



Customer-based Operations

Kyushu Electricity takes numerous steps to ensure reliable supplies of electricity and provide valuable products and services in keeping with its primary focus on our customers.

We recognize that electricity is an essential lifeline for daily living and economic and industrial activities. So it is our mission to supply power stably and efficiently.

Our basic philosophy has always been to contribute to comfortable and safe lifestyles and business activities and thereby foster regional development.

Full-fledged competition in the energy market and worsening global warming have transformed the operating climate in recent years.

Energy and the environment are crucial social issues. We will accordingly continue contributing to society by supplying energy that ensures comfort without harming the environment.

Building customer trust will be pivotal to our sustainable growth, and we will accordingly heed and respond to the opinions and needs of our customers.



Energy Security and Environmental Problems

⇒P10-12

We are providing an optimum mixture of power sources to safeguarding the environment while maintaining stable electricity supplies for our customers.

Maintaining Stable Supplies

⇒P13-14

We will continue to draw on our technologies and expertise to satisfy the increasingly sophisticated needs of our customers by reducing outages and increasing power quality.

Initiatives to Increase Customer Satisfaction

⇒P15-18

We regularly communicate with customers and conduct customer satisfaction surveys to identify needs so we can bolster our services and increase trust.

We provide products and services that customers value for outstanding comfort and environmental friendliness by efficiently employing our group resources and also endeavor to increase our group value.

Ensuring Energy Security

Kyushu Electric expects global energy demand to continue increasing, particularly in the fast-growing Chinese, Indian, and other Asian markets.

In recent years, it has become critical worldwide to tackle global warming from energy usage.

It is more important than ever to maintain energy security.

Optimum mixture

Japan is poor in energy resources and must import much of its primary energy. The nation imports 82% of its energy (or 96% if excluding nuclear power), far more than other major developed countries.

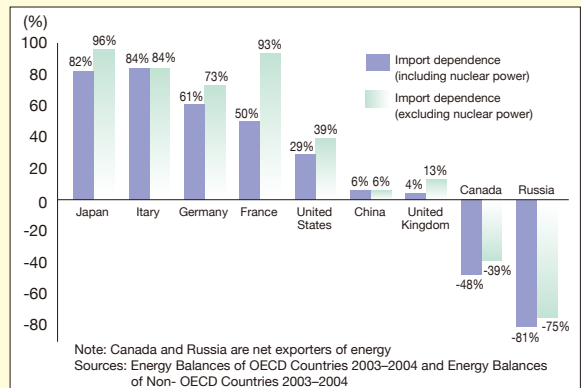
This vulnerability makes it important to balance power sources and procure fuels from diverse suppliers.

Our power development therefore maintains energy security and comprehensively factors in economic and environmental factors to attained the desired balance, center on nuclear power.

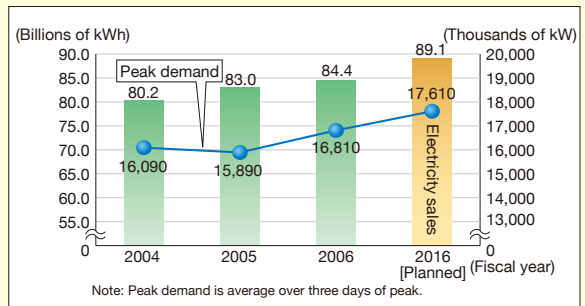
Stabilizing long-term power supplies

We expect demand for electricity to increase modestly, largely through higher consumer usage. Sales should rise 0.7% annually, or 0.9% after factoring in the impact of temperatures and other factors. Peak system loads should grow 0.9% per annum, even after the impact of temperatures and other factors. We will maintain stable long-term supplies of power by operating efficient facilities while minimizing the environmental impact of our operations.

