

Kyushu Electric offers stable dividends to its shareholders in keeping with its commitment to stably and efficiently supplying electricity to its customers. We are strengthening our financial position and are investing to ensure sustainable corporate growth.

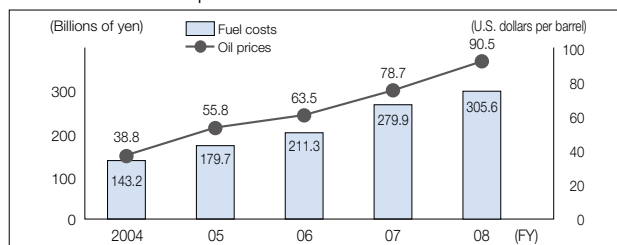
Operating Status

Revenues and Expenses

Kyushu Electric strove to lower its interest costs and downsize its capital investments and workforce. We have reviewed our power rates five times since the reforms to the nation's electric power industry in 2000. We have endeavored to maintain the profit margins we need to improve our balance sheets and maintain stable dividends while seeking to lower our electricity rates.

Despite these efforts, we did not reach our Mid-term Management Policy targets in the year under review. This was due to surging fuel costs and the impact of external fund allocations in keeping with the enactment of the Nuclear Backend Fund Law in October 2005.

▼ Fuel costs and oil prices

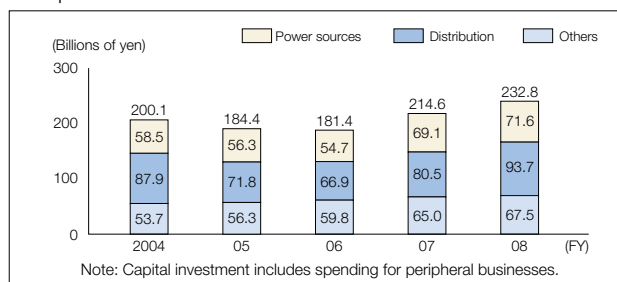


Note: Oil prices based on trade data

Management Efficiency

Maintenance and miscellaneous costs increased due to efforts to improve aging facilities and implement quake resistance safety assessments at nuclear power stations. However, we strove to boost overall efficiency by reviewing facility inspections and

▼ Capital investment



Note: Capital investment includes spending for peripheral businesses.

Mid-term Management Policy Targets and Results for FY2005 to 2009

▼ Profitability and Financial Stability

	Targets (Averages for FY2005 through 2009)	Results (Averages for FY2005 through 2008)
Free cash flow	¥120 billion (¥100 billion)	¥46.4 billion (¥40.3 billion)
Ordinary income	¥110 billion (¥100 billion)	¥91.6 billion (¥79.7 billion)
Return on assets	3% (3%)	2.0% (2.0%)
Shareholders' equity ratio	30% (30%) by the end of FY2009	25.7% (25.6%) by the end of FY2008

Notes: Free cash flow = Net income + depreciation and amortization + change in net receivables - capital expenditures
Return on assets = Net operating profit after tax / average total assets
Figures in parentheses are nonconsolidated.

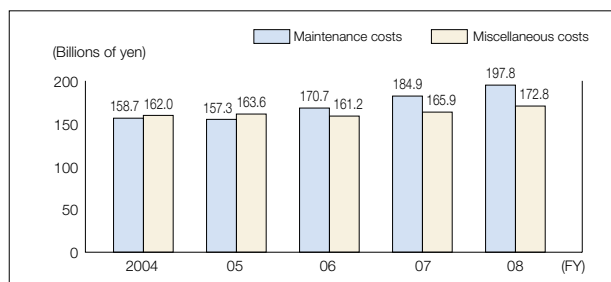
▼ Growth

	Targets (Increases between FY2003 and 2009)	Results (Increases between FY2003 and 2008)
New demand from the electric power business	3.7 billion kWh	3.9 billion kWh
Non-electricity sales outside the Group	¥100 billion	¥119.9 billion

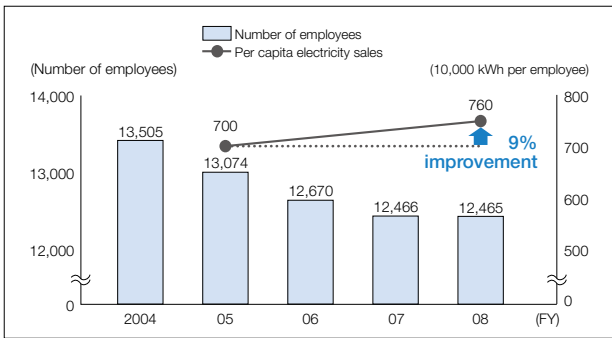
maintenance while integrating and standardizing equipment without compromising safety and supply reliability.

