

# The Summary of Financial Results for FY2019-2Q

(April 1 through September 30, 2018)

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The Chugoku Electric Power Co., Inc.

October 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 2nd Quarter Financial Results

# 1-1. Financial Results Summary <Consolidated>

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- Operating revenues were 687.5 billion yen, a increase of 37.5 billion yen in comparison with the same period in 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 670.6 billion yen, a increase of 43.2 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 16.8 billion yen, a decrease of 5.6 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 11.9 billion yen, a decrease of 7.5 billion yen in comparison with the same period in the previous year.
- Net income attributable to owners of the parent deducting income taxes was 3.0 billion yen, a decrease of 13.2 billion yen in comparison with the same period in 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.

# 1-2. Financial Results Summary

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## (1) Consolidated

(billion yen)

	FY2019-2Q (A)	FY2018-2Q (B)	Difference (A-B)	Rate of change (A/B-1)
Operating revenues	687.5	649.9	37.5	5.8 %
Operating income	16.8	22.4	-5.6	-25.1 %
Ordinary income	11.9	19.4	-7.5	-38.6 %
Net income attributable to owners of the parent	3.0	16.3	-13.2	-81.3 %

(Rounded down to the hundred million yen)

## (2) Non-Consolidated

(billion yen)

	FY2019-2Q (A)	FY2018-2Q (B)	Difference (A-B)	Rate of change (A/B-1)
Operating revenues	640.8	609.2	31.5	5.2 %
Operating income	14.4	20.0	-5.6	-28.2 %
Ordinary income	12.1	17.5	-5.4	-30.8 %
Net income	4.5	15.4	-10.9	-70.7 %

(Rounded down to the hundred million yen)

## 2. Electricity Sales

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- Electricity sales were 26.37 billion kWh, down by 2.2% 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.

(billion kWh)

	FY2019-2Q (A)	FY2018-2Q (B)	Difference (A-B)	Rate of change (A/B-1)
<b>Total</b>	<b>26.37</b>	<b>26.96</b>	<b>-0.59</b>	<b>-2.2 %</b>
<b>Lighting</b>	<b>8.08</b>	<b>8.20</b>	<b>-0.12</b>	<b>-1.5 %</b>
<b>Power</b>	<b>18.29</b>	<b>18.75</b>	<b>-0.46</b>	<b>-2.5 %</b>

[Reference]

(billion kWh)

	FY2019-2Q (A)	FY2018-2Q (B)	Difference (A-B)	Rate of change (A/B-1)
<b>Sales to other power companies</b>	<b>4.16</b>	<b>3.38</b>	<b>0.78</b>	<b>23.0 %</b>

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

# 3. Generated and Received Electricity

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- Hydroelectric power 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 reasons such as the increase in maintenance of our plants.
- Interchanged and purchased power increased due to reasons such as the increase in photovoltaic power.

(billion kWh)

		FY2019-2Q (A)	FY2018-2Q (B)	Difference (A-B)	Rate of change (A/B-1)
<b>Total</b>		<b>28.32</b>	<b>28.76</b>	<b>-0.44</b>	<b>-1.5 %</b>
<b>Own facilities</b>	<b>Subtotal</b>	<b>16.81</b>	<b>17.45</b>	<b>-0.64</b>	<b>-3.7 %</b>
	(Water Flow Rate)	<b>(100.1 %)</b>	<b>(86.0 %)</b>	<b>(14.1 %)</b>	
	<b>Hydroelectric</b>	<b>1.88</b>	<b>1.75</b>	<b>0.13</b>	<b>7.6 %</b>
	<b>Thermal</b>	<b>14.92</b>	<b>15.70</b>	<b>-0.78</b>	<b>-4.9 %</b>
	(Utilization Rate)	<b>( - )</b>	<b>( - )</b>	<b>( - )</b>	
	<b>Nuclear</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>New energy sources</b>	<b>0.00</b>	<b>0.00</b>	<b>-0.00</b>	<b>-7.3 %</b>
<b>Interchanged and purchased</b>	<b>Subtotal</b>	<b>11.95</b>	<b>11.81</b>	<b>0.14</b>	<b>1.1 %</b>
	<b>Purchased</b>	<b>16.10</b>	<b>15.19</b>	<b>0.91</b>	<b>6.0 %</b>
	<b>Transmitted</b>	<b>-4.16</b>	<b>-3.38</b>	<b>-0.78</b>	<b>23.0 %</b>
<b>Pumping use</b>		<b>-0.43</b>	<b>-0.50</b>	<b>0.07</b>	<b>-14.1 %</b>