Energy import dependence of key countries in 2004



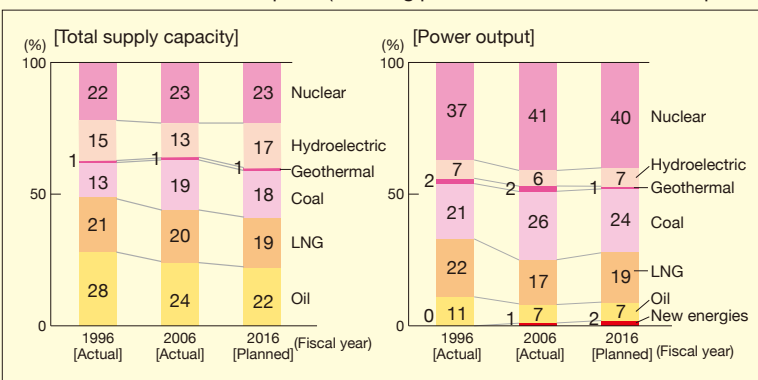
Electricity sales and peak demand



Power source characteristics

Power source	Characteristics	Issues
Nuclear	<ul style="list-style-type: none"> Stable fuel supplies and excellent economy (in terms of broad distribution of suppliers and efficient resources use through nuclear fuel cycle) Free of CO₂ emissions 	<ul style="list-style-type: none"> Final disposal of high-level radioactive waste Cultivating social understanding of nuclear power
Hydroelectric and geothermal	<ul style="list-style-type: none"> Renewable energy Free of carbon dioxide emissions 	<ul style="list-style-type: none"> Limited development sites (volume) Environmental impact of dam development Economy improvements
Pumped storage	<ul style="list-style-type: none"> Output adjustable in line with demand fluctuations 	<ul style="list-style-type: none"> Limited development sites (volume) Environmental impact of dam development
Wind and photovoltaic	<ul style="list-style-type: none"> Renewable energy Free of CO₂ emissions 	<ul style="list-style-type: none"> Small concentration as energy source Economy improvements Output fluctuates according to weather
Coal-fired thermal	<ul style="list-style-type: none"> Stable fuel supplies and excellent economy (broad distribution of suppliers) 	<ul style="list-style-type: none"> Emits CO₂ and sulfur and nitrogen oxides Effectively using coal ash by products
LNG-fired thermal	<ul style="list-style-type: none"> Relatively stable fuel supplies (broad distribution of suppliers) CO₂ emissions lower than from coal-fired generation 	<ul style="list-style-type: none"> The limitations because contracts are long-term, making LNG a less flexible source than coal and oil
Oil-fired thermal	<ul style="list-style-type: none"> Easier to transport and handle than coal and LNG 	<ul style="list-style-type: none"> Reliance on the Middle East for most fuel oil Emits CO₂ and sulfur and nitrogen oxides

Fuel source diversification plans (including power sourced from other companies)



Optimum mixture of power source

	Approximate percentage of total supply capacity	Approximate percentage of power output
Nuclear power	30%	45-50%
Renewable energy (including geothermal and hydroelectric sources)	10%	10%
Pumped storage	10%	
Thermal	Coal	According to fuel situations
	LNG	
	Oil	
	Around 16.66%	

Minimizing Environmental Impact in Supplying Electricity

Kyushu Electric Power is pushing ahead with groupwide environmental management all operations to counter global warming and foster recycling society.

Carbon dioxide is a greenhouse gas, which can cause global warming we aim to reduce the average intensity of these emissions in fiscal 2008-2012 to 20% below FY1990 levels (see page 37). We have produced 50% more electricity since FY1990, against which carbon dioxide emissions have increased 30%.

The lower relative rise in carbon dioxide emissions reflects the higher use of nuclear power to optimize our energy source mix and improve thermal efficiency while developing and deploying renewable energy.

Promoting nuclear power

Nuclear power accounts for 41% of the electricity we generate. It offers superior supply stability and contributes to energy security while helping alleviate global warming because it is free of carbon dioxide emissions.

Our nuclear power utilization rate is high because we prioritize safety, conduct extensive preventive maintenance, and operate at the rated thermal output.

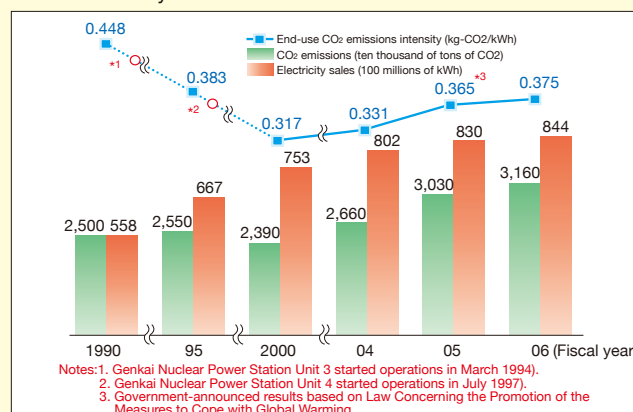
We aim to deploy new nuclear power facilities later half of the 2010's based on efforts to obtain the understanding and support of customers and the community. We are thus conducting an environmental survey at the site of the Sendai Nuclear Power Station (see page 40).

