

The Summary of Financial Results for FY2019-3Q

(April 1 through December 31, 2018)

The Chugoku Electric Power Co., Inc.

January 31, 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 3rd Quarter Financial Results

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- Operating revenues were 1,007.3 billion yen, an increase of 53.1 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 997.8 billion yen, an increase of 68.4 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 9.4 billion yen, a decrease of 15.2 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 1.8 billion yen, a decrease of 17.9 billion yen in comparison with the same period in the previous year.
- Net income attributable to owners of the parent deducting income taxes was 3.0 billion yen, a decrease of 9.1 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 and extraordinary income due to the sales of securities.

1-2. Financial Results Summary

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(1) Consolidated

(billion yen)

	FY2019-3Q (A)	FY2018-3Q (B)	Difference (A-B)	Rate of change (A/B-1)
Operating revenues	1,007.3	954.1	53.1	5.6 %
Operating income	9.4	24.7	-15.2	-61.8 %
Ordinary income	1.8	19.7	-17.9	-90.8 %
Net income attributable to owners of the parent	3.0	12.1	-9.1	-75.0 %

(Rounded down to the hundred million yen)

(2) Non-consolidated

(billion yen)

	FY2019-3Q (A)	FY2018-3Q (B)	Difference (A-B)	Rate of change (A/B-1)
Operating revenues	938.2	891.7	46.5	5.2 %
Operating income	5.4	20.7	-15.3	-73.6 %
Ordinary income	2.1	16.3	-14.1	-86.9 %
Net income	5.0	10.2	-5.2	-50.9 %

(Rounded down to the hundred million yen)

2. Electricity Sales

- Electricity sales were 38.81 billion kWh, down by 3.3% 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)

	FY2019-3Q (A)	FY2018-3Q (B)	Difference (A-B)	Rate of change (A/B-1)
Total	38.81	40.13	-1.33	-3.3 %
Lighting	11.95	12.42	-0.47	-3.8 %
Power	26.85	27.72	-0.86	-3.1 %

[Reference]

(billion kWh)

	FY2019-3Q (A)	FY2018-3Q (B)	Difference (A-B)	Rate of change (A/B-1)
Sales to other power companies	6.17	4.96	1.21	24.5 %

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

3. Supply Capacity

- Hydroelectric power of own facilities decreased in comparison with the same period in the previous year due to the decreased 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)

		FY2019-3Q (A)	FY2018-3Q (B)	Difference (A-B)	Rate of change (A/B-1)
Total		42.48	43.92	-1.44	-3.3 %
Own facilities	Subtotal	25.59	27.51	-1.93	-7.0 %
	(Water Flow Rate)	(99.2 %)	(105.9 %)	(-6.7 %)	
	Hydroelectric	2.51	2.74	-0.24	-8.6 %
	Thermal	23.07	24.76	-1.69	-6.8 %
	(Utilization Rate)	(-)	(-)	(-)	
	Nuclear	-	-	-	-
	New energy sources	0.01	0.01	-0.00	-3.7 %
Interchanged and purchased	Subtotal	17.51	17.13	0.38	2.2 %
	Purchased	23.69	22.09	1.60	7.2 %
	Transmitted	-6.17	-4.96	-1.21	24.5 %
Pumping use		-0.61	-0.71	0.10	-14.1 %

4. Income Statement <Consolidated> (1) Revenues

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(billion yen)

	FY2019-3Q (A)	FY2018-3Q (B)	[Rate of change] Difference (A-B)	Breakdown
Ordinary revenues	1,015.0	965.4	49.6	
Operating revenues	1,007.3 (938.2)	954.1 (891.7)	53.1 (46.5)	
from electric power operations	914.4	872.8	[4.8 %] 41.5	
Electricity sales	708.9	701.4	[1.1 %] 7.4	<ul style="list-style-type: none"> · Fuel cost adjustment charges +35.7 · Increase in renewable energy power promotion surcharge +5.9 · Decrease in electricity sales -23.2
Others	205.5	171.3	[19.9 %] 34.1	<ul style="list-style-type: none"> · Increase in electricity sales to other power companies +16.4 · Increase in grants on the act of renewable energy +10.1
from other operations	185.3	159.7	25.6	
Internal transaction in consolidated accounting	-92.4	-78.4	-13.9	
Other revenues	7.7	11.2	-3.5	

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)