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

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(billion yen)

	FY2019-2Q (A)	FY2018-2Q (B)	[Rate of change] Difference (A-B)	Breakdown
<b>Ordinary revenues</b>	<b>693.0</b>	<b>657.9</b>	<b>35.0</b>	
<b>Operating revenues</b>	<b>687.5</b> <b>(640.8)</b>	<b>649.9</b> <b>(609.2)</b>	<b>37.5</b> <b>(31.5)</b>	
<b>from electric power operations</b>	<b>625.7</b>	<b>596.7</b>	<b>[4.9 %]</b> <b>29.0</b>	
<b>Electricity sales</b>	<b>479.8</b>	<b>473.3</b>	<b>[1.4 %]</b> <b>6.4</b>	<ul style="list-style-type: none"> <li>·Fuel cost adjustment charges +18.8</li> <li>·Increase in renewable energy power promotion surcharge +4.9</li> <li>·Decrease in electricity sales -10.3</li> </ul>
<b>Others</b>	<b>145.9</b>	<b>123.4</b>	<b>[18.3 %]</b> <b>22.5</b>	<ul style="list-style-type: none"> <li>·Increase in electricity sales to other power companies +11.2</li> <li>·Increase in grants on the act of renewable energy +5.5</li> </ul>
<b>from other operations</b>	<b>122.0</b>	<b>104.9</b>	<b>17.0</b>	
<b>Internal transaction in consolidated accounting</b>	<b>-60.2</b>	<b>-51.7</b>	<b>-8.5</b>	
<b>Other revenues</b>	<b>5.4</b>	<b>7.9</b>	<b>-2.4</b>	

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)

	FY2019-2Q (A)	FY2018-2Q (B)	[Rate of change] Difference (A-B)	Breakdown
<b>Ordinary expenses</b>	681.1	638.5	42.5	
<b>Operating expenses</b>			[6.9 %]	
<b>from electric power operations</b>	670.6	627.4	43.2	
<b>from electric power operations</b>			[6.0 %]	
<b>Personnel</b>	611.7	577.1	34.5	
<b>Material</b>	47.6	49.2	-1.5	
<b>Fuel</b>	323.5	285.0	38.5	<ul style="list-style-type: none"> <li>• Higher CIF price +34.5</li> <li>• Increase in purchase cost of renewable energy +10.3</li> <li>• Decrease in electricity sales -4.8</li> <li>• Higher yen rate -1.3</li> </ul>
<b>Purchased power</b>	108.7	91.6	17.0	
<b>Maintenance</b>	214.7	193.3	21.4	
<b>Depreciation</b>	38.5	47.7	-9.1	
<b>Nuclear power back- end</b>	45.1	44.9	0.2	
<b>Others</b>	2.8	2.4	0.4	
<b>Others</b>	153.8	147.8	6.0	• Increase in payments of the levy on the act of renewable energy +4.9
<b>from other operations</b>	118.8	102.1	16.7	
<b>Internal transaction in consolidated accounting</b>	-59.8	-51.7	-8.1	
<b>Other expenses</b>	10.4	11.0	-0.6	
	(9.6)	(10.5)	(-0.9)	

