Our Commitment to Environmental Activities

1 Measures for Global Environmental Issues

1 Reduction of Greenhouse Gases in Power Supply

The Kyoto Protocol◈ Target Achievement Plan◈ was adopted by cabinet decision on April 28, 2005. The plan is based on the Law Concerning the Promotion of the Measures to Cope with Global Warming◈ and prescribes measures necessary to ensure the achievement of the targets for the reduction of greenhouse gas (GHG)◈ in Japan.

The plan includes goals set under the Voluntary Action Plan on Environment in Electric Industry◈ to be achieved by power companies, whose commitments form the basis for fulfilling the national obligations as a whole. Similar measures in the commercial, residential and transportation sectors are also required.

■Summary of the Kyoto Protocol Target Achievement Plan

Aims

- Ensuring the achievement of the targets under the protocol
- Long-term, continuous reduction of GHG emissions on a global level

Basic philosophy

- Balance between environment and economy
- Usage of various political measures
- Promotion of technological innovation
- Placing importance on evaluation and review processes
- Promoting the participation and cooperation of all entities

Commitments for GHG emission reduction and sequestration

Category	Commitments: FY2010 (million tons-CO_2)	Commitments: Ratio to 1990 values	Reductions compared to current measures reduction level (equivalent to 112% of the targets)
GHGs			
CO_2 from energy sources	1,056	+0.6%	▲ 4.8%
CO_2 from non-energy sources	70	▲0.3%	
Methane◈	20	▲0.4%	▲ 0.4%
Nitrous oxide◈	34	▲0.5%	
Three gases such as alternative freon◈	51	+0.1%	▲ 1.3%
Forest sinks◈	▲48	▲3.9%	▲ 3.9%
Kyoto Mechanisms◈	▲20	▲1.6%	▲ 1.6%
Total	1,163	▲6.0%	▲12.0%

Goals for CO_2 from energy sources by sector (approximate)

Sector	Base year (million tons-CO_2)	FY2010 (million tons-CO_2)
Industry	476	435 (▲8.6%)
Commercial & residential	273	302(+10.7%)
Commercial	144	165(+15.0%)
Residential	129	137 (+6.0%)
Transportation	217	250(+15.1%)
Energy conversion	82	69(▲16.1%)
Total	1,048	1,056

Note: The symbol "▲" represents minus or a decrease of.

Cross-sectional measures:	•Developing a national movement •Initiative taken by public organizations •Accounting, reporting and publishing system for GHG emissions◈ •Using optimal combination of policies◈
Basic measures:	•Developing a system for calculating GHGs emitted and sequestered •Promoting technical development, research and study •Securing global coordination and promoting international cooperation
Promotion systems:	•Checking annual progress and reviewing fiscal 2007 results •Steady implementation of the plan led by the Global Warming Prevention Headquarters◈

■Additional measures incorporated in the Kyoto Protocol Target Achievement Plan (for power industry)

Item		Content
Measures by sectors	Industry	• Steady implementation of voluntary action plan
	Commercial and residential	• Introduction of integrated heat-electricity management system and increase in specified plants for energy conservation responsibility and management • Mandatory report of energy-saving measures to a competent administrator upon new or additional construction or remodeling of buildings or houses of a certain scale and up, or large-scale repairs
	Transportation	• Mandatory preparation of energy-saving plan and report of energy consumption by consigners of a certain size and up
	Energy supply	• Reduction in CO_2 emission intensity in electric power sector (20% reduction of end-use FY2010 CO_2 emission intensity◈ from FY1990) ◊ Improving the capacity factor◈ of nuclear power stations through scientific and rational operation management ◊ Further improving the thermal efficiency in thermal power stations ◊ Utilizing Kyoto Mechanisms • Promoting load leveling measures through diffusion of heat storage systems◈ • Actively offering information on energy conservation to consumers
System for calculating, reporting and publishing GHG emissions		• Mandatory reporting of emission amounts by businesses, facilities and institutions with GHG emissions of certain level or more to the national government; results to be calculated and published by the government

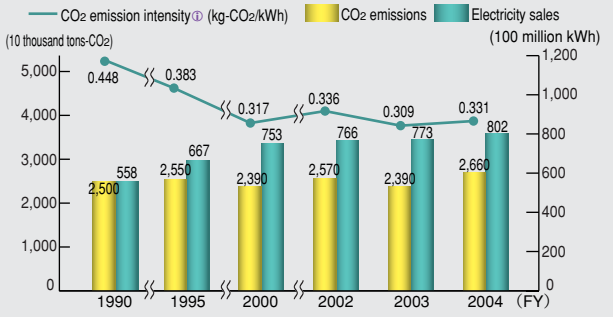
Overall View of Kyushu Electric Power's Measures against Global Warming

We will contribute to the fulfillment of Japan's national commitments by controlling GHGs emitted in the course of business.

◊ CO_2 emissions during power generation

- CO_2◈ emissions in fiscal 2004 were 26.6 million tons-CO_2 or approximately 2% of that in Japan
- CO_2 emissions in 15 years since fiscal 1990 increased only by 6% while electricity sales increased by around 40%.

