

The Summary of Financial Results for FY2019-1Q

(April 1 through June 30, 2018)

The Chugoku Electric Power Co., Inc.

July 31, 2018

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 1st Quarter Financial Results

- Operating revenues were 316.5 billion yen, an increase of 12.0 billion yen in comparison with the same period in the previous year. This is mainly because of the increase of fuel cost adjustment charges, 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 318.3 billion yen, an increase of 17.0 billion yen in comparison with the same period in 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 -1.7 billion yen, a decrease of 4.9 billion yen in comparison with the same period in the previous year.
- Ordinary income including other expenses and other income, such as interest expense, was -4.5 billion yen, a decrease of 6.9 billion yen in comparison with the same period in the previous year.
- Net income attributable to owners of the parent deducting income taxes was -4.8 billion yen, a decrease of 6.1 billion yen in comparison with the same period in the previous year. This is the result of applying the provision for drought and applying the provision for depreciation of nuclear power plants.

(1) Consolidated

(billion yen)

	FY2019-1Q (A)	FY2018-1Q (B)	Difference (A-B)	Rate of change (A/B-1)
Operating revenues	316.5	304.5	12.0	4.0%
Operating income	-1.7	3.1	-4.9	-
Ordinary income	-4.5	2.3	-6.9	-
Net income attributable to owners of the parent	-4.8	1.3	-6.1	-

(Rounded down to the hundred million yen)

(2) Non-consolidated

(billion yen)

	FY2019-1Q (A)	FY2018-1Q (B)	Difference (A-B)	Rate of change (A/B-1)
Operating revenues	293.7	283.2	10.5	3.7%
Operating income	-1.8	2.4	-4.3	-
Ordinary income	-1.5	2.9	-4.4	-
Net income	-1.6	2.2	-3.9	-

(Rounded down to the hundred million yen)

2. Electricity Sales

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- Electricity sales were 12.32 billion kWh, down by 3.0% in comparison with the same period in the previous year due to reasons such as impact of intensified competition with the full liberalization of the retail sale of electricity.
- Large-scale electricity increased in comparison with the same period in the previous year due to reasons such as the increase in “iron & steel” and “chemical” industries demand.

(billion kWh)

	FY2019-1Q (A)	FY2018-1Q (B)	Difference (A-B)	Rate of change (A/B-1)
Total	12.32	12.70	-0.37	-3.0%
Low voltage	4.20	4.41	-0.21	-4.7%
Lighting	3.78	3.96	-0.17	-4.3%
Power	0.42	0.45	-0.03	-7.7%
High voltage and Extra-high voltage	8.12	8.29	-0.17	-2.0%
Commercial	2.03	2.26	-0.23	-10.0%
Industrial	6.08	6.03	0.06	0.9%
Large scale	5.27	5.11	0.16	3.0%

3. Supply Capacity

- Hydroelectric power of own facilities increased in comparison with the same period in the previous year due to the increase in water flow.
- Thermal power of own facilities decreased due to reasons such as the increase in maintenance of our plants.
- Interchanged power and purchased power increased due to reasons such as the increase in photovoltaic power.

(billion kWh)

		FY2019-1Q (A)	FY2018-1Q (B)	Difference (A-B)	Rate of change (A/B-1)
Supply Capacity		13.02	13.23	-0.22	-1.6%
Own facilities		7.14	7.71	-0.57	-7.4%
	(Water Flow Rate)	(102.5%)	(81.2%)	(21.3%)	
	Hydroelectric	0.99	0.82	0.17	20.7%
	Thermal	6.14	6.88	-0.74	-10.8%
	(Capacity Factor)	(-)	(-)	(-)	
	Nuclear	-	-	-	-
	New energy sources	0.00	0.00	-0.00	-8.7%
Interchanged power and purchased power		6.11	5.77	0.34	5.9%
Pumping use		-0.23	-0.24	0.01	-5.0%

4. Income Statement <Consolidated> (1) Revenues

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(billion yen)