	FY2019-3Q (A)	FY2018-3Q (B)	[Rate of change] Difference (A-B)	Breakdown
Ordinary expenses	1,013.2	945.6	67.6	
Operating expenses	997.8	929.4	[7.4 %] 68.4	
from electric power operations	909.5	852.7	[6.7%] 56.7	
Personnel	71.3	73.0	-1.7	
Material	481.6	420.8	60.7	<ul style="list-style-type: none"> • Higher CIF price +51.9 • Increase in purchase cost of renewable energy +16.7 • Decrease in electricity sales -11.2 • Higher yen rate -2.0
Fuel	168.9	147.3	21.5	
Purchased power	312.6	273.5	39.1	
Maintenance	56.0	66.2	-10.1	
Depreciation	68.3	67.7	0.5	
Nuclear power back- end	4.3	3.6	0.7	
Others	227.9	221.2	6.6	• Increase in payments of the levy on the act of renewable energy +5.9
from other operations	180.2	154.7	25.4	
Internal transaction in consolidated accounting	-91.8	-78.1	-13.7	
Other expenses	15.3	16.2	-0.8	
	(14.0)	(15.6)	(-1.6)	

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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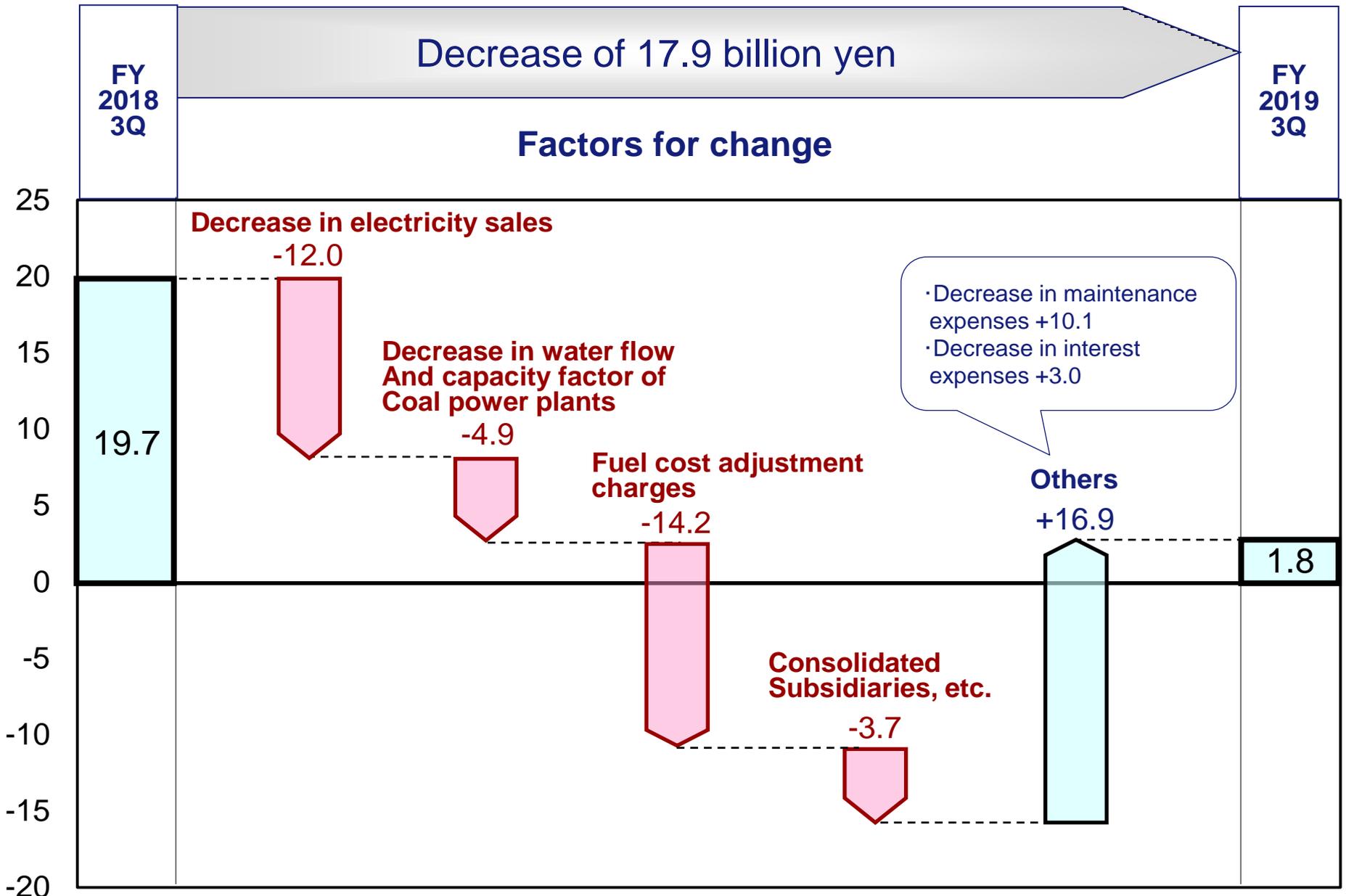
(billion yen)

