

# Outline of Business Management Plan for FY2007

March 2007

Kyushu Electric Power Company Inc.

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## Introduction

Amid increasingly fierce competition in the energy market, we at Kyushu Electric Power Co., Inc. are striving to provide optimal solutions in response to various customer needs, reinforce competitive electric rates and increase profitability, in line with the Midterm Management Policy for FY2005-2009 launched with a view toward being a company chosen by customers, shareholders and investors.

To this end, we have drawn up a new corporate philosophy, “Kyushu Electric Power’s Mission” as a measure to convey our determination and to further strengthen the relationship of trust with our customers.

We will continuously strive to enhance sustainable corporate value through dialogues with customers, shareholders, investors and other stakeholders.

With the aim of realizing our determination and achieving the goals of our Midterm Management Policy, this brochure outlines the action plans developed by Kyushu Electric Power Group to tackle various business challenges – such as “business development based on customer needs,” the “establishment of a reliable business foundation,” and “pursuit of management efficiency.”

We take pleasure in presenting this brochure to you for your reference, and we would like to request your generous understanding and support and cooperation for our efforts to further improve business management.

March 2007

Kyushu Electric Power Company

# 1. Management Objectives

- We have conducted operating activities with the focus on cash flow improvement. We aim to enhance our corporate value by using the free cash flow obtained through the pursuit of efficiency and cost reduction to provide competitive electric rates, to decrease interest-bearing liabilities by which our balance sheet can be improved, and to invest in new projects aimed at increasing profitability.
- We set our management objectives in Midterm Management Policy for FY2005-2009, in order to clearly convey our management attitude to our customers, shareholders and investors, as well as to further accelerate our drive toward management reforms within the company.
- Kyushu Electric Power Group is working to further increase business efficiency and profitability, with the aim of fully achieving the management objectives.

## Management Objectives for FY2005-2009

### 【Customer Outlook】

Price	Offer competitive electric rates
Quality	Respond promptly and maintain high reliability
Service	Provide solutions to cater the various customer needs
Corporate Image	Establish a brand image of "Safe and Reliable"

### 【Financial Outlook】

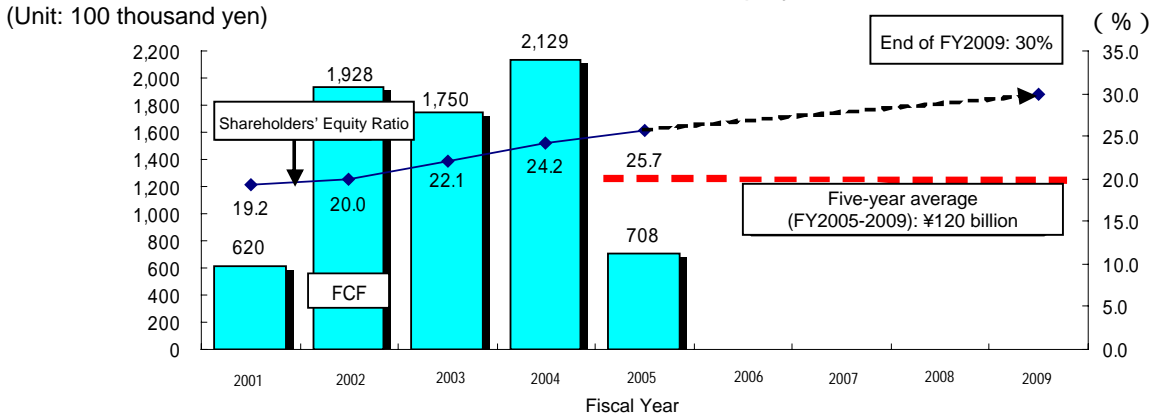
		Target		Targeted year
		Consolidated	Non-consolidated	
Profit Performance	FCF (Free Cash Flow)	¥120 billion	¥100 billion	Five year average (FY2005-2009)
	Ordinary Income	¥110 billion	¥100 billion	
	ROA (Return On Assets)*	3%	3%	
	Shareholders' Equity Ratio	30%	30%	End of FY2009
Financial Stability	<b>【Use of FCF】</b> Reduction of interest-bearing debt ratio to achieve a shareholders' equity ratio of 30% by the end of FY2009 Strategic investment to enhance company's growth (approx. ¥60 billion in 5 years) Consecutive dividends			
Efficiency		Highest among the domestic electric power companies		
Growth	Newly Created Demand in Electricity Business	3.7 billion kWh** (Incremental from FY2003)		FY2009
	Non-Electricity Sales to outside the Company	¥100 billion (Incremental from FY2003)		

\*ROA = net operating profit after tax divided by average total assets

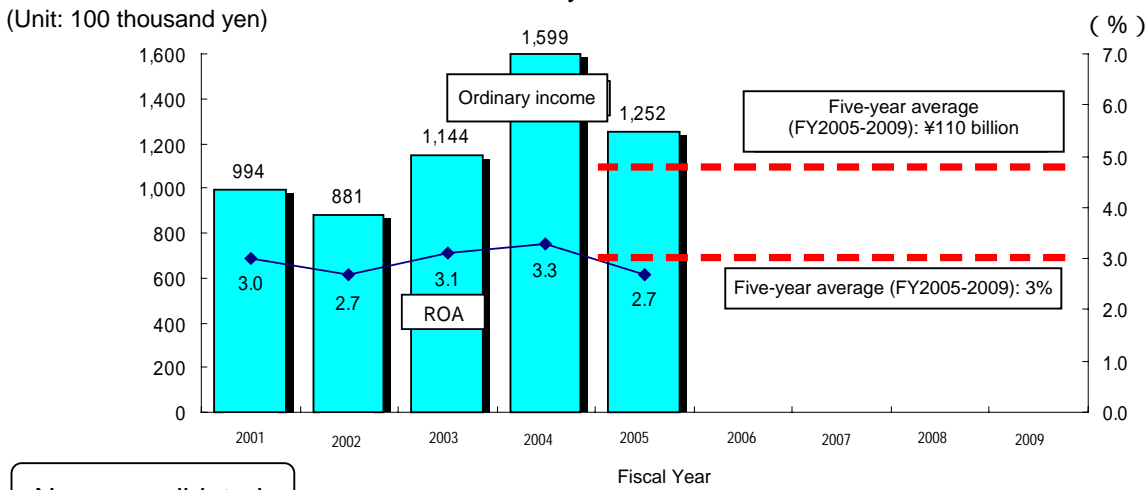
\*\*The target newly created demand increased from original 2.5 billion kWh to 3.7 billion kWh

Consolidated

[ FCF and Shareholders' Equity Ratio ]

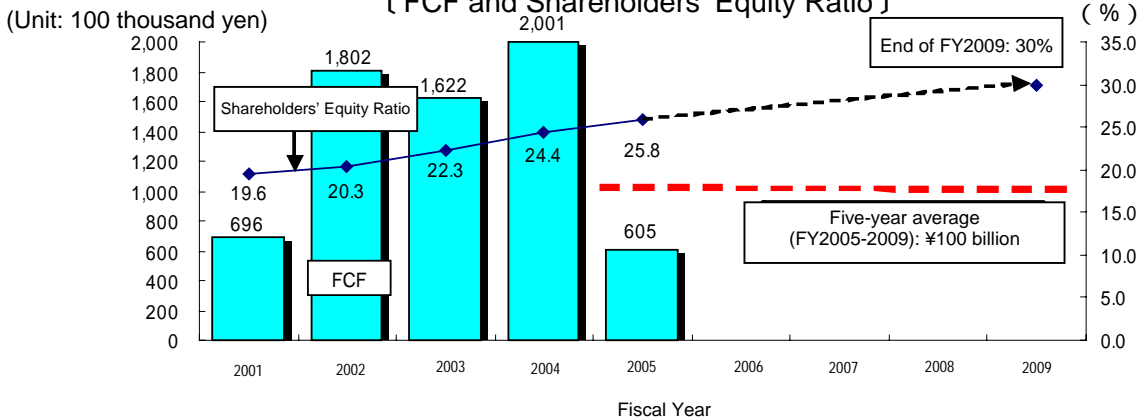


[ Ordinary Income and ROA ]

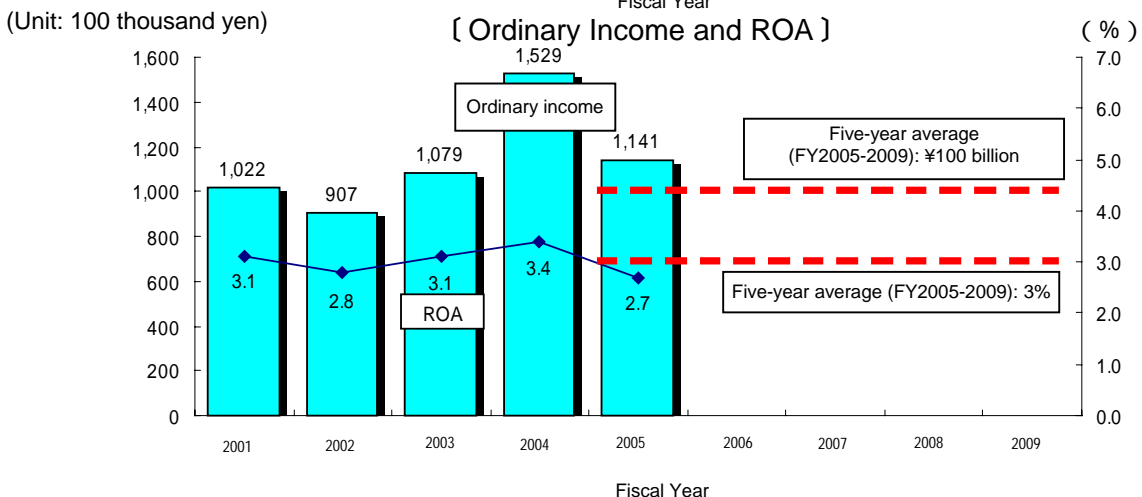


Non-consolidated

[ FCF and Shareholders' Equity Ratio ]



[ Ordinary Income and ROA ]

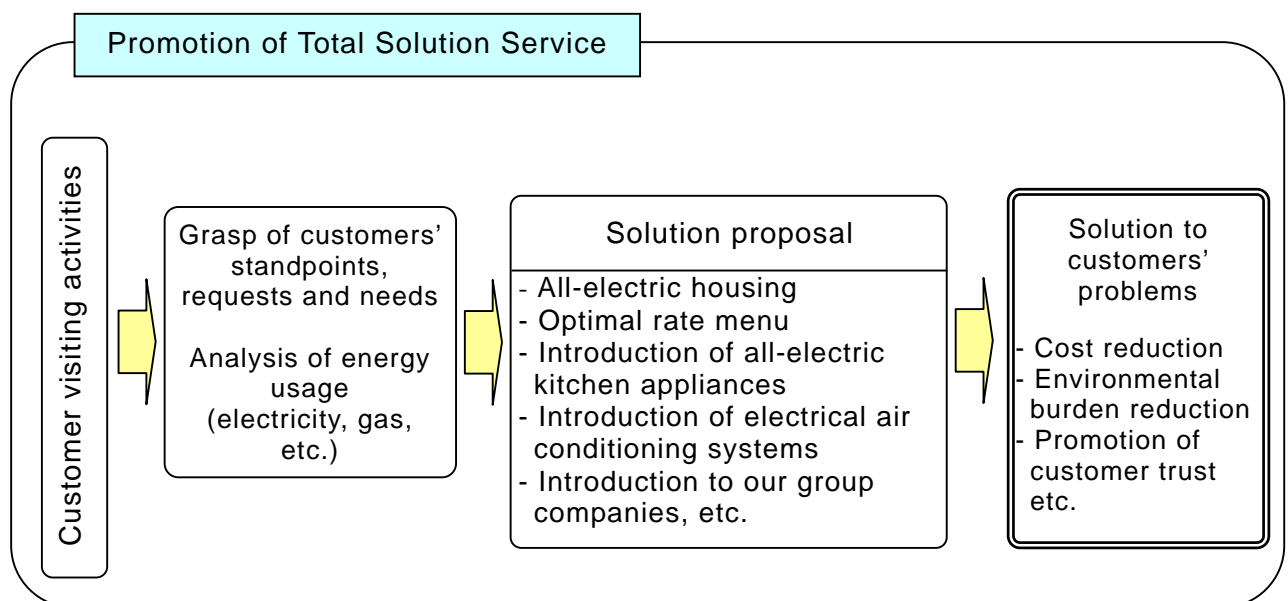


## 2. Business Development Based on the Needs of Customers

### (1) Promotion of Total Solution Service

We are working to enhance customer satisfaction by developing a rate menu that meets customer needs and by providing finely tuned services.

