

The Summary of Financial Results for FY2016-2Q

(April 1 through September 30, 2015)

The Chugoku Electric Power Co., Inc.

October 30, 2015

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

Contents

- I . FY2016 2nd Quarter Financial Results**
- II . Performance Outlook for FY2016
Dividends**
- III . Appendix**

I . FY2016 2nd Quarter Financial Results

1. FY2016 -2Q Financial Results Summary

1

(1) Consolidated

(billion yen)

	FY2016-2Q (A)	FY2015-2Q (B)	Difference (A-B)	Rate of change (A/B-1)
Operating revenues	620.7	639.4	▲18.7	▲2.9%
Operating income	29.1	47.3	▲18.1	▲38.4%
Ordinary income	23.7	40.7	▲17.0	▲41.8%
Net income attributable to owners of the parent	20.8	27.9	▲7.0	▲25.3%

(Rounded down to the hundred million yen)

(2) Non-consolidated

(billion yen)

	FY2016-2Q (A)	FY2015-2Q (B)	Difference (A-B)	Rate of change (A/B-1)
Operating revenues	581.4	601.0	▲19.5	▲3.3%
Operating income	23.7	42.4	▲18.6	▲44.0%
Ordinary income	22.3	40.2	▲17.9	▲44.6%
Net income	18.9	29.3	▲10.4	▲35.5%

(Rounded down to the hundred million yen)

2. Electricity Sales

- Electricity sales were 27.80 billion kWh, down by 1.4% 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 the decrease in air-conditioning demand caused by lower summer temperature, and others.
- Large-scale electricity decreased in comparison with the same period in the previous year due to reasons such as the decrease in “iron & steel” industries demand.

(billion kWh)

	FY2016-2Q (A)	FY2015-2Q (B)	Difference (A-B)	Rate of change (A/B-1)
Total	27.80	28.19	▲0.39	▲1.4%
Other than eligible customers	9.06	9.16	▲0.10	▲1.1%
Lighting	7.99	8.07	▲0.08	▲1.0%
Low voltage	1.07	1.09	▲0.02	▲1.8%
Eligible customers ※	18.74	19.03	▲0.29	▲1.5%
Commercial	5.35	5.46	▲0.11	▲1.9%
Industrial	13.39	13.57	▲0.18	▲1.4%
Large-scale	11.24	11.44	▲0.20	▲1.7%

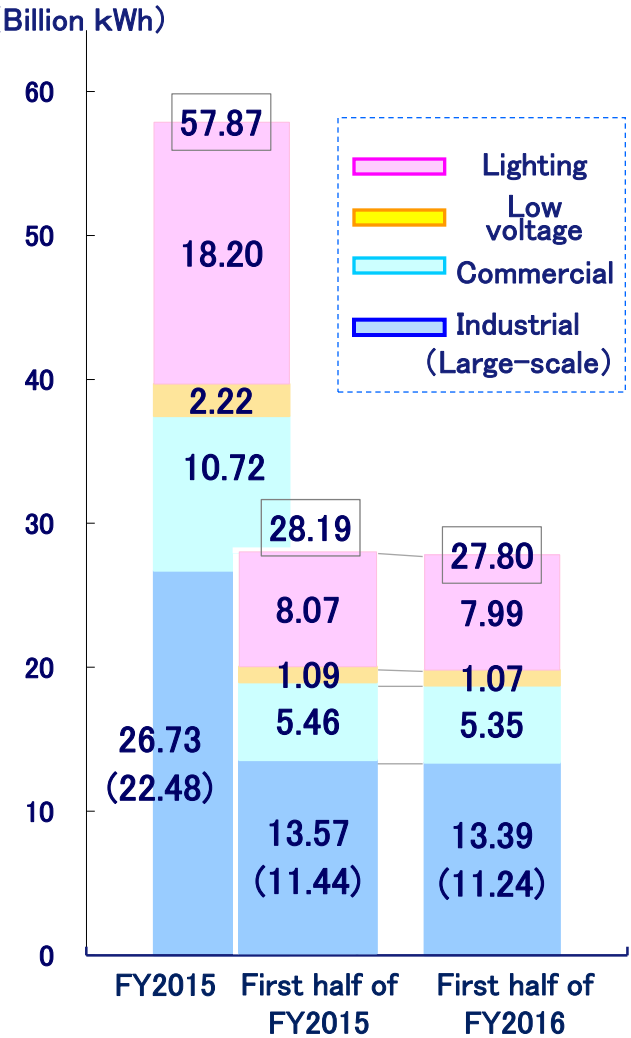
(※) Eligible customers: Demand for special high-tension or high-tension power reception with contracted power that is, in general, 50 kW or more.

