

# The Summary of Financial Results for FY2018

(April 1 through March 31, 2018)

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The Chugoku Electric Power Co., Inc.

April 27, 2018

In this report, the term “Fiscal Year 2018” refers to the period between April 1, 2017 and March 31, 2018.

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# I . FY2018 Financial Results

# 1-1. Financial Results Summary <Consolidated>

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- Operating revenues were 1,314.9 billion yen, a increase of 114.5 billion yen in comparison with the previous year. This is mainly because of the increase in electricity sales revenue due to the effect of fuel cost adjustment system, and the increase in grants on the act of renewable energy and renewable energy power promotion surcharge, despite the decrease in electricity sales.
- Operating expenses were 1,275.3 billion yen, a increase of 109.4 billion yen in comparison with the previous year. This is mainly because of the increase in material expenses due to the increase in fuel prices, and the increase in payments of the levy on the act of renewable energy, despite our efforts for business efficiency enhancement.
- As a result, operating income was 39.6 billion yen, a increase of 5.1 billion yen in comparison with the previous year.
- Ordinary income including other expenses and other income, such as interest expense, was 30.7 billion yen, a increase of 11.2 billion yen in comparison with the previous year.
- Net income attributable to owners of the parent deducting income taxes was 20.7 billion yen, a increase of 9.3 billion yen in comparison with the previous year. This is the result of applying the provision for drought and the provision for depreciation of nuclear power plants.

# 1-2. Financial Results Summary

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## (1) Consolidated

(billion yen)

	FY2018 (A)	FY2017 (B)	Difference (A-B)	Rate of change (A/B-1)
Operating revenues	1,314.9	1,200.3	114.5	9.5 %
Operating income	39.6	34.5	5.1	14.8 %
Ordinary income	30.7	19.4	11.2	57.5 %
Net income attributable to owners of the parent	20.7	11.3	9.3	82.6 %

(Rounded down to the hundred million yen)

## (2) Non-consolidated

(billion yen)

	FY2018 (A)	FY2017 (B)	Difference (A-B)	Rate of change (A/B-1)
Operating revenues	1,227.4	1,121.7	105.6	9.4 %
Operating income	32.4	28.8	3.6	12.7 %
Ordinary income	24.0	16.1	7.8	48.7 %
Net income	16.4	14.6	1.7	12.1 %

(Rounded down to the hundred million yen)

## 2. Electricity Sales

- Electricity sales were 55.43 billion kWh, down by 3.2% in comparison with the previous year.
- Large-scale electricity decreased in comparison with the previous year due to reasons such as the decrease in “iron & steel” industries demand.

(billion kWh)

	FY2018 (A)	FY2017 (B)	Difference (A-B)	Rate of change (A/B-1)
<b>Total</b>	<b>55.43</b>	<b>57.25</b>	<b>▲1.82</b>	<b>▲3.2 %</b>
<b>Low voltage</b>	<b>20.66</b>	<b>20.33</b>	<b>0.33</b>	<b>1.6 %</b>
<b>Lighting</b>	<b>18.56</b>	<b>18.18</b>	<b>0.38</b>	<b>2.1 %</b>
<b>Power</b>	<b>2.10</b>	<b>2.15</b>	<b>▲0.05</b>	<b>▲2.5 %</b>
<b>High voltage and Extra-high voltage</b>	<b>34.77</b>	<b>36.92</b>	<b>▲2.15</b>	<b>▲5.8 %</b>
<b>Commercial</b>	<b>9.81</b>	<b>10.27</b>	<b>▲0.46</b>	<b>▲4.4 %</b>
<b>Industrial</b>	<b>24.96</b>	<b>26.65</b>	<b>▲1.69</b>	<b>▲6.3 %</b>
<b>Large scale</b>	<b>21.25</b>	<b>22.60</b>	<b>▲1.35</b>	<b>▲6.0 %</b>

# 3. Supply Capacity

- Hydroelectric power of own facilities decreased in comparison with the previous year due to the decrease in water flow.
- Thermal power of own facilities decreased due to reasons such as the decrease in electricity sales and the increase in interchanged power and purchased power.
- Interchanged power and purchased power increased due to the increase in photovoltaic power.

