

Lighting the way to a Sustainable Future

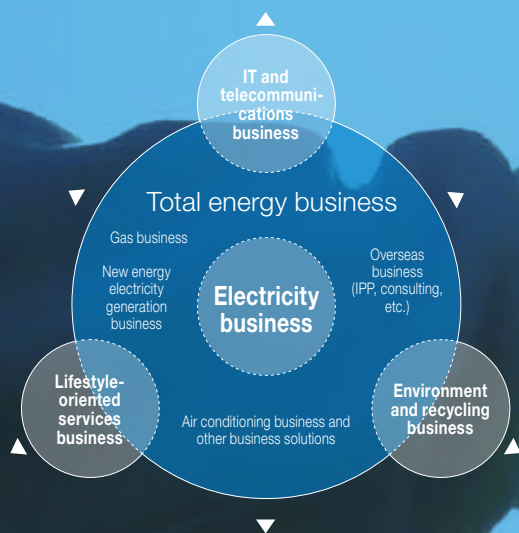
Kyushu Electric Power Company Annual Report 2008



Kyushu Electric Power's Mission

Enlighten Our Future

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



Our Business Domain

To meet the diverse needs of customers, in addition to our central total energy business, which is founded on electric power management and operational expertise, we vigorously utilize the Group's management resources to develop IT and telecommunications business, environment and recycling business and lifestyle-oriented business. In these united business domains, we seek to create sustainable corporate value by increasing the satisfaction of our customers, shareholders, investors, employees and society.



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Guide the Way **Forward**

— Corporate Profile —

In the decades since its establishment in 1951, the Kyushu Electric Power Company has lived through post-war reconstruction and subsequent high economic growth, the oil shocks of the 1970s and the recent 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 our customers.

As of March 31, 2008, Kyushu Electric Power supplied electricity for power and lighting to 8.45 million users and operated power generation facilities with a total capacity of 19.716 million kilowatts. In keeping with the corporate mission "Enlighten Our Future", we will continue to provide steady and reliable energy and contribute to comfortable, environment-friendly living for our customers.

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.





Principal Power Generation Facilities of Kyushu Electric Power (As of March 31, 2008)

Kyushu Electric Power, Japan's fourth largest electric power company, operates 193 power generation facilities with a total capacity of 19,716 million kilowatts.

Nuclear power generation facilities account for about 40% of the electricity that we produce or buy. We operate six nuclear reactors with combined capacity of 5,258 million kilowatts in two locations: Genkai-cho in Saga Prefecture and Satsumasendai-shi in Kagoshima Prefecture.

With regard to thermal power generation facilities, we operate ten power stations powered by oil, coal and LNG, having combined capacity of 11,180 million kilowatts, and 35 internal-combustion power generating facilities, including gas turbines, having total capacity of 389 thousand kilowatts. As our service area includes many outlying islands, we operate many small-scale internal-combustion power generation facilities, which account for about half the total capacity of such facilities in Japan.

We operate five geothermal power stations, with combined capacity of 207.5 thousand kilowatts, and one binary-cycle geothermal facility with a capacity of 2,000 kilowatts. The use of geothermal power that taps into Japan's volcanic belt is more prevalent in Kyushu than in other regions of Japan. We operate approximately 40% of the geothermal power stations in Japan, although they account for only about 2% of the electricity that we produce or buy.

In addition, we operate 138 hydroelectric power facilities, having combined capacity of 2,676 million kilowatts, and two wind-power facilities, with combined capacity of 3,250 kilowatts.



Sendai Nuclear Power Station



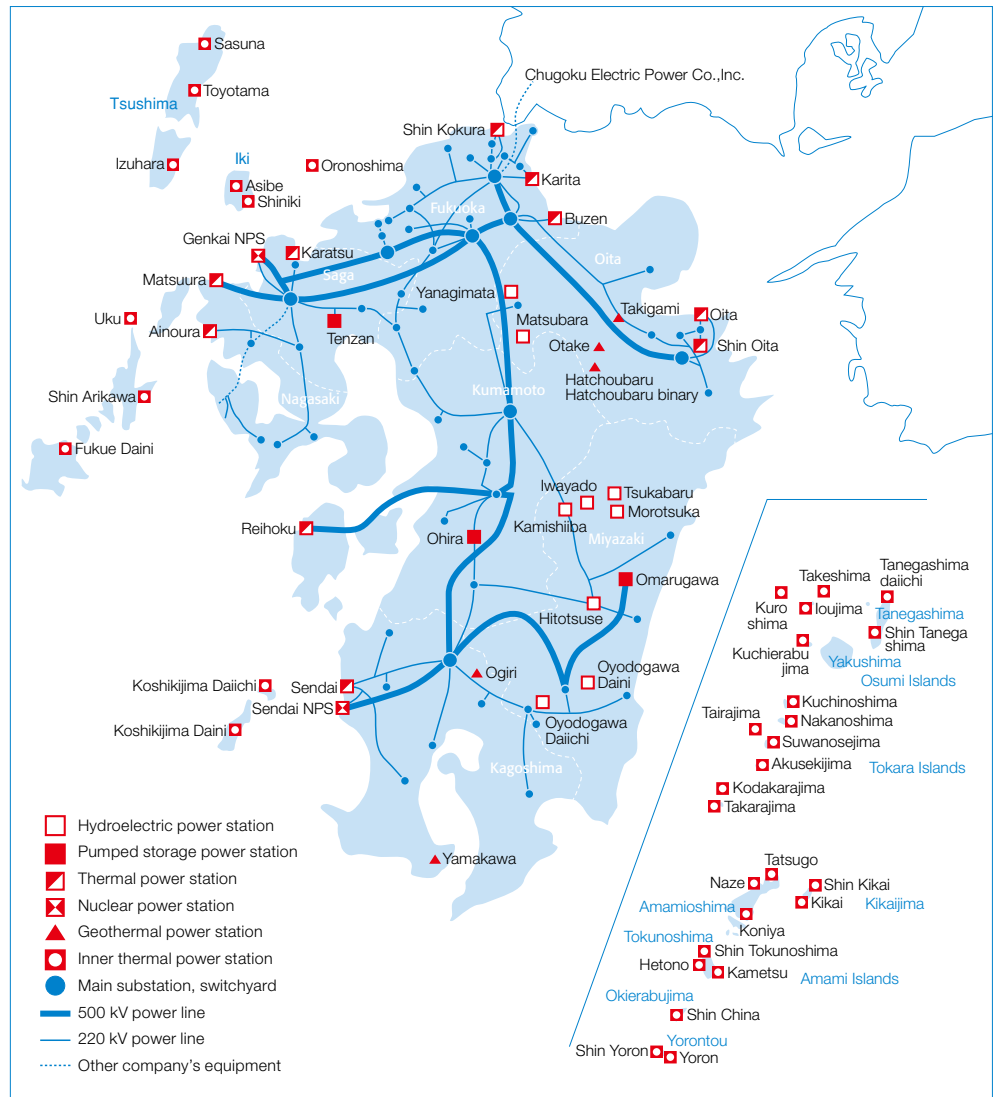
Reihoku Power Station



Omarugawa Power Station



Hatchobaru Binary Cycle Power Station



Principal Features of Kyushu

Principal Features of Kyushu

Kyushu consists of seven prefectures: Fukuoka, Saga, Nagasaki, Kumamoto, Oita, Miyazaki and Kagoshima. The total area of the Kyushu region is approximately 42 thousand square kilometers (2005).

Kyushu has a population of 13.37 million (2007), 10.5% of Japan's total population, and a GDP of approximately ¥44.5 trillion (fiscal 2005), 8.6% of the national total. Kyushu's population and economy are larger than those of Switzerland, a country of similar land area.

A circle with a radius of 1,000 km drawn around Kyushu encompasses not only Japan's major cities, including Tokyo and Osaka, but also the rapidly growing Yellow Sea Economic Zone (the Yellow Sea coastal areas of South Korea and China), which has a population that approaches that of the EU. Fukuoka-shi, the center of Kyushu's economy, while situated approximately 1,000 km from Tokyo, is actually closer to major cities of East Asia. It is only about 200 kilometers from Pusan, 600 kilometers from Seoul and 1,000 km from Shanghai.

Kyushu offers an excellent logistical environment for cultural exchange and trade with Asia. Its airports, principally Fukuoka Airport, are the gateway to Japan for 25 international routes (as of September 2007), and its ports regularly serve international container ships on 104 shipping routes, principally to Asian destinations (as of August 2007).

Growth Potential of Industries in Kyushu

> Factory Locations

The number of factory locations (sites of at least 1,000 square meters) in Kyushu grew 8.7% from the previous year to 213. Total factory land area increased by 28.9% in 2007 to 416.6 hectares, and has averaged a full 28.4% per year during the five-year period from 2003 to 2007.

> "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 air transport infrastructure. Today the accumulation of semiconductor-related industries continues. Kyushu is the location of choice for factories that produce semiconductor manufacturing equipment, flat panel displays, silicon wafers and other products, including approximately 60 large-scale plants located on sites exceeding 75,000 square meters.

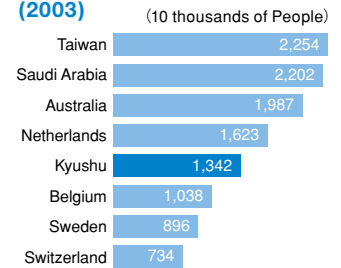
> "Car Island," too

Toyota Motor Kyushu, Nissan Motor and Daihatsu Motor Kyushu have production plants in Kyushu. Combined automobile production of the three companies in the region in 2007 was 1.04 million units, exceeding the one million mark for the first time.

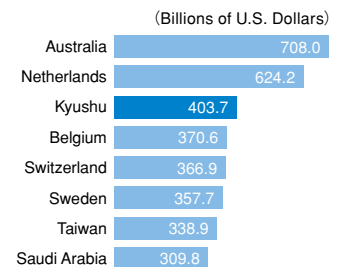
The three companies are actively expanding production. Toyota Motor Kyushu has put into operation at its Kanda Plant a second engine production line, with annual production capacity of 220,000 engines, and is constructing the Kokura Plant, which will join the Kanda Plant and Miyata Plant as the company's third plant in Kyushu. At the Nissan Motor Kyushu Plant, a leading-edge automobile assembly operation with annual production capacity of 120,000 vehicles is under construction. Daihatsu Motor Kyushu put into operation in 2007 a second plant having annual production capacity for 220,000 vehicles and is currently building an engine plant with annual capacity of approximately 200,000 engines in Kurume-shi, Fukuoka Prefecture.

In Northern Kyushu, industry, academia and government have joined forces with the aim of achieving automobile production of 1.5 million units and are working to increase the rate of local procurement of outsourced parts from the current level of 50% to 70% by attracting automotive parts plants. The business, academic and government partners aim to make Kyushu a leading-edge automobile industry base in Asia by taking advantage of its location near high-growth regions of Asia to increase the concentration of mother plants and parts industry plants. They are also working to make Kyushu a next-generation automotive research and development center by collaborating on R&D technologies in fields including system-on-chip and hydrogen energy.

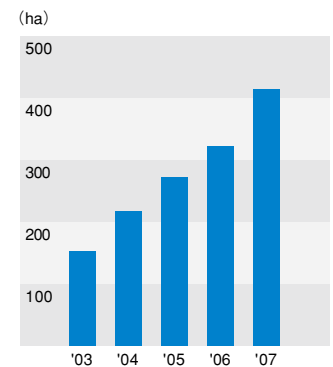
Population Comparison of Kyushu and World Nations (2003)



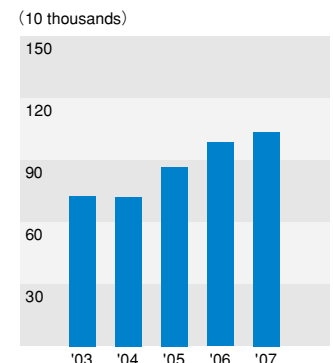
GDP Comparison Kyushu and World Nations (2005)



Site Area of Factory Locations in Kyushu



Number of Cars Produced in Kyushu Region



Financial Highlights

Consolidated Financial Summary

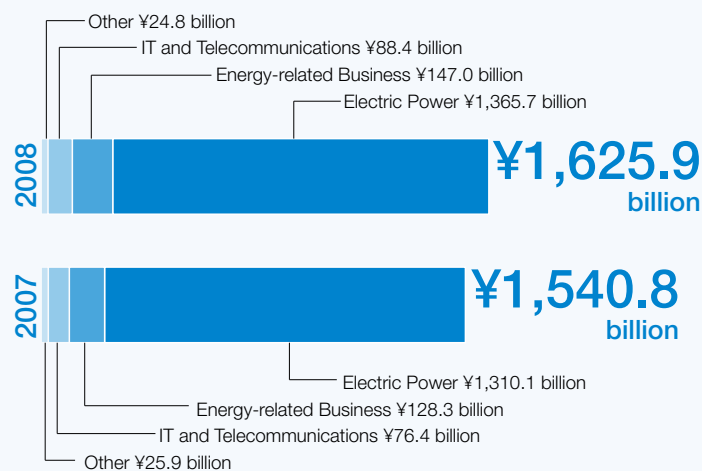
Years Ended March 31

For the year (Billions of Yen)						(Millions of U.S. Dollars)
	2008	2007	2006	2005	2004	2008
Operating Revenues	¥ 1,482.3	¥ 1,408.3	¥ 1,401.7	¥ 1,408.7	¥ 1,391.6	\$14,793
Operating Income	105.5	155.1	171.2	213.7	198.9	1,053
Net Income	41.7	65.9	76.8	89.2	72.7	416
Electricity Sales Volume (Millions of kWh)	88,082	84,399	82,956	80,199	77,268	
General Demand (Millions of kWh)	62,873	60,706	60,765	58,982	56,684	
Large Industrial (Millions of kWh)	25,209	23,693	22,191	21,217	20,584	
At year-end (Billions of Yen)						
Total Assets	4,059.7	4,038.8	4,102.3	4,049.7	4,114.3	40,516
Shareholders' Equity*1	1,067.0	1,081.6	1,052.7	979.2	910.8	10,649
Interest-bearing Debt	2,040.0	2,031.7	2,104.9	2,139.4	2,336.2	20,359
Per share of common stock						
Net Income (yen and U.S. dollars)	88.19	139.37	161.67	187.91	153.05	0.88
Cash Dividends (yen and U.S. dollars)	60.00	60.00	60.00	60.00	50.00	0.60
Financial ratios (%)						
ROA*2	1.7	2.4	2.7	3.3	3.1	
ROE*3	3.9	6.2	7.6	9.4	8.3	
Equity Ratio	26.3	26.8	25.7	24.2	22.1	

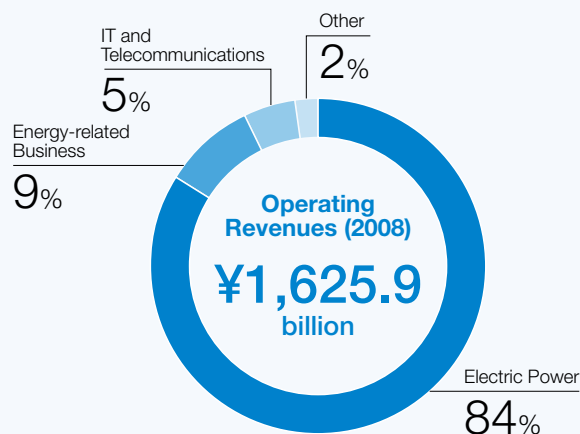
*1 Shareholders' Equity = Equity - Minority Interests *2 ROA = After-Tax Operating Income/Average Total Assets at beginning and ending of the Fiscal Year
 *3 ROE = Net Income/Average Equity at beginning and ending of the Fiscal Year
 (U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥100.20=U.S.\$1, the approximate rate of exchange at March 31, 2008.)

Segment Information (before eliminating internal transactions)

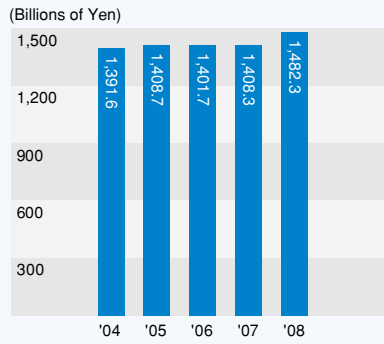
Operating Revenues



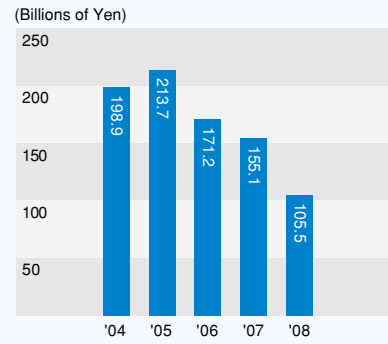
Revenue Share by Segment



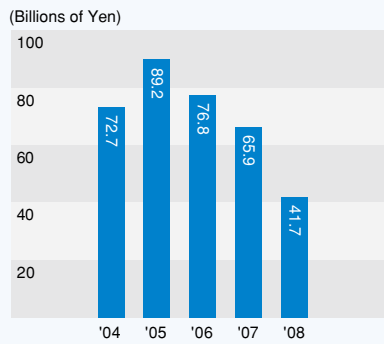
Operating Revenues



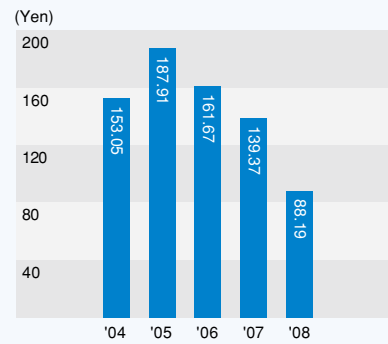
Operating Income



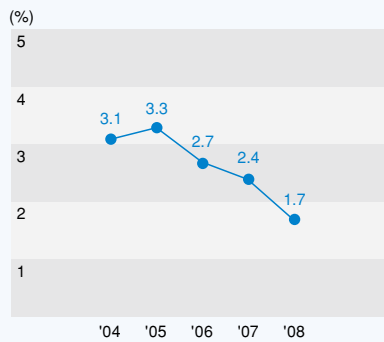
Net Income



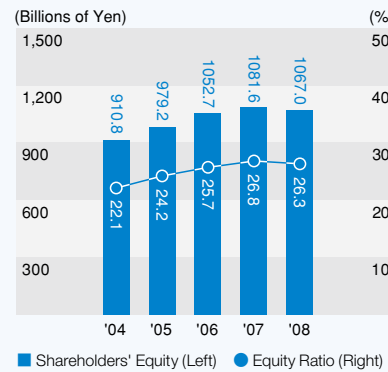
Earnings per Share (EPS)



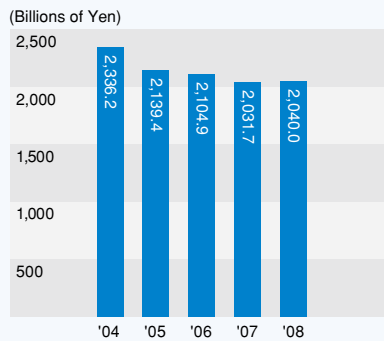
Return on Assets (ROA)



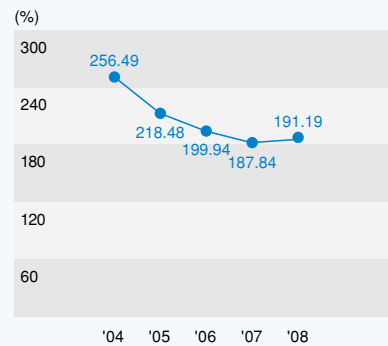
Shareholders' Equity/Equity Ratio



Interest-bearing Debt



Debt/Equity Ratio



Illuminating Kyushu Electric Power's **Mission**

In Challenging Times for Electric Power and the Environment,
We Adopted Measures to Assure Efficiency and Supply Stability.