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

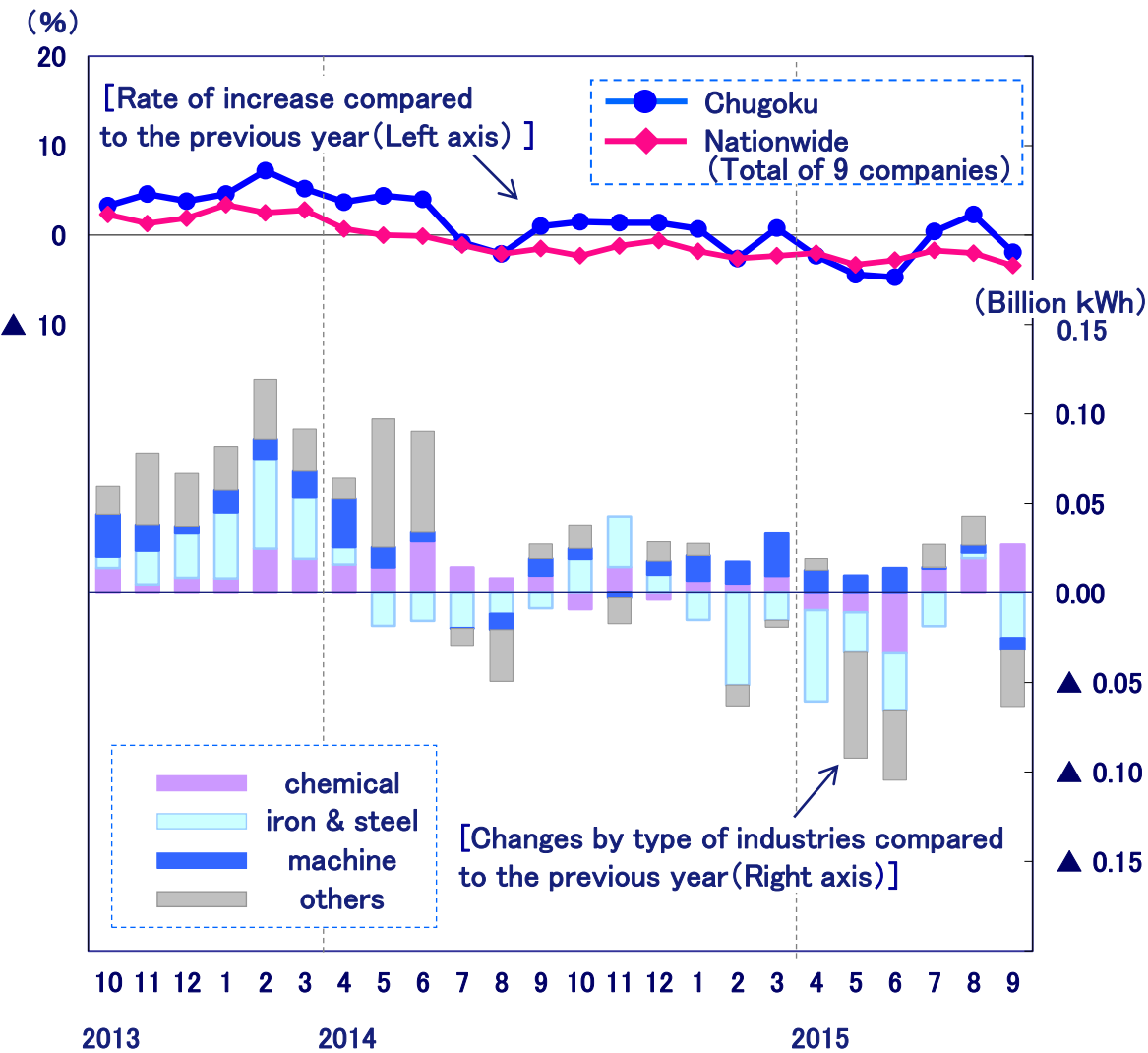
	2015						
	Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.
Average monthly temperature	10.0	15.8	20.5	22.5	26.5	27.5	23.1
Difference from previous year	0.0	1.5	0.9	▲0.7	▲0.4	0.6	▲0.8
Difference from average year	0.9	1.1	1.2	▲0.5	▲0.6	▲0.7	▲1.3

