

# Financial Results for 4/2008–9/2008 and Financial Forecasts for 4/2008–3/2009

November 12, 2008



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.

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## FY2008 Financial Forecasts

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# ■ FY2008 2<sup>nd</sup> Quarter Financial Results

(Note) Figures for FY2008 2<sup>nd</sup> quarter financial result is accumulated total from Apr. 1, 2008 to Sep. 30, 2008.

# FY2008 2<sup>nd</sup> Quarter Financial Results Summary

**【Summary】** Sales increase but income decline for the 2nd consecutive year:

- Increase in electricity sold due to sales volume growth and fuel cost adjustment system.
- More fuel costs and purchased power expenses by soaring fuel prices, etc.

## Consolidated

(Unit:Billions of Yen)

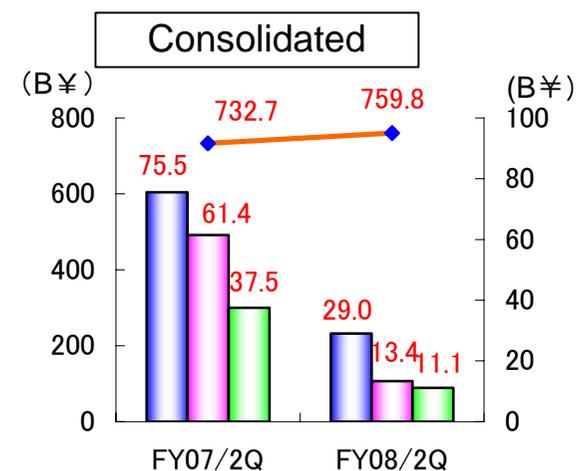
	FY08 / 2Q (A)	FY07 / 2Q (B)	Difference (A)-(B)	% Change (A)/(B)
Sales	759.8	732.7	27.0	103.7
Operating Income	29.0	75.5	-46.4	38.5
Ordinary Income	13.4	61.4	-47.9	21.9
Net Income	11.1	37.5	-26.3	29.8

(Note) Scope of Consolidation and Companies Accounted for by Equity Method  
 Consolidated Subsidiaries: 33(-1 compared to FY2007)  
 Companies Accounted for by Equity Method: 32(+2 compared to FY2007)

## Non-Consolidated

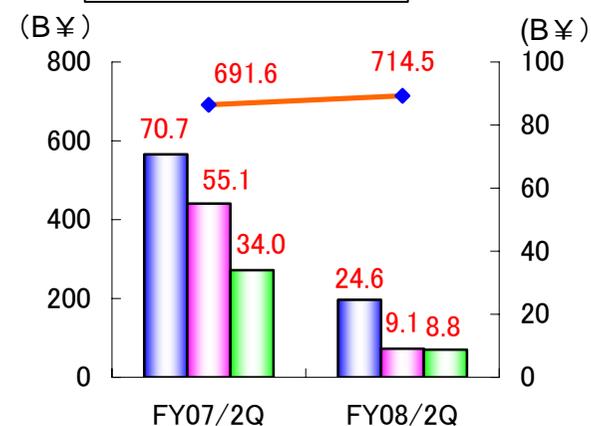
(Unit:Billions of Yen)

	FY08 / 2Q (A)	FY07 / 2Q (B)	Difference (A)-(B)	% Change (A)/(B)
Sales	714.5	691.6	22.8	103.3
Operating Income	24.6	70.7	-46.1	34.8
Ordinary Income	9.1	55.1	-46.0	16.6
Net Income	8.8	34.0	-25.1	26.0



Operating Income(Right Axis) Ordinary Income(Right Axis)  
 Net Income(Right Axis) Sales(Left Axis)

## Non-Consolidated



# FY2008 2<sup>nd</sup> Quarter Electricity Sales Volume

- General demand decreased by 0.7% to 0.2TWh, the reason for this is a decrease in air-conditioning demand from August to September due to mild climate, although power demand for commercial operations increased by new openings of commercial facilities.
- Demand from large-scale industrial customers grew by 3.2% to 0.4TWh. Reasons for this include steady production activities in transportation machinery, chemicals, and non-ferrous metals industries.

