

# ENERGY IN BALANCE

Seeking sustainable solutions for our region, industry and world

Kyushu Electric Power Company Annual Report 2010



# OUR COMPANY — FINANCIAL HIGHLIGHTS

## Consolidated Financial Summary

Years Ended March 31

(Millions of U.S. Dollars)

| For the year (Billions of Yen)             | 2010      | 2009      | 2008      | 2007      | 2006      | 2010      |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
| Operating Revenues                         | ¥ 1,444.9 | ¥ 1,524.1 | ¥ 1,482.3 | ¥ 1,408.3 | ¥ 1,401.7 | \$ 15,530 |
| Operating Income                           | 99.7      | 84.7      | 105.5     | 155.1     | 171.2     | 1,071     |
| Net Income                                 | 41.8      | 33.9      | 41.7      | 65.9      | 76.8      | 449       |
| Electricity Sales Volume (Millions of kWh) | 83,392    | 85,883    | 88,082    | 84,399    | 82,956    |           |
| General Demand (Millions of kWh)           | 60,985    | 61,859    | 62,873    | 60,706    | 60,765    |           |
| Large Industrial (Millions of kWh)         | 22,407    | 24,024    | 25,209    | 23,693    | 22,191    |           |
| At year-end (Billions of Yen)              |           |           |           |           |           |           |
| Total Assets                               | 4,054.1   | 4,110.8   | 4,059.7   | 4,038.8   | 4,102.3   | 43,574    |
| Shareholders' Equity* <sup>1</sup>         | 1,071.7   | 1,054.7   | 1,067.0   | 1,081.6   | 1,052.7   | 11,519    |
| Interest-bearing Debt                      | 2,004.7   | 2,110.6   | 2,040.0   | 2,031.7   | 2,104.9   | 21,547    |
| Per share of common stock                  |           |           |           |           |           |           |
| Net Income (yen and U.S. dollars)          | 88.38     | 71.84     | 88.19     | 139.37    | 161.67    | 0.95      |
| Cash Dividends (yen and U.S. dollars)      | 60.00     | 60.00     | 60.00     | 60.00     | 60.00     | 0.64      |
| Financial ratios (%)                       |           |           |           |           |           |           |
| ROA* <sup>2</sup>                          | 1.6       | 1.3       | 1.7       | 2.4       | 2.7       |           |
| ROE* <sup>3</sup>                          | 3.9       | 3.2       | 3.9       | 6.2       | 7.6       |           |
| Equity Ratio                               | 26.4      | 25.7      | 26.3      | 26.8      | 25.7      |           |

\*<sup>1</sup> Shareholders' Equity = Equity - Minority Interests

\*<sup>2</sup> ROA = After-tax Operating Income/Average Total Assets at beginning and ending of the Fiscal Year

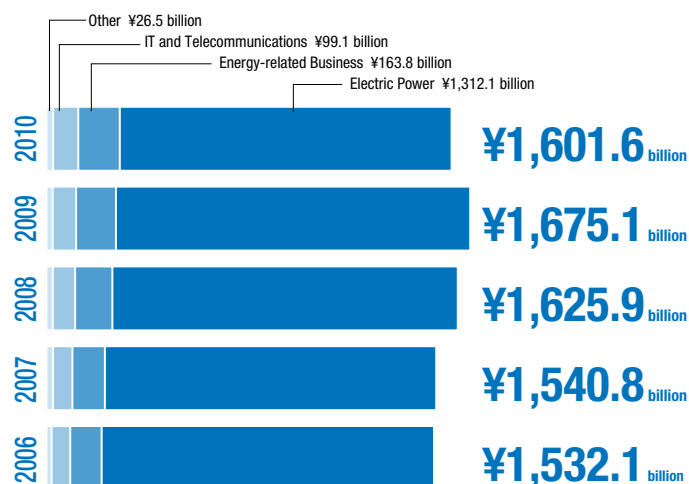
\*<sup>3</sup> ROE = Net Income/Average Equity at beginning and ending of the Fiscal Year

\*<sup>4</sup> The figures under one billion are rounded down.

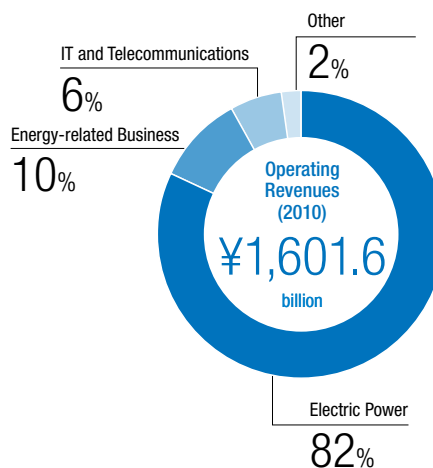
(U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥93.04=U.S.\$1, the approximate rate of exchange at March 31, 2010.)

