



# Investors Meeting for FY 2009 Management Plan

The Chugoku Electric Power Co., Inc.  
April 11, 2008

In this presentation, the term "Fiscal Year 2009" describes the period which ended March, 2009.

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# **I . Five-Year Group Management Vision**

## Targeted Image of Business Group

Gain public trust and contribute to social development through creation of new values using human and technical ability, and continuous growth

### 〈FY2009~2013〉

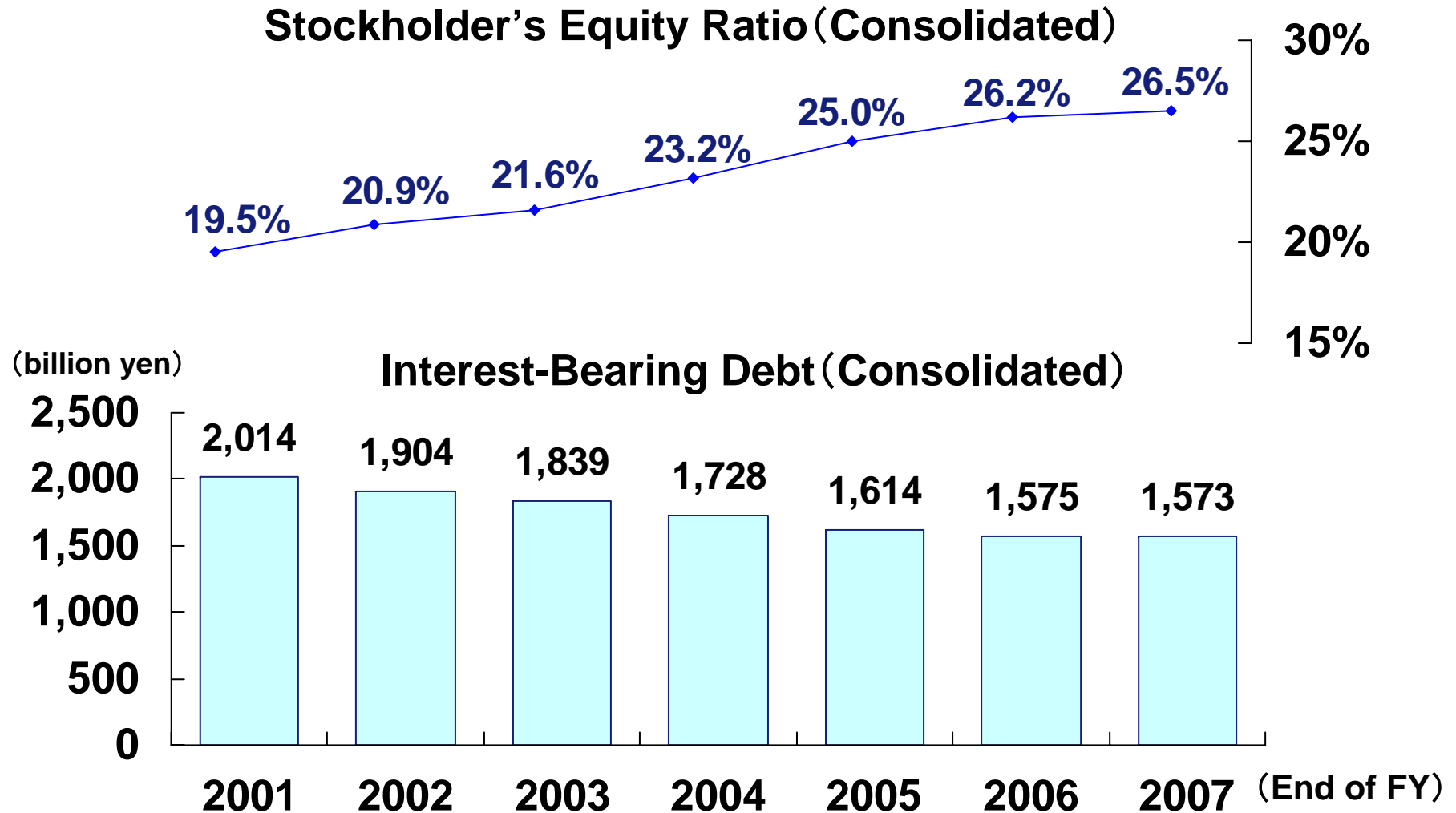
The period not only to consolidate the trustworthiness that is the bedrock of our business, but to lay down the stable foundations of human resources and physical infrastructure for creation of values

### 〈Concept〉

Strengthen the Foundation of “Trust” and “Creation” for “Growth”

# Improvement of Financial Structure

Stockholder's Equity Ratio improved due to the decrease of Interest-Bearing Debt. We will keep this level in the next five years.