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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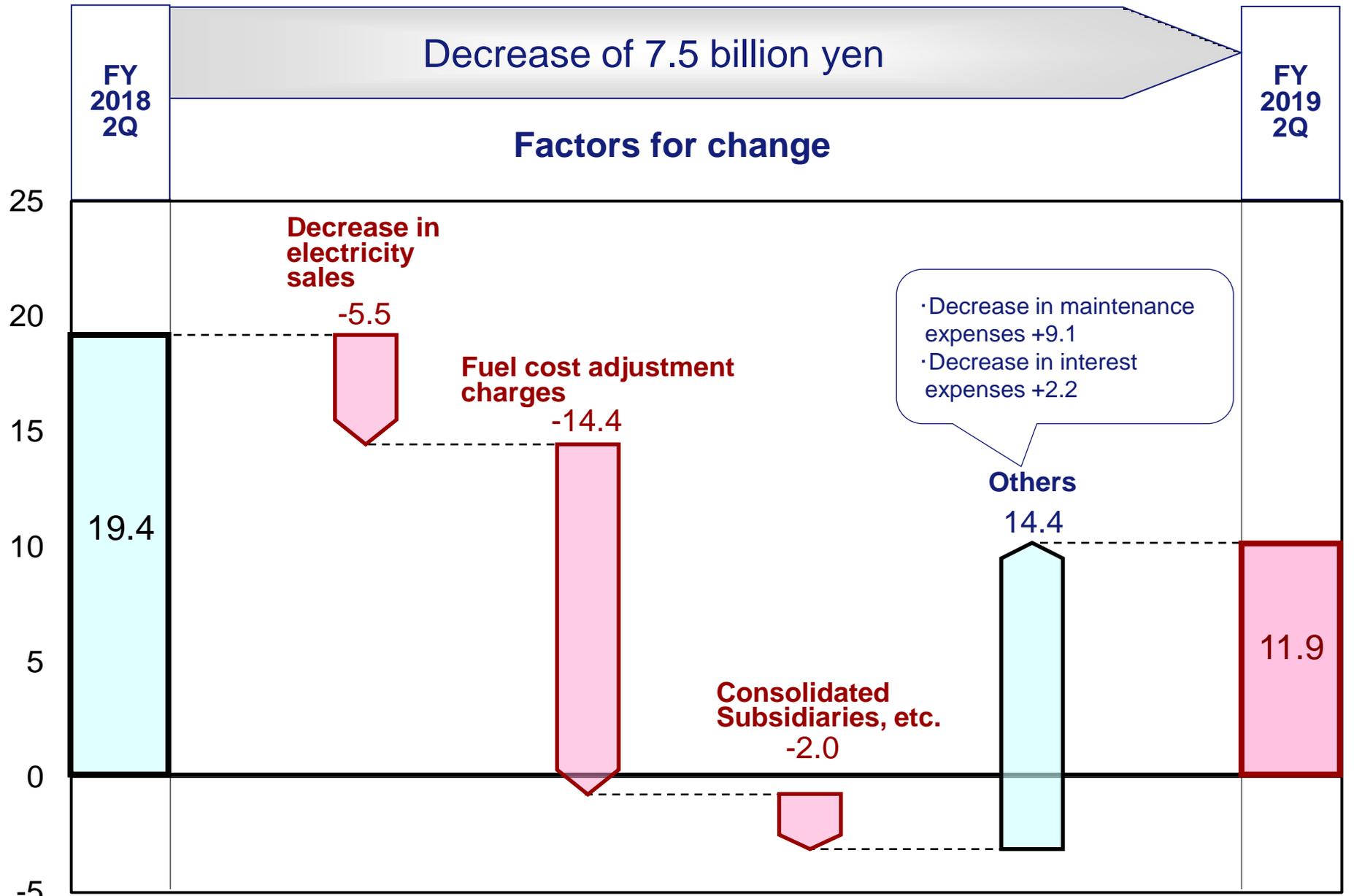
(billion yen)

	FY2019-2Q (A)	FY2018-2Q (B)	Difference (A-B)	Breakdown
Operating income	16.8 (14.4)	22.4 (20.0)	-5.6 (-5.6)	
Ordinary income	11.9 (12.1)	19.4 (17.5)	-7.5 (-5.4)	
Provision for drought	-0.0	-0.3	0.2	
Provision for depreciation of nuclear power plant	0.8	1.2	-0.4	
Extraordinary loss	6.6	-	6.6	·The Heavy rain in July 2018 +45 ·Loss on partial business withdrawal of consolidated subsidiary +21
Income taxes, etc.	1.4	2.1	-0.7	
Net income attributable to owners of the parent	3.0 (4.5)	16.3 (15.4)	-13.2 (-10.9)	

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

(Rounded down to the hundred million yen)

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



(billion yen)

# 6. Segment Information (1/2)

## (1) Electric Power Business

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

(billion yen)

