

Business Update

May 13 , 2005



KYUSHU ELECTRIC POWER CO.,INC.

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

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

Midterm Financial Targets for FY2005-2009

We pursue added value as Kyushu Electric Power Group by aiming to achieve the consolidated financial targets as well as the parent ones

【Consolidated】

	FY2004 Results	FY2005 Forecasts	New Financial Targets FY2005-2009
FCF	¥212.9 Billion	¥70.0 Billion	Avg. ¥120 Billion
Ordinary Income	¥159.9 Billion	¥106.0 Billion	Avg. ¥110 Billion
ROA	3.3%	2.4%	Average 3%
Shareholders' Equity Ratio	24.2%	25.0%	30% (End of FY09)

【Non-consolidated】

FCF	¥200.1 Billion	¥61.0 Billion	Avg. ¥100 Billion
Ordinary Income	¥152.9 Billion	¥100.0 Billion	Avg. ¥100 Billion
ROA	3.4%	2.4%	Average 3%
Shareholders' Equity Ratio	24.4%	25.2%	30% (End of FY09)

Ordinary Income Targets by Business Area	
Total Energy Business (Other than Electricity)	Avg. ¥4 Billion
IT/Telecom Business	Avg. ¥4 Billion
Environment/Recycling & Consumer/Community	Avg. ¥2 Billion

Note: The numbers include incidental businesses of the Parent.

$$\text{ROA} = \frac{\text{NOPAT}}{\text{Average Total Asset}}$$

Previous Financial Targets and Performance

Virtual achievement of the previous financial targets has allowed us to move forward with the new Midterm Management Plan

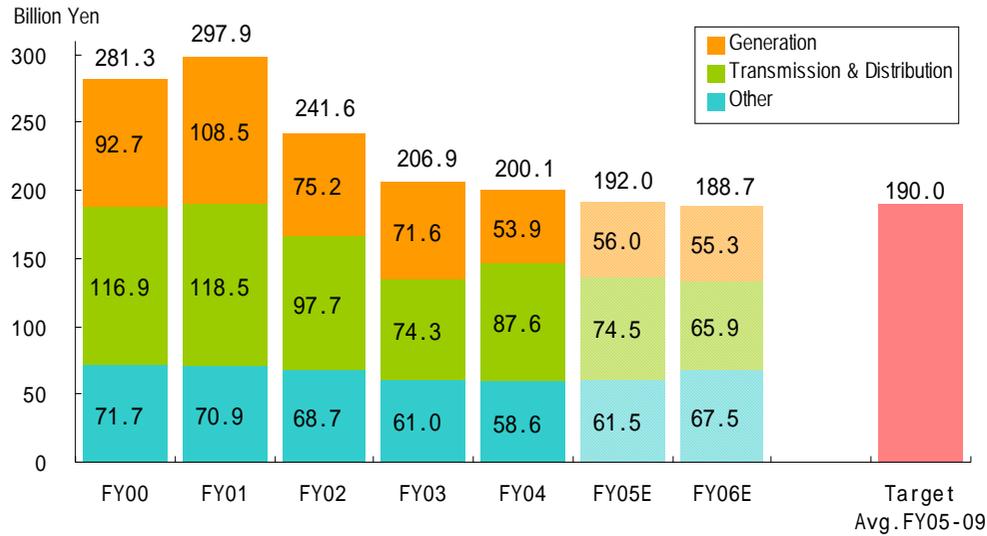
【 Non-consolidated 】

	FY2002 Results	FY2003 Results	FY2004 Results	Previous Financial Targets FY2002-2006
FCF	¥180.2 Billion	¥162.2 Billion	¥200.1 Billion	Average ¥120 Billion
Ordinary Income	¥90.7 Billion	¥107.9 Billion	¥152.9 Billion	Average ¥100 Billion
ROA	2.8%	3.1%	3.4%	Average 3%
Shareholders' Equity Ratio	20.3%	22.3%	24.4%	25% (End of FY2006)
Reduction of Interest-bearing Debt	- ¥156.5 Billion	- ¥148.8 Billion	- ¥184.1 Billion	Total - ¥450 Billion
Total Reduction	- ¥156.5 Billion	- ¥305.4 Billion	- ¥489.5 Billion	
(Balance of Interest- bearing Debt)	(¥2,332.1 Billion)	(¥2,183.3 Billion)	(¥1,999.1 Billion)	
ROE	7.9%	8.5%	10.0%	Average 8%

