



Company-Wide Briefing On The Supply Plan

The Chugoku Electric Power Co., Inc.
March 31, 2003

In this presentation, the term "Fiscal Year 2003" describes the period which ended March, 2003

Electricity Power Sales Plan

Effects Resulting From the Expansion of the scope of Liberalization

Now (200kW or Greater, 20,000V or Greater)



- ◆ Number of Customers: 371
- ◆ Electricity Sales : 15.3 Billion kWh (Weight: Approx. 30%)
- ◆ Weight Accounts for Just Under 20% of Income.

April, 2004....500kW or Greater



- ◆ Number of Customers: Approx. 2,600
- ◆ Electricity Sales: Approx. 22 Billion kWh
(Weight: Approx. 40%)
- ◆ Weight Predicted to Account for Just Under 30% of Income.

Prospects for April, 2005...50kW or Greater

- ◆ Number of Customers: Approx. 47,000
- ◆ Electricity Sales: Approx. 34 Billion kWh
(Weight: Approx. 60%)
- ◆ Weight Predicted to Account for Approx. 50% of Income.

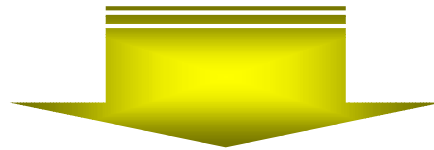
Promotion of Total Solution Proposals

Changes in the Business Climate

Increased Sales Competition Due to the Expansion of the scope of Liberalization

- ◆ Decentralized Energy and Gas, etc. Leading to Fierce Competition in the Energy Sector

Deepening and Diversification of Customer Needs



Promotion of Total Solution Proposals

Business System Reinforcement

Business System Reinforcement (February 2003)

Reinforcement of Ability to Respond to Customers

○ Establishment of a Staff Service System for Customers Consuming 500kW or Greater.
(Established by Energy Sales Center)

Enhanced Ability to Offer Technical Proposals

○ Designation of Staff Manager for Each Technical Field

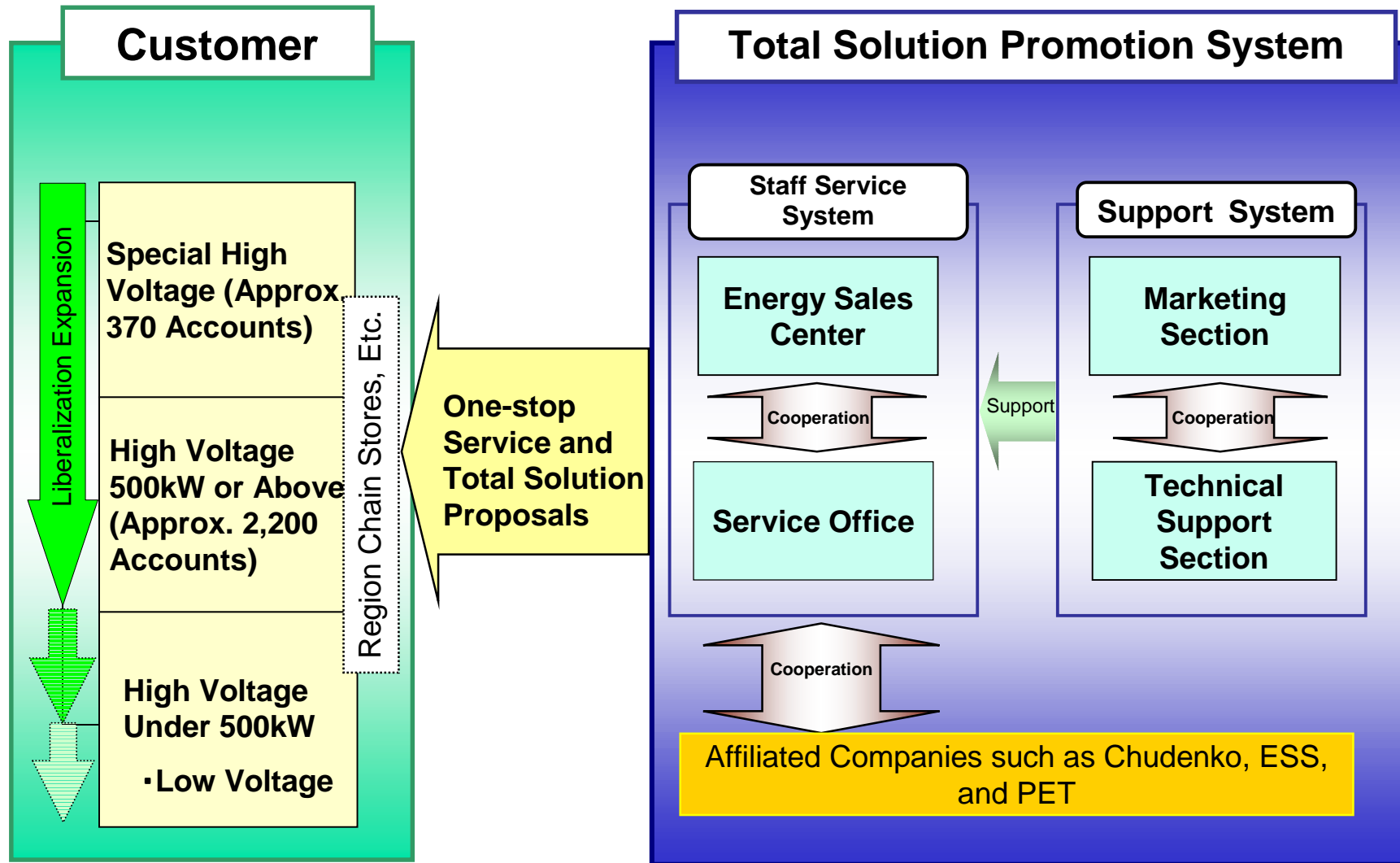
Reinforcement of Strategic Functions

○ Designation of Staff Managers who Formulate Market Analysis/Sales Strategies

Personnel Reinforcement

- 50 Staff Service Personnel Added at Service Office for a Total of 115.
- 30 Energy Marketing and Services Division Added at Energy Sales Headquarters

