

Investors Meeting for FY 2005 Supply Plan

The Chugoku Electric Power Co., Inc.
March 31, 2004

In this presentation, the term “Fiscal Year 2004” describes the period which ended March, 2004

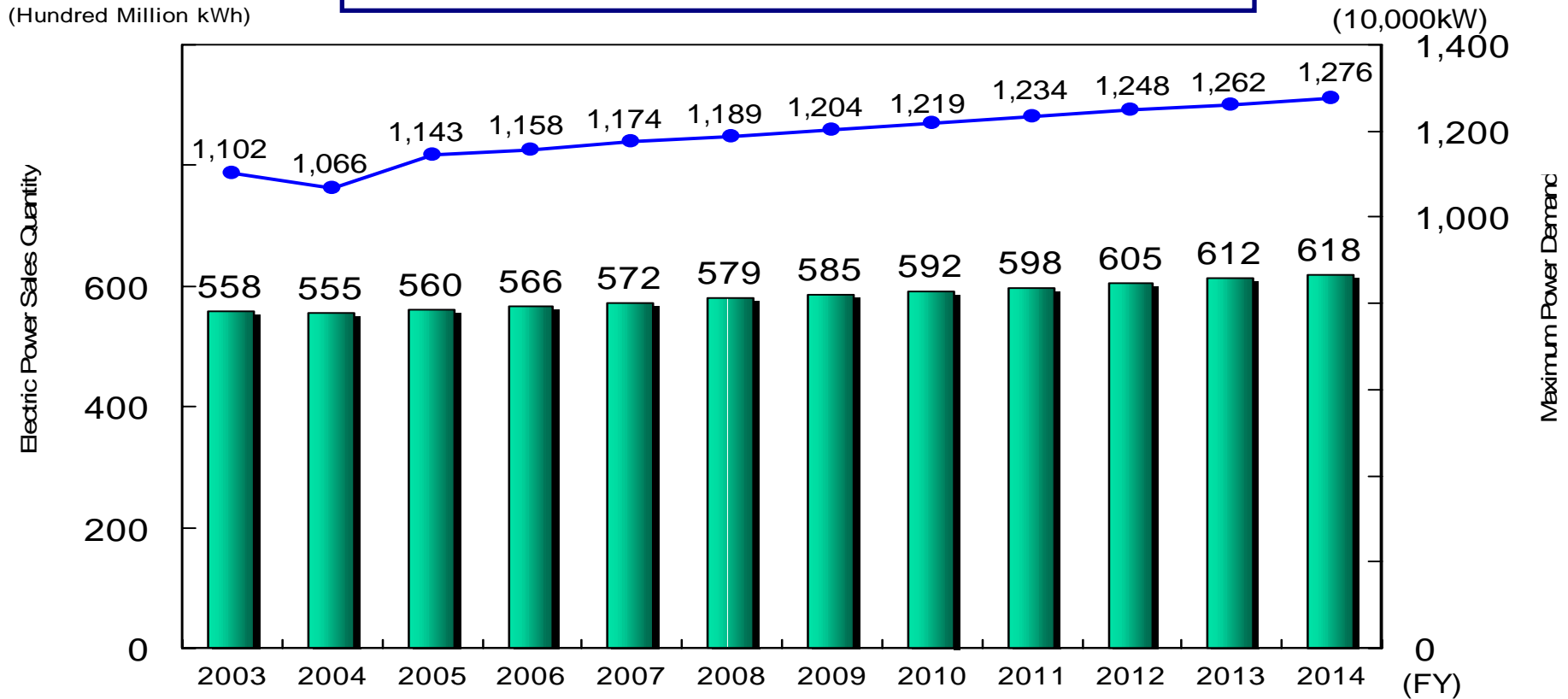
. Business Strategy

1 . Electricity Power Sales Plan

Electricity Power Sales Plan

~ Electric power demand will exhibit/slow but steady increase in the long-to-mid term ~

Estimated Electricity Sales and Maximum Power Demand



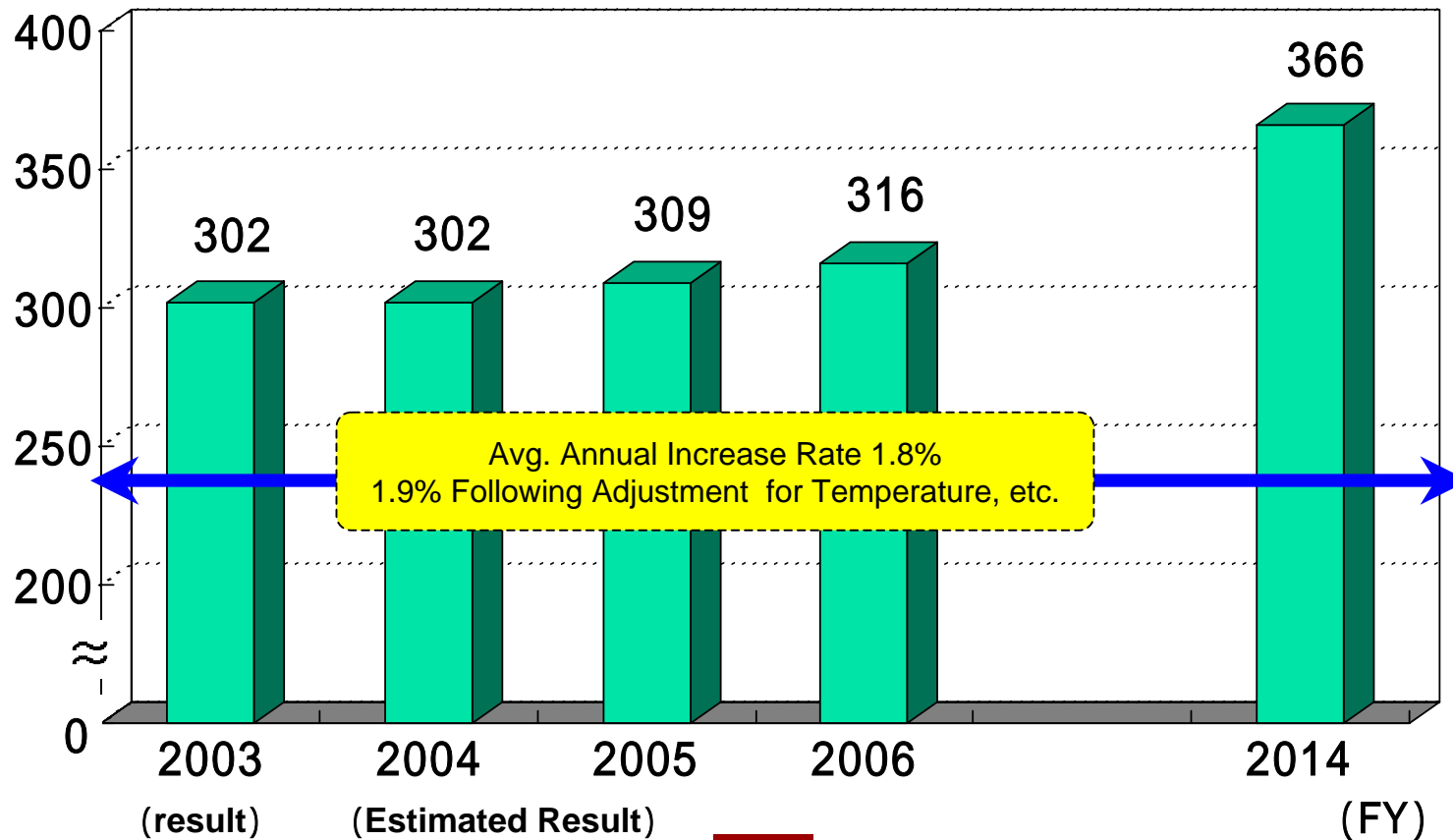
	Electricity Sales	Maximum Power Demand
Average Annual Increase Rate 2003-2014 (Following Adjustment for Temperature, Other Factors)	0.9% (1.0%)	1.3% (1.2%)

Trends for Living-Related Demand

~ Sure to increase in the future due not only to the development of an aging and Information-dependent society and the increased amenity, but also increased diffusion of electrical housing ~

Estimated Living-Related Demand

(Hundred Million kWh)