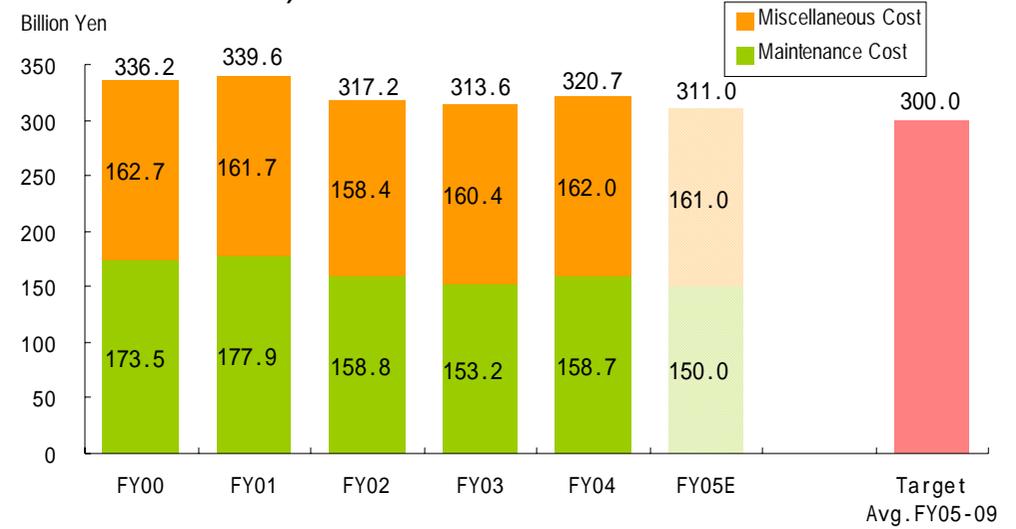
$\text{ROA} = \frac{\text{NOPAT}}{\text{Average Total Asset}}$	$\text{ROE} = \frac{\text{Net Income}}{\text{Average Shareholder's Equity}}$
--	--

Improvement of Management Efficiency

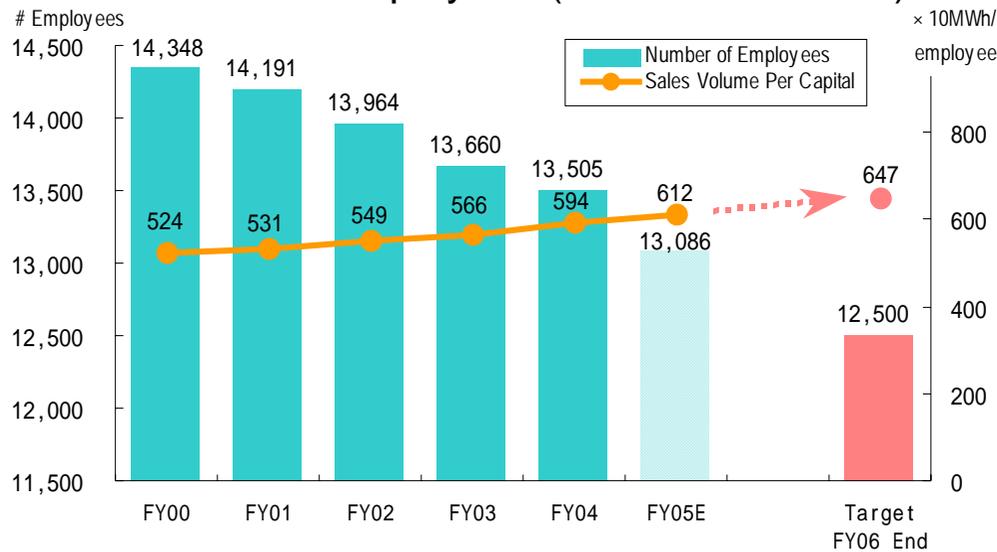
Capex (Non-consolidated)



Maintenance & Miscellaneous Costs (Non-consolidated)



Numbers of Employees (Non-consolidated)



Specific measures to reduce labor cost:

- Reduction of 81 customer service offices to 54
- Centralization of general administration
- Business process redesign with IT
- Early retirement plan to reduce number of employees by 600