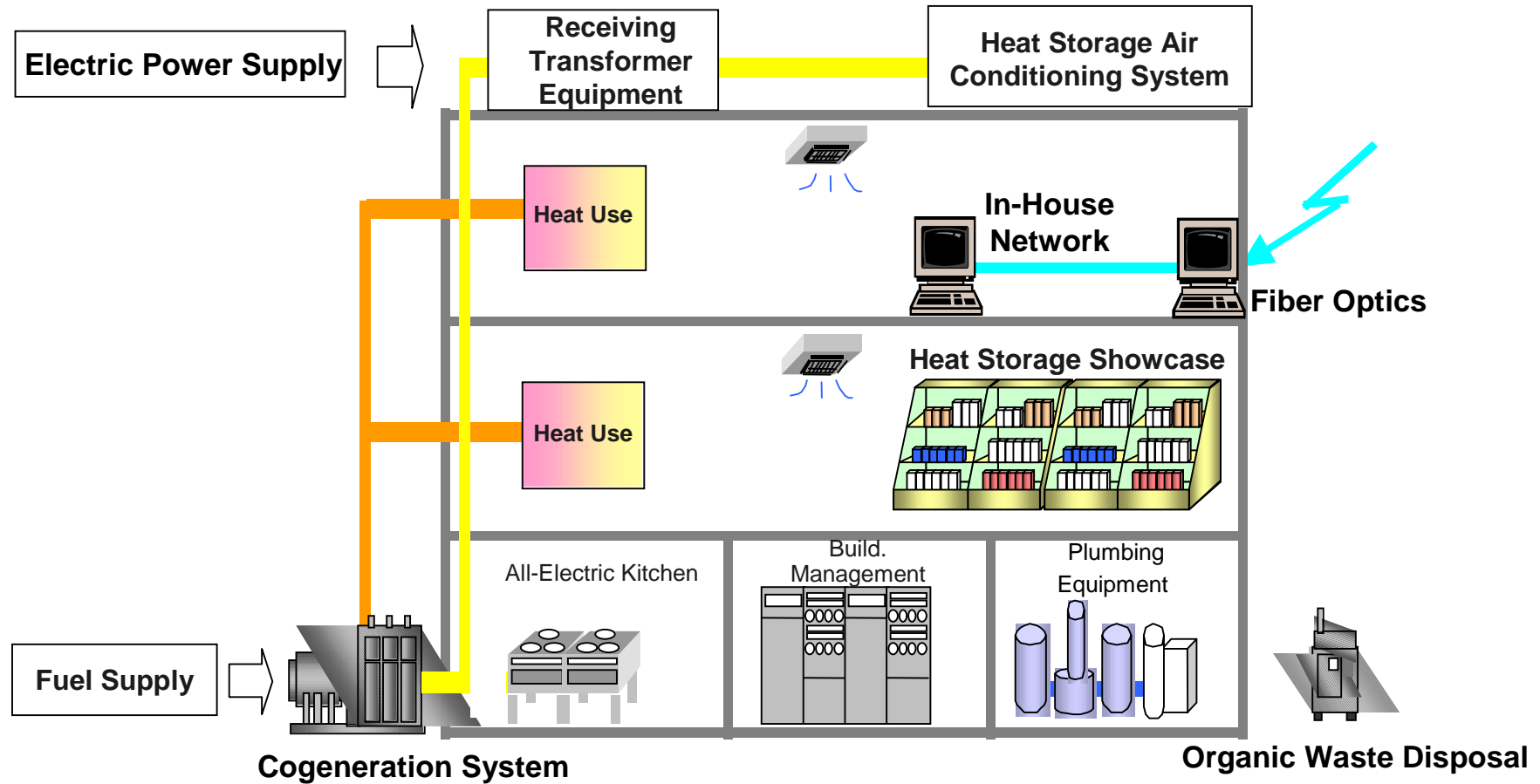
Total Solution Promotion System



Total Solution: An Illustration

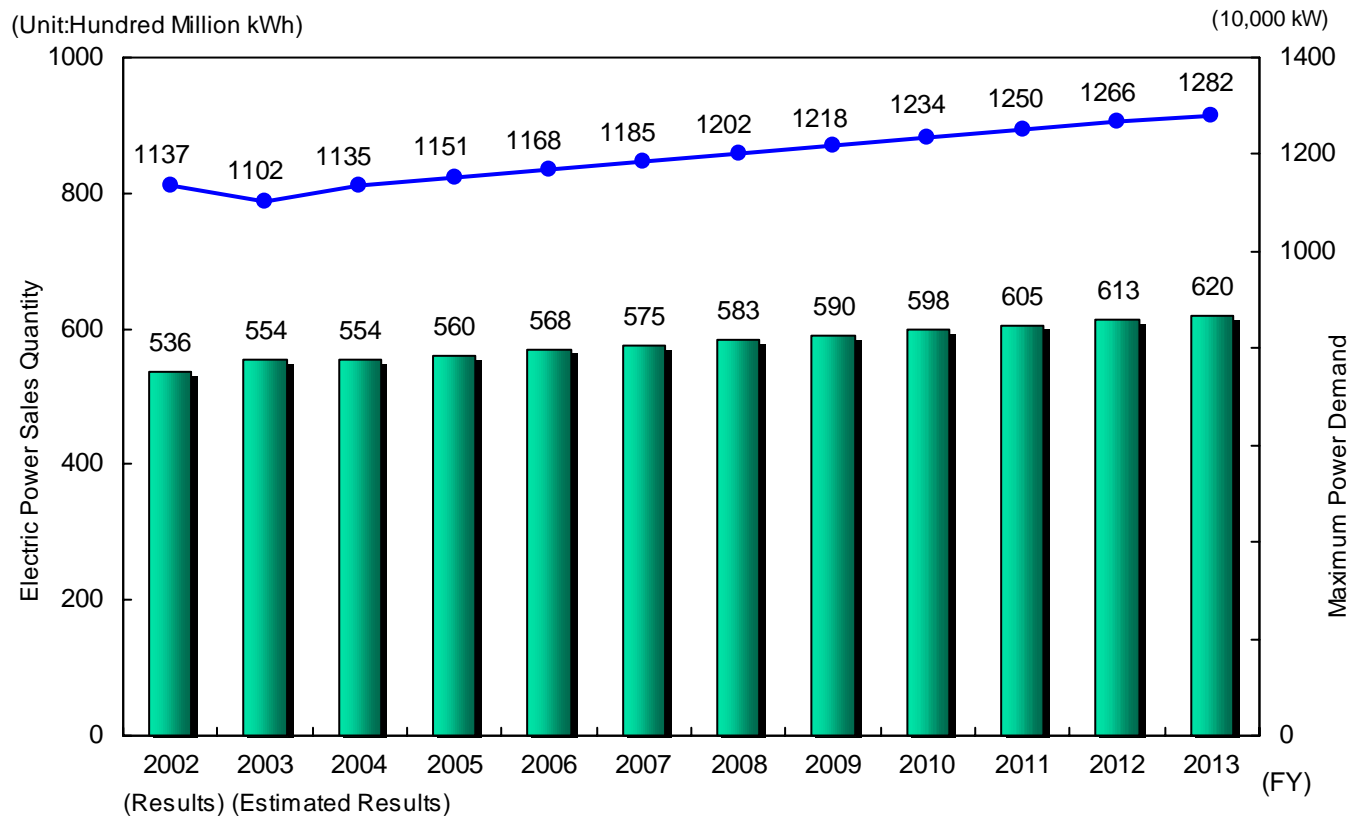
~ A Proposal for a Total Solution that Utilizes the Management Resources of The Chugoku Electric Power Co., Inc. ~

[An Example of Outsourcing the Installation, Operation, and Maintenance of Utility Equipment at a Sales Facility]



Electricity Power Sales Plan

~ Electric Power Demand will Exhibit/Slow but Steady Increase in the Long-to-Mid Term ~



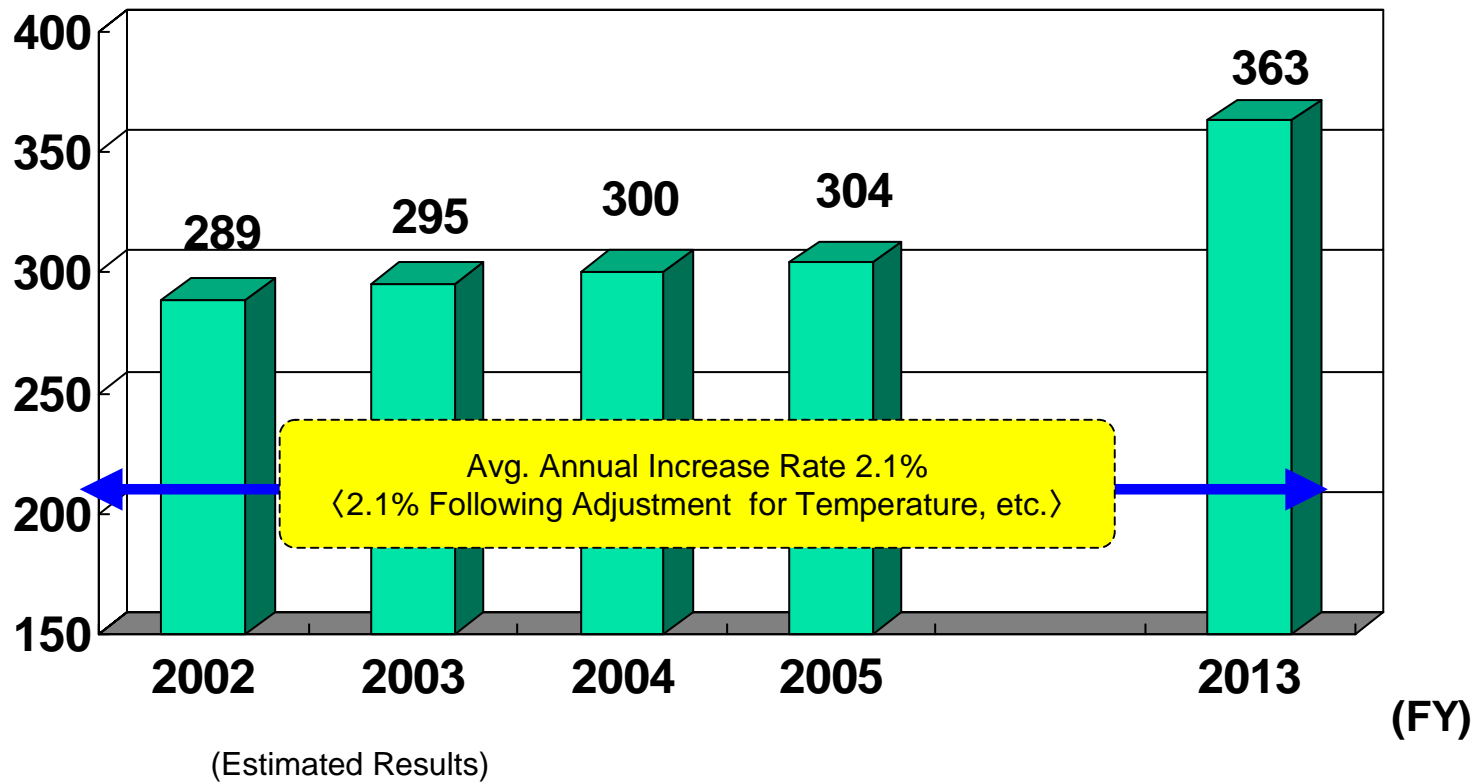
	Electricity Sales	Maximum Power Demand
Average Annual Increase Rate 2001-2012 (Following Adjustment for Temperature, Other Factors)	1.3% (1.4%)	1.1% (1.4%)

Living-Related Demand

~Sure to Increase in the Future Due Not Only to the Development of an Aging and Information-Dependent Society, But Also the increased amenity.~

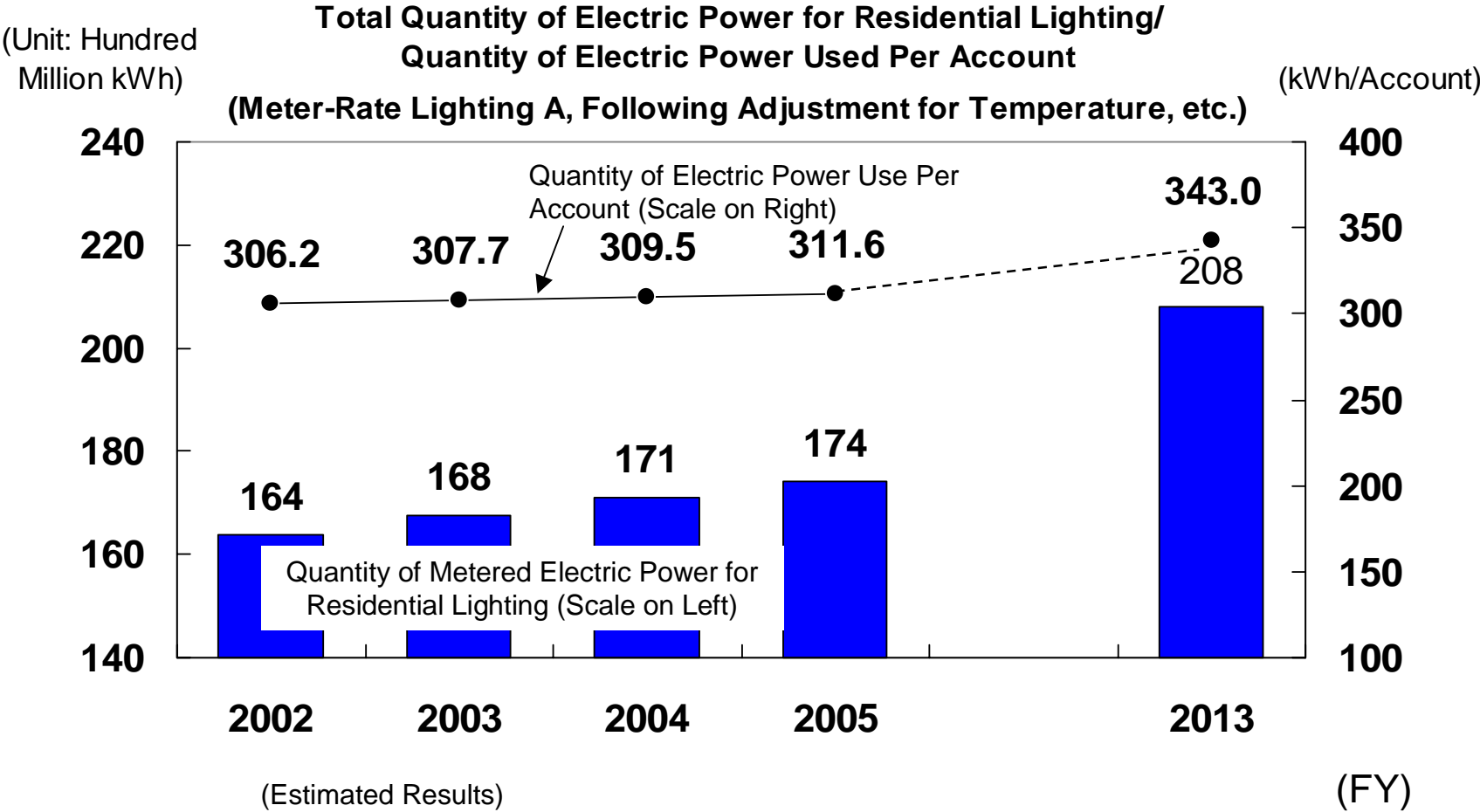
(Unit: Hundred Million kWh)

