



Financial Report

Kyushu Electric offers stable dividends to its shareholders in keeping with its commitment to providing stable supplies of affordable electricity for its customers. We are strengthening our financial position and investing to ensure sustainable growth.

Management Targets

IR website http://www1.kyuden.co.jp/en_ir_corporate

We launched our Midterm Management Policy in March 2005 to better serve shareholders and investors by fortifying our business foundations while pursuing growth. We aim to build profitability by delivering customer solutions while becoming more price-competitive.

Some of our results have been less than targeted, like free cash flow, however, we have been doing well such as reach our objectives ahead of schedule in creating new demand area.

[Customer Outlook]

Price	Offer competitive electric rates
Quality	Respond promptly and maintain high reliability
Service	Provide solutions to cater the various customer needs
Corporate Image	Establish a brand image of "Safe and Reliable"

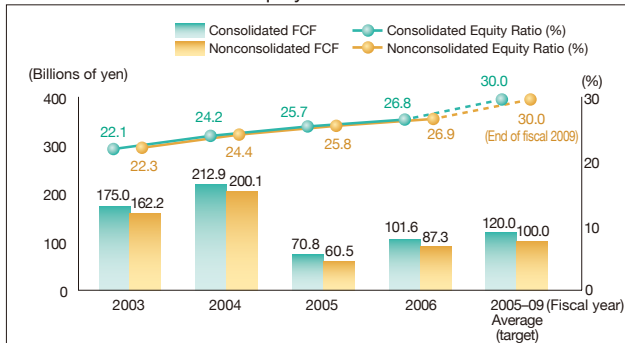
[Financial Outlook]

		Targets		Target year
		Consolidated	Non-consolidated	
Profit Performance	FCF (Free Cash Flow)	¥120 billion	¥100 billion	Five year average (FY2005-2009)
	Ordinary Income	¥110 billion	¥100 billion	
	ROA (Return On Assets)*	3%	3%	
	Shareholders' Equity Ratio	30%	30%	End of FY2009
Financial Stability	[Use of FCF]			
	1. Reduction of interest-bearing debt ratio to achieve a shareholders' equity ratio of 30% by the end of FY2009			
	2. Strategic investment to enhance company's growth (approx. ¥60 billion in 5 years)			
		3. Consecutive dividends		
Efficiency		Highest among the domestic electric power companies		
Growth	Newly Created Demand in Electricity Business	3.7 billion kWh** (Incremental from FY2003)		FY2009
	Non-Electricity Sales to outside the group Company	¥100 billion (Incremental from FY2003)		
Ordinary Income by business Area	Total Energy Business	¥4.0 billion		Five year average (FY2005-2009)
	IT and Telecommunication Business	¥4.0 billion		
	Environment and Recycling and Lifestyle-Oriented Business	¥2.0 billion		

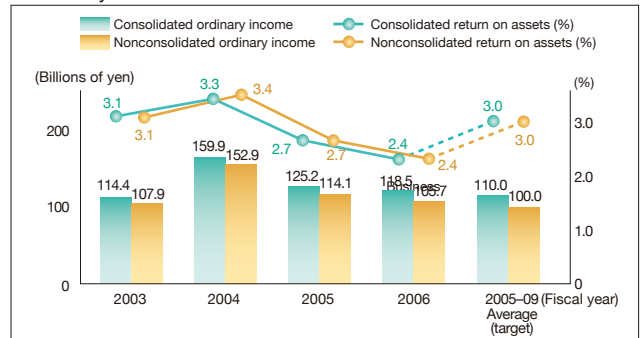
* ROA=net operating profit after tax divided by average total assets

