

Business Update

April 27, 2007



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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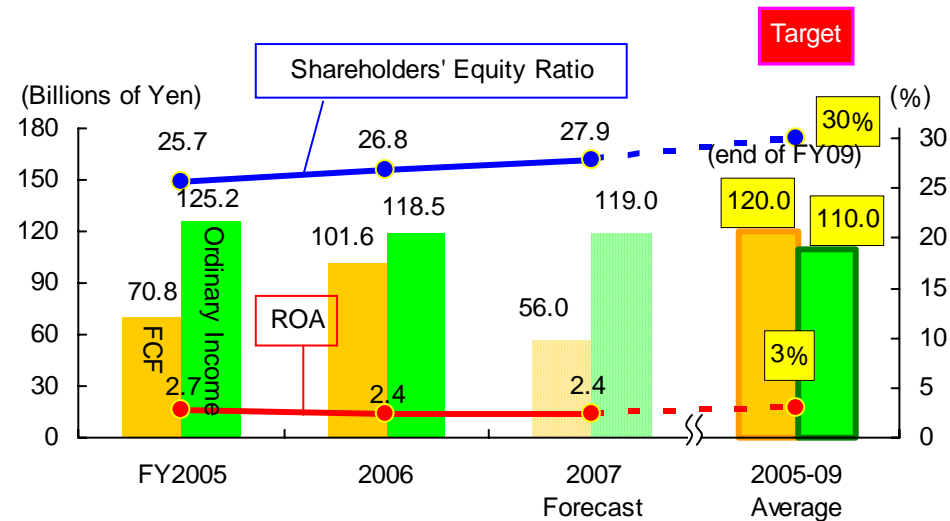
Financial Targets

Consolidated

	FY2006 Results	FY2007 Forecasts	FY2005-2009 Financial Targets
FCF	(103.0) ¥101.6 Billion	¥56.0 Billion	Ave. ¥120 Billion
Ordinary Income	(104.0) ¥118.5 Billion	¥119.0 Billion	Ave. ¥110 Billion
ROA	(2.3) 2.4%	2.4%	Average 3.0%
Shareholders' Equity Ratio	(26.8) 26.8%	27.9%	30% (End of FY09)

*Figures in () are the forecasts made in October 2006

Financial Targets (Consolidated)

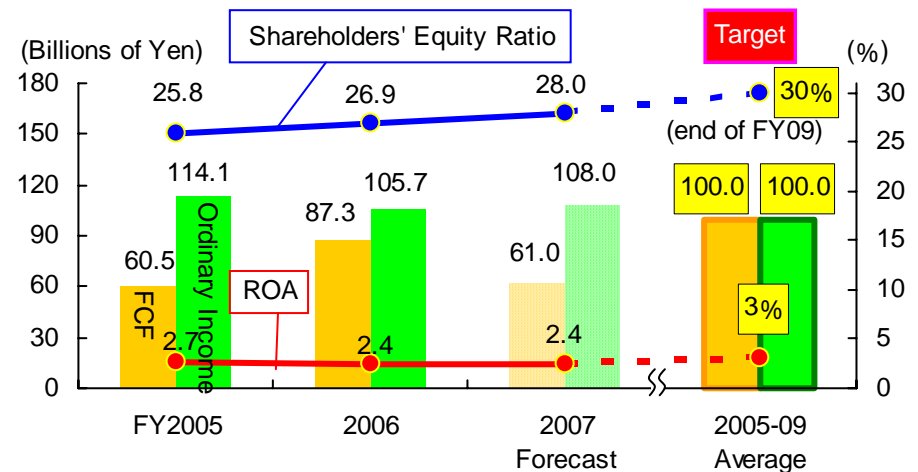


Non-Consolidated

FCF	(102.0) ¥87.3 Billion	¥61.0 Billion	Ave. ¥100 Billion
Ordinary Income	(95.0) ¥105.7 Billion	¥108.0 Billion	Ave. ¥100 Billion
ROA	(2.2) 2.4%	2.4%	Average 3.0%
Shareholders' Equity Ratio	(26.9) 26.9%	28.0%	30% (End of FY09)

*Figures in () are the forecasts made in October 2006

Financial Targets (Non-Consolidated)



Electricity Sales

Electricity Sales Volume

(100GWh, %)

	FY2005 Results	FY2006		Change (a-b)
		Results (a)	Forecasts (b)**	
General Demand	607.7	(-0.1) 607.1	(-0.0) 607.5	[-0.1] -0.4
Large Industrial	221.9	(6.8) 236.9	(5.2) 233.5	[1.5] 3.4
Total	829.6	(1.7) 844.0	(1.4) 841.0	[0.4] 3.0

