

July 31, 2008

**The 1st Quarter of the Fiscal Year Ending March 31, 2009 Financial Results Overview**  
**Kyushu Electric Power Co., Inc.**

Stock code: 9508

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Stock listed on: Tokyo Stock Exchange,

Osaka Securities Exchange,

Fukuoka Stock Exchange

URL: [http://www1.kyuden.co.jp/en\\_index](http://www1.kyuden.co.jp/en_index)

(Rounded down to the nearest million yen)

**1. Consolidated Financial Results for the Three Months (April 1, 2008 to June 30, 2008)**

**(1) Consolidated Operational Results** (% shows the changes from the same quarter period of the previous FY)

	Sales		Operating income		Ordinary income	
	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)
April 1, 2008 - June 30, 2008	343,456	—	9,025	—	1,280	—
April 1, 2007 - June 30, 2007	329,370	2.4	25,507	-44.8	19,900	-45.0

	Net income		EPS	Fully-diluted EPS
	(Unit: million yen)	(%)	(Unit: yen)	(Unit: yen)
April 1, 2008 - June 30, 2008	3,477	—	7.35	
April 1, 2007 - June 30, 2007	11,185	-49.0	23.64	

**(2) Consolidated Financial Position**

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(Unit: million yen)	(Unit: million yen)	(%)	(Unit: yen)
As of June 30, 2008	4,055,719	1,081,200	26.2	2,248.67
As of March 31, 2008	4,059,775	1,084,212	26.3	2,255.17

(Reference)

Shareholders' equity: As of June 30, 2008 : 1,063,978 million yen As of March 31, 2008: 1,067,046 million yen

**2. Dividends**

(Record date)	Annual dividends per share				
	1Q	Interim	3Q	Year-end	Total
	(Unit: yen)	(Unit: yen)	(Unit: yen)	(Unit: yen)	(Unit: yen)
FY2007		30.00		30.00	60.00
FY2008		—	—	—	—
FY2008(projected)		30.00		30.00	60.00

(Note) Revision of projected dividends: No

**3. Forecast for Consolidated Financial Results for FY2008 (April 1, 2008 to March 31, 2009)**

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

	Sales		Operating income		Ordinary income		Net income		EPS
	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: yen)
Interim	750,000	—	27,000	—	11,000	—	10,000	—	21.13
Year-end	1,535,000	3.6	32,000	-69.7	0	-100.0	0	-100.0	0.00

(Note) Revision of forecasts for consolidated financial results: No

**4. Other**

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

**(2) Adoption of simplified method or methods specific in prearing quarterly consolidated financial statements in accounting practice : No**

**(3) Changes in the accounting practices, procedures, or disclosure regarding preparation of quarterly consolidated financial statements from the previous fiscal year: Yes**

Changes in line with revised accounting standards : Yes

Other than : Yes

\* For the details, see page 6 [Qualitative Information and Financial Statements] 4. Other.

**(4) Number of common stocks issued and outstanding**

Total stocks including treasury stocks FY2008 1Q: 474,183,951 shares FY2007: 474,183,951 shares

Treasury stocks FY2008 1Q: 1,025,878 shares FY2007: 1,028,013 shares

Average number of shares during the period FY2008 1Q: 473,157,430 shares FY2007: 473,167,881 shares

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

(1) 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 5.

(2) The Company has applied "Accounting Standard Regarding Quarterly Financial Statements" and "Guideline for Accounting Standard Regarding Quarterly Financial Statements" enacted on March 14th, 2007 since this 1st quarter financial period. The Company also prepares quarterly consolidated financial statements in line with

"Rules on Quarterly Consolidated Financial Statements."

**[Qualitative Information and Financial Statements]**

1. Qualitative information regarding consolidated business performance

Due to soaring energy and raw material prices and the slowdown of the US economy, Japanese economy in this 1<sup>st</sup> quarter (April-June) also slowed and the economic recovery appears to be pausing.

