

Investors Meeting for the 1st half of FY2003 Financial Results

21 November 2002

In this presentation, the term “Fiscal Year 2003” describes the period which ended March 2003.

An Overview of Account Settlements for FY2003 Interim

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1. Non-Consolidated

[Unit: Hundred Million Yen]

	FY2003 Interim	FY2002 Interim	Increase & Decrease	Compared with same period previous year
Sales Amount	4,892	4,886	6	100.1%
Operating Profit	742	695	47	106.8%
Interim Ordinary Profit	467	451	16	103.5%
Current Net Profit	298	156	142	190.8%

2. Consolidated

[Unit: Hundred Million Yen]

	FY2003 Interim	FY2002 Interim	Increase & Decrease	Compared with same period previous year
Sales Amount	5,097	5,078	19	100.4%
Operating Profit	740	690	50	107.3%
Interim Ordinary Profit	463	444	19	104.3%
Current Net Profit	300	336	36	89.1%

An Overview of Results Estimates for FY2003

1. Non-Consolidated

[Unit: Hundred Million Yen]

	FY2003 Estimates	FY2002	Increase & Decrease	Year-On-Year
Sales Amount	9,600	9,725	125	98.7%
Operating Profit	1,140	1,170	30	97.4%
Ordinary Profit	640	590	50	108.5%
Current Net Profit	450	244	206	184.4%

2. Consolidated

[Unit: Hundred Million Yen]

	FY2003 Estimates	FY2002	Increase & Decrease	Year-On-Year
Sales Amount	10,100	10,211	111	98.9%
Operating Profit	1,130	1,185	55	95.4%
Ordinary Profit	630	637	7	98.9%
Current Net Profit	440	464	24	94.8%

Future Progress and Management Policies of the Chugoku Electric Power Group Management

Recognition of Management Environments

Revise electric industry regulations
(consider increasing, retail competition,
deregulation of subsidiary business)
Spread distributed power sources,
environmental taxes
Stress importance of connections



Increased management risks
and business chances
Strengthened group
management

1. Determination of new “future progress of group management”

Basic Concept

Business group that customers cannot do without

2. Revise the “Chugoku Electric Power Management Policy”

- Creation of sustainable profit
- Obtain the trust of customers, stockholders, investors, and local societies
- Activation of personnel and implementation of business reforms

Future Progress of Chugoku Electric Power Group Management

Basic Concept of Group Management

Specific Measures

- **Develop total solutions**



“My best choice, Energia”

- **Effective use of group management resources**



Goals

- **Form a business group that customers cannot do without**
- **Contribute to local activities, and increase the value of shares**
- **With increased profits as a base, stabilize group employment, improve the skills of personnel, and elevate workplace activity**

Strengthen Activities as a Group

Effective use of group management resources

- Focus management resources on powerfully active business
- From business alliances, invest in other industries
- Strengthen group sales skill, exchange personnel both within and outside the group
- Uncover seeds for new businesses; profitability is the determining factor for new businesses

Overall group efficiency

- Reorganize and/or integrate group businesses
 - Start in-group trading from a “0 base” profit
- Centralize group support business (indirect business), revise distribution system



In the future, set new group goals and establish a group business governance system

