

The Summary of Financial Results for FY2021-2Q

(April 1 through September 30, 2020)

The Chugoku Electric Power Co., Inc.

October 30, 2020

In this report, the term “Fiscal Year 2021” refers to the period between April 1, 2020 and March 31, 2021.

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I . FY2021 2nd Quarter Financial Results

- Operating revenues were 644.0 billion yen, a decrease of 38.3 billion yen in comparison with the same period in the previous year. This is mainly because of the decrease in electricity sales revenue due to the decrease in retail electricity sales for the reasons such as stagnation of production activities caused by Coronavirus Disease (COVID-19).
- Operating expenses were 596.9 billion yen, a decrease of 51.6 billion yen in comparison with the same period in the previous year. This is mainly because of our efforts for business efficiency enhancement, in addition to the decrease in material expenses due to the decrease in fuel prices and retail electricity sales .
- As a result, operating income was 47.0 billion yen, a increase of 13.3 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 44.6 billion yen, a increase of 13.7 billion yen in comparison with the same period in the previous year.
- Net income attributable to owners of the parent was 34.3 billion yen. This is the result of applying the provision for drought and deducting income taxes. A decrease of 51.1 billion yen in comparison with the same period in the previous year is mainly because of drawing down reversal of a provision for depreciation of nuclear power plants in the previous year.

1-2. Financial Results Summary <Consolidated>

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(billion yen)

	FY2021-2Q (A)	FY2020-2Q (B)	Difference (A-B)	Rate of change (A/B-1)
Operating revenues	644.0	682.3	-38.3	-5.6 %
Operating income	47.0	33.7	13.3	39.6 %
Ordinary income	44.6	30.9	13.7	44.4 %
Net income attributable to owners of the parent	34.3	85.4	-51.1	-59.8 %

(Rounded down to the hundred million yen)

2. Income Statement <Consolidated>

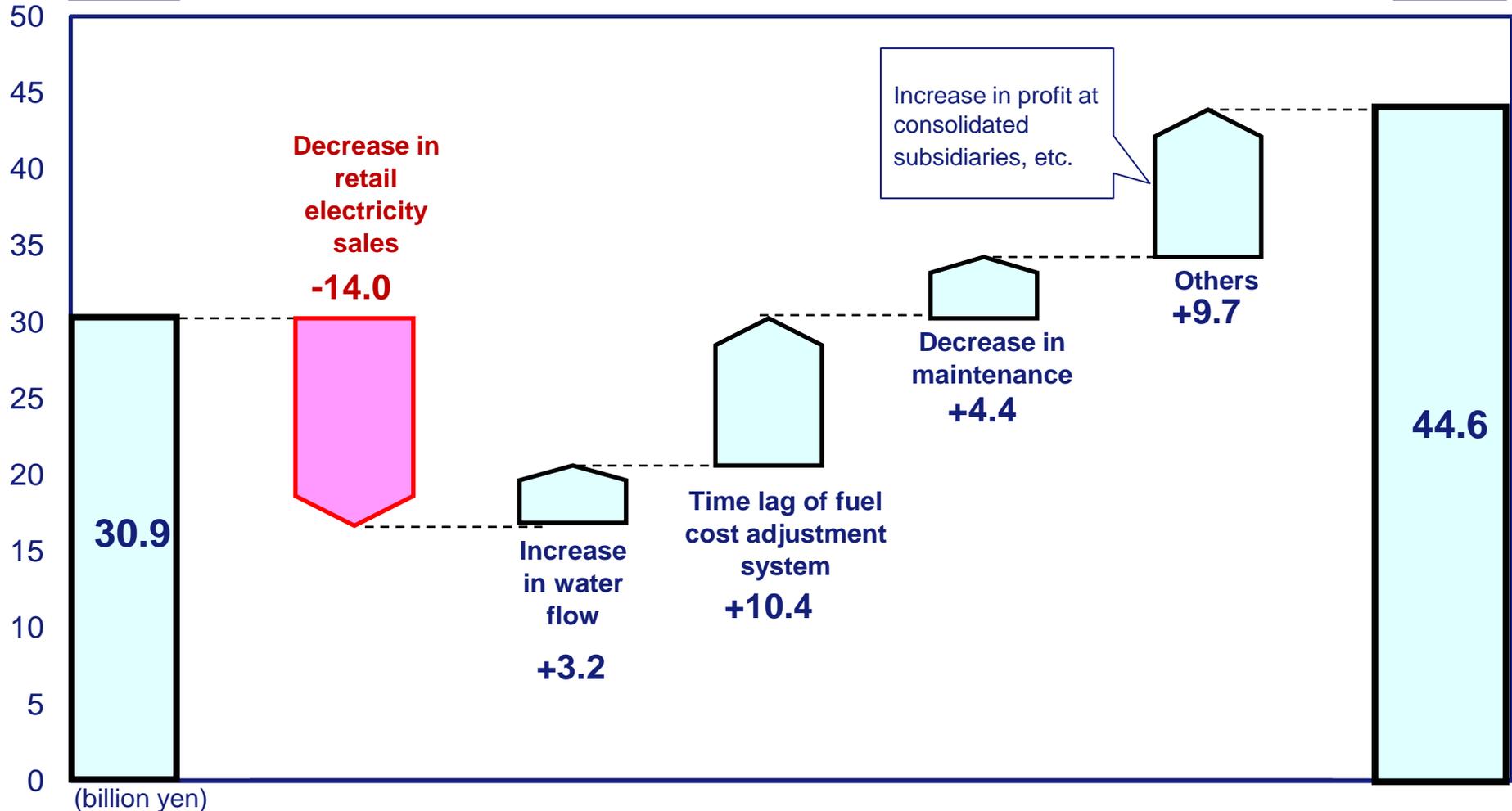
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(billion yen)