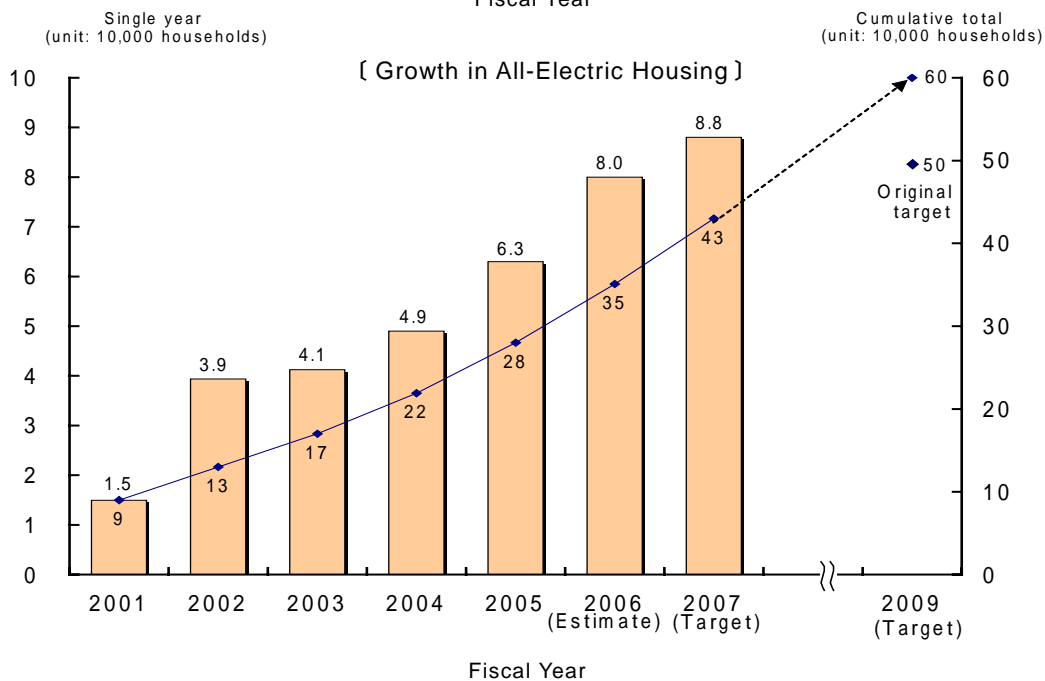
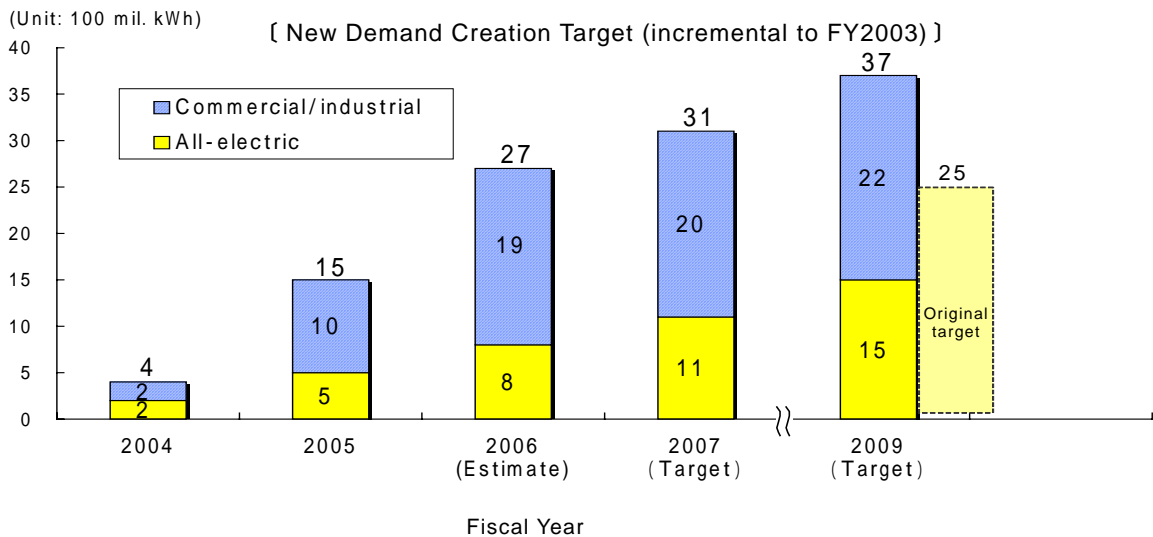
- We promote our “total solution service” that comprehensively responds to various needs and addresses prominent issues, from the “customer first” perspective, to become the company continuously chosen by customers.
- For residential customers, we expand the line of rate menu that customers can choose from based on their energy usage and preferences, promote comfortable family life by proposing all-electric housing, provide information on energy savings and offer technical services.
- For commercial/industrial customers, we proactively respond to requests and provide consultations concerning all kinds of energy-related issues by taking advantage of our group’s resources.
  - We assign specialized sales representatives (account managers) to each commercial/industrial customer to offer one-stop services responding to various needs from customers at each branch office and customer service office.
  - We respond to various needs from customers ranging from cost reduction to environmental burden reduction by proposing a comprehensive solution, including the introduction of all-electric kitchen appliances and electrical air conditioning systems as well as by proposing an optimal rate menu best suited to each customer’s energy usage.



## (2) Stimulation of Electricity Demand

We aim to create an additional demand of 3.7 billion kWh by 2009.

- Since the original objective of 2.5 billion kWh was achieved in late November 2006, we have set a new and higher target figure.
- Concerning residential customers, we will increase the amount of electric power sold, with our sights set on the acquisition of 600,000 all-electric houses (cumulative) by FY2009. In FY2007, various measures will be taken to acquire 88,000 all-electric houses (making an accumulated number of acquisitions 430,000).
- With regard to commercial/industrial customers, we will increase the amount of electric power sold by vigorously proposing the introduction of electrical air conditioning systems and all-electric kitchen appliances.



### (3) Business Expansion Centering on Energy Business

We will expand and strengthen our profit base by taking full advantage of our group's management resources and by developing new business areas while focusing on energy business as our core activity.

#### a. Total Energy Business

- We provide a total energy solution service in which our electricity business can bring about the best synergetic effects.

#### [Domestic]

Principal business area	Outline of business
Sales of gas/LNG	<ul style="list-style-type: none"> <li>- Expand gas wholesale distribution by strengthening our partnership with local gas companies</li> <li>- Sell gas to major customers as part of our total solution services responding to various needs of customers</li> </ul>
New energy generation	<ul style="list-style-type: none"> <li>- Promote electric generation via new energy sources, such as waste recycling, biomass and wind power generation</li> </ul>
Air conditioning system	<ul style="list-style-type: none"> <li>- Install heat source equipment to supply heat required for air conditioning, as part of our total solution services responding to various needs of customers</li> </ul>

#### [Abroad]

Principal business area	Outline of business
IPP business	<ul style="list-style-type: none"> <li>- Steadily promote existing projects in Mexico, the Philippines and Vietnam</li> <li>- Find new IPP projects in Asia and North America</li> </ul>
Consultations/ environment-related	<ul style="list-style-type: none"> <li>- Provide a consultation service with focus on environment related business</li> <li>- Find electric generation projects utilizing wind power, geothermal power, small-scale hydropower and biomass, in which our technology can be optimized, and ESCO business</li> </ul>



## b. IT and Telecommunications Business

- With the arrival of a ubiquitous network society, the IT and telecommunication industries have enormous growth potential. We aim to pursue profitability by proactively utilizing the accumulated know-how and communication infrastructures owned by Kyushu Electric Power Group, such as optical fiber networks and data centers, and by taking flexible approaches, including selection/concentration and tie-ups, based on the market trend in every business/service area.

### Principal business areas

- Broadband service centering on a high-speed Internet access service
- IT solutions encompassing the entire IT and telecommunications systems
- International communication services including offering a line via KJCN (Korea-Japan cable network)
- Fiber-optic cable leasing service to local authorities, telecommunication companies and CATV businesses

## c. Environment and Recycling Business

- We operate a waste recycling business in response to the various needs of local customers, by taking full advantage of our management resources.

### Principal business areas

- Recycling of used fluorescent light tubes declared as waste from companies and households
- Recycling of confidential documents declared as waste from local governments and companies

## d. Lifestyle-Oriented Service Business

- We continue to explore new areas of business that support a rich and comfortable lifestyle.

### Principal business areas

- A senior apartment complex business (with nursing care) to support a rich and comfortable lifestyle for senior citizens and provide nursing services
- Residential performance evaluation business in which we evaluate the structural strength and other performances of residential buildings
- Temporary personnel services that dispatch or introduce workers to companies, etc.

## (4) Efforts to Attract Enterprises

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

- To welcome enterprises to the Kyushu region, we are actively endeavoring to collect and distribute information for companies and reinforcing our promotion system, including the establishment of Kyushu Development Group, an internal division in charge of those activities to attract investments from companies since July 2005.

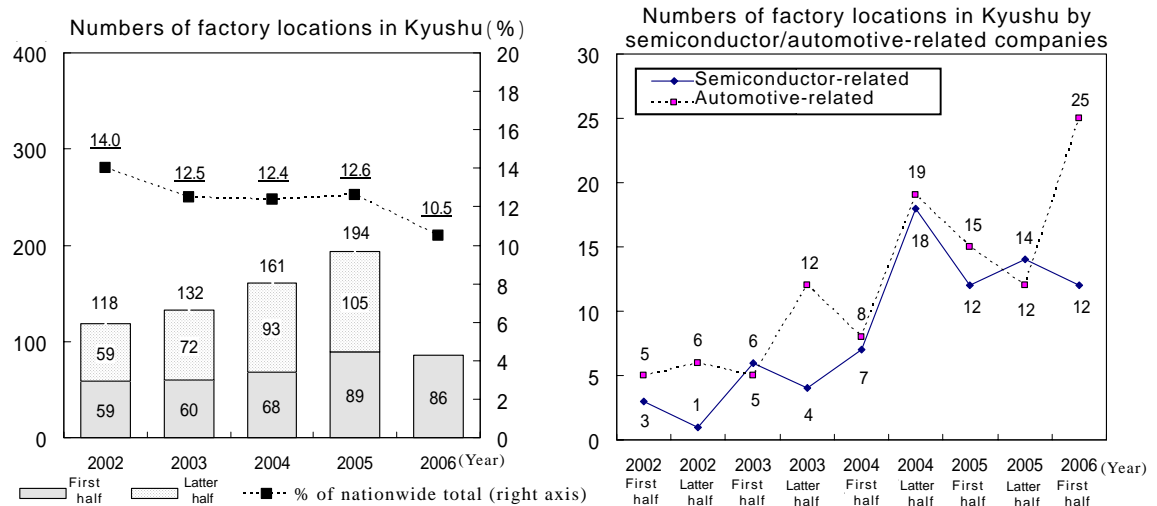
Concrete activities:

- Information gathering:
  - Regular meetings with local authorities to exchange information
  - Information gathering through the business community's activities
- Information distribution:
  - PR activities through visits to customers and activities in the business world
  - Information distribution via our website and original leaflets
- Inviting activities:
  - Early stage electric power supply in cooperation with local authorities
  - Proposal of a total solution service that takes advantage of our and our group's management resources
  - Cooperation in seminars to attract businesses held by local governments
  - Effective utilization of the sites of our electric power plants

### [Current Status of Plant Location in Kyushu]

A factory location trends survey conducted by the Ministry of Economy, Trade and Industry shows that factory location in Kyushu for the first half of FY2006 numbered 86 (10.5% of the nationwide total), down from 89 in the same period last year. However, the site area newly acquired in this period totaled 133.4 hectares (11.3% of the nationwide total), up 21.1% from 110.2 hectares in the same period last year, showing an increase in the site area per plant.

By industry, the factory location for the automotive-related companies numbered 25, significantly surpassing the 15 in the same period last year. The factory location for semiconductor/LCD-related companies totaled 12, same as in the previous year.



\* In the survey, those targeted are companies that obtained a plant site of 1,000 square meters or more and concluded a contract between January and June 2006.

## **(5) Promotion of Technology Development**

While engaging in the development of electric power core technologies such as cost reduction, stable supply of electric power and conservation of the environment, we are also promoting technological development aimed at long term growth focusing on new technologies, creating demand for electric power and improving the profitability of Kyushu Electric Power Group.

### **a. For Cost Reduction**

- We are committed to technological development into evaluating the life expectancy of the increasing number of aged facilities to extend their service life, and the development of low-cost equipment/systems.

Concrete activities:

- Research into maintaining and preventing the corrosion of electric power facilities (steel structures)
- Technological development into evaluating the life expectancy of metals used in thermal power stations and evaluating coal type suitability, etc.

### **b. For Stable Electric Supply and Environmental Preservation**

- We engage in technology development related to facility operation/maintenance in order to maintain electric power quality, and technology development for the effective utilization of industrial waste and the prevention of global warming.

Concrete activities:

- Research into the output characteristics and systematic influences of wind power generation
- Research into effective coal ash utilization and CO<sub>2</sub> fixation using trees, etc.