Risk Management Activities

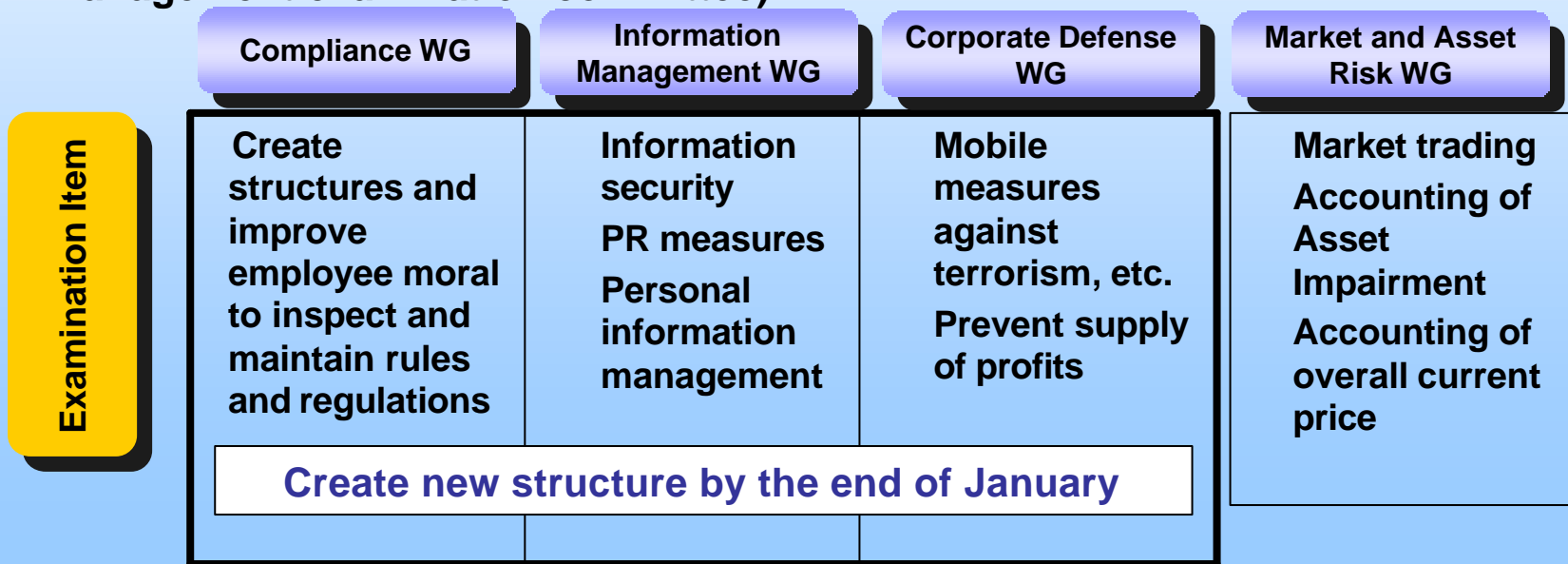
Basic Risk Management Policy (November 2001) Basic concepts and measures for risk management



Establishment of Risk Management System (July 2002)

In addition to daily risk management, create an overall system of measures for when serious management risk occurs, and establish a risk management system for compliance.

Strategical Risk Management Committee (chairperson: company president)
Examination organization for risk expected to occur in the future (risk management examination committee)



Achievement of Management Goals

~ Management Goals that Aim for Improvements in Business Results and Financial Strength ~

Numerical Goal	FY 2003 – 2005 Average
Shareholder Equity Ratio	Approximately 23% (End of FY 2004)
ROE (Return On Equity)	Approximately 8%
ROA (Return On Asset After Taxes)	Approximately 3%
Ordinary Profit	Over 70 Billion Yen
Free Cash Flow (Before)	Over 110 Billion Yen

FY2003 Estimate
Approximately 19.5%
Approximately 8.5%
Approximately 2.5%
Approximately 64 Billion Yen
Approximately 135 Billion Yen

Goals Achievement

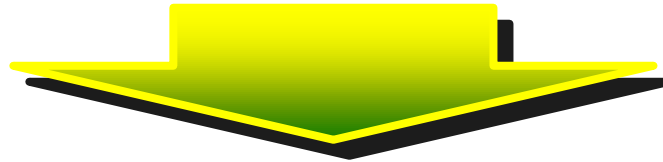
Measures for Liberalization (Reduction of Electrical Power Rates)

Outline for Modifying Rates

Basic Policy

Establishment of rate level that will continue to be selected by customers

Diversification of selections based on customer needs



Reduction Rate: 5.72%
(Regulated Customers)

Large reductions in commercial power use

Diversification of selections

Promotion of acquiring demand from self generation

Comparison of Modified Unit Price with Competitors

(Unit: yen/kWh)