		(billion kWh)			
		FY2018 (A)	FY2017 (B)	Difference (A-B)	Rate of change (A/B-1)
<b>Supply Capacity</b>		<b>59.99</b>	<b>62.22</b>	<b>▲2.23</b>	<b>▲3.6 %</b>
<b>Own facilities</b>	<b>Own facilities</b>	<b>37.44</b>	<b>39.75</b>	<b>▲2.31</b>	<b>▲5.8 %</b>
	(Water Flow Rate)	<b>(105.9 %)</b>	<b>(116.2 %)</b>	<b>(▲10.3 %)</b>	
	<b>Hydroelectric</b>	<b>3.79</b>	<b>3.88</b>	<b>▲0.09</b>	<b>▲2.4 %</b>
	<b>Thermal</b>	<b>33.64</b>	<b>35.86</b>	<b>▲2.22</b>	<b>▲6.2 %</b>
	(Capacity Factor)	<b>( - )</b>	<b>( - )</b>	<b>( - )</b>	
	<b>Nuclear</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>New energy sources</b>	<b>0.01</b>	<b>0.01</b>	<b>▲0.00</b>	<b>▲0.5 %</b>
<b>Interchanged power and purchased power</b>		<b>23.49</b>	<b>23.22</b>	<b>0.27</b>	<b>1.2 %</b>
<b>Pumping use</b>		<b>▲0.94</b>	<b>▲0.75</b>	<b>▲0.19</b>	<b>25.3 %</b>

# 4. Income Statement <Consolidated> (1) Revenues

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(billion yen)

	FY2018 (A)	FY2017 (B)	[Rate of change] Difference (A-B)	Breakdown
<b>Ordinary revenues</b>	<b>1,330.6</b>	<b>1,215.1</b>	<b>115.4</b>	
<b>Operating revenues</b>	<b>1,314.9</b> <b>(1,227.4)</b>	<b>1,200.3</b> <b>(1,121.7)</b>	<b>114.5</b> <b>(105.6)</b>	
<b>from electric power operations</b>	<b>1,201.2</b>	<b>1,100.7</b>	<b>[9.1%] 100.5</b>	
<b>Electricity sales</b>	<b>976.4</b>	<b>917.4</b>	<b>[6.4%] 58.9</b>	<ul style="list-style-type: none"> <li>·Fuel cost adjustment charges +65.2</li> <li>·Increase in renewable energy power promotion surcharge +17.5</li> <li>·Decrease in electricity sales ▲20.4</li> </ul>
<b>Others</b>	<b>224.8</b>	<b>183.2</b>	<b>[22.7%] 41.5</b>	<ul style="list-style-type: none"> <li>·Increase in grants on the act of renewable energy +18.5</li> </ul>
<b>from other operations</b>	<b>231.0</b>	<b>214.4</b>	<b>16.6</b>	
<b>Internal transaction in consolidated accounting</b>	<b>▲117.3</b>	<b>▲114.7</b>	<b>▲2.5</b>	
<b>Other revenues</b>	<b>15.6</b>	<b>14.7</b>	<b>0.8</b>	

(※)Figures in parentheses ( ) are Non-Consolidated.

(Rounded down to the hundred million yen)

# 4. Income Statement <Consolidated> (2) Expenses

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(billion yen)