### **c. For Improvement of the Profitability of Kyushu Electric Power Group**

- We undertake the development of new products and technology that allow us to pursue profitability and business growth, by optimizing the research resources of our group.

Concrete activities:

- Research into anti-corrosive technology such as anti-corrosive spraying method (plasma wire method)
- Research into the growing of the Japanese horseradish utilizing our mountain forest resources, etc.

### **d. For Electric Power Demand Creation and Total Solution Service**

- We are committed to the development of equipment taking advantage of electric power's convenience/advantage and technology development in response to customer needs, and other challenges.

Concrete activities:

- Development of large lithium batteries for electric cars
- Technological development for the effective utilization of electric power for heating
- Research to support technological consultations regarding momentary voltage drop, etc.

### **e. For Future Growth and Technology Innovation**

- We undertake technology development in anticipation of future technological innovations.

Concrete activities:

- Research into the commercialization of the superconducting magnetic energy storage system (SMES)
- Research into fuel cell batteries and hydrogen technology, etc.

### 3. Establishment of the Reliable Business Foundation

#### (1) Actual Electricity Sales and Outlook

We anticipate a modest but steady increase of electric demand mainly in the residential sector and estimate the average annual increase rates in electricity sales and peak demand to be 0.7% (0.9% after adjustment for the effect of climate changes) and 0.9% (0.9% after adjustment for the effect of climate change), respectively.

##### a . Electricity sales volume

- For FY2006, we estimate 84.6 billion kWh, up 2.0% (3.4% after adjustment) over the previous year in electricity sales due to the growing demand in both the residential and industrial sectors. In the residential sector, while the demand from air-conditioning decreases from the previous year when we had a heat wave and a severe winter, there has been an increase in the number of all-electric housings and newly opened commercial facilities. In the industrial sector, there has been seen several factors such as favorable production activities, new establishment and expansion of factories, and the switches from in-house power generation to purchased power from us.
- For FY2007, we estimate 85.5 billion kWh, up 1.1% over the previous year (1.9% after adjustment for the effect of climate change and corrected for the leap year), because of the saturated number of those switching from in-house power generation to purchased power despite the continuous steady demand for power demand in both residential and commercial/industrial sectors.
- From a long-term perspective, power demand is projected to rise steadily centering on the residential sector, because of such factors as stable economic growth, a higher degree of amenity orientation and an increase of all-electric housing despite the decline in population and enhanced energy conservation. For the period from FY2005 to FY2016, we estimate an average annual growth rate of 0.7% (0.9% after adjustment).

##### b . Peak/maximum electricity demand

- Peak electricity demand in FY2006 was put at 16.81 million kW, up 5.8% (3.3% after adjustment) over the previous year.
- For FY2007, we estimate 16.72 million kW, down 0.5% (1.8% after adjustment for the effect of climate changes) over the previous year. For the period from FY2005 to FY2016, an average annual growth rate is projected to be 0.9% (0.9% after adjustment).

#### [ Actual electricity sales and outlook ]

FY	2005 (Actual)	2006 (Estimate)	2007	2008	2009	2010	2011	2016	Average annual growth rate FY2016/FY2005 (%)
Electric power sold (Unit: 100 million kWh)	830 (810)	846 (837)	855 [853]	867	870	873	876	891	0.7 (0.9)
Peak demand (Unit: 10,000 kW)	1,589 (1,590)	1,681 (1,643)	1,672	1,698	1,706	1,713	1,721	1,761	0.9 (0.9)

Note: Figures in parentheses are values corrected for temperature, and in curly brackets for the leap year.

## (2) Measures for Long-Term Stable Supply of Electricity

We are committed to the long-term stable supply of electricity by promoting efficient use of our facilities while assuring environment-friendly operation and taking active measures to address global environmental issues, so that our customers maintain a comfortable lifestyle with a sense of security.

### a . Power Source Development Plan

- In response to increasing electric power demand, we promote balanced power source development centering on nuclear power, taking into consideration energy security, economic efficiency, and environmental compliance.

#### (a) Nuclear power

- We promote the development of nuclear power generation – which is superior in power supply stability, economic efficiency and environmental preservation – as the core for base power sources, placing top priority on safety.

Environmental surveys are underway on the premises of Sendai Nuclear Power Station with the aim of developing an additional unit in the late 2010s.

Environmental Impact Assessment	Survey on air environment, water environment, marine and terrestrial life
Geological survey	Survey on geological structure and fault both within and outside the site
Meteorological survey	Survey on wind direction and speed, etc.

#### (b) Thermal power

- We work on the development of coal-fired power generation in view of the diversification of energy sources. At the same time, we endeavor to further improve efficiency from the perspective of global environmental protection and efficient energy use.

#### (c) Pumped hydroelectric storage

- We intend to develop pumped hydroelectric storage, which is characterized by high load-following capability and quick activation and deactivation, as a power source to accommodate an increase in peak demand and in emergency situations.

#### (d) Renewable energy

- We will systematically conduct research and develop general hydroelectric power and geothermal power generation, taking into account site environment and economic efficiency.
- We will actively promote wind power and photovoltaic power generation thus meeting the minimum requirements set under the RPS Law\*.

\* RPS (Renewables Portfolio Standard) Law:  
Special Measures Law Concerning the Use of New Energy by Electric Utilities

### [ Development Plan ]

Classification	Type	Power plant & unit	Output (unit: 10,000 kW)	Construction schedule	
				Commencement of work	Commencement of commercial operation
Under construction	Steam power	Matsuura unit 2	100	March 2001	FY2023 or later
	Hydro power	Omarugawa	120	February 1999	(300,000 kW) July 2007
					(300,000 kW) July 2008
					(300,000 kW) July 2010
					(300,000 kW) July 2011
	Osuzu	0.033	December 2006	July 2008	
In preparation for construction	Hydro power	Kasegawa	0.28	June 2008	FY2011
	Internal-combustion power	Koshikijima Daiichi unit 3	0.45	May 2007	June 2008
		Shinkikai unit 6	0.45	May 2007	June 2008

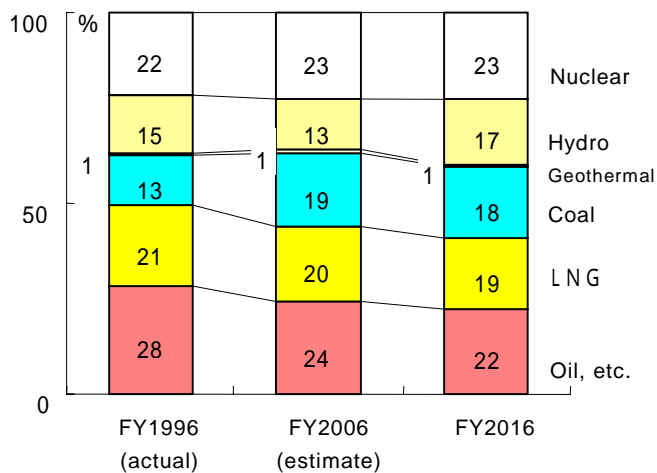
(Reference) Plants under suspension	Oita units 1 & 2	250,000 kW x 2 (petroleum)	FY2002 - 2009
	Karatsu units 2 & 3	375,000 kW, 500,000 kW (petroleum)	FY2004 - 2013

### [ Peak demand and supply balance ]

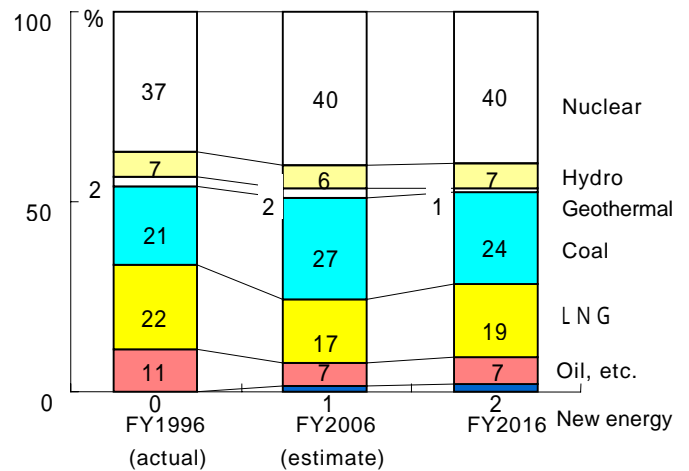
FY		2006 (Actual)	2007	2008	2009	2010	2011	2016
Demand	unit: 10,000 kW	1,681	1,672	1,698	1,706	1,713	1,721	1,761
Supply capacity	unit: 10,000 kW	1,820	1,849	1,876	1,860	1,908	1,939	1,979
Reserve capacity	unit: 10,000 kW	139	177	178	154	195	218	218
Reserve margin	%	8.3	10.6	10.5	9.0	11.4	12.7	12.4

### [ Power Source Diversification Plan (electricity received from other companies included) ]

[ The amount of power supply capability ]



[ The amount of power generation ]



## b. Power Distribution Facility Plan

- From a long-term perspective, we are working on the construction/improvement of electric transmission/transformation facilities in an efficient manner in response to new power source development and increases in power demand.
- We promote more efficient power distribution installation in the medium and long term perspectives by enhancing operation technology, while appropriately responding to power demand trends. For distribution installation, due consideration will be paid to harmony with local environments, including the installation of underground distribution lines.

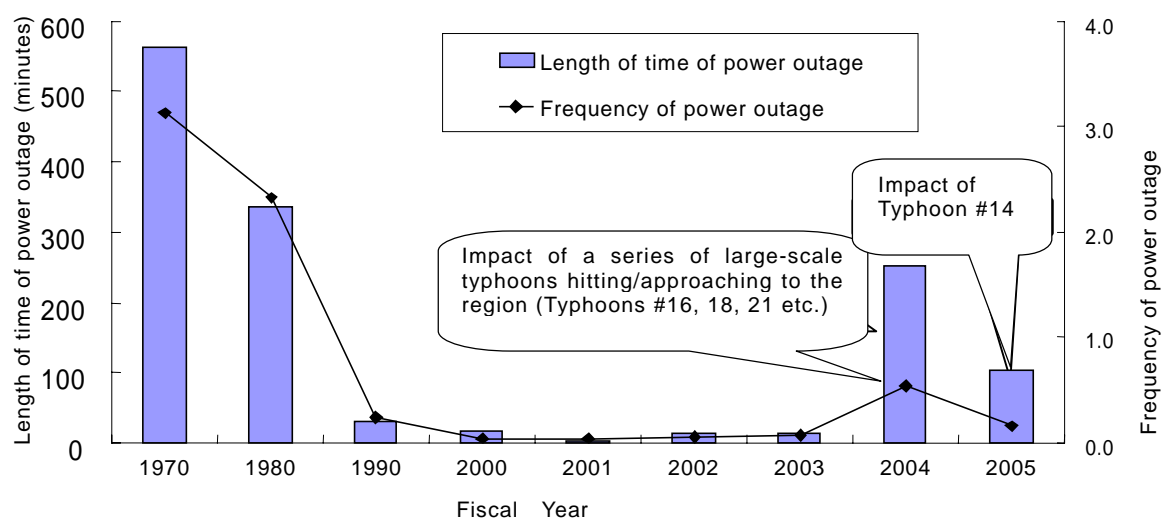
### [ Main transmission facility construction plan ]

	Classification	Line/ Facility	Voltage (unit: 10,000 V)	Size	Construction schedule		Remark
					Commencement of construction	Commencement of operation	
Transmission	Under construction	Kitakyushu main line	50	84km	April 2006	June 2011	New construction
		Sefuri – Tosu line	22	18km	September 2006	June 2009	New construction
Transformation	In preparation for construction	Sefuri substation	50/22	1 million kVA	October 2007	June 2009	Augmentation

## (3) Maintenance of Electric Supply Reliability

We will maintain the electric supply reliability that we have enhanced so far by promoting the advancement of operation and preservation technology and enhancing facility operation and management.

### [ Length of time & frequency of power outage per household ]



#### (4) Measures for our Pluthermal Project

We are working toward starting the Pluthermal project by around FY2010 at Genkai Nuclear Power Station Unit 3.

- For Japan, where energy resources are scarce, to secure energy in a stable manner into the future, it is necessary to establish the reactor fuel cycle. As part of such efforts, a steady implementation of our Pluthermal project is necessary.
- With regard to the Pluthermal project at Genkai Nuclear Power Station Unit 3, in September 2005 we received permission from the national government to convert the nuclear reactor facilities. In March 2006, we obtained a preliminary agreement from Saga Prefecture and the Genkai-cho municipality. Following this permission and agreement, procedures for MOX fuel processing and transportation are currently underway.
- We are committed to disclosing related information promptly and to making every effort to gain local residents' understanding regarding our Pluthermal project, which places the utmost priority on maintaining safety at the nuclear power station.