	Chugoku Electric Power		Company A		Company B		Company C	
	Reduction	Modification rate	Reduction	Modification rate	Reduction	Modification rate	Reduction	Modification rate
Electric lighting	0.98	4.41%	0.92	4.15%	0.84	3.71%	0.93	4.21%
		21.16		21.26		21.67		21.00
Commercial	1.95	10.68%	1.86	10.14%	2.00	10.95%	1.76	9.61%
		16.38		16.42		16.30		16.51
Small Industry	0.73	3.75%	0.38	2.01%	0.45	2.26%	0.50	2.56%
		18.71		18.72		19.79		19.00
Large Industry (high voltage B)	0.70	4.85%	0.84	5.65%	0.75	5.33%	0.67	4.68%
		13.77		14.03		13.19		13.63
Total power	1.22	6.99%	1.17	6.57%	1.15	6.58%	1.10	6.16%
		16.25		16.63		16.30		16.74
Regulated amount	1.12	5.72%	1.05	5.35%	1.02	5.22%	1.02	5.21%
		18.37		18.72		18.51		18.60

Note 1: Reduction and Modification Rate are based on the old unit price (including fuel rate adjustments).

Note 2: Implemented by each company beginning in October 2002.

Note 3: Numbers shown in indicate the lowest unit price, in order.

Reduction in Differences between Commercial Customers and Industrial Customers

Following the previous modifications, reduce differences between commercial customers and industrial customers.

In particular, increase the reduction for customers with a high rate of unit consumption, mainly to eliminate differences.

[Differences between businesses and industries due to overall unit price]

Regulated Customers		Unit: yen/kWh			
Unit Consumption	100	200	300	400	
Before modification	2.93	2.93	2.37	2.20	
After modification	2.04	1.49	0.93	0.76	
Reduction	0.89	1.44	1.44	1.44	

Liberalized Customers		(Comparisons according to publicized standard menu)				Unit: yen/kWh
Unit Consumption	100	200	300	400		
Before modification	2.84	2.84	2.84	2.84		
After modification	1.40	1.40	1.40	1.40		
Reduction	1.44	1.44	1.44	1.44		

Note 1 Unit consumption: Average operation time of customer facilities calculated from the amount of electrical power used for one month and the contracted amount of electrical power (unit = amount of electrical power used/contracted amount of electrical power)

Note 2 Industrial Customers Rate (Regulated sector): high voltage electrical power B Liberalized Customers: rate for voltage of 20kV

Newly Set Selection Tariffs (Regulated Customers)

New Main Menu

Name of selection tariff	Nickname	Purpose, Features	Number of persons expected to join
No. 2 Electric Lighting by Season and Time of Day	Family Time [Plan]	<p>Basic rates are set lower, rates for amount of electric power used as set higher.</p> <p>Promotes electric power in apartment buildings.</p>	Approximately 15,000
Low Voltage High Load Contract	Low Voltage Pack Plan	<p>Where both electric lighting and low voltage electric power are in demand, rates are lowered for customers with a high load rate.</p> <p>Targets include convenience stores and suburban restaurants.</p>	Approximately 2000

Other New Menus

- Bank Account Transfer Discount Contract (Nickname: Toku Toku Transfer Plan)
- Electrical Power for Melting Snow/Ice (Nickname: SnowPia Time)

Housing with Total Electrical Power, Electric Water Heaters

Trends in Housing with Total Electrical Power (Unit: 1000 homes)

	FY2000			FY2001			First half FY2002		
	Homes	Apts.	Total	Homes	Apts.	Total	Homes	Apts.	Total
Number of homes constructed	30	31	61	25	30	55	13	15	28
Number of homes with total electric power	10	2	12	9	3	12	5	1	6
Share	33%	6%	19%	37%	10%	22%	37%	10%	22%

Note: Figures have been rounded off to the nearest 1%.