■End-use CO_2 emission intensity, CO_2 emissions and electricity sales



- Such results were achieved by promoting well-balanced power source development with nuclear power as a core source supplemented by LNG◈ thermal and the natural energy◈ of hydroelectric and geothermal power. Other contributors include the improvement of nuclear power capacity factors and the total thermal efficiency◈ of thermal power stations through the introduction of high-efficiency thermal power stations, which reduce CO_2 emissions per unit output.
  The development of two nuclear plants (2.36 million kW) offered especially big benefits in achieving these results.
- CO_2 emissions increased from the previous year by 2.7 million tons-CO_2 or 11%. This was attributable mainly to higher electricity sales (+2.9 billion kWh) during hot weather, and to lower capacity factor◈ in nuclear power generation*, which in the previous fiscal year reached a record high (from 88.9% to 86.2% or a 1.4 billion kWh decrease). This decrease was supplemented with thermal power generation, resulting in the higher CO_2 emission intensity of 0.022kg-CO_2/kWh or a 7% increase.

*: Due to the periodic inspection◈ (once every 13 months) conducted on four out of six nuclear power facilities in fiscal 2004.

■End-use CO_2 emission intensity by hours (kg-CO_2/kWh)

	Daily average	Daytime average (8:00-22:00)	Nighttime average (22:00-8:00)
FY2003	0.309	0.333	0.267
FY2004	0.331	0.355	0.288

VOICE No.2 **Since implementation of the Kyoto Protocol**

The Kyoto Protocol came into effect in February 2005. It is amazing to look back on the past 10 years from its conception with the Berlin Mandate in 1995, which triggered the planning and discussion of the Kyoto Protocol, and led to its adoption in 1997. Our Environmental Affairs Department is responsible for managing company wide measures for controlling and reducing GHGs. The department practices energy saving in its daily business, such as turning lights off during lunch breaks and turning computers off when leaving the desk for an extended time. With air conditioners set at a relatively high temperature in summer, staff members feel warm at times but go through summer wearing short-sleeved shirts and no ties. We hope to address environmental tasks while remembering the importance of every little effort for energy conservation.

Environmental Management Group, Environmental Affairs Department
Keizo Yamada

◊ Target for CO_2 emission reduction

The target for CO_2 emission reduction for fiscal 2005 was established in correspondence with the fiscal 2010 commitment set in the Kyoto Protocol. Various measures will be implemented to achieve this target.

Commitment: 20% reduction in FY2010 end-use CO_2 emission intensity from FY1990

■Items in FY2005 Environment Action Plan

Items		Page numbers for related information
GHG reduction	Promotion of optimum combination of power sources ⓘ with nuclear power as a core (promotion of nuclear power generation based on ensuring safety and recovering its reliability)	25
	Improvement of thermal power facility efficiency	26
	Promotion of renewable energy ⓘ	26
	Measures for utilizing the Kyoto Mechanisms	27
	Measures for controlling GHG emissions other than CO_2 from power generation	27
Energy conservation measures	Reduction of transmission and distribution losses ⓘ	28
	Diffusion of energy-saving appliances, e.g. thermal storage systems	28
	Energy conservation in daily business	29

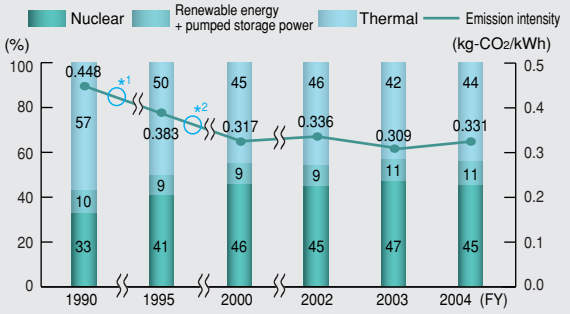
Promotion of Optimal Combination of Power Sources Focusing on Nuclear Power

We are committed to CO_2 emission reduction through the optimal combination of power sources by promoting a balanced development of sources around our core source of nuclear power and through introduction of new energy sources, with comprehensive consideration of power supply stability, economic efficiency and environmental conservation.

Nuclear power accounts for 45% of total power generation and does not produce CO_2 during its power generation process, thus contributing to CO_2 emission reduction. Improving nuclear power capacity therefore leads to a reduction in the overall volume of CO_2 emissions from the power supply.

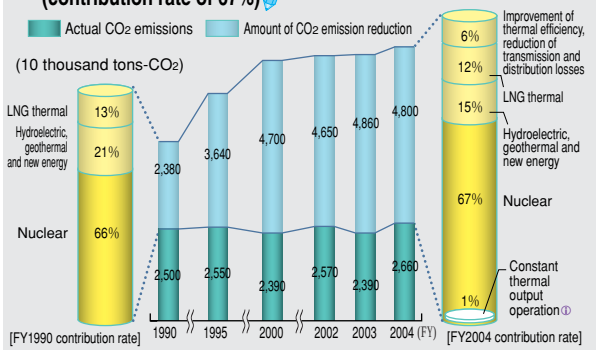
Since power demand grows slowly but constantly, we assume CO_2 emissions will increase in the future. To address this situation and secure a stable power supply, existing nuclear power stations must be utilized in the most efficient manner with the utmost priority on their safety while making continued efforts to develop next-phase nuclear power stations and plu-thermal utilization ⓘ.

