

Business Updates

October 27, 2006



Statements made in this overview of operations regarding Kyushu Electric Power's strategies and forecasts and other statements that are not historical facts are forward-looking statements based on management's assumptions and beliefs in light of information currently available, and should not be interpreted as promises or guarantees.

Owing to various uncertainties, actual results may differ materially from these statements. Investors are hereby cautioned against making investment decisions solely on the basis of forward-looking statements contained herein.

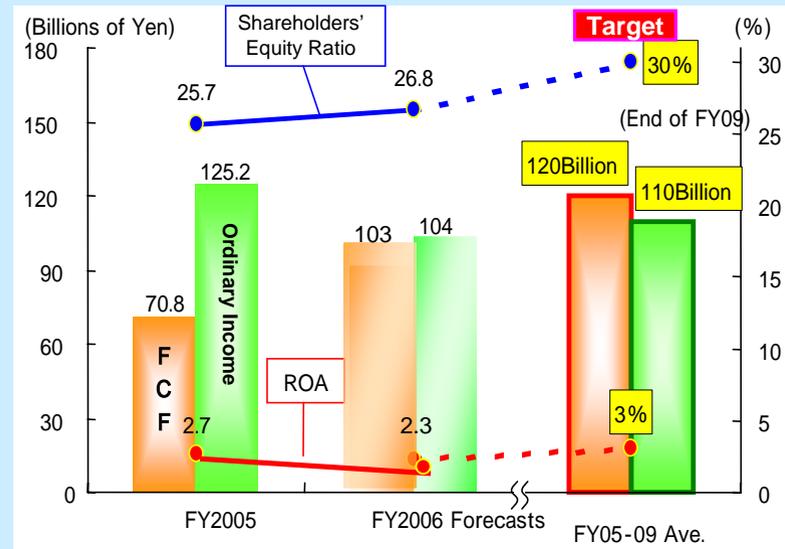
Financial Targets

[Consolidated]

	FY2005 Results	FY2006 Forecasts	FY2005-2009 Financial Targets
FCF	¥70.8 Billion	(92) ¥103 Billion	Ave. ¥120 Billion
Ordinary Income	¥125.2 Billion	(104) ¥104 Billion	Ave. ¥110 Billion
ROA	2.7%	(2.3) 2.3%	Average 3.0%
Shareholders' Equity Ratio	25.7%	(26.7) 26.8%	30% (End of FY09)

* Figures in parentheses are original forecasts before revision in September 2006

Financial Targets (Consolidated)

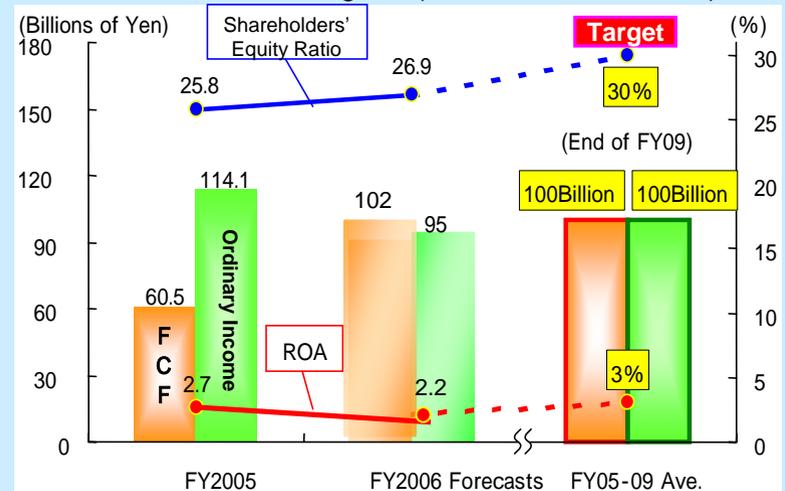


[Non-Consolidated]

	FY2005 Results	FY2006 Forecasts	FY2005-2009 Financial Targets
FCF	¥60.5 Billion	(91) ¥102 Billion	Ave. ¥100 Billion
Ordinary Income	¥114.1 Billion	(95) ¥95 Billion	Ave. ¥100 Billion
ROA	2.7%	(2.2) 2.2%	Average 3.0%
Shareholders' Equity Ratio	25.8%	(26.9) 26.9%	30% (End of FY09)

* Figures in parentheses are original forecasts before revision in September 2006

Financial Targets (Non-Consolidated)