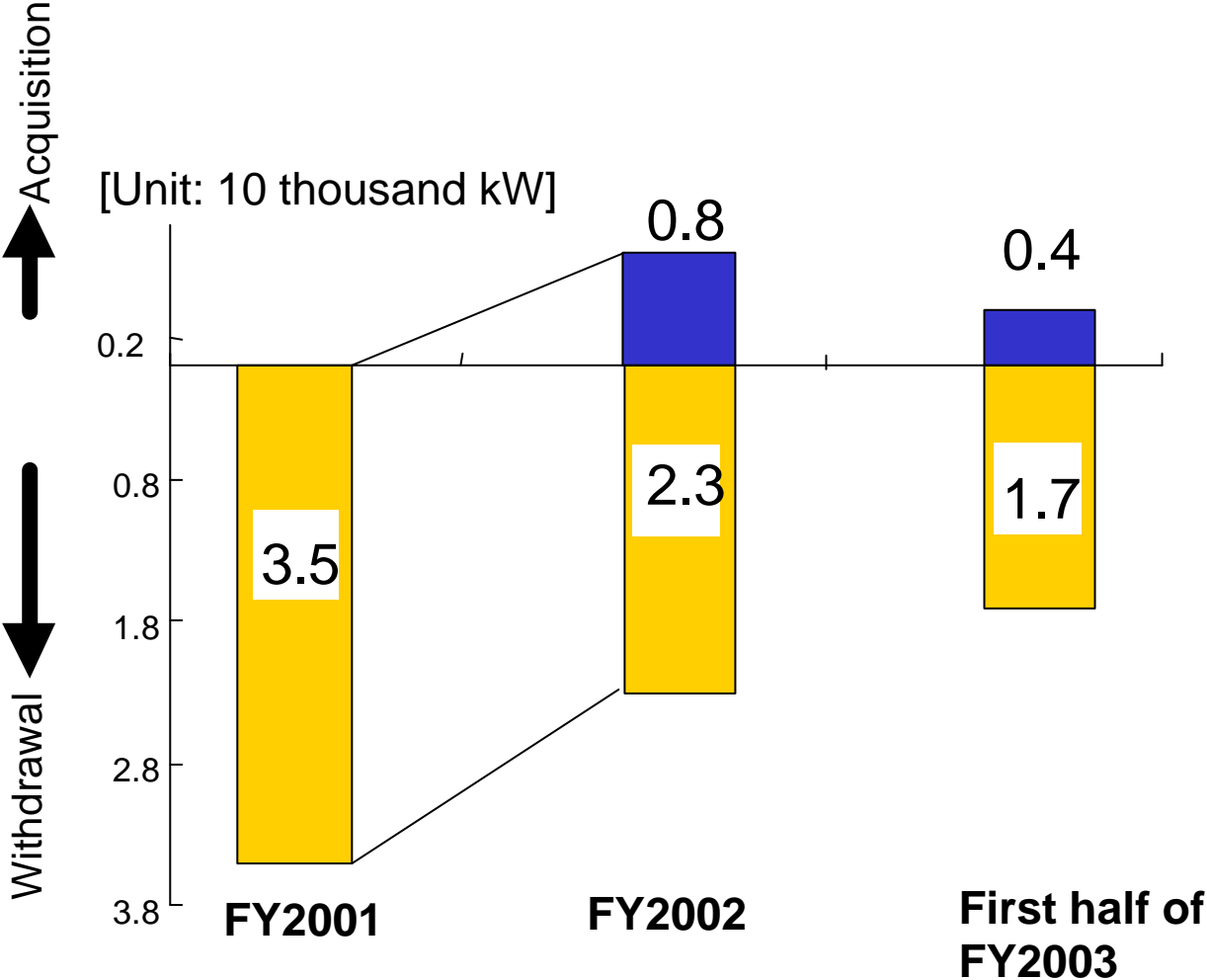
Trends in Number of Electric Water Heater Contracts and Sales

	FY2000	FY2001	First half of FY2002
Number of sales	29,000	30,000	14,000
Number of contracts	379,000	395,000	404,000
Rate of popularization	10.4%	10.8%	11.0%

Note: Number of contracts and rate of popularization are calculated at the end of each period and the end of the fiscal year.