■Ratio of power sources for power generation and CO_2 emission intensity of end-use electricity



*1: Genkai Nuclear Unit 3 started operating in March 1994
*2: Genkai Nuclear Unit 4 started operating in July 1997

■CO_2 emission reduction effects of nuclear power generation (contribution rate of 67%)



Note: Basic ideas for calculating the amount of CO_2 reduction: The amount was calculated on the assumption electricity generated from nuclear, hydroelectric, new energy and LNG was produced only with thermal power generation excluding LNG.

■Target ratio of power sources and FY2004 results

		Target power facility ratio	FY2004 results	Target power generation ratio	FY2004 results
Nuclear		Approx. 30%	23%	45～50%	45%
Renewable energy (geothermal, hydroelectric, and new energy ⓘ)		Approx. 10%	9%	Approx. 10%	11%
Pumped storage (hydroelectric)		Approx. 10%	5%		
Thermal	Coal	1/3 of the remaining 50%	19%	Ratio changes based on fuel situations	22%
	LNG		20%		17%
	Oil		24%		5%

■Characteristics of power sources

Power source	Characteristics	Problems
Nuclear	• Superior in fuel supply stability and prices • More efficient use of resources with nuclear fuel cycle ⓘ • No CO_2 emissions during power generation	• Long-term management of high-level radioactive waste ⓘ • People's uneasiness towards nuclear power (public trust must be regained)
Geothermal	• Totally domestic energy • No CO_2 emissions during power generation	• Development restrictions attributable to their rich natural surroundings • Improvement in economical aspects
Hydroelectric (including pumped storage)	• Excellent load following capability • No CO_2 emissions during power generation	• Large environmental load incurred during dam construction • Limited developmental possibility
Wind and photovoltaic power	• Renewable energy • No CO_2 emissions during power generation	• Low efficiency, high cost of power generation • Output changes with weather conditions
Coal-fired thermal	• Excellent fuel supply stability and economic efficiency due to large reserves	• A volume of CO_2, SOx ⓘ and NOx ⓘ emitted during power generation • Large quantity of waste (ash from combustion)
LNG-fired thermal	• Available for wide supply range from peak to base load • Lower CO_2 emissions during power generation compared to other fossil fuels	• Restriction in supply form (liquefied) and contract form (long-term)
Oil-fired thermal	• Easy transport and handling of fuel	• Limited reserves • Dependent on the Middle East for most of oil supply • A volume of CO_2, SOx and NOx emitted during power generation

For detailed information on nuclear power, see pages 30-33.

TOPIC No.3

Acquisition of environmental label "EcoLeaf"

Kyushu Electric Power Co., Inc. was granted certification of the environmental label "EcoLeaf" ⓘ in July 2004. The EcoLeaf environmental label is designed to publish quantitative data certified by third-party organizations, calculated on the Life Cycle Assessment (LCA) ⓘ method of environmental load, such as CO_2 emissions, generated over product life cycle. We are the second power company to have been granted the certification in Japan.

We plan to disclose reliable data on environmental load while reducing such load. (EcoLeaf information may be found at the websites of Kyushu Electric Power Co., Inc. and the Japan Environmental Management Association for Industry. (http://www.jemai.or.jp/CACHE/ecoleaf_news.cfm)

EcoLeaf environmental labeling

Significant environment-related information reviewed by referring to the Standards for Environment Report Compilation.

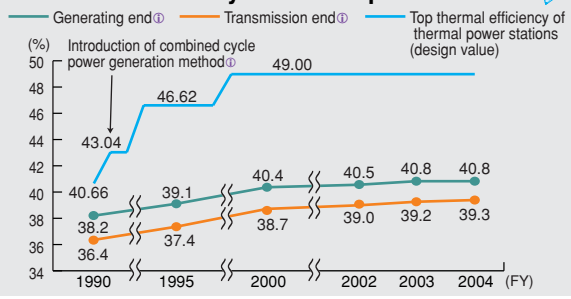
ⓘ Environmental terms described or defined in the attached glossary.

Improvement of Thermal Power Generation Facility Efficiency

Improved thermal efficiency ⓘ of thermal power stations will lead to less fuel consumption, resulting in a reduction of CO_2 ⓘ, SOx ⓘ and NOx ⓘ emissions.

- In fiscal 2004, the total thermal efficiency of the company's thermal power stations maintained the highest level in our history. This is attributable to the operation of the new and advanced Reihoku Thermal Power Station Unit No.2 and the greater use of highly-efficient power stations employing the combined cycle ⓘ power generation method, such as Shin-Oita Power Station.
- If the total thermal efficiency of our thermal power stations improves by one point, CO_2 emissions can be reduced by 400 thousand tons annually.

■ Thermal efficiency at thermal power stations



Promotion of Renewable Energy ⓘ Use

◊ Promotion of wind and photovoltaic power generation

New energy ⓘ sources such as wind and photovoltaic power provide clean and inexhaustible energy, although for sustained and regular use there are obstacles that remain to be cleared, such as their high weather dependency.