	FY2018 (A)	FY2017 (B)	Difference (A-B)	Breakdown
<b>Ordinary expenses</b>	<b>1,299.9</b>	<b>1,195.6</b>	<b>104.2</b>	
<b>Operating expenses</b>			[9.4 %] <b>109.4</b>	
<b>from electric power operations</b>			[9.0 %] <b>96.7</b>	
<b>Personnel</b>	<b>96.6</b>	<b>99.3</b>	<b>▲2.6</b>	
<b>Material</b>	<b>571.9</b>	<b>486.2</b>	<b>85.7</b>	<ul style="list-style-type: none"> <li>·Higher CIF price +54.8</li> <li>·Increase in purchase cost of renewable energy +31.6</li> <li>·Lower yen rate +7.2</li> <li>·Decrease in hydroelectric power +2.1</li> <li>·Decrease in electricity sales ▲13.0</li> </ul>
<b>Fuel</b>	<b>207.8</b>	<b>183.4</b>	<b>24.4</b>	
<b>Purchased power</b>	<b>364.0</b>	<b>302.8</b>	<b>61.2</b>	
<b>Maintenance</b>	<b>89.8</b>	<b>98.8</b>	<b>▲8.9</b>	
<b>Depreciation</b>	<b>90.9</b>	<b>92.4</b>	<b>▲1.4</b>	
<b>Nuclear power back- end</b>	<b>4.7</b>	<b>5.0</b>	<b>▲0.2</b>	
<b>Others</b>	<b>315.5</b>	<b>291.1</b>	<b>24.4</b>	·Increase in payments of the levy on the act of renewable energy +17.5
<b>from other operations</b>	<b>222.3</b>	<b>206.8</b>	<b>15.5</b>	
<b>Internal transaction in consolidated accounting</b>	<b>▲116.8</b>	<b>▲113.9</b>	<b>▲2.8</b>	
<b>Other expenses</b>	<b>24.5</b>	<b>29.7</b>	<b>▲5.2</b>	
	<b>(22.0)</b>	<b>(27.4)</b>	<b>(▲5.3)</b>	

(※)Figures in parentheses ( ) are Non-Consolidated.

(Rounded down to the hundred million yen)

# 4. Income Statement <Consolidated> (3)Income, etc.

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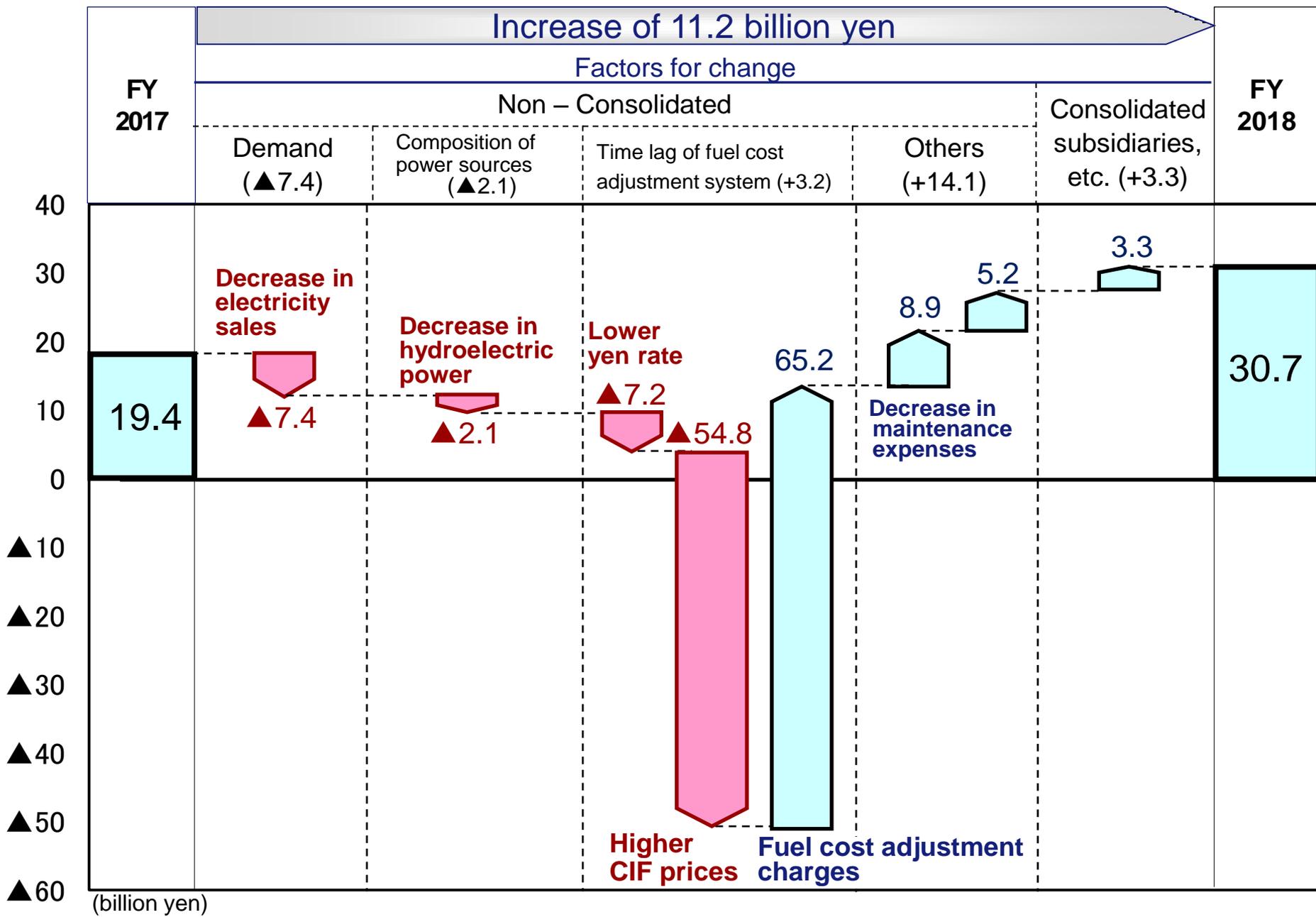
(billion yen)

