

April 26, 2007

# **FINANCIAL STATEMENTS**

For the fiscal year ended March 31, 2007

**Kyushu Electric Power Company, Inc.**

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April 26, 2007

**FY2006 ended March 31, 2007**  
**Financial Results Bulletin**  
**Kyushu Electric Power Co., Inc.**

Stock code: 9508  
(URL: [http://www1.kyuden.co.jp/en\\_index](http://www1.kyuden.co.jp/en_index))  
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Stock listed on:  
Tokyo Stock Exchange,  
Osaka Securities Exchange,  
Fukuoka Stock Exchange

Meeting of Board of Directors for Approving the Financial Results: the latter part of June, 2007  
Projected date for submitting annual security report: the latter part of June, 2007  
Commencement of payment of year-end dividends: the latter part of June, 2007

(Rounded down to the nearest million yen)

**1. Consolidated Financial Results for FY2006 (April 1, 2006 to March 31, 2007)**

**(1) Consolidated Operational Results**

(% shows the changes from the previous FY)

	Sales		Operating income		Ordinary income	
	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)
FY2006 ended March 31, 2007	1,408,327	0.5	155,172	-9.4	118,580	-5.3
FY2005 ended March 31, 2006	1,401,751	-0.5	171,284	-19.9	125,279	-21.7

	Net income		Net earnings per share	Fully-diluted net earnings per share	Net rate of return on shareholders' equity	Ratio of current income to total capital	Ratio of current income to sales
	(Unit: million yen)	(%)	(Unit: yen)	(Unit: yen)	(%)	(%)	(%)
FY2006 ended March 31, 2007	65,967	-14.2	139.37		6.2	2.9	11.0
FY2005 ended March 31, 2006	76,849	-13.9	161.67		7.6	3.1	12.2

(Reference) Investment Profit/Loss under Equity Methods : FY2006 ended March 2007 842 million yen  
FY2005 ended March 2006 1,519 million yen

**(2) Consolidated Financial Position**

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	(Unit: million yen)	(Unit: million yen)	(%)	(Unit: yen)
FY2006 ended March 31, 2007	4,038,838	1,092,600	26.8	2,285.86
FY2005 ended March 31, 2006	4,102,319	1,052,785	25.7	2,223.21

(Reference) Shareholders' equity: FY2006 1,081,633 million yen FY2005 -- million yen

**(3) Consolidated Cash Flow**

	Cash flow from operating activities	Cash flow from investment activities	Cash flow from financing activities	Cash and cash equivalents balance as of term-end
	(Unit: million yen)	(Unit: million yen)	(Unit: million yen)	(Unit: million yen)
FY2006 ended March 31,	304,514	-202,811	-102,790	50,671
FY2005 ended March 31,	270,921	-197,081	-66,601	51,675

**2. Dividends**

(Record date)	Annual dividends per share					Total dividends (annual)	Payout ratio (consolidated)	Dividend rate for shareholders' equity (consolidated)
	1Q	Interim	3Q	Year-end	Total			
	(Unit: yen)	(Unit: yen)	(Unit: yen)	(Unit: yen)	(Unit: yen)	(Unit: million yen)	(%)	(%)
FY2005 ended March 31, 2006		30.00		30.00	60.00	28,424	37.1	2.8
FY2006 ended March 31, 2007		30.00		30.00	60.00	28,415	43.1	2.7
FY2007 ending March 31, 2008 (projected)		30.00		30.00	60.00		38.4	

### 3. Forecast for FY2007 ending March 2008 (April 1, 2007 to March 31, 2008)

(% shows the changes from the same financial periods of the previous year)

	Sales		Operating income		Ordinary income		Net income		Net income per share
	(Unit: billion yen)	(%)	(Unit: billion yen)	(%)	(Unit: billion yen)	(%)	(Unit: billion yen)	(%)	(Unit: yen)
Interim	712	-0.2	98	-23.0	83	-23.8	51	-23.6	107.78
Year-end	1,438	2.1	152	-2.0	119	0.4	74	12.2	156.39

#### 4. Other

(1) Changes in significant subsidiaries (changes in scope of consolidated subsidiaries) : No

(2) Changes in the accounting principles, practices, and indication methods regarding the preparation of consolidated financial reports

Changes in the accounting system : Yes

Other changes : No

\* For the details, see page 18 "Changes in the basis of presentation of consolidated financial statements."

(3) Number of outstanding shares

Number of outstanding shares at year end (including treasury stock):

FY2006 ended March 2007 474,183,951 shares FY2005 ended March 2006 474,183,951 shares

Number of treasury stock at year end

FY2006 ended March 2007 999,075 shares FY2005 ended March 2006 777,738 shares

\* For the number of shares applied in calculation of consolidated net earnings per share, see page 21 "Per share Data."

#### (Reference) Outline of Non-consolidated Financial Results

##### 1. Non-consolidated Financial Results for FY2006 (April 1, 2006 to March 31, 2007)

###### (1) Non-Consolidated Operational Results

(% shows the changes from the previous FY)

	Sales		Operating income		Ordinary income	
	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)
FY2006 ended March 31, 2007	1,333,037	0.3	143,799	-9.9	105,778	-7.4
FY2005 ended March 31, 2006	1,329,434	-0.3	159,634	-20.8	114,197	-25.3

	Net income		Net earnings per share	Fully-diluted net earnings per share
	(Unit: million yen)	(%)	(Unit: yen)	(Unit: yen)
FY2006 ended March 31, 2007	59,236	-14.3	125.07	
FY2005 ended March 31, 2006	69,136	-22.7	145.64	

###### (2) Non-Consolidated Financial Position

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	(Unit: million yen)	(Unit: million yen)	(%)	(Unit: yen)
FY2006 ended March 31, 2007	3,790,112	1,018,803	26.9	2,151.63
FY2005 ended March 31, 2006	3,857,316	995,662	25.8	2,101.48

(Reference) Shareholders' equity: FY2006 1,018,803 million yen FY2005 -- million yen

##### 2. Non-consolidated Forecast for FY2007 ending March 2008 (April 1, 2007 to March 31, 2008)

(% shows the changes from the same financial periods of the previous year)

	Sales		Operating income		Ordinary income		Net income		Net income per share
	(Unit: billion yen)	(%)	(Unit: billion yen)	(%)	(Unit: billion yen)	(%)	(Unit: billion yen)	(%)	(Unit: yen)
Interim	673	-0.6	96	-21.6	80	-23.8	50	-23.0	105.6
Year-end	1,349	1.2	142	-1.3	108	2.1	67	13.1	141.5

#### \*Notes on the proper use of the forecasts

The above forecasts are based on information available at the date of the release of this document. Due to various factors, the actual result may differ from these forecasts. For the assumptions applied to the above forecasts, see page 8.

## Operating Results

### 1. Overview of FY2006

During this fiscal year, economic recovery continued in Japan. Capital investments in the private sector increased as the corporate profits had been improved.

#### (1) Consolidated financial overview

Under these economic conditions, the electricity sales volume increased while the revenue from electricity sales decreased due to the rate reduction implemented in April 2006. The sales volume in the businesses other than electricity increased. Consequently, consolidated sales (operating revenues) increased by 0.5% to ¥1,408.3 billion from FY2005 and the ordinary revenues increased by 0.5% to ¥1,417.0 billion.

On the expenditure side ordinary expenses also increased by 1.1% to ¥1,298.4 billion compared with FY2005, mainly due to the increase of expenses in electricity business.

