

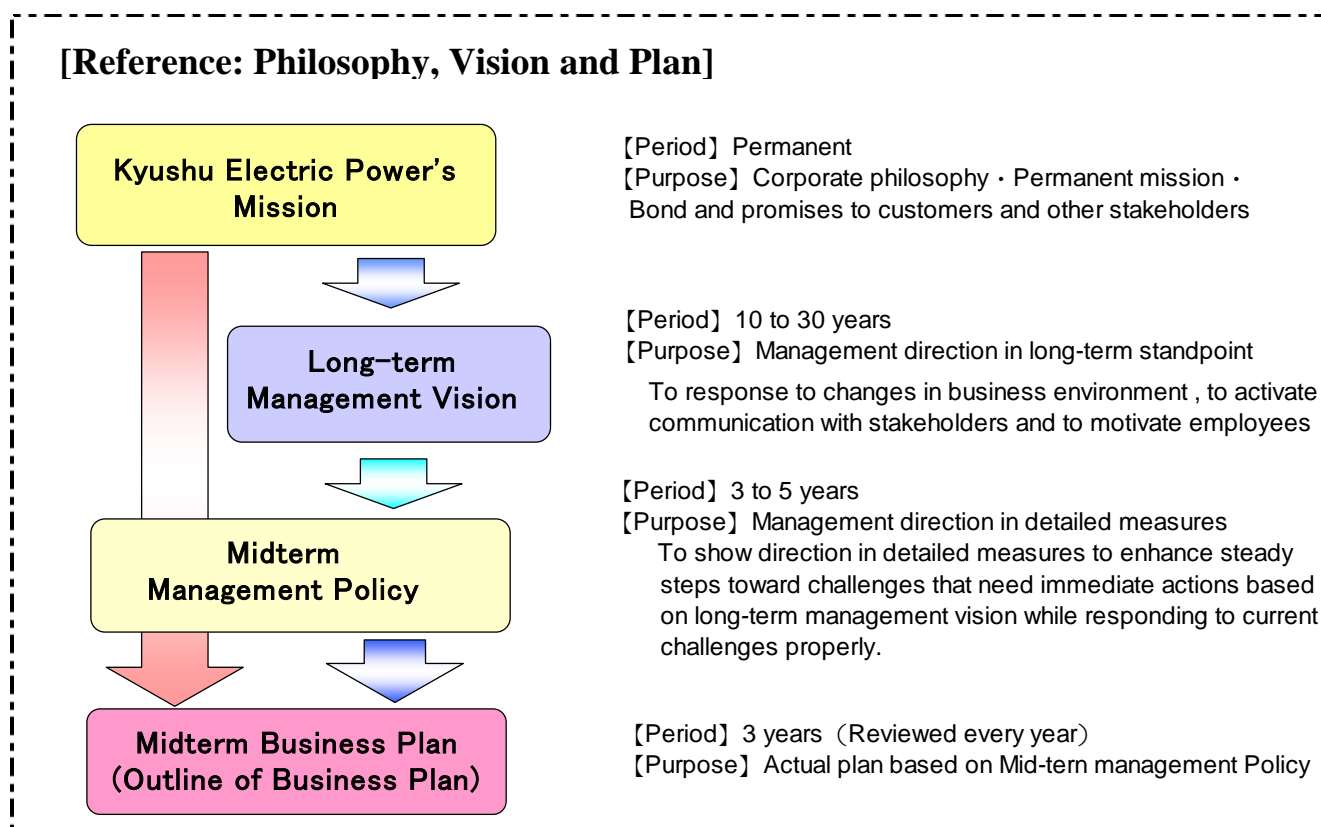
Long-term Management Vision

March 2009

Kyushu Electric Power Co., Inc

Introduction

- o Kyushu Electric Power has been supplying stable electricity which is essential to customers' daily life and the development of the local community ever since its establishment over 50 years ago.
- o Currently, the business environment surrounding Kyushu Electric has rapidly become uncertain because of dramatically turbulent oil prices, unstable financial conditions, and the global economic recession. Also in the long run the business climate is projected to change dramatically due to the growing global energy demand, the tightened energy resource availability, and the rising awareness of global environmental issues.
- o Even under these severe circumstances, Kyushu Electric Power Co., Inc. has to ensure a stable supply of electric power and other energy to fulfill our mission and live up to our brand's message "Enlighten Our Future" thus contributing to a comfortable and environmentally-friendly lifestyle for our customers. To pursue this mission, we need to define management direction and the united efforts of all the employees to promote these measures.
- o Facility formation in the electricity business requires an extremely long term perspective as construction of large scale power sources and core transmission facilities takes 20 to 30 years to complete. On the personnel side, a long term perspective is also necessary as establishing operations systems and succession of technologies requires decades. Due to the characteristics of the electricity business along with these extremely long business cycles, it is crucial to respond appropriately to the challenges which need immediate investigation with enough lead time.
- o In consideration of these dynamic changes in business circumstances and the characteristics of the utility business, we have established a Long-term Management Vision for the first time in a quarter century.
- o We are continually creating corporate values by sharing the recognition among all employees and tackling measures.



1. Current Business Environment

- o We forecast the business environment will, in the long run, drastically change in the ways described below.

Increasing importance of energy security and global environmental issues

[Increasing importance of energy security]

- Along with the growing population worldwide and the economic growth of developing countries, global energy demand is projected to keep expanding long term.
- Since all the fossil fuels including crude oil are limited resources, the energy resource supply will become tighter.
- As the balance of worldwide energy supply and demand gets tightened, fuel procurement is projected to become more difficult due to the trend toward resource nationalism. Thus there is concern that prices for resource including fuel may rise sharply.

[Increasing importance of global environmental issues]

- According to Intergovernmental Panel on Climate Change's (IPCC) fourth assessment report, the temperature on the earth has risen by 0.7 degrees C over the last 100 years and there is a very strong possibility that most of global warming has been caused by the increase of greenhouse gas from human activities.