Creation of Additional Electricity Demand

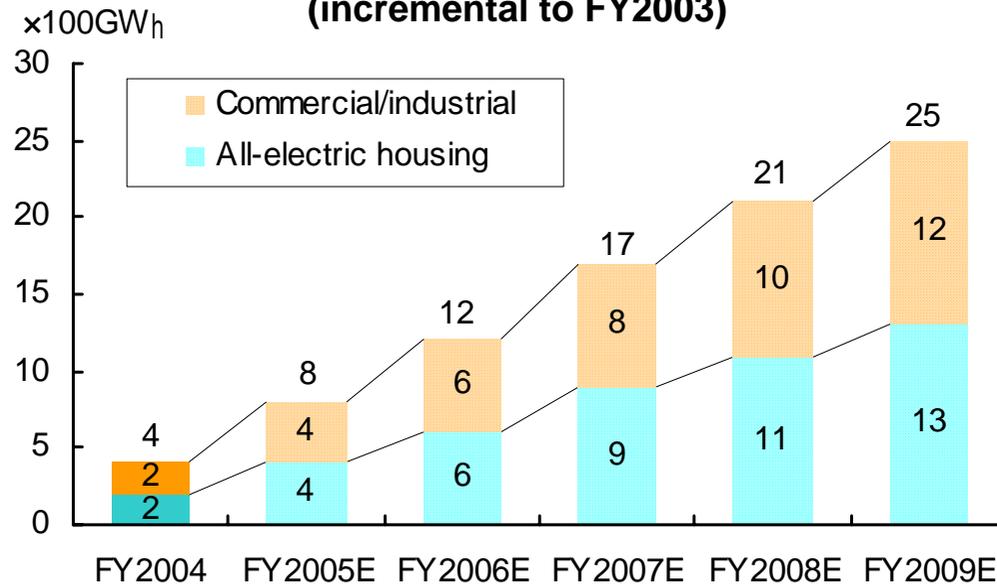
We pursue sales growth of the electricity business, that is the center of the total energy business area

- To end consumers: Promoting all-electric housing for a total of 500,000 houses by FY2009
 - FY2004 Result: +200GWh
 - FY2009 Target: +1,300GWh
- To commercial/industrial energy users: Penetrating private power generation users and promoting all-electric facilities
 - FY2004 Result: +190GWh
 - FY2009 Target: +1,200GWh



Creation of New Demand of 2,500GWh by FY2009

**New Demand Creation Target
(incremental to FY2003)**



Specific Measures to Create New Demand

	New Demand Created as of FY2009	Specific Measures
All-electric housing	1,300GWh	<ul style="list-style-type: none"> - Strengthen tie-ups with sub-users - Target housing complexes - Promote with banks loan programs for all-electric housing - Promote energy-saving electric water heating system
Commercial/industrial	1,200GWh	<ul style="list-style-type: none"> - Penetrate users of private power generation system - Promote all-electric facilities such as: <ul style="list-style-type: none"> - electric air-conditioning machinery - electric kitchen equipment
Total	2,500GWh	To be accumulated from FY2004 to 2009

