

# Business Overview

We will continue to build corporate value by providing energy and other products and services, so we can go forward together with the communities we serve.

As the management vision and Charter of Conduct state, the Kyushu Electric Power Group seeks to sustainably increase its corporate value and grow with society by improving the satisfaction of customers, shareholders and other investors, society and employees. We are driving toward those goals through our total energy business, with support from our IT and telecommunications, environment and recycling, and lifestyle-oriented services.

## Total Energy Business

This diverse area encompasses our core electric power business, as well as the sales of gas and

LNG, power generation from new energy sources, and air-conditioning operations.

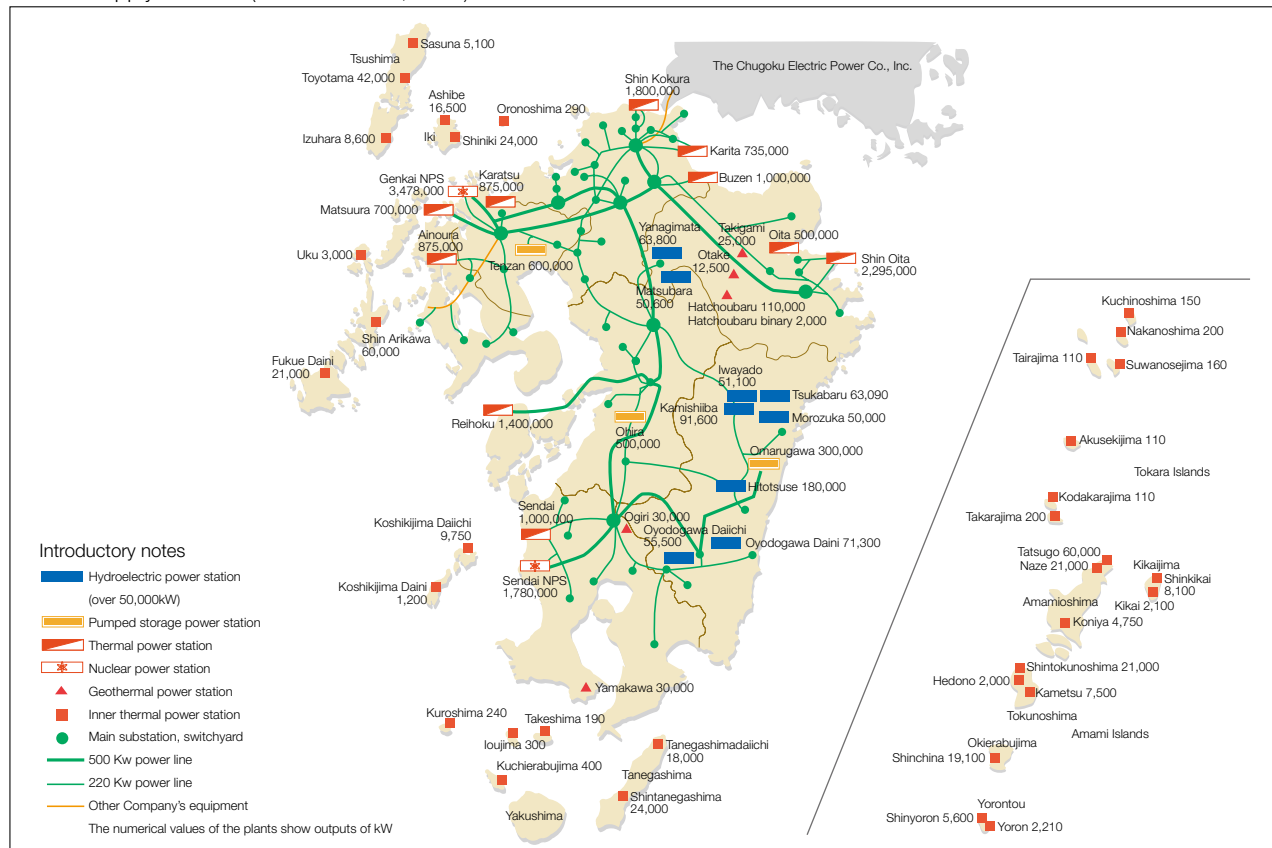
### Electric Power Business

Our mission and prime social responsibility is to provide safe, dependable and efficient supplies of electricity to our customers.

