

The Summary of Financial Results for FY2016-1Q

(April 1 through June 30, 2015)

The Chugoku Electric Power Co., Inc.

July 29, 2015

In this report, the term “Fiscal Year 2016” refers to the period between April 1, 2015 and March 31, 2016.

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I . FY2016 1st Quarter Financial Results

1. FY2016 -1Q Financial Results Summary

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(1) Consolidated

(billion yen)

	FY2016-1Q (A)	FY2015-1Q (B)	Difference (A-B)	Rate of change (A/B-1)
Operating revenues	302.2	307.3	▲5.1	▲1.7%
Operating income	12.2	23.5	▲11.2	▲48.0%
Ordinary income	9.2	19.7	▲10.4	▲53.0%
Net income attributable to owners of the parent	6.8	12.6	▲5.7	▲45.6%

(Rounded down to the hundred million yen)

(2) Non-consolidated

(billion yen)

	FY2016-1Q (A)	FY2015-1Q (B)	Difference (A-B)	Rate of change (A/B-1)
Operating revenues	281.4	289.3	▲7.8	▲2.7%
Operating income	9.6	21.6	▲12.0	▲55.4%
Ordinary income	11.6	24.1	▲12.4	▲51.6%
Net income	10.1	17.7	▲7.6	▲43.2%

(Rounded down to the hundred million yen)

2. Electricity Sales

- Electricity sales were 13.27 billion kWh, down by 2.5% in comparison with the same period in the previous year.
- Lighting use decreased in comparison with the same period in the previous year due to reasons such as the decrease in heating and cooling demand influenced by temperatures.
- Large-scale electricity decreased in comparison with the same period in the previous year due to reasons such as the decrease in “iron & steel” and “chemical” industries demand.

(billion kWh)

	FY2016-1Q (A)	FY2015-1Q (B)	Difference (A-B)	Rate of change (A/B-1)
Total	13.27	13.61	▲0.34	▲2.5%
Other than eligible customers	4.41	4.51	▲0.10	▲2.3%
Lighting	3.94	4.03	▲0.09	▲2.3%
Low voltage	0.47	0.48	▲0.01	▲1.7%
Eligible customers ※	8.86	9.10	▲0.24	▲2.6%
Commercial	2.42	2.45	▲0.03	▲1.2%
Industrial	6.44	6.65	▲0.21	▲3.2%
Large-scale	5.42	5.64	▲0.22	▲3.8%

(※) Eligible customers: Demand for special high-tension or high-tension power reception with contracted power that is, in general, 50 kW or more.

<Reference> Average monthly temperature (Hiroshima city) (°C)

	2015			
	Mar.	Apr.	May.	Jun.
Average monthly temperature	10.0	15.8	20.5	22.5
Difference from previous year	0.0	1.5	0.9	▲0.7
Difference from average year	0.9	1.1	1.2	▲0.5

3. Supply Capacity

- Hydroelectric of own facilities increased in comparison with the same period in the previous year due to the increased water flow.
- Thermal power of own facilities decreased due to the increase in maintenance of the facilities and the decrease in electricity sales.
- Purchased power increased due to the decrease in maintenance of other electric power companies' power plants.

(billion kWh)

		FY2016-1Q	FY2015-1Q	Difference	Rate of change
		(A)	(B)	(A-B)	(A/B-1)
Supply Capacity		14.10	14.57	▲0.47	▲3.2%
Own facilities	(Water Flow Rate)	(95.8%)	(78.3%)	(17.5%)	
	Hydroelectric	0.81	0.75	0.06	7.6%
	Thermal	7.74	9.16	▲1.42	▲15.5%
	(Capacity Factor)	(—)	(—)	(—)	
	Nuclear	—	—	—	—
	New energy sources	0.00	0.00	0.00	86.2%
Purchased power		5.66	4.92	0.74	15.0%
Interchanged power		▲0.05	▲0.14	0.09	▲65.0%
Pumping use		▲0.06	▲0.12	0.06	▲53.7%

4. Income Statement < Non-Consolidated >

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(1) Revenues

(billion yen)

	FY2016-1Q (A)	FY2015-1Q (B)	Difference (A-B)	Breakdown
Ordinary revenues	290.4	298.9	▲8.5	
Operating revenues	281.4	289.3	▲7.8	
Electricity sales	233.8	243.5	▲9.6	<ul style="list-style-type: none"> ·Decrease in electricity sales ▲6.1 ·Decrease in revenue units ▲3.5 (Fuel cost adjustment system ▲11.1 Renewable energy power promotion surcharge +7.3)
Lighting	86.8	89.8	▲3.0	
Commercial & industrial	147.0	153.6	▲6.6	
Sales to other companies, etc.	47.5	45.7	1.8	<ul style="list-style-type: none"> ·Increase in grants on the act of renewable energy +7.2 ·Decrease in incidental businesses ▲3.2 ·Decrease in sales to other companies ▲ 2.4
Other revenues	8.9	9.6	▲0.6	