	FY2019-1Q (A)	FY2018-1Q (B)	[Rate of change] Difference (A-B)	Breakdown
Ordinary revenues	319.4	309.3	10.0	
Operating revenues	316.5	304.5	12.0	
	(293.7)	(283.2)	(10.5)	
from electric power operations			[3.3%]	
	286.5	277.3	9.1	
Electricity sales			[-0.2%]	<ul style="list-style-type: none"> • Decrease in electricity sales -6.4 • Fuel cost adjustment charges +8.6 • Increase in renewable energy power promotion surcharge +2.3
	217.2	217.6	-0.3	
Others			[15.9%]	<ul style="list-style-type: none"> • Increase in grants on the act of renewable energy +2.8
	69.2	59.7	9.5	
from other operations	53.0	48.5	4.4	
Internal transaction in consolidated accounting	-22.9	-21.3	-1.5	
Other revenues	2.8	4.8	-2.0	

* 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)

	FY2019-1Q (A)	FY2018-1Q (B)	Difference (A-B)	Breakdown
Ordinary expenses	323.9	306.9	16.9	
Operating expenses			[5.7%]	
	318.3	301.3	17.0	
from electric power operations			[4.9%]	
	288.6	275.1	13.4	
Personnel	24.4	25.6	-1.1	
Material	149.4	135.8	13.5	<ul style="list-style-type: none"> • Higher CIF price +11.8 • Decrease in electricity sales -2.9 • Higher yen rate -1.2
Fuel	43.3	39.3	4.0	
Purchased power	106.0	96.5	9.5	
Maintenance	17.3	19.9	-2.6	
Depreciation	22.2	22.2	-0.0	
Nuclear power back- end	1.4	1.2	0.2	
Others	73.7	70.1	3.5	• Increase in payments of the levy on the act of renewable energy +2.3
from other operations	52.5	47.7	4.8	
Internal transaction in consolidated accounting	-22.7	-21.5	-1.2	
Other expenses	5.5	5.6	-0.0	
	(5.2)	(5.4)	(-0.1)	

* Figures in parentheses () are Non-Consolidated.

(Rounded down to the hundred million yen)

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

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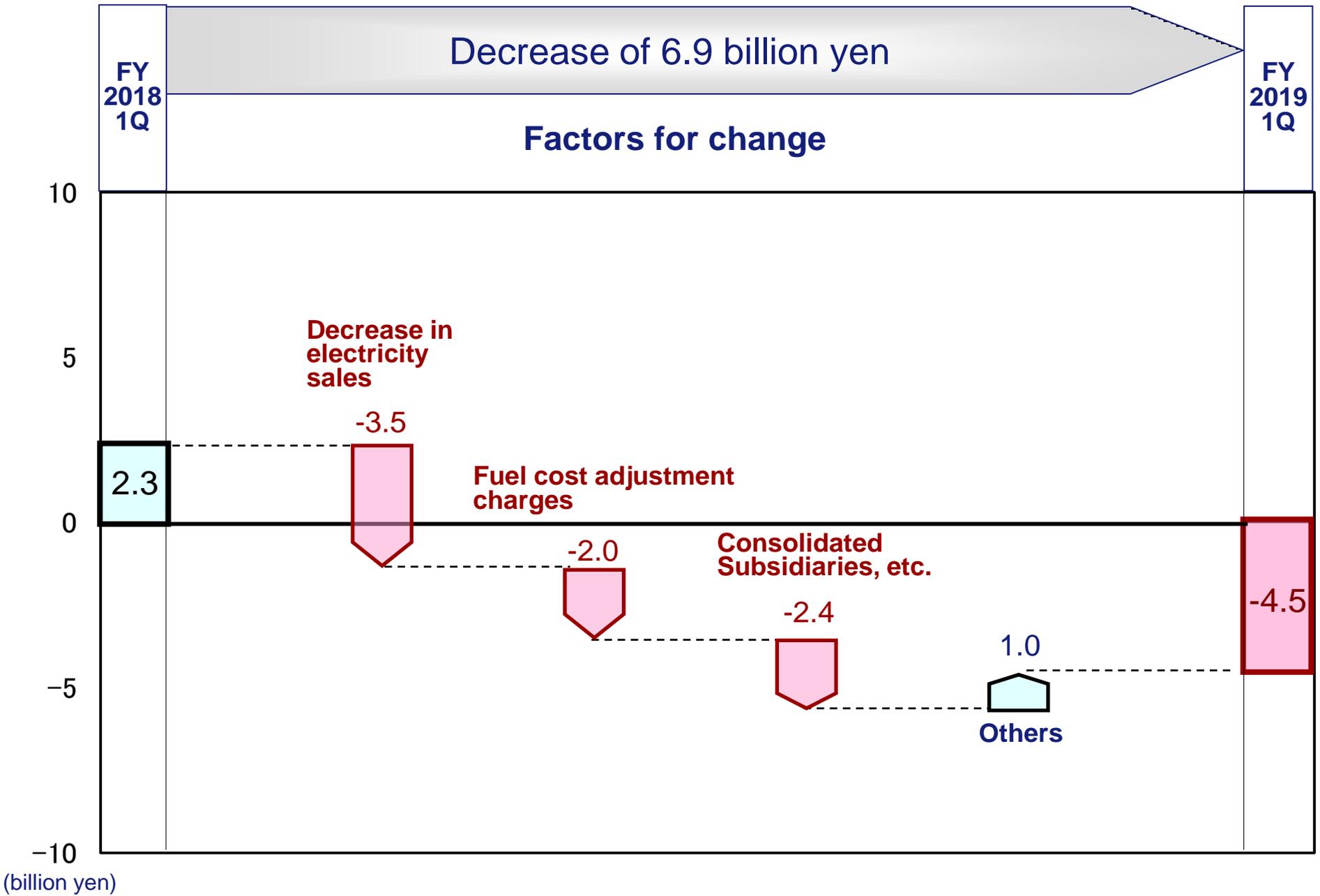
(billion yen)