- There is a rising awareness of global warming as an issue that may threaten the very foundation of human survival due to its impact on the ecosystem and enlarged disasters.
- There is also a growing awareness worldwide that it is necessary to cut the emissions of CO₂ and other greenhouse gases at least by half by 2050 in order to contain the temperature rise to below 2 degrees C, which has a relatively low impact on future global warming.
- We in the utility industry regard CO₂ emissions reduction as a very important issue especially because, as disasters become larger scale in size due to global warming, the impact these disasters have on electricity infrastructure become greater.

Accelerated changes in energy demand structure

- Due to a future decline of population, progress of energy-saving strategies and a maturation of the economy there is a possibility that the energy consumption in the future will not continue to increase. It is, however, projected that the shift to electricity, which has comprehensive advantages in eco-friendliness, convenience, economics, and supply stability, will continue at an accelerated pace in the future.
- On the other hand, there is the possibility that the growing cost-consciousness and the awareness of eco-friendliness among electricity customers along with the progress of technical development may lead to diversified electricity supply forms including solar and hydrogen technology, fuel-cell, and storage battery technologies and may therefore intensify the cross-boarder competition.

Increasingly aging power facilities

- Many of our electric facilities were built to meet the growing electricity demands along with the high growth and the composition of aged facilities will rise in the future.
- We have been committed to efficient facility formation and other efficiency improvements including the reassessment of design standards and the specifications that will be required. Also, the need for measures requiring high technologies to prolong facilities, estimate residual life, and renew facilities which are located near operating facilities and need to stop operation during maintenance will increase.

Diversification of lifestyle and values, changes in personnel situation with the falling birthrate and the aging population

- Along with globalization and rapid penetration of the internet, people's lifestyles and values have become more diversified. With a growing awareness that a company should be a good member of society, companies have come under increasing pressure to be responsible to the society.
- It is forecasted that labor population in Japan will decrease dramatically with an aging population and a declining birthrate. There is also an increasing awareness about gender equality and work and family balance. At Kyushu Electric Power Group, we recognize the growing need to ensure an adequate workforce to inherit the accumulated expertise and to respond to the personnel changes.

