

Business Overview

May 1, 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.

Current business condition and future forecasts

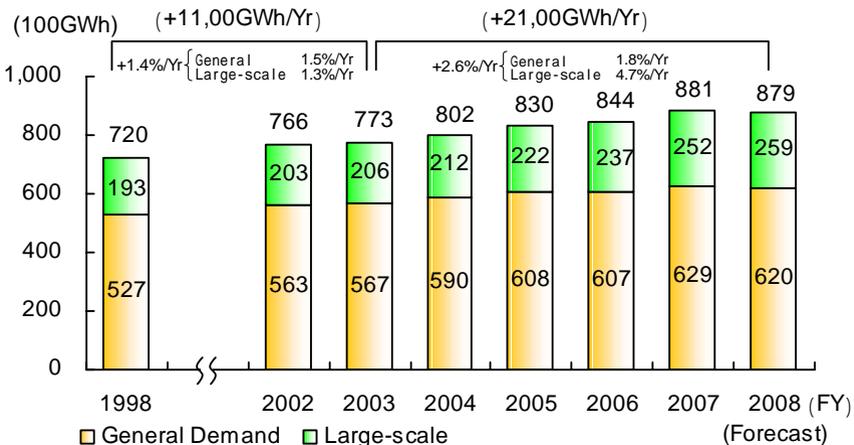
- 1 Electricity demand in Kyushu
- 2 Capital expenditure
- 3 Forecasts of management objectives
- 4 Group management & IT/telecommunication business
- 5 Corporate Social Responsibility (CSR)

Measures to improve our corporate value

**Current business condition
and future forecasts**

1 Electricity demand in Kyushu

【Electricity Sales】



【Electricity Sales】

| | FY2006 | FY2007 | FY2008 (Forecast) | FY2009 (Forecast) | FY2010 (Forecast) |
|----------------------------|--------------------------|--------------------------|----------------------|----------------------|----------------------|
| Electricity Sales (100GWh) | (842) [4.0] 844 [1.7] | [862] [2.4] 881 [4.4] | [1.9] 879 | 887 | 892 |
| Peak load (10MW) | (1,643) 1,681 | (1,689) 1,693 | 1,715 | 1,728 | 1,737 |

Δ: Difference from plan in FY2007

* (): After temperature correction, []: After temperature and reap year correction, []: Increase rate from the previous year (%)

** □: Difference from plan in FY2007

*** Peak load is max. 3-day average on the transmission end

【Final energy consumption in Kyushu】

• Kyushu Electric Power's share in final energy consumption in Kyushu : **18.7%**

• Final energy consumption is projected to **shift from fossil fuel to electricity** in the future as the fuel prices elevate due to the tight energy demand/supply in global market and the awareness of global environmental issues rises.

• Major challenges are securing long-term stable supply of fossil fuel which accounts for **90%** of energy sources in Kyushu and reducing CO₂ emission.

【Final Energy Consumption】

| | FY1994 | FY2004 | Yearly increase (Average) |
|---|--------|--------|---------------------------|
| Final consumption (PJ) | 1,459 | 1,547 | 0.6% |
| Real GDP (Billion yen) | 43,735 | 46,486 | 0.6% |
| Electricity sales of Kyushu Electric Power (100GWh) | 643 | 802 | 2.2% |

Δ: Difference from plan in FY2007

* Final energy consumption excludes those to be spent as raw materials

** Real GDP represents corrected value based on standard in 2000

*** □ shows the share of Kyushu electric in final consumption

【Energy composition in Kyushu [FY2004]】

| | | | | | | | | | |
|---------------|--------------------|------------------|--------------------|-------------------------|----------------|------------------|--------------|-------------------------------------|--------------------------------|
| Coal 14.7% | Oil 46.7% | | | | LP Gas 5.7% | City Gas 5.6% | Heat 3.2% | Inhouse Cooperative thermal 5.4% | Kyushu Electric Power 18.7% |
| | House hold 2.3% | Business 6.5% | Industrial 7.5% | Transportation 30.4% | | | | | |

(Reference) Capital investment in the major industries in Kyushu

*Factory location trend in Kyushu in FY2007

- Number of factory settled in FY2007 : 213 (first time in 9 years to exceed 200)
- Location of automobile-related factories shows preferable growth while semiconductor and LC related stays grow strongly.