President
Toshio Manabe

Chairperson
Shingo Matsuo

We would like to begin by thanking you, our shareholders and investors, for your continuing support of Kyushu Electric Power. On the basis of the medium-term management policy for the period spanning fiscal 2005 to fiscal 2009 and under the slogan “Solidification and growth,” the Kyushu Electric Power Group has undertaken various measures both to reinforce the Group’s business foundation through a focus on the total energy business and to achieve higher efficiency and the full growth potential of our business domains. In the electric power segment in particular, we have worked to assure stable supply of electric power through the efficient development and maintenance of facilities and by assuring long-term, stable supplies of fuel. At the same time, we reinforced cost competitiveness and created demand by promoting a transition to all-electric housing. We are also reinforcing our nuclear power generation capabilities through various initiatives, including a pluthermal project. These initiatives have begun to produce steady results.

Nevertheless, the Company’s business environment is changing dramatically, and we face extremely challenging issues that include the tightening of energy supply and demand, soaring fuel prices, the aggravation of global environmental problems and intensification of competition in the electricity and energy markets.

In these circumstances, to realize Kyushu Electric Power’s Mission, established in April 2007, we will implement the following measures to provide steady and reliable energy and contribute to comfortable, environment-friendly living for our customers.

> Measures to ensure stable supply of electricity and alleviate global environmental problems

We will strive to maintain reliable supply and implement a balanced approach to power supply development centered on nuclear power generation. These efforts will be based on comprehensive consideration of factors such as energy security assurance, economic efficiency and a response to global environmental problems, such as the curbing of CO₂ emissions.

In particular, we will rigorously ensure the safe, stable operation of nuclear power facilities, including seismic safety, and undertake proactive information disclosure and clear explanations of nuclear power generation. We have conducted environmental surveys at the site of the Sendai Nuclear Power Station for the purpose of developing next-generation nuclear power facilities and are implementing a project to introduce the pluthermal process at the No.3 Unit of the Genkai Nuclear Power Station by fiscal 2010.

Furthermore, we will engage in the active development and expanded introduction of renewable energy from the perspectives of alleviating global environmental problems and utilizing domestic energy sources.

> Business development based on customer needs

In addition to promoting an energy-saving, comfortable lifestyle by which our customers practice skillful, waste-free use of electricity to enjoy comfortable, environment-friendly living, we will implement a “total solution” marketing strategy for utilizing the combined resources of the Kyushu Electric Power Group to satisfy diverse customer needs and propose solutions to problems our customers face.

Furthermore, we will engage in business development centered on energy, develop technologies for environmental protection and cost reduction and work to attract companies to Kyushu in collaboration with local authorities.

> Measures to increase management efficiency

While endeavoring to optimally balance management efficiency with safety and supply reliability, we will implement efficient facilities development and maintenance, increase the efficiency of facilities operation and reduce the cost of procuring materials, equipment and fuel.

We will strive to further increase efficiency in business operation and labor productivity through means including business process innovation through the use of information technology.

> Measures to discharge corporate social responsibility

We rigorously ensure highly transparent, fair business activities in accordance with laws, regulations and business ethics and implement group-wide measures to implement environmental management and promote harmonious coexistence with local communities and society as a good corporate citizen.

We will strive to enhance communication with stakeholders and reflect stakeholder opinions in corporate management.

> Measures to enhance organizational capabilities

We will undertake to increase management quality from the customer’s perspective and foster a corporate culture for implementing continuous improvement and innovation.

The Company aims to increase profitability and financial stability. We are committed to continuing to make a maximum management effort to accomplish this. Nevertheless, the outlook for achieving the financial targets in the existing medium-term management policy is unfavorable owing to dramatic changes in the business environment since the targets were set, most notably a sharp increase in fuel prices. For this reason, we have decided to formulate a new management policy with a long-term timeframe that will take into account fuel price trends and a response to global environmental problems.

We will continue to implement policies and measures to increase corporate value and request the continuing understanding and support of our shareholders and investors in the years ahead.

Chairperson: Shingo Matsuo

President: Toshio Manabe





The mission of Kyushu Electric Power is to contribute to the realization of comfortable, environment-friendly daily living and create a bright future for our children. Although we are operating in a difficult business environment, we will mount an all-out group-wide effort to tackle the issues we face in keeping with the corporate mission “Enlighten Our Future.”

President: **Toshio Manabe**

Toward a Sustainable Future with **Earth-friendly Energy**

Q. 1 A year has passed since you became president. What are your thoughts and impressions about fiscal 2007?

During the past year the business environment has changed dramatically, becoming extremely adverse on account of soaring prices of fuel for power generation, notably crude oil and coal. Also, I feel the year brought movement on various fronts with respect to a response to global environmental problems that are closely connected to the electric power business. Examples are discussion of a post-Kyoto Protocol international framework for global long-term targets for reduction of greenhouse gas emissions for 2013 and beyond and the recent announcement in Japan of the Fukuda Vision, in which greenhouse gas reduction targets were narrowed down. Also, the Niigata Prefecture Chuetsu Offshore Earthquake that occurred last year brought renewed recognition of the importance of seismic safety for nuclear power plants.

In the business results for fiscal 2007, net sales rose owing to a 4.4% increase year on year in the amount of electric power sold to 88.1 billion kWh. The growth was attributable to such factors as an increase in air conditioning demand and higher production of transportation equipment. Nevertheless, ordinary income decreased by 43.2% to ¥60.0 billion. Contributing factors include increases in fuel costs and electricity purchase costs due to

soaring fuel prices and an increase in electricity sales volume as well as higher repair expenses for scheduled inspection of nuclear power stations. Fuel costs are having a particularly great impact on our management situation because of soaring prices of crude oil and coal.

The outlook for achieving the financial targets in the medium-term management policy (FCF, ordinary income, ROA and the shareholders' equity ratio) is unfavorable on account of factors including higher fuel costs and higher capital investment in connection with measures to meet increased demand.

As the electric power business has the characteristic of extremely long cycles for facility development and technology succession, it is important to maintain a long-term perspective when formulating responses to issues or changes in the business environment. To achieve Kyushu Electric Power's Mission "Enlighten Our Future," we have mounted a group-wide effort to address a number of management issues. While taking a long-term perspective, we intend to steadily carry out measures that require implementation at this time, including measures to ensure stable supply of electricity and address global environmental problems, business development based on customer needs, measures to increase management efficiency, measures to discharge corporate social responsibility and measures to enhance organizational capabilities. We are also considering a new management policy to respond to various management issues and changes in the business environment.

Q.2 What is the outlook for future demand and the ability to meet demand?

For fiscal 2008, although we expect solid growth in demand for electricity for industrial use, owing to factors including a decrease in air conditioning demand following the extreme summer heat in fiscal 2007, we forecast overall demand of 87.9 billion kWh, a decrease of 0.3% year on year (1.9% after adjusting for the leap year and temperature). In the long term, despite an impending decrease in the population and progress with energy conservation notwithstanding, we anticipate a gradual but steady increase in demand, centered on consumer demand. It will be driven by stable economic growth, an increase in the number of all-electric residences and growing purchases of home appliances as people seek a higher quality of living and related factors. We forecast demand of 92.5 billion kWh in fiscal 2017, which would mean an annual growth rate of 0.8% from fiscal 2006 to fiscal 2017 (0.9% after adjusting for temperature). We revised the previous year's demand estimate for fiscal 2016 upward by 3.0 billion kWh in consideration of demand increases in recent years resulting from brisk production activity and plant construction and expansion in the industrial sector.

Next, with regard to power supply facilities, reflecting the upward revision of the demand estimate, it has become necessary to increase supply capacity in or around 2016. In consideration of environmental factors and the fuel situation, we will add a 400,000 kW-class unit at the Shin Oita Power Station, a high-efficiency LNG combined-cycle power plant for operation in 2016.

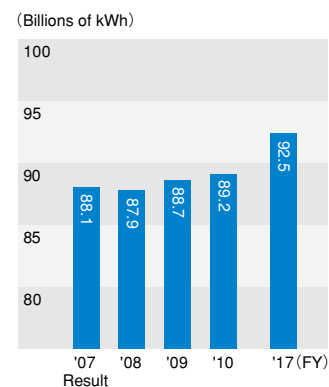
Also, under our current power source configuration we lack power sources that can respond in times of emergency, such as sudden surges in demand or power source malfunction. Accordingly, from the perspective of achieving an optimal power source mix, we have established a development target of about 10% for pumped-storage hydroelectric power generation, which offers excellent load-following capability and can be rapidly started up and stopped. We plan to commence operation in stages at the 1.2 million-kilowatt (300,000-kilowatt x 4 units) Omarugawa Power Station by fiscal 2011.

We regard nuclear power as an extremely important power source from the standpoint of ensuring energy security, alleviating global environmental problems and responding to soaring prices of fossil fuels and aim to develop next-generation nuclear power facilities during the second half of the 2010s. We are currently conducting environmental surveys at the site of the Sendai Nuclear Power Station for this purpose.

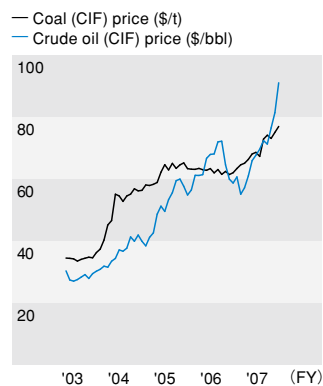
In consideration of the energy supply and demand predicament and the worsening of global environmental problems, in addition to moving forward with nuclear power generation, we will actively seek to expand the introduction of renewable energy. Specifically, we have set a target of introducing a total of about 2.8 billion kWh of output in 2017, to consist of 1.6 billion kWh of power generation from wind power, 0.6 billion kWh from solar power and 0.6 billion kWh from biomass and waste products.

Furthermore, we have decided to retain the Oita Power Station and Karatsu Power Station, which are currently in planned shutdown, as power sources that can be reactivated on short notice as needed to cope with dramatic changes in the supply and demand situation. These facilities will remain suspended until the final year of the supply plan (fiscal 2017).

Electricity Sales Volume



Change in Fuel Prices



Q.3 Prices of crude oil, coal, LNG and other fuels continue to rise sharply. What is the plan for fuel procurement?

Increased demand for energy in the BRICs countries, notably China and India, the rise of resource nationalism in supplier countries and other factors have led to intensification of global competition to secure energy resources. In these circumstances, prices of crude oil and other fuels continue to set new records. The Company recognizes that securing long-term, stable supplies of fuel for power generation is the most important management priority, and we are mounting an all-out effort to implement procurement measures on the basis of the use of long-term contracts, including diversification of fuel supplier countries and contract methods.

By fuel type, we have nearly secured the quantity of uranium required for the uranium processing facility until about 2020 through means including the acquisition in September 2007 of the right to obtain uranium concentrate in the Republic of Kazakhstan.

We plan to procure LNG by means of spot procurement or medium-term contracts as well as long-term contracts for supply from Australia, Indonesia and Russia (Sakhalin II). We are also constructing an LNG carrier jointly with Tokyo Electric Power Company in order to reinforce transport capacity.

We use diverse contract methods to procure coal, entering into multiyear contracts for supply from Australia and Canada and employing a combination of single-year contracts and spot contracts as appropriate.

With regard to advancement into upstream energy resource interests, there is one project in which we have directly acquired interests: our participation in the uranium mine project in the Republic of Kazakhstan. We also invest jointly with other electric power companies and have indirectly acquired interests in two coal projects and three uranium projects. In May 2008, we decided to participate in a uranium exploration project in Australia through Japan Australia Uranium Resources Development Co., Ltd. with the aim of further ensuring fuel procurement stability. As advancement into upstream interests entails the benefit of increasing procurement stability, we intend to continue to gather information and seek out promising projects.

Q.4 Public attention is focused on measures to address global environmental problems, such as the start of the first commitment period of the Kyoto Protocol. What measures is Kyushu Electric Power implementing?

To achieve our voluntary target of reducing CO₂ emissions per unit of electric power sold (end-use CO₂ emission intensity) by about 20% on average from fiscal 2008 to 2012 from the fiscal 1990 level, we are implementing electricity supply-side measures on the basis of promotion of an optimal mix of power sources with nuclear power as a core source: these measures include maintaining a high level of nuclear power capacity utilization, maintaining and increasing the thermal efficiency of thermal power stations and expanding the introduction of renewable energy. With regard to demand-side measures, we are actively promoting the dissemination of energy-saving equipment (EcoCute and heat-pump air conditioners), providing energy-conservation information to customers and curtailing electricity consumption at our own business sites.

Our target for average CO₂ emission intensity for fiscal 2008 to 2012 is 0.348kg-CO₂/kWh. At this time, the outlook is for a result of 0.384kg-CO₂/kWh (a 12% decrease from the 1990 level), and a further reduction of approximately 16.00 million t-CO₂ is required to achieve the target. Accordingly, we will step up measures implemented to date and utilize the Kyoto Mechanisms, an international greenhouse gas reduction system that involves measures including investment in funds such as the World Bank's Prototype Carbon Fund (PCF) and Japan GHG Reduction Fund (JGRF) and the purchase of CO₂ emission credits from individual projects.

In the post-Kyoto Protocol period we intend to continue to actively implement environmental protection measures including the development of next-generation nuclear power facilities, the maintenance of high nuclear power capacity utilization predicated on safe, stable operation and the expanded introduction of solar power, wind power and other new forms of energy. Along these lines, we will also be investigating hydroelectric and geothermal power development and technology transfer to developing countries, as well as promoting international cooperation through initiatives such as the Asia-Pacific Partnership on Clean Development and Climate (APP).

Q.5 What are your views on nuclear power generation?

I believe that nuclear power generation is an extremely important source of power from the standpoint of seeking an integrated solution for energy security, solving environmental problems and coping with increases in raw material prices. It entails no CO₂ emissions at the time of generation, is superior to fossil fuels with regard to stability of supply and involves a low ratio of fuel cost to generation cost. We regard nuclear power as a key source of power and undertake to maintain a high level of capacity utilization while placing the utmost importance on safe, stable operation. We are also, proceeding with the development of next-generation nuclear power facilities.

We are also proceeding with a project to implement the pluthermal process by fiscal 2010, in which we will utilize plutonium recovered through the reprocessing of spent fuel as light-water reactor fuel at the No.3 Unit at the Genkai Nuclear Power Station.

We believe that to ensure a stable future supply of energy in Japan, a resource-poor country, it is essential to establish a domestic nuclear fuel cycle and necessary to steadily move forward with pluthermal introduction in view of the fact that it is possible to dramatically reduce high-level radioactive waste through the reprocessing and reuse of spent uranium fuel. We are currently manufacturing uranium-plutonium mixed oxide fuel (MOX fuel) at a plant owned by the French company MELOX. We assign employees to the plant and rigorously implement quality assurance activities, such as on-site inspections, confirmation of record keeping and confirmation of the manufacturing situation.

In March 2008, we issued to the Ministry of Economy, Trade and Industry an interim report on seismic safety evaluation attendant on the revision of the Regulatory Guide for Reviewing Seismic Design of Nuclear Power Reactor Facilities. In this seismic safety evaluation, we took a more conservative approach to fault assessment and the determination of design-basis seismic motion in light of new knowledge obtained from assessment techniques in the new regulatory guide and the latest literature in the field. As a result of performing assessments of the No.3 Unit of the Genkai Nuclear Power Station and the No.1 Unit of the Sendai Nuclear Power Station using design-basis seismic safety criteria and others, we confirmed that the safety functions of facilities important for safe shutdown and cooling of nuclear reactors and the confinement of radioactive materials are being maintained.

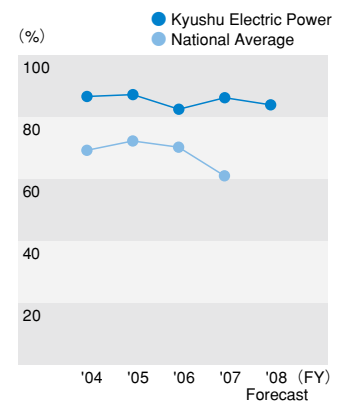
Q.6 What corporate social responsibility measures does Kyushu Electric Power implement?

The Kyushu Electric Power Group considers its corporate social responsibility to be the practice of the management stance set forth in the Corporate Behavior Charter and the Management Vision: "Create sustainable corporate value and develop together with society by increasing the satisfaction of customers, shareholders, investors, employees and society." We believe that the essence of CSR is the desire to provide peace of mind to the customers and regional communities we serve.

On the basis of this awareness, the CSR Promotion Committee, made up of senior management executives, has played a central role in putting in place a group-wide CSR promotion structure by which Kyushu Electric Power vigorously implements compliance management, information disclosure and environmental management and pursues harmonious coexistence with the region we serve. In the years ahead, we will continue to discharge our corporate social responsibility in a spirit of caring and consideration.

Specific CSR measures are described in the recently issued Kyushu Electric Power CSR Report 2008. We plan to create various opportunities to obtain the opinions of our shareholders and other stakeholders and further enhance our CSR activities.

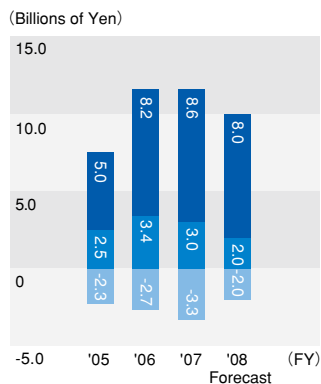
Maintaining a High Nuclear Power Utilization Rate



President's Interview

Trends in Segment Ordinary Income

- Total energy services (not including electricity business)
- Environment and Recycling business/Lifestyle-oriented service
- IT and Telecommunications



Q.7 What activities are planned for the Company's business segments?

In the total energy segment, we take advantage of the Kyushu Electric Power Group's comprehensive capabilities in the core electricity business as well as in the gas and LNG sales business, new energy business, air conditioning business and other business operations to engage in businesses in wide-ranging fields to satisfy the needs of our customers. In the coming years, we intend to take advantage of expertise in the biomass power generation and waste materials power generation businesses of Fukuoka Clean Energy and Miyazaki Biomass Recycling to actively engage in the new energy power generation business.

With regard to future overseas business development, we aim to discover new IPP projects in which we can utilize our management resources in Asia (including China) and in North America (including Mexico). In particular, in China and Indonesia we plan to devote effort to electric power generation businesses involving the use of wind power, geothermal power and other forms of natural energy. Furthermore, to achieve the targets in the Kyoto Protocol, we intend to develop the Company's environment technologies, including high-efficiency power generation technologies and desulfurization, denitration and energy conservation as an environment-related technology consulting service for electricity users in China and other countries.

In the IT and telecommunications segment, it will be difficult to achieve the management target (five-year average ordinary income of ¥4.0 billion). This is because Kyushu Telecommunication Network has been unable to recover a shortfall against the first year target in the number of subscribers for its BBIQ broadband service and because the Company has recorded additional operating support expenses since fiscal 2006. However, as the number of subscribers to BBIQ broadband service is increasing steadily, owing to expansion of the high-speed Internet market, and operating revenue is expected to improve, we will position this business as a future earnings pillar and actively solicit additional subscribers. With regard to services for business customers, we aim to increase earnings by taking advantage of the strengths of Group companies. Examples of opportunities are the potential for expanded use by companies outside the Kyushu region of the data centers operated by Kyuden Infocom Company, Inc. as emergency backup centers and the electronic government solutions of RKK Computer Service Co., Ltd., which have been favorably received by local governments.