	FY2018 (A)	FY2017 (B)	Difference (A-B)	Breakdown
Operating income	39.6 (32.4)	34.5 (28.8)	5.1 (3.6)	
Ordinary income	30.7 (24.0)	19.4 (16.1)	11.2 (7.8)	
Provision for drought	0.2	0.7	▲0.5	
Provision for depreciation of nuclear power plant	3.3	2.7	0.5	
Income taxes, etc.	6.4	4.5	1.8	
Net income attributable to owners of the parent	20.7 (16.4)	11.3 (14.6)	9.3 (1.7)	

(※)Figures in parentheses ( ) are Non-Consolidated.

(Rounded down to the hundred million yen)

# 5. Factors for change in Ordinary income <Consolidated>



# 6. Segment Information (1/2)

## (1) Electric Power Business

- As described on page 1 “1-1. Financial Results Summary < Consolidated >”.

(billion yen)

	FY2018 (A)	FY2017 (B)	Difference (A-B)	Breakdown
Operating revenues	1,201.2	1,100.7	100.5	
Operating expenses	1,169.5	1,072.9	96.5	
Operating income	31.7	27.7	3.9	

(Rounded down to the hundred million yen)

## (2) Comprehensive Energy Supply Business

- Operating revenues were 50.2 billion yen, a increase of 14.8 billion yen in comparison with the previous year due to reasons such as the increase in fuel sales business.
- Operating expenses were 48.1 billion yen, a increase of 14.7 billion yen in comparison with the previous year due to reasons such as the increase in fuel prices.
- As a result, operating income was 2.1 billion yen, a increase of 0.07 billion yen in comparison with the previous year.

(billion yen)

	FY2018 (A)	FY2017 (B)	Difference (A-B)	Breakdown
Operating revenues	50.2	35.4	14.8	·Increase in fuel sales business
Operating expenses	48.1	33.3	14.7	·Increase in fuel prices
Operating income	2.1	2.0	0.07	

(Rounded down to the hundred million yen)

## (3) Information & Telecommunication Business

- Operating revenues were 40.9 billion yen, a decrease of 0.18 billion yen in comparison with the previous year due to reasons such as the decrease in telecommunications related business.
- Operating expenses were 38.3 billion yen, a decrease of 0.06 billion yen in comparison with the previous year due to reasons such as the decrease in consignment cost.
- As a result, operating income was 2.6 billion yen, a decrease of 0.12 billion yen in comparison with the previous year.