As a result, the ordinary income for FY2006 decreased by 5.3% to ¥118.5 billion.

The net income decreased by 14.2% to ¥65.9 billion mainly because the company recorded an extraordinary loss of ¥5.6 billion due to the impairment losses of fixed assets.

Operating results for each of our business segments (before eliminating internal transactions) are as follows:

#### Operating Results (before eliminating internal transactions)

(Unit: 100 million yen, %)

		FY2006 (A)	FY2005 (B)	Difference (A-B)	Change (A/B)
Electricity	Sales	13,101	13,143	-42	99.7
	Operating Income	1,442	1,629	-186	88.6
Energy-related	Sales	1,283	1,238	44	103.6
	Operating Income	68	46	22	149.8
IT & Telecommunication	Sales	764	737	26	103.6
	Operating Income	-13	-6	-6	-
Other	Sales	259	201	57	128.5
	Operating Income	42	30	11	139.2

(Note) Electricity includes the company's business operations except incidental businesses

#### Electricity Business

The revenue from electricity business decreased by 0.3% to ¥1,310.1 billion compared with the previous year mainly due to the decreased electricity sales affected by the rate reduction implemented in April 2006. Operating income decreased by 11.4% to ¥144.2 billion due to the increase in fuel costs in addition to the decrease in sales volume.

#### Energy-related Business

The sales revenues from energy-related business increased by 3.6% to ¥128.3 billion from the previous year, mainly due to an increase in the gas sales volume. Operating income increased by 49.8% to ¥6.8 billion due to the termination of underperforming contracts in the distributed power generation system business, an effort that has been continued from the previous period, as well as the increase in sales revenues.

#### IT & Telecommunication Business

The sales revenues from IT and telecommunication business increased by 3.6% to ¥76.4 billion from the previous year mainly due to an increase in the number of users of the broadband services. Operating income decreased by ¥600 million from the previous year mainly because of the increase in the capital expenditure and other related expenses associated with the expansion of the broadband services. Consequently we recorded operating loss of ¥1.3 billion for this fiscal year.

#### Other Businesses

Sales revenues increased by 28.5% to ¥25.9 billion from the previous year, and operating income increased by 39.2% to ¥4.2 billion compared with the last year, mainly because the company consolidated the subsidiaries which were previously non-consolidated subsidiaries under equity methods.

### (2) Non-consolidated financial overview

#### Sales and Supply overview

In FY2006, the demand for electric light, power for commercial operations and other general demands decreased by 0.1% compared with the previous year. This decrease in the sales volume was mainly due to the decrease in the air-conditioning system demand in the cooler summer and the warmer winter than in the previous year despite the growth in the residential electric light demand supported by the expansion of all-electric housings, and the growth of the commercial demand for light and power supported by the opening of new commercial complexes. The power demand from large industrial customers increased 6.8% from the previous year, supported by the strong production growth in the digital home appliance industry and the steel industry. Another factor which contributed to this increase was the rise in the crude oil price. Because of this rise, some factories that have procured electric power from their own in-house power generation systems switched to buying electric power from Kyushu Electric Power. Consequently, the total electricity sales for FY2006 increased by 1.7% to 84,390 million kWh compared with the previous year.

#### Electricity Sales Volume

(Unit: million kWh, %)

		FY2006	FY2005	Difference	Change
		(A)	(B)	(A-B)	(A/B)
Lightning		28,203	28,241	-38	99.9
Power		56,196	54,715	1,481	102.7
Electricity Sales Total		84,399	82,956	1,443	101.7
(Figures are included above)	Customers other than large-scale industrial	60,706	60,765	-59	99.9
	Large-scale industrial customers	23,693	22,191	1,502	106.8

On the supply side, mainly owing to the smooth operation of nuclear power plants, we have provided stable supply of electricity to our customers.

Generated and Received Electricity

(Unit: million kWh, %)

		FY2006 (A)	FY2005 (B)	Difference (A-B)	Change (A/B)
Own facilities	Hydro (Water flow rate)	4,000 (103.5)	3,092 (81.6)	908 (21.9)	129.3
	Thermal	34,925	31,804	3,121	109.8
	Nuclear (Utilization rate)	37,836 (82.1)	39,991 (86.8)	-2,155 (-4.7)	94.6
	Subtotal	76,761	74,887	1,874	102.5
From other companies		15,887	16,405	-518	96.8
Interchange		-154	-213	59	72.6
For pumping		-250	-267	17	93.8
Total		92,244	90,812	1,432	101.6

Income and expenditure overview

On the revenue side, sales revenue (operating revenues) increased by 0.3% to ¥1,333.0 billion, compared with FY2005 and the ordinary revenues increased by 0.4% to ¥1,339.5 billion, mainly due to the increased sales revenues in incidental businesses, while the electricity sales decreased due to the impact of the reduction of electric rates which was implemented in April 2006.

The ordinary expenses increased by 1.2% to ¥1,233.7 billion, mainly due to the increase in the fuel cost as the volume of electricity generated by nuclear power has decreased, and the back-end costs such as the cost to reprocess the irradiated nuclear fuel has also increased, which were partially offset by the reduction of the labor cost resulting from the successful management of pension assets in recent years.

As a result, the ordinary income for FY2006 decreased by 7.4% to ¥105.7 billion compared with FY2005.

The net income decreased by 14.3% to ¥59.2 billion mainly because the company recorded an extraordinary loss of ¥5.6 billion due to the impairment losses of fixed assets.

Income and Expenditure (Non-consolidated)

(Unit: 100 million yen, %)

		FY2006 (A)	FY2005 (B)	Difference (A-B)	Change (A/B)	Composition Ratio	
						FY2006	FY2005
Ordinary Revenues	Lightning	5,510	5,623	-113	98.0	41.1	42.2
	Power	7,354	7,285	68	100.9	54.9	54.6
	(Subtotal)	(12,864)	(12,909)	(-44)	(99.7)	(96.0)	(96.8)
	Other	530	430	100	123.5	4.0	3.2
	[Sales] Total	[13,330] 13,395	[13,294] 13,339	[36] 56	[100.3] 100.4	[99.5] 100.0	[99.7] 100.0
Ordinary Expenses	Labor	1,448	1,784	-336	81.1	11.7	14.6
	Fuel	2,113	1,797	315	117.6	17.1	14.7
	Maintenance	1,707	1,573	134	108.5	13.9	12.9
	Depreciation	1,890	1,995	-105	94.7	15.3	16.4
	Power purchase	1,126	1,132	-6	99.4	9.1	9.3
	Interest	357	384	-26	93.1	2.9	3.1
	Nuclear back-end	652	482	169	135.2	5.3	4.0
	Other	3,042	3,046	-4	99.9	24.7	25.0
	Total	12,337	12,197	140	101.2	100.0	100.0
[Operating Income]	[1,437]	[1,596]	[-158]	[90.1]			
Ordinary Income	1,057	1,141	-84	92.6			
Drought Reserve	-	-46	47	-			
Extraordinary Losses	56	100	-44	55.7			
Income before income taxes	1,000	1,088	-87	92.0			
Income taxes	408	396	11	102.9			
Net Income	592	691	-99	85.7			

(Note) Nuclear back-end expenses include the costs below:

- Costs for reprocessing of irradiated nuclear fuel
- Costs for preparation of reprocessing of irradiated nuclear fuel\*
- Costs for disposal of transuranic waste
- Costs for decommissioning nuclear power plants

\*Newly added item for FY2006 ¥6.9 billion

(Reserve for reprocessing of irradiated nuclear fuel at a reprocessing plant under contemplation)

( Reference )

	FY2006 (A)	FY2005 (B)	Change (A-B)
Crude Oil (CIF) Price	\$63.6/b	\$55.8/b	\$7.8/b
Exchange Rate	¥117.0/\$	¥113.3/\$	¥3.7/\$



(3) Consolidated assets, debt, and shareholders' equity overview

Consolidated assets decreased by ¥63.4 billion compared with the end of previous fiscal year to ¥4,038.8 billion mainly because the fixed assets in electricity business decreased due to the progress of depreciation.

