Outline of Business Management Plan for FY2008

March 2008

Kyushu Electric Power Company Inc.

Contents

Introduction

- Under our Midterm Management Policy (2005-2009), Kyushu Electric Power Co., Inc. has been engaged in measures to ensure stable supply of electric power through the efficient development and maintenance of facilities and secured long-term fuel procurement. We have been also working hard to strengthen our price competitiveness, grow electricity demand through promoting electrification, and promote nuclear power generation such as our Pluthermal Project.

- At the same time, during FY2007, factors such as increases in fuel prices with tight world energy supply and demand, and a rise in global environmental issues in anticipation of the start of the first commitment period of the Kyoto Protocol (2008-2012), have led to a major change in the management environment.

  Furthermore, the Fourth Electrical Industry System Reform Report was finalized in March 2008, and while any increase in the scope of retail liberalization has been postponed, development of a more competitive environment is underway.

- Within this context, we at Kyushu Electric Power have adopted a new corporate philosophy, 'Kyushu Electric Power's Mission -Enlighten Our Future-.' As such, in addition to nuclear power, we are actively engaged in long-term energy and environmental initiatives such as the promotion of renewable energy and energy conservation in order to guarantee our customers a stable and efficient supply of electric power for the future.

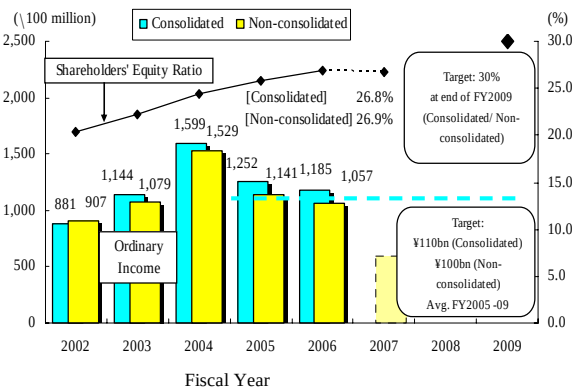
[Management Indicators]

In this rapidly changing management environment, Kyushu Electric Power continues to expend maximum effort in ensuring a stable supply of electric power, increasing customer satisfaction through our services, increasing the efficiency of our management, and strengthening our corporate social responsibility initiatives.

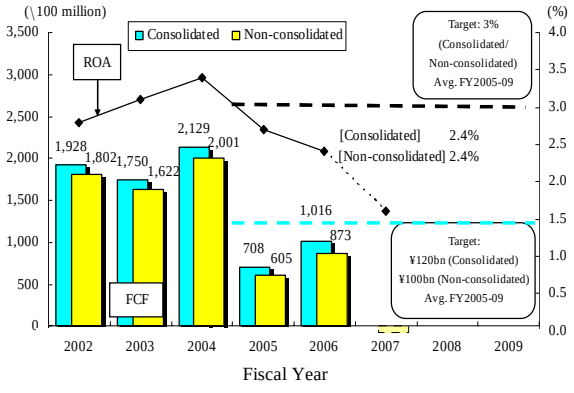
However we forecast difficulties in reaching our financial targets under the Midterm Management Policy (FCF, ordinary income, ROA, shareholders' equity ratio) mainly due to rising fuel prices.

We have therefore decided to establish a new management policy based on the trends in fuel prices and our response to global environmental issues.

【Ordinary Income and Shareholders' Equity Ratio】



【FCF and ROA】



1. Measures related to Global Environmental Issues and Stable Supply of Electricity

(1) Measures for Long-term Stable Supply of Electricity

For future increases in demand for electric power we will develop a balanced mix of power sources based on comprehensive evaluation of factors such as the establishment of energy security, response to global environmental problems, and economic efficiency.

a. Nuclear power

- The superior nature of nuclear power sources in terms of stability of supply, environmental characteristics, and economic efficiency ensures their position as a core energy source. We continue our efforts to develop next generation nuclear power facilities in the second half of the next decade, with safety as our first priority. (Target: 45 – 50% of power generated)
- A pluthermal plant is scheduled for implementation at Unit3 at the Genkai Nuclear Power Station by around FY2010.

[Environmental Survey Conducted at the site of Sendai Nuclear Power Station]

- Environmental assessment: Survey of atmospheric environment, marine environment, marine organisms, terrestrial organisms etc.
- Geological survey: Survey of tectonics and faults both within and outside the site.
- Meteorological survey: Survey of wind direction and speed.

[Pluthermal project for Unit3 at the Genkai Nuclear Power Station]

- Fossil fuels such as coal and oil are a precious resource and can be used in a wide range of applications. Supply is expected to become tight in the near future. It is therefore essential that Japan, with its limited energy resources, makes effective use of recycled uranium nuclear fuel as a quasi-domestic energy resource, and the pluthermal project must therefore be steadily implemented.
- Government approval for equipment changes under our pluthermal project for Unit3 at the Genkai Nuclear Power Station was granted in September 2005, and the preliminary agreement of Saga Prefecture and Genkai-cho was obtained in March 2006. Manufacture of 16 MOX fuel assemblies subsequently commenced in October 2007, followed by implementation of procedures for transport and use of the fuel.

b. Thermal power

- Development of LNG and coal-fired power generation to facilitate diversification in fuel types, and improvements in power generation efficiency through response to global environmental problems and effective energy usage.
- To accommodate increasing demand, development of Unit3-4(400,000 kW class) at the Shin Oita power station, a high-efficiency LNG combined cycle power station, in 2016, taking into account environmental factors and the fuel situation.

c. Pumped hydroelectric storage

- Development of the Omarugawa power plant to make use of its superior load-following and rapid startup and stopping characteristics, for peak periods and in emergencies. 1.2 million kW (300,000 kW x 4 units) planned to commence operation by 2011.

d. Renewable energy

- From the viewpoint of domestic energy usage and in response to global environmental problems, we engaged in active development and expanded introduction of wind, solar, hydro, and geothermal power generation.

(a) Wind power

- Based on an output of 700,000kW able to be connected, approximately 150,000kW will be applied in 2008.
- We plan to investigate and analyze the effects on frequency and voltage of the electrical power system based on past wind power generation performance, and further expand the connection capability.

(b) Solar power

- Installation in company offices and unused land, and research on solar tracking systems and power generation with new types of solar panel.
- Investigation of technical problems to ensure that mains voltage remains optimal even with a dramatic proliferation in domestic application of solar power generation, and thus ensure smooth introduction of the technology.

[Research and Development on Power Supply Systems for Isolated Areas]
Research on power generation systems combining diesel and wind power generators, solar power, and storage batteries for application in isolated areas.

(c) Power generation from biomass and waste products

- Purchase of power from companies generating power from biomass and waste products to assist in promoting these sources of power.

(d) Hydroelectric power

- Development and surveys for planned general hydroelectric power suited to economics and site environment, and generation of power using river dam maintenance flows.
- Site investigations to determine possibilities of micro-hydro power generation in hitherto unused sites such as public water supply sources and agricultural canals, and technical support for design and installation of relevant power generation equipment.

(e) Geothermal power

- Survey and collection of data on sites considered promising in terms of an abundance of geothermal resources, and technical support for design and installation of geothermal binary power generation equipment using hot spring water.

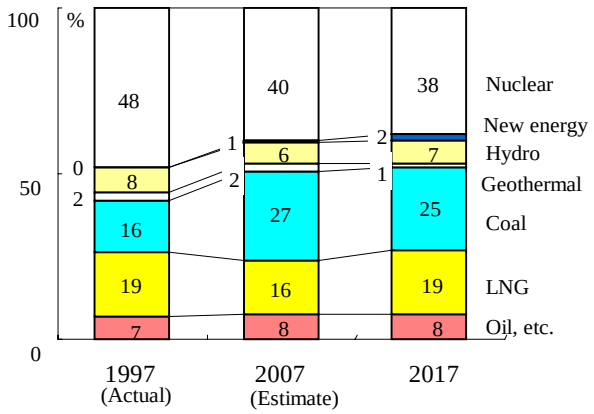
(f) Conformance with RPS law

- Conformance with the RPS law by generating power from wind power and geothermal binary technologies, and purchasing power from companies generating power from wind and other sources.
- Our obligation under RPS law for FY2007 (630 million kWh) is expected to be achieved

* + RPS (Renewables Portfolio Standard) Law: A special measures law related to the use of new energies by electrical enterprises.

[Power Source Diversification Plan]

(Generated power, including power purchased from outside companies)



[Introduction of Renewable Energy]

100 million kWh

	2007 Actual trends	2017
New energy	12	28
Wind power	4	16
Solar	2	6
Biomass	6	6
Hydroelectric (excluding pumped storage)	48	57
Geothermal	14	15
Total	74	100

Note 1: New energy for 2017 is a newly introduced target.
Note 2: Including excess power contracts with outside companies.

