (capacity: 260,000 $m^3$, equivalent to twice the maximum capacity of a standard LNG carrier).

We will continue to promote a modal shift in transportation by ship and train and high load factors to increase our logistics efficiency.

### ■Energy Conservation in Offices

Chubu Electric Power is working on the construction of a networked Building and Energy Management System (BEMS)* to implement energy management efficiently over multiple offices.

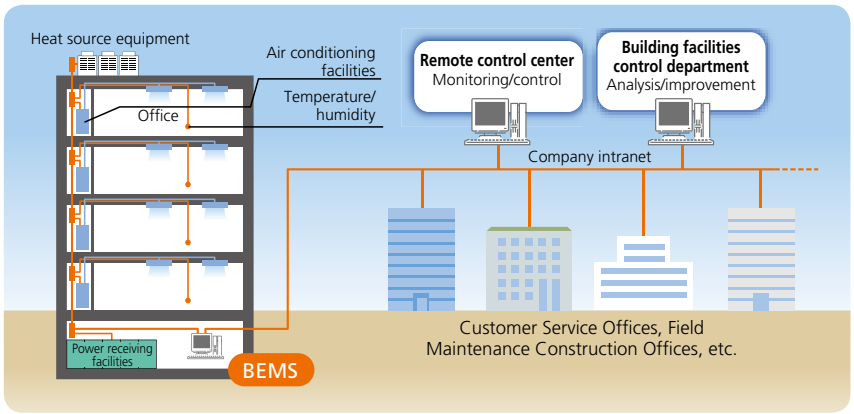
The system utilizes intranet to bring together energy consumption data (electrical power etc.) recorded at multiple buildings of the Company; after analyzing the data, it carries out diagnostics that are aimed at reducing energy consumption and $CO_2$ emissions at each location.

In fiscal 2011, air conditioners were switched off during peak hours in the summer, and the temperature was set higher at 28°C in summer and 19°C in winter. Lights near the windows were turned off, and some elevators were taken out of service. Thanks to these efforts, electricity consumption during peak hours in summer was reduced by 26% and in winter by 10% in comparison with the previous year.

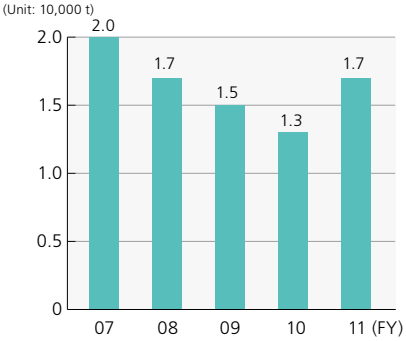
For the Gifu Regional Office building, which was completed in March 2001, BEMS and other technologies have been utilized to improve efficiency in the maintenance and operation of the air conditioning systems. This has allowed us to keep annual energy intensity as low as 60–70% of the average office building. As a result of these achievements, the Gifu Regional Office building received the Award of Specialty (Ten Years Award) from the Society of Heating, Air-Conditioning and Sanitary Engineers of Japan (SHASE).

* BEMS: A system that monitors the indoor environment and energy usage in a commercial building and manages the operation of equipment and facilities so as to reduce energy consumption

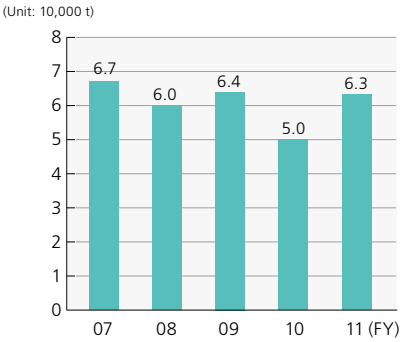
### ■ Structure of Networked BEMS




### ■ $CO_2$ Emissions in Logistics (in Japan)




### ■ $CO_2$ Emissions from Electricity Usage in Offices




Note: As $CO_2$ emission factors for each fiscal year vary, the amount of electricity consumption and $CO_2$ emissions do not necessarily match.

## Chubu Electric Power Group ECO Points Program

We are implementing the ECO Points program to encourage independent, environmentally aware actions by the employees of Chubu Electric Power and Group companies as well as their families. This program gives points for everyday environmental activities performed by the employees and their families, and by the end of fiscal 2011, around 13,000 employees and their families had participated.

Points given to various initiatives by participants, such as using their own chopsticks at restaurants, electricity savings, and clean-up activities, are totaled every half year and commendations are offered to individuals and operation sites that have done particularly well. The points earned by the participants are then used—not for the benefit of the participants—but for financial support of nonprofit organizations (NPOs) and other groups working on social contribution activities in cooperation with Chubu Electric Power.

Many employees of the Chubu Electric Power Group and their families also participate as volunteers in the social contribution activities supported by the ECO Points program. In February 2012, 14 employees visited a private kindergarten damaged by the Great East Japan Earthquake together with the staff of ICAN, a nongovernmental organization (NGO) based in Higashi- Matsushima City, Miyagi Prefecture, and supported picture letter exchanges with children in the Philippines and helped make a guide board for the kindergarten. In other regions, volunteers from the Chubu Electric Power Group also supported activities that included stocking a river with salmon fry and maintaining facilities in the highlands. In fiscal 2011, a total of 87 employees took part in social contribution activities supported by the ECO Points program.

Activity at a kindergarten damaged by the earthquake

### ■ Social Contribution Activities Supported in Fiscal 2011

| | |
|---|---|
| ICAN (Intercommunication Center for Asia and Nippon) | Support for the earthquake-stricken areas and children in the Philippines through environmental education activities |
| OISCA | Organizing forest classes |
| Chubu Recycle Citizens' Organization | Recycling activities for used clothing and other secondhand items |
| Nagano Prefecture Riparian Environment Protection and Research Society | Restocking the Chikuma River with salmon fry |
| Nagara River Environmental Ranger Association | Water safety courses on the Nagara River for elementary and junior high school students, and traveling classes for elementary and junior high schools |
| Hoi Nam Du | Restoring mangrove forests in Vietnam |
| Nenoue Kogen Kanko Hoshokai | Maintaining facilities on marshland in the Nenoue Highlands |
| Metasequoia-no Mori-no Nakama-tachi | Activities in the forest and various other plans to let urban dwellers experience the Gujo Hachiman area |

**Stakeholder Dialogue**

# Chubu Electric Power Environmental Roundtable

We have established a Chubu Electric Power Environmental Roundtable, by which the General Manager of the Environmental Affairs and Plant Siting Division can receive advice and suggestions on environmental measures in general from experts in environmental issues.

## 9th Chubu Electric Power Environmental Roundtable

In November 2011, after visiting Mega Solar Taketoyo and the Hekinan Thermal Power Station, members made comments on our environmental activities including the promotion of renewable energy.

### ■ Major Comments from Members

- It is very important for electric power companies to clarify their policy on renewable energy. They also need to explore how to promote renewable energy in society in order to facilitate proper understanding of the issue.
- Chubu Electric Power should emphasize its efforts to improve thermal efficiency and reduce $CO_2$ emissions at thermal power plants.
- Development of technology for energy conservation should be accelerated.

9th Chubu Electric Power Environmental Roundtable

## 10th Chubu Electric Power Environmental Roundtable

In May 2012, after inspecting the construction of a breakwater and other safety measures taken at the Hamaoka Nuclear Power Station, members commented on our environmental activities.

### ■ Major Comments from Members

- The breakwater construction works seem to be effective and reliable. I hope further efforts will be made to strengthen anti-seismic measures.
- In order to restart the nuclear power station, it is important to take multi-level safety measures.
- Ensuring safety does not equate to reassuring the public. In order to truly reassure customers on safety measures, social trust in Chubu Electric Power is essential.
- The practice of learning from past failures, as conducted within the Hamaoka Nuclear Power Station, is a vitally important approach needed to constantly learn from the past and raise safety awareness.

**Members of the Chubu Electric Power Environmental Roundtable (honorifics omitted, in no particular order)**

| | |
|---|---|
| Ichiro Yamamoto (Chair) | Trustee and Vice-President, Nagoya University; Professor, Graduate School of Engineering, Nagoya University |
| Tadashi Aburaya | Chairman, Mie Prefecture Environmental Conservation Agency |
| Masayo Kishida | President, NPO Partnership Support Center |
| Toshihiro Kitada | Principal, Gifu National College of Technology |
| Keiko Kunimura | Director, Nagoya City Waterside Research Group |
| Noriyuki Kobayashi | Associate Professor, Graduate School of Engineering, Nagoya University |
| Atsuko Hayakawa | NPO Weather Caster Network |
| Susumu Hayashi | Professor Emeritus, Gifu University |

# Building a Low-Carbon Society

## Promoting Global Warming Prevention Measures

Chubu Electric Power is actively promoting various measures to combat global warming from the perspective of the supply and demand of electric power, including those described below.

### ■Supply Perspective:

- Promote renewable energy.
- Improve thermal efficiency of thermal power.
- Build a next-generation power network.

### ■Demand Perspective:

- Promote more efficient ways of using electricity, as well as the use of Eco Cute and other high-efficiency equipment.
- Propose energy solution services that will make the most of the strengths of electricity and gas.

## Reducing $CO_2$ Emissions

Our $CO_2$ emission intensity (i.e., $CO_2$ emissions per kWh of power generated) for fiscal 2011 was 0.469 kg-$CO_2$/kWh (actual emission intensity: 0.518 kg-$CO_2$/kWh), which represents an increase of 37.5% from the fiscal 2010 level and 1.0% from the fiscal 1990 level. This is mainly due to the shutdown of the Hamaoka Nuclear Power Station at the request of the Japanese government and expanding thermal power generation to compensate for the resulting supply gap.

Chubu Electric Power aims to reduce its $CO_2$ emission intensity by 20% relative to fiscal 1990 during the five-year first commitment period of the Kyoto Protocol (fiscal 2008 to fiscal 2012).

Owing to the shutdown of the Hamaoka Nuclear Power Station, it has become difficult to achieve our targets, but we will continue to devote ourselves to making improvements to emission levels on both the supply and demand sides.

### ■Research into Reducing $CO_2$ Emissions

At the Electric Power Research & Development Center of the Research & Development Division, we are currently conducting research on $CO_2$ emission reduction technologies, including:

- Research on technologies capable of responding to large-scale expansion of distributed energy sources, including solar power generation
- Technological development for promoting wider use of biomass fuels

## Purchasing Carbon Credits from Abroad

Chubu Electric Power believes that $CO_2$ emissions credits under the Kyoto Protocol are effective for combating global warming, and that they provide us with a cost-effective, complementary means of achieving our $CO_2$ emissions reduction target. We are purchasing carbon credits from projects that reduce emissions in developing countries, as well as through international emissions trading in Eastern Europe. In the countries where we are purchasing carbon credits, profits are used to fund projects to reduce greenhouse gas emissions and for other environmental activities. Carbon credits purchased are effectively utilized to reduce our $CO_2$ emission intensity in accordance with the Act on Promotion of Global Warming Countermeasures.

## Utilizing the Japanese Domestic Credit System

The domestic credit system is a system that allows large enterprises that have supported the reduction of $CO_2$ emissions by small and medium enterprises to use that reduced amount of $CO_2$ emissions as their own reduction to fulfill their voluntary targets and action plans.

Chubu Electric Power is working on 24 $CO_2$ emission reduction projects together with our customers as of the end of fiscal 2011, and it is expected that approximately 66,000 tons of emissions will be reduced by the end of fiscal 2012.

## Promoting More Efficient Energy Use by Customers

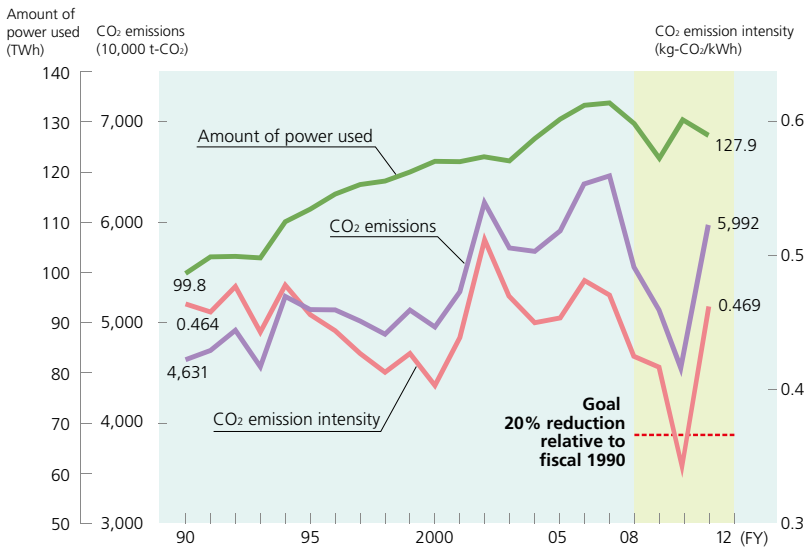
Chubu Electric Power offers a variety of energy services to promote efficient use of energy by customers.

Heat pumps, a renewable energy technology, use heat from the air, greatly reducing $CO_2$ emissions. We will continue actively promoting heat pump applications, especially those using Eco Cute, to support prosperous lifestyles and the development of industry, as well as to help build a low-carbon society.

## Efforts to Reduce Emissions Other than $CO_2$

Chubu Electric Power is also striving to reduce emissions of hydrofluorocarbon (HFC) used as a coolant for air conditioners, sulfur hexafluoride ($SF_6$) used for insulation of power facilities, and other greenhouse gases.

### ■ $CO_2$ Emission Trends




Note: $CO_2$ emissions and emission intensities from fiscal 2008 reflect Kyoto Mechanism credits

# Creating a Recycling Society

## Promoting the 3Rs

Chubu Electric Power pursues various activities to help create a recycling society in keeping with the 3Rs: "reduce, reuse, and recycle waste, including waste from contractors."

Waste generated by our facilities amounted to 1,631,000 tons in fiscal 2011, and the amount of waste sent to external landfills was reduced to 14,000 tons in comparison to the previous fiscal year. We will continue to study effective uses of external landfill waste, and make every effort to achieve our target of reducing waste.

## Project to Convert Sewage Sludge into Fuel

Chubu Electric Power has formed a partnership with METAWATER Co., Ltd. to take part in a project for the production of fuel from sewage sludge. Aichi Prefecture completed the construction of the sewage-sludge-to-fuel conversion facility in the Kinuura East Purification Center in April 2012, and has already commenced conversion operations.

Sewage sludge produced by the Kinuura East Purification Center will be carbonized in the fuel creation facility and transformed into biomass fuel, which will then be used it will be used in the Hekinan Thermal Power Station. In addition to promoting the recycling of sewage sludge, the new project aims to contribute to the reduction of greenhouse gas emissions. It is estimated that the project will reduce yearly $CO_2$ emissions from the Kinuura East Purification Center and the Hekinan Thermal Power Station by approximately 8,000 tons in total.

Sewage-sludge-to-fuel conversion facility in the Kinuura East Purification Center

## Management of Radioactive Waste

Waste generated by nuclear power plants that contains more than a certain level of radioactivity is handled as radioactive waste in accordance with the law.

At the Hamaoka Nuclear Power Station, gaseous and liquid radioactive waste is discharged into the atmosphere and the sea from exhaust pipes and ducts after measuring the radioactivity to ensure safety. We limit the impact of this discharge on the surrounding areas to no more than about one-fiftieth of the naturally-occurring radiation (0.05 mSv/year).

At the end of fiscal 2011, we were safely storing 34,402 drums at the solid waste storage depot on the station premises. We also sent a total of 26,413 drums to the Low-Level Radioactive Waste Disposal Center operated by Japan Nuclear Fuel Limited in Rokkasho Village, Kamikita-gun, Aomori Prefecture, between fiscal 1992 and fiscal 2011. These drums are stored underground at a depth of at least four meters after the radioactive material has been sealed securely.

## Promoting Green Procurement

Since fiscal 2003, when Chubu Electric Power's green procurement initiative started, the initiative has been expanded to include office supplies and electric power equipment and materials, and implemented across the Group companies to help build a society dedicated to recycling.

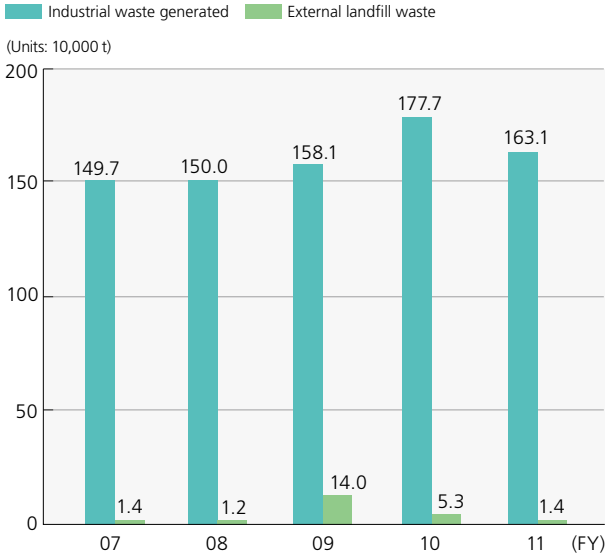
The green procurement ratio for office supplies in fiscal 2011 was 99.5%. We will continue our efforts to raise our employees' environmental awareness, and increase the green procurement ratio.

### ■ Industrial Waste, Waste By-Products and Amount Recycled (Chubu Electric Power: fiscal 2011. Units: 10,000 t)

| | Amount generated | Amount recycled | External landfill waste |
|---|---|---|---|
| Coal ash | 110.8 | 110.8 | 0.0 |
| Heavy and crude oil ash | 0.2 | 0.2 | 0.0 |
| Gypsum | 26.9 | 26.9 | 0.0 |
| Sludge (including solidified sludge)*1 | 9.6 | 3.5 | 0.3 |
| Waste plastic | 0.5 | 0.2 | 0.2 |
| Metal scrap | 3.6 | 3.5 | 0.0 |
| Glass and ceramic scrap | 0.4 | 0.1 | 0.3 |
| Construction debris | 10.1 | 9.6 | 0.5 |
| Other*2 | 1.1 | 0.8 | 0.1 |
| Total | 163.1 | 155.6 | 1.4 |

*1. In-house landfill waste (used as fill): 58 kt
*2. Industrial waste specified as toxic, waste oil, etc.
Note: The totals may not match because the figures have been rounded off.

### ■ Industrial Waste and External Landfill Waste



## Chemical Substances Management

### ■Control of Substances Designated in the Pollutant Release and Transfer Register (PRTR)*

Chubu Electric Power monitors the volume of specific chemical substances (PRTR-designated substances) released and transferred in accordance with the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof ("PRTR Law"), while ensuring that these substances are under proper control within the Company according to appropriate manuals and other documentation. We are also working hard to reduce the release of PRTR-designated substances by improving operating methods and introducing alternative substances and technologies.

* Pollutant Release and Transfer Register (PRTR): A system in which data on harmful chemical substances are monitored, compiled, and published. These data include the sources and amounts of harmful chemical substances released into the environment, as well as the amounts of these chemical substances transferred outside the enterprise in the form of waste.

### ■Treatment of Polychlorinated Biphenyl (PCB)

At its Insulation Oil Recycling Center in Nagoya City and Transformer Recycling Center in Tobishima Village, Ama District, Aichi Prefecture, Chubu Electric Power is working hard on the detoxification of low-level PCBs mistakenly contained in pole-mounted transformers, as well as the disposal of used transformers.

We commission the Japan Environmental Safety Corporation (JESCO) to treat transformers and other devices that use insulation oil containing high-level PCBs. We are thus ensuring the proper management and disposal of PCB-containing equipment.

Inspection at Insulation Oil Recycling Center

Transformer Recycling Center

### ■ Treatment Results as of March 31, 2012

| | |
|---|---|
| Insulation Oil Recycling Center | |
| | Approx. 36,000 tons (about 65% completed) |
| Transformer Recycling Center | |
| | Approx. 370,000 transformers (about 45% completed) |

### ■Asbestos Usage

Chubu Electric Power is committed to investigating and determining the extent of asbestos usage, and publicizes the results in a timely manner.

Spray-on coatings containing asbestos used in some of our buildings as soundproofing, insulation, and fireproofing materials are removed systematically. Products containing asbestos used in some of our generator facilities' heat insulation, sealing, and other materials are also being replaced by asbestos-free products gradually during periodical inspections and repair, although asbestos used in such products does not disperse. We will continue to deal carefully with this issue, while observing the government's asbestos policy and relevant laws and regulations.

### ■Preventing Soil Pollution

Chubu Electric Power is working on preventing soil pollution according to the Soil Pollution Prevention Guidelines established by the Company. In addition to making sure that our actions comply with relevant laws, regulations, and ordinances, we also deal with any problems that are not subject to legislation, when they are identified clearly as soil pollution, based on the appropriate legislation.

### ■ Investigation Results on the Use of PRTR-Designated Substances (Chubu Electric Power: fiscal 2011. Units: t)

| Substance | Major applications | Amount handled | Amount released | | Amount transferred |
|---|---|---|---|---|---|
| | | | To atmosphere | To water | |
| Asbestos | Insulation and soundproofing materials | 11.3 | 0 | 0 | 11.3 |
| Ethylbenzene | Coatings | 453.1 | 31.8 | 0 | 0 |
| Xylene | Coating, fuel for thermal power generation | 1,892.8 | 46.3 | 0 | 0 |
| Styrene | Coatings | 5.0 | 5.0 | 0 | 0 |
| Toluene | Coatings | 990.8 | 2.6 | 0 | 0 |
| Hydrazine | Boiler feed water treatment | 4.7 | <0.1 | <0.1 | 0 |
| Benzene | Fuel for thermal power generation | 1,260.9 | <0.1 | 0 | 0 |
| Ferric chloride | Waste water treatment | 128.2 | 0 | 0 | 0 |
| Halon 1301 | Refrigerant for power generators and transformers | 7.7 | 0 | 0 | 0 |
| HCFC-225 | Dry cleaning of clothes | 1.3 | 1.3 | 0 | 0 |
| Methylnaphthalene | Fuel for auxiliary boilers | 4.2 | 0.2 | 0 | 0 |

## VOICE Our Mission Is to Remove PCBs in an Environmentally Compatible Manner

The Insulation Oil Recycling Center is a facility commissioned in 2005 to detoxify approximately 55,000 tons of insulation oil containing low-level PCBs held by our Company, using the base catalyzed decomposition (BCD) process. The facility operates around the clock with workers working in shifts day and night, and approximately 65% of the work had been completed by the end of fiscal 2011. We will continue the operation, while taking proper measures to prevent air pollution, noise, vibration, soil contamination, and other environmental problems, as well as to make plans to deal with any disaster.

Mikio Ichihashi
General Manager
Insulation Oil Recycling Center

# Conserving the Local Environment

## Protecting Biodiversity

Chubu Electric Power is working to protect biodiversity in conducting its business activities, mainly by taking measures designed to conserve biodiversity in areas surrounding construction sites of power plant facilities and developing green spaces on the premises of its power stations.

### ■Efforts made at Tokuyama Hydroelectric Power Station

We take utmost care to protect birds of prey and rare plants in and around the construction site for the Tokuyama Hydroelectric Power Station in the Ibi District, Gifu Prefecture, which is slated to commence operation in fiscal 2014. We study the home range and breeding status of the mountain hawk-eagle (*Nisaetus nipalensis*) to ensure that this raptor is protected. Following the instructions of specialists from the Japan Falconiforms Center, we carry out construction work so that it does not affect the birds' breeding. As a result, the raptors successfully bred in 2010. We additionally found rare plants such as Taiwan moss (*Taxiphyllum alternans*) in the construction zone, and following expert instructions, we transplanted these species outside the zone and later confirmed that they had become established.

### ■Efforts made at Joetsu Thermal Power Station

The operation of the Joetsu Thermal Power Station is scheduled to commence sequentially from July 2012 to May 2014. Currently, development work is underway to build green space and install environmental facilities on approximately 107,000 m², or a quarter of the entire Station area. Under the tree-planting plan, black pines that are tolerant of the salty ocean air will be planted along the periphery of the premises close to the sea coast. For the inner area, mixed tree groves consisting of tall evergreen varieties (e.g. *Neolitsea sericea*), tall deciduous species (*Acer mono*) and short evergreen varieties (*Rhaphiolepis umbellata*), are designed to provide an suitable habitat for birds and other creatures.

### ■Development of Technologies for Creating Eelgrass Beds

Eelgrass (*Zostera marina*) is a monocotyledonous plant like rice (*Oryza sativa*), living in sand and mud areas under the sea in basins. Eelgrass beds are home to a variety of fish and shellfish, playing an important role in sustaining a marine ecosystem. However, the area of eelgrass beds is decreasing at an alarming rate due to landfill for urban development.

To help restore the marine environment in basins, Chubu Electric Power has developed technologies for creating eelgrass beds.

The Company established technologies to produce eelgrass seeds and saplings and to create beds, and worked to refine those technologies and to improve their efficiency. The technologies then underwent a verification test conducted by the Mie Prefectural Government, and consequently their performance was verified and recognized under the Environmental Technology Verification (ETV) Program, a program launched by the Ministry of the Environment to promote the spread of advanced environmental technologies. The technologies were awarded with the issue of the ETV Logo* in June 2010.