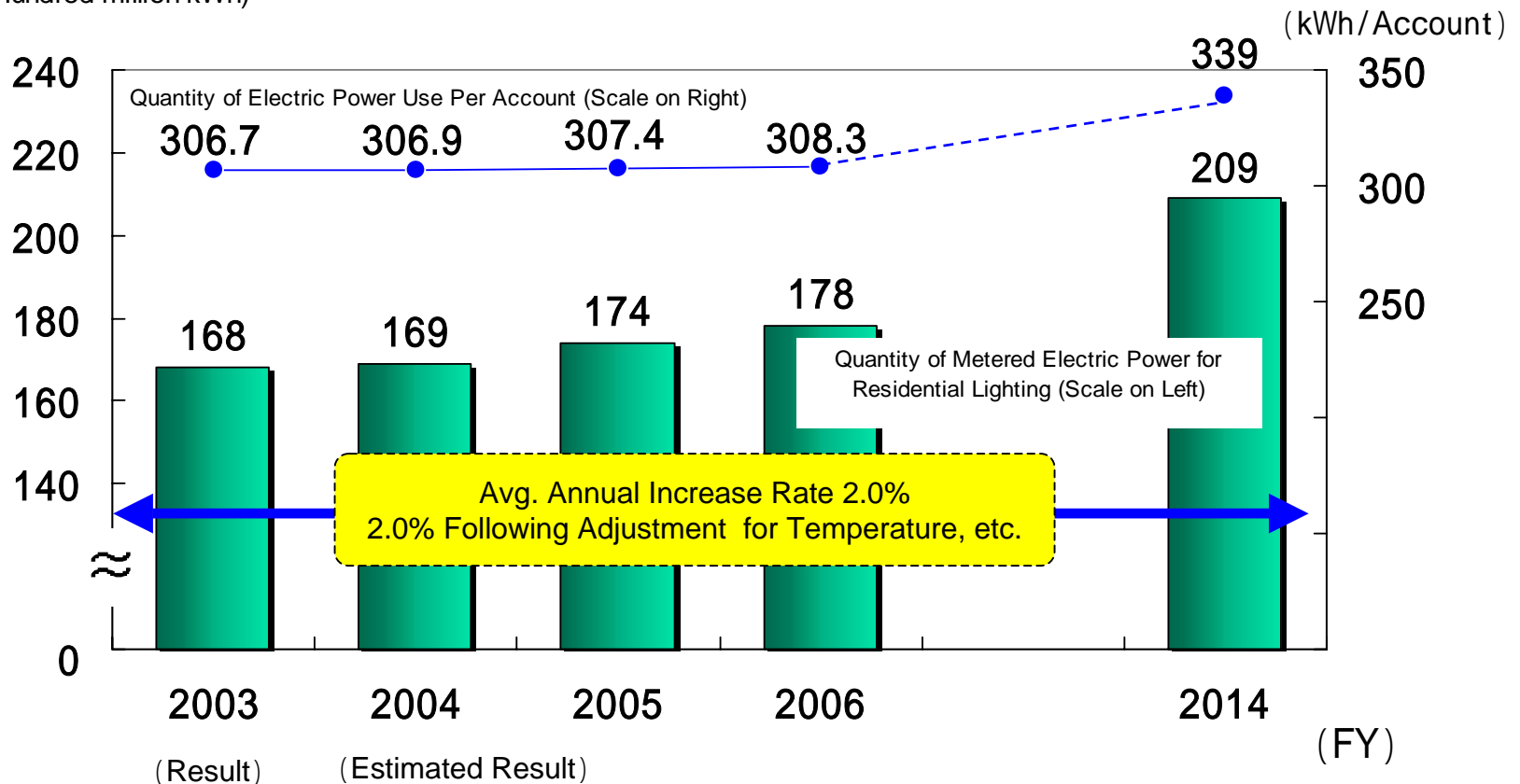


Trends for Electrical Lighting

~ Stable growth due to increased diffusion of electrical devices and electrical housing ~

Total Quantity of Electric Power for Residential Lighting/Quantity of Electric Power Used Per Account
(Meter-Rate Lighting A, Following Adjustment for Temperature, etc.)

(Hundred million kWh)

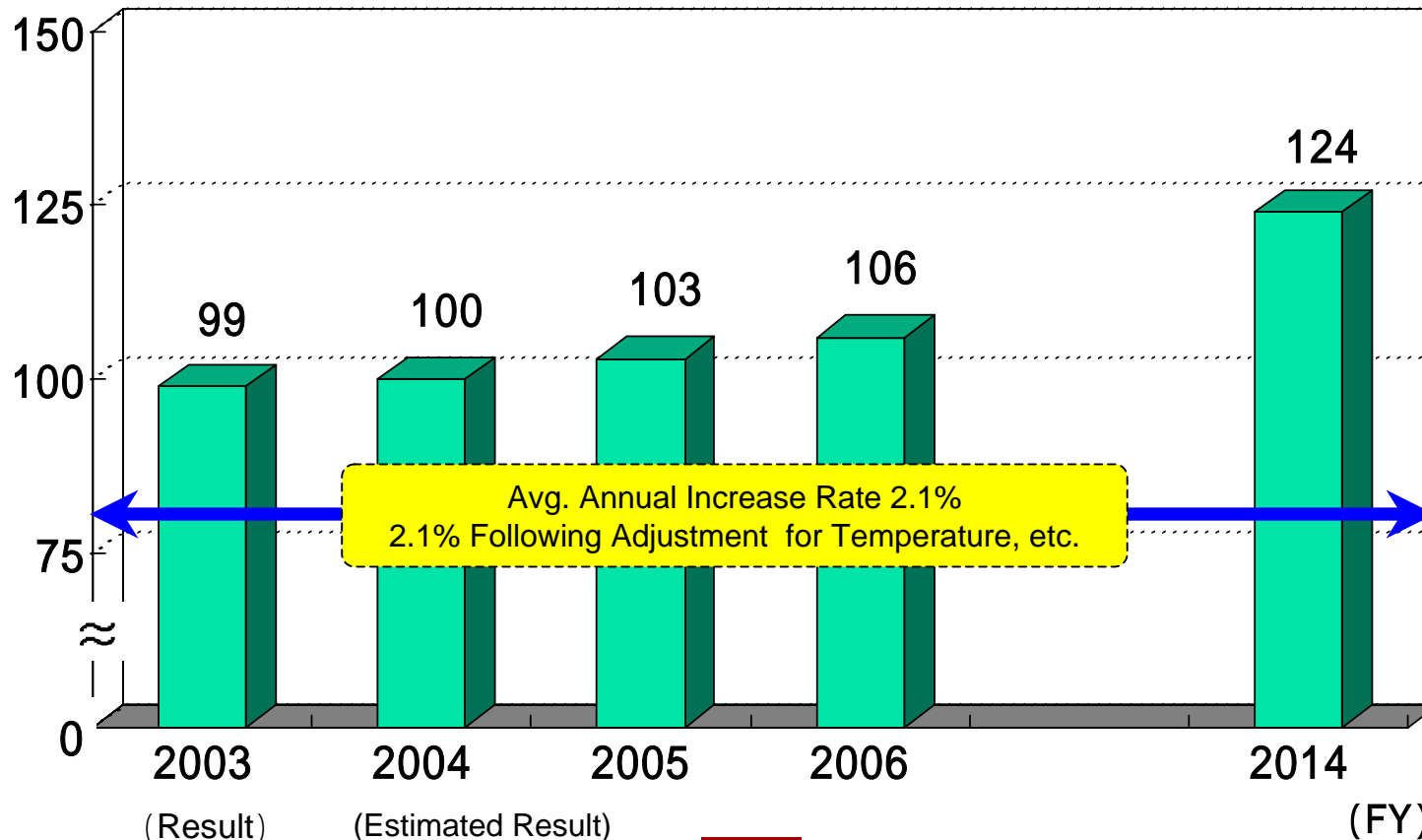


Trends in Commercial Power Use

~ A steady increase is estimated for the future due to expansion of medical and welfare facilities and opening large-scale stores ~