(2) Maintaining Reliability of Electric Supply

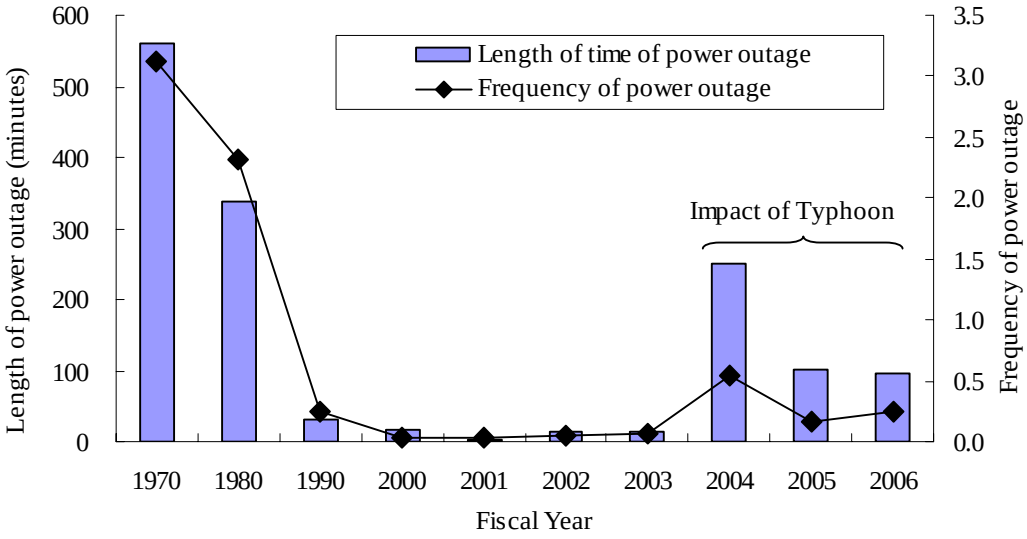
We will provide customers with a stable supply of power through improvements in technology for the provision, operation, and maintenance of power supply systems and increased sophistication in operation and management of equipment, so as to maintain our high standards of reliability.

- To accurately respond to trends in demand we plan to enhance efficiency in providing equipment. We develop a trunk transmission power system to ensure that power outages in the event of problems in the distribution network, whether frequent or infrequent, do not extend over wide areas or continue for long periods of time.

- We upgrade equipment to improve resistance to (natural) disasters such as typhoons, and implement plans for renewal of equipment as it becomes older.

- We are promoting measures such as current-limiting arcing horns to reduce the effects of lightning strikes on the customers, and provision of a distribution network able to respond to new situation such as a dramatic increase in the use of solar power generation.

〔Length of time & frequency of power outage per household〕



(3) Controlling Emissions of Greenhouse Gases

We will make a reduction of approximately 20% in end-use CO_2 emission intensity over the period 2008 – 2012 (Kyoto Protocol first commitment period) in comparison to our 1990 figure.

- From a long-term point of view, based on promotion of the best combination of power sources with nuclear power as the core component, we will maintain and further increase our high utilization rate of nuclear power, maintain and improve thermal efficiency, and expand our introduction of renewable energy.

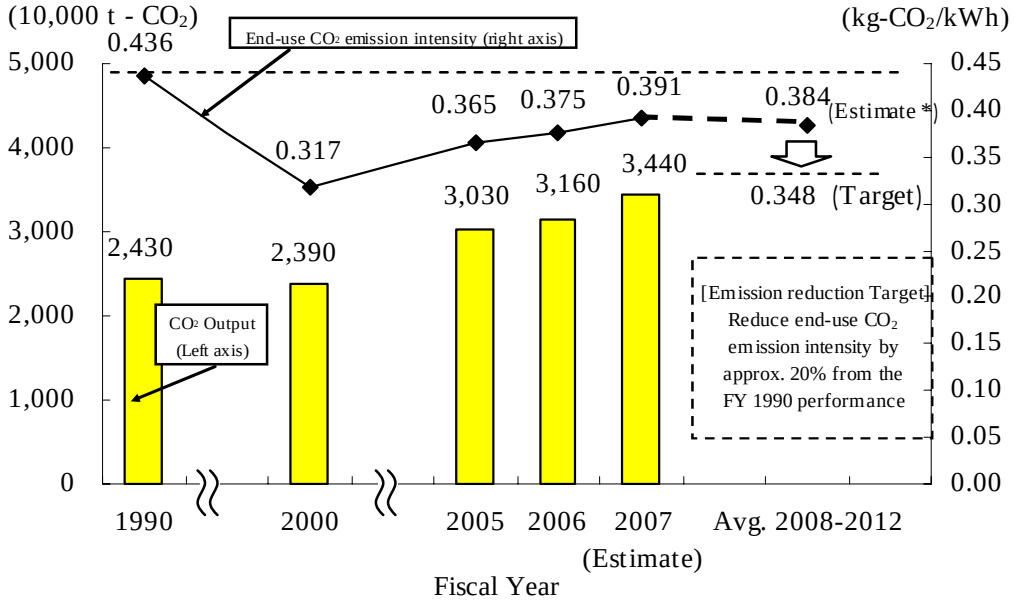
  - Practical measures -

  - Maintaining a high nuclear power utilization rate through the continued safe and stable operation of our nuclear power plants.
  - Promoting development of the next generation of nuclear power plants
  - Development of a fourth unit at the Shin Oita No.3 plant.
  - Improvement in efficiency of the Shin Oita No.1 plant through replacement with gas turbines.
  - Expanded use of renewable energies such as wind power, solar power, and power from biomass.

- Through promoting the proliferation of energy-saving equipment (Eco Cute, heat pump air conditioning), and actively providing energy conservation information to the customer, the entire group will promote energy conservation and the preservation of resources.

- We will also contribute to funds such as the World Bank Prototype Carbon Fund and the Japan Greenhouse Gas Reduction Fund, and make use of the international system for reduction of greenhouse gases under the Kyoto mechanism such as by purchase of CO_2 credits from individual projects.

[Trends in CO_2 Emissions, and End-use CO_2 Emission Intensity]



Note 1: Calculations in accordance with legislation governing the method of assessing coefficients for emissions by individual businesses, as determined by the Diet in March 2007.

Note 2: * Value excludes CO_2 credits.

2. Business Development Based on the Needs of Customers

(1) Promoting a Comfortable Energy Saving Lifestyle

Promoting a comfortable and environmentally friendly lifestyle to our customers.

- Based on the current interest and a rapidly increasing sense of crisis in global environmental problems, energy resource problems, we ensure that our customers use electricity skillfully and in an efficient manner (energy conservation) to achieve a comfortable and environmentally friendly lifestyle (a comfortable, energy-saving lifestyle).

- We expect a reduction of 80,000 tons/year of CO2 in FY2008 through promotion of a 'Comfortable Energy Saving Lifestyle'.

  - Practical measures -

  • Active promotion of energy conservation
  • Promotion of consulting for energy conservation.
  • Proliferation of heat pump air conditioning and Eco Cute.

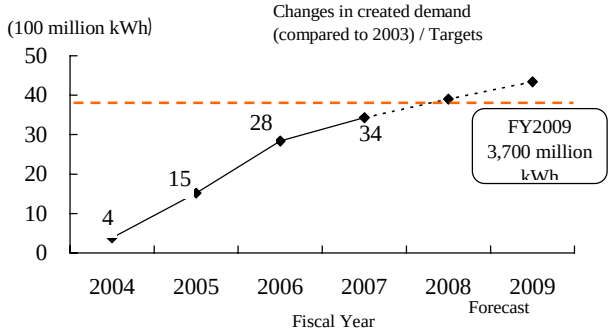
- In response to our customers' environmental awareness and desire for comfort, we continue to employ the combined strength of group companies to promote total solutions to satisfy the diverse requirements and problems our customers face.

  - Practical measures -

  • An all-electric solution for 'reassurance, comfort, economy, and environmental friendliness'.
  • Promotion of efficient and comfortable all-electric kitchens.
  • Provision of technical services for operation of electrical equipment.
  • Proposal of optimal rate plans.

[Target for Stimulating Electricity Demand]

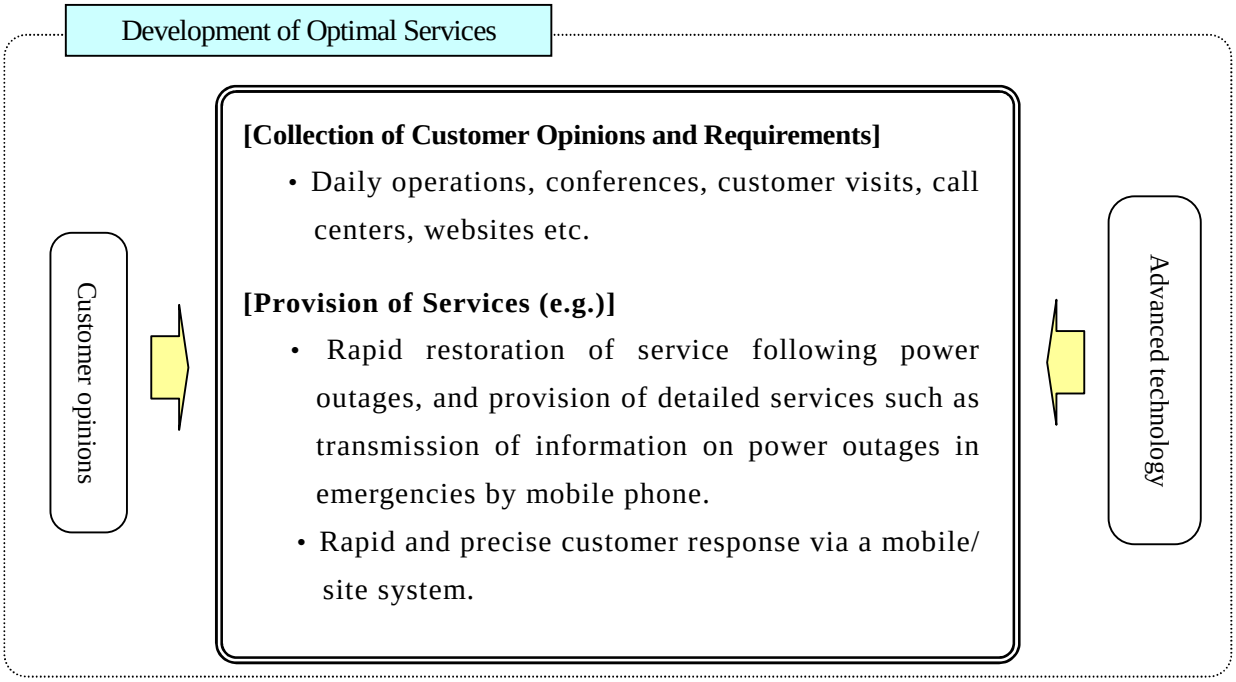
The target demand of 3.7 billion kWh will be firmly achieved through steady growth in the demand for the all-electric housings, and increasing switches from in-house generation to electricity supplied by Kyushu Electric Power.
We plan to create demand through the promotion of high-efficiency heat pump air conditioning and Eco Cute, from a viewpoint of the efficient use of electricity.