Reference : Trend of the large scale industrial sales

Electricity Sales



Trend of the large scale industrial sales (nearest 24 months)



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, the decrease in electricity sales and others.
- Purchased power increased due to the decrease in maintenance of other electric power companies' power plants.

(billion kWh)

		FY2016-2Q	FY2015-2Q	Difference	Rate of change
		(A)	(B)	(A-B)	(A/B-1)
Supply Capacity		29.89	30.48	▲0.59	▲1.9%
Own facilities	(Water Flow Rate)	(99.5%)	(94.5%)	(5.0%)	
	Hydroelectric	1.82	1.79	0.03	1.2%
	Thermal	16.69	18.79	▲2.10	▲11.2%
	(Capacity Factor)	(—)	(—)	(—)	
	Nuclear	—	—	—	—
	New energy sources	0.00	0.00	0.00	94.1%
Purchased power		11.92	10.56	1.36	13.0%
Interchanged power		▲0.19	▲0.31	0.12	▲37.7%
Pumping use		▲0.35	▲0.35	▲0.00	0.5%

4. Income Statement < Non-Consolidated >

5

(1) Revenues

(billion yen)

	FY2016-2Q (A)	FY2015-2Q (B)	Difference (A-B)	Breakdown
Ordinary revenues	593.8	613.0	▲19.2	
Operating revenues	581.4	601.0	▲19.5	
Electricity sales	485.9	511.4	▲25.5	<ul style="list-style-type: none"> ▪ Decrease in revenue units ▲18.5 (Fuel cost adjustment system ▲34.7 Renewable energy power promotion surcharge +17.4) ▪ Decrease in electricity sales ▲7.0
Lighting	178.5	185.2	▲6.6	
Commercial & industrial	307.3	326.2	▲18.9	
Sales to other companies, etc.	95.5	89.5	5.9	<ul style="list-style-type: none"> ▪ Increase in grants on the act of renewable energy +15.9 ▪ Decrease in incidental businesses ▲6.0 ▪ Decrease in sales to other companies ▲4.6
Other revenues	12.4	12.0	0.3	

(Rounded down to the hundred million yen)

(2) Expenses

(billion yen)

	FY2016-2Q (A)	FY2015-2Q (B)	Difference (A-B)	Breakdown
Ordinary expenses	571.5	572.8	▲1.2	
Operating expenses	557.7	558.6	▲0.9	
Personnel	50.1	48.3	1.7	
Material	273.2	302.8	▲29.5	<ul style="list-style-type: none"> ▪ Lower CIF price ▲74.1 ▪ Decrease in electricity sales ▲4.9 ▪ Lower yen rate +20.9 ▪ Decrease in capacity factor of coal & LNG power plants +11.8 ▪ Increase in purchase of renewable energy, and other factors +16.8
Fuel	124.7	174.7	▲49.9	
Purchased power	148.4	128.1	20.3	
Maintenance	49.2	38.8	10.4	<ul style="list-style-type: none"> ▪ Increase in thermal power +7.0 ▪ Increase in distribution +2.4
Depreciation	46.4	47.7	▲1.3	
Nuclear power back-end	2.7	2.9	▲0.2	
Others	135.9	117.8	18.0	<ul style="list-style-type: none"> ▪ Increase in payments of the levy on the act of renewable energy +17.4
Interests	10.9	11.7	▲0.8	
Other expenses	2.8	2.3	0.4	

(Rounded down to the hundred million yen)