Estimated Living-Related Demand



Trends for Electrical Lighting

~Stable Growth Due to Increased Amenity and Increased Diffusion of Electrical Devices~



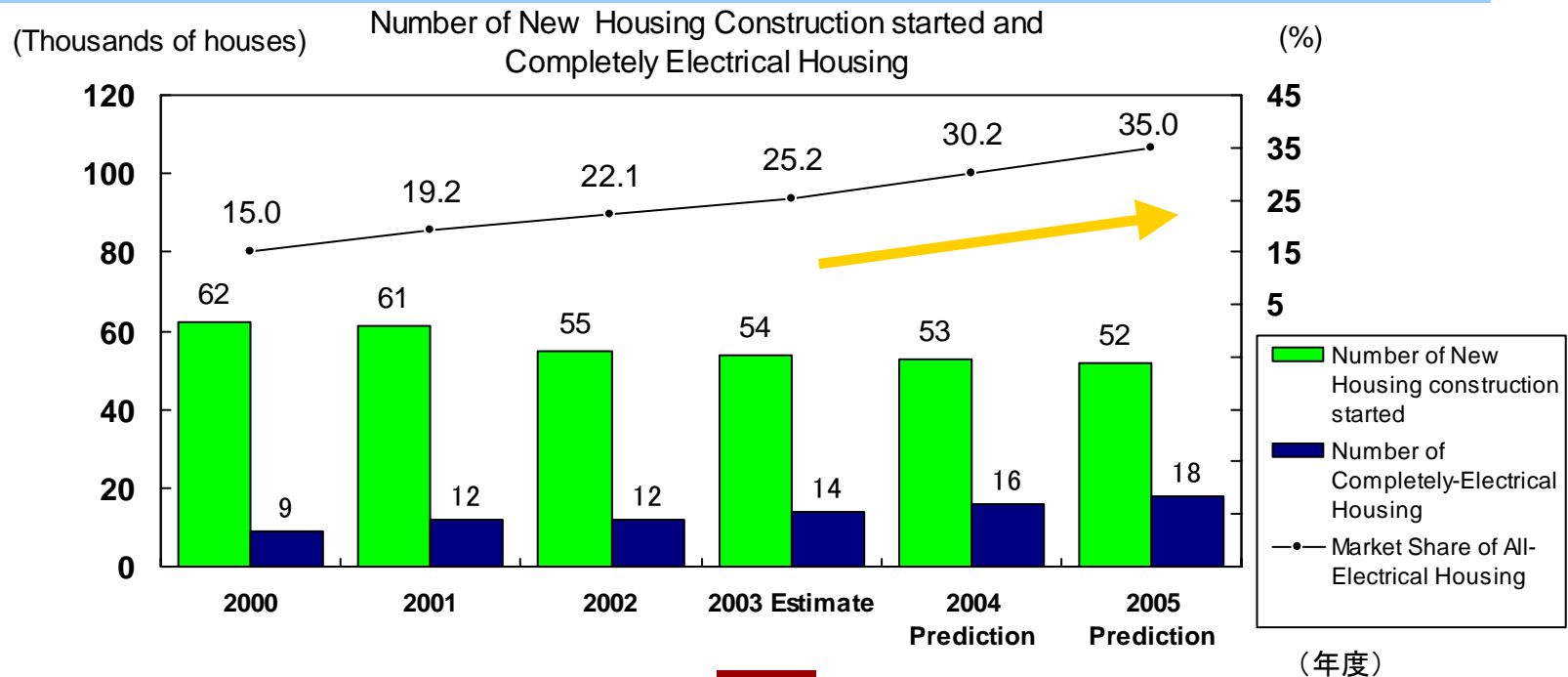
Increased Diffusion of Completely Electrical Housing

~ Completely Electrical Housing is Showing a Satisfactory Increase. ~

Completely Electrical Housing Currently Account for Approx. 25% of Number of Newly Constructed Housing. (FY 2003 Estimate)

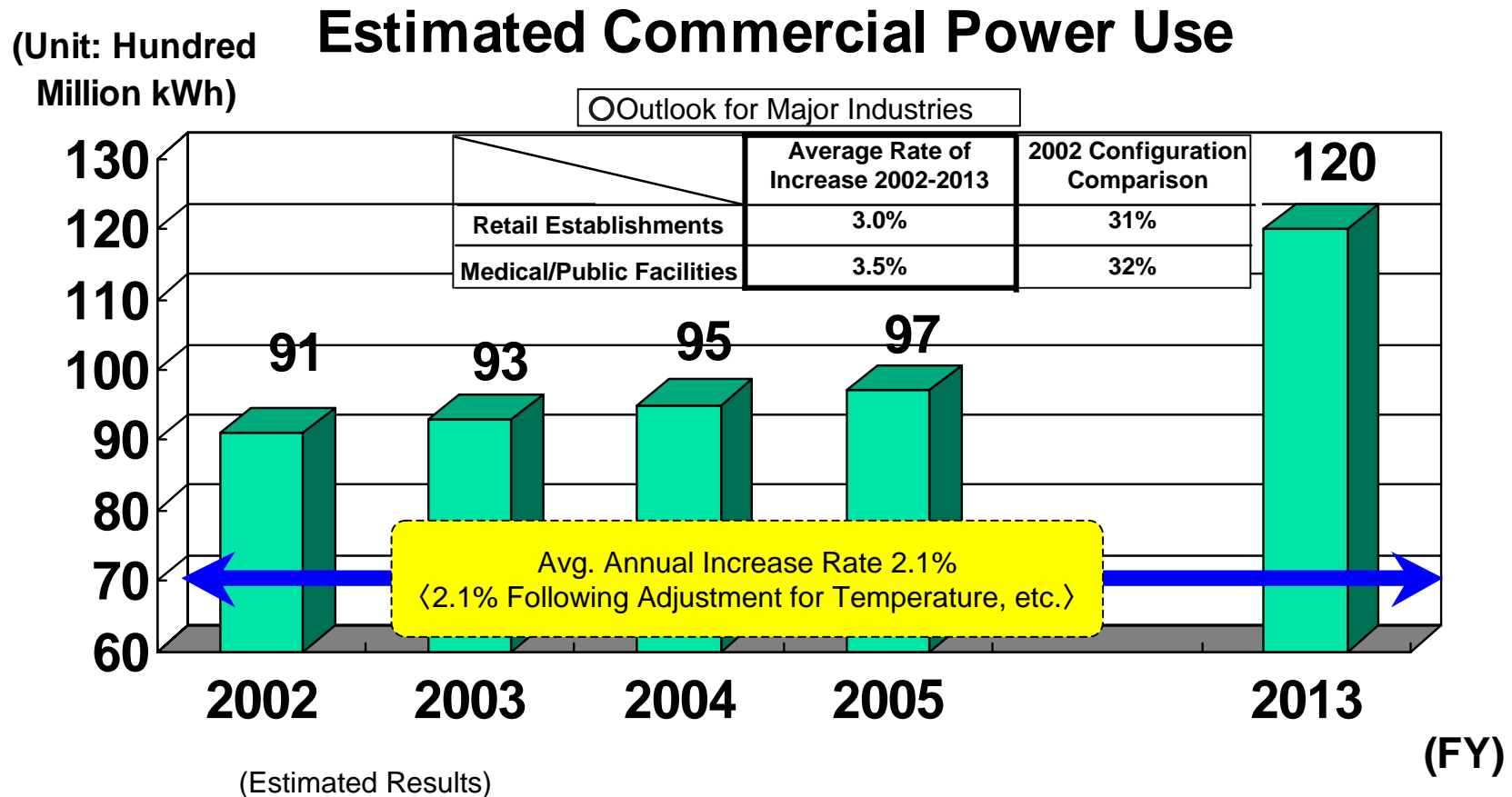
◇ Sales Strategy

- Strengthen Proposals to Apartment Complex Developers (Conversion of Housing Complexes to Electric Power)
- Strengthen Relationships with Home Builders (Conversion of Existing Housing to Electric Power)
- Aggressive Marketing of Discounted Electric Power Rate Offers