	FY2019-3Q (A)	FY2018-3Q (B)	Difference (A-B)	Breakdown
Operating income	9.4 (5.4)	24.7 (20.7)	-15.2 (-15.3)	
Ordinary income	1.8 (2.1)	19.7 (16.3)	-17.9 (-14.1)	
Provision for drought	-0.1	0.1	-0.2	
Provision for depreciation of nuclear power plant	1.1	2.8	-1.7	
Extraordinary income	10.4	-	10.4	·Sales of securities
Extraordinary loss	6.3	-	6.3	·The Heavy rain in July 2018 +41 ·Loss on partial business withdrawal of consolidated subsidiary +21
Income taxes, etc.	1.8	4.6	-2.7	
Net income attributable to owners of the parent	3.0 (5.0)	12.1 (10.2)	-9.1 (-5.2)	

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)

	FY2019-3Q (A)	FY2018-3Q (B)	Difference (A-B)
Operating revenues	914.4	872.8	41.5
Operating expenses	909.7	852.7	56.9
Operating income	4.6	20.1	-15.4

(2) Comprehensive Energy Supply Business

(Rounded down to the hundred million yen)

- Operating revenues were 54.0 billion yen, a increase of 18.2 billion yen in comparison with the same period in the previous year due to reasons such as the increase in fuel sales business due to the increase in fuel prices.
- Operating expenses were 52.7 billion yen, a increase of 18.6 billion yen in comparison with the same period in the previous year due to reasons such as the increase in fuel sales expenses.
- As a result, operating income was 1.2 billion yen, a decrease of 0.4 billion yen in comparison with the same period in the previous year.

(billion yen)

	FY2019-3Q (A)	FY2018-3Q (B)	Difference (A-B)
Operating revenues	54.0	35.8	18.2
Operating expenses	52.7	34.1	18.6
Operating income	1.2	1.6	-0.4

(Rounded down to the hundred million yen)

(3) Information & Telecommunication Business

- Operating revenues were 30.0 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 business, due to the increase in communication lines.
- Operating expenses were 28.3 billion yen, a increase of 0.8 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 1.6 billion yen, a decrease of 0.1 billion yen in comparison with the same period in the previous year.

(billion yen)

	FY2019-3Q (A)	FY2018-3Q (B)	Difference (A-B)
Operating revenues	30.0	29.3	0.7
Operating expenses	28.3	27.5	0.8
Operating income	1.6	1.7	-0.1

(Rounded down to the hundred million yen)

II . Forecasts of Financial Results

Dividends for FY2019

- We have not revised the forecasts of operating revenues announced in October 2018.
- We expect that ordinary income will decrease in comparison with the previous forecasts as of October, for the reasons such as the increase in material expenses due to the decrease in capacity factor of coal power plants and water flow, despite our efforts for business efficiency enhancement.

2. Forecasts of Financial Results Summary

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(1) Consolidated

(billion yen)

	FY2019 (Forecasts) As of January (A)	FY2019 (Forecasts) As of October (B)	Difference (A-B)	【Reference】 FY2018
Operating revenues	1,379.0	1,379.0	-	1,314.9
Operating income	17.0	19.0	-2.0	39.6
Ordinary income	9.0	12.0	-3.0	30.7
Net income attributable to owners of the parent	7.0	8.0	-1.0	20.7

(2) Non-consolidated

(billion yen)

	FY2019 (Forecasts) As of January (A)	FY2019 (Forecasts) As of October (B)	Difference (A-B)	【Reference】 FY2018
Operating revenues	1,282.0	1,282.0	-	1,227.4
Operating income	11.0	14.0	-3.0	32.4
Ordinary income	6.0	8.0	-2.0	24.0
Net income	6.0	7.0	-1.0	16.4

	FY2019 (Forecasts) As of January (A)	FY2019 (Forecasts) As of October (B)	Difference (A-B)	【Reference】 FY2018
Electricity sales (billion kWh)	53.2	53.1	0.1	55.43
Exchange rate (¥ / \$)	111	110	1	111
Crude oil prices (All Japan CIF) (\$ / b)	73	77	-4	57.0

■ Financial impact (Sensitivity)

(billion yen)

	FY2019 (Forecasts) As of January	FY2018
Exchange rate (¥1 / \$)	2.7	2.4
Crude oil prices (All Japan CIF) (\$1 / b)	2.1	2.3
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.
- We have not yet decided the forecasts of the year-end dividends for FY2019. We have not revised the forecasts of dividends announced in October 2018.

