

The Summary of Financial Results for FY2019

(April 1 through March 31, 2019)

The Chugoku Electric Power Co., Inc.

April 26, 2019

In this report, the term “Fiscal Year 2019” refers to the period between April 1, 2018 and March 31, 2019.

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I . FY2019 Financial Results

1-1. Financial Results Summary <Consolidated>

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- Operating revenues were 1,376.9 billion yen, a increase of 62.0 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 1,357.4 billion yen, a increase of 82.1 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 19.5 billion yen, a decrease of 20.0 billion yen in comparison with the previous year.
- Ordinary income including other expenses and other income, such as interest expense, was 12.6 billion yen, a decrease of 18.0 billion yen in comparison with the previous year.
- Net income attributable to owners of the parent deducting income taxes was 11.4 billion yen, a decrease of 9.2 billion yen in comparison with the previous year. This is the result of drawing down the provision for drought, applying the provision for depreciation of nuclear power plants and recording extraordinary loss due to the Heavy rain in July 2018 and extraordinary income due to the sales of securities.

1-2. Financial Results Summary

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(1) Consolidated

(billion yen)

	FY2019 (A)	FY2018 (B)	Difference (A-B)	Rate of change (A/B-1)
Operating revenues	1,376.9	1,314.9	62.0	4.7 %
Operating income	19.5	39.6	-20.0	-50.7 %
Ordinary income	12.6	30.7	-18.0	-58.7 %
Net income attributable to owners of the parent	11.4	20.7	-9.2	-44.7 %

(Rounded down to the hundred million yen)

(2) Non-consolidated

(billion yen)

	FY2019 (A)	FY2018 (B)	Difference (A-B)	Rate of change (A/B-1)
Operating revenues	1,280.5	1,227.4	53.0	4.3 %
Operating income	11.2	32.4	-21.1	-65.3 %
Ordinary income	6.9	24.0	-17.1	-71.3 %
Net income	8.5	16.4	-7.9	-48.2 %

(Rounded down to the hundred million yen)

2. Electricity Sales

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- Electricity sales were 52.94 billion kWh, down by 4.5% in comparison with the previous year due to reasons such as impact of intensified competition with the full liberalization of the retail sale of electricity.

(billion kWh)

	FY2019 (A)	FY2018 (B)	Difference (A-B)	Rate of change (A/B-1)
Total	52.94	55.43	-2.49	-4.5 %
Lighting	17.49	18.56	-1.07	-5.8 %
Power	35.46	36.87	-1.41	-3.8 %

[Reference]

(billion kWh)

	FY2019 (A)	FY2018 (B)	Difference (A-B)	Rate of change (A/B-1)
Sales to other power companies	8.08	6.65	1.43	21.5 %

Note: Sales to other power companies represents transmitted volume in the generated and received electricity.

3. Generated and Received Electricity

- Total of generated and received electricity was down by 4.1% in comparison with the previous year.
- 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.

(billion kWh)

		FY2019 (A)	FY2018 (B)	Difference (A-B)	Rate of change (A/B-1)
Total		57.54	59.99	-2.45	-4.1 %
Own facilities	Subtotal	35.35	37.44	-2.09	-5.6 %
	(Flow Rate)	(92.4 %)	(105.9 %)	(-13.5 %)	
	Hydroelectric	3.30	3.78	-0.49	-12.8 %
	Thermal	32.04	33.64	-1.60	-4.8 %
	(Utilization Rate)	(-)	(-)	(-)	
	Nuclear	-	-	-	-
	New energy sources	0.01	0.01	-0.00	-4.1 %
Interchanged and purchased	Subtotal	23.05	23.49	-0.44	-1.9 %
	Purchased	31.13	30.14	0.99	3.3 %
	Transmitted	-8.08	-6.65	-1.43	21.5 %
Pumping use		-0.86	-0.94	0.08	-8.7 %

4. Income Statement <Consolidated> (1) Revenues

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(billion yen)