## Details

		FY08 / 2Q	Comparison with FY07 / 2Q		
			Difference	% Change	
Demand other than under Liberalization	Lighting	14.0	-	99.7	
	Power	Low Voltage	2.6	-0.2	95.4
		Others	0.4	-0.1	90.1
	Subtotal		17.0	-0.3	98.8
Demand under Liberalization	Commercial	10.7	0.1	100.4	
	Industrial	16.6	0.4	102.3	
	Subtotal	27.3	0.5	101.5	
Total		44.3	0.2	100.5	

Breakdown	General	31.2	-0.2	99.3
	Large-scale industrial customers	13.1	0.4	103.2

## Large-Scale Industrial Demand by Sector

		FY08 / 2Q	Comparison with FY07 / 2Q	
			Difference	% Change
Machinery	Electronics	3.0	-	100.3
	Transportation	0.8	0.1	114.1
	Subtotal	4.1	0.1	102.3
Steel and Iron		1.5	-	96.3
Chemicals		1.4	0.2	115.9
Clay and Stone		0.6	-	92.7
Non-ferrous Metals		0.9	0.1	114.0
Others		4.6	-	102.4
Total		13.1	0.4	103.2

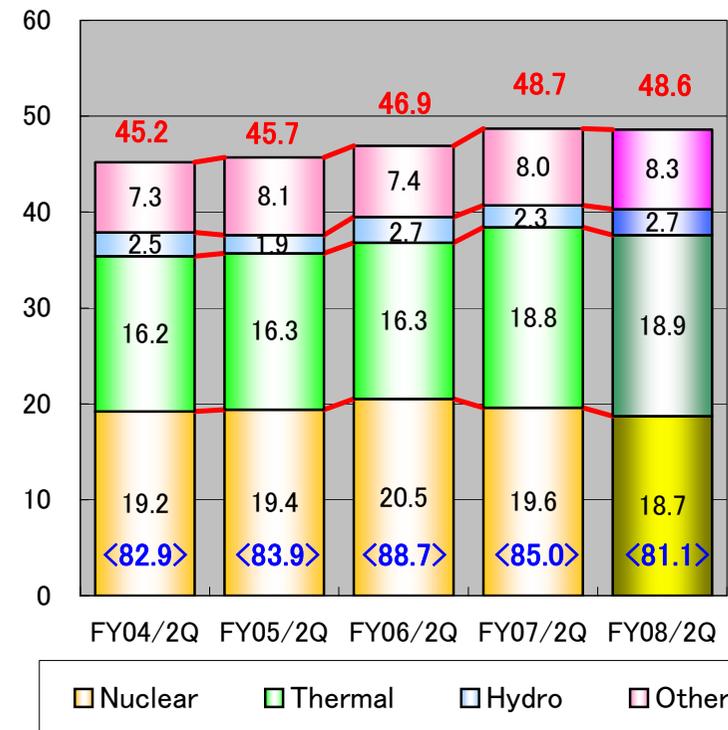
# ■ FY2008 2<sup>nd</sup> Quarter Generated and Received Electricity ■

## Details

(Unit:TWh)

		FY08 / 2Q	Comparison with FY07 / 2Q	
			Difference	% Change
Generated	Hydro	2.7	0.4	116.2
	(Water Flow Rate)	(92.0)	(8.0)	
	Thermal	18.9	0.1	100.6
	Nuclear	18.7	-0.9	95.4
	(Utilization Rate)	(81.1)	(-3.9)	
	Subtotal	40.3	-0.4	99.0
Received from Other Companies		8.9	0.2	102.0
Interchange		-	0.3	1.1
Pumped Storage Use		-0.6	-0.2	147.2
<b>Total</b>		<b>48.6</b>	<b>-0.1</b>	<b>99.7</b>

Trends in Generated and Received Electricity  
(TWh)



(Note) Figures in brackets denote nuclear power utilization rate.

# FY2008 2<sup>nd</sup> Quarter Income Statements Summary (Non-Consolidated)

(Unit:Billions of Yen)