	FY2019-1Q (A)	FY2018-1Q (B)	Difference (A-B)	Breakdown
Operating income	-1.7 (-1.8)	3.1 (2.4)	-4.9 (-4.3)	
Ordinary income	-4.5 (-1.5)	2.3 (2.9)	-6.9 (-4.4)	
Provision for drought	0.0	-0.1	0.2	
Provision for depreciation of nuclear power plant	0.3	0.6	-0.2	
Income taxes, etc.	-0.1	0.6	-0.7	
Net income attributable to owners of the parent	-4.8 (-1.6)	1.3 (2.2)	-6.1 (-3.9)	

* 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. Financial Results Summary <Consolidated>”.

(billion yen)

	FY2019-1Q (A)	FY2018-1Q (B)	Difference (A-B)	Breakdown
Operating revenues	286.5	277.3	9.1	
Operating expenses	288.7	275.1	13.6	
Operating income	-2.2	2.2	-4.4	

(Rounded down to the hundred million yen)

(2) Comprehensive Energy Supply Business

- Operating revenues were 14.8 billion yen, a increase of 3.9 billion yen in comparison with the same period in the previous year due to reasons such as the increase in fuel sales business.
- Operating expenses were 14.3 billion yen, a increase of 3.9 billion yen in comparison with the same period in the previous year due to reasons such as the increase in fuel prices.
- As a result, operating income was 0.4 billion yen, roughly equal to the same period in the previous year.

(billion yen)

	FY2019-1Q (A)	FY2018-1Q (B)	Difference (A-B)	Breakdown
Operating revenues	14.8	10.8	3.9	·Increase in fuel sales business
Operating expenses	14.3	10.3	3.9	·Increase in fuel prices
Operating income	0.4	0.4	0.0	

(Rounded down to the hundred million yen)

(3) Information & Telecommunication Business

- Operating revenues were 9.4 billion yen, a increase of 0.4 billion yen in comparison with the same period in the previous year due to reasons such as the increase in information related business.
- Operating expenses were 9.0 billion yen, a increase of 0.4 billion yen in comparison with the same period in the previous year due to reasons such as the increase in consignment cost.
- As a result, operating income was 0.3 billion yen, roughly equal to the same period in the previous year.