	FY2019-2Q (A)	FY2018-2Q (B)	Difference (A-B)
Operating revenues	625.7	596.7	29.0
Operating expenses	611.9	577.1	34.7
Operating income	13.8	19.5	-5.7

## (2) Comprehensive Energy Supply Business

(Rounded down to the hundred million yen)

- Operating revenues were 33.5 billion yen, a increase of 10.0 billion yen in comparison with the same period in the previous year, for the reasons such as the increase in fuel sales business, due to the increase in fuel prices.
- Operating expenses were 32.6 billion yen, a increase of 10.2 billion yen in comparison with the same period in the previous year due to reasons such as the increase in fuel sales costs.
- As a result, operating income was 0.9 billion yen, a decrease of 0.2 billion yen in comparison with the same period in the previous year.

(billion yen)

	FY2019-2Q (A)	FY2018-2Q (B)	Difference (A-B)
Operating revenues	33.5	23.4	10.0
Operating expenses	32.6	22.3	10.2
Operating income	0.9	1.1	-0.2

(Rounded down to the hundred million yen)

## (3) Information & Telecommunication Business

- Operating revenues were 19.6 billion yen, a increase of 0.5 billion yen in comparison with the same period in the previous year, for the reasons such as the increase in telecommunication related business, due to the increase in communication lines.
- Operating expenses were 18.7 billion yen, a increase of 0.7 billion yen in comparison with the same period in the previous year due to reasons such as the increase in telecommunication related expenses.
- As a result, operating income was 0.9 billion yen, a decrease of 0.1 billion yen in comparison with the same period in the previous year.

(billion yen)

	FY2019-2Q (A)	FY2018-2Q (B)	Difference (A-B)
Operating revenues	19.6	19.1	0.5
Operating expenses	18.7	18.0	0.7
Operating income	0.9	1.0	-0.1

(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 previous year, for the reasons such as 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.
- We expect that ordinary income will decrease in comparison with the previous year, for the reasons such as the decrease in electricity sales and the effect of the time lag of fuel cost adjustment system will get worse due to the increase in fuel prices, despite our efforts for business efficiency enhancement.
- Net income attributable to owners of the parent includes the profit on sales of securities. This profit will be recorded as extraordinary income.

# 2. Forecasts of Financial Results Summary

## (1) Consolidated

(billion yen)

	FY2019 (Forecasts) As of October (A)	FY2018 (B)	Difference (A-B)
Operating revenues	1,379.0	1,314.9	64.0
Operating income	19.0	39.6	-20.6
Ordinary income	12.0	30.7	-18.7
Net income attributable to owners of the parent	8.0	20.7	-12.7

【Reference】 FY2019 (Forecasts) As of July
1,369.0
-
-
-

## (2) Non-consolidated

(billion yen)

	FY2019 (Forecasts) As of October (A)	FY2018 (B)	Difference (A-B)
Operating revenues	1,282.0	1,227.4	54.5
Operating income	14.0	32.4	-18.4
Ordinary income	8.0	24.0	-16.0
Net income	7.0	16.4	-9.4

【Reference】 FY2019 (Forecasts) As of July
1,275.0
-
-
-

		FY2019 (Forecasts) As of October (A)	FY2018 (B)	Difference (A-B)
Electricity sales	(billion kWh)	53.1	55.43	-2.33
Exchange rate	(¥ / \$)	110	111	-1
Crude oil prices (All Japan CIF)	(\$ / b)	77	57.0	20.0

【Reference】 FY2019 (Forecasts) As of July
52.8
110
74

## ■ Financial impact (Sensitivity)

(billion yen)

		FY2019 (Forecasts) As of October
Exchange rate	(¥1 / \$)	2.7
Crude oil prices (All Japan CIF)	(\$1 / b)	2.0
Water flow rate	(1%)	0.5
Nuclear capacity factor	(1%)	0.6

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.
- We have decided to distribute ¥25 per share as the interim dividends of FY2019, although we had announced it as undecided heretofore.
- We have not yet decided the forecasts of the year-end dividends for FY2019.