It is essential to establish a domestic nuclear fuel cycle to ensure secure stable energy supplies for this natural resource-poor nation. We need to make steady progress in our pluthermal plan as part of that effort.

Efficiently operating thermal power facilities

We have improved efficiency through the

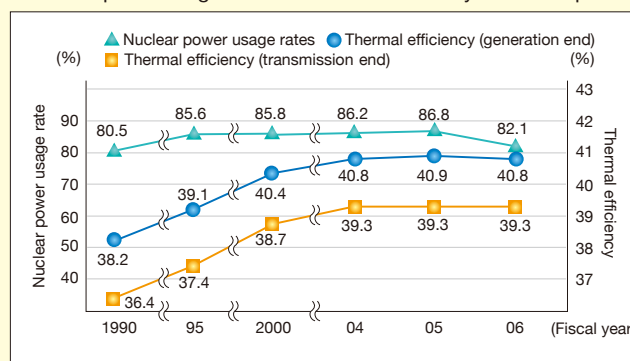
▼CO₂ emissions intensity, CO₂ emissions, and Electricity Sales



Shin-Oita Thermal Power Station, an LNG combined-cycle facility, and deployed advanced systems at the Reihoku Thermal Power Station Unit No. 2.

We will accordingly maintain high utilization rates at these facilities while expanding our use of LNG, which outputs less carbon dioxide than other fossil fuels. Enhancing the thermal efficiency of our thermal power facilities cuts fuel consumption and reduces carbon, nitrogen, and sulfur dioxide emissions.

▼Nuclear power usage rates and thermal efficiency of thermal power stations



Cultivating renewable energy

Geothermal and hydroelectric power are valuable domestic energy sources and are environmentally friendly because they are free of carbon dioxide emissions. We mainly develop such power in rural areas, taking care to minimize the environmental impact.

Kyushu has massive geothermal resources and accounts for around 40% of the nation's geothermal generating capacity. In April 2006, at the Hatchoubaru Geothermal Power Station

started operating a 2,000-kilowatt geothermal binary generating facility. It was thus the first in Japan to tap low-temperature geothermal energy, which has been impossible with conventional facilities.



Hatchoubaru Power Station

Hatchoubaru Binary Power Station

Wind and solar power are limitless sources of energy, although output depends on weather conditions.

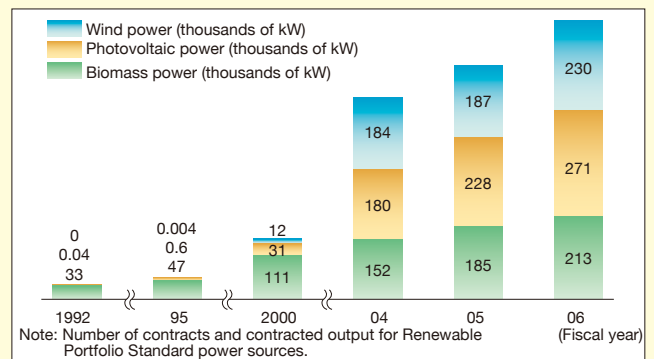
We have developed and deployed such facilities. We also foster the increased use of renewable energy by buying wind, solar, and biomass electricity from customers and companies and by collaborating with the Kyushu Green Power Fund (see page 37).

We have obtained around 400,000 kilowatts of wind power under an annual fixed purchasing plan. In August 2006, we announced that our facilities could accept 700,000 kilowatts from around Kyushu. As a result, we're planning to purchase 150,000 kilowatts in FY2007, triple the average annual amount to date. The Group is building the 50,400-kilowatt Nagashima Wind Power Station in Nagashima-town, Kagoshima Prefecture, which should go online in October 2008.

Biomass is a good alternative to fossil fuels because we can more easily suppress CO₂ emissions. We have expanded our capabilities in this field by establishing the Miyazaki Biomass Recycle Co., Inc., which has an 11,350-kilowatt facility, and the Fukuoka Clean Energy Co., Inc., which has 29,200 kilowatt facility.

As a result of such initiatives, we reached the Renewables Portfolio Standard's requirement of 500 million kWh in electricity generated in FY2006.

