

Business Update

November 11, 2004



KYUSHU ELECTRIC POWER CO., INC.

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.

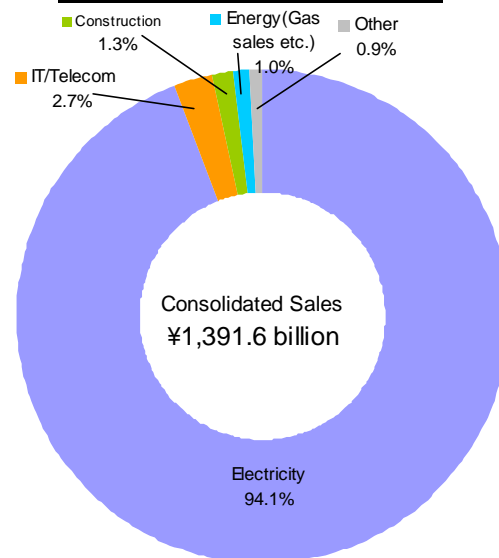
Owing to various uncertainties, actual results may differ materially from these statements. Investors are hereby cautioned against making investment decisions solely on the basis of forward-looking statements contained herein.

Profile of Kyushu Electric Power

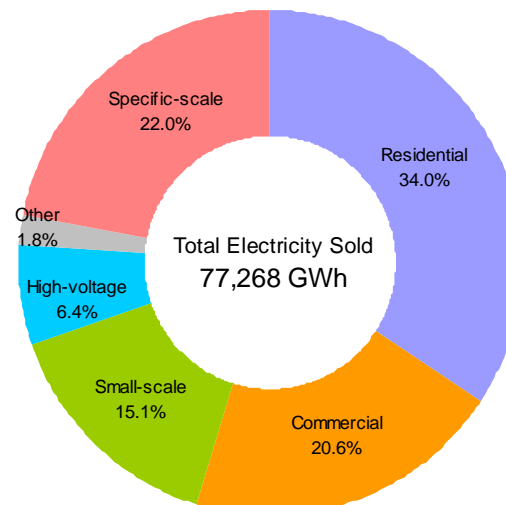


- Established: 1951
 - Business area: Kyushu (composed of 7 prefectures)
 - Power plants: 197 plants/19,889 MW (total supply capability: 23,031 MW)
 - Electricity sold: 77,268 GWh
 - Contracted customers: 8.2 million
 - Sales: (Non-consolidated) ¥1,318.3 billion, (Consolidated) ¥1,391.6 billion
 - Net income: (Non-consolidated) ¥70.1 billion, (Consolidated) ¥72.7 billion
 - Consolidation: 19 consolidated subsidiaries and 24 subsidiaries/associated companies by equity method
- (* All the figures are of FY2003)

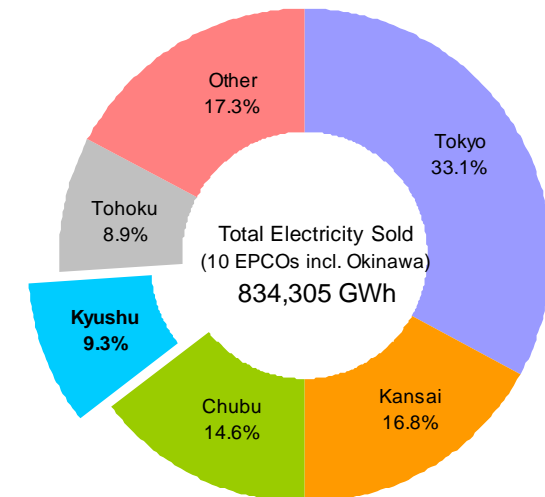
Breakdown of consolidated sales



Breakdown of electricity sold



Comparison of electricity sold



Steady progress toward achieving current financial targets

■ Achievement of financial targets in sight

	FY2001	FY2002	FY2003	FY2004 Estimate	Targets (FY2002-2006)
FCF	¥69.6 billion	¥180.2 billion	¥162.2 billion	Approx. ¥168 billion	Average ¥120 billion
Ordinary income	¥102.2 billion	¥90.7 billion	¥107.9 billion	Approx. ¥130 billion	Average ¥100 billion
ROA	3.1%	2.8%	3.1%	2.9%	Average 3%
Shareholders' equity ratio	19.6%	20.3%	22.3%	24.0%	25% as of the end of FY2006
Reduction of interest-bearing debt	-¥40.1 billion	-¥156.5 billion	-¥148.8 billion	Approx. -¥148 billion	Total -¥450 billion
Total reduction	-	-¥156.5 billion	-¥305.3 billion	Approx. -¥453 billion	
(Balance)	(¥2,488.7 billion)	(¥2,332.1 billion)	(2,183.3 billion)	(¥2,035 billion)	
ROE	8.4%	7.9%	8.5%	8.7%	Average 8%

