



Investors Meeting for FY 2007 Management Plan

The Chugoku Electric Power Co., Inc.
March 31, 2006

In this presentation, the term "Fiscal Year 2007" describes the period which ended March, 2007.

Contents

- . Management Plan**

- 1. Electricity Power Sales Plan** . . . **2**
 - 2. Power Source Development Plan** . . . **9**
 - 3. Efforts to Increase Management Efficiency** . . . **12**

- . Efforts of Energia Group**

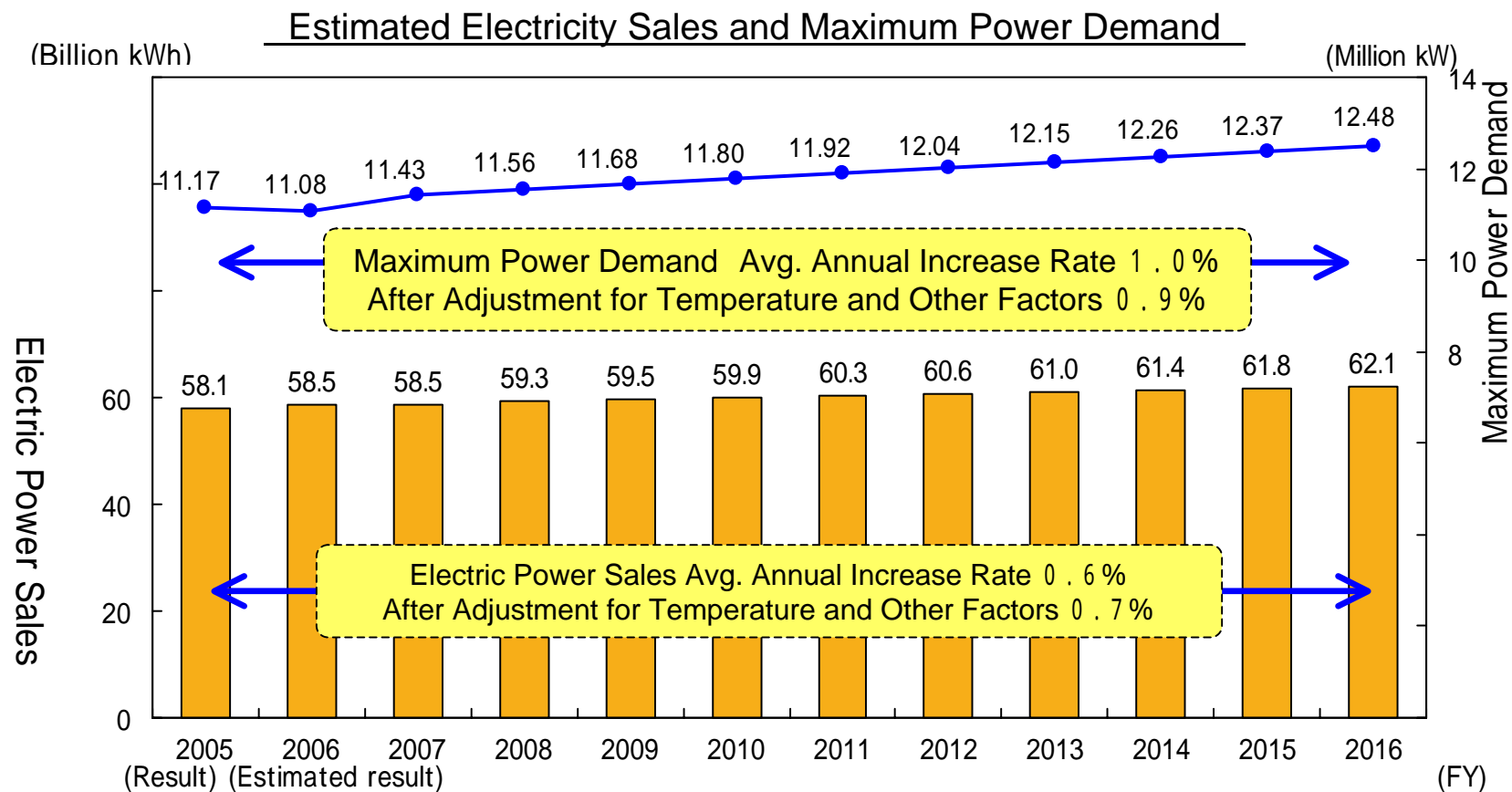
- 1. Concepts and Activities For Energy Supply**
.....**17**
 - 2. To Achieve Management Goals of The Next Term**
.....**24**

. Management Plan

1 . Electric Power Sales Plan

Electric Power Sales Plan

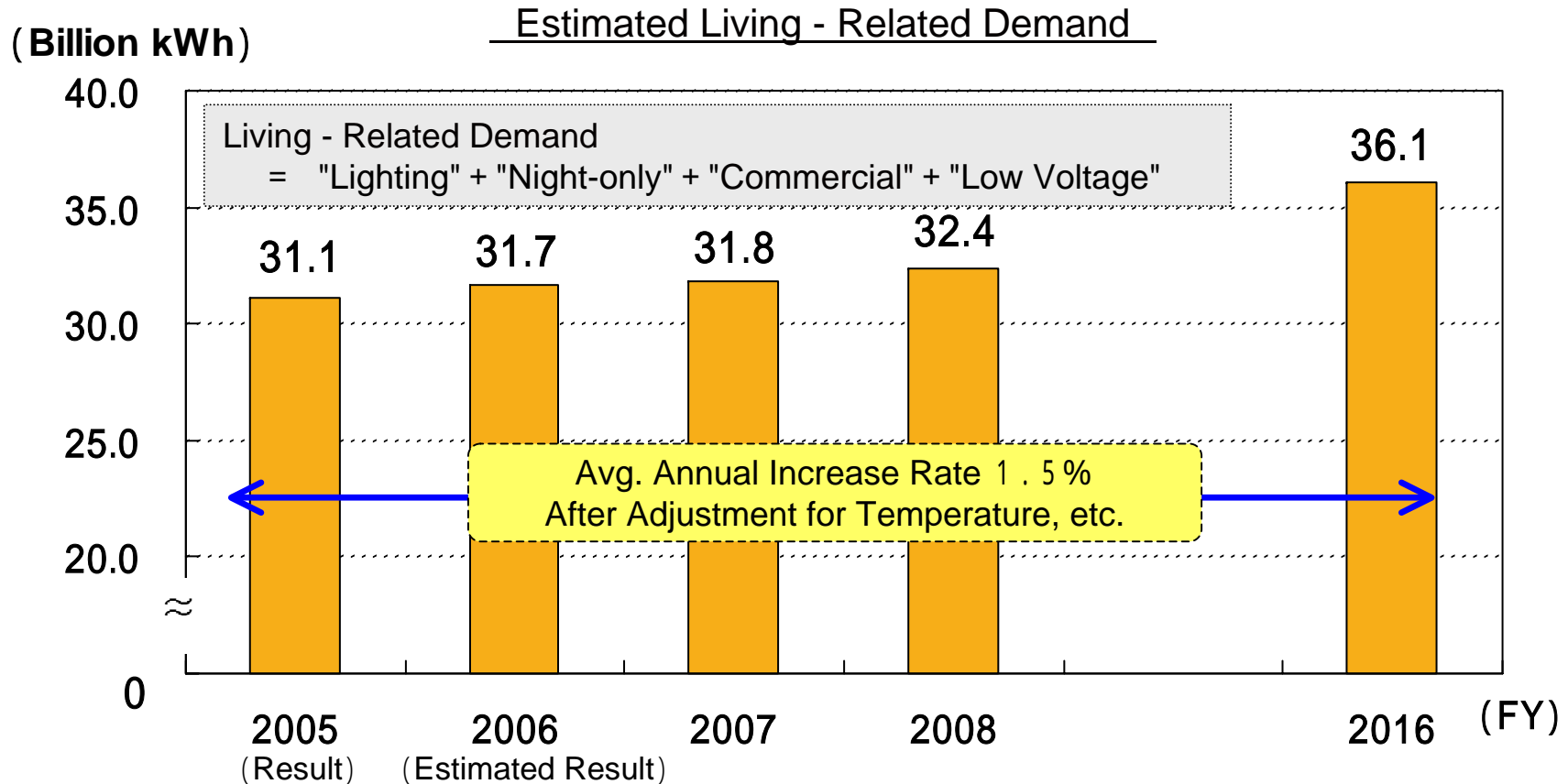
Electric Power demand will exhibit slow but steady increase in the mid-to-long term



Average Annual Increase Rate FY2005-2016 (After Adjustment for Temperature and Other Factors)	Living - Related Demand	1.5%
	Industrial Demand	0.3%

Trends for Living - Related Demand

Stable Growth due not only to the development of an aging and information society and the increased amenity, but also to the increased diffusion of electrical housing