[Automobile-related]

| Company · Plant (Location) | Investment (Billion yen) | Investment period | Overview |
|--|--------------------------|-------------------|--|
| Sumitomo Metals Kokura (Fukuoka) | 20 | FY2006-FY2008 | Renew steel process facilities in three years. Improve production efficiency of special steel for automobile. |
| DENSO Manufacturing Kitakyushu (Fukuoka) | 20 | 2008 May | Expand factory in Yahata-nishi, Fukuoka to increase production of car air-conditioning systems and diesel fuel injection device parts and start producing fuel pump module. |
| Toyota Motor Kyushu (Fukuoka) | 25 | 2008 Spring | Add 2nd engine production line to Kanda factory to double annual production capacity to 440 thousand units. |
| | 16 | 2008 Summer | Build Kokura factory to produce hybrid backbone parts (transaxle). |
| Daihatsu Motor Kyushu (Fukuoka) | 10 | 2008 August | To adjust to the reinforced production capacity after the commencement of the second factory in Nakatsu, Oita in December 2007, newly build an engine factory with a production capacity of 200 thousand units/year. |
| Aishin Kyushu (Kumamoto) | 10 | 2008 September | Establish a new company to manufacture engine parts. Transfer and aggregate production for customers in Kyushu by Aishin Keikinzoku (Toyota) and Aishin Seiki Nishio Factory (Aichi) |
| KOITO KYUSHU (Saga) | 10 | 2008 September | Build 2nd factory to expand automobile production in Kyushu and reinforce customer relations. |
| AKASHI-KIKAI Industry (Fukuoka) | 10 | 2009 Summer | Build a new factory to adjust to the new engine factory of Daihatsu Kyushu in Kurume, Fukuoka. Expected to produce parts for 400-450 thousand units of automobiles annually. |
| Nissan Shatai (Fukuoka) | 30 | 2009 | Build vehicle assembly factory at Nissan Kyushu factory with annual production capacity of 120 thousand units. |
| Honda Motor (Kumamoto) | 17 | 2009 | Transfer and aggregate motorcycle production from Hamamatsu to Kumamoto from 2008 to establish its solo domestic motorcycle factory. |

| Company · Plant (Location) | Investment (Billion yen) | Investment period | Overview |
|--------------------------------------|--------------------------|-------------------|--|
| Fuji Electric Systems (Kumamoto) | 37 | 2007 ~ 2012 | Add 2 production lines of film amorphous solar battery to current factory and build 2 new factories. |
| Kyocera (Kagoshima) | 20 | 2008 April | Reinforce the production of laminated ceramic capacitor to respond to growing demand for digital appliances. |
| FUJIFILM (Kumamoto) | 110 | 2008 August | Manufacture polarizing plate protection film for liquid crystal panels. 1st unit started operation in 2006 Oct., 2nd in 2007 August, and the 3rd is planned to start in 2008 August. |
| Sony Semiconductor Kyushu (Kumamoto) | 60 | 2009 March | Add clean room and manufacturing facilities to expand production of imaging detectors. |
| SUMCO (Saga) | 14.5 | 2009 May | Build a new factory to produce polycrystalline silicon wafer for photovoltaic generation. |
| | 245 | 2010 March | Build a new factory (the 5th) to reinforce manufacturing capacity of 300mm silicon wafer. Originally planned to establish capacity of monthly production of 760 thousand units by July 2008 with 110 billion yen investment. Revised to establish capacity of monthly production of 1.2 million units by March 2010. |
| SUMCO TECHXIV (Nagasaki) | 69 | 2009 June | Add production reinforcement plan (130 thousand units/month) by spring 2008 to reach the monthly production scale of 300 thousand units by 2009 June. |
| Showa Shell Solar (Miyazaki) | 15 | 2009 First half | Build a 2nd factory to manufacture solar battery for residential housings following the 1st factory in Miyazaki. Projected to be the world largest scale factory to produce next-generation type thin film solar battery. |
| Oita Canon Materials (Oita) | 80 | 2009 September | Build a new factory to reinforce production of toner cartridge and its major parts. |

* Listed are scheduled operation in or after 2008 with over 10 billion yen investment