(billion yen)

	FY2019-1Q (A)	FY2018-1Q (B)	Difference (A-B)	Breakdown
Operating revenues	9.4	9.0	0.4	·Increase in information related business
Operating expenses	9.0	8.6	0.4	·Increase in consignment cost
Operating income	0.3	0.3	-0.02	

(Rounded down to the hundred million yen)

Ⅱ . Forecasts of Financial Results Dividends for FY2019

- We expect that operating revenues will increase in comparison with the last expectation announced on April 2018, for the reasons such as the increase in electricity sales revenue, due to the increase in fuel cost adjustment charges.
- 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) As of July (A)	FY2019 (Forecasts) As of April (B)	Difference (A-B)
Operating revenues	1,369.0	1,344.0	25.0
Operating income	-	-	-
Ordinary income	-	-	-
Net income attributable to owners of the parent	-	-	-

【Reference】 FY2018
1,314.9
39.6
30.7
20.7

(2) Non-consolidated

(billion yen)

	FY2019 (Forecasts) As of July (A)	FY2019 (Forecasts) As of April (B)	Difference (A-B)
Operating revenues	1,275.0	1,251.0	24.0
Operating income	-	-	-
Ordinary income	-	-	-
Net income	-	-	-

【Reference】 FY2018
1,227.4
32.4
24.0
16.4

3. Forecasts of Financial Results Major Factors

	FY2019 (Forecasts) As of July (A)	FY2019 (Forecasts) As of April (B)	Difference (A-B)
Electricity sales (billion kWh)	52.8	52.5	0.3
Exchange rate (¥ / \$)	110	110	-
Crude oil prices (All Japan CIF) (\$ / b)	74	65	9

【Reference】 FY2018
55.43
111
57.0

■ Financial impact (Sensitivity)

(billion yen)

	FY2019 (Forecasts) As of July
Exchange rate (¥1 / \$)	-
Crude oil prices (All Japan CIF) (\$1 / b)	-
Water flow rate (1%)	-
Nuclear capacity factor (1%)	-

【Reference】 FY2018
2.4
2.3
0.4
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.
- 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. We have not revised the forecasts of dividends announced in April 2018.

< 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

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Income Statement

(billion yen)

	FY2019-1Q		FY2018-1Q	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Summary of financial results	2 consecutive years	2 consecutive years	For the first time in 5 years	For the first time in 5 years
	Increase in revenues (+12.0)	Increase in revenues (+10.5)	Increase in revenues (+22.2)	Increase in revenues (+19.5)
	Decrease in income (-6.9)	Decrease in income (-4.4)	Decrease in income (- 6.6)	Decrease in income (-8.3)
Operating revenues	316.5 (No.1)	293.7 (No.1)	304.5 (No.2)	283.2 (No.2)
Operating income	-1.7 (No.14)	-1.8 (No.14)	3.1 (No.12)	2.4 (No.12)
Ordinary income	-4.5 (No.14)	-1.5 (No.12)	2.3 (No.10)	2.9 (No.10)
Net income attributable to owners of the parent / Net income	-4.8 (No.12)	-1.6 (No.10)	1.3 (No.9)	2.2 (No.9)

Balance Sheet

(billion yen)

	FY2019-1Q		FY2018	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Total assets	3,154.5	2,943.6	3,179.4	2,939.9
Net assets	566.7	414.0	580.7	418.5
Shareholders' equity ratio	17.9%	14.1%	18.2%	14.2%
Interest-bearing debt	2,123.4	2,096.4	2,078.2	2,029.4

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

The 1st quarter settlement has been implemented since FY2004.

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

2. Major Factors

		FY2019-1Q (A)	FY2018-1Q (B)
Exchange rate	(¥ / \$)	109	111
Crude oil prices (All Japan CIF)	(\$ / b)	* { 70.5	53.3
Foreign coal prices (All Japan CIF)	(\$ / t)	{ 114.9	98.6
Nuclear capacity factor	(%)	—	—

* Provisional figures

(Reference) Appendix

1. Large-scale Industrial Electricity Sales

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(billion kWh)