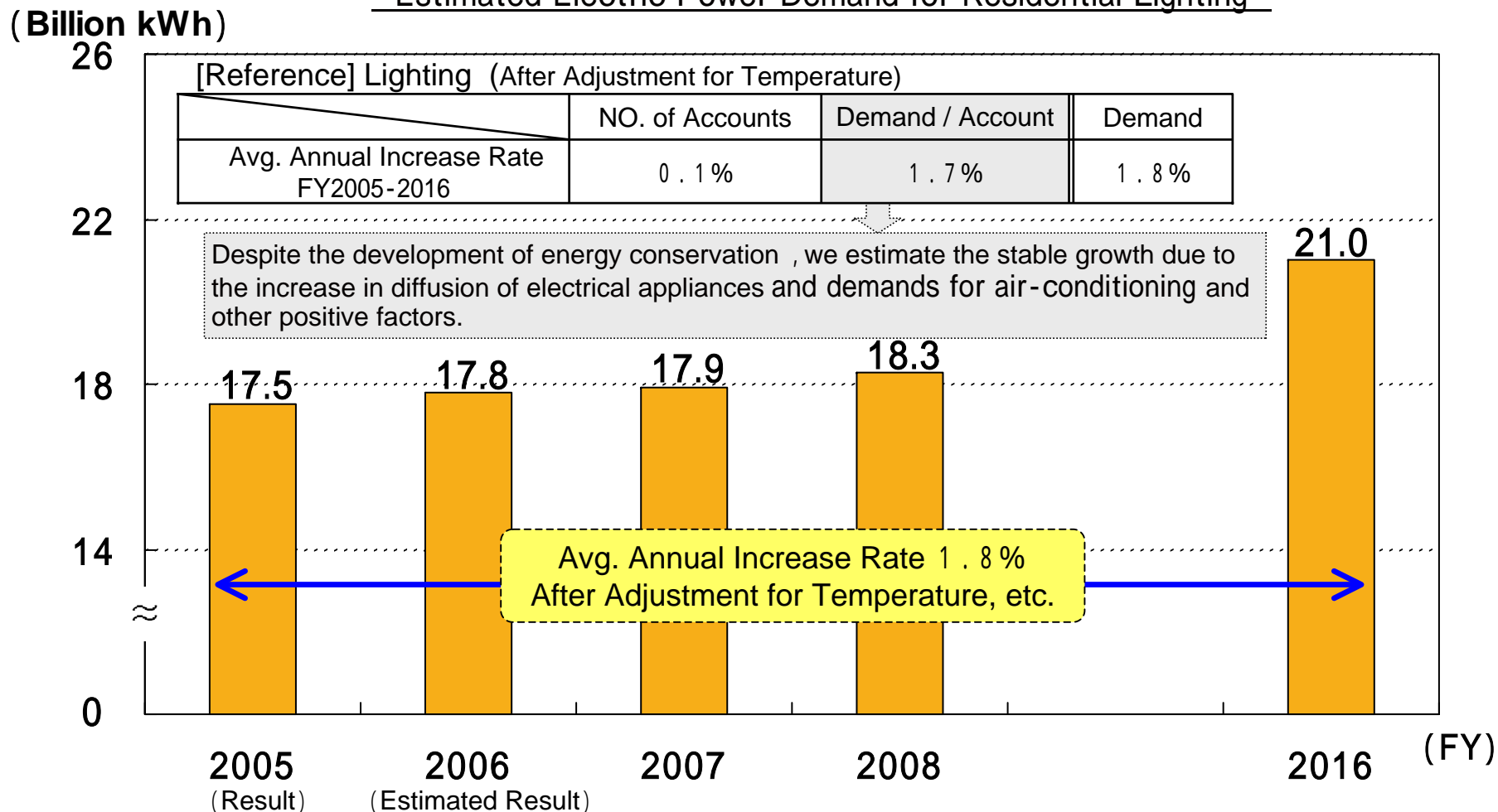


Average Annual Increase Rate FY2005-2016 (After Adjustment for Temperature and Other Factors)	Lighting	1.8%
	Commercial Power Use	1.6%

Trends for Electrical Lighting

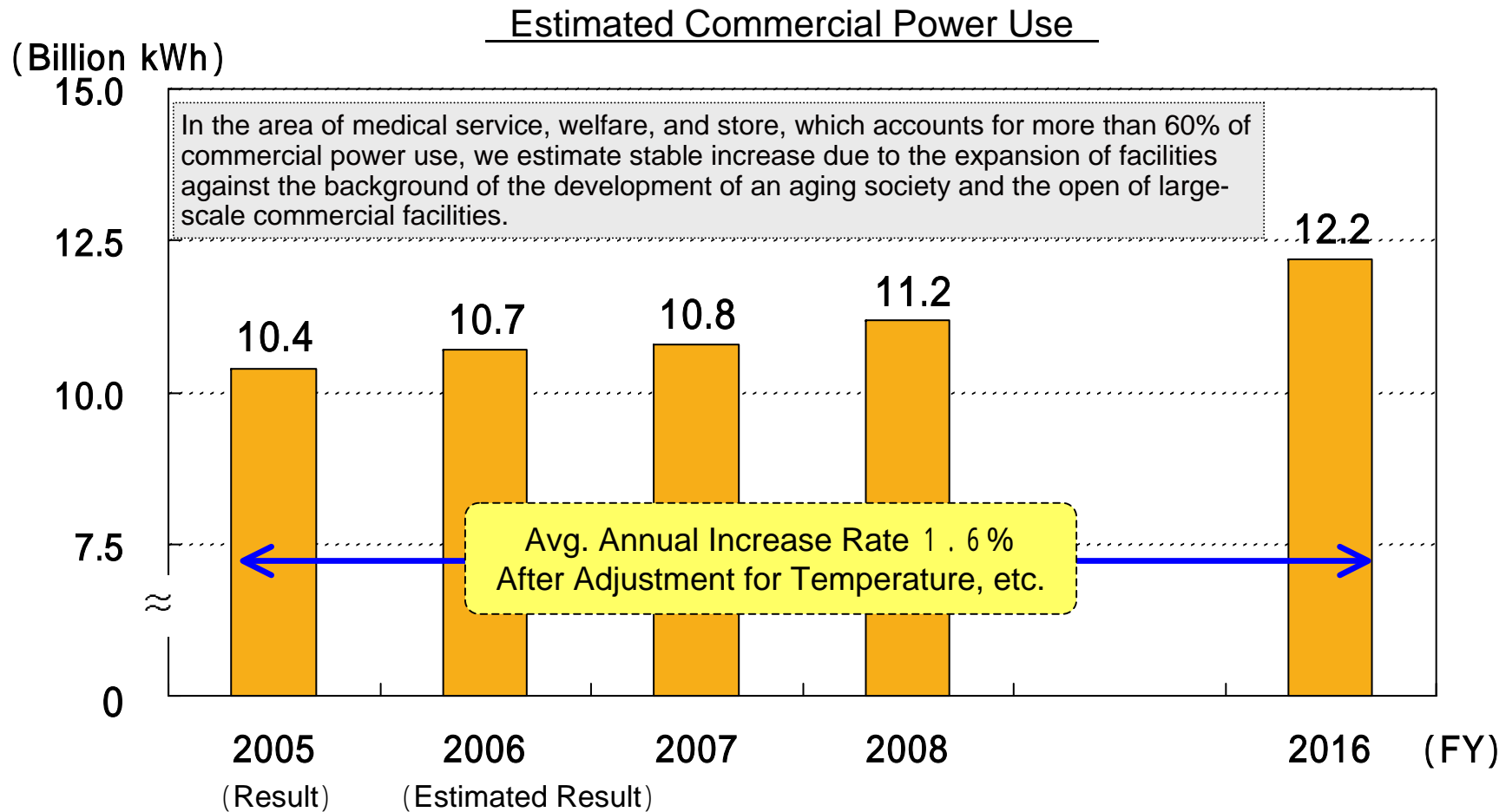
Stable Growth due to the increased amenity and diffusion of electrical housing despite the development of energy conservation and the decline in population

Estimated Electric Power Demand for Residential Lighting



Trends in Commercial Power Use

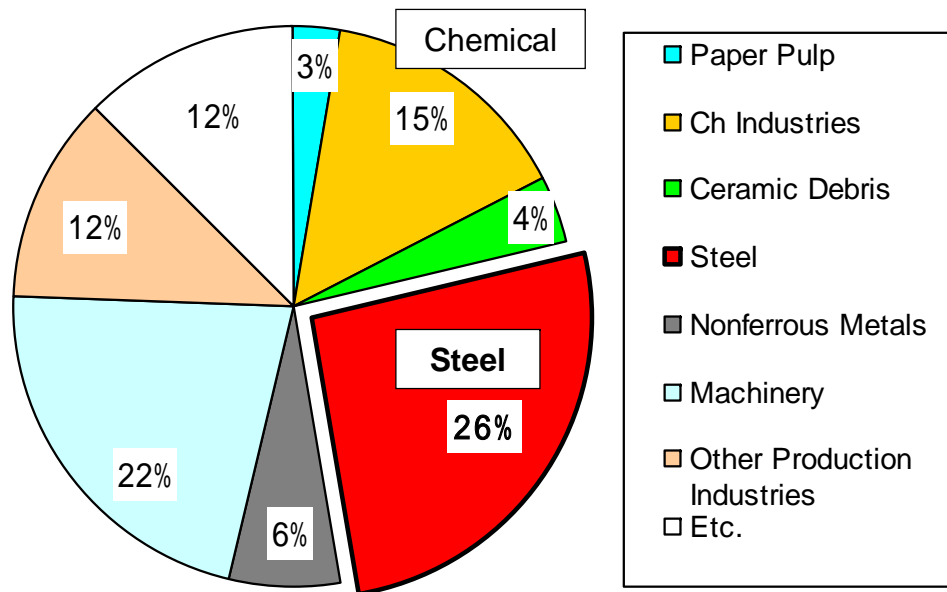
Stable Growth due to expansion of medical and welfare facilities and opening large-scale stores



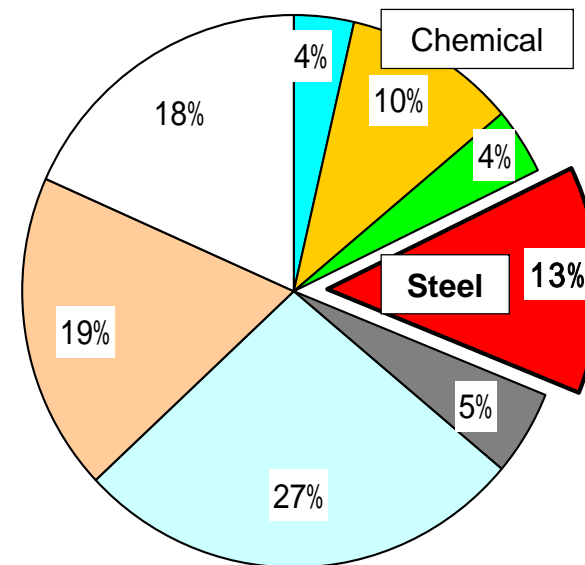
Material producing industry (steel and chemical) in Chugoku region accounts for a comparatively high percentage of large industrial power

Percentage Distribution of Large Industrial Power, Classified by Industry
(2005 Calendar year)

[Chugoku Region]