##### [What is pluthermal?]

Uranium fuel used (spent nuclear fuel) at nuclear power stations contains a substance called plutonium, which can be recycled as fuel.

“Pluthermal” involves utilizing the plutonium extracted from spent fuels as MOX fuel. MOX fuel is made of plutonium extracted from spent fuels and uranium, and is loaded into the nuclear reactor currently in use (thermal reactor).

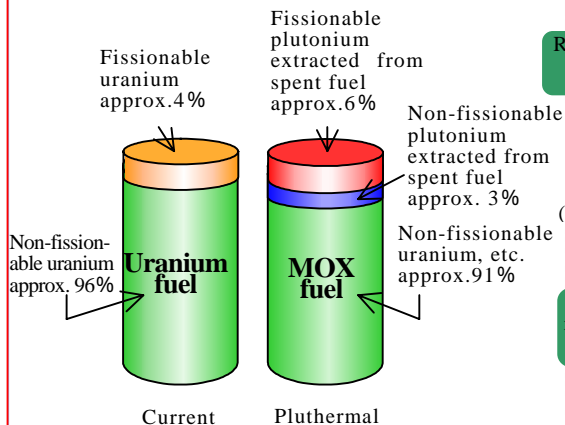
At Genkai Unit3, we plan to load 48 MOX fuels, which is one fourth of the total 193 fuels, into the reactor.

\* Note: The term “pluthermal” is a Japanese word that combines the English words of “plutonium” and “thermal.”

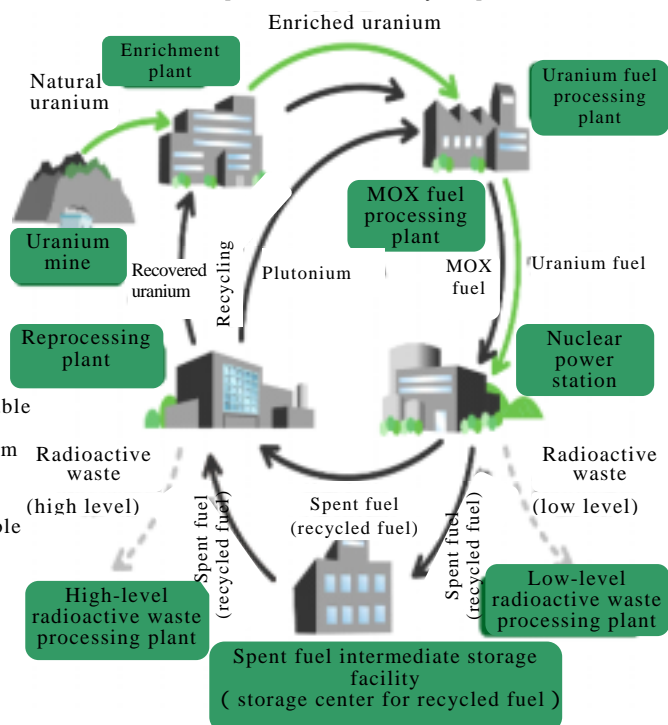
##### [What is MOX fuel?]

MOX fuel is the fuel utilized in the pluthermal process. The term “MOX” comes from mixed oxide, since MOX fuel is made from uranium and plutonium as the mixed oxides.

Difference between uranium fuel and MOX fuel



##### [Nuclear Fuel Cycle]



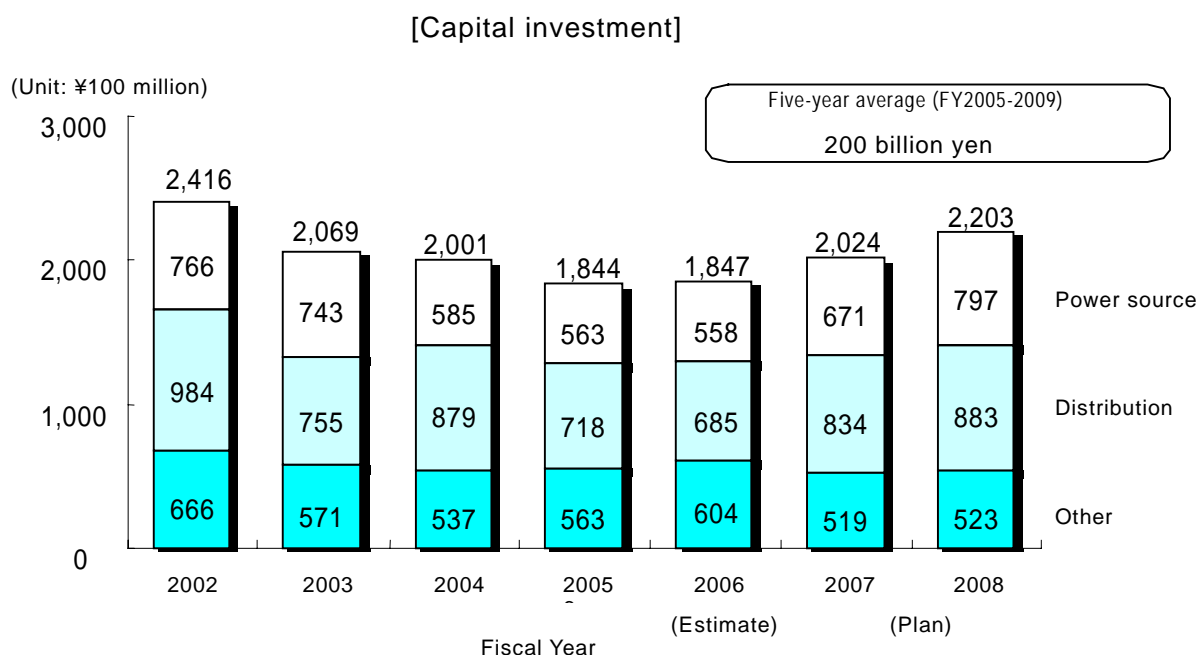


## 4. Measures for Management Efficiency Improvement

### (1) Improvement in Capital Investment Efficiency

We set the annual average capital investment of ¥200 billion as our target for this 5-year period (FY2005-FY2009).

- Our future capital investment is expected to increase, as we take measures to augment facilities and equipment to cope with the increase in demand and to maintain electric supply reliability. We ensure greater efficiency in our capital investment by reviewing design standards and specifications.



Note: Capital investment includes that in incidental businesses.

### (2) Maintenance and Miscellaneous Costs

We will further improve efficiency to reduce maintenance and miscellaneous costs.

- To reduce maintenance costs, we strive to make the maintenance of our facilities more efficient and sophisticated by reviewing our inspection and maintenance processes, while addressing the factors that increase the maintenance costs, including age-related degradation of electric power equipment.
- To reduce miscellaneous costs, we work to streamline our business procedures and enhance overall business efficiency, while addressing factors that can temporarily increase miscellaneous costs, including system development expenditure to improve business efficiency.

### (3) Improvement in Business Operation and Labor Productivity

Aiming at achieving a 10% improvement in labor productivity by FY2009, we are endeavoring to further improve operational efficiency by reforming business processes through greater utilization of information technology.

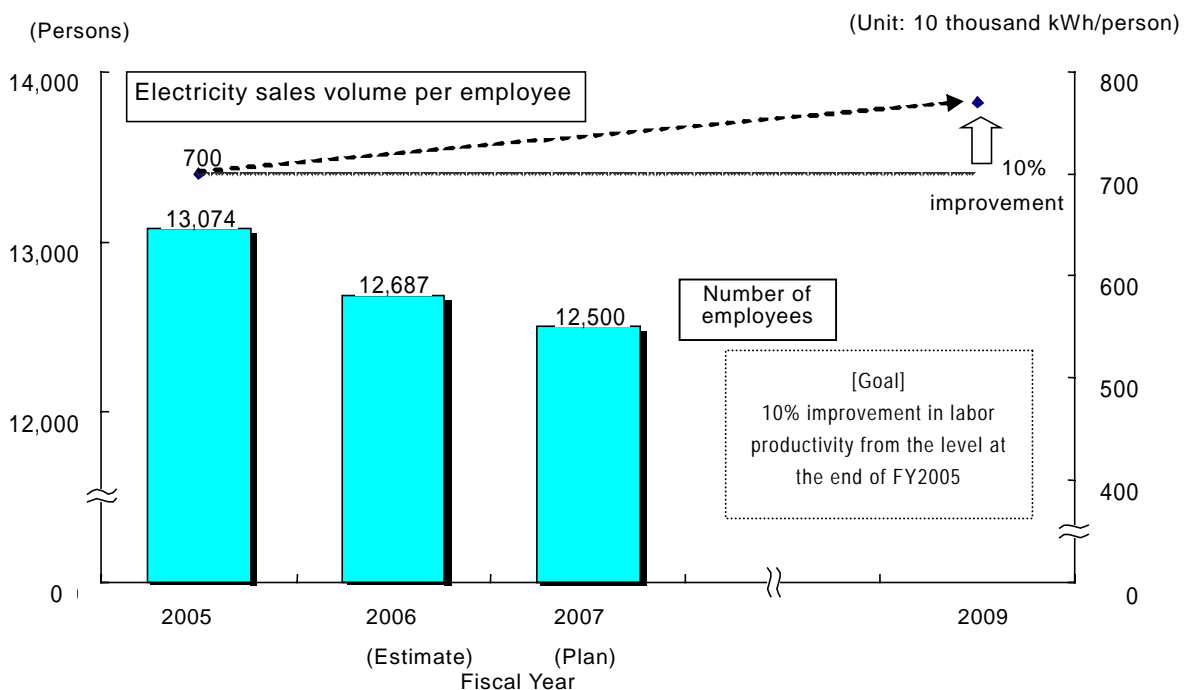
- The number of employees at the end of FY2006 is estimated at 12,671, a decrease of 403 from the previous year, due to the review of service area assignments (the number of customer service offices was reduced from 85 at the end of FY2003 to 54) and implementation of the preferential early-retirement program (FY2005, 2006).
- We aim to realize by at the end of FY2009 at least 10% improvement in labor efficiency from that at the end of FY2005. To this end, we will promote concentration and simplification of business operations through such measures as business process reforms making use of information technology.

#### Establishment of Kyuden Office Partner, K. K.

Kyushu Electric Power Co., Inc. established Kyuden Office Partner, K. K., an affiliate company specializing in administrative office work, in order to further improve operational efficiency and quality in administrative divisions.

- Establishment: April 3, 2006 (operation started in July 1, 2006)
- Number of employees: 136 (as of March 2007)
- Outline of business: Performing administrative office work outsourced by group companies  
 Consultation in regard to administrative office work  
 Business services incidental to/associated with the above

#### [Number of Employees]



(Note) Electricity sales volume per employee is calculated excluding personnel engaged in new business and loaned workers.

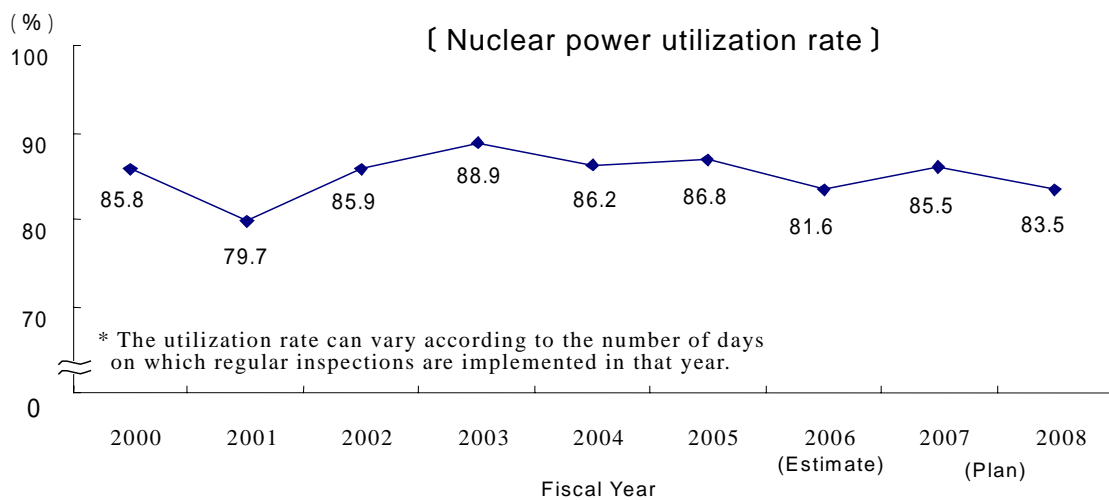
#### (4) Promotion of Efficient Facility Operations

We undertake to pursue efficient operation including maintaining a high utilization rate of nuclear power facilities and maintaining/improving the total thermal efficiency of thermal power stations based on the major premise of ensuring safety.