# Policy Change to Capital Efficiency

From “Improvement of Financial Structure ” to “Capital Efficiency”

	Past	Next five years	Future
Business Risks	Large	Decrease	?
Net Income	Ensure the profit for both stable dividend and readiness for risks	Decline temporarily (Strengthen revenue base for future )	Net Income Growth
Financial Structure	Improve →	→ Keep	ROE Growth
Return On Equity	Decline ↘	↗ Aim to raise	

# Strengthen Equipment Competitiveness

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Focus on strengthening Competitiveness of Equipment for future profits growth

## Five-Year Group Management Vision

“Establishing Strong Revenue Base”

### Keeping Reliability

### ROA Improvement

Developing Equipment Efficiently

Examples of Targets  
(Aiming to achieve about five years later)

<Electric power sales volume per billion yen of plant and equipment>  
About 36,000 MWh / billion yen

Reducing Generation Cost

<Avg. variable cost (approximately equal to energy cost)>  
Reducing by over 10%

Reducing Impact from Fuel Price Rising

<Impact from oil price rising>  
Reducing by over 30%

Reducing Effects on Environment

<CO<sub>2</sub> emissions intensity >  
Reducing by over 20%

(注) All targets are estimation by conditions precedent of 2009 Management Plan

“Future Profits Growth”

# (Reference) Numerical Targets

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	項 目	Targets
Profitability	Ordinary Profit (Consolidated)	No less than 60 billion yen (Average for FY 2009 through 2013)
Soundness	Interest-Bearing Debt (Consolidated)	About 1,600 billion yen (End of FY 2013)
Efficiency	<Capital> ROE (Non-Consolidated)	No less than 5% (FY 2013)
	<Plant and Equipment> Productivity (Non-Consolidated) [Electric power sales volume per billion yen of plant and equipment]	About 36,000 MWh / billion yen (FY 2013)
Growth	<Electric Power Business>Demand Acquisition	No less than 3.5 million MWh (Total of FY 2009 through 2013)
	<Other than Electric Power >Operating Sales※1 Operating Income※2	No less than 600 billion yen No less than 22 billion yen (Total of FY 2009 through 2013)

※1 DefERENCE in Sales between Consolidation and Electric Power

※2 DefERENCE in Operating Income between Consolidation and Electric Power deducting Operating Income of Consolidated Subsidiary in intra-group transactions

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## **II . FY 2009 Management Plan**

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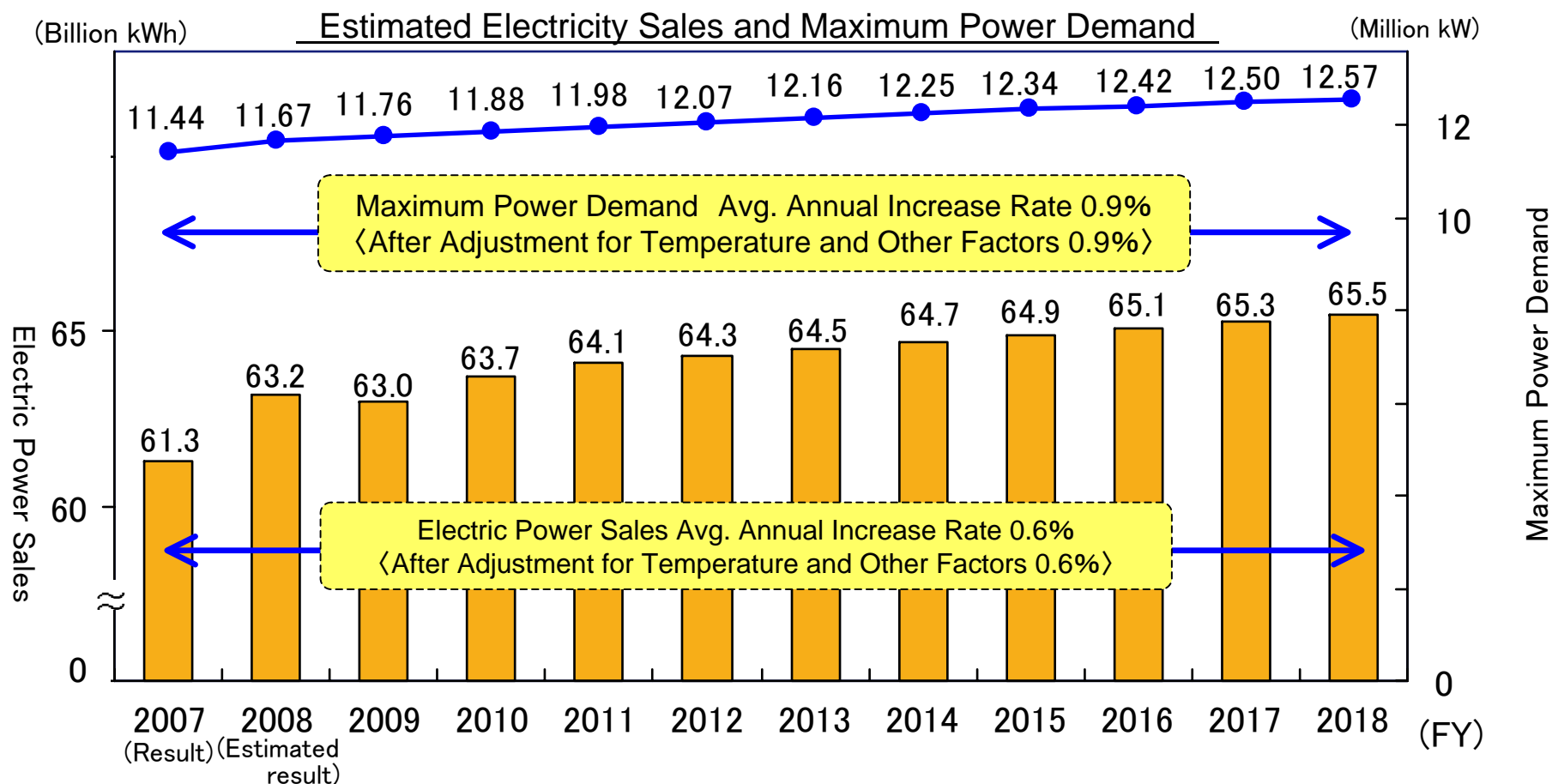
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# 1. Electric Power Sales Plan