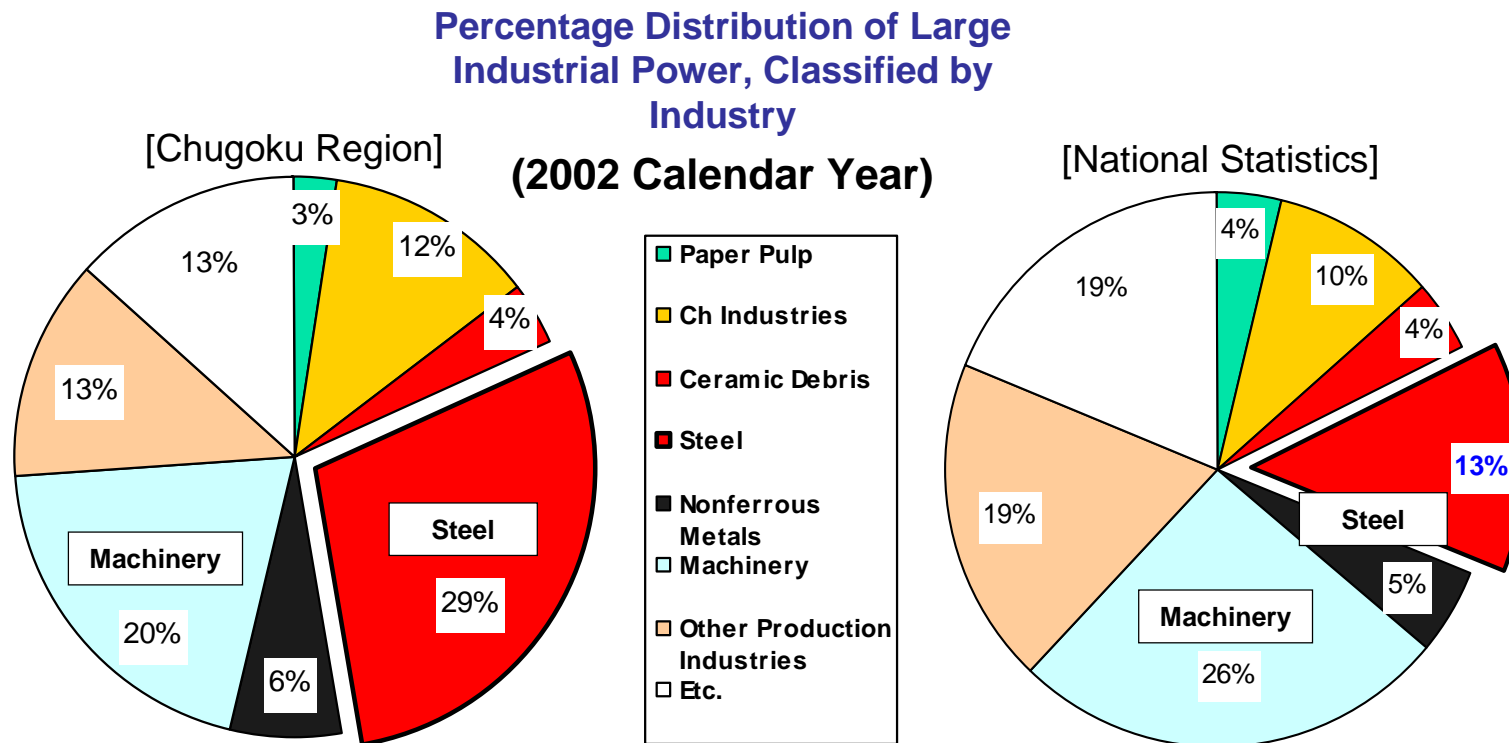
Trends in Commercial Power Use

~A strong Increase is Estimated for the Future Due to Urban Redevelopment and Expansion of Medical and Welfare Facilities.~



Percentage Distribution of Large Industrial Power, Classified by Industry

~Examining the Industrially-Classified Percentage Distribution, the Steel Industry in the Chugoku Region Accounts for a Comparatively High Percentage of Large Industrial Power ~
 (Chugoku Region 29%, National Statistic 13%)



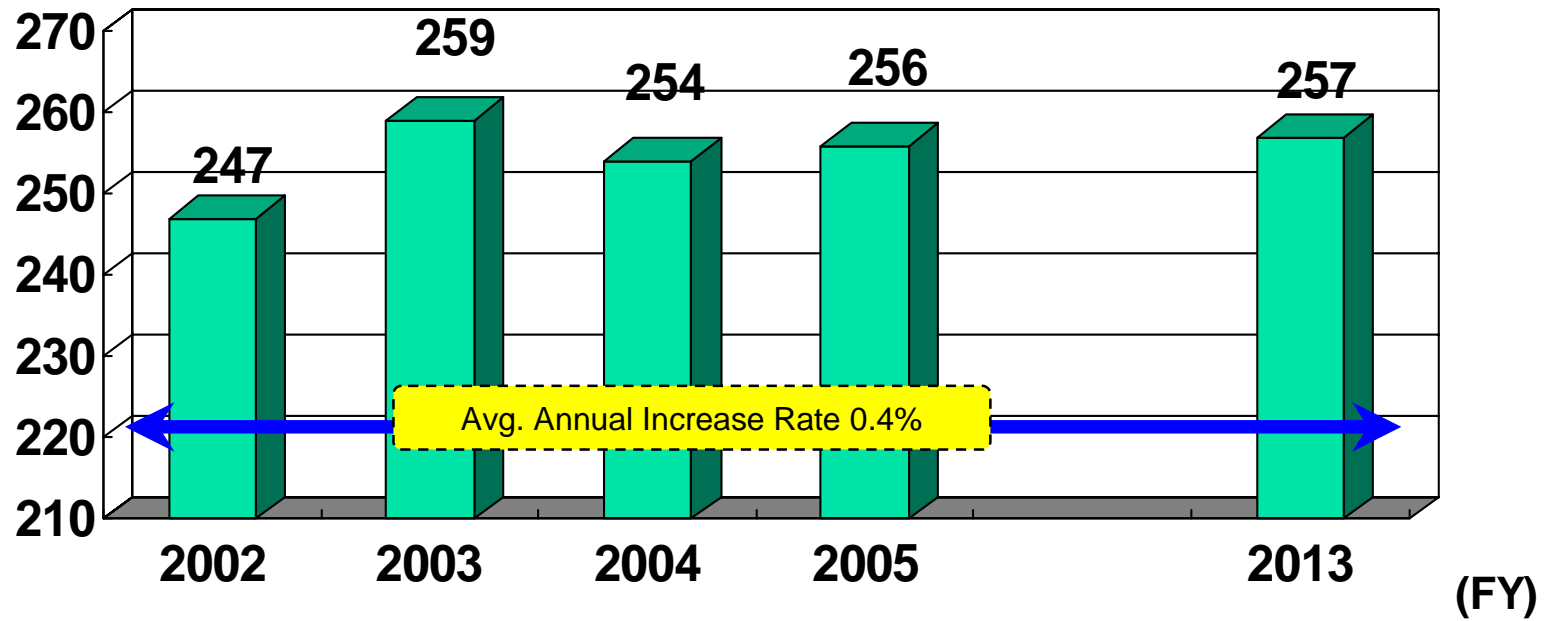
Source: National statistics were taken from studies conducted by The Federation of Electric Power Companies of Japan

Industrial Demand

~Industrial Demand is Expected to Remain Flat Due to Little Increase in Material-Producing Industry, etc.~

(Unit: Hundred Million kWh)

Estimated Industrial Demand

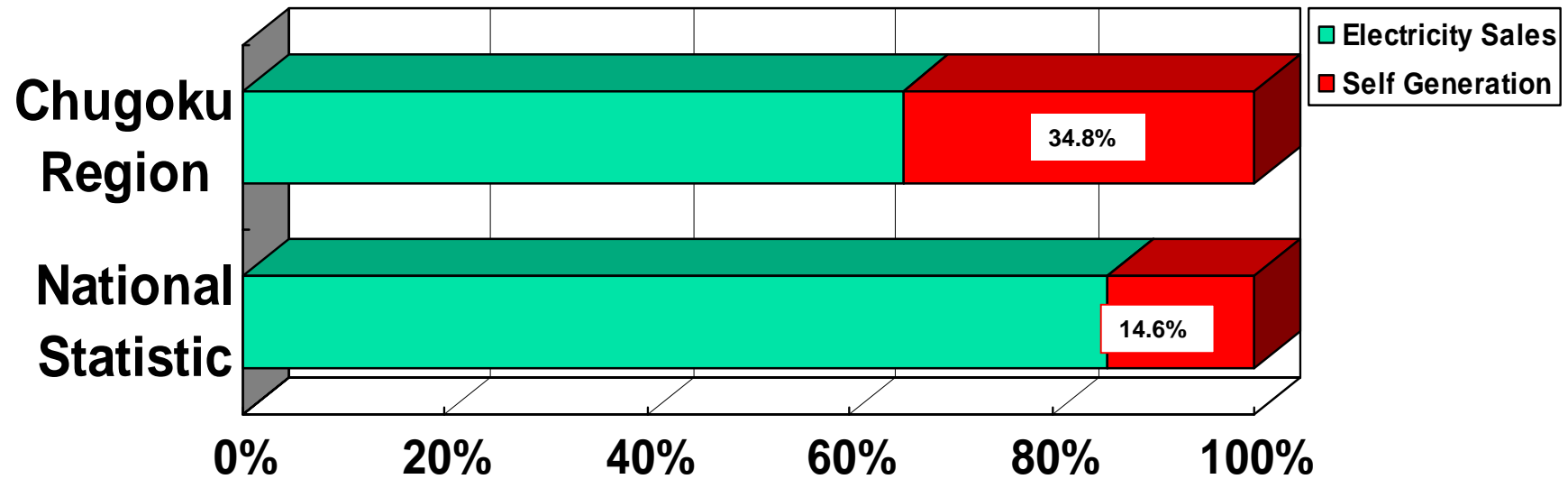


(Estimated Results)

Comparison of Self Generation Ratios

~Self Generation Accounts for 34.8% of Total Demand (Electricity Sales + Self Generation)
In the Chugoku Region, Comparatively High When Compared to the National Statistic of 14.6%.~

Comparative Rate of Independently Generated Power (FY 2002)



Efforts to Acquire Demand from Self Generation

Strengthen Price Competitiveness

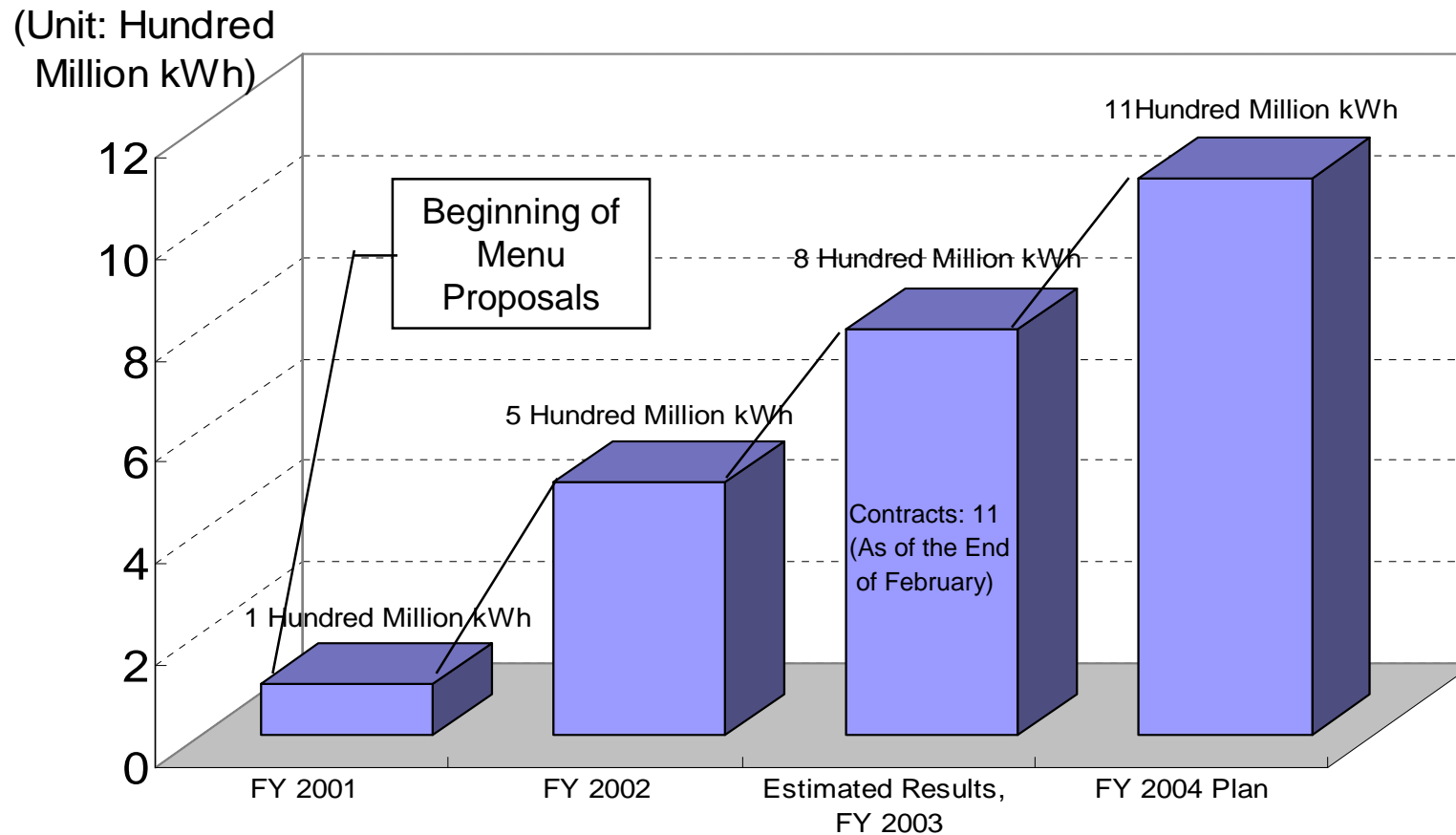
- Strategic Electric Price Cuts that Reflect the Competitive Climate