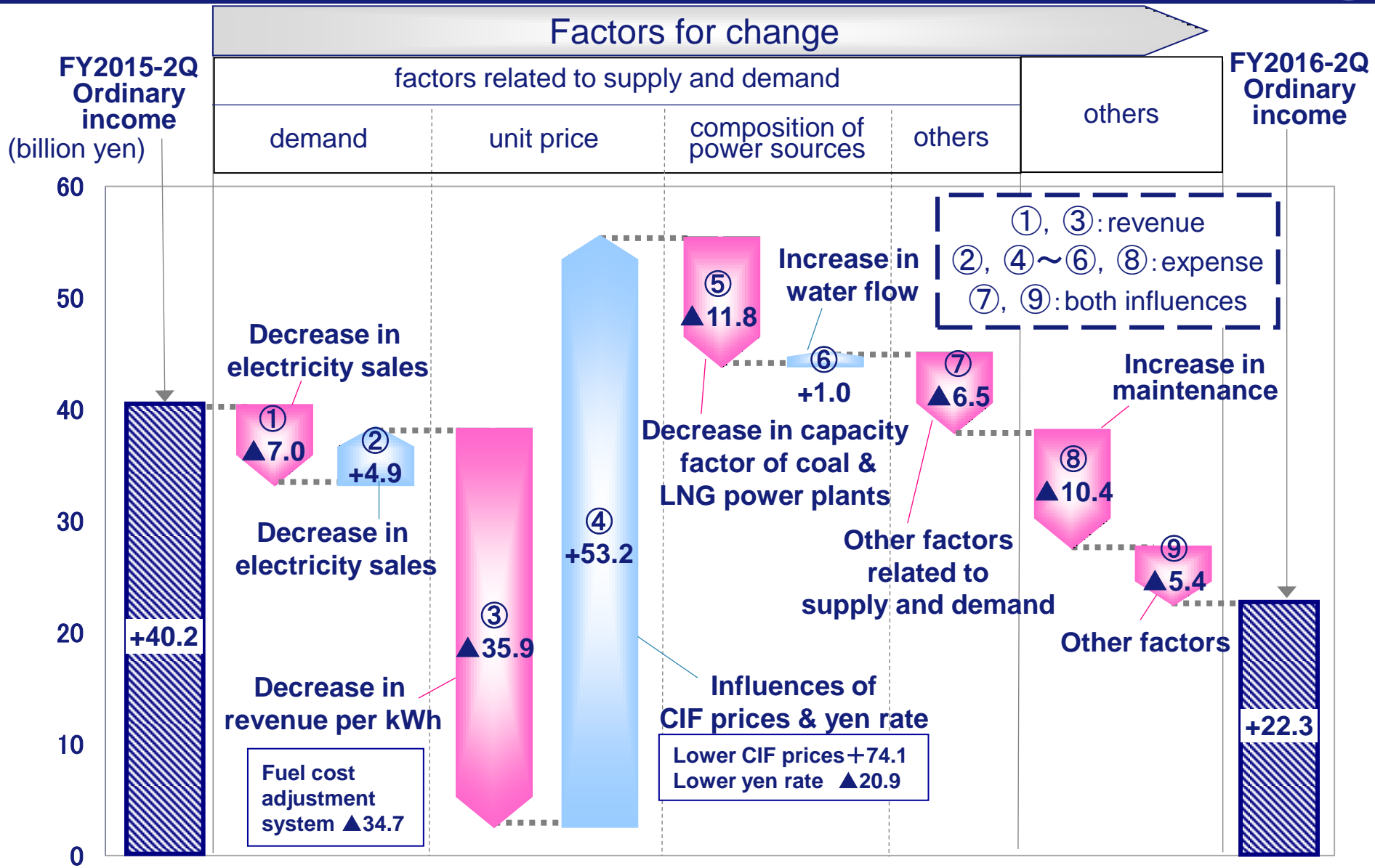
(3) Income, etc

(billion yen)

	FY2016-2Q (A)	FY2015-2Q (B)	Difference (A-B)	Breakdown
Operating income	23.7	42.4	▲18.6	
Ordinary income	22.3	40.2	▲17.9	
Provision for drought	▲0.9	▲0.3	▲0.5	
Provision for depreciation of nuclear power plant	0.5	0.5	0.0	
Extraordinary income	2.0	—	2.0	・Profit on sale of the stocks of an affiliated company
Income taxes, etc.	5.7	10.7	▲4.9	
Net income	18.9	29.3	▲10.4	

(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 are equal and there is no influence on ordinary income.