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# Electric Power Sales Plan

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



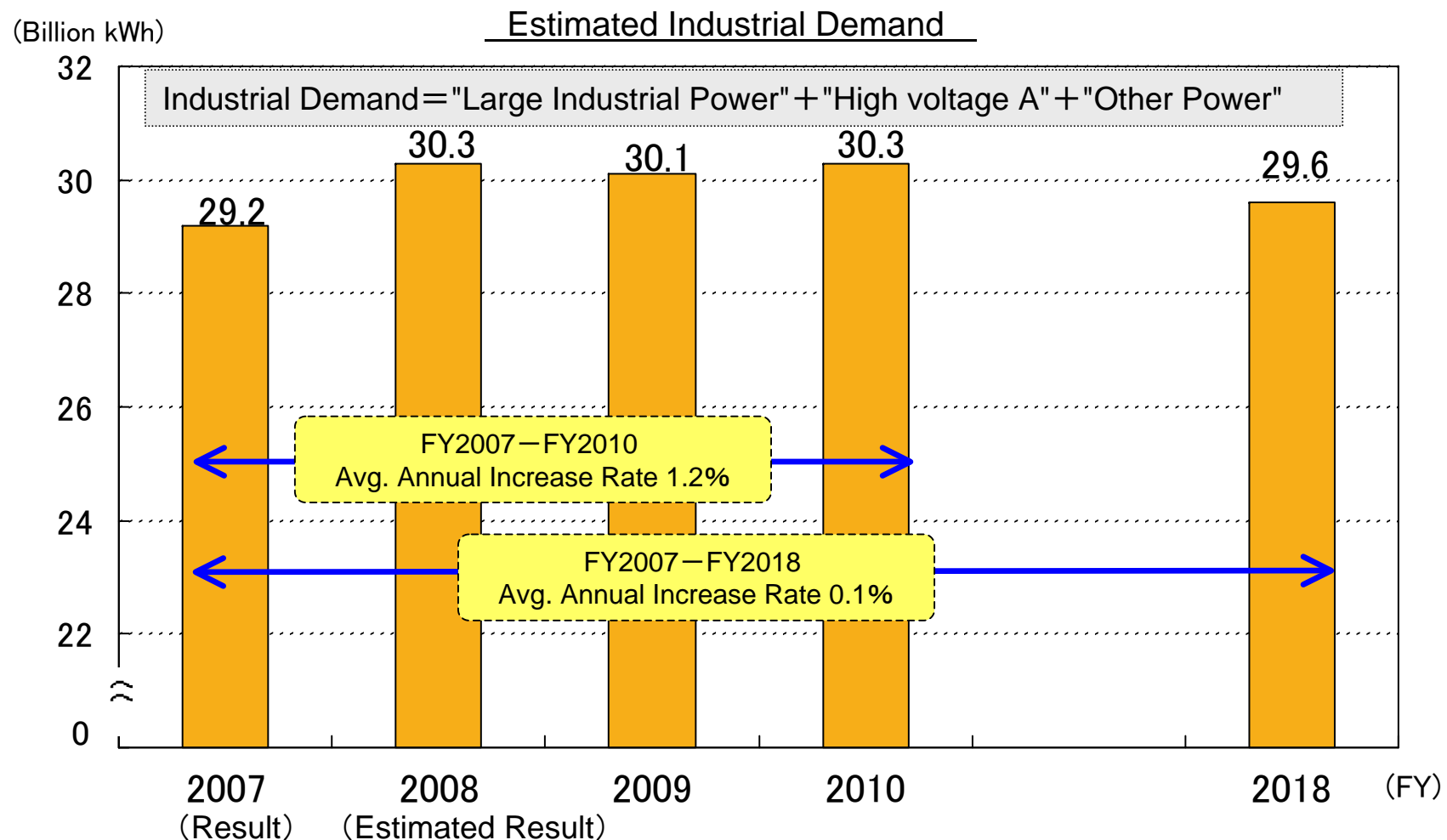
<b>Electric Power Sales</b> <b>Average Annual Increase Rate FY2007-2018</b> (After Adjustment for Temperature and Other Factors)	Living - Related Demand ※1	1.0%
	Industrial Demand ※2	0.1%