Promotion of Total Solution Proposals

- Placement of 115 Service Staff
- Enhancement of Ability to Present Technical Proposals such as Energy Conservation Diagnoses
- Promotion of Cogeneration Business among Companies in Group

Status of Self Generation Demand Acquisition (Liberalized Sectors)

- ◆ Increased Electricity Sales Due to (Promotion of Membership in Demand Acquisition Type Menus)

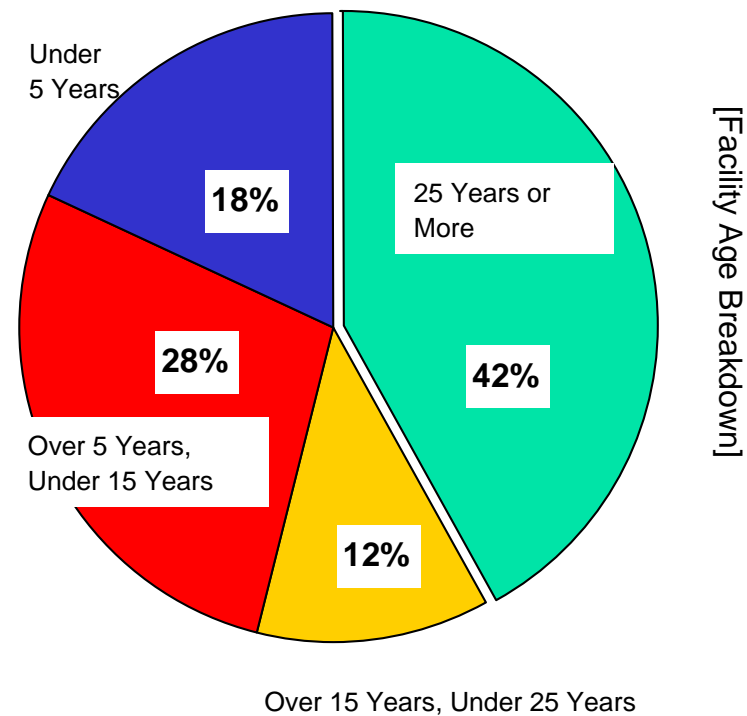
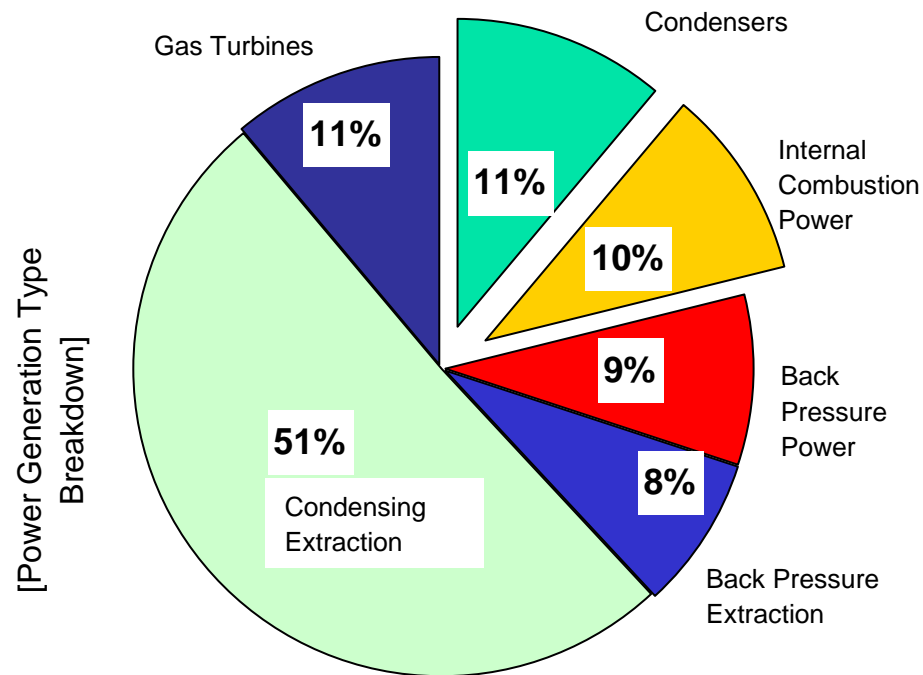


(Value With 2004 Supply Plan Factored In)

Future Demand Acquisition from Self Generation

- Over the Long-to-Mid Term, the Market for Demand Acquisition from Independently Generated Power is Expected to be 1-2 Million kW. -

- Electric Power Generating "Condensed Steam Power Facilities" and "Internal Combustion Power Facilities" Account for Approx. 20% (1 Million kW).
- Aging Power Facilities which have been in Use for At Least 25 Years Account for Approx. 40% (2 Million kW)



Source: Chugoku Bureau of Economy, Trade, and Industry "An Overview of Regional Generation Facilities" Data for facilities with an output of 1000 kW or above

Power Source Development/ Management Efficiency Plan

Securing Supply Stability

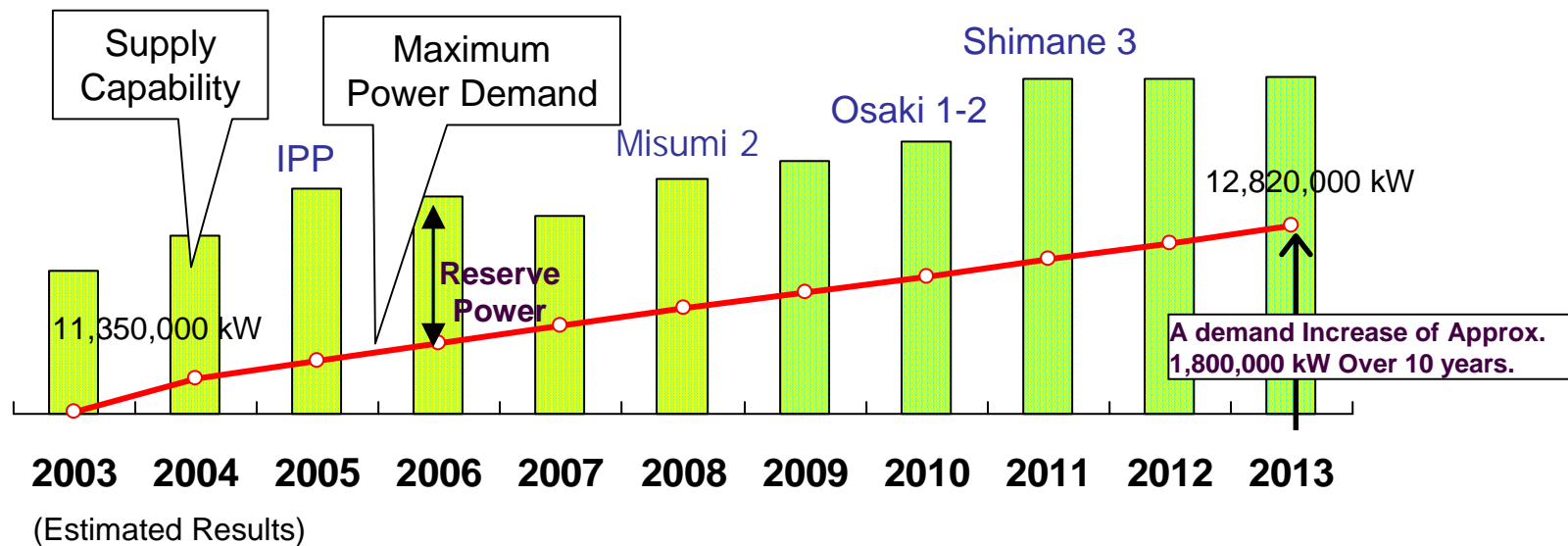
Pursuing Economic Efficiency

**Promotion of Nuclear Power
Development**

**Increasing Liberalization and Nuclear
Power Development**

Securing Supply Stability

- ◆ Rise in Maximum Power Demand: 1.4% Per Year [Following Adjustment for Temperature, etc.]
- ◆ Reverse Rate Needed for a Stable Supply: Over 8-10%