(1) Consolidated Financial Overview

Consolidated sales (operating revenues) increased by 4.3% to ¥343.4 billion compared with the 1Q of FY2007 and the ordinary revenues increased by 3.7% to ¥346.0 billion mainly affected by the business performance in electricity business as the electricity sales revenue increased due to an increase in sales volume and also owing to the fuel cost adjustment system.

On the expenditure side ordinary expenses also increased by 9.8% to ¥344.7 billion compared with the 1Q of the previous year mainly because of increased fuel cost and cost to purchase electricity from other companies affected by soaring fuel prices in electricity business.

As a result, the ordinary income for the 1Q of FY2008 decreased by 93.6% to ¥1.2 billion.

The net income decreased by 68.9% to ¥3.4 billion compared with the 1Q of FY2007 because the Company recorded a gain on sales of marketable securities of 5.4 billion yen as an extraordinary gain.

(2) Sales and Supply Overview

In the 1<sup>st</sup> quarter of FY2008, the demand for electric light, power for commercial operations and other general demands decreased by 0.8% compared with the same period of the previous year mainly because the metering period this year was shorter than in the previous year. The power demand from large industrial customers increased 3.2% from the 1<sup>st</sup> quarter of the previous year, supported by the steady production activities in the transportation machinery, chemicals and non-ferrous metal industries.

Consequently, the total electricity sales for the 1<sup>st</sup> quarter of FY2008 increased by 0.4% to 20.07 billion kWh compared with the 1<sup>st</sup> quarter of the previous year.

Electricity Sales Volume

(Unit: million kWh, %)

		FY2008 1Q	FY2007 1Q	Difference	Change
		(A)	(B)	(A-B)	(A/B)
Lighting		6,398	6,408	-10	99.8
Power		13,675	13,577	98	100.7
Electricity Sales Total		20,073	19,985	88	100.4
(Figures are included above)	Customers other than large-scale industrial	13,722	13,832	-110	99.2
	Large-scale industrial customers	6,351	6,153	198	103.2

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, %)

		FY2008 1Q (A)	FY2007 1Q (B)	Difference (A-B)	Change (A/B)
Own facilities	Hydro (Water flow rate)	1,213 (98.6)	821 (70.1)	392 (28.5)	147.7
	Thermal	8,478	7,634	844	111.1
	Nuclear (Utilization rate)	8,584 (74.7)	9,753 (84.9)	-1,169 (-10.2)	88.0
	Subtotal	18,275	18,208	67	100.4
From other companies		3,594	3,549	45	101.3
Interchange		-3	-8	5	39.3
For pumping		-139	-49	-90	283.8
Total		21,727	21,700	27	100.1

**(Reference)**

**Income and Expenditure (Non-consolidated)**

(Unit: 100 million yen, %)

	FY2008 1Q (A)	FY2007 1Q (B)	Difference (A-B)	Change (A/B)	Composition Ratio		
					FY2008 1Q	FY2007 1Q	
Ordinary Revenues	Lighting	1,261	1,244	16	101.4	38.8	39.5
	Power	1,827	1,762	65	103.7	56.3	56.0
	(Subtotal)	(3,089)	(3,006)	(82)	(102.7)	(95.1)	(95.5)
	Other	157	140	17	112.4	4.9	4.5
	[Sales] Total	[3,223] 3,247	[3,106] 3,147	[117] 99	[103.8] 103.2	[99.3] 100.0	[98.7] 100.0
Ordinary Expenses	Labor	332	330	2	100.8	10.3	11.1
	Fuel	740	531	208	139.3	22.8	17.9
	Maintenance	419	465	-46	90.1	13.0	15.6
	Depreciation	490	499	-9	98.1	15.1	16.8
	Power purchase	360	274	86	131.4	11.1	9.2
	Interest	81	82	-1	98.1	2.5	2.8
	Tax & public dues	239	235	3	101.6	7.4	7.9
	Nuclear back-end	113	122	-9	92.4	3.5	4.1
	Other	463	435	27	106.4	14.3	14.6
	Total	3,240	2,977	262	108.8	100.0	100.0
[Operating Income]	[78]	[229]	[-151]	[34.2]			
Ordinary Income	6	169	-162	3.8			
Drought Reserve	-	-	-	-			
Extraordinary Gain	54	-	54	-			
Income before income taxes	60	170	-109	35.5			
Income taxes	23	69	-45	33.8			
Net Income	37	100	-63	36.7			