	FY2021-2Q (A)	FY2020-2Q (B)	Difference (A-B)
Ordinary revenues	650.2	688.5	-38.3
Operating revenues	644.0	682.3	-38.3
Other revenues	6.1	6.2	-0.0
Ordinary expenses	605.5	657.6	-52.1
Operating expenses	596.9	648.6	-51.6
Other expenses	8.5	9.0	-0.4
Operating income	47.0	33.7	13.3
Ordinary income	44.6	30.9	13.7
Provision for drought	0.1	-0.2	0.4
Provision for depreciation of nuclear power plant	-	-86.2	86.2
Income taxes, etc.	10.1	32.0	-21.8
Net income attributable to owners of the parent	34.3	85.4	-51.1

(Rounded down to the hundred million yen)

3. Factors for change in Ordinary income <Consolidated>



4. Total Electricity Sales

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- Total electricity sales were down by 8.1% in comparison with the previous year due to reasons such as the intensified competition and the impact of COVID-19.
- Retail electricity sales were 22.42 billion kWh, down by 8.5% in comparison with the previous year.
- Electricity sales to other power companies were 3.21 billion kWh, down by 5.4% in comparison with the previous year.

		(billion kWh)			
		FY2021-2Q (A)	FY2020-2Q (B)	Difference (A-B)	Rate of change (A/B-1)
Total sales		25.63	27.89	-2.26	-8.1 %
Retail sales	Subtotal	22.42	24.50	-2.08	-8.5 %
	Lighting	7.67	7.63	0.04	0.5 %
	Power	14.75	16.87	-2.11	-12.5 %
Sales to other power companies		3.21	3.39	-0.18	-5.4 %

Note: We transferred the power transmission and distribution business to Chugoku Electric Power Transmission & Distribution Co.,Inc. through a corporate split on April 1, 2020. The figures for the second quarter of FY2020 are based on the assumption that the company was split into two companies under certain assumptions to facilitate comparison with the figures for the second quarter of FY2021.

5. Generated and Received Electricity

- Total of generated and received electricity was down by 8.2% in comparison with the same period in the previous year.
- Hydroelectric power of own facilities increased due to the increase in water flow.
- Thermal power of own facilities decreased due to reasons such as the decrease in retail electricity.

(billion kWh)

		FY2021-2Q (A)	FY2020-2Q (B)	Difference (A-B)	Rate of change (A/B-1)
Total		24.39	26.57	-2.18	-8.2 %
Own facilities	Subtotal	14.70	16.01	-1.32	-8.2%
	(Water Flow Rate)	(111.6 %)	(79.4 %)	(32.2%)	
	Hydroelectric	2.02	1.56	0.45	29.1 %
	Thermal	12.68	14.45	-1.77	-12.2 %
	(Utilization Rate)	(-)	(-)	(-)	
	Nuclear	-	-	-	-
	New energy sources	0.00	0.00	-0.00	-3.6 %
Interchanged and purchased	Subtotal	10.17	11.01	-0.84	-7.6 %
	Purchased	15.75	17.10	-1.35	-7.9 %
	Transmitted	-5.57	-6.09	0.51	-8.4 %
Pumping use		-0.48	-0.46	-0.02	5.4 %

Note: The figures for the second quarter of FY2020 are based on the assumption that the company was split into two companies under certain assumptions to facilitate comparison with the figures for the second quarter of FY2021.