*Figures in () are the rates of changes from the previous year (%), figures in [] are the rate of changes from the previous forecasts (%)

**Forecasts were made in October 2006

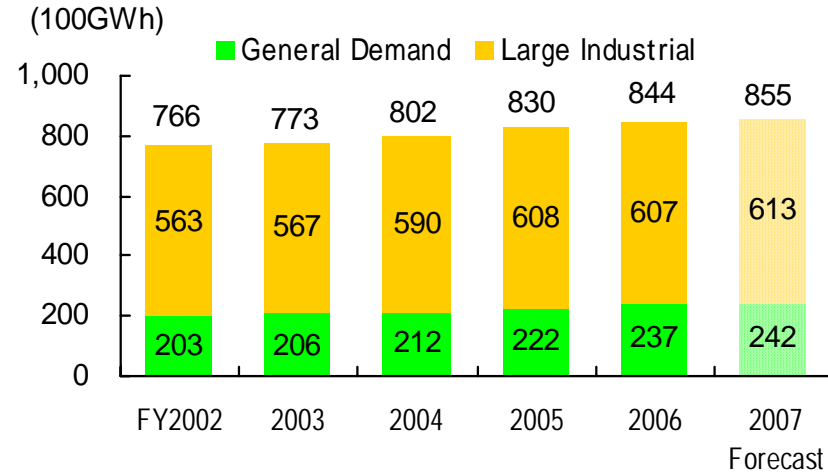
Newly Created Demand

(100GWh)

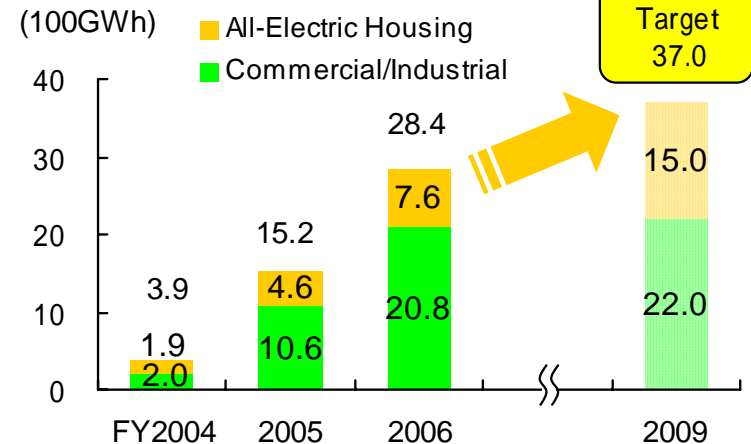
	FY04-05 Accumulated	FY2006 Results	Accumulating Total	FY04-09 Target
All-Electric Housing	4.6	3.0	7.6	15.0
Commercial /Industrial	10.6	10.2	20.8*	22.0
Total	15.2	13.2	28.4	37.0

*Customers returning from private on-site power generation account for 1.85(x100 GWh)

Electricity Sales



Newly Created Demand



Performance by Business Segment

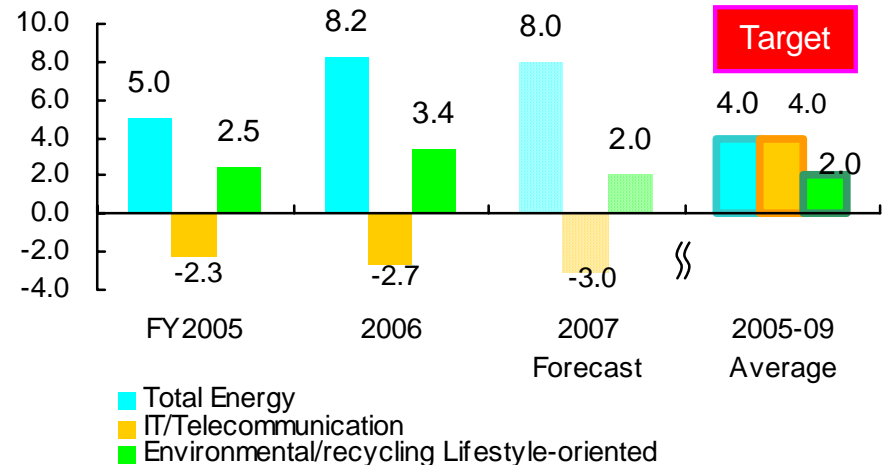
Ordinary Income by Business Segment

(Billions of Yen)

	FY2006 Results	FY2007 Forecasts	Financial Target (Ave. of FY05-09)
Total Energy	(4.0) 8.2	8.0	4.0
IT/Telecommunication	(-2.0) -2.7	-3.0	4.0
Environmental/Recycling Lifestyle-oriented	(4.0) 3.4	2.0	2.0