## Segment Information (before eliminating internal transactions)

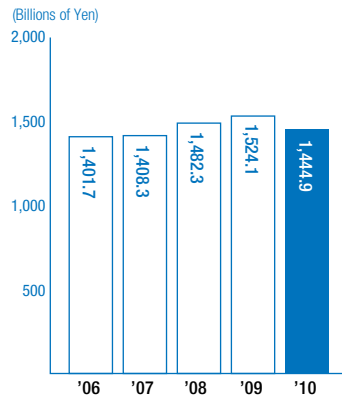
### Operating Revenues



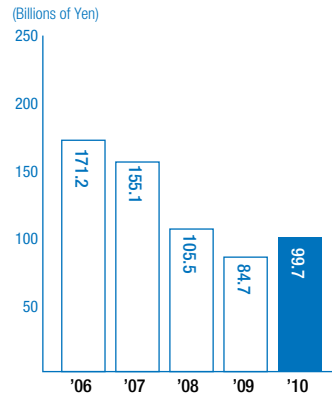
### Revenue Share by Segment



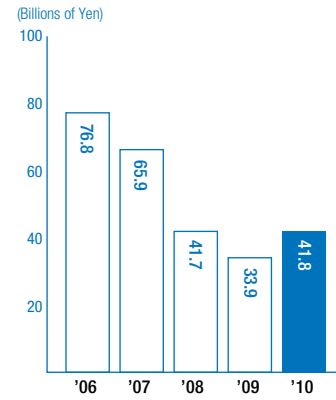
### Operating Revenues



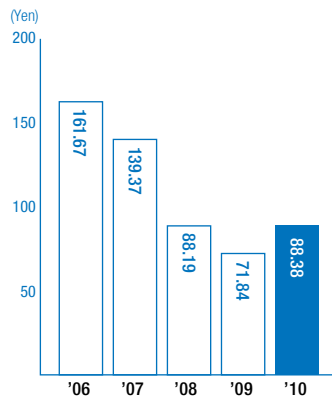
### Operating Income



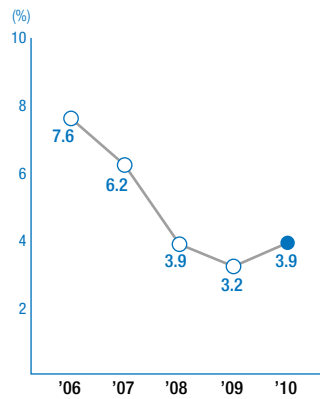
### Net Income



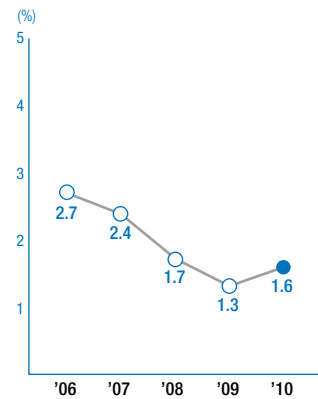
### Earnings per Share (EPS)



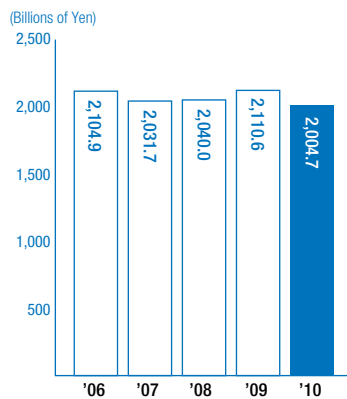
### Return on Equity (ROE)



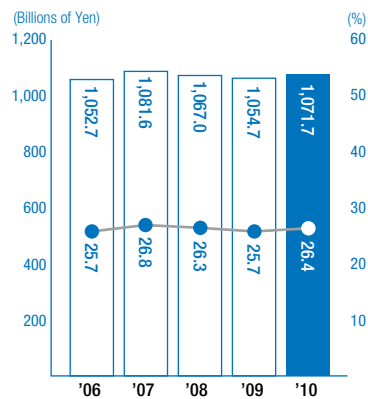
### Return on Assets (ROA)



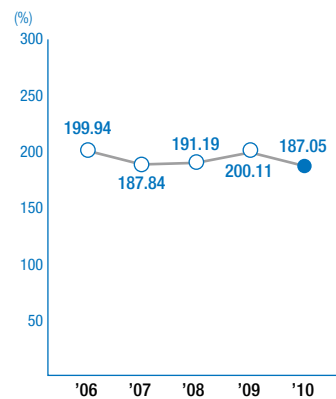
### Interest-bearing Debt



### Shareholders' Equity/Equity Ratio



### Debt/Equity Ratio



# ANNUAL REPORT 2010

## CONTENTS

### 01 → 06 OUR COMPANY — MARKET OPTIMIZED

#### Kyushu Electric Power's Mission — Enlighten Our Future

- 01 Financial Highlights
- 03 Kyushu Electric Power Group's Principal Activities
- 05 Development around the Kyushu Region



### 07 → 19 OUR STRATEGY — POWER FOR THE LONG RUN

#### Challenges That Lie Ahead

- 07 Long-term Management Vision and Medium-term Management Policy
- 09 To Our Shareholders and Investors
- 11 An Interview with the President
- 18 Response to Key Management Issues



### 20 → 31 OUR OPERATIONS — CUSTOMER CONNECTED

#### Creating Sustainable Corporate Value

#### Special Feature: Leveraging Our Strengths in Strategic Actions for the Future

- 21 Developing Nuclear Power and Maintaining a High Nuclear Power Utilization Rate
- 23 Promoting Renewable Energy to Address Global Environmental Problems
- 25 Overseas Operations Focused on the Continuously Growing Asia Region
- 27 Environment-friendly Energy Business: Energy Business in Kyushu
- 30 Environment-friendly Energy Business: Energy Business Overseas
- 31 Social/Lifestyle-oriented Service



### 32 → 37 OUR STRUCTURE — MANAGEMENT CONNECTED

#### Building Management Infrastructure

- 33 Corporate Governance
- 34 Board of Directors and Auditors
- 35 Corporate Social Responsibility
- 36 Compliance Management
- 37 Environmental Management



### 38 → 70 FINANCIAL INFORMATION

- 71 Outline of Kyushu Electric Power's History
- 72 Corporate Data

#### Disclaimer Regarding Forward-looking Statements:

Statements made in this annual report regarding Kyushu Electric Power Group'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.

The Kyushu Electric Power Group provides steady and reliable environment-friendly electricity and energy for our customers and businesses that contribute to the creation of a sustainable society.

Since its establishment in 1951, the mission of the Kyushu Electric Power Company has been to assure quality and comfort in life for customers and their local communities by providing a stable supply of electricity. We have weathered many changes, including post-war reconstruction and subsequent high economic growth, the oil shocks of the 1970s, the development of high-speed information systems and the recent deregulation of the electric power industry. In the decades to come, we will continue to fulfill our social responsibility through the discharge of our mission.

# OUR COMPANY

— MARKET OPTIMIZED

## Enlighten Our Future

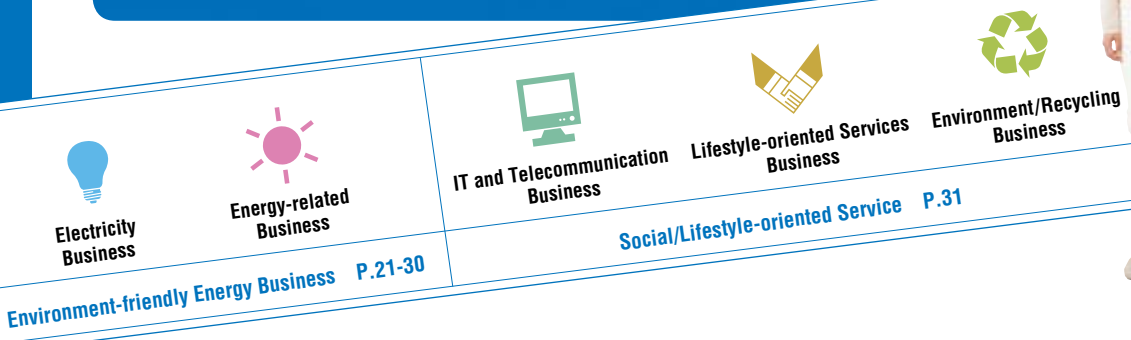
Towards a comfortable and environment-friendly lifestyle today and for generations to come.