Eelgrass playing an important role in sustaining a marine ecosystem

* ETV Project Logo

The technology performance information can be obtained from the ETV Project website. Use of the ETV Project name or logo does not imply certification, approval, guarantee or warrantee of the technology or its performance by the Ministry of the Environment of Japan.

Verification No. 090-0803, 2009

### ■Greening Activities

To support the greening of local communities, Chubu Electric Power has organized tree planting activities in which its employees participated, and has donated saplings to schools, parks, and other public facilities since fiscal 1985. In fiscal 2011, the number of trees planted through these activities exceeded 500,000 in total, which was the medium-term goal of our Action Plan.

Tree planting activity at a junior high school (Taketoyo-cho, Chita-gun, Aichi)

## VOICE Coexistence of Birds and a Power Plant

The area on the Ise and Mikawa Bays in which the Hekinan Thermal Power Station is located (Hekinan City, Aichi Prefecture) is known as one of the key stopover and resting sites for migratory birds in Japan. In order to minimize the impact of the plant and power lines on birds, Chubu Electric Power built the Eco Park with a pond for birds and bird observatories in 2003 within Hekinan Tantopia, a facility constructed by the Company in an adjacent location to encourage communication with the community.

In fiscal 2011, we investigated birds living in the Eco Park on a commission from Chubu Electric Power. As a result of 12 monthly investigations, we found 64 species including intermediate egrets (*Ardea intermedia*), sparrowhawks (*Accipiter nisus*), little terns (*Sterna albifrons*), and other rare species, confirming that coexistence has been established between the power plant and birds. We will continue paying careful attention to conserving biodiversity during our business activities.

Intermediate egret, a rare species found in the Eco Park

**Masato Yamamoto**
Environmental Research Department
Environmental Technology Division
Techno Chubu Co., Ltd.

## Environmental Conservation Measures

In order to ensure conservation of the surrounding environment, Chubu Electric Power is working on a variety of measures to prevent air and water pollution, noise, and vibration based on environmental preservation agreements and pollution control agreements with local municipalities, and will be monitoring the effectiveness of those measures. We also implement monitoring surveys of the surrounding areas to verify that there are no problems with the environment.

### ■Air Pollution

Our thermal power stations are implementing a number of measures to prevent air pollution, such as expanding the use of LNG (which generates no sulfur oxides (SOx)), use of fuel oils containing low levels of sulfur, installation of sulfur and nitrogen scrubbers, and adoption of burners capable of reducing NOx (nitrogen oxides) production from combustion. Through these efforts, SOx and NOx emissions from our thermal power stations are among the lowest in the world, based on quantity per unit power output. We have also installed high-performance dust collectors, and are taking other steps to minimize soot emissions.

Fuel-gas desulfurization facility at Hekinan Thermal Power Station

### ■Water Pollution and Warm Wastewater

Wastewater generated during the operating process of plants is purified in a treatment facility, and the quality of water is checked at all times by continuous water quality monitoring before discharge into the environment. In order to keep the temperature of seawater used to cool the condensers low, water is taken slowly from deep in the ocean where the water temperature is low, and discharged at a slow flow rate into the surface waters of the ocean, so as to minimize the impact on the surrounding environment.

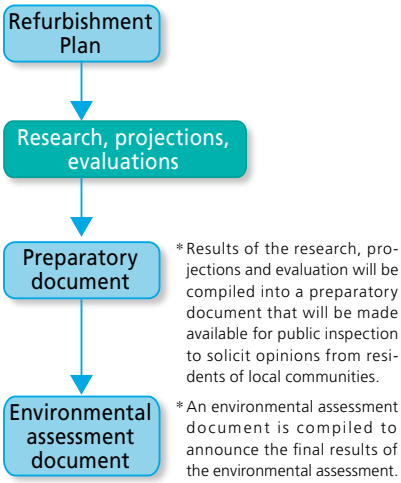
## Implementing Environmental Assessments

An environmental assessment is a process used to research, project, and evaluate the environmental effects of a project before it is carried out. In addition to the opinions of government agencies and local residents, the assessment results can form important feedback to further develop the project and make it more environmentally friendly.

In March 2011, Chubu Electric Power submitted an environmental scoping document for the Nishi-Nagoya Thermal Power Station Refurbishment Plan* to the national government in accordance with the Environmental Impact Assessment Act and the Electricity Business Act. After seeking the opinions of local residents and taking other matters into account, the government completed the examination of the document in September 2011. We are currently implementing environmental research, projections and evaluation, based on the results of the government's examination.

* Nishi-Nagoya Thermal Power Station Refurbishment Plan: A plan to replace the existing thermal power facility that has been in operation for about 40 years with a high-efficiency LNG-fired combined cycle facility (Unit No. 7). The plan is expected to reduce $CO_2$ emissions and the amount of fuel used, contributing to conservation of the global environment.

### ■Procedure for Environmental Assessment

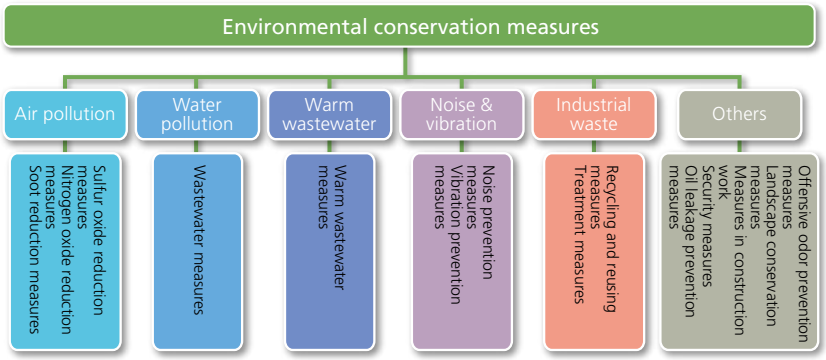



* Results of the research, projections and evaluation will be compiled into a preparatory document that will be made available for public inspection to solicit opinions from residents of local communities.
* An environmental assessment document is compiled to announce the final results of the environmental assessment.

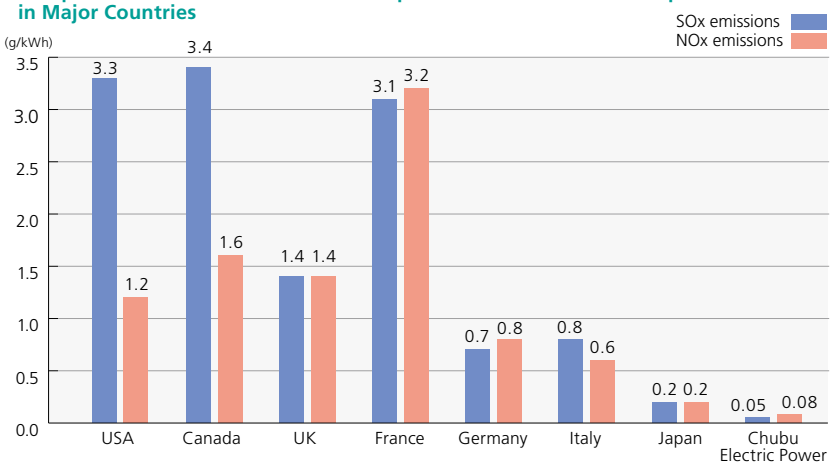
## Compliance with Environmental Laws and Regulations

There were no violations of environmental laws and regulations in the Chubu Electric Power Group during fiscal 2011. We will continue to strictly observe laws and regulations to play our part in conserving the environment.

### ■Classification of Environmental Conservation Measures




### ■Comparison of SOx and NOx Emissions per Unit Thermal Power Output in Major Countries




Source: Basics of Energy Learned from Graphs and Charts, the Federation of Electric Power Companies of Japan
Chubu Electric Power: FY 2011; Japan: FY 2010; Others: calendar 2005

## Environmental Communication Initiatives in Local Communities

### ■Ecoland—Environmental Information Site for Children

Chubu Electric Power has opened "Ecoland," an environmental information site specifically for children on the Company's website. As part of this Ecoland project, in fiscal 2011, Mr. Rikao Yanagida, author of "*Kuso Kagaku Dokuhon*" (Dream Science Guide), was invited to give science classes at a school and a public facility.

http://www.chuden.co.jp/kids/ecoland/

In this special science class, around 230 pupils from the fifth and sixth grades at the elementary school attached to Mie University's Faculty of Education (November 2011) and around 60 elementary and junior high school children and their parents solicited through the "Design no Ma" e-lifestyle information center (February 2012) learned about energy and electricity. As many of them noted, the class was a good opportunity for the participants to "experience the way that heat can be converted into sound and motive power and the way that energy changes."

Class at the Elementary School Attached to Mie University's Faculty of Education

### ■An Invitation to the Forest

Chubu Electric Power owns Uchigatani Forest, a forest covering roughly 1,100 ha, located around the source of a tributary of the Nagara River in Gujo City, Gifu Prefecture. The forest is managed by Chuden Real Estate, a Group company, which undertakes thinning and other conservation work.

"An Invitation to the Forest" is a project aimed at utilizing this rich natural asset effectively for the benefit of the local community. College students and others are invited to the forest as an opportunity to take part in thinning and other conservation activities or to experience the natural environment. The "Chuden Foresters" training program is available to employees and retirees of Chubu Electric Power Group companies to learn thinning skills as part of activities to protect the forest. The number of Chuden Foresters who completed the training as of the end of 2011 totals 127. Many of them belong to Lovers of Water and Greenery, a nonprofit organization (NPO) established within the Company, and uses their days off to participate in thinning the forest at various locations, and take part in other volunteer activities such as forest classes.

In 2011, members of the NPO and a Rotary Club collaborated in inviting children from an orphanage to Uchigatani Forest to give them a demonstration of thinning out trees, and to trek and observe the natural environment together. The children could see the sky through the tree tops after the thinning and realized the importance of proper forest management.

"Chuden Foresters" training program

### ■Partnerships with Universities

Chubu Electric Power concluded a comprehensive partnership agreement with Mie University in fiscal 2005 as part of industry-academia collaboration to connect the university's education and research results and the Company's business activities.

The partnership activities currently underway include creating seaweed beds along the coasts of Minami-Ise Town, Mie Prefecture, and developing the technologies required to regenerate seaweed beds. We also hold educational activities for fishermen and local elementary school children on the importance of environmental restoration.

In addition, we cooperated in the Management of Technology project, a community-linked program organized by Mie University, in which the Company's management-level personnel—Executive Vice President (in July 2011) and General Managers of the Corporate Planning & Strategy Division, Fuel Division, Nuclear Power Division, Engineering Division and Thermal Power Division (in October and November)—delivered a lecture as part of the courses of the Engineering Faculty/Graduate School. Also, we held a discussion session at the Hamaoka Nuclear Power Station site, inviting graduate students from Mie University to exchange opinions with the Company's technical personnel. Since its launch in fiscal 2009, this program has been held annually to help students obtain accurate knowledge of energy issues and enhance mutual understanding between both sides through meaningful discussions among young participants and responsible representatives of the Company.

### ■Partnerships with Other Enterprises (EPOC Initiatives)

The Environmental Partnership Organizing Club (EPOC) is an environmental advocacy organization founded by 14 local corporations including Chubu Electric Power in 2000 with the aim of supporting the building of a sustainable economic society. The number of member companies has increased to 268 as of March 31, 2012.

EPOC conducts a wide range of activities including seminars and study meetings to bring member companies to a higher level of knowledge, and joint projects with government agencies, academic experts, and citizens. Chubu Electric Power participates and collaborates actively in these activities.

http://www.epoc.gr.jp/english/

### ■Morino Chonai-Kai—Thinning the Forest

Morino Chonai-Kai (Forest Neighborhood Association) is an environmental initiative that promotes forest thinning through the use of "Forest Thinning Support Paper." When Forest Thinning Support Paper, the price of which includes funds for thinning, is purchased and used for printing by supporting companies, the funds are used to cover the costs of thinning the forests.

The Morino Chonai-Kai initiative in the Chubu region started in fiscal 2010 with Chubu Electric Power serving as its secretariat, and started thinning the forest over an area of three hectares in Iijima Town, Nagano Prefecture, in October 2011. This thinning yielded 64 tons of wood, the same weight of Forest Thinning Support Paper purchased by support companies during fiscal 2010. The thinned wood will be used to make paper.

Chubu Electric Power will continue to serve as the secretariat, working on expanding the base of supporter companies, adjustments to thinning plans with forestry cooperatives, and various other operations. As a supporting company, we will also play our part in conserving our forests.


Morino Chonai-Kai's logo

# Fair Business Practices
## (Ensuring Compliance Management)

The Chubu Electric Power Group works together as a Group to promote compliance with laws, internal rules and corporate ethics.

## Compliance

### Chubu Electric Power Group Basic Compliance Policy (excerpt)

The continued existence and development of an enterprise depends most of all on winning the trust of society, including customers, shareholders and the community. Understanding that "without compliance there is no trust, and without trust there is no growth," the Chubu Electric Power Group fosters a corporate culture of action with compliance, and aims to be a "good corporate citizen" trusted and supported by society. To achieve this, we act in accordance with the following principles.

- **Thorough Compliance**
  We comply with the law, internal 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 handle information strictly and make timely information disclosures.
- **Establishing a Sound Corporate Culture**
  We respect human rights and provide for a sound business culture.
- **Maintaining a Healthy Relationship with the Government and Authorities**
  We are careful to refrain from activities that would cast doubt on the propriety of our business activities.
- **Proper Management and Utilization of Assets**
  We administer and use our assets in a proper fashion and as intended.
- **Environmental Conservation**
  We strive to protect the global environment.
- **Assuring Safety, Hygiene and Security**
  We strive to maintain a safe, healthy and secure work environment.

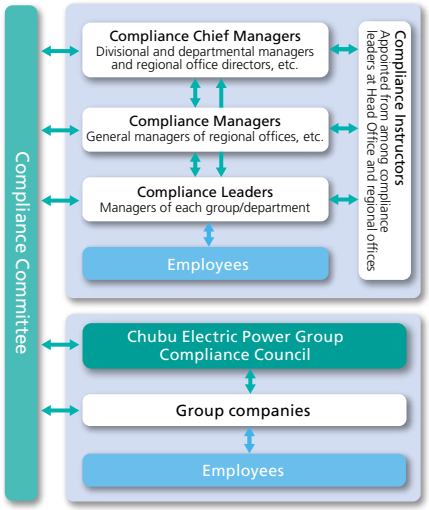
### Compliance Promotion System

Chubu Electric Power has built a company-wide compliance promotion system under the direction of the Compliance Committee chaired by the Company's President. Furthermore, we conduct a wide variety of activities to firmly establish the need for compliance in our employees' minds.

These activities include developing various tools and materials to be shared among employees, including a Compliance Card that is distributed to all executives and employees to carry with them at all times, and a booklet explaining sample situations where compliance is needed. We also conduct training for employees in different positions and for compliance leaders appointed in each workplace. Activities to raise our employees' awareness of compliance are carried out in each division as well, with a view to preventing insider trading and harassment and promoting proper information management.

In order to eliminate the influence of anti-social groups, we have assigned a responsible section, established internal rules and developed a system to work in cooperation with external related agencies.

■ Compliance Promotion System




### TOPICS

#### Employee Survey

Chubu Electric Power conducts an employee questionnaire survey every three years to check the level of compliance among employees.

In the fiscal 2011 survey, employees showed a higher level of compliance awareness than in the previous survey, indicating that awareness had been steadily increasing. On the other hand, some problems—such as compliance awareness not sufficiently leading to specific actions—were also revealed.

We will continue our efforts across all our organizations and workplaces to solve these problems and to continue to increase compliance.

### Ensuring Compliance in the Chubu Electric Power Group

The Chubu Electric Power Group Compliance Council, which is made up of the presidents of Group companies, is spearheading efforts to promote compliance and heighten their employees' awareness of compliance throughout all the companies concerned.

In fiscal 2011, a number of non-compliant cases and incidents occurred at Chubu Electric Power and Group companies, including inappropriate operations such as erroneous electricity charges, fraudulent actions related to approval for qualification as required by the Construction Industry Act, and fictitious orders for materials. In order to prevent the occurrence of similar incidents, we have developed and begun to implement a range of appropriate measures.

### Helplines—Points of Contact for Compliance Queries

We operate a Helpline for Chubu Electric Power and a Joint Helpline for Group companies to promote compliance. Both serve as points of contact for employees, temporary workers, and business partners with concerns about compliance issues. In fiscal 2011, these helplines received 49 queries in total.

# Fair and Equitable Transactions

## Chubu Electric Power Group Basic Procurement Policy

The Chubu Electric Power Group has established a Basic Procurement Policy in order to promote CSR-conscious procurement and to ensure that the procured products and services are of high quality and at a reasonable cost.

### Chubu Electric Power Group Basic Procurement Policy (excerpt)

- **Total Compliance**
- **Safety Assurance**
- **Mitigate Environmental Burden**
- **Open Door Policy**
- **Fair and Honest Procurement**
- **Work in Partnership**

When starting transactions with a new business partner, Chubu Electric Power explains its procurement policy and makes clear that our partners will be required to fulfill their CSR obligations so that both parties can achieve continuous growth in partnership.

Our website also provides details both in Japanese and English on our procurement procedures, new supplier registration process, and other information in an easy-to-understand manner.

## Enhancing Communication with Business Partners

Chubu Electric Power actively shares information and maintains good communications with its business partners so that both sides can develop and grow together.

At the start of each year, we hold a procurement overview briefing session to explain our management plans and CSR practices and offer information on our procurement plans. (The briefing was cancelled in fiscal 2011 because of the Great East Japan Earthquake.)

At the briefing in fiscal 2012 amid the business environment continuing to change significantly since the Great East Japan Earthquake, President Mizuno explained the issues confronted by Chubu Electric Power and countermeasures to be taken to its business partners. The briefing was attended by 536 participants from 283 manufacturers, construction companies, and other business partners.

President Mizuno giving explanations at the procurement overview briefing session

We also take careful note of the opinions of business partners through surveys conducted at the briefings and a permanent inquiry desk that offers support for procurement transactions, and work to resolve any issues raised to develop a stronger relationship of trust.

### Example of Improvement Originating from Business Partner Feedback

**Installing tables in the waiting area**

Tables have been installed in the waiting area in response to the opinion of our business partners who told us that when delivering a document, it is more convenient to have a table at hand.

# Intellectual Property

## Measures to Safeguard Intellectual Property

With regard to intellectual property, Chubu Electric Company focuses on the priority actions enumerated below to protect the Company's competitiveness, avoid any restriction being imposed on the Company's business by rights exercised by other parties, and prevent us from infringing other parties' intellectual property rights.

1. Always acquire the rights to the results of technological research and development and any operational innovations
2. Search for intellectual property rights owned by others
3. Improve knowledge and awareness of intellectual property
4. Increase the strength of the Group's collective intellectual property

### ■Intellectual Property Seminar

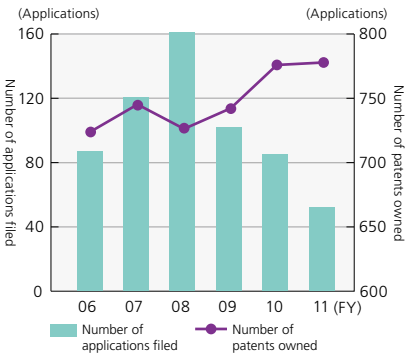
Intellectual property seminars are provided for employees as a means of enhancing their knowledge of intellectual property and their awareness of the importance of not infringing on others' rights. In fiscal 2011, seminars were held at 46 locations including regional offices.

### ■Group-wide Efforts to Safeguard Intellectual Property

To strengthen the ability to deal with intellectual property issues across the Group, Chubu Electric Power and its Group companies regularly meet to study various aspects of, and share information on, intellectual property.

Chubu Electric Power also has a support system for Group companies to help them solve problems concerning intellectual property.

### ■ Number of Patent Applications Filed and Number of Patents Owned



# Commitment to Our Customers (Customer Services)

Chubu Electric Power ensures a stable supply of high-quality energy, which is indispensable for our customers' lives and businesses. We also hold customers' opinions and requests in high regard, and strive to offer superior services that will meet the diverse needs of our customers.

## Delivering High-Quality Energy

### Efforts in the Power Generation Division

The power generation division is responsible for generating electricity continuously, reacting promptly to the ever-changing demand for power and ensuring a stable supply of power to our customers.

To this end, they monitor and control power stations and dams 24 hours a day. To ensure safe operations, they carry out regular maintenance, inspection, and repair to keep the power generation facilities in their best condition and prevent problems from occurring.

An inspection at the Shin-Nagoya Thermal Power Station

### Efforts in the Transmission and Transformation Divisions

The electricity generated in a power plant is delivered to customers by power transmission lines and substations. We build distribution facilities to keep up with power plant construction and increasing demand, and are currently carrying out repair work on older facilities in accordance with a defined plan.

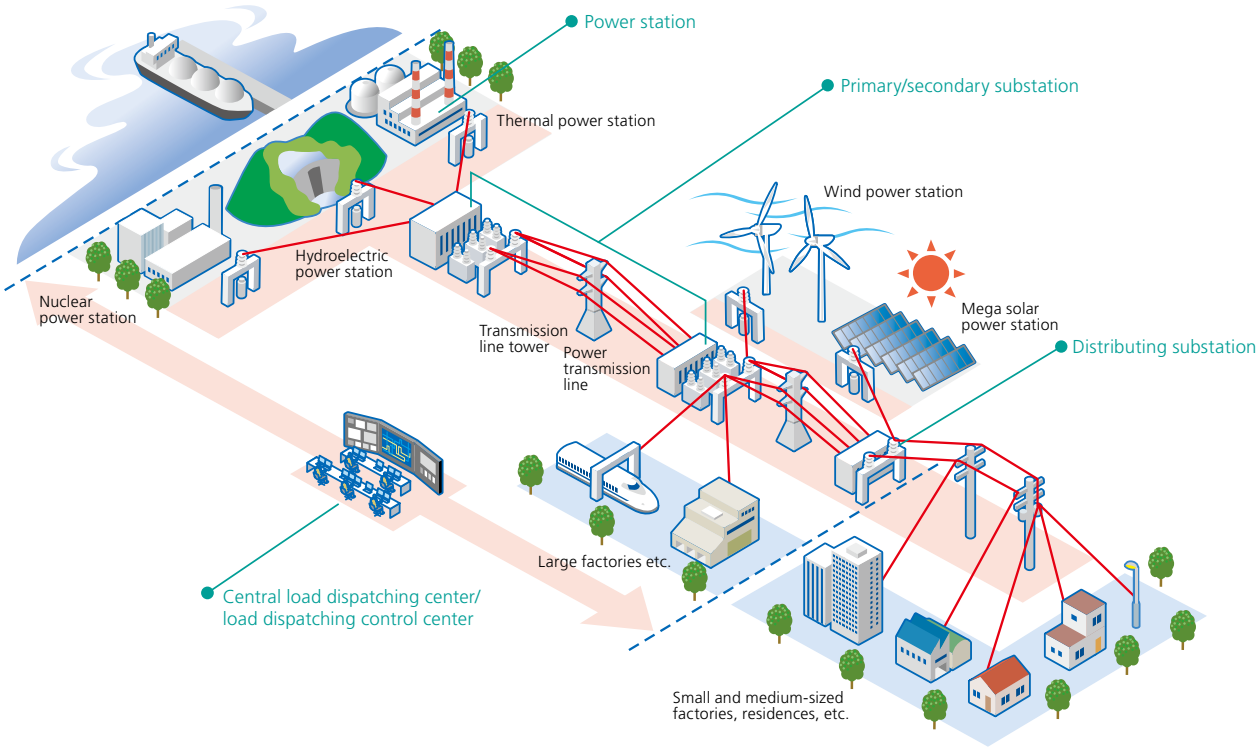
In order to deliver a constant supply of high-quality electricity, to match changing demand with little fluctuation in voltage and frequency, the central load dispatching center and the load dispatching control center adjust electric power production and monitor and control electricity flow on a 24-hour basis.

Power transmission lines are set up in a grid pattern, basically with duplex circuits, and there are multiple transformers at each substation, so that even if a part of the facilities fails due to an accident, other working facilities can be substituted immediately to deliver electricity.

### Efforts in the Power Distribution Division

The electricity coming through our transmission lines and substations passes into distribution lines and finally reaches customers' homes, factories, and other facilities. Power distribution lines are set up in large numbers in locations close to our customers. Since a fault in just one location can lead to power outages across a wide area, we make the utmost efforts to maintain the facilities in optimal condition through regular patrols and inspections to detect any abnormalities as early as possible. We also endeavor to ensure early restoration from any outage by introducing technologies such as distribution automation control systems.

Removing a crow's nest



# Working for Customer Satisfaction

## Promoting Customer Satisfaction (CS)

All employees at Chubu Electric Power are united under a unified slogan to promote customer satisfaction (CS) by offering superior services and by developing a system at head and regional offices that supports customer service offices.

