

The Summary of Financial Results for FY2016-3Q

(April 1 through December 31, 2015)

The Chugoku Electric Power Co., Inc.

January 29, 2016

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 3rd Quarter Financial Results

1. FY2016-3Q Financial Results Summary

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(1) Consolidated

(billion yen)

	FY2016-3Q (A)	FY2015-3Q (B)	Difference (A-B)	Rate of change (A/B-1)
Operating revenues	907.2	943.5	▲36.3	▲3.8%
Operating income	29.5	42.1	▲12.6	▲30.0%
Ordinary income	19.6	32.2	▲12.5	▲39.0%
Net income attributable to owners of the parent	15.2	21.9	▲6.6	▲30.5%

(Rounded down to the hundred million yen)

(2) Non-consolidated

(billion yen)

	FY2016-3Q (A)	FY2015-3Q (B)	Difference (A-B)	Rate of change (A/B-1)
Operating revenues	848.4	887.3	▲38.9	▲4.4%
Operating income	21.5	34.7	▲13.2	▲38.1%
Ordinary income	16.3	28.3	▲12.0	▲42.4%
Net income	12.2	21.0	▲8.7	▲41.7%

(Rounded down to the hundred million yen)

2. Electricity Sales

- Electricity sales were 41.14 billion kWh, down by 2.0% 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 cooling and heating demand respectively caused by lower summer temperature and higher temperature in December, 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)

	FY2016-3Q (A)	FY2015-3Q (B)	Difference (A-B)	Rate of change (A/B-1)
Total	41.14	41.96	▲0.82	▲2.0%
Other than eligible customers	13.47	13.79	▲0.32	▲2.3%
Lighting	11.95	12.22	▲0.27	▲2.2%
Low voltage	1.52	1.57	▲0.05	▲3.1%
Eligible customers ※	27.67	28.17	▲0.50	▲1.8%
Commercial	7.73	7.95	▲0.22	▲2.7%
Industrial	19.94	20.22	▲0.28	▲1.4%
Large-scale	16.74	17.02	▲0.28	▲1.7%

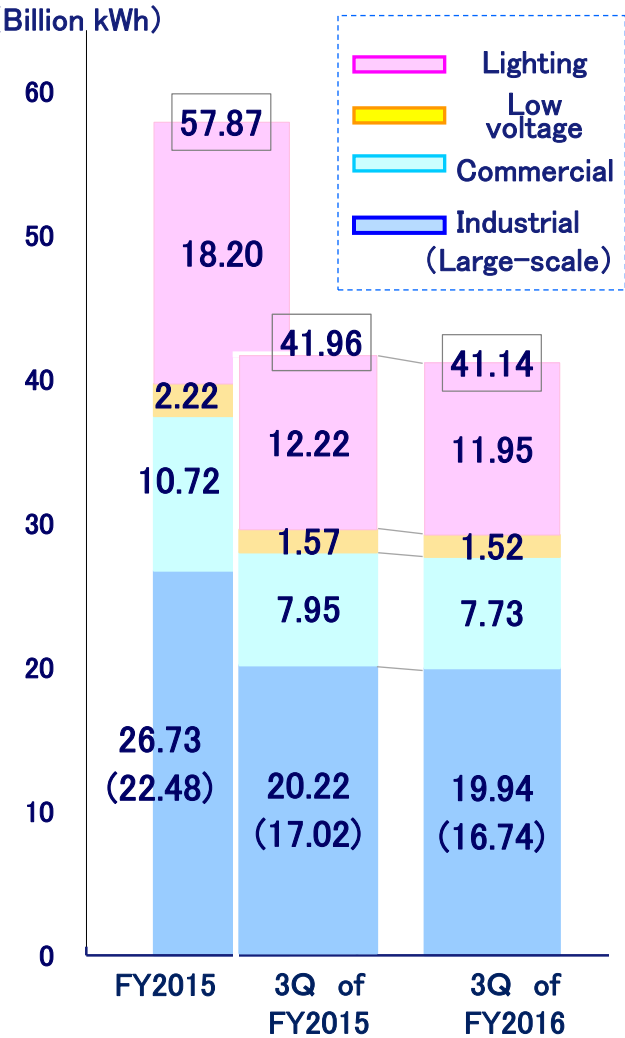
(※) Eligible customers: Demand for special high-tension or high-tension power reception with contracted power that is, in general, 50 kW or more.