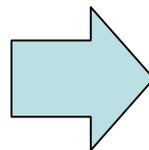
Source: Company websites, press

2 Capital expenditure

Capital expenditure for FY2008

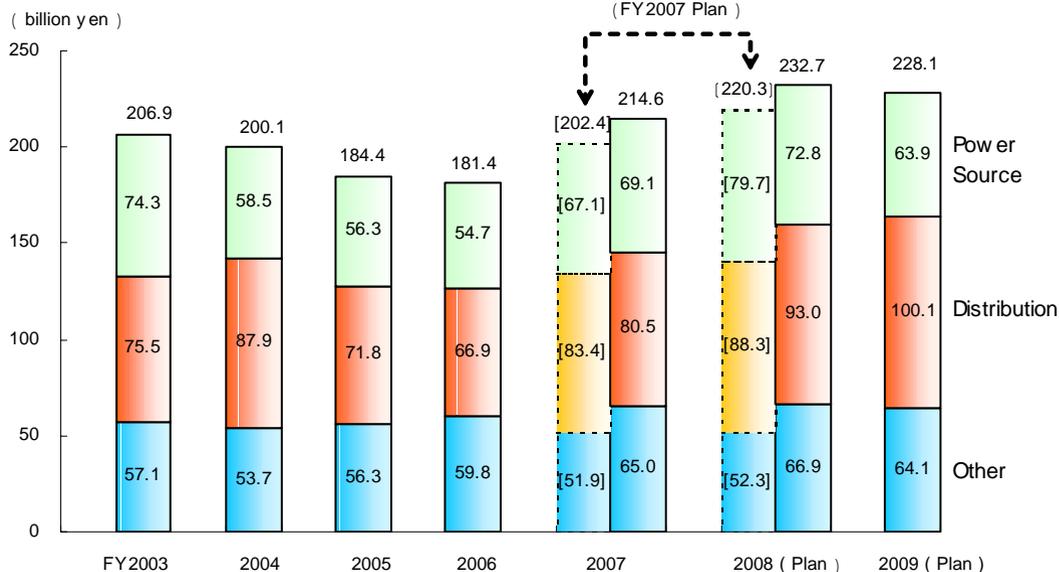
FY2007 Plan

220.3 billion yen



FY2008 Plan

232.7 billion yen



【 Changes from plan in FY2007】

(Billion yen)

| Cause of increase | Increase from FY2007 Plan |
|--|---------------------------|
| Demand growth | 7.5 |
| Aging facilities | 1 |
| Seismic safety improvement at nuclear power plants | 4 |

【 Changes from the previous year】

(Billion yen)

| Cause of increase | FY2008-FY2007 |
|---|---------------|
| Demand growth | 5 |
| Aging facilities | 7 |
| Seismic safety improvement at nuclear power plants, environmental | 6 |

3 Forecasts of management objectives

[Consolidated]

| | 2005 | 2006 | 2007 | 2008 (Forecast) | 2005-2009 Average | Target 2005-2009 ave. |
|--------------------------------------|-------|-------|------|--------------------|----------------------|--------------------------|
| Ordinary Income (billion yen) | 125.2 | 118.5 | 72.3 | 51.0 | 91.8 | 110 |
| FCF (billion yen) | 70.8 | 101.6 | 25.2 | -30.0 | 41.9 | 120 |
| ROA (%) | 2.7 | 2.4 | 1.7 | 1.3 | 2.0 | 3 |
| Shareholders' Equity Ratio (%) | 25.7 | 26.8 | 26.3 | 26.0 | end of 2008 26.0 | end of 2009 30 |

[Non-consolidated]

| | 2005 | 2006 | 2007 | 2008 (Forecast) | 2005-2009 Average | Target 2005-2009 ave. |
|--------------------------------------|-------|-------|------|--------------------|----------------------|--------------------------|
| Ordinary Income (billion yen) | 114.1 | 105.7 | 60.0 | 40.0 | 80.0 | 100 |
| FCF (billion yen) | 60.5 | 87.3 | 25.3 | -24.0 | 37.3 | 100 |
| ROA (%) | 2.7 | 2.4 | 1.6 | 1.3 | 2.0 | 3 |
| Shareholders' Equity Ratio (%) | 25.8 | 26.9 | 26.4 | 26.0 | end of 2008 26.0 | end of 2009 30 |