(2) Improvement of Customer Service

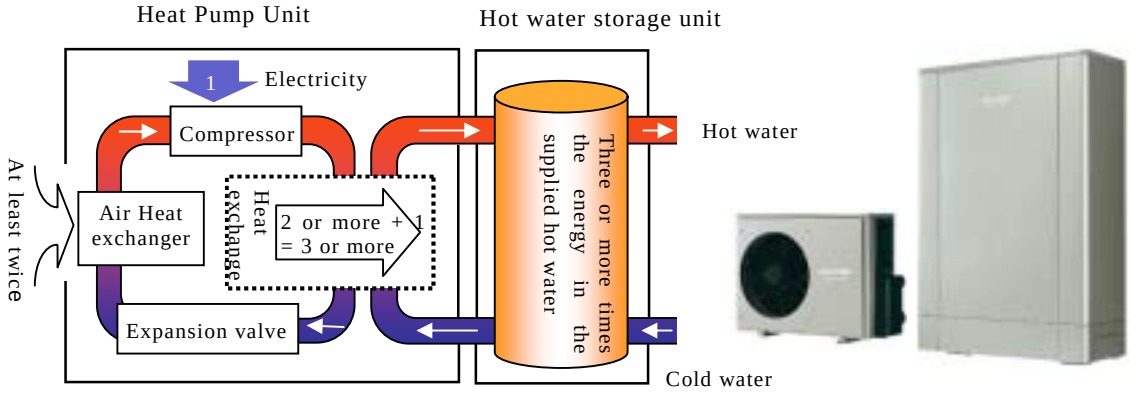
Satisfying customer requirements with the most appropriate service.

- We continue to make use of the most recent technologies, including information technology, in this highly information-oriented society, and to develop the most suitable services to accommodate changes in customer lifestyles.
- In order to provide the optimum service to our customers we continue to actively collect customer opinions and examine their needs.



Eco Cute

Eco Cute is a high-efficiency heat pump making effective use of the natural heat in the air, and as such is able to extract more than three times as much thermal energy as the energy employed in extraction.



(3) Expansion Centering on Energy Business

We will expand and strengthen our profit base by taking advantage of our group's management resources and by developing new business areas while focusing on energy as our core activity.

a. Total Energy Business

- Electric generation with new energy sources including waste recycling, biomass and wind power generation.
- Consulting for overseas IPP enterprises as well as energy conservation and environmental consulting.
- Gas and LPG sales to regional gas companies.

b. IT and Telecommunications Business

- Broadband service centering on high-speed Internet access service.
- IT solutions business providing telecommunications infrastructure design, development, operation, and applications.
- Fiber-optic cable leasing service for local authorities, telecommunication companies and CATV businesses.

c. Environmental and Recycling Business

- Waste recycling of used fluorescent light tubes from companies and households.
- Waste recycling of confidential documents from local governments and companies.

d. Lifestyle-Oriented Service Business

- A senior apartment complex business (with nursing care) to support a rich and comfortable lifestyle for senior citizens and to provide nursing services.
- A residential building evaluation business to provide evaluation of the structural strength and other aspects of residential buildings.
- Temporary personnel services that dispatch or introduce workers to companies.

(4) Efforts to Attract Enterprises

Expansion of activities to attract industry, in cooperation with regional authorities for the development of both the company and the region.

- To further meet customers' needs such as early stage electric power supply, we are enhancing our internal structure. We are working to collect and distribute information in cooperation with local authorities to welcome enterprises to the Kyushu region.

- Practical measures -

• Information gathering:

- Regular meetings with local authorities to exchange information
- Gathering information on the business community's activities
- Questionnaire surveys to recognize enterprises' needs

• Information distribution:

- Promoting Kyushu through visits to customers and activities in the business world
- Information distribution via our website and original leaflets

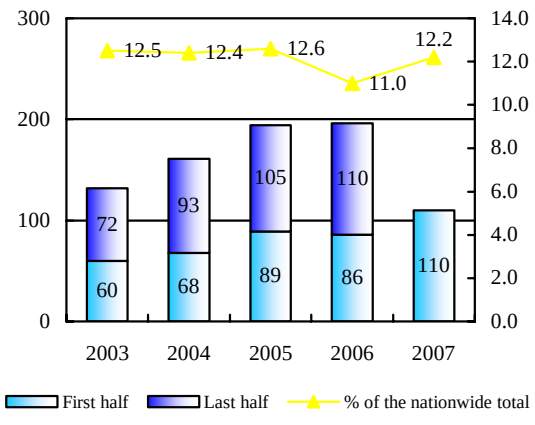
• Promotion activities:

- Early stage electric power supply in cooperation with local authorities
- Proposal of a total solution service that takes advantage of our group's management resources
- Cooperation in seminars to attract businesses held by local governments
- Effective utilization of the sites of our electric power plants

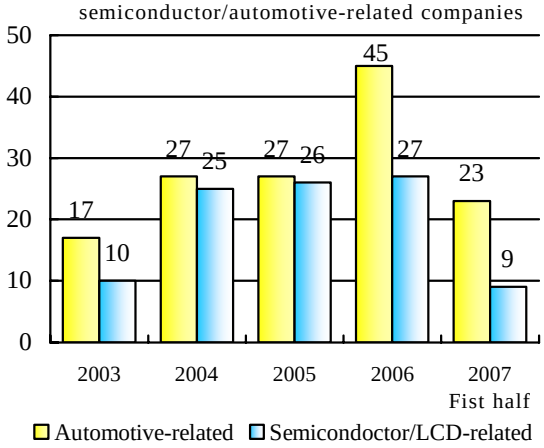
【Current Status of Plant Location in Kyushu】

A factory location trends survey conducted by the Ministry of Economy, Trade and Industry* shows that there were 110 factory locations in Kyushu in the first half of FY2007 (12.2% of the nationwide total), up from 86 in the same period last year. The site area in this period totaled 204.8 hectares (17.0% of the nationwide total), up 53.5% from 133.4 hectares in the same period last year, showing an increase in the site area per plant as well. Of these, the automotive-related companies and semiconductor/LCD related companies showed steady increase with the numbers of factory location of 23 and 9 respectively.

Numbers of factory locations in Kyushu



Numbers of factory locations in Kyushu by semiconductor/automotive-related companies



(5) Promotion of Technology Development

We are making efforts to both maintain and improve electric power technology, such as the stable supply of power and reduced cost, at the same time as promoting the development of new technologies such as for environmental protection aiming for long-term growth.

a. Technology development for stable power supply and cost reduction

- Research on rust-proofing and long-term protection of electric power equipment (steel structures).
- Research on evaluation of residual life of metal materials in thermal power plants, and evaluation of optimum coal types.
- Research on wind power generation output characteristics, and effects on systems.
- Research on effects of expanded introduction of solar power generation on distribution system voltage, etc.

b. Technical development related to environmental protection and new energy.

- Development of large lithium-ion batteries for electric vehicles.
- Research on effective use of coal ash.
- Research on generation of power from biomass.
- Research on solar tracking systems and power generation with new types of solar panel.
- Research on superconductivity, fuel cells, and hydrogen technology.

c. Development of technology related to profitability of the group, and contributions to society.

- Research on corrosion protection technology (e.g. Plazwire® high corrosion-resistance plasma spraying).
- Research on applications of heat pumps in the agricultural sector.
- Research on technology for all-electric commercial kitchens.
- Research on technical support for the prevention of instantaneous voltage drops.

Research and Development on Electric Vehicles

For the proliferation of electric vehicles, which is expected to bring reduction in environmental burden, as well as creation of demand for electric power, we are developing lithium-ion batteries and rapid chargers.
In the joint research with Mitsubishi Motors, Kyushu Electric Power employs electric vehicles as company vehicles to evaluate suitability.