### CS Slogan

**Care**
**(Improving the public image of our service response)**

**Accuracy**
**(Accurately handling matters)**

**Speed**
**(Acting quickly to respond to customer needs)**

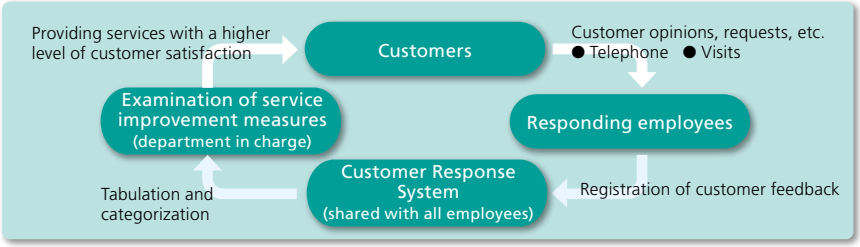
## Utilization of Customer Feedback

To provide our customers with more satisfying service, customer comments and opinions taken at customer service offices and over the telephone are entered in our Customer Response System and the information is shared with all employees.

Comments registered from customers are discussed at meetings held regularly at each department of the Customer Service Division, so that the feedback will lead to improvements in operations and customer service under the direct guidance of the manager of each department in the division.

About 1,950 customer comments were registered in fiscal 2011. We will continue to take customer feedback seriously, and strive to improve our service continuously to achieve even higher customer satisfaction.

### ■ Customer Response System




## Example of Improvement Based on Customer Feedback

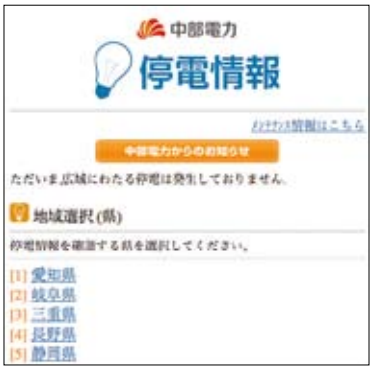
### ■ Sharing information on power outages on the website

**Customer feedback**

Information such as the location and time of an outage should be published on the website more promptly.

**Improvement example**

We started to publish information on our outage information site, covering all the areas in which we supply electricity.
http://teiden.chuden.jp/p/index.html




### ■ Self-diagnosis tool to measure appropriate contract current

**Customer feedback**

A tool with which we can measure whether or not our current contract current is appropriate should be made available on the website.

**Improvement example**

Customers can now measure their appropriate contract current by entering the ampere rating of each appliance in use at the same time.
http://www.chuden.co.jp/ryokin/shokai/ampere_check/index.html

## Stakeholder Dialogue Exchanging Opinions with Advisory Specialists for Consumers' Affairs

To reflect customers' opinions in improving its services, Chubu Electric Power actively creates opportunities to listen to objective comments and advice from external parties to allow the Company to share the same viewpoint as its customers. In April 2012, we had a meeting with the members of the Central Japan Branch of the Nippon Association of Consumer Specialists (NACS) to exchange opinions on our activities in fiscal 2011. Comments and requests received will be used to improve our future activities.

### ■ Major Opinions

- The size of the type used in notices received from Chubu Electric Power is too small, and the writing style is too formal. The text should be simplified, and important points should be emphasized more by using larger type or enclosing sentences in a box so that they can be understood by everyone regardless of age.
- More warnings should be issued about "energy saving" frauds and unscrupulous sales practices. More information, including specific precautions that consumers need to take and examples of typical sales pitches should be provided by Chubu Electric Power.
- The membership and login process for the electricity charges inquiry service should be simplified. In addition, if graphs showing a year-on-year comparison of electricity usage (kWh) for each household are available, they will lead to higher motivation for people to save electricity.


A scene at the meeting

## For Household Customers

To accommodate a range of needs of individual household customers, we have established local customer service offices and centers, which mainly process application for starting a power supply, receive and respond to requests, among other services.

To facilitate more efficient and smoother operation, some routine functions, including handling of processes involved in moving into or out of a house, have been consolidated into our Call Centers located in Nagoya and Gifu.

## For Corporate Customers

For customers with contracts for high-voltage electricity of 500 kW or more specialist sales representatives (account managers) and technical specialists (solution staff) who provide support for efficient use of electricity are on call in each region to meet the varying energy needs of our customers. We offer a comprehensive range of energy solutions, including an optimum combination of electricity and gas and efficient operational processes in order to help customers solve issues ranging from reducing energy consumption, $CO_2$ emissions, and the cost of developing an energy system that can withstand a disaster and enhance efficiency in the use of energy in industry.

For customers using less than 500 kW of high-voltage electricity, the staff at customer service offices and the Customer Center (Large Accounts) respond to a variety of inquiries and provide useful information.

### ■BizEne—Energy Solution Website

The BizEne site offers various information useful for business energy users, such as examples of solutions devised for customers and energy conservation practices.
http://www.chuden.co.jp/bizene/index.html

### ■Chuden Kitto Club—Information Service for High-Voltage Customers

The Chuden Kitto Club offers a variety of information services for high-voltage customers, such as estimation of the charges for each electricity rate plan, lightning information, and delivery of the mail magazine.
http://kit.chuden.jp/a/kit/index.html


BizEne


Chuden Kitto Club

### An incident that damaged customer trust and efforts made to prevent recurrence (Examination on and countermeasures against electricity charge billing errors and inappropriate operations)

During the periodic personnel transfer in August 2011, a Customer Service Office of the Mie Regional Office discovered that there had been some billing errors, failure to conduct electrical equipment inspections, and arrears in payment of contract work costs. (We then conducted an inspection across the Company, and found that these problems were occurring at several other offices as well.)

One of the basic causes of these errors is the current operational system where slips that need to be processed sometimes get mixed with other slips and documents, causing a delay in processing. Another main cause is the lack of employees' understanding of the importance of these operations. We recognize that these errors occurred due to insufficient management by us regarding functions such as precise and accurate operations that customers demand from us.

We would like to express our sincere apologies for the inconvenience caused to our customers, contractors, and everyone concerned. We will make the utmost efforts to prevent any recurrence of these errors by introducing a new checking system, radically changing the processing procedures, and providing detailed training to employees, so that the same errors will never be repeated.

**TOPICS**

# Efforts for Early Restoration of Areas Damaged by Typhoon #15

## —Utilizing All Available Resources of the Group—

Typhoon #15 landed near Hamamatsu City at around 14:00 on September 21, 2011, bringing record-breaking heavy rain and strong winds to the Chubu District. The typhoon caused floods and landslides in many places, disrupted traffic, and even claimed human lives, seriously affecting the lives of residents in the region.

Fallen trees and projectiles generated by wind-damaged utility poles and power lines in various places, causing power outages affecting more than 300,000 homes within Chubu Electric Power's grid network.

Chubu Electric Power set up a disaster control headquarters, and started activities to restore services immediately. In areas damaged severely, the staff cooperated with each other beyond the boundaries of regional offices, and members of Group companies also joined force. In this way, the Group deployed all its available resources to restore services.


Damage caused by Typhoon #15


Restoration work underway by Toenec's employees

# Customers' Opinions of Chubu Electric Power

Since the occurrence of the Great East Japan Earthquake last year, Chubu Electric Power has received many opinions from customers, including harsh ones.

We take these precious opinions very seriously, and will continue our efforts to build a relationship of trust with customers by actively disclosing information and promoting interactive communication.

**Opinion**

I understand that you are working hard to ensure the safety of the Hamaoka Nuclear Power Station, but I'm still really concerned about whether it is safe. If possible, please consider shutting it down permanently.

**Response**

Nuclear power is an indispensable source of energy in assuring a long-term, stable supply of electricity in Japan where natural resources are scarce, as well as to help solve global environmental issues. We believe that it is crucial to continue utilizing nuclear power, while taking every possible measure to ensure safety.

**Opinion**

Why don't you stop using thermal and nuclear power generation, and switch completely to renewable energy? Please also start research into the production of high volumes of renewable energy.

**Response**

Photovoltaic power and other renewable energies are low-carbon and precious sources of energy for Japan, which is not self-sufficient in energy. On the other hand, renewable energies also have disadvantages such as low energy density and difficulty in assuring a stable supply. While working to solve these problems, we will continue our utmost efforts to expand our use of renewable energies.

**Opinion**

Instead of calling on residents within your grid network to save electricity, why don't you just give up your plan to supply electricity to other electric power companies this summer?

**Response**

The electricity supply is expected to fall short of demand on a national scale this summer. It is our belief that we need to support the stable supply of electricity in Western Japan, where power supplies are expected to be extremely tight, while assuring the stable supply of power within our own grid network, and asking for our customers' cooperation in saving electricity for energy conservation.

We would ask our customers for further cooperation in saving electricity to a reasonable extent. We would like to express our apologies for any inconvenience that could cause.

## Chubu Electric Power actively publicizes information through the following websites and magazine.

- **Chubu Electric Power's website:**
  http://www.chuden.co.jp/english/
- **Special website:**
  **"The Hamaoka Nuclear Power Station, today and tomorrow"**
  http://hamaoka.chuden.jp/english/
- **Chubu Electric Power's official Twitter account**
  Account name: @Official_Chuden
  * Please note that we do not follow or Tweet to particular account names.
- **Information magazine "Ba"** (published six times a year)
  * Please send us an e-mail to order a copy: ba.place@chuden. co. jp

If you have any comments or inquiries, please contact: http://www.chuden.co.jp/english/contactus/

# Supporting the Development of Communities (Contribution to Society)

The Chubu Electric Power Group values communication with and strives to meet the expectations of local residents, and engages in a variety of activities as a member of society to contribute to the sustainable development of communities.

## Contribution to Communities

### Basic Corporate Citizenship Policies of the Chubu Electric Power Group

Based on the Basic Corporate Citizenship Policies of the Chubu Electric Power Group, we are striving to fulfill our responsibilities as a good corporate citizen by actively contributing to the sustainable development of local communities.

In the policies, "Ensuring Local Welfare and Peace of Mind," "Environmental Conservation," "Education of the Next Generation," and "Cultural and Sports Activities" are defined as key areas, and various activities are promoted for each of these areas.

### Ensuring Local Welfare and Peace of Mind

The Chubu Electric Power Group is committed to promoting greater safety and security in local communities by fully utilizing its technologies, facilities, and other resources.

#### ■Campaign on the Safe Use of Electricity

During the "Safe Use of Electric Power Month" in August every year and the nationwide "Autumn Fire Prevention Campaign," Chubu Electric Power checks electrical facilities at various cultural assets and electrical wiring at senior people's residences.

Checking wiring at Mandara Temple in Konan City, Aichi Prefecture, conducted jointly with the Chubu Electrical Safety Services Foundation

#### ■Life-Support Information Services

Various information is offered for the security and convenience of local residents by utilizing our mail servers and other facilities.

**Services**

**Kizuna Net School Communications System**

Emergency information, such as warnings about suspicious persons and notices on early school closings as a result of weather warnings, is delivered via email to mobile phones of parents/guardians of kindergarten and elementary and junior high school children.

- Number of kindergartens/schools using this system: approx. 900
- Number of users: approx. 380,000

**Kizuna Net Suspicious Persons Warning**

Based on information from local governments and boards of education, warnings on suspicious persons are delivered via email to mobile phones.

- Available in Chiryu, Ama, Nishio Cities, and Tobishima Village in Aichi Prefecture and Kawagoe Town in Mie Prefecture

**Kizuna Net Disaster Information**

Evacuation Advisories and Notices to Prepare for Evacuation issued in Nagoya City are delivered via email to mobile phones.

- Number of users: approx. 24,000

**Kizuna Net Weather Information**

Weather forecasts and weather warnings in the event of a typhoon, heavy rain, etc. in Aichi, Gifu, Mie, Shizuoka, and Nagano Prefectures are delivered via email to mobile phones.

- Number of users: approx. 20,000

**Kizuna Net Website: http://kizuna.chuden.jp/**

#### ■Activities Performed by Operation Sites

A wide variety of activities, such as clean-ups, participation in local events, fund-raising, and blood donations, are held at customer service offices, field maintenance construction offices, power plants, and other operation sites in cooperation with the local community.

### Environmental Conservation

Chubu Electric Power believes that strong partnerships with local communities are essential in solving environmental problems. We promote environmental conservation hand in hand with local communities.

#### ■Green Curtain

Chubu Electric Power is conducting a Green Curtain Campaign to reduce electricity consumption in each household during the summer. For this campaign, we give away seeds for morning glory, bitter gourds, and other climbing plants to our customers so that they can grow them to cover windows. The campaign, which started in 1992 and celebrated its 20th anniversary in 2011, is spreading across the country not just to reduce electricity demand during peak hours but also to reduce $CO_2$ emissions, encourage environmental education among young people, and give the public an opportunity to think about environmental problems.

A green curtain installed in OASIS 21 in Higashi Ward, Nagoya City, in commemoration of the 20th anniversary of the campaign

#### ■Chuden Eco Partnership Initiative

The Chuden Eco Partnership Initiative was launched in 2006 when Chubu Electric Power called for collaboration from nonprofit organizations (NPOs) and other civic organizations and corporations that had been engaging in their own separate environmental activities. This new framework has made it possible for civic organizations to work with corporations or form partnerships with other civic organizations, developing a large circle of environmental partners.

In fiscal 2011, we collaborated with 17 organizations to work on creating green curtains, sprinkling water to cool pavements, and other activities that can form part of our everyday life. Many people participated in these activities.

### ■ Memorial Tree-Planting Vouchers

As part of its environmental conservation activities, since 2001 Chubu Electric Power has been conducting a campaign in which the Company presents memorial tree-planting vouchers to the winning entrants of a lottery. The winners can choose how to use the voucher from three options: (1) receive a sapling; (2) present a sapling to someone else; or (3) donate a sapling to a Japanese/overseas tree-planting organization. The tree-planting vouchers are also donated to Nagoya Grampus, a professional soccer team, so that players and supporters can plant trees at the Minato-no-Mori-zukuri Nagoya Grampus Tree-Planting Festival organized annually by Nagoya Grampus, Nagoya Municipal Government, and Chubu Electric Power.

Tree-planting at Nomugitoge Ski Resort in Matsumoto City, Nagano Prefecture

## Educating the Next Generation

Chubu Electric Power provides a wide range of education and support programs to inspire children's and students' interest in energy and environmental issues.

### ■ Traveling Classes and Study Tours to Chubu Electric Power Facilities

Chubu Electric Power employees go on assignment to elementary and junior high schools. There they organize electrical experiment laboratory sessions to introduce the mechanisms of power generation in an easy-to-understand format, and hold classes that introduce the importance of energy and environmental preservation.

We also offer study tours to customer service offices, power plants, substations, and other facilities to introduce various activities and roles undertaken by the Company.

### ■ Results for Fiscal 2011

| | |
|---|---|
| Traveling Classes | 418 classes<br>16,333 participants |
| Study tours | 321 tours<br>6,620 participants |

Traveling class at Goka Elementary School in Shimada City

Students from Suenohara Junior High School in Toyota City learning about power distribution operations at Toyota Customer Service Office

### ■ Partnerships with Universities

As part of their collaboration in educating the next generation, the Shinshu University Faculty of Education and Chubu Electric Power Company provide joint classes on energy and environmental education for students who aspire to be teachers. This partnership is another of our important social contributions and helps the university's research on education and teacher training to be even more effective.

### ■ Environment and Energy Course

Chubu Electric Power takes part in the Nagoya Open University of the Environment, operated through collaboration among civic organizations, businesses, universities, and public administrators and run by an executive committee chaired by the Mayor of Nagoya City. At this university, we offer a course titled "The Environment and Energy" for university and postgraduate students.

In fiscal 2011, after listening to lectures on government policies for preventing global warming, environmental efforts made by electric power companies, and the basics of nuclear power generation, the participants in the course experienced the importance of biodiversity in a forest, and toured a laboratory studying the deep geological disposal of high-level radioactive waste, photovoltaic power generation facilities, and other locations. Participants also formed into several groups to give presentations on the subject of environmental conservation and hold discussions.

Presentation by students

## Cultural and Sports Activities

The Chubu Electric Power Group is actively involved in activities for the preservation and support of local culture and art, as well as for the promotion of sports, so as to make local communities even more vibrant and attractive.

### ■ Activities for Horticultural Wellbeing

The Nagoya Port Wildflower Garden Bluebonnet, located on the premises of the Shin-Nagoya Thermal Power Station, has attracted many flower lovers since it was opened to the public in April 2002, with the number of visitors reaching one million in May 2010.

At Bluebonnet, we are promoting horticultural wellbeing activities in cooperation with NPOs, public administrators, and private businesses in order to help people improve their health and wellbeing—both physically and mentally—by offering them an opportunity to come in contact with flowers and greenery in the barrier-free garden.

### ■ Support for Sports Events

For the 67th National Sports Festival and the 12th National Sports Festival for People with Disabilities, which will be held in Gifu Prefecture in 2012, the Chubu Electric Power Company will conduct special patrols along the power supply route to ensure a stable supply of electricity to the venues without any interruptions.

### ■ Curling Class

The Curling Team of Chubu Electric Power offers a curling class for elementary school children in Karuizawa Town, Nagano Prefecture, as part of the Company's social contribution activities for the local community through sports and to help popularize curling.

A scene from the curling class

## Initiatives by Group Companies

### ■CHUDEN KOGYO Co., Ltd.

The company concluded an agreement with nine local governments in Mie Prefecture and one local government in Aichi Prefecture on the installation of evacuation route signs that indicate the height above sea level for each evacuation center in order to support the disaster prevention efforts of local communities.

### ■Chuden Wing Co., Ltd.

The company offers disability job coaches an opportunity to receive on-the-job training as part of a program to strengthen employment support for people with disabilities at the Aichi Labor Bureau.

### ■Chubu Plant Service Co., Ltd.

As part of its cooperation in the Fiscal 2011 Welding Engineer Development and Dispatch Program organized by the Aichi Welding Engineering Society (AWES), the company sent instructors to support students from technical high schools in Aichi Prefecture who were going to take part in a welding competition.

### ■Chuden Real Estate Co., Inc.

To cooperate with Nagoya City in its activities to support Rikuzentakata City, which was devastated by the Great East Japan Earthquake, the company sent arborists and horticultural therapists to the city through Aichi Landscape Constructors to work on the reconstruction of the city.

## Support for Disaster Recovery

As a corporate group responsible for sustaining the energy infrastructure, Chubu Electric Power makes the utmost efforts to support the recovery of areas stricken by disasters in collaboration with other electric power companies.

### ■Support Activities after the Great East Japan Earthquake

All companies of the Chubu Electric Power Group united to support the recovery of the areas devastated by the Great East Japan Earthquake in March 2011.

To support the damaged nuclear power stations, a total of 7,600 staff members dispatched from the Group companies undertook various tasks in the areas for nearly 10 months, including radiation control (environmental monitoring etc.) and contamination checks for evacuated residents. Although this dispatch project has now ended, we still maintain a support system.

## Activities for the International Community

### ■Consulting, Communication, and Cooperation

Chubu Electric Power also engages in various international activities, such as support for the maintenance and preservation of technical skills, contributions to international forums and strengthening the relationship with fuel supplying countries, while remaining aware of the synergy of these kinds of activities with energy businesses performed by the Company in and outside Japan.

**Zambia**
**Rural Electrification Capacity-building Project**

We were commissioned by the Japan International Cooperation Agency (JICA) to participate in a rural electrification capacity-building project in Zambia in 2010 to help the country develop its social infrastructure and reduce poverty. We are providing technological cooperation in building the capacity of a Zambian organization responsible for rural electrification.

Zambian children waiting for the electrification of their school

### ■Participation in the TABLE FOR TWO (TFT) Initiative

Chubu Electric Power has taken part in TABLE FOR TWO (TFT), an initiative aimed at reducing hunger in developing countries, since March 2011.

Each time employees purchase a TFT-branded healthy meal in a corporate cafeteria, 20 yen (10 yen each from the Company and the employee) is donated automatically. Donations amounted to 250,000 yen as of March 2012.

## Stakeholder Dialogue Exchanging Opinions with Local NPOs and Other Organizations

Chubu Electric Power held a meeting with local NPOs and other organizations in May 2012 to hear their opinions and suggestions regarding the Company's contribution to local communities.

The Company will review their feedback and incorporate it into its future activities.

### ■ Major Comments from the Participants

- People's interest in issues involving nuclear power generation and energy has been growing rapidly these days. I think that you should develop a study program for junior and senior high school children and university students to discuss these issues.
- It is not widely known that Chubu Electric Power is involved in a variety of activities in local communities. You should consider publicizing information on your activities more vigorously through closer collaboration with NPOs and others. (A comment from multiple participants)
- Kizuna Net is a superior tool in terms of disaster prevention as well. It should be utilized more widely.
- The most important thing is how you will reflect the comments made during this meeting in your future activities.

**[Participants]**

Mr. Yoshitaka Menjo, Director, ASK-NET (NPO)
Ms. Hiroe Takeuchi, President, Nagoya Child and Family Center (NPO)
Ms. Masako Takigawa, President, Nagoya Higashiyama Forest Conservation Group
Ms. Masayo Kishida, President, Partnership Support Center (NPO)
Mr. Osamu Washimi, President, Nagoya Disaster Volunteer Net Moriyama

## Third-Party Review

# On the coverage related to CSR in the Chubu Electric Power Company Group Annual Report 2012

This Annual Report has been created by integrating the CSR Report and Annual Report, which were previously published separately. I will present a third-party review on the coverage related to CSR in the Annual Report.

**Hitoshi Okada**
Senior Researcher, Institute for Environmental Management Accounting
Professor, Hiroshima University of Economics

### 1. Measures for the Hamaoka Nuclear Power Station and stable power supply

The Hamaoka Nuclear Power Station was shut down at the request of the national government. For the nuclear power generation business, public trust in its safety is vitally important. To gain trust for the Hamaoka station, Chubu Electric Power has launched a range of disaster countermeasures, and provided details of the related actions to the public by running feature articles in this report as well as entering into dialogue with stakeholders. Chubu Electric Power also disseminates information on its efforts made to ensure a stable power supply, via this report, including a polite request to customers for cooperation by saving energy. Through these publicity efforts, I think it is fair to credit Chubu Electric Power with fulfilling their responsibility to disclose and provide information as an electric power company.

### 2. Initiatives aimed at enhancing CSR

Chubu Electric Power's concept of CSR is summarized in the Chubu Electric Power Group CSR Declaration, which was created based on its corporate philosophy. In fiscal 2011, Chubu Electric Power introduced a number of initiatives designed to enhance its activities according to the CSR concept, including organizing a variety of activities in accordance with the ISO 26000 core subjects and adequate use of the PDCA cycle to increase the effectiveness of the CSR activities. These new systems have worked to allow CSR issues to be incorporated into the management plan and addressed appropriately under it. The functionality and effectiveness of these activities deserve high evaluation. It should be noted, however, that CSR issues must be reviewed where appropriate in response to constant changes in the business environment surrounding them. I would advise Chubu Electric Power to regularly enter into dialogue with stakeholders to identify relevant social changes and update the CSR issues so that new issues will be addressed within business operations.

### 3. Enhancing communications with stakeholders

Chubu Electric Power places particular importance on building interactive relationships with stakeholders in order to promote CSR management, and actively holds dialogue meetings with a wide range of stakeholders, as described in this report. I have a high opinion of these communication activities, but the report could have included more details on how the results of these activities were reflected in CSR management. I hope that efforts will be continued to maintain open communication with a diverse range of stakeholders in order to identify relevant needs of society, and also that more information regarding the results of these efforts will be provided to the public.

I look forward to the further development of Chubu Electric Power's CSR management.

## Response to Third-Party Review

We are strongly aware that since the Great East Japan Earthquake there have been rising concerns among customers about our electricity supply system and business in general, particularly nuclear power generation and electricity rates. In order to respond appropriately to these concerns, we need to provide accurate information and conduct other activities in a sincere and proper manner to fulfill our CSR.

We understand that to facilitate CSR initiatives it is essential to gain the trust and understanding of local residents. Using the advice provided in the above review, we will step up efforts to continue communication activities with our stakeholders on an ongoing basis. We will reflect the collected feedback in our business management, aiming for improvements, and disseminate the related information appropriately, thereby seeking greater support from the local community.

**Satoru Katsuno**
General Manager of Corporate Planning & Strategy Division,
Director & Senior Managing Executive Officer

# Five-Year Operating and Financial Statistics

The Company's fiscal year (FY) is from April 1 to March 31 of the following year.