Estimated Commercial Power Use

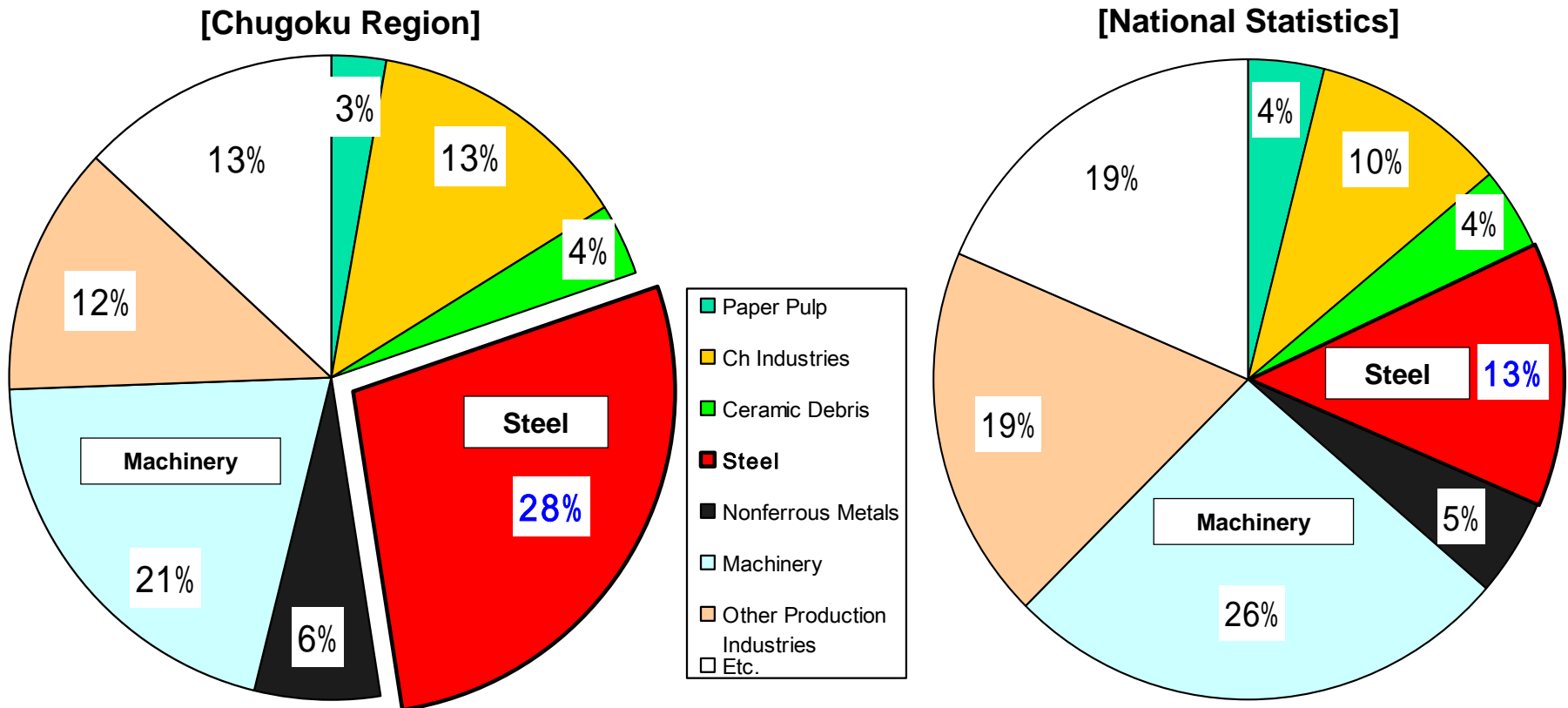
(Hundred Million kWh)



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 28% , National statistic13%)

Percentage Distribution of Large Industrial Power, Classified by Industry
(2003 Calendar Year)

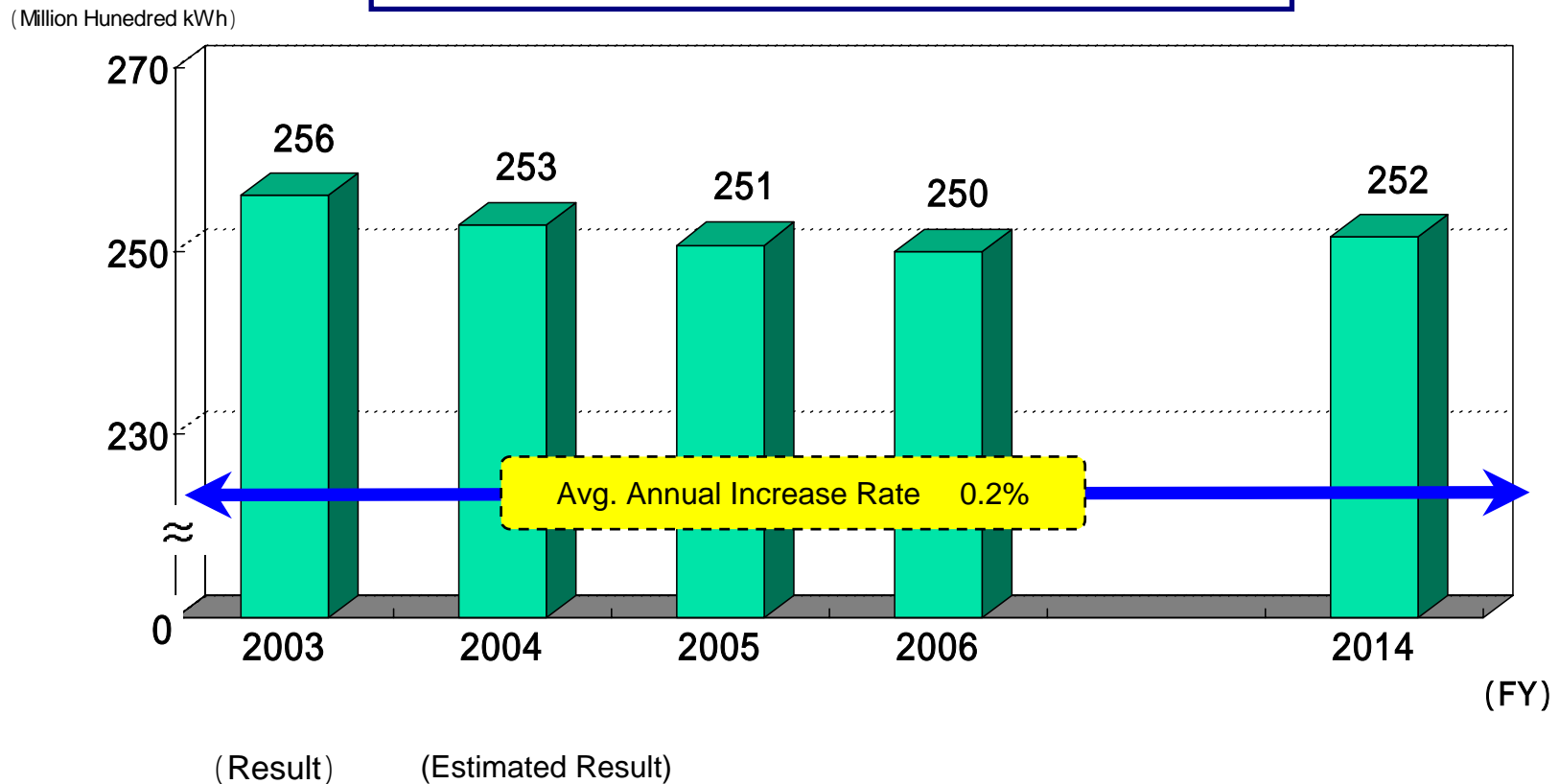


Source: National statistics were taken from studies conducted by The Federation of Electric Power Companies of Japan

Trends in Industrial Demand

~ Industrial demand is expected to remain flat due to little increase in material-producing industry, etc. ~

Estimated Industrial Demand



2 . Response to the Expansion of the Range of Liberalization ~ Strengthen Business Abilities ~

Effects Resulting From the Expansion of the Range of Liberalization

~ **Approx. 60% electricity sales is liberalized at April, 2005** ~

March,2000 (2,000kW or Greater, 20,000V or Greater)

Number of Customers : 372
Electricity Sales : Approx. 17 Billion kWh
(Weight: Approx. 30%)
Weight Accounts for Approx. 20% of Income.

April, 2004....500kW or Greater

Number of Customers: Approx. 2,500
Electricity Sales : Approx. 24 Billion kWh
(Weight: Approx. 40%)
Weight Account for Approx. 30% of Income.

April, 2005...50kW or Greater

Number of Customers: Approx. 48,000
Electricity Sales: Approx. 36 Billion kWh
(Weight: Approx. 60%)
Weight Account for Approx. 50% of Income.