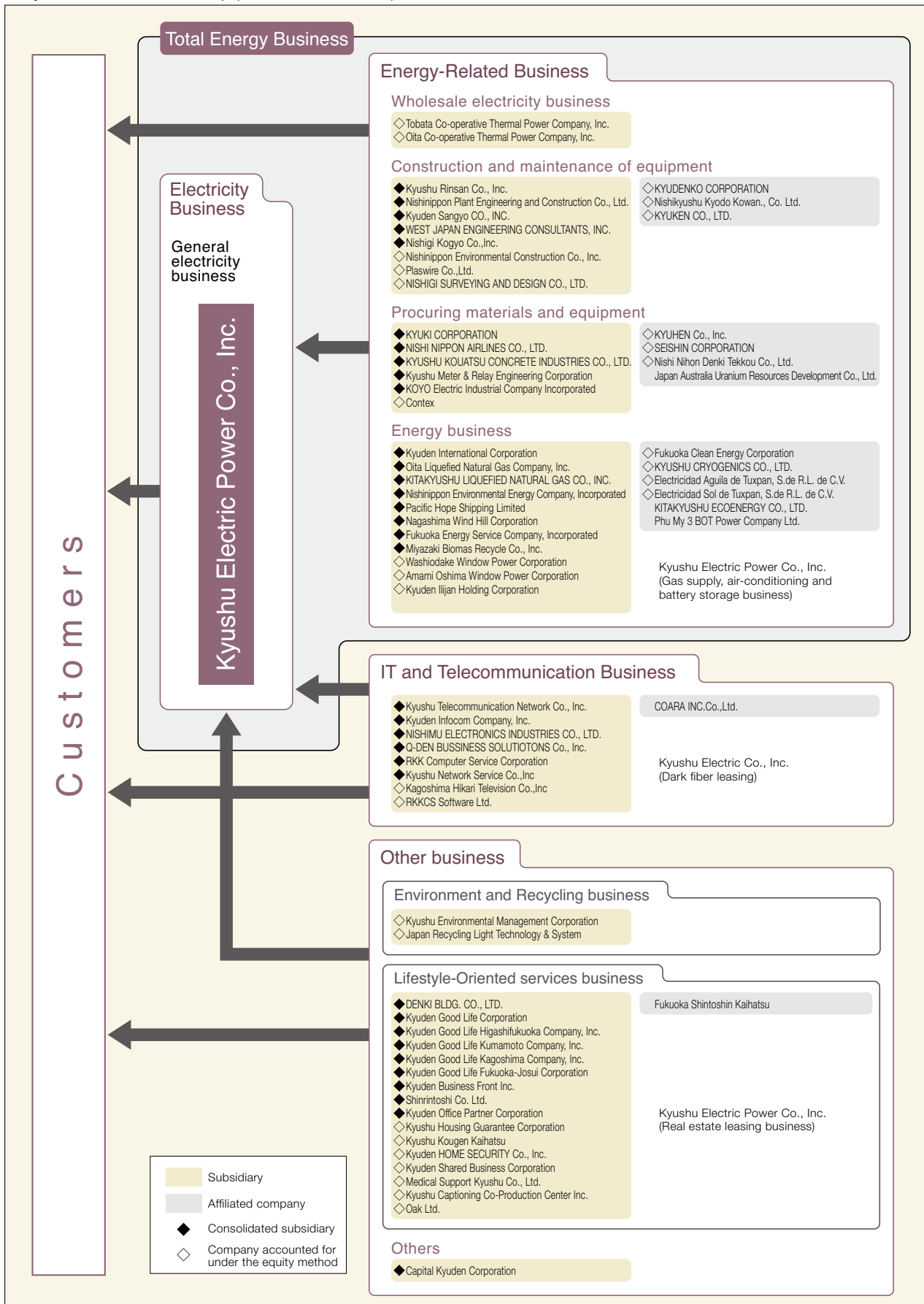
We accommodate electricity demand trends by employing our facilities efficiently, while taking steps to reduce outages, optimally operating and

managing our facilities, and swiftly restoring power after large disasters. These efforts have enabled us to raise our supply reliability standards while continuing to ensure universal service.

#### ▼ Main Supply Facilities (as of March 31, 2008)



▼ Kyushu Electric Power Group (as of March 31, 2008)



Notes: 1. Nishinippon Environmental Energy Company, Incorporated, absorbed Nishinippon Environmental Construction Co., Inc., and Kyushu Telecommunication Network Co., Inc., absorbed Kyushu Network Service Co., Inc., as of April 1, 2008.  
 2. Shinnintoshi Co., Ltd., was renamed Kyuden Fudosan Co., Ltd., as of April 1, 2008.