(billion yen)

	FY2018 (A)	FY2017 (B)	Difference (A-B)	Breakdown
Operating revenues	40.9	41.1	▲0.18	· Decrease in telecommunications related business
Operating expenses	38.3	38.3	▲0.06	· Decrease in consignment cost
Operating income	2.6	2.7	▲0.12	

(Rounded down to the hundred million yen)

# **II . Forecasts of Financial Results**

## **Dividends for FY2019**

- We expect that operating revenues will increase. This is mainly because of the increase of fuel cost adjustment charges accompanied by the increase in fuel prices, the increase in electricity sales to other power companies, and the increase in grants on the act of renewable energy and renewable energy power promotion surcharge, despite the decrease in electricity sales.
- As we cannot formulate reasonable 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. Forecasts of Financial Results Summary

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### (1) Consolidated

(billion yen)

	FY2019 (Forecasts) (A)	FY2018 (B)	Difference (A-B)
Operating revenues	1,344.0	1,314.9	29.0
Operating income	-	39.6	-
Ordinary income	-	30.7	-
Net income attributable to owners of the parent	-	20.7	-

### (2) Non-consolidated

(billion yen)

	FY2019 (Forecasts) (A)	FY2018 (B)	Difference (A-B)
Operating revenues	1,251.0	1,227.4	23.5
Operating income	-	32.4	-
Ordinary income	-	24.0	-
Net income	-	16.4	-

### 3. Forecasts of Financial Results Major Factors

		<b>FY2019 (Forecasts)</b>	<b>FY2018</b>
<b>Electricity sales</b>	<b>(billion kWh)</b>	<b>52.5</b>	<b>55.43</b>
<b>Exchange rate</b>	<b>(¥ / \$)</b>	<b>110</b>	<b>111</b>
<b>Crude oil prices (All Japan CIF)</b>	<b>(\$ / b)</b>	<b>65</b>	<b>57.0</b>

- We have continued stable dividends of ¥50 per share, based on our dividend policy “constant nominal payment”, in consideration of medium-and-long term viewpoint.
- Based on our dividend policy above, we have paid out ¥25 per share as the interim dividends to our shareholders and is planning to pay out ¥25 as the year-end dividends of FY2018 (annual dividends of ¥50 per share of FY2018).
- As we cannot foresee our business environment, the forecasts of the interim and the year-end dividends of FY2019 cannot be announced at this time.

**< Dividends >** (yen per share)

	FY2019	FY2018
Interim	Undecided	25
Year-end	Undecided	25
Total	Undecided	50

**(Reference) Key points**

# 1. Income Statement and Balance Sheet

## Income Statement

(billion yen)

	FY2018		FY2017	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Summary of financial results	For the first time in 3 years	For the first time in 3 years	2 consecutive years	2 consecutive years
	Increase in revenues (+114.5)	Increase in revenues (+105.6)	Decrease in revenues (▲31.1)	Decrease in revenues (▲28.7)
	Increase in income (+11.2)	Increase in income (+7.8)	Decrease in income (▲19.7)	Decrease in income (▲15.1)
Operating revenues	1,314.9 (No.1)	1,227.4 (No.1)	1,200.3 (No.4)	1,121.7 (No.5)
Operating income	39.6 (No.20)	32.4 (No.38)	34.5 (No.20)	28.8 (No.38)
Ordinary income	30.7 (No.18)	24.0 (No.34)	19.4 (No.20)	16.1 (No.36)
Net income attributable to owners of the parent / Net income	20.7 (No.18)	16.4 (No.34)	11.3 (No.18)	14.6 (No.34)

## Balance Sheet

(billion yen)

	FY2018		FY2017	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Total assets	3,179.4	2,939.9	3,100.7	2,875.7
Net assets	580.7	418.5	581.1	418.7
Shareholders' equity ratio	18.2 %	14.2 %	18.6 %	14.6 %
Interest-bearing debt	2,078.2	2,029.4	2,053.2	2,015.2

(※) "Increase / decrease in income" in the summary of financial results is based on ordinary income.

The consolidated settlement has been implemented since FY1995.

The ranking is a simple comparison with the past amount at the time of each settlement.