	FY2019 (A)	FY2018 (B)	[Rate of change] Difference (A-B)	Breakdown
Ordinary revenues	1,390.0	1,330.6	59.3	
Operating revenues	1,376.9 (1,280.5)	1,314.9 (1,227.4)	62.0 (53.0)	
from electric power operations	1,248.5	1,201.2	[3.9 %] 47.2	
Electricity sales	981.3	976.4	[0.5 %] 4.9	<ul style="list-style-type: none"> ·Fuel cost adjustment charges +58.2 ·Increase in renewable energy power promotion surcharge +6.1 ·Decrease in electricity sales -43.8
Others	267.1	224.8	[18.8 %] 42.3	<ul style="list-style-type: none"> ·Increase in electricity sales to other power companies +20.4 ·Increase in grants on the act of renewable energy +13.7
from other operations	266.5	231.0	35.4	
Internal transaction in consolidated accounting	-138.0	-117.3	-20.7	
Other revenues	13.0	15.6	-2.6	

Note: 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)

	FY2019 (A)	FY2018 (B)	Difference (A-B)	Breakdown
Ordinary expenses	1,377.3	1,299.9	77.4	
Operating expenses	1,357.4	1,275.3	82.1	[6.4 %]
from electric power operations	1,238.0	1,169.7	68.3	[5.8 %]
Personnel	94.4	96.6	-2.2	
Material	642.7	571.9	70.7	· Higher CIF price +56.6 · Increase in purchase cost of renewable energy +22.2
Fuel	236.7	207.8	28.8	· Decrease in water flow and capacity factor of coal power plants +8.1
Purchased power	405.9	364.0	41.8	· Decrease in electricity sales -21.6
Maintenance	80.6	89.8	-9.2	
Depreciation	91.7	90.9	0.8	
Nuclear power back- end	6.5	4.7	1.7	
Others	321.9	315.5	6.3	· Increase in payments of the levy on the act of renewable energy +6.1
from other operations	256.0	222.3	33.6	
Internal transaction in consolidated accounting	-136.6	-116.8	-19.8	
Other expenses	19.8	24.5	-4.6	
	(18.5)	(22.0)	(-3.4)	

Note: Figures in parentheses () are Non-Consolidated.

(Rounded down to the hundred million yen)

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

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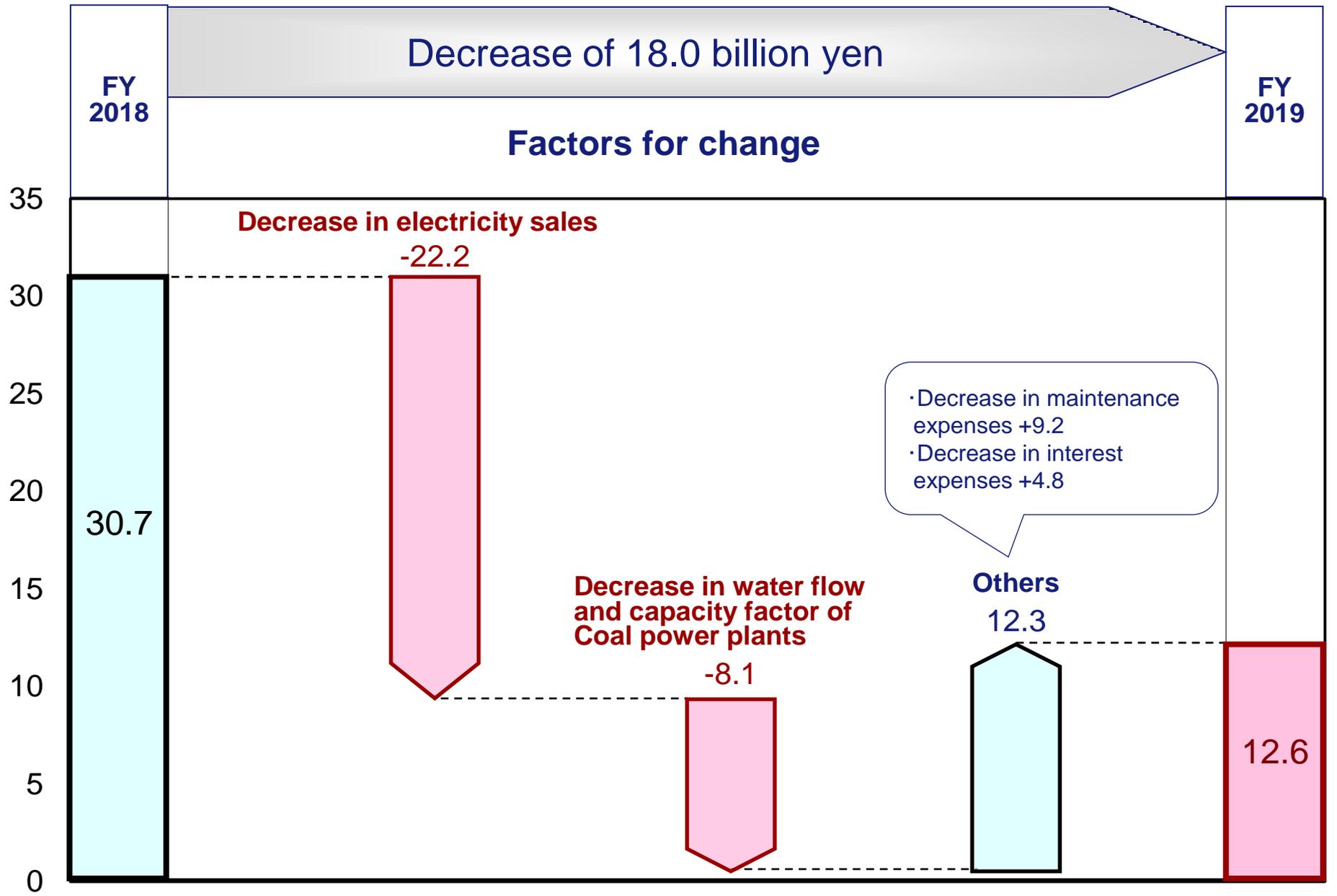
(billion yen)