▼ Excess wind-, photovoltaic- and biomass-generated Power contracts



▼ Changes in the standard amount of new energy utilization (minimum requirement)

(100 millions of kWh)

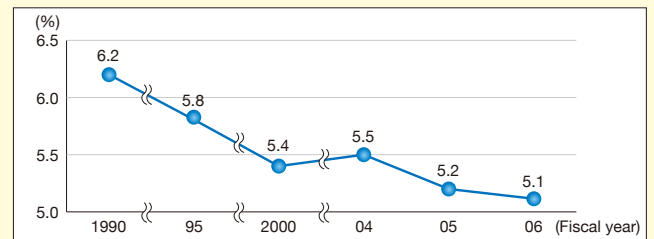
Fiscal year	2006	2007	2008	2009	2010	2011	2012	2013	2014
Nationwide	44.4	60.7	75.6	94.6	122.0	131.5	141.0	150.5	160.0
Kyushu Electric	5.0	6.3	7.4	9.0	11.3	12.1	13.0	13.8	14.6

Note: Nationwide figures for FY2008-2009 and Kyushu Electric figures for FY2008-2014 are estimates.

● Reduction of transmission and distribution losses

We endeavor to supply power efficiently by upgrading our facilities to cut power losses between our transmission and distribution facilities and our customers.

▼ Transmission and distribution losses factors



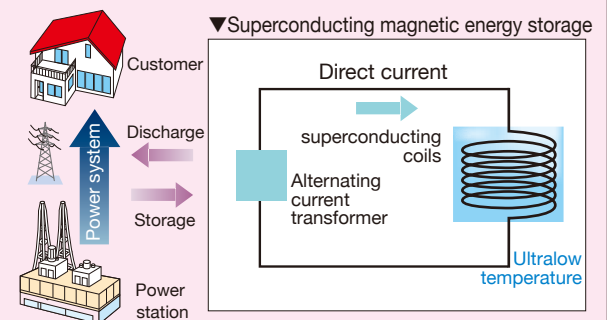
● Developing new technologies

We are working on a host of innovative technologies to maintain energy security.

- Research into applying superconducting magnetic energy storage
- Research into fuel cells and hydrogen technology

What is superconducting magnetic energy storage?

- Harnesses the zero electrical resistance of superconductors and stores electrical energy as magnetic energy in superconducting coils
- Enables instant inputs and outputs of large amounts of electric power and independent control of active and reactive power, with high storage efficiency.



Ensuring Reliable Supplies

We will continue to deliver power reliably and thereby satisfy our customers by taking steps to cut outages while using more sophisticated facilities operations and management techniques.

Measures reducing outages

We employ facilities to prevent outages from lightning strikes, typhoons, and other events.

In FY2006, there were 708 cases of damage to our high-voltage distribution lines, up 23.3%.

This was mainly because of a great increase in lightning strikes, damage from crows, and the aging of facilities. In FY2007, we are thus installing equipment on power poles and improving insulation around the poles to reduce lightning damage. We are also making planned replacements of aging facilities.

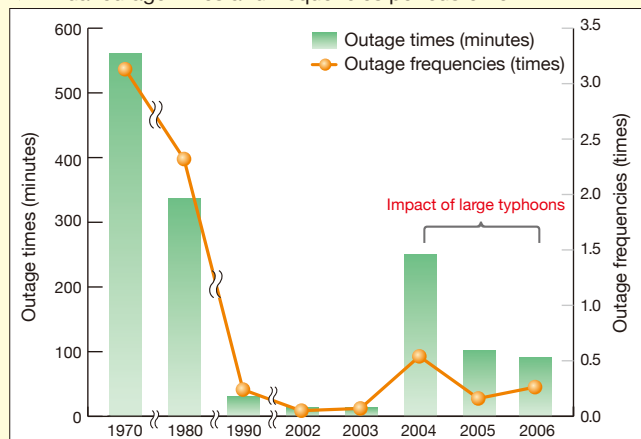
Transmission and distribution facilities that we installed during Japan's fast economic growth in the decade after 1965 have aged considerably. In FY2007, we will continue surveys and analysis to formulate upgrade plans. We will also perform intensive maintenance and upgrades to prevent facilities breakdowns in advance.

Advanced facilities operations and management

We have been installing devices that automatically isolate breakdown sites from the grid and quickly conduct repairs to minimize outages area and outage times.