		FY2018 (A)	FY2017 (B)	Difference (A-B)
Exchange rate	(¥ / \$)	111	108	3
Crude oil prices (All Japan CIF)	(\$ / b)	※ { 57.0	47.5	9.5
Foreign coal prices (All Japan CIF)	(\$ / t)	{ 102.4	80.5	21.9

(※)Provisional figures

## ■ Financial impact (Sensitivity)

(billion yen)

		FY2018
Exchange rate	(¥1 / \$)	2.4
Crude oil prices (All Japan CIF)	(\$1 / b)	2.3
Nuclear capacity factor	(1%)	0.6

# **(Reference) Appendix**

# 1. Large-scale Industrial Electricity Sales

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(billion kWh)

		FY2018 (A)	FY2017 (B)	Difference (A-B)	Rate of change (A/B-1)
<b>Mining</b>		0.14	0.14	▲0.00	▲1.8 %
<b>Manufacturing</b>	<b>Pulp &amp; paper</b>	0.42	0.41	0.01	2.2 %
	<b>Chemical</b>	2.61	2.69	▲0.08	▲3.0 %
	<b>Glass &amp; cement</b>	0.78	0.77	0.01	1.6 %
	<b>Iron &amp; steel</b>	4.45	5.83	▲1.38	▲23.6 %
	<b>Non-ferrous metals</b>	1.57	1.55	0.02	0.7 %
	<b>Machinery</b>	5.04	4.95	0.09	1.8 %
	<b>Others</b>	3.70	3.67	0.03	1.1 %
	<b>Total</b>	18.56	19.86	▲1.30	▲6.5 %
<b>Others</b>		2.55	2.61	▲0.06	▲2.1 %
<b>Total</b>		21.25	22.60	▲1.35	▲6.0 %

## 2. Summary of Cash Flows <Consolidated>

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(billion yen)

	FY2018 (A)	FY2017 (B)	Difference (A-B)
Cash Flow form Operating Activities	164.7	96.0	68.7
Cash Flow from Investing Activities	▲188.5	▲147.7	▲40.7
Free Cash Flow	▲23.7	▲51.7	28.0
Cash Flow from Financing Activities	4.4	58.6	▲54.1
Cash and Cash Equivalents (increase and decrease)	▲19.1	6.7	

(Rounded down to the hundred million yen)

# 3. Operating expenses <Non-Consolidated> (1/2) 19

## (1) Personnel

(billion yen)

	FY2018 (A)	FY2017 (B)	Difference (A-B)	Breakdown
<b>Total</b>	<b>96.6</b>	<b>99.3</b>	<b>▲2.6</b>	
Retirement allowances	2.3	2.8	▲0.4	• Decrease in actuarial difference depreciation ▲0.6

## Actuarial Difference

(billion yen)

	Recorded amount	FY2017 amount of amortization	FY2018		
			Amount of amortization	Balance of non-amortization	Non-amortization years
FY2012	▲0.1	▲0.0	-	-	-
FY2013	4.7	0.9	0.9	-	-
FY2014	12.2	2.4	2.4	2.4	1
FY2015	8.9	1.7	1.7	3.5	2
FY2016	▲11.0	▲2.2	▲2.2	▲6.6	3
FY2017	2.9	-	0.5	2.3	4
FY2018	▲2.2	-	-	▲2.2	5
<b>Total</b>		<b>2.9</b>	<b>3.5</b>	<b>▲0.4</b>	<b>-</b>

※: Amortize for five years from next recorded year.

(Rounded down to the hundred million yen)

# 3. Operating expenses <Non-Consolidated> (2/2) 20

## (2) Maintenance

(billion yen)

	FY2018 (A)	FY2017 (B)	Difference (A-B)	Breakdown
<b>Total</b>	<b>89.8</b>	<b>98.8</b>	<b>▲8.9</b>	
<b>Power source</b>	<b>41.6</b>	<b>43.3</b>	<b>▲1.7</b>	· Decrease in thermal power ▲1.7
<b>Electric power transport</b>	<b>45.9</b>	<b>52.6</b>	<b>▲6.7</b>	· Decrease in distribution ▲5.2
<b>Others</b>	<b>2.2</b>	<b>2.7</b>	<b>▲0.5</b>	

## (3) Depreciation

(billion yen)

