

<II. Measures for strengthening competitiveness>

1. Projection for electricity sales and peak demand

Over the long term, while solid growth is expected in consumer demand for commercial-use and household-use of electricity, a slowdown in the growth of both electricity sales and peak demand is predicted by stagnant economic growth rate, intensifying competition between energy sources and advances in energy conservation. From FY2002 to FY2013, TEPCO estimates that the average annual growth of electricity sales will be 1.3 per cent after temperature adjustments, and that peak demand will be 1.2 per cent after temperature adjustments – marking the sixth consecutive annual downward revision. These figures fall further below the lowest level ever, indicated in the previous projection.

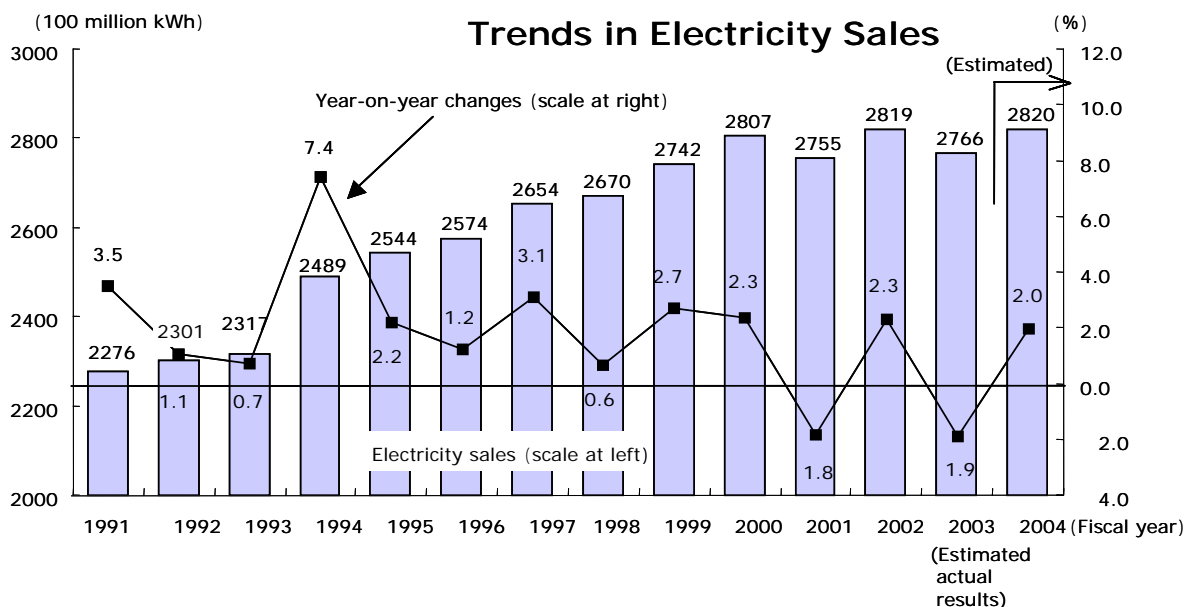
Estimated electricity sales for FY2004 will be 282.0 billion kWh, up 2.0 per cent from the previous fiscal year, rising for the first time in the past two years due to greater demand for air-conditioners in a reversal effect from last year's cool summer season, and peak demand (daily peak at the generation end) will be 62,000MW in case of usual summer temperatures, and 64,500MW in case of an unusually hot summer.