Consolidated debt decreased by ¥93.1 billion to ¥2,946.2 billion due to the decrease in interest-bearing debt. The interest-bearing debt decreased by ¥73.2 billion to ¥2,031.7 billion.

Consolidated shareholders' equity increased by ¥39.8 billion to ¥1,092.6 billion as the net income for this fiscal year has recorded, while the shareholders' equity decreased due to the dividends paid. Consequently the shareholders' equity ratio went up to 26.8%.

(4) Consolidated cash flow overview

Cash inflow from operating activities increased by 12.4% to ¥304.5 billion from the previous year mainly due to the increase in sales from non-electricity businesses and the decrease in the amount of income taxes paid.

Cash outflow from investing activities increased by 2.9% to ¥202.8 billion from the previous year.

Cash outflow from financing activities increased by 54.3% to ¥102.7 billion from the previous year.

As a result, the balance of cash and cash equivalent at the end of this fiscal year decreased by ¥1.0 billion to ¥50.6 billion compared with the end of previous fiscal year.

(5) Consolidated cash flow indication

	FY2002	FY2003	FY2004	FY2005	FY2006
Shareholders' equity ratio (%)	20.0	22.1	24.2	25.7	26.8
Shareholders' equity ratio at market value (%)	19.5	22.1	26.7	30.6	39.2
Debt redemption period (years)	5.4	6.0	5.1	7.8	6.7
Interest coverage ratio	5.8	4.8	8.4	6.5	7.9

(Note)

Shareholders' equity ratio = Shareholders' equity / Total assets

Shareholders' equity ratio at market value = Total market value of shares / Total assets

Debt redemption period = Interest-bearing debt / Cash flow from operating activities

Interest coverage ratio = Cash flow from operating activities / Interest payment

\*Each index is calculated based on the consolidated financial data

\*Total market value of shares is calculated as closing stock price at the end of fiscal year multiplied by the number of shares outstanding (after excluding treasury stocks) at the end of fiscal year

\*Cash flow from operating activities and interest payment are calculated based on consolidated cash flow statements.

\*Interest-bearing debt includes corporate debt and long-term debt (both includes those due within a year), short-term debt and commercial papers. The amount of corporate debt used here is not the book value but the face value (par).

## 2. Forecast for FY2007

[Forecast for the consolidated operating performance in FY2007]

Consolidated sales revenue is projected to increase in FY2007 as the sales volume of electricity is projected to increase by 1.3% mostly due to the increasing number of all-electric housings, openings of commercial facilities, and booming production activities of the customers in industrial and commercial sectors.

Operating income is projected to decrease mainly due to the impact of the revised depreciation system which will be implemented as a part of the tax system revision for FY2007.

Ordinary income and net income are projected to increase due to the decrease in the interest expenses.

### Forecast for operational performance in FY2007

(Unit: billion yen)

	Consolidated		Non-consolidated	
	Interim	Year-end	Interim	Year-end
Sales	712 [99.8%]	1,438 [102.1%]	673 [99.4%]	1,349 [101.2%]
Operating income	98 [77.0%]	152 [98.0%]	96 [78.4%]	142 [98.7%]
Ordinary income	83 [76.2%]	119 [100.4%]	80 [76.2%]	108 [102.1%]
Net income	51 [76.4%]	74 [112.2%]	50 [77.0%]	67 [113.1%]

(Note) the percentage figures in [ ] show the comparison from the previous year

### Sensitivity factors

	Interim	Year-end
Electricity sales volume	42.8 Billion kWh [99.4%]	85.5 Billion kWh [101.3%]
Crude oil (CIF) price	63 \$/b	
Exchange rate	¥ 120 /\$	
Nuclear power generation capacity utilization rate	85.1 %	85.5 %
Water release rate	100.0 %	

(Note) the percentage figures in [ ] show the comparison from the previous year

(Reference) FY2007 The impact of sensitivity factors on non-consolidated financial performance

	Year-end
Crude oil (CIF) price 1\$/b	¥ 2.4 billion
Exchange rate ¥1/\$	¥ 1.6 billion
Nuclear power generation capacity utilization rate 1%	¥ 2.2 billion

### 3. Basic policy regarding the appropriation of profits and dividends for FY2006 and FY2007

We have based our policy regarding the appropriation of profits on expanding shareholders' interest in medium to long-term perspective while maintaining the consecutive dividends.

We plan to use retained earnings for investments in electric facilities and new businesses as well as for repayment of interest-bearing debts, aiming to enhance sustainable corporate value.

We determined the dividend of 60 yen applicable to FY2006 (30 yen interim dividend paid and 30 yen year-end dividend) which we seek to shareholders' approval at the shareholders' meeting as a part of the appropriation of profits.

Kyushu Electric Power plans to pay a dividend of 60 yen per share for FY2007 (interim dividend of 30 yen and year-end dividend of 30 yen).

### 4. Business risks 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 at the day of the announcement of this financial report.

#### (1) Risks related to system reforms of the electricity industries

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

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

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

#### (2) Risks related to businesses other than electricity

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

#### (3) Risks related to economic conditions and weather conditions

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

(4) Risks related to the fluctuation of fuel prices

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

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

(5) Risks related to interest rates

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

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

(6) Risks related to the leaking of personal information

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

(7) Risks related to natural disasters

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

### **Overview of the Group**

Disclosure is omitted as there is no significant change in organizational structure and overview of associated companies from the latest Security Report submitted in June 29, 2006.

## **Management Policy**

Amid increasingly fierce competition in the energy market, we at Kyushu Electric Power Group recognize dynamic changes in the business environment surrounding us, from serious global environmental problems and energy resource issues to diversified life styles.

To this end, we have set our Midterm Management Policy for FY2005-FY2009 and currently we are striving to enhance sustainable corporate value by respecting customer's perspective as the base of our corporate activities, improving management quality, and achieving higher satisfaction levels of customers, shareholders, investors, society and community, and the employees.

### **[Major objectives]**

Specifically, we aim to solidify the business base of the Kyushu Electric Power Group centered around total energy business and seek new growth while tackling various business challenges as follows:

< To solidify the base >

#### **Improve the efficiency aiming to achieve the highest among the domestic electric power companies**

While ensuring the safety and maintaining electric supply reliability, we are simultaneously pursuing efficient formation of facilities and maintenance, efficient operation, reduction of material, equipment and fuel procurement costs. Additionally, we are endeavoring to further improve operational efficiency by reforming business processes.

As a result of these efforts, we reduced electric rates in April 2006.

#### **Establish the reliable business basis**

We will establish the trustworthy operating base through precise daily performances and maintenance of electric supply reliability. We will also promote balanced power source development centering on nuclear power, taking into consideration diverse perspective including energy security, environmental compliance and medium to long-term demand trends of electric power.

