

**Investors Meeting for
FY2017-2Q Financial Results**

The Summary of Financial Results for FY2017-2Q

(April 1 through September 30, 2016)

The Chugoku Electric Power Co., Inc.

November 8, 2016

In this report, the term “Fiscal Year 2017” refers to the period between April 1, 2016 and March 31, 2017.

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I . FY2017 2nd Quarter Financial Results

1. FY2017-2Q Financial Results Summary

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(1) Consolidated

(billion yen)

	FY2017-2Q (A)	FY2016-2Q (B)	Difference (A-B)	Rate of change (A/B-1)
Operating revenues	594.9	620.7	▲25.7	▲4.2%
Operating income	37.5	29.1	8.3	28.6%
Ordinary income	30.8	23.7	7.1	30.3%
Net income attributable to owners of the parent	22.3	20.8	1.5	7.3%

(Rounded down to the hundred million yen)

(2) Non-consolidated

(billion yen)

	FY2017-2Q (A)	FY2016-2Q (B)	Difference (A-B)	Rate of change (A/B-1)
Operating revenues	558.0	581.4	▲23.4	▲4.0%
Operating income	36.0	23.7	12.2	51.6%
Ordinary income	32.4	22.3	10.1	45.3%
Net income	24.3	18.9	5.3	28.4%

(Rounded down to the hundred million yen)

2. Electricity Sales

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- Electricity sales were 28.25 billion kWh, up by 1.6% in comparison with the same period in the previous year.
- Lighting use increased in comparison with the same period in the previous year due to the increase in air-conditioning demand caused by higher summer temperature, and others.
- 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 “machine” industries demand.

(billion kWh)

	FY2017-2Q (A)	FY2016-2Q (B)	Difference (A-B)	Rate of change (A/B-1)
Total	28.25	27.80	0.45	1.6%
Low voltage	9.36	9.06	0.30	3.3%
Lighting	8.27	7.99	0.28	3.4%
Power	1.09	1.07	0.02	2.5%
High voltage and Extra-high voltage	18.89	18.74	0.15	0.8%
Commercial	5.32	5.35	▲0.03	▲0.7%
Industrial	13.57	13.39	0.18	1.3%
Large scale	11.48	11.24	0.24	2.1%
Chemical	1.36	1.34	0.03	2.2%
Iron & steel	2.95	2.81	0.14	5.1%
Machine	2.52	2.48	0.04	1.6%

Hiroshima city (°C)	Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.
Average monthly temperature	10.4	16.2	20.3	23.3	27.7	29.3	25.1
Difference from previous year	0.4	0.4	▲0.2	0.8	1.2	1.8	2.0
Difference from average year	1.3	1.5	1.0	0.3	0.6	1.1	0.7

3. Supply Capacity

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- Hydroelectric 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 increased due to reasons such as the decrease in maintenance of the facilities.
- Interchanged power and purchased power decreased due to reasons such as the increase in maintenance of other electric power companies' power plants.

(billion kWh)

		FY2017-2Q	FY2016-2Q	Difference	Rate of change
		(A)	(B)	(A-B)	(A/B-1)
Supply Capacity		30.42	29.89	0.53	1.8%
Own facilities	Own	19.20	18.51	0.69	3.7%
	(Water Flow Rate)	(105.2%)	(99.6%)	(5.6%)	
	Hydroelectric	2.00	1.82	0.18	10.3%
	Thermal	17.20	16.69	0.51	3.0%
	(Capacity Factor)	(—)	(—)	(—)	
	Nuclear	—	—	—	—
	New energy sources	0.00	0.00	▲0.00	▲1.2%
Interchanged power and purchased power		11.64	11.73	▲0.09	▲0.8%
Pumping use		▲0.42	▲0.35	▲0.07	18.9%

4. Income Statement < Consolidated >

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(1) Revenues

(billion yen)