[Outlook of Electricity Sales and Peak Demand]

		FY2002 actual results	FY2003 estimated actual results	FY2004	FY2005	FY2012	FY2013	Average annual change (%/year) FY2002-2013
Electricity Sales	Electricity (100 million kWh)	2819.0	2766.0	2820.0	2849.0	3,157 [71]	3203.0	-
	Annual rate of increase (%)	2.3	1.9	2.0	1.0			1.2 (1.3)
Peak summer demand 3-day average transmission- end	Peak demand (MW)	6053.0	5531.0	5945.0	6001.0	6,617 [169]	6709.0	-
	Annual rate of increase (%)	1.5	8.6	7.5	0.9			0.9 (1.2)

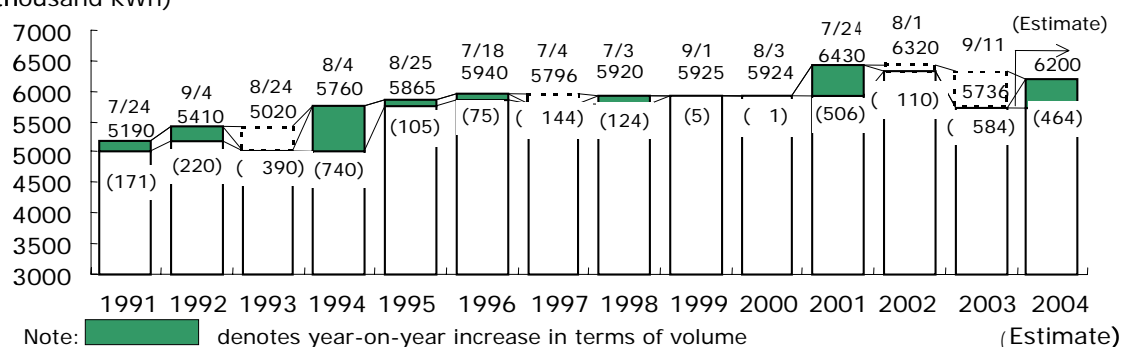
(Note 1) Figures in brackets under annual rate of increase represent annual rate of increase after temperature adjustments.

(Note 2) Figures within [] under FY2012 represent difference with projections made in the FY2003 supply plan.



Trends in Peak Demand (daily peak at the generation end)

(10 thousand kWh)



2. Construction of efficient new facilities

TEPCO will build up its power generation capacity by 10,570MW over the next 10 years in order to ensure a stable power supply and energy security by promoting the construction of efficient new facilities aimed at attaining the twin goals of strengthening competitiveness and fulfilling its social mission, while taking into account their economical and operational efficiency and environmental compatibility including reduced levels of CO2 emissions.

[Major Development Plans for Power Generation Plants]

	Location	Output (MW)	Start of Construction	Start of Operation	Notes
Nuclear power	Fukushima Daiichi #7, #8	1,380 each	April 2006	October 2010, October 2010	Preparation for Construction
	Higashidori #1, #2	1,385 each	FY2006, FY2008 onwards	FY2012, FY2014 onwards	Preparation for Construction
Coal-fired thermal power	Hitachinaka #2	1,000	May 2000	FY2010 onwards	Under construction
	Hirono #5	600	Sept. 1999	July 2004	Under construction
	Hirono #6	600	FY2007	FY2010	Preparation for Construction
LNG thermal power	Futtsu #4 grid	1,520	March 1998	July 2008- July 2010	Under construction
	Kawasaki #1 grid	1,500	Aug. 1999	July 2007- July 2009	Under construction
	Kawasaki #2 grid	1,500	FY2011 onwards	FY2014 onwards	Preparation for Construction
Pumped storage type hydroelectric power	Kazunogawa	1,600	Nov. 1992 Aug. 1997	Dec. 1999, June 2000 FY2014 onwards	Under construction
	Kannagawa	2,820	Feb. 2000	July 2005, July 2010 FY2014 onwards	Under construction

[Wide Area Development Plans for Power Generation Plants

Location	Developer	Output (MW)	Start of construction	Start of operation	Notes
Iaogo Shin #2	J-POWER	600	Feb. 2006	July 2009	Coal-fired thermal power
Ohama	J-POWER	1,383	Aug. 2006	March 2012	Nuclear power
Higashidori #1	Tohoku Electric Power Co.	1,100	Dec. 1998	July 2005	Nuclear power