# OUR COMPANY — KYUSHU ELECTRIC POWER GROUP'S PRINCIPAL ACTIVITIES

## Close to customers in a variety of life activities

The core business of the Kyushu Electric Power Group is the Environment-friendly Energy Business, which provides a stable supply of renewable and low-carbon electric power and energy while addressing global environmental problems. In the Social/Lifestyle-oriented Service, we assist customers in their daily tasks, with an IT and telecommunication business that utilizes our corporate resources, an environment and recycling business that supports the creation of a recycling-based society and a lifestyle-oriented services business adapted to the needs of the customers and communities we serve. In this business we are committed to providing services that further increase the quality of society and the quality of life.



### Electric power business

In addition to providing a stable supply of electricity, Kyushu Electric Power Company offers corporate customers comprehensive energy proposals that combine environment friendliness with comfort to meet diverse needs. For our residential customers, we promote all-electric housing, focusing on the highly energy efficient EcoCute system, and provide a mobile phone messaging service that delivers power outage notifications and emergency information at the time of disaster.

### Condominiums for senior citizens

Kyuden Good Life Company, Inc. operates condominiums for senior citizens that offer full-featured medical support for highly fulfilling, convenient post-retirement living.



### Fluorescent tube and battery recycling business

J-Re-Lights Co., Ltd. manufactures (OEM basis) and sells Japan's first fluorescent tubes produced using recycled materials such as glass and metals.



### Erasure of information on confidential documents and paper recycling

Kyushu Environmental Management Corporation provides an end-to-end document management service by operating a secure closed-loop recycling system for turning confidential documents back into new photocopier paper.



### Temporary staffing and job placement services

Kyuden Business Front Inc. elicits the maximum potential from workers and supports the HR strategies of companies through its temporary staffing and job placement business.





Kyuhen Co., Ltd. manufactures and sells all-electric products, including a high-efficiency heat pump water heater "EcoCute" that effectively uses heat from the air, and an induction cooker "IH cooking heater" that can cook quickly and efficiently without using fire.

## EcoCUTE



## IH cooking heater



### Fundamental principle

### Kyushu Electric Power Group Management Basic Policy

We at all times provide steady and reliable electricity and energy to our customers and contribute to the creation of a comfortable, environment friendly and sustainable society through the provision of services that increase the quality of society and the quality of life.



## Solar power generation

Kyudenko Corporation and Kyuki Corporation supply individual customers with residential solar power generation systems. Kyuden Ecosol Co., Ltd. and Nishinippon Plant Engineering and Construction Co., Ltd. supply corporate customers with solar power generation systems for office buildings, plants and other structures.

## Fast-charging system for electric vehicles



Kyuki Corporation promotes the use of eco-friendly electric vehicles by manufacturing and selling a fast-charging system for electric cars that it developed jointly with the Company.

## Optical broadband service

The BBIQ optical broadband service operated by Kyushu Telecommunication Network Co., Inc. (QTNNet) includes reliable Internet and optical fiber telephone services as well as optical fiber television service in urban areas of Fukuoka and Kagoshima.



## Reliable network solutions

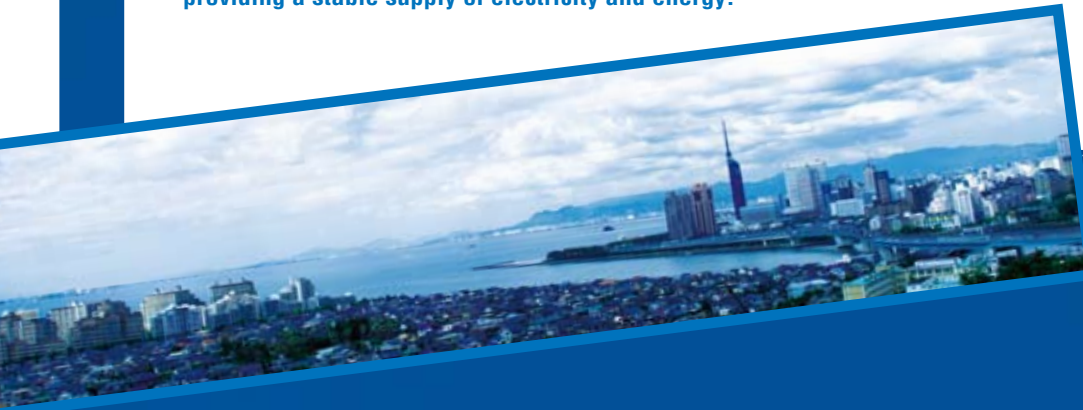
### The Megakiku information network solution

At Nishimu Electronics Industries Co., Ltd. IT specialists provide the Megakiku solution for optimizing corporate networks, including LAN services and image monitoring services.



# Still growing with the region and society

The Kyushu Region, our primary business area, is closer than any other region to the Asian continent and has long been a gateway to the countries of Asia. The people of Kyushu have leveraged this advantageous geography in developing their industry and economy. The Kyushu Electric Power Group has continued to support the growth of the region and its communities by constantly providing a stable supply of electricity and energy.



**EARNINGS STABILITY:**

## Principal Advantages of the Kyushu Region, the Group's Principal Business Territory

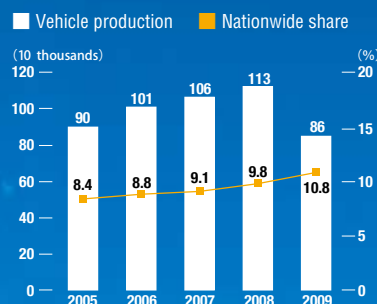
The Kyushu Region is home to many industries, including semiconductor and automobile production, and the region's gross domestic product is equivalent to that of a medium-size European country. The Company is achieving stable growth with the Kyushu Region as its base of operations.