	FY2019 (A)	FY2018 (B)	Difference (A-B)	Breakdown
Operating income	19.5 (11.2)	39.6 (32.4)	-20.0 (-21.1)	
Ordinary income	12.6 (6.9)	30.7 (24.0)	-18.0 (-17.1)	
Provision for drought	-0.2	0.2	-0.4	
Provision for depreciation of nuclear power plant	2.5	3.3	-0.8	
Extraordinary income	10.4	-	10.4	·Sales of securities
Extraordinary loss	5.9	-	5.9	·The Heavy rain in July 2018 +3.7 ·Loss on partial business withdrawal of consolidated subsidiary +2.1
Income taxes, etc.	3.4	6.4	-2.9	
Net income attributable to owners of the parent	11.4 (8.5)	20.7 (16.4)	-9.2 (-7.9)	

Note: 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)

	FY2019 (A)	FY2018 (B)	Difference (A-B)
Operating revenues	1,248.5	1,201.2	47.2
Operating expenses	1,238.2	1,169.5	68.6
Operating income	10.2	31.7	-21.4

(2) Comprehensive Energy Supply Business

(Rounded down to the hundred million yen)

- Operating revenues were 73.9 billion yen, a increase of 23.6 billion yen in comparison with the previous year due to reasons such as the increase in fuel sales business due to the increase in fuel prices.
- Operating expenses were 72.1 billion yen, a increase of 24.0 billion yen in comparison with the previous year due to reasons such as the increase in fuel sales expenses.
- As a result, operating income was 1.8 billion yen, a decrease of 0.3 billion yen in comparison with the previous year.

(billion yen)

	FY2019 (A)	FY2018 (B)	Difference (A-B)
Operating revenues	73.9	50.2	23.6
Operating expenses	72.1	48.1	24.0
Operating income	1.8	2.1	-0.3

(Rounded down to the hundred million yen)

(3) Information & Telecommunication Business

- Operating revenues were 41.8 billion yen, a increase of 0.8 billion yen in comparison with the previous year due to reasons such as the increase in telecommunications related business through the increase in communication lines.
- Operating expenses were 39.5 billion yen, a increase of 1.2 billion yen in comparison with the previous year due to reasons such as the increase in telecommunication related expenses.
- As a result, operating income was 2.3 billion yen, a decrease of 0.3 billion yen in comparison with the previous year.

(billion yen)

	FY2019 (A)	FY2018 (B)	Difference (A-B)
Operating revenues	41.8	40.9	0.8
Operating expenses	39.5	38.3	1.2
Operating income	2.3	2.6	-0.3

(Rounded down to the hundred million yen)

II . Forecasts of Financial Results

Dividends for FY2020

- We expect that operating revenues will decrease in comparison with the previous year, for the reasons such as the decrease in electricity sales.
- We expect that ordinary income will increase in comparison with the previous year, for the reasons such as the decrease in expenses by business efficiency enhancement, despite the decrease in electricity sales.