## ▶OPERATING STATISTICS

### Electric Energy Sold

GWh

| | FY2007 | FY2008 | FY2009 | FY2010 | FY2011 |
|---|---|---|---|---|---|
| Customers Under Regulation | | | | | |
| Electric Lighting | 36,125 | 35,336 | 35,029 | 37,256 | 35,872 |
| Electric Power | 7,305 | 6,747 | 6,419 | 6,695 | 6,359 |
| Total | 43,430 | 42,083 | 41,448 | 43,951 | 42,231 |
| Customers Under Liberalization | 94,054 | 87,651 | 81,401 | 86,960 | 85,666 |
| Total Electric Energy Sold | 137,484 | 129,734 | 122,849 | 130,911 | 127,897 |

### Breakdown of Industrial Large-lot Demand Electric Energy Sold

GWh

| | | | | | | |
|---|---|---|---|---|---|---|
| Mining and Industry | | | | | | |
| Mining | | 60 | 58 | 50 | 47 | 47 |
| Manufacturing Industry | Foods | 2,632 | 2,609 | 2,546 | 2,657 | 2,664 |
| | Textiles | 824 | 722 | 963 | 1,093 | 1,046 |
| | Pulps and Papers | 1,679 | 1,577 | 1,522 | 1,602 | 1,631 |
| | Chemicals | 3,442 | 3,190 | 2,666 | 2,758 | 2,898 |
| | Oil and Coal Products | 62 | 76 | 76 | 109 | 127 |
| | Rubber | 822 | 758 | 667 | 719 | 716 |
| | Glass and Ceramics | 2,826 | 2,709 | 2,137 | 2,604 | 2,657 |
| | Steel | 6,883 | 5,705 | 4,893 | 6,141 | 6,554 |
| | Nonferrous Metals | 1,841 | 1,429 | 1,291 | 1,530 | 1,409 |
| | Machinery | 23,350 | 21,081 | 18,701 | 20,178 | 20,250 |
| | Others | 5,875 | 5,373 | 5,202 | 5,484 | 5,447 |
| | Subtotal | 50,236 | 45,229 | 40,664 | 44,875 | 45,399 |
| Total | | 50,296 | 45,287 | 40,714 | 44,922 | 45,446 |
| Others | | | | | | |
| Railways | | 2,767 | 2,737 | 2,703 | 2,673 | 2,633 |
| Others | | 3,327 | 3,290 | 3,244 | 3,245 | 3,245 |
| Total | | 6,094 | 6,027 | 5,947 | 5,918 | 5,878 |
| Grand total | | 56,390 | 51,314 | 46,661 | 50,840 | 51,324 |

* Due to a change in the Japan Standard Industry Classification, industry classifications are different before and after April 2009

### Electric Energy Supplied

GWh

| | | | | | |
|---|---|---|---|---|---|
| Internally-generated Power | 137,121 | 125,656 | 114,972 | 123,723 | 127,965 |
| Hydroelectric | 8,158 | 7,877 | 8,609 | 8,776 | 9,297 |
| Thermal | 103,795 | 94,921 | 92,232 | 99,601 | 115,995 |
| Nuclear | 25,168 | 22,858 | 14,129 | 15,318 | 2,616 |
| Renewable Energy | – | – | 2 | 28 | 57 |
| Purchased Power | 12,664 | 12,925 | 15,337 | 14,838 | 13,096 |
| Interchanged Power (Net) | 1,483 | 4,112 | 4,716 | 4,756 | (760) |
| Power Used for Pumped Storage | (2,148) | (1,471) | (1,246) | (978) | (1,336) |
| Total Electric Energy Supplied | 149,120 | 141,222 | 133,779 | 142,339 | 138,965 |

### Generating Capacity

MW

| | | | | | |
|---|---|---|---|---|---|
| Hydroelectric | 5,218 | 5,219 | 5,219 | 5,219 | 5,218 |
| Thermal | 22,369 | 23,903 | 23,903 | 23,969 | 23,969 |
| Nuclear | 4,884 | 3,504 | 3,504 | 3,617 | 3,617 |
| Renewable Energy | – | – | 6 | 23 | 31 |
| Total Generating Capacity | 32,471 | 32,626 | 32,632 | 32,828 | 32,835 |
| Annual Peak Load (Three-day Average of Generating End) | 27,849 | 27,938 | 23,881 | 26,982 | 25,015 |

### Number of Employees

(number of persons)

| | | | | | |
|---|---|---|---|---|---|
| Consolidated | 28,854 | 28,611 | 29,116 | 29,583 | 29,774 |
| Non-Consolidated | 14,989 | 15,234 | 15,507 | 15,769 | 15,845 |

* Above figures represent number of employees with active duties

## ▶FINANCIAL STATISTICS (Consolidated)

| | | | | | Millions of yen | Thousands of U.S. dollars*1 |
|---|---|---|---|---|---|---|
| | FY2007 | FY2008 | FY2009 | FY2010 | FY2011 | FY2011 |
| For the Year | | | | | | |
| Operating Revenues | ¥2,432,865 | ¥2,509,982 | ¥2,238,552 | ¥2,330,892 | ¥2,449,283 | $29,822,026 |
| Operating Income (Loss) | 167,863 | 182,235 | 200,032 | 174,238 | (37,667) | (458,627) |
| Ordinary Income (Loss)*2 | 123,389 | 130,505 | 178,543 | 146,275 | (67,857) | (826,215) |
| Income (Loss) Before Income Taxes and Minority Interests | 113,700 | (23,193) | 174,842 | 135,139 | (84,487) | (1,028,698) |
| Net Income (Loss) | 70,619 | (18,968) | 108,559 | 84,598 | (92,195) | (1,122,550) |
| Depreciation | 341,567 | 312,464 | 297,517 | 284,047 | 289,451 | 3,524,303 |
| Capital Investments | 250,625 | 270,666 | 265,942 | 270,161 | 280,582 | 3,416,316 |
| At Year-End | | | | | | |
| Total Assets | ¥5,636,258 | ¥5,470,129 | ¥5,299,976 | ¥5,331,967 | ¥5,647,169 | $68,758,907 |
| Net Assets | 1,752,459 | 1,654,759 | 1,675,866 | 1,698,382 | 1,548,347 | 18,852,393 |
| Shareholder's Equity*3 | 1,712,665 | 1,616,655 | 1,637,602 | 1,660,130 | 1,511,260 | 18,400,828 |
| Outstanding Interest-Bearing Debt | 2,862,632 | 2,789,038 | 2,539,552 | 2,495,126 | 2,965,876 | 36,111,969 |
| Per Share of Common Stock (Yen, U.S.dollars) | | | | | | |
| Net Income (Loss) - Basic | ¥ 90.58 | ¥ (24.37) | ¥ 140.47 | ¥ 110.97 | ¥ (121.67) | $ (1.48) |
| Net Assets | 2,199.76 | 2,076.93 | 2,146.82 | 2,190.89 | 1,994.51 | 24.28 |
| Cash Dividends | 60 | 60 | 60 | 60 | 60 | 0.73 |
| Financial Indicators and Cash Flow Data | | | | | | |
| ROA*4 (%) | 3.1 | 3.7 | 4.0 | 3.4 | (0.6) | – |
| ROE (%) | 4.1 | (1.1) | 6.7 | 5.1 | (5.8) | – |
| Shareholder's Equity Ratio | 30.4 | 29.6 | 30.9 | 31.1 | 26.8 | – |
| Cash Flows from Operating Activities | ¥ 471,958 | ¥ 358,880 | ¥ 539,106 | ¥ 449,755 | ¥ 176,845 | $ 2,153,233 |
| Cash Flows from Investing Activities | (272,742) | (215,135) | (242,394) | (336,056) | (247,073) | (3,008,316) |
| Cash Flows from Financing Activities | (199,931) | (90,238) | (333,496) | (105,088) | 422,007 | 5,138,281 |
| Cash and Cash Equivalents at End of Year | 97,109 | 149,696 | 113,140 | 121,296 | 473,163 | 5,761,147 |

*1 U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥82.13=US$1

*2 Ordinary income (Loss)=Income (Loss) before provision (reversal) of reserve for fluctuation in water levels, income taxes and minority interests
+Settlement received (fiscal 2011) + Loss on transition to a defined contribution pension plan (fiscal 2011),
+Loss on adjustment for changes of accounting standard for asset retirement obligations (fiscal 2010),
+Loss in conjunction with discontinued operations of Hamaoka Reactors No.1 and No.2 (fiscal 2008),
+Reserve for decommissioning costs of nuclear power plants for prior periods (fiscal 2007)

*3 Shareholder's Equity=Total Net Assets – Minority interests

*4 ROA (Return on Assets)=Operating income (Ordinary income + Interest)/Average of total assets at beginning and end of fiscal year

# Management Discussion and Analysis of Results

## ▶ Analysis of Operating Results

### Electric Power Business

Electricity sales have decreased by 2.3% to 127.9 TWh, due to such factors as decrease in air conditioning demand by cooler air temperature over the summer compared with previous year, and power saving.

In terms of demand from customers under regulation (other than specified-scale demand), demand for electric lighting has decreased by 3.7% to 35.9 TWh, due to such factors as decrease in air conditioning demand by cooler air temperature over the summer compared with previous year, and power saving. Demand for electric power has decreased by 5.0% to 6.4 TWh, because of decrease in number of contracts, and decrease in air conditioning demand affected by temperature.

In terms of demand from customers under liberalization(specified-scale demand), demand for commercial power has decreased by 5.9% to 22.2 TWh due to decrease in air conditioning demand affected by temperature and power saving. Electricity sales for industrial customers amounted to 63.4 TWh, almost the same as in FY2010, because since the summer customers attempted to regain production lost by the March 11 earthquake, although production declined in the automotive-related industry due to the earthquake.

**Electric Energy Sold** (TWh, %)

| | FY2011 (A) | FY2010 (B) | Change (A–B) | Change (A–B)/B |
|---|---|---|---|---|
| Demand from customers under regulation | | | | |
| Electric lighting | 35.9 | 37.3 | (1.4) | (3.7) |
| Electric power | 6.4 | 6.7 | (0.3) | (5.0) |
| Subtotal | 42.3 | 44.0 | (1.7) | (3.9) |
| Demand from customers under liberalization | | | | |
| Commercial power | 22.2 | 23.6 | (1.4) | (5.9) |
| Industrial power, etc. | 63.4 | 63.3 | 0.1 | 0.2 |
| Subtotal | 85.6 | 86.9 | (1.3) | (1.5) |
| Total | 127.9 | 130.9 | (3.0) | (2.3) |

As to electric power supply, hydroelectric power output has increased by 0.5 TWh from the previous fiscal year due to higher water flow (flow rate for FY2011: 112.0%, FY2010: 107.6%).

Nuclear power output has decreased by 12.7 TWh over the previous fiscal year because of suspension of operation of all reactors at Hamaoka Nuclear Power Station, in response to a request by the prime minister in May 2011.

Also, interchanged power and purchase power have decreased.

As a result of the above, thermal power output has increased by 16.4 TWh over the previous period.

**Electric Energy Supplied** (TWh, %)

| | FY2011 (A) | FY2010 (B) | Change (A–B) | Change (A–B)/B |
|---|---|---|---|---|
| Internally generatd | | | | |
| Hydroelectric power | 9.3 | 8.8 | 0.5 | 5.9 |
| <flow rate> | <112.0> | <107.6> | <4.4> | |
| Thermal power | 116.0 | 99.6 | 16.4 | 16.5 |
| Nuclear power | 2.6 | 15.3 | (12.7) | (82.9) |
| <utilization rate> | <8.2> | <49.7> | <(41.5)> | |
| Renewable energy | 0.1 | 0.0 | 0.1 | 100.0 |
| Interchanged power | (0.8) | 4.8 | (5.6) | – |
| Purchased power | 13.1 | 14.8 | (1.7) | (11.7) |
| Power used for pumped storage | (1.3) | (1.0) | (0.3) | 36.5 |
| Total | 139.0 | 142.3 | (3.3) | (2.4) |

Regarding operating revenues and expenses in the electric power business, although electricity sales volume has decreased, operating revenue (consolidated operating revenues for our electric power business) has increased by ¥ 112.3 billion to ¥ 2,246.9 billion, due to such factors as increase in electricity sales revenues resulting from increase in fuel adjustment charge, and increase in sold power to other electric utilities.

Operating expenses has increased by ¥ 318.3 billion to ¥ 2,288.7 billion, because of such factors as increase in fuel expense, caused by increase in thermal power output due to suspension of operation of all reactors at Hamaoka Nuclear Power Station, and rise in fuel price.

As a result, we recorded an operating loss of ¥ 41.8 billion, a ¥ 205.9 billion decline compared with the previous fiscal year.

### Other Businesses

Sales (operating revenues in other businesses) have increased by ¥ 6.0 billion to ¥ 202.4 billion owning to an increase in sales from energy business, along with other factors.

Operating expenses have increased by ¥ 12.0 billion to ¥ 198.3 billion.

As a result, operating income has decreased by ¥ 6.0 billion to ¥ 4.1 billion.

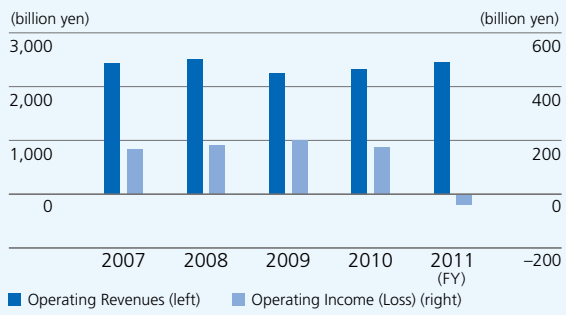
### Net Income (Loss)

In this fiscal year, we recorded an extraordinary income of ¥ 9.0 billion as "settlement received" from a lawsuit for damages caused by a failed low-pressure turbine blade at Unit 5 of the Hamaoka Nuclear Power Station.

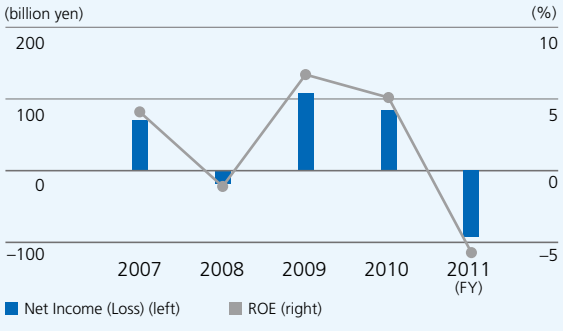
Also, we recorded an extraordinary loss of ¥ 17.3 billion as "loss on transition to a defined contribution pension plan" with the revision of retirement benefit scheme.

In addition to the above, with the promulgation of the Act regarding reduction of the income tax rate, the reversal of deferred tax assets was reflected in income taxes. As a result, net income decreased by ¥ 176.8 billion from the previous fiscal year, forcing us to post a net loss of ¥ 92.2 billion.

**Operating Revenues/Operating Income (Loss)**




**Net Income (Loss)/ROE**



## ▶Analysis of Financial Standing

### (1) Assets

Noncurrent assets decreased from the previous year-end by ¥ 91.0 billion to ¥ 4,786.3 billion due to the progress of depreciation, along with other causes.

Current assets have increased by ¥ 406.2 billion to ¥ 860.9 billion due to such factors as increase in cash and deposits and short-term investments.

As a result of the above, total assets have increased by ¥ 315.2 billion to ¥ 5,647.2 billion compared with the previous year end.

### (2) Liabilities

Total liabilities have increased by ¥ 465.2 billion from the end of the previous fiscal year to ¥ 4,098.8 billion, due to such factors as increase in interest-bearing debt.

### (3) Net assets

Total net assets have decreased by ¥ 150.0 billion from the end of the previous fiscal year to ¥ 1,548.3 billion due to such factors as dividend payouts and net loss.

As a result, the shareholders' equity ratio was 26.8%.

## ▶Analysis of Cash Flows

Cash flow from operating activities has decreased by ¥ 272.9 billion from the previous fiscal year to ¥ 176.8 billion of gain in cash. This decline is due to increase in fuel expenses because of increase in thermal power output by suspension of operation of all reactors at Hamaoka Nuclear Power Station, and rise in fuel price in electricity business, along with other factors.

Cash outflow from investment activities has decreased by ¥ 89.0 billion over the previous fiscal year to ¥ 247.1 billion. The change is mainly due to decline in payments for investments in electricity business.

As a result, free cash flow has decreased by ¥ 183.9 billion from the previous fiscal year, to ¥ 70.2 billion.

Cash flow from financing activities has increased by ¥ 527.1 billion over the previous fiscal year to ¥ 422.0 billion due to such factors as increase in proceeds from long-term loans payable.

Consequently, the amount of cash and cash equivalents at end of fiscal year under review has increased by ¥ 351.9 billion from the end of previous fiscal year to ¥ 473.2 billion.

Furthermore, total outstanding interest-bearing debt at end of fiscal year under review has increased by ¥ 470.8 billion from end of previous fiscal year to ¥ 2,965.9 billion.

## ▶Capital Investments

In the electric power business, capital investments amounted to ¥ 252.7 billion in the fiscal year ended March 31, 2012 as a result of our efforts to pursue a maximum level of management efficiency while securing a stable supply of electric power and public security.

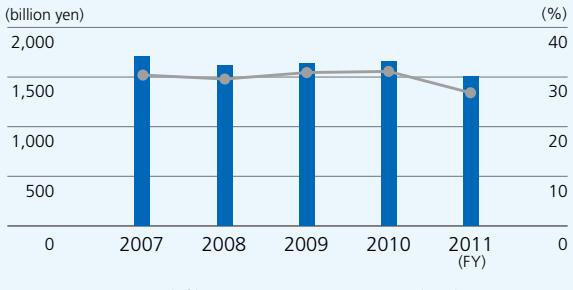
Regarding other businesses, capital investments amounted to ¥ 27.9 billion, including ¥ 2.9 billion for the energy business and ¥ 25.0 billion for other businesses. The aggregate amount of capital investments of the Group as a whole totaled ¥ 280.6 billion.

**(Reference)**
**Fiscal 2011 Capital Investments** (Nonconsolidated)

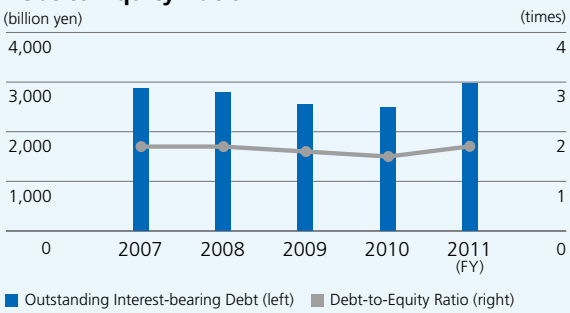
| Item | (billion yen) |
|---|---|
| Electric Power Business | |
| Power Generation Facilities | 128.3 |
| Power Transmission Facilities | |
| Transmission Facilities | 25.5 |
| Transformation Facilities | 32.3 |
| Distribution Facilities | 34.0 |
| Total | 91.8 |
| Nuclear Fuel, etc. | 32.6 |
| Total | 252.7 |
| Energy Business | 0.7 |
| Other Businesses | 0.1 |
| Total | 253.5 |

* The above figures do not include consumption tax.

**Shareholders' Equity/Shareholders' Equity Ratio**




**Outstanding Interest-bearing Debt/ Debt-to-Equity Ratio**



## ▶Business and Other Risks

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

Forward-looking statements in this report are based on facts and conditions as of the date of this report (on July, 2012). Actual results may differ, affected by the government's future energy policy and revision of electricity business system.

### (1) Risks of the economic environment

#### 1) Economic and weather conditions

In the electric power business, which is at the core of the Chubu Electric Group's business, the volume of electricity sales fluctuates due to economic and weather trends, and consequently, the performance of the Chubu Electric Group could potentially be affected.

In addition, the amount of yearly precipitation affects the amount of hydro electric power output, which impacts our power-generating costs. Chubu Electric, however, has set aside a reserve for fluctuation in water levels, which allows the company to make a certain adjustment against such impact within balance of the reserve, thus limits the effect on performance.

#### 2) Changes in fuel prices, etc.

As Chubu Electric Group depends on imports of such fuels as liquefied natural gas (LNG), coal and crude oil from overseas, fuel expense in electricity businsess could be affected by fuel prices and fluctuations in the currency exchange market. However, since the fluctuations of fuel prices within certain range could potentially be reflected in electricity rates under "Fuel-cost Adjustment System", the impact of these factors on performance should be mitigated.

Meanwhile, performance of the Chubu Electric Group could also potentially be affected by the fluctuation in fuel expenses in the cases where: fuel becomes difficult to procure, for example, because of fluctuating supply and demand, supplier facility and/or operational issues, or changes in the political situation.

#### 3) Changes in interest rates

The balance of interest-bearing debts at the Chubu Electric Group stood at ¥ 2,965.9 billion at the end of March 2012, an amount equivalent to 52.5% of our total assets. Interest payments on this debt are susceptible to market interest rates, and thus, the group's performance could potentially be affected.

Of these interest-bearing debts, however, 88.3% comes from long-term funds (bonds and long-term loans), and most of these funding were procured at fixed interest rates. So the effect of interest rate changes is considered limited.

Part of the corporate pension plan assets, held by our group, could potentially affect the group's performance as their market value fluctuates in tandem with movements in stock prices and interest rates, among other factors.

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

#### 1) Suspension of electricity generating facilities

The Company has suspended operation of all reactors at the Hamaoka Nuclear Power Station. Taking into account the nuclear power plant accident caused by the Great East Japan Earthquake and subsequent tsunami, we have been taking measures to further strengthen the plant's safety, such as measures against tsunami including installing breakwater walls, enhancing buildings' water-resistance, and reinforcing emergency measures by the end of December 2013. We have also been improving disaster prevention measures including strengthening the disaster prevention system in case of an accident at the nuclear plant, improving and strengthening disaster prevention materials/equipment, and deepening cooperation between the central government and local governments around the plant.

Furthermore, the Company has been evaluating safety against influence of seismic movement and tsunami inundation at Hamaoka Nuclear Power Station by taking into account the views summarized by "the Study Panel for the Massive Earthquake Model in Nankai Trough," while it has been scrutinizing and studying accident analysis reports on Tokyo Electric Power Fukushima No.1 Nuclear Power Station. Depending on the results of the evaluations and studies, the Company may need to review the safety measures further and prepare additional countermeasures.

The Company is putting all its efforts into ensuring the stable supply of electricity after suspension of operation of all reactors at the Hamaoka Nuclear Power Station. Specifically, we have taken various measures to meet demand, such as resuming operations of thermal power units under long-term planned shutdown, while requesting our customers to save electricity. Our performance is expected to be affected by a substantial increase in fuel costs due to replacement of nuclear power with thermal power.

Providing the complete power supply system from power generation to distribution, the Chubu Electric Group strives to develop and maintain optimum facilities that ensure stable delivery of high quality electricity economically, while working to establish disaster-resistant systems by taking measures against large-scale earthquakes.

However, if supply facilities of the Company or other power companies from which we receive power supply are shut down because of a large-scale disaster, an accident or terrorism and an obstacle to fuel procurement, our operational results may be affected.

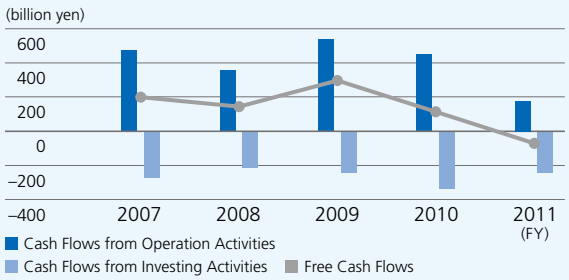
#### 2) Nuclear power back-end costs, etc.

The back-end business of nuclear power takes an extremely long time period and has many uncertainties. To prepare for the future backend costs, based on the rules set by the government, Chubu Electric has set aside provision for reprocessing of irradiated nuclear fuel and provision for preparation of the reprocessing of irradiated nuclear fuel.

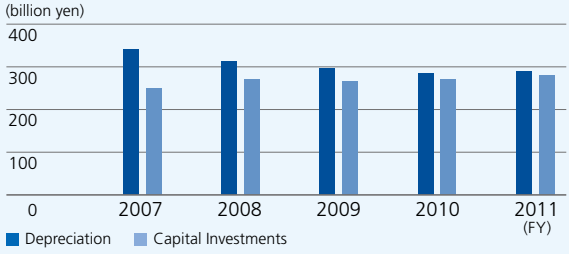
Even so, the costs of nuclear fuel cycles, including back-end costs, may vary depending on regulatory reform, changes in estimates of future expenses (mandated and voluntary), the operating status of reprocessing facilities. As a result, company performance may potentially be affected.



**Cash Flows from Operation Activities/ Cash Flows from Investing Activities/Free Cash Flows**




**Depreciation/Capital Investments**



### 3) Changes in the competitive environment

Since the start of partial liberalization of electric power retailing in March 2000, the scope of liberalization has gradually expanded. The establishment of a more competitive and open electricity market will continue to be studied in discussions about reviewing the framework of the electricity power industry. In the whole energy market, the supply-demand structure could substantially change toward the realization of a new energy mix, such as expanded use of renewable energy, further proliferation of natural gas, and dramatic promotion of energy savings.

Given this situation, the Chubu Electric Group is exerting its maximum effort to enhance business efficiency, and is conducting proactive sales initiatives to respond precisely to customer needs. Even so, future amendments in regulations and changes to supply-demand structure could potentially have an effect on our performance.

### 4) Regulatory amendments for global environment protection, etc.

Global warming issues have caught more attention from global society. The group has recognized growing importance to contribute to the achievement of "low carbon society" through taking measures actively toward reduction of CO2 emission in electric power business.