** The target newly created demand increased from original 2.5 billion kWh to 3.7 billion kWh

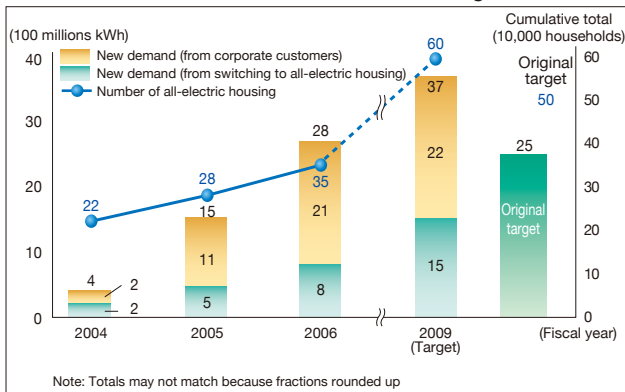
▼FCF and shareholders' equity ratio



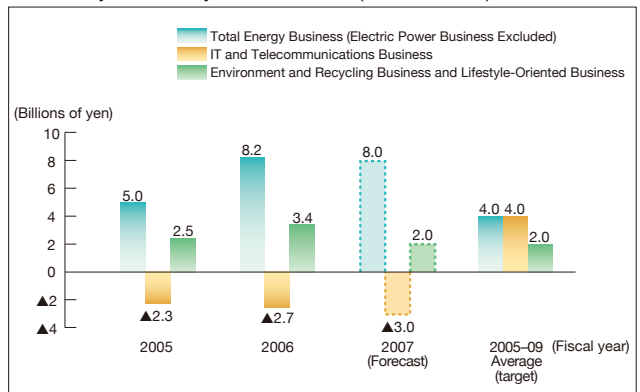
▼Ordinary income and Return on Assets



▼New demand and number of all-electric housing



▼Ordinary income by business area (consolidated)



Attracting Companies to Kyushu

Bringing businesses to Kyushu help expand the regional economy by fostering industrial activity and increasing employment. Also, it can be business chances for us as new demands for electricity and sales opportunities for Group companies.

Kyushu offers tremendous potential. It is near the fast-growing east Asian market. It has a high concentration of companies in the automotive and semiconductor industries and offers outstanding human resources.

Kyushu Electric works with municipalities and business groups to devise strategies that foster regional economic, focusing on the following areas:

- Gathering information
 - Liaising with municipalities and other parties in these activities
 - Drawing on our network to identify customer needs
- Disseminating information
 - Visiting to customers and informing Kyushu through and dealings with business groups
 - Providing information through our website and pamphlets
- Attracting businesses
 - Swiftly connecting new plants to the power grid
 - Using our telecommunications network, optimal energy solutions, and a host of other Group resources so companies can set up operations in Kyushu
 - Helping arrange municipal seminars to attract businesses
 - Introducing company-owned properties



Automotive industry concentrating in Kyushu

Overview of Fiscal 2006 Results

Financial results website
http://www1.kyuden.co.jp/en_financial_results

In FY2006, power sales volume increased, although revenues from these sales declined slightly owing to rate reductions we implemented in April 2006. Revenues from other businesses were up however, enabling us to boost consolidated total operating revenues 0.5%, to ¥1,408.3 billion. Total ordinary revenues also gained 0.5%, to ¥1,417.0 billion.

Total operating expenses rose 1.1%, to ¥1,298.4 billion. This was despite lower labor costs resulting from further successes in pension fund operations. The prime factors were higher fuel expenses stemming from a reduction in output from nuclear power stations and an increase in backend costs, for reprocessing irradiated nuclear fuel.

Ordinary income thus decreased 5.3%, to ¥118.5 billion.

After posting an extraordinary loss of ¥5.6 billion from impairment losses on fixed assets, net income was down 14.2%, to ¥65.9 billion.

▼ Consolidated statements of income (Billions of yen, %)

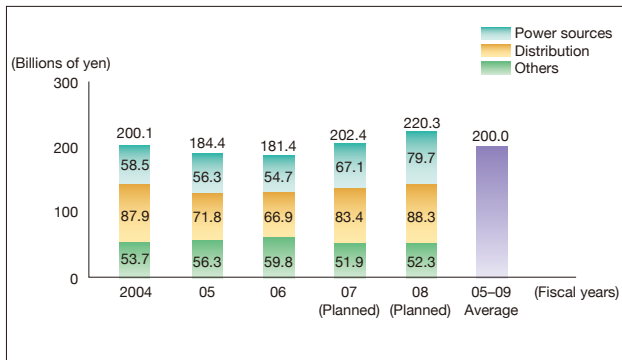
		Fiscal 2006	Fiscal 2005	Change	Percentage change
Operating revenues	Electricity	1,307.7	1,311.9	(4.2)	(0.3)
	Other	100.5	89.7	10.8	12.1
	Total operating revenues	1,408.3	1,401.7	6.5	0.5
	Other revenues	8.7	7.6	1.0	13.7
	Total ordinary revenues	1,417.0	1,409.4	7.6	0.5
Operating expenses	Electric	1,155.4	1,140.7	14.6	1.3
	Other	97.7	89.6	8.0	9.0
	Total operating expenses	1,253.1	1,230.4	22.6	1.8
	Other expenses	45.3	53.7	(8.3)	(15.6)
	Total ordinary expenses	1,298.4	1,284.1	14.3	1.1
Operating income		155.1	171.2	(16.1)	(9.4)
Ordinary income		118.5	125.2	(6.6)	(5.3)
Drought Reserve		—	(4.6)	4.7	—
Extraordinary loss		5.6	9.1	(3.5)	(38.9)
Income taxes		46.0	43.0	3.0	7.1
Minority interests in net income of consolidated subsidiaries		0.8	0.9	—	(6.4)
Net income		65.9	76.8	(10.8)	(14.2)