Particularly, we are ensuring safe and stable operation of nuclear power plants and working to openly disclose related information with straightforward explanation. Currently, we are conducting environmental surveys on the premises of Sendai Nuclear Power Station with the aim of developing an additional unit as well as working toward starting the Pluthermal project by around FY2010 at Genkai Nuclear Power Station Unit 3.

#### **Measures for Corporate Social Responsibilities (CSR)**

In our efforts to carry out our corporate social responsibilities (CSR), under the initiative of the CSR Promotion Committee, we ensure fair and highly transparent business activities in strict conformity with laws and business ethics. In addition, as a good corporate citizen of the society, we at the Kyushu Electric Power Group promote environmental management and a various range of activities aiming at symbiosis with the local communities and society.

To this end, "Kyushu Electric Power CSR Report" was newly published in June 2006. By utilizing this CSR report as a communication tool, we intend to reflect stakeholders' opinions on our management and business activities.

Regarding the recently revealed inappropriate handlings of operation in our power generation facilities in the past, we will make sincere efforts to recover trust from society and community by steady implementation of measures to prevent a recurrence of similar incidents.

### Improve ability and capability of the organization

We are pursuing fostering of a corporate culture to assure continuous improvement and innovation, prompt and accurate decision-making, thorough risk management, fortification of group management base and optimization of information systems.

To ensure the soundness of corporate management, we are also establishing an effective corporate governance structure.

<To pursue the growth>

#### Develop new businesses to meet the needs from customers

We enhance total solution service that spots what customers needs properly and provides optimal energy services while striving to create new electricity demand by promoting all-electric housing and electric appliances including all-electric kitchen appliances and electrical air conditioning systems. Since the original target demand of 2.5 billion kWh was achieved in late November 2006, we have set a new and higher target of newly created electricity demand, 3.7 billion kWh to achieve by FY2009.

We are also actively developing new products and services in non-electricity business segments including IT and telecommunication, environment and recycling, and lifestyle-oriented service businesses pursuing profitability and growth potential.

Additionally, from the viewpoint of generating new electric demand and creating business opportunities for our group, we energetically develop activities to attract enterprises to the Kyushu region.

#### Enhance employees' motivation and level of capability

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

### [Management objectives in Midterm Management Policy for and actual results]

< Profitability / Financial stability >

	Target	Actual Result
Free Cash Flow (FCF)	¥120 billion (¥100 billion) FY2005-09 ave.	¥86.2 billion (¥73.9 billion) FY2005-06 ave.
Ordinary Income	¥110 billion (¥100 billion) FY2005-09 ave.	¥121.9 billion (¥109.9 billion) FY2005-06 ave.
Return on Assets (ROA)	3% (3%) FY2005-09 ave.	2.6% (2.5%) FY2005-06 ave.
Shareholders' Equity Ratio	30% (30%) at the end of FY2009	26.8% (26.9%) at the end of FY2006

(Note) FCF = Net Income + Depreciation costs etc + Increase/decrease in receivables – Capital Investment

ROA = Operating Income after Income Tax / Net Asset

Figures in ( ) are on non-consolidated basis

< Growth >

	Target (FY2009 incremental from FY2003)	Actual Result (FY2006 incremental from FY2003)
New Demand in Electricity Business	3.7 billion kWh	2.8 billion kWh
Non-electricity Sales to Outside the Group	¥100 billion	¥51.0 billion

(Note) Since the original objective of 2.5 billion kWh was achieved in late November 2006, we have set a new and higher target of 3.7 billion kWh.

In April 2007, we established “Kyushu Electric Power’s Mission” to replace our previous “Corporate Policy” to strengthen our customers’ trust in our faithful business operation. We will continuously strive to develop diverse businesses with the aim of realizing the mission.

## Consolidated Balance Sheets (As of March 31, 2007)

(Unit: million yen)

Assets				Liabilities and Shareholders' Equity			
Accounts	March 31, 2007	March 31, 2006	Change	Accounts	March 31, 2007	March 31, 2006	Change
<b>Property, Plant and Equipment</b>	3,789,816	3,859,802	-69,986	<b>Long-term Liabilities</b>	2,388,945	2,426,053	-37,108
Utility property, plant and equipment	2,529,815	2,614,725	-84,909	Bonds	1,026,850	1,045,720	-18,869
Hydro power production facilities	183,935	190,004	-6,068	Long-term loans	662,256	678,458	-16,202
Thermal power production facilities	322,949	355,541	-32,591	Accrued retirement benefits	177,182	204,289	-27,107
Nuclear power production facilities	257,252	284,368	-27,115	Reserve for reprocessing of irradiated nuclear fuel	364,837	353,389	11,448
Internal combustion power production facilities	25,370	25,065	305	Reserve for preparation of reprocessing of irradiated nuclear fuel	6,976	—	6,976
Transmission facilities	713,552	717,631	-4,079	Reserve for decommissioning of nuclear power plant	126,172	119,626	6,545
Transformation facilities	271,507	277,875	-6,368	Deferred tax liabilities	49	54	-5
Distribution facilities	615,019	616,754	-1,735	Other fixed liabilities	24,620	24,514	105
General facilities	129,513	136,512	-6,999	<b>Current Liabilities</b>	557,201	613,354	-56,153
Other utility property, plant and equipment	10,714	10,970	-256	Current portion of long-term debt	203,815	200,238	3,577
Other property, plant and equipment	294,581	300,384	-5,802	Short-term borrowings	136,050	184,604	-48,554
Construction in progress	315,860	303,045	12,815	Notes and accounts payable	46,109	46,290	-180
Construction and retirement in progress	315,860	303,045	12,815	Income taxes payable	34,420	37,213	-2,793
Nuclear fuel	240,662	234,358	6,304	Reserve for loss on business restructuring	—	1,957	-1,957
Loaded nuclear fuel	43,837	39,155	4,682	Other current liabilities	136,804	143,049	-6,244
Nuclear fuel in processing	196,825	195,202	1,622	<b>Reserve</b>	90	—	90
Investments and other assets	408,895	407,289	1,605	Drought reserve	90	—	90
Long-term investments	168,158	181,659	-13,501	<b>Total Liabilities</b>	2,946,237	3,039,408	-93,170
Reserve for reprocessing of irradiated nuclear fuel	70,082	60,134	9,947	<b>Minority Interests</b>	—	10,124	-10,124
Deferred tax assets	104,895	103,386	1,508	<b>Common stock</b>	—	237,304	-237,304
Other assets	67,010	63,927	3,082	<b>Additional paid-in capital</b>	—	31,093	-31,093
Allowance for doubtful accounts	-1,250	-1,819	568	<b>Retained earnings</b>	—	720,036	-720,036
<b>Current Assets</b>	249,022	242,356	6,665	<b>Unrealized gain on available-for-sale securities</b>	—	65,831	-65,831
Cash and cash equivalent	50,691	51,695	-1,003	<b>Foreign currency translation adjustments</b>	—	-305	305
Trade notes and accounts receivable	103,660	94,927	8,733	<b>Treasury stock</b>	—	-1,175	1,175
Inventories, principally fuel, at average cost	49,918	48,746	1,171	<b>Total Shareholders' Equity</b>	—	1,052,785	-1,052,785
Deferred tax assets	15,813	21,443	-5,629	<b>Shareholders' Equity</b>	1,022,959	—	1,022,959
Other current assets	30,107	27,006	3,100	Common stock	237,304	—	237,304
Allowance for doubtful accounts	-1,168	-1,462	293	Additional paid-in capital	31,093	—	31,093
<b>Deferred Assets</b>	—	159	-159	Retained earnings	756,405	—	756,405
Discount on debentures	—	159	-159	Treasury stock	-1,844	—	-1,844
<b>Total</b>	4,038,838	4,102,319	-63,480	<b>Valuation and translation adjustments</b>	58,673	—	58,673
				Unrealized gain on other securities	54,992	—	54,992
				Loss on deferred hedge	3,865	—	3,865
				Foreign currency translation adjustments	-183	—	-183
				<b>Minority Interests</b>	10,967	—	10,967
				<b>Total Shareholders' Equity</b>	1,092,600	—	1,092,600
				<b>Total</b>	4,038,838	4,102,319	-63,480