Demand Acquisition Due to Self Generation (Regulated Customers, High Voltage Field)

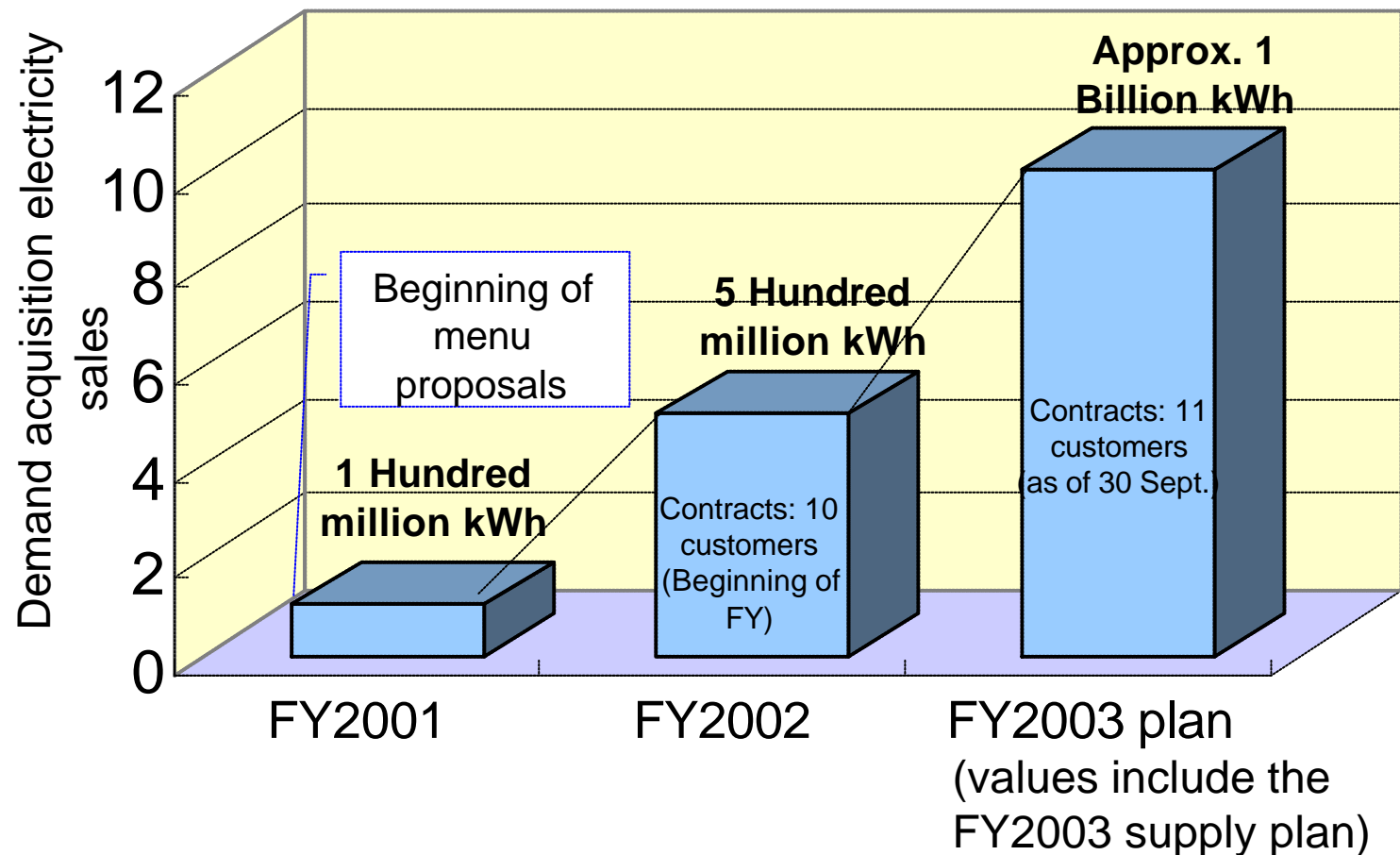
~ The acquisition of demand from self generation for the first half of FY2003 was 4000kW with a total of 17,000kW of demand remaining ~



Acquisition of Demand Through Self Generation (Liberalized Customers)

Increase in electricity sales due to promotion of membership in demand acquisition type menus

(Unit: Hundred Million kWh)



Conditions of Start-up Businesses

Outline of Start-up Businesses

New project companies and investment amounts since FY2001 (implementation of liberalization)

Note: Investment amounts are totals for Chugoku Electric Power and financiers.

