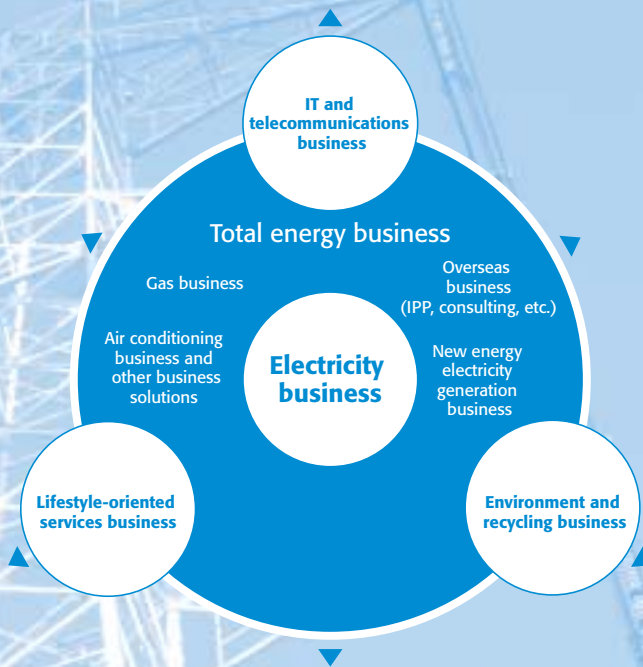




Kyushu Electric Power Company **Annual Report 2007** >>>

POWERING THE MOVE TO A SUSTAINABLE FUTURE





Our Business Domain

The core business segment for the Kyushu Electric Power is the total energy business. Under our “total solution” marketing strategy, we use the total resources of the Kyushu Electric Power Group to offer solutions to the specific needs of each customer. We always put the customer first. We are dynamically developing our business activities and expanding and strengthening our income structure through involvement in other business segments, including the environment and IT and telecommunications.

Corporate Profile >>>

GROWING WITH OUR REGION INTO THE FUTURE

Kyushu Electric Power Company Incorporated was established in May 1951 as one of the electric power companies created through the postwar restructuring of Japan’s electric power industry. As an integrated electric power company, we generate, transmit and distribute electric power in our service area, which covers the island of Kyushu.

Postwar reconstruction and the subsequent high-growth era brought growing demand for electric power. The oil crises triggered more major changes, and today the environment is being transformed again by the deregulation of the electric power industry. Throughout these changing times, Kyushu Electric Power and its employees have been motivated by the challenge of maintaining reliable supplies of electric power to support regional development and the livelihoods and lifestyles of its customers.

Kyushu Electric Power supplies electricity for power and lighting to 8.42 million users. We operate 194 generation facilities with a total capacity of 19.42 million kilowatts. Our sales have risen consistently in the 20 years since 1987, and in fiscal 2006 electricity sales reached a new record of 84.4 billion kilowatt hours. Nuclear facilities account for 41% of the electricity that we produce and buy, and our CO₂ emissions per unit of electricity used are the lowest among Japan’s electric power companies at 0.375kg-CO₂/kWh.

As a result of electric power industry deregulation and the associated changes to the Electricity Enterprises Law, we are now able to engage in business activities other than electric power. We are using the management resources that we have accumulated through our electric power business to drive new growth through the dynamic diversification of our business activities. In addition to our core total energy business, we are also involved in IT and telecommunications, environment and recycling, and lifestyle-oriented services.

KYUSHU ELECTRIC POWER'S MISSION

Our wide-ranging business activities are guided by our awareness that our fundamental mission and our most important social responsibility is to supply our customers reliably and efficiently with electric power while making safety our first priority. Through our activities over many years, we have earned the confidence of our customers and a public reputation for dependability. These are important assets.

The future is expected to bring increasing competition in energy markets, and increasingly serious global environmental problems and resource and energy problems. There will also be major social changes, including lifestyle diversification. However, our social responsibilities will remain unchanged, and we will continue to place a high value on our public reputation. We recently formulated the Mission of Kyushu Electric Power as a framework for our efforts to strengthen the trust that our customers place in us. It expresses our continuing commitment to the reliable supply of electric power and energy, and determination to contribute every day to a comfortable, convenient and environment-friendly life for our customers.

“Enlighten Our Future”

Towards a comfortable and environment-friendly lifestyle today and for generations to come.

Kyushu Electric Power’s Mission >>>

BUILDING TRUST AND LEADING BY EXAMPLE



We will continue to fulfill our Mission by working to achieve the following four goals.

01. Steady and reliable, Earth-friendly energy.

In order for our customers to lead harmonious lives we will provide steady and reliable, Earth-friendly energy, while anticipating global trends and making full use of our advanced technology and abundant experience with energy and the environment.

02. Services that truly satisfy.

We will offer services that place the gaining of trust from the customer as top priority. We would like to listen to the various voices of our customers in order to respond to their needs with services that truly satisfy.

03. In company with Kyushu. And to Asia and the world.

In company with the people of Kyushu, we will work together to take action while thinking of our children’s future and of the prosperity of the region. And from there, we will look to Asia and the world.

04. Discovering solutions, and putting them into practice.

We will discover solutions that lead to a better tomorrow through honest, sincere and active discussions, believing in people’s potential and mutually respecting personalities, and we will put these solutions into practice.

Disclaimer Regarding Forward-Looking Statements:

Statements made in this annual report regarding Kyushu Electric Power Group’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.

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Features of Kyushu

Kyushu, the main service area of Kyushu Electric Power, is the southernmost of Japan's four main islands. The region's total area, including the more than 1,400 islands scattered around its coast, is approximately 4.2 million km². Kyushu consists of the prefectures of Fukuoka, Saga, Nagasaki, Kumamoto, Oita, Miyazaki and Kagoshima. In 2006, these seven prefectures have a combined population of 13.41 million, or 10.5% of Japan's total population. The region's GDP of \$407.0 billion is equivalent to 8.7% of the national total. As the region of Japan that is closest to continental Asia, Kyushu has flourished since ancient times as a conduit for culture and technology between the mainland and Japan. Today this geographical advantage is helping to drive the development of a wide variety of industries.

Our Territory — Kyushu >>>

POSITIONED FOR HIGH GROWTH IN THE AGE OF GLOBALIZATION



Transportation Infrastructure Map

Kyushu is at the center of an extremely attractive market. A 1,000 km radius circle with Kyushu at its center encompasses not only Japan's major cities, including Tokyo and Osaka, but also the rapidly growing Yellow Sea Rim, which has a population similar to that of the EU. Since ancient times, Kyushu has functioned as a gateway for trade between Japan and mainland Asia. In recent years, the development of airports and sea ports in the region has accelerated. Major cities within a two-hour flight from Kyushu include Tokyo, Osaka, Nagoya, Seoul, Shanghai and Taipei. Access has been further improved with the completion of New Kitakyushu Airport, Kyushu's first airport capable of 24-hour operation. Kyushu is expected to remain one of Japan's most important logistical crossroads.

Kyushu has an extensive expressway network linking its seven prefectures. Traffic between the region's cities is expected to expand still further with the completion of the Kyushu Shinkansen (Bullet Train) network in March 2011.



INTERNATIONAL COMPARISONS

Kyushu, our main service area, is comparable in size with many countries. Its area of 42,000 square kilometers is similar to that of Denmark, Switzerland and the Netherlands and about one-half that of that South Korea. With a population of 13.41 million, Kyushu has about 3 million more people than either Portugal or Belgium, and its biggest city, Fukuoka, ranks alongside Barcelona, Spain with a population of 1.35 million.

With a GDP of \$407.0 billion, the Kyushu economy is bigger than the economies of Switzerland, Belgium and Sweden and similar in size to the Australian, Russian and Belgian economies. In terms of area, population and GDP, Kyushu is bigger than Switzerland and Belgium, and comparable to the Netherlands.

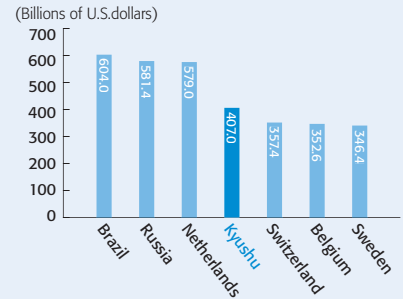
SILICON ISLAND

Since the second half of the 1960s, major semiconductor manufacturers have been attracted to Kyushu by its labor resources, clean water and efficient transportation infrastructure. As more and more factories were built in Kyushu, the region became known as the "Silicon Island." With a cluster of around 650 semiconductor manufacturers and supporting companies, including component manufacturers, Kyushu today accounts for about 25% of integrated circuit production in Japan. Kyushu is not simply a manufacturing base. Industry-academia-government collaboration on the development of large-scale integration (LSI) technology and other advanced technologies is helping to establish a role for the region as a research and development center.

Population Comparison of Kyushu and World Nations



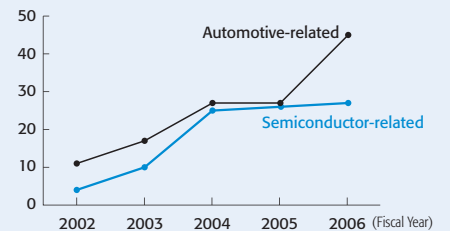
GDP Comparison Kyushu and World Nations



CAR ISLAND

Several manufacturers, including Toyota Motor Kyushu, Nissan Motor, and Daihatsu Motor Kyushu, have established advanced production facilities in northern Kyushu, earning the region a reputation as Japan's "Car Island." Automobile production in the region exceeded one million units in 2006. Kyushu's importance as a base of Japanese automobile production is expected to grow as parts production becomes more integrated and new assembly plants are built by the automobile manufacturers. There is also extensive industry-academia-government collaboration on the creation of centers for research and development and human resource development, especially the training of highly qualified personnel capable of keeping pace with the fusion of automotive and semiconductor technologies.

Number of Factory Locations in Kyushu Semiconductor- and Automotive-related



Financial Highlights

Consolidated Financial Summary (Years Ended March 31)

	2007	2006	2005	2004	2003	2007
For the year (Billions of Yen)						(Millions of U.S. Dollars)
Operating Revenues	¥ 1,408.3	¥ 1,401.7	¥ 1,408.7	¥ 1,391.6	¥ 1,421.3	\$ 11,925
Operating Income	155.1	171.2	213.7	198.9	180.0	1,314
Net Income	65.9	76.8	89.2	72.7	64.3	558
Electricity Sales Volume (Millions of kWh)	84,399	82,956	80,199	77,268	76,636	
General Demand (Millions of kWh)	60,706	60,765	58,982	56,684	56,318	
Large Industrial (Millions of kWh)	23,693	22,191	21,217	20,584	20,318	
At year-end (Billions of Yen)						
Total Assets	4,038.8	4,102.3	4,049.7	4,114.3	4,204.5	34,201
Shareholders' Equity (*1)	1,081.6	1,052.7	979.2	910.8	840.2	9,159
Interest-bearing Debt	2,031.7	2,104.9	2,139.4	2,336.2	2,503.7	17,205
Per share of common stock						
Net Income (yen and U.S.dollars)	139.37	161.67	187.91	153.05	135.13	1.18
Cash Dividends (yen and U.S.dollars)	60.00	60.00	60.00	50.00	50.00	0.51
Financial ratios (%)						
ROA (*2)	2.4	2.7	3.3	3.1	2.7	
ROE (*3)	6.2	7.6	9.4	8.3	7.7	
Equity Ratio	26.8	25.7	24.2	22.1	20.0	

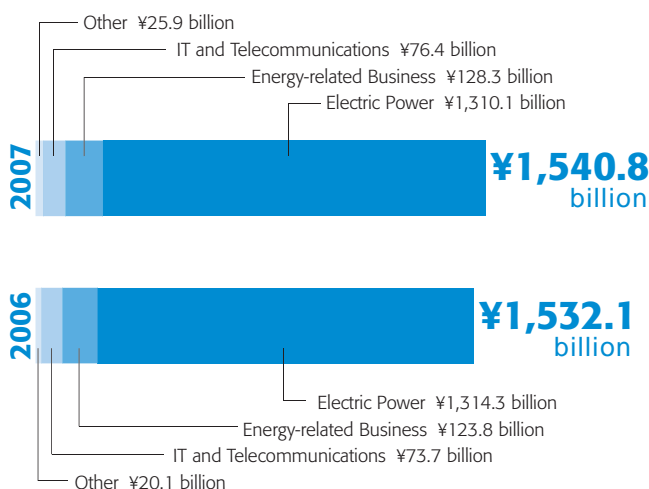
(*1) Shareholders' Equity = Equity - Minority Interests (*2) ROA = After-Tax Operating Income/Average Total Assets at beginning and ending of the Fiscal Year

(*3) ROE = Net Income/Average Equity at beginning and ending of the Fiscal Year

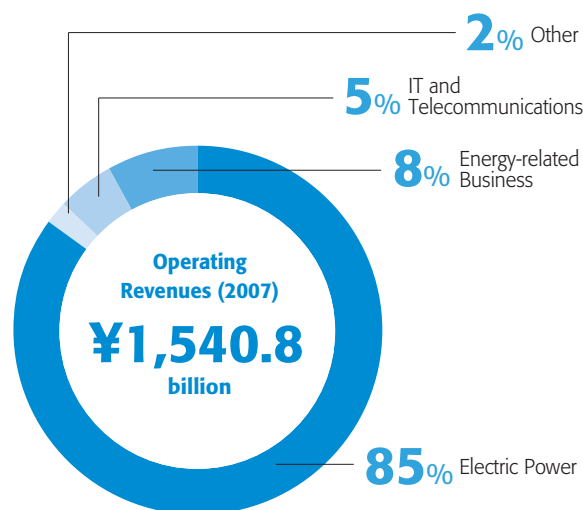
(U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥118.09=U.S.\$1, the approximate rate of exchange at March 31, 2007.)

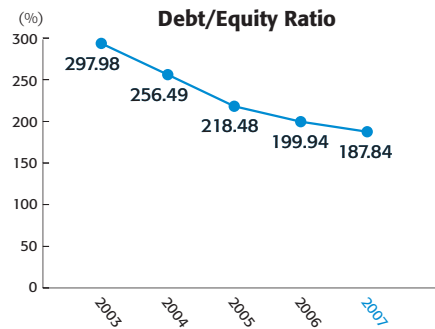
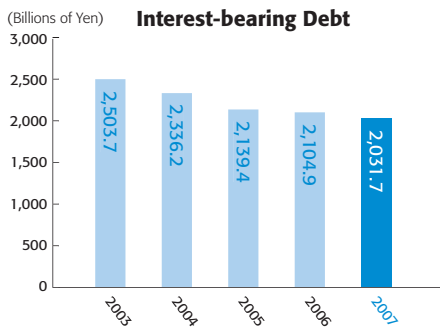
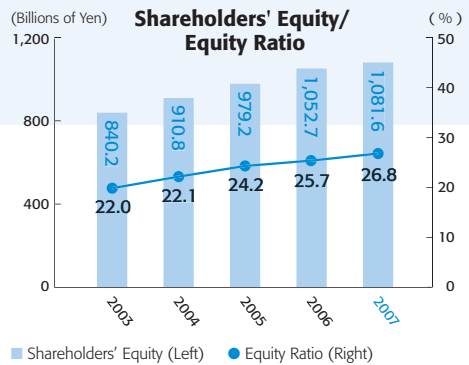
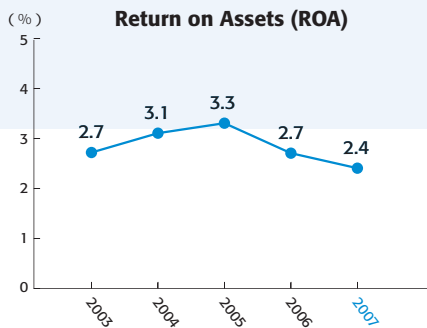
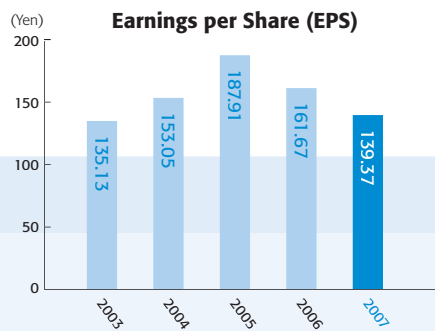
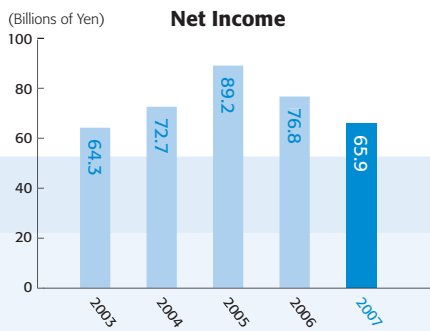
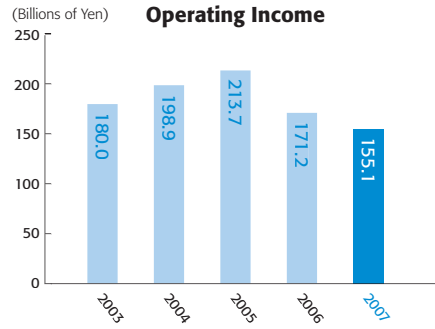
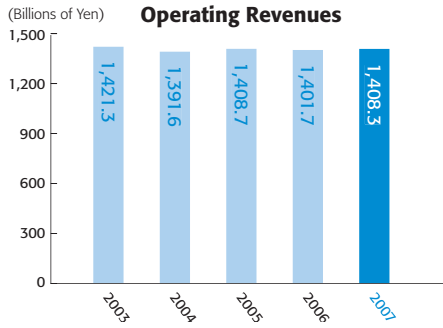
Segment Information (before eliminating internal transactions)

Operating Revenue



Revenue Share by Segment







I would like to begin by thanking our shareholders and investors for your ongoing support.

In June 2007, a new management team, including a new President and Chairperson, took the helm of Kyushu Electric Power. We will maintain our unchanging commitment to the maximization of corporate value through the improvement of our management quality, and through relentless effort to provide increased satisfaction for our shareholders and investors, for our customers in regional communities and for our employees. As always, the core focus of our business activities will be our customers.

(Left) Chairperson: Shingo Matsuo
(Right) President: Toshio Manabe

Management Message >>>

TOWARD SUSTAINABLE AND RELIABLE MANAGEMENT

CORPORATE POLICIES UNDER THE NEW MANAGEMENT STRUCTURE

Our goals under the medium-term management policy for the period from fiscal 2005 to fiscal 2009 are the reinforcement of our group business structure, especially our total energy business, and the achievement of renewed growth. As we work toward these goals, we have taken on a variety of challenges, including the achievement of the best efficiency standards in the electric power industry.

Though we have a new management team, our fundamental policy goals remain unchanged. These include the maintenance of long-term reliability in our electricity supply activities, the alleviation of environmental problems, the reinforcement of our business base, and maximization of our growth potential. We will continue to focus on the needs of our customers as we strive to expand our business activities, enhance our competitiveness and strengthen our public reputation for dependability. Specifically, we will continue to develop efficient electricity supply infrastructure and ensure that all facilities are operated soundly. We will also work to secure reliable long-term access to fuel resources in anticipation of a further tightening of supply and demand. Another focus will be the alleviation of the increasingly serious problems affecting the global environment. At the same time, we will work to improve our services to customers. We have identified what needs to be done, and with the cooperation of all of our employees, we will turn these goals into realities through efforts spanning the next 20 or 30 years.

OPERATING RESULTS IN FISCAL 2006 AND OUTLOOK FOR FISCAL 2007

Fiscal 2006 was our second year under the medium-term management policy that we adopted in fiscal 2005. We saw the year as an opportunity to develop momentum toward the achievement of our targeted results while tackling various challenges.

One of our key management targets under the medium-term management policy was to increase new electric power demand by 2.5 billion kilowatt hours over the fiscal 2003 level by fiscal 2009. I am pleased to announce that we achieved this target ahead of schedule at the end of November 2006, and that the number of all-electric households exceeded 300,000. This strong volume growth in electricity sales was reflected in revenue growth, and our consolidated net sales for fiscal 2006 were 0.5% higher year on year at ¥1,408.3 billion. Operating revenues were also 0.5% higher at ¥1,417.0 billion. However, reduced operation of our nuclear facilities resulted in increased fuel costs, and there was also an increase in nuclear back-end costs, including the cost of reprocessing used fuel. Operating expenses increased by 1.1% year on year to ¥1,298.4 billion, and ordinary income was consequently 5.3% lower at ¥118.5 billion.

Looking ahead to fiscal 2007, we anticipate 1.3% volume growth in electricity sales, reflecting further increases in the number of all-electric households, the establishment of new commercial facilities, buoyant production trends, and strong demand from major users. Operating revenues are expected to decline because of amendments to the taxation regime, which will result in changes to our depreciation system. However, we expect ordinary income and net income to be higher, in part because of reduced interest payments.

DEVELOPING OUR CORPORATE BRAND

We recently adopted a new corporate philosophy, which we call “Kyushu Electric Power’s Mission.” In developing this mission, we conducted a variety of research, including customer interviews and questionnaire surveys, to identify the factors that would allow us to build a linkage between our aspirations and those of our customers over the long-term future. We also established a working group made up of employees drawn from various organizational units and representing a wide range of age groups. Workshops were held over a period of more than six months to provide opportunities for debate. This process resulted in the formulation of the Mission, which reflects changes in our environment and identifies goals toward which all employees should work so that Kyushu Electric Power can continue to contribute to society as the preferred electric power supplier for its customers.