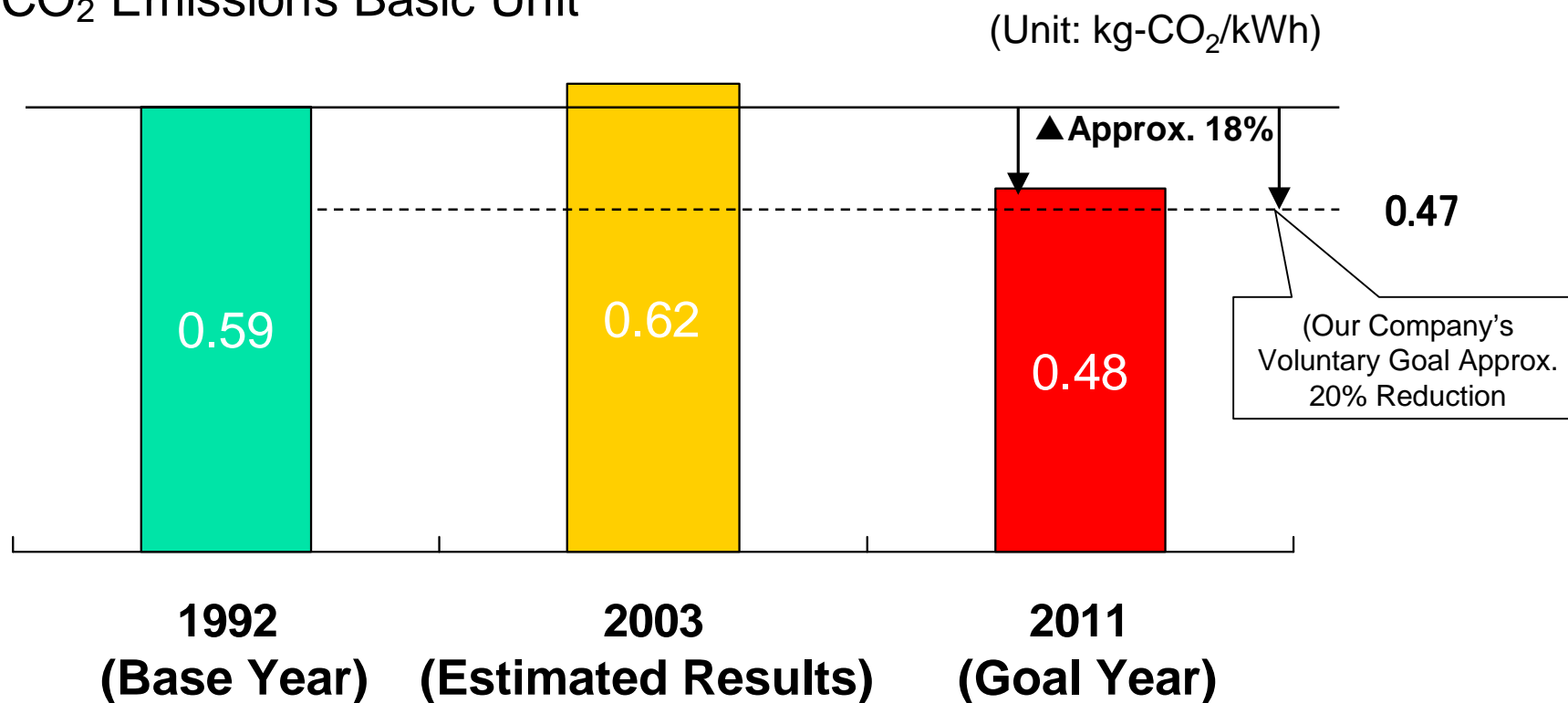


FY	2003 (Results)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Reserve Rate (%)	12.4	12.1	14.6	12.3	9.0	10.5	10.4	10.6	14.1	12.7	11.3
Development of Power Sources	670,000 kW						1,720,000 kW				

Response to Environmental Issues

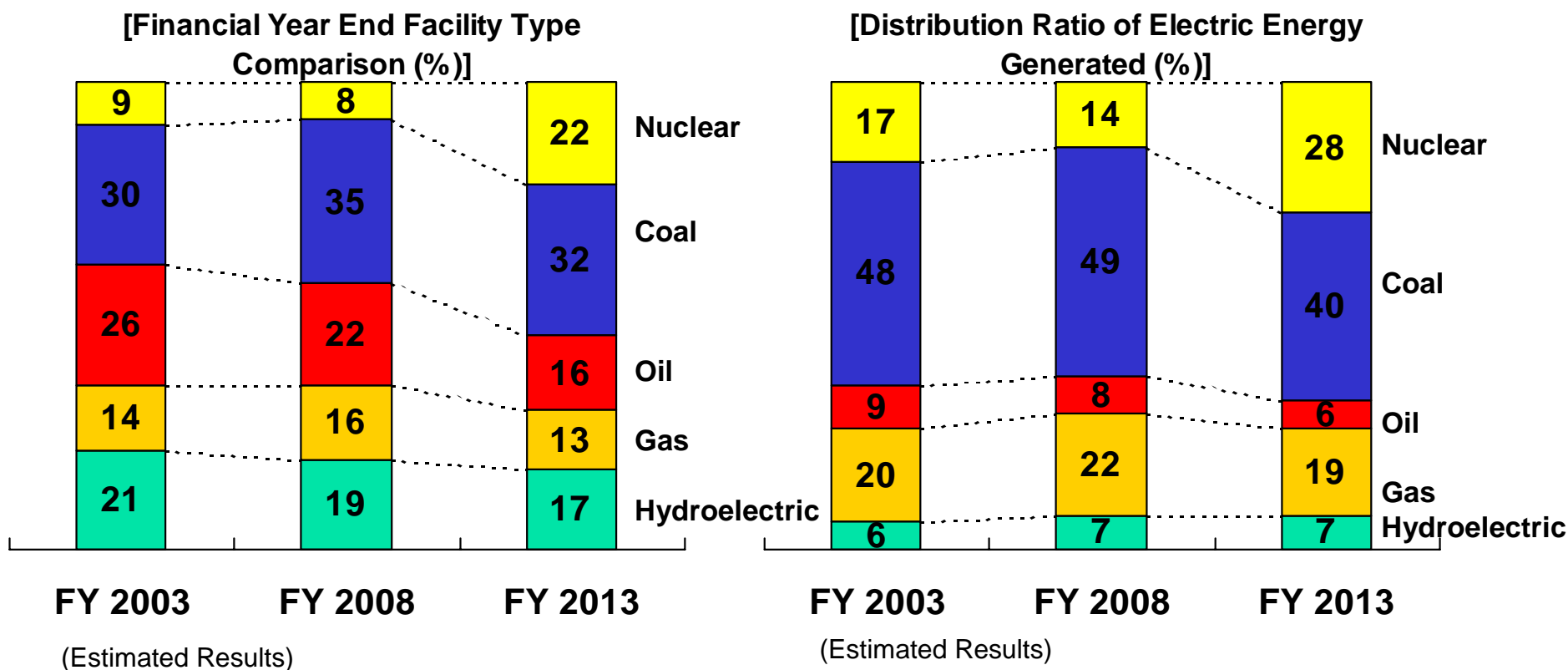
- ◆ Voluntary Goal: Our Company Aims to Reduce our CO₂ Emissions by Approx. 20% of the 1991 FY Level by 2011 FY

CO₂ Emissions Basic Unit



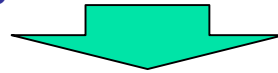
Promotion of Nuclear Power Development

After the Start of Operations at Shimane Reactor #3, Nuclear Power will Account for Approx. 30% of Electric Energy Generated



Efforts to Increase Management Efficiency [Controlling Capital Expenditures]

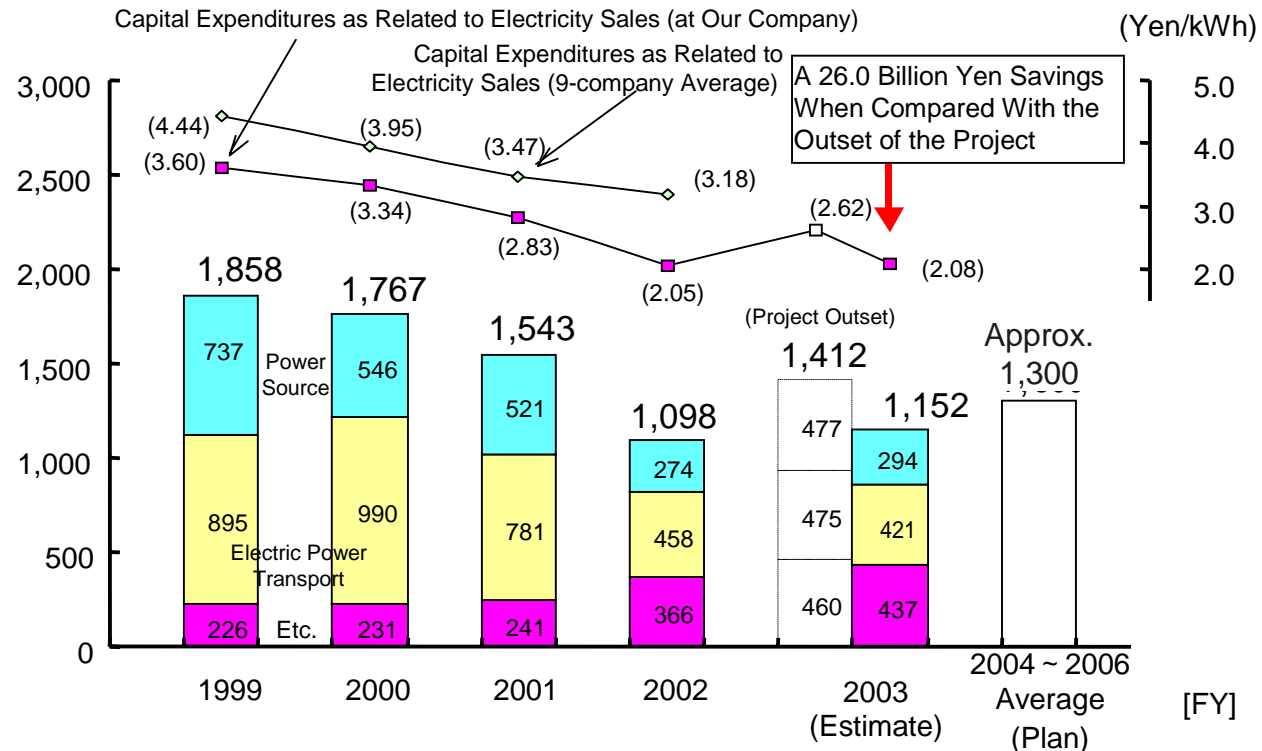
Review of Machinery Design and Construction Through Development
and Introduction of New Technology
Effective Use of Existing Facilities



Capital Expenditures 2004-2006 FY : Under 130 billion yen (Three-year Average)