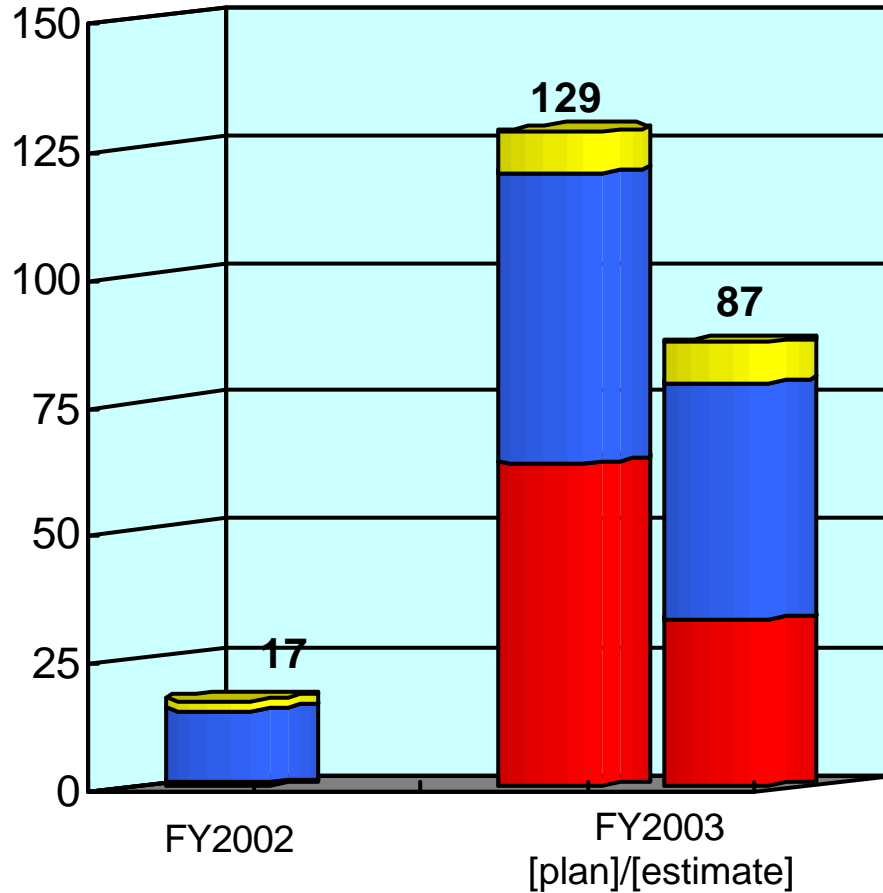
Project Field	Project Company	Investment (total for FY2002 – FY2006)
Total Energy Supply Project	Energia Solutions and Services (ESS) (fuel sales, co-generation) Mizushima LNG (LNG base) Mizushima LNG Sales (LNG sales) Power Engineering and Training Services (PET) (research, engineering, etc.)	Approximately 39 billion yen
Information Transmission Project	Chugoku Information Systems Services (CIS) * (fiber optic core rentals, Internet-related services, etc.)	Approximately 28 billion yen
Environmental Harmony/Business Support	International Standard Management Center (ISO inspection registration) CHUGOKU HEALTH AND WELFARE CLUB (fukuri welfare agency) HousePlus Chugoku Housing Warranty Corporation (housing security) Chuden Business Service (indirect group business, financing) Energia Real Estate (real estate projects) Bab-Hitachi & Energia Allied Techno-Research (measurement of dioxins)	Approximately 2 billion yen
	Total Investments	Approximately 70 billion yen

* In addition to CIS, communications projects for exclusive lines are being performed at CTNet, which was established in 1992.

