

Business Updates

April 28, 2006



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

【Consolidated】

	FY2005 Results	FY2006 Forecasts	Financial Targets FY2005-2009
FCF	¥70.8 Billion	¥92.0 Billion	Avg. ¥120 Billion
Ordinary Income	¥125.2 Billion	¥104.0 Billion	Avg. ¥110 Billion
ROA	2.7%	2.3%	Average 3%
Shareholders' Equity Ratio	25.7%	26.7%	30% (End of FY09)

【Ordinary Income Targets by Business Area】

	FY2005 Results	FY2006 Forecasts	Financial Targets FY2005-2009
Total Energy Business (Other than Electricity)	¥5.0 Billion	¥4.5 Billion	Avg. ¥4 Billion
IT/Telecom Business	¥-2.3 Billion	¥-2.5 Billion	Avg. ¥4 Billion
Environment/Recycling & Consumer/Community	¥2.5 Billion	¥3.5 Billion	Avg. ¥2 Billion

Note: The numbers include incidental businesses of the parent.

【Non-consolidated】

FCF	¥60.5 Billion	¥91.0 Billion	Avg. ¥100 Billion
Ordinary Income	¥114.1 Billion	¥95.0 Billion	Avg. ¥100 Billion
ROA	2.7%	2.2%	Average 3%
Shareholders' Equity Ratio	25.8%	26.9%	30% (End of FY09)

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

Steady Increase in Electricity Sales Volume and Efforts to Create Demand

Electricity sales volume showed a steady increase in FY2005

- Electricity Sold in FY2005: 83.0 Billion kWh
- Year-on-Year Growth rates in FY2005
 - Kyushu Electric Power: +3.4%
 - National average: +2.0%* * preliminary

Large industrial demand surpassed the previous year for 27 consecutive months. (As of March 2006)

- Many industries, including chemical and machinery, maintained robust performance.

<Main Factors Contributing to Growth>

- Electrical machinery: Increased production of ICs and electrical parts
- Transportation: Increased production of automobile and removal of private power generation
- Chemical: Increased production of ethylene and reduced operation of private power generation
- Nonferrous metal: Increased production of silicon wafers

Ongoing growth of Kyushu economy

- Large-scale investments are expected to accelerate by major companies such as automobile companies (Toyota and others) and Fujitsu Hitachi plasma display.
- Implementing to create new demand by establishing a section dedicated to attracting enterprises to Kyushu.

*Power Demand by Large Industrial Sector (FY2005)
(GWh, %)

		Electricity volume	Y/Y comparison
Machinery	Electricity	5,710	103.4
	Transportation	1,129	106.6
	Other	466	110.2
	Total	7,305	104.3
Steel		2,551	100.3
Chemical		2,116	110.6
Glass&Ceramics		1,180	107.8
Foods		1,674	105.0
Pulp&Paper		425	104.8
Nonferrous Metal		1,020	109.0
Textiles&Apparels		162	87.4
Other		5,760	103.9
Total		22,191	104.6

* Industrial, 6,000V or above and 500kW or above

Main plans for investment in plant and equipment in Kyushu

Period (FY)	Company	Details	Amount of investment (100 mil. yen)
2005-	Fujifilm Kyushu	Construction of a new plant for manufacturing LCD parts	1,000
2005-06	Toyota Motor Kyushu	Construction of an engine manufacturing plant	250-300
2005-06	Sony semiconductor Kyushu	Expansion of Kagoshima Plant	100
2005-06	Denso	Construction of a new plant for manufacturing diesel engine fuel injectors	200
2005-06	Ariake Japan	Construction of Kyushu second plant for manufacturing high-processing natural seasoning	131
2005-06	Oita Canon Material	Construction of a new plant for manufacturing toner cartridges and ink tanks	800
2006-07	Oita Canon	Construction of a new plant for manufacturing interchangeable lenses for single-lens reflex cameras	140
2005-07	Nissan	Automatization by introducing the latest painting lines	110
2006-07	Kalsonic Kansei	Reinforcement of auto parts manufacturing facilities	150
2006-07	Mitsubishi Heavy Industries	Construction of a new plant for the mass production of new-type solar cells	100
2006-08	Fujitsu Hitachi Plasma Display	Additional construction of a plasma display panel manufacturing plant	1,000

(Source) Outline of Kyushu Economy 2006 (Kyushu Economic Reserch Center) and companies' HP

Prosperous progress in demand creation

Additional electricity demand (FY2005) : 1,130GWh

	FY2004	FY2005	Accumulating total	Target (FY2004-FY2009)
To end consumers	200	260	460	1,300
To commercial/Industrial	190	870	1,060*	1,200
Total	390	1,130	1,520	2,500

* includes corporate customers returning from private power generation: 930GWh

To end consumers:260GWh(FY2005)

-Number of All-electric housing acquired

	FY2004	FY2005	Forecasts FY2006	Target FY2009
One fiscal year	49	63	70	-
Accumulating total	219	280	350	500