	FY2018 (A)	FY2017 (B)	Difference (A-B)	Breakdown
<b>Total</b>	<b>90.9</b>	<b>92.4</b>	<b>▲1.4</b>	
<b>Power source</b>	<b>34.7</b>	<b>35.7</b>	<b>▲1.0</b>	· Decrease in thermal power ▲1.2
<b>Electric power transport</b>	<b>48.7</b>	<b>48.7</b>	<b>0.0</b>	
<b>Others</b>	<b>7.4</b>	<b>7.9</b>	<b>▲0.4</b>	

(Rounded down to the hundred million yen )

# 4. Procurement and Consumption of Fuel (in-house)

## (1) Procurement volume

	Unit	FY2018 (A)	FY2017 (B)	Difference (A-B)
<b>Fuel oil</b> ※1	million liters	660	1,010	▲350
<b>Crude oil</b>	million liters	110	150	▲40
<b>Coal</b> ※2	thousand tons	6,140	6,240	▲100
<b>LNG</b> ※2	thousand tons	2,430	2,250	180

※1 : Internal combustion power plant included

※2 : Sales included

## (2) Consumption volume

	Unit	FY2018 (A)	FY2017 (B)	Difference (A-B)
<b>Fuel oil</b> ※3	million liters	610	1,000	▲390
<b>Crude oil</b>	million liters	150	190	▲40
<b>Coal</b>	thousand tons	5,880	5,900	▲20
<b>LNG</b>	thousand tons	1,940	1,950	▲10

※3 : Internal combustion power plant included

# 5. Capital Expenditure <Non-Consolidated>

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(billion yen)

	FY2018 (A)	FY2017 (B)	Difference (A-B)
<b>Total</b>	<b>204.8</b>	<b>152.9</b>	<b>51.9</b>
<b>Power Source</b>	<b>134.7</b>	<b>87.2</b>	<b>47.4</b>
<b>Electric Power Transport</b>	<b>55.2</b>	<b>51.1</b>	<b>4.0</b>
<b>Transmission</b>	<b>20.8</b>	<b>17.8</b>	<b>2.9</b>
<b>Transformation</b>	<b>16.5</b>	<b>12.2</b>	<b>4.2</b>
<b>Distribution</b>	<b>17.8</b>	<b>20.9</b>	<b>▲3.1</b>
<b>Nuclear Fuel</b>	<b>10.2</b>	<b>10.0</b>	<b>0.1</b>
<b>Others</b>	<b>4.6</b>	<b>4.4</b>	<b>0.2</b>

※: Incidental Business Facilities Excluded

(Rounded down to the hundred million yen)

## 6. Interest-bearing debt, Interest rate, and Interest expense <Non-Consolidated>

### (1) Breakdown of Interest-bearing debt

(billion yen)

	End of FY2018 (A)	End of FY2017 (B)	Difference (A-B)
Interest-bearing debt	2,029.4	2,015.2	14.2
Corporate bond	917.4	946.9	▲29.5
Long-term debt	1,034.6	985.2	49.4
Short-term debt	67.3	83.0	▲15.6
CP	100.0	-	100.0

### (2) Interest rate

	FY2018	FY2017
Average	0.86 %	1.08 %
End of period	0.71 %	0.93 %

### (3) Interest expense

(billion yen)

	FY2018 (A)	FY2017 (B)	Difference (A-B)
Interest expense	17.2	20.2	▲3.0

(Rounded down to the hundred million yen)

## 7. Diffusion Rate of Completely Electrical Housing and Electric Water Heater

		Unit	FY2015	FY2016	FY2017	FY2018
Completely electrical housing introduced		Number of housing (thousands)	38	33	30	30
	Newly-constructed		20	18	18	19
	Remodeled		18	15	13	11
The ratio of newly constructed electrical Housing		%	46.1	45.1	41.3	※ 39.3
	Single homes	%	74.0	75.5	72.5	73.3
	Housing complexes	%	14.4	13.0	10.3	7.4
Household diffusion rate of completely electric homes		%	19.6	20.4	21.3	22.1
Electric water heater sales		thousands	52	51	51	56
	“Ecocute”		43	43	45	52
The diffusion rate of electric water heater		%	28.2	28.9	29.5	30.0
Electric Water Heater Contract Accounts (accumulated total)		Number of accounts (thousands)	929	957	983	1,006

※: Figures are as of the end of February, 2018.

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