Vehicle performance

Passengers	4
Maximum speed	130km/h
Distance per battery charge	160km
Battery capacity	16kWh

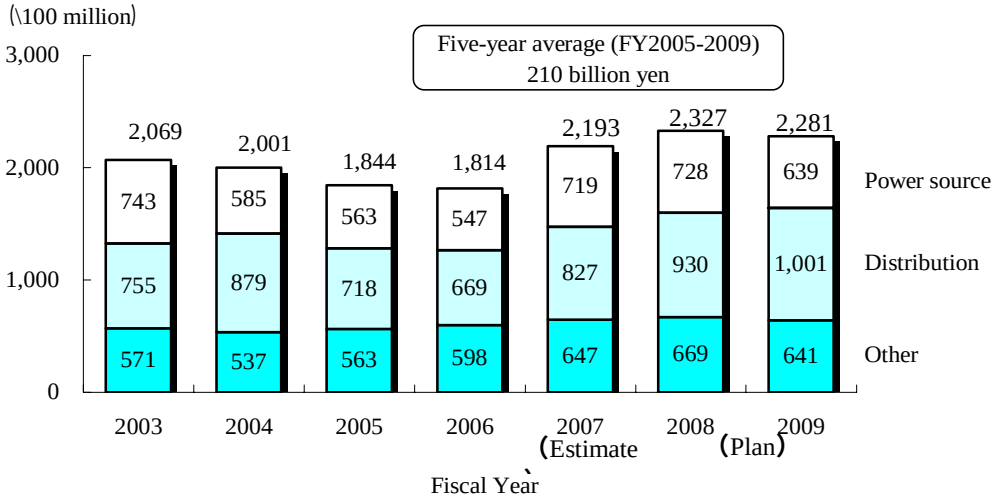
3 Measures to Improve Management Efficiency

(1) Improvement in Capital Investment Efficiency

We have set an annual average capital investment of ¥210 billion for the 5-year period (FY2005-FY2009).

- We improve the efficiency of capital investment by reviewing design criteria and specifications, and by timing its implementation. It is expected, however, that capital investment will increase in future due to accommodating increased demand, maintaining reliability of supply, and developing measures to deal with the aging of plant and equipment.

[Capital Investment]



Note: Capital investment includes that in incidental businesses.

(2) Efficiency of Maintenance and Miscellaneous Costs

We will further improve efficiency on maintenance and other miscellaneous costs.

- Age-related degradation of electric power equipment does result in higher maintenance costs but we strive to make the maintenance of our facilities more efficient and sophisticated by reviewing our inspection and maintenance processes.
- While there has been a rise in miscellaneous costs associated with the temporary development of a system to enhance business efficiency, we are committed to streamlining our business procedures and enhance overall business efficiency.

(3) 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 through greater utilization of information technology.

- The number of personnel employed as of the end of FY2007 is expected to be reduced to 12,470 employees, 200 less than the previous year.
- Efficiency of operations will be maintained through reform of operational processes using IT technology and by revising the division of labor between group companies. By the end of FY2009 labor productivity will be increased by 10% in comparison to the end of FY2005.

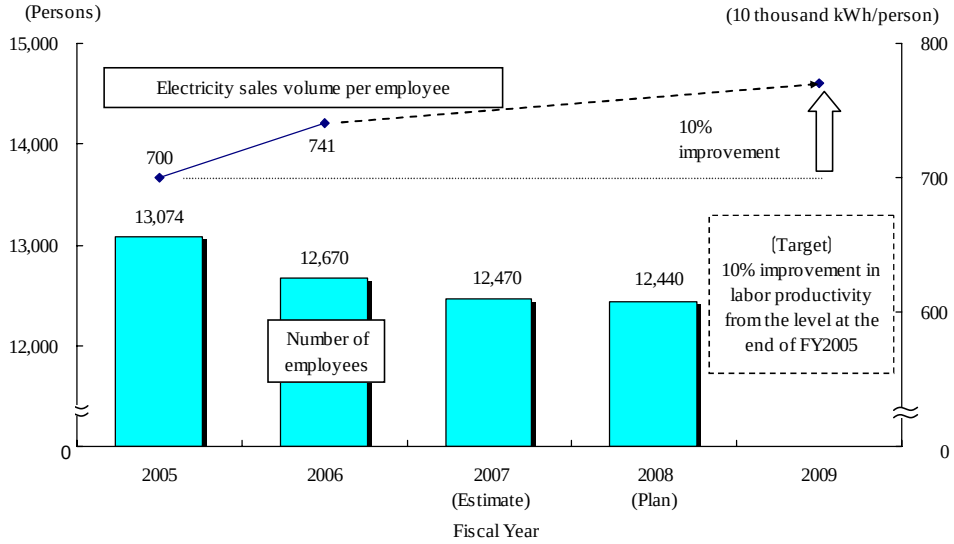
[Major Reforms of Operational Processes Using IT Technology]

• Sharing of information
We will promote sharing of information through the integration of databases, ensuring that the necessary information is available to the relevant person at the relevant time, with consequent improvements in quality of operations and productivity.

• Proliferation of networks
We will use internal and external networks to share information with subcontractors and other parties, speeding up our response to customers and our plant maintenance operations.

• Use of mobile technology
We will use the communications capability of mobile handsets to send and receive data between the site and the company computer, thus improving the efficiency of plant surveys, etc.

[Number of Employees]



Note: Electricity sales volume per employee is calculated excluding personnel engaged in new businesses and transferred workers.

(4) Promotion of Efficient Facility Operation

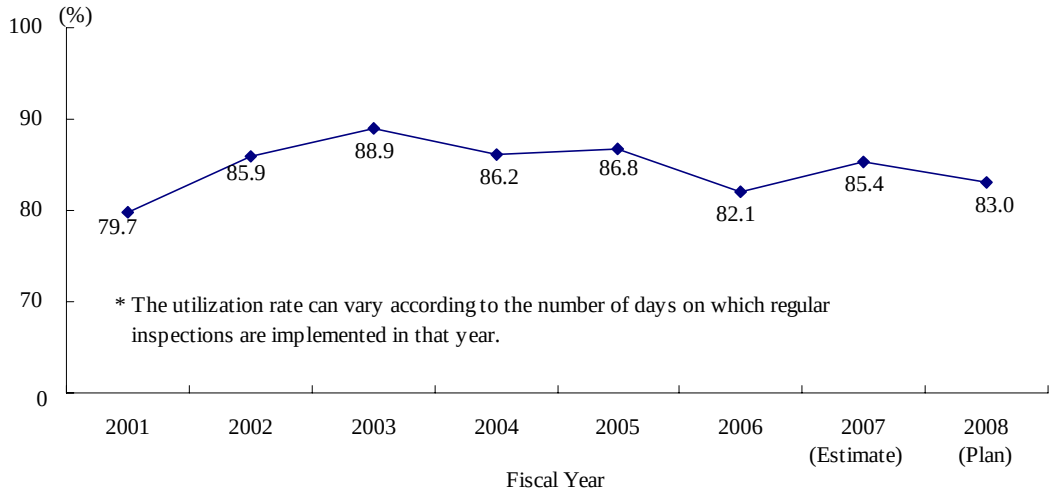
a. Maintaining a high nuclear power utilization rate

We are committed to maintaining a high nuclear power utilization rate.

- We work to maintain a high utilization rate of nuclear power facilities, by continuing the safe and stable operation of nuclear power stations, implementing constant cycling at rated thermal output, and promoting appropriate preventive maintenance measures.

  * Since nuclear power generation requires lower fuel costs than those of thermal power generation, we can reduce fuel costs by maintaining a high utilization rate of our nuclear power facilities.

[Nuclear power utilization rate]

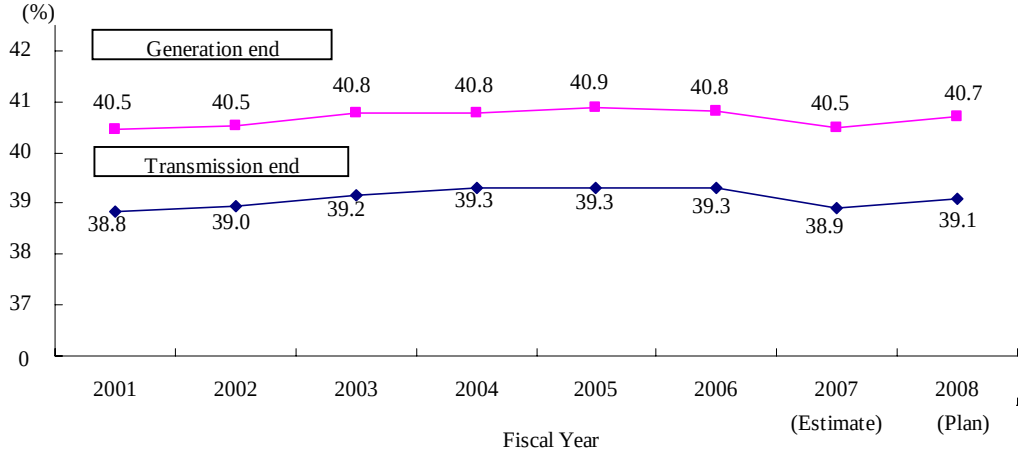


b. Maintaining/improving thermal power generation facility efficiency rate

We are committed to maintaining and improving the total thermal efficiency at our thermal power stations.

- We work to maintain and improve the total thermal efficiency by keeping a high rate of operation at highly efficient power stations, such as the Shin-Oita Power Station.

[Total thermal efficiency at thermal power stations]



(5) Reduction of Material, Equipment and Fuel Procurement Costs

a. Reduction of material and equipment costs

Reduction in procurement costs of resources and equipment through purchasing cost planning activities, use of supply chain management (SCM), and diversification in methods of ordering.

- To reduce procurement costs in regard to resource and equipment and subcontracted works, we will diversify ordering systems by activities such as accepting value engineering (VE)* proposals. At the same time, we will promote international procurement, purchasing cost planning activities and supply chain management.

  * Value Engineering (VE): A method of reducing the cost of products without lowering quality and function.

- For material/equipment purchasing, we will expand opportunities for new suppliers in Japan and abroad to start dealing with us through active information disclosure on the Internet. We will also vigorously make use of electronic commerce.