ENSURING RELIABILITY OF SUPPLY

We will keep pace with future growth in electric power demand through a balanced approach to power supply development, with particular emphasis on nuclear power. Our strategy will be based on a comprehensive range of considerations, including energy security, economic performance and the environment. In addition to its reliability and economic performance, nuclear power also offers many environmental advantages, including the fact that no carbon dioxide is emitted during the generation process. We will continue to develop nuclear generation capacity, always with safety as our first priority. We will continue our efforts to gain the support and cooperation of our customers and regional communities in preparation for the development of next-generation nuclear power facilities, starting in the second half of the next decade. Environmental surveys are currently being carried out for this purpose at the Sendai Nuclear Power Station.

PLUTHERMAL PROJECT

Japan has very limited energy resources. We believe that pluthermal technology, which involves the reprocessing of used fuel to produce MOX fuel, is essential to ensure a reliable supply of energy to meet future needs. We are steadily implementing a pluthermal project for Unit 3 at the Genkai Nuclear Power Station. The understanding and support of local communities is vital for this project, and we will continue to disclose information actively.

MAINTAINING CUSTOMER SUPPORT

We aim to maintain our position as the preferred electricity supplier for our customers by implementing a “total solution” marketing strategy. The aim of this approach is to provide comprehensive solutions to a variety of needs and problems, always from the customer’s perspective. We also aim to expand and strengthen our income structure by exploiting the full potential of our group-level management resources, and by aggressively developing business activities in the IT and telecommunications, environment and recycling, and lifestyle-oriented services segments, with our total energy business as our core segment.

NEW INVESTMENTS

New investments are channeled primarily into projects that offer income and growth opportunities through the use of Kyushu Electric Power’s management and business expertise. In the past we have invested in overseas IPP projects, including the Tuxpan No. 2 and No. 5 projects in Mexico, the joint acquisition of an LNG carrier, and condominiums with care services for senior citizens. We will continue to invest actively, especially in areas relevant to our total energy business, without limiting ourselves to specific business and investment formats, and always taking into account the potential for investment returns.

ACHIEVING SUSTAINABLE GROWTH—CORPORATE

SOCIAL RESPONSIBILITY INITIATIVES

Economic growth alone is not enough. We want to create sustainable corporate value and contribute to the advancement of society. Corporate social responsibility (CSR) is identified as a key priority in our medium-term management policy, and we are actively implementing initiatives in various areas, including compliance management, environmentally responsible management, and harmonious coexistence with communities and society.

Environmental problems are a particular focus. We recognize the importance of environmental protection in all of our business activities, and the entire Kyushu Electric Power Group is determined to contribute to environmental improvement through environmentally responsible management. We also aim to contribute by promoting increased use of new energy resources. In addition to our own wind-power operations, we also buy electric power generated using wind, solar and biomass technologies. In April 2006, commercial production started at the Hatchobaru Power Station, a 2,000 kilowatt binary-cycle geothermal facility. The Nagashima Power Station, a 50,400 kilowatt wind-power facility, is currently under construction and will become operational in October 2008.

MAXIMIZING SHAREHOLDER VALUE

I will conclude with some comments about shareholder returns. Deregulation is changing our business environment, but we intend to maintain our policy of providing a reliable dividend of ¥60 per annum, while also making steady progress toward the achievement of a shareholders’ equity ratio of 30%, which is one of the targets in our medium-term management policy. We believe that we can best meet the expectations of our shareholders by maximizing long-term shareholder value.

The entire Kyushu Electric Power Group is united in our determination to achieve sustainable improvement in our corporate value. We look forward to the continuing cooperation and understanding of our shareholders and investors.

September 2007

Chairperson Shingo Matsuo



President Toshio Manabe





In June 2007, I was appointed President of Kyushu Electric Power. I am determined to maintain and enhance our reputation as a company that contributes to society and is a dependable partner for its customers. I also want to ensure that our employees have opportunities to communicate directly with stakeholders, and that they can enhance their professional skills in working environments that also support free and open communication. These qualities are vital to the realization of our vision of Kyushu Electric Power as a vibrant and dynamic company.

TOSHIO MANABE

Toshio Manabe joined Kyushu Electric Power in 1968. He was appointed President in June 2007. Previous posts include executive officer and director, and he has headed the Power System Operation Department, the Corporate Planning Office, the Kumamoto Branch and the Transmission and System Operation Division.

An Interview with the President >>>

BUILDING STRONG BONDS WITH CUSTOMERS

QUESTION 1

HOW WOULD YOU ASSESS PROGRESS UNDER THE CURRENT MEDIUM-TERM POLICY?

The theme for our medium-term management policy is consolidation, followed by growth. The entire Kyushu Electric Power Group has been working to meet a variety of challenges under this policy.

Fiscal 2007 will be the third year and half-way point of our medium-term policy, which covers the period from fiscal 2005 to fiscal 2009. We will continue our efforts to meet management targets, improve efficiency, fulfill our corporate social responsibility, and create new demand. At the same time, we need to adjust to current conditions and anticipated changes. Reflecting shifts in the energy situation and the global environment, our priorities include the maintenance of reliable supplies of energy to meet the needs of our customers and society, the reinforcement of customer confidence in Kyushu Electric Power, the development of group management systems and the establishment of the Kyushu Electric Power brand.

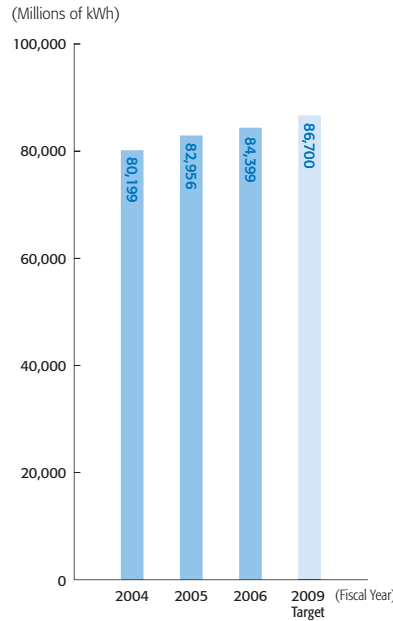
The management indicators that we are using for our income and financial stability targets are free cash flow (FCF), ordinary income, ROA and the shareholders' equity ratio. Our target for FCF is an average of ¥120 billion at the consolidated level and ¥100 billion at the non-consolidated between fiscal 2005 and fiscal 2009. The actual averages for fiscal 2005 and fiscal 2006 were ¥86.2 billion consolidated and ¥73.9 billion non-consolidated. Our ordinary income target is an average of ¥110 billion at the consolidated level and ¥100 billion at the non-consolidated over the same period. The corresponding results for the two-year period through fiscal 2006 were ¥121.9 billion and ¥109.9 billion. The target for ROA is an average of 3% at both the consolidated and non-consolidated levels. The two-year average was 2.6% and 2.5% through fiscal 2006. We aim to achieve a consolidated and non-consolidated shareholders' equity ratio of 30%. The actual figures as of March 31, 2006 were 26.8%

consolidated and 26.9% non-consolidated.

Previously our target for the creation of new demand was an increase of 2.5 billion kilowatt hours from the fiscal 2003 level. This was achieved at the end of November 2006, and we have now adopted a new target of 3.7 billion kilowatt hours. We will continue our efforts to expand our electricity sales by promoting all-electric housing to residential consumers, and by dynamically offering corporate customers new products, including electrical kitchen and air-conditioning systems.

Our capital investment target was an average of ¥190 billion per annum over a five-year period starting in fiscal 2005. This investment has been channeled into efficiency improvements. In the previous fiscal year investment increased by ¥10.8 billion year on year to ¥181.4 billion. In addition to improvements in efficiency, including reductions in design and construction costs, we have also invested in measures to expand demand. Capital investment is expected to increase because of expenditure in such areas as demand expansion and the maintenance of supply reliability. However, we aim to optimize the efficiency through measures that will include reviews of design standards and specifications. To reflect these policies, we have changed average yearly capital investment target for fiscal 2005–2009 from ¥190 billion to 200 billion. We also aim to improve labor productivity (units of electricity sold per employee) by at least 10% in the period to fiscal 2009. We will achieve this through further improvements in operating efficiency, including the use of IT to reform operational processes.

Our target for FCF is an average of ¥100 billion (non-consolidated) in the five years between fiscal 2005 and fiscal 2009. Sources of FCF include efficiency improvements and cost reductions. We use FCF to strengthen our competitiveness by cutting electricity charges, to improve our financial position by reducing interest-bearing liabilities, and to strengthen our earning power by investing in new business activities. By using FCF to fund reliable dividend payments, we are also working to raise our corporate value.



Electricity Sales Volume

Demand by customers other than large-scale industrial decreased by 0.1%. Growth mainly in all-electric housing and new openings of commercial facilities was offset by demand decreases in air-conditioning, etc.

Demand by large-scale industrial customers increased by 6.8%. Robust economic activities in digital electronics and steel industries, etc. led to demand increase. In response to a rise in oil price, industrial users switched from on-site generation to power purchase.

QUESTION 2

YOU INTRODUCED A NEW MANAGEMENT STRUCTURE IN JUNE 2007. WHAT ARE YOUR VIEWS ON THE BUSINESS ENVIRONMENT?

In creating the new structure, we further enhanced our corporate governance systems and reviewed the roles of our directors and Executive Officers. Specifically, we reduced the number of directors from a maximum of 25 to a maximum of 17 and abolished the position of Managing Director. We also shortened the term of office of directors from two years to one. Another change was the creation of the position of Managing Executive Officer, which is positioned mid-way between the Senior Managing Executive Officer and Executive Officer levels. These latest reforms follow previous changes designed to speed up decision-making and strengthen the supervisory functions of the Board of Directors, including the introduction of the Executive Officer system and the appointment of an outside director in 2001.

We made the recent changes to our management structure with the aim of further clarifying supervisory and executive roles. As members of the Board of Directors, directors discuss and make decisions about corporate management policies and other important matters. Executive Officers are responsible for the performance of business operations within the area of responsibility delegated to them by the Company, under the coordination of the President.

QUESTION 3

WHAT DO YOU SEE AS THE KEY EVENTS OF FISCAL 2006?

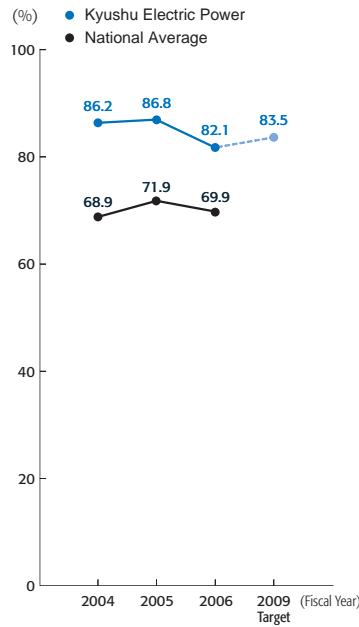
First, we set two new records for electricity production. In August 2006, our maximum daily output reached a new high for the first time in two years at 336.576 million kilowatt hours, while our maximum hourly output set a new record of 17.541 million kilowatts for the first time in five years. Reasons for this

high output include increased air-conditioning demand because of unusually high temperatures after the end of the rainy season. Another factor was the economic recovery, which was manifested in increased capital investment and production. In addition, rising crude oil prices caused customers to switch from on-site generation to electricity supplied by Kyushu Electric Power.

General demand, including domestic lighting and commercial demand increased. Among the factors contributing to the rise in domestic lighting demand was growth in the number of all-electric homes. Positive factors for commercial demand included the opening of new commercial facilities. However, demand for cooling and heating was lower compared with the growth recorded in the previous accounting period as a result of extremely high summer temperatures and a harsh winter in that year. These and other factors were reflected in a 0.1% year on year decline in the volume of electric power sales. Demand from major industrial users increased by 6.8% year on year. Reasons for this growth included strong production trends in several industries, notably digital electrical appliances and iron and steel. In addition, higher crude oil prices caused users to switch from in-house generation to electricity supplied by Kyushu Electric Power. Total electric power sales increased by 1.7% year on year to 8,439 million kilowatt hours.

Another important event was the start of commercial operation of the first unit at the Omarugawa Power Station in July 2007, following the completion of voluntary pre-use checks. The first unit has a rated output of 300,000 kilowatts. We started construction of this pure pumped storage station in February 1999.

Pumped storage power stations are extremely useful for adjusting output according to demand. They can be started up or shut down quickly, and play an important role as peak or emergency capacity. Our priority now is to operate the first unit safely while bringing the other units into commercial operation. We will continue to emphasize safety and environmental protection throughout the construction project. When the power station is completed in 2011, it will have a capacity of 1.2 million kilowatts.



Maintaining a High Nuclear Power Utilization Rate

We have worked to maintain a high utilization rate of nuclear power facilities based on the major premise of ensuring safety.

In FY2006, the nuclear power utilization rate was 82.1% mainly due to the continuous safe and stable operation of nuclear power stations and the implementation of the constant cycling at rated thermal output at all the nuclear power plants.

QUESTION 4

WHAT ARE YOUR PRIORITIES, ESPECIALLY WITH REGARD TO FUEL PROCUREMENT AND THE OPERATION OF NUCLEAR FACILITIES?

World energy demand is expected to expand dramatically, especially in the BRIC economies. This means that reliable long-term access to fuel resources, including coal, LNG, crude oil and nuclear fuel is an important issue. We will continue to rely primarily on long-term contracts, and to diversify our sources and contract methods. The reinforcement of our procurement capabilities will remain a priority. Strategies include direct, integrated participation in the fuel supply chain at all stages from procurement and transportation to acceptance and sale. In this way, we aim to secure reliable, long-term access to fuel, and improve the flexibility and economic performance in terms of both procurement and utilization.

We will continue to comply with all laws, regulations and other requirements concerning the operation of our nuclear power stations, including cooperation in government safety inspections, approval of construction plans, and pre-use and periodic inspections. We also manage and operate our facilities under appropriate maintenance, security and management systems to ensure that safety standards remain consistently high.

As part of our ongoing efforts to strengthen safety management systems in nuclear power stations, we are raising employee awareness of the important roles and responsibilities of nuclear power stations. We are also enhancing and expanding our education and training programs, and ensuring facilities are operated safely and in accordance with all inspection, maintenance and quality management procedures.

Regular reviews also play an important part in the ongoing improvement of safety and reliability in our nuclear facilities. These reviews allow us to monitor the effectiveness of safety activities and the extent to which those activities are

based on the latest technical knowledge. We have expanded our mechanical and structural maintenance programs to include aging countermeasures. As facilities approach the 30th year of their operating lives, we conduct technical evaluations of their aging characteristics. The results are reflected in long-term maintenance programs.

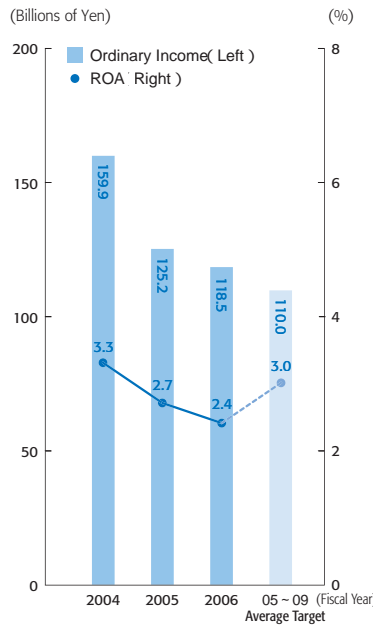
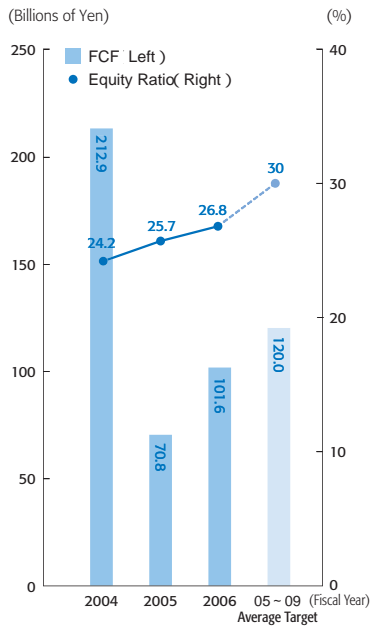
We regularly monitor the environmental radiation in the areas around our nuclear power stations to assess the effect on the general public. The results of this monitoring show that the radiation levels are less than one-thousandth of the level mandated by law, indicating that the environments around our facilities are safe.

Our extensive measures to ensure safety at our nuclear power stations not with standing, the total operating rate for our six nuclear units was 82.1% in fiscal 2006. This is substantially higher than the national average of 69.9% and indicative of excellent operating performance.

Japan is not richly endowed with energy resources. We believe that pluthermal projects are essential, and that the early establishment of a nuclear fuel cycle based on the use of plutonium produced through reprocessing is the only way to ensure reliable supplies of electric power over the long-term future. The development of pluthermal and reprocessing technology are important steps toward the creation of this nuclear fuel cycle. We are aware that the establishment of nuclear fuel cycle technology will require a long period of time, and we therefore believe that steady progress toward this goal should begin now.

By fiscal 2010, we aim to implement a pluthermal system in the No. 3 Unit at our Genkai Nuclear Power Station. In September 2005, following stringent safety inspections, we received government permission to modify a nuclear installation. In March 2006 we obtained the preliminary agreement of Saga Prefecture and the municipal government of Genkai-cho. In September 2006 we signed an agreement with Mitsubishi Heavy Industries, Ltd. concerning the supply of mixed oxide (MOX) fuel, which is a mixture of uranium and plutonium oxides.

Currently we are preparing for the production of MOX fuel. Prior to the start of



Financial Indexes (Consolidated)

Kyushu Electric Power is striving to improve management efficiency and have set financial target in our midterm management policy for FY2005-2009.

Both ordinary income and shareholders' equity ratio show steady improvement while FCF and ROA are still below the target level due to the increased external funding in accordance with the accounting regulation regarding the reserve for nuclear back-end expenses issued in October 2005.

production, Kyushu Electric Power staff were sent to Mitsubishi Heavy Industries, Mitsubishi Nuclear Fuel Co., Ltd., which will manufacture parts, and the French company MELOX, which will produce the MOX fuel, in April 2007 to audit quality assurance systems.

The next step will be the completion of formalities relating to the processing and transportation of MOX fuel. Kyushu Electric Power will implement a full range of safety measures, and we will ensure compliance with all related laws and regulations and implement appropriate safety assurance activities at each stage.

QUESTION 5

THERE WERE NUMEROUS PROBLEMS WITH POWER STATIONS AFTER FISCAL 2006. HOW DO YOU VIEW THESE ISSUES?

The Ministry of Economy, Trade and Industry and the Ministry of Land, Infrastructure and Transport directed us to carry out inspections of our generation facilities. These inspections identified 599 instances of four types of unsatisfactory situations in hydroelectric facilities, and six instances of one type in thermal facilities. Overall, there were 605 instances of five types of unsatisfactory situations. While none of these problems posted a threat to safety or the environment, they nevertheless represent a totally unacceptable failure to live up to the trust placed in us by society. For this we apologize unreservedly. One of the underlying reasons for these problems were decisions based on inadequate knowledge of the laws and regulations that govern our operations. Other factors appear to have included complacent reliance on long-standing operational practices, and an inadequate awareness of compliance requirements.

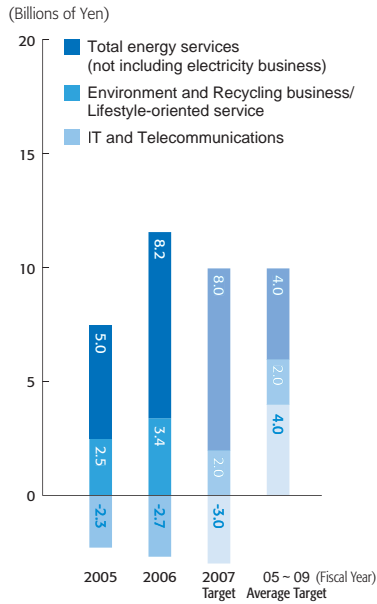
We recognize the seriousness of these issues, and we are absolutely determined to prevent recurrences by steadily implementing measures at all of our generation facilities and throughout our organization, including steps to raise awareness of compliance issues. We are also working to restore public

confidence in our operations by ensuring that our operations are highly transparent and guided by high standards of fairness and business ethics.

Following the Niigata Chuetsu Offshore Earthquake on July 16, 2007, the Nuclear and Industrial Safety Agency (NISA) directed electric power companies to conduct inspections of firefighting capabilities at nuclear power stations, and of their reporting systems for radioactive leaks and other incidents. Inspections conducted by Kyushu Electric Power in accordance with this directive confirmed that appropriate systems were in place at our facilities. However, we are now complying with a subsequent directive from the Minister of Economy, Trade and Industry by formulating plans for the reinforcement of in-house fire-fighting teams and the improvement of systems to ensure timely, accurate reporting of accidents. The improvements will include stationing of full-time fire-fighting personnel and personnel capable of measuring radioactivity at our facilities on a 24-hour basis, and the provision of chemical firefighting vehicles and water tanks. We aim to complete these measures by the end of fiscal 2007.

In September 2006, the Regulatory Guide for Reviewing Seismic Design of Nuclear Power Reactor Facilities was amended to reflect the latest knowledge. Kyushu Electric Power was carrying out assessments based on the amended Regulatory Guide when the Minister of Economy, Trade and Industry directed that evaluation plans should be revised, and we now plan to issue an interim assessment report in March 2008. This report will include the results of a seismic safety evaluation of representative facilities with essential functions at two representative plants: Unit 3 at the Genkai Nuclear Power Station and Unit 1 at the Sendai Nuclear Power Station.

We are constantly working to ensure the seismic safety of our nuclear power stations according to the latest knowledge. If new knowledge is discovered as a result of the recent Niigata Chuetsu Offshore Earthquake, we will apply this to our current review process as required, so that we can provide additional confidence for residents near our nuclear facilities, and for our shareholders and investors.