##### a. Maintaining a high nuclear power utilization rate

We are committed to maintaining a high utilization rate of nuclear power

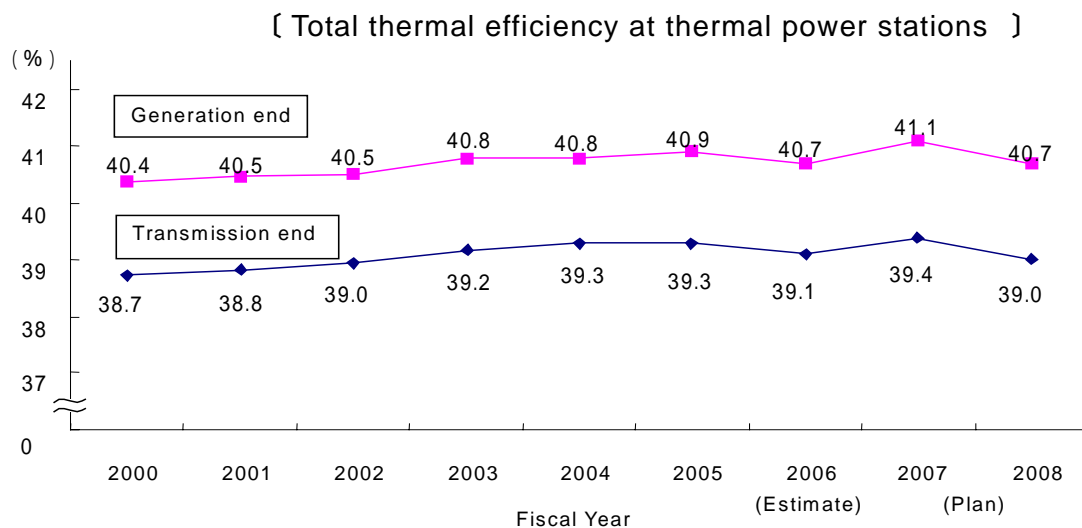
- We work to maintain a high utilization rate of nuclear power facilities, by continuing the safe and stable operation of nuclear power stations, implementing the constant cycling at rated thermal output, and promoting appropriate preventive maintenance measures.
- \* Since nuclear power generation requires lower fuel costs than those of thermal power generation, we can reduce fuel costs by maintaining a high utilization rate of nuclear power facilities.



##### b. Maintaining/improving thermal power generation facility efficiency rate

We are committed to maintaining and improving the total thermal efficiency at thermal power stations

- We work to maintain and improve the total thermal efficiency by keeping a high rate of operation at highly efficient power stations, such as the Shin-Oita Power Station.



## (5) Reduction of Material, Equipment and Fuel Procurement Costs

### a. Reduction of material and equipment costs

We work to reduce material and equipment costs, through diversification of ordering systems as well as promotion of purchasing cost planning activities and supply chain management (SCM).

- To reduce procurement costs in regard to material/equipment purchase and contract work agreements, we will diversify ordering systems, by accepting value engineering (VE) proposals and by other means. At the same time, we will promote international procurement, purchase cost planning activities and supply chain management.
- For material/equipment purchasing, we will expand opportunities for new suppliers in Japan and abroad to start dealing with us through active information disclosure on the Internet. We will also vigorously make use of electronic commerce.

#### Purchase cost planning activities and SCM

Under trilateral cooperation among suppliers, Kyushu Electric Power's material departments and main divisions in charge of equipment, we will pursue overall purchasing cost reduction, throughout a series of processes from production at the suppliers' sites, to purchase through operations at our facilities. Specifically, while improving efficiency of parts procurement and production processes and reviewing our specifications, we will strive for optimum business processes overall.

Information on our material procurement is available on our website at:

[http://www1.kyuden.co.jp/en\\_procurement\\_index](http://www1.kyuden.co.jp/en_procurement_index)

### b. Reduction of fuel procurement costs

While securing stable procurement, we will decentralize the supply sources and diversify the forms of contracts, including the contract period and pricing system, so as to reduce and stabilize fuel procurement costs.

- We will strive to further reduce fuel procurement costs and to secure stable procurement, with comprehensive consideration given to a series of procurement processes (supply chain) covering from contracting, and transportation to acceptance of fuels.

#### Construction of LNG carrier

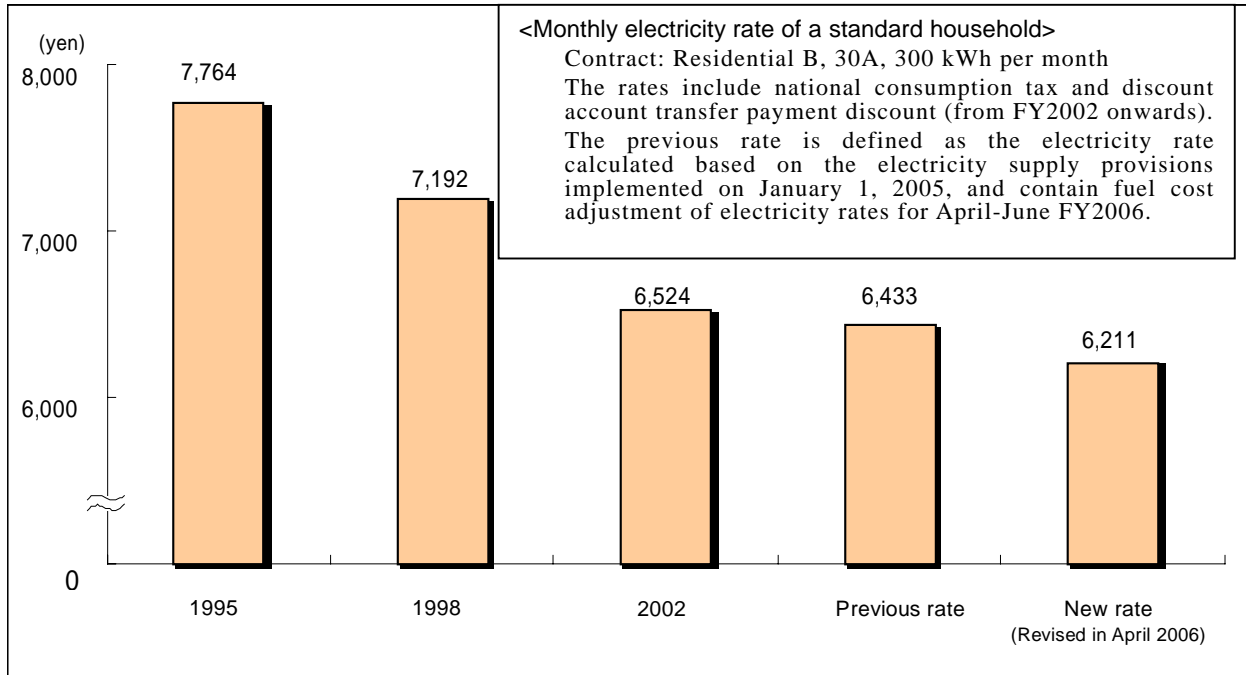
Our company is planning to build a vessel to transport LNG in partnership with Tokyo Electric Power Co., Inc. By utilizing this vessel, we hope to strengthen the LNG supply chain, to be more economical through the control of transportation costs, and to create a more flexible transport system designed to improve the stability of procurement.

- Commencement of work: November 2007 (planned)
- Commencement of operation: April 2009 (planned)
- Specifications: Moss-type spherical tank x 4  
Total length: 288 m, total width: 49 m,  
load capacity: 145,000 m<sup>3</sup> (67,000 t)
- Shipbuilder: Mitsubishi Heavy Industries, Ltd.,  
Nagasaki Shipyard & Machinery Works

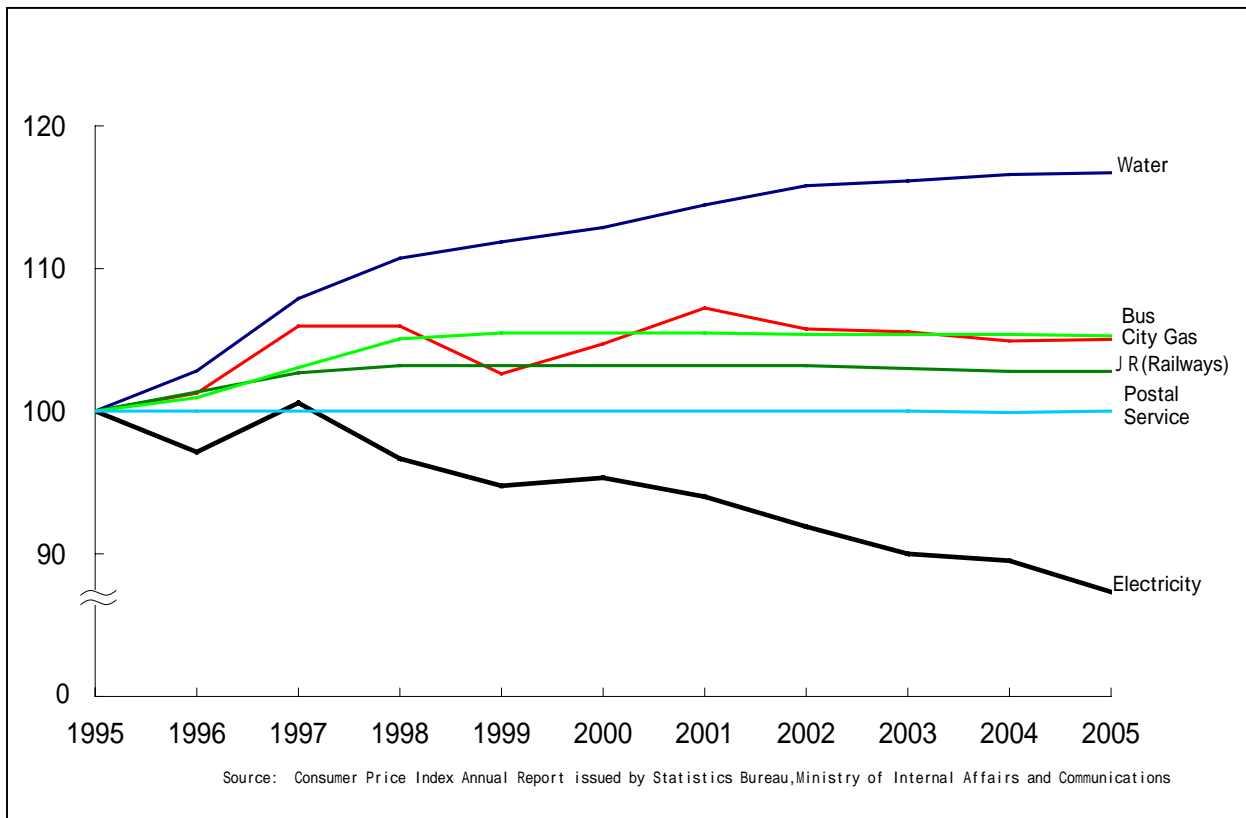
## Results of business efficiency improvement up to date

Since 1995, we have cut down electricity rates seven times. As a result, the reduction rate for a standard residential customer is approximately 20%, and therefore the electricity rates are lower than other public utility rates.

### [Electricity rates from 1995 onwards]



### [Comparison of electricity and other public utility rates (on the assumption that the rates in FY1995 are 100)]



## 5. Efforts toward Corporate Social Responsibilities (CSR)

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### (1) Promotion of CSR

We ensure fair and highly transparent business activities in strict conformity with laws and business ethics. In addition, as a good corporate citizen of this society, we carry out our corporate social responsibilities (CSR) by promoting environmental management and a various range of activities aiming at symbiosis with the local communities and society.

- Regarding our efforts toward CSR, our basic mission is to continue stable and efficient supply of electricity to our customers while prioritizing safety. We intend to actively follow this mission.
- To this end, structural enhancements such as the establishment of “CSR Promotion Committee” with the President as its Chair have been made, and in addition, “Kyushu Electric Power CSR Report” was newly published in June 2006.
- We intend to improve our CSR efforts further through active communication with stakeholders through the utilization of this CSR report.

#### Overview of CSR Promotion Committee

##### Role

- Deliberation on policy/plan of overall CSR activities and reports

##### Structure

- Chairperson: President
- Vice-Chairperson: CSR Director (Executive Vice President)
- Members: Executive Vice Presidents, Managing Directors, Directors and Managers of relative divisions and departments
- Observers: Senior Corporate Auditors

#### Major CSR efforts for FY 2007

- (1) Establishment of the CSR Management Cycle
  - Continuous publication of CSR Report
- (2) Promotion of compliance management
  - Improvement of compliance awareness of employees
- (3) Further promotion of information disclosure to ensure transparency in management
  - Appropriate and timely release of nuclear power-related information
- (4) Promotion of environmental management
  - Emission control of greenhouse gases
- (5) Respect for human rights and establishment of a comfortable work environment
  - Enhancement of systems to support employees to balance work and family
  - Implementation of employment/allocation that enable full utilization of capabilities and experiences of the elderly
- (6) Thorough implementation of “Safety First Policy”
  - Ensuring job safety and a work environment with proper attention to safety and health of employees
- (7) Cooperation with the local community/society
  - Social contribution activities aiming towards symbiosis with the local community that lead to resolution of community issues

## **(2) Promotion of Compliance Management**

To further strengthen our relationship of trust with the community, we intend to not only comply with laws and regulations, but also to actively promote fair and highly transparent corporate activities that follow corporate ethics.