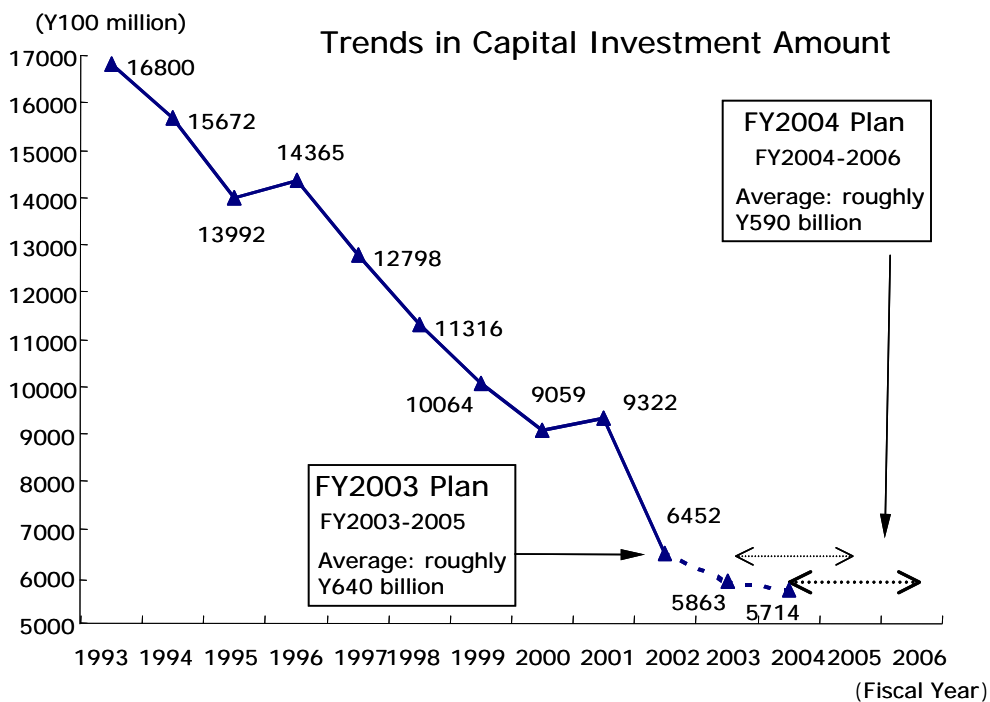
3. Taking on the challenges of further reductions in costs

TEPCO will actively seek to cut costs in all areas from management procedures and contracts to the construction, operation and maintenance of facilities.

(1) Reductions in capital investment

TEPCO will restrict capital investment while maintaining reliability of electricity supply by extending the timing for facility enforcement through more effective use of existing facilities and by efficient construction and operation of facilities.

Additionally, TEPCO will reduce procurement costs by promoting rationalization and standardization of specifications related to materials and equipment, construction work and consignment, as well as improving its ordering method. In this way, plant and equipment investment will be held at “an average Y590 billion a year for the three-year period from FY2004 to 2006,” roughly Y50 billion less than projected in the plan for the previous fiscal year.