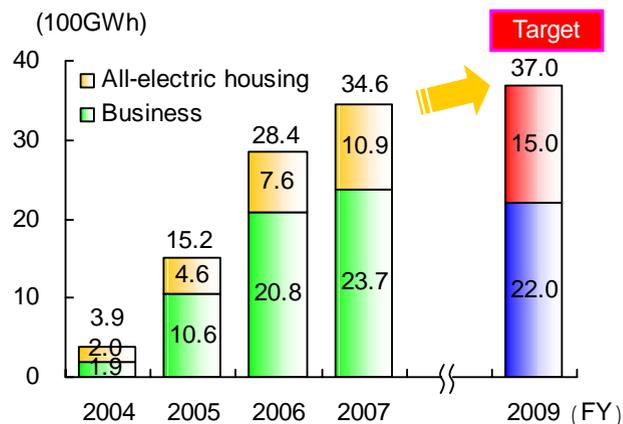
Financial objectives are projected to be unmet because of rapid changes of business conditions since we settled those objects such as the rising oil prices which caused our fuel costs also increased and the growing demand which causes capital investments increased.

Particularly, FCF is projected to be far below the target because of the continuing decrease in the income, the projected increase in the capital investment, and an increase in the cash out as the law regarding the reserve for nuclear back-end cost took effect in October 2005.

Therefore, a new management policy starting FY2009 will be established to properly respond to those changes in the management environments such as the rising fuel prices and the growing awareness on the global environmental issues while continuous efforts on the management side to improve profitability and financial stability will stay unchanged as our priority.

Newly Created Demand] (Electricity Business) (100GWh)

| | 2004-2006 (accumulated) | 2007 | Accumulated Total | Target 2004-2009 accumulated |
|--------------------------|-----------------------------|---------------|----------------------|------------------------------------|
| All-electric housings | 7.6 | 3.3 | 10.9 | 15.0 |
| Business customers | (18.5) 20.8 | (1.6) 2.9 | (20.0) 23.7 | 22.0 |
| Total | (18.5) 28.4 | (1.6) 6.2 | (20.0) 34.6 | 37.0 |



* () : Switches from in-house generation (included in total)

The target demand will be firmly achieved through steady growth in the demand for the all-electric housings, and increasing switches from in-house generation to electricity supplied by Kyushu Electric Power.

We plan to create demand through the promotion of high-efficiency heat pump air conditioning and Eco Cute from a viewpoint of the efficient use of electricity.

4 Group management & IT/telecommunication business

[Performance by business segment (Except electricity business)]

| | | (billion yen) | | | | | | | |
|---|-----------------|---------------|-------|-------|--------------------|----------------------|--------------------------|------------------------------|---|
| | | 2005 | 2006 | 2007 | 2008 (Forecast) | 2005-2009 Average | Target 2005-2009 Ave. | Main business | |
| Energy-related | Sales | 123.8 | 128.3 | 147.0 | 151.0 | 137.5 | - | Wholesale electricity supply | Overseas IPP business |
| | Ordinary Income | 5.0 | 8.2 | 8.6 | 8.0 | 7.5 | 4 | Gas · LNG Sales | Heat supply business |
| IT/telecommunication | Sales | 73.7 | 76.4 | 88.4 | 87.0 | 81.4 | - | Telecommunication | IT-related Fiber optics lease (incidental business) |
| | Ordinary Income | -2.3 | -2.7 | -3.3 | -2.0 | -2.6 | 4 | Broadband | |
| Environment/Recycling Lifestyle-oriented | Sales | 20.1 | 25.9 | 24.8 | 25.0 | 24.0 | - | Real estate | Elderly nursing home |
| | Ordinary Income | 2.5 | 3.4 | 3.0 | 2.0 | 2.7 | 2 | Housing related service | |
| Total | Sales | 217.6 | 230.6 | 260.2 | 263.0 | 2,429.0 | - | | |
| | Ordinary Income | 5.2 | 8.9 | 8.3 | 8.0 | 7.6 | 10 | | |

* Consolidated financial results

[Current condition of IT/telecommunication business]