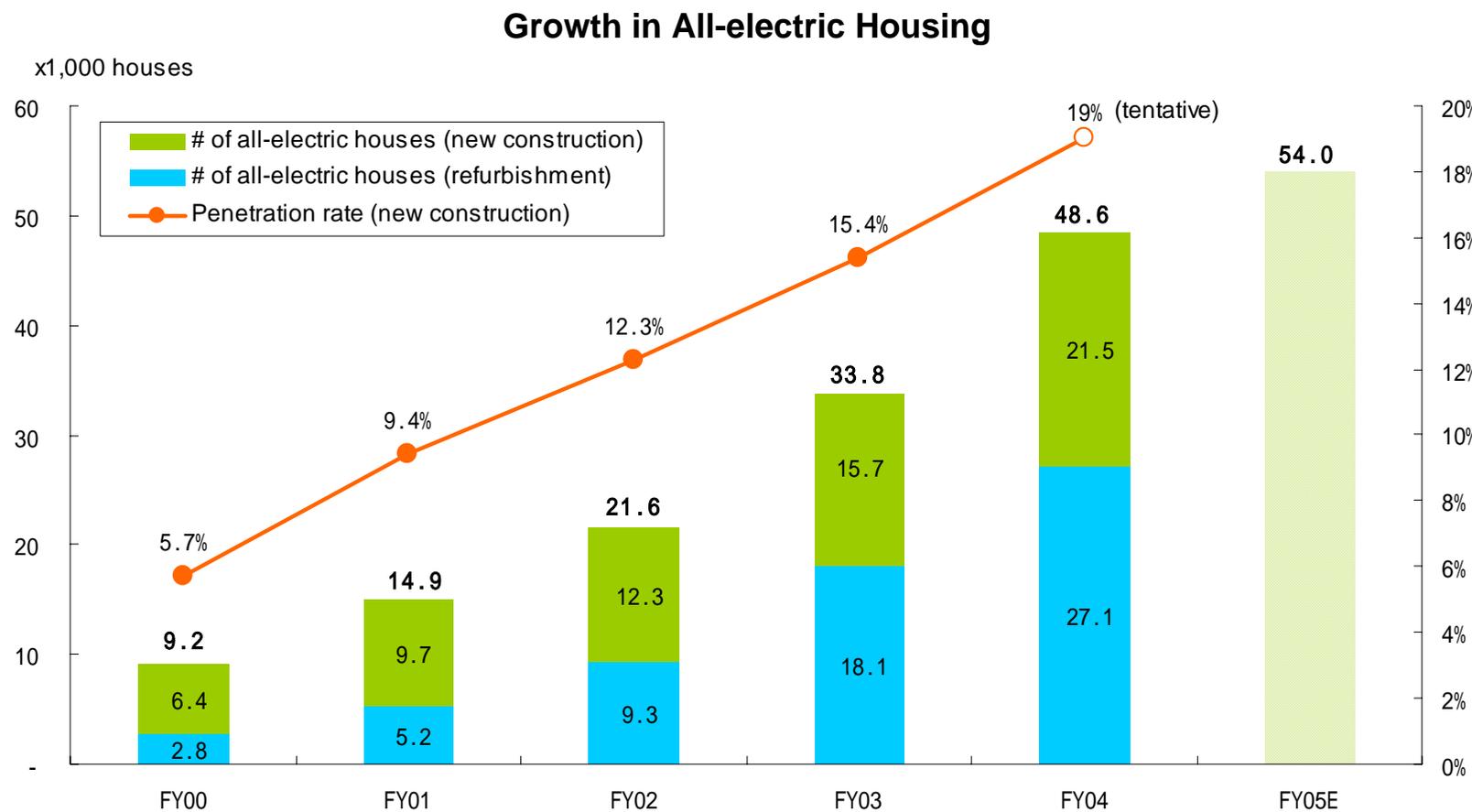
Demand Creation Strategy (1) Toward Personal Customers

We promote all-electric housing for a total of 500,000 houses (additional 1,300GWh) by FY2009

-FY2004 Result: 48,641 houses (additional 200GWh to FY2003); total of approx. 220,000 houses achieved

Estimated market penetration rate in new construction of 19% (one-unit home: 39%, complex: 5%)

-FY2005 Target: 54,000 houses



Main Activities

To strengthen tie-ups with business partners:

- Cooperate with housing-related companies in various promotion programs
- Build close partnership with remodeling contractors and consumer-electronics retailers
- Approach condominium builders with aim of spreading use in multi-unit housing

To more attract end users' interest:

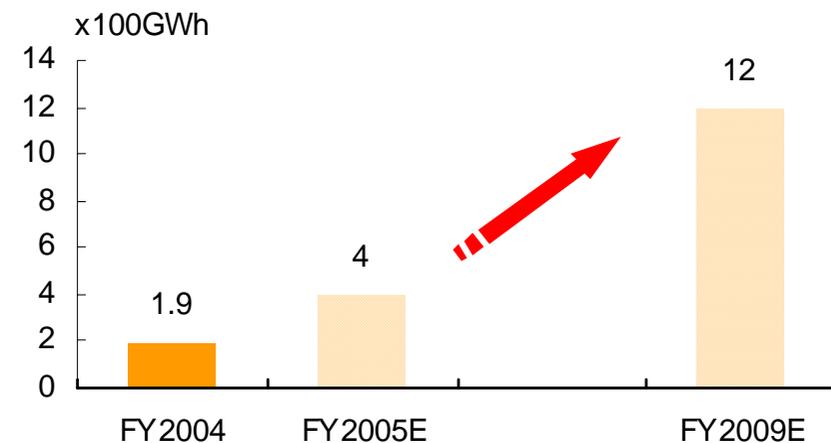
- Introduce loan programs for all-electric housing through tie-ups with banks
- Implement advertising campaign using mass media including TV and radio in addition to promotion programs at our showrooms