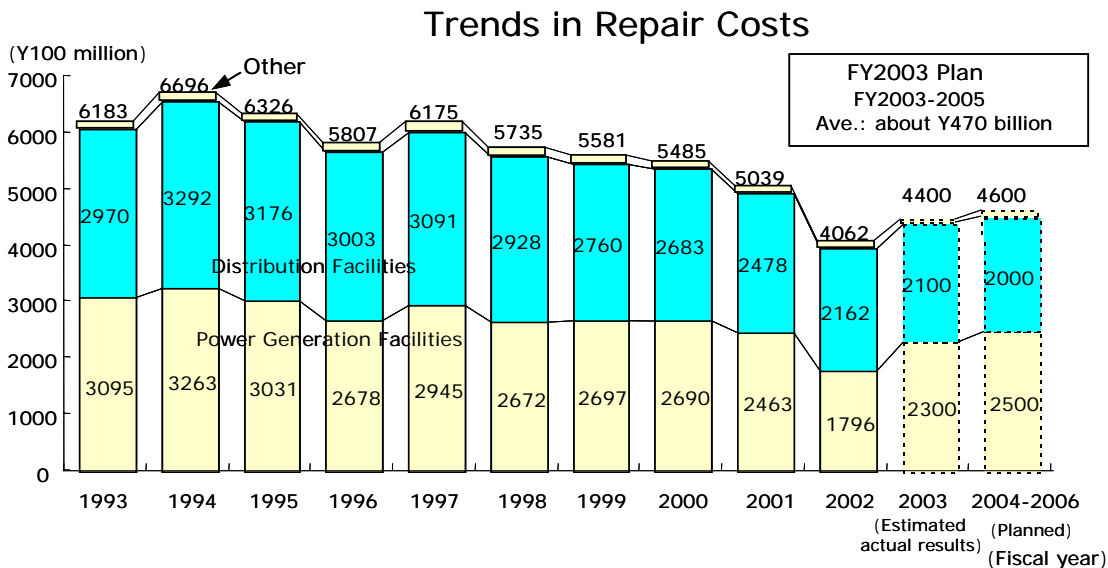


[Capital Investments and Plants for Fund Procurement]

		Fiscal year		FY2003 (Estimated Actual Value)	FY2004	FY2005
		Power Generation	Distribution			
Capital Investment Amount	Hydroelectric			317	315	276
	Thermal			1,069	840	624
	Nuclear			662	911	853
	Subtotal			2,048	2,066	1,753
	Transmission			779	866	968
	Transformer			492	421	508
	Power supply			1,230	1,206	1,132
	Subtotal			2,501	2,493	2,608
	Other			257	252	165
	Total			4,806	4,811	4,526
Fund Procurement	Nuclear fuel			1,057	903	870
	Grand total			5,863	5,714	5,396
	Self-financing			9,274	10,792	9,710
	Retained earnings			8,686	9,691	8,469
	Other			588	1,101	1,241
	External financing			3,411	5,078	4,314
	Corporate bonds (issue amount)			5,343	2,500	2,500
	Proceeds from bond issuance			707	1,491	1,509
Loans			4,118	6,569	2,805	
Grand total			5,863	5,714	5,396	

(2) Reductions in repair costs

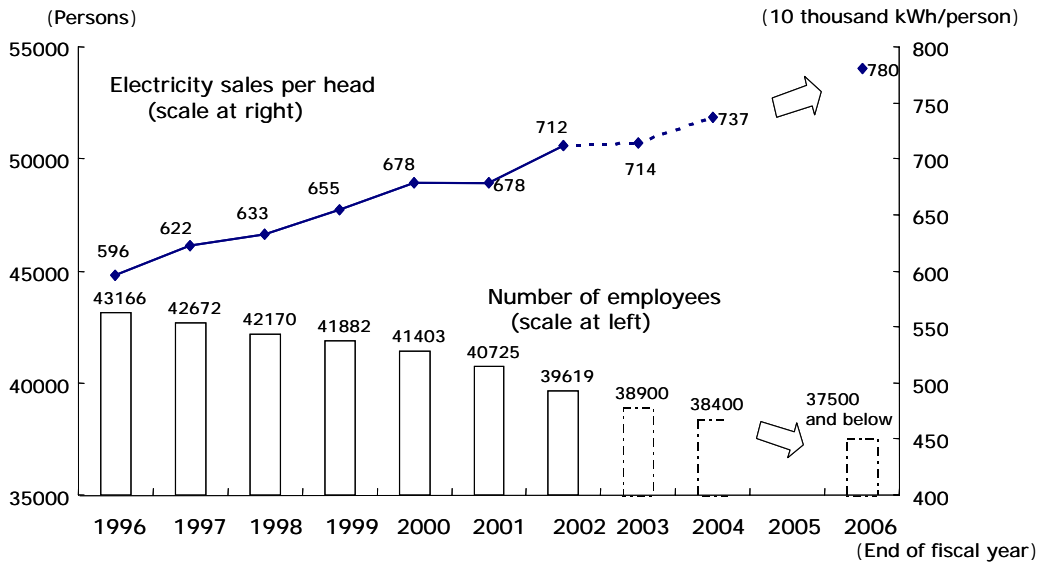
Repair costs will be held at “an average Y460 billion a year for the three-year period from FY2004 to 2006” (about Y250 billion for power generating plants and Y200 billion for distribution facilities), Y10 billion less than projected in the plan for the previous fiscal year. This reduction will be achieved by undertaking maintenance appropriate to the condition of each individual facility, extending the inspection period and reducing the scope of inspections and repair, while maintaining reliability of electricity supply.