Until the 1980s, manufacturing in the Kyushu Region consisted mainly of heavy industries such as iron and steel, chemicals, cement and shipbuilding. Today, however, Kyushu is increasingly the location of choice for semiconductor and automobile plants. Kyushu accounts for approximately 20% of Japan's semiconductor output and 10% of

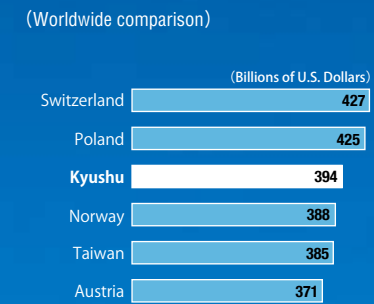
automobile output. The concentration of production sites in these industries has reached the point where Kyushu is often called "Silicon Island" or "Car Island." Furthermore, thanks to the concentration of semiconductor-related industries, a number of manufacturing plants for next-generation solar cells, such as thin film solar cells, are being located in Kyushu. Increased

production of these solar cells is planned in response to worldwide market expansion, and annual production capacity is expected to increase approximately sevenfold from the current level of 210,000 kilowatts to 1,430,000 kilowatts by around 2012. Demand for electric power is forecast to steadily increase bolstered by additional industrial concentration in the region.

**Number of Automobile Production in Kyushu**



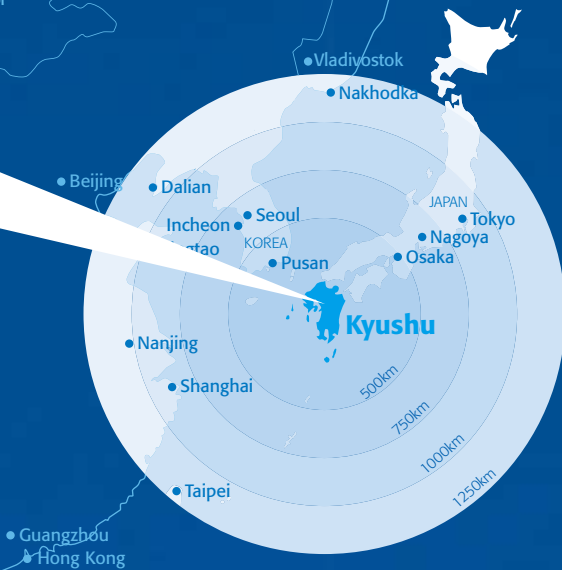
**Gross Domestic Product of the Kyushu Region**





**FOR FUTURE GROWTH:  
Exchanges with Asia and Other  
Overseas Regions**

The Group takes advantage of the Kyushu Region's brisk economic exchange with Asian countries to actively engage in businesses overseas.



The Yellow Sea connects Kyushu with the coastal regions of rapidly growing China and South Korea in what is known as the Yellow Sea Rim Economic Zone. This area has a population comparable to that of the European Union and enjoys flourishing trade, and further growth is expected in the coming years. At the same time, Kyushu is located within 1,000 kilometers of Osaka, Tokyo and other major cities in Japan. The Group takes advantage of Kyushu's fortuitous location at the center of a highly attractive market to do business overseas, with a focus on Asia.

**Import and Export  
Value in Kyushu**

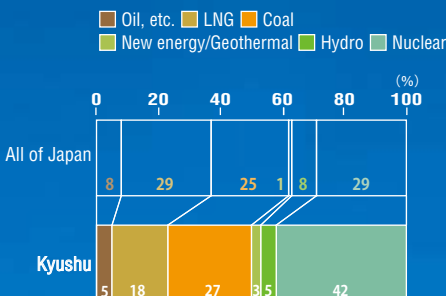


**DIVERSITY OF POWER SUPPLY:  
An Optimal Mix of Environment-  
friendly Power Sources**

The Company has positioned nuclear power as a core power source for securing a long-term stable supply of energy and realizing the government's goal of a low-carbon society and is pursuing balanced power source development involving the promotion of renewable energy sources and improvement in thermal power efficiency.

Today, assuring energy security amid global energy supply instabilities and reducing emissions of CO<sub>2</sub> and other greenhouse gases to combat global warming have become pressing and permanent tasks. To secure a long-term stable supply of energy and promote the government's aim of making Japan a low-carbon society, the Company promotes nuclear power and actively introduces solar, wind and other forms of renewable energy.

**Composition of power output at  
Kyushu Electric Power**



**Explanatory notes**

- Hydroelectric power station (more than 50 thousands kw)
- Pumped storage power station
- Thermal power station
- Nuclear power station
- Geothermal power station
- Inner thermal power station
- Wind power stations
- Main substation, switchyard
- 500 kV power line
- 220 kV power line
- Other company's equipment

The figure of facilities show output (kW)  
(as of March 31, 2010)



# OUR STRATEGY

## POWER FOR THE LONG RUN

### Management from a Long-term Perspective to Realize Kyushu Electric Power's Mission

Even in times of sweeping change, Kyushu Electric Power seeks to realize its mission and contribute each day to comfortable, environment-friendly living for our customers through the stable provision of electric power and energy. To consistently overcome the difficult challenges this mission entails, the Company has defined an overall management direction in the Long-term Management Vision. The Medium-term Management Policy directly addresses key issues and assures coordinated implementation by establishing the direction for the specific measures required to achieve the management vision.

#### Grounded in a Long-term Perspective

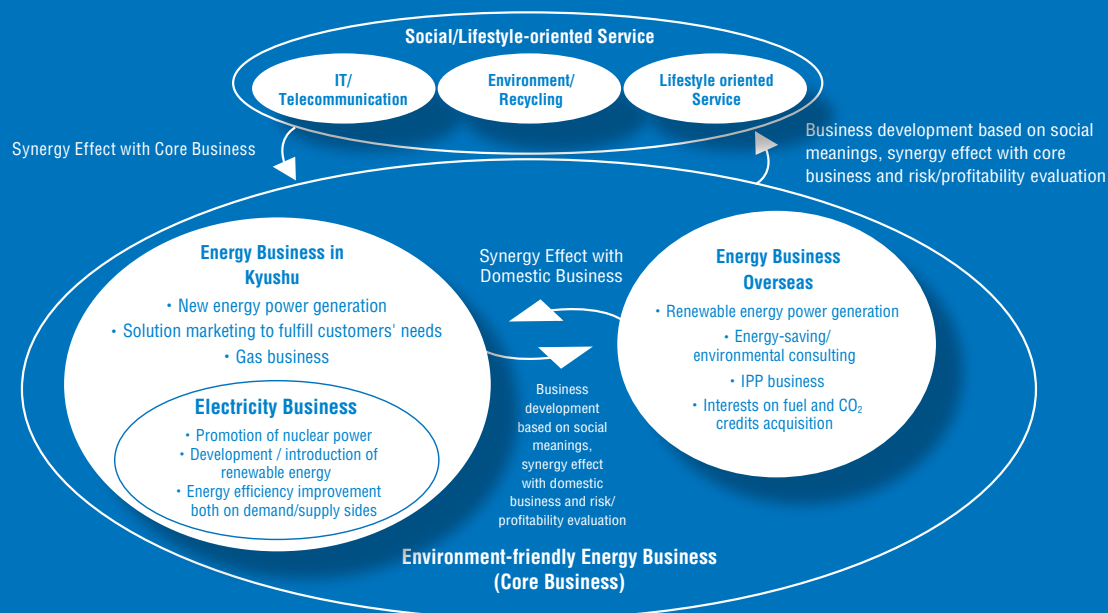
Many issues, such as rising uncertainty in the economic outlook, growing worldwide energy demand, dwindling energy resources and the increased urgency of global environmental problems, are each likely to bring dramatic and rapid change in the business environment. Yet, in the electric power business, extremely long periods of time are required for the development and maintenance of facilities. For