(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

(Reference)

	FY2008 1Q [A]	FY2007 1Q [B]	Difference [A-B]
Crude oil (CIF) price	109.7 \$/b	64.7 \$/b	45.0\$/b
Exchange rate	¥ 104.6 /\$	¥ 120.8 /\$	¥-16.2/\$

## 2. Qualitative information regarding consolidated financial condition

Consolidated assets decreased by ¥4.0 billion compared with the end of previous fiscal year to ¥4,055.7 billion mainly because the fixed assets in electricity business decreased due to the progress of depreciation.

Consolidated debt decreased by ¥1.0 billion to ¥2,974.5 billion due to the payments of accrued construction costs and accrued taxes recorded at the end of previous fiscal year while interest-bearing debt increased. The interest-bearing debt increased by ¥55.1 billion to ¥2,095.2 billion mainly due to an increase in commercial paper and bonds.

Consolidated net assets decreased by ¥3.0 billion to ¥1,081.2 billion due to the dividends paid while the net income for the three months has recorded. Consequently the shareholders' equity ratio slightly declined to 26.2%.

## 3. Qualitative information regarding forecasts for the consolidated operating performance

Consolidated sales revenue is projected to increase in FY2008 as the electricity sales revenue is projected to increase due to the fuel cost adjustment system in electricity business.

Operating income, ordinary income and net income are all projected to decrease mainly because of increased fuel cost and cost to purchase electricity from other companies because of soaring fuel prices in electricity business.

The Company hasn't revised forecasts for both interim and year-end consolidated operational performance since the last revision released on July 29<sup>th</sup>, 2008.

### Forecast for consolidated operational performance in FY2008

(Unit: 100 million yen)

	Interim	Year-end
Sales	7,500 [102.4%]	15,350 [103.6%]
Operating income	270 [35.8%]	320 [30.3%]
Ordinary income	110 [17.9%]	0 [0.0%]
Net income	100 [26.7%]	0 [0.0%]

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

### Sensitivity factors (Non-consolidated)

	Interim	Year-end
Electricity sales volume	44.0 billion kWh [99.9%]	87.9 billion kWh [99.7%]
Crude oil (CIF) price	120 \$/b	125 \$/b
Exchange rate	¥ 105 /\$	¥ 105 /\$
Nuclear power generation capacity utilization rate	79.8 %	83.3 %
Water release rate	99.3 %	99.6%

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

### (Reference) FY2008 The impact of sensitivity factors on non-consolidated financial performance

	Year-end
Crude oil (CIF) price 1\$/b	¥ 2.5 billion
Exchange rate ¥1/\$	¥ 3.6 billion
Nuclear power generation capacity utilization rate 1%	¥ 4.1 billion

4. Other

( 1 ) Changes in significant subsidiaries (changes in scope of consolidated subsidiaries)

N/A

( 2 ) Adoption of simplified methods or methods specific in preparing quarterly consolidated financial statements in accounting practices

N/A

( 3 ) Any changes in accounting practices, procedures, or disclosure regarding preparation of quarterly consolidated financial statements from the previous fiscal year

Adoption of accounting standards regarding quarterly financial statements

From this quarterly period, the Company has adopted “Accounting Standard Regarding Quarterly Financial Statement” and “Guidelines for Accounting Standard Regarding Quarterly Financial Statement” enacted on March 14<sup>th</sup>, 2007. It also prepares quarterly financial statements in line with “Rules on Quarterly Consolidated Financial Statements.”