2. Management Direction

- o Kyushu Electric Power's Mission describes our social responsibility and mission to keep providing stable power and energy now and in the future and contribute to the comfortable and environmentally-friendly life of our customers.
- o In the face of the drastic change in circumstances, in order to accomplish our mission, we will work toward the items described below.

Ensure a stable supply of environmentally-friendly energy even in a drastically changing energy situation

- As a responsible utility company, we recognize it is our mission to provide environmentally-friendly and stable energy even amidst the drastic changes in business circumstances. And to do so with growing awareness of energy security and environmental sensitivity.
- Therefore, we will work to steadily promote nuclear power which has comprehensive advantages in resource procurement stability, environmental capability, and economic efficiency under the safety-first policy. We will also make further efforts toward an expanded introduction of renewable energy, energy efficiency improvements in the facilities and technological development.
- As disasters are projected to grow in size along with the progress of global warming, we will work to establish durable facilities by scheduled renewal of aged facilities while working to provide stable electricity to customers from an operational aspect.

Think and act in tune with our customers and the community to build a sustainable society

- In the growing awareness of energy security and environmental issues, it is required to shift from the current economic and social systems to sustainable ones.
- As a responsible utility company, we are aiming to actively contribute to the establishment of a sustainable society in Kyushu. We will promote the structural switch of energy supply and demand in the Kyushu region including the shift to non-fossil energy sources and energy savings in cooperation with our customers and the local community.
- In conjunction with the global trend, especially in Asia which is experiencing rapid economic growth, we will utilize our own expertise and techniques to contribute to stable supply of energy and global CO₂ emission reduction.
- We will develop businesses with high social standards in order to enhance the quality of the society and lifestyle.

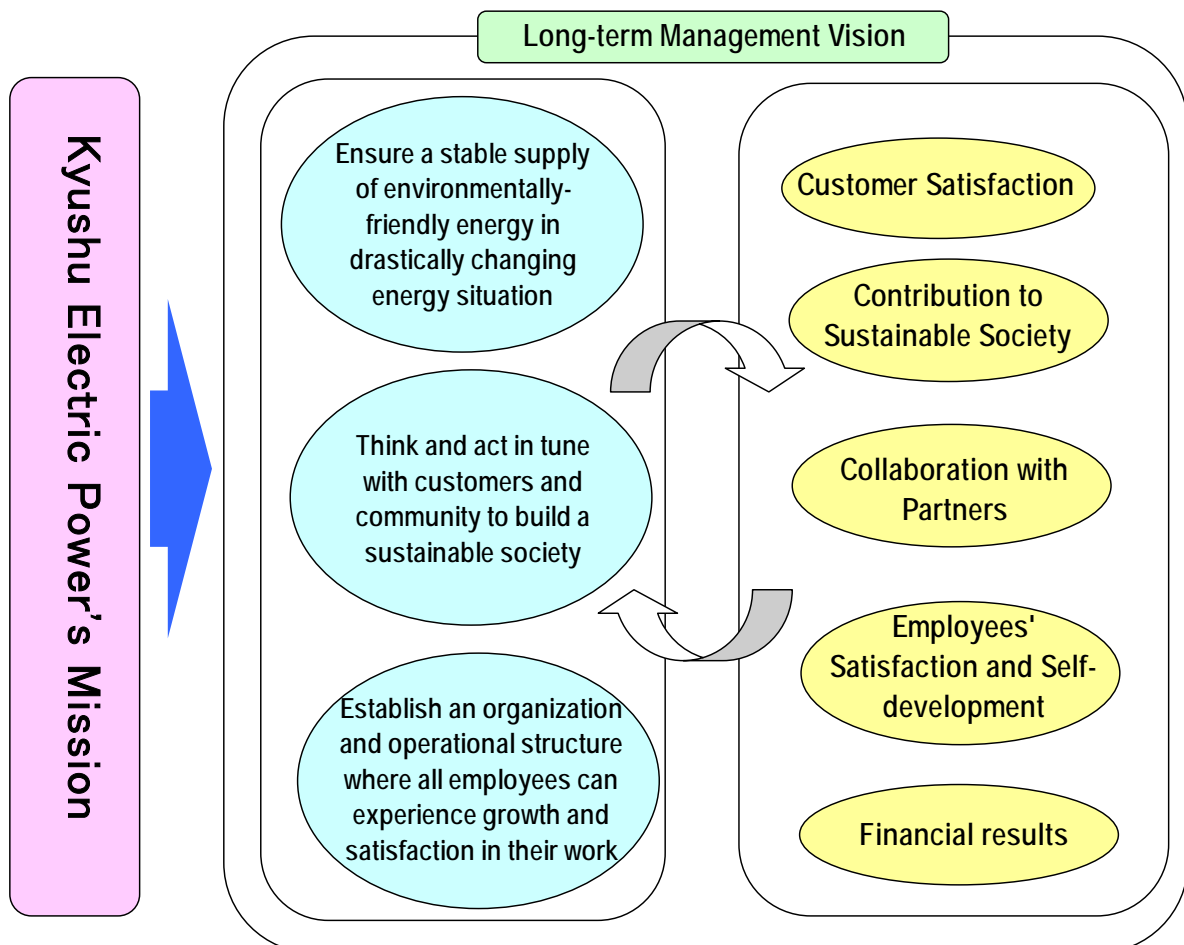
Establish an organization and operational structure in which all employees can experience growth and satisfaction in their work