(3) Reductions in number of employees

Number of employees will be held at "37,500 and less as of the end of FY2006" by conducting a review of business operations and organization and promoting efficiency measures such as utilization of information technology. By the end of FY2004, TEPCO will reduce the number of employees by 500 from the end of FY2003 to approximately 38,400.

Trends in Number of Employees and Electricity Sales per Head



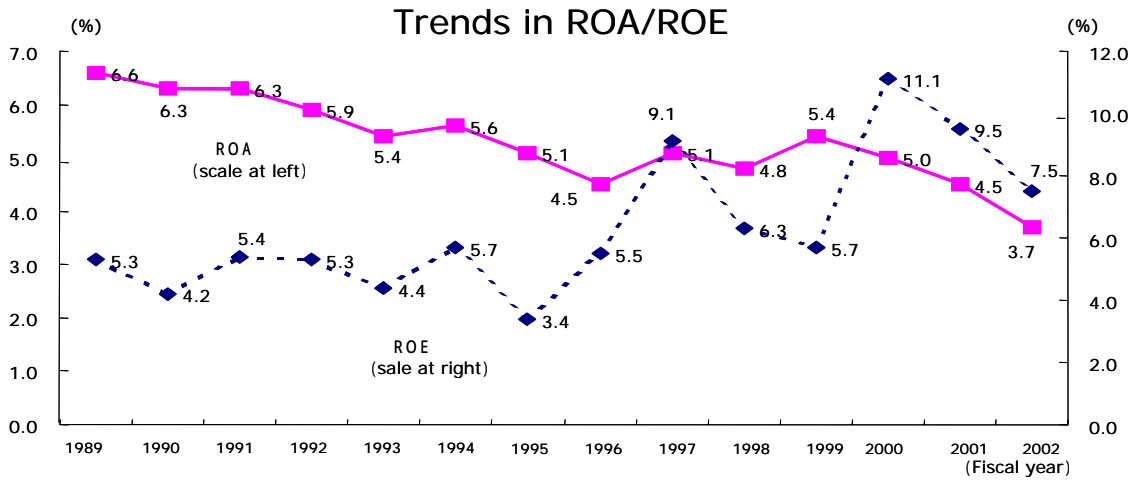
4. Setting targets for improved profit and financial structure to further enhance profitability aimed at strengthening the corporate structure

TEPCO has set targets for an improved profit and financial structure, with an aim to further strengthen its corporate structure. Details of the goals under the FY2004-2006 plan are as follows (figures are averaged over the three years):

- *Ordinary income: Y300 billion or more
- *ROA (return on assets): 4 percent or more
- *ROE (return on equity): 9 percent or more
- *Free cash flow: Y550 billion or more
- *Interest-bearing debt: reduction of Y400 billion or more
- *Shareholder's equity ratio: 20 percent or more (by end of FY2006)

Trends in Recurring Profit





Notes:

ROA: Operating profit / Average total assets ➡ signifies efficiency of asset utilization
 (From the FY2001 Management Plan, the numerator has been changed from "net profit" to "operating profit," considering its appropriateness as profit as a proportion of assets.)

ROE: Net profit / Average shareholder's equity ➡ signifies investment efficiency of Shareholder's equity

Please note that the above purports to be an accurate and complete translation of the original Japanese version prepared for the convenience of our English-speaking audience. However, in the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.