Purchasing Cost Planning Activities and SCM

Under trilateral cooperation among suppliers, Kyushu Electric Power's material departments and the main divisions in charge of equipment, we will pursue comprehensive cost reductions in procurement, by following a series of processes from production through to supply and use. Specifically, measures will be implemented to improve the efficiency of procurement of parts and production processes and to revise specifications as well as measures to optimize the entire operation processes.

Information on our material procurement is available on our website at:
http://www1.kyuden.co.jp/en_procurement_index

b. 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.

- Further efforts to reduce procurement costs and establish stability in procurement will be implemented for the entire supply chain (production, transport, and acceptance processes).

Participation in Uranium Mines project

Participation in development of a uranium mine in the Republic of Kazakhstan, and subsequent participation in production, to ensure long-term stable supply.

Mine: Kharassan
Reserves: 186,000 t (MTU) (estimated)
Duration of production: 2008 – 2050
Production: 5,000 t (MTU) per year
Contracted production: 50 t (MTU) per year

Construction of an LNG Carrier

To improve economical efficiency by controlling transport costs and to ensure stable procurement by securing a flexible transport method, we are constructing an LNG carrier together with Tokyo Electric Power.

Commencement of operation: April 2009(plan)
Specifications: Moss-type spherical tanks x 4
Length: 288m
Maximum load: 145,000 m^3 (67,000 t)
Shipbuilder: Mitsubishi Heavy Industries Ltd., Nagasaki yard

4. Corporate Social Responsibility (CSR) Initiatives

(1) Promotion of CSR

We ensure fair and highly transparent business activities in strict conformity with laws and business ethics. In addition, as a good corporate citizen of this society, we carry out our corporate social responsibilities (CSR) by promoting environmental management and a various range of activities aiming at symbiosis with the local communities and society.

- Our corporate social responsibility initiatives involve continuing to efficiently provide a stable supply of electricity to our customers, while at the same time ensuring the highest levels of safety.
- We have established the CSR Promotion Committee, chaired by the president of the company, to develop and implement an annual CSR activities plan. The content of this plan is published in the Kyushu Electric Power CSR Report.
- Based on this report, the company will enhance its efforts towards greater corporate social responsibility through communication with the wider group of stakeholders.

Major Initiatives for FY2008

(1) Promotion of Compliance Management
- Implementation of measures to prevent recurrence of problems identified in the results of power generation facilities inspection.
- Investigation and guidance on privacy protection for personal information held by subcontractors.

(2) Promotion of information disclosure to enture transparency in management.
- Disclosure of emergency measures for power plants.
- Dissemination of information on activities through the media.

(3) Promotion of environmental management.
- Improvements in environmental and energy education for the younger generation.

(4) Respect for human rights, and development of a comfortable working environment.
- Development of a system to support work-life balance.
- Promotion of change in attitudes towards the greater participation of women, and greater career opportunities for women.

(5) A thorough focus on the Safety First policy.
- Evaluation of earthquake resistance and safety of nuclear power plants, and implementation of necessary measures to improve earthquake resistance and safety.

(6) Coexistence with the community
- Development of activities suited to the requirements of the local community and society, and dissemination of related information.

Advancement of Opportunities for Women

In July 2007, we established a special group in our Human Resources Department to promote career development support for female employees and work-life balance support, backed by measures to modify attitudes and develop the necessary cultural environment.

(2) Promotion of Compliance Management

To further strengthen our relationship of trust with the community, we intend to not only comply with laws and regulations, but also to actively promote fair and highly transparent corporate activities in accordance with corporate ethics.

- Kyushu Electric Power Group actively promote compliance awareness of the group as a whole, centered around the “Compliance Committee (Chairperson: President, composed of Directors and external knowledgeable experts), by reviewing Compliance Action Guidance and the education and training of employees. We have also established Compliance Consultation Desks, both inside and outside the company, as part of an in-house notification system.
- We have established an information security system, with the President having overall responsibility, to ensure correct handling of information.
  To ensure compliance with the Private Information Protection Law we have also established rules governing identification of the purpose of use of private information, methodologies for responding to requests for disclosure of such information, and appropriate controls.

(3) Promotion of Information Disclosure

We disclose information in a sincere and easy-to-understand manner.

- To ensure greater transparency in management and earn a higher degree of trust from society, Kyushu Electric Power actively discloses information to customers, shareholders, and investors.
- Specifically, we established the ‘Kyushu Electric Power Basic Stance on Information Disclosure’, and also regularly disseminate information through the President’s monthly press conferences, ad-hoc press releases, IR briefings, and company websites.
- We will continue to conduct timely and appropriate disclosure regarding managerial information and corporate PR as well as any current problems with nuclear and thermal power generation in order to ensure transparency of management.

(4) Promotion of Environmental Management

To realize a sustainable society, we will promote measures to protect global environment and coexist with local environment as Kyushu Electric Power Group in a global viewpoint.

a. Measures for global environmental issues

- We make efforts to control greenhouse gas emissions through promotion of the best combination of power sources, with nuclear power as the core component and greater introduction of renewable energy (see p5 for details).

b. Development of a recycling society

- With the slogan “Challenge for Zero Emissions,” aiming to make the volume of final disposal waste as close to zero as possible, we practice the 3Rs of Reduce, Reuse, and Recycle of wastes generated through operational activities.
- In addition to the conventional evaluations of quality, price and promptness of delivery, we employ environmental evaluations to promote green procurement and purchase eco-friendly goods.

c. Coexistence with the local environment

- Prior to the construction of our power stations, we conduct environmental impact assessments with due consideration given to the most recent information and knowledge as well as the local situation in order to create facilities that take into account the diverse plant life, and the water, air, and soil environments.
- We thoroughly control chemical products such as PCBs and asbestos to minimize and avoid environmental pollution risk.

d. Cooperation with the local society

- We will actively disclose environmental information through Environment Action Reports and company’s websites, and improve the two-way communication of opinions and requests.
- We are developing activities to integrate with the local region, such as the planting of 1,000,000 trees over a period of ten years under the ‘Kyushu Homeland Forestation Program’, and our support for environmental education for the younger generation.

e. Promotion of environmental control

- We ensure all our business locations and all our group companies use our Environmental Management System (EMS) effectively and efficiently, and aim to achieve continuous reduction of environmental load by voluntary conducting PDCA cycles (plan, do, check and action) in environmental activities.
- We actively conduct efforts to improve the level of environmental control through utilization of environmental accounting.

(5) Thorough Implementation of the "Safety First Policy"

As the fundamental basis of all corporate activities, we thoroughly implement our Safety First Policy that prioritizes the ensuring of safety.

- Ensuring safety in management of operations has always been a top priority – we are committed as a group (including the company, group companies, and contractors) to thorough implementation of the Safety First Policy through measures such as securing safety at facilities and in the work environment, dissemination of knowledge regarding safe handling of electricity, and establishment of a work environment that pays proper attention to safety and the health of employees.

- Our initiatives to improve overall safety in the workplace include prevention of disasters caused by human error, thorough implementation of risk prediction, and improvement of unsafe locations through safety checks. We also enagage in initiatives focused on occupational health such as mental health measures and measures to prevent health problems through overwork.

- Ensuring safety also has top priority in the operation of nuclear power plants, and safety activities and quality assurance activities are implemented precisely and correctly to ensure safe and stable operations.

Safety and Hygiene Initiatives

◆ Basic philosophy

'Prevention of all possible disasters (zero-disaster principle), ensuring of mental and physical health, and establishment of a comfortable workplace.'

◆ Safety and hygiene management policy

[Targets]

- Safety: Promotion of measures to prevent disasters before they occur. Thorough risk prediction in all tasks/work activities.
- Hygiene: Promotion of a comfortable workplace with minimal fatigue and stress. Improved self-awareness of mental and physical health.

Points of emphasis

- Creation of a workplace giving maximum priority to safety and mental & physical health.
- Thorough measures to prevent accidents in the workplace.
- Thorough measures to prevent traffic accidents.
- Thorough measures to prevent accidents at subcontractor sites.
- Thorough measures to prevent accidents involving the public.
- Development and strengthening of measures for the management of mental and physical health

(6) Coexistence with the Local Community/Society

As a good corporate citizen we actively promote activities aimed toward coexistence with the community/society so as to realize a comfortable and enriched community.

a. Regional promotion

	Activities
Cooperative regional invigoration activities	- Contributions to regional invigoration through such measures as symposiums directed towards better communities.
Support for Regional industries	- Holding of exhibitions of local products in cooperation with the Regional Industries Promotion Center.
Support for Traditional handicrafts industry	- Support for local and overseas training for young handicraft artists. - A range of support for traditional handicraft artists.

b. Support for regional culture (corporate patronage activities)

	Activities
Music	- Hosting of the Kyushu Symphony Orchestra's Kyuden Family Concerts and full-scale classical Kyuden Bunka no Mori Concerts.
Literature	- Hosting of casual writing contests such as the Family Essay Contest.
Festival participation	- Participation in local festivals in each service area
Cultural activities for the younger generation	- Hosting local cultural activities such as essay contests for younger people, art exhibitions, and music events.
Support for local events	- Support for local cultural events such as concerts and art exhibitions.

c. Support for local sports activities

- We will continue our support for local sports activities in order to revitalize and raise the level of sports activities in the community, and to create a cheerful and healthy regional community.
- The company's flagship sport is rugby, and our rugby team has attained considerable popularity in the area, and is well supported. The team provides guidance to a variety of regional junior rugby teams, and it participates in regional events and assists in the invigoration of regional sports.

d. Support for the volunteer activities of our employees

- We will continue to support the individual volunteer activities of our employees through volunteer vacation programs and programs supporting the acquisition of social welfare qualifications.