example, the construction of major power sources and trunk transmission system infrastructure take from 20 to 30 years. In addition, the development of personnel and organizational systems, the establishment of business operation systems and technical succession all unfold over decades. In view of the extremely long business cycle that is characteristic of the electric power business, in March 2009 the Company

established the Long-term Management Vision, our first in a quarter century. In the Long-term Management Vision, we define three management directions grounded in a long-term perspective. By implementing measures in line with those directions, we will achieve Kyushu Electric Power's Mission as expressed in the brand message "Enlighten Our Future."



## Business Domain



## Medium-term Management Policy

### Items for Immediate Implementation

The Company has established the new Medium-term Management Policy, covering the three-year period from fiscal 2009 to 2011, which sets forth the direction for specific policies and measures in accordance with the Long-term Management Vision. There are three key objectives in the policy. The first is to engage in activities from a long-term perspective. For example, we are responding appropriately to severe income and expenditure conditions, such as unstable fuel prices and the slow recovery of business conditions. We are also addressing essential tasks involving

nuclear power, sustainable energy and energy conservation, and we are addressing long-term trends in the social environment. These are “tasks that must be undertaken now, before it’s too late.”

The second key objective is to make environment-friendly energy a core business. The increased importance of energy security and global environmental problems signal a potential for a shift to electric power from other energy sources for greater environmental friendliness and economics. Therefore, we are aggressively repositioning the environment-friendly energy business as

a core business on the basis of technologies and expertise developed heretofore.

Finally, the third key objective is to prepare ourselves to tackle the long-term issues identified under the “five pillars.” During the three years of the plan, we are organizing the management issues to be addressed from a long-term perspective, positioning initiatives to address these issues as management objectives to be shared with stakeholders within and beyond the Group and implementing those initiatives.

## THE FIVE PILLARS OF KEY INITIATIVES

1. Measures to ensure the stable supply of electric power for the future and a response to global environmental problems
2. The provision of high-value-added services that combine comfort with environmental friendliness
3. Contribution to the creation of sustainable societies in Kyushu, in Asia, and around the world
4. Measures to develop an income and expenditure structure adaptable to changes in circumstances
5. Work style reform and organizational development in response to next-generation needs

# OUR STRATEGY — TO OUR SHAREHOLDERS AND INVESTORS

To satisfy everyone whose life is touched by the business activities of the Kyushu Electric Power Group, we aim for a sustained increase in corporate value by appropriately responding to major change and managing our business as a responsible global citizen.

## The Basic Corporate Stance

The unchanging goal of our business activities is to achieve Kyushu Electric Power's Mission as expressed in the brand message "Enlighten Our Future."

Despite encouraging signs of an economic upturn, the business environment surrounding the Group remains fraught with uncertainties, including concerns about the impact of deflation and worsening of the employment situation. Also, the long-term business environment is likely to undergo further sweeping changes, such as difficulty in securing resources due to expansion of energy demand attendant on worldwide population increase and economic growth in developing countries and the increased importance of global environmental problems. While appropriately coping with this sweeping change in the times, we will engage in management grounded in CSR and create sustained value for everyone involved in the Company's business activities.





# OUR VISION

## Providing Value to Stakeholders

In the Long-term Management Vision, we consider societal needs that will arise from changes in the economy and society over a long-term span of 30 years. Our aim is to provide continuous and socially significant value.

Specifically, we will position nuclear power as a core power source for ensuring a long-term, stable supply of energy and realizing the government's goal of a low-carbon society. We will also provide

customers with a stable supply of environment-friendly energy through supply-side and demand-side energy efficiency improvements through nuclear power generation and renewable energy sources, improvement in the thermal efficiency of thermal power generation and promotion of energy conservation by customers.

We believe that by providing the desired value to society, we create value for all stakeholders on a sustained basis.

## Achieving a Sustained Increase in Corporate Value Group-wide

To realize the business objectives set forth in the Long-term Management Vision, which defines the long-term management direction, the Company implements activities based on the Medium-term Management Policy. We have also established the Kyushu Electric Power Group Management Basic Policy and engage in united group-wide management. Our basic management principle is "We at all times provide steady and reliable electricity and energy to our customers and contribute to the creation of a comfortable, environment-friendly and sustainable society through the provision of services that increase the quality of society and the quality of life."

The Kyushu Electric Power Group is committed to achieving a sustained increase in corporate value by steadily implementing the activities set forth in the management vision and management policy, including the stabilization of businesses to provide a long-term reliable supply of electricity and energy, the Group's mission and earning the trust of local communities through CSR activities grounded in the public good. We request the continuing understanding and support of our shareholders and investors in the years ahead.