Management Efficiency Plans

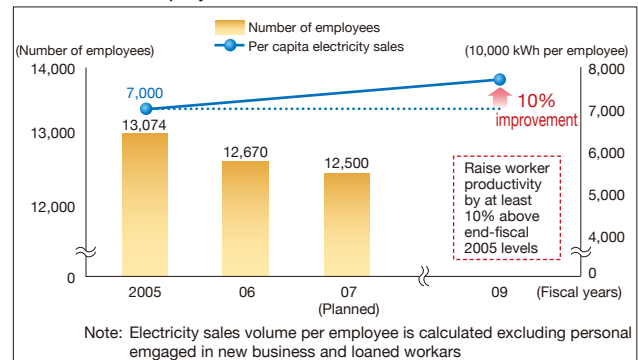
IR website http://www1.kyuden.co.jp/en_ir_library

Improvement in Capital Investment Efficiency		We set the annual average capital investment of ¥200 billion as our target for this 5-year period (FY2005-FY2009).
Maintenance and Miscellaneous Costs		We will further improve efficiency to reduce maintenance and miscellaneous costs.
Improvement in Business Operation and Labor Productivity		Aiming at achieving a 10% improvement in labor productivity by FY2009, we are endeavoring to further improve operational efficiency by reforming business processes.
Promotion of Efficient Facility Operations	Maintaining a high nuclear power utilization rate	We are committed to maintaining a high utilization rate of nuclear power by operating it safe and stably and so on.
	Maintaining/improving thermal power generation facility efficiency rate	We are committed to maintaining and improving the total thermal efficiency at thermal power stations by keeping a high utilization rate of efficient power station like Shin-Oita P.S.
Reduction of Material, Equipment and Fuel Procurement Costs	Reduction of material and equipment costs	We work to reduce material and equipment costs, through diversification of ordering systems as well as promotion of purchasing cost planning activities and supply chain management (SCM).
	Reduction of fuel procurement costs	While securing stable procurement, we will decentralize the supply sources and diversify the forms of contracts, including the contract period and pricing system, so as to reduce and stabilize fuel procurement costs.

▼Capital Investment



▼Number of employees



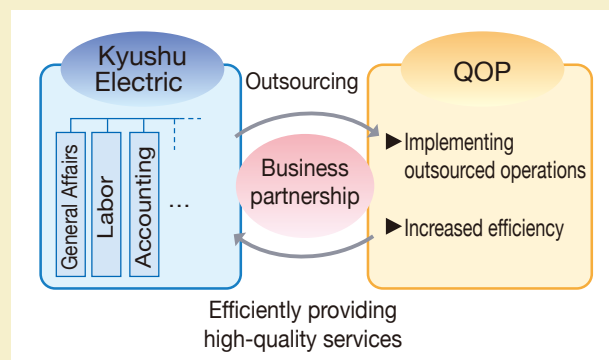
Kyuden Office Partner established

By the end of FY2009, we aim to raise worker productivity by at least 10% above end-FY2005 levels by using information technology to centralize and simplify clerical processes.

We have already significantly increased productivity in human resources and accounting administration through centralization. To help drive further clerical efficiency gains and enhance work quality, in April 2006 we established Kyuden Office Partner Co., Ltd., which employs around 130 people.

This subsidiary handles centralized tasks and advises Kyushu Electric departments on ways to further centralize and streamline operations.

Kyuden Office Partner aims to cut the clerical and administrative costs of the work it receives from our operations by around 20% over the next five years.



Environmental Accounting



See pages 23 to 24 of the 2007 Kyushu Electric Power Environmental Action Report for details.

We use environmental accounting to evaluate progress in our environmental management activities so we can make them more efficient and effective.