Based on above recognition, the group has established the "Chubu Electric Power Group Basic Environmental Policy". Under its detailed protocol designated as "Action Plan", the group is working systematically to use resources efficiently and reduce the burden on the environment. However, the group's performance could potentially be affected by the future trend of tightening environmental regulations, among other factors.

### 5) Businesses other than electric power

The Chubu Electric Group focuses on electricity, gas and on-site energy supply as its core business areas. We are engaged in a wide range of businesses, including overseas energy business, taking advantage of our accumulated know-how in domestic businesses, constructions for expanding and securing electricity-related facilities, and manufacturing of materials and equipment for our core businesses. These businesses are subject to changing business environments, including increasing competition with other enterprises, and could potentially affect performance if they fail to produce the results expected by the Chubu Electric Group.

## (3) Other risks

### 1) Compliance

The Chubu Electric Group strives for strict compliance by establishing the Chubu Electric Group Compliance Basic Policy, which relates to compliance with laws, regulations and social rules.

If any event against compliance occurs within or in connection with the organization, the reputation of the Chubu Electric Group may be damaged and its operational results may be adversely affected.

### 2) Information leaks

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

However, in case information leak occurs and the direct cost of responding to the situation and loss of public trust in the Group arises, the group performance could potentially be affected.

# Consolidated Balance Sheets

Chubu Electric Power Company, Incorporated and Subsidiaries
As of March 31, 2012 and 2011

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| **ASSETS** | **FY 2011** | FY 2010 | **FY 2011** |
| **Property, Plant and Equipment:** | | | |
| Property, plant and equipment | ¥13,040,885 | ¥12,966,445 | $158,783,453 |
| Construction in progress | 442,097 | 410,399 | 5,382,893 |
| | 13,482,982 | 13,376,844 | 164,166,346 |
| Less: | | | |
| Contributions in aid of construction | (166,820) | (165,554) | (2,031,170) |
| Accumulated depreciation | (9,513,358) | (9,349,791) | (115,832,923) |
| | (9,680,178) | (9,515,345) | (117,864,093) |
| Total Property, Plant and Equipment, Net (Notes 5 and 9) | 3,802,804 | 3,861,499 | 46,302,253 |
| **Nuclear Fuel:** | | | |
| Loaded nuclear fuel | 40,040 | 41,221 | 487,520 |
| Nuclear fuel in processing | 212,018 | 220,062 | 2,581,493 |
| Total Nuclear Fuel | 252,058 | 261,283 | 3,069,013 |
| **Investments and Other Long-term Assets:** | | | |
| Long-term investments (Notes 6, 7 and 9) | 263,064 | 269,315 | 3,203,019 |
| Fund for reprocessing of irradiated nuclear fuel (Note 6) | 229,166 | 240,002 | 2,790,284 |
| Deferred tax assets (Note 16) | 231,812 | 235,064 | 2,822,501 |
| Other | 9,849 | 11,740 | 119,920 |
| Less allowance for doubtful accounts | (2,483) | (1,598) | (30,233) |
| Total Investments and Other Long-term Assets | 731,408 | 754,523 | 8,905,491 |
| **Current Assets:** | | | |
| Cash and deposits (Notes 4 and 6) | 214,516 | 117,000 | 2,611,908 |
| Trade notes and accounts receivable (Note 6) | 181,307 | 148,609 | 2,207,561 |
| Less allowance for doubtful accounts | (1,584) | (1,322) | (19,286) |
| Short-term investments (Notes 4 and 7) | 267,872 | 14,234 | 3,261,561 |
| Inventories (Note 8) | 100,660 | 94,833 | 1,225,618 |
| Deferred tax assets (Note 16) | 26,609 | 23,135 | 323,986 |
| Other | 71,519 | 58,173 | 870,802 |
| Total Current Assets | 860,899 | 454,662 | 10,482,150 |
| **Total Assets** (Notes 9 and 21) | ¥ 5,647,169 | ¥ 5,331,967 | $ 68,758,907 |

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

| LIABILITIES AND NET ASSETS | Millions of yen FY 2011 | Millions of yen FY 2010 | Thousands of U.S. dollars (Note 1) FY 2011 |
|---|---|---|---|
| **Long-term Liabilities:** | | | |
| Long-term debt (Notes 6 and 9) | ¥2,379,583 | ¥1,794,097 | $28,973,372 |
| Employee retirement benefit liability (Note 10) | 208,091 | 206,118 | 2,533,678 |
| Reserve for reprocessing of irradiated nuclear fuel | 247,742 | 258,544 | 3,016,462 |
| Reserve for preparation for reprocessing of irradiated nuclear fuel | 14,243 | 13,660 | 173,420 |
| Reserve for loss in conjunction with discontinued operations of nuclear power plants | 39,366 | 44,927 | 479,313 |
| Asset retirement obligations (Note 12) | 219,178 | 218,692 | 2,668,672 |
| Other (Note 9) | 54,642 | 59,650 | 665,311 |
| Total Long-term Liabilities | 3,162,845 | 2,595,688 | 38,510,228 |
| **Current Liabilities:** | | | |
| Current portion of long-term debt and other (Notes 6 and 9) | 249,520 | 262,508 | 3,038,110 |
| Short-term borrowings (Notes 6 and 9) | 340,877 | 333,540 | 4,150,457 |
| Commercial paper (Notes 6 and 9) | – | 112,000 | – |
| Trade notes and accounts payable (Note 6) | 138,604 | 123,663 | 1,687,617 |
| Income taxes payable and other | 36,748 | 62,775 | 447,437 |
| Other (Notes 6 and 9) | 155,738 | 137,260 | 1,896,238 |
| Total Current Liabilities | 921,487 | 1,031,746 | 11,219,859 |
| **Reserve for Fluctuation in Water Levels** | 14,490 | 6,151 | 176,427 |
| Total Liabilities | 4,098,822 | 3,633,585 | 49,906,514 |
| **Commitments and Contingent Liabilities** (Note 14) | | | |
| **Net Assets** (Note 15): | | | |
| Common stock | 430,777 | 430,777 | 5,245,063 |
| Capital surplus | 70,777 | 70,777 | 861,768 |
| Retained earnings | 1,013,041 | 1,150,710 | 12,334,603 |
| Less treasury stock, at cost | (479) | (433) | (5,832) |
| Total Shareholders' Equity | 1,514,116 | 1,651,831 | 18,435,602 |
| Accumulated other comprehensive income: | | | |
| Net unrealized gains on available-for-sale securities | 11,276 | 10,448 | 137,295 |
| Net deferred (losses) gains on hedging instruments | (5,845) | 2,406 | (71,168) |
| Foreign currency translation adjustments | (8,288) | (4,555) | (100,913) |
| Total Accumulated Other Comprehensive Income | (2,857) | 8,299 | (34,786) |
| Minority interests | 37,088 | 38,252 | 451,577 |
| Total Net Assets | 1,548,347 | 1,698,382 | 18,852,393 |
| **Total Liabilities and Net Assets** | ¥5,647,169 | ¥5,331,967 | $68,758,907 |

# Consolidated Statements of Operations

Chubu Electric Power Company, Incorporated and Subsidiaries
For the Years Ended March 31, 2012 and 2011

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **FY 2011** | FY 2010 | **FY 2011** |
| **Operating Revenues:** | | | |
| Electricity | ¥2,246,901 | ¥2,134,553 | $27,357,859 |
| Other | 202,382 | 196,339 | 2,464,167 |
| Total Operating Revenues (Note 21) | 2,449,283 | 2,330,892 | 29,822,026 |
| **Operating Expenses:** | | | |
| Electricity (Note 17) | 2,288,680 | 1,970,398 | 27,866,553 |
| Other | 198,270 | 186,256 | 2,414,100 |
| Total Operating Expenses | 2,486,950 | 2,156,654 | 30,280,653 |
| **Operating (Loss) Income** (Note 21) | (37,667) | 174,238 | (458,627) |
| **Other (Income) Expenses:** | | | |
| Interest expense | 36,055 | 36,408 | 438,999 |
| Settlement received (Note 18) | (9,000) | – | (109,582) |
| Loss on transition to a defined contribution pension plan | 17,292 | – | 210,544 |
| Loss on adjustment for adoption of accounting standard for asset retirement obligations | – | 8,686 | – |
| Other, net | (5,865) | (8,445) | (71,412) |
| Total Other Expenses, Net | 38,482 | 36,649 | 468,549 |
| **(Loss) Income Before Provision of Reserve for Fluctuation in Water Levels, Income Taxes and Minority Interests** | (76,149) | 137,589 | (927,176) |
| **Provision of Reserve for Fluctuation in Water Levels** | 8,338 | 2,450 | 101,522 |
| **(Loss) Income Before Income Taxes and Minority Interests** | (84,487) | 135,139 | (1,028,698) |
| **Income Taxes:** | | | |
| Current | 7,231 | 67,956 | 88,044 |
| Deferred | 1,019 | (17,929) | 12,407 |
| Total Income Taxes | 8,250 | 50,027 | 100,451 |
| **(Loss) Income Before Minority Interests** | (92,737) | 85,112 | (1,129,149) |
| **Minority Interests in (Losses) Earnings of Subsidiaries** | (542) | 514 | (6,599) |
| **Net (Loss) Income** | ¥ (92,195) | ¥ 84,598 | $ (1,122,550) |

| | Yen | | U.S. dollars (Note 1) |
|---|---|---|---|
| | **FY 2011** | FY 2010 | **FY 2011** |
| **Per Share of Common Stock:** | | | |
| Net (Loss) Income: | | | |
| Basic | ¥ (121.67) | ¥ 110.97 | $ (1.48) |
| Cash dividends | 60.00 | 60.00 | 0.73 |

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

# Consolidated Statements of Comprehensive Income

Chubu Electric Power Company, Incorporated and Subsidiaries
For the Years Ended March 31, 2012 and 2011

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **FY 2011** | FY 2010 | **FY 2011** |
| **(Loss) Income Before Minority Interests** | ¥ (92,737) | ¥85,112 | $(1,129,149) |
| **Other Comprehensive Income:** | | | |
| Net changes in unrealized gains (losses) on available-for-sale securities | 934 | (4,237) | 11,372 |
| Net changes in deferred gains (losses) on hedging instruments | (1,424) | 848 | (17,338) |
| Net changes in foreign currency translation adjustments | (1,188) | (1,629) | (14,465) |
| Share of other comprehensive income of affiliates accounted for using equity method | (9,324) | (383) | (113,527) |
| Total Other Comprehensive Income (Note 19) | (11,002) | (5,401) | (133,958) |
| **Comprehensive Income** | ¥(103,739) | ¥79,711 | $(1,263,107) |
| Comprehensive income attributable to: | | | |
| Owners of the parent | ¥(103,352) | ¥79,273 | $(1,258,395) |
| Minority interests | (387) | 438 | (4,712) |

# Consolidated Statements of Changes in Net Assets

Chubu Electric Power Company, Incorporated and Subsidiaries
For the Years Ended March 31, 2012 and 2011

Millions of yen

| | | Shareholders' equity | | | | | Other Comprehensive Income | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number of shares of common stock issued | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity | Net unrealized gains on available-for-sale securities | Net deferred gains (losses) on hedging instruments | Foreign currency translation adjustments | Total accumulated other comprehensive income | Minority interests | Total net assets |
| **Balance at March 31, 2010** | 763,000,000 | ¥430,777 | ¥70,777 | ¥1,122,725 | ¥ (302) | ¥1,623,977 | ¥14,674 | ¥ 1,150 | ¥(2,199) | ¥ 13,625 | ¥38,264 | ¥1,675,866 |
| Net income | – | – | – | 84,598 | – | 84,598 | – | – | – | – | – | 84,598 |
| Cash dividends | – | – | – | (45,773) | – | (45,773) | – | – | – | – | – | (45,773) |
| Retirement of treasury stock | (5,000,000) | – | – | (10,780) | 10,780 | – | – | – | – | – | – | – |
| Purchase of treasury stock | – | – | – | – | (10,953) | (10,953) | – | – | – | – | – | (10,953) |
| Disposal of treasury stock | – | – | – | (1) | 42 | 41 | – | – | – | – | – | 41 |
| Change in scope of consolidation | – | – | – | (59) | – | (59) | – | – | – | – | – | (59) |
| Net changes other than shareholders' equity | – | – | – | – | – | – | (4,226) | 1,256 | (2,356) | (5,326) | (12) | (5,338) |
| **Balance at March 31, 2011** | 758,000,000 | ¥430,777 | ¥70,777 | ¥1,150,710 | ¥ (433) | ¥1,651,831 | ¥10,448 | ¥ 2,406 | ¥(4,555) | ¥ 8,299 | ¥38,252 | ¥1,698,382 |

Millions of yen

| | | Shareholders' equity | | | | | Other Comprehensive Income | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number of shares of common stock issued | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity | Net unrealized gains on available-for-sale securities | Net deferred gains (losses) on hedging instruments | Foreign currency translation adjustments | Total accumulated other comprehensive income | Minority interests | Total net assets |
| **Balance at March 31, 2011** | 758,000,000 | ¥430,777 | ¥70,777 | ¥1,150,710 | ¥ (433) | ¥1,651,831 | ¥10,448 | ¥ 2,406 | ¥(4,555) | ¥ 8,299 | ¥38,252 | ¥1,698,382 |
| Net loss | – | – | – | (92,195) | – | (92,195) | – | – | – | – | – | (92,195) |
| Cash dividends | – | – | – | (45,469) | – | (45,469) | – | – | – | – | – | (45,469) |
| Purchase of treasury stock | – | – | – | – | (62) | (62) | – | – | – | – | – | (62) |
| Disposal of treasury stock | – | – | – | (5) | 16 | 11 | – | – | – | – | – | 11 |
| Net changes other than shareholders' equity | – | – | – | – | – | – | 828 | (8,251) | (3,733) | (11,156) | (1,164) | (12,320) |
| **Balance at March 31, 2012** | 758,000,000 | ¥430,777 | ¥70,777 | ¥1,013,041 | ¥ (479) | ¥1,514,116 | ¥11,276 | ¥(5,845) | ¥(8,288) | ¥ (2,857) | ¥37,088 | ¥1,548,347 |

Thousands of U.S. dollars (Note 1)

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at March 31, 2011** | | $5,245,063 | $861,768 | $14,010,836 | $(5,272) | $20,112,395 | $127,213 | $ 29,295 | $ (55,461) | $ 101,047 | $465,750 | $20,679,192 |
| Net loss | | – | – | (1,122,550) | – | (1,122,550) | – | – | – | – | – | (1,122,550) |
| Cash dividends | | – | – | (553,622) | – | (553,622) | – | – | – | – | – | (553,622) |
| Purchase of treasury stock | | – | – | – | (755) | (755) | – | – | – | – | – | (755) |
| Disposal of treasury stock | | – | – | (61) | 195 | 134 | – | – | – | – | – | 134 |
| Net changes other than shareholders' equity | | – | – | – | – | – | 10,082 | (100,463) | (45,452) | (135,833) | (14,173) | (150,006) |
| **Balance at March 31, 2012** | | $5,245,063 | $861,768 | $12,334,603 | $(5,832) | $18,435,602 | $137,295 | $ (71,168) | $(100,913) | $ (34,786) | $451,577 | $18,852,393 |

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

# Consolidated Statements of Cash Flows

Chubu Electric Power Company, Incorporated and Subsidiaries
For the Years Ended March 31, 2012 and 2011

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **FY 2011** | FY 2010 | **FY 2011** |
| **Cash Flows from Operating Activities:** | | | |
| (Loss) Income before income taxes and minority interests | ¥ (84,487) | ¥ 135,139 | $(1,028,698) |
| Adjustments for: | | | |
| Depreciation and amortization | 289,451 | 284,047 | 3,524,303 |
| Decommissioning costs of nuclear power units | 738 | 3,709 | 8,986 |
| Loss on loaded nuclear fuel | 1,181 | 7,203 | 14,380 |
| Loss on disposal of property, plant and equipment | 10,114 | 8,637 | 123,146 |
| Loss on adjustment for changes of accounting standard for asset retirement obligations | – | 8,686 | – |
| Increase in employee retirement benefit liability | 1,973 | 1,390 | 24,023 |
| Decrease in reserve for reprocessing of irradiated nuclear fuel | (10,802) | (3,902) | (131,523) |
| Increase in reserve for preparation for reprocessing of irradiated nuclear fuel | 583 | 934 | 7,098 |
| Decrease in reserve for loss in conjunction with discontinued operations of nuclear power plants | (5,561) | (893) | (67,710) |
| Increase in reserve for fluctuation in water levels | 8,338 | 2,450 | 101,522 |
| Interest and dividend income | (6,425) | (6,470) | (78,230) |
| Interest expense | 36,055 | 36,408 | 438,999 |
| Settlement received | (9,000) | – | (109,582) |
| Decrease in fund for reprocessing of irradiated nuclear fuel | 10,836 | 3,215 | 131,937 |
| Increase in trade notes and accounts receivable | (32,503) | (1,435) | (395,751) |
| Increase in inventories | (5,827) | (584) | (70,948) |
| Increase in trade notes and accounts payable | 14,953 | 10,740 | 182,065 |
| Other | 13,238 | 82,877 | 161,183 |
| Subtotal | 232,855 | 572,151 | 2,835,200 |
| Interest and dividends received | 8,303 | 9,633 | 101,096 |
| Interest paid | (34,917) | (37,387) | (425,143) |
| Settlement package received | 9,000 | – | 109,582 |
| Income taxes paid | (38,396) | (94,642) | (467,503) |
| **Net Cash Provided by Operating Activities** | 176,845 | 449,755 | 2,153,233 |
| **Cash Flows from Investing Activities:** | | | |
| Purchases of property, plant and equipment | (266,939) | (269,622) | (3,250,201) |
| Payments for investments and other long-term assets | (8,608) | (89,441) | (104,809) |
| Proceeds from investments and other long-term assets | 13,638 | 15,372 | 166,054 |
| Other | 14,836 | 7,635 | 180,640 |
| **Net Cash Used in Investing Activities** | (247,073) | (336,056) | (3,008,316) |
| **Cash Flows from Financing Activities:** | | | |
| Proceeds from issuance of bonds | – | 89,697 | – |
| Redemption of bonds | (139,100) | (146,375) | (1,693,656) |
| Proceeds from long-term borrowings | 825,600 | 161,421 | 10,052,356 |
| Repayment of long-term borrowings | (112,406) | (194,267) | (1,368,635) |
| Proceeds from short-term borrowings | 379,188 | 411,320 | 4,616,924 |
| Repayment of short-term borrowings | (370,530) | (398,298) | (4,511,506) |
| Proceeds from issuance of commercial paper | 154,000 | 791,000 | 1,875,076 |
| Redemption of commercial paper | (266,000) | (760,000) | (3,238,768) |
| Purchase of treasury stock | (61) | (10,953) | (743) |
| Dividends paid | (45,369) | (45,710) | (552,404) |
| Dividends paid to minority shareholders | (500) | (455) | (6,088) |
| Other | (2,815) | (2,468) | (34,275) |
| **Net Cash provided by (used in) Financing Activities** | 422,007 | (105,088) | 5,138,281 |
| **Effect of Exchange Rate Changes on Cash and Cash Equivalents** | 88 | (455) | 1,071 |
| **Net Increase in Cash and Cash Equivalents** | 351,867 | 8,156 | 4,284,269 |
| **Cash and Cash Equivalents at Beginning of the Year** | 121,296 | 113,140 | 1,476,878 |
| **Cash and Cash Equivalents at End of theYear** (Note 4) | ¥ 473,163 | ¥ 121,296 | $ 5,761,147 |

The accompanying notes to the 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 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 as required by the provisions set forth in the Japanese Corporate Law, the Financial Instruments and Exchange Law of Japan, the accounting regulations applicable to the electric power industry and on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards ("IFRS").

These consolidated financial statements are compiled from the original consolidated financial statements in Japanese, prepared by the Company as required by the Financial Instruments and Exchange Law of Japan and submitted to the Director of Kanto Finance Bureau in Japan.

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

The Company maintains its accounting records in Japanese yen. The U.S. dollar amounts included in the consolidated financial statements and notes thereto present the arithmetic results of translating yen amounts into U.S. dollar amounts on a basis of ¥82.13 to U.S. $1.00, the prevailing exchange rate at the fiscal year-end. The inclusion of the dollar amounts is solely for convenience of the reader and is not intended to imply that the assets and liabilities originating in Japanese yen have been or could readily be converted, realized or settled in U.S dollars at the above rate or at any other rate.

### (c) Reclassification

Certain comparative figures have been reclassified to conform to the current year's presentation.

## ▶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. Investments in all affiliates are accounted for by the equity method. The differences between the acquisition cost of investments in subsidiaries and affiliates 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 Company's overseas subsidiaries close their books at December 31, three months earlier than the Company and its domestic subsidiaries. Chubu Energy Trading Singapore Pte Ltd. close the books at March 31 for consolidation reporting purpose and the Company consolidates the financial statements at March 31. The Company consolidates the financial statements of the other overseas subsidiaries as of their fiscal year-end. Significant transactions for the period between the subsidiaries' year-end and the Company's year-end are adjusted for on consolidation. The financial statements of significant overseas subsidiaries are prepared in accordance with either IFRS or U.S. generally accepted accounting principles, with adjustments for the specified five items as required by "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" and "Practical Solution on Unification of Accounting Policies Applied to Affiliates accounted for by the equity method" issued by the Accounting Standards Board of Japan ("ASBJ").

The number of subsidiaries and affiliates for the years ended March 31, 2012 and 2011 was as follows:

| | **FY 2011** | FY 2010 |
|---|---|---|
| Subsidiaries: | | |
| Domestic | **24** | 24 |
| Overseas | **18** | 13 |
| Affiliates | **35** | 26 |

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

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed by the declining balance method over the estimated useful life of the asset. Contributions in aid of construction are deducted from the depreciable costs of the assets.

### (c) Nuclear fuel and amortization

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

### (d) Investments and marketable securities

The Chubu Electric Group classifies certain investments in debt and equity securities as "trading", "held-to-maturity" or "available-for-sale", the classification of which determines the respective accounting methods to be used to account for the investments as stipulated by the accounting standard for financial instruments. The Chubu Electric Group had no trading securities in the fiscal years under review. 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 accumulated other comprehensive income, 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 the carrying values of individual securities are charged to loss through write-downs when a decline in fair value is deemed other than temporary. The cost of securities is computed by the moving average method.

### (e) Derivatives and hedge accounting

Derivatives are valued at fair value if hedge accounting is not appropriate or where there is no hedging designation, and the gains and losses on the derivatives are recognized in current earnings. Certain transactions classified as hedging transactions are accounted for under a deferral method, whereby unrealized gains and losses on hedging instruments are carried as accumulated other comprehensive income on the balance sheet and the net changes in them are recognized as other comprehensive income on the consolidated statements of comprehensive income until the losses and gains on the hedged items are realized. Foreign exchange forward contracts are accounted for by translating foreign currency denominated assets and liabilities at contract rates as an interim measure if certain hedging criteria are met. According to the special treatment permitted by the accounting standard for financial instruments in Japan, interest rate swaps are not valued at fair value, and the net amount received or paid is added to or deducted from the interest expense on the hedged items if certain conditions are met. The Chubu Electric Group's derivative transactions are applied only to the assets and liabilities generated through the Chubu Electric Group's operations to hedge exposures to fluctuations in exchange rates, interest rates or fuel prices, except for a subsidiary engaged in fuel trading.

### (f) Inventories

Inventories consisted of fuel, materials, supplies and construction work-in-process. Fuel is stated at the lower of cost, determined principally by the periodic average method, or net realizable value.

### (g) Allowance for doubtful accounts

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

### (h) Employee retirement benefit liability

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

In accordance with the accounting standard for employee retirement benefits, the Chubu Electric Group recognizes employee retirement benefits liabilities, including pension cost and related liability, based on the actuarial present value of projected benefit obligation using an actuarial appraisal approach and the value of pension plan assets available for benefits at the fiscal year-end. Unrecognized prior service cost is amortized using the straight-line method over a certain period within the average remaining service years of employees, three to fifteen years, from the year in which they occur. Unrecognized actuarial differences, including changes in the projected benefit obligation or value of pension plan assets resulting from the actual outcome being different from that assumed and from changes in the assumptions themselves, are amortized on a straight-line basis over certain periods within the average remaining service years of employees, three to fifteen years, from the next fiscal year in which they occur.

(Additional Information)
As a result of revisions to the Company's retirement benefit system effective April 1, 2011, the Company changed certain defined benefit retirement plans to defined contribution retirement plans. In addition, the Company changed the calculation method for payments made under lump-sum retirement benefit plans and defined benefit pension plans to a point based method. Upon the revisions, the Company adopted the "Guidance on Accounting for Transfers between Retirement Benefit Plans" (ASBJ Guidance No. 1, issued on January 31, 2002) and, as a result, recorded a loss on transfer to a defined contribution pension plan in the amount of ¥17,292 million ($210,544 thousand) in the year ended March 31, 2012. The prior service cost in the credit amount of ¥31,948 million ($388,993 thousand) resulting from the revisions has been amortized from the year ended March 31, 2012 using the straight-line method over a certain period within the average remaining service years of employees, 3 years.