5. Efforts toward Improvement of Structural Capabilities

(1) Corporate Governance Structure

To respond to changes in the business environment appropriately and to ensure the soundness of corporate management, we are establishing an effective corporate governance structure

- In line with the Corporate Law, we have established our "Principal Policy on Corporate Governance Structure" comprising seven items including legal compliance of the Directors and employees.
- We are preparing internal regulations for financial reporting based on the Financial Product Trading Law (J-SOX Law), with an obligation to submit internal regulations reports from March quarter of 2009.
- We will continue our efforts to build and enhance the system in order to ensure sound corporate management.

(2) Promotion of TQM (Total Quality Management)

We will even further enhance our 'management quality' from the customer perspective.

- Based on the four basic principles of the Japan Quality Award (Customer Focus, Employee Oriented, Unique Capabilities and Public Responsibility), we have made a company-wide commitment to promote TQM (Total Quality Management) so as to improve "management quality" as seen from our customers' viewpoint.
- Specifically, we will conduct self-assessment of all management activities, reflect on the themes obtained from results in the business management cycle, and put into practice subsequent improvements and reforms.
- By promoting TQM, we will continue to nurture a corporate climate that constantly improves and reforms in order to conduct a customer-oriented business.

(3) Thorough Risk Management

Under the leadership of the senior executives we conduct thorough risk management and continue to reduce the impact on management of exposure to potential risks.

- Risks are becoming increasingly complex and diverse with changes in the business environment surrounding the company. To handle such risks promptly and appropriately, we are implementing thorough risk management by conducting regular risk analysis, identifying critical risks, and adopting risk countermeasures into our business management plan.

(4) Strengthening the Group's Management Base

Along with working to strengthen the Group's Governance, with the Group's cooperation we are aiming to continuously reinforce our management base.

- We are working to strengthen group governance through implementation of a performance evaluation system and clarification of the group management system.
- Also, to increase competitiveness and maximize corporate value as a group, we will promote improvement in management for each business type, as well as conduct mergers and restructuring of group companies based on "selection and concentration."
- To strengthen coordination among group companies and improve efficiency, we are working to centralize operation tasks by introducing shared services.

(5) Improvement of Employee Motivation and Capabilities, and Improvement of Technological Capabilities as a Group

We promote efforts to improve and maximize the capabilities of each and every employee, and at the same time, work to maintain and improve the technological capabilities of Kyushu Electric Power Group.

- The source of greater corporate value lies in 'human resources'. Bearing this in mind, we aim to nurture employees who are equipped with management capabilities and expertise, as well as those who are independent, aware of their own roles and responsibilities, rich in creativity, and capable of taking initiative.

- We will deploy personnel labor policies that reflect the opinions of our employees, to realize a vigorous, open and motivating work environment we will actively communicate within the workplace.

- To strengthen the overall ability of the group, we will make efforts to ensure steady transfer and improvement of technical skills and expertise through cooperation with group companies in various operations and technological developments.

References

1. Outline of the Supply Plan

[Actual electricity sales and outlook]

FY	2006 (Actual)	2007 (Estimate)	2008	2009	2010	2011	2012	2017	Av. annual growth 2017/2006 (%)
Electric power sold (100 million kWh)	844 (842)	880 [859]	879	887	892	897	901	925	0.8 (0.9)
Peak demand (10,000 kW)	<1,737> 1,681 (1,643)	<1,749> 1,693 (1,689)	1,715	1,728	1,737	1,746	1,755	1,800	0.6 (0.8)

Note: - Peak demand is the average of maximum output at transmission end over three days.
- ( ) after compensation for air temperature, [ ] after compensation for air temperature and bissextile year, < > average of maximum output at generation end over three days.

[Peak demand and supply balance]

FY		2007 (Actual)	2008	2009	2010	2011	2012	2017
Demand	(10,000kW)	1,693	1,715	1,728	1,737	1,746	1,755	1,800
Supply capacity	(10,000kW)	1,831	1,870	1,934	1,877	1,910	1,912	1,964
Reserve capacity	(10,000kW)	137	155	206	140	164	157	164
Reserve margin	(%)	8.1	9.0	11.9	8.1	9.4	8.9	9.1

[Development Plan]

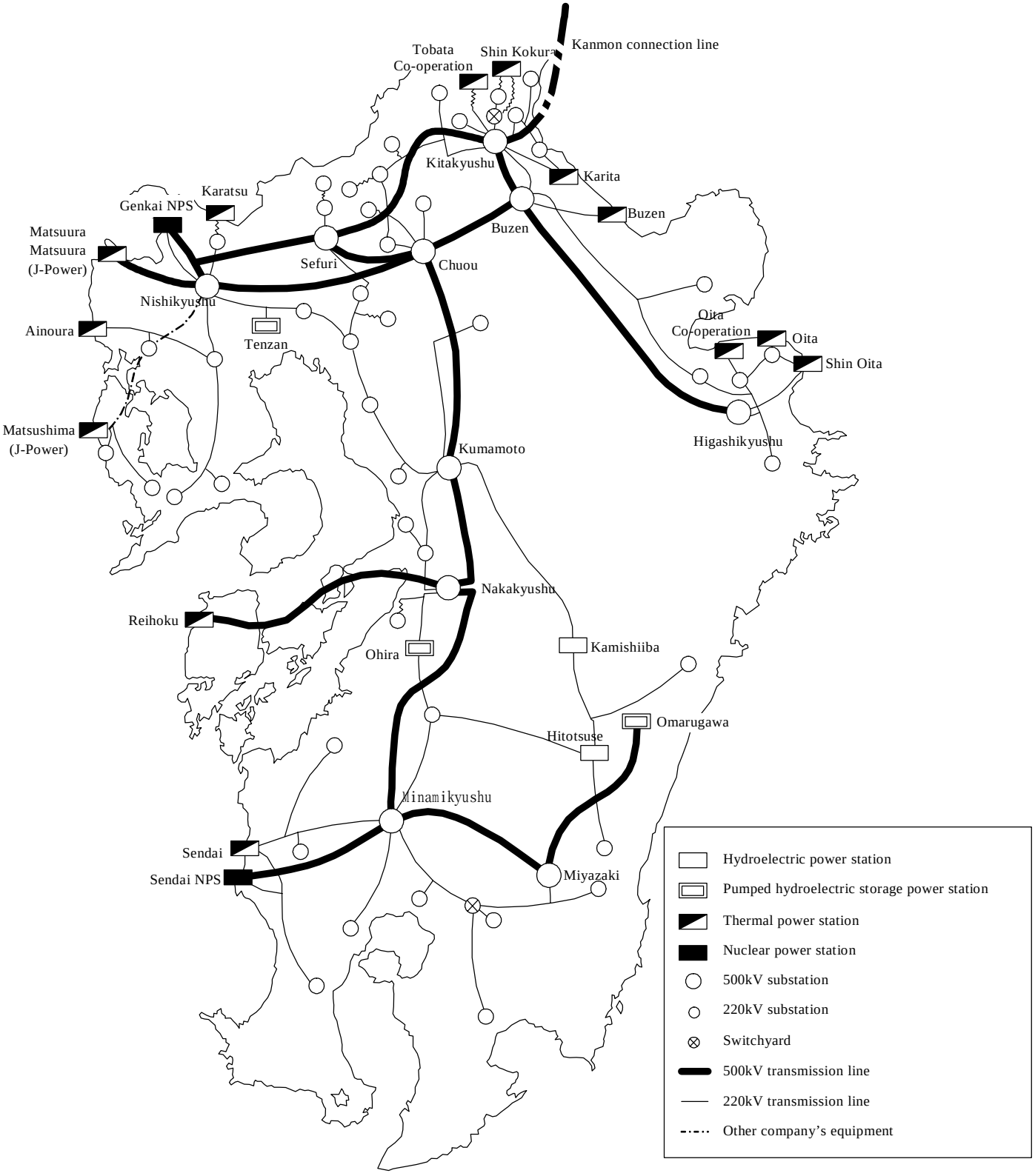
Classification	Type	Power plant & unit		Output (10,000kW)	Construction schedule: Commencement of work	Construction schedule: Commencement of commercial operation
Under construction	Hydro power	Omarugawa	Unit 3	30	February 1999	January 2009
			Unit 1	30		July 2010
			Unit 2	30		July 2011
		Osuzu		0.033	December 2006	March 2009
	Thermal power (coal)	Matsuura unit 2		100	March 2001	FY2023 or later
	Internal-combustion Power	Koshikijima Daiichi unit 3		0.45	June 2007	June 2008
		Shinkikai unit 6		0.45	June 2007	June 2008
In preparation for construction	Hydro power	Kasegawa		0.28	June 2008	FY2011
	Thermal power (LNG)	Shin Oita unit 3-4		Approx. 40	July 2013	July 2016

[Reference] Plans under suspension	Thermal power (petroleum)	Oita unit 1 & 2	250,000 kW x 2	FY2002-2017
		Karatsu unit 2 & 3	375,000 kW, 500,000kW	FY2004-2017

[Main transmission facility construction plan]

Classification	Type	Line/ Facility	Voltage (10,000V)	Size	Construction schedule: Commencement of work	Construction schedule: Commencement of commercial operation	Remark
Under construction	Transmission	Kitakyushu main line	50	84km	April 2006	June 2011	New construction
		Sefuri-Tosu line	22	18km	September 2006	June 2009	New construction
	Transformation	Sefuri substation	50/22	1 million kVA	October 2007	June 2009	Enhanced
In preparation for construction	Transformation	Midorikawa substation	22/6.6	300,000 kVA	May 2009	June 2010	Enhanced

Trunk electric power system plan (As of end of FY2012)



(Reference) Pluthermal Project

[What is pluthermal?]