The Transmission and System Operation Division builds and runs transmission and

▼Annual outage times and frequencies per customer



distribution facilities. We have set up a database to centrally manage information from that division's facilities and operations. We also use IT systems to support facilities operations and management. We use the data to produce facilities charts covering each piece of equipment so we can swiftly identify and analyze signs of abnormality and deterioration trends.

The Distribution Department uses measurements from switches incorporating sensors to set up power system operations and is increasing installations of fiber-optic remote control systems. These and other IT-based operational improvements help us to maintain reliable supplies.

Reducing temporary voltage drops

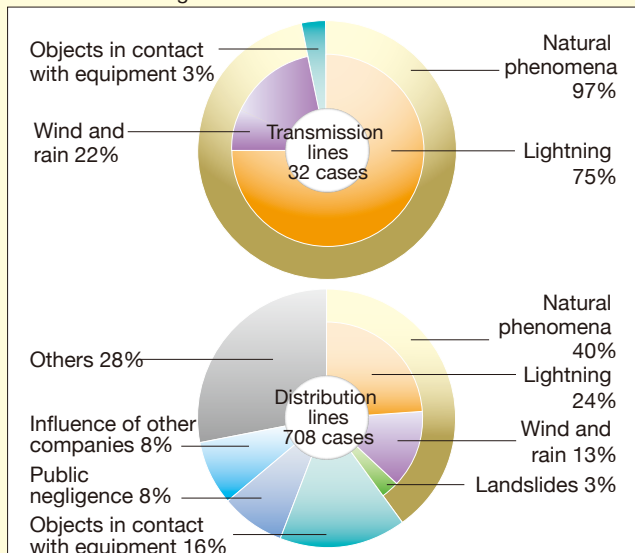
To prevent outages from lightning strikes, our transmission lines go off the grid for 0.07 to 2 seconds, causing short drops in voltage.

We will minimize such temporary voltage drops by installing even more lightning surge arrestors on transmission lines.

We recommend that customers whom temporary voltage drops most affect to take specific protective measures for their equipment. We also provide technical consulting for customers seeking ways to better safeguard their facilities.

Temporary voltage drop website (in Japanese only)
<http://www.kyuden.co.jp/rakurai/etc/syuntei/index.html>

▼Number of outages in FY2006



● Responding to major disasters

We initiate our emergency management structure for headquarters, branches, and other business sites in response to predictions or occurrences of typhoons, earthquakes, and other disasters. We keep in close contact with affiliates, business partners, and government bodies in such circumstances so we can swiftly restore service.

Each July, we conduct drills for large disasters ahead of the typhoon season to ensure that we can quickly and properly restore power supplies. The drills focus on:

- Confirming roles under the command system
- Quickly assessing disaster conditions and formulating and implementing restoration initiatives
- Quickly supplying accurate information in-house and to external bodies





Drill for major disasters

When Typhoon #14 hit in 2005, we were unable to restore power to Kamishiiba in Miyazaki Prefecture for five days because landslides and road destruction isolated the area. This incident prompted us to develop systems in FY2005 in which large military helicopters can quickly carry generator trucks and other special vehicles to sites lacking power.

In FY2006, we lightened high-voltage generator trucks that were previously too heavy for helicopter transport and modified the roofs of these vehicles to reduce wind loads for helicopters. We successfully airlifted those trucks in a joint drill with the Ground Self Defense Force and NTT West Japan in December 2006.

Our improvements should enable us to quickly restore services to areas without power because of typhoons, earthquakes, and other disasters.

▼ High-voltage generator trucks before and after modification

New specifications	Old specifications
 <ul style="list-style-type: none"> ■ Vehicle weight 6,560kg ■ Wind load 570kg 	 <ul style="list-style-type: none"> ■ Vehicle weight 7,350kg ■ Wind load 800kg

The vehicles have a generating capacity of 300kVA and can serve around 160 low-voltage households in emergencies. Low-voltage generator trucks can serve around 40 low-voltage households. We have a fleet of several high-voltage trucks that can supply a wide area.

Groupwide disaster responses

We collaborate with our group companies and business partners collaborate to quickly restore services after disasters.

KYUDENKO, which is our group company, puts one of their central missions is to ensure that distribution work is always safe and that is quick restoration to areas that typhoons and other natural disasters strike.