Notes: Non-consolidated basis

$$\text{ROA} = \frac{\text{NOPAT}}{\text{Average total assets}}$$

$$\text{ROE} = \frac{\text{Net income}}{\text{Average shareholders' equity}}$$

Overview of new Midterm Management Plan (1- Direction)

■ Fundamental concepts

- Management stance: With “customers” as starting point of corporate activities, improve quality of operations to raise satisfaction level of customers, shareholders and investors, communities, and employees, with the aim of increasing long-term corporate value
- Conceptual timeframe: Designate the next five years as a “Period to solidify Kyushu Electric Power Group’s operating base with total energy business at the core, and aim for new growth”
- Slogan: “Solidify the base to pursue growth”

■ Outline of specific measures to increase long-term corporate value

Objective	Direction of Specific Measures
Clarify areas of business	Set consolidated financial targets and targets by business area, with total energy business at the core
“Solidify base” (Improve cost structure, raise asset efficiency, etc.)	(1) Raise efficiency to top class in industry (2) Establish reliable operating base (3) Activities for CSR (4) Improve organizational capabilities
“Pursue growth” (Increase sales of electricity and develop new earnings sources)	(1) Develop businesses based on customers’ needs (2) Raise level of employee motivation and skills

- Official announcement planned for March, after details and financial targets have been set

Overview of new Midterm Management Plan (2- Targets)

■ Corporate targets

· **Customer perspective**

- Pricing: Implement prices competitive in the market
- Quality: Enhance high reliability and swift response
- Service: Provide solutions that meet customers' needs
- Corporate image: Establish brand based on “Reliability and Safety”

· **Financial perspective**

- Profitability & financial stability: Set both consolidated and non-consolidated targets
- Efficiency: Achieve top class in industry
- Growth: Set targets for creation of new demand at electricity business
Set targets for growth in non-group sales

■ Targets by business area

· **Set financial targets by business area**

Overview of new Midterm Management Plan (3- FCF allocation)

■ Fundamental policy for allocation of free cash flow as per new Midterm Management Plan

- (1) Reduction of interest-bearing debt to achieve shareholders' equity ratio of 30%
- (2) Capital and financial investments consistent with growth strategy (pursue growth)
- (3) Stable dividend

Our dividend policy

- Fundamental policy: With basic policy of maintaining a stable dividend, set dividend based on comprehensive consideration of status regarding achievement of financial targets and medium- to long-term business outlook
- Dividend levels for near term: We intend to review the dividend when current financial targets are expected to be achieved, taking account of medium- to long-term business outlook

Maintaining price competitiveness with rate reduction in January

■ Age of full-fledged competition from April 2005

- From April 2005: Expansion of the scope of deregulation
Establishment of a wholesale electricity exchange
Change in the network supply charge system
- From 2007: Consideration of full deregulation to begin





■ Rates to be reduced from January 2005

- The final decision regarding the specific level of the reductions will be based on a comprehensive consideration of trends in electricity sales volumes and the degree of progress in improvement in operational efficiency

(Reference) Past Rate Reductions

	Jan-96	Feb-98	Oct-00	Oct-02
Reduction	8.69%	6.06%	6.12%	5.21%

*October 2000 and October 2002 reductions were for regulated customers only

■ Work to raise level of customer satisfaction by implementing prices that are competitive in the market

Provide value to customers (Increase customer satisfaction to establish brand)