Trends in Segment Ordinary Income

We are actively developing a range of business activities to meet the needs of our customers, and to expand and strengthen our income base. Under our medium-term management policy for the period from fiscal 2005 to fiscal 2009, we aim to achieve average ordinary income of ¥4 billion from the total energy business segment, ¥4 billion from the IT and telecommunications business segment, and ¥2 billion from the environmental, recycling

and lifestyle services business segment. In year ended March 2007, ordinary income from the total energy business segment increased by 57.7% to ¥8.2 billion, but there was a 14.8% decline to a loss of ¥2.7 billion in the IT and telecommunications business segment. Ordinary income from the environmental, recycling and lifestyle services business segment was 35.5% higher at ¥3.4 billion.

QUESTION 6

HOW WOULD YOU SUM UP TRENDS BY BUSINESS AREA?

Our core segment is the total energy business, which is based on our management and business knowledge in the field of electric power. We are aggressively developing our business activities in this area. We are also using our tangible and intangible management resources to respond to the needs of customers in our region by developing activities in the areas of IT and telecommunications, the environment and recycling, and the lifestyle-oriented services.

In our total energy business activities we have focused primarily on areas that provide the best opportunities for synergies with our electric power business, such as gas and LNG sales and overseas IPP projects. At ¥128.3 billion, net sales were 3.6% higher year on year in fiscal 2006. Reasons for this increase include volume growth in gas sales. Operating income increased by 49.8% to ¥6.8 billion. In addition to sales growth, this also resulted from cancellation of unprofitable contracts in the distributed power business, starting in the previous fiscal year.

In the IT and telecommunications segment, we are dynamically using our IT expertise and infrastructure, including our fiber-optic network and data centers, to develop business activities centering on broadband services, which are marketed under the "BBIQ" brand. In fiscal 2006 net sales increased by 3.6% year on year to ¥76.4 billion, mainly because of growth in the number of broadband service subscribers. Operating income declined by ¥600 million to a loss of ¥1.3 billion, in part because of facility-related costs relating to the expansion of broadband services.

Another area in which we are actively using our management resources to develop business activities that reflect the needs of regional customers is the environment and recycling. Income potential is key to the selection of activities, which include the recycling of used fluorescent tubes and

confidential documents.

In our last segment, lifestyle-oriented services, we are involved in a wide range of activities that help to enhance the quality of life for our customers, including the operation of condominiums with care services for senior citizens and housing evaluation services. In June 2006, we established our newest condominium subsidiary, Kyuden Goodlife K.K., which controls and supports condominium business for senior citizens. In November 2006, we opened its third condominium complex, Grand Garden Kagoshima after condominiums in East Fukuoka and Kumamoto.

QUESTION 7

WHAT ARE YOUR PRIORITY POLICIES IN THESE AREA?

One of our core policy goals is the dynamic development of overseas business activities that allow us to translate our technology and knowledge into high returns. Our first of these new overseas activities is the discovery of new IPP projects in which we can use our technology and other management resources. We are looking for these projects in Asia, including China, and in North America, including Mexico. We are especially interested in the use of natural energy resources, such as wind and geothermal energy, to generate electricity in China and Indonesia. In addition, we are contributing to the achievement of targets under the Kyoto Protocol by providing energy conservation consulting services in China and elsewhere.

The second priority policy regards is our broadband business. The advent of the ubiquitously connected society is reflected in growing demand for high-speed, large-capacity, two-way communication technology, including Internet access, IP telephony, digital broadcasting and home networking. In our IT and telecommunications segment, we are achieving sustained growth in the number of subscribers for our broadband services.



As the number of broadband connections increases, we need to invest in capacity expansion. There has also been forward investment in the reinforcement of our marketing systems in this area. As a result, the expenditure and income balance is likely to remain tight for while longer. However, we see opportunities for growth and income in the future, and we will continue to focus our group resources on the development of this business.

Finally, there is the gas business. We import approximately 2.7 million tons of LNG annually from Indonesia and Australia for use as a generator fuel. The gas is imported by two group companies, Oita Liquefied Natural Gas and Kitakyushu Liquefied Natural Gas, which gasify the LNG and deliver it to our facilities. We developed the gas business to create a reliable income stream by exploiting our advantages in area of fuel procurement, including merits of scale and access to LNG terminals and other infrastructure. We supply gas to gas companies and major users. In fiscal 2006, higher demand was reflected in year on year growth in both sales and income. In fiscal 2007, demand is expected to remain strong, and we anticipate further growth in sales volumes.

QUESTION 8

TO CONCLUDE, DO YOU HAVE A MESSAGE FOR SHAREHOLDERS?

Our fundamental policy on dividends is to maintain stability. When setting the dividend, we take into account a wide range of factors, including the medium- and long-term outlook for income and expenditure, and our progress toward the achievement of management targets.

For the time being, we plan to maintain our dividend at ¥60 per annum while striving to raise our shareholders' equity ratio to 30%. Looking further ahead, we will continue to work toward this shareholders' equity target set down in our medium-term management policy, but we will also review the situation based on a comprehensive analysis of business conditions, including income and

expenditure trends, the competitive environment, and capital market trends.

The entire Kyushu Electric Power Group will remain focused on the improvement of our corporate value through continuing efforts to provide enhanced satisfaction for all stakeholders, including our shareholders.

Kyushu
Electric Power's
Mission

“Enlighten Our Future”

Towards a comfortable and environment-friendly lifestyle today and for generations to come.

Kyushu Electric Power's Four Challenges >>>

01 Steady and reliable,
Earth-friendly energy.

► Kyushu Electric Power—Timeline

1950~ Supporting Japan's Postwar Reconstruction



- 1951: Kyushu Electric Power is established.
- 1953: Japan receives its first postwar loan (approximately ¥3.8 billion) from the International Bank for Reconstruction and Development (the World Bank).
- 1955: The Kami-Shiiba Power Station, the first in Japan with an arch dam, becomes operational.
- 1955: The No.1 Unit at the Kanda Thermal Power Station, an advanced, high-capacity system (75,000 kW) becomes operational.
- 1957: Kyushu Electric Power completes its Central Line (220,000 V), its first super-high-voltage transmission line. Thermal generation capacity exceeds hydroelectric capacity.

1960~ Supporting Growth by Making Electricity Available Everywhere



- 1960: Frequency unification is completed.
- 1967: The Otake Power Station, Japan's first commercial geothermal generation facility, becomes operational with a capacity of 11,000 kW. The No.1 Unit at the Karatsu Power Station (156,000 kW) becomes operational as Kyushu Electric Power's first generation facility with a control computer.
- 1969: The No.1 Unit at the Oita Power Station (250,000 kW), Kyushu Electric Power's first facility designed to run exclusively on heavy fuel oil, becomes operational.

1970~ Overcoming the Oil Crises



- 1970: The provision of electric lighting to all homes is completed.
- 1975: The No. 1 Unit at the Genkai Power Station (559,000 kW), Kyushu Electric Power's first nuclear facility, becomes operational. The Ohira Power Station, then Japan's biggest pumped-storage facility (500,000 kW) becomes operational.
- 1977: The No.1 Unit at the Hatchobaru Geothermal Power Station becomes operational. Initially with a capacity of 23,000 kW, it is one of the biggest in Japan.



The Mission is our unchanging pledge to supply electric power and energy reliably in a changing world, and help our customers to enjoy brighter, more secure lives and social environments.

To provide comfort and convenience while being kind to the environment, we need to create a virtuous circle in which comfort brings enhanced enjoyment of day-to-day life, and that enjoyment in turn helps to create a better global environment, which then further enhances the lives of people. Our determination to realize this vision has led us to accept the four challenges.

02 Services that truly satisfy.

03 In company with Kyushu. And to Asia and the world.

04 Discovering solutions, and putting them into practice.

1980~ Improving the Quality of Electricity



- 1980: Kyushu Electric Power builds the Central and West Kyushu Substations (500,000 V) and raises the voltage on its Saga Line to 500,000 V. The 500,000 V Trans-Kanmon Line becomes operational.
- 1982: The Kyushu Energy Pavilion is opened. The No. 1 Unit at the Sendai Nuclear Power Station (890,000 kW) becomes operational.
- 1984: The No. 1 Unit at the Tenzan Power Station (300,000 kW), a large-capacity pumped storage facility, becomes operational.
- 1986: Kyushu Electric Power begins to use automatic control systems on its distribution lines.
- 1989: Kyushu Electric Power achieves a zero outage record for work on high- and low-voltage facilities for the first time in Japan. The establishment of Iris outlets begins.

1990~ Improving the Quality of Electricity



- 1990: The No.1 System at the Shin-Oita Power Station (690,000 kW) becomes operational. Designed to use LNG, this combined-cycle unit provides excellent thermal efficiency.
- 1992: Kyushu Electric Power begins to purchase surplus electric power from distributed generation facilities, including solar and wind power systems.
- 1998: Kyushu Electric Power begins to operate a superconducting storage system as an electric power facility. It is the first of its type in Japan and one of the largest in the world.

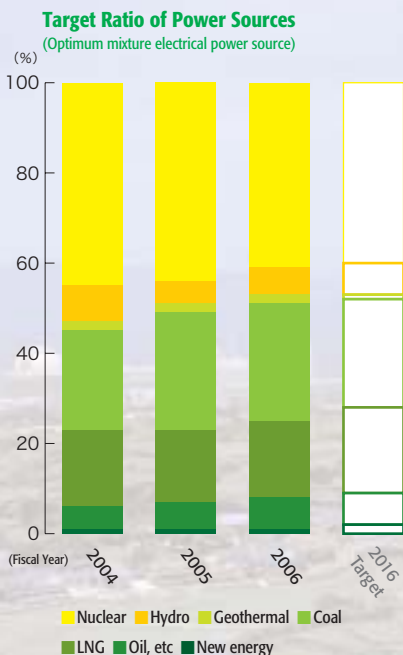
2000~ Enhancing Competitiveness through Electric Power Liberalization



- 2000: The Genkai Energy Park is opened.
- 2001: A loan agreement is signed for the Tuxpan IPP project in Mexico. The Kyushu Homeland Forestation Program is launched.
- 2002: Dedicated account managers are assigned to corporate customers.
- 2004: The Call Center is extended to the entire corporate organization. Kyushu Electric Power achieves the best CO₂ emission level per unit of electric power (0.331kg-CO₂/kWh) in the Japanese electric power industry.
- 2005: The Goto Archipelago Link, Japan's longest sea-bed cable, becomes operational.
- 2006: Electricity charges are reduced, bringing the cumulative reductions since January 1996 to approximately 30%. Kyushu Electric Power becomes the first electric power company to win top prize in the 9th Green Reporting Awards.
- 2007: The "Kyushu Electric Power's Mission" is adopted.

STEADY AND RELIABLE, EARTH-FRIENDLY ENERGY

Our priorities are environmental protection and the reliable supply of electric power. We will continue our efforts to reconcile these two goals by improving our energy efficiency, promoting the use of new forms of energy, maintaining reliability, and developing new technology. The main focus of these efforts will be nuclear power, which offers key advantages in terms of environmental and economic performance and reliable access to resources.



Generation Capacity Development Plan Ensuring Long-term Reliability

Kyushu Electric Power employs a balanced approach to generation capacity development. Our strategy of building a generation mix centering on nuclear power takes into account a comprehensive range of factors, including energy security, economic performance and environmental compatibility.

[Nuclear Power Generation] Nuclear power provides major advantages in terms of economic and environmental performance and reliability, and we will continue to develop nuclear power facilities as our core base load capacity, always with safety as our first priority. We will continue our efforts to gain the support and cooperation of our customers and regional communities in preparation for the development of next-generation nuclear power facilities, starting in the second half of the next decade. Environmental surveys are currently being carried out for this purpose at the Sendai Nuclear Power Station.

[Pumped-storage Hydroelectric Power Generation] Pumped-storage hydroelectric facilities play a key role in adjusting output to reflect demand, since they can be started up and shut down quickly. We will continue to develop these facilities to provide the capacity needed to meet peak and emergency demand. The first unit at the Omarugawa Power Station in Miyazaki Prefecture went on line in July 2007.

[Thermal Power Generation] Fuel diversification is one of our priorities, and we plan to develop various types of thermal generation capacity, including coal-fired facilities. We will also continue our efforts to improve efficiency, both from a global environmental perspective, and also to ensure that optimal utilization of energy resources.

[Conventional Hydroelectric Power Generation and Geothermal Energy] Hydroelectricity and geothermal energy are both purely domestic renewable energy resources. Our development activities are guided by systematic research, which takes into account not only economic performance but also site-related factors and environmental considerations.

ENVIRONMENTAL MANAGEMENT We are implementing environmental management policies throughout the Kyushu Electric Power Group. This stance reflects our awareness of the need to protect the environment and contribute to environmental improvement in all of our business activities. Each year we formulate an Environmental Action Plan with five core components: the implementation of environmental management, initiatives in response to global environmental problems, support for the creation of a recycling-based society, harmonious coexistence with local environments, and harmony and cooperation with society. This plan forms the framework for environmental activities in that year.

SAFE OPERATION OF NUCLEAR POWER FACILITIES, MAINTENANCE AND IMPROVEMENT OF EFFICIENCY IN THERMAL FACILITIES Nuclear power accounts for about 40% of our generation capacity. Nuclear power generation produces no carbon dioxide, and this technology is playing an important role as a solution to both energy security issues and global environmental problems. Safety is our first priority. We also aim to maintain high operating rates by implementing thorough preventive maintenance programs, and by running our facilities under a constant rated thermal power operation policy. Another priority is the reduction of emissions, including CO₂, SO_x and NO_x, from our thermal power stations. We are achieving this goal by reducing fuel consumption through improvements in thermal efficiency.

PROMOTING NEW ENERGY USE In addition to our the development of our wind-power facilities, we buy electric power produced using wind-power, solar, biomass and other technologies. We are also working to promote the use of new energy through our support for Kyushu Green Power Fund. In fiscal 2006, initiatives such as these allowed us to reach the 500 million kWh new energy utilization target stipulated in the Special Measures Law Concerning the Use of New Energy by Electric Utilities (also known as the Renewables Portfolio Standard, or RPS, Law).

REDUCING GREENHOUSE GAS EMISSIONS In relation to global warming, we were previously working toward a CO₂ emission reduction target for fiscal 2010. However, the start of the first commitment period under the Kyoto Protocol (2008–2012) is now imminent, and we have therefore switched from this single-year target to one based on the average for 2008–2012. We aim to reduce this average by about 20% compared with the level in fiscal 1990. Our main strategy for the achievement of this target is to establish an optimal generation mix centering on nuclear power. We are also implementing demand-side measures, including increased efforts to promote the use of energy-saving equipment, such as heat-pump water heaters. We will continue to take all possible steps to minimize greenhouse gas emissions.

Research and Development

PLASMA WIRE COATING This technology, the first such introduction in Japan, was strengthens our earning capacity by extending facility lifespans. A plasma spray gun is used to apply an aluminum-magnesium alloy coating to surfaces. This system is expected to prevent corrosion for at least 100 years. It is especially effective in environments with high concentrations of sea salt and has the potential to provide dramatic reductions in life-cycle costs. The method is also environmentally responsible. The materials used, aluminum and magnesium, are already present in high concentrations in the soil, and emissions of volatile organic compounds (VOCs) are low. This technique has been used on a variety of facilities, including urban expressway overpasses, bridges, wind-turbine towers, power transmission pylons, fuel tank bases and small-bore pipes.

LARGE LITHIUM-ION BATTERY FOR ELECTRIC CARS Kyushu Electric Power is collaborating with Mitsubishi Heavy Industries, Ltd. on the development of a large lithium-ion battery for use in electric vehicles and plug-in hybrid vehicles (PHEVs). The battery that is being developed will be lighter and more compact than conventional batteries used in electric vehicles and will support enhanced vehicle performance. Samples have been provided to vehicle manufacturers, and tests are now being conducted to verify the performance characteristics of the battery. Studies are also being carried out with a view to reducing production costs.

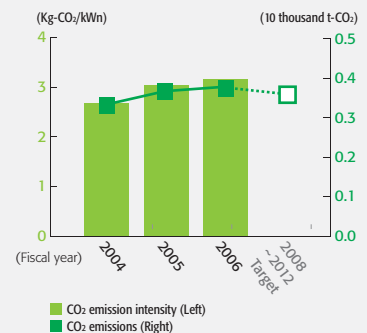
Patent Applications

As competition intensifies in the electric power market, there is a growing need for measures to counter problems relating to intellectual property, such as patent violations and leaks. Kyushu Electric Power is developing intellectual property infrastructure, including a specialist unit established in July 2004 to deal with patent-related matters. Key goals in this area include the effective protection of rights over the results of our technology development projects, and employee education concerning the importance of intellectual property rights. As of March 31, 2007, Kyushu Electric Power held 273 Japanese patents, 18 overseas patents and six Japanese utility models.



SENDAI NUCLEAR POWER STATION

CO₂ Emission Intensity



PLASMA WIRE COATING



LARGE LITHIUM-ION BATTERY



SERVICES THAT TRULY SATISFY.

Our core mission is to meet our customers' needs and help people to enjoy enhanced amenity by providing services centering on electricity and other forms of energy to both living environments, including homes, schools, and communities, and work environments, including offices, factories and commercial buildings.



Total Solution Marketing

For residential customers, we offer a wide choice of charging options to match various usage patterns. We also provide technical services, information about energy-saving methods, and ideas about all-electric lifestyles, which offer advantages in terms of safety, comfort, economic performance and environmental responsibility. For corporate customers, we dynamically use the total resources of Kyushu Electric Power and its group companies to respond to needs and requests relating not only to electric power, but to all aspects of energy.

Stimulating New Demand

The new demand target under our medium-term management policy was 2.5 billion kilowatt hours by fiscal 2009. This was achieved in fiscal 2006, and we have since adopted a new target of 3.7 billion kilowatt hours by fiscal 2009.

One of our priorities is the expansion of electricity sales to residential customers. Our target for this market segment is the creation of a cumulative total of 600,000 all-electric households by 2009. We made excellent progress in fiscal 2006. Almost 50% of all new residences built were all-electric, and a total of 79,000 all-electric households were added, bringing the cumulative total to 350,000. The target for our expansion efforts in fiscal 2007 is 88,000, which will raise the cumulative total to 430,000 households. In the corporate market, we are aggressively proposing a variety of solutions, including electric kitchens and air conditioning systems, to our customers.

Customer Satisfaction Initiatives

Kyushu Electric Power is constantly focused on customer needs and customer satisfaction. We canvas customer opinions and wishes not only through day-to-day operations, but by visiting customers and hosting a variety of social events. This valuable feedback is actively reflected in our business operations. The scope of our customer satisfaction activities is continually expanding. In addition to our basic commitment to the reliable supply of electricity, other initiatives include innovative payment methods and low-interest loans to fund the installation of all-electric systems.

INITIATIVES TO PROMOTE THE SHIFT TO ALL-ELECTRIC ENERGY In October 2005 we created the Kireilife.net website to promote the shift to all-electric housing. Through this site, customers can view their electricity charges and usage. Other services include estimates of lighting and heating costs, and the distribution of an e-mail magazine. Home advisors in our service centers can offer solutions and follow-up services. Other promotional initiatives are based on our eight Iris Kireilife Plazas serving all Kyushu prefectures. These provide opportunities for a first-hand experience of the all-electric lifestyle.

PROMOTING ALL-ELECTRIC KITCHENS FOR COMMERCIAL USERS All-electric kitchens are highly efficient. Because there is minimal waste heat, the air-conditioning load is also lower. Because no combustion is involved, soiling is reduced. Another advantage is the ease with which cooking temperatures can be controlled. Kyushu Electric Power is promoting all-electric commercial kitchens to its customers as systems that help to raise operating efficiency, create better kitchen environments, and improve hygiene management.

Credit Card Payments→ Previously customers could pay their electricity charges by means of bank transfers, payments through financial institutions and convenience stores, or over-the-counter payments at Kyushu Electric Power offices. In January 2007 we further diversified the payment options available by introducing a credit card payment service, and since June 2007 it has also been possible to make payments through mobile telephones.

Alliances with Leasing Companies and Financial Institutions→ In August 2006, we introduced a leasing option for Ecocute products, IH cooking appliances and other electrical equipment to minimize the initial investment required for the conversion of apartment buildings to all-electric systems. This service is provided in partnership with leasing companies and manufacturers.

Since February 2005, Kyushu Electric Power has offered low-interest finance for rebuilding, renovation and remodeling of all-electric residences. The number of financial institutions participating in this scheme has since increased to 28. There has also been an increase in the number of insurance companies offering discounted fire insurance for all-electric housing.

Developments in IT and Telecommunications, Lifestyle-Oriented Services

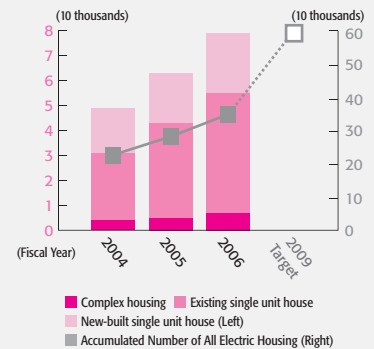
Kyushu Electric Power offers a wide range of services to support a comfortable lifestyle. Evidence of Japan's evolution as a ubiquitously networked society includes the continuing expansion of Internet use, the growing use of IT in the business sector, and the emergence of electronic government at the regional level. We see the telecommunications business as a segment with major growth potential. The Kyushu Electric Power Group has important management assets in this field, including high-speed, large-capacity data communications infrastructure based on its fiber-optic network. We are using this infrastructure to develop broadband and data services and other business activities.