## Efforts to Maintain Reliable Supplies

### ● Measures to Prevent Outages

We deliver power reliably by regularly inspecting and improving facilities, and operating them safely and efficiently. We also improve facilities to safeguard them against lightning strikes, typhoons and other natural disasters.

We minimize customer inconvenience by servicing distribution lines without disruptions.

To prepare for the rare event of damage to transmission and distribution line routes, we are building a 500,000-volt main line in northern Kyushu and are otherwise augmenting our trunk line network to avoid widespread and lengthy outages.



Interruption-free line work

### ■ Planned Facilities Upgrades

The power distribution facilities that we installed during Japan's fast economic growth in the 1960s and 1970s have aged considerably.

We are therefore intensively inspecting and repairing facilities, and intend to launch a planned replacement program. Key priorities are transmission facilities (including towers and power lines), distribution facilities (including transformers and circuit breakers) and distribution facilities (notably power poles, lines and power pole-mounted transformers). We also plan upgrades in keeping with the conditions of specific facilities. Thermal power facilities are also aging, so we are accordingly inspecting, repairing and replacing them to keep supplying electricity reliably.

We will continue our surveys and analyses to formulate upgrade plans, and will intensively maintain and enhance facilities to prevent breakdowns.

### ● Advanced facilities operations and management

We have installed devices that automatically isolate breakdown sites from the grid, and we quickly conduct repairs to minimize outages and outage times.

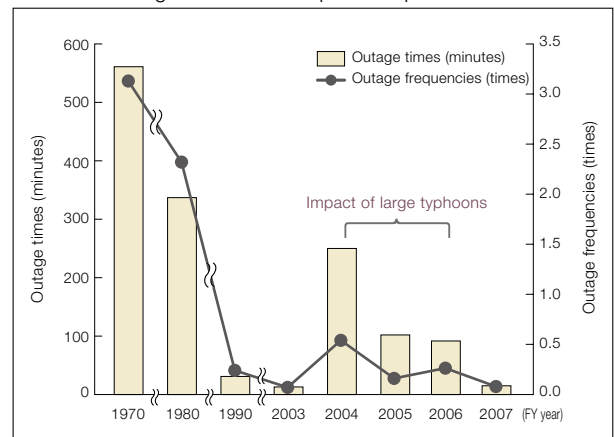
The Transmission and System Operation Division builds and runs transmission and distribution facilities. It used IT systems to set up a database that manages all the information from the division's facilities and operations. We use the data to produce facilities charts covering each piece of equipment, 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.

### Developing technologies to improve supply reliability

We pursue ongoing technological development and research programs so we can supply power more reliably. Examples include:

- Research to prevent corrosion on steel structures and other power facilities and ensure their long-term preservation
- Using technologies to assess the remaining service lives of metallic materials at thermal power plants
- Researching wind power output characteristics and how they affect our power network
- Exploring the effects on voltage and other aspects of power distribution by deploying or expanding the use of solar power

### ▼ Annual outage times and frequencies per customer



● Reducing temporary drops in voltage

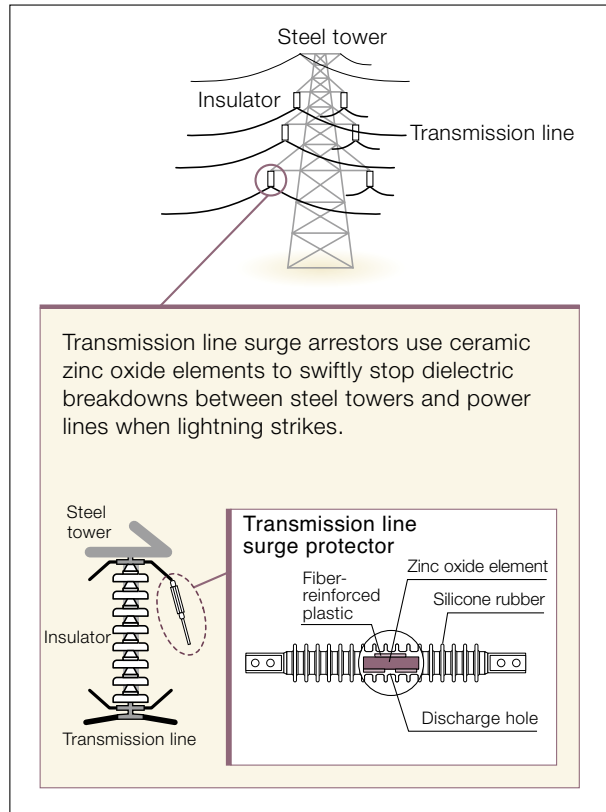
To prevent outages from lightning strikes, our transmission lines go off the grid for 0.07 to 2 seconds, causing short drops in voltage.