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

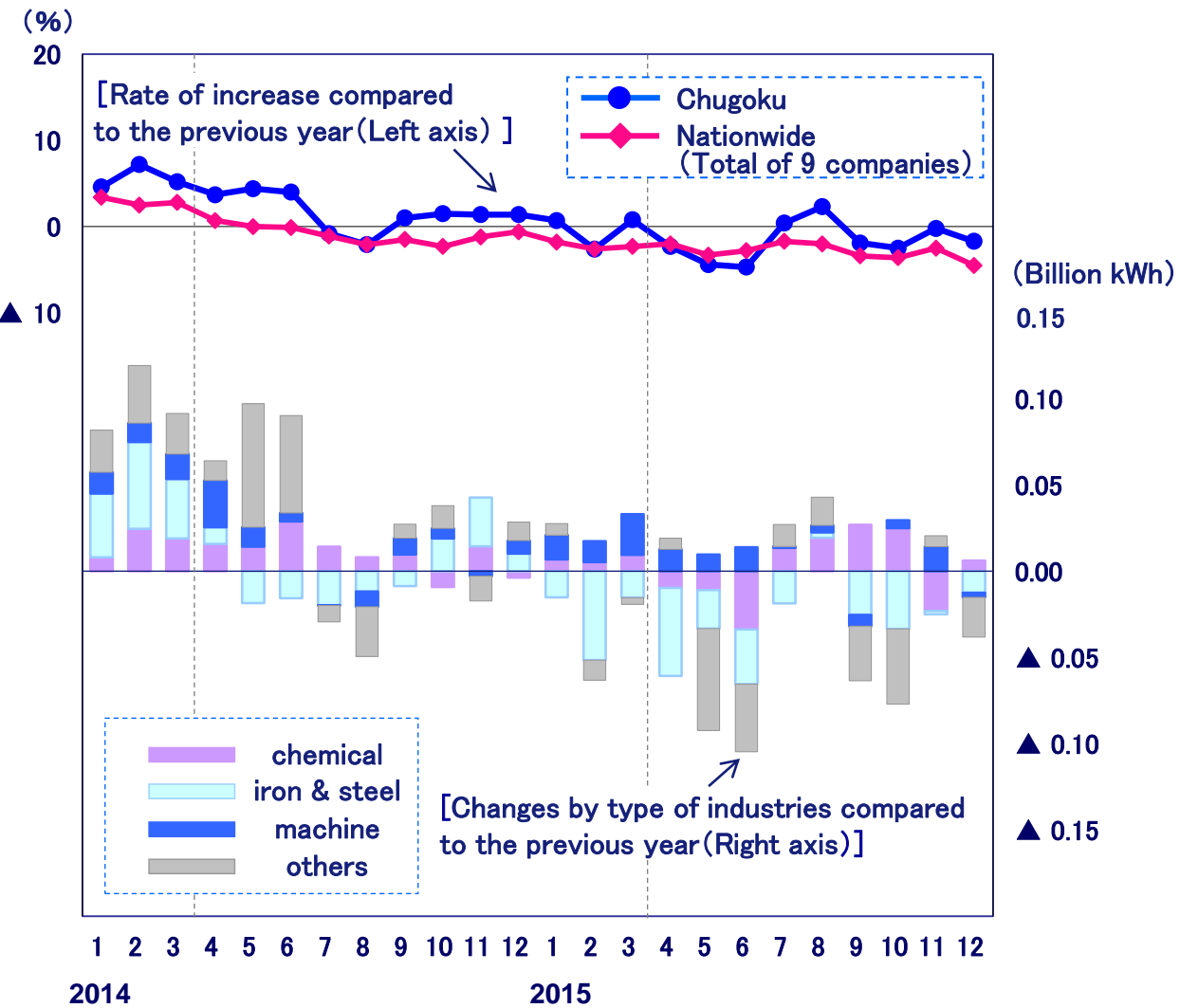
	2015									
	Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Average monthly temperature	10.0	15.8	20.5	22.5	26.5	27.5	23.1	18.0	14.6	9.3
Difference from previous year	0.0	1.5	0.9	▲0.7	▲0.4	0.6	▲0.8	▲0.7	1.2	3.8
Difference from average year	0.9	1.1	1.2	▲0.5	▲0.6	▲0.7	▲1.3	▲0.3	2.1	1.8