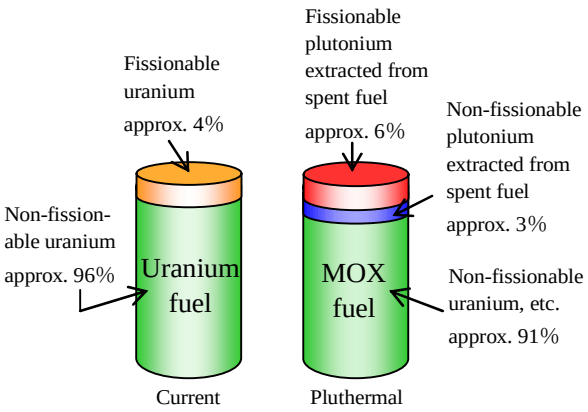
Uranium fuel (spent nuclear fuel) used at nuclear power stations contains a substance called plutonium, which can be recycled as fuel.
"Pluthermal" involves utilizing the plutonium extracted from spent fuels as MOX fuel. MOX fuel is made of plutonium extracted from spent fuels and uranium, and is loaded into the nuclear reactor currently in use (thermal reactor).
At Genkai Unit 3, we plan to load 48 MOX fuel rods, which is one fourth of the total 193 fuel rods, into the reactor.

* Note: The term "pluthermal" is a Japanese word that combines the English words of "plutonium" and "thermal."

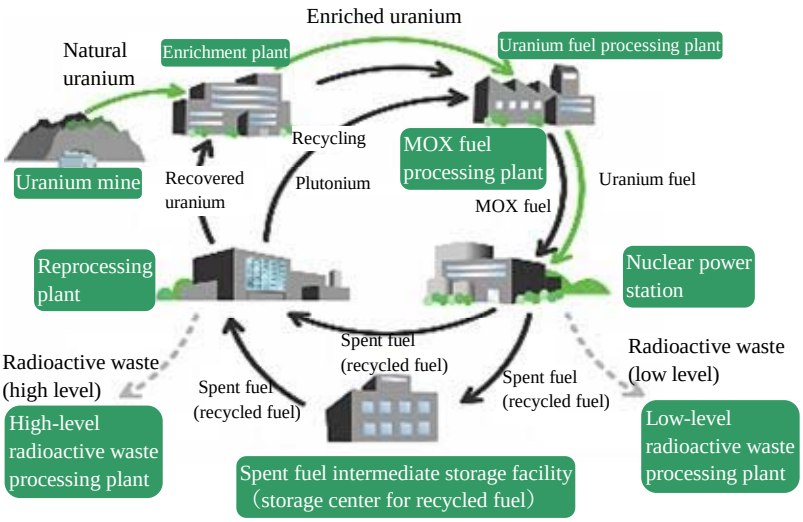
[What is MOX fuel?]

MOX fuel is the fuel utilized in the pluthermal process. The term "MOX" comes from Mixed OXide, since MOX fuel is made from uranium and plutonium as the mixed oxides.

Difference between uranium fuel and MOX fuel



[Nuclear Fuel Cycle]



2. Renewable Energy Power Generation Facilities

[Kyushu Electric Power and Group Facilities]

Wind power generation (kW)

	Kyushu Electric Power		Nagashima Windhill Ltd.	Washiodake Furyoku Hatsuden Ltd.	Amami Oshima Furyoku Hatsuden Ltd.	Total
	Koshikijima	Nomamisaki				
Location	Kagoshima	Kagoshima	Kagoshima	Nagasaki	Kagoshima	67,640
Output	250 250kW 1 unit	3,000 300kW each Total 10 units	50,400 2400kW each Total 21 units	12,000 2000kW each Total 6kW	1,990 1990kW 1 unit	

Note: The Nagashima wind power plant is currently in trial operation (full operation scheduled for October 2008).
Preparations currently underway for construction of Washiodake and Amami Oshima wind power plants.

Solar power generation (kW)

	Kyushu Electric Power				Total
Location	Branch (4 sites)	Offices (8 sites)	Power station (1 site)	Pavilion etc. (7 sites)	(20 sites)
Output	35	75	100	93	303

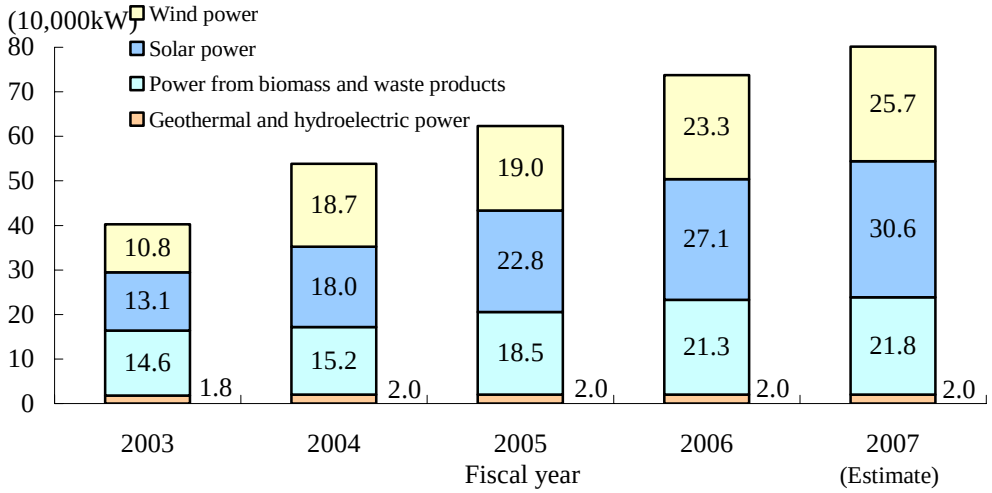
Biomass and waste product power generation (kW)

	Miyazaki Biomass Recycling	Fukuoka Clean Energy	Total
Fuel	Biomass (poultry manure)	Non-industrial waste	40,550
Output	11,350	29,200	

Geothermal power generation (kW)

	Kyushu Electric Power						Total
Power station	Otake	Hatchoubaru	Yamakawa	Ogiri	Takigami	Hatchoubaru Binary	209,500
Output	12,500	110,000	30,000	30,000	25,000	2,000	

[Trends in RPS Plants]



Note: Including power through contracts with other companies.

3. Wide Variety of Rate Plans to Choose From

Customers in the regulated sector

	Overview of Plans	Main Target Customers
Lighting Contract with time-of-day rates/ seasonal rates (*Denka de Night*)	- Charged with three time-of-day rates: daytime, living-time and nighttime. - Customers can save by shifting their concentration of electricity use from daytime to living-time and nighttime hours.	All-electric households General households with electric water heaters
Lighting Contract with time-of-day (*Yoka Night 10*)	- Charged with higher daytime rate and lower nighttime rate than regular lighting contracts. - Customers can save by shifting their concentration of electricity use from daytime to nighttime.	General households Small shops and stores
Lighting Contract for high-load facilities	- Demand charges are set higher and energy charges are set lower than regular lighting contracts. - Charged with time-of-day rates - Customers can save by raising operating rate of their facilities.	Small shops and stores with relatively large-scale facilities that use electricity relatively efficiently
Low Voltage Power Contract with time-of-day/seasonal rates	- Charged with time-of-day and seasonal rates: summer-daytime, other-daytime, and nighttime. - Customers can save by shifting their concentration of electricity use to nighttime hours.	Small shops, stores and offices with large electric appliances
Discount for Power Contract with Thermal Storage Facilities (Optional)	- Discounted in proportion to the volume of electricity shifted to nighttime due to implementation of thermal storage facilities.	Small shops, stores, and offices with thermal storage facilities (air-conditioning facilities etc.)
Account Transfer Payment Discount (Optional)	- Discounted when electricity bill is paid via account transfer on the first payment date.	All customers who pay their electricity bills monthly by account transfer payment

Customers in the liberalized sector

	Overview of Plans	Main Target Customers
Power Contract with time-of-day/seasonal rates	- Charged with time-of-day/seasonal rates: peak-time, summer-daytime, other-daytime, and nighttime hours. - Customers can save by shifting their concentration of electricity use to nighttime hours.	Hospitals Hotels Industrial plants
Weekend/holiday Economy Power Contract for Commercial Customers	- Charged with lower rates in weekends and holidays than weekdays - Customers can save by shifting electricity use to weekends and holidays.	Department stores Leisure facilities
Contracts by load factor	- Discounted energy charges in proportion to load factor	Office buildings Industrial plants
Discount for Power Contract with Electric Kitchen Appliance (Optional)	- Discounted in proportion to the use of electric kitchen appliances (cooking appliances such as microwave and regular ovens).	Restaurants and shopping malls with 20kW worth or more of electrical kitchen appliances.
Discount for Power Contract with Thermal Storage Facilities (Optional)	- Discounted in proportion to the volume of electricity shifted to night-time due to implementation of thermal storage facilities.	Office buildings, large shops and stores, and plants with thermal storage facilities (air-conditioning facilities etc.)
Discount for Power Contract with Electric Air-Conditioning Facilities (Optional)	- Discounted in proportion to the volume of electricity used by the non-thermal-type electric air conditioning facilities when used in combination with thermal-type air conditioning facilities.	Office buildings and plants that use non-thermal and thermal-type air conditioning facilities in combination.
Discount for Power Contract with All-Electric Facilities (Optional)	- Discounted for customers who use electricity for all sources of energy including air-conditioning, kitchen, and water heater	All-electric restaurants and shopping malls with 20kW worth or more of electrical kitchen appliances.