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

Until March 31, 2005, reserve for the reprocessing of irradiated nuclear fuel was recorded at an amount equal to 60% of the cost that would be required to reprocess all the Company's irradiated nuclear fuel. However, the ministerial ordinance that had regulated reserve for the reprocessing of irradiated nuclear fuel was repealed by the "Ministerial Ordinance to Repeal the Existing Ordinance Set for Reserve for Reprocessing of Irradiated Nuclear Fuel" (Ordinance No. 83 of the Ministry of Economy, Trade and Industry, 2005) and the accounting regulations applicable to the electric power industry (Ordinance No. 57 of the Ministry of International Trade and Industry, 1965). Subsequently, expenses related to back-end businesses such as the disposal of equipment installed in reprocessing facilities for which there are no estimations available are provided based on reasonable valuation measures, according to the mid-term report titled "Economic Measures to Deal with Backend Business" (published by the Electric Industry Committee, a subcommittee of the Advisory Committee on Energy and Natural Resources, on August 30, 2004). Accordingly, effective April 1, 2005, the Company adopted the new accounting regulations to determine the reserve for the reprocessing of irradiated nuclear fuel. Pursuant to these regulations, the Company determines and provides the reserve as of the year-end based on the Company's estimates of the cost of reprocessing actually planned.

Because of the difference that has arisen due to the accounting change specified by Article 2 of the supplementary provision in the Ordinance Revising the Accounting Regulations for Japanese Electric Utility Companies (Ministry of Economy, Trade and Industry Ordinance No. 92, 2005), ¥124,568 million is being allocated on a straight-line basis as operating expense over 15 years from the year ended March 31, 2006. The amount determined by Article 2 changed when the Spent Nuclear Fuel Reprocessing Fund Act (Ministry of Economy, Trade and Industry Ordinance No. 84, June 13, 2007) was put into effect in the year ended March 31, 2009. After this change, ¥98,982 million is being treated as operating expense allocated using the straight-line method over 12 years from the year ended March 31, 2009. The unrecognized difference from this estimate amounted to ¥65,988 million ($803,458 thousand) and ¥74,236 million at March 31, 2012 and 2011, 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 in which it is generated following the accounting regulations applicable to the electric power industry. The unrecognized difference for this estimate amounted to credit balances of ¥2,966 million ($36,113 thousand) and ¥7,734 million at March 31, 2012 and 2011, respectively.

### (j) Reserve for preparation for reprocessing of irradiated nuclear fuel

A reserve for preparation for reprocessing of irradiated nuclear fuel is provided as a portion of the estimated costs needed to reprocess the irradiated nuclear fuel without a definite plan of reprocessing. The amount of reserve recorded for a particular year, including the year ended March 31, 2012, is the amount recognized as attributable to that period.

### (k) Reserve for loss in conjunction with discontinued operations of nuclear power plants

In the year ended March 31, 2012, a reasonable estimate was made as a reserve for possible future expenses and losses related to the decommissioning of electric generating facilities that followed the termination of operations at Hamaoka Reactors No. 1 and No. 2.

### (l) 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.

### (m) Cash and cash equivalents

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

### (n) Research and development costs

Research and development costs included in operating expenses for the years ended 31, 2012 and 2011 amounted to ¥11,254 million ($137,027thousand) and ¥13,355 million, respectively.

### (o) Income taxes

Income taxes are accounted for by the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the 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 be applied 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 promulgation date.

### (p) 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 rate at the fiscal year-end. Transactions in foreign currencies are translated based on the prevailing exchange rate on the transaction date. Resulting foreign exchange translation gains and losses are included in the consolidated statements of operations.

For financial statement items of the overseas subsidiaries and affiliates, all asset and liability accounts are translated into Japanese yen by applying the exchange rate in effect at the respective fiscal year-end. All income and expense accounts are translated at the average rate of exchange prevailing during the year. Translation differences are reported in the consolidated balance sheets as foreign currency translation adjustments in accumulated other comprehensive income after allocating the portion attributable to minority interests, and the net change is recognized as other comprehensive income on the consolidated statement of comprehensive income.

### (q) Per share information

Basic net income per share is computed by dividing income available to common shareholders by the weighted average number of shares outstanding during the year. Cash dividends per share shown for each fiscal year in the consolidated statements of operations represent dividends declared as applicable to the respective year.

## ▶3. Additional Information

"Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24 issued on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24 issued on December 4, 2009) have been applied with respect to accounting changes and corrections of prior period errors which are made from the fiscal year beginning on April 1, 2011.

## ▶4. Cash and Cash Equivalents

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

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **FY 2011** | FY 2010 | **FY 2011** |
| Cash and deposits | **¥214,516** | ¥117,000 | **$2,611,908** |
| Time deposits with an original maturity of more than three months included in cash and deposits | **(6,187)** | (5,685) | **(75,332)** |
| Short-term investments with an original maturity of three months or less included in other current assets | **264,834** | 9,981 | **3,224,571** |
| Cash and cash equivalents | **¥473,163** | ¥121,296 | **$5,761,147** |

## ▶5. Property, Plant and Equipment

The major classifications of property, plant and equipment at March 31, 2012 and 2011 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **FY 2011** | FY 2010 | **FY 2011** |
| Hydroelectric power production facilities | **¥ 260,065** | ¥ 268,976 | **$ 3,166,504** |
| Thermal power production facilities | **465,084** | 508,009 | **5,662,779** |
| Nuclear power production facilities | **244,878** | 267,247 | **2,981,590** |
| Transmission facilities | **882,117** | 879,197 | **10,740,497** |
| Transformation facilities | **392,672** | 398,469 | **4,781,103** |
| Distribution facilities | **792,369** | 799,732 | **9,647,741** |
| General facilities | **120,802** | 125,241 | **1,470,863** |
| Other electricity related property, plant and equipment | **9,031** | 6,040 | **109,961** |
| Other property, plant and equipment | **193,689** | 198,189 | **2,358,322** |
| Construction in progress | **442,097** | 410,399 | **5,382,893** |
| Total | **¥3,802,804** | ¥3,861,499 | **$46,302,253** |

Calculated according to the accounting principles and practices generally accepted in Japan, accumulated gains on the receipt of contributions in aid of real property construction deducted from the original acquisition costs amounted to ¥166,820 million ($2,031,170 thousand) and ¥165,554 million at March 31, 2012 and 2011, respectively.

## ▶6. Financial Instruments

### (a) Items relating to financial instruments

**(1) Policy initiatives for financial instruments**

The Chubu Electric Group raises funds for the equipment necessary to run its core electric power business through bond issues, bank loans and other means. Short-term working capital is secured principally through short-term borrowing and restricts its fund management to certificates of deposit, etc.

Derivative transactions are used for overcoming risk in the Chubu Electric Group operations and are not used for speculative purposes. A subsidiary engaged in fuel trading may enter into derivative transactions for the purpose of ensuring a stable fuel supply to the Chubu Electric Group.

**(2) Breakdown of financial instruments and associated risks**

Short-term and long-term investments includes certificates of deposit and shares in domestic companies acquired for aiding business operations or regional development and shares in overseas companies, bond holdings of subsidiaries, and other instruments acquired for tapping into new earnings sources and other purposes. These securities and bond etc. are exposed to risks from changes in market prices.

Reserve for reprocessing of irradiated nuclear fuel comprises funds allocated under provisions of the Law on the Creation and Management of Reserve Funds for the Reprocessing of Spent Fuel at Nuclear Power Stations (Article 48, May 20, 2005).

Trade notes and accounts receivable are exposed to customer credit risks.

Most of the Chubu Electric Group's interest-bearing debt balance consists of bonds and long-term fund holdings from long-term borrowings that have been raised principally for electric utility plant and equipment funding. However, related interest rate fluctuations have a minimal impact on earnings because most funds are raised at fixed interest rates.

Trade notes and accounts payable for operating debts are almost all due within one year.

Derivative transactions consist of foreign exchange forward contracts for meeting fuel supply obligations, commodity swaps and commodity options for the purpose of avoiding losses from future volatility in currency markets and fuel prices for fuel supplies, and currency swaps and interest rate swaps for financial liabilities accompanied by fund raising in order to avoid losses from future volatility in currency markets and interest rates on financial liabilities. Hedging methods and hedging objectives in hedge accounting, hedging policies, effective valuation methods for hedges, and other related items are described in Note 2 (e), Summary of Significant Accounting Policies—Derivatives and Hedge Accounting. A subsidiary engaged in fuel trading enters into commodity forward contracts, commodity future contracts, and commodity swaps transactions. Some trading positions are exposed to risks from fuel price volatility.

**(3) Risk management system for financial instruments**

**1) Credit risk management**

For trade accounts receivable on electricity bills, due dates and account balances are managed for each customer based on terms and conditions for electricity supply.

For derivative transactions, financial institutions and other enterprises with high credit ratings are selected, and credit standing is assessed even after transaction contracts are completed. A subsidiary engaged in fuel trading manages by means of regularly assessing the credit information and fair value for the accounts of each counterparty.

**2) Market risk management**

For marketable securities, the fair value of the securities and the financial and operating conditions of the issuers are regularly assessed.

Derivative transactions are enacted and managed based on the Company's internal rules established for authorizing trades and for managing and reporting them. A trade management department independently handles transactions and approves contract amounts (notional and other value) for each transaction by classification. For a subsidiary engaged in fuel trading, a management committee of the Company monitors approved transactions to ensure they are enacted within agreed upon parameters. In addition, the subsidiary's transactions are strictly managed on a daily basis using Value at Risk (VaR) and other controls, and the subsidiary is in the process of building stronger frameworks for risk management.

**3) Volatility risk management in financing**

Financing plans are formulated and daily receipts and payments are validated for managing risk.

**(4) Supplementary explanation of fair value for financial instruments**

The fair value of financial instruments reflects their value based on market prices or their value based on reasonable assessments if there is no fair value. Since some variable factors are used in assessing value, the amounts calculated can change based on different assumptions that are applied. Derivative contract amounts noted below in "(b) Fair value of financial instruments" do not denote the market risk from the derivatives themselves. In addition, fair value and valuation gains and losses are reasonably quoted values based on market indicators for valuations and other measures. They are not amounts that would be received or paid in the future.

## (b) Fair value of financial instruments

Differences between the valuation amounts of financial instruments as they appear on the consolidated balance sheets and their fair values as of March 31, 2012 and 2011 are shown below. Items with fair values that are difficult to determine are not included (See Note 2).

Millions of yen

| As of March 31, 2012 | | Carrying value | Fair value | Difference |
|---|---|---|---|---|
| Assets: | (1) Marketable securities | **¥ 326,406** | **¥ 323,842** | **¥ (2,564)** |
| | (2) Fund for reprocessing of irradiated nuclear fuel | **229,166** | **229,166** | **–** |
| | (3) Cash and deposits | **214,516** | **214,516** | **–** |
| | (4) Trade notes and accounts receivable | **181,307** | **181,307** | **–** |
| Liabilities: | (5) Bonds*1 | **¥1,177,558** | **¥1,220,692** | **¥43,134** |
| | (6) Long-term borrowings*1 | **1,441,489** | **1,458,983** | **17,494** |
| | (7) Short-term borrowings | **340,877** | **340,877** | **–** |
| | (8) Commercial paper | **–** | **–** | **–** |
| | (9) Trade notes and accounts payable | **138,604** | **138,604** | **–** |
| | (10) Derivative transactions*2 | **2,089** | **2,089** | **–** |

Millions of yen

| As of March 31, 2011 | | | | |
|---|---|---|---|---|
| Assets: | (1) Marketable securities | ¥ 79,024 | ¥ 76,296 | ¥ (2,728) |
| | (2) Fund for reprocessing of irradiated nuclear fuel | 240,002 | 240,002 | – |
| | (3) Cash and deposits | 117,000 | 117,000 | – |
| | (4) Trade notes and accounts receivable | 148,609 | 148,609 | – |
| Liabilities: | (5) Bonds*1 | ¥1,316,642 | ¥1,364,298 | ¥47,656 |
| | (6) Long-term borrowings*1 | 728,796 | 743,923 | 15,127 |
| | (7) Short-term borrowings | 333,540 | 333,540 | – |
| | (8) Commercial paper | 112,000 | 112,000 | – |
| | (9) Trade notes and accounts payable | 123,663 | 123,663 | – |
| | (10) Derivative transactions*2 | 5,035 | 5,035 | – |

Thousands of U.S. dollars

| As of March 31, 2012 | | | | |
|---|---|---|---|---|
| Assets: | (1) Marketable securities | **$ 3,974,260** | **$ 3,943,042** | **$ (31,218)** |
| | (2) Fund for reprocessing of irradiated nuclear fuel | **2,790,284** | **2,790,284** | **–** |
| | (3) Cash and deposits | **2,611,908** | **2,611,908** | **–** |
| | (4) Trade notes and accounts receivable | **2,207,561** | **2,207,561** | **–** |
| Liabilities: | (5) Bonds*1 | **$14,337,733** | **$14,862,925** | **$525,192** |
| | (6) Long-term borrowings*1 | **17,551,309** | **17,764,313** | **213,004** |
| | (7) Short-term borrowings | **4,150,457** | **4,150,457** | **–** |
| | (8) Commercial paper | **–** | **–** | **–** |
| | (9) Trade notes and accounts payable | **1,687,617** | **1,687,617** | **–** |
| | (10) Derivative transactions*2 | **25,435** | **25,435** | **–** |

*1 (5) Bonds and (6) Long-term borrowings include scheduled redemptions within one year.
*2 The amounts denote net liabilities and obligations resulting from derivative transactions.

## (Note 1) Methods for calculating the fair value of financial instruments, marketable securities and derivative transactions

**(1) Marketable securities**

The value of equity securities is determined from stock market prices and bonds from their market prices or prices quoted by financial institutions. Marketable securities settled in short-term such as certificates of deposit etc. is presented by their book prices because their market prices almost equal to them. See Note 7, Marketable Securities and Investments Securities, for purposes of retaining holdings.

**(2) Fund for reprocessing of irradiated nuclear fuel**

Assets are allocated as stipulated under the Law on the Creation and Management of Reserve Funds for the Reprocessing of Spent Fuel at Nuclear Power Stations (Article 48, May 20, 2005). Redemptions must meet requirements under the Ministry of Economy, Trade and Industry's plans for redeeming fund for reprocessing irradiated nuclear fuel. Since carrying value is based on the current value of assets that are scheduled to be redeemed in the future according to plans at the end of the consolidated accounting period, fair value is derived from carrying value.

**(3) Cash and deposits and**

**(4) Trade notes and accounts receivable**

For cash and deposits, trade notes and accounts receivable, carrying value is used for fair value because the accounts will be settled in the near future, meaning the fair value is largely equivalent to the carrying value.

**(5) Bonds**

Bonds with market prices are valued by the market price, and bonds without market prices are valued based on terms projected as if they were being newly issued. Some bonds are subject to special foreign exchange forward contracts or interest rate swaps in the allocation process. These are valued based on the same terms and conditions applied to derivative transactions.

**(6) Long-term borrowings**

The values of long-term borrowings are calculated using terms as if the borrowings were new loans. Some borrowings are subject to special foreign exchange forward contracts or interest rate swaps in the allocation process. These are valued based on the same terms and conditions applied to derivative transactions.

**(7) Short-term borrowings, (8) Commercial paper and**

**(9) Trade notes and accounts payable**

For short-term borrowings, commercial paper and trade notes and accounts payable, carrying value is used for these amounts because the accounts will be settled in the near future, meaning the fair value is largely equivalent to carrying value.

**(10) Derivative transactions**

Refer to Note 13, Derivatives.

## (Note 2) Financial instruments for which assessing fair value are extremely difficult to determine.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **FY 2011** | FY 2010 | **FY 2011** |
| Unlisted stocks | **¥177,922** | ¥178,041 | **$2,166,346** |
| Others | **2,591** | 2,537 | **31,548** |
| Total | **¥180,513** | ¥180,578 | **$2,197,894** |

These financial instruments do not have market prices and estimating their future cash flows would require considerable costs. Consequently, these securities are not included in "(1) Marketable securities" above.

## (Note 3) Anticipated redemption schedule for monetary instruments and securities with maturity dates subsequent to the fiscal year-end.

Millions of yen

| As of March 31, 2012: | | Within 1 year | Over 1 year through 5 years | Over 5 years through 10 years | Over 10 years |
|---|---|---|---|---|---|
| Securities: Held-to-maturity debt securities: | National and local government bonds, etc. | **¥ 400** | **¥2,297** | **¥ 1,800** | **¥ –** |
| | Corporate bonds | **600** | **899** | **3,599** | **–** |
| | Other | **267** | **799** | **1,698** | **1,050** |
| Available-for-sale securities with maturity dates: | | | | | |
| Debt securities: | National and local government bonds, etc. | **–** | **–** | **–** | **–** |
| | Corporate bonds | **1,499** | **406** | **320** | **218** |
| | Other | **40** | **281** | **181** | **594** |
| Other | | **264,000** | **189** | **–** | **–** |
| Fund for reprocessing of irradiated nuclear fuel* | | **24,259** | **–** | **–** | **–** |
| Cash and deposits | | **214,515** | **–** | **–** | **–** |
| Trade notes and accounts receivable | | **181,191** | **116** | **–** | **–** |
| Total | | **¥686,771** | **¥4,987** | **¥ 7,598** | **¥1,862** |

As of March 31, 2011: Millions of yen

| | | | | | |
|---|---|---|---|---|---|
| Securities: Held-to-maturity debt securities: | National and local government bonds, etc. | ¥ 400 | ¥2,496 | ¥ 2,000 | ¥ – |
| | Corporate bonds | 230 | 1,299 | 3,999 | – |
| | Other | 310 | 367 | 2,396 | 1,650 |
| Available-for-sale securities with maturity dates: | | | | | |
| Debt securities: | National and local government bonds, etc. | 45 | – | – | – |
| | Corporate bonds | 3,166 | 814 | 1,434 | 208 |
| | Other | 48 | 70 | 455 | 1,167 |
| Other | | 8,308 | 248 | 61 | – |
| Fund for reprocessing of irradiated nuclear fuel* | | 25,982 | – | – | – |
| Cash and deposits | | 117,000 | – | – | – |
| Trade notes and accounts receivable | | 148,336 | 273 | – | – |
| Total | | ¥303,825 | ¥5,567 | ¥10,345 | ¥3,025 |

Thousands of U.S. dollars

| As of March 31, 2012: | Within 1 year | Over 1 year through 5 years | Over 5 years through 10 years | Over 10 years |
|---|---|---|---|---|
| Securities: Held-to-maturity debt securities: National and local government bonds, etc. | **$ 4,870** | **$27,968** | **$21,916** | **$ –** |
| Corporate bonds | **7,305** | **10,946** | **43,821** | **–** |
| Other | **3,251** | **9,729** | **20,675** | **12,785** |
| Available-for-sale securities with maturity dates: | | | | |
| Debt securities: National and local government bonds, etc. | **–** | **–** | **–** | **–** |
| Corporate bonds | **18,252** | **4,943** | **3,896** | **2,654** |
| Other | **487** | **3,422** | **2,204** | **7,232** |
| Other | **3,214,416** | **2,301** | **–** | **–** |
| Fund for reprocessing of irradiated nuclear fuel* | **295,373** | **–** | **–** | **–** |
| Cash and deposits | **2,611,896** | **–** | **–** | **–** |
| Trade notes and accounts receivable | **2,206,149** | **1,412** | **–** | **–** |
| Total | **$8,361,999** | **$60,721** | **$92,512** | **$22,671** |

* Anticipated redemption of the funds for reprocessing of irradiated nuclear fuel over more than one year is not disclosed due to contract requirements and others.

**(Note 4) Anticipated redemption schedule for bonds, long-term borrowings and other interest-bearing debt subsequent to the fiscal year-end.**

Millions of yen

| As of March 31, 2012: | Within 1 year | Over 1 year through 2 years | Over 2 years through 3 years | Over 3 years through 4 years | Over 4 years through 5 years | Over 5 years |
|---|---|---|---|---|---|---|
| Bonds | **¥183,000** | **¥166,000** | **¥170,000** | **¥110,000** | **¥124,500** | **¥ 424,110** |
| Long-term borrowings | **56,465** | **65,411** | **116,222** | **178,142** | **212,345** | **812,904** |
| Short-term borrowings | **340,876** | **–** | **–** | **–** | **–** | **–** |
| Commercial paper | **–** | **–** | **–** | **–** | **–** | **–** |
| Total | **¥580,341** | **¥231,411** | **¥286,222** | **¥288,142** | **¥336,845** | **¥1,237,014** |

Millions of yen

| As of March 31, 2011: | | | | | | |
|---|---|---|---|---|---|---|
| Bonds | ¥139,100 | ¥183,000 | ¥166,000 | ¥170,000 | ¥110,000 | ¥ 548,610 |
| Long-term borrowings | 112,241 | 55,639 | 64,667 | 79,511 | 97,938 | 318,800 |
| Short-term borrowings | 333,540 | – | – | – | – | – |
| Commercial paper | 112,000 | – | – | – | – | – |
| Total | ¥696,881 | ¥238,639 | ¥230,667 | ¥249,511 | ¥207,938 | ¥ 867,410 |

Thousands of U.S. dollars

| As of March 31, 2012: | | | | | | |
|---|---|---|---|---|---|---|
| Bonds | **$2,228,175** | **$2,021,186** | **$2,069,889** | **$1,339,340** | **$1,515,890** | **$ 5,163,886** |
| Long-term borrowings | **687,508** | **796,432** | **1,415,098** | **2,169,025** | **2,585,474** | **9,897,772** |
| Short-term borrowings | **4,150,444** | **–** | **–** | **–** | **–** | **–** |
| Commercial paper | **–** | **–** | **–** | **–** | **–** | **–** |
| Total | **$7,066,127** | **$2,817,618** | **$3,484,987** | **$3,508,365** | **$4,101,364** | **$15,061,658** |

## ▶7. Marketable Securities and Investments Securities

Held-to-maturity debt securities at March 31, 2012 and 2011 were as follows:

Millions of yen

| As of March 31, 2012 | Carrying value | Fair value | Difference |
|---|---|---|---|
| Securities whose fair value exceeds their carrying value: | | | |
| National and local government bonds, etc | **¥ 4,497** | **¥ 4,713** | **¥ 216** |
| Corporate bonds | **3,299** | **3,442** | **143** |
| Other | **2,094** | **2,217** | **123** |
| Subtotal | **9,890** | **10,372** | **482** |
| Securities whose carrying value exceeds their fair value: | | | |
| National and local government bonds, etc | **–** | **–** | **–** |
| Corporate bonds | **1,799** | **1,544** | **(255)** |
| Other | **1,720** | **1,520** | **(200)** |
| Subtotal | **3,519** | **3,064** | **(455)** |
| Total | **¥13,409** | **¥13,436** | **¥ 27** |

Millions of yen

| As of March 31, 2011 | | | |
|---|---|---|---|
| Securities whose fair value exceeds their carrying value: | | | |
| National and local government bonds, etc | ¥ 4,896 | ¥ 5,095 | ¥ 199 |
| Corporate bonds | 3,529 | 3,670 | 141 |
| Other | 2,473 | 2,586 | 113 |
| Subtotal | 10,898 | 11,351 | 453 |
| Securities whose carrying value exceeds their fair value: | | | |
| National and local government bonds, etc | – | – | – |
| Corporate bonds | 1,998 | 1,947 | (51) |
| Other | 2,250 | 2,037 | (213) |
| Subtotal | 4,248 | 3,984 | (264) |
| Total | ¥15,146 | ¥15,335 | ¥ 189 |

Thousands of U.S. dollars

| As of March 31, 2012 | | | |
|---|---|---|---|
| Securities whose fair value exceeds their carrying value: | | | |
| National and local government bonds, etc | **$ 54,755** | **$ 57,385** | **$2,630** |
| Corporate bonds | **40,168** | **41,909** | **1,741** |
| Other | **25,496** | **26,994** | **1,498** |
| Subtotal | **120,419** | **126,288** | **5,869** |
| Securities whose carrying value exceeds their fair value: | | | |
| National and local government bonds, etc | **–** | **–** | **–** |
| Corporate bonds | **21,904** | **18,799** | **(3,105)** |
| Other | **20,942** | **18,507** | **(2,435)** |
| Subtotal | **42,846** | **37,306** | **(5,540)** |
| Total | **$163,265** | **$163,594** | **$ 329** |