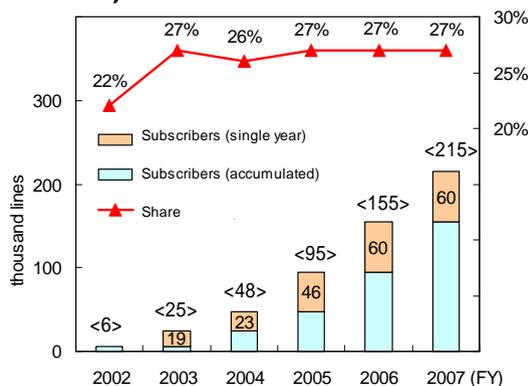
- We are achieving sustained growth in the number of subscribers for our broadband service (BBIQ) while the management objective (5-year average ordinary income of 4 billion yen) is projected to be unmet due to the impact of our less than expected performance in FY2005 as well as the increased cost to acquire new subscribers in fiercer competition and the additional recording of our operation support expense starting FY2006.
- We are reinforcing consulting activities to both public and private entities to introduce ICT and implement thorough cost reduction while working to increase BBIQ subscribers to improve profitability.

[Measures on BBIQ]

· # of BBIQ subscribers shows steady growth and reached approx. 220 thousand lines (Share within BBIQ area : 27%) at the end of FY2007.

· Acquire new subscribers by adding new service menu and marketing effectively to keep the net increase of the # of subscriber.

(Reference1) # of BBIQ subscribers and share



(Reference2) Broadband penetration rate

| | FY | 2005 | 2006 | 2007 end of Dec. |
|--------------------------------------|----|------|------|------------------------|
| Broadband penetration rate in Kyushu | | 34% | 39% | 41% |
| FTTH penetration rate | | 8% | 13% | 16% |
| Broadband penetration rate in Japan | | 46% | 52% | 55% |
| FTTH penetration rate | | 11% | 17% | 22% |

5 Corporate Social Responsibility (C S R)

Continuing to efficiently provide a stable supply of electricity to our customers and ensuring the highest level of safety, 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 promote environmental management and a various range of activities aiming at symbiosis with the local communities and society.

Promotion of Compliance Management

- Improvement of compliance awareness as a group
[Compliance Committee (Chairperson: President,
External knowledgeable experts: 4)]
- Establish information security management framework.
[Information Security Promotion Committee
(Chairperson: President)]

Promotion of Information Disclosure

- Secure management transparency by active information disclosure based on “Kyushu Electric Power Basic Stance on Information Disclosure.”
- Timely and appropriate disclosure regarding managerial information and corporate PR as well as any current problems with nuclear and thermal power generations.
- Start “Kyushu Electric Mobile Phone Text Message Service” to provide blackout information in emergency (January 2008).

Promotion of Environmental Management

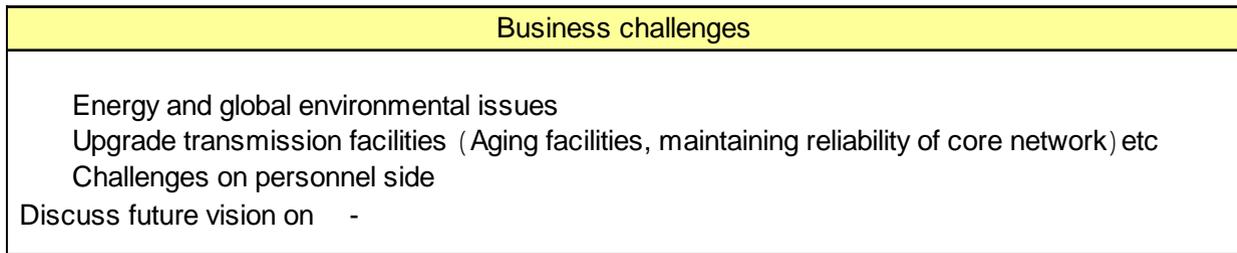
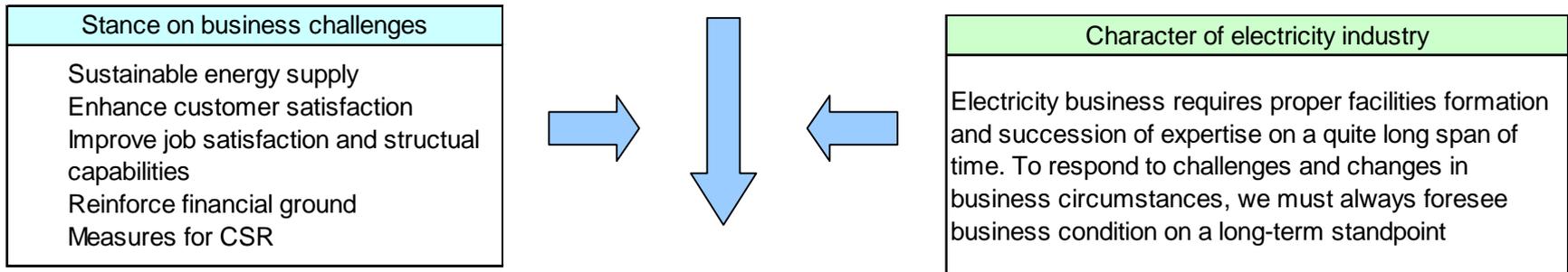
- Control greenhouse gas emissions through promotion of the best combination of power sources, with nuclear power as the core component and greater introduction of renewable energy.
- Reduce the average CO₂ emission intensity on the transmission end for FY2008-2012 by about 20% compared with the level in FY1990.
- Promote the two-way communication through Environmental Action Reports and company’s website.