	FY2017-2Q (A)	FY2016-2Q (B)	Difference (A-B)	Breakdown
Ordinary revenues	601.4 (567.2)	630.0 (593.8)	▲28.5 (▲26.6)	
Operating revenues	594.9 (558.0)	620.7 (581.4)	▲25.7 (▲23.4)	
from electric power operations	549.1	563.6	▲14.4	
Electricity sales	453.2	485.9	▲32.6	<ul style="list-style-type: none"> • Decrease in revenue units ▲40.4 Decrease in fuel cost adjustment charges ▲56.9 Increase in renewable energy power promotion surcharge +17.0 • Increase in electricity sales +7.8
Lighting	173.5	178.5	▲4.9	
Commercial & industrial	279.7	307.3	▲27.6	
Others	95.8	77.7	18.1	• Increase in grants on the act of renewable energy +21.0
from other operations	93.0 (8.8)	119.1 (17.8)	▲26.1 (▲8.9)	• Decrease in incidental businesses ▲8.9
Internal transaction in consolidated accounting	▲47.2	▲62.0	14.8	
Other revenues	6.4 (9.2)	9.3 (12.4)	▲2.8 (▲3.1)	

(※) Figures in parentheses () are Non-Consolidated.

(Rounded down to the hundred million yen)

(2) Expenses

(※) Figures in parentheses () are Non-Consolidated. (billion yen)

	FY2017-2Q (A)	FY2016-2Q (B)	Difference (A-B)	Breakdown
Ordinary expenses	570.5 (534.8)	606.3 (571.5)	▲35.7 (▲36.7)	
Operating expenses	557.4 (522.0)	591.5 (557.7)	▲34.1 (▲35.7)	
from electric power operations	513.5	540.3	▲26.8	
Personnel	50.7	50.1	0.5	
Material	236.1	273.2	▲37.1	<ul style="list-style-type: none"> ▪ Lower CIF price ▲25.2 ▪ Higher yen rate ▲20.4 ▪ Increase in capacity factor of coal power plants ▲8.7 ▪ Increase in water flow ▲1.1 ▪ Decrease in capacity factor of LNG power plants +2.9 ▪ Increase in electricity sales +3.5 ▪ Increase in purchase of renewable energy, etc. +11.9
Fuel	78.4	124.7	▲46.2	
Purchased power	157.6	148.4	9.1	
Maintenance	44.9	49.2	▲4.3	
Depreciation	45.8	46.4	▲0.6	
Nuclear power back- end	2.6	2.7	▲0.0	
Others	133.3	118.5	14.7	<ul style="list-style-type: none"> ▪ Increase in payments of the levy on the act of renewable energy +17.0
from other operations	90.8 (8.4)	112.5 (17.3)	▲21.7 (▲8.9)	<ul style="list-style-type: none"> ▪ Decrease in incidental businesses ▲8.9
Internal transaction in consolidated accounting	▲46.9	▲61.4	14.4	
Other expenses	13.1 (12.8)	14.8 (13.8)	▲1.6 (▲1.0)	
Interests	(10.3)	(10.9)	(▲0.6)	

(3) Income, etc.

(billion yen)