- Kyushu Electric Power Group in unison actively promote compliance management centering around the “Compliance Committee (Chairperson: President, composed of Directors and external knowledgeable experts),” by various measures such as devising “Compliance Action Guidance,” conducting educational sessions and training, establishing the “Compliance Consultation Desk.”
- To strictly enforce correct handling of information, we have established an information security system with the President as the “Head of Information Security” and company-wide efforts are made to ensure information security.
- To adapt properly to the Private Information Protection Law, we stipulate specification of the use of personal information as well as handling procedures for disclosure requests in our internal rules in order to ensure appropriate management of such information.

## **(3) Further promotion of information disclosure**

To ensure transparency of management and earn a higher degree of trust from the society, we disclose information in a sincere and understandable manner.

- To conduct corporate activities with trust and sympathy from the society, we make active efforts toward information disclosure.
- Specifically, we established the “Kyushu Electric Power Basic Posture on information Disclosure,” and also conduct regular information disclosure, such as monthly press conferences held by the President, as-needed press releases, IR briefings, and our websites.
- We will continue to conduct timely and appropriate disclosure regarding managerial information and corporate PR as well as any current problems with nuclear and thermal power generation in order to ensure transparency of management.

#### (4) Promotion of environmental management

Kyushu Electric Power Group recognizes the importance of environmental conservation in every aspect of its business activities and makes collective efforts to implement environmental management aiming to realize a rich and healthy global environment.

We formulate the Environment Action Plan each year, and conduct environmental activities with five core policies: promotion of environmental management, measures for global environmental issues, establishment of a recycling society, harmonious coexistence with the local environment, and working with society.

##### a. Promotion of environmental management

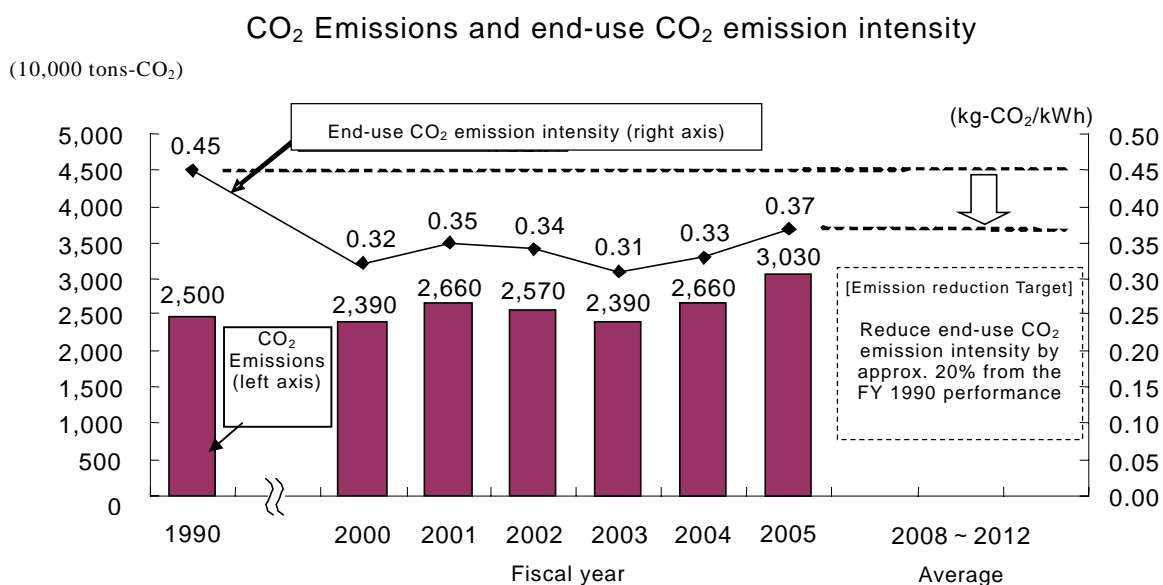
- We ensure all our business locations and all our group companies operate EMS effectively and efficiently, and aim to achieve continuous reduction of environmental load by voluntarily conducting PDCA cycle (plan, do, check and action) in environmental activities.
- We actively conduct efforts to improve the level of environmental control through utilization of environmental accounting.

##### b. Measures for global environmental issues

###### (a) Steady efforts to reduce greenhouse gas emissions

- To minimize CO<sub>2</sub> emissions, we make efforts such as the maintenance of the high utilization rate of nuclear power facilities and the high use of highly-efficient LNG-fired power stations, while promoting the optimal combination of power sources centered around our core source of nuclear power.
- Through investments in World Bank's Prototype Carbon Fund (PCF) and Japan Greenhouse gas Reduction Fund (JGRF), we actively work to utilize the Kyoto Mechanisms, an international framework to reduce greenhouse gas emissions.

Our commitment is approx. 20% reduction of end-use CO<sub>2</sub> emission intensity on average for the years from FY 2008 to FY2012 compared to the actual performance in FY1990.



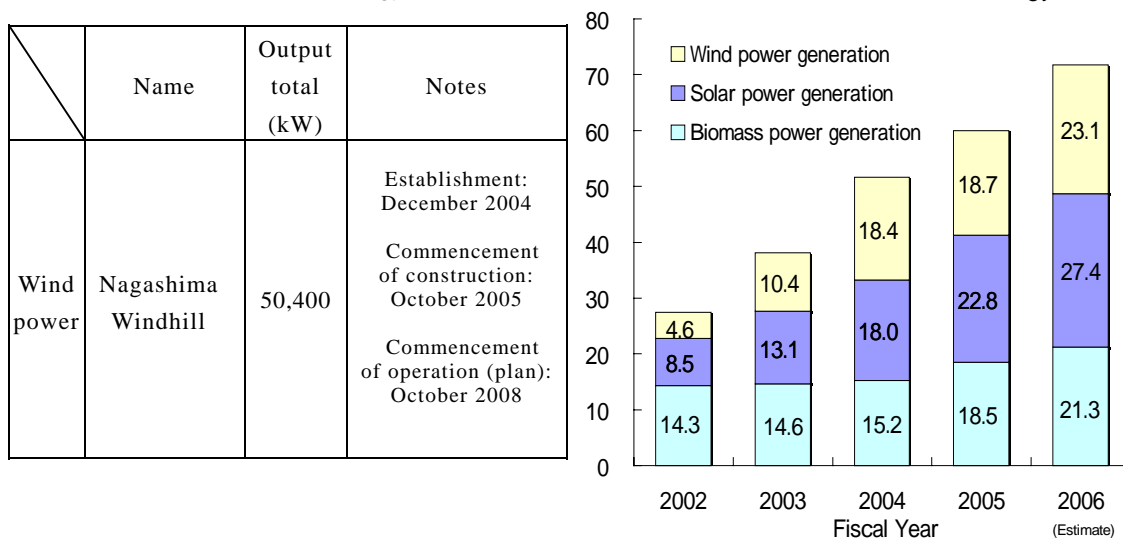


(b) Promotion of new energy

- To promote the spread of new energies, we develop our own wind power facilities, purchase electricity generated by wind, photovoltaic and biomass power generation facilities, and contribute to the Kyushu Green Power Fund.
- Through these measures, the use of our electricity generated by new energy sources is projected to achieve the minimum requirement (500 million kWh) set under the RPS Law for FY2006.
- Also, regarding our purchase of electricity by wind power generation, it was publicized in August 2006 that the possible coordination volume has been expanded to 700,000 kW. Based on this expansion, we will increase the new offering volume that we accept in FY2007 to 150,000 kW.

\* RPS Law (Renewables Portfolio Standard): Special Measures Law Concerning the Use of New Energy by Electric Utilities.

[ Additional effort toward new energy development ] 10,000 kW [ Purchase status of new energy ]



c. Efforts toward the formation of a recycling society

- With the slogan “Challenge for Zero Emissions,” aiming to make the volume of final disposal waste as close to zero as possible, we practice the 3Rs of Reduce, Reuse, and Recycle of wastes generated through operation activities.
- In addition to the conventional evaluations of quality, price and promptness of delivery, we employ evaluations from the environmental aspect to promote the green procurement and purchase eco-friendly goods.

d. Coexistence with the local environment

- Prior to the construction of our power stations, we conduct environmental impact assessments with due consideration given to the most recent information and knowledge as well as location status in order to realize the formation of facilities with the minimum environmental influence.
- We promote harmony with surrounding environment upon establishment of facilities by the installation of underground distribution lines and we also make efforts toward greening to improve the local environment.

e. Cooperation with the society

- We will enhance our Environmental PR as bilateral communication by actively disclosing environment-related information through various media such as our Environment Action Report and our website, and listening with sincerity to opinions and requests of society.
- We conduct and support environmental activities in the community in a range of ways: the Kyushu Homeland Forestation Program to plant one million trees throughout Kyushu in 10 years to commemorate our 50<sup>th</sup> anniversary, supporting training of Green Helpers, specialists on growing greenery, and supporting activities for environmental education in coordination with civil organizations.

## (5) Thorough Implementation of the “Safety First Policy”

As the fundamental base of all corporate activities, we thoroughly implement the Safety First Policy that prioritizes the ensuring of safety.

We have conventionally prioritized “ensuring safety” in our business management and made a commitment as a group, including the company, group companies, and contractors in realizing thorough implementation of the Safety First Policy through various measures such as securing safety at facilities and in the work environment, dissemination of knowledge regarding safe electricity handling, and establishment of a work environment with proper attention to safety and health of employees.

- Regarding labor safety, we make efforts toward prevention of disasters caused by human error, thorough implementation of danger prediction activities, improvement of unsafe spots and equipment through safety inspections, etc. To improve occupational health, we make efforts toward mental health measures and preventive measures for health problems caused by overwork.
- In the operation of nuclear power stations, we prioritize safety, and aim for constantly safe and stable operation of facilities by implementing activities to ensure safety and maintain quality in an appropriate manner.

### Efforts toward safety and health

#### ◆ Safety and Health Philosophy

“Achievement of zero disasters, ensuring of mental and physical health, and establishment of a comfortable workplace.”

#### ◆ Safety and Health Management Policy

[Target]

- Safety : Further enhance efforts to prevent disasters from occurring  
Thoroughly conduct danger prediction activities in every task/work activity.
- Health : Establish a comfortable workplace with less fatigue and stress  
Improve awareness towards self-management of mental and physical health

[Emphasized items]

- Thorough implementation of work disaster prevention
- Thorough implementation of traffic disaster prevention
- Establishment of work (task) environment
- Thorough implementation of disaster prevention for external workforce
- Thorough implementation of public disaster prevention
- Enhancement/fortification of various measures regarding mental and physical health

## (6) Coexistence with the Local Community/Society

We as a good corporate citizen actively promote activities toward coexistence with the community/society to realize a comfortable and enriched community and its sustainable development.

- Aiming toward coexisting with local community and society, we as a good corporate citizen will continue to proactively contribute to their development through our business activities and social action works while seeking our role in the community/society.
- Working together with members of the community and society, we will continue to support local cultural and sports activities as well as volunteer activities by our employees.

### a. Support toward regional culture (mecenat activities)

- To realize a community with a superb culture in the Kyushu region, we will support regionally rooted cultural activities and enhance the cultural level of the region.

	Activities
Music	<ul style="list-style-type: none"> <li>- Hosting of the “Kyuden Family Concerts” for families by the Kyushu Symphony Orchestra</li> <li>- Hosting of the “Kyuden Bunka no Mori Concerts,” full-scale classical concerts performed by the Kyushu Symphony Orchestra</li> </ul>
Literature	<ul style="list-style-type: none"> <li>- Holding casual writing contests such as “Family Essay Contest”</li> </ul>
Festival participation	<ul style="list-style-type: none"> <li>- Participating in various local festivals in each service area</li> </ul>
Support for local events	<ul style="list-style-type: none"> <li>- Conducting support activities toward local cultural events such as music, art exhibitions, photo exhibitions, etc.</li> </ul>
Traditional arts and crafts	<ul style="list-style-type: none"> <li>- Domestically and internationally dispatching young artists of traditional arts and crafts for training</li> <li>- Conducting various support activities for the succession of traditional arts and crafts</li> </ul>

### b. Support toward local sports activities

- To revitalize and raise the level of sports activities in the community, and to create a cheerful and healthy regional community, we will continue our support for local sports activities.

Our company rugby team, which is positioned as our symbol sport, will be joining the “Top League,” the highest league in Japan, starting in the 2007 season. We will continue to strive to become a well-supported and loved team of the community.