We are using information technology resources to overhaul clerical processes and thus bolster efficiency and employee productivity.

▼ Maintenance and miscellaneous costs

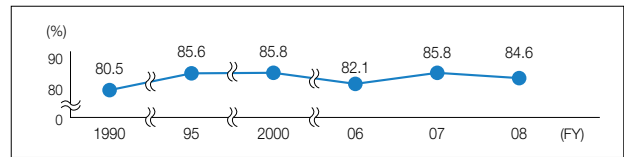


▼Number of employees

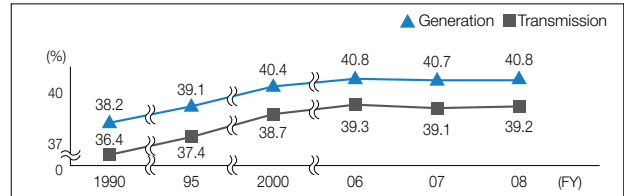


Note: Electricity sales volume per employee is calculated excluding personnel engaged in new business and loaned workers

▼Nuclear power usage rates



▼Thermal efficiency of thermal power stations



Note: Based on higher heating value (HHV)

Overview of FY2008 Results

In FY2008, consolidated power sales volume dropped, but total operating revenues rose 2.8% year on year, to ¥1,524.1 billion, on the strength of higher residential lighting charges under the fuel costs adjustment system. Total ordinary revenues advanced 2.7%, to ¥1,534.6 billion. Total ordinary expenses increased 4.4%, to ¥1,484.1 billion, reflecting higher fuel and electricity purchase costs in the first half of the term for the electric power business.

As a result of these factors, ordinary income fell 30.3%, to ¥50.4 billion. After recording a ¥5.4 billion gain on sales of securities, net income declined 18.5%, to ¥33.9 billion.

Consolidated Segment Performances

● Electric Power

Operating revenues from this business increased 2.6%, to ¥1,400.7 billion, owing to higher residential lighting electricity sales. Segment operating income dropped 21.4%, to ¥74.1 billion, reflecting rises in fuel and electricity purchase costs.

● Energy Related Business

Segment operating revenues increased 6.9%, to ¥157.2 billion, as the number of consolidated subsidiaries rose by two during the end of the second quarter of the previous year. Operating income dropped 11.4%, to ¥7.5 billion, due to higher cost of sales because of power plant construction.

● IT and Telecommunications

Operating revenues were up 4.9%, to ¥92.7 billion, reflecting an increase in the number of lines for broadband services. Operating income improved ¥2.4 billion to ¥700 million.

▼ Consolidated Statements of Income

(Billions of yen, %)

	FY2008	FY2007	Change	Percentage change
Total operating revenues	1,524.1	1,482.3	41.8	2.8
Other revenues	10.4	11.2	-0.8	-7.1
Total ordinary revenues	1,534.6	1,493.5	41.0	2.8
Total operating expenses	1,439.4	1,376.8	62.6	4.5
Other expenses	44.6	44.3	0.2	0.7
Total ordinary expenses	1,484.1	1,421.2	62.9	4.4
Operating income	84.7	105.5	-20.8	-19.7
Ordinary income	50.4	72.3	-21.9	-30.3
Extraordinary profit	5.4	-	5.4	-
Income taxes	21.4	29.8	-8.3	-28.2
Minority interests in net income of consolidated subsidiaries	0.3	0.8	-0.4	-62.5
Net income	33.9	41.7	-7.7	-18.7

▼ Segment results

(Billions of yen, %)

	FY2008	FY2007	Change	Percentage change
Electric power				
Operating revenues	1,400.7	1,365.7	35.0	2.6
Operating income	74.1	94.3	-20.1	-21.4
Energy				
Operating revenues	157.2	147.0	10.1	6.9
Operating income	7.5	8.5	-0.9	-11.8
IT and telecommunications				
Operating revenues	92.7	88.4	4.3	4.9
Operating loss	0.7	-1.6	2.4	-
Others				
Operating revenues	24.4	24.8	-0.4	-1.6
Operating income	1.6	3.4	-1.8	-52.9

Note: Electric power business excludes peripheral operations.

● Others

Segment operating revenues were down 1.7%, to ¥24.4 billion. Operating income dropped 52.5%, to ¥1.6 billion, reflecting to an increase in rental building rebuilding costs.



Nuclear power usage rates
Thermal efficiency

Fuel costs adjustment system
Consolidated subsidiaries