February,2003
Strengthen business abilities

For the next expansion of the range of liberalization
February,2004
Further strengthen business abilities

- 1.Number of customers:At the end of September,2003 (Eligible Customers : At the end of January, 2004)
- 2.Electricity Sales and Income : FY2003

Business Strategies

Further strengthen business abilities to strengthen the relationship with customers

Business strategies

Strengthen price competitiveness

Strengthen business abilities

Diversify added value services

Expand range of liberalization

Intensified competitive environment

Strengthen relationship with customers

**Further accelerate efforts in response to intensified competition in the future
Implement substantial two-way communication to improve customer satisfaction**

Strengthening Business Abilities

Extra-high and high voltage of 500kW or more

Outline of strengthening

Further strengthen individual proposal activities

Personnel

Increase personnel by approximately 30 in February 2004, with a focus on technological support staff

High voltage of less than 500kW

Outline of strengthening

New expansion and mass marketing of individual proposal activities

Personnel

Increase personnel by approximately 110 from February 2004 to February 2006 (approximately 80 office personnel, and approximately 30 technological support staff members)

Household demand

Outline of strengthening

Strengthening of business activities and strategic functions in housing complex and housing renovations

Personnel

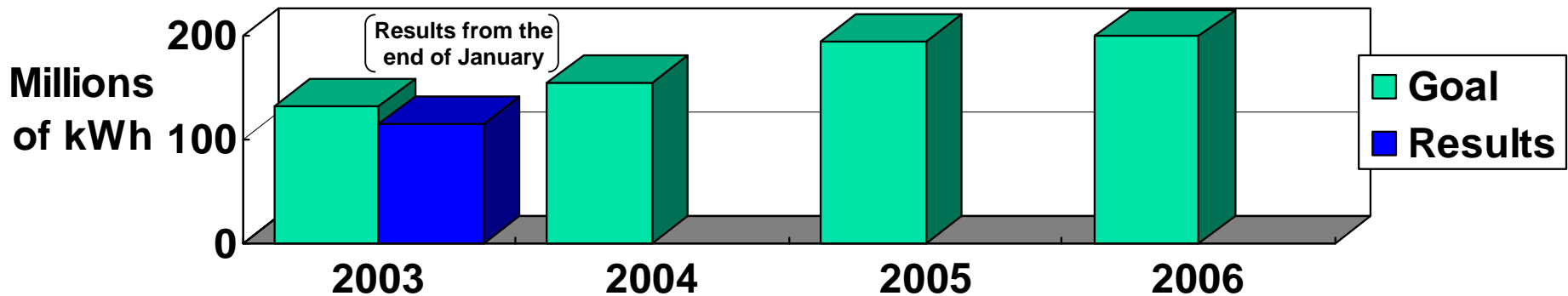
7 personnel in February 2004 (strengthening strategic functions at headquarters, and investigating future business systems)

Projects for the Acquisition of New Corporate Demand [Corporate Field]

Specific projects

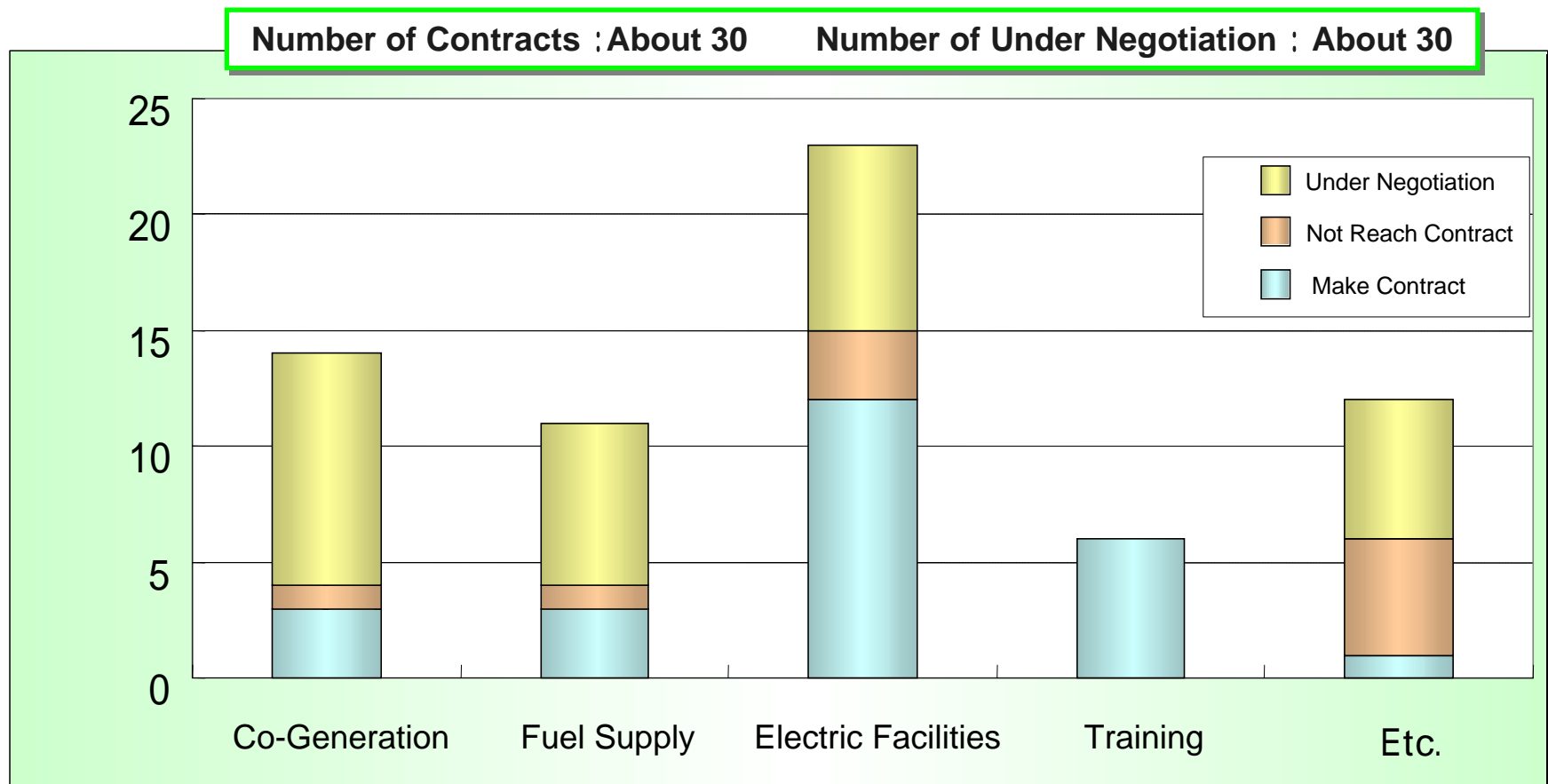
Strengthen of proposal activities for regional chain stores
Strengthen of business activities for sub-users, such as design offices
Enhance customer services, such as a cost evaluation of aging private-generation facilities through energy analysis using technological proposal skills
Utilize group-wide management resources to promote optimal system proposals based on the energy needs of our customers, including the introduction of co-generation

Goals for New Acquisition of Corporate Demand



Overall Group Total Solution Proposals [Corporate Field]

Conditions of group proposals in corporate field
(Regarding energy proposals) [as of the end of December FY2004]