Ordinary Income by Business Segment

(Billions of Yen)



*Each business segment includes non-consolidated incidental businesses

**Figures in () are forecasts made in October 2006

Overseas Business

【China】

- April 2007, conclusion of the Agreement on Cooperation Framework for Renewable Energy* and the Joint Venture Contract of the wind power generation project in China's province Inner Mongolia Autonomous Region with China Datang Corporation and Sumitomo Corporation (* Information exchange on the development of renewable energy and the technical expertise and knowledge about renewable energy)

【Indonesia】

- April 2007, conclusion of the Joint Development Agreement with PT. Medco Power Indonesia and PT. Medco Geothermal Indonesia (Joint business development and cooperation in upstream business and power generation business in Indonesia and overseas)

【India】

- February 2007, conclusion of the Exchange Agreement with NTPC, a public sector thermal power generating company of India (Information exchange on power generation and environmental fields etc.)

IT/Telecommunication Business

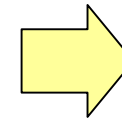
FY2006 Highlights

- Business and capital alliance between QBS and RKK Computer Service Co., Ltd. (September 2006)
 - RKKCS has an edge on system development for local governments.
 - The first case in the Group to utilize business and capital alliance to enhance external sales.
- Triple-play Service by QNet (Start operation in May 2006 in the Kagoshima region)
 - Broadcasting service in addition to the Internet connection and IP phone service in cooperation with a local cable television provider.

Broadband Service (BBIQ)

(unit: thousand lines)

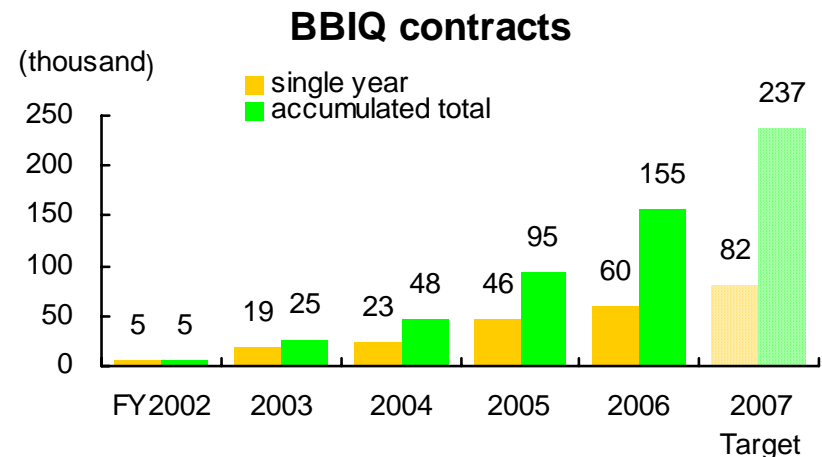
	End of FY2004	End of FY2005	End of FY2006
Accumulated # of contracts	48	95	155



End of FY2007 (Target)
237

Evaluation of each business by QNet

Data communication (Leased line · VLAN)	Capable of maintaining profitability
BBIQ	Promising steady improvement in profitability resulting from growing number of contracts. Worth aggressive business promotion
Wired phone	Unlikely to improve profitability. Further examination is undertaken



Higher Corporate Value as Kyushu EP Group

Evaluation and Action Plan

- To enhance group-wide management, each business is classified as “Supportive to electricity” or “General” and evaluated based on its mission.
- Following the evaluation, the Action Plans for each business to improve management performance are set.

Action Plan : 3-year long comprehensive business plan including business strategies to achieve

Category	Definition	Desired Role in Group	Evaluation Point	Business Category
Supportive to electricity business	Enterprise to provide necessary products and services to electricity business	Cost reduction in electricity business Contribution to the establishment of the Group's business foundation	Substitutability Cost advantage	Business entity to be: Continued, Streamlined, Continued on condition, Reformed, Withdrawn
General business	Enterprise to provide products and services unrelated to electricity business	Ensuring high profitability	Profitability Potential growth	Business entity to be: Enhanced, Sustained, Nurtured, Reformed, Withdrawn

Ongoing Action Plans

- Action plans for 86 businesses in 24 companies formulated in FY2005 are ongoing

【Achievement of Action Plan FY2005】

Supportive to electricity (58 businesses): Approx. 50% entities achieved midterm objectives earlier than originally planned due to the measures to improve efficiency
 General (28 businesses) : Most entities improved profitability

- In FY2006, Action Plan for additional 38 businesses in 22 companies have set and in progress

Revision of the Management Structure

Basic Concept of the Revision

From the perspective of clarifying the role of supervision and execution/administration, the role of directors and executive officers are revised as follows.