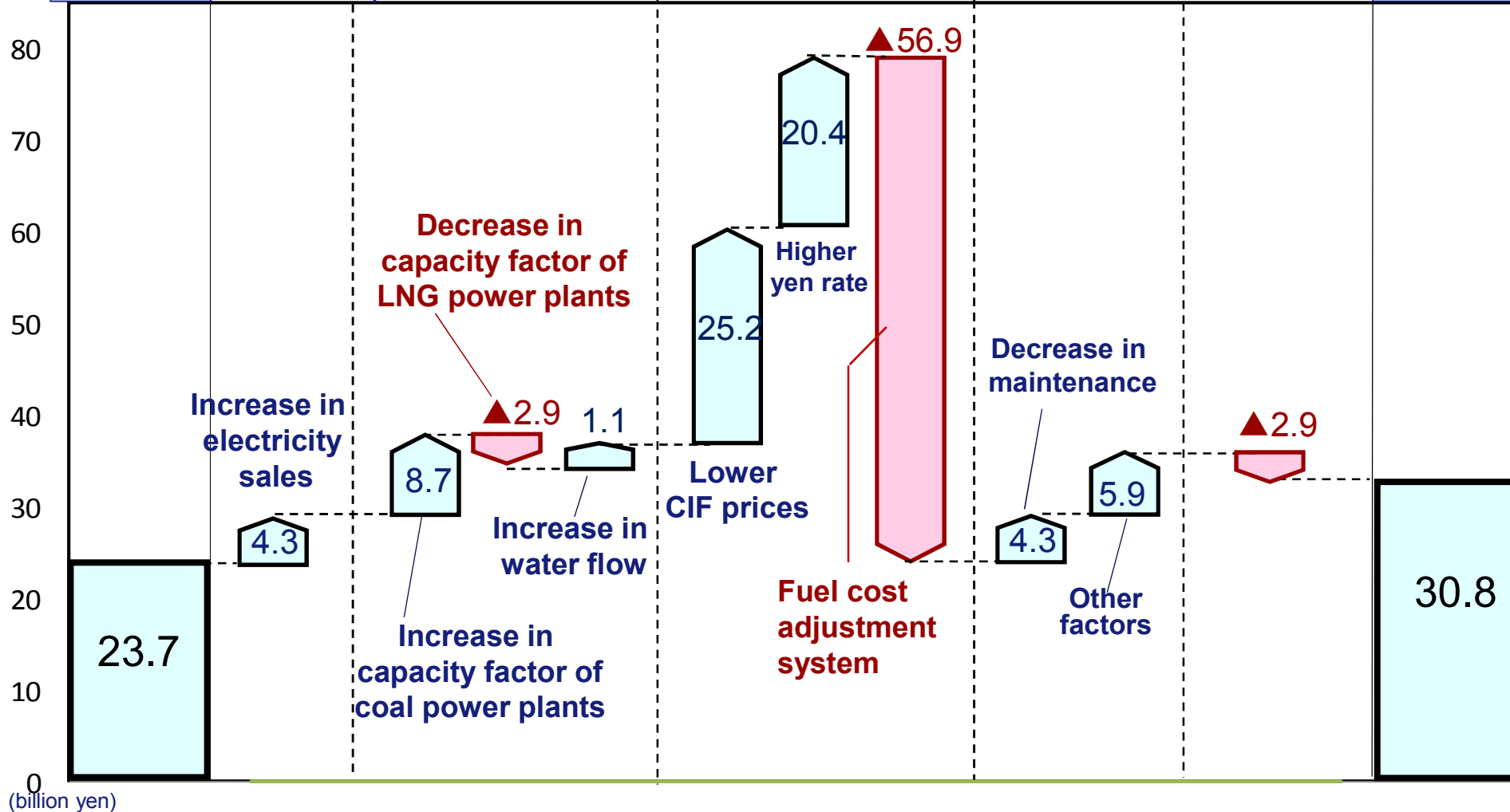
	FY2017-2Q (A)	FY2016-2Q (B)	Difference (A-B)	Breakdown
Operating income	37.5 (36.0)	29.1 (23.7)	8.3 (12.2)	
Ordinary income	30.8 (32.4)	23.7 (22.3)	7.1 (10.1)	
Provision for drought	0.1	▲0.9	1.1	
Provision for depreciation of nuclear power plant	0.8	0.5	0.2	
Extraordinary income	—	5.8	▲5.8	·Decrease in profit on sale of the stocks of an affiliated company
Income taxes, etc.	7.4 (7.0)	9.0 (5.7)	▲1.5 (1.2)	
Net income	22.3 (24.3)	20.8 (18.9)	1.5 (5.3)	

(※) Figures in parentheses () are Non-Consolidated.

