

Business Updates

November 10, 2005



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.

Midterm Financial Targets for FY2005-2009

【Consolidated】

	FY2004 Results	FY2005 Forecasts	New Financial Targets FY2005-2009
FCF	¥212.9 Billion	¥58.0 Billion	Avg. 120
Ordinary Income	¥159.9 Billion	¥106.0 Billion	Avg. ¥110 Billion
ROA	3.3%	2.4%	Average 3%
Shareholders' Equity Ratio	24.2%	25.2%	30% (End of FY09)

【Ordinary Income Targets by Business Area】

	FY2005 Forecasts	New Financial Targets FY2005-2009
Total Energy Business (Other than Electricity)	¥2.5 Billion	Avg. ¥4 Billion
IT/Telecom Business	¥-3.5 Billion	Avg. ¥4 Billion
Environment/Recycling & Consumer/Community	¥1.5 Billion	Avg. ¥2 Billion

Note: The numbers include incidental businesses of the parent.

【Non-consolidated】

FCF	¥200.1 Billion	¥57.0 Billion	Avg. ¥100 Billion
Ordinary Income	¥152.9 Billion	¥100.0 Billion	Avg. ¥100 Billion
ROA	3.4%	2.4%	Average 3%
Shareholders' Equity Ratio	24.4%	25.4%	30% (End of FY09)

$$\text{ROA} = \frac{\text{NOPAT}}{\text{Average Total Asset}}$$

Prosperous progress in demand creation

Additional electricity demand (04/05-09/05) : 540GWh
(GWh)

	FY2004 04/04-03/05	FY2005(Interim) 04/05-09/05	Accumulating total	Target (FY2004-FY2009)
To end consumers	210	110	320	1,300
To commercial/Industrial	190	430	*620	1,200
Total	400	540	940	2,500

* includes corporate customers returning from private power generation: 530GWh

[To end consumers: 110GWh(04/05-09/05)]

-Number of All-electric housing acquired

Total	(New construction)	(Refurbishment)
27,448	(10,978)	(16,470)

-Application rate of All-electric housing in new construction

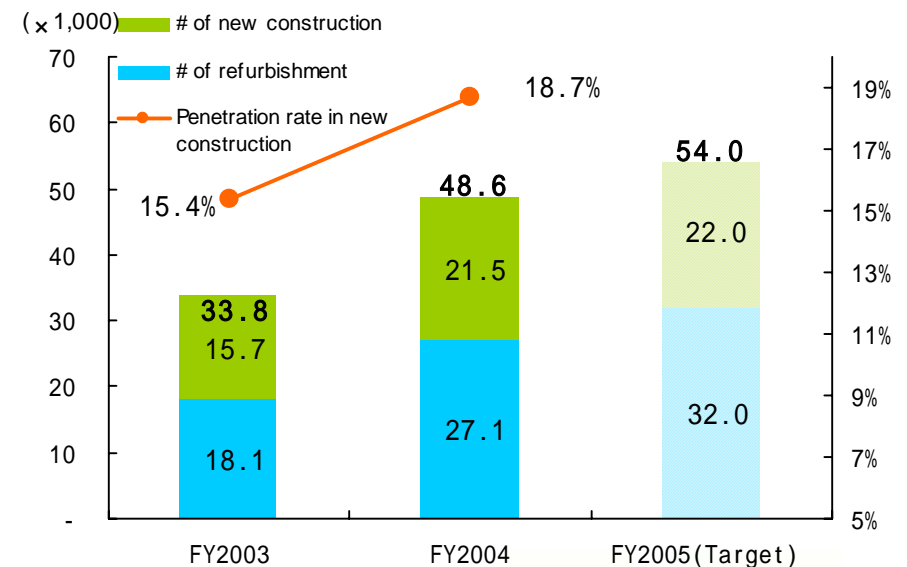
Total	(One unit home)	(Complex)
18.5%	(40.5%)	(3.5%)

[To commercial/industrial energy users: 430GWh(04/05-09/05)]

-Corporate customers returning from private power generation

	FY2003 04/03-03/04	FY2004 04/04-03/05	FY2005(Interim) 04/05-09/05
Number of cases	32	34	75
Capacity	21MW	21MW	62MW

Growth in All-electric housing



New logo for All-electric housing



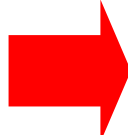
Mrs. Chisato Moritaka
(favorable personality)
used for advertising All-
electric housing

Total energy business

Financial target of total energy business (Other than electricity)

Focus on the total energy business as a business to utilize our management resources cultivated in the electricity business

		(Billions of yen)	
		FY2004 Results (Interim)	FY2005 Forecast (Interim*)
Total energy business (Consolidated)	Sales	123.2 (50.5)	118.0 (53.8)
	Ordinary income	0.4 (-4.2)	2.5 (-)



Financial Target FY2005-2009
Total energy business Ordinary income Avg. ¥4 Billion

*actual

■ Strategy of total energy business

【Gas business】

- Expand gas and LNG sales by relationship with local gas companies
- Promote gas business as total solutions to meet various customer's needs

【Overseas projects】

- Expand profit-earning opportunities for company-wide operations utilizing our business know-how acquired in the electricity business.