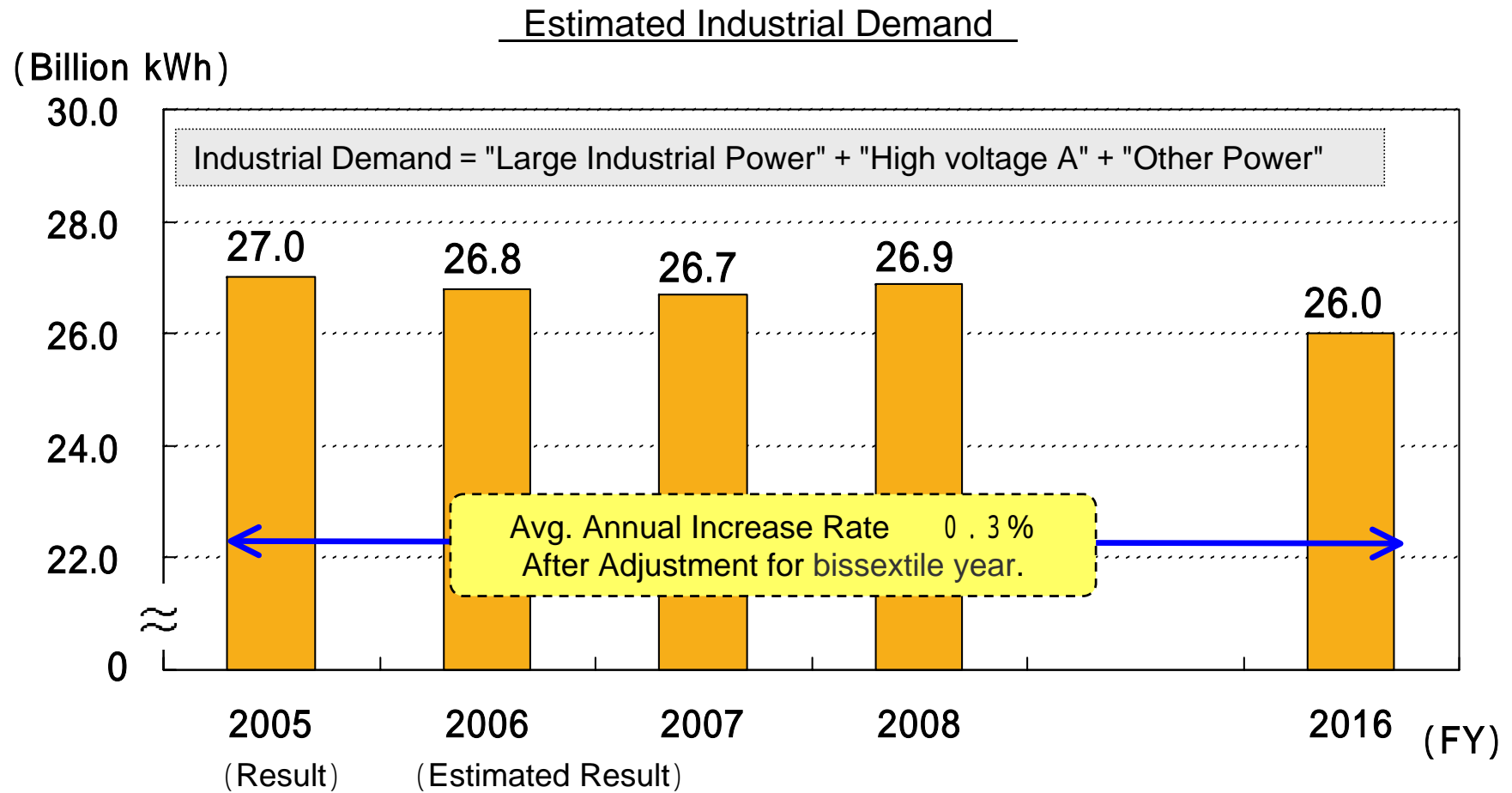
[National Statistics]



Source: The Federation of Electric Power Companies of Japan

Trends in Industrial Demand

Remain low due to little increase in material-producing industry, etc. despite the increase in processing industry expected



2 . Power Source Development Plan

Features of FY2007 Plan

10

Plan with consideration for the promotion of diversification of power sources based on the maintenance of stable supply and the efficient use of facilities and the response to global environmental issues

Power Source Development Plan

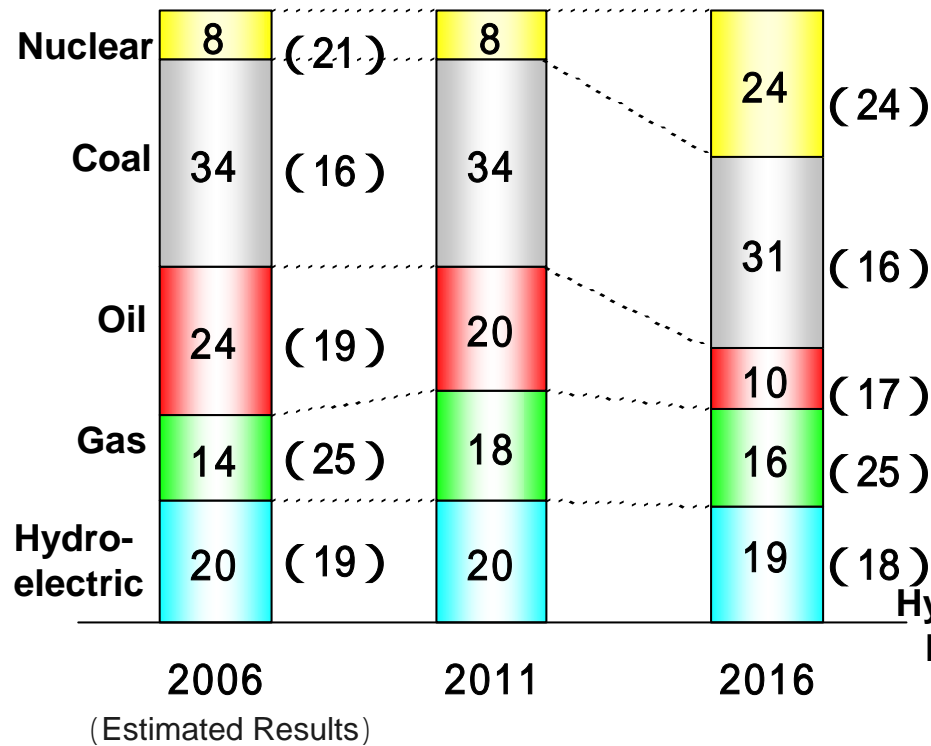
[Unit: Million kW]

Classification		Fiscal Year												
		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 ~	
Power Source Development Plan	Chugoku Electric	Hydro-electric Power		Shintaishaku - gawa 0.011 Kawahira Daini 0.00011										
		Thermal Power		Mizushima 3 0.35 0.34 Petroleum LNG			Mizushima 1 0.125 0.285 Coal LNG							Misumi 2 0.4 Coal FY2018 Osaki 1-2 0.25 / 0.5 Coal FY2019
		Nuclear Power							Shimane3 1.373			Kaminoseki1 1.373		Kaminoseki 2 1.373 FY2018
	Other Companies							Oma 0.094/1.383 Nuclear Power						
Supply and Demand Balance	Supply Power		13.18	12.97	12.87	13.04	13.06	13.06	13.06	13.54	13.54	13.54	13.84	
	Maximum Power Demand		11.08	11.43	11.56	11.68	11.80	11.92	12.04	12.15	12.26	12.37	12.48	
	Supply Reserve	%	19.0	13.5	11.3	11.6	10.7	9.5	8.5	11.4	10.4	9.4	10.9	

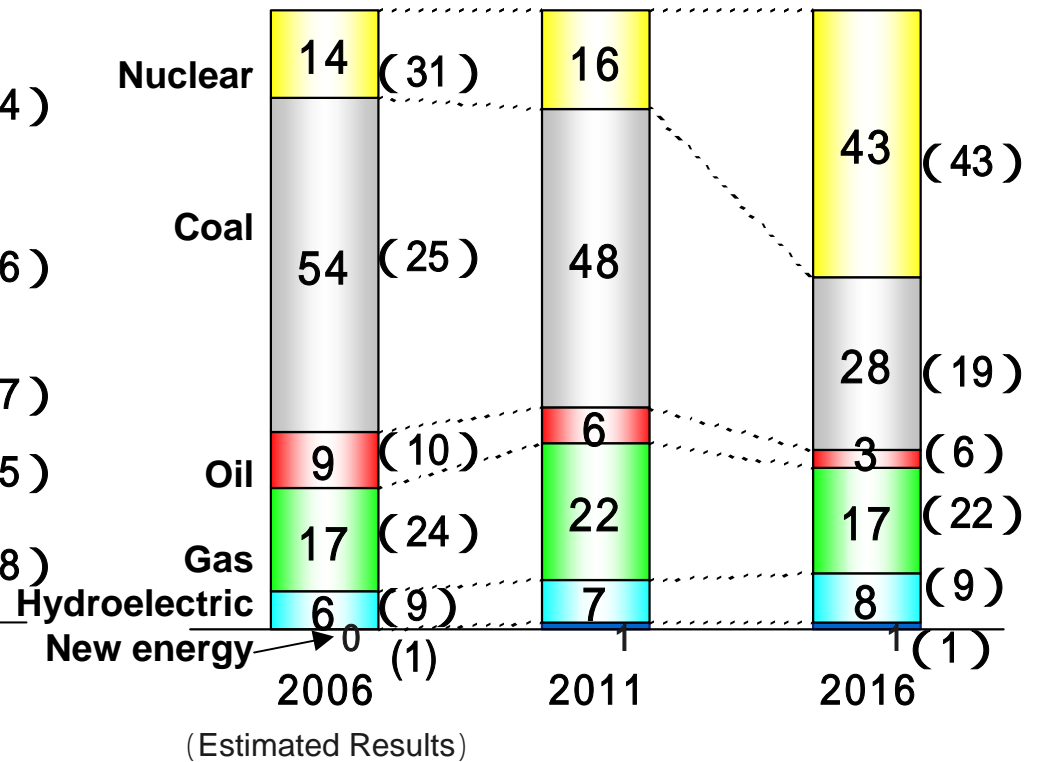
Power Source Comparison [Including Purchased Power from Other Companies]

The diversification of power sources will better be balanced by the start of operations at new nuclear power plant at the end of FY2016.