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 increase in photovoltaic power and the decrease in maintenance of other electric power companies' power plants.

(billion kWh)

		FY2016-3Q	FY2015-3Q	Difference	Rate of change
		(A)	(B)	(A-B)	(A/B-1)
Supply Capacity		45.08	46.33	▲1.25	▲2.7%
Own facilities	(Water Flow Rate)	(105.6%)	(102.9%)	(2.7%)	
	Hydroelectric	2.50	2.41	0.09	3.5%
	Thermal	26.74	28.67	▲1.93	▲6.7%
	(Capacity Factor)	(—)	(—)	(—)	
	Nuclear	—	—	—	—
	New energy sources	0.00	0.00	0.00	75.1%
Purchased power		16.55	15.96	0.59	3.7%
Interchanged power		▲0.20	▲0.31	0.11	▲36.8%
Pumping use		▲0.51	▲0.40	▲0.11	27.5%

4. Income Statement < Non-Consolidated >

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(1) Revenues

(billion yen)

	FY2016-3Q (A)	FY2015-3Q (B)	Difference (A-B)	Breakdown
Ordinary revenues	863.9	902.1	▲38.1	
Operating revenues	848.4	887.3	▲38.9	
Electricity sales	709.7	756.6	▲46.9	<ul style="list-style-type: none"> ▪ Decrease in revenue units ▲32.0 { Fuel cost adjustment system ▲56.9 Renewable energy power promotion surcharge +26.4 ▪ Decrease in electricity sales ▲14.9
Lighting	262.5	277.7	▲15.1	
Commercial & industrial	447.1	478.9	▲31.7	
Sales to other companies, etc.	138.6	130.7	7.9	<ul style="list-style-type: none"> ▪ Increase in grants on the act of renewable energy +22.7 ▪ Decrease in incidental businesses ▲10.2 ▪ Decrease in sales to other companies ▲5.8
Other revenues	15.5	14.7	0.7	

(Rounded down to the hundred million yen)

(2) Expenses

(billion yen)

	FY2016-3Q (A)	FY2015-3Q (B)	Difference (A-B)	Breakdown
Ordinary expenses	847.6	873.7	▲26.1	
Operating expenses	826.8	852.6	▲25.7	
Personnel	74.5	71.8	2.7	
Material	399.5	467.5	▲67.9	<ul style="list-style-type: none"> • Lower CIF price ▲107.2 • Decrease in electricity sales ▲9.9 • Lower yen rate +25.5 • Decrease in capacity factor of coal & LNG power plants +10.5 • Increase in purchase of renewable energy, and other factors +13.2
Fuel	188.1	274.0	▲85.8	
Purchased power	211.4	193.5	17.9	
Maintenance	70.7	57.6	13.0	<ul style="list-style-type: none"> • Increase in thermal power +8.3 • Increase in distribution +3.2
Depreciation	70.1	72.0	▲1.9	
Nuclear power back-end	4.1	4.4	▲0.2	
Others	207.8	179.1	28.6	<ul style="list-style-type: none"> • Increase in payments of the levy on the act of renewable energy +26.4
Interests	16.5	17.6	▲1.1	
Other expenses	4.2	3.5	0.6	