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

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

**(Reference) Key points**

# 1. Income Statement and Balance Sheet

## Income Statement

(billion yen)

	FY2019-2Q		FY2018-2Q	
	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 (+37.5)	Increase in revenues (+31.5)	Increase in revenues (+54.9)	Increase in revenues (+51.2)
	Decrease in income (-7.5)	Decrease in income (-5.4)	Decrease in income (-11.4)	Decrease in income (-14.8)
Operating revenues	687.5 (No.1)	640.8 (No.1)	649.9 (No.1)	609.2 (No.1)
Operating income	16.8 (No.16)	14.4 (No.41)	22.4 (No.15)	20.0 (No.38)
Ordinary income	11.9 (No.16)	12.1 (No.37)	19.4 (No.13)	17.5 (No.32)
Net income attributable to owners of the parent / Net income	3.0 (No.15)	4.5 (No.38)	16.3 (No.12)	15.4 (No.19)

## Balance Sheet

(billion yen)

	FY2019-2Q		FY2018	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Total assets	3,211.6	3,013.4	3,179.4	2,939.9
Net assets	575.3	420.9	580.7	418.5
Shareholders' equity ratio	17.8 %	14.0 %	18.2 %	14.2 %
Interest-bearing debt	2,142.1	2,127.5	2,078.2	2,029.4

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

The 2nd quarter consolidated settlement has been implemented since FY2001.

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

## 2. Major Factors

		FY2019-2Q	FY2018-2Q
Exchange rate	(¥ / \$)	110	111
Crude oil prices (All Japan CIF)	(\$ / b)	* { 73.8	51.4
Foreign coal prices (All Japan CIF)	(\$ / t)	{ 118.3	98.1
Nuclear capacity factor	(%)	-	-

\* Provisional figures

# **(Reference) Appendix**

# 1. Large-scale Industrial Electricity Sales

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(billion kWh)

		FY2019-2Q (A)	FY2018-2Q (B)	Difference (A-B)	Rate of change (A/B-1)
<b>Mining</b>		<b>0.07</b>	<b>0.07</b>	<b>0.00</b>	<b>2.2 %</b>
<b>Manufacturing</b>	<b>Pulp &amp; paper</b>	<b>0.23</b>	<b>0.21</b>	<b>0.02</b>	<b>7.7 %</b>
	<b>Chemical</b>	<b>1.50</b>	<b>1.29</b>	<b>0.21</b>	<b>16.7 %</b>
	<b>Glass &amp; cement</b>	<b>0.38</b>	<b>0.35</b>	<b>0.03</b>	<b>9.9 %</b>
	<b>Iron &amp; steel</b>	<b>2.40</b>	<b>2.20</b>	<b>0.20</b>	<b>9.3 %</b>
	<b>Non-ferrous metals</b>	<b>0.79</b>	<b>0.79</b>	<b>0.00</b>	<b>0.3 %</b>
	<b>Machinery</b>	<b>2.53</b>	<b>2.59</b>	<b>-0.06</b>	<b>-2.5 %</b>
	<b>Others</b>	<b>1.76</b>	<b>1.94</b>	<b>-0.18</b>	<b>-8.9 %</b>
	<b>Total</b>	<b>9.59</b>	<b>9.36</b>	<b>0.23</b>	<b>2.5 %</b>
<b>Others</b>		<b>1.24</b>	<b>1.27</b>	<b>-0.03</b>	<b>-2.4 %</b>
<b>Total</b>		<b>10.90</b>	<b>10.69</b>	<b>0.21</b>	<b>1.9 %</b>

## 2. Summary of Cash Flows <Consolidated>

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(billion yen)

	FY2019-2Q (A)	FY2018-2Q (B)	Difference (A-B)
Cash Flow form Operating Activities	10.0	55.7	-45.6
Cash Flow from Investing Activities	-94.3	-81.0	-13.3
Free Cash Flow	-84.2	-25.3	-58.9
Cash Flow from Financing Activities	53.5	-21.7	75.3
Cash and Cash Equivalents (increase and decrease)	-30.9	-47.0	

(Rounded down to the hundred million yen)

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

## (1) Personnel

(billion yen)

	FY2019-2Q (A)	FY2018-2Q (B)	Difference (A-B)	Breakdown
<b>Total</b>	<b>47.6</b>	<b>49.2</b>	<b>-1.5</b>	
Retirement allowances	1.4	0.9	0.5	· Increase in actuarial difference depreciation +0.7