(Note)

Based on the recent changes in the business environment, we will change our accounting policy and change the depreciation method for tangible fixed assets from the declining balance method to the straight line method from FY2020.

As a result of this change, depreciation expenses in FY2020 are expected to decrease by approximately 22.0 billion yen.

2. Forecasts of Financial Results Summary

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(1) Consolidated

(billion yen)

	FY2020 (Forecasts) (A)	FY2019 (B)	Difference (A-B)
Operating revenues	1,371.0	1,376.9	-5.9
Operating income	42.0	19.5	22.4
Ordinary income	36.0	12.6	23.3
Net income attributable to owners of the parent	25.0	11.4	13.5

(2) Non-consolidated

(billion yen)

	FY2020 (Forecasts) (A)	FY2019 (B)	Difference (A-B)
Operating revenues	1,270.0	1,280.5	-10.5
Operating income	36.0	11.2	24.7
Ordinary income	30.0	6.9	23.0
Net income	21.0	8.5	12.4

3. Forecasts of Financial Results Major Factors

	FY2020 (Forecasts)	FY2019
Electricity sales (billion kWh)	50.7	52.9
Exchange rate (¥/\$)	110	111
Crude oil prices (All Japan CIF) (\$/b)	70	72
Nuclear capacity factor (%)	-	-

Financial impact (Sensitivity)

(billion yen)

	FY2020 (Forecasts)	FY2019
Exchange rate (¥1/\$)	2.5	2.7
Crude oil prices (All Japan CIF) (\$1/b)	2.1	2.1
Water flow rate (1%)	0.5	0.4
Nuclear capacity factor (1%)	0.6	0.6

- 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.
- Regarding the payment of dividends, we are based on twice a year at interim and year-end.
- 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 FY2019 (annual dividends of ¥50 per share of FY2019).
- Regarding the forecasts of the dividends of FY2020, we are planning to pay out ¥25 as interim and the year-end.

< Dividends > (yen per share)

	FY2020	FY2019
Interim	25	25
Year-end	25	25
Total	50	50

(Reference) Key points

1. Income Statement and Balance Sheet

Income Statement

(billion yen)

	FY2019		FY2018	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Summary of financial results	For the first time in 6 years	For the first time in 6 years	For the first time in 3 years	For the first time in 3 years
	Increase in revenues (+62.0)	Increase in revenues (+53.0)	Increase in revenues (+114.5)	Increase in revenues (+105.6)
	Decrease in income (-18.0)	Decrease in income (-17.1)	Increase in income (+11.2)	Increase in income (+7.8)
Operating revenues	1,376.9 (No.1)	1,280.5 (No.1)	1,314.9 (No.1)	1,227.4 (No.1)
Operating income	19.5 (No.22)	11.2 (No.50)	39.6 (No.20)	32.4 (No.38)
Ordinary income	12.6 (No.22)	6.9 (No.47)	30.7 (No.18)	24.0 (No.34)
Net income attributable to owners of the parent / Net income	11.4 (No.19)	8.5 (No.38)	20.7 (No.18)	16.4 (No.34)

Balance Sheet

(billion yen)

	FY2019		FY2018	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Total assets	3,261.6	3,085.1	3,179.4	2,939.9
Net assets	558.6	403.7	580.7	418.5
Shareholders' equity ratio	17.0 %	13.1 %	18.2 %	14.2 %
Interest-bearing debt	2,196.9	2,200.2	2,078.2	2,029.4

Note: "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.