We have systematically installed wind and photovoltaic power facilities and conducted experimental studies while implementing research on solid oxide fuel cells ⓘ. The company also purchases electricity from and offers monetary support to businesses and customers to promote new energy use.

In-house installation of wind and photovoltaic power generation facilities

- We have installed such facilities at our operational sites, with the total capacity reaching 3,575kW by the end of fiscal 2004.

■ Wind and photovoltaic power generation records

	Installed capacity (kW)	Power generated (thousand kWh)	Capacity Factor (%)
Wind power	3,250〈11units〉	5,620	19.7
Photovoltaic power	325〈21locations〉	154	5.5

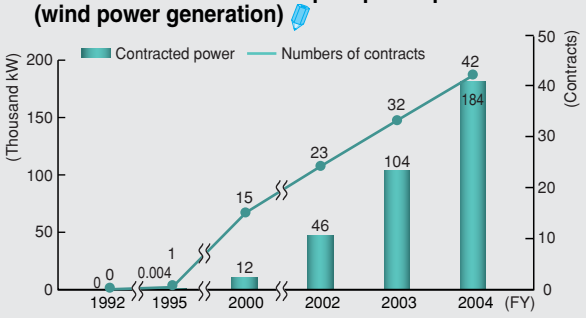
- The largest wind power generation facilities -- output of 50,400kW: 2,400kW × 21 units -- in Japan will be developed in Nagashima-cho and Azuma-cho, Izumi-gun, Kagoshima Prefecture, and scheduled to start operations in fiscal 2008.

◊ Purchases of electricity from customers and businesses

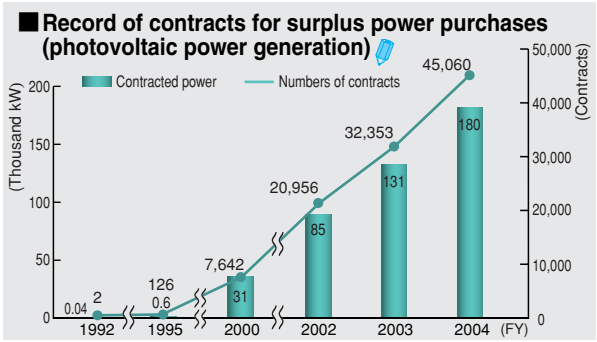
We purchase surplus electricity generated by new energy sources such as wind from customers or businesses with consideration for their higher value to the environment.

〈 Please refer to our website for surplus power ⓘ purchasing
http://www.kyuden.co.jp/company_liberal_elec_buy_index 〉

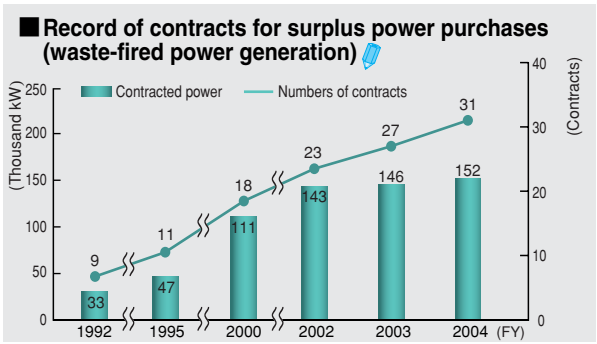
■ Record of contracts for surplus power purchases (wind power generation)



■ Record of contracts for surplus power purchases (photovoltaic power generation)



■ Record of contracts for surplus power purchases (waste-fired power generation)

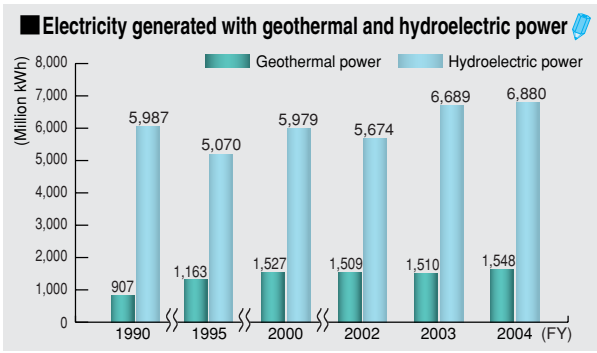


◊ Promotion of geothermal and hydroelectric power generation

Geothermal and hydroelectric power generation are highly eco-friendly power generation methods that harness valuable energy sources available in Japan, and are CO_2 emission-free during the power generation process.

- Since utilization of such power sources is developed in rich natural environments, we pursue the effective use of such technology while paying close attention to the natural landscape and surrounding environment.
- Geothermal generation facilities located in Kyushu represents about 40% of national installed capacity, taking advantage of Kyushu's rich geothermal energy.
- In February 2005, the binary cycle power generation facility ⓘ in Hatchobaru Power Station, with an output of 2,000kW, became the first geothermal power generation facility in Japan certified under the Renewable Portfolio Standard (RPS) ⓘ.

■ Electricity generated with geothermal and hydroelectric power



Note: The sum for hydroelectric power includes power purchased from other companies.

◊ Addressing the Renewable Portfolio Standard

Thanks to these measures, we have achieved 420 million kWh of electricity generated using new energy sources, or the standard amount of new energy utilization (minimum requirement) set under the Renewable Portfolio Standard.