(Rounded down to the hundred million yen)

5. Factors for change in Ordinary income < Consolidated >

FY2016-2Q Ordinary income 23.7 billion yen	Increase of 7.1 billion yen					FY2017-2Q Ordinary income 30.8 billion yen
	Factors for change					
	Non-Consolidated				Consolidated subsidiaries, etc.	
	Demand (+4.3)	Composition of power sources (+6.9)	Time lag of fuel cost adjustment system(▲11.3)	Others (+10.2)	(▲2.9)	



6. Major Factors

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■ Major Factors (Non-Consolidated)

	FY2017-2Q (A)	FY2016-2Q (B)	Difference (A-B)
Exchange rate (¥ / \$)	105	122	▲17
Crude oil prices (All Japan CIF) (\$ / b)	43.8	58.9	▲15.1
Foreign coal prices (All Japan CIF) (\$ / t)	69.5	79.6	▲10.1

■ Financial impact (Sensitivity) (Non-Consolidated)

	FY2017-2Q
Exchange rate (¥1 / \$)	1.2
Crude oil prices (All Japan CIF) (\$1 / b)	1.2
Water flow rate (1%)	0.2

(billion yen)

7. Balance Sheet < Consolidated >

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(※) Figures in parentheses () are Non-Consolidated .

(billion yen)

	End of FY2017-2Q (A)	End of FY2016 (B)	Difference (A-B)	Breakdown
Assets	3,071.2 (2,840.8)	3,070.9 (2,840.1)	0.2 (0.7)	
Electric utility fixed assets	1,314.5 (1,354.8)	1,334.1 (1,374.9)	▲19.5 (▲20.0)	<ul style="list-style-type: none"> ▪ Asset capitalization +28.0 ▪ Depreciation ▲45.8 (Accumulated depreciation rate 77.7%) ▪ Retirement, etc. ▲2.2
Construction in progress	741.6 (745.9)	728.3 (723.5)	13.3 (22.3)	
Liabilities	2,451.2 (2,382.0)	2,462.4 (2,396.6)	▲11.1 (▲14.6)	<ul style="list-style-type: none"> ▪ Decrease in accounts payable, etc.
Interest-bearing debt	1,970.0 (1,934.9)	1,950.3 (1,918.5)	19.7 (16.4)	
Provision for depreciation of nuclear power plant	78.3 (78.3)	77.5 (77.5)	0.8 (0.8)	
Total net assets	619.9 (458.8)	608.5 (443.4)	11.4 (15.3)	
Shareholders' equity ratio	20.1% (16.2%)	19.7% (15.6%)	0.4% (0.6%)	

(Rounded down to the hundred million yen)

8.Application of Free Cash Flow <Consolidated>

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(billion yen)

	FY2017-2Q (A)	FY2016-2Q (B)	Difference (A-B)	Breakdown
Cash Flow form Operating Activities	40.6	42.7	▲2.0	
Cash Flow from Investing Activities	▲73.6	▲81.4	7.7	
Free Cash Flow	▲33.0	▲38.6	5.6	
Cash Flow from Financing Activities	11.1	▲30.3	41.4	·Increase in issuance of corporate bonds
Cash and Cash Equivalents (increase and decrease)	▲22.0	▲69.2		

(Rounded down to the hundred million yen)

9. Segment Information

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(1) Comprehensive Energy Supply Business ※ (billion yen)

	FY2017-2Q (A)	FY2016-2Q (B)	Difference (A-B)	Breakdown
Operating revenues	15.3	23.2	▲7.8	・Decrease in LNG sales business
Operating income	1.2	2.2	▲0.9	

(Rounded down to the hundred million yen)

(※) Comprehensive Energy Supply Business is run by The Chugoku Electric Power Company, Energia Solution and Service Company, and Power Engineering and Training Service excluding transactions among them .