		FY08 / 2Q (A)	FY07 / 2Q (B)	Difference (A)-(B)	% Change (A)/(B)	Explanations
Ordinary Revenues	Lighting	281.4	276.0	5.4	102.0	
	Power	407.6	390.0	17.6	104.5	Fuel Cost Adjustment 22.0
	Sales to Other Companies	3.9	7.4	-3.4	53.2	Sales to Other Electric Power Companies -4.7, Sales to Other Companies 1.2
	Others	25.0	23.6	1.4	105.9	Incidental Businesses 3.6, Gain on Sales of Available-for-Sale Securities -1.8
	(Sales)	(714.5)	(691.6)	(22.8)	(103.3)	
Subtotal		718.1	697.1	21.0	103.0	
Ordinary Expenses	Personnel	69.2	70.2	-0.9	98.6	
	Fuel	179.8	141.1	38.7	127.4	Fuel Prices 39.7 (CIF Price 53.0, Exchange Rate -9.1)
	Maintenance	88.6	89.3	-0.7	99.2	
	Depreciation	97.7	100.4	-2.7	97.3	Thermal -1.7
	Purchased Power	81.5	61.7	19.8	132.1	Purchase from Other Companies 19.7
	Interest Charges	16.4	16.6	-0.1	99.1	
	Miscellaneous Taxes	49.7	46.3	3.3	107.3	Property Tax 3.0
	Nuclear Back-end Costs	26.6	24.3	2.3	109.6	Reprocessing Costs of Irradiated Nuclear Fuel 2.1
	Others	98.9	91.6	7.3	108.0	Disposition of Property 3.3 Incidental Businesses 2.9
Subtotal		708.9	641.9	67.0	110.4	
(Operating Income)		(24.6)	(70.7)	(-46.1)	(34.8)	
Ordinary Income		9.1	55.1	-46.0	16.6	
Extraordinary Income		5.4	-	5.4	-	Gain on Sales of Available-for-Sale Securities 5.4
Net Income		8.8	34.0	-25.1	26.0	

(Note) Nuclear Back-end Costs consist of the followings: Reprocessing Costs of Irradiated Nuclear Fuel, Reprocessing Preparations Costs of Irradiated Nuclear Fuel, Decommissioning Costs of Nuclear Power Units, and Disposal Cost of High-Level Radioactive Waste

(References)

	FY08/2Q (A)	FY07/2Q (B)	Difference (A)-(B)
Exchange Rate	¥ 106.1/\$	¥ 119.4/\$	- ¥ 13.3/\$
Crude Oil (All Japan CIF Price)	119.7\$/b	67.9\$/b	51.8\$/b
Coal CIF Price(All Japan CIF Price)	128.1\$/t	69.7\$/t	58.4\$/t
Water Flow Rate	92.0%	84.0%	8.0%
Nuclear Power Generation Capacity Utilization Rate	81.1%	85.0%	-3.9%

# ■ FY2008 2<sup>nd</sup> Quarter Balance Sheets Summary (Non-Consolidated) ■

## 【Assets】

(Unit:Billions of Yen)

	Sep. 30, 2008 (A)	Mar. 31, 2008 (B)	Difference (A)-(B)	Explanations
Utility Property, Plant and Equipment	2,580.2	2,616.6	-36.4	Depreciation -97.3 Construction Completed 66.3
Investments and Other Assets	451.5	440.5	11.0	Investments in Subsidiaries and Affiliated Companies 15.3 Deffered Tax Assets -4.7
Other	766.3	727.5	38.8	Accounts Receivable 13.5 Construction in Progress 10.1 Stores(Stored Fuels, etc.) 9.9
<b>Total</b>	<b>3,798.1</b>	<b>3,784.7</b>	<b>13.4</b>	

## 【Liabilities and Equity】

(Unit:Billions of Yen)

	Sep. 30, 2008 (A)	Mar. 31, 2008 (B)	Difference (A)-(B)	Explanations
Interest-bearing Debt	1,994.4	1,915.9	78.4	[D/E Ratio] Mar. 08 1.92→Sep. 08 2.01
Other Liabilities	809.9	869.0	-59.0	Short-term Liabilities to Subsidiaries and Affiliated Companies -23.1 Accrued Expenses -21.2 Liabilities for Employees' Retirement Benefits -12.2
Equity	993.7	999.6	-5.9	Dividends Paid -14.2 Net Income 8.8 [Equity Ratio] Mar. 08 26.4%→Sep. 08 26.2%
<b>Total</b>	<b>3,798.1</b>	<b>3,784.7</b>	<b>13.4</b>	

# FY2008 2<sup>nd</sup> Quarter Income Statements Summary (Consolidated)

(Unit:Billions of Yen)

		FY08 / 2Q (A)	FY07 / 2Q (B)	Difference (A)-(B)	% Change (A)/(B)	FY08 / 2Q Consolidated Ratio
Ordinary Revenues	Electric	699.1	679.8	19.2	102.8	
	Other	60.6	52.8	7.8	114.8	
	Operating Revenues(Sales)	759.8	732.7	27.0	103.7	
	Other Revenues	4.6	7.0	-2.4	66.0	
	Subtotal	764.4	739.8	24.6	103.3	
Ordinary Expenses	Electric	672.3	605.5	66.7	111.0	(1.18)
	Other	58.4	51.7	6.7	113.0	
	Operating Expenses	730.7	657.2	73.4	111.2	
	Other Expenses	20.2	21.1	-0.8	95.9	
	Subtotal	751.0	678.3	72.6	110.7	
(Operating Income)		(29.0)	(75.5)	(-46.4)	(38.5)	(1.18)
Ordinary Income		13.4	61.4	-47.9	21.9	(1.47)
Extraordinary Income		5.4	-	5.4	-	
Net Income		11.1	37.5	-26.3	29.8	(1.26)