【Distributed generation business/Heat storage business】

- Promote as total solutions to meet various customer's needs

【Others】

- Make efforts in new energy generation business for environmental conservation

Restructuring of NEECO



Nishinippon Environmental Energy Company (NEECO:Subsidiary company of Kyushu Electric Power)
 -NEECO is engaged in heat supply business, distributed generation business and energy consulting business, etc.
 -However, the achievement of distributed generation business has been worsened due to soaring fuel prices from 2004.

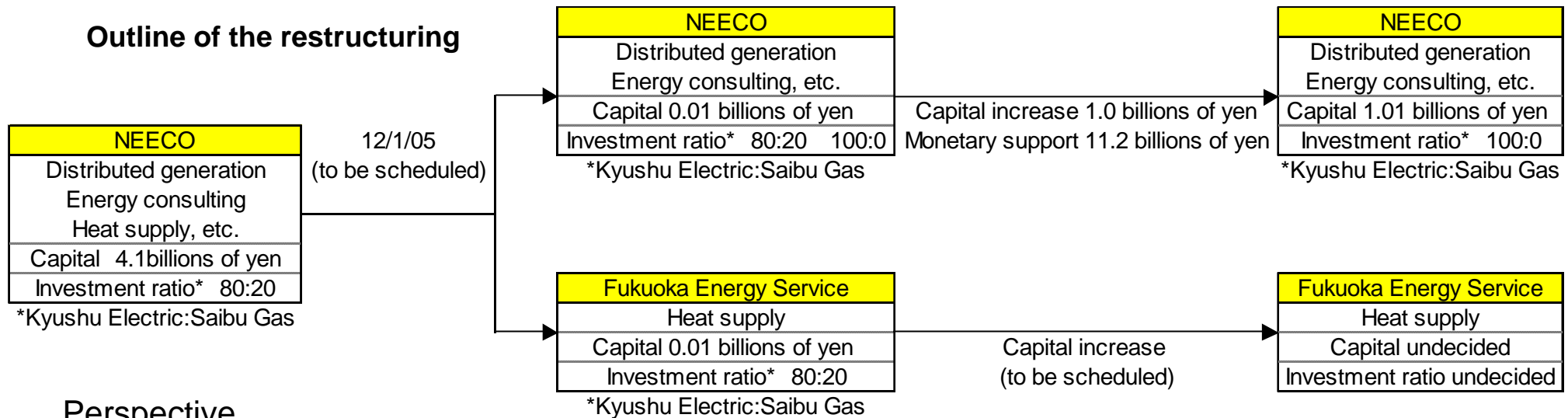
Restructuring of NEECO

-Provide 12.2* billions of yen as necessary fund such a cost of withdrawal from unprofitable matters for NEECO
 [The cost of withdrawal: 11.2 billions of yen, capital increase: 1.0 billions of yen]
 About 60% of unprofitable matters have been settled for withdrawal at the end of September.

*13.3 billions of yen as of the previous announcement in 09/14/05

-Make NEECO of a wholly owned subsidiary of Kyushu Electric Power
 -Establish a new company (Fukuoka Energy Service) separating the heat supply business from NEECO

Outline of the restructuring



Perspective

[NEECO] -Focus on Gas co-generation in the distributed generation business

-Work around to a new business in biomass energy generation as well as promote the energy consulting

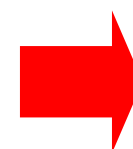
[Fukuoka Energy Service] -Pursue management efficiency by severely cutting operating expenses in the heat storage business

IT/Telecommunication business

Financial Target for IT/Telecommunication business

(Billions of yen)

		FY2004 Actual(interim)	FY2005 Forecast(interim*)
IT/Telecom (Consolidated)	Sales	69.2 (29.1)	71.0 (31.4)
	Ordinary income/loss	-2.4 (-2.4)	-3.5 (-2.5)



Financial Target FY2005-2009
IT/Telecommunication business Ordinary income Avg. ¥4 Billion

*actual

【 Strategic overview [company] 】

- Broadband service (BBIQ·IP telephone): Pursue growth as core business in IT/T business [QTNet]
- Leased line service and VLAN: Pursue management efficiency by severely cutting operation expenses [QTNet]
- IT consulting and Data center business: Expect growth in profit with value-added service [QIC]
- Communication and control systems: Concentrate on larger margin areas and cost cutting [Nishimu]
- Data network business: Expand external sales and improve profitability [QBS]

Broadband service

(Billions of yen)

		FY2004 Actual(interim)	FY2005 Forecast(interim*)
BBIQ·IP telephone	Sales	2.4 (1.0)	4.5 (1.7)

*actual

· Number of BBIQ Accounts*₁

(Thousand)

	FY2004 Actual	FY2005 (Interim* ₂)	FY2007 Target
B B I Q	48	(67)	250

*₁ accumulating *₂ actual

- BBIQ: Introduce value-added multimedia services such as e-learning and video-on-demand
- IP telephone service: Started from April 2005
- Increase direct marketing and strengthen sales structure at mass retailers

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