**Consolidated Statements of Income**  
 (From April 1, 2006 to March 31, 2007)

(Unit: million yen)

Expenses				Revenues			
Accounts	FY2006	FY2005	Change	Accounts	FY2006	FY2005	Change
Operating Expenses	1,253,154	1,230,466	22,688	Operating Revenues	1,408,327	1,401,751	6,576
Electricity	1,155,413	1,140,797	14,616	Electricity	1,307,737	1,311,995	-4,258
Other	97,741	89,669	8,071	Other	100,590	89,755	10,835
Operating Income	( 155,172 )	( 171,284 )	( -16,111 )				
Other Expenses	45,343	53,702	-8,358	Other Revenues	8,751	7,697	1,053
Interest expenses	38,354	41,129	-2,775	Proceed from dividends	2,356	2,167	188
Other	6,989	12,572	-5,582	Proceed from interests	1,207	206	1,000
				Gain on sale of property and equipment	998	-	998
				Equity in net earnings of affiliate	842	1,519	-677
				Other	3,347	3,802	-455
Total Ordinary Expenses	1,298,498	1,284,169	14,329	Total Ordinary Revenues	1,417,079	1,409,448	7,630
Ordinary Income	118,580	125,279	-6,699				
Provision for (reversal of) drought reserve	90	-4,682	4,773				
Provision for drought reserve	90	-	90				
Reversal of drought reserve	-	-4,682	4,682				
Extraordinary Losses	5,602	9,171	-3,569				
Losses on discontinued affiliates	-	9,171	-9,171				
Impairment loss	5,602	-	5,602				
Income before income taxes	112,887	120,790	-7,902				
Income Taxes	38,266	53,686	-15,419				
Income Taxes-Deferred	7,808	-10,648	18,456				
Minority Interests	844	902	-57				
Net Income	65,967	76,849	-10,881				



### Consolidated Statements of Changes in Shareholders' Equity

(From April 1, 2006 to March 31, 2007)

(Unit: million yen)

	Shareholders' Equity					Valuation and translation adjustments				Minority Interests	Shareholders' Equity Total
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total	Unrealized gain on other securities	Loss on deferred hedge	Foreign currency translation adjustment	Total		
Balances at March 31, 2006	237,304	31,093	720,036	-1,175	987,260	65,831	-	-305	65,525	10,124	1,062,910
Changes during the year											
Dividends declared			-14,211		-14,211						-14,211
Dividend declared (Interim)			-14,210		-14,210						-14,210
Bonus to Directors			-305		-305						-305
Net Income			65,967		65,967						65,967
Purchase of treasury stock				-669	-669						-699
Decrease due to the increase in affiliates under Equity method			-870		-870						-870
Net changes during the year other than Shareholders' Equity						-10,839	3,865	122	-6,851	842	-6,009
Total changes	-	-	36,369	-669	35,699	-10,839	3,865	122	-6,851	842	29,690
Balances at March 31, 2007	237,304	31,093	756,405	-1,844	1,022,959	54,992	3,865	-183	58,673	10,967	1,092,600

(Note) Dividends declared and bonuses to directors are appropriation of earnings adopted at the shareholders' meeting held in June 2006.

### Consolidated Statements of Additional Paid-in Capital and Retained Earnings

(Unit: million yen)

	Previous fiscal year (From April 1, 2005 to March 31, 2006)	
( Additional Paid-in Capital)		
Balances at the beginning of the year		31,093
Balances at the end of the year		31,093
(Retained Earnings)		
Balances at the beginning of the year		675,190
Increase		
Net income	76,849	76,849
Decrease		
Cash dividends	30,795	
Bonuses to directors	304	
Net adjustments due to change in scope of the consolidation	903	32,003
Balances at the end of the year		720,036

**Consolidated Statements of Cash Flow**

(From April 1, 2006 to March 31, 2007)

(Unit: million yen)

Account	FY2006	FY2005
<b>Operating Activities</b>		
Income before income taxes and minority interests	112,887	120,790
Depreciation and amortization	219,131	229,646
Loss on impairment of fixed assets	5,602	-
Amortization of nuclear fuel	21,127	23,793
Loss on disposal of property, plant and equipment	9,450	8,352
Losses on business restructuring	-	9,171
Increase(decrease) in liability for retirement benefits	-27,107	-1,145
Provision for (reversal of) reserve for reprocessing of irradiated nuclear fuel	-	-350,698
Provision for reserve for reprocessing of used fuel	11,448	353,389
Provision for preparation for reprocessing of irradiated nuclear fuel	6,976	-
Provision for reserve for decommissioning of nuclear power plants	6,545	9,121
Provision of (reversal of ) drought reserve	90	-4,682
Interest revenue and dividends received	-3,563	-2,374
Interest expense	38,354	41,129
Equity in net earnings under the equity method	-842	-1,519
Gain on sale of property and equipment	-998	-
Increase in fund for reprocessing of irradiated nuclear fuel	-9,947	-60,134
Increase in accounts receivable	-8,167	-10,767
Increase in inventories, principally fuel, at average cost	-1,171	-10,064
Increase in accounts payable	613	7,157
Other	9,260	23,721
<b>Sub Total</b>	<b>389,690</b>	<b>384,886</b>
Receipt of interest and cash dividends	3,656	2,650
Interest paid	-38,440	-41,861
Business restructuring of affiliates	-3,101	-6,642
Income tax paid	-47,290	-68,110
<b>Net cash provided by operating activities</b>	<b>304,514</b>	<b>270,921</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of property, plant and equipment	-202,913	-200,110
Payment for investments and other	-8,685	-7,448
Proceeds for recoveries from investments and other	1,369	1,519
Other	7,417	8,958
<b>Net cash used in investing activities</b>	<b>-202,811</b>	<b>-197,081</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from issuance of bonds	108,489	108,824
Redemption of bonds	-74,513	-74,700
Proceeds from long-term loans	65,990	92,160
Repayment of long-term loans	-131,930	-163,239
Net increase (decrease) in short-term borrowings	-48,721	619
Net changes in commercial paper	7,000	-
Cash dividends paid	-258,412	-30,779
Other	-692	514
<b>Net cash used in financing activities</b>	<b>-102,790</b>	<b>-66,601</b>
Effect of exchange rate changes on cash and cash equivalents	-41	-9
<b>Changes in cash and cash equivalents</b>	<b>-1,128</b>	<b>7,230</b>
Cash and cash equivalents at beginning of the year	51,675	42,830
Increase in cash and cash equivalent due to newly consolidated companies	124	1,614
<b>Cash and cash equivalents at end the of the year</b>	<b>50,671</b>	<b>51,675</b>

## Notes to Consolidated Financial Statements

### 1. Basis of presentation of consolidated financial statements

#### (1) Accounting principles for major allowances and accruals

##### a. Reserve for reprocessing of irradiated nuclear fuel

The reserve for the reprocessing of irradiated nuclear fuel is provided as a portion, which is recognized as the amount attributable to this fiscal year, of the estimated costs needed to reprocess the irradiated nuclear fuel with a definite plan of reprocessing. The costs on the irradiated fuels reprocessed in Japan Nuclear Fuel Limited are calculated as an expected future costs being discounted at 1.7%. The other parts are calculated based on the amount of payment due at the end of this fiscal year.