- In order to create sustainable corporate values, each and every employee, who are the foundation of our business, is required to maximize their potential skills and "think and act" independently.
- On the other hand, along with the rapid aging of the population with low birthrates, the labor population decreases and we are facing many personnel challenges including the need to ensure sufficient workforce group-wide to inherit the accumulated expertise and to respond to the changes in our employees' age composition.
- We will establish an organization in which we respond to those challenges properly and every single employee can feel satisfaction and continue growing through work achievement; the workplace, in return, can then provide motivation to the employees.

- o By pursuing business activities based on the three management directions shown in 1 to 3 above, we will keep providing sustainable corporate values.

[Value created through business activities]

<p>Customer satisfaction</p> <ul style="list-style-type: none"> - Stable supply of environmentally-friendly energy <eco-friendliness, reliability> - Competitive energy rates with thorough management efficiency improvement <efficiency> - Proposals and service offerings to realize lifestyles with both comfort and eco-friendliness <service>
<p>Contribution to sustainable society</p> <ul style="list-style-type: none"> - Reduction of CO2 emission <environmentally-friendliness> - Contribution to establish sustainable society <contribution to society> - Contribution to establish sustainable society in Asia and worldwide by utilizing expertise and techniques on energy and environment <contribution to Asia and the world>
<p>Cooperation with business partners</p> <ul style="list-style-type: none"> - Building mutual trust, cooperating, and creating value together <cooperation>
<p>Satisfaction and self-development of employees</p> <ul style="list-style-type: none"> - Job satisfaction and self-development <self-achievement through job> - Satisfied balance of work and family <satisfied life>
<p>Financial results</p> <ul style="list-style-type: none"> - Financial results through value offerings to customers, community and society



3. Objectives and Measures

- o Based on the management direction, we will steadily work on the measures toward the objectives.