## THE CREATION OF SUSTAINED CORPORATE VALUE

### Customer Satisfaction

- The stable supply of environment-friendly energy
- Realization of competitive energy prices through means including rigorous management efficiency
- Lifestyle proposals and service provision that combine comfort with environmental friendliness

### Contribution to a Sustainable Society

- CO<sub>2</sub> emissions reduction
- Contribution to the creation of sustainable communities
- Contribution to the creation of sustainable societies in Asia and around the world through the utilization of energy and environmental technologies and expertise

### Co-creation with Business Partners

- Building relationships of mutual trust, cooperation and joint creation of value

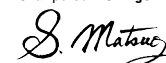
### Employee Job Satisfaction and Growth

- Job satisfaction and growth
- Improvement of work-life balance


### Financial Results

- Achieved through the provision of value to customers, local communities and society at large

Chairperson: **Shingo Matsuo**



President: **Toshio Manabe**



# OUR MANAGEMENT



**We are addressing key issues to ensure that every day we provide reliable electric power and energy for the comfortable, environment-friendly living for our customers.**

The Medium-term Management Policy covers the period from fiscal 2009 to fiscal 2011. It describes key initiatives of immediate focus, including the promotion of nuclear power, expanded introduction of renewable energy and promotion of energy conservation. We aim to create sustained value for everyone affected by the Company's business activities by engaging in management grounded in CSR to address issues identified under the five pillars of key initiatives, which we have set forth as our management objectives.

In fiscal 2009, the first year of the Medium-term Management Policy, I believe we were successful in reinforcing our infrastructure to ensure a stable supply of electric power now and into the future. We started up Japan's first pluthermal plant, at the Unit 3 of the Genkai Nuclear Power Station and continued with the planned expansion of the Unit 3 of the Sendai Nuclear Power Station.



## Q.1

### How would you summarize fiscal 2009, the first year of the Medium-term Management Policy?

**A.** In fiscal 2009, economic conditions in Japan remained adverse, due to continued stagnation in capital investment and employment. However, due to economic stimulus measures and economic improvement abroad, business conditions improved, centered on exports and production. As a result, the Group's profits increased, despite a decline in electricity demand, because of the decline in fuel costs. Although consolidated operating revenues decreased 5.2% year on year to ¥1,444.9 billion, operating income rose 17.7% to ¥99.7 billion, and net income increased 23.0% to ¥41.8 billion.

In addition, although the amount of electric power sold declined on a year-on-year basis for the second consecutive year, it has picked up steadily in 2010. Since this trend is

expected to continue, we forecast a year-on-year increase in fiscal 2010.

With regard to business activities in fiscal 2009, I feel we moved our nuclear power program forward with ongoing preparations for expansion of the Unit 3 of the Sendai Nuclear Power Station and the December 2009 start-up of Japan's first pluthermal process at the Unit 3 of the Genkai Nuclear Power Station. We also moved ahead with activities to expand renewable energy use, notably the start of construction of the large-scale Omuta mega solar power plant. We were able to steadily implement these and other measures in line with the Medium-term Management Policy, and I feel we achieved considerable success in the first year of the policy.

#### Electricity Sales Volume (Million kWh)

|   | FY2009        | FY2008        | Difference    | Change       |
|---|---------------|---------------|---------------|--------------|
| Lighting                                    | 29,172        | 29,254        | -82           | 99.7%        |
| Power                                       | 54,220        | 56,629        | -2,409        | 95.7%        |
| <b>Electricity sales total</b>              | <b>83,392</b> | <b>85,883</b> | <b>-2,491</b> | <b>97.1%</b> |
| Customers other than large-scale industrial | 60,985        | 61,859        | -874          | 98.6%        |
| Large-scale industrial customers            | 22,407        | 24,024        | -1,617        | 93.3%        |

# OUR STRATEGY — AN INTERVIEW WITH THE PRESIDENT



Kyushu Electric Power has positioned the Environment-friendly Energy Business as a core business. We are moving forward with nuclear power generation. We are also actively introducing renewable energy sources and conducting research and verification tests to ensure a stable supply of renewable energy.

## Q.2 How is the Company tackling its key policy issues of assuring long-term stable supply of electricity and addressing environmental problems?

**A.** Japan currently imports the majority of the energy it needs. Since the supply of energy is frequently affected by the state of world affairs, we regard the assurance of energy security to be an extremely important priority. In addition, to alleviate global warming, we must implement immediate and permanent measures to help achieve a low-carbon society—based primarily on nuclear power and augmented by renewable energy sources such as solar and wind power.

With nuclear power in particular, we are maintaining safe and stable operation and engaging in proactive information disclosure. This includes outreach to obtain the understanding of local residents for the development of the Unit 3 of the Sendai Nuclear Power Station, which is scheduled for startup in fiscal 2019. Also, we are placing the highest priority on safe operation

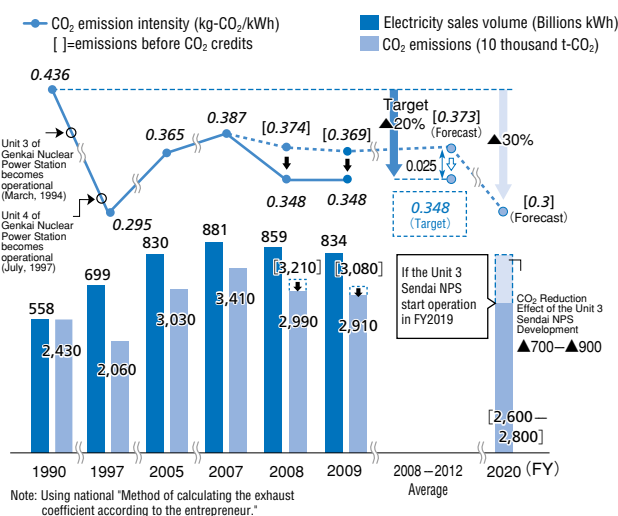
in the implementation of pluthermal power generation at the Unit 3 of the Genkai Nuclear Power Station.

We develop power distribution facilities for long-term needs by considering demand trends, reliability of supply from the customer's point of view, facility safety and operation, and cost. At the same time, we are reducing power outages, whether from accidents or foreseeable problems. We are constructing a trunk transmission system that will curtail widespread long-term power outages even in the event of facility damage by a large-scale natural disaster. We are currently proceeding with the 500,000-volt Kitakyushu Trunk Line and the 500,000-volt Hyuga Trunk Line with the understanding and cooperation of local residents.

We have set a target of reducing CO<sub>2</sub> emissions per unit of electric power sold by about 20% from the fiscal 1990 level on average from fiscal 2008 to 2012 through supply-side and use-side reductions combined with utilization of the Kyoto Mechanisms. In addition, to curb CO<sub>2</sub> emissions over the medium term to long term, we plan to develop the Unit 3 of the Sendai Nuclear Power Station and a fourth unit for the No. 3 System of the Shin Oita Power Station while also actively introducing wind power and solar power. As a result, in fiscal 2020 we expect our per-unit CO<sub>2</sub> emissions to be 30% below the fiscal 1990 level.