(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
<b>Total</b>		<b>3.5</b>	<b>2.1</b>	<b>-2.6</b>	<b>-</b>

Note: 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)

	FY2019-2Q (A)	FY2018-2Q (B)	Difference (A-B)	Breakdown
<b>Total</b>	<b>38.5</b>	<b>47.7</b>	<b>-9.1</b>	
<b>Power source</b>	<b>17.4</b>	<b>21.0</b>	<b>-3.5</b>	·Decrease in thermal power -2.1
<b>Electric power transport</b>	<b>20.3</b>	<b>25.8</b>	<b>-5.4</b>	·Decrease in distribution -5.0
<b>Others</b>	<b>0.7</b>	<b>0.8</b>	<b>-0.0</b>	

## (3) Depreciation

(billion yen)

	FY2019-2Q (A)	FY2018-2Q (B)	Difference (A-B)	Breakdown
<b>Total</b>	<b>45.1</b>	<b>44.9</b>	<b>0.2</b>	
<b>Power source</b>	<b>17.7</b>	<b>17.1</b>	<b>0.5</b>	
<b>Electric power transport</b>	<b>23.8</b>	<b>24.0</b>	<b>-0.2</b>	
<b>Others</b>	<b>3.5</b>	<b>3.7</b>	<b>-0.1</b>	

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

## (1) Procurement volume

	Unit	FY2019-2Q (A)	FY2018-2Q (B)	Difference (A-B)
<b>Fuel oil *</b>	million liters	210	230	-20
<b>Crude oil</b>	million liters	30	30	-0
<b>Coal **</b>	thousand tons	3,110	2,910	200
<b>LNG **</b>	thousand tons	1,050	1,170	-120

\* Internal combustion power plant included

\*\* Sales included

## (2) Consumption volume

	Unit	FY2019-2Q (A)	FY2018-2Q (B)	Difference (A-B)
<b>Fuel oil ***</b>	million liters	250	210	40
<b>Crude oil</b>	million liters	50	40	10
<b>Coal</b>	thousand tons	2,600	2,850	-250
<b>LNG</b>	thousand tons	910	920	-10

\*\*\* Internal combustion power plant included

# 5. Capital Expenditure <Non-Consolidated>

(billion yen)

	FY2019-2Q (A)	FY2018-2Q (B)	Difference (A-B)
<b>Total</b>	<b>65.9</b>	<b>72.5</b>	<b>-6.5</b>
<b>Power Source</b>	<b>43.9</b>	<b>46.8</b>	<b>-2.9</b>
<b>Electric Power Transport</b>	<b>19.2</b>	<b>23.7</b>	<b>-4.5</b>
<b>Transmission</b>	<b>6.2</b>	<b>9.4</b>	<b>-3.2</b>
<b>Transformation</b>	<b>6.0</b>	<b>5.6</b>	<b>0.3</b>
<b>Distribution</b>	<b>6.9</b>	<b>8.6</b>	<b>-1.6</b>
<b>Nuclear Fuel</b>	<b>0.9</b>	<b>0.3</b>	<b>0.5</b>
<b>Others</b>	<b>1.8</b>	<b>1.4</b>	<b>0.3</b>

Note: Incidental Business Facilities Excluded

(Rounded down to the hundred million yen)

# 6. Interest-bearing debt, Interest rate, and Interest expense

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## <Non-Consolidated>

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

(billion yen)

	End of FY2019-2Q (A)	End of FY2018 (B)	Difference (A-B)
Interest-bearing debt	2,127.5	2,029.4	98.0
Corporate bond	952.3	917.4	34.9
Long-term debt	1,080.9	1,034.6	46.2
Short-term debt	69.6	67.3	2.2
CP	-	10.0	-10.0
Others	24.7	-	24.7

### (2) Interest rate

(Rounded down to the hundred million yen)

	FY2019-2Q	FY2018
Average	0.64%	0.86%
End of period	0.64%	0.71%

### (3) Interest expense

(billion yen)

	FY2019-2Q (A)	FY2018-2Q (B)	Difference (A-B)
Interest expense	6.2	8.5	-2.2

(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](mailto:ir@inet.energia.co.jp)**