BROADBAND BUSINESS The number of subscribers to our BBIQ broadband service has grown steadily since the service was launched in 2002. In February 2007 the cumulative number of connections exceeded 150,000. The IP telephony service, marketed as BBIQ Hikari Denwa, has also been very successful. The number of subscribers has continued to grow steadily since the launch of the service, and the cumulative total exceeded 100,000 two years after the launch. In some areas, we are now offering a triple package combining Internet access and IP telephony with video and broadcasting services. Another added-value service is power line communication (PLC), which allows electric power lines inside a building to be used as a data transmission medium.

HOME SECURITY BUSINESS In November 2005, Kyushu Electric Power introduced a home security service in some areas of Fukuoka Prefecture. The service uses the Kyushu Electric Power Group's telecommunications technology to link homes to a security company. This is another example of how Kyushu Electric Power uses its management resources to contribute to safety, security and amenity in regional communities.

Transition to All-electric Housing

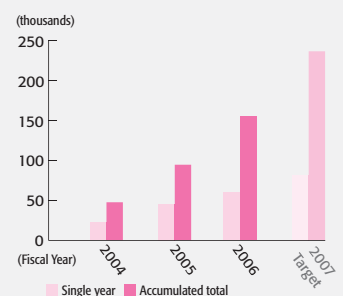
Our enhanced total-solution service accurately spots customer needs and provides optimal energy services, while striving to create new electricity demand through promotion of all-electric housing. Since the original target demand of 2.5 billion kWh was achieved in late November 2006, we have set a new and higher target of newly created electricity demand, 3.7 billion kWh to achieve by FY2009. Concerning residential customers, we will increase the amount of electric power sold, with our sights set on the acquisition of 600,000 all-electric houses (cumulative) by FY2009.



BBIQ Broadband Contracts

The IT and Telecommunications business is a fast-growing area that we continue to proactively develop by utilizing our extensive infrastructure and facilities, including optical fiber networks and data centers.

BBIQ broadband service grew by 60,000 subscribers in fiscal 2006. As a result, total connections rose to 155,000, toward our aim of 240,000 connections by fiscal 2009.





IN COMPANY WITH KYUSHU. AND TO ASIA AND THE WORLD.

Kyushu Electric Power will continue to contribute actively to its region through its business and social contribution activities. Our aim is to support sustainable progress toward the development of amenable, prosperous communities. Kyushu Electric Power is also actively involved in activities that provide opportunities for the effective use of its management resources, including overseas IPP projects and consulting services.



A Growing Regional Economy

Kyushu is taking a role in overseas exchange. Various economic and cultural exchanges are carried out, especially with Asia. The number of visitors from Asia has increased steadily since the Asian Financial Crisis of 1998.

Major industrial facilities in Kyushu are becoming increasingly productive and technologically advanced, allowing them to function as “mother plants for Asia’s growing industrial clusters, especially in the automobile and semiconductor industries. Thanks to its geographical proximity to mainland Asia, the region is expected to enjoy continuing growth in step with the economic development of Asia.

New Manufacturing Facilities In 2006, 196 new manufacturing facilities were opened in Kyushu. The number has increased in each of the past four years, and the 2006 figure was 1.0% higher than the previous year’s total. The area of land used for these facilities has increased in five consecutive years. The 2006 total of 323.3 ha represents a year on year increase of 19.0%. The number of semiconductor and LCD facilities established was similar to the previous year’s total at 27, but the number of new automobile-related facilities was dramatically higher at 45, compared with 27 in the previous year.

Trade In 2006, exports from Kyushu increased by 16.0% year on year to ¥5,059.5 billion, and imports by 27.0% to ¥5,429.4 billion. Both figures are new records. Exports have been expanding continuously for five years and imports for seven years. In 2006, Kyushu became a net importer for the first time since 1991, with imports exceeding exports by ¥369.9 billion.

Harmonious Coexistence with Regional Communities

We aim to support sustainable development of prosperous, pleasant communities in our region. One of the ways in which we contribute is through support and cooperation in such areas as culture, the arts, sports, regional development and social welfare. We are also actively involved in international exchange, including information sharing and technical cooperation with overseas electric power companies. In the area of international cooperation, we assist developing countries by accepting trainees and sending experts.

Kyushu Homeland Forestation Program The Kyushu Homeland Forestation Program was launched to commemorate our 50th anniversary. Under this program, we are working with local residents in various parts of Kyushu to plant 1 million trees over a 10-year period starting in fiscal 2001. In fiscal 2006, we planted 120,000 trees in 42 locations, bringing the total for the past six years to approximately 670,000 trees.

Promoting Sports Sport plays an important role in the development of healthy, pleasant regional communities. We are working to improve and revitalize sporting activities in our region in various ways, including support for regional sports tournaments, and participation in various events. Our commitment to sport is symbolized by the success of our corporate rugby team, which has been promoted to the top league this year. We are actively building community support for the team through various initiatives, including rugby training programs for children.

Attracting Projects and Investment to Our Region

Kyushu Electric Power is helping to revitalize Kyushu's regional economy by promoting investment in the region. In July 2005, we established a specialist investment promotion unit. We are actively working to attract investment to our region by gathering and distributing information and participating in regional projects. In March 2007, we created regional promotion pages in Japanese and English on our website to encourage Japanese and overseas businesses to invest in Kyushu. As a company that operates key infrastructure in Kyushu and aims to achieve growth in partnership with the region, we will continue to contribute to the revitalization of Kyushu.

Overseas Activities

Kyushu Electric Power sees the discovery of overseas business opportunities as an important pathway to new growth and development. Overseas activities include participation in IPP projects in Asia, North America and other parts of the world, as well as energy conservation consulting in China and elsewhere.

IPP PROJECTS One of the IPP projects in which Kyushu Electric Power has participated is the Tuxpan No. 5 Project in Mexico. A power station built as part of this project commenced commercial operations on September 1, 2006. This is the first overseas IPP project in which a Japanese electric power company has entered a successful bid covering participation from the initial concept stage. Kyushu Electric Power partnered with Mitsubishi Corporation for this project. Together with the neighboring No. 2 Project, this scheme will have capacity for approximately 1 million kilowatts. Until 2031, the electricity will be supplied wholesale under a 25-year contract with Mexico's Comision Federal de Electricidad.

CONSULTATION AND ENVIRONMENT-RELATED ACTIVITIES Through its electric power business in Japan, Kyushu Electric Power has accumulated extensive experience and knowledge, as well as expert personnel with advanced technical skills. We have used these resources to build a consulting business relating to power supply development and the construction of power transmission and distribution facilities in other countries, especially Asian countries. Our services include surveys, design work, construction management, and technical inspections. Through these activities, we are making an important contribution to the reliable supply of electric power and the training of electric power technicians in many countries.

OTHER ACTIVITIES, INCLUDING COOPERATION AGREEMENTS Kyushu Electric Power works actively with overseas organizations. In February 2007, we signed an exchange and cooperation agreement with India's National Thermal Power Corporation (NTPC). Activities covered by the agreement include the sharing of information in such areas as power generation and the environment. In April, we signed a joint project development agreement with Medco, a major Indonesian energy company, concerning an IPP Projects and upstream fuel interests in Indonesia and overseas. We also concluded a cooperation agreement with China Datang Corporation and Sumitomo Corporation concerning renewable energy development in China and overseas and the sharing of technology and knowledge. Also in April 2007, we signed a joint venture agreement China Datang Corporation and Sumitomo Corporation covering wind-power development projects to be implemented in China's Inner Mongolia Autonomous Region using a CDM scheme.



KYUSHU HOMELAND FORESTATION



RUGBY CLASS FOR CHILDREN



Project Data : the Tuxpan No. 5 Project

Construction site:	Tuxpan, State of Veracruz, Mexico
Generation method:	Combined-cycle
Output:	495,000 kilowatts
Construction cost:	Approximately US\$300 million
Fuel:	Natural gas
Start of construction:	July 2004
Start of operation:	September 2006



THE TUXPAN NO. 5 PROJECT

DISCOVERING SOLUTIONS, AND PUTTING THEM INTO PRACTICE.

We value feedback about our activities, and we are expanding our communication activities so that we can reflect stakeholder views and suggestions quickly and effectively in our business operations. We also recognize that people are the real source of corporate value, and we are continually striving to provide amenable and motivational working environments.

Communicating with Stakeholders

Dialog with stakeholders is an important way to inform the public about our business activities and obtain opinions and suggestions. We are working to expand and enhance communication activities by creating a variety of opportunities for dialog with stakeholders, and we aim to respond promptly and in good faith to this feedback.

Kyushu Electric Power Advisors

Kyushu Electric Power Advisors are outside experts who provide opinions and suggestions about all aspects of our business activities. The advisors, of whom there are currently 12, meet directly with senior management officials, including the President and Executive Vice Presidents, and their views are reflected in management activities.

Stakeholder Satisfaction Surveys

Every year Kyushu Electric Power conducts questionnaire surveys of its customers, employees, shareholders and investors. The results are used to improve management quality.

Motivating and Upskilling Employees, Enhancing Group-level Technology Resources

Our human resource policies are based on respect for fundamental human rights and compliance with related laws and regulations. We also recognize that the people are the real source of improvement in corporate value. This is reflected in our human resource development programs, which are designed to foster awareness of personal roles and responsibilities, encourage imagination and creativity, and provide opportunities to acquire management skills and specialist abilities. We want our employees to be independent people with the ability to act for themselves. Employee views are reflected in our human resource policies, which also emphasize the development of motivational working environments in which there is free and open communication.

■ Respect for Human Rights

Kyushu Electric Power respects human rights in Japan and overseas. Contribution to the development of amenable and enriched social environments is a fundamental part of the philosophy on which our group-level business policies are based. We implement various initiatives to ensure that all of our employees have a proper understanding about human rights issues and are aware of the importance of ethical behavior.

■ Measures to Prevent Sexual Harassment

The Kyushu Electric Power Group has implemented a range of measures to prevent sexual harassment. We have distributed pamphlets to all employees, held seminars, and established internal and external contact points, including a hotline system, for advice on sexual harassment issues. In fiscal 2006, the hotline system, which operates outside of the corporate organization, was extended to include companies in the Kyushu Electric Power Group.

■ Employment Opportunities for the Aged and Disabled

There have been many changes in the environment for aged people, including increases in the starting age for welfare pension payments, and amendments to the Law concerning Stabilization of Employment of Older Persons. Kyushu Electric Power has expanded and enhanced its employment systems for older workers. Our core system in this area is the Senior Employee System, which provides for the reemployment of people who have reached retirement age. The purpose of this system is to provide opportunities for retirees to make further use of knowledge and skills accumulated over many years, and to meet the varying needs of individual workers. We have also expanded social participation opportunities for people with disabilities by systematically recruiting people in cooperation with schools, and also through employment security offices under the "Hello Work" scheme. In July 2004, we established a special subsidiary, Kyushu Captioning Co-Production Center Inc., as a venture by and for people with disabilities.

■ Equal Opportunity Initiatives

In order to achieve a goal to raise corporate value and activate in the entire company, we promote the employment of talented workers based on neither sex nor age to follow the Equal Employment Opportunity Law and to promote gender equality in employment management.

Specifically, we enforce the employment of all people regardless of academic background, gender or work experience.

Moreover, we deploy a fair promotion selection based on proper evaluation of placing the right person for the position according to capability and motivation, in addition to education and training programs regardless of gender.

■ Advancement Opportunities for Women

Business conditions are changing rapidly, and customer values are becoming increasingly diverse. The ability to employ a wide range of human resources without reference to age, gender or other characteristics is a key driving force for the creation of new corporate value in this environment. From a corporate social responsibility perspective, companies have an important role to play in the development of workplace environments that allow people to reconcile their work and home obligations so that they can remain in employment.

One of the goals in the Kyushu Electric Power's Mission, which we adopted in April 2007, is Discovering of solutions and putting them into practice. These words express our belief in the potential of human beings, our respect for individuality, and our determination to discover solutions for the future through free and dynamic dialog.

Kyushu Electric Power already implements gender-neutral employment management policies and helps its employees to reconcile work and home responsibilities. We plan to turn the Mission into reality through comprehensive initiatives, including career development support for female employees and work-life balance support, backed by measures to modify attitudes and develop the necessary cultural environment. In July 2007, we established a special group in our Human Resources Department to promote advancement opportunities for women.

The aim of initiatives such as these is to create a vibrant corporate culture and motivational workplace environments in each individual employee can achieve his or her full potential, regardless of gender, age or other characteristics.



Management and Governance

Continual reinforcement of our management and governance systems is essential to the achievement of sustained improvement of our corporate value, through successful adaptation to changing business conditions, and through sound management of our business operations.

Strengthening Corporate Governance

The core governance structures for Kyushu Electric Power are the Board of Directors and the Board of Corporate Auditors, which work to strengthen the supervisory functions of the Board of Directors and ensure that all management decisions are in compliance with laws and regulations. They also formulate basic policies concerning the development of internal control systems as the basis for sound business management and continual improvement. In June 2006 we reviewed the roles of directors and executive officers and made further enhancements to our structures.

Board of Directors The Board of Directors normally meets once each month to make decisions on important aspects of corporate management, and to supervise the performance of business operations. We have taken steps to revitalize the Board of Directors and strengthen its supervisory functions, including a reduction in the number of directors and the appointment of outside corporate directors.

If a decision to be taken by the Board of Directors is important for the performance of executive duties and requires prior consultation, it is first discussed by the Corporate Management Committee members of which include the President and the executive officers. Executive officers are assigned to various organizational units, such as divisions and branches, to implement business operations. This structure allows timely decision-making and efficient performance of operations.

Board of Corporate Auditors The Corporate Auditors attend important meetings, including meetings of the Board of Directors. They also interview the executive officers of each division, executives of consolidated subsidiaries and other affiliated companies and inspect business premises as part of their overall supervision of the performance of directors' duties.

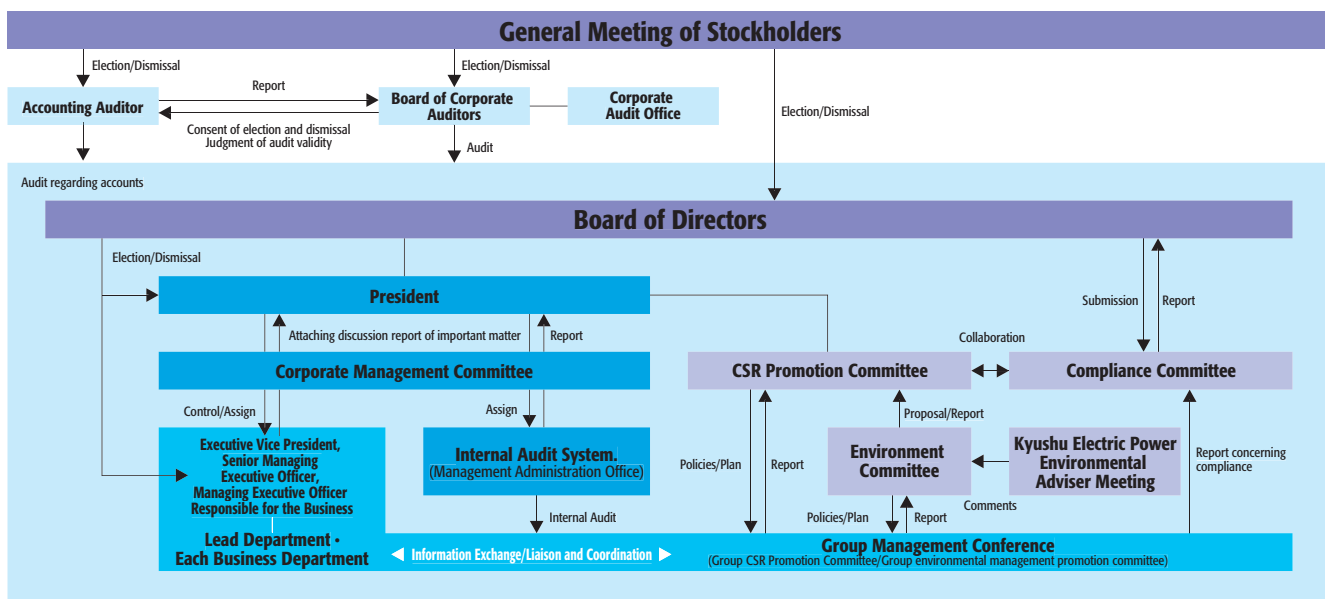
The Board of Corporate Auditors normally meets once a month to receive reports, consult and make decisions on important audit-related matters as stipulated in laws and regulations and the Articles of Incorporation. The corporate auditors are assisted by a specialist organizational unit, the Corporate Audit Office.

Internal Auditing To ensure that business operations are conducted appropriately and with optimal efficiency, audits are also conducted from an independent perspective by special personnel assigned to the Management Administration Office. Aspects monitored include regulatory compliance and the status of business operations.

Special staff are also assigned to major supply facilities, such as nuclear and thermal power stations. Their task is to audit quality assurance systems for safety activities at these facilities.

Risk Management Organization

Kyushu Electric Power has established systems to identify serious risks affecting its corporate or divisional operations. Risk factors with the potential to have a significant impact on the Company's business activities are periodically sampled, classified and assessed by coordinating management units. Individual divisions and business sites prepare for risks identified through this process, and for risks relating to individual projects, by including countermeasures in their advance planning. These systems ensure appropriate management of risk.



Crisis Management

If an emergency arises, such as a situation that could have a major impact on business operations or cause serious damage to the Company's reputation, an emergency response task force will be established under the leadership of the President, as crisis management coordination officer. In accordance with the crisis management regulations, this task force will work with the relevant organizational units to establish a structure capable of responding quickly and effectively to the situation. Crisis management preparations include drills based on various emergency scenarios. Group companies have also established systems to ensure a timely and effective response to emergency situations in cooperation with Kyushu Electric Power.

CSR Management Cycle

The corporate social responsibility (CSR) activities of the Kyushu Electric Power Group are based on a CSR management cycle. Stakeholders are informed about the Group's activities in various ways, including the publication of CSR reports, and input from stakeholders is reflected in management policies and operational management.

■ CSR Promotion Committee and Group CSR Promotion Committee

The CSR Promotion Committee deliberates on CSR activities in general, including policies, planning and reporting. It consists of senior management executives and is chaired by the President. In August 2006 the Group CSR Promotion committee was established to promote CSR activities by the Kyushu Electric Power Group. In fiscal 2007 this group is working to create a PDCA cycle based on the Kyushu Electric Power Group's CSR Action Plan.

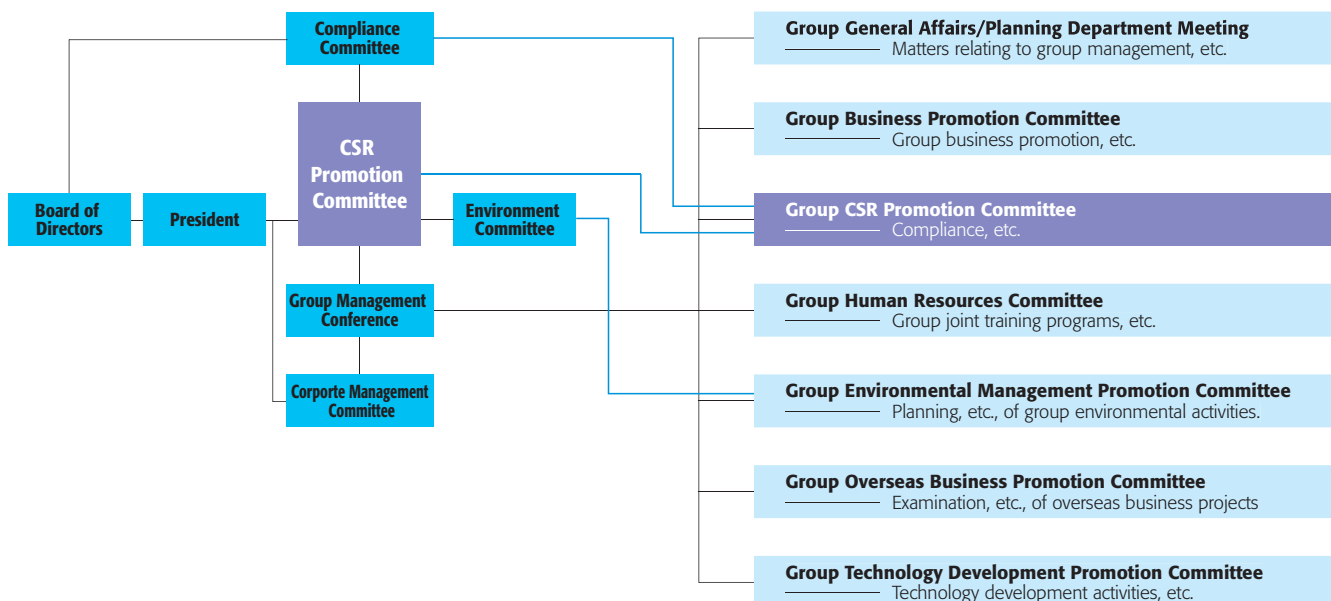
In 2007, Kyushu Electric Power's CSR Report for 2006 was commended in the 10th Green Reporting and Sustainability Reporting Awards. This event is co-sponsored by Toyo Keizai Inc. and the Green Reporting Forum.



Please refer the links below for the electronic version of the report.

Japanese http://www1.kyuden.co.jp/csr_backnumber_csr2006

English http://www1.kyuden.co.jp/en_csr_backnumber_csreport2006



Compliance Management

■ Compliance Improvement Initiatives

Kyushu Electric Power has implemented a number of specific measures relating to compliance. In October 2002, we established the Compliance Committee. Chaired by the President, the Committee includes outside experts. It reports to the Board of Directors. At the same time, department and branch managers were given responsibility for compliance. We have also created contact points within and outside of the corporate organization to provide advice on compliance issues. The aim of initiatives such as this is to prevent behavior that would contravene regulatory requirements or business ethics, and to ensure the early detection of problem behavior.