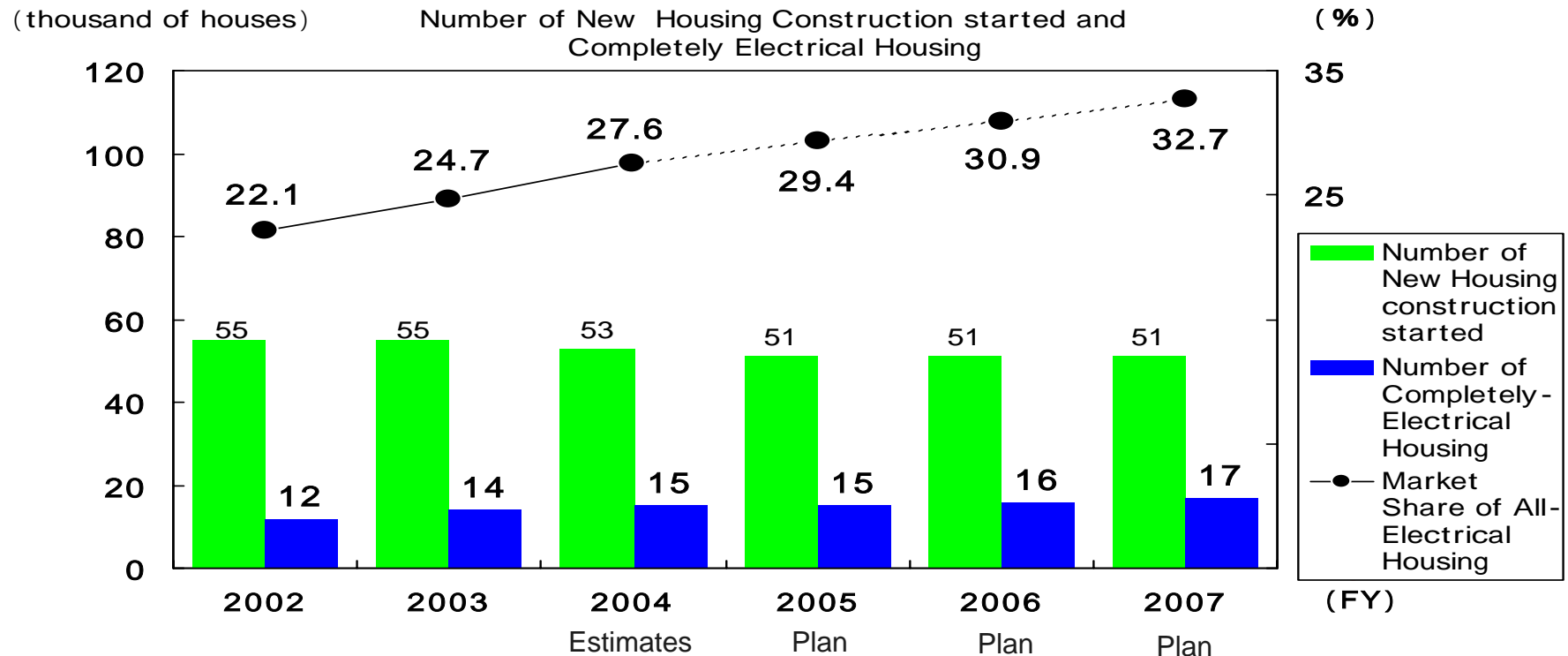
Projects for the Acquisition of New Household Demand [Household Sector]

Specific projects

Strengthen proposals to apartment complex developers
[Conversion of housing complexes to electric power]

Make the best use of Leasing [electrical remodeling of existing housing]

Aggressive marketing of discounted electric power rate offers



. Power Source Development/ Management Efficiency Plan

1 . Power Source Development Plan

Features of FY2004 Plan

This is an overall plan, with consideration for the maintenance of stable supply, the promotion of the diversification of power sources based on efficient facilities, responding to global environmental issues, and regional business concerns.

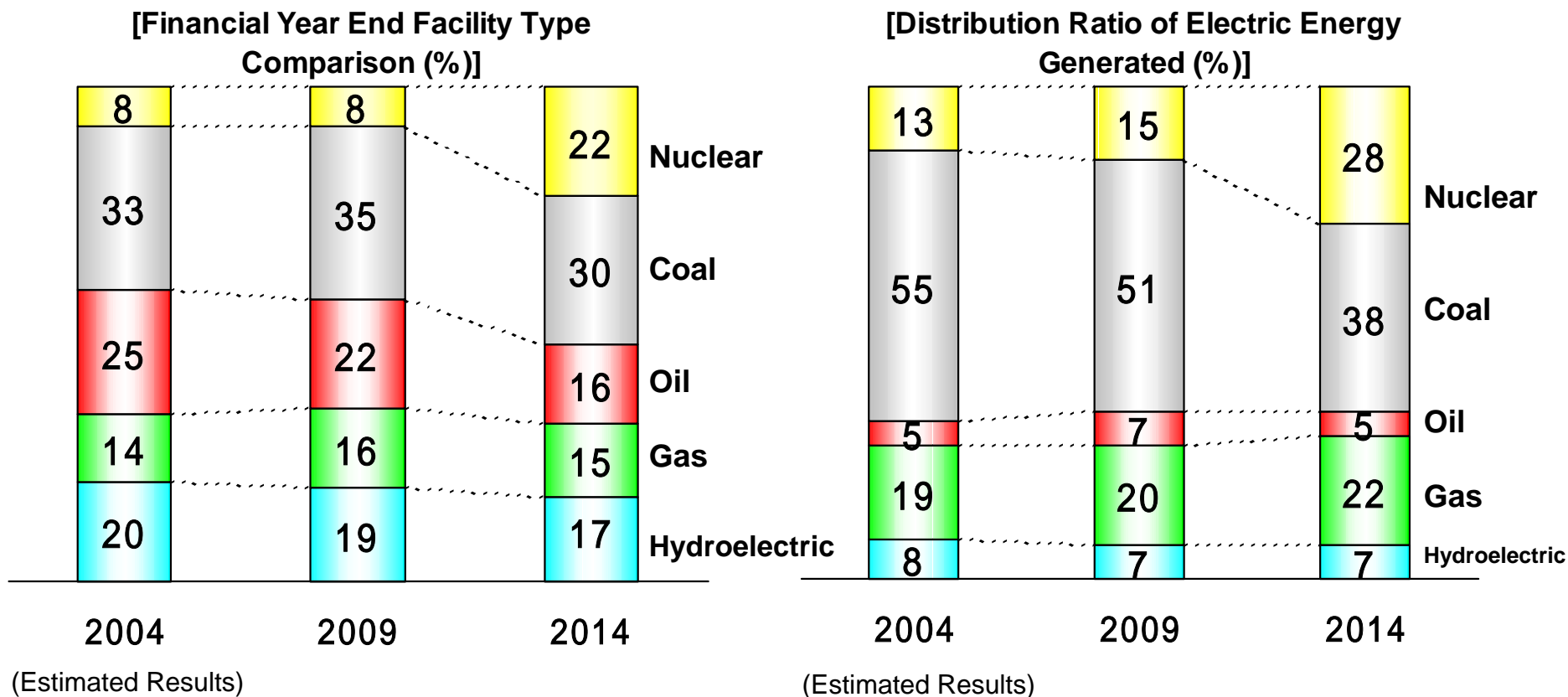
Chart of the power source development plan

Note: Red type indicates areas of modification from the FY2004 plan [Units: 10,000kW]

Classification		Fiscal Year												
		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015-	
Power source development plan	Chugoku Electric	Hydroelectric power				Shintaishakugawa 1.1								
		Thermal power				Mizushima3 35 34 Petroleum LNG		Osaki 1-2 25/50 Coal	Mizushima 1 12.5 26.5 Coal LNG					Misumi 2 40 Coal FY2018
		Nuclear power								Shimane 3 137.3				Kamino-seki 1 137.3 FY2017
	Other companies	UPC 19.5 Mitsubishi Rayon 4.0									Oma 9.3/138.3 Nuclear power			
Supply and demand balance	Supply power	10,000 kW	1,329	1,285	1,319	1,318	1,288	1,305	1,337	1,337	1,401	1,401	1,401	
	Maximum demand power	10,000 kW	1,066	1,143	1,158	1,174	1,189	1,204	1,219	1,234	1,248	1,262	1,276	
	Supply reserve rate	%	24.7	12.4	13.9	12.2	8.3	8.4	9.7	8.4	12.3	11.0	9.8	

Power Source Comparison [Including Purchased Power from Other Companies]

Nuclear facility comparison increased to 22% by the start of operations at Shimane No.3 and Kaminoseki No.1 at the end of FY2014



Conditions of Nuclear Power Development

The development of new nuclear power is the most important issue for the management of the stable maintenance of long-term energy, economic issues, and global environmental issues.

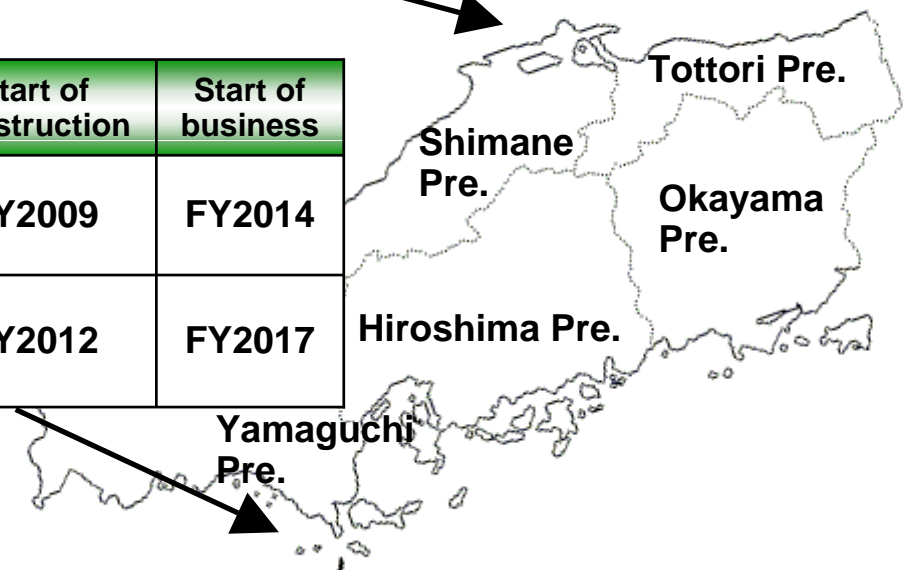
[Shimane No. 3]