In FY2006, we allocated ¥11.76 billion in investments and ¥45.35 billion in expenses for these activities.

Our investments were up around 4% from the previous year. They included installing additional desulfurization catalysts at the Reihoku Thermal Power Station to prevent air pollution and

constructing more transmission lines with low-noise, low-vibration piling techniques.

Our expenses were basically unchanged for the year. They included purchasing more power from new energy sources in keeping with policy priorities. We offset that spending through lower depreciation costs on environmental facilities.

During the year, we formulate environmental activity costing plans to optimally deploy our resources.

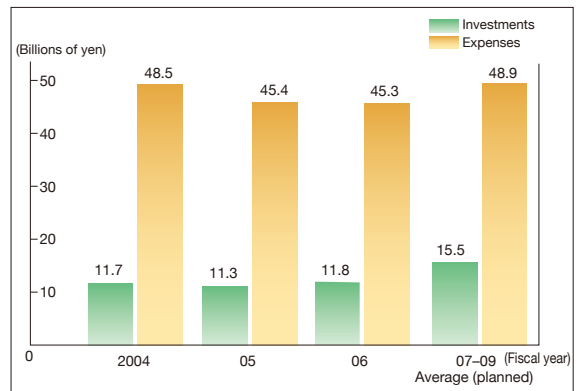
▼ Environmental Activities Achievements in FY2006

	Costs (millions of yen)		Main activities
	Investments	Expenses	
Global conservation	680	8,340	Preventing global warming and protecting the ozone layer
Local conservation	1,710	11,250	Preventing air and water pollution and suppressing noise and vibration
Recycling	2,840	1,334	Recycling and treating industrial and general wastes
Green purchasing	—	10	
Environmental activities management	6,530	11,070	Preparing environmental management systems and disclosing environmental information*
Research and development	—	480	Conservation R&D
Community activities	—	180	Kyushu Homeland Forestation Program and support for environmental education
Environmental impact	—	680	Pollution levies
Total	11,760	45,350	

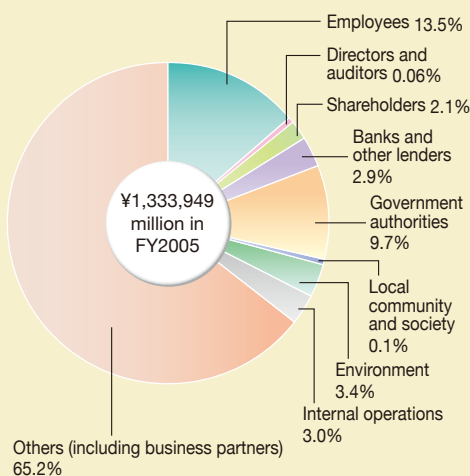
Note: Decimals rounded up, so totals may not match.

* In FY2006, the Company excluded the costs of disclosing environmental information, site greening, and laying power cables underground from community activities costs.

▼ Environmental Activities Achievements and Costing Plans in FY2006



Economic relationships with stakeholders



	(Millions of yen)			
	2003	2004	2005	Main components
Employees	202,253	187,643	179,971	Wages, education, and training
Directors and auditors	1,783	664	854	Director remunerations, bonuses, and retirement benefits
Shareholders	23,697	28,430	28,424	Dividends
Banks and other lenders	73,565	46,520	38,444	Interest on loans and bonds
Government authorities	127,016	146,632	129,625	Income taxes (including adjusted amounts), business taxes, electric power development taxes, and fixed asset taxes
Communities and society	1,480	1,467	1,279	Donations, miscellaneous expenses, supporting the arts and culture, and funding volunteer activities of employees
Environment	50,973	46,037	45,131	Environmental activities costs (after deducting personnel costs from environmental accounting expenses)
Internal operations	46,280	60,815	40,572	Voluntary reserves and funds carried forward
Others (including business partners)	794,355	820,235	869,644	Payments to business partners (other than for the above)
Total	1,321,406	1,338,444	1,333,949	

Operating revenues from electric power business	1,311,220	1,322,995	1,314,393	On statements of income
Operating revenues from peripheral businesses	7,116	10,165	15,041	On statements of income (including from gas supply business)
Other revenue sources	3,069	5,284	4,514	On statements of income (including dividend income)
Total operating revenues	1,321,406	1,338,444	1,333,949	

Note: We adjusted our statements of income and other data to identify how we allocated revenues from customer payments for products and services to stakeholders.