(Rounded down to the hundred million yen)

(2) Expenses

(billion yen)

	FY2016-1Q (A)	FY2015-1Q (B)	Difference (A-B)	Breakdown
Ordinary expenses	278.7	274.8	3.9	
Operating expenses	271.7	267.6	4.1	
Personnel	24.9	23.5	1.3	
Material	140.2	142.5	▲2.3	<ul style="list-style-type: none"> · Lower CIF price ▲38.4 · Decrease in electricity sales ▲4.1 · Influences of capacity factor of coal & LNG power plants +24.4 · Lower yen rate +11.4 · Increase in purchase of renewable energy, and other factors +4.4
Fuel	65.9	80.4	▲14.4	
Purchased power	74.2	62.1	12.0	
Maintenance	18.1	17.5	0.5	
Depreciation	23.2	23.6	▲0.4	
Nuclear power back-end	1.3	1.4	▲0.0	
Others	63.9	58.7	5.1	<ul style="list-style-type: none"> · Increase in payments of the levy on the act of renewable energy +7.3 · Decrease in incidental businesses ▲3.2
Interests	5.5	6.1	▲0.5	
Other expenses	1.3	1.1	0.2	

(Rounded down to the hundred million yen)

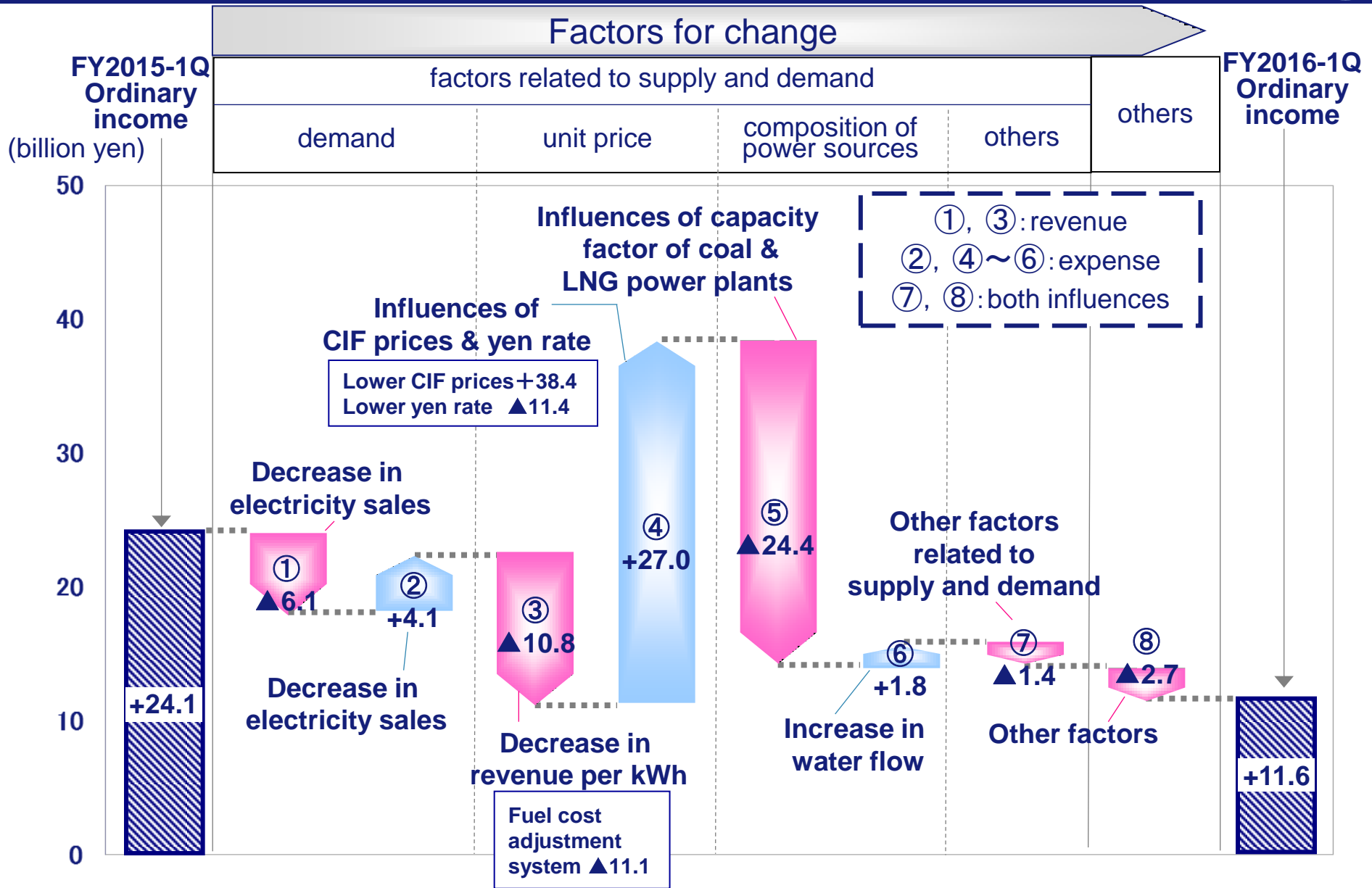
(3) Income, etc

(billion yen)

	FY2016-1Q (A)	FY2015-1Q (B)	Difference (A-B)	Breakdown
Operating income	9.6	21.6	▲12.0	
Ordinary income	11.6	24.1	▲12.4	
Provision for drought	▲0.6	▲0.3	▲0.3	
Provision for depreciation of nuclear power plant	0.2	0.1	0.0	
Income taxes, etc.	1.9	6.5	▲4.5	
Net income	10.1	17.7	▲7.6	

(Rounded down to the hundred million yen)

5. Factors for change in Ordinary income < Non-Consolidated >



(Note) Regarding renewable energy, promotion surcharge and payments of the levy are excluded from the factors of change in the above, (specifically from ③ and ⑦) because these influences on ordinary incomes are entirely offset.

■ Major Factors

	FY2016-1Q (A)	FY2015-1Q (B)	Difference (A-B)
Exchange rate (¥ / \$)	121	102	19
Crude oil prices (All Japan CIF) (\$ / b)	59.5	109.6	▲50.1
Foreign coal prices (All Japan CIF) (\$ / t)	82.5	99.5	▲17.0

(※) Crude oil prices and foreign coal prices in FY2016-1Q are assumption value of our company.

■ Financial impact (Sensitivity)

(billion yen)

		FY2016-1Q
Exchange rate	(¥1 / \$)	0.6
Crude oil prices (All Japan CIF)	(\$1 / b)	0.9
Water flow rate	(1%)	0.1