Thorough Implementation of the “Safety First Policy”

- Thorough implementation of the Safety First Policy as a group including the company, group companies, and contractors.
- Proper implementation of security measures at nuclear power stations and quality assurance activities.
- Steady implementation of earthquake safety evaluation and safety reinforcement works at nuclear power stations.

Measures to improve our corporate value

- Currently we implement concrete measures on efficient and healthy facility formation and operation, enhancement of customer satisfaction, and employees' job satisfaction to increase our corporate value.
- “Kyushu Electric Power’s Mission” was established in April 2007 as a linkage between our aspirations and those of our customers and the entire Kyushu Electric Power Group remains focused on the improvement of our corporate value.



(Reference)

[Past measures]

In this decade since the start of liberalization, our financial condition has been improved due to high efficiency operation of nuclear power generation and decline in interest rate and also as we have proceeded management efficiency improvement.

1. Efficiency improvement in capital expenditure

| [FY1998] | [FY2003] | [FY2007] |
|----------------|----------------|----------------|
| ¥302.4 billion | ¥206.9 billion | ¥214.6 billion |

2. High efficiency operation of nuclear power and other facilities

[Average utilized capacity (FY1998-2007)] 84.5%

3. Improvement of labor productivity

| | [FY1998] | [FY2003] | [FY2007] |
|----------------------------------|----------------|----------------|----------------|
| (# of employee) | 14,445 | 13,660 | 12,466 |
| (Electricity sales per employee) | 5.29GWh/person | 6.17GWh/person | 7.68GWh/person |

4. Reduction of interest-bearing debt

| | [FY1998] | [FY2003] | [FY2007] |
|-------------------------|------------------|------------------|-----------------|
| (Interest-bearing debt) | ¥2,732.6 billion | ¥2,183.3 billion | ¥1,915.9billion |
| (Interest paid) | ¥109.1 billion | ¥73.5 billion | ¥ 34.4billion |

5. Improvement of shareholders' equity ratio

| [FY1998] | [FY2003] | [FY2007] |
|----------|----------|----------|
| 15.7% | 22.3% | 26.4% |

[Future measures]

While we expect increase in costs on environmental issues and facility repair works, we work to secure "Sustainable energy supply in long-term view" to take into consideration the 30 years ahead and to reinforce financial ground.

1. Sustainable supply of energy

- Best mix of power source to meet global energy condition and environmental awareness.
- Promotion of nuclear power development and pluthermal
- High efficiency operation of nuclear power stations
- Thermal efficiency improvement and technology development on renewable energy
- Maintenance of transmission facilities
- Long-term stable supply of fuel

2. Business Development Based on the Needs of Customers (Promoting a Comfortable Energy Saving Lifestyle, Improvement of customer service)

3. Organizational reform in mid to long-term viewpoint

4. Overall management efficiency improvement including capital investment, maintenance costs and miscellaneous costs

Active business development centering on energy



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