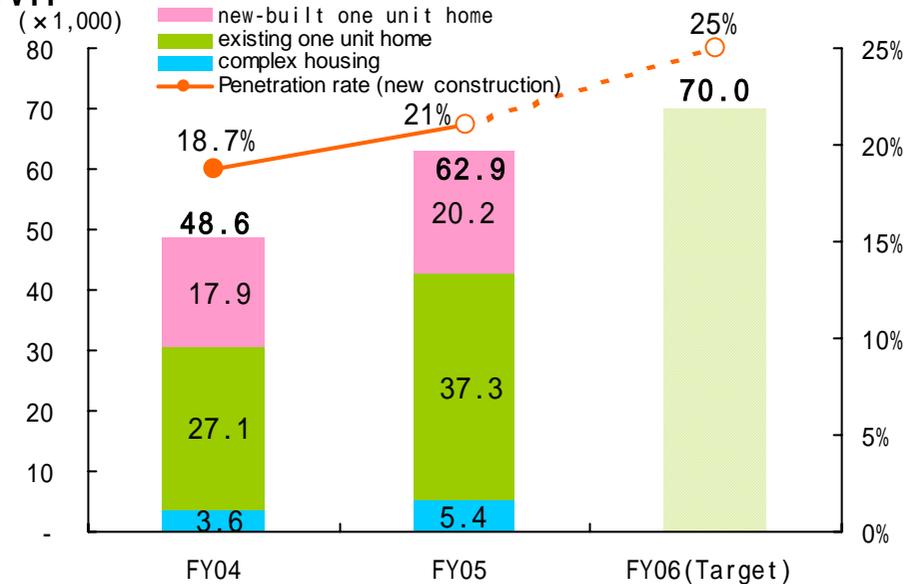
-Application rate of All-electric housing in new construction (Forecasts FY2005)

Total	(One unit home)	(Complex)
21%	(45%)	(6%)

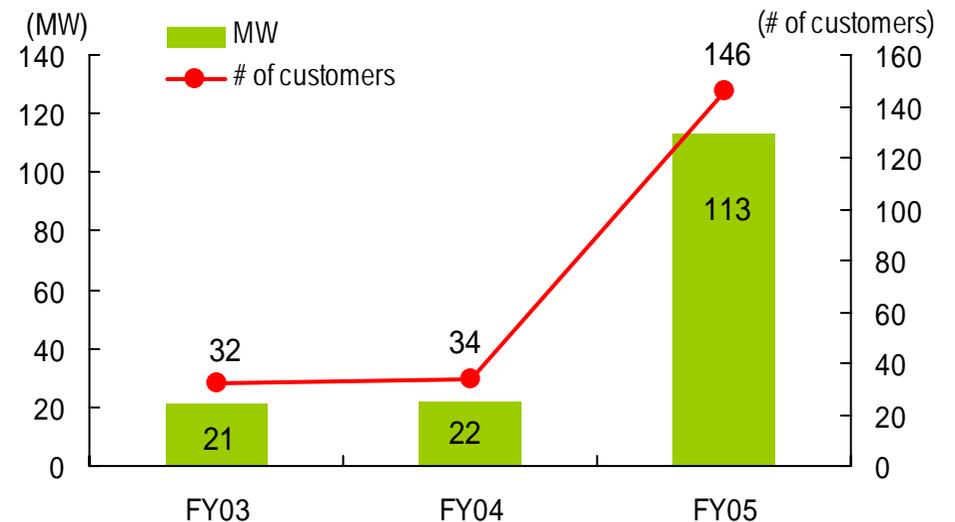
To commercial/industrial energy users: 870GWh(FY2005)

- Rate reduction in January 2005 in addition to rise in oil price decreased the advantage of power generation facilities.
- Additional rate reduction in April 2006 increased our price competitiveness.

Growth in All-electric housing



Demand shifts of private power generation



Total energy business

Financial target of total energy business (Other than electricity)

(Billions of yen)

		FY2005 Results	FY2006 Forecasts
Total energy business (Consolidated)	Sales to outside	46.1	43.0
	Ordinary income	5.0	4.5



Financial Target FY2005-2009
Total energy business Ordinary income Avg. ¥4 Billion

Overseas Projects

- In Tuxpan No.2 and No.5 projects, We raised our equity position to 50% BY acquiring 20% share of Mitsubishi Corporation, which is a joint partner company.
- Revenues from ongoing projects expected about ¥2 billion in around FY2008