(Rounded down to the hundred million yen)

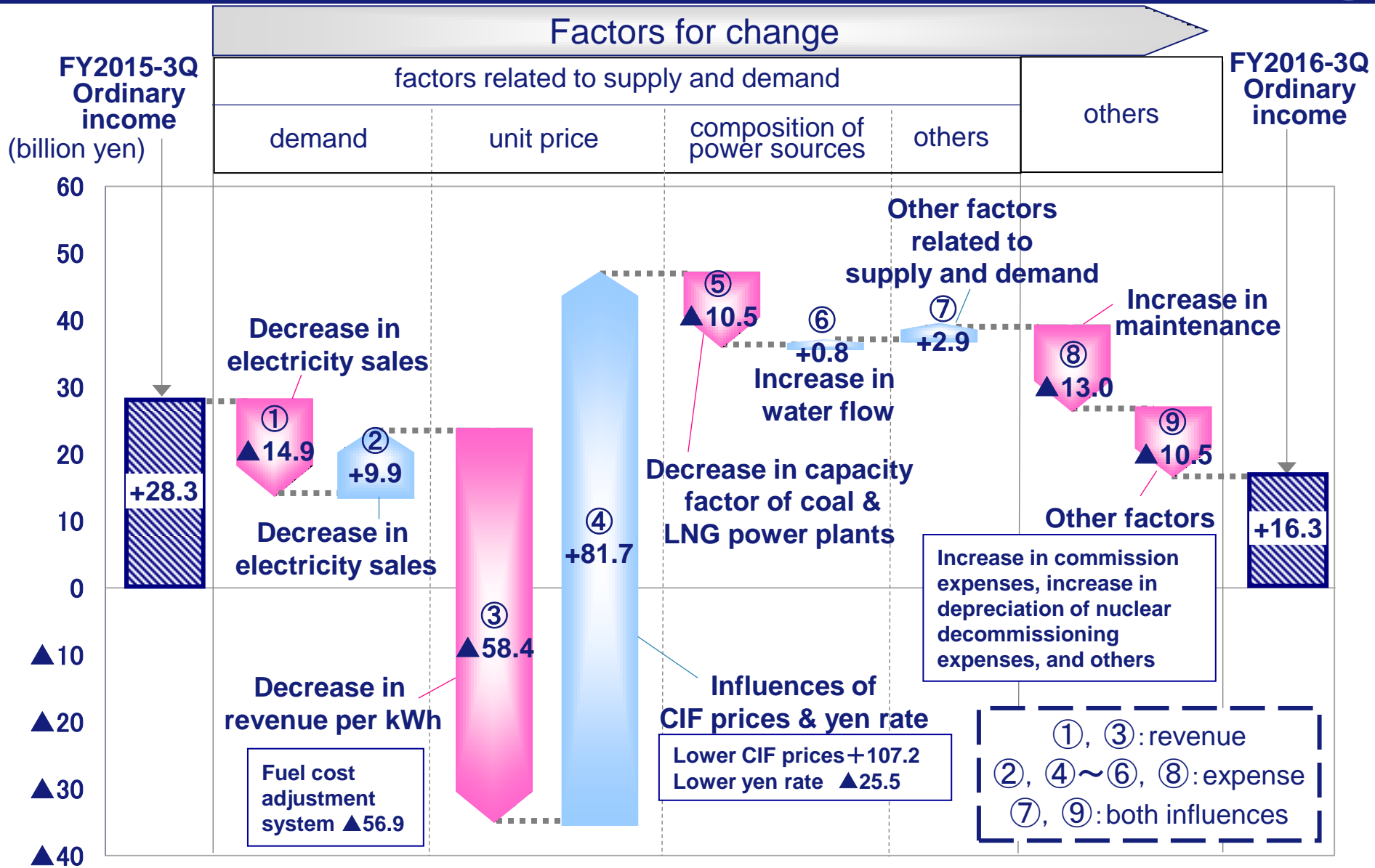
(3) Income, etc

(billion yen)