We have also adopted the Kyushu Electric Power Group Action Charter as a framework for compliance management activities across the entire Group.

Examples of Compliance Violations and Measures to Prevent Recurrences

■ Generation Facility Inspection Results

Under a directive from the Nuclear and Industrial Safety Agency (NISA) of the Ministry of Economy, Trade and Industry dated November 30, 2006, we conducted a stringent and thorough inspection of our hydroelectric, thermal and nuclear generation facilities. These inspections identified 599 instances of four problems in 138 hydroelectric facilities, and six instances of one problem in four thermal facilities. No problems were identified in nuclear facilities. It was confirmed that none of the problems found in hydroelectric and thermal facilities had safety implications. These findings were published on March 30, 2007.

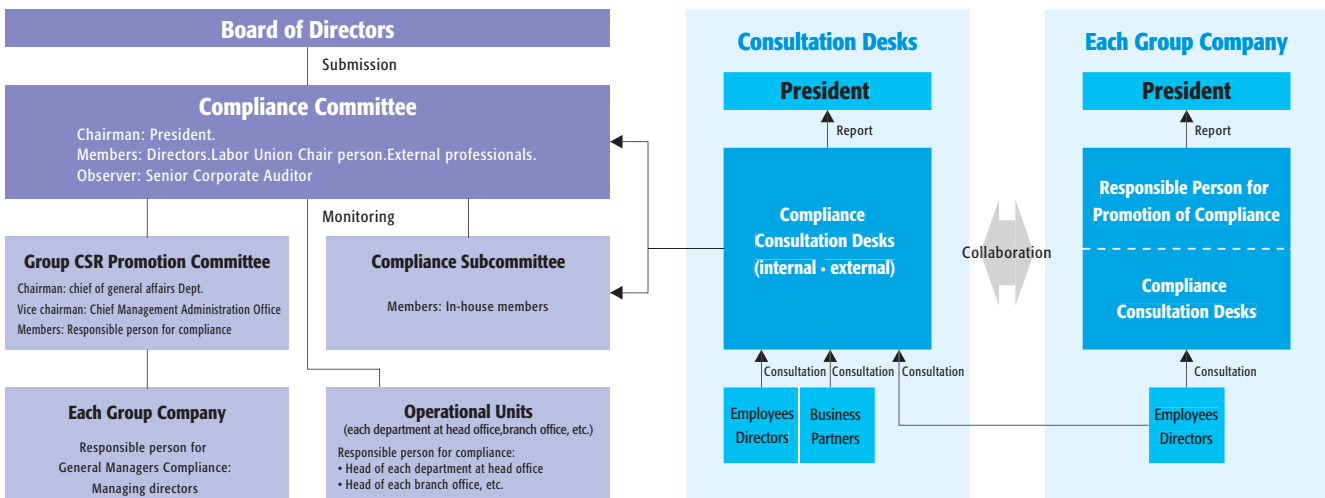
The common factor in these problems appears to have been a lack of awareness about compliance issues. This was manifested in inadequate knowledge of regulatory requirements, and complacent reliance on existing operational practices.

As reported on April 6, 2007, we implemented measures to prevent recurrences of these problems. On May 21, 2007 we reported the adoption of a specific action program for this purpose, and we have since taken steps to raise awareness of compliance and create mechanisms to prevent recurrences of compliance issues. We are also working dynamically to prevent recurrences through changes to our organizational culture, by intensifying our efforts to inform and educate all employees, and by creating a working environment in which people are able to discuss and say anything.

Disclosure and Communications

■ Strengthened Emergency and Disaster Information Systems

Kyushu Electric Power uses its emergency and disaster information system and customer outage information system to monitor outages caused by major emergencies and disasters, such as typhoons and earthquakes. Precise information obtained through these systems is used to respond to customer inquiries, and to inform the public through media organizations and our website. In fiscal 2006, we further improved customer services by extending mobile telephone access to emergency and disaster outage information to our entire corporate organization. In July 2007, we enhanced our ability to provide timely information about estimated service restoration times at the municipality level.



Q Can your nuclear power stations withstand a major earthquake?

A When building a nuclear power station, we design the facilities to have sufficient strength to withstand extremely powerful earthquakes. We also take extreme care to prevent radioactive substances from contaminating the environment.

- We carry out thorough geological surveys of candidate sites to ensure that there are no active faults that could trigger earthquakes.
- Buildings housing key facilities are built directly onto solid bedrock to minimize shaking during earthquakes.

At a given distance from the epicenter of an earthquake, a building constructed on a weak geological structure will be shaken two or three times more violently than one that is built directly on bedrock.

- Our nuclear reactors are shut down automatically if a major earthquake is detected.

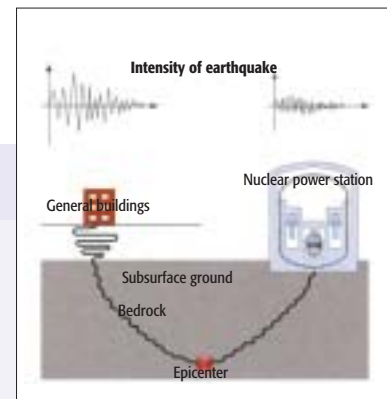
Our systems are designed to shut down and cool each reactor safely and isolate radioactive material, even in the biggest possible earthquake.

Seismic Design Guidelines Amended

In September 2006, the Regulatory Guide for Reviewing Seismic Design of Nuclear Power Reactor Facilities was amended to reflect recent advances in knowledge, including new results from research in the fields of seismology and seismic engineering. The purpose of the changes is to improve the reliability of seismic safety measures in nuclear power stations.

The government has directed that the seismic safety of power stations should be assessed under the amended Regulatory Guide. Kyushu Electric Power was carrying out these assessments when the Niigata Chuetsu Offshore Earthquake occurred in July 2007. We have since amended our implementation plans to reflect new directives from the Minister of Economy, Trade and Industry. We now plan to file an interim assessment report in March 2008. This report will include the results of a seismic safety evaluation of representative facilities with essential functions at two representative plants: Unit 3 at the Genkai Nuclear Power Station and Unit 1 at the Sendai Nuclear Power Station.

Kyushu Electric Power has consistently used the latest available knowledge to confirm and ensure the seismic safety of its facilities. If new knowledge is discovered as a result of the recent earthquake in Niigata, it will be appropriately reflected in seismic safety evaluations of our facilities.



Q What is your policy on electricity charges?

A Improved price competitiveness is essential to the maintenance of our status as preferred electricity supplier for our customers. In April 2006 we reduced our charges by an average of 3.71%, and we believe that we have achieved a reasonable level of competitiveness. When setting future charging policies, we will need to take a range of factors into account, including income and expenditure trends, competition from other electric power companies and the PPS sector, and also from other forms of energy, such as gas.

Q Is your pluthermal project safe?

A In 1995, Japan's Nuclear Safety Commission published a report on a safety study of MOX fuel. This report stated that there was no significant difference between the properties of MOX fuel and uranium fuel in a nuclear reactor, provided that the proportion of MOX fuel used did not exceed one-third, and that MOX fuel could be used according to existing criteria and according to safety design and evaluation procedures that took into account the properties of MOX fuel.

When a pluthermal project is implemented, the government conducts a priority safety inspection of each nuclear reactor involved. The safety of the Genkai Nuclear Power Station was confirmed as a result of inspections that were completed on September 7, 2005.

■ Board of Directors and Auditors (As at June 28, 2007)



Chairperson
Shingo Matsuo



President
Toshio Manabe



Executive Vice President
Mitsuaki Sato



Executive Vice President
Yukio Tanaka



Executive Vice President
Hachirou Kurano



Executive Vice President
Shuuzou Katayama

Chairperson

Shingo Matsuo

President

Toshio Manabe

Executive Vice President

Mitsuaki Sato

Yukio Tanaka

Hachirou Kurano

Shuuzou Katayama

Director

Nobuyoshi Yokoe

Yasumichi Hinago

Hajime Sankoda

Mamoru Dangami

Masayoshi Nuki

Seizaburo Ikematsu

Kazutami Oyama

Keiji Mizuguchi (Outside Director)

Senior Corporate Auditor

Tooru Soufukuwaki

Tokihisa Ichinose

Corporate Auditor

Kenji Hokamura

Zengo Ishimura (Outside Corporate Auditor)

Michiyo Koike (Outside Corporate Auditor)

Kyousuke Takaishi (Outside Corporate Auditor)



financial information

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Consolidated Five-Year Financial Summary

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Years Ended March 31,

		Millions of Yen (except for per share data)				Thousands of U.S. Dollars (except for per share data)
	2007	2006	2005	2004	2003	2007
FOR THE YEAR:						
Operating revenues	¥1,408,328	¥1,401,752	¥1,408,728	¥1,391,684	¥1,421,310	\$11,925,887
Electric	1,307,737	1,311,996	1,320,581	1,308,843	1,350,675	11,074,071
Other	100,591	89,756	88,147	82,841	70,635	851,816
Operating expenses	1,253,155	1,230,467	1,194,993	1,192,718	1,241,296	10,611,864
Electric	1,155,414	1,140,797	1,107,744	1,108,104	1,170,655	9,784,182
Other	97,741	89,670	87,249	84,614	70,641	827,682
Interest charges	38,354	41,130	49,522	77,121	77,897	324,786
Income before income taxes and minority interests	112,887	120,790	146,797	112,451	102,363	955,940
Income taxes	46,075	43,038	57,858	39,086	38,417	390,168
Net income	65,968	76,850	89,288	72,792	64,319	558,625
Per share of common stock (yen and U.S. dollars):						
Basic net income	¥ 139.37	¥ 161.67	¥ 187.91	¥ 153.05	¥ 135.13	\$ 1.18
Cash dividends applicable to the year	60.00	60.00	60.00	50.00	50.00	0.51
AT YEAR-END:						
Total assets	¥4,038,839	¥4,102,319	¥4,049,713	¥4,114,378	¥4,204,566	\$34,201,363
Net property	3,140,200	3,217,982	3,300,740	3,394,855	3,523,273	26,591,582
Long-term debt, less current portion	1,689,107	1,724,179	1,739,660	1,858,512	1,984,702	14,303,557
Equity	1,092,601	1,052,785	979,252	910,838	840,245	9,252,274

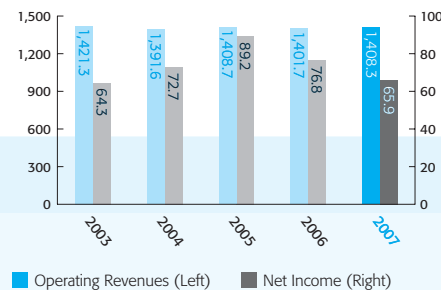
(U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥118.09=U.S.\$1, the approximate rate of exchange at March 31, 2007.)

Management Discussion and Analysis

Summary

- Higher Revenues and Lower Income for the First Time Since the year ended March 31, 1995.
 - In the electricity segment, there was a volume increase in electric power sales, but lighting revenues were slightly lower because of reductions in electricity charges implemented in April 2006. However, revenue was higher for the first time in two years because of increased contributions from segments other than electricity.
 - Personnel expenses were lower in the electricity segment, but fuel costs increased, causing income to decline for the second consecutive year.

(Billions of Yen)

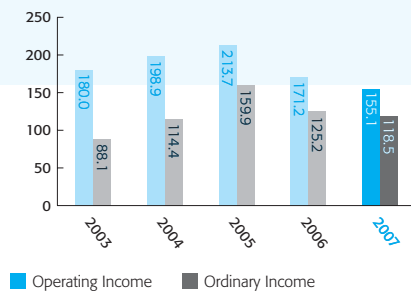


Operating Results

In the year ended March 31, 2007, power sales increased in volume terms, but both power and lighting revenues were marginally lower because of reductions in power charges from April 2006. However, revenues from segments other than electric power were higher, with the result that operating revenues increased by 0.5% year on year to ¥1,408.3 billion.

On the expenditure side, there was a reduction in personnel expenses in the electric power segment, in part because of good returns on pension assets over the past few years. However, fuel costs increased because of reduced operation of nuclear generating facilities. There were also increases in nuclear power back-end costs, including reprocessing costs of irradiated nuclear fuel. Overall, operating expenses increased by 1.8% year on year to ¥1,253.1 billion. As a result, operating income was 9.4% lower at ¥155.1 billion.

(Billions of Yen)

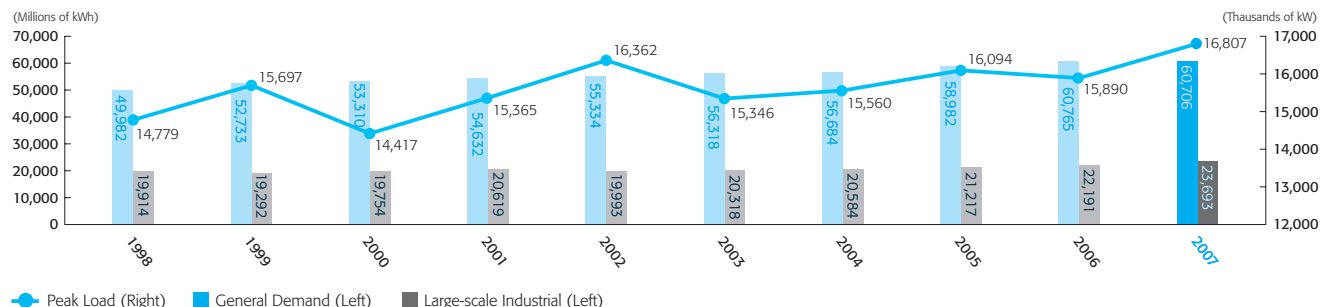


Despite reduced investment income from equity method subsidiaries, non-operating income increased by 13.7% year on year to ¥8.7 billion. Reasons for this increase included higher interest income and proceeds from sales of fixed assets. Non-ordinary expenses were 15.6% below the previous year's level at ¥45.3 billion. This reflects a reduction in interest paid because of efforts to reduce interest-bearing liabilities, and the inclusion of impairment losses, which were shown as non-ordinary expenses in the previous year, in extraordinary losses in the current year's accounts.

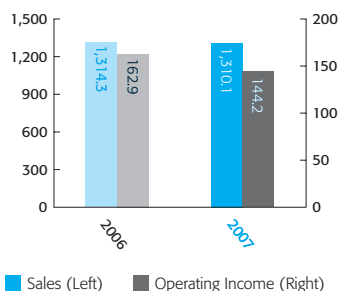
Ordinary income were 0.5% higher year on year at ¥1,417.0 billion, while ordinary expenses were 1.1% higher at ¥1,298.4 billion. As a result, ordinary income was lower for the second consecutive year with a year on year decline of 5.3% to ¥118.5 billion.

Net income also declined for the second consecutive year with a 14.2% reduction to ¥65.9 billion. Reasons for this decline included an impairment loss of ¥5.6 billion

Electricity Sales Volume (Millions of kWh) and Peak Load (Thousands of kW)



Electric Power (Billions of Yen)



resulting from the conversion of assets to real estate for leasing, and the application of impairment accounting to unused assets for which there are no specific future utilization plans. This item is shown in the accounts as an extraordinary loss. Net income per share was ¥22.3 lower at ¥139.37.

Segment Information (before eliminating internal transactions)

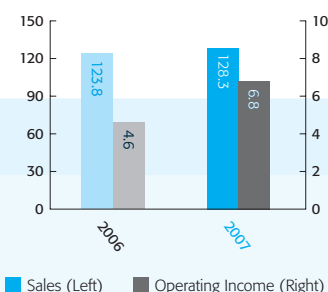
(1) Electric Power

General demand, including domestic lighting and commercial demand, increased. Among the factors contributing to the rise in domestic lighting demand was growth in the number of all-electric homes. Positive factors for commercial demand included the opening of new commercial facilities. However, demand for cooling and heating was lower compared with the growth recorded in the previous accounting period as a result of extremely high summer temperatures and a harsh winter in that year. These and other factors were reflected in a 0.1% year on year decline in the volume of electric power sales. Demand from major industrial users increased by 6.8% year on year. Reasons for this growth included strong production trends in several industries, notably digital electrical appliances and iron and steel. In addition, higher crude oil prices caused users to switch from in-house generation to electricity supplied by Kyushu Electric Power. Total electric power sales increased by 1.7% year on year to 843.9 billion kilowatt hours.

On the supply side, our nuclear facilities and other general facilities continued to operate steadily, allowing us to maintain reliable supplies of electric power. An analysis of our energy mix, including electric power generated and purchased wholesale from other companies, shows that nuclear power accounted for 41%, thermal power for 52%, hydroelectric power for 6%, and new energy for 1%.

Despite growth in the volume of electric power sales, the value of sales was 0.3% lower year on year at ¥1,310.1 billion. This reflects the impact of lower electric power charges introduced in April 2006. In addition to this reduction in revenues, operating income was also affected by higher fuel costs and other factors, resulting in an 11.4% year on year decline to ¥144.2 billion.

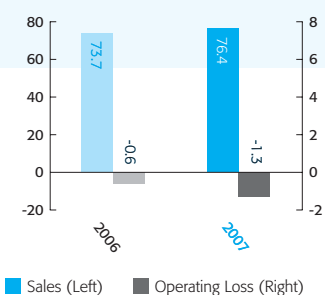
Energy-Related Business (Billions of Yen)



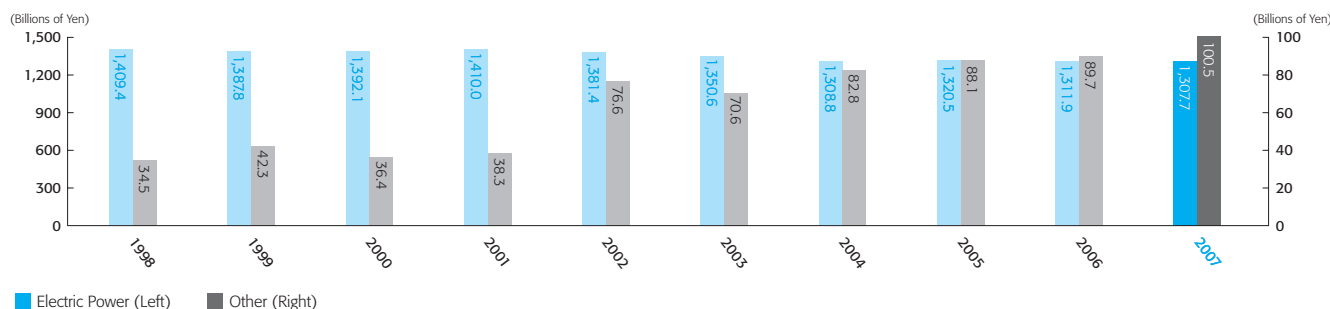
(2) Energy-related Business

Sales increased by 3.6% year on year to ¥128.3 billion because of higher gas sales and other factors. Operating income was 49.8% higher at ¥6.8 billion. Reasons for this increase included the cancellation of unprofitable contracts in the distributed power business, starting in the previous year.

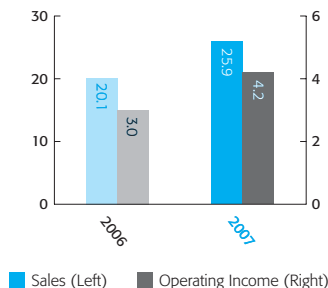
IT and Telecommunications (Billions of Yen)



Trends of Operating Revenues by Segments (after eliminating internal transactions) (Billions of Yen)



Other Activities (Billions of Yen)



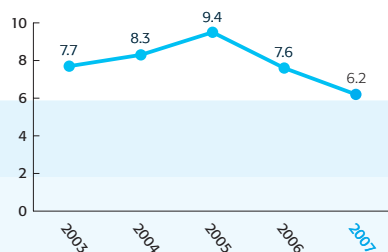
(3) IT and Telecommunications

Sales increased by 3.6% year on year to ¥76.4 billion. Reasons for the growth included an increase in the number of broadband service lines used. Operating loss was ¥0.6 billion larger at ¥1.3 billion, mainly because of higher facility-related expenses resulting from the expansion of broadband services.

(4) Other Activities

Sales were 28.5% higher year on year at ¥25.9 billion. The main reason for this growth was the addition of a company that was treated as an equity method subsidiary in the previous year to the consolidation. Operating income increased by 39.2% to ¥4.2 billion.

ROE (%)



Financial Position

(1) Cash Flows

Net cash provided by operating activities increased by 12.4% year on year to ¥304.5 billion. Reasons for the increase included higher revenues from segments other than electric power, and reduced tax payments.

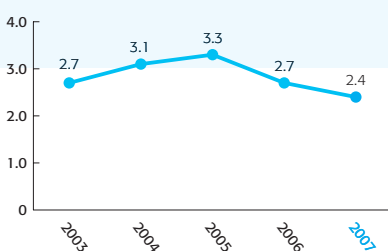
Net cash used in investing activities was 2.9% higher year on year at ¥202.8 billion because of increases in capital expenditures, payments for investments and advances, and other areas.

Net cash used in financing activities rose by 54.3% to ¥102.7 billion.

Cash remaining after the payment of dividends was used to improve our financial structure by reducing interest-bearing debt.

After taking into account these and other factors, including ¥0.1 billion resulting from the addition of another company to the consolidation, cash and cash equivalents as of March 31, 2007 amounted to ¥50.6 billion, a year on year reduction of ¥1.0 billion.