Output (10,000kW)	Conditions	Start of construction	Start of business
137.3	<ul style="list-style-type: none"> Completion of compensation negotiations with the fishing industry Completion of Shimane nuclear power construction office Start of construction preparations 	March 2005	March 2011

Construction rate of nuclear power facilities (as of the end of FY2004)	
Chugoku Electric Power	8%
National Average	20%

[Kaminoseki]

	Output (10,000kW)	Conditions	Start of construction	Start of business
No. 1	137.3	<ul style="list-style-type: none"> Completion of environmental assessment procedures 	FY2009	FY2014
No. 2	137.3	<ul style="list-style-type: none"> Preparing for detailed investigation for approval of application for the construction of nuclear reactor 	FY2012	FY2017



2 . Response to Important Issues of Supply/Demand

- Maximum effort to achieve our goal for the reduction of CO₂ emissions -

Our goal for the reduction of CO₂ emissions

Reduce the basic unit of CO₂ emissions occurring in FY2011 to approximately 20% of that for FY1991.

Implement a variety of CO₂ reduction measures to achieve our goal.

Although it will be extremely difficult to accomplish in FY2011 due to the 1-year postponement of Shimane No. 3, we will apply maximum effort toward achieving this goal.

Primary projects currently implemented

Operation of nuclear power at consistent rated thermal output
Fuel conversion to LNG (Mizushima No. 1 and No. 3)
International projects (carbon fund, Australian afforestation)



Future projects

Improvement of nuclear power facility utilization rates, as a prerequisite for maintaining safety
Promotion of the introduction and proliferation of new energy
Development of new technologies
Application of Kyoto mechanism

Introduction of Seasonal Operation System for Peak Thermal Power Source

- Strengthen competitiveness with the introduction of a seasonal operation system -

1. Target units

Kudamatsu Power Station No. 3 (output: 700,000kW, fuel: oil)

2. Introduction period

February 2004



Results Achieved through the Introduction of this System

- 1. Reduction of cost to strengthen competitiveness**
Efficiency value: approximately 300 million yen annually
- 2. Strengthening of the comprehensive energy supply business through efficient use of personnel**

* Seasonal operation:

- This system allows the operation of generators only when a power source is in frequent operation during high-demand periods in summer and winter (peak power source) . During low demand period in spring and fall these resources are applied to areas of business other than the operation of generators.
- Efficiency is achieved in personnel and operation consignment fees through a reexamination of business content.

Response to Issues Regarding Coal Procurement

- Response to the strain in supply/demand and the rising cost of coal -

Response from Chugoku Electric Power

- **Combination of stable procurement and cost reductions as primary fuel**
 - Maintain required volume through seasonal contracts
 - Expand nearby sources of coal and the types of coal used
 - Promote the dispersion of shipment ports
 - Maintain a shipping system with exclusive vessels unaffected by market conditions

Reduction of procurement risk

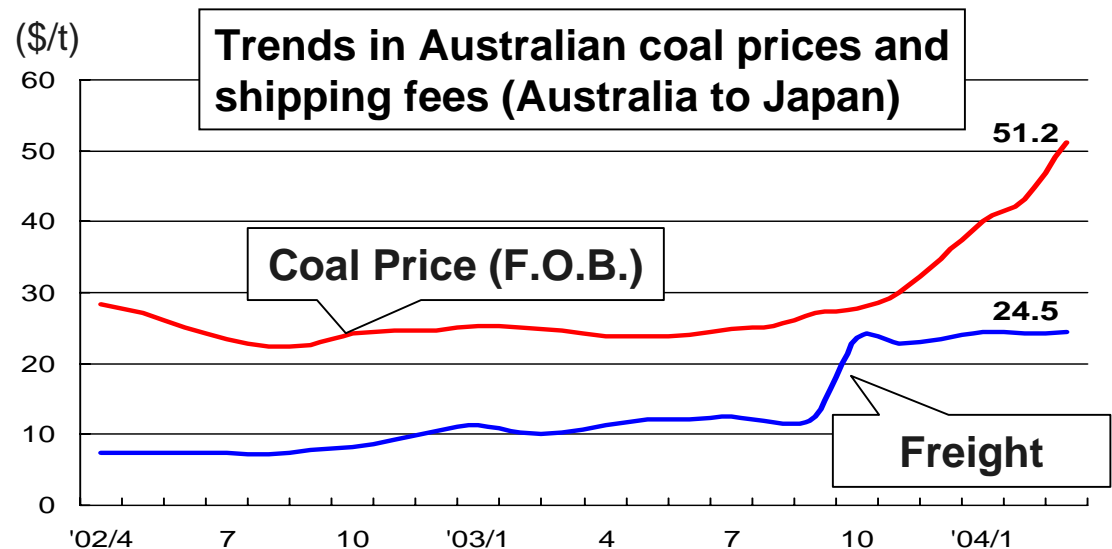
Background of strain in supply/demand

Advanced economic growth in China

- Reduction in coal exports from China
- Rapid increase in the volume of raw materials imported to China

Unstable shipments of Indonesian coal due to bad weather

Long-term demurrage at Newcastle Port, Australia



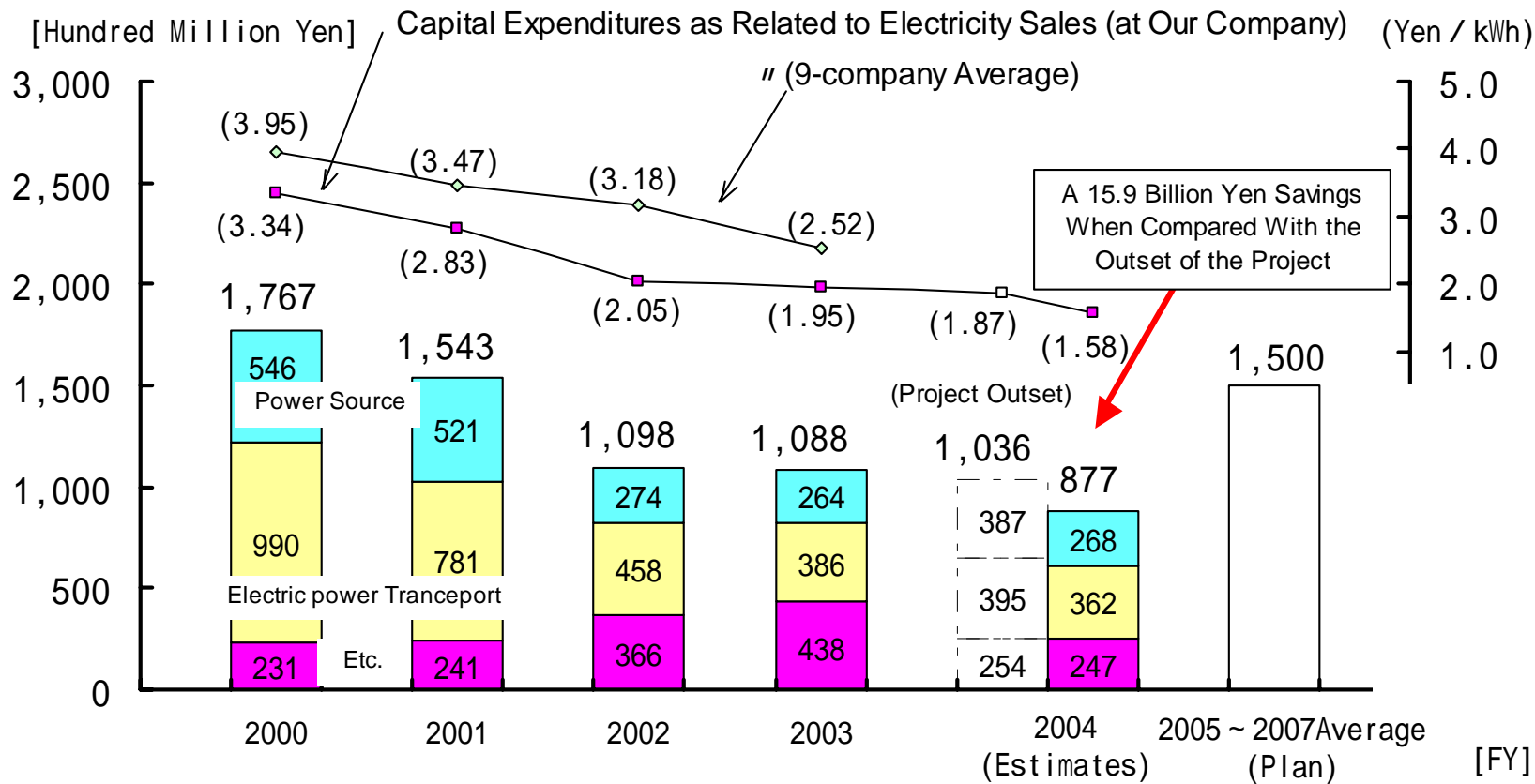
3 . Management Efficiency Plan

Efforts to Increase Management Efficiency [Controlling Capital Expenditures]