In the environment and recycling segment, we operate a confidential document recycling business and used fluorescent bulb recycling business, which contribute to the creation of a recycling-based economy by being eco-friendly and aligned to consumer needs. In the lifestyle-oriented services segment, we engage in wide-ranging businesses that enhance the quality of life for our customers, including housing evaluation services and the operation of condominiums that provide care services for senior citizens. We anticipate further expansion of these businesses owing to heightened concern about environmental problems and personal information protection and other information security issues and the progressive aging of society.

Q.8 Finally, do you have any additional thoughts for the Company's shareholders and investors?

The Company will continue to implement activities to achieve Kyushu Electric Power's Mission and contribute to a sustainable society that is comfortable and environment-friendly. We believe that such activities increase corporate value and lead to benefits for all of our stakeholders.

With regard to dividends, our fundamental policy is to maintain stability. When deciding the dividend, we comprehensively consider the business environment, including the medium-term and long-term outlook for income and expenditure and the competitive situation. Although we face an extremely adverse operating environment on account of factors including soaring fuel prices, we intend to make every effort to maintain the annual dividend at ¥60 per share.

The Kyushu Electric Power Group will continue to work as one to meet the expectations of our shareholders and investors, and I request your continued support in the years ahead.

SPECIAL FEATURE

Kyushu Electric Power's Challenge

In April 2007, we formulated Kyushu Electric Power's Mission, which is expressed in the brand message "Enlighten Our Future." This message expresses the determination of all Kyushu Electric Power Group employees to be the choice of customers in the age of deregulation of the electric power industry and is a reconfirmation of our mission as a public utility to continue to support the livelihoods and lifestyles of our customers and society as a whole by doing our utmost to ensure the stable supply of electricity and energy.

01 Kyushu Electric Power's Challenge

>> Steady and reliable,
Earth-friendly energy.

02 Kyushu Electric Power's Challenge

>> Services that
truly satisfy.

03 Kyushu Electric Power's Challenge

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

04 Kyushu Electric Power's Challenge

>> Discovering solutions,
and putting them into practice.

01

Kyushu Electric Power's Challenge

Steady and reliable, Earth- friendly energy.

To ensure a stable supply of environment-friendly electric power, we will work to increase the efficiency of energy use, expand the introduction of renewable energy, maintain reliability of supply and develop new technologies. We will focus on nuclear power, which offers overall superiority in terms of stable resource procurement, environmental characteristics and economy.



► Employee Comment

Kazuya Iwase
(Electric Power Generation Section
Sendai Nuclear Power Station)

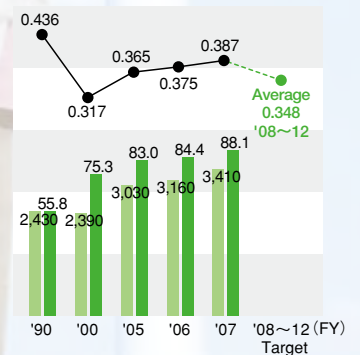
Nuclear power is an extremely eco-friendly method of generating electricity that entails no CO₂ emissions at the time of generation. However, as radioactive substances are used as fuel, it is necessary to maintain failsafe systems concerning facility maintenance and operation. For this reason, we place the highest importance on safety assurance and maintain a safety-first policy to ensure safe, stable and secure operation of the power station.

Curbing CO₂ Emissions

The Company has established a target of reducing CO₂ emissions per unit of electric power sold by about 20% on average from fiscal 2008 to 2012 from the fiscal 1990 level. We will seek to achieve this through stable operation of nuclear power stations, expanded introduction of renewable energy and promotion of energy conservation.

CO₂ Emission Intensity

- CO₂ emissions (10 thousand t-CO₂)
- Electricity sales volume (Billions kWh)
- CO₂ emission intensity (kg-CO₂/kWh)



Measures to Ensure the Long-term Stable Supply of Electricity

We are proceeding with a balanced approach to power supply development (an optimal generation mix) that takes a wide range of factors into account, including energy security assurance, a response to global environmental problems and economic efficiency.

Nuclear Power

Nuclear power, which accounts for about 40% of the electricity that we produce or buy, is a stable source of power in that it offers excellent supply reliability, is environment-friendly because it entails no CO₂ emissions at the time of generation, and is little affected by fuel price fluctuations because the ratio of fuel cost to generation cost is lower than that for oil, coal or LNG. That is why Kyushu Electric Power aims to develop next-generation nuclear power facilities in the second half of the 2010s, placing the highest priority on safety of nuclear power as a core power source. We are currently conducting environmental surveys at the site of the Sendai Nuclear Power Station and intend to move ahead with development while obtaining the understanding and cooperation of customers, regional communities and society at large.

To ensure a stable future supply of energy in Japan, a resource-poor country, it is essential to establish a nuclear fuel cycle in which uranium and plutonium recovered in the reprocessing of spent fuel is reused as fuel. Accordingly, we are implementing a project to introduce the pluthermal process at the No.3 Unit of the Genkai Nuclear Power Station by fiscal 2010.

On the whole, we maintain a level of capacity utilization at our nuclear power facilities that exceeds 80%, thereby realizing stable operation. We will continue to maintain a high level of utilization through continuation of safe and stable operation, implementation of constant rated thermal power operation, and rigorous preventative maintenance.

Thermal Power

To secure a stable supply of fuel over the long term, the Company pursues diversification of fuel types, including LNG and coal, and strives to improve power generation efficiency to alleviate global environmental problems, and to make effective use of energy resources.

Specifically, we maintain high-capacity operation at two high-efficiency power stations: the Shin Oita Power Station, an LNG combined-cycle power generation facility, and at the Reihoku Power Station, a state-of-the-art coal-fired facility. As an example of power generation efficiency improvements at an existing facility, from 2009 to 2012 we will install high-efficiency gas turbines to replace the No.1 System at the Shin Oita Power Station.

To accommodate future demand increases, having considered environmental factors and the fuel situation, we plan to develop a 400,000 kW-class unit at the Shin Oita Power Station. The new unit, a high-efficiency LNG combined-cycle power plant, will go into operation in fiscal 2016.

Pumped-storage Power Generation

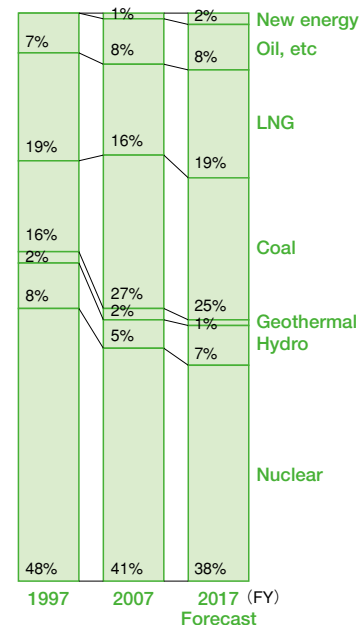
During peak demand periods and in emergency situations, such as major power source malfunctions, pumped-storage hydroelectric power generation is an excellent back-up power source, as it requires very little time from start-up to peak output and enables rapid output adjustments during operation. With these features in mind, we are to develop the Omarugawa Power Station as a power source for peak supply capacity and emergency response. We plan to commence operation at the 1.2 million-kilowatt facility (four units of 300,000 kilowatts each) by fiscal 2011.

Renewable Energy

From the viewpoint of alleviating global environmental problems and utilizing domestic energy sources, we will actively step up the development and introduction of wind, solar, hydroelectric and geothermal power. Specifically, we will engage in in-house development and research of power supply systems for outlying islands that combine wind and solar power. We will also actively seek to expand the use of renewable energy by considering expansion of wind power system capacity and providing businesses with technological support for binary-cycle geothermal power generation and small-scale hydropower generation.

In addition, with the aim of contributing to the solution of energy and environmental problems, we will work actively to raise power output from new energy sources, such as wind power, solar power and biomass, to approximately twice the fiscal 2007 level by fiscal 2017.

Power Generation by type (including purchased power)



Genkai Nuclear Power Station



Shin Oita Power Station



Nagashima Wind Power Station
(Nagashima Wind Hill Corporation)



Miyazaki Poultry Manure Incineration Power Station
(Miyazaki Biomass Recycling Co., Inc)

Maintaining Reliability of Electric Supply

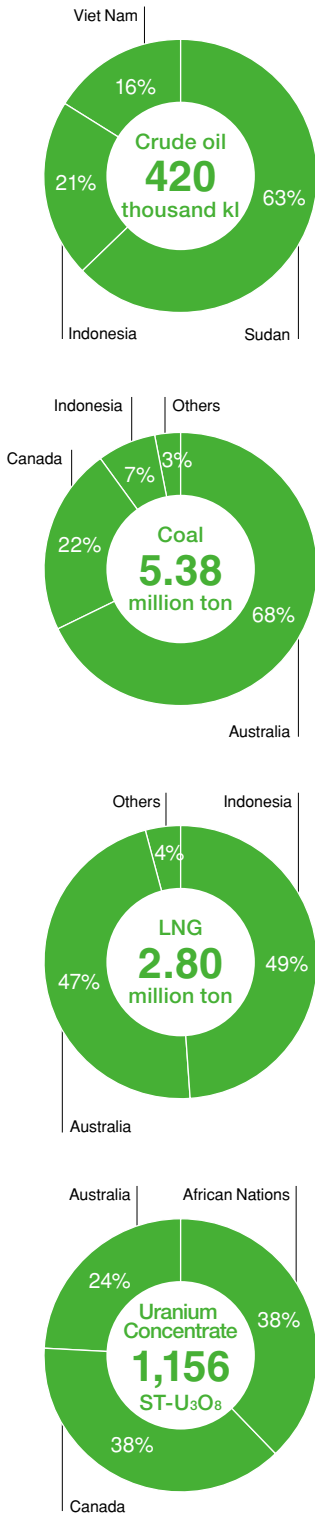
To maintain the high level of reliability Kyushu Electric Power is known for, we will work to enhance our technological capabilities in the development, operation and maintenance of power supply systems, and increase sophistication in facility operation and management.

To appropriately respond to demand trends, we will undertake efficient facility development. Also, we will strengthen our trunk transmission system to fully safeguard against widespread long-term power outages that disrupt the social fabric, and ensure power supply even in the case of rare malfunctions such as power transmission line route trouble. We undertake constant effort to prevent disruptions by solidifying the trunk transmission system and main local systems, which supply power widely over urban areas.

We plan to take measures to reduce facility damage from typhoons or other natural disasters, such as the snapping or collapse of steel towers and power poles or the severing of power lines and to shorten the time for recovery. At the same time, we are prioritizing inspection, repair and periodical replacement of age-deteriorated transmission equipment, transformers, and other power distribution equipment.

Momentary voltage fluctuations caused by lightning strikes can impact severely on customer plants, resulting in the suspension of a business operation or disruption to computers or other electronic equipment. To alleviate this threat, we have expanded installation of lightning conductors for power transmission equipment. These conductors can quickly avert malfunctions between steel towers and power transmission lines caused by lightning. We also offer customers consulting on how to prevent damage from voltage fluctuation.

Results of Fuel Procurement (FY 2007)



Activities to Ensure Stable Procurement of Fuel

As the supply and demand situation for energy tightens and fuel prices soar, the Company is diversifying its sources of supply and contract methods on the basis of long-term contracts to secure a stable fuel supply for the long term.

Coal

Kyushu Electric Power is diversifying its sources of supply to secure a stable supply of fuel. In fiscal 2007, we procured approximately 5.38 million tons of coal, mainly from Australia, but also from Canada, Indonesia and China. To ensure stable fuel transportation, we purchased two coal ships for our exclusive use in 2005 and 2006. We engage in flexible procurement through diversification of contract methods, combining multi-year contracts, single-year contracts and spot contracts.

LNG

On the basis of long-term contracts, in fiscal 2007 we procured 2.80 million tons of LNG, primarily from Australia and Indonesia. To reinforce our transport capabilities, we are currently building an LNG carrier jointly with Tokyo Electric Power Company. We plan to use this ship to transport LNG procured from the Western Australia project from April 2009. To ensure a stable supply of LNG for the future, we will begin to take delivery from Sakhalin II in Russia in fiscal 2009, as well as consider procurement of LNG from new sources.

Uranium

Until now, we have procured uranium from Canada, Australia and African countries. To secure a stable long-term supply of fuel in September 2007, we participated in a uranium mine project in the Republic of Kazakhstan, which has the world's second largest reserves of uranium resources, and acquired the right to obtain uranium concentrate. We have nearly secured the quantity of uranium required for the uranium processing facility until about 2020. With regard to price, we are undertaking diversification of contract methods, such as the partial use of a pricing system that makes it possible to control price increases.

Research and Development

Amid the deregulation of the electric power industry and advancements in information technology, Kyushu Electric Power engages in wide-ranging R&D. Priorities include the development of new technologies in line with environmental change and technological innovation, as well as proposals for new lifestyles conceived from the customer's point of view.

Three R&D Missions

1. Technological development related to the improvement of electric power-specific technologies, such as technologies to promote stable power supply and cost reductions
2. Technological development with a view to future needs, such as environmental protection and new energy technologies
3. Technological development shared within the Kyushu Electric Group to increase profitability and contribute to society, based on technologies and expertise obtained through R&D

R&D Case Studies

■ Lithium-ion batteries

To promote the use of electric vehicles, which can be expected to reduce environmental loads and create demand for electricity, Kyushu Electric Power is developing lithium-ion batteries and fast-charging service stands for electric vehicles. In a joint research effort with Mitsubishi Motors Corporation, in February 2008 we introduced ten i MiEV electric vehicles produced by Mitsubishi Motors at our Research Laboratory and other branches to evaluate their potential for use as company vehicles. We are also evaluating the performance of fast-charging service stands developed in-house.

We have also developed a new application for lithium-ion batteries, consisting of three types of environment-friendly portable electric power supply units (product name: Ele-kiteru) that emit no noise or exhausts. These units supply electricity for outdoor electromagnetic cookers and lighting. We displayed the high-capacity power unit (maximum output of 3 kW) at the Zero Emission House, a near-future model house constructed at the site of the G8 Summit at Toya Lake in Hokkaido, Japan.

■ The “Intelligent House” Concept

Reflecting heightened public concerns about global warming and other environmental issues as well as advancements in information technology, Kyushu Electric Power will engage in technological development under the slogan “Ecology and Web Comfortable Life” to propose new ways of using electricity as well as an energy-conserving, environment-friendly, next-generation lifestyle that reflects customers' viewpoints. Planned research themes include the minimization of cost and CO₂ emissions through optimal use of home appliances, power sources, and electrical storage devices; the realization of ecologically sound, energy-efficient living, fully utilizing renewable energy, highly efficient and energy conserving equipment and other features, and the realization of safe, comfortable and convenient lifestyles that makes full use of the Web.

In future, responding to changing times, we will continuously work on follow-on technical development while undertaking timely research and proposals.

■ Plasma Wire Coating

In 2004, Kyushu Electric Power developed plasma wire coating, a maintenance-free construction method that is expected to prevent corrosion for approximately 100 years. The technology, which is especially effective in environments with high concentrations of sea salt, has the potential to provide dramatic reductions in life-cycle costs. Plasma wire coating is environment-friendly as the coating material consists of an alloy made from aluminum and magnesium, elements found in abundance in nature. In March 2008, Nishinippon Plant Engineering and Construction, the Group company which developed the plasma wire coating based on R&D results, established Plazwire Co., Ltd., a new company that specializes in the new coating. The new company plans to actively develop this business nationwide.



Lithium-ion Battery (Large capacity)



Intelligent House (Finished image)



Plasma Wire Coating

Outline of Plasma Wire Coating Business Company

Company Name: Plazwire Co., Ltd.

Head Office: Chuo-ku, Fukuoka-shi, Fukuoka

Main Business: plasma wire coating, management operation of literary property concerning plasma wire coating

Established: March 2008

The Group is closely examining new business opportunities that present high growth potential, among other initiatives for maximizing the use of the Group's management resources.

The Company has applied for a patent on the plasma wire coating method jointly with Group company, Nishinippon Plant Engineering and Construction, and it is aiming for further business expansion in this field following the March 2008 establishment of Plazwire Co., Ltd.

i MiEV and Rapid Charge Stand



02 Kyushu Electric Power's Challenge

Services that truly satisfy.

To satisfy our customers, Kyushu Electric Power will continue to provide a variety of services adapted to their needs, with a focus on electricity and energy. These services include broadband service, home security services and condominiums that provide care services for senior citizens.



► Employee Comment

Akiko Yamane
(House Electrification Group,
Marketing Department)

We propose a comfortable, all-electric lifestyle involving the use of EcoCute energy-saving electric water heaters and induction heating cookers. EcoCute water heaters are heat pump water heaters that absorb heat from the air to heat water. They contribute greatly to energy conservation and CO₂ emission reduction by yielding thermal energy more than three times greater than the electrical energy they use. We will continue to devise proposals for comfortable, environment-friendly living for our customers.



Business Development Based on Customer Needs

In response to heightened environmental concerns and desire for amenities among our customers, Kyushu Electric Power implements a "total solution" marketing strategy, which uses the combined resources of the Kyushu Electric Power Group to satisfy diverse customer needs and propose solutions to problems our customers face.

Specific Total Solutions Activities

1. Promotion of secure, comfortable, economic and environment-friendly all-electric housing
2. Consulting on energy conservation
3. Promotion of the widespread use of high-efficiency equipment, such as electric kitchens and electric air conditioning
4. Provision of technical services concerning the operation of electrical equipment
5. Suggestions for optimal charge plans
6. Provision of products and services of Group companies

Proposals for Comfortable, Environment-friendly Living

We promote an energy-saving, comfortable lifestyle that enables our customers to enjoy comfortable, environment-friendly living without unnecessary waste of electricity.

For residential users, we seek to achieve both higher customer satisfaction and environment-friendliness by promoting all-electric housing, in which cooking, water heating, air conditioning, heating and other energy requirements are provided by electricity. In particular, we will actively recommend the use of the EcoCute heat pump water heating system, which is highly energy-efficient and greatly reduces CO₂ emissions.

In fiscal 2007, we added 94,000 all-electric residences, greatly exceeding the target of 88,000. This brought the cumulative number of all-electric residences to 442,000 at the fiscal 2007 year-end. The all-electric adoption rate exceeds 50% for newly constructed detached houses, with one in two customers selecting all-electric energy for their homes.

For business customers, we assign sales representatives to each branch and sales office, engage in energy conservation consulting, promote high-efficiency equipment, propose optimal charge plans, and otherwise provide meticulous customer service.

Customer Service Improvement

To services that are optimally adapted to changes in our customers' lifestyles, Kyushu Electric Power utilizes leading-edge technologies, including information technology geared to today's information-intensive environment.

■ Mobile Telephone Electricity Charge Payment Service

In June 2007, we made it possible for customers to pay their electricity charges by mobile telephone. In addition they may pay by account transfer, credit card, remittance at financial institutions and convenience stores, and payment at Kyushu Electric Power offices.