## ■ FY2008 2<sup>nd</sup> Quarter Segment Information ■

### Reasons for Changes in Operating Income

- Energy-related Business  
Increased Gas Sales
  
- IT and Telecommunications  
Sales Increase due to Expansion of Broadband Services Subscribed
  
- Other  
Depreciation Expense of New Commercial Building for Rent

(Unit:Billions of Yen)

	Electric Power	Energy-related Business	IT and Telecommunications	Other	Subtotal	Eliminations/ Corporate	Consolidated
Total Sales	700.2 (19.2)	70.9 (8.3)	42.9 (3.4)	11.7 (—)	825.8 (30.9)	-66.0 (-3.9)	759.8 (27.0)
Sales to Customers	699.1 (19.2)	29.9 (6.1)	26.6 (1.6)	4.1 (—)	759.8 (27.0)	— (—)	759.8 (27.0)
Operating Income	24.4 (-46.8)	3.4 (0.3)	-0.3 (0.9)	1.0 (-0.5)	28.5 (-46.1)	0.5 (-0.3)	29.0 (-46.4)
Ordinary Income	10.0 (-46.9)	3.9 (-0.4)	-1.2 (0.8)	0.2 (-1.0)	13.0 (-47.6)	0.4 (-0.3)	13.4 (-47.9)

(Note) Figures in brackets denote differences from 2nd quarter of FY2007

## FY2008 2<sup>nd</sup> Quarter Cash Flows Summary (Consolidated)

(Unit: Billions of Yen)

	FY08 / 2Q (A)	FY07 / 2Q (B)	Difference (A)-(B)	Explanations
Cash Flows from Operating Activities	80.5	138.7	-58.2	Decrease in Income before Income Taxes and Minority Interests -42.6 Net Decrease in Accounts Payable -26.8 Net Decrease in Accounts Receivable 12.3
Cash Flows from Investing Activities	-140.1	-113.1	-27.0	
(Capital Expenditures including Nuclear Fuel)	(-132.7)	(-121.5)	(-11.1)	
Cash Flows from Financing Activities	56.4	-4.9	61.3	Increase in Interest-bearing Debt 55.2 (FY08/2Q 70.7 ← FY07/2Q 15.5)
Total	-3.2	20.6	-23.8	
Free Cash Flows (※)	-52.1	17.1	-69.3	

(※) Free Cash Flows = Cash Flows from Operating Activities - Capital Expenditure including Nuclear Fuel

# FY2008 2<sup>nd</sup> Quarter Ordinary Revenues Explanations (Non-Consolidated)

(Unit: Billions of Yen)				
	FY08/2Q (A)	FY07/2Q (B)	Difference (A) - (B)	% Change (A)/(B)
Lighting&Power	689.1	666.0	23.0	103.5

## <Explanations>

Fuel Cost Adjustment, etc

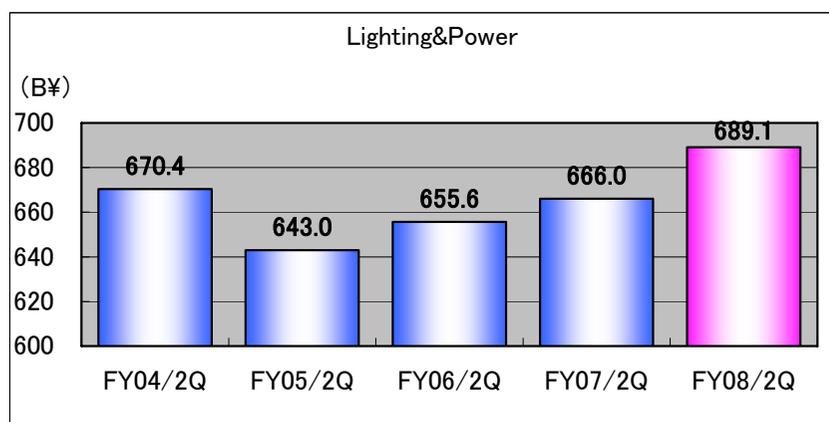
Difference

23.0

- Fuel Cost Adjustment (¥5.2B → ¥27.2B, +¥22.0 compared to 2Q of FY2007)
- Increase in Electricity Sales Volume  
(44.1 → 44.3TWh, +0.2TWh compared to 2Q of FY2007)