Capital expenditures 2005-2007 FY : Approx. 150 billion yen (Three-year average)

- Development and Introduction of New Technology / Review of Design and Construction
- Effective Use of Existing Facilities

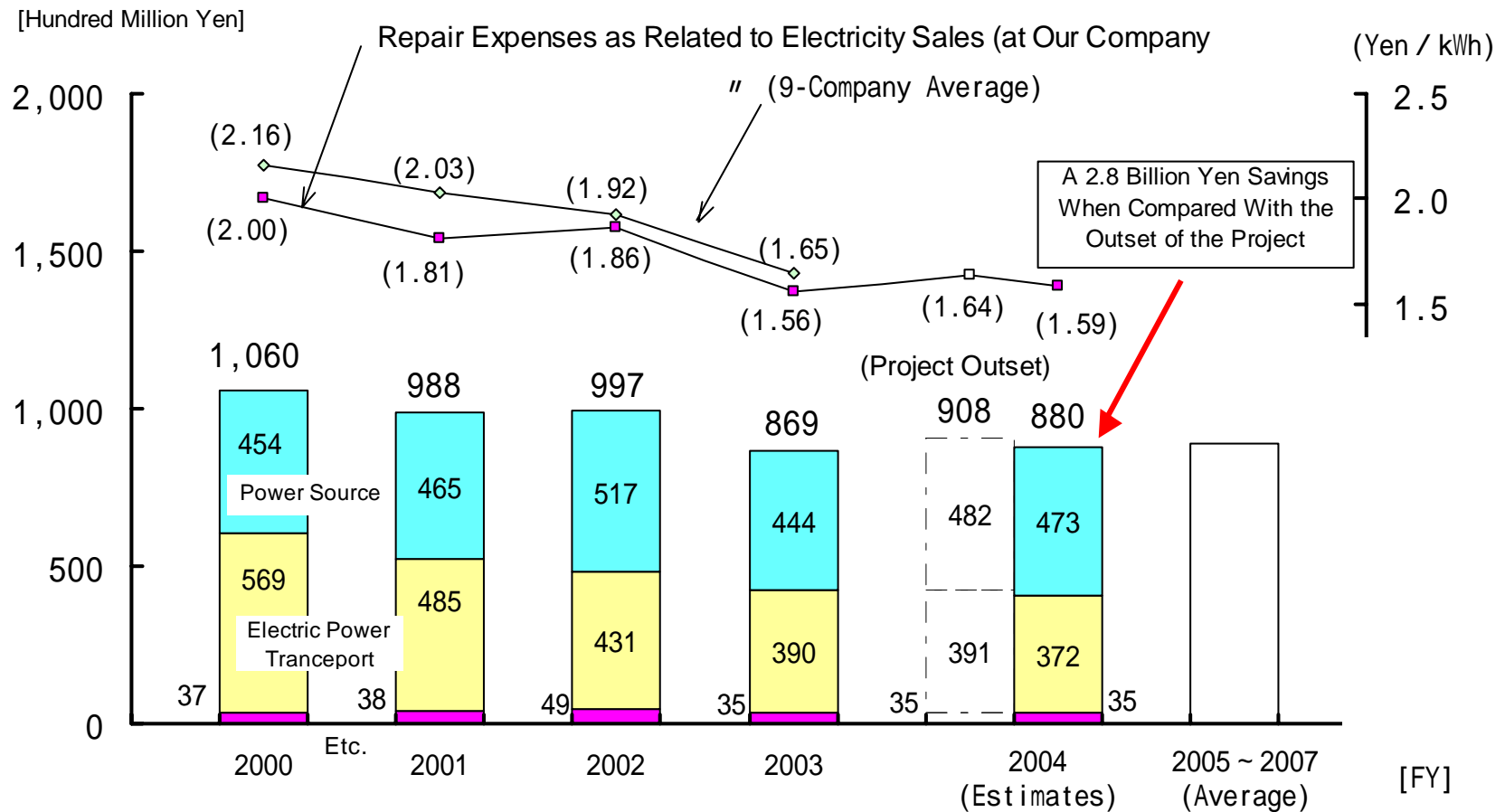
Capital Expenditure Trends



Efforts to Increase Management Efficiency [Controlling Repair Expenses]

Replacement and testing cycle review by using facility diagnosis technology

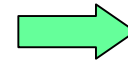
Repair Expense Trends



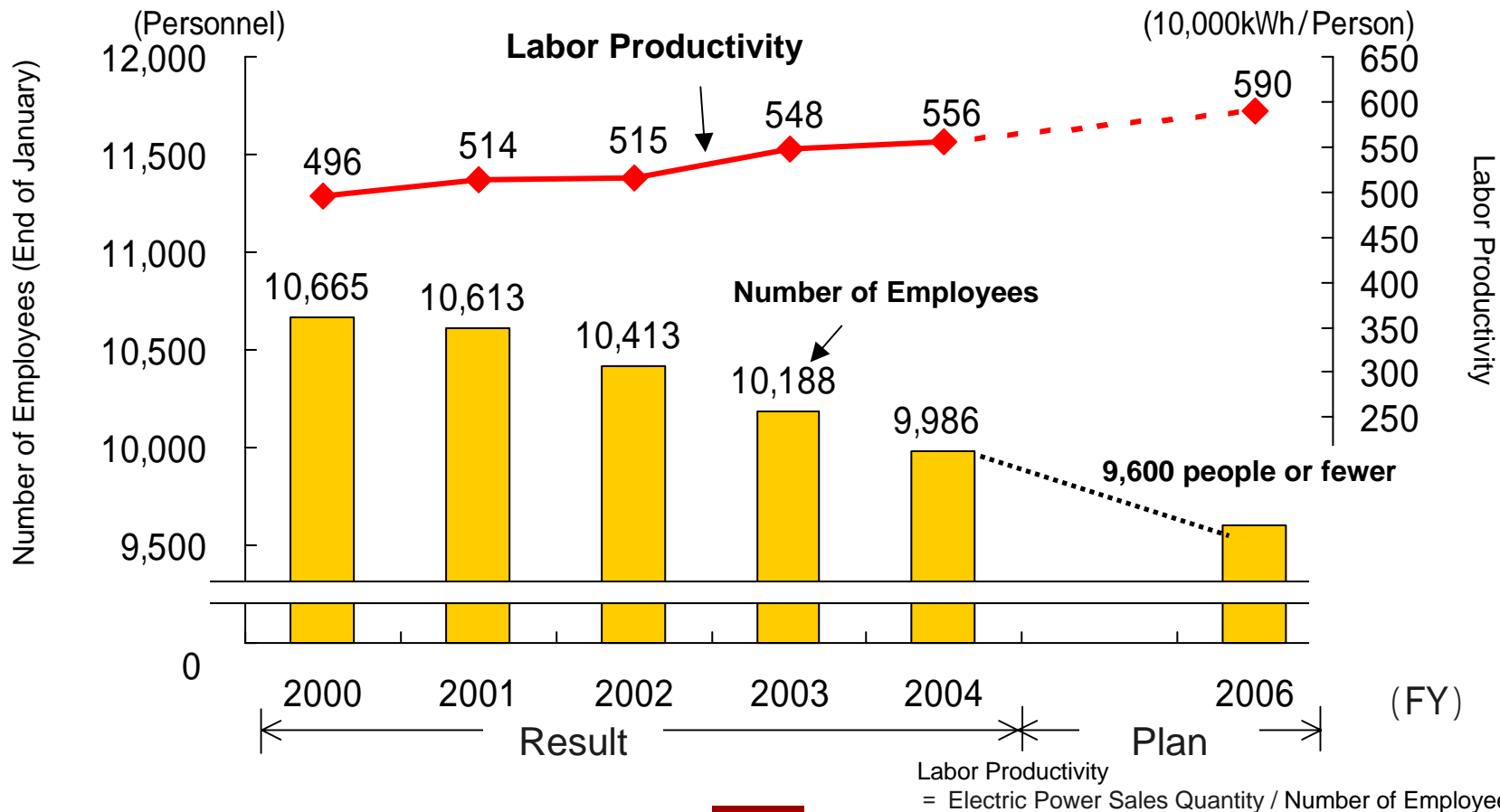
Efforts to Increase Management Efficiency (Labor Productivity Enhancement)

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



Strategies for Management Efficiency (1/2)

- Activation of human resources and reformation of corporate climate -

Reformation of work style

[First tested in the corporate planning department, and then expanded throughout headquarters beginning in April 2004]

[Efficient administration of meetings through collaboration]



- Implementation of projects to achieve our goal of “maximizing the utilization of IT (information technology) and promoting effective work, in order to improve productivity and increase decision making speed”.