Outline of Results and Capital Investments for Start-up Businesses

Results

(Unit: Hundred million yen) [Sales Amount]



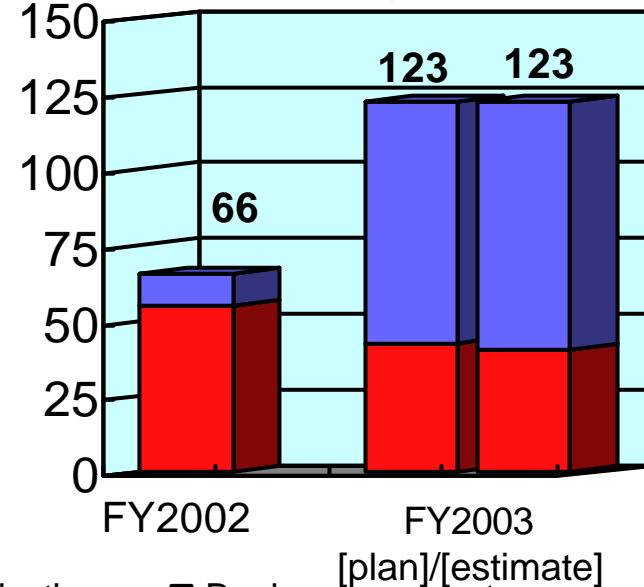
■ Combined Energy Supply Businesses
 ■ Telecommunication
 ■ Business support

[Ordinary profit] (Unit: Hundred million yen)

Fiscal year	2002	2003 (estimate)
Ordinary profit	3	19

Capital Investment

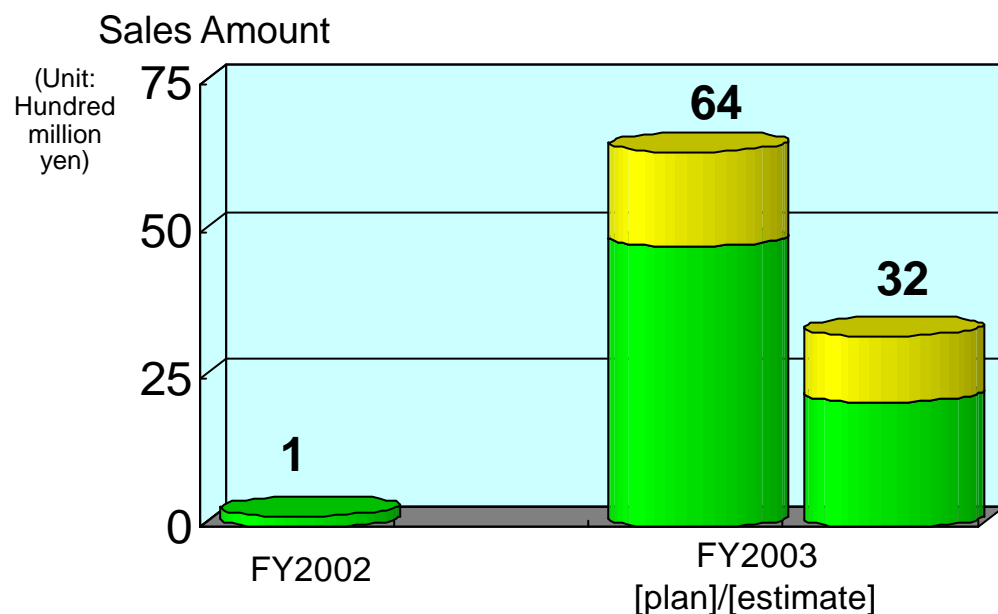
(Unit: Hundred million yen)



* Includes CIS fiber optics core rentals, data center, and Internet-related projects.

Outline of Total Energy Supply Projects

ESS, PET Results



Ordinary profit
(Unit: Hundred million yen)

Fiscal year	2002	2003 (estimate)
ESS	1	4
PET	-	0
Total	1	4

■ PET
■ ESS

Outline of Mizushima LNG Operations (MIZUSHIMA LNG COMPANY, MIZUSHIMA LNG SALES COMPANY)