Nuclear capacity factor	(1%)	0.2

7. Balance Sheet < Consolidated >

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(billion yen)

	End of FY2016-1Q (A)	End of FY2015 (B)	Difference (A-B)	Breakdown
Assets	2,999.0	3,106.2	▲107.2	See Appendix : P17,18 Balance Sheet <Non-consolidated>
Electric utility fixed assets	1,332.2	1,338.5	▲6.2	
Construction in progress	666.9	658.0	8.9	
Liabilities	2,374.0	2,481.4	▲107.3	
Interest-bearing debt	1,909.6	1,980.1	▲70.5	
Provision for depreciation of nuclear power plant	73.2	72.9	0.2	
Total net assets	624.9	624.8	0.0	
Shareholders' equity	619.9	619.8	0.0	

(Rounded down to the hundred million yen)

(1) Comprehensive Energy Supply Business ※

(billion yen)

	FY2016-1Q (A)	FY2015-1Q (B)	Difference (A-B)	Breakdown
Operating revenues	11.7	14.1	▲2.3	▪ Decrease in LNG sales business
Operating income	1.2	0.4	▲0.7	▪ Decline in unit purchase price due to the decrease in fuel price

(Rounded down to the hundred million yen)

(※) Comprehensive Energy Supply Business is run by The Chugoku Electric Power Company, Energia Solution and Service Company, and Power Engineering and Training Service excluding transactions among them .

(2) Information & Telecommunication Business

(billion yen)

	FY2016-1Q (A)	FY2015-1Q (B)	Difference (A-B)	Breakdown
Operating revenues	9.2	9.2	0.0	
Operating income	1.0	1.4	▲0.4	▪ Increase in depreciation

(Rounded down to the hundred million yen)

Ⅱ . Performance Outlook for FY2016 Forecast of dividends

- We expect both consolidated and non- consolidated operating revenues to increase in comparison with the last expectation announced on April 28, 2015, due to the increase in revenue from electricity sales under the influence of fuel cost adjustment system despite the decrease in electricity sales.
- As we cannot formulate reasonable material and other cost forecasts of electrical power supply/demand, the forecasts of operating, ordinary, and net income cannot be announced at this time.
We shall provide prompt notification as soon as it is possible to announce our earnings forecast.