■ Major Factors

	FY2016-2Q (A)	FY2015-2Q (B)	Difference (A-B)
Exchange rate (¥ / \$)	122	103	19
Crude oil prices (All Japan CIF) (\$ / b)	58.9	109.5	▲50.6
Foreign coal prices (All Japan CIF) (\$ / t)	79.5	97.2	▲17.7

(※) Crude oil prices and foreign coal prices in FY2016-2Q are assumption value of our company.

■ Financial impact (Sensitivity)

(billion yen)

		FY2016-2Q
Exchange rate	(¥1 / \$)	1.1
Crude oil prices (All Japan CIF)	(\$1 / b)	1.5
Water flow rate	(1%)	0.2
Nuclear capacity factor	(1%)	0.4

7. Balance Sheet < Consolidated >

10

(billion yen)

	End of FY2016-2Q (A)	End of FY2015 (B)	Difference (A-B)	Breakdown
Assets	3,064.0	3,106.2	▲42.1	See Appendix : P20,21 Balance Sheet <Non-consolidated>
Electric utility fixed assets	1,336.7	1,338.5	▲1.8	
Construction in progress	680.3	658.0	22.3	
Liabilities	2,431.3	2,481.4	▲50.0	
Interest-bearing debt	1,961.3	1,980.1	▲18.8	
Provision for depreciation of nuclear power plant	73.5	72.9	0.5	
Total net assets	632.7	624.8	7.8	
Shareholders' equity	627.7	619.8	7.8	

(Rounded down to the hundred million yen)

8.Application of Free Cash Flow <Consolidated>

11

(billion yen)

	FY2016-2Q (A)	FY2015-2Q (B)	Difference (A-B)	Breakdown
Cash Flow form Operating Activities	42.7	49.6	▲6.9	▪ Decrease in net income before taxes
Cash Flow from Investing Activities	▲81.4	▲64.7	▲16.7	▪ Increase in capital expenditure
Free Cash Flow	▲38.6	▲15.0	▲23.6	
Cash Flow from Financing Activities	▲30.3	18.0	▲48.4	▪ Decrease in borrowing by corporate bonds and loans
Cash and Cash Equivalents (increase and decrease)	▲69.2	3.0		

(Rounded down to the hundred million yen)

(1) Comprehensive Energy Supply Business ※

(billion yen)

	FY2016-2Q (A)	FY2015-2Q (B)	Difference (A-B)	Breakdown
Operating revenues	23.2	28.2	▲5.0	▪ Decrease in LNG sales business
Operating income	2.2	1.4	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)

	FY2016-2Q (A)	FY2015-2Q (B)	Difference (A-B)	Breakdown
Operating revenues	19.0	19.0	0.0	
Operating income	2.0	3.1	▲1.0	▪ Increase in commission expenses

(Rounded down to the hundred million yen)

Ⅱ . Performance Outlook for FY2016 Dividends

- We expect both consolidated and non- consolidated operating revenues to decrease in comparison with the last fiscal year, mainly due to the reduction in fuel cost adjustment system charges resulted from the decline in crude oil prices.
- We expect both consolidated and non- consolidated income to decrease in comparison with last fiscal year. This is because the expenses for maintaining of reliability on facilities and for Electricity System Reform such as taking measures to the full liberalization of the retail sale of electricity are expected to increase, despite the decrease in material cost resulted from the decline in crude oil prices and our efforts for business efficiency enhancement.