Changes in Standards and Methods to Evaluate Significant Assets

Inventory

To record inventory, the Company mostly applied gross average cost method. From this 1<sup>st</sup> quarterly period, in line with “Accounting Standard Regarding Valuation of Inventory” enacted on July 5<sup>th</sup>, 2006, the Company mostly applies gross average cost method except the amounts on income statements, where it applies book value markdown method based on decreased profitability.

This change gives minor effect on the Company’s profit and loss.

Changes in Accounting Practices on Significant Lease Transaction

(Lessee)

To record finance lease transaction without transfer of title, the Company applied accounting methods conformed to the methods on lease transaction. In line with “Accounting Standard Regarding Lease Transaction” and “Guideline for Accounting Standard Regarding Lease Transaction” revised on March 30<sup>th</sup>, 2007, which are allowed to be applied on quarterly financial statements for fiscal years starting on or after April 1<sup>st</sup>, 2008, the Company applies the accounting standard and the guideline from this 1<sup>st</sup> quarterly period and applies accounting practices regarding regular sales transactions to record finance lease transactions without transfer of title starting on and after April 1<sup>st</sup>, 2008. To record depreciation on lease assets regarding finance lease transaction without transfer of title, the Company regards leasing period as useful life and applies straight line method with zero residual value.

This change gives minor effect on the Company’s profit and loss.

To record finance lease transaction without transfer of title started on or before March 31<sup>st</sup>, 2008, the Company continues to apply accounting methods conformed to the methods on regular lease transaction.

(Lessor)

To record finance lease transaction without transfer of title, the Company applied accounting methods conformed to the methods on lease transaction. In line with “Accounting Standard Regarding Lease Transaction” and “Guideline for Accounting Standard Regarding Lease Transaction” revised on March 30<sup>th</sup>, 2007, which are allowed to be applied on quarterly financial statements for fiscal years starting on or after April 1<sup>st</sup>, 2008, the Company applies the accounting standard and the guideline from this 1<sup>st</sup> quarterly period and applies accounting practices regarding regular sales transactions to record finance lease transactions without transfer of title starting on and after April 1<sup>st</sup>, 2008.

This change gives minor effect on the Company’s profit and loss.

To record finance lease transaction without transfer of title started on or before March 31<sup>st</sup>, 2008, the Company continues to apply accounting methods conformed to the methods on regular lease transaction.

5. Quarterly Consolidated Financial Statements  
( 1 ) Quarterly Consolidated Balance Sheets

	(Unit: million yen)	
	As of June 30 <sup>th</sup> , 2008	As of March 31 <sup>st</sup> , 2008
Assets		
Fixed Assets	3,766,507	3,772,773
Utility property, plant and equipment	2,560,174	2,581,653
Hydro	323,537	327,712
Thermal	284,242	292,116
Nuclear	235,255	241,080
Internal combustion	25,498	23,299
Transmission	686,930	689,600
Transformation	257,172	259,028
Distribution	614,683	615,419
General	123,016	123,385
Other	9,838	10,010
Other fixed assets	301,431	298,190
Construction in progress	234,435	229,448
Construction and retirement in progress	234,435	229,448
Nuclear fuel	261,541	250,845
Loaded nuclear fuel	46,606	40,012
Nuclear fuel in processing	214,934	210,833
Investments and other assets	408,924	412,634
Long-term investments	142,351	130,390
Reserve for reprocessing of irradiated nuclear fuel	97,101	104,739
Deferred tax assets	107,613	115,151
Other assets	62,738	63,210
Allowance for doubtful accounts	-880	-857
Current Assets	289,211	287,002
Cash and cash equivalent	44,401	58,741
Trade notes and accounts receivable	105,601	116,752
Inventories at average cost	84,288	65,114
Deferred tax assets	16,186	15,943
Other current assets	39,945	31,631
Allowance for doubtful accounts	-1,211	-1,181
Assets Total	4,055,719	4,059,775