	FY2016-3Q (A)	FY2015-3Q (B)	Difference (A-B)	Breakdown
Operating income	21.5	34.7	▲13.2	
Ordinary income	16.3	28.3	▲12.0	
Provision for drought	▲0.7	▲0.3	▲0.3	
Provision for depreciation of nuclear power plant	3.9	1.1	2.7	
Extraordinary income	2.7	—	2.7	・Profit on sale of the stocks of an affiliated company
Income taxes, etc.	3.6	6.5	▲2.8	
Net income	12.2	21.0	▲8.7	

(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

	FY2016-3Q (A)	FY2015-3Q (B)	Difference (A-B)
Exchange rate (¥ / \$)	122	107	15
Crude oil prices (All Japan CIF) (\$ / b)	54.6	102.5	▲47.9
Foreign coal prices (All Japan CIF) (\$ / t)	77.3	95.3	▲18.0

(※) Crude oil prices and foreign coal prices in FY2016-3Q are assumption value of our company.

■ Financial impact (Sensitivity)

(billion yen)

		FY2016-3Q
Exchange rate	(¥1 / \$)	1.7
Crude oil prices (All Japan CIF)	(\$1 / b)	1.9
Water flow rate	(1%)	0.3
Nuclear capacity factor	(1%)	0.6

7. Balance Sheet < Consolidated >

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(billion yen)

	End of FY2016-3Q (A)	End of FY2015 (B)	Difference (A-B)	Breakdown
Assets	3,036.1	3,106.2	▲70.1	See Appendix : P19, 20 Balance Sheet <Non-consolidated>
Electric utility fixed assets	1,325.8	1,338.5	▲12.6	
Construction in progress	696.2	658.0	38.2	
Liabilities	2,417.6	2,481.4	▲63.7	
Interest-bearing debt	1,949.2	1,980.1	▲30.9	
Provision for depreciation of nuclear power plant	76.9	72.9	3.9	
Total net assets	618.5	624.8	▲6.3	
Shareholders' equity	613.5	619.8	▲6.3	

(Rounded down to the hundred million yen)

8. Segment Information

(1) Comprehensive Energy Supply Business ※ (billion yen)

	FY2016-3Q (A)	FY2015-3Q (B)	Difference (A-B)	Breakdown
Operating revenues	34.6	43.2	▲8.6	▪ Decrease in LNG sales business
Operating income	2.8	1.4	1.3	▪ 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)

	FY2016-3Q (A)	FY2015-3Q (B)	Difference (A-B)	Breakdown
Operating revenues	29.1	28.5	0.5	
Operating income	3.4	4.6	▲1.1	▪ 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, due to the reduction in fuel cost adjustment system charges resulted from the decline in fuel prices, decrease in electricity sales, and others.
- 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 expenses resulted from the decline in fuel prices and our efforts for business efficiency enhancement.

〈Reasons for Revisions of Forecasts Announced in October 2015〉

- We have revised the previously announced forecast of operating revenues, because electricity sales are expected to decrease. The income forecasts have also been revised from the ones previously announced, because we have been making our efforts for business efficiency enhancement and, in addition, material expenses are expected to decrease due to the decrease in electricity sales and the decline in fuel prices.

2. Summary of Performance Outlook

(1) Consolidated

(billion yen)

	FY2016 (Forecasts) As of January (A)	FY2015 (B)	Difference (A-B)	【Reference】 FY2016 (Forecasts) As of October
Operating revenues	1,232.0	1,299.6	▲67.6	1,246.0
Operating income	44.0	71.3	▲27.3	28.0
Ordinary income	30.0	58.7	▲28.7	13.0
Net income attributable to owners of the parent	20.0	33.8	▲13.8	11.0

(2) Non-consolidated

(billion yen)