※1 Living - Related Demand = "Lighting" + "Night-only" + "Commercial" + "Low Voltage"

※2 Industrial Demand = "Large Industrial Power" + "High voltage A" + "Other Power"

# Estimated Industrial Demand

Although this high level of industrial activity is expected to continue in the short term, the industrial demand is expected to flatten out in the long term



## **2. Efforts to Strengthen Equipment Foundation**

# Targets on Future Equipment

With continuous efficiency, trying to achieve Targets on Future Equipment

## Target

**Achieving “Securing a Stable Supply” and “3E” in Medium- to Long-term Viewpoint**

※"3E"="Energy security", "Environment", "Economy"

## Priority Policy and Examples of Operations

**Development of Nuclear Power Stations**

- Steady construction of Shimane No.3
- Smooth promoting in development of Kaminoseki point

**Raising operation rates of Nuclear and Coal Power Stations**

- Preventive maintenance
- Reduction of periodic inspection length

**Efficiency-Enhancing of Power-Generating Equipment**

- Converting Mizushima No.1 into LNG combined-cycle system
- Introduction of highly-efficient steam turbine

**Repairs of Equipments**

- Well-planned and efficient repairs based on facilities diagnosis technology

**Steady and Economical Fuel Procurement**

- Application of coal procurement source near Japan
- Increasing tankage of oil , and Securing fuel transport capacity

**Research & Development**

- Development of Clean Coal Technology such as IGCC
- Research of CO<sub>2</sub> capture system from thermal power
- Development of utilization technology of lithium-ion battery

● Power Source Development Plan

**Start of Construction and Business of Kaminoseki Nuclear is postponed one year from last year's plan**

	Power Station	Start of Construction	Start of Business
Nuclear	Shimane No.3	December,2005	December,2011
	Kaminoseki No.1	FY2010 → FY2011	FY2015 → FY2016
	Kaminoseki No.2	FY2013 → FY2014	FY2018 → FY2019
Thermal	Mizushima No.1 (Coal → LNG Combined)	February,2007	April,2009
	Misumi No.2	FY2015	FY2018
	Osaki No.1-2	November,1995	FY2019