	(Unit: million yen)	
	As of June 30 <sup>th</sup> , 2008	As of March 31 <sup>st</sup> , 2008
<b>Liabilities</b>		
Long-term Liabilities	2,413,707	2,408,448
Bonds	1,086,449	1,066,449
Long-term loans	631,354	646,500
Accrued retirement benefits	146,022	150,512
Reserve for reprocessing of irradiated nuclear fuel	351,569	351,972
Reserve for preparation of reprocessing of irradiated nuclear fuel	11,573	10,853
Reserve for decommissioning of nuclear power plant	149,150	147,529
Deferred tax liabilities	34	28
Other fixed liabilities	37,553	34,602
Current Liabilities	560,811	567,114
Current portion of long-term debt	184,932	175,777
Short-term borrowings	142,956	143,457
Notes and accounts payable	62,142	67,742
Income tax payable	11,092	20,082
Other current liabilities	159,687	160,054
Liabilities Total	<u>2,974,519</u>	<u>2,975,562</u>
<b>Net Assets</b>		
Shareholders' Equity	1,025,273	1,035,992
Common stock	237,304	237,304
Additional paid-in capital	31,139	31,140
Retained earnings	758,818	769,541
Treasury stock	-1,988	-1,955
Valuation and translation adjustments	38,705	31,054
Unrealized gain on other securities	32,871	28,004
Gain on deferred hedge	6,709	3,331
Foreign currency translation adjustments	-876	-281
Minority Interests	<u>17,221</u>	<u>17,165</u>
Net Assets Total	<u>1,081,200</u>	<u>1,084,212</u>
Liabilities and Net Assets Total	<u>4,055,719</u>	<u>4,059,775</u>

( 2 ) Quarterly Consolidated Income Statements for the 1<sup>st</sup> quarter of FY2008

(Unit: million yen)	
April 1, 2008-June 30, 2008	
Operating Revenues	343,456
Electricity	314,981
Other	28,475
Operating Expenses	334,430
Electricity	305,835
Other	28,595
Operating Income	9,025
Other Revenues	2,588
Proceed from dividends	1,092
Proceed from interests	550
Other	945
Other Expenses	10,333
Interest expenses	8,718
Loss on affiliates	83
Other	1,531
Total Ordinary Revenues	346,044
Total Ordinary Expenses	344,764
Ordinary Income	1,280
Extraordinary Gain	5,400
Gain on marketable securities	5,400
Income Before Income Taxes	6,680
Income Taxes	416
Income Taxes-Deferred	2,694
Income Taxes Total	3,111
Minority Interests	91
Net Income	3,477

The Company has applied “Accounting Standard Regarding Quarterly Financial Statements” and “Guideline for Accounting Standard Regarding Quarterly Financial Statements” enacted on March 14<sup>th</sup>, 2007 since this 1<sup>st</sup> quarter financial period. The Company also prepares quarterly consolidated financial statements in line with “Rules on Quarterly Consolidated Financial Statements.”

(3) Notes on the premise of going concern

From April 1, 2008 to June 30, 2008

N/A

(4) Notes on significant changes in shareholders' equity

From April 1, 2008 to June 30, 2008

N/A

(Reference)

Quarterly Consolidated Income Statements for the 1<sup>st</sup> quarter of FY2007

	(Unit: million yen)
	April 1, 2007-June 30, 2007
Operating Revenues	329,370
Electricity	305,176
Other	24,193
Operating Expenses	303,862
Electricity	279,893
Other	23,968
Operating Income	25,507
Other Revenues	4,466
Proceed from dividends	1,066
Proceed from interests	457
Gain on marketable securities	1,834
Gain on affiliates	85
Other	1,021
Other Expenses	10,073
Interest expenses	8,944
Other	1,128
Total Ordinary Revenues	333,836
Total Ordinary Expenses	313,935
Ordinary Income	19,900
Drought Reserve	-90
Reversal of drought reserve	-90
Income Before Income Taxes	19,991
Income Taxes	1,335
Income Taxes-Deferred	7,173
Income Taxes Total	8,509
Minority Interests	296
Net Income	11,185