2. Summary of Performance Outlook

(1) Consolidated

(billion yen)

	FY2016 (Forecasts) As of Oct.30 (A)	FY2015 (B)	Difference (A-B)
Operating revenues	1,246.0	1,299.6	▲53.6
Operating income	28.0	71.3	▲43.3
Ordinary income	13.0	58.7	▲45.7
Net income attributable to owners of the parent	11.0	33.8	▲22.8

【Reference】 FY2016 (Forecasts) As of Jul.29
1,259.0
—
—
—

(2) Non-consolidated

(billion yen)

	FY2016 (Forecasts) As of Oct.30 (A)	FY2015 (B)	Difference (A-B)
Operating revenues	1,166.0	1,221.8	▲55.8
Operating income	20.0	60.4	▲40.4
Ordinary income	10.0	49.8	▲39.8
Net income	8.0	30.3	▲22.3

【Reference】 FY2016 (Forecasts) As of Jul.29
1,180.0
—
—
—

■ Major Factors

	FY2016 (Forecasts) As of Oct.30 (A)	FY2015 (B)	Difference (A-B)
Electricity sales (billion kWh)	Approx. 57.8	57.87	Approx. ▲0.07
Exchange rate (¥/\$)	Approx. 122	110	Approx. 12
Crude oil prices (All Japan CIF) (\$/b)	Approx. 54	90.4	Approx. ▲36.4
Nuclear capacity factor (%)	—	—	—

【Reference】 FY2016 (Forecasts) As of Jul.29
Approx. 58.2
Approx. 124
Approx. 64
Undecided

■ Financial impact (Sensitivity)

(billion yen)

	FY2016 (Forecasts) As of Oct.30 (A)	FY2015 (B)	Difference (A-B)
Exchange rate (¥1/\$)	2.4	3.9	▲1.5
Crude oil prices (All Japan CIF) (\$1/b)	3.4	3.3	0.1
Water flow rate (1%)	0.4	0.6	▲0.2
Nuclear capacity factor* (1%)	0.7	1.6	▲0.9

※FY2016 forecast(A) shows financial impact of Shimane Nuclear Power Plant Unit 2, while FY2015(B) shows financial impact of Shimane Nuclear Power Plant Units 1 and 2.

- We have decided to distribute ¥25 per share as the interim dividends of FY2016, although we had announced it as undecided heretofore.
- Regarding the forecasts of the year-end dividends of FY2016, we cannot yet inform you at this time.

< Dividends > (yen per share)

	FY2016	FY2015
Interim dividends	25	25
Year-end dividends	Undecided	25
Total	Undecided	50

III. Appendix

1. Operating revenues < Non-Consolidated >

17

(1) Personnel

(billion yen)

	FY2016-2Q (A)	FY2015-2Q (B)	Difference (A-B)	Breakdown
Total	50.1	48.3	1.7	
Retirement allowances	0.7	0.1	0.6	• Increase in actuarial difference depreciation +1.3

(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)

	FY2016-2Q (A)	FY2015-2Q (B)	Difference (A-B)	Breakdown
Total	49.2	38.8	10.4	
Power source	26.2	18.4	7.8	·Increase in thermal power +7.0
Electric power transport	22.0	19.4	2.5	·Increase in distribution +2.4
Others	0.9	0.9	▲0.0	

(Rounded down to the hundred million yen)

(3) Depreciation

(billion yen)

	FY2016-2Q (A)	FY2015-2Q (B)	Difference (A-B)	Breakdown
Total	46.4	47.7	▲1.3	
Power source	17.5	18.1	▲0.6	
Electric power transport	24.4	25.3	▲0.8	
Others	4.3	4.1	0.2	

(Rounded down to the hundred million yen)

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

19

(1) Procurement volume

	Unit	FY2016-2Q (A)	FY2015-2Q (B)	Difference (A-B)
Fuel oil ※1	million liters	490	460	30
Crude oil	million liters	120	110	10
Coal ※2	thousand tons	2,770	3,230	▲460
LNG ※2	thousand tons	1,310	1,380	▲70

※1 : Internal combustion power plants included

※2 : Sales included

(2) Consumption volume

	Unit	FY2016-2Q (A)	FY2015-2Q (B)	Difference (A-B)
Fuel oil ※3	million liters	480	430	50
Crude oil	million liters	120	140	▲20
Coal	thousand tons	2,290	2,940	▲650
LNG	thousand tons	1,120	1,160	▲40

※3 : Internal combustion power plants included

3. Balance Sheet < Non-Consolidated >

20

(1) Assets

(billion yen)