ROA (%)



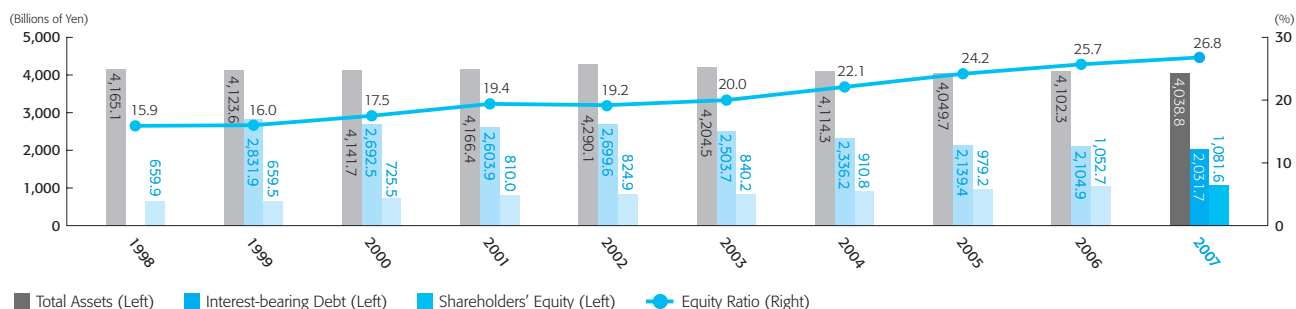
(2) Assets, Liabilities and Net Assets

Assets amounted to ¥4,038.8 billion as of March 31, 2007, a year on year reduction of 1.5%. Reasons for the lower figure include the reduction of fixed assets in the electric power segment as a result of depreciation.

Liabilities reduced by 3.1% year on year to ¥2,946.2 billion. Reasons for the lower figure include the reduction of interest-bearing liabilities by ¥73.2 billion to ¥2,031.7 billion.

Net assets reduced because of dividend payments. However, the year-end total of ¥1,092.6 billion was 3.8% higher above the level at the end of the previous fiscal year, reflecting net income and other items. The equity ratio reached 26.8%.

Consolidated Interest-bearing Debt and Equity Ratio (Billions of Yen, %)



■ Total Assets (Left) ■ Interest-bearing Debt (Left) ■ Shareholders' Equity (Left) ● Equity Ratio (Right)

Note : Interest-bearing debt is calculated from the year ended March 31, 1999.

Business Risk Factors

The following is a list of some significant risk factors that may have an effect on the operating results, financial position, and other aspects of the Group (consolidated). The statements made in this report regarding our future operations are forward-looking statements made in light of information available as of June 28, 2007.

1

Risks Related to System Reforms of the Electricity Industries

In electricity business, approximately 60% of our electricity sales are to the customers under liberalization. Issues including the ways toward full-scale of liberalization of the electricity market are under active consideration at the Electricity Industry Committee in the Advisory Committee for Natural Resources and Energy.

As per the Framework for Nuclear Energy Policy approved by the Cabinet in 2005, it was agreed to reprocess irradiated nuclear fuel and utilize collected plutonium and uranium as the basic policies on nuclear power back-end business. After this approval, an external fund has been established to reserve every year since FY2006 aiming to reduce risks. Kyushu Electric Power is subject to the possibility of being responsible for additional expenses associated with nuclear power generation due to the changes in the international circumstances and possible revision of safety regulation regarding nuclear power based on the latest scientific knowledge.

The system reforms of the electricity industries and the competition with other companies have the potential to affect the Kyushu Electric Power Group's operating results.

2

Risks Related to Businesses Other than Electricity

The Kyushu Electric Power Group is enhancing its revenue basis by utilizing the group's management resources and proactively developing new business area beyond electricity business. In the business operation, we put emphasis on the profitability and work to improve efficiency while pursuing the growth. In case securing the planned profits can not be achieved due to the worsening business conditions, the Kyushu Electric Power Group's performance may be affected.

3

Risks Related to Economic Conditions and Weather Conditions

The sales volume in the electric power business reflects economic conditions and seasonal changes in temperatures. These factors may have a material impact on the results and financial condition of the Kyushu Electric Power Group.

4

Risks Related to the Fluctuation of Fuel Prices

Fuel expenses in electricity business fluctuate as a result of trends in CIF prices and in the foreign exchange markets because we procure sources of fuel for thermal power generation including liquefied natural gas (LNG) and coal from overseas.

However, changes in fuel prices and in the foreign exchange markets are reflected in electric rates through a fuel cost adjustment system designed to limit the impact of these factors.

5

Risks Related to Interest Rates

The Kyushu Electric Power Group's balance of interest-bearing debt as of the end of March 2007 is 2,031.7 billion yen, which accounts for 50% of total assets of the group. Future changes in interest rates have potential to affect the Kyushu Electric Power Group's financial condition.

However, 93% of outstanding interest-bearing debt comprises long-term debt, and most of these bear interest at fixed rates. In addition, the group has worked aggressively to reduce interest-bearing debt to improve its financial position. The impact of fluctuating interest rates on Kyushu Electric Power Group is therefore viewed as limited.

6

Risks Related to the Leaking of Personal Information

The Kyushu Electric Power Group has established strict internal frameworks to manage personal information and to secure information security. Additionally, we have implemented thorough protection of personal information by establishing internal policies and guidelines on handling information as well as familiarizing employees with the handling procedures. However, in case of the leaking of personal information, the Kyushu Electric Power Group's operation may be affected.

7

Risks Related to Natural Disasters

To ensure a stable supply of electricity to our customers, the Kyushu Electric Power Group implements inspection and maintenance of the facilities systematically to prevent any trouble from occurring. However, large-scaled natural disasters such as typhoons, torrential rains and earthquakes as well as unexpected accidents and illicit acts have the potential to affect the Kyushu Electric Power Group's operations.

Consolidated Balance Sheets

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
March 31, 2007 and 2006

	Millions of Yen	2006	Thousands of U.S. Dollars (Note 1)
	2007		2007
ASSETS			
PROPERTY (Notes 3 and 13):			
Plant and equipment	¥8,722,733	¥ 8,682,387	\$ 73,865,128
Construction in progress	315,861	303,045	2,674,748
Total	9,038,594	8,985,432	76,539,876
Less—			
Contributions in aid of construction	137,826	132,713	1,167,127
Accumulated depreciation	5,760,568	5,634,737	48,781,167
Total	5,898,394	5,767,450	49,948,294
Net property	3,140,200	3,217,982	26,591,582
NUCLEAR FUEL	240,663	234,358	2,037,963
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 4)	146,408	160,311	1,239,800
Investments in and advances to non-consolidated subsidiaries and affiliated companies	61,912	58,863	524,278
Reserve funds for reprocessing of irradiated nuclear fuel (Note 8)	70,082	60,135	593,463
Deferred tax assets (Note 10)	104,895	103,387	888,263
Other assets	25,656	24,926	217,258
Total investments and other assets	408,953	407,622	3,463,062
CURRENT ASSETS:			
Cash and cash equivalents	50,672	51,676	429,096
Receivables	117,095	109,553	991,574
Allowance for doubtful accounts	(1,169)	(1,462)	(9,899)
Inventories, principally fuel, at average cost	49,918	48,746	422,712
Deferred tax assets (Note 10)	15,813	21,443	133,906
Prepaid expenses and other	16,694	12,401	141,367
Total current assets	249,023	242,357	2,108,756
TOTAL	¥4,038,839	¥ 4,102,319	\$ 34,201,363

See notes to consolidated financial statements.

	Millions of Yen	2006	Thousands of U.S. Dollars (Note 1)
	2007		2007
LIABILITIES AND EQUITY			
LONG-TERM LIABILITIES:			
Long-term debt, less current portion (Note 6)	¥ 1,689,107	¥ 1,724,179	\$ 14,303,557
Liability for employees' retirement benefits (Note 7)	177,182	204,289	1,500,398
Reserve for reprocessing of irradiated nuclear fuel (Note 8)	371,815	353,390	3,148,573
Reserve for decommissioning of nuclear power units	126,172	119,627	1,068,439
Other	24,670	24,569	208,908
Total long-term liabilities	2,388,946	2,426,054	20,229,875
CURRENT LIABILITIES:			
Current portion of long-term debt (Note 6)	199,611	196,203	1,690,329
Short-term borrowings (Note 9)	136,050	184,605	1,152,087
Commercial paper	7,000		59,277
Notes and accounts payable (Note 14)	82,964	83,425	702,549
Accrued income taxes	12,064	21,048	102,159
Accrued expenses	74,321	86,076	629,359
Reserve for loss on business restructuring (Note 2.m.)		1,958	
Other	45,191	40,040	382,683
Total current liabilities	557,201	613,355	4,718,443
RESERVE FOR FLUCTUATIONS IN WATER LEVEL	91		771
MINORITY INTERESTS		10,125	
COMMITMENTS AND CONTINGENCIES (Note 17)			
EQUITY (Note 11):			
Common stock, authorized, 1,000,000,000 shares; issued, 474,183,951 shares in 2007 and 2006	237,305	237,305	2,009,527
Capital surplus	31,094	31,094	263,308
Retained earnings	756,406	720,036	6,405,335
Unrealized gain on available-for-sale securities	54,992	65,831	465,679
Deferred gain on derivatives under hedge accounting	3,865		32,729
Foreign currency translation adjustments	(184)	(306)	(1,558)
Treasury stock-at cost 999,075 shares in 2007 and 777,738 shares in 2006	(1,844)	(1,175)	(15,616)
Total	1,081,634	1,052,785	9,159,404
Minority interests	10,967		92,870
Total equity	1,092,601	1,052,785	9,252,274
TOTAL	¥ 4,038,839	¥ 4,102,319	\$ 34,201,363

Consolidated Statements of Income

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Years Ended March 31, 2007 and 2006

	Millions of Yen	2006	Thousands of U.S. Dollars (Note 1)
	2007		2007
OPERATING REVENUES (Note 15):			
Electric	¥ 1,307,737	¥ 1,311,996	\$ 11,074,071
Other	100,591	89,756	851,816
Total operating revenues	1,408,328	1,401,752	11,925,887
OPERATING EXPENSES (Notes 12 and 15):			
Electric	1,155,414	1,140,797	9,784,182
Other	97,741	89,670	827,682
Total operating expenses	1,253,155	1,230,467	10,611,864
OPERATING INCOME	155,173	171,285	1,314,023
OTHER EXPENSES (INCOME):			
Interest charges	38,354	41,130	324,786
Loss on business restructuring		9,172	
Loss on impairment of fixed assets (Note 13)	5,602	2,089	47,438
Other-net	(1,761)	2,786	(14,912)
Total other expenses-net	42,195	55,177	357,312
INCOME BEFORE INCOME TAXES AND PROVISION FOR (REVERSAL OF) RESERVE FOR FLUCTUATIONS IN WATER LEVEL AND MINORITY INTERESTS	112,978	116,108	956,711
PROVISION FOR (REVERSAL OF) RESERVE FOR FLUCTUATIONS IN WATER LEVEL	91	(4,682)	771
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	112,887	120,790	955,940
INCOME TAXES (Note 10):			
Current	38,266	53,687	324,041
Deferred	7,809	(10,649)	66,127
Total income taxes	46,075	43,038	390,168
INCOME BEFORE MINORITY INTERESTS IN NET INCOME OF CONSOLIDATED SUBSIDIARIES	66,812	77,752	565,772
MINORITY INTERESTS IN NET INCOME OF CONSOLIDATED SUBSIDIARIES	(844)	(902)	(7,147)
NET INCOME	¥ 65,968	¥ 76,850	\$ 558,625
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.r.):			
Basic net income	¥ 139.37	¥ 161.67	\$ 1.18
Cash dividends applicable to the year	¥ 60.00	60.00	0.51

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Years Ended March 31, 2007 and 2006

	Thousands of Shares / Millions of Yen											
	Common Stock		Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock		Total	Minority Interests	Total Equity
	Shares	Amount						Shares	Amount			
BALANCE AT APRIL 1, 2005	474,184	¥237,305	¥ 31,094	¥ 675,191	¥ 36,914		¥ (272)	699	¥ (980)	¥ 979,252		¥ 979,252
Adjustment of retained earnings for inclusion of a company accounted by the equity method				(904)						(904)		(904)
Net income				76,850						76,850		76,850
Cash dividends, ¥65 per share				(30,796)						(30,796)		(30,796)
Bonuses to directors and corporate auditors				(305)						(305)		(305)
Increase in treasury stock								79	(195)	(195)		(195)
Net change in the year					28,917		(34)			28,883		28,883
BALANCE AT MARCH 31, 2006	474,184	237,305	31,094	720,036	65,831		(306)	778	(1,175)	1,052,785		1,052,785
Reclassified balance as of March 31, 2006 (Note 2.p.)											¥10,125	10,125
Adjustment of retained earnings for inclusion of companies accounted by the equity method				(870)						(870)		(870)
Net income				65,968						65,968		65,968
Cash dividends, ¥60 per share				(28,422)						(28,422)		(28,422)
Bonuses to directors and corporate auditors				(306)						(306)		(306)
Increase in treasury stock								221	(669)	(669)		(669)
Net change in the year					(10,839)	3,865	122			(6,852)	842	(6,010)
BALANCE AT MARCH 31, 2007	474,184	¥237,305	¥ 31,094	¥ 756,406	¥ 54,992	¥ 3,865	¥ (184)	999	¥(1,844)	¥1,081,634	¥10,967	¥1,092,601

	Thousands of U.S. Dollars (Note 1)											
	Common Stock		Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity	
	Shares	Amount										
BALANCE AT MARCH 31, 2006		\$2,009,527	\$263,308	\$6,097,349	\$557,465		\$(2,591)	\$ (9,950)	\$8,915,108		\$8,915,108	
Reclassified balance as of March 31, 2006 (Note 2.p.)											\$85,740	85,740
Adjustment of retained earnings for inclusion of companies accounted by the equity method				(7,367)						(7,367)		(7,367)
Net income				558,625						558,625		558,625
Cash dividends, \$0.51 per share				(240,681)						(240,681)		(240,681)
Bonuses to directors and corporate auditors				(2,591)						(2,591)		(2,591)
Increase in treasury stock								(5,666)		(5,666)		(5,666)
Net change in the year					(91,786)	\$32,729	1,033			(58,024)	7,130	(50,894)
BALANCE AT MARCH 31, 2007		\$2,009,527	\$263,308	\$6,405,335	\$465,679	\$32,729	\$(1,558)	\$(15,616)	\$9,159,404	\$92,870		\$9,252,274

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Years Ended March 31, 2007 and 2006

	Millions of Yen	2006	Thousands of U.S. Dollars (Note 1)
	2007		2007
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 112,887	¥ 120,790	\$ 955,940
Adjustments for:			
Income taxes-paid	(47,290)	(68,110)	(400,457)
Depreciation and amortization	240,258	253,440	2,034,533
Loss on impairment of fixed assets	5,602	2,089	47,438
Reversal of liability for employees' retirement benefits	(27,107)	(1,146)	(229,545)
Provision for reserve for reprocessing of irradiated nuclear fuel	18,425	2,692	156,025
Provision for reserve for decommissioning of nuclear power units	6,545	9,121	55,424
Loss on disposal of plant and equipment	9,451	8,353	80,032
Provision for (reversal of) reserve for fluctuations in water level	91	(4,682)	771
Loss on business restructuring		9,172	
Cash contribution for business restructuring	(3,101)	(6,643)	(26,260)
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries			
Increase in reserve funds for reprocessing of irradiated nuclear fuel	(9,947)	(60,135)	(84,232)
Increase in trade receivables	(8,167)	(10,768)	(69,159)
Increase in inventories	(1,172)	(10,064)	(9,925)
Increase in trade payables	613	7,157	5,191
Other-net	7,427	19,656	62,893
Total adjustments	191,628	150,132	1,622,729
Net cash provided by operating activities	304,515	270,922	2,578,669
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures including nuclear fuel	(202,913)	(200,111)	(1,718,291)
Payments for investments and advances	(8,686)	(7,449)	(73,554)
Proceeds from sales of investment securities and collections of advances	1,370	1,520	11,601
Other-net	7,418	8,959	62,816
Net cash used in investing activities	(202,811)	(197,081)	(1,717,428)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of bonds	108,489	108,824	918,697
Repayments of bonds	(74,514)	(74,700)	(630,993)
Proceeds from long-term bank loans	65,990	92,160	558,811
Repayments of long-term bank loans	(131,931)	(163,239)	(1,117,207)
Net increase (decrease) in short-term borrowings	(48,721)	619	(412,575)
Net increase in commercial paper	7,000		59,277
Cash dividends paid	(28,412)	(30,779)	(240,596)
Other-net	(692)	514	(5,860)
Net cash used in financing activities	(102,791)	(66,601)	(870,446)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(42)	(10)	(356)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,129)	7,230	(9,561)
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES AT BEGINNING OF YEAR	125	1,615	1,059
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	51,676	42,831	437,598
CASH AND CASH EQUIVALENTS AT END OF YEAR	¥ 50,672	¥ 51,676	\$ 429,096

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Years Ended March 31, 2007 and 2006

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and the Japanese Electric Utility Law and their related accounting regulations. Especially accounting related to the nuclear power generation is regulated by the above accounting regulations which are dependent on a governmental long term nuclear energy policy. Kyushu Electric Power Company, Incorporated (the "Company") and its domestic consolidated subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Corporate Law (on and after May 1, 2006; see Note 11) and the Commercial Code of Japan (the "Code") and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

On December 27, 2005, the Accounting Standards Board of Japan (the "ASBJ") published a new accounting standard for the statement of changes in equity, which is effective for fiscal years ending on or after May 1, 2006. The statement of shareholders' equity, which was

previously voluntarily prepared in line with the international accounting practices, is now required under generally accepted accounting principles in Japan and has been renamed "the statement of changes in equity" in the current fiscal year.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made to the consolidated financial statements for the year ended March 31, 2006 to conform to the classifications used in the consolidated financial statements for the year ended March 31, 2007.

The United States dollar amounts included herein are provided solely for the convenience of readers and are stated at the rate of ¥118.09 = U.S. \$1, the approximate exchange rate prevailing on March 31, 2007. The translations should not be construed as representations that the Japanese yen amounts could be converted into United States dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation and Application of the Equity Method — The consolidated financial statements as of March 31, 2007 include the accounts of the Company and its twenty-nine (twenty-six for 2006) subsidiaries (together, the "Companies"). All significant intercompany transactions and balances have been eliminated in consolidation. Investments in thirteen (twelve for 2006) non-consolidated subsidiaries and thirteen (twelve for 2006) affiliated companies are accounted for by the equity method.

The Company adopts the control or influence concept. Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are treated as subsidiaries and those companies over which the Companies have the ability to exercise significant influence are treated as affiliated companies.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortized over a period of five years.

Consolidation of the remaining subsidiaries and the application of the equity method to the remaining affiliated companies would not have a material effect on the accompanying consolidated financial statements.

b. Property and Depreciation — Property is stated at cost. Contributions in aid of construction including those made by customers are deducted from the cost of the related assets.

Depreciation is principally computed using the declining-balance method based on the estimated useful lives of the assets. Depreciation of easements is computed using the straight-line method based on the estimated useful lives of the transmission lines.

c. Impairment of Fixed Assets — The Companies review their fixed

assets including leased property for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

d. Amortization of Nuclear Fuel — Amortization of nuclear fuel is computed based on the proportion of current heat produced to the estimated total potential heat production over the estimated useful life of the nuclear fuel.

e. Investment Securities — The accounting standard for financial instruments requires all applicable securities to be classified and accounted for, depending on management's intent, as follows:

i) held-to-maturity debt securities are stated at cost with discounts or premiums amortized throughout the holding periods; ii) available-for-sale securities, which are not classified as the aforementioned securities and investment securities in non-consolidated subsidiaries and affiliated companies, are stated at market value; and securities without market value are stated at cost.

The Companies record unrealized gains or losses on available-for-sale securities, net of deferred taxes, in equity presented as "Unrealized gain on available-for-sale securities."

For other than temporary declines in fair value, investment securities

are written down to net realizable value by a charge to income.

f. Cash Equivalents — Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, which mature or become due within three months of the date of acquisition.

g. Foreign Currency Transactions — Receivables and payables denominated in foreign currencies are translated into Japanese yen at the rates in effect as of the each balance sheet date.

h. Foreign Currency Financial Statements — The balance sheet accounts of the foreign subsidiary, which is not consolidated but accounted for by the equity method, are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate.

Differences arising from such translation were shown as “Foreign currency translation adjustments” in a separate component of equity.

i. Derivatives and Hedging Activities — The accounting standard for derivative financial instruments and the accounting standard for foreign currency transactions require that: a) all derivatives are recognized as either assets or liabilities and measured at market value, and gains or losses on the derivatives are recognized currently in the income statements and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on the derivatives are deferred until maturities of the hedged transactions.

The long-term debt denominated in foreign currencies for which the foreign exchange forward contracts are used to hedge the foreign currency fluctuations are translated at the contracted rate, since such treatment is also allowed to be incorporated under the standards if the forward contracts qualify for hedge accounting.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized in interest charges, which treatment is also allowed under the standards.

j. Severance Payments and Pension Plans — The Companies have unfunded retirement plans for all of their employees and the Company and most of the consolidated subsidiaries also have contributory funded defined benefit pension plans covering substantially all of their employees.

Under the accounting standard for employees’ retirement benefits, the amount of the liability for employees’ retirement benefits is determined based on the projected benefit obligations and plan assets of the pension fund at the end of the fiscal year.

k. Reserve for Reprocessing of Irradiated Nuclear Fuel — This reserve is provided for reprocessing costs of irradiated nuclear fuel. The annual provision is calculated in accordance with the accounting regulations set by the Japanese Government applicable to electric utility providers in Japan.

l. Reserve for Decommissioning of Nuclear Power Units — Provision is made for future disposition costs of nuclear power units based on a proportion of the current generation of electric power to the estimated total life-time generation of electric power of each unit.

In December 2005, “Law to Amend the Law on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors” and the related regulation were issued. This law and related regulation changed the criteria of density of radioactive waste. Following the changes, further cost analysis and estimation on the types and amount of waste generated in the process of decommissioning have been conducted by the subcommittee.