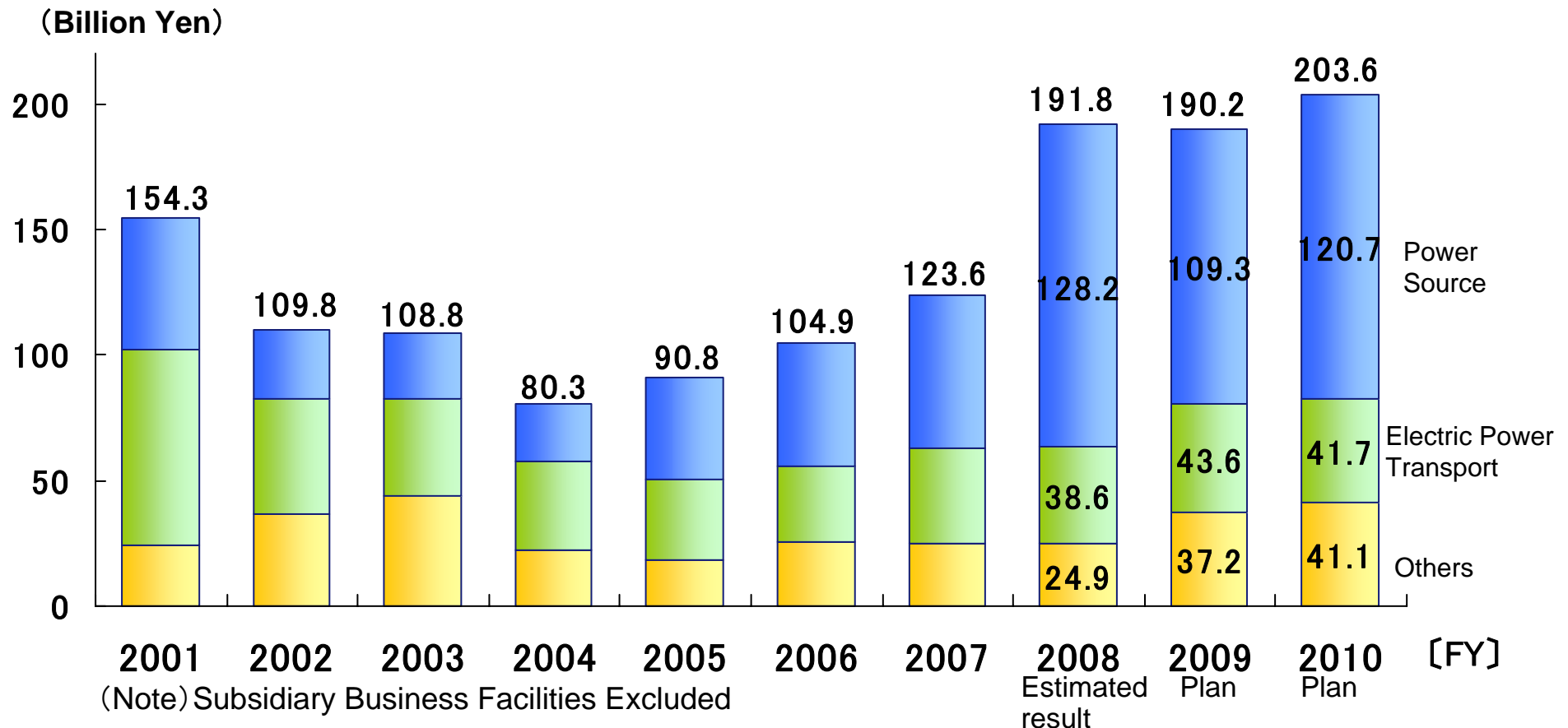
● Electric Power Transport Development Plan

**Electric Power Transport Construction for Shimane Nuclear No.3**

	Work of Construction	Start of Business
Transmission Line	Development of the line for Shimane Nuclear Power Station	December,2010
	Increasing the voltage of Kita-Matsue Line (Start of construction is in FY2010)	March,2010
Substation	Increasing the voltage of Kita-Matsue Substation	December,2010