[Reference] Details of Electricity Sales Volume

(Unit:TWh)				
	FY08/2Q (A)	FY07/2Q (B)	Difference (A) - (B)	Explanations
General	31.2	31.4	-0.2	New Openings of Commercial Facilities, etc 0.1 Decrease in air-conditioning demand, etc -0.3
Large-scale industrial customers	13.1	12.7	0.4	Steady Expansion of Production Activities 0.4



(Unit: Billions of Yen)				
	FY08/2Q (A)	FY07/2Q (B)	Difference (A) - (B)	% Change (A)/(B)
Sales to Other Companies & Others	28.9	31.0	-2.0	93.3

## <Explanations>

① Sales to Other EPCOs

Difference

-4.7

FY07/2Q

4.9

FY08/2Q

0.2

- Decrease in Sales to Other EPCOs  
(0.34 → 0.02TWh, -0.32TWh compared to 2Q of FY2007)

② Gain on Securities Sales

-1.8

1.8

-

③ Incidental Businesses

3.6

10.6

14.2

◆ Gas Sales

2.6

4.8

7.5

- Increase of Sales Price from soaring LNG cost, etc

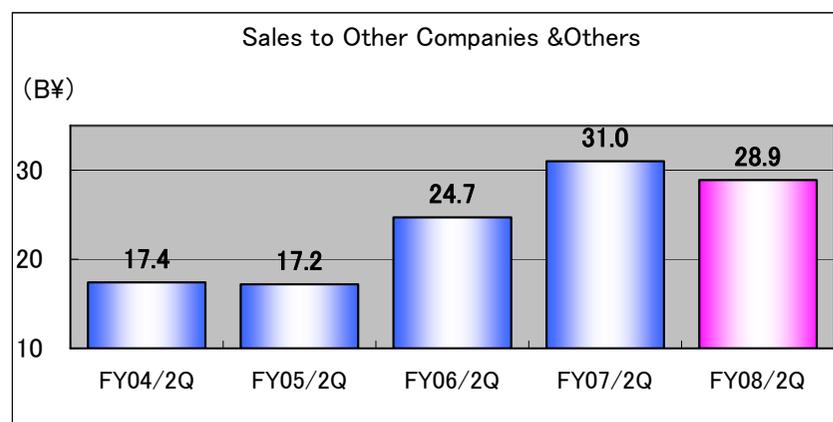
④ Sales to Other Companies

1.2

2.4

3.7

- Increase in Sales to Other Companies  
(0.16 → 0.36TWh, +0.2TWh compared to 2Q of FY2007)



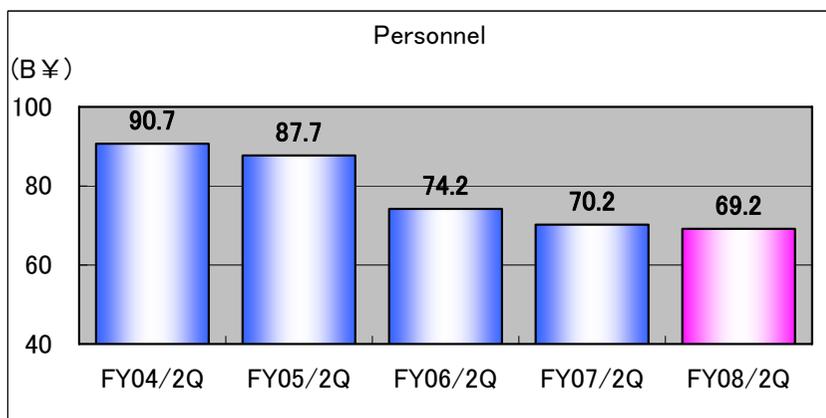
# FY2008 2<sup>nd</sup> Quarter Ordinary Expenses Explanations (Non-Consolidated) ①

(Unit:Billions of Yen)

	FY08/2Q (A)	FY07/2Q (B)	Difference (A) - (B)	% Change (A)/(B)
Personnel	69.2	70.2	-0.9	98.6

## <Explanations>

	Difference	FY07/2Q	FY08/2Q
Employees' Retirement Benefits	-1.6	( - ⇒ -1.5 )	
◆Amortization on Difference between Actual and Expected Returns on Plan Assets	-3.1	( -1.8 ⇒ -4.9 )	
•Amount Accrued in FY2002 -6.4 (Completed Amortization in FY2007)			
•Amount Accrued in FY2007 3.3			
◆Expected Return on Plan Assets	2.0	( -6.7 ⇒ -4.7 )	
•Change in Expected Return on Plan Assets (4%→3%)			