■ Provision of Power Outage Information in Times of Emergency or Natural Disaster

When a power outage occurs as a result of natural disasters, such as a typhoon, or other emergencies, Kyushu Electric Power provides information through the mass media and on its website. In July 2007, Kyushu Electric began providing power outage information on a prefecture and municipality basis, rather than the previous branch and sales office basis. We also enhanced information content with rapidly updated forecasts of service recovery times following the passage of typhoon.

We constantly strive to enhance information provision. For instance, in January 2008, we commenced the Kyushu Electric Power Mobile Mail Service, a system that provides power outage information in times of emergency or natural disaster and other critical information by text messaging to mobile telephones to anyone who signs up in advance.

Activities of Group Companies

To support fulfilling, comfortable living for our customers, the Kyushu Electric Power Group takes maximum advantage of its management resources to actively do business in a number of business sectors that offer profit and growth potential.

■ Broadband Business

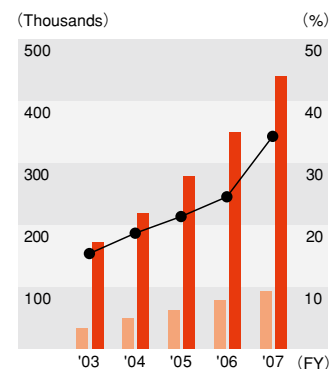
The number of subscribers to the BBIQ broadband service offered by Kyushu Telecommunication Network (QTNet) has grown steadily since service began in 2002, exceeding 200,000 in December 2007 and reaching approximately 220,000 at the end of fiscal 2007. QTNet began offering in the Kagoshima area in fiscal 2007 a triple package that combines Internet access, IP telephony, and video and broadcasting services and aims to increase the number of BBIQ subscribers by increasing added value through means including expansion of the triple package service area.

■ Condominiums for Senior Citizens

We operate a condominium business to provide residences that make possible fulfilling, highly convenient living for senior citizens and provide comprehensive care services for those for whom nursing care becomes necessary. Currently we operate condominiums in three locations: Fukutsu-shi in Fukuoka Prefecture, Kumamoto-shi, and Kagoshima-shi. In July 2007 we established a new company to engage in the same business in the Josui area of Fukuoka-shi.

Transition to All-electric Housing

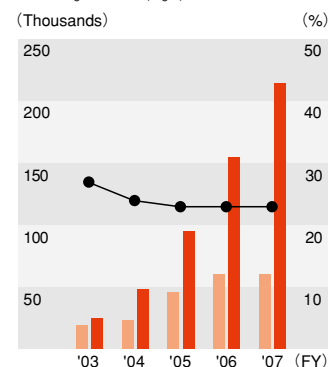
■ Number of all-electric houses in each fiscal year (Left)
 ■ Accumulated number of all-electric houses at the end of fiscal year (Left)
 ● New-built all-electric adoption rate (Right)



EcoCute (heat-pump unit (Left), hot cylinder unit (Right))

BBIQ Broadband Contracts

■ Number of acquisition in each fiscal year (Left)
 ■ Total at the end of fiscal year (Left)
 ● Intraregional share (Right)

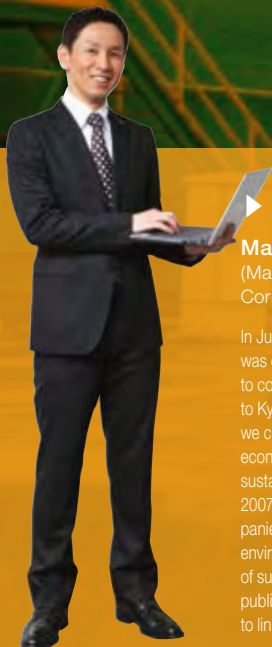


Grand Garden Kagoshima (condominiums with care services for senior citizens)

03 Kyushu Electric Power's Challenge

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

With the aim of creating a comfortable, affluent region and society and ensuring their sustained development, Kyushu Electric Power actively contributes to the development of the Kyushu region through business activities and social contribution activities. We also make effective use of the Group's management resources to actively engage in overseas undertakings, such as IPP projects and consulting.



Employee Comment

Masakatsu Terazaki
(Manager, Regional Strategy Group,
Corporate Planning Department)

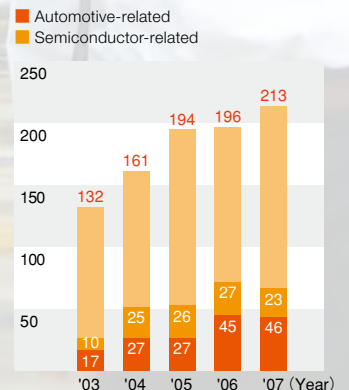
In July 2005 the Regional Strategy Group was established as a dedicated organization to control activities to attract companies to Kyushu and control local projects, and we collaborate with local government and economic organizations to promote the sustained development of Kyushu. In August 2007 we conducted a survey targeting companies located in Kyushu concerning site environment assessments and needs, a type of survey unusual anywhere in Japan, and published the survey findings. Our mission is to link Kyushu's potential to business power.



Activities to Attract Companies to Kyushu

Attracting companies is an important measure for regional development. To promote the development of the region and Kyushu Electric Power, we not only ensure the prompt supply of electricity to companies, but also provide information concerning company locations and propose solutions that take advantage of the management resources of the Group in cooperation with local governments. We also participate in and cooperate with projects and other undertakings to promote the region's industrial development and the vitalization of cities.

Number of Factory Locations in Kyushu



Harmonious Coexistence with Regional Communities and Society

To realize a comfortable, affluent region and society and ensure their sustained development, as a good corporate citizen Kyushu Electric Power engages in activities to promote harmonious coexistence in cooperation with residents of regional communities.

In accordance with the Basic Policy for Coexisting with Communities and Society, we actively engage in cooperative activities in wide-ranging areas. A committee established from a cross-section of the Group to manage these activities across Group organizations has established a plan-do-check-action (PDCA) cycle and seeks to enrich the activities. In the future, we plan to upgrade the mechanism for managing these activities so that we can engage in cooperative activities even more closely tied to regional communities through our local branches.

Community Development and Culture Activities

As a measure to vitalize communities and support local industry, we hold symposiums and exhibitions of local products in cooperation with local government bodies. We also co-sponsor and support arts and crafts exhibitions and workshops held in regional communities to carry on and preserve local traditional industrial arts, which are an important asset of Kyushu, and to promote the development of producing centers.

With regard to culture and the arts, to spread the enjoyment of music culture in Kyushu, we support the activities of the Kyushu Symphony Orchestra and sponsor concerts to provide local residents with opportunities to experience performances by a professional symphony orchestra.

Promotion of Sports and Support for Employee Volunteer Activities

We support regional sports tournaments with the aim of fostering the development of cheerful, healthy regional communities by vitalizing sports activities and raising the level of competition. We regard rugby as a sport that symbolizes Kyushu Electric Power, and our corporate rugby team actively provides guidance to youth rugby teams and participates in events.

We create an environment in which employees can actively engage in volunteer activities by providing a volunteer leave system, subsidizing expenses, and providing information on company bulletin boards.



Product Fair (held in Tokyo)



Cultural Forest Concert



Rugby Class for Children

Involvement in Overseas Projects

To realize new growth and development through the discovery of overseas business opportunities, we engage in IPP projects and provide energy conservation and environmental consulting services in Asia and North America.

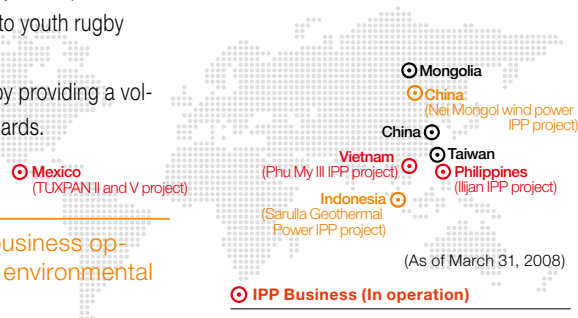
IPP Projects

Taking advantage of technologies developed in the domestic electric power business, the Company is currently conducting four gas combined-cycle IPP projects in Mexico, the Philippines, and Vietnam. In fiscal 2007 we acquired the right to participate in a geothermal power generation project in Indonesia, concluded a contract for a wind power generation project in China, and entered into an exchange agreement with a thermal power generation company in India, a new exchange partner, for information exchange in the areas of power generation and the environment. In the future we aim to discover new IPP projects in Asia and North America. We also plan to focus effort on renewable energy power generation projects that will lead to CDM acquisition.

Consulting Business

The Company utilizes experience and expertise accumulated in the electric power business in Japan and specialists who have advanced technological capabilities to engage in consulting on power source development, investigation, design and work management of transmission and transforming facilities and technical inspection in overseas countries, with a focus on Asia. In this way, we contribute to the stable supply of electric power and the development of engineers in other countries.

In September 2007 an energy conservation improvement project conducted by a consortium of Japanese and Chinese companies in which Kyushu Electric Power engages in continuing cooperation concerning China's largest spinning and weaving plant was designated as a Japan-China Energy Conservation and Environmental Business Promotion Model Project. In China and other countries we plan to continue to engage in energy conservation and environmental consulting that utilizes our high-efficiency power generation technologies and desulfurization, denitration, and other environmental protection technologies together with energy conservation technologies at electricity users.



IPP Business (In operation)

Mexico	Tuxpan II IPP Project (Capacity: 495 thousand kW) Tuxpan V IPP Project (Capacity: 495 thousand kW)
Philippines	Ilijan IPP Project (Capacity: 1.2 million kW)
Vietnam	Phu My III Project (Capacity: 717 thousand kW)

IPP Business (In review)

China	Consultation for the Inner Mongolia Power Generation IPP (power output: 50 thousand kW)
Indonesia	Consultation for Sarulla Geothermal Power Generation IPP (power output: 300 thousand kW)

Consultation and Environment-related Business

China	Consultation for energy conservation efforts
Taiwan	Consultation for technical issues relating to the construction of a transformation station Consultation for building thermal power plants Consultation for civil engineering and hydro geological reconnaissance
Mongolia	Consultation for surveying potential hydroelectric power station locations



Tuxpan II and V IPP Project

04 Kyushu Electric Power's Challenge

Discovering solutions, and putting them into practice.

Kyushu Electric Power will further enhance stakeholder communications, ascertain stakeholder opinions and requests concerning our activities, and rapidly and accurately reflect the views of stakeholders in our business activities. On the basis of the belief that human resources are the source of corporate value improvement, we are putting in place employee-friendly work environments where each employee can engage in challenging, rewarding work.



► Employee Comment

Miki Iyota
(Management Administration Group, Management Administration Department)

Once a year we conduct a stakeholder questionnaire survey targeting customers, shareholders, investors, and employees. We hope to contribute to increasing stakeholder satisfaction by feeding back stakeholder opinions and requests to management and having them reflected in business management. Furthermore, we aim to increase corporate value through these activities.



Communicating with Stakeholders

We conduct a stakeholder satisfaction survey and other questionnaire surveys and engage in two-way communication with stakeholders through the Rainbow System, by which all employees can input and search customer opinions from individual terminals and the Interactive System, which enables stakeholders to make inquiries through the corporate website.

Kyushu Electric Power Advisors — The Company requests outside authorities to act as Kyushu Electric Power Company advisors, from whom the president, vice-president, and other management executives obtain opinions, ideas, and requests concerning corporate activities in general and consultation concerning management activities. At this time there are twelve advisors.

Rainbow System — The Rainbow System is a system shared among all employees by which employees can input and search customer opinions obtained in day-to-day work activities and customer visits. Employees use the system to periodically distribute business process improvement case examples and other information across departments.

Establishment of the Action Guideline

To achieve Kyushu Electric Power's Mission, the Company has established the Action Guideline, decided on the basis of dialog among employees, which summarizes the attitude and disposition each employee should maintain in the performance of day-to-day work.

The Action Guideline was considered and formulated through an employee participation process by which employees of the Company deepened their understanding of Kyushu Electric Power's Mission and considered and discussed actions for linking the corporate mission to their work. Specifically, in accordance with opinions obtained from employees, we held workshops at corporate headquarters and the branches and conducted interviews with senior managers about values to be shared and the desired organizational culture. On the basis of the values identified through that process, we established the action guideline "Think and act yourself."

The expression "Think and act yourself" refers to the practice by which each employee in every work activity thinks independently about whether the activity is beneficial for customers, regional communities, workplace colleagues, and future generations and acts accordingly. We will work to achieve Kyushu Electric Power's Mission by further developing the skills and teamwork of individual employees through the encouragement of independent thought and action.

Increasing Employee Motivation and Skills

On the basis of the belief that human resources are the source of corporate value improvement, we seek to enhance the skills of individual employees and provide a framework that empowers employees to fully demonstrate their skills and contributes to increased organizational strength.

Recognizing that human resources are a company's most important asset and the source of corporate value improvement, in October 2007 the Company established the Kyushu Electric Power Education Charter, which clearly defines fundamental policies on future employee education, including a basic stance on education, employee posture, and the duty of executives, managers, and employees to educate their juniors.

We have also established the Internal Recruiting, Job Challenge, and Human Resource Bank systems as mechanisms to foster the initiative to take on challenges and develop highly motivated personnel. We engage in dialog with employees to increase employee acceptance of personnel and labor policies. Once a year we conduct an employee satisfaction survey covering all employees to ascertain employee morale and evaluation of personnel and labor systems and compliance, and we continuously implement mechanisms to reflect the opinions obtained in the survey in company policies and measures.

Fostering a Culture of Nuclear Power Safety

The Company strives to activate communication about nuclear power safety within workplaces and with partner companies and rigorously implements a safety first policy that places the highest priority on public safety and the safety of employees.

Based on recognition that awareness of "safety culture" is each employee's responsibility, the sum of that awareness becomes essential for the development of excellent workplace disposition and culture concerning safety by means of a workplace-driven operating structure and smooth communication, including communication with partner companies.

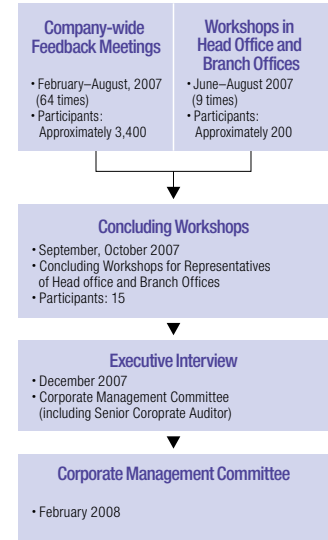
We activate internal communication by means of informal discussion sessions between employees and management executives and workplace meetings and engage in active personnel exchanges between headquarters and the power stations. To activate communication with partner companies, we hold joint pre-operation meetings, conduct worksite patrols, and hold discussion meetings. These safety-first activities support the stable operation of nuclear power generation.

Action Guideline to realize Kyushu Electric Power's Mission

Think and act yourself

- For Customers
- For the Community
- For Colleagues
- For Future Generations

Review Process for Action Guideline



Opportunities for Women

Since the formation of the Group in July 2007, we have engaged in comprehensive activities with regard to support for women's career development and support for balance between work and home as well as awareness raising and the fostering of a supportive corporate culture. In fiscal 2008 we will set up a company intranet, prepare career growth steps adapted to individual employees, and pursue workstyle diversification to promote balance between work and home.

Manager, Advancement Opportunities for Women Group, Human Resources Department

Rie Ueno



Corporate Governance

The core governance structures of 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. These bodies also decide basic policies concerning the development of internal control systems to ensure the appropriateness of company business and strive for continuous enhancement of these systems.

In 2007, as the basis for defining the roles of supervision and execution to farther enhance the system, we reviewed the Board of Directors and Board of Corporate Auditors System.

Board of Directors The Board of Directors as a rule meets once each month to make decisions on important corporate management matters and to supervise the execution of business. The Company has taken measures to vitalize the Board of Directors and strengthen its supervisory functions, including the establishment of a one-year term of office, a reduction in the number of directors, and the appointment of outside corporate directors. Matters for decision by the Board of Directors that require advance discussion or decisions that are important for business execution are discussed by the Corporate Management Committee, made up of the president and the executive officers. Executive officers are assigned to various organizational units, such as divisions and branches, to execute business; this structure ensures rapid decision-making and efficient business execution.

Board of Corporate Auditors The corporate auditors attend important meetings, including meetings of the Board of Directors, conduct interviews at business units, consolidated subsidiaries, and other affiliated companies, inspect business premises, and conduct audits concerning the overall execution of business of the directors and executive officers.

The Board of Corporate Auditors as a rule meets once a month to receive reports, consult, and make decisions on important matters related to audits stipulated in laws, regulations, and the Articles of Incorporation. The Company

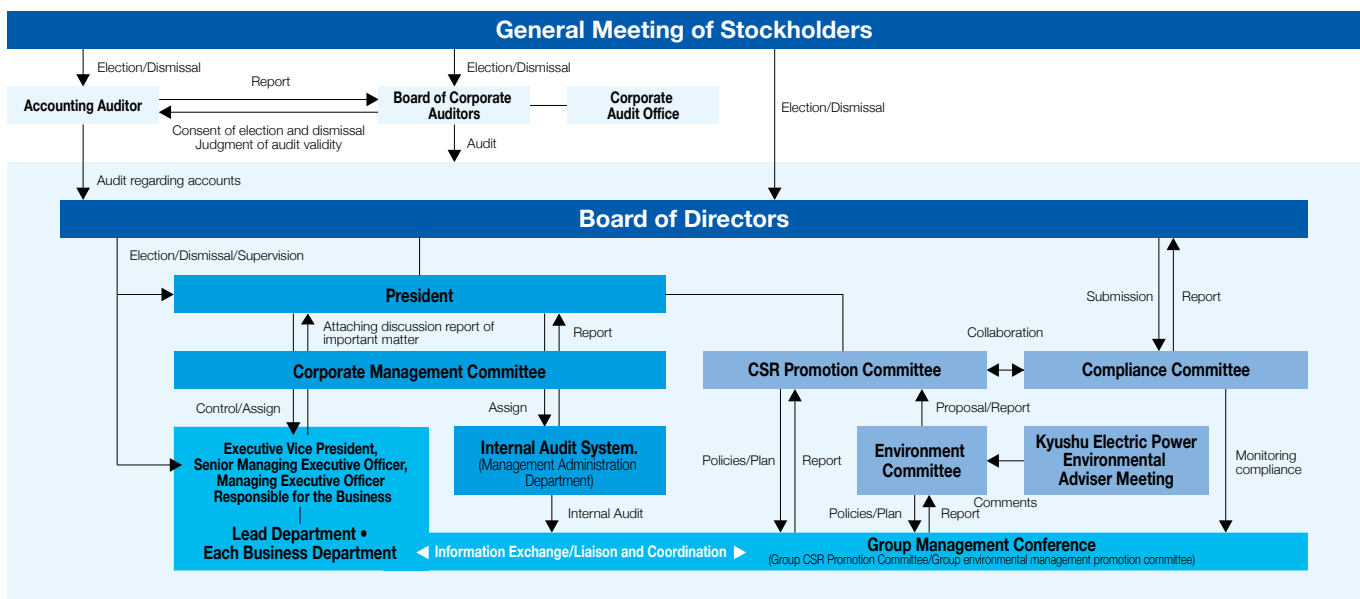
has established the Corporate Audit Office as a dedicated organization to assist with the duties of the corporate auditors.

Internal Auditing To ensure the appropriateness of business operations and increase management efficiency, the Company has assigned employees to the Internal Auditing Office in the Management Administration Department, an organization that is in a position of neutrality with respect to business execution. These employees conduct audits of legal compliance and the state of business execution at business units and worksites.