2. Summary of Performance Outlook

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(billion yen)

	Consolidated				Non- Consolidated			
	FY2016(Forecasts)		Difference (A-B)	Rate of change (A/B-1)	FY2016(Forecasts)		Difference (A-B)	Rate of change (A/B-1)
	As of Jul.29 (A)	As of Apr.28 (B)			As of Jul.29 (A)	As of Apr.28 (B)		
Operating revenues	1,259.0	1,254.0	5.0	0.4%	1,180.0	1,175.0	5.0	0.4%
Operating income	—	—	—	—	—	—	—	—
Ordinary income	—	—	—	—	—	—	—	—
Net Income*	—	—	—	—	—	—	—	—

* Consolidated net income is the net income attributable to owners of the parent.

Major Factors

		FY2016(Forecasts)		Difference (A-B)
		As of Jul.29 (A)	As of Apr.28 (B)	
Electricity sales	(billion kWh)	Approx. 58.2	Approx. 58.5	Approx. ▲0.3
Exchange rate	(¥ / \$)	Approx. 124	Approx. 120	Approx. 4
Crude oil prices (All Japan CIF)	(\$ / b)	Approx. 64	Approx. 60	Approx. 4

- We have not revised the forecasts of dividends of FY 2016 announced on April 28, 2015, i.e. we have not yet decided them.

The forecasts of dividends previously announced on April 28, 2015.

	FY2016 [Forecasts]	FY2015
Annual dividends	Undecided	¥50 per share
Interim dividends	undecided	¥25 per share

III. Appendix

1. Operating revenues < Non-Consolidated >

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(1) Personnel

(billion yen)

	FY2016-1Q (A)	FY2015-1Q (B)	Difference (A-B)	Breakdown
Total	24.9	23.5	1.3	
Retirement allowances	0.3	▲0.0	0.4	•Increase in actuarial difference depreciation +0.6

(Rounded down to the hundred million yen)

Actuarial Difference

(billion yen)

	Recorded amount	FY2015 amount of amortization	FY2016 Estimate		
			Amount of amortization	Balance of non-amortization	Non-amortization years
FY2010	22.1	4.4	—	—	—
FY2011	0.1	0.0	0.0	—	—
FY2012	▲0.1	▲0.0	▲0.0	▲0.0	1
FY2013	4.7	0.9	0.9	1.9	2
FY2014	12.2	2.4	2.4	7.3	3
FY2015	8.9	—	1.7	7.1	4
Total		7.8	5.2	16.4	—

(※) Amortize for five years from next recorded year

(Rounded down to the hundred million yen)

(2) Maintenance

(billion yen)

	FY2016-1Q (A)	FY2015-1Q (B)	Difference (A-B)	Breakdown
Total	18.1	17.5	0.5	
Power source	6.8	8.3	▲1.4	·Decrease in thermal power ▲1.7
Electric power transport	10.8	8.8	2.0	·Increase in distribution +2.0
Others	0.4	0.3	0.0	

(Rounded down to the hundred million yen)

(3) Depreciation

(billion yen)

	FY2016-1Q (A)	FY2015-1Q (B)	Difference (A-B)	Breakdown
Total	23.2	23.6	▲0.4	
Power source	8.7	8.9	▲0.2	
Electric power transport	12.2	12.6	▲0.4	
Others	2.3	2.0	0.2	

(Rounded down to the hundred million yen)

2. Procurement and Consumption of Fuel (in-house)

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(1) Procurement volume

	Unit	FY2016-1Q (A)	FY2015-1Q (B)	Difference (A-B)
Fuel oil ※1	million liters	340	240	100
Crude oil	million liters	90	10	80
Coal ※2	thousand tons	1,070	1,720	▲650
LNG ※2	thousand tons	590	600	▲10

※1 : Internal combustion power plant included

※2 : Sales included

(2) Consumption volume

	Unit	FY2016-1Q (A)	FY2015-1Q (B)	Difference (A-B)
Fuel oil ※3	million liters	350	220	130
Crude oil	million liters	100	20	80
Coal	thousand tons	770	1,620	▲850
LNG	thousand tons	540	500	40

※3 : Internal combustion power plant included

3. Balance Sheet < Non-Consolidated >

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(1) Assets

(billion yen)