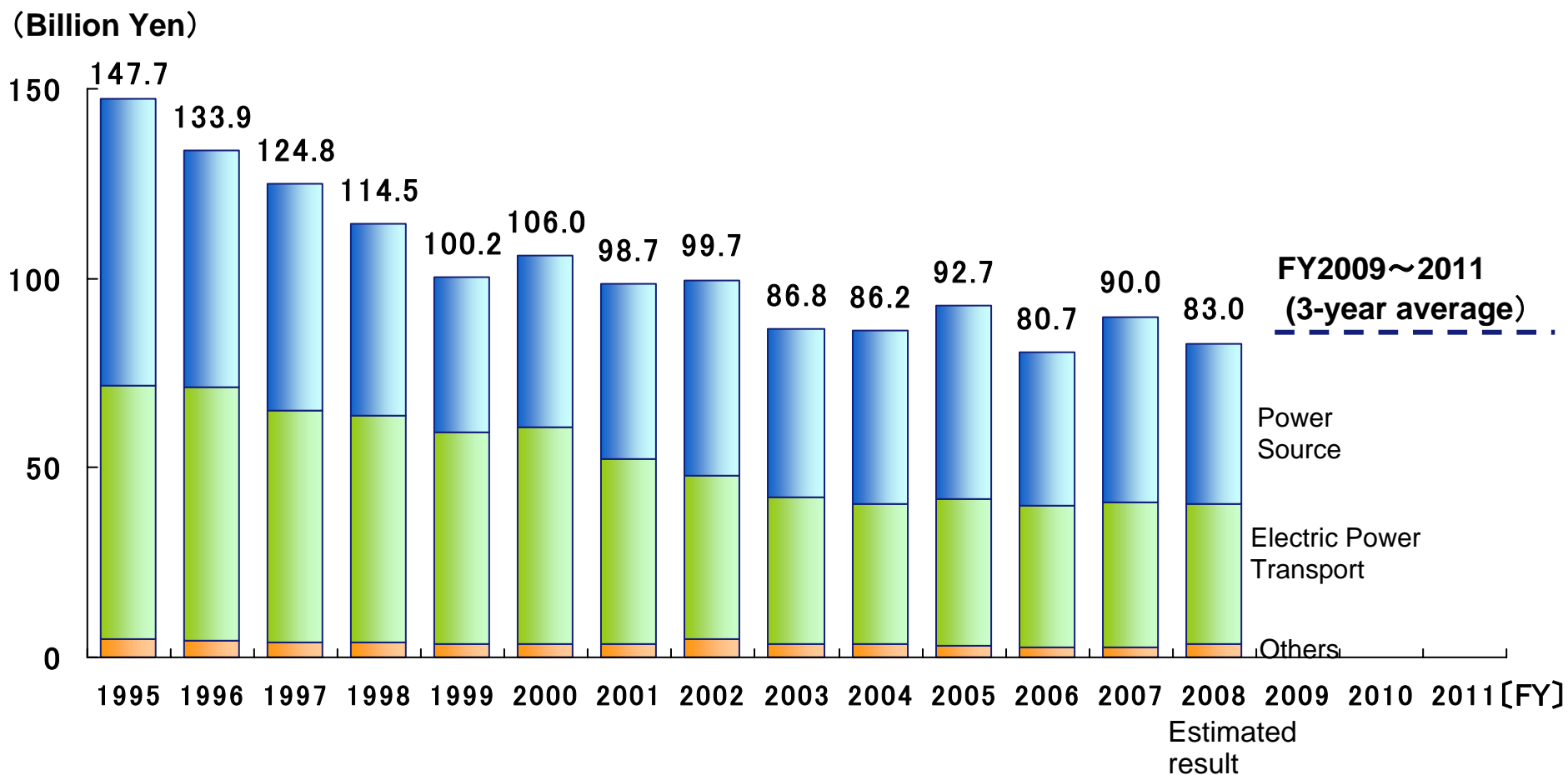
# Capital Expenditures Plan

Although Capital Expenditures remain at a high level due to the construction of Shimane Nuclear Power Station unit No.3 and new backbone transmission line, we try to build up equipment and facilities efficiently in medium- to long-term viewpoint



# Repair Expenses Plan

Trying to reduce and level repair expenses, we repair aging power stations and electric power transport facilities steadily to maintain service reliability



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# Appendix

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# Electric Power Sales Plan

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## ○FY2009 Electric Power Sales Plan

[Unit: Billion kWh, Million kW]

	FY2007 Result	FY2008 Estimated Results	FY2009 Plan	FY2018 Plan	2018/2007 Avg. annual Increase rate
Non-Liberalized sector	(▲1.1) <1.4> 21.1	(2.7) <0.8> 21.6	(▲0.5) <1.1> 21.5	23.2	<0.8> 0.9%
Lighting	(▲0.0) <2.4> 18.1	(3.4) <1.7> 18.7	(0.1) <1.6> 18.7	20.7	<1.2> 1.2%
Liberalized sector	(5.2) <6.1> 40.2	(3.4) <2.8> 41.6	(▲0.1) <0.4> 41.5	42.3	<0.5> 0.5%
Total Electric Power Sales	(3.0) <4.4> 61.3	(3.1) <2.1> 63.2	(▲0.2) <0.7> 63.0	65.5	<0.6> 0.6%
Maximum Power Demand	(3.3) <0.2> 11.44	(2.0) <2.8> 11.67	(0.8) <0.9> 11.76	12.57	<0.9> 0.9%

※Note ( ): Growth percent rate from previous year, < >: Growth percent rate from previous year (after adjustment for temperature, etc)

## ○Changes in FY2017 from FY2008 Plan

	Unit	FY2009 plan(A)	FY2008 plan(B)	Change (A-B)
Electric Power Sales	Billion kWh	65.3	63.5	+1.8
Maximum Power Demand	Million kW	12.50	12.50	—