The unrecognized costs which had not been recognized in the past as liability were ¥130,495 million as of April 1, 2005, and they are amortized on a straight-line basis over 15 years starting from FY2005. Annual amortization is presented as operating expenses in the income statements. The balance of the unrecognized costs at the end of this fiscal year was ¥113,096 million.

Under the accounting rules applicable to electric utility companies in Japan, unrecognized actuarial gain or loss at the balance sheet date has been charged to income starting from the next fiscal year over the period for which irradiated nuclear fuel with definite reprocessing plan is incurred. They are presented as operating expenses under the rules. The unrecognized difference at the end of this fiscal year was ¥19,042 million.

##### b. Reserve for preparation for reprocessing of irradiated nuclear fuel

The reserve for the reprocessing of irradiated nuclear fuel is provided as a portion, which is recognized as the amount attributable to this fiscal year, of the estimated costs needed to reprocess the irradiated nuclear fuel without a definite plan of reprocessing. The discount rate applied in this calculation is 4.0%.

The costs needed to reprocess irradiated nuclear fuel without a definite plan of reprocessing attributable to FY2005 or before are recorded as operating expenses for this fiscal year in accordance with the accounting regulations applicable to the electricity industry in Japan (Ordinance No. 15 of the Ministry of Economy, Trade and Industry, 2007).

##### (Additional Information)

The subcommittee to the establishment of investment environment for nuclear power generation in the Electricity Industry Committee at the Advisory Committee for Natural Resources and Energy, the advisory board of the Minister of the Economy, Trade and Industry, has been discussed possible systems to reserve for reprocessing of irradiated nuclear fuel without a definite plan of reprocessing as temporary measures until a definite plan of reprocessing is authorized. Following the discussion, the accounting regulations applicable to the electricity industry has been revised to allow electricity utilities to fund estimated costs associated with irradiated nuclear fuels without definite reprocessing plans as a reserve for preparation for reprocessing of irradiated nuclear fuel.

As a result, our operating expenses for this fiscal year increased by ¥6,976 million. Ordinary income and income before income taxes for this fiscal year decreased by the same amount as well. The impact of this reserve on segment information is disclosed in "Notes (Segment information)" at page 19.

##### c. Reserve for decommissioning costs of nuclear power units

The reserve for the anticipated costs required for the decommissioning of nuclear power units in the future is provided on the basis of a proportion of the current generation of electric power to the estimated total life-time generation of electric power of each unit.

##### (Additional Information)

In December 2005, "Law to Amend the Law on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors" and the related regulation were issued. The law and related regulation changed the criteria of density of radioactive waste. Following the changes, further cost analysis and estimation on the types and amount of waste generated in the process of decommissioning have been conducted by the subcommittee to the establishment of investment environment for nuclear power generation in the Electricity Industry Committee at the Advisory Committee for Natural Resources and Energy, the advisory board of the Minister of the Economy, Trade and Industry.

The subcommittee reported that the estimated costs associated with the decommissioning of all the nuclear power generation facilities nationwide total would increase by ¥329 billion based on the calculation with a model plant. However, the actual calculation methods regarding the estimation of decommissioning costs per power generation unit, which will be applied when electricity utilities reserve for decommissioning in the future, has not been disclosed and is subjected to appropriate investigation in the future. Therefore, the reserve for decommissioning of nuclear power units for this fiscal year is recorded based on estimation by the former criteria.

Disclosure of the items other than those stated above was omitted because there is no significant change from the latest security report submitted in June 29, 2006.

### Changes in basis of presentation of consolidated financial statements

(Accounting policies regarding the presentation methods on shareholders' equity in the balance sheets)

The Accounting Standards Board of Japan (ASBJ) issued an Accounting Standard-ASBJ Statement No. 5 *Accounting Standards for Presentation of Net Assets in the Balance Sheet* and its Implementation Guidance-ASBJ Guidance No. 8 *Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet* on December 9<sup>th</sup>, 2005. From this fiscal year, we applied these new accounting rules. Following the revision of the rules on preparing consolidated financial reports, the shareholders' equity part in consolidated balance sheets for this fiscal year is prepared in line with the revised rules. The amount equivalent to the previous equity section total is ¥1,077,768 million.

(Accounting procedure of deferred assets)

ASBJ issued a revised Accounting Standard-ASBJ Statement No. 10 Accounting Standards for Financial Instruments and practical solutions-PITF No. 19 *Tentative Solution on Accounting for Deferred Assets* on August 11<sup>th</sup>, 2006. From this fiscal year, we applied these accounting rules and the discount on debentures which had been presented as a deferred asset until the previous fiscal year is set off from debt account. Costs associated with debt issuance occurring during the fiscal year were previously stated as deferred assets and fully amortized. From this fiscal year these costs are recorded as "Other operating expenses" upon payment. This change will not have a material effect on the Kyushu Electric Power Group's financial position and operational results.

(Accounting policies regarding bonuses to directors)

ASBJ issued an Accounting Standard-ASBJ Statement No. 4 Accounting Standard for Directors' Bonus. We applied this accounting standard from this fiscal year and this adoption will have a minor impact on the ordinary income and the income before income taxes.

Notes

(Segment Information)

1. Segment information by type of business

FY2006 from April 1, 2006 to March 31, 2007

(Unit: million yen)

	Electricity	Energy -related	IT/ Tele- communication	Other	Total	Eliminations/ Corporate	Consolidated
Net sales							
(1) Customers	1,307,737	49,265	40,235	11,089	1,408,327	-	1,408,327
(2) Inter-segment	2,432	79,050	36,165	14,836	132,485	(132,485)	-
Total	1,310,169	128,315	76,400	25,926	1,540,812	(132,485)	1,408,327
Operating expenses	1,165,874	121,423	77,708	21,680	1,386,686	(133,531)	1,253,154
Operating income (loss)	144,295	6,891	(1,307)	4,245	154,125	1,046	155,172
Asset, depreciation, impairment losses and capital expenditure							
Asset	3,681,177	235,890	133,580	138,005	4,188,653	(149,815)	4,038,838
Depreciation (including amortization of nuclear fuel)	210,138	9,146	18,981	4,950	243,216	(2,957)	240,258
Impairment loss	2,056	-	-	3,545	5,602	-	5,602
Capital expenditure	170,244	8,825	21,405	4,920	205,395	(2,809)	202,586

FY2005 from April 1, 2005 to March 31, 2006

(Unit: million yen)

	Electricity	Energy -related	IT/ Tele- communication	Other	Total	Eliminations/ Corporate	Consolidated
Net sales							
(1) Customers	1,311,995	46,153	36,010	7,591	1,401,751	-	1,401,751
(2) Inter-segment	2,397	77,684	37,738	12,582	130,403	(130,403)	-
Total	1,314,393	123,837	73,749	20,173	1,532,154	(130,403)	1,401,751
Operating expenses	1,151,486	119,235	74,440	17,124	1,362,246	(131,779)	1,230,466
Operating profit (loss)	162,907	4,601	(651)	3,049	169,907	1,376	171,284
Asset, depreciation, impairment losses and capital expenditure							
Asset	3,751,601	244,459	131,926	126,743	4,254,731	(152,412)	4,102,319
Depreciation (including nuclear fuel impairment)	223,386	9,956	18,059	5,129	256,533	(3,093)	253,439
Impairment loss	693	1,173	1	220	2,089	-	2,089
Capital expenditure	174,229	5,756	18,419	2,312	200,717	(2,758)	197,958

(Note) 1. Basis to categorize group companies

Business segments are categorized primarily based on the nature of business operations.