Demand Creation Strategy (2) Toward Business Customers

■ We exploit additional business demand of 1,200GWh by FY2009

- Demand exploitation by getting corporate customers returning from private power generation
 - FY2004 Result: 120GWh
 - FY2009 Target: 600GWh
 - Active electricity-rate consultation service to customers having private power generation facilities
 - Our recent electricity rate cut has reduced the advantage of private power generation
- Exploitation of new demand by promoting air-conditioning machinery, electric kitchen equipment, etc.
 - FY2004 Result: 70GWh
 - FY2009 Target: 600GWh
 - Exploitation of newly created demand mainly by electrification of commercial facilities through:
 - i) Enhancement of air-conditioning business to expand the share of electric air-conditioners; and
 - ii) Expansion of the applicable range of electric kitchen contracts

**New Demand Creation Target
(incremental to FY2003)**



■ Creation of new demand by attracting companies to Kyushu

- New electricity demand is expected to be created by attracting investments in Kyushu
- A special team for this project will be set up to first strengthen the function to collect information

IT/Telecommunication Business (1) Segment Overview

Basic strategy in IT/telecommunication business area

- High growth in the IT/telecom market is forecast with arrival of the “ubiquitous network society”
- We pursue profitability of IT/telecom business by utilizing our accumulated know-how and infrastructures owned by Kyushu Electric Power Group, such as fiber-optic network and data centers

Financial target for IT/telecommunication business segment

			FY2003	FY2004
IT/Telecom Business Segment		Sales	¥71.6 Billion	¥69.2 Billion
		Ordinary Income/Loss	¥- 3.0 Billion	¥- 2.4 Billion
Breakdown	QNet	Sales	¥37.6 Billion	¥37.1 Billion
		Ordinary Income/Loss	¥- 2.5 Billion	¥0.8 Billion
	Other (QIC, Nishimu & QBS)	Sales	¥35.1 Billion	¥34.7 Billion
		Ordinary Income/Loss	¥0.4 Billion	¥0.2 Billion
	Lease of Fiber-Optic Cable (Parent)	Sales	¥1.4 Billion	¥2.4 Billion
		Ordinary Income/Loss	¥- 3.5 Billion	¥- 3.5 Billion

Note: Sales amount breakdown includes internal transactions.



Financial Target (average from FY2005 to FY2009)	
IT/Telecom Segment Ordinary Income: ¥4 Billion	
<ul style="list-style-type: none"> -QNet: approx. ¥3 Billion (lease lines & VLAN: ¥2 Billion, BBIQ: ¥1 Billion) -QIC, QBS & Nishimu: approx. ¥1 Billion 	

Strategic overview of each company

- QNet (black in FY2004): Pursuing growth in broadband service (BBIQ brand)
- QIC (black in FY2004): Expecting growth in profit from IT consulting and data center businesses
- Nishimu (red in FY2004): Concentrating on larger margin areas and cutting costs
- QBS (black in FY2004): Expanding external sales and improving profitability



IT/Telecom Segment
Aiming for a single-year profit in FY2007

IT/Telecommunication Business (2) QTNNet's Strategies

QTNNet back in the black in FY2004

- QTNNet has achieved a single-year profit of ¥0.8 billion in FY2004 (the first positive net income in seven fiscal years)

Broadband service including IP telephone (BBIQ brand)

- Number of customers: approx. 48 thousand accounts (as of FY2004 end)
- Promotion strategies:
 - Started fiber-optic IP telephone service from April 2005
 - Steadily expanding service area (15 cities [coverage ratio of 43%] to 25 cities [49%]).
 - Introducing value-added multimedia services such as e-learning and video-on-demand

Fixed-line telephone service (Kyushu Denwa brand)

- Number of customers: approx. 566 thousand accounts (as of FY2004 end)
- Continue intensive cost cut
- Urge current fixed-line users to switch to fiber-optic IP telephone

Operating Results of QTNNet (Billion Yen)

	FY2003	FY2004
Ordinary Revenues	37.8	37.4
Lease line & VLAN	13.0	13.0
Outsourcing Service	8.0	7.9
BBIQ (incl. IP Phone)	1.1	2.4
Kyushu Denwa	13.0	12.5
Other	2.7	1.6
Ordinary Expenses	40.3	36.6
Ordinary Income/Loss	- 2.5	0.8

Number of BBIQ Accounts (Thousand)

	FY2003	FY2004	FY2007 Target
BBIQ	24	48	250

For more information, please contact:

Investor Relations Group
Corporate Planning Office
KYUSHU ELECTRIC POWER CO., INC.

Telephone: +81 92 726 1575

Facsimile: +81 92 733 1435

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