■ Estimates of the standard amounts of new energy utilization (minimum requirement)

Unit: 100 million kWh

Fiscal Year	2003	2004	2005	2006	2007	2008	2009	2010
Japan	32.8	36.0	38.6	41.5	44.4	64.2	88.9	122.0
Kyushu Electric Power Co., Inc.	3.9	4.2	4.5	4.7	5.0	6.4	8.3	11.0

Note: Values for fiscal 2003 and 2004 are final values.
Source: Data from Agency for Natural Resources and Energy

◊ Green Power System

We cooperate with the Kyushu Green Power Fund in an effort to promote the use of natural energy. The Kyushu Green Power Fund was established in October 2000 to offer financial assistance towards the installation cost of wind or photovoltaic power generation facilities. The fund is managed by the Kyushu Industrial Advancement Center.

- We donate an amount equal to customer contributions (one share: 500 yen/month) to the Kyushu Green Power Fund in addition to assisting in promoting the system and receiving applications.
- The Kyushu Green Power Fund has attracted 11,312 shares or 0.18% of electric light contracts as of the end of March 2005. This participation ratio* is relatively high compared to other regions in Japan.

  *: Participation ratio is calculated by dividing the number of shares by the number of electric light contracts.
- Results from the four years through fiscal 2004 include 119 cases of subsidies with installed capacity of 198 thousand kW (wind: 19 cases, 196 thousand kW; photovoltaic: 100 cases, 2 thousand kW), and subsidies totaling 290 million yen.

Harukigaoka Wind Power Station
(one of the subsidy recipients among wind power plants)

Towards Kyoto Mechanism Utilization

The Kyoto Mechanisms are an international framework approved to fulfill the commitments under the Kyoto Protocol, where countries jointly work to reduce GHG emissions in a cost effective manner.

■ Outline of Kyoto Mechanisms

Joint Implementation (JI)	Developed countries jointly implement projects to achieve more reductions or sequestration of GHG emissions, and share reduction targets.
Clean Development Mechanism (CDM)	Developed countries cooperate with developing countries in emission reduction projects to receive credits for GHG reductions.
Emissions Trading (ET)	Developed countries trade emissions limits.

We make investments in the World Bank's Prototype Carbon Fund (PCF) and Japan GHG Reduction Fund (JGRF) as part of Kyoto Mechanism utilization to attain GHG emission allowances, and gain knowledge regarding implementations of Kyoto Mechanisms.

World Bank's Prototype Carbon Fund (PCF)
The fund is managed by the World Bank to provide financing to GHG emission reduction projects and return GHG emission allowances to investors.
- Total fund scale: 180 million dollars (eight million dollars funded by Kyushu Electric Power Co., Inc.)
- Investors: governments from six countries and 17 companies

Japan GHG Reduction Fund (JGRF)
The fund was established by the Development Bank of Japan and the Japan Bank for International Cooperation, in cooperation with Japanese companies, for the reduction of GHG emissions. It offers financing to GHG emission reduction projects and returns GHG emissions allowances to the investors.
- Total fund scale: 141.5 million dollars (three million dollars funded by Kyushu Electric Power Co., Inc.)
- Investors: Development Bank of Japan, Japan Bank for International Cooperation and 31 Japanese companies

Controlling Greenhouse Gas Emissions other than CO_2 from Power Generation

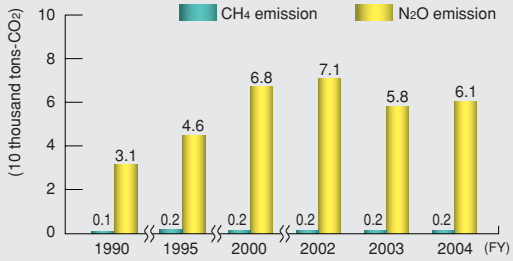
Over 99% of GHG emissions are CO_2 generated during power generation. Measures are provided to locate and reduce GHGs such as CO_2, CH_4 and N_2O emitted in the course of our business.

Trial calculation is performed based on the Guidelines for Greenhouse Gas Accounting and Reporting at Entity-level (tentative draft: version 1.5) released by the Ministry of the Environment, and discussion subjects (handling of intake gas correction) in the 1st meeting of a study team for GHG accounting and reporting at entity-level in fiscal 2004.
Emissions from in-house energy consumption are calculated using the end-use CO_2 emission intensity for each fiscal year.
CH_4 and N_2O emissions from thermal power stations = heat consumption [fuel used × fuel's calorific value] × emission factor for CH_4 and N_2O
CO_2 emissions from in-house power consumption = in-house power consumption × end-use CO_2 emission intensity for the fiscal year
CO_2 emissions from in-house distribution = heat consumption [fuel used × fuel's calorific value] × CO_2 emission factor
CH_4 or N_2O emissions from in-house distribution = travel distance × CH_4 or N_2O emission factor, respectively
SF_6 emissions = emissions during inspection and dismantlement + natural leak amount
HFC emissions = Leaked amount (or amount replenished to equipment)

◊ CH_4 and N_2O during power generation

CH_4 and N_2O are emitted during the combustion of fuel at thermal power stations.
We work to minimize CH_4 and N_2O emissions by improving power generation efficiency.