We accordingly prepare for such disasters and maintain a support structure for Kyushu and its outlying islands so that when catastrophes occur we can work around the clock to restore lighting and air-conditioning to households and urban facilities.



Disaster restoration work of Miyazaki branch after typhoon no. 14 in September 2005



Military helicopter transporting high-voltage generator truck

● Developing technologies to improve supply reliability

We maintain ongoing technological development and research programs so we can supply power more reliably.

Examples:

- Developing life-cycle assessment technologies for metals used at our thermal power stations (developing discharge sampling equipment)
- Researching wind power output characteristics and how they affect our power network

 [Technological development website \(in Japanese only\)](http://www.kyuden.co.jp/company_tech_index)
http://www.kyuden.co.jp/company_tech_index

Enhancing Customer Satisfaction

Communicating with customers

We are committed to providing products and services that customers want and value.

We constantly revise our management and operations based on ideas from our customers.

Rainbow System

We established this system to gather and share customer opinions from daily operations, meetings, and visits (see page 31). The system retrieves customer opinions that all employees input in special devices.

We regularly use summaries of business improvement cases and other information registered in the system for companywide initiatives to bolster customer satisfaction.

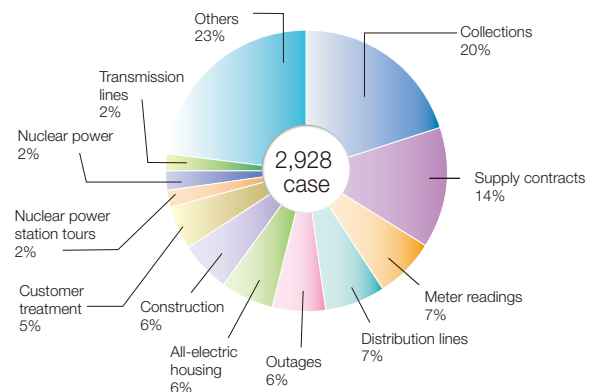
Soliciting feedback when dealing with customers

We instituted a program to obtain more customer feedback by having people at call centers and in the field ask customers if they want to voice additional opinions.

We record that information in the Rainbow System for sharing companywide.

▼Cases input in Rainbow System by category in FY2006

■ Customer opinions by category



▼Example improvements in response to customer feedback

Subject	Customer opinions	Our responses
Electricity contracts	I heard for the first time that you cannot reinstate an electricity contract during certain times. Have you told the public about this?	We have published in our pamphlets and on our website that you need a one-year contract when repeatedly using electricity during a certain period of time.
	It would be convenient to have an English version of electricity contract terms.	We plan to publish English versions of our electricity supply agreements and standard supply terminology on our website by the first half of FY2007.
Meter readings and collections	The text on the back of meter reading slips is too light and hard to read.	We will make it dark blue.
	I'd prefer to pay power bills with my credit card.	We started a credit card payment service in January 2007.
	Account transfer application forms do not show Kyushu Electric's telephone number.	Our telephone number is on envelopes for these forms.
	We keep receiving the communal portion of meter-reading slips every month for even though the housing complex account changed.	We informed meter-reading officers and agents to confirm such information to their best ability. This is sometimes impossible when customers are not at home.
	I cannot read the text on the back of receipts from the payment office because it is too light.	We darkened the text and increased the point size. We also inserted a note to caution customers about making double payments for electricity bills.
Others	Lightning has struck your service area on many days. Please provide information on lightning.	We began disclosing this information on our website in May 2007.
	I sometimes have to queue for a long time at my customer service office. I recently noticed that you make the city's PR magazine and other materials available, not just your own PR publications, which showed that you are a truly local citizen.	Based on customer feedback, we set up town information boards that offer PR magazines for all cities, towns and villages in our service areas.
	The floor tiles at the entrances of customer service offices are slippery and dangerous.	We conducted an immediate inspection and confirmed that the tiles are slippery on rainy days. We immediately applied non-slip coatings to the tiles.
	I tried using an induction heating cooking range during an event at your all-electric housing booth. But I could not concentrate because my children were with me the whole time.	We set up more video machines and toys at more locations.



1. Safe!
It's flame-free, so it's safe for the elderly and children.
2. Convenient!
It's flame-free, so helps keep your air cleaner and cooler.
3. Economical!
Save money because lower nighttime electricity rates apply.
4. Environmentally friendly!
The Eco Cute hot water system lowers environmental impact.