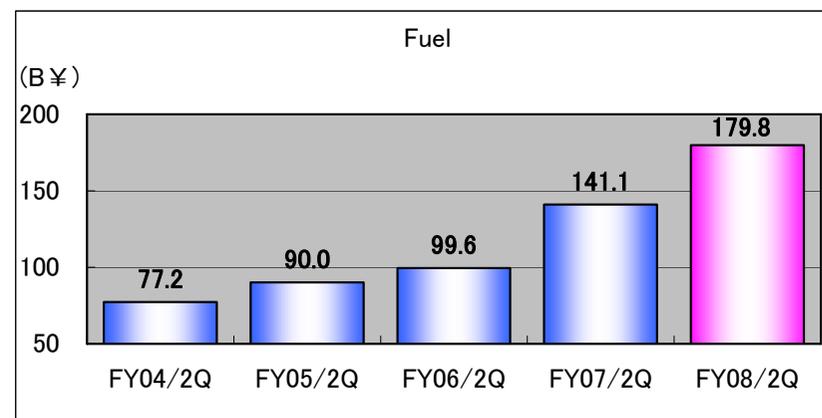


(Unit:Billions of Yen)

	FY08/2Q (A)	FY07/2Q (B)	Difference (A) - (B)	% Change (A)/(B)
Fuel	179.8	141.1	38.7	127.4

## <Explanations>

	Difference
Surge in Fuel Prices	39.7
◆Increase in CIF Price	53.0
(Reference) All Japan CIF Price	
•Coal (69.7 → 128.1\$/t, +58.4\$/t compared to 2Q of FY2007)	
•LNG (384.0 → 651.9\$/t, +267.9\$/t compared to 2Q of FY2007)	
•Crude Oil (67.9 → 119.7\$/b, +51.8\$/b compared to 2Q of FY2007)	
◆Effect of Yen Appreciation	-9.1
(Reference) Interbank Exchange Rate	
•Yen's Exchange Rate against USD	
(119.4 → 106.1, +13.3 Appreciation over US\$ compared to 2Q of FY2007)	



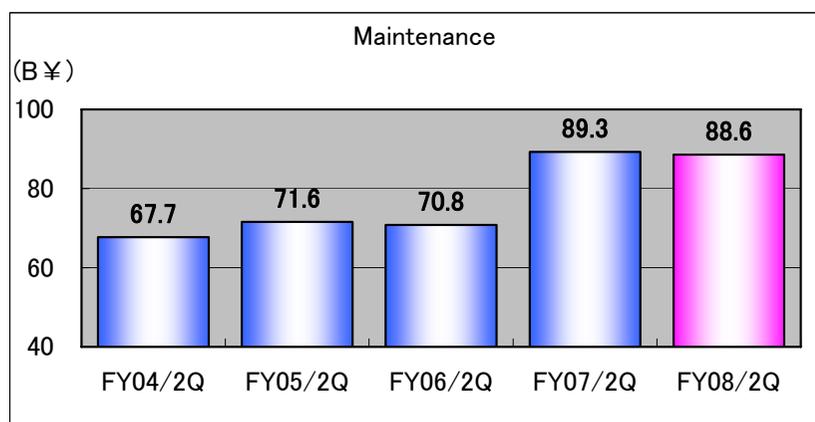
# FY2008 2<sup>nd</sup> Quarter Ordinary Expenses Explanations (Non-Consolidated) ②

(Unit: Billions of Yen)

	FY08/2Q (A)	FY07/2Q (B)	Difference (A) - (B)	% Change (A)/(B)
Maintenance	88.6	89.3	-0.7	99.2

## <Explanations>

	Difference	FY07/2Q	FY08/2Q
① Thermal	-3.7	( 22.2 ⇒ 18.5 )	
• Decrease in Periodic Maintenance Work for Coal Power Station			
② Distribution	-1.1	( 27.1 ⇒ 25.9 )	
• Decrease in Restoration Work from Natural Disaster, etc.			
③ Transformation	-0.2	( 2.4 ⇒ 2.2 )	
④ Nuclear	4.8	( 27.8 ⇒ 32.7 )	
• Increase in Maintenance Work Days, etc.			
<div style="border-left: 1px solid black; border-right: 1px solid black; padding: 0 10px;">                     Days of Shutdowns: 181 → 227,                      +46 days compared to 2Q of FY2007                 </div>			