To prepare for widespread use of renewable energy, we are developing environment-friendly energy supply systems, including smart grids, next-generation transmission and distribution networks, and pilot testing a micro grid system for outlying islands that combines conventional internal combustion power generation with renewable energy from solar power and wind power and storage batteries.

**Trends in CO<sub>2</sub> Emissions, and CO<sub>2</sub> Emission Intensity**





Kyushu Electric Power will contribute to the development of environment-friendly lifestyles and communities not only by implementing supply-side initiatives, but also by reducing customers' CO<sub>2</sub> emissions through comprehensive energy proposals that promote an energy-saving, comfortable lifestyle that meets customers' needs. Also, we will continue to promote all-electric residences and the EcoCute system to further increase efficiency in energy use.



### Q.3 The Company is focusing on high-value-added services that combine comfort with environmental friendliness. What specific activities are you undertaking?

**A.** In view of customers' increased dependence on electricity, the Company is implementing measures to maintain a high level of reliability, including the development of transmission and distribution systems, the introduction of construction methods that do not interrupt the power supply and distribution automation. We are also striving to deliver high-quality electric power by developing highly efficient, rational facilities aligned with demand and customer needs.

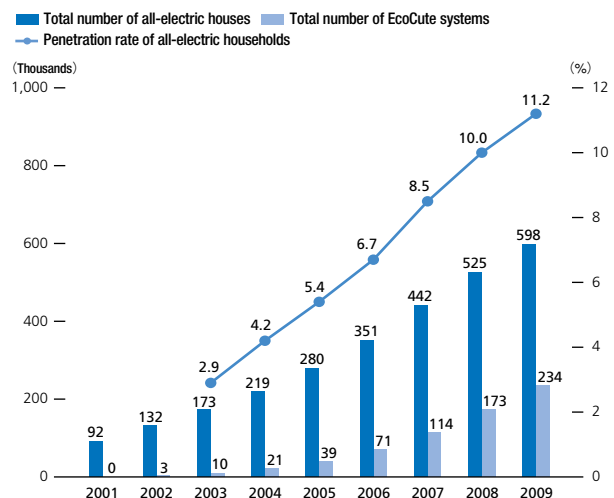
To directly address global resource and environmental problems, as well as issues of customer comfort, we believe that it is important to not only implement supply-side measures such as the promotion of nuclear power and the development and introduction of renewable energy, but also to actively support demand-side energy conservation on the part of customers. Accordingly, the Company offers corporate customers comprehensive proposals for energy solutions to meet diverse needs and solve issues related to environmental friendliness and comfort. These proposals include the introduction of efficient energy conservation methods and the promotion of efficient, comfortable electric kitchens and high-efficiency heat pump air conditioning and hot water supply systems. For our individual customers, we promote an energy-saving, comfortable lifestyle that enables people to lead comfortable, environment-friendly lives through the waste-free, skillful use of electricity. These efforts focus on the promotion and dissemination of all-electric housing based on the highly energy-efficient EcoCute system.

The total number of all-electric residences has nearly doubled during the past four years, exceeding 600,000 at the

end of April 2010. Cumulative installations of high-efficiency EcoCute residential electric hot water supply systems surpassed 230,000 systems by the end of fiscal 2009, and our target is 500,000 systems by the end of fiscal 2013.

By providing services to increase the efficiency of energy use in the form of high-value-added services that better customers' lives, we are working to reduce CO<sub>2</sub> emissions not just within the Group, but also together with customers.

Spread of All-electric Housing



# OUR STRATEGY — AN INTERVIEW WITH THE PRESIDENT



The Company is increasing the efficiency of facility investments, repair costs and overhead, while also developing flexible, diverse revenue and profit sources—to create an income and expenditure structure that is freely adaptable to change. Moreover, we will seek to distribute resources appropriately across our businesses based on risk assessment, and to achieve further improvements in efficiency. In addition, we aim to decrease fuel costs through the establishment of a flexible fuel procurement portfolio.

## Q.4 Electric power industry expenses, such as facility development costs, are squeezing earnings. What are your plans for reinforcing revenue and profits?

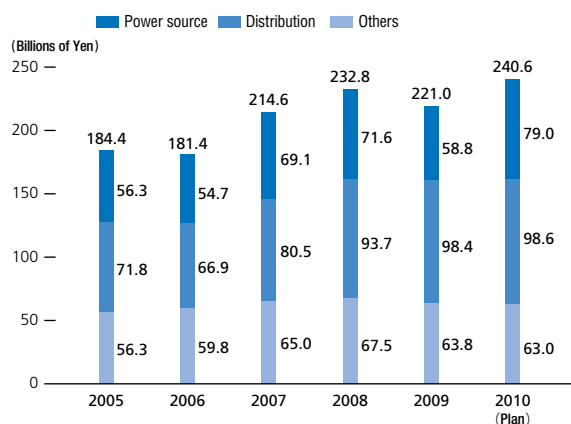
A. To further reinforce the revenue and profit structure, we are working to boost the efficiency of facilities investment, repairs and overhead. We are reviewing the timing and the scope of construction, and we are maximizing the efficiency of repairs and overhead across all operations by adjusting repair schedules on the basis of risk assessment informed by inspection results and other inputs and by narrowing down the scope of repairs and overhead in accordance with cost effectiveness.

In addition, fuel procurement is expected to become increasingly difficult over the medium to long term. Accordingly, we are working to reduce fuel costs and ensure stability by moving forward with diversification of fuel suppliers, contract

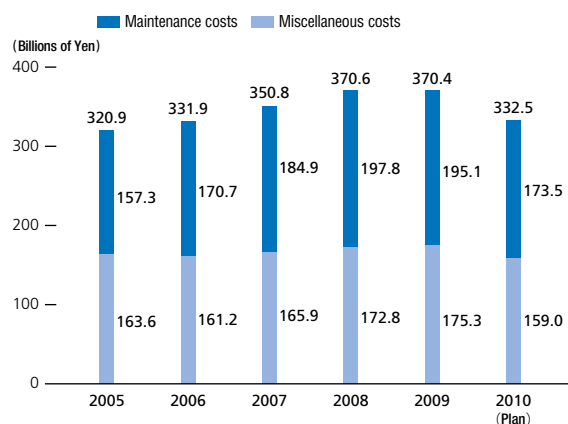
periods and pricing methods. At the same time, we are ensuring stable procurement by acquiring upstream rights to secure a long-term, stable supply of fuel and ensure economical procurement. In fiscal 2009, we entered into a basic agreement concerning participation in a new LNG exploration and production project in Australia.