	FY2016 (Forecasts) As of January (A)	FY2015 (B)	Difference (A-B)	【Reference】 FY2016 (Forecasts) As of October
Operating revenues	1,152.0	1,221.8	▲69.8	1,166.0
Operating income	35.0	60.4	▲25.4	20.0
Ordinary income	25.0	49.8	▲24.8	10.0
Net income	16.0	30.3	▲14.3	8.0

Major Factors

	FY2016 (Forecasts) As of January (A)	FY2015 (B)	Difference (A-B)
Electricity sales (billion kWh)	Approx. 56.8	57.87	Approx. ▲1.07
Exchange rate (¥ / \$)	Approx. 121	110	Approx. 11
Crude oil prices (All Japan CIF) (\$ / b)	Approx. 51	90.4	Approx. ▲39.4
Nuclear capacity factor (%)	—	—	—

【Reference】 FY2016 (Forecasts) As of October
Approx. 57.8
Approx. 122
Approx. 54
—

Financial impact (Sensitivity)

	FY2016 (Forecasts) As of January (A)	FY2015 (B)	Difference (A-B)
Exchange rate (¥ 1 / \$)	2.3	3.9	▲1.6
Crude oil prices (All Japan CIF) (\$ 1 / b)	2.8	3.3	▲0.5
Water flow rate (1%)	0.4	0.6	▲0.2
Nuclear capacity factor※ (1%)	0.7	1.6	▲0.9

(billion yen)

【Reference】 FY2016 (Forecasts) As of October
2.4
3.4
0.4
0.7

※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 not revised the forecasts of dividends announced in October 2015.
- 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 >

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(1) Personnel

(billion yen)

	FY2016-3Q (A)	FY2015-3Q (B)	Difference (A-B)	Breakdown
Total	74.5	71.8	2.7	
Retirement allowances	1.3	0.1	1.1	• Increase in actuarial difference depreciation +1.9

(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)

	FY2016-3Q (A)	FY2015-3Q (B)	Difference (A-B)	Breakdown
Total	70.7	57.6	13.0	
Power source	36.7	27.4	9.2	·Increase in thermal power +8.3
Electric power transport	32.4	28.7	3.6	·Increase in distribution +3.2
Others	1.5	1.4	0.1	

(Rounded down to the hundred million yen)

(3) Depreciation

(billion yen)

	FY2016-3Q (A)	FY2015-3Q (B)	Difference (A-B)	Breakdown
Total	70.1	72.0	▲1.9	
Power source	26.6	27.5	▲0.8	
Electric power transport	36.9	38.1	▲1.1	
Others	6.4	6.3	0.1	

(Rounded down to the hundred million yen)

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

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(1) Procurement volume

	Unit	FY2016-3Q (A)	FY2015-3Q (B)	Difference (A-B)
Fuel oil ※1	million liters	760	770	▲10
Crude oil	million liters	220	210	10
Coal ※2	thousand tons	4,540	4,460	80
LNG ※2	thousand tons	1,910	2,160	▲250

※1 : Internal combustion power plants included

※2 : Sales included

(2) Consumption volume

	Unit	FY2016-3Q (A)	FY2015-3Q (B)	Difference (A-B)
Fuel oil ※3	million liters	800	760	40
Crude oil	million liters	200	250	▲50
Coal	thousand tons	3,980	4,240	▲260
LNG	thousand tons	1,640	1,790	▲150

※3 : Internal combustion power plants included

3. Balance Sheet < Non-Consolidated >

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(1) Assets

(billion yen)

	End of FY2016-3Q (A)	End of FY2015 (B)	Difference (A-B)	Breakdown
Total	2,790.7	2,868.2	▲77.5	
Fixed assets	2,528.7	2,491.3	37.4	
Electric utility fixed assets	1,366.5	1,375.9	▲9.4	<ul style="list-style-type: none"> ▪ Asset capitalization +68.1 ▪ Depreciation ▲70.1 (Accumulated depreciation rate 77.4%) ▪ Retirement, etc. ▲7.4
Incidental business fixed assets	0.1	0.1	▲0.0	
Non-business fixed assets	4.2	4.4	▲0.2	
Construction in progress	695.2	658.7	36.5	
Nuclear decommissioning	14.6	18.0	▲3.4	
Nuclear fuel	182.9	186.5	▲3.6	
Others	279.5	265.3	14.2	
Current assets	261.9	376.9	▲114.9	▪ Decrease in short-term investments