Capital Expenditure Trends

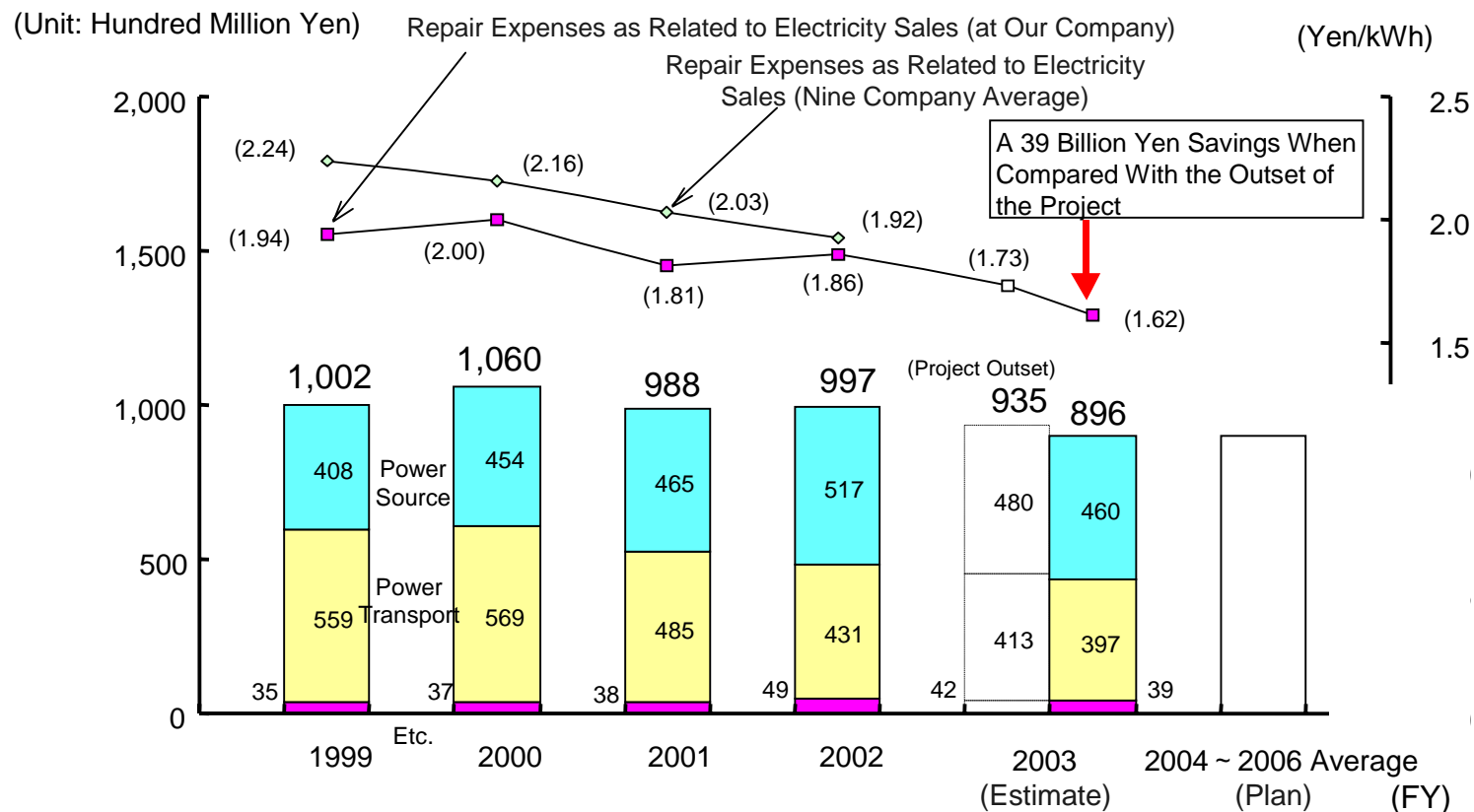
(Unit: Hundred Billion Yen)



Efforts to Increase Management Efficiency [Controlling Repair Expenses]

- ◆ Using Our Self-Developed Facility Diagnosis Technology for Replacement and Testing Cycle Optimization

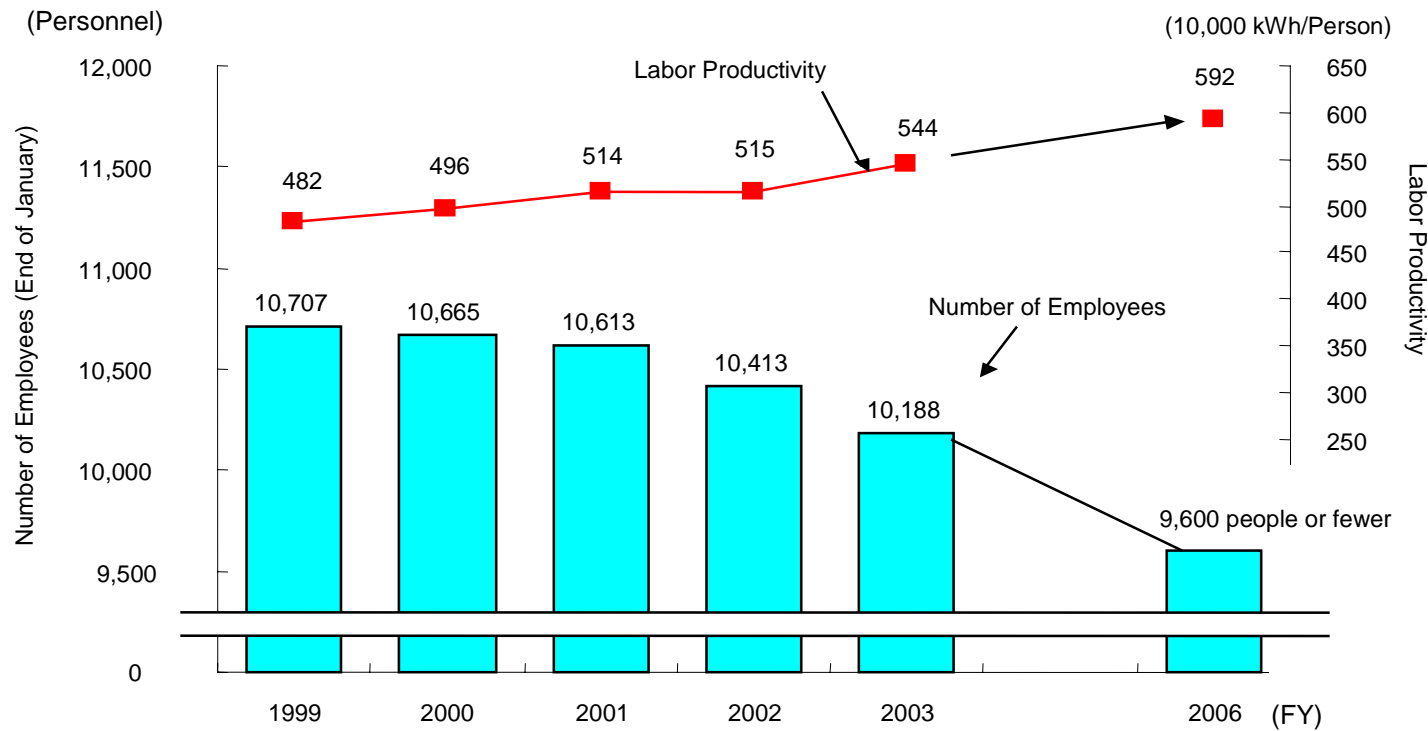
Repair Expense Trends



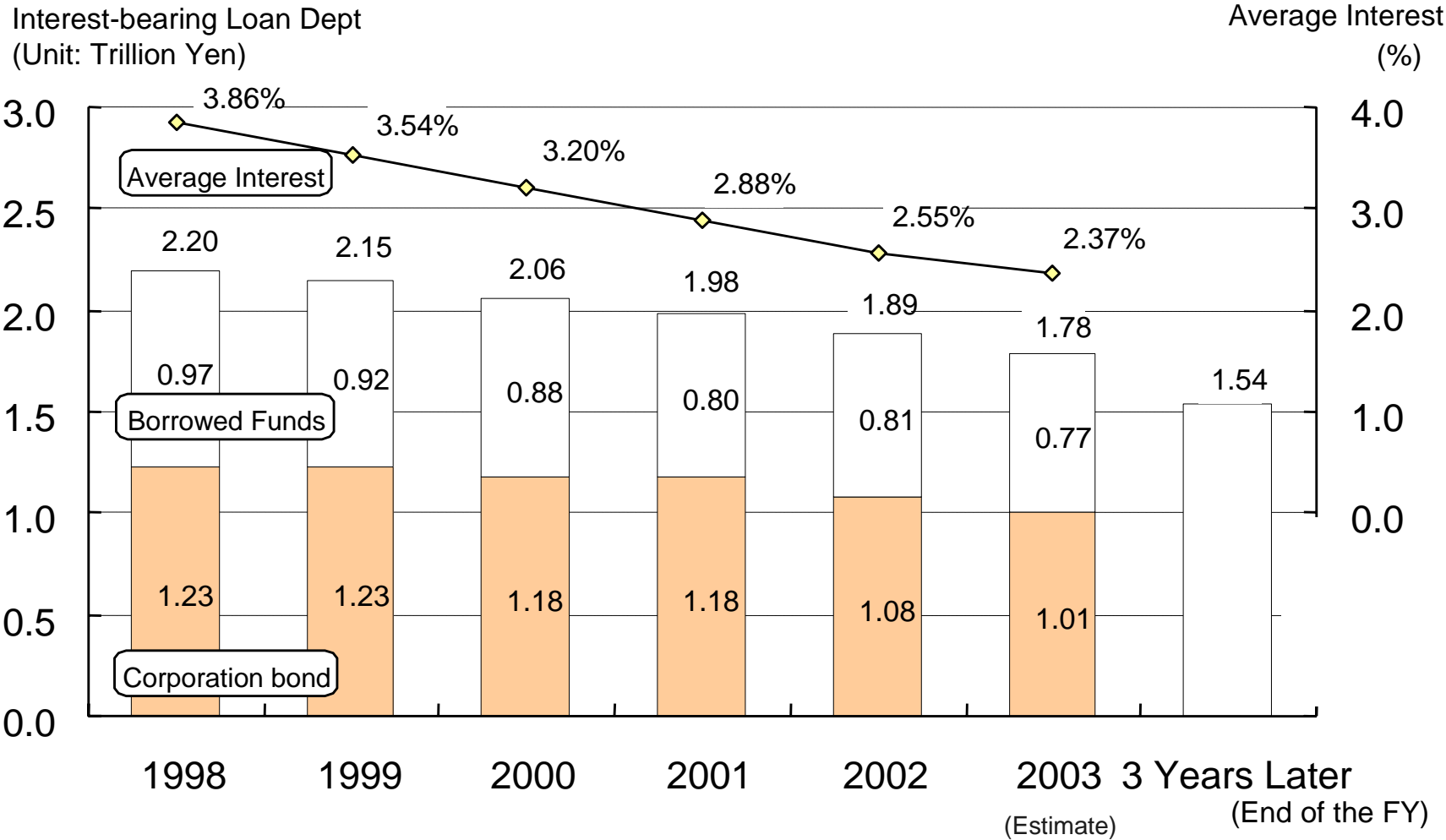
Efforts to Increase Management Efficiency [Labor Productivity Enhancement]

Plans are in Place to Cut the Number of Personnel by 1000 (10%) from the FY 2001 Level of Approx. 10,600 to 9,600 or Below by FY 2006.