(2) Information & Telecommunication Business (billion yen)

	FY2017-2Q (A)	FY2016-2Q (B)	Difference (A-B)	Breakdown
Operating revenues	18.5	19.0	▲0.4	
Operating income	1.0	2.0	▲0.9	・Increase in commission expenses

(Rounded down to the hundred million yen)

Ⅱ . Performance Outlook for FY2017 Dividends

- **We expect that both consolidated and non-consolidated operating revenues will decrease in comparison with the last fiscal year. This is mainly because the electricity sales revenue is expected to decrease, due to the decrease in fuel cost adjustment charges resulted from the higher yen rate.**
- **We expect that both consolidated and non-consolidated income will decrease in comparison with the last fiscal year. This is mainly because the effect of the time lag of fuel cost adjustment system will get worse which is due to the recent upward trend in fuel prices, despite our efforts for business efficiency enhancement and the decrease in material cost resulted from the increase in capacity factor of coal power plants which have the higher economic efficiency.**

2. Summary of Performance Outlook

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(1) Consolidated

(billion yen)

	FY2017 (Forecasts) As of Oct.31 (A)	FY2016 (B)	Difference (A-B)	【Reference】 FY2017 (Forecasts) As of Jul.28
Operating revenues	1,193.0	1,231.5	▲38.5	1,185.0
Operating income	31.0	50.0	▲19.0	—
Ordinary income	19.0	39.2	▲20.2	—
Net income attributable to owners of the parent	11.0	27.1	▲16.1	—

(2) Non-consolidated

(billion yen)

	FY2017 (Forecasts) As of Oct.31 (A)	FY2016 (B)	Difference (A-B)	【Reference】 FY2017 (Forecasts) As of Jul.28
Operating revenues	1,114.0	1,150.5	▲36.5	1,105.0
Operating income	27.0	39.6	▲12.6	—
Ordinary income	17.0	31.3	▲14.3	—
Net income	10.0	21.0	▲11.0	—

■ Major Factors (Non-Consolidated)

	FY2017 (Forecasts) As of Oct.31 (A)	FY2016 (B)	Difference (A-B)	【Reference】 FY2017 (Forecasts) As of Jul.28
Electricity sales (billion kWh)	57.1	56.72	3.8	57.4
Exchange rate (¥/\$)	105	120	▲15	106
Crude oil prices (All Japan CIF) (\$/b)	47	48.7	▲1.7	48
Nuclear capacity factor (%)	—	—	—	Undecided

■ Financial impact (Sensitivity) (Non-Consolidated) (billion yen)

	FY2017 (Forecasts) As of Oct.31 (A)	FY2016 (B)	Difference (A-B)
Exchange rate (¥1/\$)	2.2	2.3	▲0.1
Crude oil prices (All Japan CIF) (\$1/b)	2.2	2.7	▲0.5
Water flow rate (1%)	0.3	0.3	—
Nuclear capacity factor (1%)	0.5	0.6	▲0.1

- We have decided to distribute ¥25 per share as the interim dividends of FY2017, although we had announced it as undecided heretofore.
- Regarding the forecasts of the year-end dividends of FY2017, we cannot yet inform you at this time.

< Dividends > (yen per share)

	FY2017	FY2016
Interim	25	25
Year-end	Undecided	25
Total	Undecided	50

Ⅲ. Appendix

1. Operating revenues < Non-Consolidated >

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(1) Personnel

(billion yen)

	FY2017-2Q (A)	FY2016-2Q (B)	Difference (A-B)	Breakdown
Total	50.7	50.1	0.5	
Retirement allowances	1.2	0.7	0.5	•Increase in actuarial difference depreciation +1.1

(Rounded down to the hundred million yen)

Actuarial Difference

(billion yen)

	Recorded amount	FY2016 amount of amortization	FY2017 Estimate		
			Amount of amortization	Balance of non-amortization	Non-amortization years
FY2011	0.1	0.0	—	—	—
FY2012	▲0.1	▲0.0	▲0.0	—	—
FY2013	4.7	0.9	0.9	0.9	1
FY2014	12.2	2.4	2.4	4.9	2
FY2015	8.9	1.7	1.7	5.3	3
FY2016	▲11.0	—	▲2.2	▲8.8	4
Total		5.2	2.9	2.4	—

(※) Amortize for five years from next recorded year

(Rounded down to the hundred million yen)