Available-for-sale securities at March 31, 2012 and 2011 were as follows:

| As of March 31, 2012 | Carrying value | Acquisition cost | Difference |
|---|---|---|---|
| | | | Millions of yen |
| Securities whose carrying value exceeds their acquisition cost: | | | |
| Stocks | **¥ 29,172** | **¥ 11,464** | **¥17,708** |
| Bonds | | | |
| National and local government bonds, etc | **–** | **–** | **–** |
| Corporate bonds | **1,947** | **1,899** | **48** |
| Other | **74** | **64** | **10** |
| Other | **52** | **50** | **2** |
| Subtotal | **31,244** | **13,478** | **17,766** |
| Securities whose acquisition cost exceeds their carrying value: | | | |
| Stocks | **8,196** | **9,013** | **(816)** |
| Bonds | | | |
| National and local government bonds, etc | **–** | **–** | **–** |
| Corporate bonds | **496** | **498** | **(2)** |
| Other | **1,101** | **1,320** | **(219)** |
| Other | **265,006** | **265,032** | **(26)** |
| Subtotal | **274,799** | **275,862** | **(1,063)** |
| Total | **¥306,044** | **¥289,340** | **¥16,704** |

| As of March 31, 2011 | | | |
|---|---|---|---|
| | | | Millions of yen |
| Securities whose carrying value exceeds their acquisition cost: | | | |
| Stocks | ¥ 30,979 | ¥ 12,690 | ¥18,289 |
| Bonds | | | |
| National and local government bonds, etc | 45 | 45 | 0 |
| Corporate bonds | 3,127 | 3,069 | 58 |
| Other | 181 | 164 | 17 |
| Other | 148 | 132 | 16 |
| Subtotal | 34,481 | 16,101 | 18,380 |
| Securities whose acquisition cost exceeds their carrying value: | | | |
| Stocks | 8,315 | 10,131 | (1,816) |
| Bonds | | | |
| National and local government bonds, etc | – | – | – |
| Corporate bonds | 2,496 | 2,497 | (1) |
| Other | 1,640 | 1,850 | (210) |
| Other | 10,365 | 10,425 | (60) |
| Subtotal | 22,816 | 24,904 | (2,088) |
| Total | ¥ 57,297 | ¥ 41,004 | ¥16,293 |

| As of March 31, 2012 | | | |
|---|---|---|---|
| | | | Thousands of U.S. dollars |
| Securities whose carrying value exceeds their acquisition cost: | | | |
| Stocks | **$ 355,193** | **$ 139,584** | **$215,609** |
| Bonds | | | |
| National and local government bonds, etc | **–** | **–** | **–** |
| Corporate bonds | **23,706** | **23,122** | **584** |
| Other | **901** | **779** | **122** |
| Other | **633** | **621** | **12** |
| Subtotal | **380,433** | **164,106** | **216,327** |
| Securities whose acquisition cost exceeds their carrying value: | | | |
| Stocks | **99,793** | **109,741** | **(9,947)** |
| Bonds | | | |
| National and local government bonds, etc | **–** | **–** | **–** |
| Corporate bonds | **6,039** | **6,064** | **(25)** |
| Other | **13,406** | **16,072** | **(2,666)** |
| Other | **3,226,665** | **3,226,969** | **(304)** |
| Subtotal | **3,345,903** | **3,358,846** | **(12,942)** |
| Total | **$3,726,336** | **$3,522,951** | **$203,385** |

Available-for-sale securities sold in the fiscal year ended at March 31, 2012 and 2011 were as follows:

| As of March 31, 2012 | Sales amount of securities | Aggregate gain | Aggregate loss |
|---|---|---|---|
| | | | Millions of yen |
| Stocks | **¥2,960** | **¥1,302** | **¥ 1** |
| Bonds | | | |
| National and local government bonds, etc | **–** | **–** | **–** |
| Corporate bonds | **–** | **–** | **–** |
| Other | **–** | **–** | **–** |
| Other | **544** | **27** | **163** |
| Total | **¥3,504** | **¥1,329** | **¥164** |

| As of March 31, 2011 | | | |
|---|---|---|---|
| | | | Millions of yen |
| Stocks | ¥4,147 | ¥3,087 | ¥106 |
| Bonds | | | |
| National and local government bonds, etc | – | – | – |
| Corporate bonds | – | – | – |
| Other | 110 | – | – |
| Other | 206 | – | 46 |
| Total | ¥4,463 | ¥3,087 | ¥152 |

| As of March 31, 2012 | | | |
|---|---|---|---|
| | | | Thousands of U.S. dollars |
| Stocks | **$36,040** | **$15,853** | **$ 12** |
| Bonds | | | |
| National and local government bonds, etc | **–** | **–** | **–** |
| Corporate bonds | **–** | **–** | **–** |
| Other | **–** | **–** | **–** |
| Other | **6,624** | **329** | **1,985** |
| Total | **$42,664** | **$16,182** | **$1,997** |

Loss on write-down of securities of ¥966 million ($11,762 thousand) and ¥2,747 million occurred in the years ended March 31, 2012 and 2011, respectively, was recorded in the accompanying consolidated statements of operations.

## ▶8. Inventories

Inventories at March 31, 2012 and 2011 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | FY 2011 | FY 2010 | FY 2011 |
| Merchandise and Finished products | ¥ 2,506 | ¥ 556 | $ 30,513 |
| Work-in-process | 3,629 | 10,924 | 44,186 |
| Raw materials and supplies | 94,525 | 83,353 | 1,150,919 |
| Total | ¥100,660 | ¥94,833 | $1,225,618 |

## ▶9. Long-term Debt and Short-term Debt

At March 31, 2012 and 2011, long-term debt consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | FY 2011 | FY 2010 | FY 2011 |
| Bonds: | | | |
| Domestic issue: | | | |
| 0.628% to 4.0%, maturing serially through 2028 | ¥1,048,558 | ¥1,167,642 | $12,767,052 |
| Floating rate, maturing serially through 2013 | 124,000 | 144,000 | 1,509,802 |
| Overseas issue: | | | |
| 0.76%, maturing serially through 2013 (payable in euros/yen) | 5,000 | 5,000 | 60,879 |
| Loans from the Development Bank of Japan, other banks and insurance companies, due through 2026 | 1,441,489 | 728,796 | 17,551,309 |
| Lease obligations | 8,911 | 9,648 | 108,499 |
| Subtotal | 2,627,958 | 2,055,086 | 31,997,541 |
| Less current portion of long-term debt | (242,389) | (253,915) | (2,951,285) |
| Total | ¥2,385,569 | ¥1,801,171 | $29,046,256 |

At March 31, 2012 and 2011, all assets of the Company were subject to certain statutory preferential rights as collateral for loans from the Development Bank of Japan in the amount of ¥309,665 million ($3,770,425 thousand) and ¥181,686 million, respectively, and for bonds (including those assigned under debt assumption agreements) of ¥1,729,430 million ($21,057,226 thousand) and ¥1,908,230 million, respectively.

At March 31, 2012 and 2011, property, plant and equipment, and long-term investments of certain subsidiaries pledged as collateral for some of long-term debt amounted to ¥891 million ($10,849 thousand) and ¥21,455 million, respectively.

As of March 31, 2012 and 2011, long-term investments totaling ¥5,460 million ($66,480 thousand) and ¥6,339 million respectively, and other investments totaling ¥39,943 million ($486,339 thousand) and ¥27,316 million respectively, were also pledged as collateral for long-term loans from financial institutions to investees of certain subsidiaries.

At March 31, 2012 and 2011, short-term debt consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | FY 2011 | FY 2010 | FY 2011 |
| Short-term borrowings | ¥340,877 | ¥333,540 | $4,150,457 |
| Commercial paper | – | 112,000 | – |
| Total | ¥340,877 | ¥445,540 | $4,150,457 |

Short-term borrowings consisted mainly of bank loans bearing an average interest rate of 0.336% per annum at March 31, 2012.

## ▶10. Employee Retirement Benefits

The Chubu Electric Group has defined benefit pension plans, a welfare pension fund, lump-sum retirement benefit plans, and defined contribution retirement plans.

The Company may pay premium severance benefits to its retiring employees.

As a result of revisions to the Company's retirement benefit system effective April 1, 2011, the Company changed certain defined benefit retirement plans to defined contribution retirement plans. In addition, the Company changed the calculation method for payments made under lump-sum retirement benefit plans and defined benefit pension plans to a point based method.

The following table reconciles the employee retirement benefit liability and net periodic retirement benefit expense as of and for the years ended March 31, 2012 and 2011.

| As of March 31 | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | FY 2011 | FY 2010 | FY 2011 |
| Projected benefit obligation*1 | ¥ 560,077 | ¥ 630,908 | $ 6,819,396 |
| Fair value of pension plan assets at end of year | (369,296) | (407,018) | (4,496,481) |
| | 190,781 | 223,890 | 2,322,915 |
| Unrecognized actuarial differences | (4,479) | (20,428) | (54,535) |
| Unrecognized prior service cost*2 | 21,433 | 390 | 260,964 |
| Prepaid pension cost | (356) | (2,266) | (4,334) |
| Employee retirement benefit liability | ¥ 208,091 | ¥ 206,118 | $ 2,533,678 |

*1 Projected benefit obligation of certain subsidiaries was calculated using the simplified calculation method permitted by the accounting standard for employee retirement benefits in Japan.

*2 The Company has stated prior service costs as decrease in liabilities, due to the method for calculating payments under lump-sum retirement benefit plans and defined benefit pension plans being changed to a point based method.

The impact of changing certain defined benefit retirement plans to defined contribution retirement plans for the year ended March 31, 2012 under review is shown below.

| Year ended March 31 | Millions of yen FY 2011 | Thousands of U.S. dollars FY 2011 |
|---|---|---|
| Decrease in projected benefit obligation | **¥ 37,063** | **$ 451,272** |
| Decrease in pension plan assets | **(52,435)** | **(638,439)** |
| Unrecognized actuarial differences | **(1,920)** | **(23,377)** |
| Increase in employee retirement benefit liability | **¥(17,292)** | **$(210,544)** |

| Year ended March 31 | FY 2011 | FY 2010 | FY 2011 |
|---|---|---|---|
| Components of net periodic retirement benefit expense: | | | |
| Service cost | **¥ 15,711** | ¥18,601 | **$ 191,294** |
| Interest cost | **11,097** | 12,385 | **135,115** |
| Expected return on pension plan assets | **(5,546)** | (8,368) | **(67,527)** |
| Amortization of actuarial differences | **11,121** | 30,255 | **135,407** |
| Amortization of prior service cost | **(10,759)** | (116) | **(130,999)** |
| Net periodic retirement benefit expense | **21,624** | 52,757 | **263,290** |
| Loss on transaction to a defined contribution pension plan | **17,292** | – | **210,544** |
| Other* | **2,483** | 180 | **30,233** |
| Total | **¥ 41,399** | ¥52,937 | **$ 504,067** |

* "Other" is the contributions paid to the defined contribution pension plan.

Major assumptions used in the calculation of the above amounts for the years ended March 31, 2012 and 2011 were as follows:

| | | FY 2011 | FY 2010 |
|---|---|---|---|
| Method of allocation of estimated retirement benefits | (Company) | **Straight-line method** | Straight-line method |
| | (Subsidiaries) | **Straight-line method Point based method** | Straight-line method Point based method |
| Discount rate | (Company) | **2.0%** | 2.0% |
| | (Subsidiaries) | **1.8 and 2.0%** | 1.8 and 2.0% |
| Expected rate of return on pension plan assets | (Company) | **1.5%** | 2.0% |
| | (Subsidiaries) | **0.5–2.5%** | 0.5–2.5% |
| Amortization period for prior service cost | (Company) | **3 years** | – |
| | (Subsidiaries) | **5 and 15 years** | 5 and 15 years |
| Amortization period for actuarial differences | (Company) | **3 years** | 3 years |
| | (Subsidiaries) | **3, 5 and 15 years** | 3, 5 and 15 years |

## ▶11. Lease Transactions

### (a) Lessee

Future lease payments under non-cancelable operating leases at March 31, 2012 and 2011 were as follows:

| | Millions of yen FY 2011 | FY 2010 | Thousands of U.S. dollars FY 2011 |
|---|---|---|---|
| Within 1 year | **¥ 82** | ¥ 82 | **$ 999** |
| Over 1 year | **144** | 226 | **1,753** |
| Total | **¥226** | ¥308 | **$2,752** |

### (b) Lessor

Future lease commitments to be received under non-cancelable operating leases at March 31, 2012 and 2011 were as follows:

| | Millions of yen FY 2011 | FY 2010 | Thousands of U.S. dollars FY 2011 |
|---|---|---|---|
| Within 1 year | **¥ 262** | ¥ 315 | **$ 3,190** |
| Over 1 year | **1,551** | 1,815 | **18,885** |
| Total | **¥1,813** | ¥2,130 | **$22,075** |

## ▶12. Asset Retirement Obligations

### (a) Overview of Asset Retirement Obligations

Mainly, asset retirement obligations are recorded in conjunction with measures to decommission specified nuclear power plants under the "Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors" (Act No. 166 of June 10, 1957). The asset retirement cost corresponding to the asset retirement obligations in relation to decommission of specified nuclear power plants recorded on tangible fixed assets based on the estimated total cost of decommissioning nuclear power plants, and is expensed based on the amount of electricity supplied by nuclear power generation in accordance with the previous of "Ministerial Ordinance for the Setting of Reserve for the Decommissioning of Nuclear Power Plants" (Ordinance No. 30 of the Ministry of International Trade and Industry, May 25, 1989).

### (b) Method for calculating monetary amount of asset retirement obligations

With regard to decommission of specified nuclear power plants, the monetary amount of asset retirement obligations are calculated based on a discount rate of 2.3% and a useful life of assets based on the operational period of the nuclear power generation facilities that provide the basis for determining the estimated total amount of electricity generated as prescribed by "Ministerial Ordinance for the Setting of Reserves for the Decommissioning of Nuclear Power Plants" (Ordinance No. 30 of the Ministry of International Trade and Industry, May 25, 1989).

### (c) Net increase (decrease) in asset retirement obligations for the fiscal year

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **FY 2011** | FY 2010 | **FY 2011** |
| Balance at beginning of year* | **¥218,692** | ¥218,270 | **$2,662,754** |
| Reductions due to execution of asset retirement obligations | **(3,362)** | (3,555) | **(40,935)** |
| Other | **3,858** | 3,977 | **46,974** |
| Balance at end of year | **¥219,188** | ¥218,692 | **$2,668,793** |

* Balance at beginning of the year ended March 31, 2011 was adjusted by adoption of accounting standards and included ¥119,858 million transferred from reserve for decommissioning nuclear power plants, ¥40,738 million transferred from reserve for loss in conjunction with discontinued operations of nuclear power plants, and other expenses of ¥8,686 million posted for the fiscal year ended March 31, 2011.

## ▶13. Derivatives

The Chubu Electric Group enters into derivative financial instruments, including interest rate swaps, foreign exchange forward contracts, currency swaps, commodity future swaps, commodity swaps, commodity options and commodity forward contracts. The Chubu Electric Group' s derivative financial instruments outstanding at March 31, 2012 and 2011 were as follows:

### (a) Derivatives for which hedge accounting is not applied

Millions of yen

| As of March 31, 2012 | Contact amount | | Fair value | Unrealized gains or losses |
|---|---|---|---|---|
| | Total | More than 1 year | | |
| Commodity future contracts: | | | | |
| Long position | **¥ 736** | **¥ –** | **¥ 179** | **¥ 179** |
| Short position | **2,594** | **407** | **(171)** | **(171)** |
| Commodity swaps and options contracts: | | | | |
| Receive floating, pay fixed | **1,388** | **1,095** | **125** | **125** |
| Commodity swaps: | | | | |
| Receive floating, pay fixed | **27,497** | **12,746** | **233** | **233** |
| Receive fixed, pay floating | **30,513** | **12,164** | **369** | **369** |
| Commodity forward contracts: | | | | |
| Long position | **2,644** | **–** | **(83)** | **(83)** |
| Short position | **1,204** | **–** | **87** | **87** |
| Total | **¥ –** | **¥ –** | **¥ 739** | **¥ 739** |

Millions of yen

| As of March 31, 2011 | | | | |
|---|---|---|---|---|
| Commodity future contracts: | | | | |
| Long position | ¥ 6,197 | ¥ 671 | ¥(1,494) | ¥(1,494) |
| Short position | 6,451 | 2,419 | 1,734 | 1,734 |
| Commodity swaps and options contracts: | | | | |
| Receive floating, pay fixed | 1,680 | 1,388 | 135 | 135 |
| Commodity swaps: | | | | |
| Receive floating, pay fixed | 25,128 | 8,137 | 4,056 | 4,056 |
| Receive fixed, pay floating | 17,561 | 7,939 | (2,337) | (2,337) |
| Commodity forward contracts: | | | | |
| Long position | 6,379 | 2,818 | 1,634 | 1,634 |
| Short position | 13,829 | – | (2,398) | (2,398) |
| Total | ¥ – | ¥ – | ¥ 1,330 | ¥ 1,330 |

Thousands of U.S. dollars

| As of March 31, 2012 | | | | |
|---|---|---|---|---|
| Commodity future contracts: | | | | |
| Long position | **$ 8,961** | **$ –** | **$ 2,180** | **$ 2,180** |
| Short position | **31,584** | **4,955** | **(2,082)** | **(2,082)** |
| Commodity swaps and options contracts: | | | | |
| Receive floating, pay fixed | **16,900** | **13,333** | **1,522** | **1,522** |
| Commodity swaps: | | | | |
| Receive floating, pay fixed | **334,798** | **155,193** | **2,837** | **2,837** |
| Receive fixed, pay floating | **371,521** | **148,107** | **4,493** | **4,493** |
| Commodity forward contracts: | | | | |
| Long position | **32,193** | **–** | **(1,011)** | **(1,011)** |
| Short position | **14,660** | **–** | **1,059** | **1,059** |
| Total | **$ –** | **$ –** | **$ 8,998** | **$ 8,998** |

### (b) Derivatives for which hedge accounting is applied

Millions of yen

| As of March 31, 2012 | | Contact amount | | Fair value |
|---|---|---|---|---|
| | | Total | More than 1 year | |
| General treatment: | Hedged items | | | |
| Foreign exchange forward contracts: | | | | |
| Long position | Trade accounts payable (forecasted transaction) | **¥ 23,862** | **¥ –** | **¥ (240)** |
| Interest rate swaps: | | | | |
| Receive floating, pay fixed | Long-term debt | **302,000** | **302,000** | **(6,255)** |
| Receive fixed, pay floating | Long-term debt | **50,000** | **50,000** | **5,697** |
| Commodity swaps: | | | | |
| Receive floating, pay fixed | Other operating expenses | **14,222** | **11,275** | **2,148** |
| Allocation of gain/loss on foreign exchange forward contracts and others: | | | | |
| Currency swaps | Long-term debt | **20,745** | **20,485** | * |
| Special treatment of interest rate swaps: | | | | |
| Interest rate swaps: | | | | |
| Receive floating, pay fixed | Long-term debt | **125,968** | **82,440** | * |
| Total | | **¥ –** | **¥ –** | **¥ 1,350** |

Millions of yen

| As of March 31, 2011 | | | | |
|---|---|---|---|---|
| General treatment: | Hedged items | | | |
| Foreign exchange forward contracts: | | | | |
| Long position | Long-term investments (forecasted transaction) | ¥ 2,009 | ¥ 2,009 | ¥ (106) |
| Interest rate swaps: | | | | |
| Receive floating, pay fixed | Long-term debt | 50,000 | 50,000 | (3,830) |
| Receive fixed, pay floating | Long-term debt | 50,000 | 50,000 | 4,992 |
| Commodity swaps: | | | | |
| Receive floating, pay fixed | Other operating expenses | 17,168 | 14,222 | 2,649 |
| Allocation of gain/loss on foreign exchange forward contracts and others: | | | | |
| Currency swaps | Long-term debt | 21,005 | 20,745 | * |
| Special treatment of interest rate swaps: | | | | |
| Interest rate swaps: | | | | |
| Receive floating, pay fixed | Long-term debt | 146,516 | 125,968 | * |
| Total | | ¥ – | ¥ – | ¥ 3,705 |

Thousands of U.S. dollars

| As of March 31, 2012 | | | | |
|---|---|---|---|---|
| General treatment: | Hedged items | | | |
| Foreign exchange forward contracts: | | | | |
| Long position | Trade accounts payable (forecasted transaction) | **$ 290,540** | **$ –** | **$ (2,922)** |
| Interest rate swaps: | | | | |
| Receive floating, pay fixed | Long-term debt | **3,677,097** | **3,677,097** | **(76,160)** |
| Receive fixed, pay floating | Long-term debt | **608,791** | **608,791** | **69,366** |
| Commodity swaps: | | | | |
| Receive floating, pay fixed | Other operating expenses | **173,164** | **137,282** | **26,154** |
| Allocation of gain/loss on foreign exchange forward contracts and others: | | | | |
| Currency swaps | Long-term debt | **252,587** | **249,422** | * |
| Special treatment of interest rate swaps: | | | | |
| Interest rate swaps: | | | | |
| Receive floating, pay fixed | Long-term debt | **1,533,764** | **1,003,775** | * |
| Total | | **$ –** | **$ –** | **$ 16,438** |

* For the allocation method of currency swaps and special treatment of interest rate swaps, the fair value was included in fair value of respective hedged items.

## ▶14. Contingent Liabilities

As of March 31, 2012 and 2011, contingent liabilities were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **FY 2011** | FY 2010 | **FY 2011** |
| Guarantees of bonds and loans of companies and others: | | | |
| Japan Nuclear Fuel Limited | **¥124,551** | ¥125,896 | **$1,516,510** |
| Nuclear Fuel Transport Co., Ltd. and other companies | **24,738** | 11,774 | **301,205** |
| Guarantees of housing and other loans for employees | **95,520** | 100,196 | **1,163,034** |
| Guarantees relating to electricity purchase agreements for affiliates and other companies | **7,952** | 7,417 | **96,822** |
| Recourse under debt assumption agreements | **551,820** | 591,520 | **6,718,860** |

## ▶15. Net Assets

The authorized number of shares of common stock without par value is 1,190 million. At March 31, 2012 and 2011, the number of shares of common stock issued was 758,000,000. At March 31, 2012 and 2011, the number of treasury stock held by the Chubu Electric Group was 291,678 and 257,799, respectively.

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 consolidated balance sheets.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. 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 nonconsolidated financial statements of the Company in accordance with Japanese laws and regulations.

Based on the resolution of the Board of Directors meeting held on October 28, 2011, the Company paid interim cash dividends in the amount of ¥22,734 million ($276,805 thousand, ¥30 per share).

At the annual shareholders' meeting held on June 27, 2012, the shareholders approved cash dividends amounting to ¥22,734 million ($276,805 thousand, ¥30 per share). The appropriation was not recorded in the consolidated financial statements as of March 31, 2012. Such appropriation is recognized in the period in which they are approved by the shareholders.

## ▶16. Income Taxes

The tax effects on temporary differences that give rise to deferred tax assets and liabilities at March 31, 2012 and 2011 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **FY 2011** | FY 2010 | **FY 2011** |
| Deferred tax assets: | | | |
| Employee retirement benefit liability | **¥ 66,590** | ¥ 75,570 | **$ 810,788** |
| Asset retirement obligations | **42,181** | 48,058 | **513,588** |
| Depreciation | **36,515** | 42,183 | **444,600** |
| Tax loss carried forward | **29,557** | 607 | **359,881** |
| Intercompany unrealized profits | **19,194** | 19,632 | **233,703** |
| Impairment loss on fixed assets | **18,412** | 19,722 | **224,181** |
| Depreciation of easement rights | **18,095** | 18,260 | **220,321** |
| Reserve for loss in conjunction with discontinued operations of nuclear power plants | **11,942** | 16,039 | **145,403** |
| Accrued bonuses to employees | **10,279** | 11,314 | **125,155** |
| Amortization of deferred charges | **9,343** | 10,487 | **113,759** |
| Other | **60,333** | 65,105 | **734,604** |
| Total gross deferred tax assets | **322,441** | 326,977 | **3,925,983** |
| Less valuation allowance | **(37,026)** | (38,134) | **(450,822)** |
| Total deferred tax assets | **285,415** | 288,843 | **3,475,161** |
| Deferred tax liabilities: | | | |
| Asset retirement cost corresponding to asset retirement obligations | **16,220** | 17,583 | **197,492** |
| Market valuation difference on subsidiaries | **4,424** | 5,054 | **53,866** |
| Unrealized gains on available-for-sale securities | **3,514** | 3,946 | **42,786** |
| Other | **2,836** | 4,061 | **34,530** |
| Total deferred tax liabilities | **26,994** | 30,644 | **328,674** |
| Net deferred tax assets | **258,421** | 258,199 | **3,146,487** |

At March 31, 2012 and 2011, deferred tax assets and liabilities were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **FY 2011** | FY 2010 | **FY 2011** |
| Deferred tax assets: | | | |
| Noncurrent | **¥231,812** | ¥235,064 | **$2,822,501** |
| Current | **26,609** | 23,135 | **323,986** |

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.

Contents of the difference between the statutory income tax rate and the effective income tax rate for the year ended March 31, 2012 are omitted because loss before income taxes and minority interests is recorded.

On December 2, 2011, amendments to the Japanese tax regulations were enacted into law. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities at March 31, 2012 were changed. Due to these changes in statutory income tax rates, net deferred tax assets decreased by ¥32,091 million ($390,073 thousand) as of March 31, 2012 and total accumulated other comprehensive income increased by ¥578 million ($7,038 thousand) as of March 31, 2012. Deferred income tax expense recognized for the year ended March 31, 2012 increased by ¥32,743 million ($398,673 thousand).