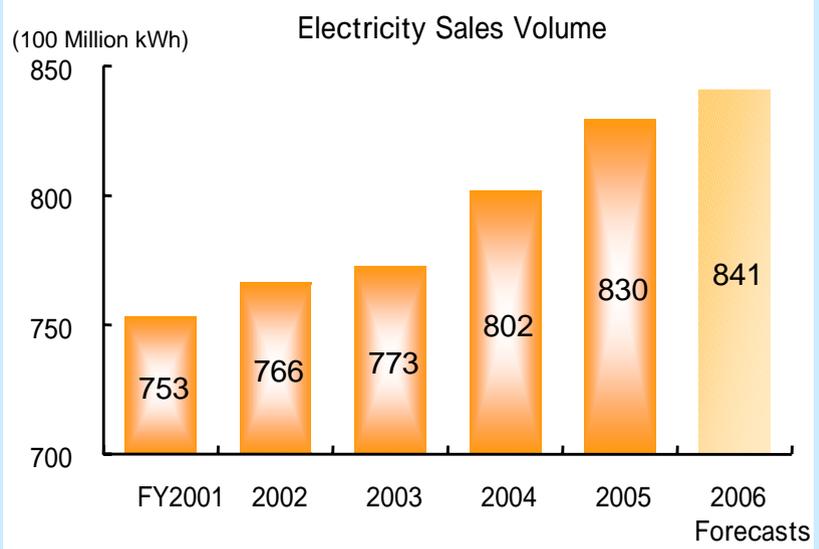
Steady Increase in Demand

Electricity Sales Volume

(100 Million kWh, %)

	FY2005 Results	FY2006		Change (a-b)
		Revised (a)	Previous Forecasts (b)	
General Demand	607.7	(-0.0) 607.5	(-2.6) 591.9	[2.6] 15.6
Large Industrial	221.9	(5.2) 233.5	(-0.9) 220.0	[6.1] 13.5
Total	829.6	(1.4) 841.0	(-2.1) 811.9	[3.6] 29.1

*Figures in () are the rate of changes from the previous year (%), figures in [] are the rate of changes from the previous forecasts (%)



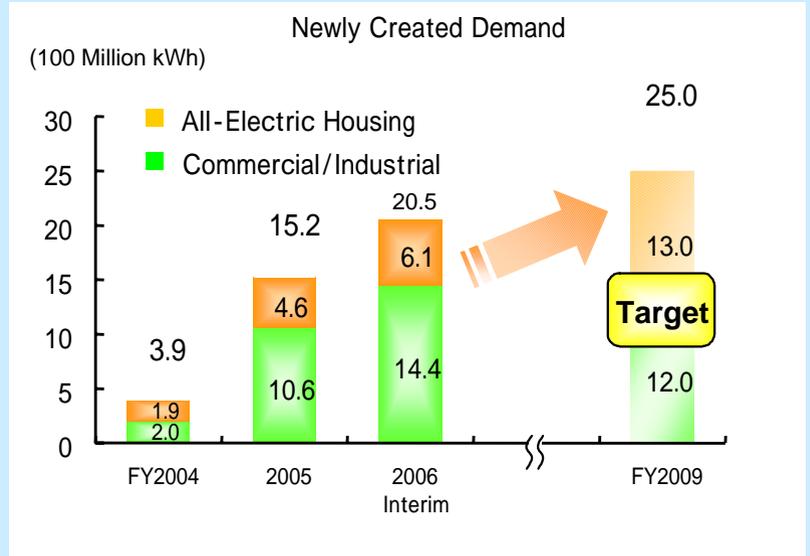
Newly Created Demand

(100 Million kWh)

	FY04-05 Accumulated	FY2006 Interim	Accumulating Total	FY05-09 Target
All-Electric Housing	4.6	1.5	6.1	13.0
Commercial /Industrial	10.6	3.7	14.4*	12.0
Total	15.2	5.2	20.5	25.0

*Including customers returning from private on-site power generation : 1.27 Billion kWh

**Since figures are rounded, accumulating total may not consist with the sum of FY04-05 accumulated and FY2006 Interim.



Forecasts by Business Area

[Ordinary Income by Business Area]

(Billions of Yen)

	FY2005 Results	FY2006 Forecasts
Total Energy	5.0	< 1.4 > (4.5) 4.0
IT/Telecommunication	- 2.3	< -0.6 > (-2.5) - 2.0
Environmental /Recycling Lifestyle-oriented	2.5	< 1.9 > (3.5) 4.0

Financial Target (Ave. of FY05-09)
4.0
4.0
2.0

*Each business area includes non-consolidated associated businesses

**Figures in < > are interim results, figures in () are original forecasts

Total Energy Business

【Wind Energy】 Wind power generation project is under consideration in China's province Inner Mongolia Autonomous Region

【Overseas】 Commencement of operation of Tuxpan project V in Mexico (September 1st)

IT and Telecommunication Business

【Broadband】 BBIQ contracts: 125 thousands lines at the end of September 2006
(Additional 30 thousand lines since March 2006)

Lifestyle-Oriented Service Business

【Retirement Housing】

Grand Garden Kagoshima is to begin services in November 2006

Higher Corporate Value as Kyushu EP Group

Background

- Drastic changes in business environment such as the expansion of business areas and the fierce competition
- The need to strengthen the group governance arising from development of consolidated management

Direction of Efforts

- Consideration of our group management vision including the reevaluation of ongoing businesses' strategic positioning

<Basic study scheme>

【Business Evaluation】

Perform a comprehensive evaluation of each group company and categorize according to unique evaluation points.