[Financial Year End Facility Type Comparison (%)]



[Distribution Ratio of Electric Power Generated (%)]



()...National Average

Source: The Central Electric Power Council "FY2007 Supply Plan"

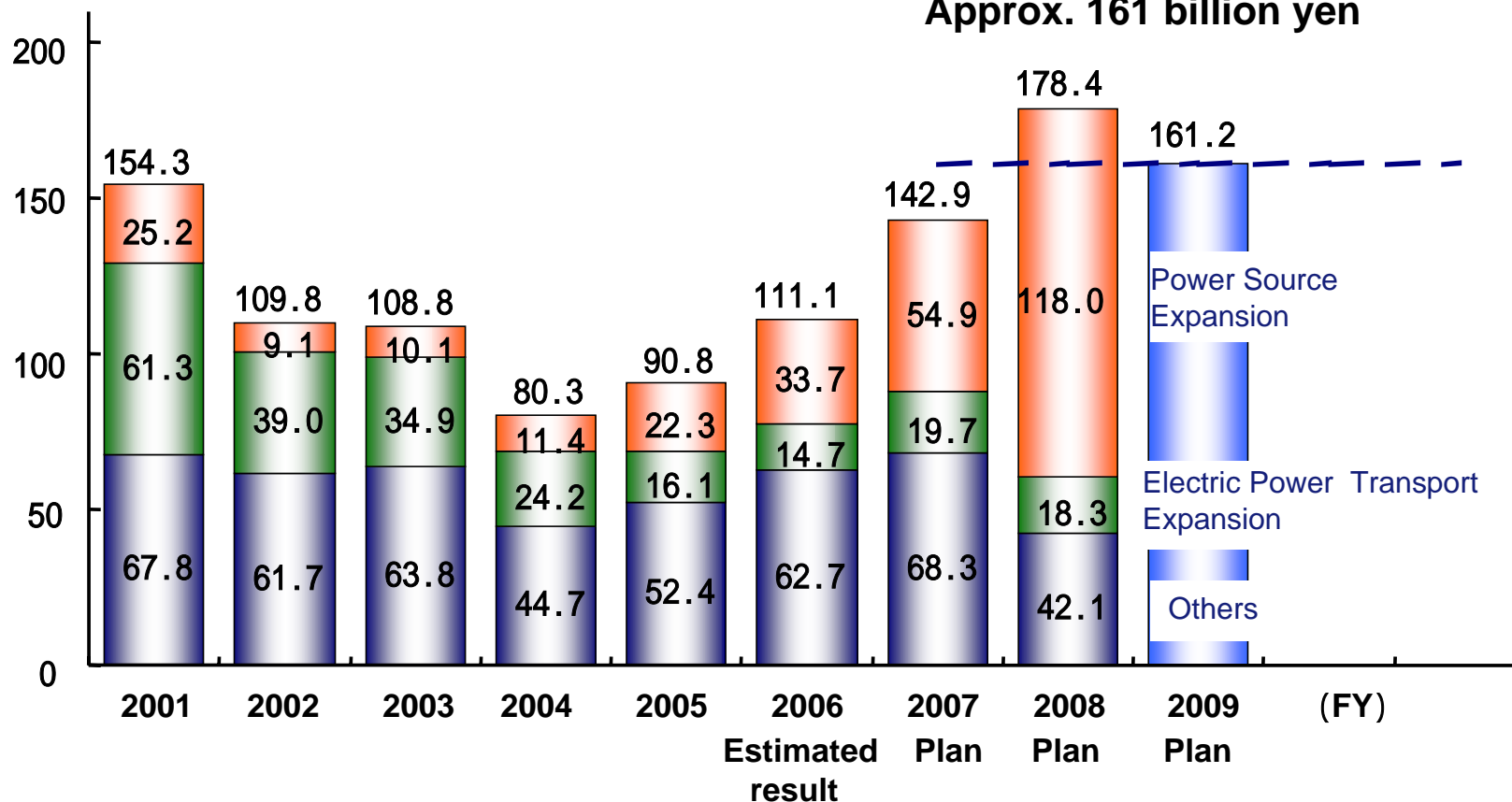
3 . Efforts to Increase Management Efficiency

Controlling Capital Expenditures

Capital expenditures for FY2007 – 2009 will increase pursuant to the Power Source Development Plan, but will be curbed via rationalization of equipment and construction techniques together with enhanced efficiency of contracting and machinery/materials procurement etc.

(Billion Yen)

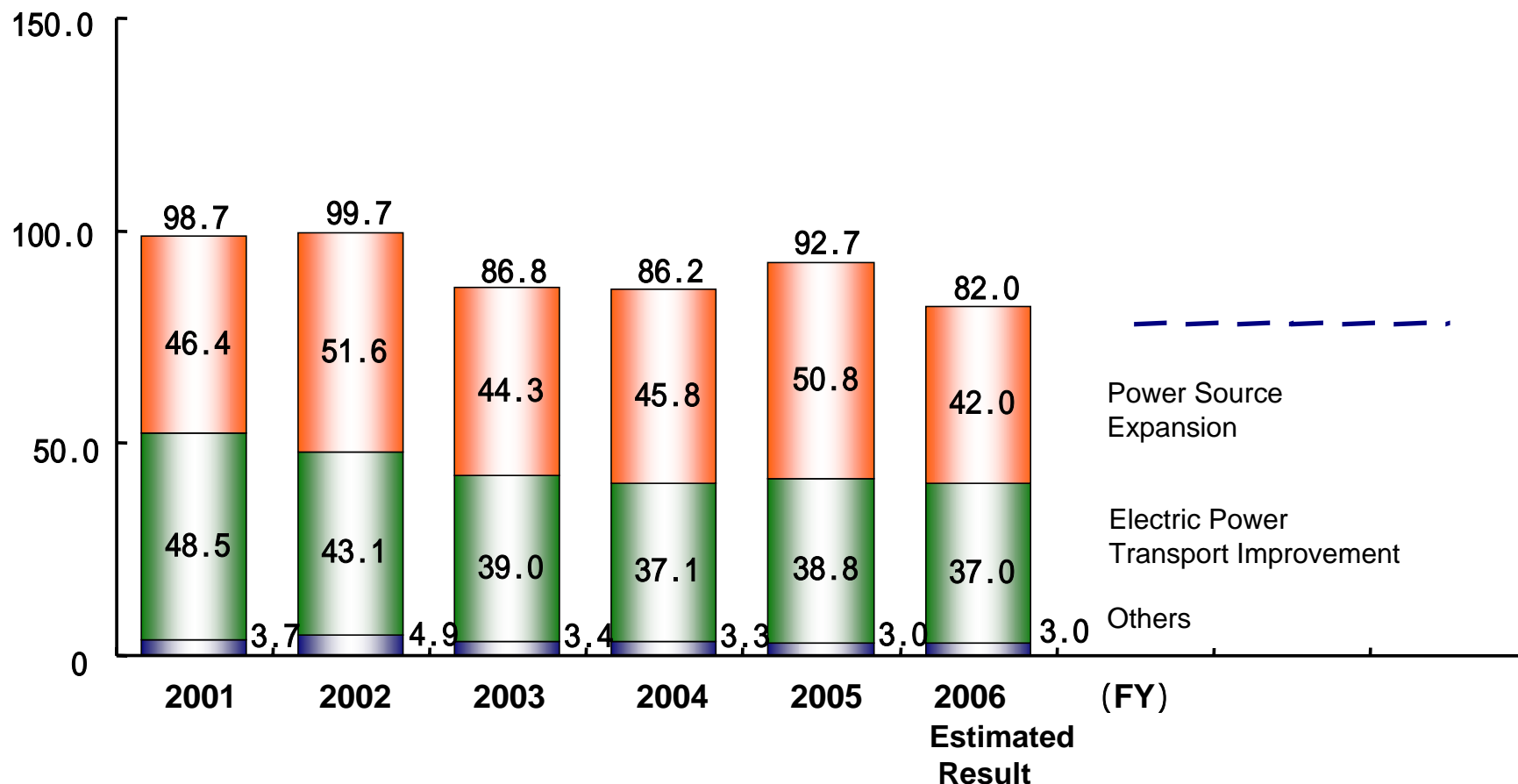
FY2007 ~ 2009 (3-year average)
Approx. 161 billion yen



Controlling Repair Expenses

Repair expenses for FY 2007-2009 will increase insofar as maintenance expenses will rise due to aging of equipment, but will be curbed via a revision of replacement and inspection cycles made possible by improvements in machine condition diagnosis techniques.

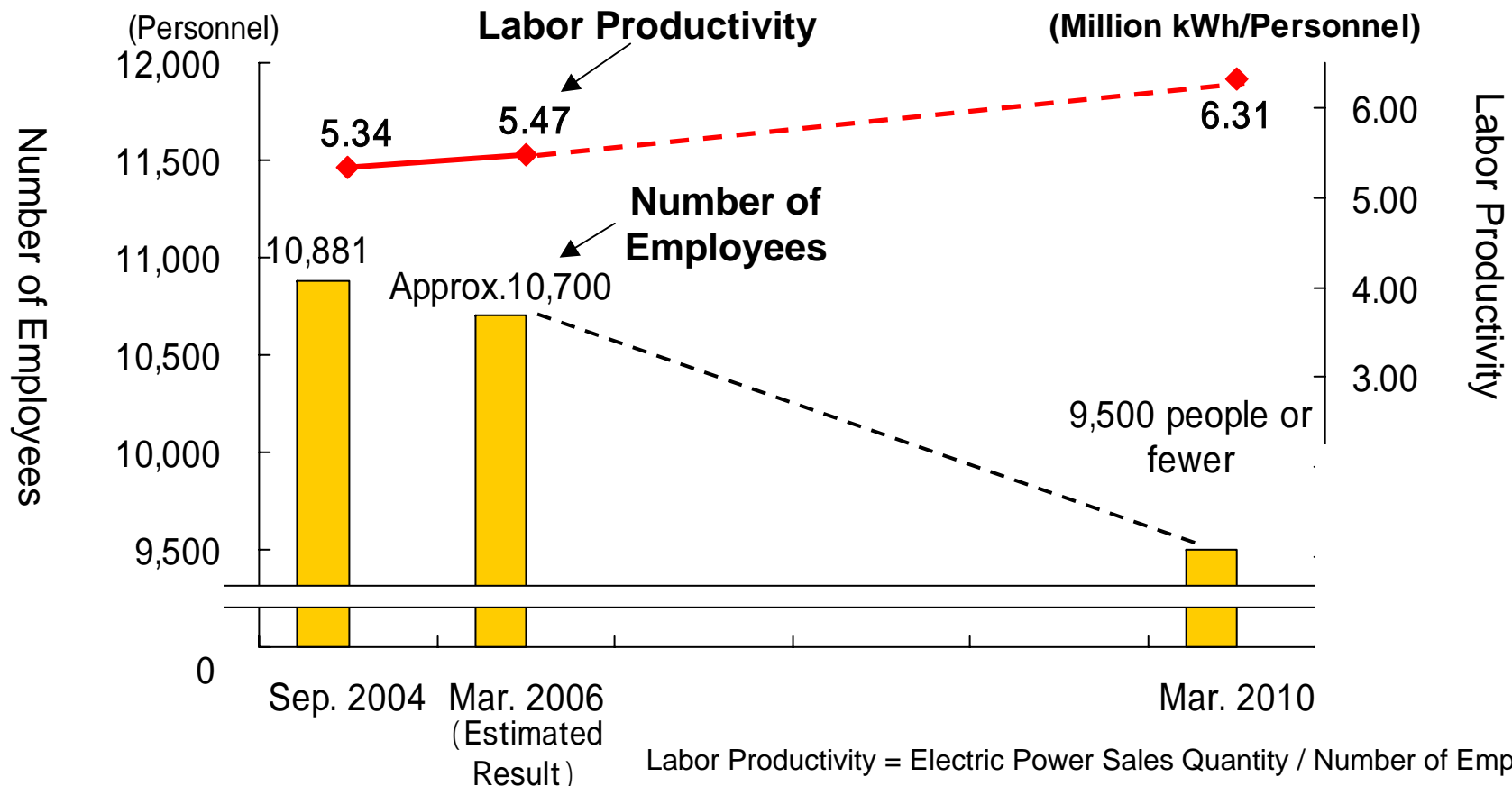
(Billion Yen)