The Company has also assigned dedicated personnel to conduct audits of quality assurance systems related to safety activities at important supply facilities, such as nuclear power stations and thermal power stations.

Risk Management Kyushu Electric Power assigns internal organizations to manage risks that have a serious impact on management, periodically identifies, classifies, and assesses risks, and defines important risks related to the business of the entire Company or individual divisions. Individual business units and worksites incorporate countermeasures against risks identified through this process and risks relating to specific projects in their advance business planning and engage in appropriate risk management.

Crisis Management System 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, in accordance with the crisis management regulations the Company promptly establishes an emergency response headquarters under the leadership of the president, who is the chief crisis manager, and develops a structure to rapidly and appropriately respond to the situation on the basis of cooperation by involved organizations. Crisis management preparations include drills based on various emergency scenarios. Group companies have also developed their own systems to rapidly and appropriately respond to emergency situations in cooperation with the Company.



Corporate Social Responsibility

The Company rigorously ensures highly transparent, fair business activities in line with laws, regulations, and the principles of business ethics and, as a good corporate citizen, engages in environmental management and activities to ensure harmonious coexistence with regional communities.

CSR Management The Kyushu Electric Power CSR Report is a communication tool to describe the CSR activities of the Kyushu Electric Power Group and obtain the opinions of customers, shareholders, investors, and other stakeholders about those activities. The Company has developed a CSR management cycle to reflect those opinions in management and business operation.

The Company has put in place a structure to promote CSR management, appointing a corporate officer in charge of CSR and establishing the CSR Promotion Committee, which is chaired by the president. The committee works to expand and enhance CSR activities by deciding the CSR Action Plan and reviewing and discussing the CSR Report.

To coordinate group-wide action, we established the Group CSR Promotion Subcommittee, which familiarizes employees with policies related to the Company's CSR as a Group head office and, based on that, initiates PDCA and other programs to promote the implementation of a CSR management cycle throughout the entire Group.

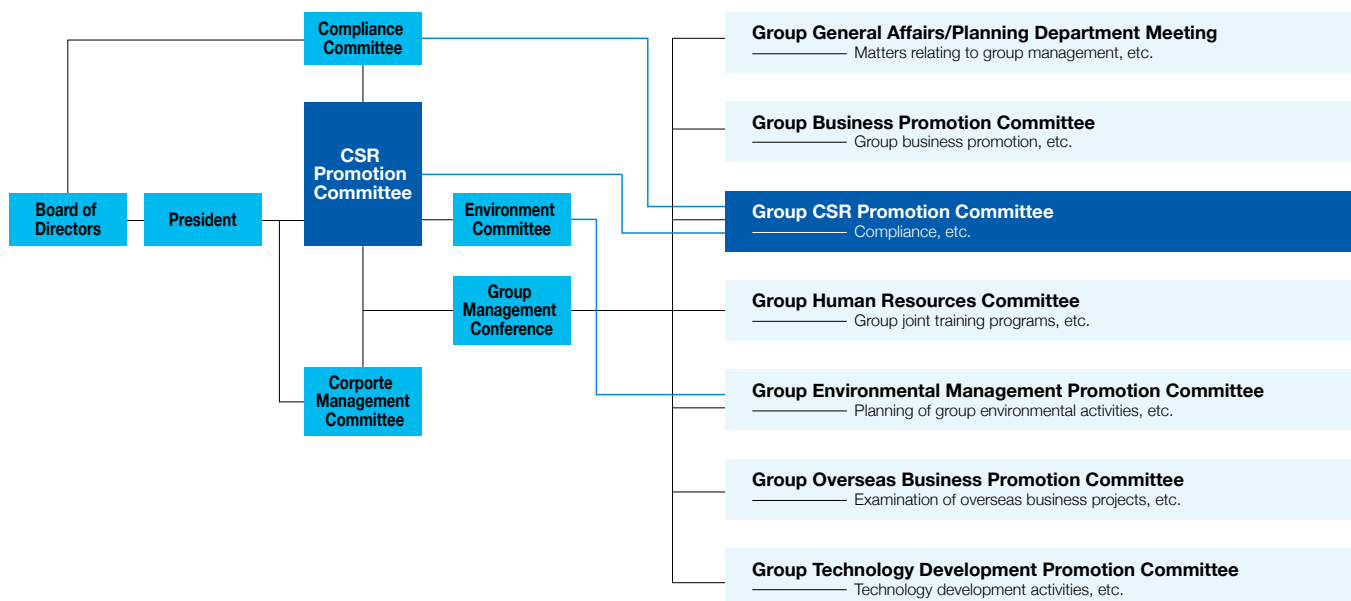
Information Disclosure To ensure transparency in management and reinforce public trust in Kyushu Electric Power, in accordance with the Kyushu Electric Power Basic Stance on Information Disclosure we hold monthly president's press conferences, issue press releases on an ad hoc basis, hold IR briefings, and utilize the corporate website to actively disclose information of interest to customers, shareholders, and investors.

In addition to the disclosure of management information and corporate public relations activities, we will continue to undertake to ensure management transparency by rapidly and accurately disclosing information about power outages in times of emergencies or natural disasters, such as typhoons or earthquakes, and about nuclear power, especially information concerning any problems at nuclear power or thermal power stations.

Respect for Human Rights and Improvement of the Working Environment

Kyushu Electric Power respects human rights in Japan and overseas and has made contributing to the creation of a comfortable, affluent society the basis for the Group's business operation. We engage in education and awareness activities and provide continuing training for employees from all Group companies to deepen understanding of human rights issues and ensure correct behavior on the part of each employee.

Specific activities include the establishment of a consultation center concerning sexual harassment and power harassment and the distribution of leaflets to all employees on the subject. As support measures to reconcile work and home life, we have reviewed the childcare leave period and the shortened working hours period and are implementing measures to introduce a flextime system for childcare and family care support. In view of Japan's rapidly declining birthrate and aging population, in fiscal 2007 we introduced the senior employee system and began measures to promote the employment of senior citizens, including raising the maximum age of newly hired employees to 65. In addition, we systematically employ people with disabilities in collaboration with schools and the Hello Work placement agency. In July 2004 we established the Kyushu Captioning Co-Production Center Inc. as a special subsidiary to provide a new occupation involving people with disabilities to work on behalf of other people with disabilities.



Compliance

To ensure the peace of mind of customers and the residents of the region we serve, Kyushu Electric Power rigorously complies with the law and engages in sincere, fair business activities in accordance with the principles of business ethics.

Compliance Management Structure The Company has established the Compliance Committee under the oversight of the Board of Directors. The committee appoints the general managers of business units (head office departments, branches, and local offices) that implement compliance-related activities as compliance managers to raise awareness of compliance company-wide. Also, as an internal reporting system, we established compliance inquiry stations inside and outside of the Company. The Group CSR Promotion Subcommittee promotes compliance management throughout the Group.

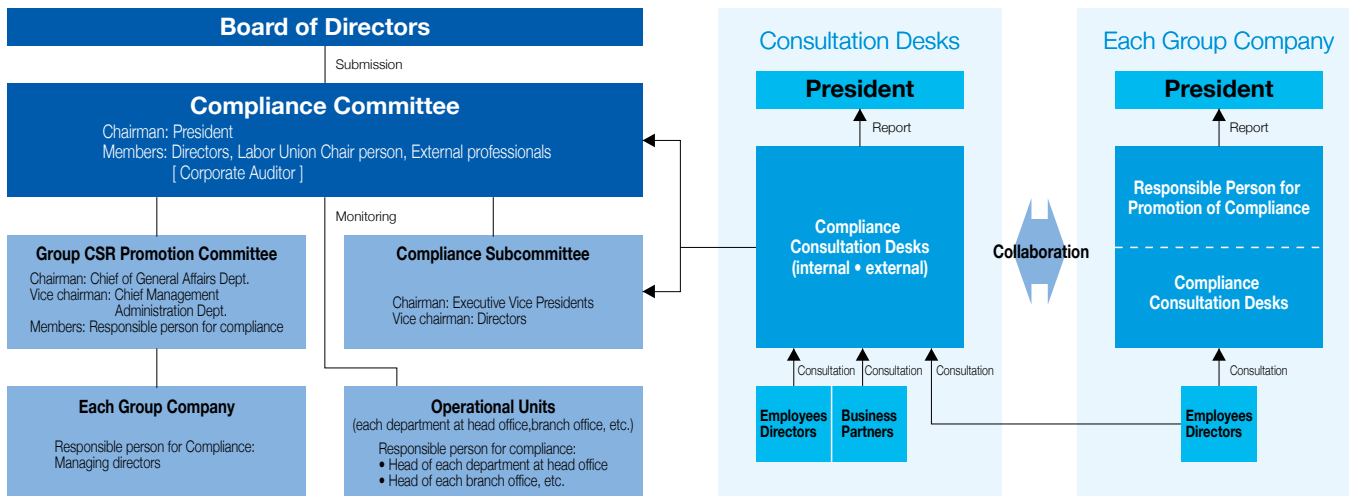
Compliance Committee The Compliance Committee, chaired by the president, consists of the Company's corporate officers, attorneys, academics, consumer advisors, and the chairperson of the Company's labor union. The committee endeavors to ensure objectivity and transparency. The committee meets twice yearly to propose and discuss policies and countermeasures concerning compliance management and to monitor implementation status. Specifically, it engages in active compliance management by reviewing the Compliance Action Guidelines and monitoring compliance awareness by means of employee education and training and questionnaire surveys conducted at Kyushu Electric Power and Group companies.

Compliance Action Guidelines To ensure compliance awareness, the Company distributes to all corporate officers and employees the Compliance Action Guidelines, which specifically describe standards of conduct to resolve doubts about compliance matters and points to bear in mind about relationships with customers, shareholders, investors, and other stakeholders, and holds briefings for employees.

Compliance Intranet In October 2007 the Company established on its intranet a system for the unified management of the latest information concerning compliance and positive case examples. In this way, we endeavor to promote information sharing between Kyushu Electric Power and Group companies and to raise employee awareness through employee dialogs at each workplace and department and employee education that utilizes the information.

Compliance Consultation Desks The Company has established compliance consultation desks internally and at the offices of an outside attorney for the purpose of prevention and early discovery of violations of laws, regulations, and business ethics. In addition to these consultation centers, the Company maintains a desk for consultation about sexual harassment and power harassment.

Information Security Management Under the information security management structure, in which the president is the chief information security officer, the Company assigns information security managers to head office departments, business sites, and business sections. The Information Security Committee, chaired by the president, and the Information Security Managers Committee, consisting of general managers of head office departments, meet to ensure information security and personal information protection through the proper implementation of a PDCA cycle throughout the Company.



Environmental Management

To continue to contribute to the development of a sustainable society in the years ahead, the Kyushu Electric Group mounts a united effort to implement environmental management that achieves balance between business activities and the natural environment.

■ The Kyushu Electric Power Group Environmental Charter

The circumstances of environmental protection are changing greatly, as witnessed by the start of the first commitment period of the Kyoto Protocol, and environmental protection measures on the part of corporations are becoming increasingly important. In these circumstances, to more clearly express the Group's united environmental management posture, in April 2008 we integrated the Kyushu Electric Power Environmental Charter, the Kyushu Electric Power Group Environment Philosophy, and the Kyushu Electric Power Group Environment Policies and established the Kyushu Electric Power Group Environmental Charter. On the basis of this environmental charter, each fiscal year the Company formulates an Environmental Action Plan (at Group companies, the Kyushu Electric Power Group Environmental Activities Plan), comprehensively taking into consideration changes in the social situation and stakeholder needs and the internal and external evaluation of the previous fiscal year's activities. This is an activities plan that all employees implement to promote environmental management, and the Company undertakes to ensure its steady, accurate implementation.

■ Measures to Address Global Environmental Problems

In addition to electricity supply-side measures such as the promotion of an optimal generation mix and expanded introduction of renewable energy, we implement electricity demand-side measures together with customers through the promotion of EcoCute, the provision of energy conservation information, and consulting services. Furthermore, we take forward-thinking measures to curb greenhouse gas emissions, including the certain achievement of our CO₂ emissions reduction target through the utilization of the Kyoto Mechanisms, which involves investment in funds and the purchase of CO₂ emission credits from individual projects.

■ Measures to Create a Recycling Society

Kyushu Electric Power implements the 3Rs, reduction, reuse, and recycling, to reduce the volume of waste generated in business activities. We practice appropriate waste management and disposal and are seeking to reduce the final disposal volume of waste to as close to zero as possible under the slogan "Challenge for Zero Emissions."

Also, to promote the procurement of eco-friendly products, we employ environmental evaluation in addition to the conventional evaluations of quality, price and promptness of delivery.

■ Harmonious Coexistence with the Local Environment

In the development and operation of power generation facilities, Kyushu Electric Power rigorously engages in environmental protection and management, taking appropriate measures to prevent air pollution, water pollution, noise pollution, and soil contamination. We also appropriately manage PCB (polychlorinated biphenyl) and asbestos to protect the environment from these substances.

■ Partnership with Society

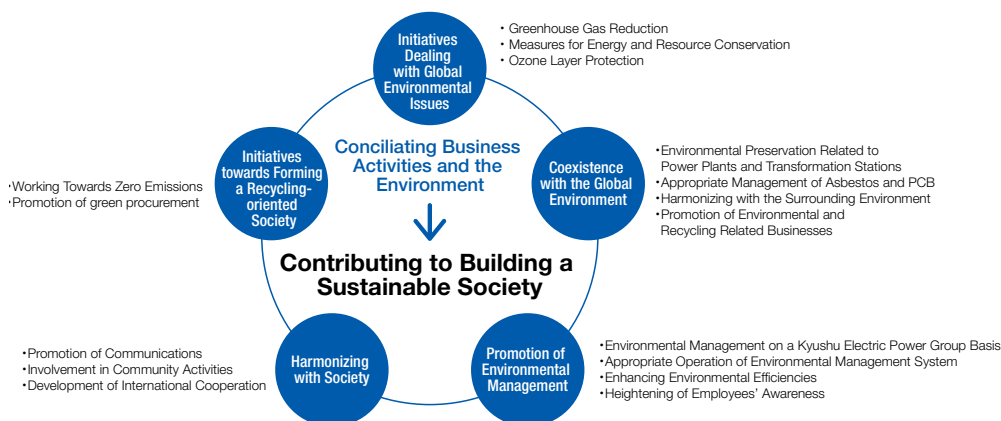
We engage in Eco Mothers Activities, by which mothers visit local nurseries and kindergartens to provide support for children's environmental education and provide parents with information on the environment. In addition, we visit schools to teach classes on the environment and energy and conduct tours of our facilities to promote understanding of the environment and energy among the leaders of tomorrow.

To commemorate the 50th anniversary of our founding, in fiscal 2001 we launched the Kyushu Homeland Forestation Program to plant one million trees over a ten-year period together with people across the region. We have planted about 790,000 trees during the seven-year period to fiscal 2007.

■ Environmental Management

We have developed and operate at all business sites environmental management systems based on ISO 14001 and continuously strive to reduce environmental loads. To engage in more efficient and effective environmental activities, we aim to raise the level of environmental management by using environmental accounting, a tool for quantitatively ascertaining and analyzing the costs of environmental activities and their attendant effects.

Environmental Action Plan in Fiscal 2008



Kyushu Homeland Forestation Program

Board of Directors and Auditors

(As at June 28, 2008)



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

Yasumichi Hinago
Hajime Sankoda
Mamoru Dangami
Masayoshi Nuki
Seizaburo Ikematsu
Kazutami Oyama
Yoshinori Fukahori
Keiji Mizuguchi
(Outside Director)

Senior Corporate Auditor

Tokihisa Ichinose

Corporate Auditor

Kenji Hokamura
Tsutomu Zenpuku
Michiyo Koike
(Outside Corporate Auditor)
Kyouzuke Takaishi
(Outside Corporate Auditor)
Hirokazu Murayama
(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)
	2008	2007	2006	2005	2004	2008
For the Year:						
Operating revenues	¥1,482,352	¥1,408,328	¥1,401,752	¥1,408,728	¥1,391,684	\$14,793,932
Electric	1,363,424	1,307,737	1,311,996	1,320,581	1,308,843	13,607,026
Other	118,928	100,591	89,756	88,147	82,841	1,186,906
Operating expenses	1,376,811	1,253,155	1,230,467	1,194,993	1,192,718	13,740,629
Electric	1,260,616	1,155,414	1,140,797	1,107,744	1,108,104	12,580,998
Other	116,195	97,741	89,670	87,249	84,614	1,159,631
Interest charges	36,938	38,354	41,130	49,522	77,121	368,642
Income before income taxes and minority interests	72,463	112,887	120,790	146,797	112,451	723,184
Income taxes	29,853	46,075	43,038	57,858	39,086	297,934
Net income	41,727	65,968	76,850	89,288	72,792	416,437
Per share of common stock (yen and U.S. dollars):						
Basic net income	¥ 88.19	¥ 139.37	¥ 161.67	¥ 187.91	¥ 153.05	\$ 0.88
Cash dividends applicable to the year	60.00	60.00	60.00	60.00	50.00	0.60
At year-end:						
Total assets	¥4,059,775	¥4,038,839	¥4,102,319	¥4,049,713	¥4,114,378	\$40,516,717
Net property	3,109,293	3,140,200	3,217,982	3,300,740	3,394,855	31,030,868
Long-term debt, less current portion	1,712,949	1,689,107	1,724,179	1,739,660	1,858,512	17,095,299
Equity	1,084,213	1,092,601	1,052,785	979,252	910,838	10,820,489

(U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥100.20 = U.S. \$1, the approximate rate of exchange at March 31, 2008.)

Management Discussion and Analysis

Summary

- Higher revenues, but lower income for the second consecutive year:

In the electric power segment,

- Operating revenues increased, due to sales and other growth
- Higher fuel and purchased power costs due to soaring fuel prices and sales expansion
- Increased periodic maintenance work for nuclear power stations

Operating Results

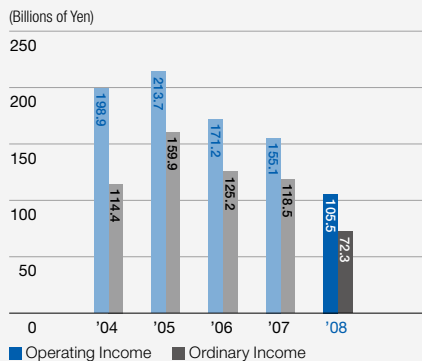
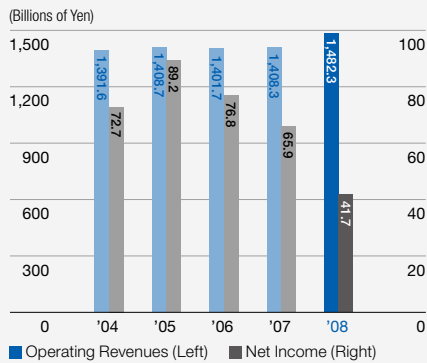
In the year ended March 31, 2008, consolidated operating revenues increased by 5.3% year on year to ¥1,482.3 billion. The higher revenues were attributable to factors including an increase in the electricity sales volume in the electric power segment.

With regard to expenditures, in the electric power segment fuel and purchased power costs rose because of soaring fuel prices and an increase in electricity sales volume, and repair costs such as periodic maintenance work for nuclear power stations increased. As a result, operating expenses increased by 9.9% year on year to ¥1,376.8 billion. The above factors resulted in a 32.0% decrease in operating income to ¥105.5 billion.