2. Main products and business activities in each segment

Type of business	Main products and business activities
Electricity	Supply of electricity
Energy-related	Receipt, storage, vaporization and delivery of LNG, manufacturing and sales of electric machinery, construction, maintenance and repair of power generation facilities, environmental preservation activities around power generation facilities, consultation and planning of civil engineering and construction
IT/Telecommunication	Fiber-optic cable and broadband service, manufacturing, sales, installation and maintenance of telecommunication devices, development, operation and maintenance of information system
Other	Acquiring and owning of securities, loan to group companies, leasing and management of real estate, contracted siting work

3. Additional information

Reserve for preparation for reprocessing of nuclear fuel

Starting this fiscal year, we reserve for preparation for reprocessing of nuclear fuel in line with the revised accounting regulations applicable to the electricity industry in Japan (see details in “Notes to Consolidated Financial Statements” at page 17). Due to this reserve, operating expenses for electricity business increased by ¥6,976 million and the operating income decreased by the same amount for this fiscal year.

2 . Geographic segment information

FY2006 from April 1, 2006 to March 31, 2007

Disclosure of geographic segment information was omitted because the total domestic sales accounted for more than 90% of total sales made by all segments.

FY2005 from April 1, 2005 to March 31, 2006

Disclosure of geographic segment information was omitted because the total domestic sales accounted for more than 90% of total sales made by all segments.

3. Oversea sales

FY2006 from April 1, 2006 to March 31, 2007

Disclosure of overseas sales was omitted because the total overseas sales were less than 10% of total consolidated sales.

FY2005 from April 1, 2005 to March 31, 2006

Disclosure of overseas sales was omitted because the total overseas sales were less than 10% of total consolidated sales.

(Per share Data)

	FY2006 (April 1,2006-March 31, 2007)	FY2005 (April 1, 2005-March 31, 2006)
Shareholders' equity per share (BPS)	¥2,285.86	¥2,223.21
Net income per share (EPS)	¥139.37	¥161.67

(Note)

1. Diluted EPS is abbreviated as there are no dilutive securities.
2. Basic data for computation of the per share data

(1) Net income per share

	FY2006 (April 1,2006-March 31, 2007)	FY2005 (April 1, 2005-March 31, 2006)
Net income	¥65,967 million	¥76,849 million
Amount not allocated to shareholders (Bonuses to directors in appropriation of earnings )	-	¥305 million (¥305 million)
Net income allocated to common stock outstanding	¥65,967 million	¥76,543 million
Weighted average number of common stock outstanding during each fiscal year	473,320 thousand shares	473,442 thousand shares

(2) Shareholders' equity per share

	FY2006 (April 1,2006-March 31, 2007)	FY2005 (April 1, 2005-March 31, 2006)
Shareholders' equity total	¥1,092,600 million	-
Deductible from shareholders' equity (Minority interest)	¥10,967 million (¥10,967 million)	- ( - )
Shareholders' equity allocated to common stock outstanding	1,081,633 million	-
Number of common stock outstanding at the end of each fiscal year	472,184 thousand shares	-

(Significant post-balance sheet event)

N/A

(Omission of disclosure)

Disclosure of the notes on leases , related party transactions , tax effect accounting , investment in debt and equity securities , derivative transactions, and pension and severance plans was omitted due to the minor necessity of disclosure.

## Non-consolidated Balance Sheets

(As of March 31, 2007)

(Unit: million yen)

Assets				Liabilities and Shareholders' Equity			
Account	March 31, 2007	March 31, 2006	Change	Account	March 31, 2007	March 31, 2006	Change
<b>Property, Plant and Equipment</b>	3,600,395	3,673,257	-72,862	<b>Long-term Liabilities</b>	2,264,072	2,312,110	-48,038
Utility property, plant and equipment	2,566,220	2,652,141	-85,920	Bonds	1,027,599	1,046,620	-19,020
Hydro power production facilities	184,934	190,995	-6,061	Long-term loans	567,829	591,472	-23,643
Thermal power production facilities	327,318	360,507	-33,189	Long-term accrued liabilities	3,244	2,896	347
Nuclear power production facilities	259,407	286,652	-27,244	Long-term liabilities to affiliates	30	53	-23
Internal combustion power production facilities	26,043	25,707	335	Liability for employees' retirement benefits	161,531	187,492	-25,960
Transmission facilities	720,818	724,536	-3,718	Reserve for reprocessing of irradiated nuclear fuel	364,837	353,389	11,448
Transformation facilities	275,634	282,080	-6,446	Reserve for preparation of reprocessing of irradiated nuclear fuel	6,976	—	6,976
Distribution facilities	629,785	632,016	-2,230	Reserve for decommissioning of nuclear power plant	126,172	119,626	6,545
General facilities	131,564	138,674	-7,109	Other long-term liabilities	5,849	10,559	-4,710
Suspended facilities	4,932	5,188	-256	<b>Current Liabilities</b>	507,145	549,544	-42,398
Facilities on loan	5,782	5,782	—	Current portion of long-term debt	183,070	167,013	16,057
Incidental businesses property and equipment	42,635	34,520	8,114	Short-term borrowings	131,000	174,000	-43,000
Nonoperating property and equipment	8,187	13,871	-5,683	Commercial paper	7,000	—	7,000
Plant and equipment suspense account	309,278	300,424	8,854	Accounts payable-trade	33,231	29,900	3,331
Construction in progress	307,707	298,811	8,895	Accounts payable	18,758	22,122	-3,363
Retirement in progress	1,570	1,612	-41	Accrued expenses	60,390	71,094	-10,704
Nuclear Fuel	240,662	234,358	6,304	Accrued income tax	30,752	33,308	-2,556
Loaded nuclear fuel	43,837	39,155	4,682	Deposit	1,761	1,536	225
Nuclear fuel in processing	196,825	195,202	1,622	Short-term liabilities to subsidiaries and affiliated companies	32,817	36,031	-3,213
Investments and other assets	433,410	437,940	-4,530	Other advances	6,376	8,881	-2,504
Long-term investments	152,567	169,089	-16,522	Reserve for loss on financial support for a subsidiary	—	3,662	-3,662
Investments in subsidiaries and affiliated companies	115,895	120,311	-4,416	Other current liabilities	1,986	1,995	-8
Fund for reprocessing of irradiated nuclear fuel	70,082	60,134	9,947	Reserve	90	—	90
Long-term prepaid expenses	6,864	6,857	6	Drought reserve	90	—	90
Deferred tax assets	88,616	88,645	-29	<b>Total Liabilities</b>	2,771,308	2,861,654	-90,345
Allowance for doubtful accounts	-615	-7,099	6,483	<b>Common stock</b>	—	237,304	-237,304
<b>Current Assets</b>	189,717	183,899	5,817	<b>Additional paid-in capital</b>	—	31,087	-31,087
Cash and cash equivalents	33,972	37,087	-3,115	Capital reserves	—	31,087	-31,087
Accounts receivable	88,618	79,116	9,501	<b>Retained earnings</b>	—	663,816	-663,816
Receivables	10,042	10,929	-887	Earned reserves	—	59,326	-59,326
Inventories	31,620	31,956	-335	Voluntary reserves	—	479,300	-479,300
Advances	1	1	—	Reserve for adjustment of cost fluctuation	—	100,300	-100,300
Prepaid expenses	967	621	345	Contingent reserves	—	379,000	-379,000
Receivables from subsidiaries and affiliated companies	1,691	1,770	-79	Undivided profits	—	125,189	-125,189
Deferred tax assets	12,922	15,762	-2,839	Unrealized gain on available-for-sale securities	—	64,355	-64,355
Other current assets	10,893	7,987	2,905	Treasury stock	—	-901	901
Allowance for doubtful accounts	-1,012	-1,335	322	<b>Total Shareholders' Equity</b>	—	995,662	-995,662
<b>Deferred Assets</b>	—	159	-159	<b>Shareholders' Equity</b>	961,312	—	961,312
Discount on debentures	—	159	-159	Common stock	237,304	—	237,304
				Additional paid-in capital	31,087	—	31,087
				Capital reserves	31,087	—	31,087
				Retained earnings	694,490	—	694,490
				Earned reserves	59,326	—	59,326
				Other retained earnings	635,164	—	635,164
				Cost behavior adjustment reserves	100,300	—	100,300
				Contingent reserves	419,000	—	419,000
				Deferred retained earnings	115,864	—	115,864
				Treasury stock	-1,571	—	-1,571
				Valuation and translation adjustments	57,491	—	57,491
				Unrealized gain on other securities	53,547	—	53,547
				Loss on deferred hedge	3,944	—	3,944
				<b>Total Shareholders' Equity</b>	1,018,803	—	1,018,803
<b>Total</b>	3,790,112	3,857,316	-67,204	<b>Total</b>	3,790,112	3,857,316	-67,204