6. Segment Information

(billion yen)

		FY2021-2Q (A)	FY2020-2Q (B)	Difference (A-B)
Comprehensive Energy Business	Operating revenues	590.4	651.5	-61.0
	Operating income	32.2	23.3	8.9
Power Transmission and Distribution Business	Operating revenues	178.4	167.8	10.6
	Operating income	13.8	9.4	4.3
Information and Telecommunications Business	Operating revenues	20.0	19.8	0.1
	Operating income	1.2	1.4	-0.1
Others	Operating revenues	42.7	43.4	-0.7
	Operating income	0.3	-0.1	0.4
Amount of Adjustment	Operating revenues	-187.6	-200.3	12.6
	Operating income	-0.5	-0.3	-0.2
Total	Operating revenues	644.0	682.3	-38.3
	Operating income	47.0	33.7	13.3

(Rounded down to the hundred million yen)

Note: We have changed the reporting segments from "Electric Power Business", "Comprehensive Energy Supply Business" and "Information & Telecommunication Business" to "Comprehensive Energy Business", "Power Transmission and Distribution Business" and "Information and Telecommunications Business". As a result, the figures for the second quarter of FY2020 have been reclassified to the new reporting segments.

II . Forecasts of Financial Results

Dividends for FY2021

1. Forecasts of Financial Results for FY2021

- We expect that operating revenues will decrease in comparison with previous forecasts as of July, for the reasons such as the decrease in total electricity sales due to the impact of COVID-19 and decrease of fuel cost adjustment amount due to the decrease in fuel prices.
- We expect that ordinary income will increase in comparison with the previous year, for the reasons such as our efforts for business efficiency enhancement and the decrease in material expenses due to decrease in fuel prices and increase in water flow, despite the decrease in operating revenues.
- The reasons why the full-year income forecast is lower than the second quarter income are as follows.
 - ✓ We expect expenses for maintenance and outsourcing to address ageing of equipment and regular inspections of power plants will increase in the third quarter and beyond.
 - ✓ the effect of the time lag of fuel cost adjustment system
 - ✓ the effect of total electricity sales due to the impact of COVID-19
- The forecast is subject to change depending on the future status of COVID-19 and other factors.

2. Forecasts of Financial Results Summary

<Consolidated>

(billion yen)

	FY2021 (Forecasts) As of October (A)	FY2021 (Forecasts) As of July (B)	Difference (A-B)	【Reference】 FY2020
Operating revenues	1,262.0	1,264.0	-2.0	1,347.3
Operating income	34.0	31.0	3.0	48.1
Ordinary income	28.0	25.0	3.0	39.8
Net income attributable to owners of the parent	20.0	18.0	2.0	90.0
Shareholder's equity ratio	Approximately 19%	Approximately 19%	-	19.7%

3. Forecasts of Financial Results Major Factors (1/2)

		FY2021 (Forecasts) As of October (A)	FY2021 (Forecasts) As of July (B)	Difference (A-B)
Total electricity sales	(billion kWh)	52.8	53.3	-0.5
Exchange rate	(¥ / \$)	106	109	-3
Crude oil prices (All Japan CIF)	(\$ / b)	41	38	3
Nuclear capacity factor	(%)	-	-	-

【Reference】 FY2020
56.3
109
67.8
-

Financial impact (Sensitivity)

(billion yen)

		FY2021 (Forecasts) As of October
Exchange rate	(¥1 / \$)	1.4
Crude oil prices (All Japan CIF)	(\$1 / b)	1.4
Water flow rate	(1%)	0.2
Nuclear capacity factor	(1%)	0.4

【Reference】 FY2020
2.2
1.9
0.4
0.6

- The impact of COVID-19 on retail electricity sales is based on the following assumptions.