■ CH_4 and N_2O emissions from thermal power stations



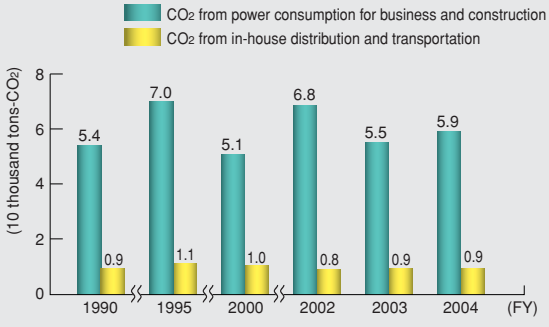
◊ CO_2 emissions from in-house power consumption

CO_2 emissions from power consumption at our head office, branch offices, customer service offices, power system maintenance offices and power station construction sites total 59 thousand tons.
A variety of energy conservation measures are taken to reduce power consumption at offices.

◊ Greenhouse gas emissions from in-house power consumption and distribution

Our company fleet consumed 3,600 kiloliters of fuel and emitted approximately 9,000 tons of CO_2, 10 tons-CO_2 of CH_4 and 230 tons-CO_2 of N_2O.
To reduce fuel consumption, we have introduced clean energy vehicles and fuel-efficient vehicles and encouraged ecologically conscious driving manners.

■ Greenhouse gas emissions from in-house power consumption and distribution



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Environmental terms described or defined in the attached glossary.

◊ Sulfur hexafluoride (SF_6)ⓘ

We use SF_6, one of the GHGsⓘ, as an insulation material for some electrical equipment, and take precautions not to release SF_6 gas into the atmosphere when the equipment is overhauled or removed.

- SF_6 is not only an excellent insulator, but is indispensable as there are no other effective insulating gases. Since the adoption of vacuum-type gas recovery equipment, the SF_6 gas recovery rate during overhauls has improved from 40% in fiscal 1997 to over 98% in fiscal 2001 and after. As a result, 409 thousand tons of SF_6 in CO_2ⓘ equivalent were recovered in fiscal 2004.
  The recovery rate during equipment dismantlement in fiscal 2004 was over 99% or 143 thousand tons in CO_2 converted volume.

■SF_6 gas recovery record (FY2004) Figures in parentheses show CO_2 converted volume*1

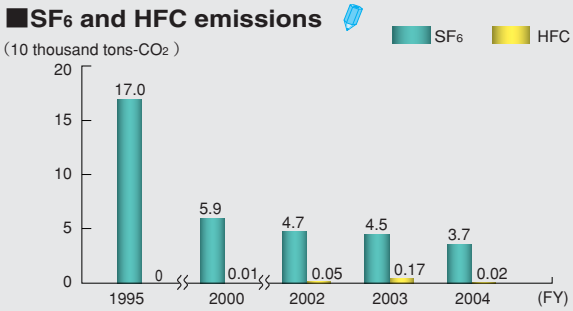
	SF_6 gas transaction	SF_6 gas recovery	Recovery rate*2
At equipment overhaul	17.40 tons (416 thousand tons)	17.12 tons (409 thousand tons)	98.4%
At equipment dismantlement	6.06 tons (145 thousand tons)	6.00 tons (143 thousand tons)	99.1%

*1: Figures are obtained by converting the weight of SF_6 gas to the weight of CO_2 by applying the global warming potentialⓘ (23,900) for SF_6
*2: Recovery rate might not add up since gas amounts are rounded off.

◊ Hydrofluorocarbon (HFC)ⓘ

HFC used as a coolantⓘ in air conditioners is mostly recovered during inspection and removal, with very little released to the atmosphere.

■SF_6 and HFC emissions



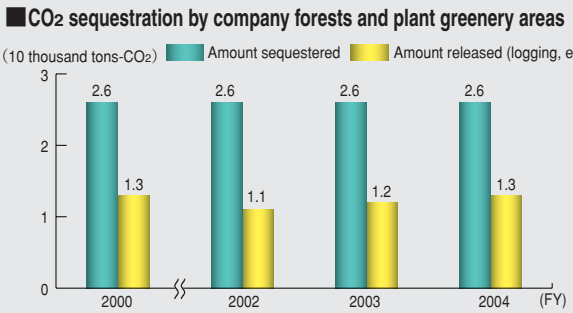
◊Perfluorocarbon (PFC)ⓘ

PFC is utilized in some transformers as a coolant or as an insulation medium. Kyushu Electric Power Co., Inc. does not use PFC.

CO_2 Sequestration by Forests

We own 4,448 hectares of company forests that are managed and maintained to protect water resources and 251 hectares of greenery area around power stations to create harmony with the surrounding environment. These forests together absorbed 26 thousand tons of CO_2 in fiscal 2004, 13 thousand tons of CO_2 after subtracting 13 thousand tons released from the forests (by logging and shipping of Japanese cedar and cypress for timber from artificial forests).