	End of FY2016-2Q (A)	End of FY2015 (B)	Difference (A-B)	Breakdown
Total	2,822.5	2,868.2	▲45.7	
Fixed assets	2,505.5	2,491.3	14.2	
Electric utility fixed assets	1,368.2	1,375.9	▲7.6	<ul style="list-style-type: none"> ▪ Asset capitalization +44.2 ▪ Depreciation ▲46.4 (Accumulated depreciation rate 77.3%) ▪ Retirement, etc. ▲5.4
Incidental business fixed assets	0.1	0.1	▲0.0	
Non-business fixed assets	4.2	4.4	▲0.2	
Construction in progress	676.5	658.7	17.7	
Nuclear decommissioning	15.7	18.0	▲2.3	
Nuclear fuel	176.6	186.5	▲9.9	
Others	279.6	265.3	14.2	
Current assets	316.9	376.9	▲59.9	▪ Decrease in short-term investments

(Rounded down to the hundred million yen)

(2) Liabilities and Net Assets

(billion yen)

	End of FY2016-2Q (A)	End of FY2015 (B)	Difference (A-B)	Breakdown			
Total	2,822.5	2,868.2	▲45.7	<Breakdown of interest-bearing debt>			
Liabilities	2,364.6	2,419.5	▲54.9		End of FY2016-2Q (A)	End of FY2015 (B)	Difference (A - B)
Long-term liabilities	1,898.4	1,867.9	30.4				
Current liabilities	392.6	477.6	▲84.9	Corporate bond	919.9	954.9	▲34.9
Provision for drought	—	0.9	▲0.9	Long-term debt	938.4	923.9	14.4
Provision for depreciation of nuclear power plant	73.5	72.9	0.5	Short-term debt	70.0	75.0	▲5.0
				CP	—	—	—
Net Assets	457.9	448.7	9.1	Total	1,928.4	1,953.9	▲25.5
Common stock	185.5	185.5	—				
Capital surplus	16.7	16.7	0.0				
Retained earnings	253.9	244.0	9.8				
Treasury stock	▲14.5	▲14.5	▲0.0				
Valuation and translation adjustments	16.2	16.9	▲0.6				

(Rounded down to the hundred million yen)

4. Capital Expenditure < Non-Consolidated >

22

(billion yen)

	FY2016-2Q (A)	FY2015-2Q (B)	Difference (A-B)
Total	64.1	55.8	8.3
Power Source	39.9	33.1	6.7
Electric Power Transport	20.8	15.7	5.0
Transmission	5.3	5.5	▲0.1
Transformation	6.7	3.3	3.3
Distribution	8.7	6.8	1.8
Nuclear Fuel	1.4	5.3	▲3.9
Others	1.9	1.5	0.3

(※) Incidental Business Facilities Excluded

(Rounded down to the hundred million yen)

(1) Financial Index

(billion yen)

		End of FY2016-2Q (A)	End of FY2015 (B)	Difference (A-B)
Consolidated	Interest-bearing debt	1,961.3	1,980.1	▲18.8
	Exclude lease obligations	1,953.0	1,971.6	▲18.6
	Shareholders' equity ratio	20.5%	20.0%	0.5%
Non-consolidated	Interest-bearing debt	1,928.4	1,953.9	▲25.5
	Exclude lease obligations	1,928.4	1,953.9	▲25.5
	Shareholders' equity ratio	16.2%	15.6%	0.6%

(Rounded down to the hundred million yen)

(2) Interest Rate (Non-Consolidated)

	FY2016-2Q	FY2015
Average	1.20%	1.33%
End of period	1.18%	1.24%

6. Diffusion Rate of Completely Electrical Housing and Electric Water Heater 24

	Unit	FY2013	FY2014	FY2015	FY2016-2Q
Completely electrical housing introduced	Number of housing (thousands)	44	43	38	16
Newly-constructed		21	21	20	9
Remodeled ※1		23	22	18	7
The ratio of newly constructed electrical Housing	%	51.6	47.1	46.1	48.5
Single homes	%	80.0	77.8	74.0	※2 77.2
Housing complexes	%	19.9	13.7	14.4	16.9
Household diffusion rate of completely electric homes	%	17.6	18.5	19.6	20.0
Electric water heater sales	thousands	56	56	52	23
“Ecocute”		44	46	43	20
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	944

(※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 August, 2015.

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

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