# Diffusion rate of Completely Electrical Housing and Electric Water Heater

	Unit	FY2006 Result	FY2007 Result	FY2008 Estimated Results	FY2009 Plan	FY2010 Plan	FY2011 Plan
<b>Completely Electrical Housing Introduced</b>	Number of Housing (thousand)	44	55	65	67	83	94
<b>The ratio of newly constructed Electrical Housing</b>	%	26.5	28.4	32.8	33.0	36.7	40.9
<b>Electric Water Heater Sales</b>	Number of Heater (thousand)	53.0	64.0	71.5	71.5	87.0	98.7
<b>Ecocute</b>	"	21.1	34.4	44.0	47.1	62.3	73.7
<b>The diffusion rate of Electric Water Heater</b>	%	16.8	18.7	20.5	22.2	24.6	27.2
<b>Electric Water Heater Contract Accounts (accumulated total)</b>	Thousands of accounts	513.8	570.4	631.8	692.6	766.0	848.0

(Note) Total amounts may not agree due to rounding off

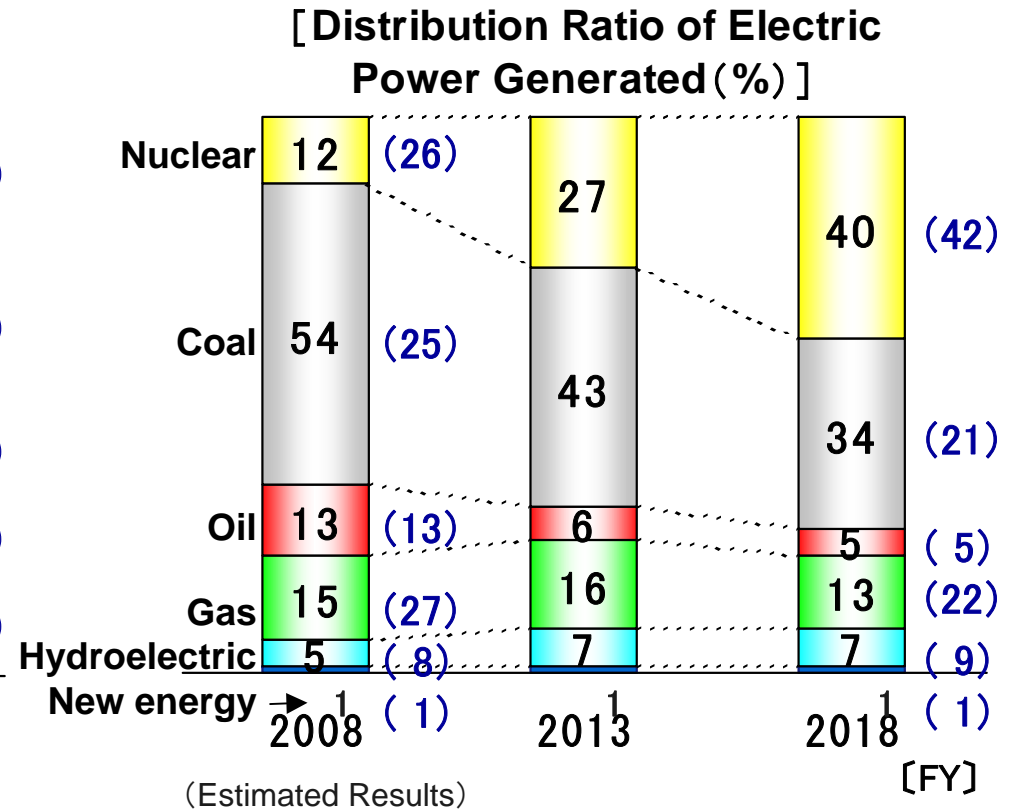
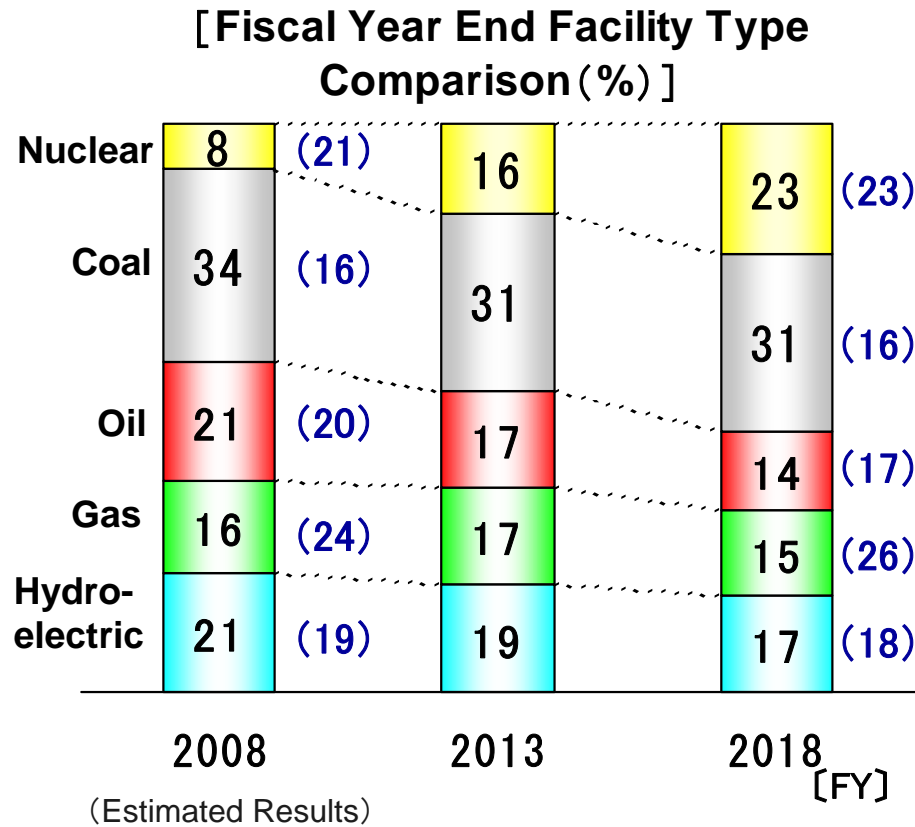
# FY2009 Power Source Development Plan