[Results]

1. Time saved due to an increase in decision making speed (strengthening of projects for important business)
2. Improvement of individuals’ motivation and skills (improvement in organizational strength)

Strategies for Management Efficiency (2/2)

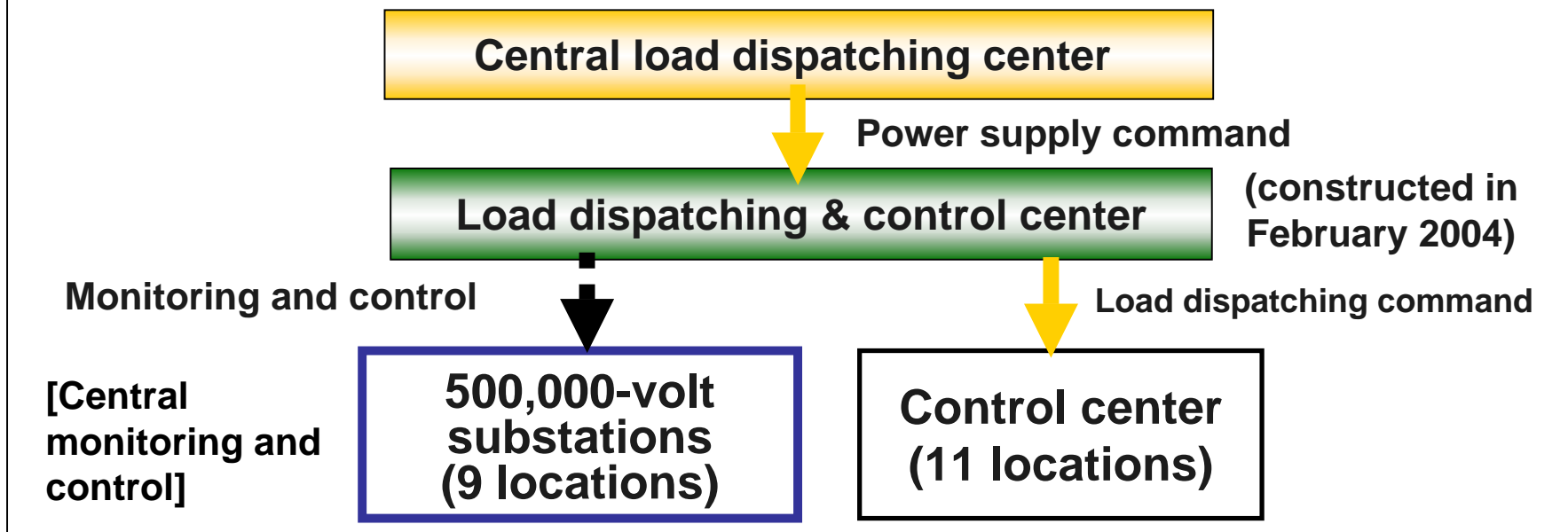
- Increasing the efficiency of power network operation -

Construction of load dispatching & control center (February 2004)

- Combine the five load dispatching center in the five prefectures of the Chugoku Region to create a main dispatching control center. At the same time, gradually implement centralized monitoring and control functions for 500,000-volt substations (9 locations) by February 2008.

Results: Refinement of organization, systems, and personnel

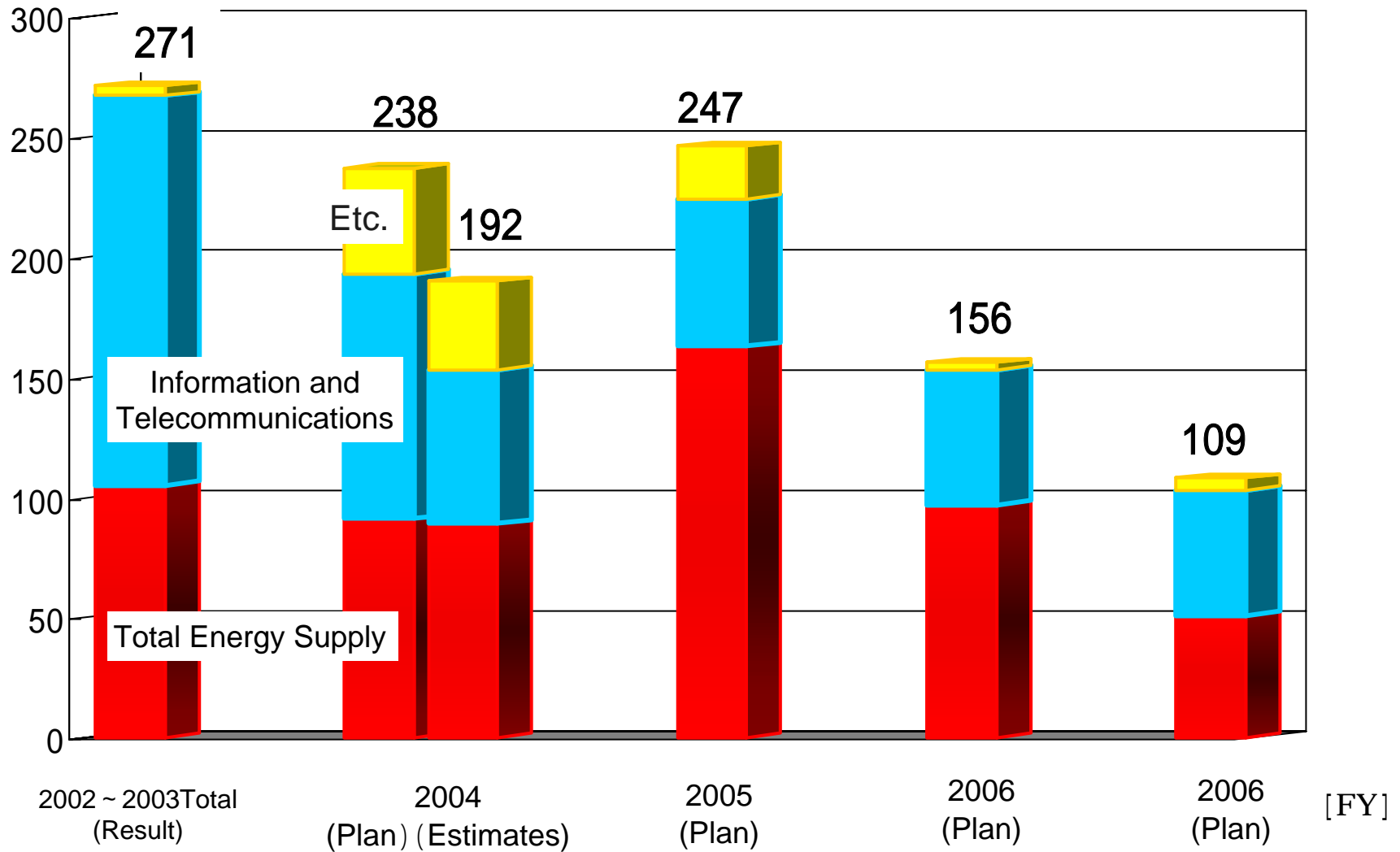
Operation system for power network (upon completion in February 2008)



4 . Capital Expenditure to Start-up Businesses

Capital Expenditure to Start-up Businesses

(Hundred Million Yen)



-
- 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 Corporate Planning Manager at the Address Below:

730-8701

Hiroshima-Shi, Naka-ku, Komachi 4-33

The Chugoku Electric Power Co., Inc.

Corporate Planning Department

TEL (082) 523-6081

FAX (082) 523-6090

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