■CO_2 sequestration by company forests and plant greenery areas



CO_2 sequestered by company forests = planted forest area × carbon conversion factor of the planted forest + natural forest area × carbon conversion factor of the natural forest
(Carbon conversion factor is calculated using weighted average growth by species and age of trees in Japan.)
CO_2 released from company forests = logged amount × dry weight per volume × carbon content
CO_2 sequestered by plant greenery area = greenery area based on Factory Location Law × carbon conversion factor of the natural forest
CO_2 released from plant greenery area = decreased greenery area based on Factory Location Law × carbon stored in 30-year old natural forests

2 Measures for Energy Conservation

Industry and energy conversion sectors account for the largest portion of national energy consumption. Therefore, we take aggressive measures for the improvement of energy efficiency and reduction of energy use.

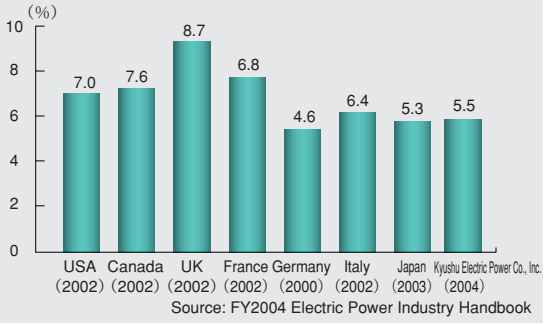
Reduction of Transmission and Distribution Losses

We strive to reduce the energy lost between power stations and customer premises, called transmission and distribution lossesⓘ.

- The transmission and distribution loss factor for fiscal 2004 was 5.5%, a 0.1-point increase from fiscal 2003, maintained relatively low when compared internationally.

■Transmission and distribution loss factors

■Comparison of transmission and distribution loss factors by country

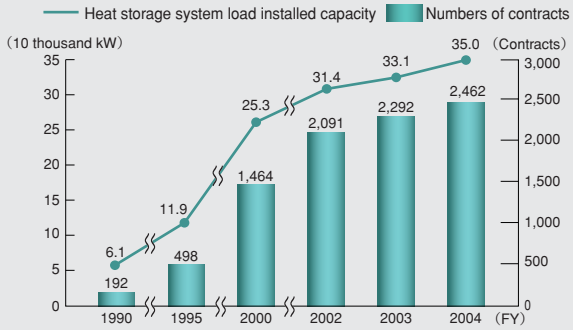


Source: FY2004 Electric Power Industry Handbook

Encouraging the Use of Energy-saving Equipment such as Heat Storage Systems

We work to promote the use of energy-saving equipment such as heat storage systemsⓘ and heat-pump water heatersⓘ. Increased use of such equipment, which utilizes nighttime electricity with lower CO_2 emissions, contributes to a reduction in CO_2 emissions. It also helps to minimize the difference in power demand between daytime and nighttime hours (load leveling), resulting in improved thermal efficiencyⓘ of power stations as well as a reduction in distribution and transmission losses. We also offer suggestions to our customers to promote energy conservation, including consultations on the efficient use of energy.

■Change in heat storage system contracts



◊ Heat storage systems

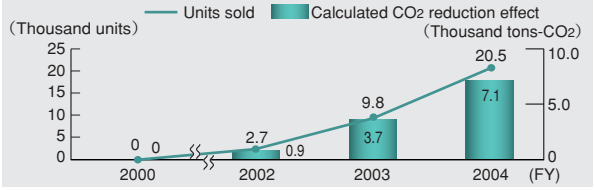
In heat storage systems, the cold and thermal energy necessary for air conditioning in buildings and factories is stored in a heat storage tank in the form of ice or warm water by using more economical nighttime electricity, and then used during the daytime. The number of contracts for such heat storage systems as of the end of fiscal 2004 was 2,462 with a load installed capacity of 350 thousand kW.

◊ Heat-pump water heater

"Eco Cute"ⓘ is a high efficiency heat-pump type electric water heater that realizes better energy conservation and co-existence with nature. Eco Cute requires approximately 25% less energy than conventional combustion-type water heaters (calculated on a primary energy-base*), offers economic benefits by utilizing less expensive nighttime electricity, and utilizes CO_2 as a coolant, which is found in natural environment.

*:Energy-saving effect was calculated by converting electric energy to calorific value. For the conversion, we used the figure (9.31MJ/kWh) set by the Criteria for Clients on the Rationalization of Energy Use for Buildings (Notification No.1 of the Ministry of Economy, Trade and Industry and the Ministry of Land, Infrastructure and Transport, 2003).

■Trial calculation of CO_2 reduction effect achieved by Eco Cute sales

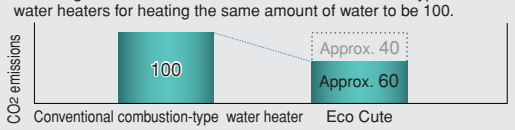


Note 1 Trial calculation of CO_2 reduction effect: [hot water supply with Eco Cute (using the company's electricity)] – [hot water supply with conventional combustion-type water heater (using municipal gas 13A)]

Note 2 The calculated CO_2 reduction effect was obtained by converting the amount of gas equivalent to the electricity consumption by Eco Cute to calorific value (after loss correction). The result may vary depending on the area, equipment efficiency and conditions for use (electricity consumed by Eco Cute: 128kWh, gas used by conventional combustion-type water heater: 34m³).