(Rounded down to the hundred million yen)

(2) Liabilities and Net Assets

(billion yen)

	End of FY2016-3Q (A)	End of FY2015 (B)	Difference (A-B)	Breakdown			
Total	2,790.7	2,868.2	▲77.5	<Breakdown of interest-bearing debt>			
Liabilities	2,348.0	2,419.5	▲71.4		End of FY2016-3Q (A)	End of FY2015 (B)	Difference (A - B)
Long-term liabilities	1,834.9	1,867.9	▲32.9				
Current liabilities	436.0	477.6	▲41.6	Corporate bond	929.9	954.9	▲24.9
Provision for drought	0.1	0.9	▲0.7	Long-term debt	915.5	923.9	▲8.3
Provision for depreciation of nuclear power plant	76.9	72.9	3.9	Short-term debt	67.0	75.0	▲8.0
				CP	—	—	—
Net Assets	442.6	448.7	▲6.0	Total	1,912.5	1,953.9	▲41.3
Common stock	185.5	185.5	—				
Capital surplus	16.7	16.7	▲0.0				
Retained earnings	238.2	244.0	▲5.8				
Treasury stock	▲14.5	▲14.5	▲0.0				
Valuation and translation adjustments	16.7	16.9	▲0.1				

(Rounded down to the hundred million yen)

4. Capital Expenditure < Non-Consolidated >

(billion yen)

	FY2016-3Q (A)	FY2015-3Q (B)	Difference (A-B)
Total	117.1	100.4	16.6
Power Source	70.5	57.3	13.1
Electric Power Transport	34.8	27.8	7.0
Transmission	10.5	9.5	1.0
Transformation	10.3	6.8	3.5
Distribution	13.9	11.4	2.4
Nuclear Fuel	8.4	11.6	▲3.2
Others	3.3	3.5	▲0.2

(※) Incidental Business Facilities Excluded

(Rounded down to the hundred million yen)

(1) Financial Index

(billion yen)

		End of FY2016-3Q (A)	End of FY2015 (B)	Difference (A-B)
Consolidated	Interest-bearing debt	1,949.2	1,980.1	▲30.9
	Exclude lease obligations	1,940.7	1,971.6	▲30.8
	Shareholders' equity ratio	20.2%	20.0%	0.2%
Non-consolidated	Interest-bearing debt	1,912.5	1,953.9	▲41.3
	Exclude lease obligations	1,912.5	1,953.9	▲41.3
	Shareholders' equity ratio	15.9%	15.6%	0.3%

(Rounded down to the hundred million yen)

(2) Interest Rate (Non-Consolidated)

	FY2016-3Q	FY2015
Average	1.19%	1.33%
End of period	1.16%	1.24%

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

	Unit	FY2013	FY2014	FY2015	FY2016-3Q
Completely electrical housing introduced	Number of housing (thousands)	44	43	38	25
Newly-constructed		21	21	20	13
Remodeled ※1		23	22	18	12
The ratio of newly constructed electrical Housing	%	51.6	47.1	46.1	47.3
Single homes	%	80.0	77.8	74.0	※2 77.6
Housing complexes	%	19.9	13.7	14.4	14.9
Household diffusion rate of completely electric homes	%	17.6	18.5	19.6	20.2
Electric water heater sales	thousands	56	56	52	37
“Ecocute”		44	46	43	31
The diffusion rate of electric water heater	%	26.8	27.4	28.2	28.7
Electric Water Heater Contract Accounts (accumulated total)	Number of accounts (thousands)	861	897	929	951

(※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 November, 2015.

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

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