These drops have almost no effect on household appliances while in use, although some customers have found that equipment that is sensitive to such changes either shuts off or malfunctions.

We will minimize the frequency of such temporary voltage drops by improving facilities and more swiftly addressing breakdowns, while installing even more lightning surge arrestors on transmission lines and deploying other equipment.

We provide technical consulting for customers when needed and as part of our customer facility evaluations, and we also make necessary improvements in locations that are most vulnerable to voltage drops.

▼ Transmission Line Surge Arrestors



Participating in Desktop Drills Based on the Civil Protection Law

In February 2008, the Kagoshima Branch participated in a desktop drill in line with the Kagoshima Prefectural Civil Protection Plan.

The drill assumed that an armed group whose nationality was unknown had committed a terrorist act at an outlying island. Officials from the prefectural government and the Cabinet Office gathered to liaise with the Self-Defense Forces, police, firefighting brigades and other organizations. Together they gathered information and examined how best to evacuate citizens from the island. Kyushu Electric Power participated as a designated public institution under the Civil Protection Law, reporting to the prefectural and national governments on operations at the nuclear power station on the island, evacuations of plant employees in line with official instructions and the power station's security.

This was our first involvement in such a drill. We plan to take advantage of more opportunities like this to better liaise with the relevant institutions and to bolster our risk management structure.



Kagoshima Branch personnel participating in the desktop drill

## Responding to Major Disasters



### Responding to Large 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 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

We have drawn on our experiences from typhoons to develop systems in which large military helicopters can quickly carry generator trucks and other special vehicles to sites lacking power. In FY 2006, 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 the helicopters. We then successfully airlifted these trucks. We will continue to hold joint drills with the Ground Self-Defense Force, so we can quickly restore services to areas without power because of typhoons, earthquakes and other disasters.



Military helicopter transporting a high-voltage generator truck

### NISHI NIPPON AIRLINES Conducting Emergency Patrols after Disasters

Group and other companies collaborate to quickly restore services after disasters.

On such Group company is NISHI NIPPON AIRLINES Co., Ltd., which regularly patrols transmission lines, installs overhead lines and otherwise helps to ensure reliable supplies. This company conducts emergency patrols after typhoons, heavy rains, earthquakes and other disasters.





## Other Total Energy Business

The Group's other businesses include wholesaling electricity, constructing and maintaining equipment, procuring materials and equipment, and providing energy. We particularly aim to expand earnings from the energy provision business, which encompasses selling gas and LNG, generating power from new

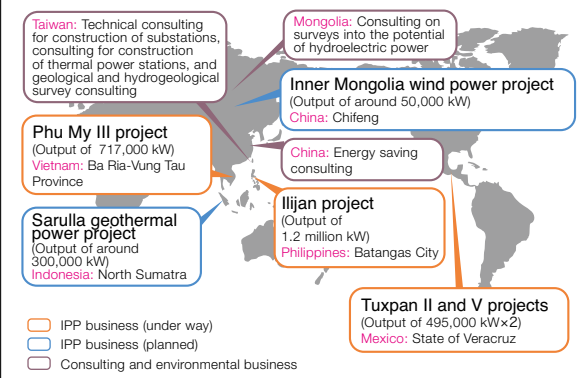
energy sources, cultivating independent power producer (IPP) operations overseas, and offering energy savings and environmental consulting.

We will continue to develop our diverse businesses, all centered around providing electricity, with the aim of offering total solutions to our customers.

## Overseas Operations

The Group draws on expertise from its domestic electric power operations and personnel with advanced technological capabilities to build its overseas IPP and consulting businesses, focusing on Asia. Consulting covers power development, surveying and designing transmission and substation facilities, and energy savings and the environment. Through these operations, we aim to provide stable supplies of electricity in Asia, where demand is soaring, while contributing to environmental measures and cultivating human resources and building new businesses.