## ▶17. Operating Expenses

Operating expenses in the electricity business for the years ended March 31, 2012 and 2011 were as follows:

| Year ended March 31 | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | FY 2011 | FY 2010 | FY 2011 |
| Salaries | ¥ 145,136 | ¥ 144,340 | $ 1,767,150 |
| Retirement benefits | 19,414 | 47,911 | 236,381 |
| Fuel | 1,040,940 | 678,471 | 12,674,297 |
| Maintenance | 216,017 | 202,614 | 2,630,184 |
| Subcontracting fees | 89,354 | 92,538 | 1,087,958 |
| Depreciation | 271,622 | 266,272 | 3,307,220 |
| Other | 514,888 | 550,798 | 6,269,183 |
| Subtotal | 2,297,371 | 1,982,944 | 27,972,373 |
| Adjustment | (8,691) | (12,546) | (105,820) |
| Total | ¥2,288,680 | ¥1,970,398 | $27,866,553 |

## ▶18. Settlement received

On September 12, 2008, the Company filed suit against Hitachi, Ltd. to obtain compensation for damages arising from broken moving vanes in a low-pressure turbine at Hamaoka Nuclear Power Station, Reactor No. 5. However, both the Company and Hitachi, Ltd. accepted draft terms of a settlement presented by the Tokyo District Court and the matter was thereby settled on October 6, 2011. The Company consequently recorded income of ¥9,000 million ($109,582 thousand) as a result of settlement received from Hitachi, Ltd.

## ▶19. Accounting standards for Presentation of Comprehensive Income

Amounts reclassified to net loss is the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income are as follows:

| Year ended March 31 | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| | FY 2011 | FY 2011 |
| Net unrealized gains (losses) on available-for-sale securities: | | |
| Increase (decrease) during the year | ¥ 715 | $ 8,706 |
| Reclassification adjustments | (150) | (1,827) |
| Subtotal, before tax | 565 | 6,879 |
| Tax (expense) or benefit | 369 | 4,493 |
| Subtotal, net of tax | 934 | 11,372 |
| Net deferred gains or losses on hedging instruments: | | |
| Increase (decrease) during the year | (2,141) | (26,068) |
| Reclassification adjustments | (172) | (2,094) |
| Subtotal, before tax | (2,313) | (28,162) |
| Tax (expense) or benefit | 889 | 10,824 |
| Subtotal, net of tax | (1,424) | (17,338) |
| Foreign currency translation adjustments: | | |
| Increase (decrease) during the year | (1,188) | (14,465) |
| Share of other comprehensive income of affiliates accounted for using equity method: | | |
| Increase (decrease) during the year | (9,468) | (115,281) |
| Reclassification adjustments | (230) | (2,800) |
| Acquisition cost adjustment of assets | 374 | 4,554 |
| Subtotal, net of tax | (9,324) | (113,527) |
| Total other comprehensive income | ¥(11,002) | $(133,958) |

## ▶20. Related Party Transactions

Significant transactions of the Company and subsidiaries with corporate auditors for the years ended March 31, 2012 and 2011 were as follows:
Kenji Matsuo (Corporate Auditor of the Company)

Kenji Matsuo, who is a Corporate auditor of the Company, is concurrently the president of Meiji Yasuda Life Insurance Company. The Company borrowed from Meiji Yasuda Life Insurance Company, of which he is a representative, with an interest rate that was reasonably determined considering the market rate of interest.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | FY 2011 | FY 2010 | FY 2011 |
| The Company's transactions during the year: | | | |
| New borrowings | ¥ 55,000 | ¥ 35,000 | $ 669,670 |
| Payment of interest | 2,905 | 2,537 | 35,371 |
| Balances at the fiscal year-end: | | | |
| Long-term debt | 188,778 | 167,492 | 2,298,527 |

## ▶21. Segment Information

The reporting segments are constituent business units of the Chubu Electric Power Group for which separate financial information is obtained, and they are examined regularly by the Board of Directors of the Company to evaluate business performance.The Group's core operations are based on the twin pillars of the Electric power business and the Energy business, which mainly entails the supply of gas and on-site energy. Our business activities also include the application of our know-how (developed in the domestic sector) to energy projects overseas, construction for the development and maintenance of electric utilities-related facilities, and the manufacturing of materials and machinery for these facilities.The Group's reporting segments are classified into "Electric power" and "Energy" based on the areas of operation described above. The Electric power segment covers the supply of electric power. The Energy segment covers energy services such as the sale of gas and liquefied natural gas (LNG) and the provision of co-generation systems, among others. Information by segment for the years ended March 31, 2012 and 2011 was as follows:

Millions of yen

| Year ended March 31, 2012 | Electric power | Energy | Subtotal | Other | Total | Adjustment | Consolidated |
|---|---|---|---|---|---|---|---|
| Operating revenues: | | | | | | | |
| External customers | **¥2,246,901** | **¥54,992** | **¥2,301,893** | **¥147,390** | **¥2,449,283** | **¥ –** | **¥2,449,283** |
| Intersegment | **1,650** | **74** | **1,724** | **325,364** | **327,088** | **(327,088)** | **–** |
| Total | **2,248,551** | **55,066** | **2,303,617** | **472,754** | **2,776,371** | **(327,088)** | **2,449,283** |
| Operating income (loss) | **¥ (48,820)** | **¥ (1,173)** | **¥ (49,993)** | **¥ 13,504** | **¥ (36,488)** | **¥ (1,179)** | **¥ (37,667)** |
| Total assets | **¥5,189,822** | **¥44,699** | **¥5,234,521** | **¥674,947** | **¥5,909,468** | **¥(262,299)** | **¥5,647,169** |
| Depreciation and amortization | **271,923** | **1,371** | **273,294** | **20,301** | **293,595** | **(4,144)** | **289,451** |
| Increase of tangible and intangible fixed assets | **252,733** | **2,893** | **255,626** | **24,956** | **280,582** | **(6,375)** | **274,207** |

Millions of yen

| Year ended March 31, 2011 | | | | | | | |
|---|---|---|---|---|---|---|---|
| Operating revenues: | | | | | | | |
| External customers | ¥2,134,553 | ¥46,783 | ¥2,181,336 | ¥149,556 | ¥2,330,892 | ¥ – | ¥2,330,892 |
| Intersegment | 1,694 | 83 | 1,777 | 328,213 | 329,990 | (329,990) | – |
| Total | 2,136,247 | 46,866 | 2,183,113 | 477,769 | 2,660,882 | (329,990) | 2,330,892 |
| Operating income | ¥ 153,303 | ¥ 2,571 | ¥ 155,874 | ¥ 20,502 | ¥ 176,376 | ¥ (2,138) | ¥ 174,238 |
| Total assets | ¥4,865,242 | ¥42,597 | ¥4,907,839 | ¥653,709 | ¥5,561,548 | ¥(229,582) | 5,331,967 |
| Depreciation and amortization | 266,579 | 1,419 | 267,998 | 20,050 | 288,048 | (4,001) | 284,047 |
| Increase of tangible and intangible fixed assets | 254,987 | 2,986 | 257,973 | 18,741 | 276,714 | (6,553) | ¥ 270,161 |

Thousands of U.S. dollars

| Year ended March 31, 2012 | | | | | | | |
|---|---|---|---|---|---|---|---|
| Operating revenues: | | | | | | | |
| External customers | **$27,357,859** | **$669,573** | **$28,027,432** | **$1,794,594** | **$29,822,026** | **$ –** | **$29,822,026** |
| Intersegment | **20,090** | **901** | **20,991** | **3,961,573** | **3,982,564** | **(3,982,564)** | **–** |
| Total | **27,377,949** | **670,474** | **28,048,423** | **5,756,167** | **33,804,590** | **(3,982,564)** | **29,822,026** |
| Operating income (loss) | **$ (594,424)** | **$ (14,282)** | **$ (608,706)** | **$ 164,434** | **$ (444,272)** | **$ (14,355)** | **$ (458,627)** |
| Total assets | **$63,190,332** | **$544,247** | **$63,734,579** | **$8,218,033** | **$71,952,612** | **$(3,193,705)** | **$68,758,907** |
| Depreciation and amortization | **3,310,885** | **16,693** | **3,327,578** | **247,182** | **3,574,760** | **(50,457)** | **3,524,303** |
| Increase of tangible and intangible fixed assets | **3,077,231** | **35,225** | **3,112,456** | **303,860** | **3,416,316** | **(77,621)** | **3,338,695** |

### (a) Method for calculating operating revenues, income and loss, assets and other amounts for each reporting segment

The accounting treatment methods for the reporting segments are consistent with the accounting treatment methods described in Note 2 Summary of Siginificant Accounting Policies. Segment income or loss for each reporting segment is presented on an operating income basis. All transactions between segments are on an arm's length basis.

### (b) Information about products and services

The Company has omitted disclosure of information for each product and service because similar information is disclosed in the segment information above.

### (c) Information by geographic regions

(1) Operating revenues

The Company has omitted disclosure of operating revenues because operating revenues to external customers in Japan account for more than 90% of the amount of operating revenues reported in the consolidated statements of operations.

(2) Property, plant and equipment

The Company has omitted disclosure of property, plant and equipment because property, plant and equipment in Japan account for more than 90% of the amount of property, plant and equipment reported in the consolidated balance sheets.

### (d) Information about major customers

The Company has not disclosed information about major customers because no customer had contributed by 10% or more to operating revenues in the consolidated statements of operations.

### (e) Impairment losses on fixed assets, amortization of goodwill and the unamortized balance, and gains arising from negative goodwill

The Company has omitted information by segment on impairment loss on fixed assets, amortization of goodwill and the unamortized balance, and gains arising from negative goodwill due to the negligible importance of this information.

KPMG

## Independent Auditor's Report

To the Board of Chubu Electric Power Company, Incorporated:

We have audited the accompanying consolidated financial statements of Chubu Electric Power Company, Incorporated (the "Company") and its subsidiaries which comprise the consolidated balance sheets as at March 31, 2012 and 2011, and the consolidated statements of operations, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Consolidated Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its subsidiaries as at March 31, 2012 and 2011, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

**Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the Consolidated Financial Statements.

July 4, 2012
Nagoya, Japan

KPMG AZSA LLC

# Nonconsolidated Balance Sheets

Chubu Electric Power Company, Incorporated
As of March 31, 2012 and 2011

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| **ASSETS** | **FY 2011** | FY 2010 | **FY 2011** |
| **Property, Plant and Equipment:** | | | |
| Property, plant and equipment | **¥12,681,831** | ¥12,596,167 | **$ 154,411,677** |
| Construction in progress | **434,637** | 404,795 | **5,292,061** |
| | **13,116,468** | 13,000,962 | **159,703,738** |
| Less: | | | |
| Contributions in aid of construction | **(156,336)** | (155,081) | **(1,903,519)** |
| Accumulated depreciation | **(9,278,205)** | (9,103,037) | **(112,969,743)** |
| | **(9,434,541)** | (9,258,118) | **(114,873,262)** |
| Total Property, Plant and Equipment, Net | **3,681,927** | 3,742,844 | **44,830,476** |
| **Nuclear Fuel:** | | | |
| Loaded nuclear fuel | **40,040** | 41,221 | **487,520** |
| Nuclear fuel in processing | **212,018** | 220,062 | **2,581,492** |
| Total Nuclear Fuel | **252,058** | 261,283 | **3,069,012** |
| **Investments and Other Long-term Assets:** | | | |
| Long-term investments | **306,923** | 285,125 | **3,737,039** |
| Deferred tax assets | **196,940** | 199,642 | **2,397,906** |
| Fund for reprocessing of irradiated nuclear fuel | **229,167** | 240,002 | **2,790,296** |
| Other | **9,915** | 13,673 | **120,723** |
| Less allowance for doubtful accounts | **(330)** | (312) | **(4,018)** |
| Total Investments and Other Long-term Assets | **742,615** | 738,130 | **9,041,946** |
| **Current Assets:** | | | |
| Cash and deposits | **164,980** | 68,633 | **2,008,767** |
| Trade notes and accounts receivable | **129,983** | 104,279 | **1,582,650** |
| Less allowance for doubtful accounts | **(1,233)** | (853) | **(15,013)** |
| Inventories | **91,083** | 79,922 | **1,109,010** |
| Deferred tax assets | **20,443** | 17,123 | **248,910** |
| Other | **293,405** | 22,259 | **3,572,446** |
| Total Current Assets | **698,661** | 291,363 | **8,506,770** |
| **Total Assets** | **¥ 5,375,261** | ¥ 5,033,620 | **$ 65,448,204** |

| LIABILITIES AND NET ASSETS | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **FY 2011** | FY 2010 | **FY 2011** |
| **Long-term Liabilities:** | | | |
| Long-term debt | **¥2,364,153** | ¥1,775,174 | **$28,785,499** |
| Employee retirement benefit liabilitiy | **161,852** | 158,931 | **1,970,681** |
| Reserve for reprocessing of irradiated nuclear fuel | **247,742** | 258,544 | **3,016,462** |
| Reserve for preparation for reprocessing of irradiated nuclear fuel | **14,243** | 13,660 | **173,420** |
| Reserve for loss in conjunction with discontinued operations of nuclear power plants | **39,366** | 44,927 | **479,313** |
| Asset retirement obligations | **218,711** | 218,602 | **2,662,985** |
| Other long-term liabilities | **51,420** | 57,075 | **626,081** |
| Total Long-term Liabilities | **3,097,487** | 2,526,913 | **37,714,441** |
| **Current Liabilities:** | | | |
| Current portion of long-term debt and other | **239,707** | 252,403 | **2,918,629** |
| Short-term borrowings | **334,400** | 324,400 | **4,071,594** |
| Commercial paper | **–** | 112,000 | **–** |
| Trade notes and accounts payable | **84,406** | 68,972 | **1,027,712** |
| Income taxes payable | **–** | 30,090 | **–** |
| Other | **259,996** | 227,017 | **3,165,664** |
| Total Current Liabilities | **918,509** | 1,014,882 | **11,183,599** |
| **Reserve for Fluctuation in Water Levels** | **14,490** | 6,151 | **176,427** |
| Total Liabilities | **4,030,486** | 3,547,946 | **49,074,467** |
| **Net Assets:** | | | |
| Common stock | **430,777** | 430,777 | **5,245,063** |
| Capital surplus | **70,690** | 70,690 | **860,709** |
| Retained earnings | **831,848** | 971,960 | **10,128,430** |
| Less treasury stock, at cost | **(423)** | (378) | **(5,150)** |
| Total Shareholders' Equity | **1,332,892** | 1,473,049 | **16,229,052** |
| Valuation and translation adjustments | **11,883** | 12,625 | **144,685** |
| Total Net Assets | **1,344,775** | 1,485,674 | **16,373,737** |
| **Total Liabilities and Net Assets** | **¥5,375,261** | ¥5,033,620 | **$65,448,204** |

# Nonconsolidated Statements of Operations

Chubu Electric Power Company, Incorporated
For the Years Ended March 31, 2012 and 2011

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **FY 2011** | FY 2010 | **FY 2011** |
| **Operating Revenues** | **¥2,295,153** | ¥2,178,287 | **$27,945,367** |
| **Operating Expenses:** | | | |
| Fuel | **1,040,940** | 678,471 | **12,674,297** |
| Salaries and employee benefits | **201,397** | 228,524 | **2,452,173** |
| Purchased Power | **208,455** | 208,204 | **2,538,110** |
| Maintenance | **216,017** | 202,614 | **2,630,184** |
| Depreciation | **271,622** | 266,272 | **3,307,220** |
| Taxes other than income taxes | **122,606** | 124,837 | **1,492,829** |
| Other | **284,593** | 311,487 | **3,465,153** |
| Total Operating Expenses | **2,345,630** | 2,020,409 | **28,559,966** |
| **Operating Income (Loss)** | **(50,477)** | 157,878 | **(614,599)** |
| **Other (Income) Expenses:** | | | |
| Interest expense | **36,033** | 36,202 | **438,731** |
| Settlement received | **(9,000)** | – | **(109,582)** |
| Loss on transition to a defined contribution pension plan | **17,292** | – | **210,544** |
| Loss on adjustment for adoption of accounting standard for asset retirement obligations | **–** | 8,647 | **–** |
| Other, net | **(9,077)** | (9,364) | **(110,520)** |
| Total Other Expenses, Net | **35,248** | 35,485 | **429,173** |
| **Income (Loss) before Provision of Reserve for Fluctuation in Water levels and Income Taxes** | **(85,725)** | 122,393 | **(1,043,772)** |
| **Provision of Reserve for Fluctuation in Water Levels** | **8,338** | 2,450 | **101,522** |
| **Income (Loss) before Income Taxes** | **(94,063)** | 119,943 | **(1,145,294)** |
| **Income Taxes:** | | | |
| Current | **–** | 61,652 | **–** |
| Deferred | **575** | (17,557) | **7,001** |
| Total Income Taxes | **575** | 44,095 | **7,001** |
| **Net Income (Loss)** | **¥ (94,638)** | ¥ 75,848 | **$ (1,152,295)** |

| | Yen | | U.S. dollars |
|---|---|---|---|
| | **FY 2011** | FY 2010 | **FY 2011** |
| **Per Share of Common Stock:** | | | |
| Net income (Loss): | | | |
| Basic | **¥ (124.88)** | ¥ 99.48 | **$ (1.52)** |
| Cash dividends | **60.00** | 60.00 | **0.73** |

# Corporate Data

(As of March 31, 2012)

## Corporate Profile

| | |
|---|---|
| Corporate name: | Chubu Electric Power Co., Inc. |
| Headquarters: | 1, Higashi-shincho, Higashi-ku, Nagoya, Aichi 461-8680, Japan |
| Date of establishment: | May 1st, 1951 |
| Capital: | ¥430,777,362,600 |
| Number of employees: | 17,206<br>* Number of existing employees |
| Number of issued shares: | 758,000,000 |
| Number of shareholders: | 330,179 |
| Auditor: | KPMG AZSA LLC |
| Securities traded: | Tokyo Stock Exchange<br>Osaka Securities Exchange<br>Nagoya Stock Exchange<br>(Security code: 9502) |
| Manager of shareholder list: | Mitsubishi UFJ Trust and Banking Corporation<br>4-5, Marunouchi 1-chome,<br>Chiyoda-ku, Tokyo 100-8212, Japan |

## Overseas Offices

**Washington Office**
900 17th Street N.W., Suite 1220,
Washington, D.C. 20006, U.S.A.
Tel: +1-202-775-1960

**London Office**
Nightingale House, 65 Curzon Street,
London W1J 8PE, U.K.
Tel: +44-20-7409-0142

**Doha Office**
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P.O. Box 22470, Doha-QATAR
Tel: +974-4836-680

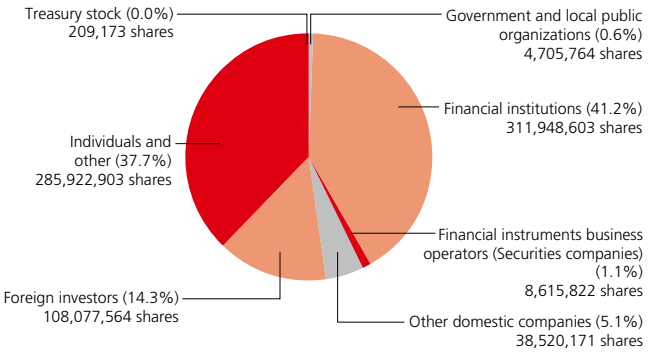
**Bangkok Office**
Unit 4, 18th Floor, M.Thai Tower,
All Seasons Place, 87 Wireless Road, Phatumwan,
Bangkok 10330, THAILAND
Tel: +66-2-654-0688

## Principal Shareholders

| Name | Number of shares (thousands) | Percentage of total shares in issue (%) |
|---|---|---|
| Japan Trustee Services Bank, Ltd. | 71,243 | 9.40 |
| The Master Trust Bank of Japan, Ltd. | 49,229 | 6.49 |
| Meiji Yasuda Life Insurance Company | 42,662 | 5.63 |
| Nippon Life Insurance Company | 34,440 | 4.54 |
| Chubu Electric Employees' Shareholders Association | 15,724 | 2.07 |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 15,304 | 2.02 |
| Sumitomo Mitsui Banking Corporation | 14,943 | 1.97 |
| SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited) | 14,619 | 1.93 |
| Mizuho Corporate Bank, Ltd. | 10,564 | 1.39 |
| The Dai-ichi Mutual Life Insurance Company, Limited | 10,000 | 1.32 |
| Total | 278,732 | 36.77 |

Note: The numbers of shares held by Japan Trustee Services Bank, Ltd. and The Master Trust Bank of Japan, Ltd. (71,243,000 and 49,229,000, respectively) are related to their trust services.

## Composition of Shareholders




## Chubu Electric Power Group

● 43 consolidated subsidiaries ■ 36 affiliates accounted for under the equity method (As of June 30, 2012)

### Energy Business
- ● C ENERGY CO., INC.
- ■ Hokuriku Erunesu Co., Ltd.
- ■ Minami Enshu Pipeline Co., Ltd.

### Overseas Energy Businesses
- ● Chubu Electric Power Company International B.V.
- ● Chubu Electric Power Company U.S.A. Inc.
- ● Chubu Electric Power (Thailand) Co., Ltd.
- ● Chubu Electric Power Goreway B.V.
- ● Chubu Electric Power Falcon B.V.
- ● Chubu Electric Power Thailand SPP B.V.
- ● Chubu Electric Power Sur B.V.
- ● Chubu Electric Power Korat B.V.
- ■ Compañia de Generación Valladolid, S. de R.L. de C.V.
- ■ Compañia de Operación Valladolid, S. de R.L. de C.V.
- ■ TC Generation, LLC
- ■ Chubu Ratchaburi Electric Services Co., Ltd.
- ■ A.T. Biopower Co., Ltd.
- ■ Goreway Power Station Holdings ULC
- ■ Chubu TT Energy Management Inc.
- ■ MT Falcon Holdings Company, S.A.P.I. de C.V.
- ■ First Korat Wind Co., Ltd.
- ■ K.R. Two Co., Ltd.
- ■ Phoenix Power Company SAOC
- ■ Phoenix Operation and Maintenance Company LLC
- ■ TAC Energy Co., Ltd.

### IT/Telecommunications Business
- ● Chuden CTI Co., Ltd.
- ■ Chubu Telecommunications Co., Inc.
- ■ Community Network Center Inc.
- ■ Omaezaki Cable Television
- ■ CHUBU CABLE NETWORK COMPANY, INCORPORATED

### Construction Business
- ● Chubu Plant Service Co., Ltd.
- ● C-TECH CORPORATION
- ● TOENEC CORPORATION
- ● TOENEC Service Co., Ltd.
- ● TOENEC CONSTRUCTION (SHANGHAI) CO., LTD.
- ● TOENEC (TAIWAN) CO., LTD.
- ● TOENEC (THAILAND) CO., LTD.
- ● TOENEC PHILIPPINES INCORPORATED

### Manufacturing
- ● CHUBU SEIKI Co., Ltd.
- ■ TOKAI CONCRETE INDUSTRIES Co., Ltd.
- ■ AICHI KINZOKU KOGYO Co., Ltd.
- ■ AICHI ELECTRIC Co., Ltd.
- ■ Chubu Liquid Oxygen Co., Ltd.
- ■ Chita Tansan Co., Ltd.

### Transportation
- ● Chuden Transportation Service Co., Ltd.
- ■ SHIN-NIHON HELICOPTER Co., Ltd.

### Real Estate
- ● Chuden Real Estate Co., Ltd.

### Services and Others
- ● Chuden Auto Lease Co., Ltd.
- ● Chubu Cryogenics Co., Ltd.
- ● Chuden Wing Co., Ltd.
- ● Toho Industry Co., Ltd.
- ● CHUDEN BUSINESS SUPPORT Co., Ltd.
- ● Chuden Haiden Support Co., Ltd.
- ● Chita L.N.G. Co., Ltd.
- ● Chubu Energy Trading, Inc.
- ● Techno Chubu Co., Ltd.
- ● Chuden Disaster Prevention Co., Ltd.
- ● CHUDEN KOGYO Co., Ltd.
- ● Chita Berth Co., Inc.
- ● AOYAMA-KOGEN WIND FARM CO., LTD.
- ● FILLTECH CORPORATION
- ● Chubu Energy Trading Singapore Pte Ltd.
- ● Chubu Electric Power Australia Pty Ltd.
- ● Chubu Electric Power Company Global Resources B.V.
- ● Chubu Electric Power Gorgon Pty. Ltd.
- ● Chubu Electric Power Integra Pty Ltd.
- ● Chubu Electric Power Cordova Gas Ltd.
- ● Chubu Electric Power Ichthys Pty Ltd.
- ● Chubu Electric Power Exploration Pty Ltd.
- ■ Nagoya City Energy Co., Ltd.
- ■ Aichi Kinuura Bio K.K.
- ■ Hamamatsu D.H.C. Co., Ltd.
- ■ Nagoya Energy Service Co., Ltd.
- ■ Charging Network Development Organization, LLC.
- ■ Centrair Energy Supply Co., Ltd.
- ■ KASUMI BERTH CO., INC.
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