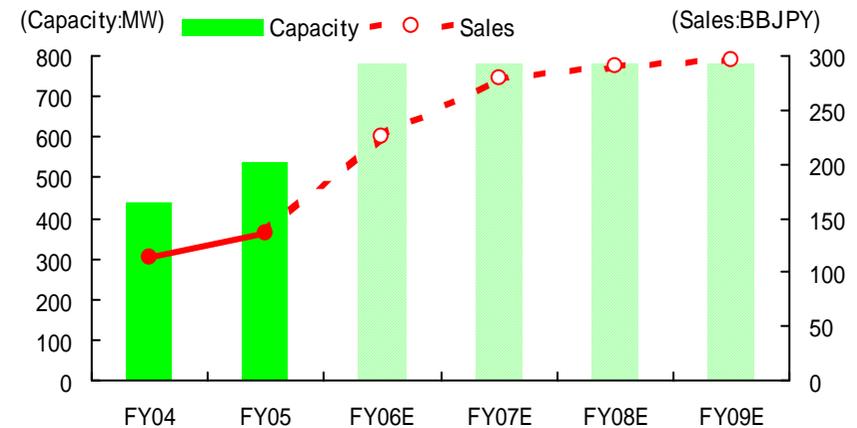
Gas business

- In FY2005, approximately 190,000 tons of gas and LNG expect to be sold to the above 7 general gas utilities and 19 major customers through local gas companies and direct supply.

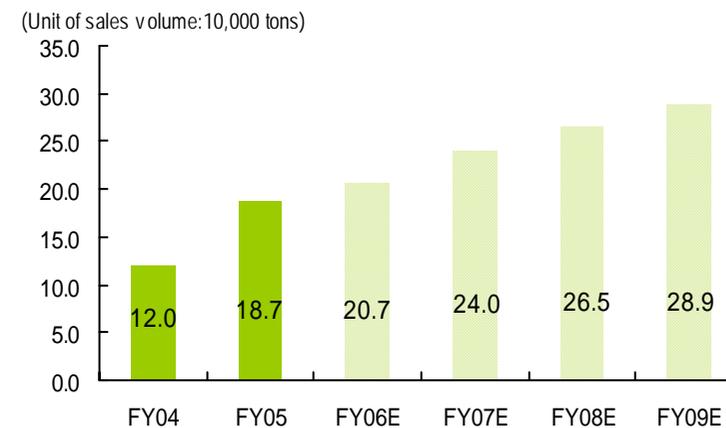
Restructuring of NEECO

- Provide 11.0 billion yen as necessary fund such a cost of withdrawal from unprofitable matters for NEECO
[The cost of withdrawal: 10.0 billion yen, capital increase: 1.0 billion yen]
- About 90% of unprofitable matters have been settled for withdrawal at the end of March 2006.

Expected plant capacity and electricity sales growth of ongoing IPPs (pro rata)



Perspective of Gas Sales Volume



IT/Telecommunication business

Financial Target for IT/Telecommunication business

(Billions of yen)

		FY2005 Results	FY2006 Forecasts
IT/Telecom (Consolidated)	Sales	36.0	40.0
	Ordinary income	-2.3	-2.5

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Financial Target FY2005-2009
IT/Telecommunication business Ordinary income Avg. ¥4 Billion

【 Strategic overview [company] 】

- Broadband service (BBIQ·IP telephone): Pursue growth as core business in IT/T business [QTNNet]
- Leased line service and VLAN: Pursue management efficiency by severely cutting operation expenses [QTNNet]
- IT consulting and Data center business: Expect growth in profit with value-added service [QIC]
- Communication and control systems: Concentrate on larger margin areas and cost cutting [Nishimu]
- Data network business: Expand external sales and improve profitability [QBS]

Broadband service

•Number of BBIQ Accounts*₁

		FY2004 Actual	FY2005 Results
B B I Q		48	95

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		FY2007 Target
		250

(Thousand)

*₁ accumulating



Mr. Hiroshi Abe (favorable personality) used for advertising for BBIQ

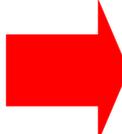
- BBIQ: Increase direct marketing and strengthen sales structure at mass retailers
- The market share in Kyushu area: 25% (as of March 31, 2006)

Environment/Recycling & Consumer/Community business

Financial Target of Environment/Recycling & Consumer/Community

(Billions of yen)

		FY2005 Results	FY2006 Forecasts
Environment/Recycling & Consumer/Community (Consolidated)	Sales	7.5	9.0
	Ordinary income	2.5	3.5



Financial Target FY2005-2009
Environment/Recycling & Consumer/Community Ordinary income Avg. ¥2 Billion

Effort in new businesses

【Environment/Recycling business】

- Fluorescent bulb recycling business: J Re-Lights Co., Ltd

- Promote Fluorescent bulb recycling aiming for the first realization of “Lamp to Lamp” in Japan.
- Make a contract with more than two thousand municipalities and enterprises and others in areas of Kyushu, Chugoku and Shikoku. Volume of contracts and throughput increases steadily year by year.
- Achieve a surplus in FY2005.

【Consumer/Community business】

- Senior citizens apartment (with nursing care) business: Kyuden Good Life and others

- Start business in 3 areas: Fukuoka (Oct. 2002), Kumamoto (Dec. 2004), Kagoshima (Nov. 2006 [scheduled])

- Housing assessments business: Kyushu Housing Guarantee Inc.

- Cleared an emergency audit for “Affair of falsifying quake resistance for building” by Land, Infrastructure and Transport Ministry. (In the result of audit, the company was the only investigator with no problem for building structure calculation in Fukuoka prefecture.)

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