(2) Maintenance

(billion yen)

	FY2017-2Q (A)	FY2016-2Q (B)	Difference (A-B)	Breakdown
Total	44.9	49.2	▲4.3	
Power source	17.8	26.2	▲8.4	·Decrease in thermal power ▲8.5
Electric power transport	25.9	22.0	3.8	·Increase in distribution +3.6
Others	1.1	0.9	0.2	

(Rounded down to the hundred million yen)

(3) Depreciation

(billion yen)

	FY2017-2Q (A)	FY2016-2Q (B)	Difference (A-B)	Breakdown
Total	45.8	46.4	▲0.6	
Power source	17.7	17.5	0.2	
Electric power transport	24.1	24.4	▲0.3	
Others	3.9	4.3	▲0.4	

(Rounded down to the hundred million yen)

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

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(1) Procurement volume

	Unit	FY2017-2Q (A)	FY2016-2Q (B)	Difference (A-B)
Fuel oil ※1	million liters	450	490	▲40
Crude oil	million liters	50	120	▲70
Coal ※2	thousand tons	2,940	2,770	170
LNG ※2	thousand tons	1,070	1,310	▲240

※1 : Internal combustion power plant included

※2 : Sales included

(2) Consumption volume

	Unit	FY2017-2Q (A)	FY2016-2Q (B)	Difference (A-B)
Fuel oil ※3	million liters	450	480	▲30
Crude oil	million liters	80	120	▲40
Coal	thousand tons	2,930	2,290	640
LNG	thousand tons	930	1,120	▲190

※3 : Internal combustion power plant included

3. Capital Expenditure < Non-Consolidated >

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(billion yen)

	FY2017-2Q (A)	FY2016-2Q (B)	Difference (A-B)
Total	61.2	64.1	▲2.9
Power Source	32.0	39.9	▲7.8
Electric Power	20.5	20.8	▲0.3
Transport			
Transmission	6.0	5.3	0.6
Transformation	4.6	6.7	▲2.0
Distribution	9.8	8.7	1.1
Nuclear Fuel	7.3	1.4	5.8
Others	1.3	1.9	▲0.6

(※) Incidental Business Facilities Excluded

(Rounded down to the hundred million yen)

4. Interest-bearing debt and Interest Rate <Non-Consolidated> 20

(1) Breakdown of Interest-bearing debt

(billion yen)

	End of FY2017-2Q (A)	End of FY2016 (B)	Difference (A-B)
Interest-bearing debt	1,934.9	1,918.5	16.4
Corporate bond	964.9	949.9	15.0
Long-term debt	888.9	894.5	▲5.5
Short-term debt	71.0	74.0	▲3.0
CP	10.0	—	10.0

(Rounded down to the hundred million yen)

(2) Interest Rate

	FY2017-2Q	FY2016
Average	1.10%	1.18%
End of period	1.08%	1.14%

5. Diffusion Rate of Completely Electrical Housing and Electric Water Heater

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	Unit	FY2014	FY2015	FY2016	FY2017-2Q
Completely electrical housing introduced		43	38	33	14
Newly-constructed	Number of housing (thousands)	21	20	18	8
Remodeled ※1		22	18	15	6
The ratio of newly constructed electrical Housing	%	47.1	46.1	45.1	} 41.5 74.4 10.3
Single homes	%	77.8	74.0	75.5 ※2	
Housing complexes	%	13.7	14.4	13.0	
Household diffusion rate of completely electric homes	%	18.5	19.6	20.4	20.8
Electric water heater sales	thousands	56	52	51	21
“Ecocute”		46	43	43	19
The diffusion rate of electric water heater	%	27.4	28.2	28.9	29.2
Electric Water Heater Contract Accounts (accumulated total)	Number of accounts (thousands)	897	929	957	972

(※1) "Remodeled" includes homes which were converted to all-electric by the replacement only of hot-water supply equipment and kitchen equipment.

(※2) Figures are as of the end of August, 2016.

(※3) Total amounts may not agree due to rounding off.

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