Objectives		Measures
a. Power Source	o Power source composition centering non fossil energy	<ul style="list-style-type: none"> o Promotion of nuclear power and active development and introduction of renewable energy (Cutting CO₂ emission reduction to half) o Development of highly efficient power generation facilities, efficiency improvement of facilities, and the proper maintenance of aged facilities o Long-term stable fuel procurement including acquisition of upstream interests and diversification of supply sources o Long-term stable and efficient power supply to isolated islands
b. Distribution	o Maintaining supply stability based on extensive disasters and social needs	<ul style="list-style-type: none"> o Establishment of a simple and rigid network compatible with future development of large-scale power sources without causing large-scale and long-lasting power outages (500,000V loop network formation) o Facility formation to flexibly respond to output fluctuation due to widespread use of renewable energy o Adequate facility management and renewal based on the increasingly aged facilities o Centralization and sophistication of transmission grid operation systems and establishment of an efficient operational system
c. Sales	o Offering highly value added service with both comfort and eco-friendliness	<ul style="list-style-type: none"> o Supply of eco-friendly and quality electricity and enhancement of services to meet customers' needs (promotion of services to support energy usage efficiency improvement) o Promotion of electricity use to respond to new needs from customers (promotion of widespread of new meter and EV)
d. Research & Development	o Effective R&D to realize long-term management strategy	<ul style="list-style-type: none"> o R&D on maintenance and improvement of electricity-specific technology for stable supply of electricity and cost reduction o R&D on cutting-edge technology going ahead of the times on environmental protection and new energy (high-efficiency lithium-ion battery, bio fuel etc) o R&D to share expertise and knowledge group-wide to improve earning capacity thus contributing to the society (electrification in agricultural, forestry and fishery industries) o Enhancement of a research environment to support strategic R&D
e. Communication/ Cooperation	o Response to structural shift of energy demand and supply in cooperation with all the stakeholders involved in our business activities including customers and local community by measures including development of renewable energy	<ul style="list-style-type: none"> o Promotion of business activities based on CSR (promotion of compliance management, development of eco-friendly business activities etc) o Enhancement of communication with customers and local communities toward a sustainable society including education for next generation on energy and environment o Promotion of environmental and energy-related measures in cooperation with customers and local community including the development of renewable energy

Objectives		Measures
f. Energy business overseas	<ul style="list-style-type: none"> o Contribution to stable supply of energy and improvement of the efficiency in the countries/region as well as to global CO₂ emission reduction o Growth through business development based on social meanings and synergy effects with domestic businesses 	<ul style="list-style-type: none"> o Active promotion of eco-friendly businesses by our own lead, including high-efficiency thermal IPP, renewable energy, and energy-saving consultation o Thorough risk management on overseas business expansion based on global economic conditions
g. Social/Lifestyle-oriented service	<ul style="list-style-type: none"> o Business development based on social meanings and synergy effects with energy business by utilizing our own tangible and intangible management resources 	<ul style="list-style-type: none"> o Development of highly meaningful businesses to meet social needs including the aging population with low birthrates and a rising awareness of a recycling society
h. Personnel	<ul style="list-style-type: none"> o Organization where every single employee can be fulfilled at work and pursue self-development through work 	<ul style="list-style-type: none"> o Improvement of operation efficiency and sophistication of employee's duty by introduction of the latest technologies and restructuring of operation processes o Establishment of steady technical succession cycles including group, companies, and affiliated companies o Formation of an operational system where all employees can demonstrate their abilities to the fullest regardless of age and gender including enhancement of the balance on work and family and career support for female employees o Support for employees' self-development including the enhancement of management abilities of management level employees and the development of employees' education o Development of company-wide management to respond to environmental changes including group-wide enhancement of management function
i. Financial	<ul style="list-style-type: none"> o Ensuring the top-class efficiency among Japanese utility companies based on risk evaluation o Stable dividend and maintenance of shareholders' equity ratio in the harsh business environment 	<ul style="list-style-type: none"> o Adequate management resource allocation based on risk evaluation o Economic fuel procurement and operation based on fluctuation risk of energy prices o Development of rate menu based on customers' needs and changes in the business environment o Development of a financial strategy from a long-term viewpoint, including efficient financing



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