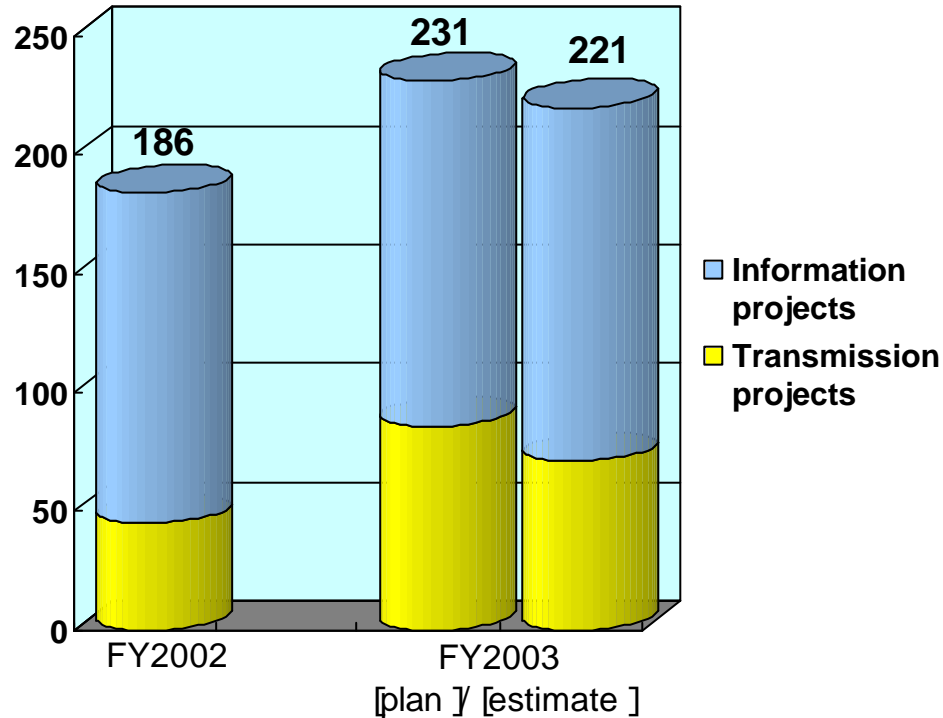
Base facilities (LNG tanks)	160,000 kL (Capital investment of 30 billion yen)
Amount handled	600,000t/year
Schedule until start of business	Construction of LNG tank facilities began in November of this year. Start of business is scheduled for April 2006.

(Reference)

Outline of CIS and CNet Results

CIS Results

[Sales Amount]
(Unit: Hundred million yen)

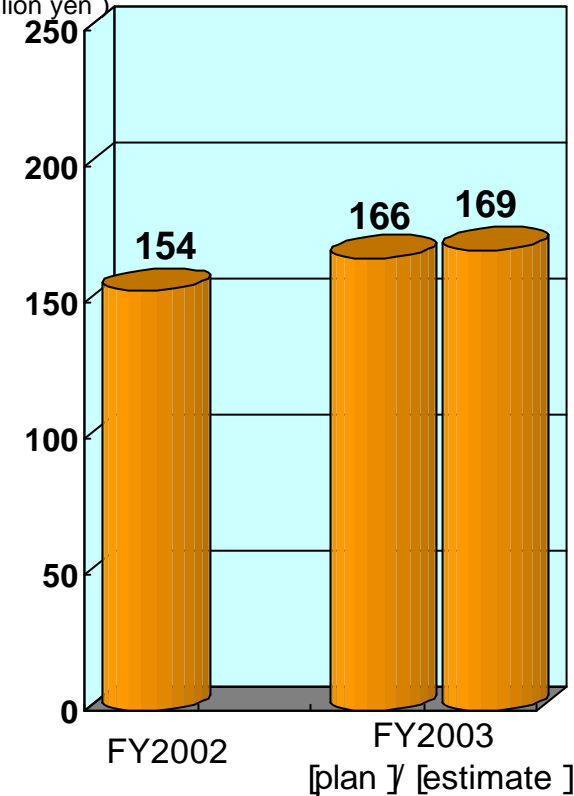


(Unit: Hundred million yen)

Fiscal Year	2002	2003	
		Plan	Estimate
Ordinary Profit	22	20	25

CNet Results

[Sales Amount]
(Unit: Hundred million yen)



(Unit: Hundred million yen)

Fiscal Year	2002	2003	
		Plan	Estimate
Ordinary Profit	5	4	5

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