	End of FY2016-1Q (A)	End of FY2015 (B)	Difference (A-B)	Breakdown
Total	2,758.5	2,868.2	▲109.6	
Fixed assets	2,498.4	2,491.3	7.1	
Electric utility fixed assets	1,369.4	1,375.9	▲6.5	<ul style="list-style-type: none"> ▪ Asset capitalization +18.4 ▪ Depreciation ▲23.2 (Accumulated depreciation rate 77.2%) ▪ Retirement, etc. ▲1.7
Incidental business fixed assets	0.1	0.1	▲0.0	
Non-business fixed assets	4.3	4.4	▲0.0	
Construction in progress	664.6	658.7	5.8	
Nuclear decommissioning	16.9	18.0	▲1.1	
Nuclear fuel	177.0	186.5	▲9.5	
Others	282.8	265.3	17.4	
Current assets	260.0	376.9	▲116.8	▪ Decrease in short-term investments

(Rounded down to the hundred million yen)

(2) Liabilities and Net Assets

(billion yen)

	End of FY2016-1Q (A)	End of FY2015 (B)	Difference (A-B)	Breakdown			
Total	2,758.5	2,868.2	▲109.6	<Breakdown of interest-bearing debt>			
Liabilities	2,306.1	2,419.5	▲113.4		End of FY2016-1Q (A)	End of FY2015 (B)	Difference (A - B)
Long-term liabilities	1,867.8	1,867.9	▲0.1				
Current liabilities	364.8	477.6	▲112.8	Corporate bond	909.9	954.9	▲44.9
Provision for drought	0.2	0.9	▲0.6	Long-term debt	899.2	923.9	▲24.6
Provision for depreciation of nuclear power plant	73.2	72.9	0.2	Short-term debt	70.0	75.0	▲5.0
				CP	—	—	—
Net Assets	452.4	448.7	3.7	Total	1,879.2	1,953.9	▲74.6
Common stock	185.5	185.5	—				
Capital surplus	16.7	16.7	0.0				
Retained earnings	245.1	244.0	1.0				
Treasury stock	▲14.5	▲14.5	▲0.0				
Valuation and translation adjustments	19.5	16.9	2.6				

(Rounded down to the hundred million yen)

4. Capital Expenditure < Non-Consolidated >

(billion yen)

	FY2016-1Q (A)	FY2015-1Q (B)	Difference (A-B)
Total	26.6	29.0	▲2.4
Power Source	14.9	17.0	▲2.0
Electric Power Transport	9.3	6.9	2.3
Transmission	2.5	2.2	0.2
Transformation	2.8	1.8	0.9
Distribution	3.9	2.8	1.0
Nuclear Fuel	1.3	4.6	▲3.2
Others	1.0	0.4	0.5

(※) Incidental Business Facilities Excluded

(Rounded down to the hundred million yen)

(1) Financial Index

(billion yen)

		End of FY2016-1Q (A)	End of FY2015 (B)	Difference (A-B)
Consolidated	Interest-bearing debt	1,909.6	1,980.1	▲70.5
	Exclude lease obligations	1,901.1	1,971.6	▲70.5
	Shareholders' equity ratio	20.7%	20.0%	0.7%
Non-consolidated	Interest-bearing debt	1,879.2	1,953.9	▲74.6
	Exclude lease obligations	1,879.2	1,953.9	▲74.6
	Shareholders' equity ratio	16.4%	15.6%	0.8%

(Rounded down to the hundred million yen)

(2) Interest Rate (Non-Consolidated)

	FY2016-1Q	FY2015
Average	1.22%	1.33%
End of period	1.19%	1.24%

6. Diffusion Rate of Completely Electrical Housing and Electric Water Heater 21

	Unit	FY2013	FY2014	FY2015	FY2016-1Q
Completely electrical housing introduced	Number of housing (thousands)	44	43	38	8
Newly-constructed		21	21	20	4
Remodeled ※1		23	22	18	4
The ratio of newly constructed electrical Housing	%	51.6	47.1	46.1	{ 47.3 ※2 } 77.2 15.4
Single homes	%	80.0	77.8	74.0	
Housing complexes	%	19.9	13.7	14.4	
Household diffusion rate of completely electric homes	%	17.6	18.5	19.6	19.8
Electric water heater sales	thousands	56	56	52	12
“Ecocute”		44	46	43	10
The diffusion rate of electric water heater	%	26.8	27.4	28.2	28.5
Electric Water Heater Contract Accounts (accumulated total)	Number of accounts (thousands)	861	897	929	938

(※1) “Remodeled” includes homes which were converted to all-electric by the replacement only of hot-water supply equipment and kitchen equipment.

(※2) Figures are as of the end of May, 2015.

(※3) Total amounts may not agree due to rounding off.

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