### c. Support toward volunteer activities of our employees

- We will continue to support the individual volunteer activities of our employees as part of their social contribution activities through volunteer vacation systems and support system for the acquisition of certificates and/or licenses in social welfare.

## 6 Efforts toward Improvement of Structural Capabilities

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### (1) Corporate Governance Structure

To respond to changes in the business environment appropriately and to ensure the soundness of corporate management, we are establishing an effective corporate governance structure

- We are establishing the system to ensure appropriate business operation by thorough compliance with laws and regulations relating to our corporate activities, and improvement of management efficacy and efficiency.
- In line with the Corporate Law, we established the “Principal Policy on Corporate Governance Structure” comprising seven items including legal compliance of the Directors and employees.
- We are also in the process of building and enhancing internal control regarding financial reporting based on the J-SOX Law. (Submission of the internal control report will become mandatory from the fiscal year ending in March 2009)
- We will continue our efforts to build and enhance the system in order to ensure soundness in our corporate management.

#### Outline of the Principal Policy on Corporate Governance Structure

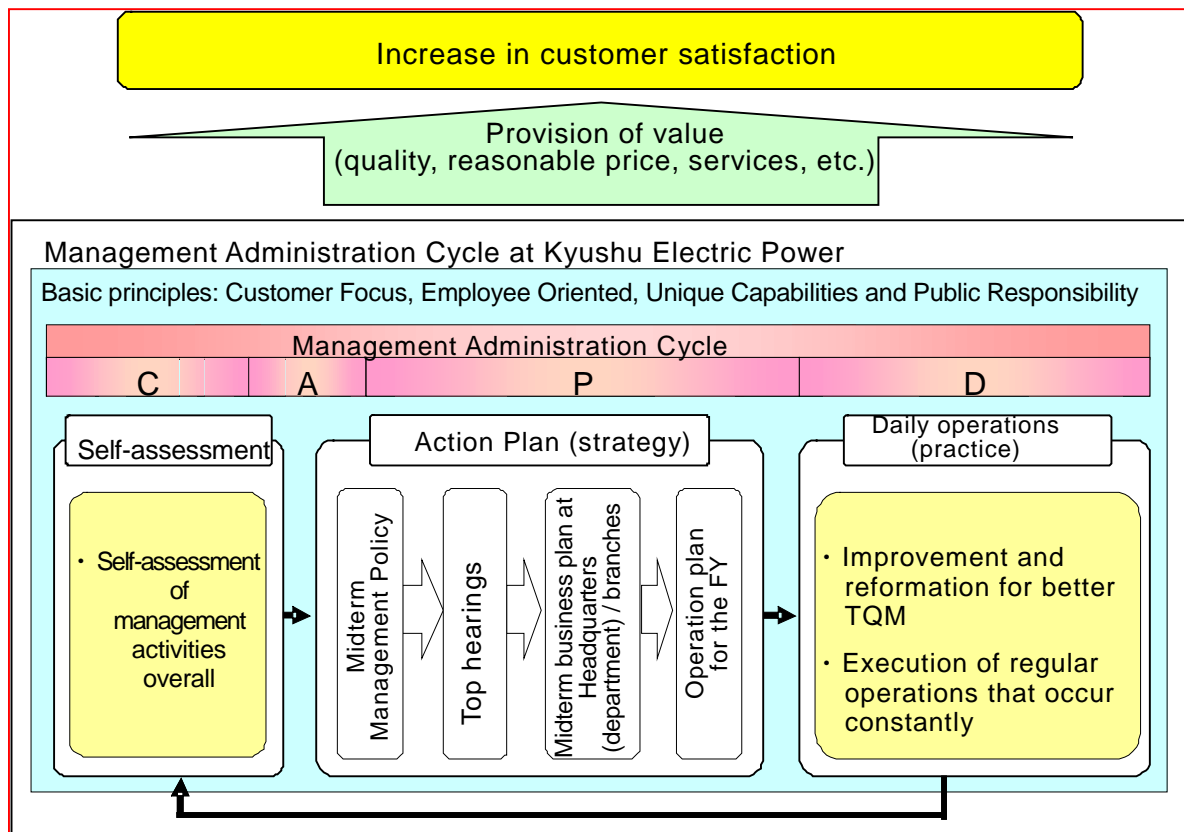
In conformity with the Corporate Law and its enforcement regulations, we will develop the following structure to ensure compliance of the Directors with laws and the articles of incorporation as well as to secure soundness of business execution.

- (1) Structure for securing compliance of the Directors with laws and regulations in the execution of duties
- (2) Structure for the preservation and management of information concerning the execution of duties by the Directors
- (3) Structure for risk management
- (4) Structure for securing efficiency in the execution of duties by the Directors
- (5) Structure for securing compliance of the employees with laws and regulations in the execution of duties
- (6) Structure for securing properness of business operations of our group companies
- (7) Structure for securing properness of execution of duties by the Auditors

## (2) Promotion of TQM (Total Quality Management)

To continue to satisfy our customers and to be chosen in recognition, we will enhance our management quality in view of customers' outlook

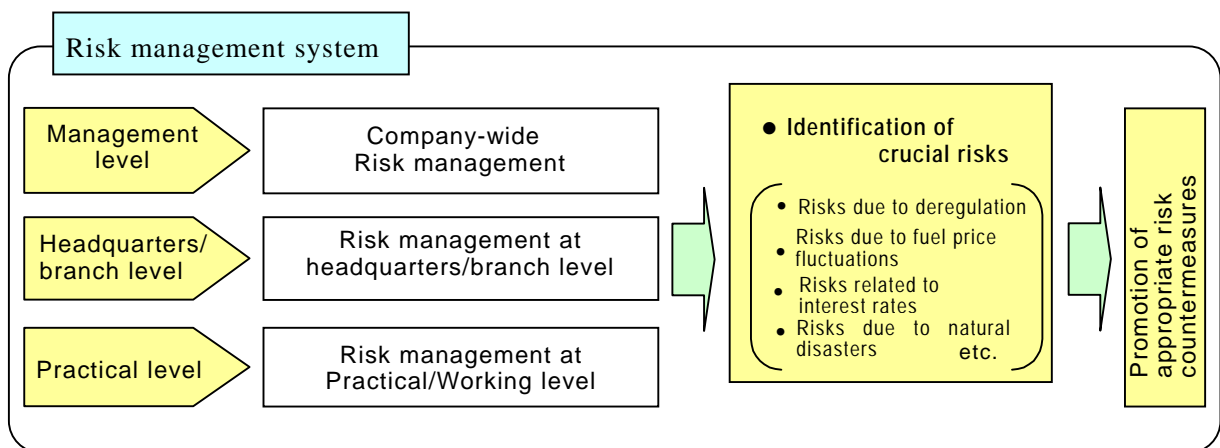
- Based on the four basic principles of the Japan Quality Award (Customer Focus, Employee Oriented, Unique Capabilities and Public Responsibility), we make company-wide commitment to promote TQM (Total Quality Management) so as to improve “management quality” in view of customers' outlook.
- Specifically, we will conduct self-assessment of management activities overall, address the issues discovered and reflect the results onto the “Management Administration Cycle,” and realize improvement and reformation.
- By promoting TQM, we will continue to nurture a corporate climate that constantly improves and reforms in order to conduct a customer-oriented business.



### (3) Thorough Risk Management

Under the leadership of the senior executives, we conduct risk management thoroughly and continue to reduce the impact on management by the exposure of the potential risks.

- Risks are becoming increasingly complex and diverse due to various changes in the business environment surrounding our company. To handle such risks promptly and appropriately, we are thoroughly implementing risk management by regular risk analysis, identification of critical risks, and adoption of risk countermeasures into our business management plan.



### (4) Fortification of Group Management Base

To cope with the times of consolidated management, we will strengthen group governance, and aim for the continuing fortification of a management base through coordination of the entire group.

- We are currently working to strengthen group governance through implementation of a performance evaluation system and clarification of management system of the group companies.
- Also, to increase competitiveness and maximize corporate value as a group, we will promote management improvement by type of business as well as conduct mergers and restructuring of group companies based on "selection and concentration."
- To strengthen coordination among group companies and improve efficiency, we are working to centralize operation tasks by introducing shared services.

## **(5) Progressing IT to Entire Company**

We promote the company-wide progression of IT to achieve total optimization of operations and information systems that support these operations.

- We will strengthen coordination between management strategies and actual operations, and promote optimization of overall operations and information systems that support these operations company-wide through our PDCA cycle.
- In the process of the introduction of IT company-wide, we will identify issues regarding the operations and information systems from the perspectives of standardization, unification, and concentration, and thoroughly review the extracted issues in order to realize the total optimization for the entire company.

## **(6) Motivation and Capabilities of Employees and Improvement of Technological Capabilities as a Group**

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

- Under the awareness that the source of superior corporate value is in “human resources,” we aim to nurture such human resources who are equipped with management capabilities and expertise as well as those who are independent, aware of their own roles and responsibilities, rich in creativity, and capable of taking initiative.
- To realize a vigorous, open and motivating work environment, we will deploy personnel labor measures that reflect the opinions of our employees, and actively communicate within the workplaces.
- To strengthen the overall ability of the group, we will make efforts to ensure steady inheritance and improvement of technological abilities and know-how through cooperation with the group companies in various operations and technological developments.

# References



# 1. Wide Variety of Rate Plans to Choose From

## Customers in the regulated sector

	Overview of Plans	Main Target Customers
Lighting Contract with time-of-day rates (Denka de Night)	<ul style="list-style-type: none"> <li>- Charged with three time-of-day rates: Daytime, Living-time and Nighttime.</li> <li>- Customers can save by shifting their concentration of electricity use from Daytime to Living-time and Night-time hours.</li> </ul>	All-electric housings General households with electric water heaters
Lighting Contract with time-of-day/seasonal rates (Yoka Night 10)	<ul style="list-style-type: none"> <li>- Charged with higher daytime rate and lower nighttime rate than regular lighting contracts.</li> <li>- Customers can save by shifting their concentration of electricity use from daytime to nighttime.</li> </ul>	General households Small shops and stores
Lighting Contract for high-load facilities	<ul style="list-style-type: none"> <li>- Demand charges are set higher and energy charges are set lower than regular lighting contracts.</li> <li>- Charged with time-of-day rates</li> <li>- Customers can save by raising operating rate of their facilities</li> </ul>	Small shops and stores with relatively large-scale facilities and preferred load curves
Low Voltage Power Contract with time-of-day/seasonal rates	<ul style="list-style-type: none"> <li>- Charged with time-of-day and seasonal rates: Summer-Daytime, Other-Daytime, and Nighttime.</li> <li>- Customers can save by shifting their concentration of electricity use to Nighttime hours.</li> </ul>	Small shops stores, and offices, with large electric appliances
Discount for Power Contract with Thermal Storage Facilities (Optional)	<ul style="list-style-type: none"> <li>- Discounted in proportion to the volume of electricity shifted to nighttime due to implementation of thermal storage facilities.</li> </ul>	Small shops, stores, and offices with thermal storage facilities (air-conditioning facilities etc.)
Account Transfer Payment Discount (Optional)	<ul style="list-style-type: none"> <li>- Discounted when electricity bill is paid via account transfer on the first payment date</li> </ul>	All customers who pay their electricity bills monthly by account transfer payment

## Customers in the liberalized sector

	Overview of Plans	Main Target Customers
Power Contract with time-of-day/seasonal rates	<ul style="list-style-type: none"> <li>- Charged with time-of-day/seasonal rates; Peak-time, Summer-Daytime, Other-Daytime, and Nighttime hours.</li> <li>- Customers can save by shifting their concentration of electricity use to Nighttime hours.</li> </ul>	<p>Hospitals Hotels Industrial Plants</p>
Weekend/holiday Economy Power Contract for Commercial Customers	<ul style="list-style-type: none"> <li>- Charged with lower rates in weekends and holidays than weekdays</li> <li>- Customers can save by shifting electricity use to weekends and holidays.</li> </ul>	<p>Department stores Leisure facilities</p>
Discount for Power Contract with Electric Kitchen Appliance (Optional)	<ul style="list-style-type: none"> <li>- Discounted in proportion to the use of electric kitchen appliances (cooking appliances such as microwave and regular ovens).</li> </ul>	<p>Restaurants and shopping malls with 30kW worth or more of electrical kitchen appliances</p>
Discount for Power Contract with Thermal Storage Facilities (Optional)	<ul style="list-style-type: none"> <li>- Discounted in proportion to the volume of electricity shifted to nighttime due to implementation of thermal storage facilities.</li> </ul>	<p>Office buildings, large shops and stores, and plants with thermal storage facilities (air-conditioning facilities etc.)</p>
Discount for Power Contract with Electric Air-Conditioning Facilities (Optional)	<ul style="list-style-type: none"> <li>- Discounted in proportion to the volume of electricity used by the non-thermal-type electric air conditioning facilities when used in combination with thermal-type air conditioning facilities.</li> </ul>	<p>Office buildings and plants that use non-thermal and thermal-type air conditioning facilities in combination</p>
Discount for Power Contract with All-Electric Facilities (Optional)	<ul style="list-style-type: none"> <li>- Discounted for customers who use electricity for all sources of energy including air-conditioning, kitchen, and water heater</li> </ul>	<p>All-electric restaurants and shopping malls with 30kW worth or more of electrical kitchen appliances</p>