Labor Productivity Enhancement

- Company - wide staff target have been set with the aim of further enhancing labor productivity.

Around 1,400 staff are to be cut from the approximate total of 10,900 employees (enrolled personnel) obtaining at the end of September 2004, with the aim of achieving an organization of no more than 9,500 persons by the end of FY 2009

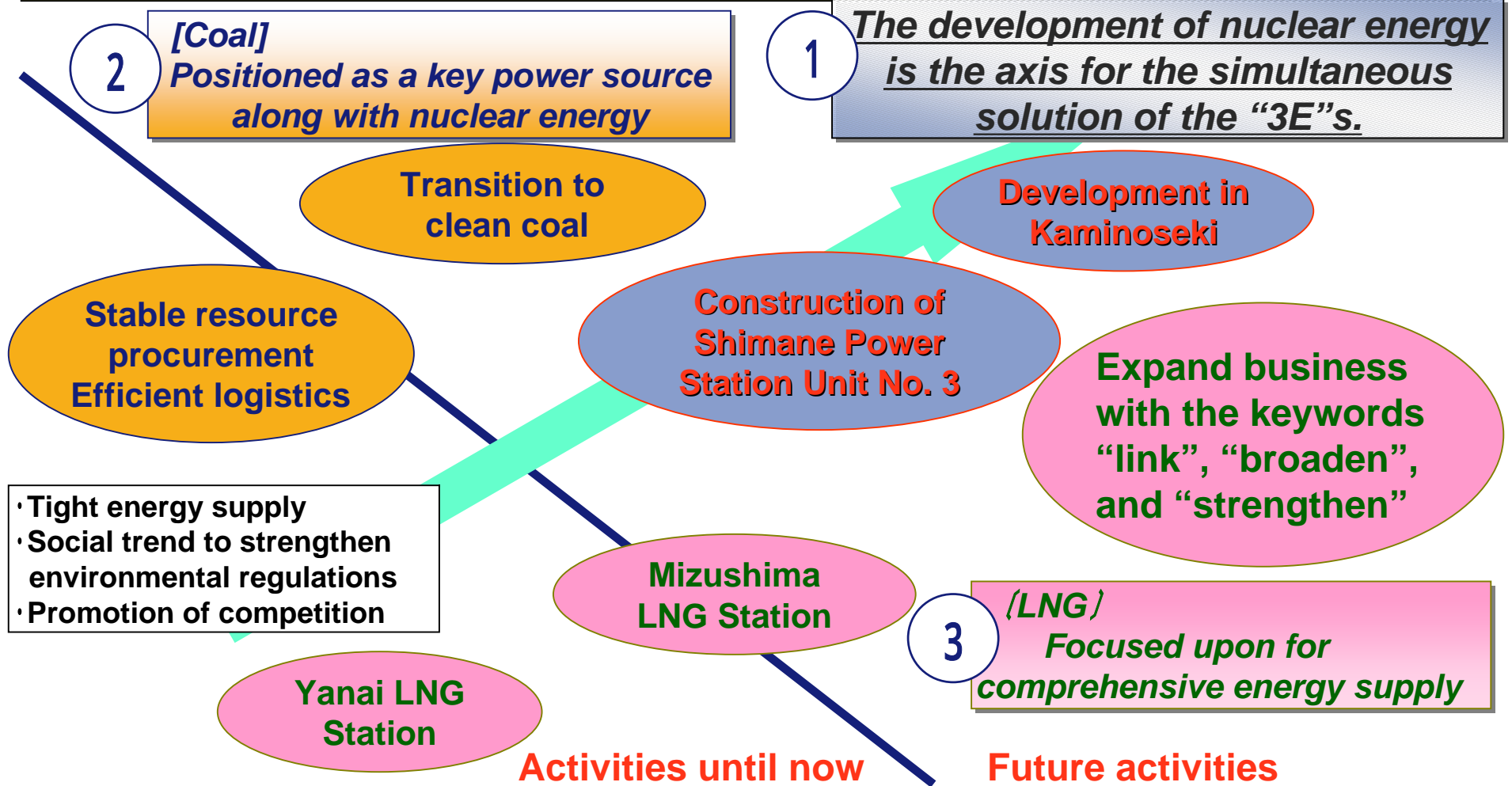


. Efforts of Energia Group

1 . Concepts and Activities For Energy Supply

Concepts and Activities For Energy Supply

■ By achieving the best mix of power sources, we can simultaneously solve the “3E”s of improving energy security, solving environmental concerns, and ensuring the long-term stability of power sources that are used as the source of continual generation of profit. (“3E”=“Energy security”, “Environment”, “Economy”)



Efforts to the development of Nuclear Energy

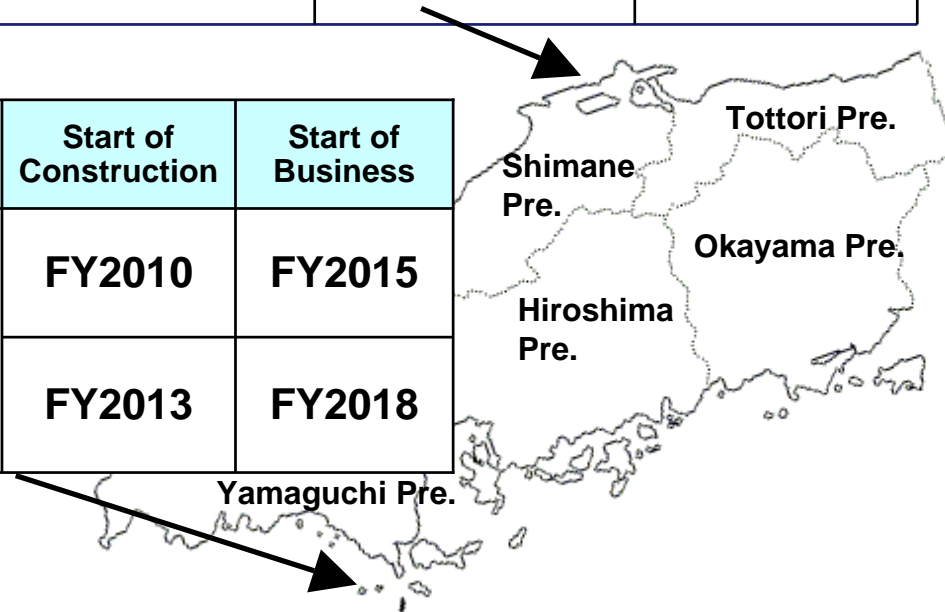
- We are steadily pushing forward new development of nuclear energy from the basic premise of securing the trust of local communities through the continual and stable operation of Units No. 1 and No. 2 of Shimane Power Station along with the active publication of information, while simultaneously reducing financial effects.

【 Shimane No. 3 】

Output (Million kW)	Conditions	Start of Construction	Start of Business
1 . 3 7 3	<ul style="list-style-type: none"> ■ Preparatory work is in progress (Overall progress : 10.3% as of the end of February) ■ Actual construction is scheduled to begin in December 2006 	December 2005	December 2011

【Kaminoseki】

	Output (Million kW)	Conditions	Start of Construction	Start of Business
No. 1	1 . 3 7 3	<ul style="list-style-type: none"> ■ Detailed surveys are in progress to acquire the data necessary to apply the construction of a nuclear reactor (Began in April 2005) 	FY2010	FY2015
No. 2	1 . 3 7 3		FY2013	FY2018



Coal – A Key Power Source along with Nuclear Energy

20

- **By securing long-term energy security, coal fired power, which offers supply stability and economic advantages, is positioned as a key power source in the future as well.**
- **In the use of coal fired power, global environmental concerns have to be given consideration, such as the active promotion and use of clean coal technologies which are friendly to the environment.**

[Characteristics of Coal]

- **Supply stability**
 - **Abundant reserve with long minable period**
 - **Uneven distribution is rarely seen**
- **Economical efficiency**
 - **Low and stable price compared to other fuels**

[Activities toward reducing environmental effects]

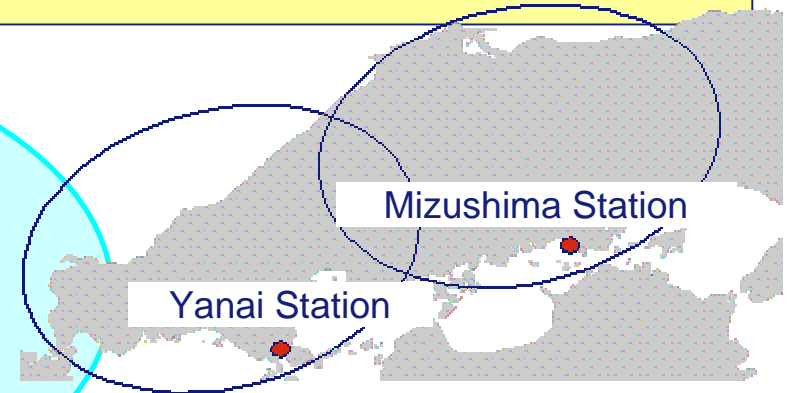
- **Improvement of thermal efficiency through Integrated Gasification Combined Cycle (IGCC), etc.**
- **Reduction of CO₂ through the mixed combustion of biomass**
- **Efficient use of coal ash**
- **Long-term research/development in CO₂ separation, recovery, and solidification**

- In the environment of “dash for gas”, we utilize the strength of the Energia Group to actively expand the gas supply business.
- We expand our business with the keywords “link”, “broaden”, and “strengthen”.