Category	Definition	Ideal Vision	Evaluation Point	Business Category
Supportive	Enterprise to provide necessary products and services to electricity business	Cost reduction in electricity business Contribution to the establishment of the Group's business foundation	Substitutability Cost advantage	Business entity to be: Continuation, Streamlined, Qualified continuation, Reformed/ Withdrawal
General	Enterprise to provide products and services unrelated to electricity business	Establishment of high profitability	Profitability Growth Expectation	Business entity to be: Enhanced, Sustained, Nurtured, Reformed, Withdrawal

- Enhancement of group management including the establishment of group-wide management cycle.

【Management scheme based on business evaluation】

Establish and conduct business plan for each business area based on “Business Category” and regularly conduct comprehensive evaluations to keep track of reform and improvement status of each business

~ Fuel Procurement ~

Basic Policy for Fuel Procurement

- Continuously basing on long-term contracts, we will plan to decentralize the supply sources and diversify the forms of contracts such as securing the flexibility in term/amount.
- We will strengthen the procurement base by direct and consistent involvement in fuel supply chain.
 - LNG : Under construction of the vessel to transport LNG in partnership with Tokyo Electric Power Co., Inc. to start operation in FY 2009
 - Coal : Introduced two newly-built ships (FY2005-2006)
- We will proceed with further consideration on the investment on upstream concession aiming to secure the stable fuel procurement, to pursuit of favorable purchase, and to receive investment return as a new revenue source.

LNG and uranium procurement present situation and our response

		Description
L N G	Present	<ul style="list-style-type: none"> •Russia's Natural Resources Ministry revoked the environmental approval regarding the pipeline construction of the Sakhalin project. •Indonesia plans to reduce the volume of exports to Japan significantly.
	Response	<ul style="list-style-type: none"> •Closely observing the situation. In case the risk of obstructing the procurement plan increases, we will proceed consideration of procurement from other projects and sport markets.
U r a n i u m	Present	<ul style="list-style-type: none"> •Currently the worldwide demand for uranium exceeds the primary supply (production from mines). Supply-demand condition is projected to continue to get tighter as worldwide development of nuclear power stations will be intensified. •With a policy for the Pluthermal project to be in use by FY2010, we concluded an agreement on the supplying of MOX fuel in September 2006.
	Response	<ul style="list-style-type: none"> •We have secured enough amount of uranium concentrate for us to consume until around 2010. •We will continue to prioritize securing long-term stable fuel supply while basing on the above basic policy for procurement.

Risk Management

~ Increasing Interest Rates ~

Current status of interest-bearing debt

- On an outstanding balance basis, long-term debt with fixed interest rates constitute a large portion and the average remaining year is relatively long. In case the market interest rate goes up, therefore, the immediate impact will not be significant.

- We still work on various measures as future increase in market interest rate is projected.



Interest-bearing debt (End of FY2005)

(Billions of yen, year, %)

	Outstanding Balance	Average remaining years	Average interest rate
Long-term (Bond, Borrowings)	1,801	6.8	1.91
Short-term (Borrowings)	174	0.4	0.22
Total	1,975	6.2	1.76

Reduction of interest-bearing debt

- Steady improvement in balance sheet with the aim of reaching the financial target (30% shareholders' equity ratio by the end of FY2009).

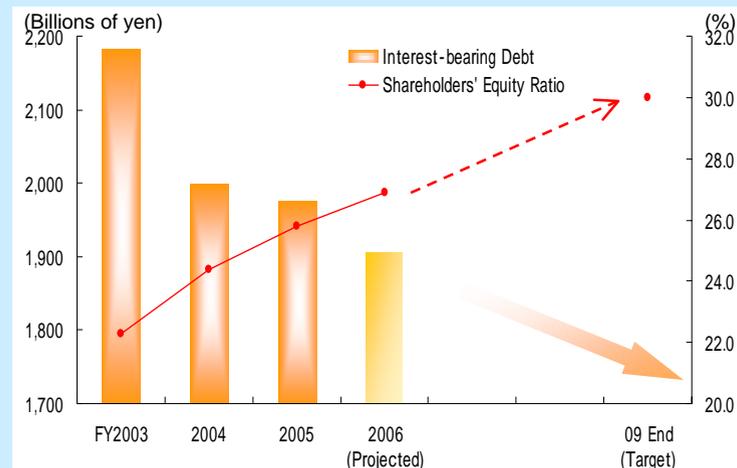
Fund procurement in view of internal/external financial conditions

- Expeditious and flexible new procurement with the focus on long-term (fixed rate) borrowings.

Risk management

- Regular conduct of simulation of changes in interest rates to determine their impact on FCF and to study on the optimal ratio between fixed and adjustable rate debts.

Outstanding interest-bearing debt and shareholders' equity ratio



For more information, please contact:

Investor Relations Group

Corporate Planning Office

KYUSHU ELECTRIC POWER CO., INC.

Phone +81 92 726 1575

F A X +81 92 733 1435

URL: http://www.kyuden.co.jp/en_ir_index