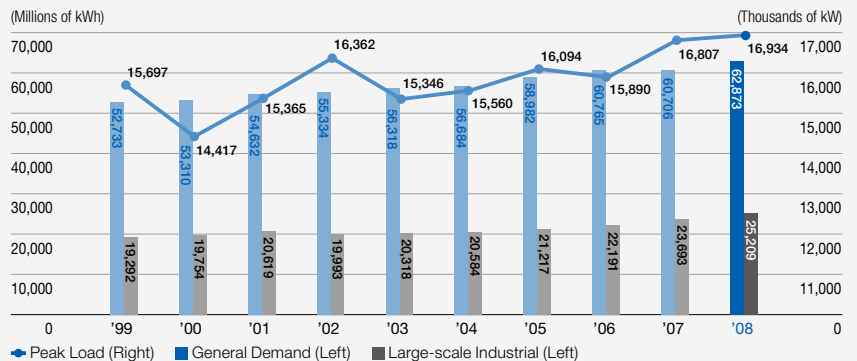
Non-operating income increased by 28.3% year on year to ¥11.2 billion, as increases in gains from sales of securities and interest received offset a decrease in gains from sales of fixed assets. Non-operating expenses decreased by 2.1% to ¥44.3 billion as a result of a decrease in interest paid and other factors.

As a result of these developments, ordinary income decreased for the third consecutive year, falling by 39.0% year on year to ¥72.3 billion, as ordinary revenues increased by 5.4% to ¥1,493.5 billion and ordinary expenses increased by 9.5% to ¥1,421.2 billion.

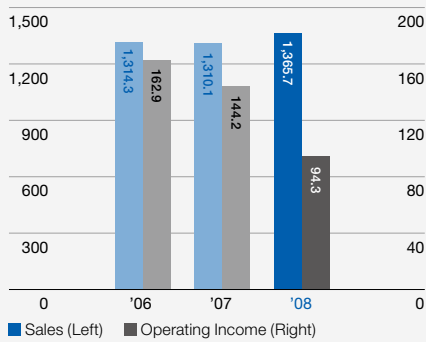
Net income also decreased for the third consecutive year, falling by 36.7% year on year to ¥41.7 billion. Net income per share fell by ¥51.18 to ¥88.19.



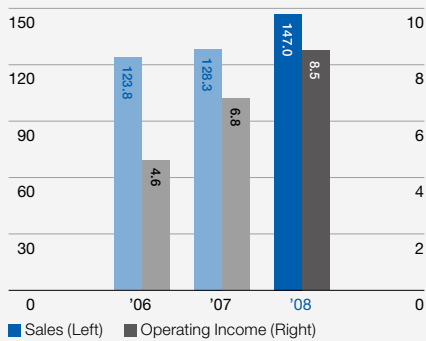
Electricity Sales Volume (Millions of kWh) and Peak Load (Thousands of kW)



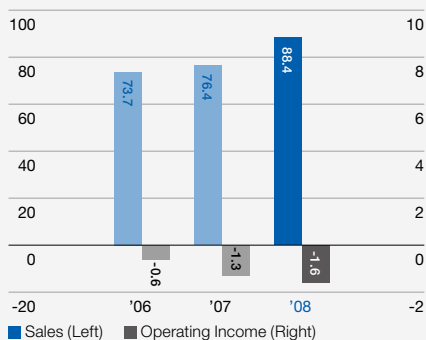
Electric Power (Billions of Yen)



Energy-Related Business (Billions of Yen)



IT and Telecommunications (Billions of Yen)



Segment Information (Before Elimination of Internal Transactions)

(1) Electric Power

General demand, including domestic lighting and commercial demand, increased by 3.6% year on year. Among the factors contributing to the increase were greater demand for cooling and heating due to severe late-summer heat, a rebound in consumption, following a warm winter in the previous year, growth in the number of all-electric homes and the opening of new commercial facilities. Also, demand from major industrial users increased by 6.4% year on year. Reasons for the increase included strong production growth in several industries, notably transportation equipment, iron and steel, and chemicals, and conversion from in-house generation to electricity supplied by Kyushu Electric Power in response to soaring crude oil prices. As a result, total units of electricity sold increased by 4.4% year on year to 880.8 billion kilowatt hours.

On the supply side, our nuclear facilities and other facilities continued to operate steadily, allowing us to maintain reliable supplies of electric power. Analysis of the energy mix, including electric power generated and purchased wholesale from other companies, shows that nuclear power accounted for 41%, thermal power for 53%, hydroelectric power for 5%, and new energy for 1%.

With regard to operating results, sales increased by 4.2% year on year to ¥1,365.7 billion, and operating income decreased by 34.6% to ¥94.3 billion as a result of such factors as increases in fuel and repair costs.

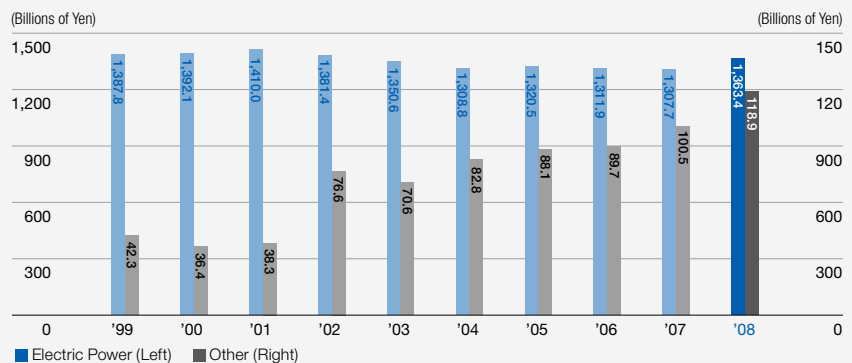
(2) Energy-related Business

Sales in this segment increased by 14.6% year on year to ¥147.0 billion as a result of sales increases at three consolidated subsidiaries and other factors. Operating income rose by 24.5% to ¥8.5 billion due, primarily to an increase in the value of completed repair work on power generation facilities.

(3) IT and Telecommunications

Sales increased by 15.7% year on year to ¥88.4 billion. Reasons for the increase included the addition of one consolidated subsidiary and an increase in the number

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

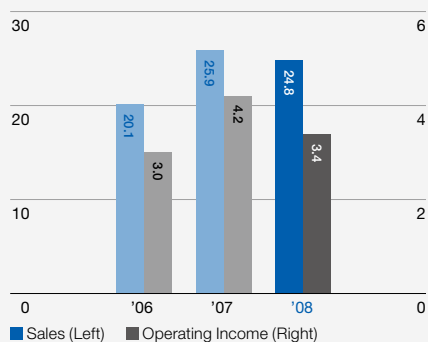


of broadband service lines in operation. Operating losses increased by ¥0.3 billion to ¥1.6 billion, principally because of an increase in cost of sales related with the manufacturing and sale of telecommunication devices.

(4) Other Activities

Sales fell by 4.2% year on year to ¥24.8 billion. The decrease is mainly attributable to lower revenues in connection with real estate sales. Operating income decreased by 18.2% to ¥3.4 billion.

Other Activities (Billions of Yen)



Financial Position

(1) Cash Flows

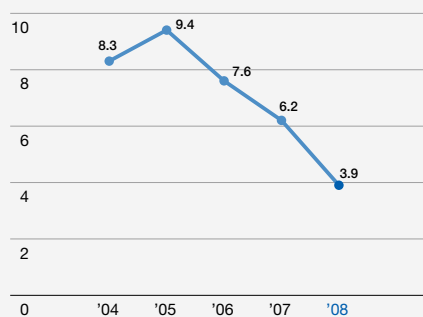
Net cash provided by operating activities decreased by 12.2% year on year to ¥267.5 billion. Reasons for the decrease included higher fuel costs and repair costs in the electric power segment.

Net cash used in investing activities increased by 15.2% to ¥233.5 billion. The increase was attributable to factors including higher capital expenditures.

Net cash used in financing activities decreased by 74.3% to ¥26.3 billion.

As a result of the above and an increase of ¥0.5 billion attendant on a change in consolidation, cash and cash equivalents as of March 31, 2008 amounted to ¥58.7 billion, a year-on-year increase of ¥8.0 billion.

ROE (%)



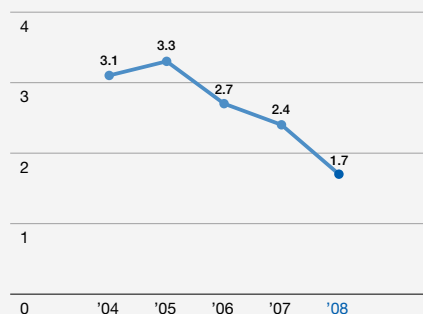
(2) Assets, Liabilities and Net Assets

Assets as of March 31, 2007 were ¥4,059.7 billion, 0.5% higher than the previous fiscal year. Reasons for the change included increases in inventories and other current assets.

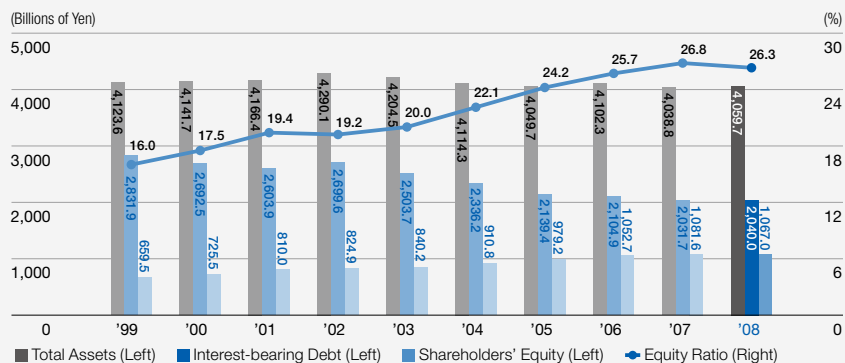
Liabilities rose by 1.0% year on year to ¥2,975.5 billion. Reasons for the change included increases in notes and accounts payable and in the reserve for decommissioning of nuclear power units, despite a decrease in the retirement benefit reserve. The balance of interest-bearing liabilities increased by ¥8.3 billion to ¥2040.0 billion.

Despite the recording of net income, net assets at year-end decreased from the previous year by 0.8% to ¥1,084.2 billion as a result factors including cash dividends and a decrease in the net unrealized gain on securities. The equity ratio was 26.3%.

ROA (%)



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



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 27, 2008.

1

Risks Related to System Reforms of the Electricity Industries

In electricity business, the nation-wide discussion has started in April 2007 at the Electricity Industry Committee in the Advisory Committee for Natural Resources and Energy. The main issue under consideration is a system to develop a mechanism to achieve a stable supply of energy and environmental compliance simultaneously and efficiently.

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. Even though the impact of these factors can be partially offset by reflecting them in electric rates through a fuel cost adjustment system, an unusual volatility in fuel prices have potential to affect the Kyushu Electric Power Group's operating results.

5 Risks Related to Interest Rates

The Kyushu Electric Power Group's balance of interest-bearing debt as of the end of March 2008 is 2,040.0 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, 92% of outstanding interest-bearing debt comprises long-term debt, and most of these bear interest at fixed rates. 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.

The Kyushu Electric Power Group is working to establish a crisis management structure. However, in case of an inappropriate handling of unexpected situation, which brings serious damage to the Kyushu Electric Power Group's reputation, the Kyushu Electric Power Group's operation may be affected.

Additionally, a tightening of environmental regulations related to global warming has a potential to affect the Kyushu Electric Power Group's operations.

Consolidated Balance Sheets

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
ASSETS			
PROPERTY (Notes 3 and 13):			
Plant and equipment	¥ 8,967,001	¥ 8,722,733	\$89,491,028
Construction in progress	229,449	315,861	2,289,910
Total	9,196,450	9,038,594	91,780,938
Less-			
Contributions in aid of construction	143,095	137,826	1,428,094
Accumulated depreciation	5,944,062	5,760,568	59,321,976
Total	6,087,157	5,898,394	60,750,070
Net property	3,109,293	3,140,200	31,030,868
NUCLEAR FUEL	250,845	240,663	2,503,443
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 4)	109,279	146,408	1,090,609
Investments in and advances to non-consolidated subsidiaries and affiliated companies	54,553	61,912	544,441
Reserve funds for reprocessing of irradiated nuclear fuel (Note 8)	104,740	70,082	1,045,309
Deferred tax assets (Note 10)	115,151	104,895	1,149,212
Other assets	28,912	25,656	288,543
Total investments and other assets	412,635	408,953	4,118,114
CURRENT ASSETS:			
Cash and cash equivalents	58,767	50,672	586,497
Receivables	128,456	117,095	1,281,996
Allowance for doubtful accounts	(1,181)	(1,169)	(11,786)
Inventories, principally fuel, at average cost	65,115	49,918	649,850
Deferred tax assets (Note 10)	15,943	15,813	159,112
Prepaid expenses and other	19,902	16,694	198,623
Total current assets	287,002	249,023	2,864,292
TOTAL	¥ 4,059,775	¥ 4,038,839	\$40,516,717

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
LIABILITIES AND EQUITY			
LONG-TERM LIABILITIES:			
Long-term debt, less current portion (Note 6)	¥1,712,949	¥1,689,107	\$17,095,299
Liability for employees' retirement benefits (Note 7)	150,513	177,182	1,502,126
Reserve for reprocessing of irradiated nuclear fuel (Note 8)	362,826	371,815	3,621,018
Reserve for decommissioning of nuclear power units	147,529	126,172	1,472,345
Other	34,631	24,670	345,619
Total long-term liabilities	2,408,448	2,388,946	24,036,407
CURRENT LIABILITIES:			
Current portion of long-term debt (Note 6)	171,616	199,611	1,712,735
Short-term borrowings (Note 9)	143,457	136,050	1,431,707
Commercial paper	12,000	7,000	119,761
Notes and accounts payable (Note 15)	113,161	82,964	1,129,351
Accrued income taxes	4,289	12,064	42,804
Accrued expenses	79,420	74,321	792,615
Other	43,171	45,191	430,848
Total current liabilities	567,114	557,201	5,659,821
RESERVE FOR FLUCTUATIONS IN WATER LEVEL		91	
COMMITMENTS AND CONTINGENCIES (Note 18)			
EQUITY (Note 11):			
Common stock, authorized, 1,000,000,000 shares; issued, 474,183,951 shares in 2008 and 2007	237,305	237,305	2,368,313
Capital surplus	31,141	31,094	310,788
Retained earnings	769,542	756,406	7,680,060
Unrealized gain on available-for-sale securities	28,004	54,992	279,481
Deferred gain on derivatives under hedge accounting	3,332	3,865	33,254
Foreign currency translation adjustments	(282)	(184)	(2,814)
Treasury stock-at cost 1,028,013 shares in 2008 and 999,075 shares in 2007	(1,995)	(1,844)	(19,910)
Total	1,067,047	1,081,634	10,649,172
Minority interests	17,166	10,967	171,317
Total equity	1,084,213	1,092,601	10,820,489
TOTAL	¥4,059,775	¥4,038,839	\$40,516,717

Consolidated Statements of Income

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Years Ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
OPERATING REVENUES (Note 16):			
Electric	¥1,363,424	¥1,307,737	\$13,607,026
Other	118,928	100,591	1,186,906
Total operating revenues	1,482,352	1,408,328	14,793,932
OPERATING EXPENSES (Notes 12 and 16):			
Electric	1,260,616	1,155,414	12,580,998
Other	116,195	97,741	1,159,631
Total operating expenses	1,376,811	1,253,155	13,740,629
OPERATING INCOME	105,541	155,173	1,053,303
OTHER EXPENSES (INCOME):			
Interest charges	36,938	38,354	368,642
Loss on impairment of fixed assets (Note 13)		5,602	
Other-net	(3,769)	(1,761)	(37,615)
Total other expenses-net	33,169	42,195	331,027
INCOME BEFORE INCOME TAXES AND PROVISION FOR (REVERSAL OF) RESERVE FOR FLUCTUATIONS IN WATER LEVEL AND MINORITY INTERESTS	72,372	112,978	722,276
PROVISION FOR (REVERSAL OF) RESERVE FOR FLUCTUATIONS IN WATER LEVEL	(91)	91	(908)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	72,463	112,887	723,184
INCOME TAXES (Note 10):			
Current	23,830	38,266	237,824
Deferred	6,023	7,809	60,110
Total income taxes	29,853	46,075	297,934
INCOME BEFORE MINORITY INTERESTS IN NET INCOME OF CONSOLIDATED SUBSIDIARIES	42,610	66,812	425,250
MINORITY INTERESTS IN NET INCOME OF CONSOLIDATED SUBSIDIARIES	(883)	(844)	(8,813)
NET INCOME	¥ 41,727	¥ 65,968	\$ 416,437

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.q.):			
Basic net income	¥ 88.19	¥ 139.37	\$ 0.88
Cash dividends applicable to the year	¥ 60.00	60.00	0.60

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Years Ended March 31, 2008 and 2007

	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, 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.o.)											¥ 10,125	10,125
Adjustment of retained earnings for inclusion of companies accounted for 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)
Purchase of 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
Adjustment of retained earnings for inclusion of companies accounted for by the equity method				(290)						(290)		(290)
Adjustment of retained earnings for the merger of a non-consolidated subsidiary with a consolidated subsidiary				106						106		106
Net income				41,727						41,727		41,727
Cash dividends, ¥60 per share				(28,407)						(28,407)		(28,407)
Purchase of treasury stock								131	(391)	(391)		(391)
Disposal of treasury stock			47					(102)	240	287		287
Net change in the year					(26,988)	(533)	(98)			(27,619)	6,199	(21,420)
BALANCE AT MARCH 31, 2008	474,184	¥ 237,305	¥ 31,141	¥ 769,542	¥ 28,004	¥ 3,332	¥ (282)	1,028	¥ (1,995)	¥1,067,047	¥ 17,166	¥1,084,213

	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, 2007	\$ 2,368,313	\$ 310,319	\$ 7,548,962	\$ 548,823	\$ 38,573	\$ (1,836)	\$ (18,403)	\$ 10,794,751	\$ 109,451	\$ 10,904,202	
Adjustment of retained earnings for inclusion of companies accounted for by the equity method			(2,894)					(2,894)		(2,894)	
Adjustment of retained earnings for the merger of a non-consolidated subsidiary with a consolidated subsidiary			1,058					1,058		1,058	
Net income			416,437					416,437		416,437	
Cash dividends, \$0.60 per share			(283,503)					(283,503)		(283,503)	
Purchase of treasury stock							(3,902)	(3,902)		(3,902)	
Disposal of treasury stock		469					2,395	2,864		2,864	
Net change in the year				(269,342)	(5,319)	(978)		(275,639)	61,866	(213,773)	
BALANCE AT MARCH 31, 2008	\$ 2,368,313	\$ 310,788	\$ 7,680,060	\$ 279,481	\$ 33,254	\$ (2,814)	\$ (19,910)	\$ 10,649,172	\$ 171,317	\$ 10,820,489	

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Years Ended March 31, 2008 and 2007

	Millions of Yen	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 72,463	¥ 112,887	\$ 723,184
Adjustments for:			
Income taxes-paid	(31,369)	(47,290)	(313,064)
Depreciation and amortization	253,370	240,258	2,528,643
Loss on impairment of fixed assets		5,602	
Reversal of liability for employees' retirement benefits	(28,405)	(27,107)	(283,483)
Provision for (reversal of) reserve for reprocessing of irradiated nuclear fuel	(8,989)	18,425	(89,711)
Provision for reserve for decommissioning of nuclear power units	21,357	6,545	213,144
Loss on disposal of plant and equipment	8,050	9,451	80,339
Provision for (reversal of) reserve for fluctuations in water level	(91)	91	(908)
Cash contribution for business restructuring		(3,101)	
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries and merger of a non-consolidated subsidiary with a consolidated subsidiary:			
Increase in reserve funds for reprocessing of irradiated nuclear fuel	(34,658)	(9,947)	(345,888)
Increase in trade receivables	(8,055)	(8,167)	(80,389)
Increase in inventories	(13,194)	(1,172)	(131,677)
Increase in trade payables	19,671	613	196,317
Other-net	17,360	7,427	173,253
Total adjustments	195,047	191,628	1,946,576
Net cash provided by operating activities	267,510	304,515	2,669,760
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures including nuclear fuel	(242,220)	(202,913)	(2,417,365)
Payments for investments and advances	(8,165)	(8,686)	(81,487)
Proceeds from sales of investment securities and collections of advances	7,840	1,370	78,243
Proceeds from acquisition of additional interests of subsidiaries which caused initial consolidation, net of cash acquired (Note 14)	3,211		32,046
Other-net	5,747	7,418	57,355
Net cash used in investing activities	(233,587)	(202,811)	(2,331,208)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of bonds	139,452	108,489	1,391,736
Repayments of bonds and notes	(127,710)	(74,514)	(1,274,551)
Proceeds from long-term bank loans	63,784	65,990	636,567
Repayments of long-term bank loans	(83,994)	(131,931)	(838,264)
Net increase (decrease) in short-term borrowings	6,067	(48,721)	60,549
Net increase in commercial paper	5,000	7,000	49,900
Cash dividends paid	(28,391)	(28,412)	(283,343)
Other-net	(579)	(692)	(5,778)
Net cash used in financing activities	(26,371)	(102,791)	(263,184)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(64)	(42)	(638)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,488	(1,129)	74,730
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES	537	125	5,359
CASH AND CASH EQUIVALENTS OF A NON-CONSOLIDATED SUBSIDIARY MERGED WITH A CONSOLIDATED SUBSIDIARY	70		699
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	50,672	51,676	505,709
CASH AND CASH EQUIVALENTS AT END OF YEAR	¥ 58,767	¥ 50,672	\$ 586,497

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Years Ended March 31, 2008 and 2007

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 Financial Instruments and Exchange Law (Formerly, 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 of Japan (the "Corporate Law") 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.