- ◆ Strengthen Price Competitiveness
 - ◆ Utilize Personnel in Management Operations of New Business Development
- ➔
- Promote Business Operation Efficiency



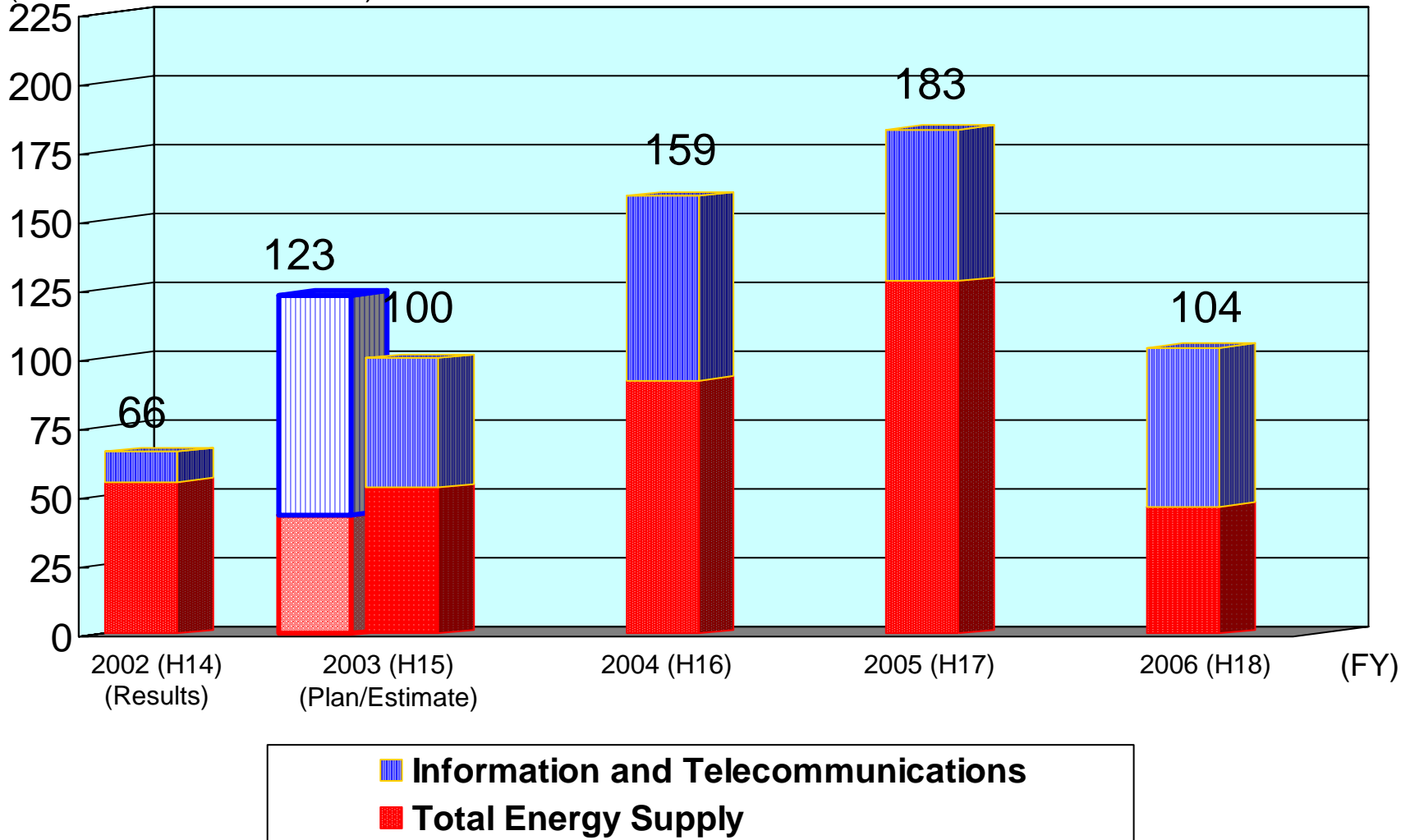
Trends in Interest-bearing Loan Debt



Start-up Businesses

Capital Expenditure to Start-up Businesses (Total Energy Supply/Information and Telecommunications)

(Unit: Hundred Million Yen)



*Items Associated with Fiber Optic Lending Network, Data Center, Internet Related Businesses

Merger Between Chugoku Information System Service Co., Inc. and Chugoku Telecommunication Network Co., Inc.

- The Telecommunication Network Business is Moving Forward through a Partnership Forged between Chugoku Information System Service co., Inc. (CIS) and Chugoku Telecommunication Network Co., Inc. (CTNet).

	CIS (100% Financed by The Chugoku Electric Power Co., Inc.)	CTNet (*100% Financed by The Chugoku Electric Power Co., Inc.)
Business Details	<ul style="list-style-type: none"> ○ Internet-Related Businesses ○ Information Systems-Related Businesses, etc. 	<ul style="list-style-type: none"> ○ Exclusive Lines ○ Ethernet Telecommunications Network (V-LAN), etc. <p>* A stock trade between The Chugoku Electric Power Co., Inc. and CTNet was initiated on March 1 st</p>

- Increasingly Competitive Market Climate in the Telecommunications Sector (Diversified Services, Declining Rates)

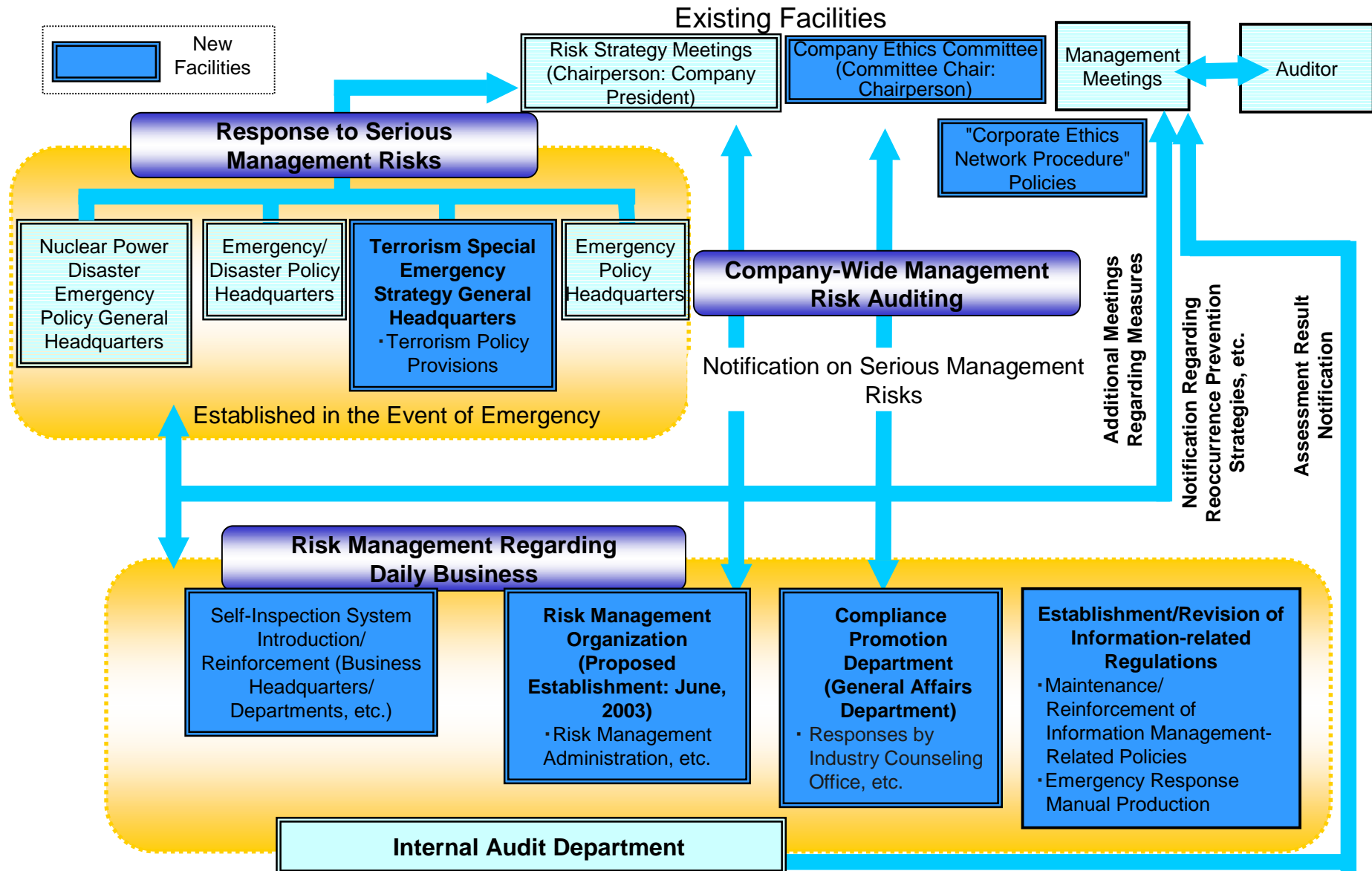
CIS/CTNet Merger



- Merger Purpose: To Strengthen Management Position and Market Competitiveness
 - Concentration of Management Resources, Pursuit of Increased Business Operation Efficiency
 - To Provide Total Solutions Services which are Tailor-Made to Meet Customer Needs.
 - To Maximize the Synergistic Effect Caused by Merging the Information and Telecommunications Businesses
- Merger Date: July 1st, 2003 (Scheduled Date)
- Corporate Name: Energia Communications Co., Inc.
- Capital: 6 Billion Yen (Same Amount as Current CIS Capital; 100 Financed by The Chugoku Electric Power Co., Inc.)
- Annual Sales : Projection: Approximately 42 Billion Yen (FY 2005)

Risk Management Initiatives

Proposed Risk Management Operation System



Compliance Management Promotion

In order to Acquire the Understanding and Trust of Customers, Shareholders, Investors, and the Local Community, The Chugoku Electric Power Co., Inc. is Advancing its Business Management (Compliance Management) which is Based Not Only on Laws and Regulations, But is Also Backed by a Strong Sense of Ethics.

Promotion System Management

- Establishment of Corporate Ethics Committee
- Clarification of the Promotion System in Place in the Compliance Promotion Department/Other Departments
- Establishment/Management of Corporate Ethics Counseling Service

Inculcation Strategies

- Establishment of "Corporate Ethics Network Procedure" Policies
- Introduction/Reinforcement of Self-inspection System
- Implementation/Reinforcement of Education/Training

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For Questions or Comments, Please Contact the Corporate
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