Lighting	<ul style="list-style-type: none"> ▪ Electricity sales increased as a result of an increase of staying home due to the stay-at-home request in the first and second quarter, but electricity usage will return to its normal state with the lifting of the request after the third quarter.
Power	<ul style="list-style-type: none"> ▪ Commercial power decreased due to staying home and business suspension request in the first quarter, but it will recover gradually with the lifting of the request after the second quarter. ▪ Industrial power will continue to be weak throughout the year due to the stagnation of production activities caused by COVID-19.

The impact of COVID-19 (estimation)

	FY2021-2Q	FY2021(full-year)
Impact on retail electricity sales (year on year change)	Approx.-0.7billion kWh (-2.8%)	Approx.-1.5billion kWh (-3%)
Impact on profits	Approx.-5billion yen	Approx.-11billion yen

- 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 FY2021.
- We are planning to pay out ¥25 as the year-end dividends of FY2021. We have not revised the forecasts of dividends announced in July 2020.

< Dividends > (yen per share)

	FY2021	FY2020
Interim	25	25
Year-end	25 (forecast)	25
Total	50 (forecast)	50

(Reference) Key points

1. Income Statement and Balance Sheet <Consolidated>

Income Statement

(billion yen)

	FY2021-2Q		FY2020-2Q	
Summary of financial results	2 years in a row		For the first time in 3 years	
	Decrease in revenues (-38.3) Increase in income (+13.7)		decrease in revenues (-5.1) Increase in income (+19.0)	
Operating revenues	644.0	(No.4)	682.3	(No.2)
Operating income	47.0	(No.9)	33.7	(No.12)
Ordinary income	44.6	(No.5)	30.9	(No.10)
Net income attributable to owners of the parent / Net income	34.3	(No.3)	85.4	(No.1)

Balance Sheet

(billion yen)

	FY2021-2Q		FY2020	
Total assets	3,376.7		3,265.3	
Net assets	673.0		646.6	
Shareholders' equity ratio	19.8 %		19.7%	
Interest-bearing debt	2,308.0		2,193.9	

Note: "Increase / decrease in income" in the summary of financial results is based on ordinary income.
The ranking is a simple comparison with the past amount at the time of each settlement since FY2001.

2. Major Factors

		FY2021-2Q	FY2020-2Q
Exchange rate	(¥ / \$)	107	109
Crude oil prices (All Japan CIF)	(\$ / b)	* { 36.5	68.9
Foreign coal prices (All Japan CIF)	(\$ / t)	{ 78.0	108.9
Nuclear capacity factor	(%)	-	-

* Provisional figures

(Reference) Appendix

1. Summary of Cash Flows <Consolidated>

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(billion yen)

	FY2021-2Q (A)	FY2020-2Q (B)	Difference (A-B)
Cash Flow form Operating Activities	37.1	26.2	10.9
Cash Flow from Investing Activities	-106.5	-129.2	22.7
Free Cash Flow	-69.3	-103.0	33.6
Cash Flow from Financing Activities	102.3	126.5	-24.2
Cash and Cash Equivalents (increase and decrease)	32.5	23.3	

(Rounded down to the hundred million yen)

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

(1) Procurement volume

	Unit	FY2021-2Q (A)	FY2020-2Q (B)	Difference (A-B)
Fuel oil	million liters	90	120	-30
Coal *	thousand tons	2,460	2,960	-490
LNG *	thousand tons	900	1,130	-220

* Sales included

(2) Consumption volume

	Unit	FY2021-2Q (A)	FY2020-2Q (B)	Difference (A-B)
Fuel oil	million liters	120	100	20
Coal	thousand tons	2,180	2,740	-560
LNG	thousand tons	830	920	-90

3. Interest-bearing debt and Interest rate

(1) Breakdown of Interest-bearing debt <Consolidated> (billion yen)

	End of FY2021-2Q (A)	End of FY2020 (B)	Difference (A-B)
Interest-bearing debt	2,308.0	2,193.9	114.0
Corporate bond	981.4	921.5	59.9
Long-term debt	1,160.5	1,187.8	-27.2
Short-term debt	69.9	69.8	0.1
Commercial paper	80.0	-	80.0
Lease Obligations	15.9	14.7	1.2

(2) Interest rate <Non-Consolidated>

	FY2021-2Q	FY2020
Average	0.56 %	0.57 %

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