<http://www.kireilife.net>

Offering more comfortable lives through all-electric housing

All-electric housing

Customers increasingly choose all-electric housing for diverse reasons. Such housing is environmentally friendly, economical, is good for the health and safety of senior citizens, and reduces household chores for two income families.

In an all-electric housing, cooking, hot water and other energy systems run exclusively on electricity. Eliminating the need for gas provides peace of mind, convenience, and comfort and reduces monthly lighting and heating costs.

Promoting all-electric housing

We aim to improve customer satisfaction and contribute to society and the environment by encouraging people to adopt all-electric housing.

We thus disseminate information on such housing and engage in promotional activities.

Customers can register for free membership of the Kirei-Life (which means “beautiful life”) Club through the Internet at <http://www.kireilife.net> (in Japanese only). Members can check their electricity rates and power usage online. They can also calculate the costs of lighting and heating if they switch to all-electric housing and subscribe to an email magazine that is packed with

information.

Home advisors at our customer service offices offer proposals and follow up on the results. Our Iris Kirei-Life Plaza shows people what it is like to live in an all-electric housing. People wishing to build such homes can take advantage of a program that we launched with financial institutions to receive discounts on their housing loans and take out loans to renovate their homes for all-electric living.

Eco Cute

We are marketing the Eco Cute water heating system for all-electric living.

Eco Cute operates on the same principle as an air-conditioner, using the heat and carbon dioxide in the atmosphere to heat water. It can more than triple the heat energy obtained from electric power and is thus both economical and environmentally friendly. The government supports the expanded use of Eco Cute to help Japan reach its Kyoto Protocol targets.



◀ Eco Cute

Sample responses to customer feedback in questionnaire for 2006 Kyushu Electric Power CSR Report Kyushu Electric Power always highlights the benefits of all-electric housing, but...

Q1 I'm worried about what will happen in an outage.

A Kyushu Electric strives daily to maintain reliable supplies of electricity for its customers. That is why long outages have become rare in recent years. You cannot use electric appliances in an outage. The same is true for gas and kerosene-fueled equipment, which is electrically controlled. Electricity is far less vulnerable to disasters than other energy sources, which is why power was quickly restored after the Kobe and Niigata quakes.

Q2 Are the electromagnetic waves from induction heater cooking ranges safe?

A There are varying opinions and reports on their effects, but Kyushu Electric concluded that there are no dangers to people, based on the following information:

- (1) The Japanese government declared that there is no evidence that electromagnetic waves harm human health.
- (2) Electromagnetic wave emissions from such cooking ranges are below those in domestic and overseas guidelines.
- (3) The emissions are around the same as from conventional electrical appliances.

Glossary Kyoto Protocol targets: These stem from Japanese government plans in line with a pledge lower emissions 6%

Our Group Strengths (Expanding Operations Centered on Energy)

We pursue total solutions marketing that draws on our comprehensive Group capabilities to meet the diverse needs of our

customers and maintain their satisfaction. We aim to build our earnings foundations through energy-focused businesses.

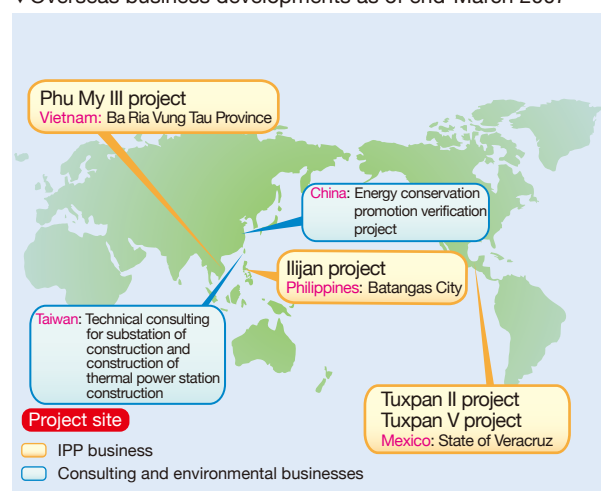
Total Energy Business

We offer total energy solutions that offer optimal synergies with our core electric power business.