2. Major Factors

		FY2019 (A)	FY2018 (B)	Difference (A-B)
Exchange rate	(¥/\$)	111	111	-
Crude oil prices (All Japan CIF)	(\$/b)	* { 72.1	57.0	15.1
Foreign coal prices (All Japan CIF)	(\$/t)	{ 120.5	102.7	17.8
Nuclear capacity factor	(%)	-	-	-

* Provisional figures

(Reference) Appendix

1. Summary of Cash Flows <Consolidated>

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(billion yen)

	FY2019 (A)	FY2018 (B)	Difference (A-B)
Cash Flow form Operating Activities	81.6	164.7	-83.1
Cash Flow from Investing Activities	-168.7	-188.5	19.8
Free Cash Flow	-87.1	-23.7	-63.3
Cash Flow from Financing Activities	97.5	4.4	93.0
Cash and Cash Equivalents (increase and decrease)	10.2	-19.1	

(Rounded down to the hundred million yen)

3. Operating expenses <Non-Consolidated> (1/2) 18

(1) Personnel

(billion yen)

	FY2019 (A)	FY2018 (B)	Difference (A-B)	Breakdown
Total	94.4	96.6	-2.2	·Decrease in salary allowance -2.5
Retirement allowances	3.6	2.3	1.3	·Increase in actuarial difference depreciation +1.4

Actuarial Difference

(billion yen)

	Recorded amount	FY2018 amount of amortization	FY2019		
			Amount of amortization	Balance of non-amortization	Non-amortization years
FY2013	4.7	0.9	-	-	-
FY2014	12.2	2.4	2.4	-	-
FY2015	8.9	1.7	1.7	1.7	1
FY2016	-11.0	-2.2	-2.2	-4.4	2
FY2017	2.9	0.5	0.5	1.7	3
FY2018	-2.2	-	-0.4	-1.8	4
FY2019	-1.1	-	-	-1.1	5
Total		3.5	2.1	-3.8	-

Note: Amortize for five years from next recorded year.

(Rounded down to the hundred million yen)

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

(2) Maintenance

(billion yen)

	FY2019 (A)	FY2018 (B)	Difference (A-B)	Breakdown
Total	80.6	89.8	-9.2	
Power source	34.3	41.6	-7.2	<ul style="list-style-type: none"> ▪ Decrease in thermal power -3.6 ▪ Decrease in nuclear power -3.6
Electric power transport	44.0	45.9	-1.8	<ul style="list-style-type: none"> ▪ Decrease in distribution -1.7
Others	2.1	2.2	-0.0	

(3) Depreciation

(billion yen)

	FY2019 (A)	FY2018 (B)	Difference (A-B)	Breakdown
Total	91.7	90.9	0.8	
Power source	36.3	34.7	1.6	<ul style="list-style-type: none"> ▪ Increase in thermal power +1.9
Electric power transport	48.1	48.7	-0.6	
Others	7.2	7.4	-0.2	

(Rounded down to the hundred million yen)

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

(1) Procurement volume

	Unit	FY2019 (A)	FY2018 (B)	Difference (A-B)
Fuel oil *	million liters	440	660	-220
Crude oil	million liters	30	110	-80
Coal **	thousand tons	6,330	6,140	190
LNG **	thousand tons	2,240	2,430	-190

* Internal combustion power plant included

** Sales included

(2) Consumption volume

	Unit	FY2019 (A)	FY2018 (B)	Difference (A-B)
Fuel oil ***	million liters	500	610	-110
Crude oil	million liters	50	150	-100
Coal	thousand tons	5,770	5,880	-110
LNG	thousand tons	1,910	1,940	-30

*** Internal combustion power plant included

5. Capital Expenditure <Non-Consolidated>

(billion yen)

	FY2019 (A)	FY2018 (B)	Difference (A-B)
Total	169.8	204.8	-35.0
Power Source	106.0	134.7	-28.7
Electric Power Transport	47.8	55.2	-7.3
Transmission	16.0	20.8	-4.8
Transformation	14.4	16.5	-2.0
Distribution	17.3	17.8	-0.5
Nuclear Fuel	8.2	10.2	-2.0
Others	7.7	4.6	3.1

Note: 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 FY2019 (A)	End of FY2018 (B)	Difference (A-B)
Interest-bearing debt	2,200.2	2,029.4	170.8
Corporate bond	990.4	917.4	73.0
Long-term debt	1,113.9	1,034.6	79.2
Short-term debt	95.8	67.3	28.4
CP	-	10.0	-10.0

(2) Interest rate

	FY2019	FY2018
Average	0.62 %	0.86 %
End of period	0.60 %	0.71 %

(3) Interest expense

(billion yen)

	FY2019 (A)	FY2018 (B)	Difference (A-B)
Interest expense	12.3	17.2	-4.8

(Rounded down to the hundred million yen)

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