## 2. Overview of Group Companies

### <<Total Energy Business>>

	Company name	Main business description
Facility Construction and Maintenance	Kyushu Rinsan Co., Inc.	Greening of power plants, etc.
	Nishi Nippon Plant Engineering and Construction Co., Ltd	Construction, maintenance and repair of power generation facilities
	Kyuden Sangyo., Inc.	Environmental preservation activities in power generation facilities
	West Japan Engineering Consultants, Inc	Consultation and planning of civil engineering and construction
	Nishinippon Environmental Construction Co., Inc.	Design, construction and supervision of heat supply systems etc,
	Kyudenko Corporation	Engineering works for power supply facilities
	Nishikyushu Kyodo Kowan Co., Ltd.	Maintenance, control and operation of coal unloading facilities
	Kyuken Corporation	Construction and repair of electric lines
	Nishigi Kogyo	Maintenance and repair of hydroelectric power generation facilities
	Nishigi Engineering Co., Inc.	Investigation, design and construction management of electric/mechanical facilities
	Nishigi Measurement Design Co., Ltd.	Investigation, survey, design and draft of civil construction projects
Supplies, etc. Sourcing	KYUKI Corporation	Manufacture and sales of electric machinery
	Nishi Nippon Airlines Co., Ltd.	Transportation of cargo by aircrafts
	Kyushu Meter&Relay Engineering Corporation	Repair and maintenance of electronic instruments
	Koyou Denki Kogyo Co., Ltd.	Manufacturing and sales of high/low voltage insulators
	Kyuhon Co., Ltd	Manufacture and sale of electric equipment
	Kyushu Koatsu Concrete Industries Co., Ltd	Manufacture and sale of concrete poles
	Seishin Corporation	Sale of electric equipment
	Nishi Nihon Denki Tekkou Co., Ltd.	Design, manufacture and sales of steel towers, steel structures, etc.
Japan Australia Uranium Resource Development Co., Ltd.	Acquisition and sales of natural uranium	
Electric Power Wholesalers / Energy Business	Tobata Co-operative Thermal Power company, Inc	Wholesale electricity supply
	Oita Co-operative Thermal Power company, Inc	Wholesale electricity supply
	Kyuden International Corporation	Acquiring and owning securities of power companies overseas
	Oita Liquefied Natural Gas Co., Inc.	Receipt, Storage, Vaporization and Delivery of LNG
	Nishinippon Environmental Energy Co., Inc.	Consultation about Energy efficiency
	Kitakyushu Liquefied Natural Gas Co., Inc.	Receipt, Storage, Vaporization and Delivery of LNG
	Nagashima Windhill Co., Ltd.	Sales of electricity generated by wind power
	Pacific Hope Shipping Limited	Owning and operation of LNG ships
	KYUDEN ILIJAN HOLDING CORPORATION	Investment to Ilijan IPP Project Company
	Miyazaki Biomass Recycling Co., Ltd.	Power generation using poultry manure
	Kyushu Cryogenics Co., Ltd.	Manufacturing and sales of liquefied oxygen, liquefied nitrogen and liquefied argon
	Phu My 3 BOT Power Co., Ltd.	Operation and management of power plant in Phu My 3 IPP Project
	Electricidad Aguila de Tuxpan	Operation and management of power plant in Tuxpan No.2 IPP Project
	Fukuoka Clean Energy Corporation	Incineration of non-industrial waste and power generation
	Electricidad Sol de Tuxpan. S.de R.L.deC.V.	Operation and management of power plant in Tuxpan No.5 IPP Project
	KITAKYUSHU ECOENERGY CO., LTD.	Waste disposal and power generation
	Environmental Power Supply Co., Ltd.	Maintenance, operation, management and installation of dispersed power source facilities
	Nishinippon Wind Development	Development of wind power generation locations
Kitakyushu LNG Lorry Sales	LNG (lorry) sales	
Fukuoka Energy Service Co., Inc.	Heat supply business	

<<IT & Telecommunications>>

Company name	Main Business Description
Kyushu Telecommunication Network Co., Inc.	Fiber-optic cable and broadband service, IP phone service
Kyuden Infocom Company, Inc.	IT planning/consultation, data center business
Nishimu Electronics Industries, Co., Ltd	Manufacturing, sale, installation and maintenance of telecommunication devices
Kyuden Business Solutions Co., Ltd	Development, Operation and maintenance of Information system
Kyushu Network Services Co., Ltd.	Sales of telecommunication lines
Kagoshima Fiber Optic Television	Cable television broadcast business
RKK Computer Service	Development and sales of computer software
COARA Co., Ltd.	Internet connections, creation of website contents

<<Environmental/Recycling Business>>

Company name	Main Business Description
Kyushu Environmental Management Corporation	Recycle of confidential documents
J-Re-Lights Co., Ltd	Recycle of Fluorescent bulb and used dry battery

<<Lifestyle-Oriented Service>>

Company name	Main Business Description
DENKI BLDG. CO. LTD.	Management and rental of real estate
Kyuden Good Life Corporation	Overall control of senior apartment (care included) business (Kyuden Good Life Higashifukuoka, Kumamoto, Kagoshima)
Kyuden Good Life Higashifukuoka Corporation	Management of paid nursing homes and nursing care business
Kyuden Good Life Kumamoto Corporation	Management of paid nursing homes and nursing care business
Kyuden Good Life Kagoshima Corporation	Management of paid nursing homes and nursing care business
Shinrintoshi Co., Ltd	Leasing of company housing and other real estate
Kyuden Office Partner	Undertaking indirect clerical tasks and consulting business
Kyuden Business Front Inc.	Worker dispatching and paidjob placement service
Kyushu Housing Guarantee Corporation	Residential home performance evaluation and inspection of building certificates
Kyuden Home Security Co., Inc.	Home security and safety/supervision service
Kyuden Shared Business Co., Ltd.	Undertaking of accounting and tasks regarding personnel labor
Medical Support Kyushu Co., Ltd.	Rental and leasing of medical equipment etc. to clinics specializing in diagnostic imaging as well as operation support
Q-caption Center	Creation of captions for broadcasted programs (special subsidiary of Kyushu Electric Power)
Oak Ltd.	Apartment management
Kyushu Highlands Development Co., Ltd.	Management of hotels and golf courses
Ito Golf Properties	Management of golf courses
Kyushu I.S.O. Certification / Registration Organization Co., Ltd.	Assessment and registration of quality/environmental management system based on international standards
Fukuoka Urban Development Co., Ltd.	Management and rental of real estate
Midorigaoka Living Support	Construction, rental and management of residences for civil service workers
Capital Kyuden Corporation	Acquiring and Owning of Securities, Loan to Group companies

### 3 Measures for Overseas Projects

#### Ongoing Overseas IPP Projects

Country	Project name	Remarks
Mexico	Tuxpan No. 2 Gas Combined Cycle IPP	· Commenced operations: December 2001 · Output: 495MW
	Tuxpan No. 5 Gas Combined Cycle IPP	· Commenced operations: September 2006 · Output: 495MW
Philippines	Ilijan Gas Combined Cycle IPP	· Commenced operations: June 2002 · Output: 1,200MW
Vietnam	Phu My No. 3 Gas Combined Cycle IPP	· Commenced operations: March 2004 · Output: 717MW

#### Consulting Business Performance in FY2006

Area	Consultation	Remarks
China	Consultation for Shandong Power's power system operation center evaluation	· June 2006-January 2007 · JETRO* "J-Front"
Taiwan	Investigation of avalanche for Da-Cha-shi hydroelectric power plant	· July 2004-June 2006
	Construction for Taiwan Power's Taima substation construction	· April 2005-May 2007
	Construction for Taiwan Power's Puri substation construction	· July 2005-October 2007
	Construction for Taiwan Power's Gonshue substation construction	· June 2006-November 2007
	Consultation for Taiwan Power's Shino coal thermal power plant construction	· January 2007-2013

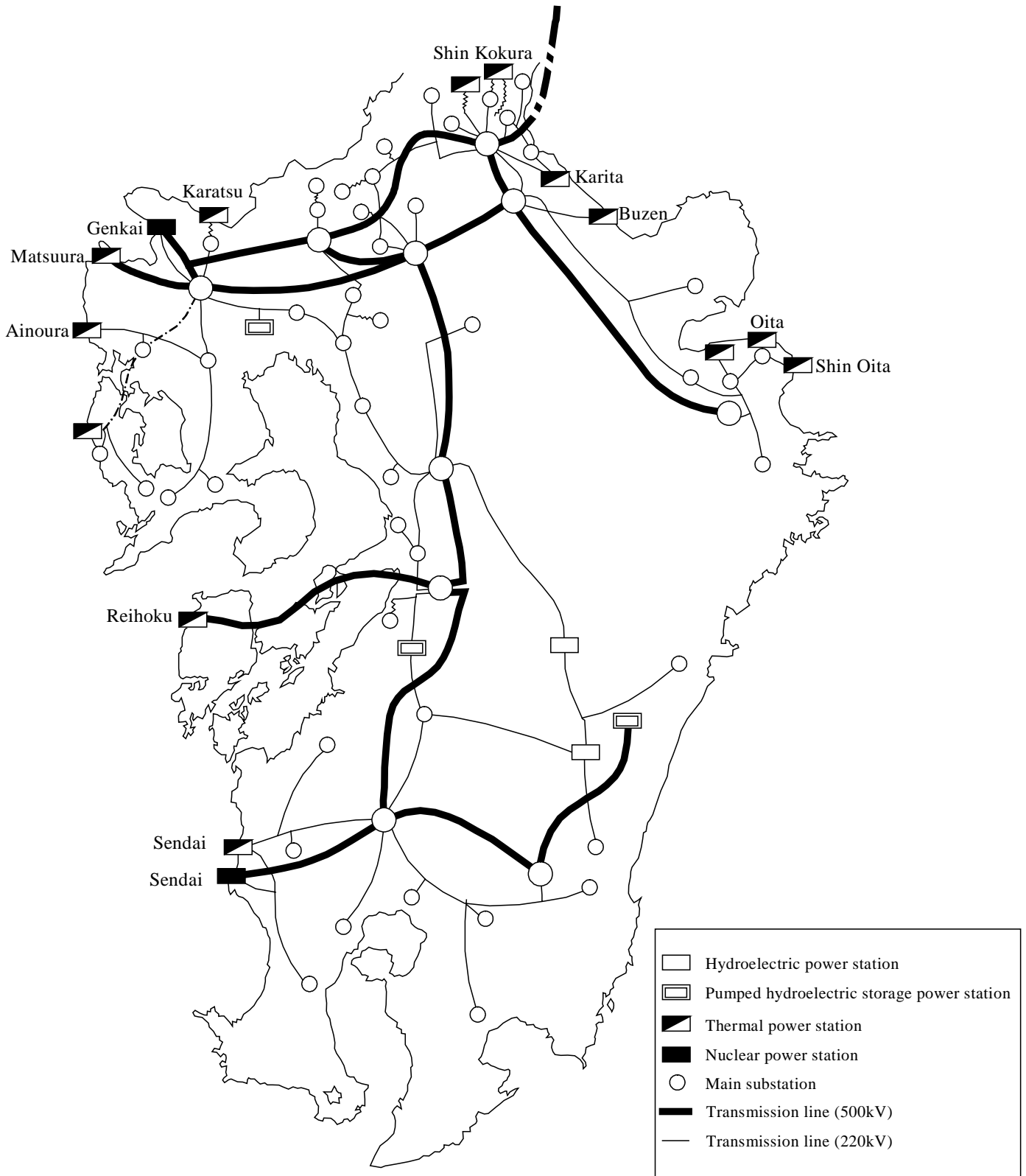
\* JETRO: Japan External Trade Organization

## 4. Capital Investment Breakdown

( Unit: billions of yen )

		FY2006 (Estimate)	FY2007 (Plan)	FY2008 (Plan)
Power Source	Hydro	26.0	22.9	22.4
	Thermal	8.1	8.1	14.0
	Nuclear	21.7	36.1	43.3
	Subtotal	55.8	67.1	79.7
Distribution	Transmission	26.3	38.3	42.6
	Transformation	12.0	16.3	18.6
	Distribution	30.2	28.8	27.1
	Subtotal	68.5	83.4	88.3
Other	General	12.9	10.2	10.2
	Nuclear fuel	36.4	35.9	38.1
	Incidental	11.1	5.8	4.0
	Subtotal	60.4	51.9	52.3
Total		184.7	202.4	220.3

## 5. Overview of Power System ( As of March, 2011 )





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