(●➡, ■ Changes from FY2008 Plan)

[Unit: Million kW]

区分		FY	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019~
		Power Source Development Plan	Hydro-electric Power											
Thermal Power				Mizushima 1 0.125 →0.285 Coal → LNG									Misumi 2 0.4 Coal	Osaki 1-2 0.25 / 0.5 Coal FY2019
Nuclear Power							Shimane3 1.373			●➡	■ Kaminoseki1 1.373		●➡	■ Kaminoseki 2 1.373 FY2019
Other Companies							Oma 0.093/ 1.383 Nuclear Power							
Supply and Demand Balance	Supply Power		12.96	13.03	13.36	13.38	13.19	13.76	13.76	13.76	13.77	14.06	14.06	—
	Maximum Power Demand		11.67	11.76	11.88	11.98	12.07	12.16	12.25	12.34	12.42	12.50	12.57	—
	Supply Reserve %		11.1	10.8	12.4	11.7	9.3	13.2	12.4	11.5	10.8	12.5	11.9	—

# Power Source Comparison [Including Purchased Power from Other Companies]



( )...National Average

Source: The Central Electric Power Council "FY2009 Electric Power Supply Plan"

# Status of Nuclear Power Development

## 【 Shimane No. 3 】

Output (Million kW)	Conditions	Start of Construction	Start of Business
1. 373	<ul style="list-style-type: none"> <li>Actual construction began in October 2006</li> <li>( Overall progress 42.0% as of the end of February,2008)</li> </ul>	December, 2005	December, 2011

## 【 Kaminoseki 】

	Output (Million kW)	Conditions	Start of Construction	Start of Business
No. 1	1. 373	<ul style="list-style-type: none"> <li>Detailed surveys are in progress to acquire the data necessary for permission to construct a nuclear reactor (Began in April, 2005)</li> </ul>	FY2011	FY2016
No. 2	1. 373		FY2014	FY2019



# Capital Expenditure Plan

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(Unit: Billion Yen)

Fiscal Year		FY2008 (Estimated Result)	FY2009 (Plan)	FY2010 (Plan)
Classification				
Power Source	Hydroelectric	3.2	3.4	3.3
	Thermal	12.2	13.5	10.0
	Nuclear	112.7	92.4	107.3
	Subtotal	128.2	109.3	120.7
Electric Power Transport	Transmission	14.8	15.9	15.3
	Transformation	7.6	12.1	11.0
	Distribution	16.0	15.6	15.3
	Subtotal	38.6	43.6	41.7
Nuclear Fuel		9.3	24.2	24.0
Others		15.6	13.0	17.1
Total		191.8	190.2	203.6

# Financing Plan

(Unit : Billion Yen)

Classification		Fiscal Year	FY2008 (Estimated Result)	FY2009 (Plan)	FY2010 (Plan)
Capital expenditure			191.8	190.2	203.6
Source Of Funds	Internal Funds		152.6	140.4	172.2
	External Funds		39.2	49.8	31.4
	Bonds	(Amount Issued)	(105.0)	(115.0)	(145.0)
		Net change in balance	4.6	74.6	74.5
	Loans		34.6	▲24.8	▲43.1
Total			191.8	190.2	203.6
Interest-Bearing Debt (End of FY)			1,562.0	1,612.2	1,644.1

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