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, 2007 to conform to the classifications used in the consolidated financial statements for the year ended March 31, 2008.

The United States dollar amounts included herein are provided solely for the convenience of readers and are stated at the rate of ¥100.20 = U.S. \$1, the approximate exchange rate prevailing on March 31, 2008. 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, 2008 include the accounts of the Company and its thirty-four (twenty-nine for 2007) subsidiaries (together, the "Companies"). All significant intercompany transactions and balances have been eliminated in consolidation. Investments in eighteen (thirteen for 2007) non-consolidated subsidiaries and twelve (thirteen for 2007) 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 difference between the cost of an acquisition and 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.

Property acquired before April 1, 2007 is depreciated up to 95% of acquisition cost with 5% of residual value. Such 5% portion of property is systematically amortized over 5 years starting in the following year in which the carrying value of property reaches 5% of the acquisition cost, in accordance with the revised corporate tax law

which is effective for fiscal years beginning on or after April 1, 2007.

The effect of this treatment was to decrease income before income taxes and minority interests for the year ended March 31, 2008 by ¥15,233 million (\$152,026 thousand).

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 and mutual funds investing in bonds that represent short-term investments, all of 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 a foreign subsidiary and foreign affiliated companies, which are 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 in the income statement 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 most 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 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 had been conducted by the subcommittee of the Japanese Government, i.e. the Ministry of Economy, Trade and Industry (“METI”). In May 2008, based on the study and cost analysis, the METI issued a revised ordinance regulating the estimate of decommissioning costs for each power generation unit. The reserve for decommissioning of nuclear power units for the year ended March 31, 2008 was calculated in accordance with the revised ordinance.

The effect of this treatment was to decrease income before income taxes and minority interests for the year ended March 31, 2008 by ¥13,408 million (\$133,812 thousand).

m. 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.

n. 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.

o. Presentation of Equity — On December 9, 2005, the Accounting Standards Board of Japan (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 was effective for fiscal years ending on or after May 1, 2006. The balances of such items as of

March 31, 2006 were reclassified as separate components of equity as of April 1, 2006 in the consolidated statement of changes in equity.

p. 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.

q. 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, 2008 and 2007, because potentially dilutive securities were not outstanding.

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

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

s. 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.

t. New Accounting Pronouncements

Measurement of Inventories — Under generally accepted accounting principles in Japan ("Japanese GAAP"), 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. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008.

Under the existing accounting standard, finance leases that are deemed 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.

Construction Contracts — Under the current Japanese GAAP, either the completed-contract method or the percentage-of-completion method is permitted to account for construction contracts. On December 27, 2007, the ASBJ published a new accounting standard for construction contracts. Under this accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method shall be applied. When it is probable that total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for loss on construction contracts. This standard is applicable to construction contracts and software development contracts and effective for fiscal years beginning on or after April 1, 2009 with early adoption permitted for fiscal years beginning on or before March 31, 2009 but after December 27, 2007.

Asset Retirement Obligations — On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations. Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

3. PROPERTY

The breakdown of property as of March 31, 2008 and 2007 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Costs:			
Electric power production facilities:			
Hydroelectric power	¥ 715,625	¥ 550,769	\$ 7,141,966
Thermal power	1,550,562	1,546,365	15,474,671
Nuclear power	1,528,525	1,521,249	15,254,740
Internal-combustion engine power	122,557	121,899	1,223,124
	3,917,269	3,740,282	39,094,501
Transmission facilities	1,587,215	1,572,752	15,840,469
Transformation facilities	944,115	939,606	9,422,305
Distribution facilities	1,301,461	1,289,527	12,988,633
General facilities	365,862	367,412	3,651,317
Other electricity-related facilities	64,559	64,559	644,302
Other plant and equipment	786,520	748,595	7,849,501
Construction in progress	229,449	315,861	2,289,910
Total	9,196,450	9,038,594	91,780,938
Less contributions in aid of construction	143,095	137,826	1,428,094
Less accumulated depreciation	5,944,062	5,760,568	59,321,976
Carrying amount	¥ 3,109,293	¥ 3,140,200	\$31,030,868

4. INVESTMENT SECURITIES

The carrying amounts and aggregate fair values of investment securities at March 31, 2008 and 2007 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2008				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 14,476	¥ 45,845	¥ 208	¥ 60,113
Debt securities	500		107	393
Other securities	571	30	28	573
Held-to-maturity	6,799	22	930	5,891
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
	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2008				
Securities classified as:				
Available-for-sale:				
Equity securities	\$ 144,471	\$ 457,535	\$ 2,076	\$ 599,930
Debt securities	4,990		1,068	3,922
Other securities	5,699	299	279	5,719
Held-to-maturity	67,854	219	9,281	58,792

Available-for-sale securities and held-to-maturity debt securities whose fair value is not readily determinable as of March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Available-for-sale:			
Equity securities	¥ 37,408	¥ 38,085	\$ 373,334
Other securities	2,395	2,042	23,902
Held-to-maturity	1,598	1,858	15,948
Total	¥ 41,401	¥ 41,985	\$ 413,184

5. PLEDGED ASSETS

All of the Company's assets amounting to ¥3,784,701 million (\$37,771,467 thousand) are subject to certain statutory preferential rights established to secure bonds and loans borrowed from The Development Bank of Japan and bonds transferred to banks under debt assumption agreements (see Note 18).

Certain assets of the consolidated subsidiaries, amounting to

¥73,247 million (\$731,008 thousand), are pledged as collateral for a portion of their long-term debt at March 31, 2008.

Investments in affiliated companies held by a consolidated subsidiary, amounting to ¥6,464 million (\$64,511 thousand), are pledged as collateral for bank loans of the affiliated companies at March 31, 2008.

6. LONG-TERM DEBT

Long-term debt consisted of the following at March 31, 2008 and 2007:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Yen bonds, 0.3% to 3.65%, due serially to 2024	¥1,147,458	¥1,097,684	\$11,451,677
U.S. dollar notes, 7.25%, due 2008		37,860	
Swiss franc bonds, 2.625%, due 2014	18,990	19,016	189,521
Loans from The Development Bank of Japan, 0.69% to 6.1%, due serially to 2028	228,170	259,338	2,277,146
Loans, principally from banks and insurance companies, 0.25% to 5.79%, due serially to 2025			
Collateralized	27,335	20,041	272,804
Unsecured	462,612	454,779	4,616,886
Total	1,884,565	1,888,718	18,808,034
Less current portion	171,616	199,611	1,712,735
Long-term debt, less current portion	¥1,712,949	¥1,689,107	\$17,095,299

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, 2008 were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2009	¥ 171,616	\$ 1,712,735
2010	166,561	1,662,286
2011	169,550	1,692,116
2012	212,504	2,120,798
2013	172,273	1,719,291
Thereafter	992,061	9,900,808
Total	¥ 1,884,565	\$ 18,808,034

7. SEVERANCE PAYMENTS AND PENSION PLANS

Employees terminating their employment with the Companies, 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, 2008 and 2007 consisted of the followings:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Projected benefit obligation	¥ 490,083	¥ 491,636	\$ 4,891,048
Fair value of plan assets	(345,837)	(371,036)	(3,451,467)
Unrecognized actuarial gain (loss)	(1,582)	40,972	(15,788)
Unrecognized prior service cost (deduction of liability)	7,849	15,610	78,333
Net liability	¥ 150,513	¥ 177,182	\$ 1,502,126

The components of net periodic benefit costs for the years ended March 31, 2008 and 2007 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Service Cost	¥ 15,435	¥ 15,475	\$ 154,042
Interest Cost	9,715	9,808	96,956
Expected return on plan assets	(14,699)	(13,875)	(146,697)
Recognized actuarial gain	(3,705)	(753)	(36,976)
Amortization of prior service cost	(7,761)	(7,745)	(77,455)
Net periodic benefit costs	¥ (1,015)	¥ 2,910	\$ (10,130)

Assumptions for actuarial computations for the years ended March 31, 2008 and 2007 are as follows:

	2008	2007
Discount rate	mainly 2.0%	2.0%
Expected rate of return on plan assets	mainly 4.0%	mainly 4.0%
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 discounted at 1.6% and 1.7% at March 31, 2008 and 2007,

respectively, (b) the costs reprocessed in the other reprocessing companies are 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 discounted at 4.0%.

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, 2008 was ¥104,397 million (\$1,041,886 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, 2008 is a gain of ¥11,205 million (\$111,826 thousand). In accordance with the accounting regulations, the difference will be amortized on a straight-line basis beginning the following year the change was made, over the period in which the irradiated nuclear fuel was produced. The annual amortization is treated 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 0.84818% to 2.13% and from 0.553% to 1.11% at March 31, 2008 and 2007, 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 2008 and 2007.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2008 and 2007 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
Deferred Tax Assets:			
Pension and severance costs	¥ 54,918	¥ 64,331	\$ 548,084
Depreciation	32,511	31,184	324,461
Reserve for reprocessing of irradiated nuclear fuel	16,036	18,652	160,040
Reserve for decommissioning of nuclear power units	15,025	10,184	149,950
Tax loss carryforwards	9,801	9,804	97,814
Unrealized profits arising from the elimination of intercompany transactions in consolidation	8,845	8,866	88,274
Accrued bonus to employees	7,307	6,974	72,924
Other	35,060	29,854	349,900
Less valuation allowance	(28,250)	(24,782)	(281,936)
Deferred tax assets	¥ 151,253	¥ 155,067	\$1,509,511
Deferred Tax Liabilities:			
Unrealized gain on available-for-sale securities	¥ 16,434	¥ 31,204	\$ 164,012
Deferred gain on derivatives under hedge accounting	2,240	2,240	22,355
Other	1,516	964	15,130
Deferred tax liabilities	¥ 20,190	¥ 34,408	\$ 201,497
Net deferred tax assets	¥ 131,063	¥ 120,659	\$1,308,014

A reconciliation between the normal effective statutory tax rates for the years ended March 31, 2008 and 2007 and the actual effective tax rates reflected in the accompanying consolidated statements of income is as follows:

	2008	2007
Normal effective statutory tax rate	36.1 %	36.1 %
Increase in valuation allowance	3.2	3.5
Expenses not deductible for income tax purposes	2.3	1.6
Tax credit for R&D	(1.1)	(0.6)
Other-net	0.7	0.2
Actual effective tax rate	41.2 %	40.8 %

11. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Corporate Law which reformed and replaced the Commercial Code of Japan. The significant provisions 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 ¥9,792 million (\$97,725 thousand) and ¥9,504 million for the years ended March 31, 2008 and 2007, respectively.

13. LOSS ON IMPAIRMENT OF FIXED ASSETS

Loss on impairment recognized for mainly idle assets which would not be used in the future due to the changes in business plan was ¥5,602 million for the year ended March 31, 2007. Such loss for the year ended March 31, 2008 was immaterial and included in "Other-net."

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. ADDITIONAL CASH FLOW INFORMATION

The Companies acquired a majority ownership share of three affiliated companies in the year ended March 31, 2008. Assets acquired and liabilities assumed in acquisition were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Assets acquired	¥ 21,170	\$ 211,278
Liabilities assumed	(9,087)	(90,689)
Negative goodwill	(691)	(6,896)
Minority interests in consolidated subsidiaries	(5,822)	(58,104)
Total	5,570	55,589
The Companies' interests in subsidiaries prior to the acquisition of additional interests	(4,007)	(39,990)
Cash paid for the capital	1,563	15,599
Cash and cash equivalents held by subsidiaries	4,774	47,645
Net proceeds	¥ 3,211	\$ 32,046

15. RELATED PARTY TRANSACTIONS

Significant transactions of the Company with an affiliated company for the years ended March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
KYUDENKO CORPORATION			
Transactions:			
Purchase of construction works on distribution facilities and other	¥ 47,881	¥ 45,738	\$ 477,854
Balances at year end:			
Payables for construction works	5,539	4,808	55,279

16. LEASES

a. Lessee

The Companies lease certain computer and other equipment.

Pro forma information of leased equipment such as acquisition cost, accumulated depreciation, accumulated impairment loss 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, 2008 and 2007 were as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	General facilities	Other	Total	General facilities	Other	Total
March 31, 2008						
Acquisition cost	¥ 22,005	¥ 24,281	¥ 46,286	\$ 219,611	\$ 242,325	\$ 461,936
Accumulated depreciation	13,567	13,830	27,397	135,399	138,024	273,423
Accumulated impairment loss		885	885		8,832	8,832
Net leased equipment	¥ 8,438	¥ 9,566	¥ 18,004	\$ 84,212	\$ 95,469	\$ 179,681

	Millions of Yen		
	General facilities	Other	Total
March 31, 2007			
Acquisition cost	¥ 20,749	¥ 23,755	¥ 44,504
Accumulated depreciation	12,312	13,089	25,401
Accumulated impairment loss		1,017	1,017
Net leased equipment	¥ 8,437	¥ 9,649	¥ 18,086

Obligations under finance leases which included the imputed interest expense at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Due within one year	¥ 6,739	¥ 6,758	\$ 67,255
Due after one year	12,131	12,264	121,068
Total	¥ 18,870	¥ 19,022	\$ 188,323

The above-mentioned amounts include sublease agreements.

Allowance for impairment loss on leased property of ¥585 million (\$5,838 thousand) and ¥801 million as of March 31, 2008 and 2007 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
	2008	2007	2008
Depreciation expense	¥ 7,540	¥ 7,317	\$ 75,250
Lease payments	7,756	7,589	77,405
Reversal of allowance for impairment loss	216	272	2,156

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 (\$838 thousand) and ¥84 million for the years ended March 31, 2008 and 2007, respectively.

Information of leased property such as acquisition cost and accumulated depreciation under finance leases at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Other plant and equipment		Other plant and equipment
	2008	2007	2008
Acquisition cost	¥ 850	¥ 850	\$8,483
Accumulated depreciation	660	571	6,587
Net leased equipment	¥ 190	¥ 279	\$1,896

Future lease revenues under finance leases which included the imputed interest revenue at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Due within one year	¥ 165	¥ 129	\$ 1,647
Due after one year	1,046	1,024	10,439
Total	¥ 1,211	¥ 1,153	\$12,086

The above-mentioned amounts include sublease agreements.

Depreciation expense relating to the leased assets arrangements mentioned above was ¥89 million (\$888 thousand) and ¥129 million for the years ended March 31, 2008 and 2007, respectively.

17. 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.

A consolidated subsidiary of the Company enters 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 derivative transactions are executed by the specific sections and administrative section monitors them based on internal policies.

18. COMMITMENTS AND CONTINGENCIES

At March 31, 2008, the Companies had a number of fuel purchase commitments, most of which specify quantities and dates for fuel deliveries. However, most of purchase prices are contingent upon fluctuations in market prices.

Contingent liabilities as of March 31, 2008 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Co-guarantees of loans, mainly in connection with procurement of fuel	¥ 107,605	\$1,073,902
Guarantees of employees' loans	76,611	764,581
Guarantees under debt assumption agreements	70,000	698,603
Other	8,437	84,202

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

19. SEGMENT INFORMATION

Information by business segments for the years ended March 31, 2008 and 2007 is as follows:

Business Segments

	Millions of Yen					Consolidated
	Electric Power	Energy-related Business	IT and telecommunications	Other	Eliminations/Corporate	
	2008					
Sales to customers	¥ 1,363,424	¥ 56,606	¥ 52,803	¥ 9,519		¥ 1,482,352
Intersegment sales	2,277	90,432	35,601	15,325	¥(143,635)	
Total sales	1,365,701	147,038	88,404	24,844	(143,635)	1,482,352
Operating expenses	1,271,380	138,458	90,089	21,369	(144,485)	1,376,811
Operating income (loss)	¥ 94,321	¥ 8,580	¥ (1,685)	¥ 3,475	¥ 850	¥ 105,541
Total assets	¥ 3,669,928	¥ 265,322	¥ 142,912	¥ 141,674	¥(160,061)	¥ 4,059,775
Depreciation	219,754	11,183	20,264	5,023	(2,854)	253,370
Impairment loss	1,227	287		233		1,747
Capital expenditures	201,953	17,730	24,704	6,806	(3,140)	248,053

Thousands of U.S. Dollars

2008						
	Electric Power	Energy-related Business	IT and telecommunications	Other	Eliminations/Corporate	Consolidated
Sales to customers	\$13,607,026	\$ 564,930	\$ 526,976	\$ 95,000		\$14,793,932
Intersegment sales	22,724	902,515	355,300	152,944	\$ (1,433,483)	
Total sales	13,629,750	1,467,445	882,276	247,944	(1,433,483)	14,793,932
Operating expenses	12,688,423	1,381,816	899,092	213,264	(1,441,966)	13,740,629
Operating income (loss)	\$ 941,327	\$ 85,629	\$ (16,816)	\$ 34,680	\$ 8,483	\$ 1,053,303
Total assets	\$36,626,028	\$2,647,924	\$1,426,268	\$1,413,912	\$ (1,597,415)	\$40,516,717
Depreciation	2,193,154	111,607	202,235	50,130	(28,483)	2,528,643
Impairment loss	12,246	2,864		2,325		17,435
Capital expenditures	2,015,499	176,946	246,547	67,924	(31,337)	2,475,579

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

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

IT and telecommunications consisted of providing telephone lines and wirelines.