▼Main domestic business areas

Business	Key operations
Gas and LNG sales	<ul style="list-style-type: none"> Expanding wholesale gas sales by increasing collaborative ties with local gas companies Marketing gas to large customers as part of total solutions to meet customer needs
Generating power from new energy sources	<ul style="list-style-type: none"> Generating power from waste, biomass, and the wind solutions to meet customer needs
Air-conditioning	<ul style="list-style-type: none"> Installing heat source facilities for electric air-conditioning systems and supplying the heat needed for cooling and heating as part of total solutions to meet customer needs

▼Overseas business developments as of end-March 2007



IT and Telecommunications Business

The rising use of the Internet, the increased corporate use of information technology, and the shift toward electronic government are all part of the development of a ubiquitous society*. These trends offer high growth potential for Kyushu Electric.

Our Group is harnessing its fiber-optic network, data centers, and other IT

infrastructure and expertise to offer user-friendly communications capabilities to its customers.

▼Main business areas

- Broadband services, centered on Internet services provider operations
- Full-fledged IT solutions
- Leasing fiber-optic lines to local governments, telecommunications companies, and cable television stations

Environment and Recycling Business

We contribute to society by recycling fluorescent bulbs and confidential documents.

Lifestyle-Oriented Business

Apartment complexes for senior citizens that offer nursing care and diverse other businesses all aim to enable comfortable lifestyles.

▼Main consumer and community services businesses

Field	Main operations
Nursing and welfare	Apartment complexes (with nursing services) for senior citizens Medical treatment
Housing and real estate	House performance appraisals Wooden housing construction
Business support	Temp services ISO certification TV subtitle production
Social capital	Private finance initiative business at Kyushu University
Lifestyle support and others	Making and selling sea salt Making and selling beverages Bathhouse operations Home security

Glossary Ubiquitous society: In which networks allow people to connect anytime, anywhere, with anything and anyone

Offering Total Solutions Service

We harness the Group's broad capabilities to offer total solutions for diverse customer

needs through customized electricity rates and other services.

Residential customers

We offer a broad range of electricity rates so that customers could choose based on their use. All employees including our group companies offer lifestyle solutions, such as all-electric housing for secure, comfortable and economical life. We offer fiber-optic Internet services and home security services as well.

▼Sample electricity rate offerings

Name	Key target customers
Denka-de-night (Lighting by time-of-use)	Regular households with electric water heaters
Yoka-night 10 (Lighting by season and time-of-use)	Regular households and small shops

We offer other needs-specific electricity rates. Please see our website or contact your nearest customer service office for details.

QHS protects your precious family and home

Kyuden Home Security Co., Inc. (QHS), makes society safer by drawing on Kyushu Electric's leading-edge telecommunications technologies to provide home security systems and monitoring services.

Home security service	We send emails to customers of security camera images of intruders, fires, or other abnormalities.
Monitoring service	We keep tabs on elderly people living alone.
Bright night service	This is service lets you switch on lights and electrical equipment with your cell phone.

Note: You can request that security personnel go to the premises for all services.

[Service areas]

Fukuoka Prefecture: Fukuoka, Munakata, Fukutsu, Koga, Maebaru, Kasuga, Ohnojo, Dazaifu, Chikushino, Shingu-cho, and Nakagawa-cho

Note: Services may be unavailable to some locations within service areas.

☆You can monitor parents living locally from outside the service areas.

Consultations and inquiries:

 **Kyuden Home Security Co., Inc.**

 **0120-306-940** [Business hours: 9:00 a.m. to 6:00 p.m. on weekdays]
<http://www.qhs.co.jp>

Corporate customers

Account managers at our branches and costmer service offices accommodate the diverse needs of corporate customers. They suggest ways to create comfortable environments using electric kitchens and air-conditioners and produce optimal electricity rate proposals.

We draw on comprehensive Group capabilities to handle requests and consultations for electricity and other energy requirements.

Main solutions

- Optimal rates
- Energy consultations
- Electric kitchens
- Technological consultation for facilities operations
- Electric air-conditioning
- Introductions to Group companies

Message from an account manager

Hello! My name is Toshiyuki Murase. I'm the account manager at the Kumamoto Higashi Customer Service Office.

I always strive to build customer relationships by quickly delivering the information and services that customers want.

I'm always seeking information in order to understand what customers are thinking.



Toshiyuki Murase
Sales Group, Kumamoto Higashi Customer Service Office, Kumamoto Branch

 [Homepage for corporate customers
http://www.kyuden.co.jp/business_index](http://www.kyuden.co.jp/business_index)