Note 3 The CO_2 emission intensityⓘ used for electricity was referred to the company's actual records (for one day) for each respective year, while that for gas was calculated based on the Guidelines for Greenhouse Gas Accounting and Reporting at Entity-level (tentative draft: version 1.5).

■Comparison of CO_2 emissions from Eco Cute and conventional combustion-type water heater



Conserving Energy in Daily Business Operations

We work to engage in eco-friendly actions to reduce environmental load in our daily operations.

◊ Reducing power consumption in offices

Each employee aims for energy conservation in offices through EMSⓘ.

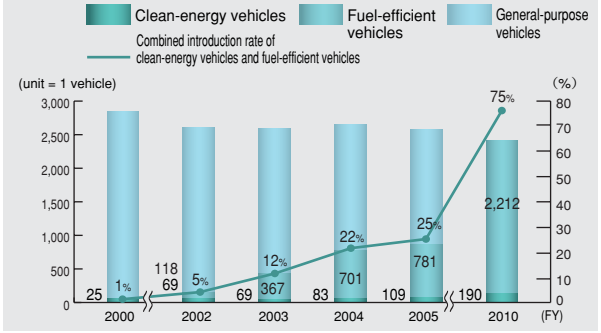
- We have set and are working to achieve energy-saving targets for each fiscal year through fiscal 2009 (aiming an annual reduction of 1%).
- Office energy consumption in fiscal 2004 was 105 million kWh (106 million kWh in fiscal 2003).

◊ Introduction of low-emission vehiclesⓘ

We have been introducing clean-energy vehiclesⓘ and fuel-efficient vehiclesⓘ.

- We plan to increase the ratio of clean-energy and fuel-efficient vehicles to the total company fleet to 25% or more by fiscal 2005 and 75% or more by fiscal 2010.
- We also aim to achieve an introduction rate of 5% for clean-energy vehicles in the company fleet by fiscal 2010.
- By fiscal 2004, 701 fuel-efficient vehicles were introduced, achieving an introduction rate of 19.3%; and 83 clean-energy vehicles (electric carsⓘ and hybrid carsⓘ) were introduced, for a rate of 2.3%. The combined introduction rate was 21.6%.

■Low-emission vehicle introduction plan



Note 1 The combined introduction rate is the percentage of the total number of vehicles (general-purpose and special-purpose vehicles combined) including 1,000 or so special-purpose vehicles.

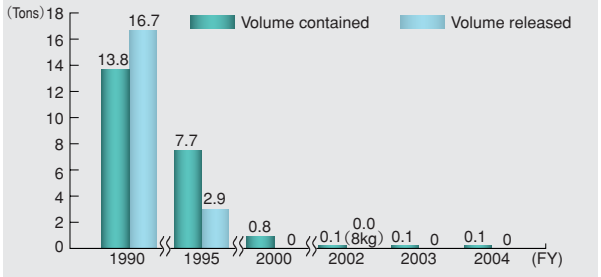
Note 2 The vehicle numbers for the future are planned figures as of fiscal 2004.

3 Ozone Layer Protection

Freonsⓘ used in air conditioners and refrigeration and freezer equipment deplete the ozone layerⓘ and cause serious impact on global warmingⓘ when released into atmosphere. We take every action to eliminate freon emissions.

- Emissions of specific freonsⓘ and carbon tetrachlorideⓘ have been zero since fiscal 2000, except for a minute amount of natural leakage. These achievements were made possible by thorough recovery of regulated freonsⓘ upon equipment inspections and removals.
- We also install regulated freon-free equipment when replacing or installing new equipment.

■Volume of specific freons contained and released



Note 1 Specific freons refer to specific freons and carbon tetrachloride.

Note 2 "Volume released" is the amount actually used to replenish equipment.

Note 3 With regard to numerical values, "0" on the graph means no emissions, "0.0" means less than 0.05 tons contained or released.

Note 4 Natural leakage was calculated in the year when it was detected during inspections or when switching to alternative freons.

VOICE No.3

Worry-free, comfortable Eco Cute

In June 2004, a dream home of our own was finally completed. Since the early planning stage, my husband and I had decided on a totally electrified home. As we discussed the details, we figured that we might as well have various convenient functions and agreed on Eco Cute for its multifunctional features such as hot water supply, automatic bath water filling, floor heating, and drying and heating of the bathroom. One of the selling points for the electric water heater was that the slow heating of water with nighttime electricity reduces chlorine and makes water softer and gentler to the skin. I was skeptical at first, but the water ceased to have a tingling feel and my daughter's skin changed from being rough and reddish to nice and smooth. The bath fills surprisingly fast. The floor heating has helped me through winter without the use of a Kotatsu or heating table, despite my tendency to have a poor circulation during winter.

I will suggest Eco Cute with confidence to anybody for its convenience, eco-friendliness, and energy-saving and economic benefits.

Marketing Group,
Goto Customer Service Office,
Nagasaki Branch
Tsuyomi Okeguchi

Significant environment-related information reviewed by referring to the Standards for Environment Report Compilation.

Environmental terms described or defined in the attached glossary.