		FY2019-1Q (A)	FY2018-1Q (B)	Difference (A-B)	Rate of change (A/B-1)
Mining		0.03	0.03	0.00	3.0%
Manufacturing	Pulp & paper	0.11	0.10	0.01	10.6%
	Chemical	0.70	0.60	0.10	16.4%
	Glass & cement	0.20	0.17	0.03	19.0%
	Iron & steel	1.17	1.08	0.09	7.8%
	Non-ferrous metals	0.39	0.38	0.01	2.6%
	Machinery	1.20	1.22	-0.02	-1.6%
	Others	0.86	0.91	-0.05	-6.8%
	Total	4.62	4.47	0.15	3.4%
Others		0.61	0.61	0.00	0.0%
Total		5.27	5.11	0.16	3.0%

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

(1) Personnel

(billion yen)

	FY2019-1Q (A)	FY2018-1Q (B)	Difference (A-B)	Breakdown
Total	24.4	25.6	-1.1	
Retirement allowances	0.7	0.4	0.3	• Increase in actuarial difference depreciation +0.3

(Rounded down to the hundred million yen)

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
Total		3.5	2.1	-2.6	—

* Amortize for five years from next recorded year

(Rounded down to the hundred million yen)

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

(2) Maintenance

(billion yen)

	FY2019-1Q (A)	FY2018-1Q (B)	Difference (A-B)	Breakdown
Total	17.3	19.9	-2.6	
Power source	6.3	6.3	-0.0	
Electric power transport	10.6	13.2	-2.5	• Decrease in distribution -2.6
Others	0.3	0.3	-0.0	

(Rounded down to the hundred million yen)

(3) Depreciation

(billion yen)

	FY2019-1Q (A)	FY2018-1Q (B)	Difference (A-B)	Breakdown
Total	22.2	22.2	-0.0	
Power source	8.5	8.4	0.0	
Electric power transport	11.8	11.9	-0.0	
Others	1.7	1.8	-0.0	

(Rounded down to the hundred million yen)

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

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(1) Procurement volume

	Unit	FY2019-1Q (A)	FY2018-1Q (B)	Difference (A-B)
Fuel oil *	million liters	60	110	-50
Crude oil	million liters	10	20	-10
Coal **	thousand tons	1,340	1,520	-180
LNG **	thousand tons	470	520	-50

* Internal combustion power plant include

** Sales included

(2) Consumption volume

	Unit	FY2019-1Q (A)	FY2018-1Q (B)	Difference (A-B)
Fuel oil ***	million liters	50	50	-0
Crude oil	million liters	10	0	10
Coal	thousand tons	970	1,250	-280
LNG	thousand tons	460	440	20

*** Internal combustion power plant included

4. Capital Expenditure <Non-Consolidated>

(billion yen)

	FY2019-1Q (A)	FY2018-1Q (B)	Difference (A-B)
Total	27.0	36.5	-9.5
Power Source	16.7	22.8	-6.1
Electric Power Transport	9.1	12.9	-3.7
Transmission	2.6	5.3	-2.6
Transformation	3.1	3.1	0.0
Distribution	3.3	4.4	-1.1
Nuclear Fuel	0.5	0.0	0.4
Others	0.6	0.7	-0.0

* Incidental Business Facilities Excluded

(Rounded down to the hundred million yen)

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

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(1) Breakdown of Interest-bearing debt

(billion yen)

	End of FY2019-1Q (A)	End of FY2018 (B)	Difference (A-B)
Interest-bearing debt	2,096.4	2,029.4	66.9
Corporate bond	902.3	917.4	-15.0
Long-term debt	1,053.3	1,034.6	18.6
Short-term debt	70.1	67.3	2.8
CP	50.0	10.0	40.0
Others	20.5	-	20.5

(Rounded down to the hundred million yen)

(2) Interest rate

	FY2019-1Q	FY2018
Average	0.65%	0.86%

(3) Interest expense

(billion yen)

	FY2019-1Q (A)	FY2018-1Q (B)	Difference (A-B)
Interest expense	3.1	4.4	-1.2

(Rounded down to the hundred million yen)

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**For Questions or Comments,
Please Contact the Investor Relations Section
at the Address Below :**

**4-33 , Komachi, Naka-ku,
Hiroshima 730-8701
Japan**

The Chugoku Electric Power Co., Inc.

Corporate Planning Division

F A X : +81 82 544 2792

E-mail: ir@inet.energia.co.jp