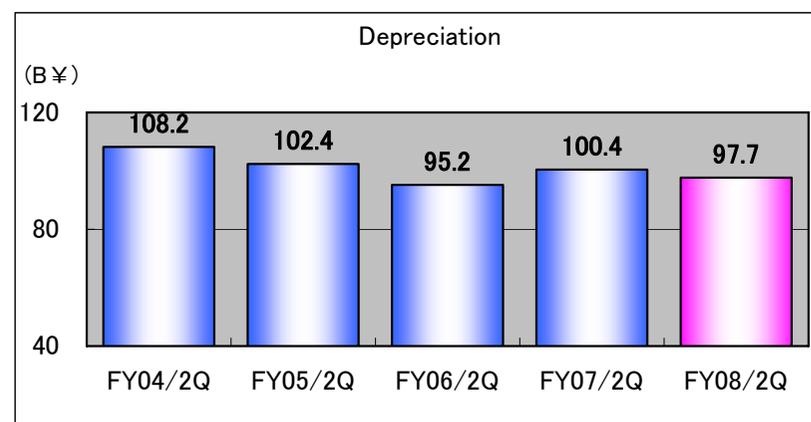


(Unit: Billions of Yen)

	FY08/2Q (A)	FY07/2Q (B)	Difference (A) - (B)	% Change (A)/(B)
Depreciation	97.7	100.4	-2.7	97.3

## <Explanations>

	Difference	FY07/2Q	FY08/2Q
① Thermal	-1.7	( 19.0 ⇒ 17.3 )	
② Transformation	-0.4	( 11.7 ⇒ 11.2 )	
③ Transmission	-0.4	( 21.5 ⇒ 21.1 )	



# FY2008 2<sup>nd</sup> Quarter Ordinary Expenses Explanations (Non-Consolidated) ③

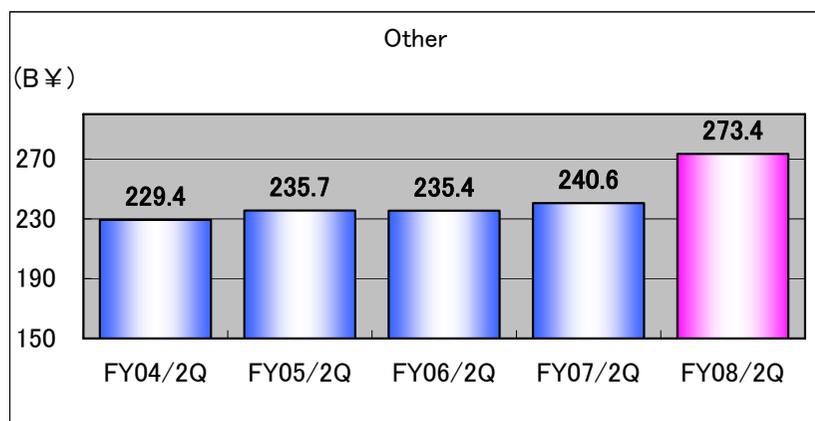
(Unit: Billions of Yen)

	FY08/2Q (A)	FY07/2Q (B)	Difference (A) - (B)	% Change (A)/(B)
Other Expenses	273.4	240.6	32.7	113.6

## <Explanations>

	Difference	FY07/2Q	FY08/2Q
① Purchased Power	19.7	( 61.6 ⇒ 81.4 )	
<ul style="list-style-type: none"> <li>• Rise of Purchase Cost due to Increased Fuel Cost , etc.</li> <li>• Increase in Purchased Power (8.88 → 9.24TWh, +0.36 compared to 2Q of FY2007)</li> </ul>			
② Disposition of Property	3.3	( 6.1 ⇒ 9.4 )	
<ul style="list-style-type: none"> <li>• Replacement Work for No. 2 Unit of Genkai Nuclear Power Station</li> </ul>			
③ Property Tax	3.0	( 17.8 ⇒ 20.8 )	
④ Incidental Businesses	2.9	( 11.1 ⇒ 14.0 )	
◆ Gas Sales	2.2	( 4.6 ⇒ 6.8 )	

• Rise of Purchase Cost due to Increased LNG Price, etc.