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

As discussed in Note 2.b., 5% portion of property is systematically amortized over 5 years starting in the following year in which the carrying value of property reaches 5% of the acquisition cost, in accordance with the revised corporate tax law which is effective for fiscal years beginning on or after April 1, 2007.

The effect of this treatment by business segments was to decrease

operating income by ¥13,410 million (\$133,832 thousand) on Electric Power, ¥1,356 million (\$13,533 thousand) on Energy-related Business, ¥383 million (\$3,822 thousand) on IT and telecommunications, and ¥76 million (\$758 thousand) on Other, respectively, for the year ended March 31, 2008.

In addition, the effect of the treatment in the accounting for reserve for decommissioning of nuclear power units described in Note 2.I. was to decrease operating income of Electric for the year ended March 31, 2008 by ¥13,408 million (\$133,812 thousand).

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.

20. SUBSEQUENT EVENT

At the general shareholders meeting held on June 27, 2008, the Company's shareholders approved the following appropriation of retained earnings as of March 31, 2008:

Appropriations of Retained Earnings

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥30.00 (\$0.30) per share	¥ 14,204	\$141,756



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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, 2008 and 2007, 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, 2008 and 2007, 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 27, 2008

Non-consolidated Balance Sheets

Kyushu Electric Power Company, Incorporated
March 31, 2008 and 2007 (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
ASSETS			
PROPERTY:			
Plant and equipment	¥8,418,655	¥8,200,752	\$84,018,513
Construction in progress	207,352	312,175	2,069,381
Total	8,626,007	8,512,927	86,087,894
Less-			
Contributions in aid of construction	138,168	134,303	1,378,922
Accumulated depreciation	5,609,302	5,452,302	55,981,058
Total	5,747,470	5,586,605	57,359,980
Net property	2,878,537	2,926,322	28,727,914
NUCLEAR FUEL	250,845	240,663	2,503,443
INVESTMENTS AND OTHER ASSETS:			
Investment securities	97,336	136,937	971,417
Investments in and advances to subsidiaries and affiliated companies	115,607	115,896	1,153,762
Reserve funds for reprocessing of irradiated nuclear fuel	104,740	70,082	1,045,309
Deferred tax assets	97,747	88,616	975,519
Other assets	25,094	21,879	250,440
Total investments and other assets	440,524	433,410	4,396,447
CURRENT ASSETS:			
Cash and cash equivalents	40,752	33,972	406,707
Receivables	105,682	100,349	1,054,711
Allowance for doubtful accounts	(947)	(1,013)	(9,451)
Fuel and supplies, at average cost	42,882	31,621	427,964
Deferred tax assets	12,006	12,923	119,820
Prepaid expenses and other	14,420	11,865	143,912
Total current assets	214,795	189,717	2,143,663
TOTAL	¥3,784,701	¥3,790,112	\$37,771,467

(U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥100.20 = U.S. \$1, the approximate rate of exchange at March 31, 2008.)

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
LIABILITIES AND EQUITY			
LONG-TERM LIABILITIES:			
Long-term debt, less current portion	¥1,620,563	¥1,595,429	\$16,173,283
Liability for employees' retirement benefits	133,391	161,532	1,331,248
Reserve for reprocessing of irradiated nuclear fuel	362,826	371,815	3,621,018
Reserve for decommissioning of nuclear power units	147,529	126,172	1,472,345
Other	17,531	9,124	174,960
Total long-term liabilities	2,281,840	2,264,072	22,772,854
CURRENT LIABILITIES:			
Current portion of long-term debt	150,351	178,904	1,500,509
Short-term borrowings	133,000	131,000	1,327,345
Commercial paper	12,000	7,000	119,761
Accounts payable	88,880	62,611	887,026
Accrued income taxes	88	9,538	878
Accrued expenses	91,708	82,440	915,250
Other	27,155	35,652	271,008
Total current liabilities	503,182	507,145	5,021,777
RESERVE FOR FLUCTUATIONS IN WATER LEVEL			
		91	
EQUITY :			
Common stock, authorized, 1,000,000,000 shares; issued, 474,183,951 shares in 2008 and 2007	237,305	237,305	2,368,313
Capital surplus:			
Additional paid-in capital	31,087	31,087	310,250
Other capital surplus	47		469
Retained earnings:			
Legal reserve	59,326	59,326	592,076
Retained earnings - carryforward	642,439	635,165	6,411,567
Unrealized gain on available-for-sale securities	27,744	53,548	276,886
Deferred gain on derivatives under hedge accounting	3,454	3,944	34,471
Treasury stock-at cost 710,366 shares in 2008 and 680,316 shares in 2007	(1,723)	(1,571)	(17,196)
Total equity	999,679	1,018,804	9,976,836
TOTAL	¥3,784,701	¥3,790,112	\$37,771,467

Non-consolidated Statements of Income

Kyushu Electric Power Company, Incorporated
Years Ended March 31, 2008 and 2007 (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
OPERATING REVENUES:			
Electric	¥1,365,701	¥1,310,170	\$13,629,751
Other	26,359	22,868	263,064
Total operating revenues	1,392,060	1,333,038	13,892,815
OPERATING EXPENSES :			
Electric:			
Personnel	138,313	144,806	1,380,369
Fuel	279,930	211,318	2,793,713
Purchased power	123,276	112,603	1,230,299
Depreciation	197,343	189,004	1,969,491
Maintenance	184,938	170,789	1,845,689
Reprocessing costs of irradiated nuclear fuel	41,579	49,859	414,960
Decommissioning costs of nuclear power units	21,357	6,546	213,144
Disposal cost of high-level radioactive waste	9,125	8,822	91,068
Disposition of property	16,329	17,866	162,964
Taxes other than income taxes	87,107	87,216	869,331
Subcontract fee	70,721	65,657	705,798
Rent	36,547	36,515	364,741
Other	64,815	64,873	646,856
Total	1,271,380	1,165,874	12,688,423
Other	26,718	23,364	266,647
Total operating expenses	1,298,098	1,189,238	12,955,070
OPERATING INCOME	93,962	143,800	937,745
OTHER EXPENSES (INCOME):			
Interest charges	34,426	35,800	343,573
Loss on impairment of fixed assets		5,602	
Other-net	(535)	2,222	(5,339)
Total other expenses-net	33,891	43,624	338,234
INCOME BEFORE INCOME TAXES AND PROVISION FOR (REVERSAL OF) RESERVE FOR FLUCTUATIONS IN WATER LEVEL	60,071	100,176	599,511
PROVISION FOR (REVERSAL OF) RESERVE FOR FLUCTUATIONS IN WATER LEVEL	(91)	91	(908)
INCOME BEFORE INCOME TAXES	60,162	100,085	600,419
INCOME TAXES:			
Current	17,838	34,101	178,024
Deferred	6,641	6,747	66,277
Total income taxes	24,479	40,848	244,301
NET INCOME	¥ 35,683	¥ 59,237	\$ 356,118

	Yen		U.S. Dollars
	2008	2007	2008
PER SHARE OF COMMON STOCK:			
Basic net income	¥ 75.37	¥ 125.07	\$ 0.75
Cash dividends applicable to the year	60.00	60.00	0.60

(U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥100.20 = U.S. \$1, the approximate rate of exchange at March 31, 2008.)

Non-Consolidated Five-Year Financial Summary

Kyushu Electric Power Company, Incorporated
Years Ended March 31, 2008 and 2007 (Unaudited)

	Millions of Yen (except for per share data)					Thousands of U.S. Dollars (except for per share data)
	2008	2007	2006	2005	2004	2008
For the Year:						
Operating revenues	¥1,392,060	¥1,333,038	¥1,329,435	¥1,333,161	¥1,318,337	\$13,892,815
Electric	1,365,701	1,310,170	1,314,394	1,322,996	1,311,220	13,629,751
Other	26,359	22,868	15,041	10,165	7,117	263,064
Electric operating expenses	1,271,380	1,165,874	1,151,486	1,117,674	1,117,142	12,688,423
Personnel	138,313	144,806	178,455	185,902	201,538	1,380,369
Fuel	279,930	211,318	179,745	143,221	126,507	2,793,713
Purchased power	123,276	112,603	113,252	105,553	95,935	1,230,299
Depreciation	197,343	189,004	199,587	210,386	232,151	1,969,491
Maintenance	184,938	170,789	157,370	158,704	153,232	1,845,689
Reprocessing costs of irradiated nuclear fuel	41,579	49,859	31,080	26,628	27,038	414,960
Decommissioning costs of nuclearpower units	21,357	6,546	9,121	5,009	1,633	213,144
Disposal cost of high-level radioactive waste	9,125	8,822	8,041	7,727	8,003	91,068
Disposition of property	16,329	17,866	16,407	14,856	13,933	162,964
Taxes other than income taxes	87,107	87,216	89,259	91,846	90,749	869,331
Subcontract fee	70,721	65,657	64,896	66,779	60,345	705,798
Rent	36,547	36,515	36,316	36,463	36,183	364,741
Other	64,815	64,873	67,957	64,600	69,895	646,856
Interest charges	34,426	35,800	38,445	46,521	73,566	343,573
Income before income taxes	60,162	100,085	108,815	143,567	105,913	600,419
Net income	35,683	59,237	69,137	89,385	70,118	356,118
Per share of common stock (yen and U.S. dollars):						
Basic net income	¥ 75.37	¥ 125.07	¥ 145.64	¥ 188.33	¥ 147.65	\$ 0.75
Cash dividends applicable to the year	60.00	60.00	60.00	60.00	50.00	0.60
At year-end:						
Total assets	¥3,784,701	¥3,790,112	¥3,857,317	¥3,806,568	¥3,859,049	\$37,771,467
Net property	2,878,537	2,926,322	3,000,958	3,076,207	3,150,938	28,727,914
Long-term debt, less current portion	1,620,563	1,595,429	1,638,092	1,635,720	1,744,666	16,173,283
Total equity	999,679	1,018,804	995,662	929,356	861,910	9,976,836

(U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥100.20 = U.S. \$1, the approximate rate of exchange at March 31, 2008.)

Overview of Power Generation Facilities

(As of March 31, 2008)

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	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	Kokura Kita-ku, Kitakyushu-shi, Fukuoka Prefecture
Karita	735,000 (375,000×1 360,000×1)	March 1956	Coal/heavy oil	Kanda-machi, Miyako-gun, Fukuoka Prefecture
Buzen	1,000,000 (500,000×2)	Dec. 1977	Heavy oil/crude oil	Buzen-shi, Fukuoka Prefecture
Karatsu	875,000 (375,000×1 500,000×1)	July 1971	Heavy oil/crude oil	Karatsu-shi, Saga Prefecture
Matsuura	700,000	June 1989	Coal	Matsuura-shi, Nagasaki Prefecture
Ainoura	875,000 (375,000×1 500,000×1)	April 1973	Heavy oil/crude oil	Sasebo-shi, Nagasaki Prefecture
Oita	500,000 (250,000×2)	July 1969	Heavy oil	Oita-shi, Oita Prefecture
Shin Oita	2,295,000 (115,000×6 217,500×4 245,000×3)	June 1991	LNG	Oita-shi, Oita 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	Satsumasendai-shi, Kagoshima Prefecture

Approved maximum output total 11,180,000 kW

Hydroelectric Power Stations (with outputs of 50,000 kW or higher)

Station name	Approved maximum output (kW)	Operation commencement date	System	Location
Tenzan	600,000	Dec. 1986	Dam and conduit system (pure pumped-storage)	Karatsu-shi, Saga Prefecture
Yanagimata	63,800	June 1973	Dam and conduit system	Hita-shi, Oita Prefecture
Matsubara	50,600	Aug. 1971	Dam system	Hita-shi, Oita Prefecture
Ohira	500,000	Dec. 1975	Dam and conduit system (pure pumped-storage)	Yatsushiro-shi, Kumamoto Prefecture
Iwayado	51,100	Jan. 1942	Dam and conduit system	Shiiba-son, Higashi Usuki-gun, Miyazaki Prefecture
Kamishiiba	91,600	May 1955	Dam and conduit system	Shiiba-son, Higashi Usuki-gun, Miyazaki Prefecture
Tsukabaru	63,090	Oct. 1938	Dam and conduit system	Morotsuka-son, Higashi Usuki-gun, Miyazaki Prefecture
Morotsuka	50,000	Feb. 1961	Dam and conduit system	Morotsuka-son, Higashi Usuki-gun, Miyazaki Prefecture
Omarugawa	300,000	July 2007	Dam and conduit system (pure pumped-storage)	Kijo-cho, Koyu-gun, Miyazaki Prefecture
Hitotsuse	180,000	June 1963	Dam and conduit system	Saito-shi, Miyazaki Prefecture
Oyodogawa Daiichi	55,500	Jan. 1926	Dam system	Miyakonojo-shi, Miyazaki Prefecture
Oyodogawa Daini	71,300	March 1932	Dam and conduit system	Miyazaki-shi, Miyazaki Prefecture

Approved maximum output total 2,676,766 kW

Geothermal Power Stations

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

Approved maximum output total 209,500 kW

Major Subsidiaries and Affiliated Companies

(As of March 31, 2008)

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	1,650	60.0	Purchasing, operating, chartering and renting of LNG carriers
Nishinippon Environment Energy Co., Inc.	1,010	100.0	Dispersed power system business and 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
Kyushu Koatsu Concrete Industries Co., Ltd.	240	51.3	Manufacture and sale of concrete poles
Nishi Nippon Plant Engineering and Construction Co., Inc.	150	83.0	Construction, maintenance and repair of power generation facilities
Kyuden Sangyo Co., Inc.	117	100.0	Environmental preservation activities in power generation facilities
Miyazaki Biomass Recycling Co., Inc.	100	42.0	Power-generation activities using poultry dung fuel
West Japan Engineering Consultants, Inc.	40	100.0	Consultation and planning of civil engineering and construction
Kyushu Meter & Relay Engineering Corporation	22	98.6	Repair and maintenance of electronic instruments
Koyo Denki Kogyo Co., Ltd.	20	95.9	Manufacture and sale of HV and LV insulators and other items
Nishigi Kogyo Co., Inc.	20	54.3	Conduit maintenance for hydroelectric power stations
IT and Telecommunications			
Kyushu Telecommunication Network Co., Inc.	22,020	96.8	Fiber-optic cable and broadband 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
RKK Computer Service Co., Ltd.	100	61.3	Development and sales of computer softwares
Lifestyle-oriented Services			
Capital Kyuden Corporation	600	92.5	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.	300	100.0	Paid elderly nursing home management and nursing services
Shirrintoshi Co., Ltd.	32	98.1	Leasing of real estate and site management

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	641 Million (Mexico Pesos)	50.0	Power-generation activities using natural gas fuel
Electricidad Sol de Tuxpan	493 Million (Mexico Pesos)	50.0	Power-generation activities using natural gas fuel
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
Fukuoka Clean Energy Corporation	5,000	49.0	General waste incineration and power generation business
Oita Co-operative Thermal Power Co., Inc.	4,000	50.0	Wholesale electricity supply
KYUSHU CRYOGENICS CO., LTD.	450	50.0	Manufacture and sale of liquid oxygen, liquid nitrogen and liquid argon
Kyuhen Co., Ltd.	225	35.9	Manufacture and sale of electric equipment
Seishin Corporation	200	26.5	Sale of electric equipment
Kyuden Corporation	100	14.1	Construction and repair of electric lines
Plazwire Co., Ltd.	50	100.0	Flame spray coating (painting) business
Environment 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	100.0	Housing and building assessments, security services affairs
Kyushu Highlands Development Co., Ltd.	150	100.0	Management of golf courses
Kyuden Home Security Co., Inc.	100	90.0	Home security and monitoring business
Kyushu Captioning Co-Production Center Inc.	60	76.7	Subtitle production for broadcasting

Note: There is no specified subsidiary

Outline of Kyushu Electric Power's History

(As of March 31, 2008)

(Fiscal Year)	Noteworthy Events
1951	Kyushu Electric Power is established.
1953	Kyushu Electric Power receives its first postwar loan (approximately ¥3.8 billion) in Japan from the International Bank for Reconstruction and Development (the World Bank).
1955	The Kamishiiba Power Station, the first in Japan with an arch dam, becomes operational. The No.1 Unit at the Karita 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	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	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.
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 Center is opened.
1984	The No.1 Unit at the Sendai Nuclear Power Station (890,000 kW) becomes operational.
1986	The No.1 Unit at the Tenzan Power Station (300,000 kW), a large-capacity pumped-storage facility, becomes operational. 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.
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	The Genkai Energy Park is opened. Revision of the Electricity Enterprises Law (deregulation of electric utilities).
2001	A loan agreement is signed for the Tuxpan II IPP project in Mexico. The Kyushu Homeland Forestation Program is launched.
2002	Dedicated sales representatives are assigned to corporate customers.
2004	The Call Center is extended to the entire corporate organization. Kyushu Electric Power achieves the best CO ₂ emission level per unit of electric power (0.331kg-CO ₂ /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 reduction 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	"Kyushu Electric Power's Mission" is adopted.

Corporate Data

(As of March 31, 2008)

Company Overview

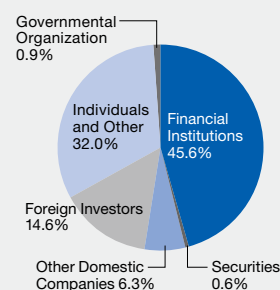
Trade Name	Kyushu Electric Power Company, Incorporated
Head Office	1-82, Watanabe-dori 2-chome, Chuo-ku, Fukuoka 810-8720, Japan Phone +81-92-761-3031
Tokyo Branch Office	7-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo 100-0006, Japan Phone +81-3-3281-4931
Date of establishment	May 1, 1951
Paid-in Capital	¥237,304,863,699
Number of Employees	12,466

Stock Information

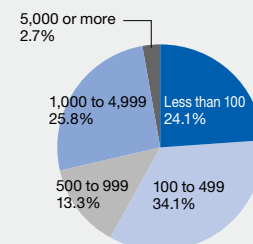
Total Number of Shares Authorized	1,000,000,000
Number of Shares Issued and Outstanding	474,183,951
Number of Shareholders	181,559
Shareholders' Meeting	June
Fiscal Year End	March 31
Stock Listings	Tokyo Stock Exchange, Osaka Securities Exchange, Fukuoka Stock Exchange (Code: 9508)
Transfer Agent and Registrar	The Chuo Mitsui Trust and Banking Co., Ltd. 33-1, Shiba 3-chome, Minato-ku, Tokyo, Japan
Accounting Auditor	Deloitte Touche Tohmatsu

Composition of Shareholders

By Type of Shareholder



By Number of Shares Held



Major Shareholders

Name	Number of Shares Held (Thousands of Shares)	Shareholding Ratio (%)
Meiji Yasuda Life Insurance	23,710	5.00
The Master Trust Bank of Japan, Ltd. (trust unit)	22,645	4.78
Nippon Life Insurance Company	18,454	3.89
Japan Trustee Services Bank, Ltd. (trust unit)	14,925	3.15
Mizuho Corporate Bank, Ltd.	10,420	2.20
Mizuho Trust and Banking, Retirement Benefit Trust Fukuoka Bank unit	8,638	1.82
Sumitomo Mitsui Banking Corporation	8,474	1.79
Kochi Shinkin Bank	6,696	1.41
Kyushu Electric Power Co., Inc. Employees' Shareholding Association	6,663	1.41
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,506	1.16

Stock Price Movement