## Non-consolidated Statements of Income

(From April 1, 2006 to March 31, 2007)

(Unit: million yen)

Expenses				Revenues			
Accounts	FY2006	FY2005	Change	Accounts	FY2006	FY2005	Change
Operating Expenses	1,189,237	1,169,799	19,437	Operating Revenues	1,333,037	1,329,434	3,602
Electricity	1,165,874	1,151,486	14,388	Electricity	1,310,169	1,314,393	-4,223
Hydro power	33,667	29,248	4,418	Lightning	551,047	562,365	-11,318
Thermal power	287,900	257,181	30,719	Power	735,425	728,580	6,845
Nuclear power	205,373	192,276	13,097	Sales to other electric companies	2,813	3,243	-429
Internal combustion power	24,097	21,584	2,512	Sales to other companies	5,334	4,547	786
Purchase from other electric companies	125	158	-32	Revenues from wheeling service charges	1,485	1,339	145
Purchase from other companies	112,477	113,093	-616	Gains from adjustment among electric companies	2,992	3,569	-577
Transmission	78,391	77,213	1,178	Miscellaneous revenues from electricity	10,538	10,214	323
Transformation	45,829	46,894	-1,064	Revenues from loaned equipment	532	532	—
Distribution	145,930	146,371	-440				
Sales	60,313	63,737	-3,423				
Suspended facilities	1,010	1,124	-113				
Facilities on loan	46	48	-2				
General	120,870	153,321	-32,451				
Promotion of power resources development tax	34,086	33,465	620				
Enterprise tax	15,889	15,915	-25				
Electricity account transfer (Credit)	-137	-149	11				
Incidental Businesses Operating Expenses	23,363	18,313	5,049	Incidental-Business Operating Revenues	22,867	15,041	7,826
Air-conditioning	2,791	3,083	-292	Air-conditioning	2,866	2,732	133
Fiber-optic cable leasing service	8,126	6,706	1,420	Fiber-optic cable leasing service	6,184	3,666	2,518
Gas supply	12,011	8,053	3,958	Gas supply	13,083	8,027	5,056
Other	433	470	-36	Other	732	614	118
Operating income	( 143,799 )	( 159,634 )	( -15,835 )				
Other Expenses	44,550	49,952	-5,401	Other Revenues	6,529	4,514	2,014
Financial expenses	36,297	38,812	-2,515	Financial revenues	2,974	2,056	917
Interest expenses	35,799	38,444	-2,645	Proceed from dividends	1,996	1,773	222
Amortization of bond issuance expenses	—	367	-367	Proceed from interests	977	282	694
Bond issuance costs	497	—	497				
Non-operating expenses	8,253	11,140	-2,886	Non-operating revenues	3,554	2,458	1,096
Loss on sales of tangible fixed assets	103	265	-161	Gain on sale of property and equipment	863	729	133
Other losses	8,149	10,874	-2,725	Other	2,691	1,728	962
Total Ordinary Expenses	1,233,788	1,219,752	14,036	Total Ordinary Revenues	1,339,566	1,333,949	5,617
Ordinary Income	105,778	114,197	-8,419				
Provision for drought reserve	90	-4,682	4,773				
Provision for drought reserve	90	—	90				
Reversal of drought reserve	—	-4,682	4,682				
Extraordinary Losses	5,602	10,064	-4,461				
Losses on discontinued affiliates	—	10,064	-10,064				
Impairment loss	5,602	—	5,602				
Income before income taxes	100,084	108,815	-8,730				
Current income Taxes	34,101	49,471	-15,369				
Deferred income tax	6,746	-9,792	16,539				
Net income	59,236	69,136	-9,900				

### Non-Consolidated Statements of Changes in Shareholders' Equity

(From April 1, 2006 to March 31, 2007)

(Unit: million yen)

	Shareholders' Equity								Valuation and Translation Adjustments			Shareholders' Equity Total		
	Common stock	Additional paid-in capital	Retained earnings					Treasury stock	Total	Unrealized gain on other securities	Loss on deferred hedge		Total	
			Capital reserves	Earned reserves	Other retained earnings									Retained earnings total
					Cost behavior adjustment reserves	Contingent reserves	Carried forward							
Balances at March 31, 2006	237,304	31,087	59,326	100,300	379,000	125,189	663,816	-901	931,306	64,355	-	64,355	995,662	
Changes during this year														
Reserve for contingency					40,000	-40,000	-		-				-	
Dividends declared						-14,211	14,211		-14,211				-14,211	
Dividends declared (Interim)						-14,210	-14,210		-14,210				-14,210	
Bonus to Directors						-140	-140		-140				-140	
Net Income						59,236	59,236		59,236				59,236	
Purchase of treasury stock								-669	-669				-669	
Net changes during this year other than Shareholders' Equity										-10,808	3,944	-6,863	-6,863	
Total Changes	-	-	-	-	40,000	-9,325	30,674	-669	30,005	-10,808	3,944	-6,863	23,141	
Balances at March 31, 2007	237,304	31,087	59,326	100,300	419,000	115,864	694,490	-1,571	961,312	53,547	3,944	57,491	1,018,803	

(Note) Reserve for contingency, dividends declared and bonuses to directors are appropriation of earnings adopted at the shareholders' meeting held in June 2006.

### Appropriation of earnings

(Unit: million yen)

	Previous fiscal year June 29, 2006
Unappropriated earnings for FY2006	125,189
Total	125,189
Appropriation amount	54,351
Dividend	14,211
Bonus to Directors	140
(to auditors included above)	(21)
Contingent reserve	40,000
Retained earnings carried forward	70,838

(Note) June 29, 2006 is the date of approval at the shareholders' meeting.