The subcommittee reported that the total estimated costs associated with the decommissioning of all the nuclear power generation facilities nationwide would increase by ¥329,000 million (\$2,786,011 thousand) based on the calculation with a model plant. However, because the estimation methods of decommissioning costs for each power generation unit has not been disclosed and is subject to studies in the future, the reserve for decommissioning of nuclear power units for the years ended March 31, 2007 and 2006 is recorded based on estimation by the former criteria. When a reasonable estimate based on the revised criteria for each of nuclear power units becomes practical, the amount of necessary reserve may be changed.

m. Reserve for Loss on Business Restructuring — Provision is made for losses relating to the restructuring of the distributed generation business by Nishinippon Environmental Energy Company, Incorporated (“NEECO”), a consolidated subsidiary of the Company. The amount is based on the estimated cost of rescinding unprofitable contracts by NEECO.

n. Income Taxes — The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

o. Reserve for Fluctuations in Water Level — This reserve is provided to stabilize the Company’s income level based on the Japanese Electric Utility Law and related accounting regulations. This reserve is recorded when the volume of water for generating hydroelectric power is abundant and available for future power generation, and reversed in years when there is an insufficient volume of water. Also this reserve must be shown as a liability under the law and regulations.

p. Presentation of Equity — On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include minority interests and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006. The consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

q. Treasury Stock — The accounting standard for treasury stock requires that where an affiliated company holds a parent company's stock, a portion which is equivalent to the parent company's interest in such stock should be presented as treasury stock as a separate component of equity and the carrying value of the investment in the affiliated company should be reduced by the same amount.

r. Net Income and Cash Dividends per Share — Basic earnings per share ("EPS") is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding during the year and diluted EPS reflects the potential dilution that could occur if securities were exercised or converted into common stock.

Diluted EPS is not disclosed for the years ended March 31, 2007 and 2006, because potentially dilutive securities were not outstanding.

Cash dividends per share represent actual amounts applicable to earnings of the respective years.

s. Research and Development Costs — Research and development costs are charged to income as incurred.

t. Leases — All leases are accounted for as operating leases. Under Japanese accounting standard for leases, finance leases that are deemed to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

u. New Accounting Pronouncements

Measurement of Inventories — Under generally accepted accounting principles in Japan, inventories are currently measured either by the cost method, or at the lower of cost or market. On July 5, 2006, the ASBJ issued ASBJ Statement No.9, "Accounting Standard for Measurement of Inventories", which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

Lease Accounting — On March 30, 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions", which revised the existing accounting standard for lease transactions issued on June 17, 1993.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements.

The revised accounting standard requires that all finance lease transactions should be capitalized. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

3. PROPERTY

The breakdown of property as of March 31, 2007 and 2006 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Costs:			
Electric power production facilities:			
Hydroelectric power	¥ 550,769	¥ 547,133	\$ 4,663,977
Thermal power	1,546,365	1,577,196	13,094,801
Nuclear power	1,521,249	1,528,454	12,882,115
Internal-combustion engine power	121,899	119,125	1,032,255
	3,740,282	3,771,908	31,673,148
Transmission facilities	1,572,752	1,533,004	13,318,249
Transformation facilities	939,606	927,925	7,956,694
Distribution facilities	1,289,527	1,287,240	10,919,866
General facilities	367,412	376,251	3,111,288
Other electricity-related facilities	64,559	64,559	546,693
Other plant and equipment	748,595	721,500	6,339,190
Construction in progress	315,861	303,045	2,674,748
Total	9,038,594	8,985,432	76,539,876
Less contributions in aid of construction	137,826	132,713	1,167,127
Less accumulated depreciation	5,760,568	5,634,737	48,781,167
Carrying amount	¥3,140,200	¥ 3,217,982	\$ 26,591,582

4. INVESTMENT SECURITIES

The carrying amounts and aggregate fair values of investment securities at March 31, 2007 and 2006 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2007				
Securities classified as:				
Available-for-sale:				
Equity securities	¥13,144	¥86,085	¥ 1	¥99,228
Other securities	252	22	3	271
Held-to-maturity	4,924	5	179	4,750
March 31, 2006				
Securities classified as:				
Available-for-sale:				
Equity securities	¥13,126	¥102,975	¥ 0	¥116,101
Other securities	96	24	4	116
Held-to-maturity	1,842	0	101	1,741

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2007				
Securities classified as:				
Available-for-sale:				
Equity securities	\$111,305	\$728,978	\$ 9	\$840,274
Other securities	2,134	186	25	2,295
Held-to-maturity	41,697	43	1,516	40,224

Available-for-sale securities and held-to-maturity debt securities whose fair value is not readily determinable as of March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Available-for-sale:			
Equity securities	¥ 38,085	¥ 38,139	\$ 322,508
Other securities	2,042	1,994	17,292
Held-to-maturity	1,858	2,119	15,734
Total	¥ 41,985	¥ 42,252	\$ 355,534

5. PLEDGED ASSETS

All of the Company's assets are subject to certain statutory preferential rights established to secure bonds, notes, loans borrowed from The Development Bank of Japan and bonds transferred to banks under debt assumption agreements (see Note 17).

Certain assets of the consolidated subsidiaries, amounting to

¥66,718 million (\$564,976 thousand), are pledged as collateral for a portion of their long-term debt at March 31, 2007.

Investments in affiliated companies held by a consolidated subsidiary, amounting to ¥8,179 million (\$69,261 thousand), are pledged as collateral for bank loans of the affiliated companies at March 31, 2007.

6. LONG-TERM DEBT

Long-term debt consisted of the following at March 31, 2007 and 2006:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Yen bonds, 0.3% to 3.65%, due serially to 2024	¥ 1,097,684	¥ 1,052,860	\$ 9,295,317
U.S. dollar notes, 7.25%, due 2008	37,860	37,860	320,603
Swiss franc bonds, 2.625% to 4.0%, due 2007 to 2014	19,016	29,513	161,030
Loans from The Development Bank of Japan, 0.69% to 6.7%, due serially to 2027	259,338	289,515	2,196,105
Loans, principally from banks and insurance companies, 0.25% to 5.775%, due serially to 2025			
Collateralized	20,041	18,520	169,709
Unsecured	454,779	492,114	3,851,122
Total	1,888,718	1,920,382	15,993,886
Less current portion	199,611	196,203	1,690,329
Long-term debt, less current portion	¥ 1,689,107	¥ 1,724,179	\$ 14,303,557

Certain long-term loan agreements include, among other things, provisions that allow the lenders the right to approve dividends, if desired. However, to date, no lender has exercised this right.

The annual maturities of long-term debt outstanding at March 31, 2007 were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2008	¥ 199,611	\$ 1,690,329
2009	171,258	1,450,233
2010	165,978	1,405,521
2011	158,065	1,338,513
2012	210,173	1,779,770
Thereafter	983,633	8,329,520
Total	¥ 1,888,718	\$ 15,993,886

7. SEVERANCE PAYMENTS AND PENSION PLANS

Employees terminating their employment with the Company, either voluntarily or upon reaching mandatory retirement age, are entitled, under most circumstances, to severance payments based on credits earned in each year of service, length of service and certain other factors. As for the Company, if the termination is made voluntarily at one of a number of specified ages, the employee is entitled to certain additional payments.

Additionally, the Company and most of the consolidated subsidiaries have contributory funded defined benefit pension plans covering substantially all of their employees. In general, eligible employees retiring at the mandatory retirement age receive pension payments for the several fixed terms selected by them. As for the Company, eligible employees retiring after at least 20 years of service but before the mandatory retirement age, receive a lump-sum payment upon retirement and annuities.

The liability for employees' retirement benefits at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Projected benefit obligation	¥ 491,636	¥ 498,084	\$ 4,163,231
Fair value of plan assets	(371,036)	(351,185)	(3,141,976)
Unrecognized actuarial gain	40,972	34,370	346,956
Unrecognized prior service cost (deduction of liability)	15,610	23,020	132,187
Net liability	¥ 177,182	¥ 204,289	\$ 1,500,398

The components of net periodic benefit costs for the years ended March 31, 2007 and 2006 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Service Cost	¥ 15,475	¥ 14,676	\$ 131,044
Interest Cost	9,808	9,656	83,055
Expected return on plan assets	(13,875)	(3,491)	(117,495)
Recognized actuarial loss (gain)	(753)	17,019	(6,376)
Amortization of prior service cost	(7,745)	(7,942)	(65,586)
Net periodic benefit costs	¥ 2,910	¥ 29,918	\$ 24,642

Assumptions for actuarial computations for the years ended March 31, 2007 and 2006 are as follows:

	2007	2006
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	mainly 4.0%	mainly 1.0%
Recognition period of actuarial gain / loss	mainly 5 years	mainly 5 years
Amortization period of prior service cost	mainly 5 years	mainly 5 years

8. RESERVE FOR REPROCESSING OF IRRADIATED NUCLEAR FUEL

The reserve is provided for reprocessing costs of irradiated nuclear fuel. The annual provision is calculated in accordance with the accounting regulations set by the Japanese Government applicable to electric utility providers in Japan.

The reserve is consisted of three portions and each of them is calculated in different ways. (a) The costs reprocessed in Japan Nuclear Fuel Limited are calculated based on the expected future cash flows of discounted at 1.7% and 1.9% at March 31, 2007 and 2006, respectively, (b) the costs reprocessed in the other reprocessing companies is calculated based on the quantities to be reprocessed as of each balance sheet date and contracted reprocessing rate, (c) the costs of irradiated nuclear fuels which have no authorized definite reprocessing plan are calculated based on the expected future cash flows of discounted at 4.0%.

The balance of the reserve as of March 31, 2006 did not include the portion of (c) because the regulations could not show the calculation method. The amount of (c), as of March 31, 2007, was ¥6,976 million (\$59,074 thousand).

As of April 1, 2005, unrecognized prior costs of ¥130,495 million which had not been recognized in the past as liability, were incurred because new accounting regulations to estimate the reprocessing costs

for irradiated nuclear fuel were applicable on or after April 1, 2005. These costs are amortized on a straight-line basis over 15 years and annual amortization is presented as operating expenses in the consolidated statements of income. The balance of unrecognized past costs as of March 31, 2007 was ¥113,096 million (\$957,710 thousand). The Company is permitted to recover these reprocessing costs by including them in the admitted cost elements for electric rate.

If any changes are made in the assumptions for the calculations of the reserve, such as expected future cash flows and the discount rate, unrecognized difference might be incurred. The balance of unrecognized difference as of March 31, 2007 is ¥19,042 millions (\$161,250 thousand). In accordance with the accounting regulations, the difference will be amortized on a straight-line basis beginning the year following the year the change was made over the period in which the irradiated nuclear fuel was produced. The annual amortization is presented as operating expenses.

An independent fund managing body was set up based on a specific law and the Company is obliged to contribute the same amounts as the balance of reserve for reprocessing of irradiated nuclear fuel to reserve funds in 15 years. The reserve funds is presented as "Reserve funds for reprocessing of irradiated nuclear fuel."

9. SHORT-TERM BORROWINGS

Short-term borrowings are generally represented by bank loans, bearing interest at rates ranging from 0.553% to 1.11% and from 0.11091% to 5.03% at March 31, 2007 and 2006, respectively.

10. INCOME TAXES

The Companies are subject to several income taxes. The aggregate normal statutory tax rates for the Company approximated 36.1% for 2007 and 2006.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2007 and 2006 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Deferred Tax Assets:			
Pension and severance costs	¥ 64,331	¥ 74,122	\$ 544,763
Depreciation	31,184	29,174	264,070
Reserve for reprocessing of irradiated nuclear fuel	18,652	10,509	157,947
Reserve for decommissioning of nuclear power units	10,184	10,184	86,239
Tax loss carryforwards	9,804	13,789	83,021
Unrealized profits arising from the elimination of intercompany transactions in consolidation	8,866	9,061	75,078
Accrued bonus to employees	6,974	7,572	59,057
Other	29,854	29,378	252,807
Less valuation allowance	(24,782)	(20,864)	(209,856)
Deferred tax assets	¥ 155,067	¥ 162,925	\$ 1,313,126
Deferred Tax Liabilities:			
Unrealized gain on available-for-sale securities	¥ 31,204	¥ 37,301	\$ 264,239
Deferred gain on derivatives under hedge accounting	2,240		18,969
Other	964	849	8,163
Deferred tax liabilities	¥ 34,408	¥ 38,150	\$ 291,371
Net deferred tax assets	¥ 120,659	¥ 124,775	\$ 1,021,755

A reconciliation between the normal effective statutory tax rate for the year ended March 31, 2007 and the actual effective tax rate reflected in the accompanying consolidated statement of income is as follows:

	2007
Normal effective statutory tax rate	36.1%
Increase in valuation allowance	3.5
Expenses not deductible for income tax purposes	1.6
Tax credit for R&D	(0.6)
Other-net	0.2
Actual effective tax rate	40.8%

Such reconciliation for the year ended March 31, 2006 is not disclosed because the difference between the normal effective statutory tax rate and the actual effective tax rate is immaterial.

11. EQUITY

On and after May 1, 2006, Japanese companies are subject to the Corporate Law, which reformed and replaced the Code with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥ 3 million.

(b) Increases / decreases and transfer of common stock, reserve and surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥9,504 million (\$80,481 thousand) and ¥9,788 million for the years ended March 31, 2007 and 2006, respectively.

13. LOSS ON IMPAIRMENT OF FIXED ASSETS

Losses on impairment for mainly idle assets which will not be used in the future due to the changes in business plan were recognized in the amounts of ¥5,602 million (\$47,438 thousand) and ¥2,089 million for the years ended March 31, 2007 and 2006, respectively.

The carrying amount of these assets was written down to the recoverable amount which was mainly measured by the respective net selling prices which were based on appraisal valuation and assessed value of fixed assets.

14. RELATED PARTY TRANSACTIONS

Significant transactions of the Company with an affiliated company for the years ended March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
KYUDENKO CORPORATION			
Transactions:			
Purchase of construction works on distribution facilities and other	¥ 45,738	¥ 42,685	\$ 387,315
Balances at year end:			
Payables for construction works	4,808	5,109	40,715

15. LEASES

a. Lessee

The Companies lease certain computer and other equipment.

The Companies recorded an impairment loss of ¥1,081million for the year ended March 31, 2006 on certain leased property held under finance leases that do not transfer ownership and an allowance for impairment loss on leased property, which is included in long- term liabilities - other.

Pro forma information of leased equipment such as acquisition cost, accumulated depreciation and lease obligations, all of which included imputed interest expense, under finance leases that do not transfer ownership of the leased equipment to the lessee on an "as if capitalized" basis at March 31, 2007 and 2006 were as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	General facilities	Other	Total	General facilities	Other	Total
March 31, 2007						
Acquisition cost	¥ 20,749	¥ 23,755	¥ 44,504	\$ 175,705	\$ 201,160	\$ 376,865
Accumulated depreciation	12,312	13,089	25,401	104,260	110,839	215,099
Accumulated impairment loss		1,017	1,017		8,612	8,612
Net leased equipment	¥ 8,437	¥ 9,649	¥ 18,086	\$ 71,445	\$ 81,709	\$ 153,154

	Millions of Yen		
	General facilities	Other	Total
March 31, 2006			
Acquisition cost	¥ 23,842	¥ 26,421	¥ 50,263
Accumulated depreciation	12,786	12,156	24,942
Accumulated impairment loss		1,190	1,190
Net leased equipment	¥ 11,056	¥ 13,075	¥ 24,131

Obligations under finance leases which included the imputed interest expense at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Due within one year	¥ 6,758	¥ 8,612	\$ 57,228
Due after one year	12,264	16,657	103,853
Total	¥ 19,022	¥ 25,269	\$ 161,081

The above-mentioned amounts include sublease agreements.

Allowance for impairment loss on leased property of ¥801 million (\$6,783 thousand) and ¥1,073 million as of March 31, 2007 and 2006 are not included in the obligations under finance leases.

Depreciation expense and other information under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Depreciation expense	¥7,317	¥ 7,196	\$ 61,961
Lease payments	7,589	8,012	64,265
Reversal of allowance for impairment loss	272	816	2,303
Impairment loss		1,081	

Depreciation expense, which is not reflected in the accompanying statements of income, is computed by the straight-line method.

b. Lessor

The Company leases industrial batteries.

Revenues under finance leases were ¥84 million (\$711 thousand) and ¥84 million for the years ended March 31, 2007 and 2006, respectively.

Information of leased property such as acquisition cost and accumulated depreciation under finance leases at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Other plant and equipment		Other plant and equipment
	2007	2006	2007
Acquisition cost	¥ 850	¥ 850	\$ 7,198
Accumulated depreciation	571	442	4,835
Net leased equipment	¥ 279	¥ 408	\$ 2,363

Future lease revenues under finance leases which included the imputed interest revenue at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Due within one year	¥ 129	¥ 114	\$ 1,093
Due after one year	1,024	1,051	8,671
Total	¥1,153	¥ 1,165	\$ 9,764

The above-mentioned amounts include sublease agreements.

Depreciation expense relating to the leased assets arrangements mentioned above was ¥129 million (\$1,092 thousand) and ¥190 million for the years ended March 31, 2007 and 2006, respectively.

16. DERIVATIVES

The Company enters into foreign exchange forward contracts, currency swaps, interest rate swaps, energy swap agreements and weather derivatives to manage its exposures to fluctuations in foreign exchanges, interest rates, fuel price and electric operating revenues, respectively.

Some consolidated subsidiaries of the Company enter into interest rate swaps to manage exposure to fluctuations in interest rates.

The Companies do not enter into derivatives for trading or speculative purposes.

Foreign exchange forward contracts, currency swaps, interest rate swaps and energy swap agreements are subject to market risk which is

the exposure created by potential fluctuations in market conditions.

Weather derivatives are subject to electric power business risk which is the exposure created by potential fluctuations in summer temperature changes.

The Companies do not anticipate any losses arising from credit risk which is the possibility that a loss may result from counterparties' failure to perform according to the terms and conditions of the contract, because the counterparties to those derivatives have high credit ratings.

The execution and control of derivatives are controlled by the executive and administrative section based on internal policies.

17. COMMITMENTS AND CONTINGENCIES

At March 31, 2007, the Companies had a number of fuel purchase commitments, most of which specify quantities and dates for fuel deliveries. However, most of the purchase prices are contingent upon fluctuations in market prices.

Contingent liabilities as of March 31, 2007 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Co-guarantees of loans, mainly in connection with procurement of fuel	¥ 108,471	\$ 918,545
Guarantees of employees' loans	72,683	615,488
Guarantees under debt assumption agreements	120,000	1,016,174
Other	9,991	84,605

Under the debt assumption agreements, the Company was contingently liable for the redemption of the domestic bonds transferred to banks.

18. SEGMENT INFORMATION

Information by business segments for the years ended March 31, 2007 and 2006 is as follows:

Business Segments

	Millions of Yen					
	2007					
	Electric Power	Energy-related Business	IT and Telecommunications	Other	Eliminations/Corporate	Consolidated
Sales to customers	¥ 1,307,737	¥ 49,266	¥ 40,236	¥ 11,089		¥ 1,408,328
Intersegment sales	2,433	79,050	36,165	14,837	¥ (132,485)	
Total sales	1,310,170	128,316	76,401	25,926	(132,485)	1,408,328
Operating expenses	1,165,874	121,424	77,708	21,681	(133,532)	1,253,155
Operating income (loss)	¥ 144,296	¥ 6,892	¥ (1,307)	¥ 4,245	¥ 1,047	¥ 155,173
Total assets	¥ 3,681,177	¥ 235,891	¥ 133,580	¥ 138,006	¥ (149,815)	¥ 4,038,839
Depreciation	210,138	9,147	18,981	4,950	(2,958)	240,258
Impairment loss	2,057			3,545		5,602
Capital expenditures	170,244	8,826	21,406	4,920	(2,809)	202,587

	Thousands of U.S. Dollars					
	2007					
	Electric Power	Energy-related Business	IT and Telecommunications	Other	Eliminations/Corporate	Consolidated
Sales to customers	\$ 11,074,071	\$ 417,190	\$ 340,723	\$ 93,903		\$ 11,925,887
Intersegment sales	20,603	669,405	306,250	125,641	\$(1,121,899)	
Total sales	11,094,674	1,086,595	646,973	219,544	(1,121,899)	11,925,887
Operating expenses	9,872,758	1,028,233	658,041	183,597	(1,130,765)	10,611,864
Operating income (loss)	\$ 1,221,916	\$ 58,362	\$ (11,068)	\$ 35,947	\$ 8,866	\$ 1,314,023
Total assets	\$ 31,172,639	\$ 1,997,553	\$ 1,131,171	\$ 1,168,651	\$(1,268,651)	\$ 34,201,363
Depreciation	1,779,473	77,458	160,733	41,917	(25,048)	2,034,533
Impairment loss	17,419			30,019		47,438
Capital expenditures	1,441,646	74,740	181,269	41,663	(23,787)	1,715,531

	Millions of Yen					
	2006					
	Electric Power	Energy-related Business	IT and Telecommunications	Other	Eliminations/Corporate	Consolidated
Sales to customers	¥ 1,311,996	¥ 46,153	¥ 36,011	¥ 7,592		¥ 1,401,752
Intersegment sales	2,398	77,684	37,739	12,582	¥ (130,403)	
Total sales	1,314,394	123,837	73,750	20,174	(130,403)	1,401,752
Operating expenses	1,151,486	119,236	74,401	17,124	(131,780)	1,230,467
Operating income (loss)	¥ 162,908	¥ 4,601	¥ (651)	¥ 3,050	¥ 1,377	¥ 171,285
Total assets	¥ 3,751,602	¥ 244,459	¥ 131,926	¥ 126,744	¥ (152,412)	¥ 4,102,319
Depreciation	223,387	9,957	18,059	5,130	(3,093)	253,440
Impairment loss	694	1,173	2	220		2,089
Capital expenditures	174,229	5,756	18,420	2,313	(2,759)	197,959

Energy related business consisted of obtaining, storing, gasifying and supplying LNG, the heat supply business, distributed generation business, energy consulting and other businesses related to energy.