< 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)

	FY2019-3Q		FY2018-3Q	
	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 4 years
	Increase in revenues (+53.1)	Increase in revenues (+46.5)	Increase in revenues (+82.0)	Increase in revenues (+76.4)
	Decrease in income (-17.9)	Decrease in income (-14.1)	Decrease in income (-1.6)	Decrease in income (-6.0)
Operating revenues	1,007.3 (No.1)	938.2 (No.1)	954.1 (No.1)	891.7 (No.1)
Operating income	9.4 (No.13)	5.4 (No.13)	24.7 (No.12)	20.7 (No.12)
Ordinary income	1.8 (No.13)	2.1 (No.13)	19.7 (No.11)	16.3 (No.12)
Net income attributable to owners of the parent / Net income	3.0 (No.11)	5.0 (No.11)	12.1 (No.10)	10.2 (No.10)

Balance Sheet

(billion yen)

	FY2019-3Q		FY2018	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Total assets	3,190.9	3,012.4	3,179.4	2,939.9
Net assets	553.1	400.6	580.7	418.5
Shareholders' equity ratio	17.2 %	13.3 %	18.2 %	14.2 %
Interest-bearing debt	2,164.8	2,169.3	2,078.2	2,029.4

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

The 3rd quarter consolidated 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

		FY2019-3Q	FY2018-3Q
Exchange rate	(¥ / \$)	111	112
Crude oil prices (All Japan CIF)	(\$ / b)	* { 75.1	53.9
Foreign coal prices (All Japan CIF)	(\$ / t)	{ 120.3	100.2
Nuclear capacity factor	(%)	-	-

* Provisional figures

(Reference) Appendix

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

(1) Personnel

(billion yen)

	FY2019-3Q (A)	FY2018-3Q (B)	Difference (A-B)	Breakdown
Total	71.3	73.0	-1.7	
Retirement allowances	2.8	1.7	1.0	• Increase in actuarial difference depreciation +1.0

Actuarial Difference

(billion yen)

	Recorded amount	FY2017 amount of amortization	FY2018		
			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	-

Note: Amortize for five years from next recorded year.

(Rounded down to the hundred million yen)

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

(2) Maintenance

(billion yen)

	FY2019-3Q (A)	FY2018-3Q (B)	Difference (A-B)	Breakdown
Total	56.0	66.2	-10.1	
Power source	23.3	28.9	-5.5	· Decrease in thermal power -3.9
Electric power transport	31.4	35.8	-4.3	· Decrease in distribution -4.3
Others	1.2	1.3	-0.1	

(3) Depreciation

(billion yen)

	FY2019-3Q (A)	FY2018-3Q (B)	Difference (A-B)	Breakdown
Total	68.3	67.7	0.5	
Power source	26.9	25.8	1.1	
Electric power transport	35.9	36.3	-0.4	
Others	5.4	5.5	-0.1	

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

(1) Procurement volume

	Unit	FY2019-3Q (A)	FY2018-3Q (B)	Difference (A-B)
Fuel oil *	million liters	320	360	-40
Crude oil	million liters	29	56	-27
Coal **	thousand tons	4,760	4,800	-40
LNG **	thousand tons	1,690	1,760	-70

* Internal combustion power plant included

** Sales included

(2) Consumption volume

	Unit	FY2019-3Q (A)	FY2018-3Q (B)	Difference (A-B)
Fuel oil ***	million liters	310	370	-60
Crude oil	million liters	53	85	-32
Coal	thousand tons	4,200	4,480	-280
LNG	thousand tons	1,390	1,430	-40

*** Internal combustion power plant included

3. Capital Expenditure <Non-Consolidated>

(billion yen)

	FY2019-3Q (A)	FY2018-3Q (B)	Difference (A-B)
Total	104.5	124.3	-19.7
Power Source	67.0	82.0	-14.9
Electric Power Transport	31.6	37.7	-6.1
Transmission	10.5	14.3	-3.7
Transformation	9.5	10.4	-0.9
Distribution	11.5	12.9	-1.4
Nuclear Fuel	2.4	1.9	0.4
Others	3.4	2.5	0.9

Note: Incidental Business Facilities Excluded

(Rounded down to the hundred million yen)

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

(1) Breakdown of Interest-bearing debt

(billion yen)

	End of FY2019-3Q (A)	End of FY2018 (B)	Difference (A-B)
Interest-bearing debt	2,169.3	2,029.4	139.8
Corporate bond	937.2	917.4	19.8
Long-term debt	1,079.3	1,034.6	44.6
Short-term debt	97.7	67.3	30.3
CP	55.0	10.0	45.0

(2) Interest rate

	FY2019-3Q	FY2018
Average	0.63 %	0.86 %

(3) Interest expense

(billion yen)

	FY2019-3Q (A)	FY2018-3Q (B)	Difference (A-B)
Interest expense	9.4	12.5	-3.0

(Rounded down to the hundred million yen)

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