### ▼ Overseas power development efforts as of end-March 2008



## Wind Power Business



Kyushu Electric and Kyudenko jointly established Nagashima Wind Hill Corporation to further the use of new energy sources. In June 2008, this subsidiary built a wind farm in Nagashima, which is in the northwest of Kagoshima Prefecture and faces the East China Sea. The site is blessed with winds year-round. Operations at the 50,400-kW facility (featuring 21 2,400-kW turbines), should begin in October 2008.

The annual production of around 100 million kWh should benefit the environment considerably, particularly since 30,000 metric tons of carbon dioxide would have been generated annually from a conventional thermal power station. The wind farm symbolizes our commitment to new energy sources.



## IT and Telecommunications Business

The rising use of the Internet, the increased corporate use of information and a shift towards an electronic-based government are all part of the development of a society in which people can access networks at any time or place.

The Group is using 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

### Megakiku Information Network Solution



Web site: <http://www.nishimu.co.jp/>

The Group company Nishimu Electronics Industries Co., Ltd., has comprehensive capabilities in communications, monitoring, control and power systems—ranging from planning and consulting to designing, manufacturing, installing, operating and maintaining these systems.

Nishimu Electronics employed its technologies and expertise in networks and in facilities monitoring and control to commercialize the Megakiku service brand in FY 2007, the goal being to provide more customers with convenient and user-friendly services.

The name Megakiku combines the notion of megabit-speed transmissions and “me,” the Japanese word for eye, to convey remote monitoring, and the Japanese word “kiku,” different characters for which express the goals of being effective and listening.

Nishimu Electronics aims to raise public awareness of the Megakiku brand and help contribute to customer peace of mind by providing IT support that allows customers to focus on their operations.

### Megakiku Service Concept

- Become a partner to our customers, hearing their concerns and working with them to create solutions
- Assess and tackle issues so customers can comfortably focus on their operations
- Use IT to provide services that satisfy customers.



## Environment and Recycling Business

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

We will continue to help society increase its recycling rate through our operations.

## Recycling Confidential Documents



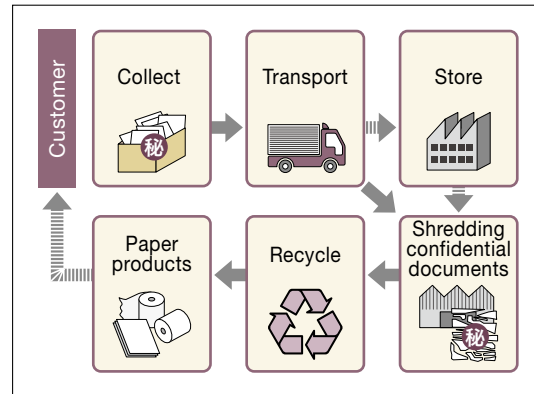
We created Kyushu Environmental Management Corporation in light of society's desire to recycle, out of concern for the environment and in response to the frequent corporate information leaks in Japan.

Kyushu Environmental Management collects confidential documents from companies and local government bodies and shreds and processes them into commercial recycled paper products.

The company reduces environmental impact and conserves resources by recycling important documents instead of burning them. It has received security management certification from the Japan Quality Assurance Organization for the facilities in which it recycles confidential documents and prevents information leaks. The company qualified under the ISO 27001 standard for information management security in October 2007.

Kyushu Environmental Management will continue to care for the environment and provide customers with peace of mind.

▼ Overview of confidential document recycling process



## Lifestyle Oriented Services Business

We contribute to the quality of life for our customers through diverse businesses that seek to provide comfortable lifestyles. For example, we build wooden houses that are good for both the

environment and for their residents, we appraise houses and we operate apartment complexes for senior citizens.

## Apartment Complexes for Senior Citizens

Kyuden Good-Life Co., Inc.

Web site (in Japanese only): <http://www.kyuden-gl.co.jp/>



Artist's drawing of the planned Grand Garden Fukuoka Josui

Kyuden Good-Life develops modern apartments for senior citizens in central urban locations. These facilities provide services that ensure comfortable lifestyle, and safety a through medical support and other services. Kyuden Good-Life operates such facilities in Fukuoka Prefecture, Kumamoto and Kagoshima.

Kyuden Good-Life will continue to serve senior citizens who wish to maintain active lifestyles.



Kyuden Care Town in Fukuoka, Fukuoka Prefecture



Grand Garden Kumamoto in Kumamoto



Grand Garden Kagoshima in Kagoshima