Operating loss consisted of providing telephone lines and wirelines.

Other consisted of environment and recycling, lifestyle-oriented services and others.

Geographic segment information is not disclosed because the Companies' overseas operations are immaterial.

Information for overseas sales is not disclosed due to overseas sales being immaterial compared with consolidated net sales.

19. SUBSEQUENT EVENT

At the general shareholders meeting held on June 28, 2007, the Company's shareholders approved the following appropriation of retained earnings as of March 31, 2007:

Appropriations of Retained Earnings

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥30.00 (\$0.25) per share	¥ 14,205	\$ 120,290



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Kyushu Electric Power Company, Incorporated:

We have audited the accompanying consolidated balance sheets of Kyushu Electric Power Company, Incorporated and consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kyushu Electric Power Company, Incorporated and consolidated subsidiaries as of March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 28, 2007

■ Non-consolidated Balance Sheets

Kyushu Electric Power Company, Incorporated
March 31, 2007 and 2006 (Unaudited)

	Millions of Yen	2006	Thousands of U.S. Dollars
	2007		2007
ASSETS			
PROPERTY:			
Plant and equipment	¥8,200,752	¥ 8,174,756	\$ 69,444,932
Construction in progress	312,175	300,424	2,643,535
Total	8,512,927	8,475,180	72,088,467
Less—			
Contributions in aid of construction	134,303	129,087	1,137,294
Accumulated depreciation	5,452,302	5,345,135	46,170,734
Total	5,586,605	5,474,222	47,308,028
Net property	2,926,322	3,000,958	24,780,439
NUCLEAR FUEL	240,663	234,358	2,037,963
INVESTMENTS AND OTHER ASSETS:			
Investment securities	136,937	154,116	1,159,599
Investments in and advances to subsidiaries and affiliated companies	115,896	120,312	981,421
Reserve funds for reprocessing of irradiated nuclear fuel	70,082	60,135	593,463
Deferred tax assets	88,616	88,646	750,411
Other assets	21,879	14,892	185,273
Total investments and other assets	433,410	438,101	3,670,167
CURRENT ASSETS:			
Cash and cash equivalents	33,972	37,088	287,679
Receivables	100,349	91,814	849,767
Allowance for doubtful accounts	(1,013)	(1,335)	(8,578)
Fuel and supplies, at average cost	31,621	31,957	267,770
Deferred tax assets	12,923	15,762	109,433
Prepaid expenses and other	11,865	8,614	100,474
Total current assets	189,717	183,900	1,606,545
TOTAL	¥3,790,112	¥ 3,857,317	\$ 32,095,114

(U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥118.09=U.S.\$1, the approximate rate of exchange at March 31, 2007.)

	Millions of Yen	2006	Thousands of U.S. Dollars
	2007		2007
LIABILITIES AND EQUITY			
LONG-TERM LIABILITIES:			
Long-term debt, less current portion	¥ 1,595,429	¥ 1,638,092	\$ 13,510,280
Liability for employees' retirement benefits	161,532	187,492	1,367,872
Reserve for reprocessing of irradiated nuclear fuel	371,815	353,390	3,148,573
Reserve for decommissioning of nuclear power units	126,172	119,627	1,068,439
Other	9,124	13,510	77,264
Total long-term liabilities	2,264,072	2,312,111	19,172,428
CURRENT LIABILITIES:			
Current portion of long-term debt	178,904	163,071	1,514,980
Short-term borrowings	131,000	174,000	1,109,323
Commercial paper	7,000		59,277
Accounts payable	62,611	64,218	530,197
Accrued income taxes	9,538	18,322	80,769
Accrued expenses	82,440	94,797	698,112
Reserve for loss on financial support for a subsidiary		3,662	
Other	35,652	31,474	301,905
Total current liabilities	507,145	549,544	4,294,563
RESERVE FOR FLUCTUATIONS IN WATER LEVEL	91		771
EQUITY :			
Common stock, authorized, 1,000,000,000 shares; issued, 474,183,951 shares in 2007 and 2006	237,305	237,305	2,009,527
Capital surplus:			
Additional paid-in capital	31,087	31,087	263,248
Retained earnings:			
Legal reserve	59,326	59,326	502,379
Retained earnings - carryforward	635,165	604,490	5,378,652
Unrealized gain on available-for-sale securities	53,548	64,356	453,451
Deferred gain on derivatives under hedge accounting	3,944		33,398
Treasury stock-at cost 680,316 shares in 2007 and 459,121 shares in 2006	(1,571)	(902)	(13,303)
Total equity	1,018,804	995,662	8,627,352
TOTAL	¥3,790,112	¥ 3,857,317	\$ 32,095,114

■ Non-consolidated Statements of Income

Kyushu Electric Power Company, Incorporated
Years Ended March 31, 2007 and 2006 (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
OPERATING REVENUES:			
Electric	¥ 1,310,170	¥ 1,314,394	\$ 11,094,674
Other	22,868	15,041	193,648
Total operating revenues	1,333,038	1,329,435	11,288,322
OPERATING EXPENSES:			
Electric:			
Personnel	144,806	178,455	1,226,234
Fuel	211,318	179,745	1,789,466
Purchased power	112,603	113,252	953,536
Depreciation	189,004	199,587	1,600,508
Maintenance	170,789	157,370	1,446,261
Reprocessing costs of irradiated nuclear fuel	49,859	31,080	422,212
Decommissioning costs of nuclear power units	6,546	9,121	55,432
Disposal cost of high-level radioactive waste	8,822	8,041	74,706
Disposition of property	17,866	16,407	151,292
Taxes other than income taxes	87,216	89,259	738,555
Subcontract fee	65,657	64,896	555,991
Rent	36,515	36,316	309,213
Other	64,873	67,957	549,352
Total	1,165,874	1,151,486	9,872,758
Other	23,364	18,314	197,849
Total operating expenses	1,189,238	1,169,800	10,070,607
OPERATING INCOME	143,800	159,635	1,217,715
OTHER EXPENSES:			
Interest charges	35,800	38,445	303,159
Loss on financial support for a subsidiary		10,064	
Loss on impairment of fixed assets	5,602	843	47,438
Other-net	2,222	6,150	18,816
Total other expenses-net	43,624	55,502	369,413
INCOME BEFORE INCOME TAXES AND PROVISION FOR (REVERSAL OF) RESERVE FOR FLUCTUATIONS IN WATER LEVEL	100,176	104,133	848,302
PROVISION FOR (REVERSAL OF) RESERVE FOR FLUCTUATIONS IN WATER LEVEL	91	(4,682)	771
INCOME BEFORE INCOME TAXES	100,085	108,815	847,531
INCOME TAXES:			
Current	34,101	49,471	288,771
Deferred	6,747	(9,793)	57,134
Total income taxes	40,848	39,678	345,905
NET INCOME	¥ 59,237	¥ 69,137	\$ 501,626
PER SHARE OF COMMON STOCK:			
Basic net income	¥ 125.07	¥ 145.64	\$ 1.06
Cash dividends applicable to the year	60.00	60.00	0.51

(U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥118.09=U.S.\$1, the approximate rate of exchange at March 31, 2007.)

■ Non-Consolidated Five-Year Financial Summary

Kyushu Electric Power Company, Incorporated
Years Ended March 31, 2007 and 2006 (Unaudited)

		Millions of Yen (except for per share data)				Thousands of U.S. Dollars (except for per share data)
	2007	2006	2005	2004	2003	2007
FOR THE YEAR:						
Operating revenues	¥ 1,333,038	¥ 1,329,435	¥ 1,333,161	¥ 1,318,337	¥ 1,358,608	\$ 11,288,322
Electric	1,310,170	1,314,394	1,322,996	1,311,220	1,353,075	11,094,674
Other	22,868	15,041	10,165	7,117	5,533	193,648
Operating expenses	1,189,238	1,169,800	1,131,586	1,127,669	1,185,506	10,070,607
Personnel	144,806	178,455	185,902	201,538	190,908	1,226,234
Fuel	211,318	179,745	143,221	126,507	137,953	1,789,466
Purchased power	112,603	113,252	105,553	95,935	104,682	953,536
Depreciation	189,004	199,587	210,386	232,151	247,876	1,600,508
Maintenance	170,789	157,370	158,704	153,232	158,851	1,446,261
Reprocessing costs of irradiated nuclear fuel	49,859	31,080	26,628	27,038	49,763	422,212
Decommissioning costs of nuclearpower units	6,546	9,121	5,009	1,633	6,656	55,432
Disposal cost of high-level radioactive waste	8,822	8,041	7,727	8,003	8,075	74,706
Disposition of property	17,866	16,407	14,856	13,933	13,883	151,292
Taxes other than income taxes	87,216	89,259	91,846	90,749	94,226	738,555
Subcontract fee	65,657	64,896	66,779	60,345	60,215	555,991
Rent	36,515	36,316	36,463	36,183	36,159	309,213
Other	88,237	86,271	78,512	80,422	76,259	747,201
Interest charges	35,800	38,445	46,521	73,566	73,622	303,159
Income before income taxes	100,085	108,815	143,567	105,913	98,476	847,531
Net income	59,237	69,137	89,385	70,118	62,546	501,626
Per share of common stock (yen and U.S. dollars):						
Basic net income	¥ 125.07	¥ 145.64	¥ 188.33	¥ 147.65	¥ 131.64	\$ 1.06
Cash dividends applicable to the year	60.00	60.00	60.00	50.00	50.00	0.51
At year-end:						
Total assets	¥ 3,790,112	¥ 3,857,317	¥ 3,806,568	¥ 3,859,049	¥ 3,929,942	\$ 32,095,114
Net property	2,926,322	3,000,958	3,076,207	3,150,938	3,259,307	24,780,439
Long-term debt, less current portion	1,595,429	1,638,092	1,635,720	1,744,666	1,854,130	13,510,280
Total equity	1,018,804	995,662	929,356	861,910	796,924	8,627,352

(U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥118.09=U.S.\$1, the approximate rate of exchange at March 31, 2007.)

Overview of Power Generation Facilities

(As of March 31, 2007)

Nuclear Power Stations

Station name	Rated output (kW)	Operation commencement date	System	Location
Genkai	3,478,000 (559,000×2 1,180,000×2)	Oct. 1975	Pressurized water reactor	Genkai-cho, Higashi Matsuura-gun, Saga Prefecture
Sendai	1,780,000 (890,000×2)	July 1984	Pressurized water reactor	Gumisaki-cho, Satsumasendai-shi, Kagoshima Prefecture

Rated output total 5,258,000 kW

Thermal Power Stations

Station name	Approved maximum output (kW)	Operation commencement date	Main fuel	Location
Shin Kokura	1,800,000 (600,000×3)	Oct. 1961	LNG	Nishi Minato-cho, Kokura Kita-ku, Kitakyushu-shi, Fukuoka Prefecture
Karita	735,000 (375,000×1 360,000×1)	April 1972	Heavy oil/crude oil/coal (PFBC)	Kanda-machi, Miyako-gun, Fukuoka Prefecture
Buzen	1,000,000 (500,000×2)	Dec. 1977	Heavy oil/crude oil	Hachiya, Buzen-shi, Fukuoka Prefecture
Karatsu	875,000 (375,000×1 500,000×1)	July 1971	Heavy oil/crude oil	Futago, Karatsu-shi, Saga Prefecture
Matsuura	700,000	June 1989	Coal	Shisa-cho, Matsuura-shi, Nagasaki Prefecture
Shin Oita	2,295,000 (115,000×6 217,500×4 245,000×3)	June 1991	LNG	Aozaki, Oita-shi, Oita Prefecture
Oita	500,000 (250,000×2)	July 1969	Heavy oil	Ichinosu, Oita-shi, Oita Prefecture
Ainoura	875,000 (375,000×1 500,000×1)	April 1973	Heavy oil/crude oil	Hikari-machi, Sasebo-shi, Nagasaki Prefecture
Reihoku	1,400,000 (700,000×2)	Dec. 1995	Coal	Reihoku-machi, Amakusa-gun, Kumamoto Prefecture
Sendai	1,000,000 (500,000×2)	July 1974	Heavy oil/crude oil	Minato-cho, Satsumasendai-shi, Kagoshima Prefecture

Approved maximum output total 11,180,000 kW

Hydroelectric Power Stations (Stations with an output of 50,000kW or more are listed.)

Station name	Approved maximum output (kW)	Operation commencement date	System	Location
Tenzan	600,000	Dec. 1986	Dam and conduit system (pure pumped storage)	Kyuragi-machi, Karatsu-shi, Saga Prefecture
Ohira	500,000	Dec. 1975	Dam and conduit system (pure pumped storage)	Sakamoto-machi, Yatsushiro-shi, Kumamoto Prefecture
Hitotsuse	180,000	June 1963	Dam and conduit system	Katauchi, Saito-shi, Miyazaki Prefecture
Kamishiiba	90,000	May 1955	Dam and conduit system	Shiiba-son, Higashi Usuki-gun, Miyazaki Prefecture
Oyodogawa No. 2	71,300	March 1932	Dam and conduit system	Takaoka-cho, Miyazaki-shi, Miyazaki Prefecture
Tsukabaru	63,090	Oct. 1938	Dam and conduit system	Morotsuka-son, Higashi Usuki-gun, Miyazaki Prefecture
Yanagimata	63,800	June 1973	Dam and conduit system	Uchikawano, Hita-shi, Oita Prefecture
Oyodogawa No. 1	55,500	Jan. 1926	Dam system	Takazaki-cho, Miyakonojo-shi, Miyazaki Prefecture
Iwayado	51,100	Jan. 1942	Dam and conduit system	Shiiba-son, Higashi Usuki-gun, Miyazaki Prefecture
Matsubara	50,600	Aug. 1971	Dam system	Oyama-machi, Hita-shi, Oita Prefecture
Morozuka	50,000	Feb. 1961	Dam and conduit system (river pumped storage)	Morotsuka-son, Higashi Usuki-gun, Miyazaki Prefecture

Approved maximum output total 2,377,716 kW

Geothermal Power Stations

Station name	Approved maximum output (kW)	Operation commencement date	Location
Takigami	25,000	Nov. 1996	Kokonoe-machi, Kusu-gun, Oita Prefecture
Hatchobaru	110,000 (55,000×2)	June 1977	Kokonoe-machi, Kusu-gun, Oita Prefecture
Hatchobaru Binary-cycle	2,000	April 2006	Kokonoe-machi, Kusu-gun, Oita Prefecture
Otake	12,500	Aug. 1967	Kokonoe-machi, Kusu-gun, Oita Prefecture
Ogiri	30,000	March 1996	Makizono-cho, Kirishima-shi, Kagoshima Prefecture
Yamagawa	30,000	March 1995	Yamagawa-cho, Ibusuki-shi, Kagoshima Prefecture

Approved maximum output total 209,500 kW

Major Subsidiaries and Affiliated Companies

(As of March 31, 2007)

Major Consolidated Subsidiaries

Company Name	Capital (Millions of yen)	Equity Ownership (%)	Business
Total Energy			
Kyuden International Corporation	10,600	100.0	Acquiring and owning securities of power companies overseas
Oita Liquefied Natural Gas Co.,Inc.	7,500	90.0	Receipt, storage, vaporization and delivery of LNG
Kitakyushu Liquefied Natural Gas Co.,Inc.	4,000	75.0	Receipt, storage, vaporization and delivery of LNG
Pacific Hope Shipping Limited	1,590	60.0	Purchase of LNG, holding, operating, chartering and renting of LNG carriers
Nishinippon Environment Energy Co.,Inc.	1,010	100.0	Consultation about energy efficiency
Kyushu Rinsan. Co.	490	100.0	Greening construction at power stations and other facilities
Nagashima Windhill Co., Ltd.	490	86.0	Sales of electricity generated by wind power
Fukuoka Energy Service Co.,Inc.	490	80.0	Heat supply business
NISHI NIPPON AIRLINES CO.,LTD.	360	54.7	Air cargo transportation
KYUKI Corporation	305	66.5	Manufacture and sales of electric machinery
Nishi Nippon Plant Engineering and Construction Co.,Inc.	150	82.5	Construction, maintenance and repair of power generation facilities
Kyuden Sangyo Co.,Inc.	117	100.0	Environmental preservation activities in power generation facilities
West Japan Engineering Consultants, Inc.	40	100.0	Consultation and planning of civil engineering and construction
Kyushu Meter & Relay Engineering Corporation	22	98.4	Repair and maintenance of electronic instruments
IT and Telecommunications			
Kyushu Telecommunication Network Co., Inc.	22,020	96.8	Fiber-optic cable and broadband services, IP phone services
Kyuden Infocom Company, Inc.	480	100.0	IT-related planning and consultation, and data center business
Nishimu Electronics Industries, Co., Ltd.	300	100.0	Manufacturing, sale, installation and maintenance of telecommunication devices
Kyuden Business Solutions Co.,Inc.	100	100.0	Development, operation and maintenance of information systems
Lifestyle-oriented Services			
Capital Kyuden Corporation	600	91.3	Acquiring and owning of securities, loans to group companies
DENKI BLDG. Co., Ltd.	495	89.9	Leasing and management of real estate
Kyuden Good Life Company, Inc.	200	100.0	Paid elderly nursing home management and nursing services
Shinrintoshi Co., Ltd.	32	98.1	Leasing of company housing and other real estate

Major Non-consolidated Subsidiaries and Affiliated Companies accounted for under Equity Method

Company Name	Capital (Millions of yen)	Equity Ownership (%)	Business
Total Energy			
KYUDEN ILIJAN HOLDING CORPORATION	3,050 (Thousands of U.S. dollars)	100.0	Investment in Ilijan IPP business company
Electricidad Aguila de Tuxpan	642 Million (Mexico Pesos)	50.0	Overseas IPP business
Tobata Co-operative Thermal Power Co., Inc.	9,000	50.0	Wholesale electricity supply
Kyudenko Corporation	7,901	30.5	Engineering works for power supply facilities
Oita Co-operative Thermal Power Co., Inc.	4,000	50.0	Wholesale electricity supply
Kyushu Kouatsu Concrete Industries Co., Ltd.	240	30.0	Manufacture and sale of concrete poles
Kyuhon Co., Ltd.	225	35.9	Manufacture and sale of electric equipment
Seishin Corporation	200	24.5	Sale of electric equipment
Kyuden Corporation	100	14.1	Construction and repair of electric lines, leasing of real estate for students
Nishigi Kogyo	20	49.0	Maintenance and repair of hydroelectric power generation facilities
Environmental and Recycling			
J-Re-Lights Co., Ltd.	275	100.0	Recycling of fluorescent bulbs
Kyushu Environmental Management Corporation	80	98.1	Recycling of confidential documents
Lifestyle-oriented Service			
Kyushu Housing Guarantee Corporation	265	90.0	Housing and building assessments
Kyushu Highlands Development Co., Ltd.	150	100.0	Management of hotels and golf courses
Kyuden Home Security Co., Inc.	100	90.0	Home security and monitoring business

Note: There is no specified subsidiary

Corporate Data

(As of March 31, 2007)

Company Overview

Trade Name	Kyushu Electric Power Company, Incorporated
Head Office	1-82, Watanabe-dori 2-chome, Chuo-ku, Fukuoka 810-8720, Japan Phone +81-92-761-3031
Tokyo Branch Office	7-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo 100-0006, Japan Phone +81-3-3281-4931
Date of establishment	May 1, 1951
Paid-in Capital	¥237,304,863,699
Number of Employees	12,670

Stock Information

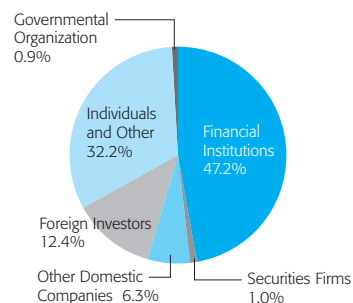
Total Number of Shares Authorized	1,000,000,000
Number of Shares Issued and Outstanding	474,183,951
Number of Shareholders	183,736
Shareholders' Meeting	June
Fiscal Year End	March 31
Stock Listings	Tokyo Stock Exchange, Osaka Securities Exchange, Fukuoka Stock Exchange (Code: 9508)
Transfer Agent and Registrar	The Chuo Mitsui Trust and Banking Co., Ltd. 33-1, Shiba 3-chome, Minato-ku, Tokyo, Japan
Accounting Auditor	Deloitte Touche Tohmatsu

Major Shareholders

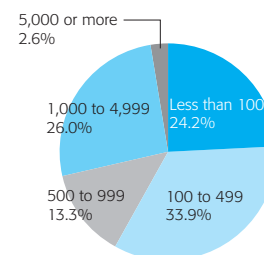
Name	Number of Shares Held (Thousands of Shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust unit)	24,780	5.23
Meiji Yasuda Life Insurance	23,710	5.00
Nippon Life Insurance Company	18,454	3.89
Japan Trustee Services Bank, Ltd. (trust unit)	14,419	3.04
Mizuho Corporate Bank, Ltd.	10,419	2.20
Mizuho Trust and Banking, Retirement Benefit Trust Fukuoka Bank unit	8,637	1.82
Sumitomo Mitsui Banking Corporation	8,474	1.79
Kochi Shinkin Bank	7,047	1.49
Kyushu Electric Power Co., Inc. Employees' Shareholding Association	6,731	1.42
Shinkin Central Bank	6,680	1.41

Composition of Shareholders

By Type of Shareholder



By Number of Shares Held



Stock Price Movement