Link

In cooperation with local gas companies utilizing LNG stations in the east and the west, achieve the followings:

- Participation in pipeline development
- Transport by truck



Active business expansion

Broaden

From the perspective of solving environmental concerns, achieve the followings:

- Conversion of the Mizushima Power Station to LNG
- Supply of LNG to the Mizushima Joint Thermal Power Station (joint thermal power with JFE)

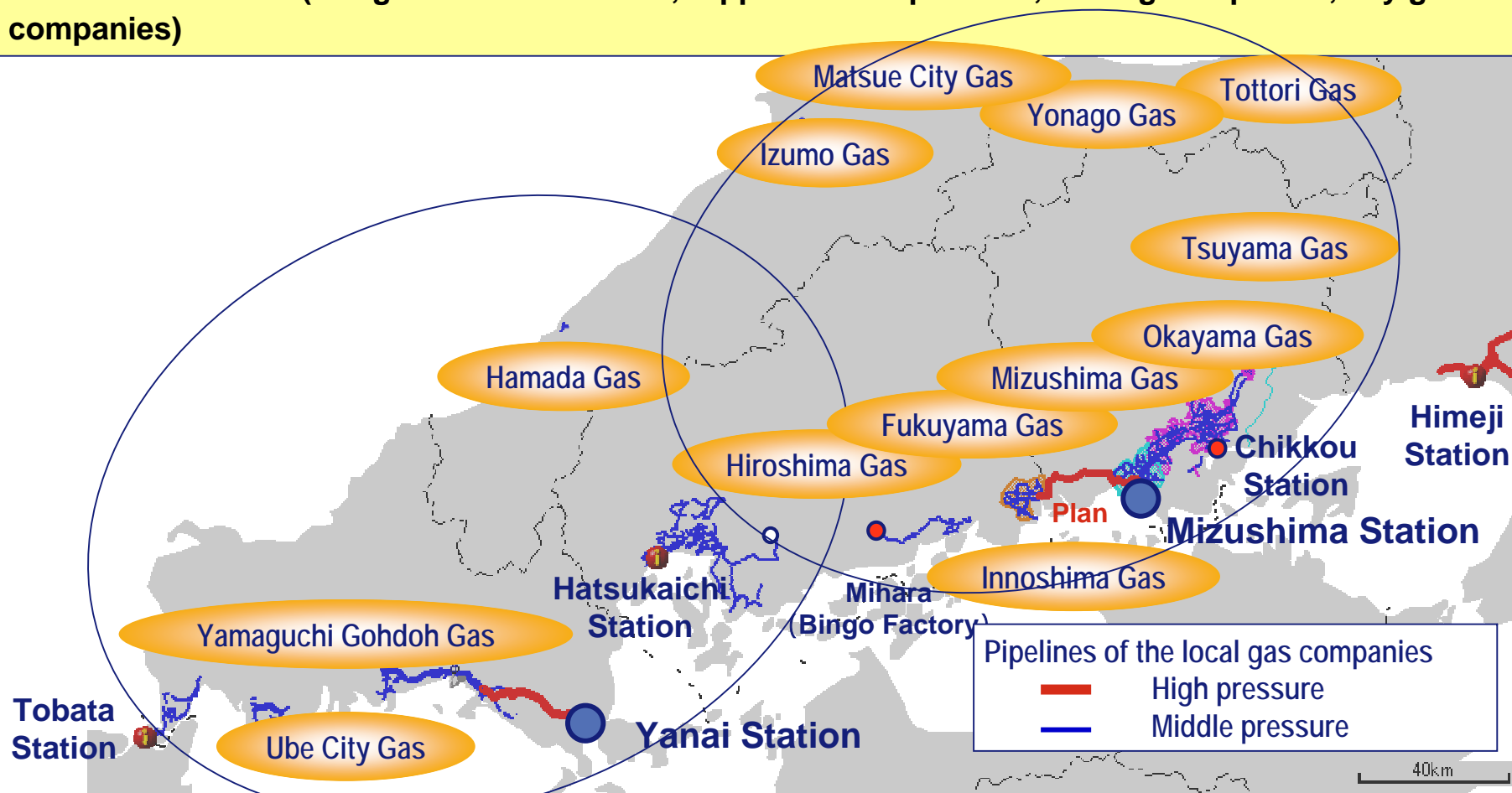
Strengthen

To make the Mizushima Power Station more economical and dependable, achieve the followings :

- Enhancement of the Mizushima LNG Station(FS in progress)

Gas Business of the Chugoku Electric Power Group

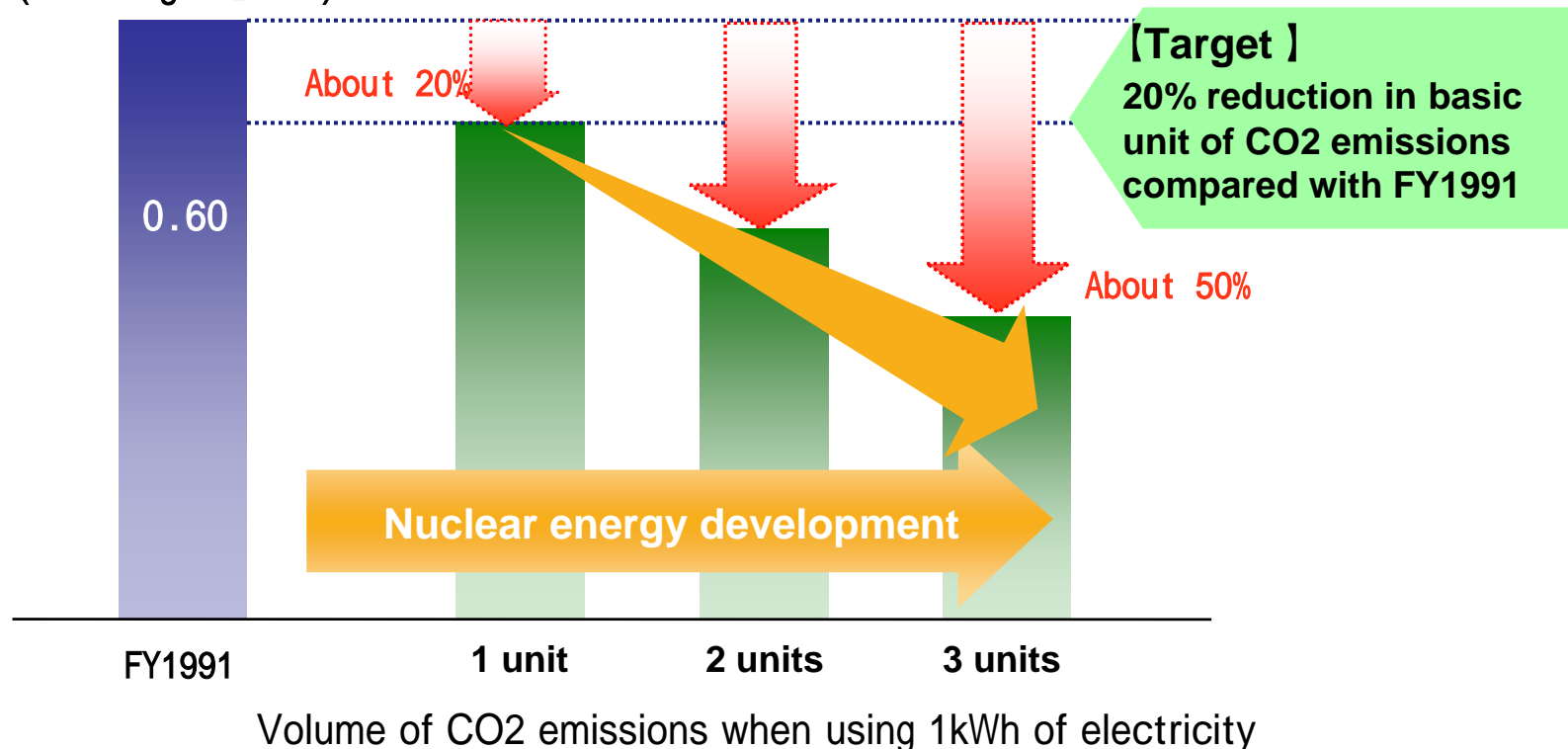
- Ensure stable supply of LNG to the entire Chugoku region, with bases in the east and west LNG stations (Yanai, Mizushima)
- Create demand and distribution infrastructure are developed through cooperation with local gas companies
- Expand sales by strengthening solution businesses through the cooperation with Mizushima LNG Sales stockholders (Chugoku Electric Power, Nippon Oil Corporation, trading companies, city gas companies)



■ Since the start of the operation of Shimane Power Station Unit No. 3, the basic unit of CO2 emissions will be reduced by about 20%, and it is estimated that we will achieve our target level for reductions.

The Reduction in the Basic Units* of CO2 Emissions due to the Development of Nuclear Energy

(Unit : kg-CO₂/kWh)



Other activities are also being promoted to solve global environmental concerns, such as the constant operation of nuclear reactors at the rated thermal output, fuel conversion to LNG, introduction and promotion of new energy, and the utilization of the Kyoto Protocol mechanism (carbon funds, CDM/ JI).

2 . To Achieve Management Goals of The Next Term

Management Goals of The Next Term

■ Based upon future management risks such as the further intensification of competition, we have established a performance level required to respond to the expectations of stakeholders.