Price

Quality

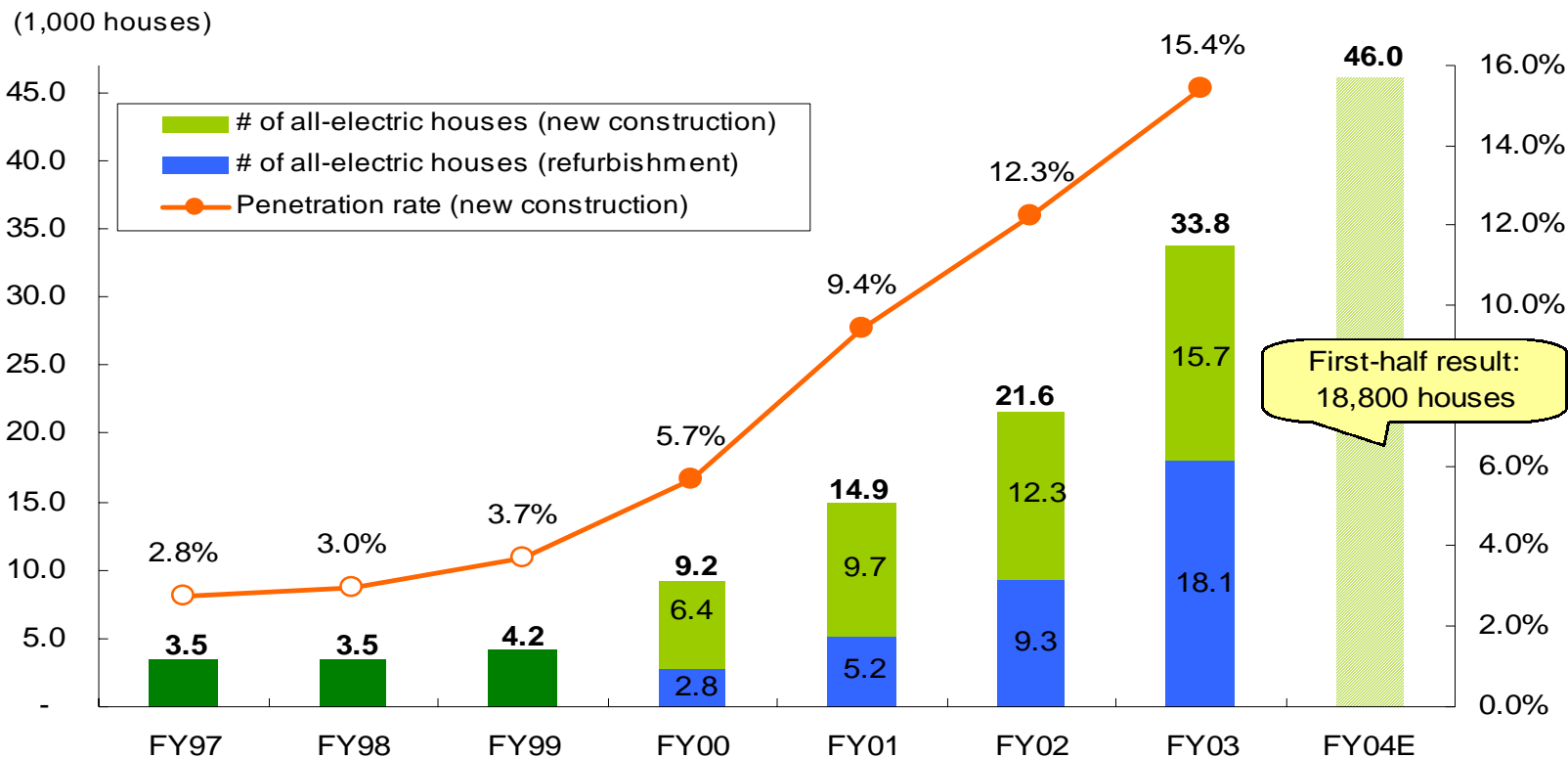
Service

Corporate
Image

Strategy for creating new demand (promoting all-electric housing)

- Aggressively promote “all-electric housing” as centerpiece of strategy to create demand for electricity
 - Target of 500,000 total houses by March 2011 (Total as of September 2004: 191,655 houses)
 - Fiscal 2004 target of 46,000 houses expected to create annual demand of approximately 90 million kWh
(In July 2004 the fiscal year target raised to 46,000 houses from 36,000)

Growth in all-electric housing



Main Activities

- (1) Strengthen tie-ups with home electronics and housing-related companies
- (2) Strengthen marketing forces for condominium builders with aim of spreading use in multi-unit housing
- (3) Provide first-hand opportunities for potential customers by holding all-electric housing fairs, cooking lessons for IH cooking heaters, etc.
- (4) Consulting activities for customers who own either electric water heaters or IH only
- (5) Strengthen after-sale services with IH seminars for customers
- (6) Advertising campaign using mass media including TV and radio

IT/Telecommunications business activities

■ Fundamental policy for activities

- Because high growth is forecast with arrival of ubiquitous society, make efforts to aggressively utilize our know-how and telecommunications infrastructure including fiber-optic network and data center
- Aim to secure earnings strength through selection and concentration, and flexible approach to alliances, etc., based on market trends in each business and service area

(Reference) Overview of activities at four IT/Telecom companies

QTNNet	<ul style="list-style-type: none"> - FTTH: Aim to acquire 80,000 customer lines in near future by developing unified Group marketing activities, developing various services that will lead to added value, etc. (Result as of September 2004: 40,000 lines) - Fixed-line telephones: Concentrate on corporate customers segment where larger profit is expected - Lease lines: Given shift to IP networks and VLAN, secure profitability with thorough cost reductions
QIC	<ul style="list-style-type: none"> - Data center: Strengthen marketing to increase usage by local governments and corporations - IT consulting: Aggressively pursue government, education, and medical-related business
NISHIMU	<ul style="list-style-type: none"> - Construction: Strengthen solution development for information infrastructure for local governments - Maintenance and operation: Respond to system failure, monitor operating functionality, aggressively pursue business with governments, schools, etc.
QBS	<ul style="list-style-type: none"> - Information systems: Use alliances to strengthen ability to provide solutions for medium-sized companies

■ Outlook for single-year profitability

- QTNNet: FY2004 [Net income results: -¥900 million in FY03; +¥100 million in FY04 (first half)]
- IT/Telecom segment: FY2006

<For further information>

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