Director : As a member of the Board of Directors, a director shall discuss and make decisions on management policies and other business related issues in addition to supervising the business operation.

Executive Officer : Under the President's supervision, an executive officer shall be engaged in business administration and execution to the extent authorized by the company.

Revision Detail

1 Director

- Reduce the maximum number of directors from 25 to 17.
- Shorten the terms of a director from 2 years to 1 year.
- Abolish a post of senior corporate officer

(This revision regarding directors is to be discussed as a bill to amend the corporate charter at the shareholders' meeting in June 2007)

2 Executive Officer

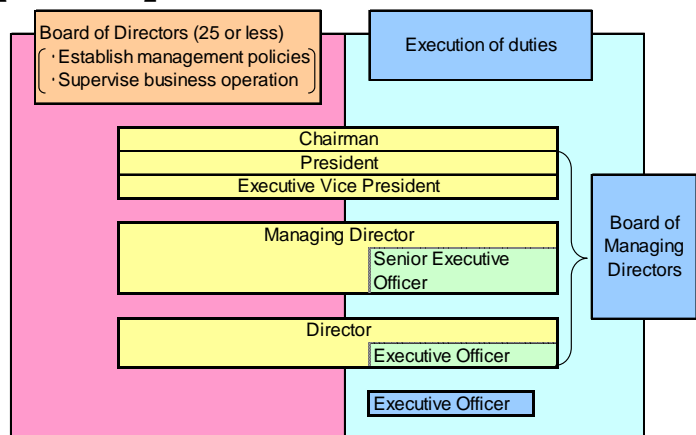
- Establish a post of Managing Executive Officer in between Senior Managing Executive Officer and Executive Officer.

3 Corporate Management Committee

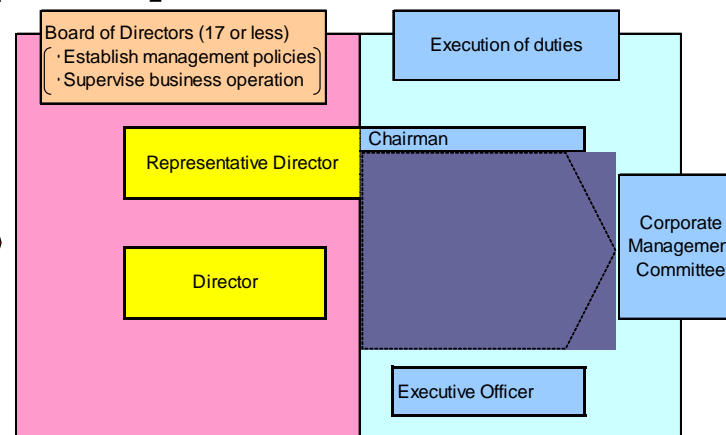
- Establish the Corporate Management Committee by revising current Board of Managing Directors. This committee shall discuss business related issues before submission to the Board of Directors for approval and shall function for the president to discuss business implementation issues upon supervision of the companywide business administration.

Revision will be implemented after the approval at the 83rd shareholders' meeting in June 2007

【Current】



【Revised】



Countermeasures based on the inspection result regarding Power Plants

Primary causes revealed in the inspection

- Lack of necessary work-related legal knowledge
- Rapid application of the habitual practices
- Insufficient systematic structure of follow-ups and OJT in operation sites

Outline of countermeasures for preventing recurrence

Measures on operation side	
1	Enhance education on business related laws and regulations (Electricity Business Act, River Law etc)
2	Include guidelines on relevant laws and regulations, compliance rules and instruction on legal procedures in operation operation manuals
3	Clarify criteria on judgment of necessity of legal application
4	Develop system to check operational processes to refer to the application to the government
5	Clear instruction on the business procedure upon changes in operation
6	Enhance communication between head office and operation sites and develop support system on interpretation of laws and regulations

Measures to improve compliance awareness	
1	Release "Message from the President" referring inspection result regarding power plants
2	Inform management level employees of the cases and the countermeasures at meetings
3	Strictly adhere to laws and business ethics by thoroughly notifying "Compliance Guideline" and promote information disclosure
4	Promote education and training on compliance
5	Enhance communication and 1-on-1 meetings in workplaces
6	Promote group-wide information sharing
7	Promote further information disclosure in nuclear power sector

Check up of the countermeasures for preventing recurrence

- Maintain the "Power Plant Inspection Committee"
- Report the progress of countermeasures to the "Compliance Committee"
- Confirm the effects of countermeasures by monitoring
 1. Utilize the internal complaint system "Compliance consultation desk"
 2. Regular check up and disclosure of compliance awareness

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