Consolidated Management Goals of The Next Term (set in January, 2006)

		Goals (FY2007 ~ 2009 Avg.)	Current Goals (FY2004 ~ 2006 Avg.)
Profitability	Ordinary Profit	No less than 74 Billion Yen per Year	Over 72 Billion Yen per Year
Efficiency	ROA (Return on Assets, operating profit after taxes)	No less than 2.5% per Year	Approx. 3% per Year
Strength	Stockholders' Equity Ratio	No less than 28% (End of FY2009)	Approx. 26% (End of FY2006)

- Outline of the Mid-Term Management Plans -

- Classify the group's business areas into five fields (management segments)
- Evaluate the profitability of each management segment and group company department
- Clarify the strategy and role of each management segment, and promotion of links between companies

**A diagram:
management / disclosure
segments**

【Management Segments】

Total energy	Energy marketing & service
	Power generation
	Power system
Information and telecommunications	
Business / lifestyle support	

Disclosure Segments				
Electricity	Total energy supply	Information and communications	Others	
			(Environment) (Electrical business support, etc.)	(Business / lifestyle support)

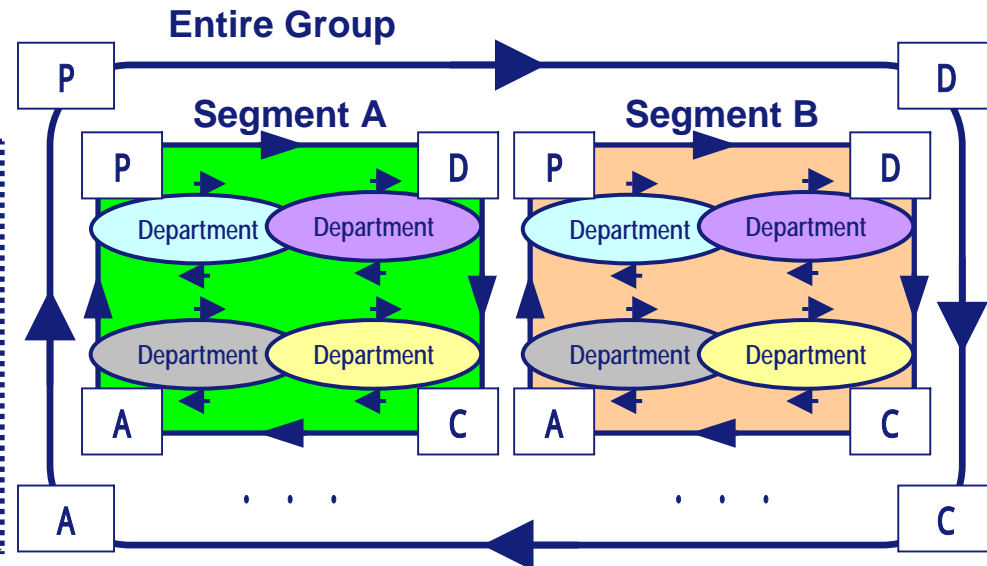
- Policies for the FY2007 Mid-Term Management Plans of Group Companies -

Basic Concept

- “Select and Concentrate” based upon the profitability evaluation for each business department
- Conversion from individual optimization to overall optimization
- Thorough awareness of an emphasis on profit

“Thorough Cost Management”

“Strengthen Competitiveness of Group Business”



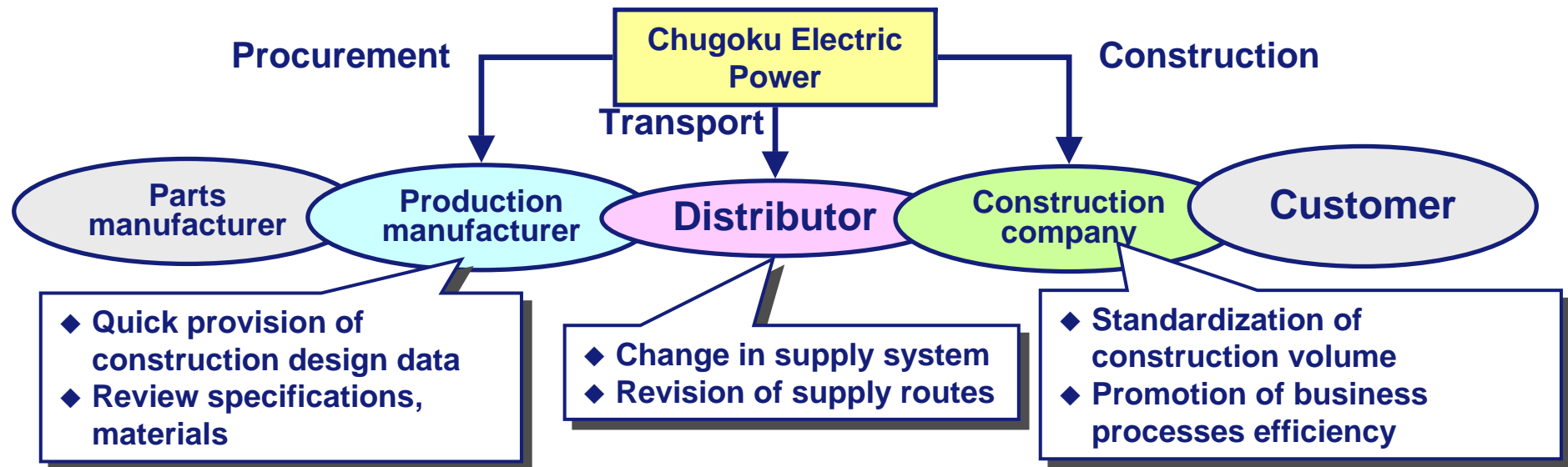
Create policies, implementation plans, and individual goals to achieve the goals of each segment and company department, and check their progress. (Implement a PDCA cycle.)

- Eliminate deficits in external sales in the three years until FY2009.
- Consider withdrawal if it appears that deficits cannot be eliminated.
- Promote cost reductions through structural reform, secure price competitiveness, and expand profits.

- Implementation of SCM Activities and Group Efficiency -

- We assess and implement efficiency measures throughout the group through expansion of SCM (supply chain management) activities by Chugoku Electric Power and group companies (by related management segment).

Example: SCM activities for “pole transformers”



Aim for a reduction of 20% or more in overall procurement cost through efficiency in the “reduction of manufacturing costs” and the “reduction of inventory costs”.

Demand Acquisition Target

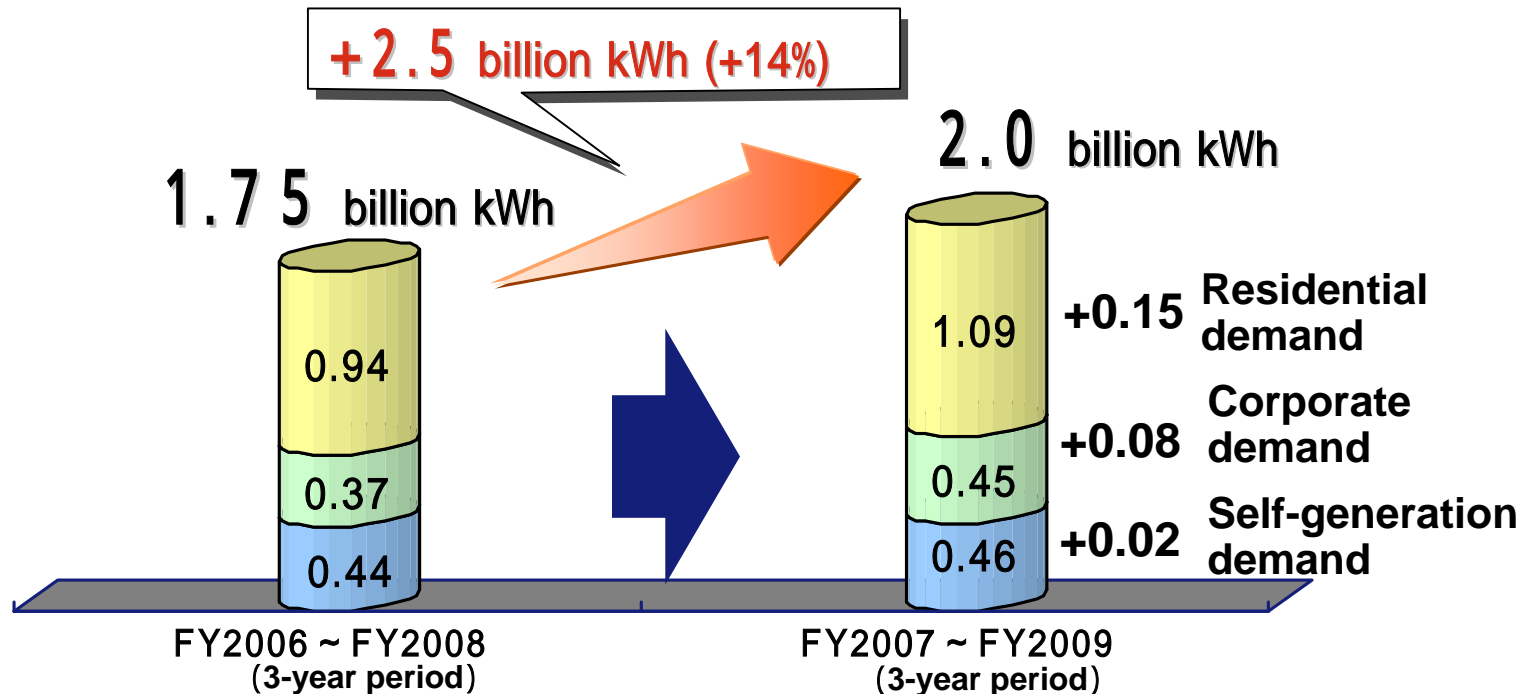
Volume of demand to be acquired

Over FY 2007 ~ 2009 3-year period

2.0 billion kWh

[FY2006 ~ FY2008 Plan : 1.75 billion kWh]