【MEMO】

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## ■ FY2008 Financial Forecasts

# FY2008 Financial Forecasts Summary (Comparison with FY2007)

【Summary】 Sales increase but income decline for the 3rd consecutive year:

- Increase in electricity sold
- More fuel costs and purchased power by soaring fuel prices

## Consolidated

(Unit:Billions of Yen)

	FY2008 Forecast (A)	FY2007 Actual (B)	Difference (A)-(B)	% Change (A)/(B)
Sales	1,537.0	1,482.3	54.7	103.7
Operating Income	26.5	105.5	-79.0	25.1
Ordinary Income	-5.0	72.3	-77.3	-
Net Income	-3.0	41.7	-44.7	-

## Non-Consolidated

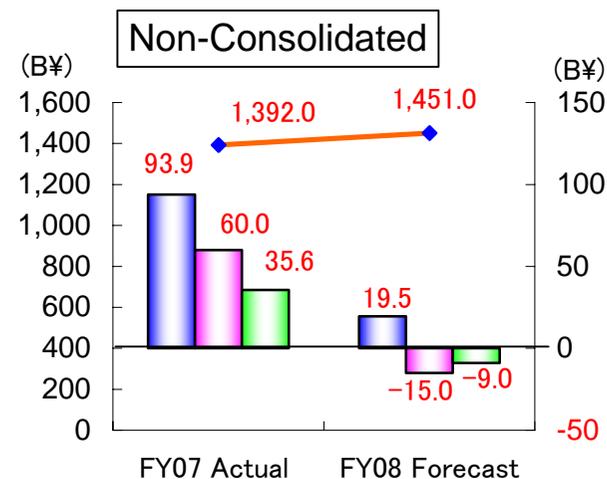
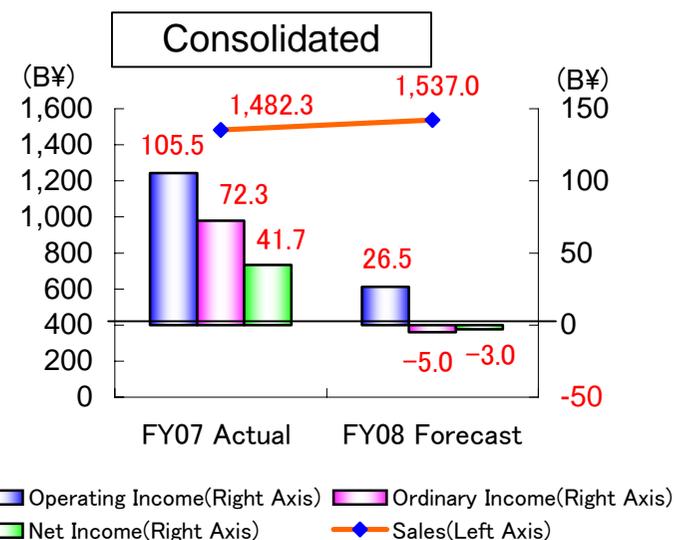
(Unit:Billions of Yen)

	FY2008 Forecast (A)	FY2007 Actual (B)	Difference (A)-(B)	% Change (A)/(B)
Sales	1,451.0	1,392.0	59.0	104.2
Operating Income	19.5	93.9	-74.4	20.8
Ordinary Income	-15.0	60.0	-75.0	-
Net Income	-9.0	35.6	-44.6	-

## Dividend

Annual dividend is planned to be 60 yen per share  
Interim dividend is 30 yen per share

※Same as FY2007



# FY2008 Financial Forecasts

## Reference Information and Sensitivity Factors (Non-Consolidated)

### Reference Information (Non-Consolidated)

	FY2008 Forecast (A)	FY2007 Actual (B)	Difference (A-B)	FY08 3Q-4Q
Electricity Sales Volume	88.1 TWh	88.1 TWh	- TWh	43.8 TWh
Exchange Rate	106 ¥/\$	114.4 ¥/\$	-8.4 ¥/\$	105 ¥/\$
Crude Oil CIF Price	110 \$/b	78.7 \$/b	31.3 \$/b	100 \$/b
Water Flow Rate	95.0 %	81.1 %	13.9 %	100 %
Nuclear Power Generation Capacity Utilization Rate	83.9 %	85.8 %	-1.9 %	86.8 %

### Sensitivity Factors (Non-Consolidated)

(Unit: Billions of Yen)

	FY2008 Forecast		FY2007 (Reference)
	3Q-4Q	Annual	
Exchange Rate (1¥/\$)	1.6	3.5	2.3
Crude Oil CIF Price (1\$/b)	1.1	2.4	2.8
Water Flow Rate (1%)	0.2	0.5	0.3
Nuclear Power Generation Capacity Utilization Rate (1%)	2.0	4.0	3.0
Interest Rate (1%)	1.8	3.1	3.0

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