4. Overview of Group Companies

<Total Energy Business>

	Company name	Main business description
Facility Construction and Maintenance	Kyushu Rinsan Co.	Greening of power plants, etc.
	Nishinippon Plant Engineering and Construction Co., Ltd.	Investigation, maintenance and repair of power generation facilities
	Kyuden Sangyo CO., INC.	Environmental preservation activities in power generation facilities
	West Japan Engineering Consultants, Inc.	Consultation and planning of civil engineering and construction
	Nishinippon Environmental Construction Co., Inc.	Design, construction and supervision of heat supply systems etc.
	Kyudenko Co., Inc.	Engineering works for power supply facilities
	Nishikyushu Kyodo Kowan Co., Ltd.	Maintenance, control and operation of coal unloading facilities
	Kyuken Corporation	Construction and repair of electric lines
	Nishigi Kogyo Co., Inc.	Maintenance and repair of hydroelectric power generation facilities
	NISHIGI SURVEYING AND DESIGN CO., LTD.	Investigation, survey, design and draft of civil construction projects
	Plaswire Co., Ltd.	Thermal spraying work
Supplies, etc. Sourcing	KYUKI CORPORATION	Manufacture and sales of electric machinery
	NISHI NIPPON AIRLINES CO., LTD.	Transportation of cargo by aircraft
	Kyushu Meter & Relay Engineering Corporation	Repair and maintenance of electronic instruments
	KOYO Electric Industrial Company, Incorporated	Manufacturing and sales of high/low voltage insulators
	KYUHEN Co., Inc.	Manufacture and sale of electric equipment
	KYUSHU KOUATSU CONCRETE INDUSTRIES CO., LTD.	Manufacture and sale of concrete poles
	CONTEX	Manufacture and sale of concrete products
	SEISHIN CORPORATION	Sale of electric equipment
	Nishi Nihon Denki Tekkou Co., Ltd.	Design, manufacture and sales of steel towers, steel structures, etc.
	Japan Australia Uranium Resource Development Co., Ltd.	Acquisition and sales of natural uranium
Electric Power Wholesalers / Energy Business	Tobata Co-operative Thermal Power company, Inc.	Wholesale electricity supply
	Oita Co-operative Thermal Power company, Inc.	Wholesale electricity supply
	Kyuden International Corporation	Acquiring and owning securities of overseas power companies
	Oita Liquefied Natural Gas Company	Receipt, storage, vaporization and delivery of LNG
	KITAKYUSHU LIQUEFIED NATURAL GAS CO., INC.	receipt, storage, vaporization and delivery of LNG
	Nishinippon Environmental Energy Co., Inc.	Dispersed power system business and consultation about Energy efficiency
	Fukuoka Energy Service Company Incorporated	Heat supply business
	Miyazaki Biomass Recycle Co., Inc.	Power generation using poultry manure
	Nagashima Windhill Corporation	Sales of electricity generated by wind power
	Amami Oshima Wind Powr Co., Ltd.	Sales of electricity generated by wind power
	Washiodake Wind Power., Ltd.	Sales of electricity generated by wind power
	Pacific Hope Shipping Limited	Owning and operation of LNG ships
	Kkyuden Ilijan Holding Corporation	Investment to Ilijan IPP Project Company
	Phu My 3 BOT Power Co., Ltd	Operation and management of power plant in Phu My 3 IPP Project
	Electricidad Aguila de Tuxpan, S.de R.L.deC.V.	Operation and management of power plant in Tuxpan No.2 IPP Project
	Electricidad Sol de Tuxpan, S.de R.L.deC.V.	Operation and management of power plant in Tuxpan No.5 IPP Project
	KYUSHU CRYOGENICS CO., LTD	Manufacturing and sales of liquefied oxygen, liquefied nitrogen and liquefied argon
	Kitakyushu LNG Lorry Sales	LNG (lorry) sales
	Fukuoka Clean Energy Corporation	Incineration of non-industrial waste and power generation
	KITAKYUSHU ECOENERGY CO., LTD.	Waste disposal and power generation

<IT & Telecommunications Business>

Company name	Main business description
Kyushu Telecommunication Network Co., Inc.	Fiber-optic cable, broadband service and IP phone service
Kyuden Infocom Company, Inc.	IT planning/consultation, data center business
NISHIMU ELECTRONICS INDUSTRIES, Co., Ltd.	Manufacturing, sale, installation and maintenance of telecommunication devices
Q-DEN BUSINESS SOLUTIONS Co., Inc.	Development, operation and maintenance of Information system
Kyushu Network Services Co., Inc.	Sales of telecommunication lines
Kagoshima Hikari Television Co., Inc.	Cable television broadcast business
RKK Computer Service Co., Inc.	Development and sales of computer software
RKKCS Software Ltd.	Development of computer software
COARA Co., Ltd.	Internet connections and creation of website contents

<Environmental/Recycling Business>

Company name	Main business description
Kyushu Environmental Management Corporation	Recycle of confidential documents
Japan Recycling Light Technology & System	Recycle of spent fluorescent tube and dry cell battery

<Lifestyle-Oriented Service>

Company name	Main business description
DENKI BLDG. CO., LTD.	Management and rental of real estate
Kyuden Good-Life Corporation	Overall control of retirement complex (nursing care included) business (Kyuden Good Life Higashifukuoka, Kumamoto, Kagoshima, Fukuokajousui)
Kyuden Good Life Higashifukuoka Company, Inc.	Management of paid nursing homes and nursing care business
Kyuden Good Life Kumamoto Company, Inc.	Management of paid nursing homes and nursing care business
Kyuden Good Life Kagoshima Company, Inc.	Management of paid nursing homes and nursing care business
Kyuden Good Life Fukuokajousui Company, Inc.	Management of paid nursing homes and nursing care business
Shinrintoshi Co., Ltd.	Leasing of company housing and other real estate
Kyuden Office Partner Co., Ltd.	Indirect clerical tasks and consulting business
Kyuden Business Front Inc.	Worker dispatching and paid job placement service
Kyushu Housing Guarantee Corporation	Residential home performance evaluation and inspection of building certificates
Kyuden HOME SECURITY Co., Inc.	Home security and safety/supervision service
Kyuden Shared Business Corporation	Undertaking of accounting and tasks regarding personnel labor
Medical Support Kyushu Co. Ltd.	Rental and leasing of medical equipment etc. to clinics specializing in diagnostic imaging as well as operation support
Kyushu Captioning Co-production Center Inc.	Creation of captions for broadcasted programs (special subsidiary of Kyushu Electric Power)
Oak Ltd.	Apartment management
Kyushu Kougen Kaihatsu	Management of golf courses
Ito Golf Cub	Management of golf courses
Fukuoka Shintoshin Kaihatsu	Management and rental of real estate
Midorigaoka Living Support	Construction, rental and management of residences for civil service workers
Capital Kyuden Corporation	Acquiring, owning of Securities and loan to group companies

* Shinrintoshi Ltd. was renamed to Kyuden Fudosan Ltd. as from April 1st.

5. Overseas Projects

Ongoing Overseas IPP Projects

Country	Project name	Remarks
Mexico	Tuxpan No. 2 Gas Combined Cycle IPP	- Commenced operations: December 2001 - Output: 495MW
	Tuxpan No. 5 Gas Combined Cycle IPP	- Commenced operations: September 2006 - Output: 495MW
Philippines	Ilijan Gas Combined Cycle IPP	- Commenced operations: June 2002 - Output: 1,200MW
Vietnam	Phu My No. 3 Gas Combined Cycle IPP	- Commenced operations: March 2004 - Output: 717MW
China	Inner Mongolia Wind Power Generation	- Conclusion of joint-venture contract: April 2007 - Output: 50 MW (approx.)
Indonesia	Sarulla Geothermal IPP	- Participation rights acquired: October 2007 - Output: 300 MW (approx.)

Consulting work in FY2007

Region	Project	Contract period
Taiwan	Taiwan Power's Ko Tai substation Construction consulting	- June, 2004 - June 2007
	Taiwan Power's Tai Ma substation Construction consulting	- April 2005 - February 2008 (scheduled)
	Taiwan Power's Pu Ri substation Construction consulting	- July 2005 - February 2008 (scheduled)
	Taiwan Power's Gon Shue substation Construction consulting	- June 2006 -
	Taiwan Power's Shin Ou substation Technical consulting	- January 2007 - February 2013 (scheduled)
	Evaluation of slope stabilization based on hydrogeological survey of water catchment area	- October 2007 - May 2008 (scheduled)
Mongolia	Investigations to determine the possibilities of the Erdenebueren hydroelectric plant	- August 2007 - August 2008 (scheduled)

* Hydrogeological survey: A survey of ground surface and underground water flow, its distribution and characteristics.

6. Capital Investment Breakdown

(Unit: ¥100 million)

		FY2007 (Estimate)	FY2008 (Plan)	FY2009 (Plan)
Power Source	Hydro	228	186	205
	Thermal	77	146	151
	Nuclear	414	396	283
	Subtotal	719	728	639
Distribution	Transmission	382	443	487
	Transformation	148	212	204
	Distribution	297	275	310
	Subtotal	827	930	1,001
Other	General	128	191	239
	Nuclear fuel	404	379	373
	Incidental	115	99	29
	Subtotal	647	669	641
Total		2,193	2,327	2,281

1-82, Watanabe-dori 2-chome, Chuo-ku,
Fukuoka 810-8720 Japan
http://www.kyuden.co.jp/en_index