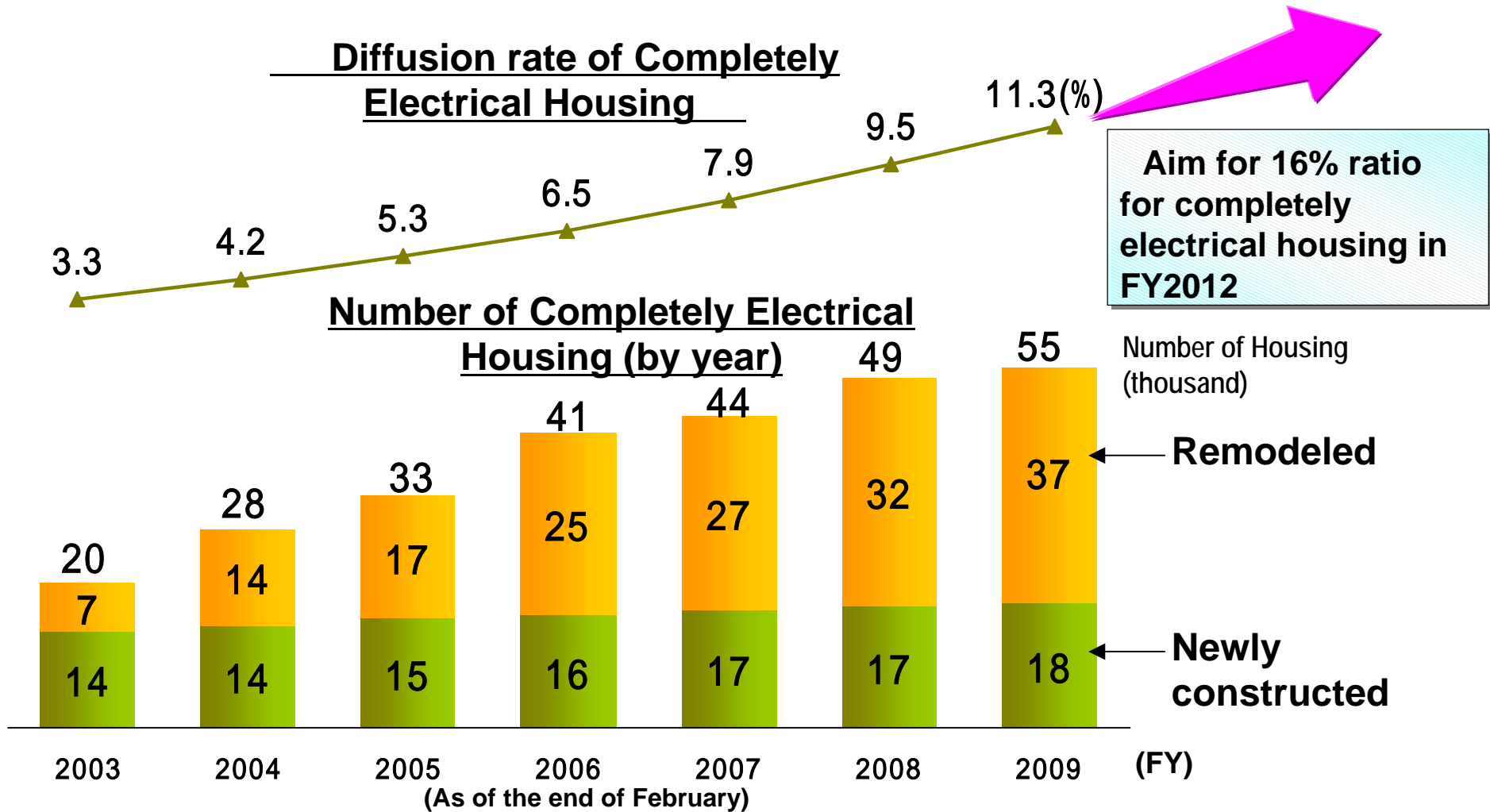
Residential demand	1.09 billion kWh
Corporate demand	0.45 billion kWh
Self-generation demand	0.46 billion kWh



Appendix

Trends in the Construction of Completely Electrical Housing

With no good prospect for further growth in housing construction, we should strengthen business toward obtaining demand in the area of remodeled housing.

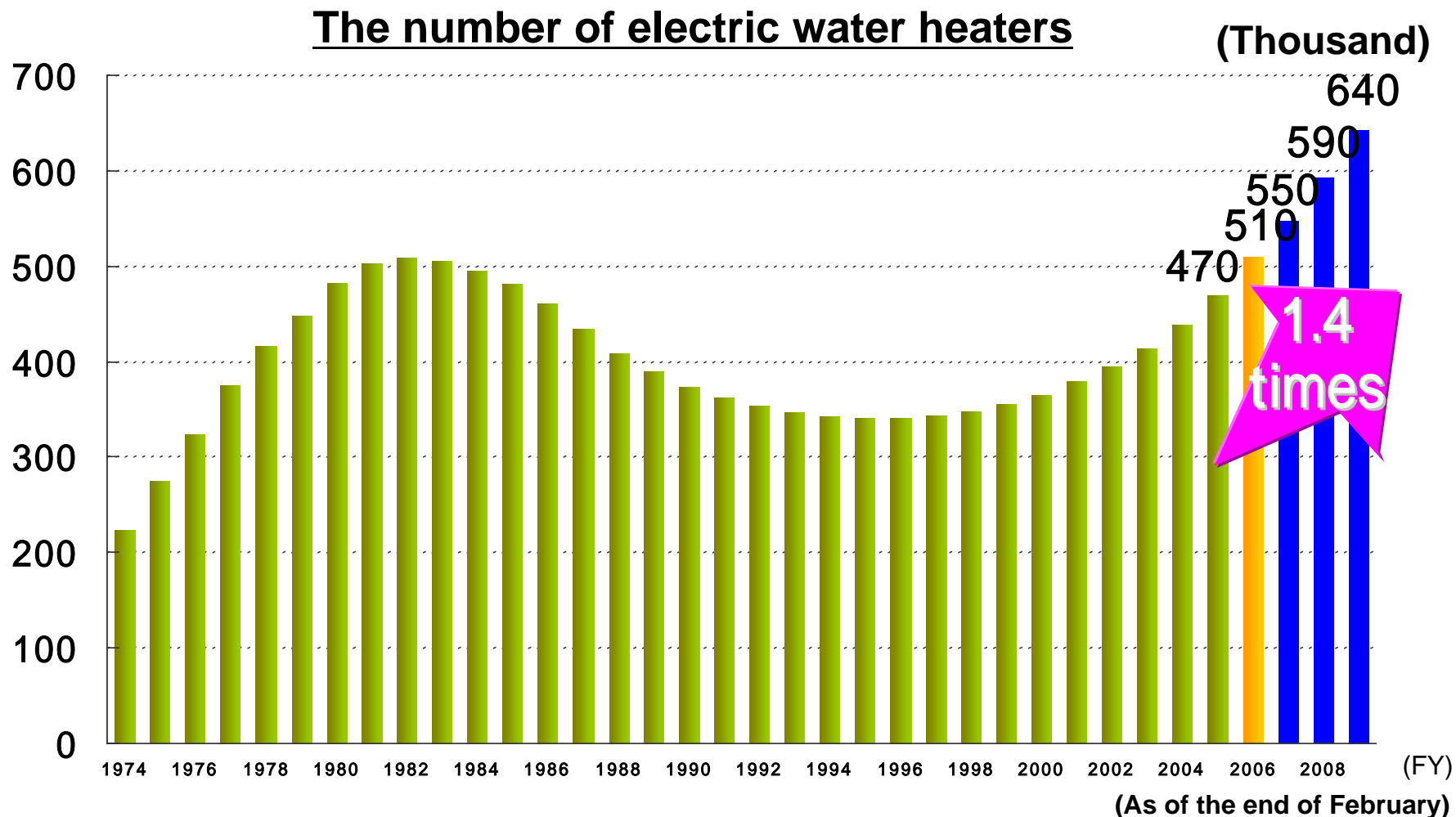


* The number of homes in the Chugoku region, from which this ratio was calculated, was estimated based upon the Basic Resident Register and the national census. (Figures for 2006 and beyond are based on the results from 2005.)

Trends in The Number of Electric Water Heaters

The number of electric water heaters (Total) :

We are making efforts so that the number of electric water heaters in FY2009 will reach 1.4 times as many as FY2005 result.



Diffusion rate of Completely Electrical Housing and Electric Water Heater

33

		Unit	2004 Result	2005 Result	2006 Result ¹	2007 Plan	2008 Plan	2009 Plan
Completely Electrical Housing	Number of Housing (thousand)		28	32	41	44	49	55
	Newly constructed	"	14	15	16	17	17	18
	Remodeled	"	14	17	25	27	32	37
The ratio of newly constructed Electrical Housing	Single-family Houses	%	46.0	52.7	² 55.4	62.5	63.4	64.0
	Apartment Houses	%	9.6	6.2	² 5.1	11.8	13.8	15.5
	Total	%	26.8	25.5	² 25.4	32.7	34.1	35.2
Electric Water Heater	Number of Heater (thousand)		37.0	41.4	47.7	51.4	55.8	60.2
	Ecocute	"	7.2	10.6	18.7	-	-	-
The diffusion rate of Electric Water Heater		%	14.6	15.5	16.7	18.0	19.4	21.1

1 (As of the end of February)

2 (As of the end of January)

(Unit: Billion Yen)

Classification		Fiscal Year		FY2006 (Estimated Result)	FY2007 (Plan)	FY2008 (Plan)	FY2009 (Plan)	
Capital expenditure				111.1	142.9	178.4	161.2	
Source Of Funds	Internal Funds				117.6	128.4	175.2	182.7
	External Funds				6.5	14.5	3.2	21.5
	Bonds	(Amount Issued)			(-)	(45.0)	(65.0)	(45.0)
		Net change in balance			30.0	24.8	35.3	4.8
	Loans				23.5	10.3	38.5	26.3
	Total				111.1	142.9	178.4	161.2

-
- **None of the information on this document is intended to solicit or induce purchase or selling of the Company's stocks. Moreover Chugoku Electric makes no guarantees whatever regarding the contents of this website.**
 - **Persons considering investment in the Company should without fail read in advance the stock and bond reports and other financial literature issued by the Company, and make decisions on their own judgment. Though great care is exercised in the preparation of such literature, Chugoku Electric and the other information providers shall not be liable in any manner for any loss whatever incurred as a result of erroneous information contained therein or in this document.**
 - **Items in Chugoku Electric's current plans and strategies, etc., published on this document which are not yet historical fact are projections concerning future performance and as such involve factors of risk and uncertainty which means that actual performance in the future may differ to a large extent from projections published here. Therefore Chugoku Electric does not guarantee the reliability of such projections.**

For Questions or Comments, Please Contact the Investor
Relations Section at the Address Below :

730-8701

Hiroshima-Shi, Naka-ku, Komachi 4-33
The Chugoku Electric Power Co., Inc.
Corporate Planning Division

F A X : +81 82 523 6090

E-mail: ir@inet.energia.co.jp