These and other initiatives will place us among the leaders in the industry in cost competitiveness. That becomes the foundation for stable dividends when combined with other cost efficiencies and the higher profits that come from a strong financial structure. Further stabilities are to be gained by the diversification of revenue and profit sources, including the overseas energy business.

Trends of Capital Expenditure



Trends of Maintenance and Miscellaneous Costs



Note: Miscellaneous costs, including waste disposal cost, supplies expense, remedial expenses, rent, outsourcing cost, development-related cost, training cost, research expense and overhead cost.

Kyushu Electric Power has positioned the Environment-friendly Energy Business as a core business. We are moving forward with nuclear power generation. We are also actively introducing renewable energy sources and conducting research and verification tests to ensure a stable supply of renewable energy.



## Q.5 The Company actively engages in overseas business operations, with a focus on Asia. What results do you expect from overseas operations?

A. Although we expect the amount of electric power sold in the Kyushu Region to steadily increase in the medium to long term, business growth here will be gradual. We forecast annual increases of 0.7% over ten years. Accordingly, the Company's overseas energy business will drive corporate value growth. We participate in electric power generation, consulting and environment-related businesses overseas. These activities enable us to apply the expertise and leading-edge technologies developed in Kyushu as creative solutions in overseas markets, which offer greater potential for environmental improvement

gains and supply stability than our home market. We currently have an ownership interest in overseas power generation facilities with total capacity of 1.3 million kilowatts, for a total investment amount of approximately ¥30.0 billion. Over the next decade, we plan to expand our total investment to about ¥100.0 billion and our interest to about 3.0 million kilowatts.

We expect our overseas operations to benefit the Company with stable revenue and profits, improve energy supply and efficiency for host countries and help reduce the world's CO<sub>2</sub> emissions.

## Q.6 July 2010, the Company reviewed the corporate organization and extended the divisional structure. What was the aim behind this change?

A. Anticipating deregulation of our industry, in July 2000 the Company introduced a divisional structure, organizing the power generation, power transmission, marketing and new business development operations into business divisions. We believe this move has promoted rapid and effective business execution under the leadership of executive management.

Nevertheless, our business environment has changed dramatically in the past decade, bringing many new and complex issues. Accordingly, in July 2010, we extended the divisional structure to more clearly define responsibility and increase the speed of management decision making. Under executive leadership, organizations can better demonstrate the collective power of a corporation—through organic collaboration, working in unison to effectively utilize enterprise resources and developing individual potential.

Specifically, we have changed from eight divisions (with 19 affiliated and 12 unaffiliated departments) to 14 divisions (containing 34 affiliated departments) and one office. To reinforce our structural grasp of important management issues, we established new divisions such as the International Business Division, which handles the overseas IPP business, the acquisition of upstream rights and fuel procurement, and the District Symbiosis Division which handles communications with stakeholders. New departments include the Generation Technology Development Department, which develops and manages renewable energy sources.

We will also review reorganizing our branch and site offices to better define responsibilities concerning power supply and community relations, to reinforce on-site capabilities and improve community service.

# OUR STRATEGY— AN INTERVIEW WITH THE PRESIDENT



The Company is increasing the efficiency of facility investments, repair costs and overhead, while also developing flexible, diverse revenue and profit sources—to create an income and expenditure structure that is freely adaptable to change. Moreover, we will seek to distribute resources appropriately across our businesses based on risk assessment, and to achieve further improvements in efficiency. In addition, we aim to decrease fuel costs through the establishment of a flexible fuel procurement portfolio.

**Q.7**

## How do you aim to realize the collective power of the Kyushu Electric Power Group?

A. To ensure that the entire Kyushu Electric Power Group shares a basic concept of management and engages in activities in unison, in March 2009 the Company established the Long-term Management Vision, while also instituting the Kyushu Electric Power Group Management Basic Policy. The concept underlying the policy is the fundamental principle “We at all times provide steady and reliable electricity and energy to our customers, and we contribute to the creation of a comfortable, environment-friendly and sustainable society by providing services that increase the quality of society and the quality of life.” We will seek to increase management efficiency and profitability group-

wide by broadly sharing this vision and basic policy. All Group employees will work to increase the Group’s corporate value with a sense of common purpose. The Group CSR Promotion Committee meets twice yearly to guide the implementation of CSR measures throughout the Group, taking care to ensure widespread awareness of the CSR Action Plan and the steady implementation of a PDCA cycle based on the plan. The Group will continue to conduct management grounded in CSR in order to contribute to the creation of a comfortable, environment-friendly, sustainable society.

**Q.8**

## Finally, please discuss the policy on future shareholder returns.

A. The Company believes that the key to sustained corporate value creation is to appropriately address issues from a long-term perspective so as to supply all the forms of value that society requires of the Company. We believe that this promotes the long-term interests of shareholders and investors.

With regard to dividends, we decide the dividend amount taking into account the medium-term and long-term outlook for

group-wide income and expenditure, including overseas businesses. We intend to make every effort to maintain the annual dividend at ¥60 per share.

The Kyushu Electric Power Group will continue to work as one to meet the expectations of our shareholders and investors, and I personally ask for your continued support in the years ahead.



## Response to Key Management Issues

### Rigorous Adherence to a Safety-first Policy

# 01

Safety is our priority in all business activities. The number of industrial accidents has unfortunately fluctuated in recent years, and tragically, in the year under review one of our workers was killed during an inspection at one of our power stations.

Several accidents attributable to human error interrupted the supply of power during the year, although these events, thankfully, did not result in injury or death.

Many of these accidents resulted from complacency, as successes over the years reduced risk awareness. We consider it necessary to prevent recurrences by bolstering safety awareness in the corporate culture while providing more fail-safes in recognition that people do make mistakes. We therefore intend to boost risk prediction by drawing on experiences to strengthen safety awareness, sharing accident information and providing more exposure in training to potentially dangerous situations. At the same time, we will improve facilities to maintain and enhance public safety and supply reliability.

In FY2010, we will establish the Safety Promoters Department to gather relevant information from all business units and help them improve safety management, thus deepening safety awareness in the corporate culture.

Safety will remain our top priority as we improve awareness of this issue in our corporate culture and build safer facilities.



Simulator room in Genkai Nuclear Power Station training center

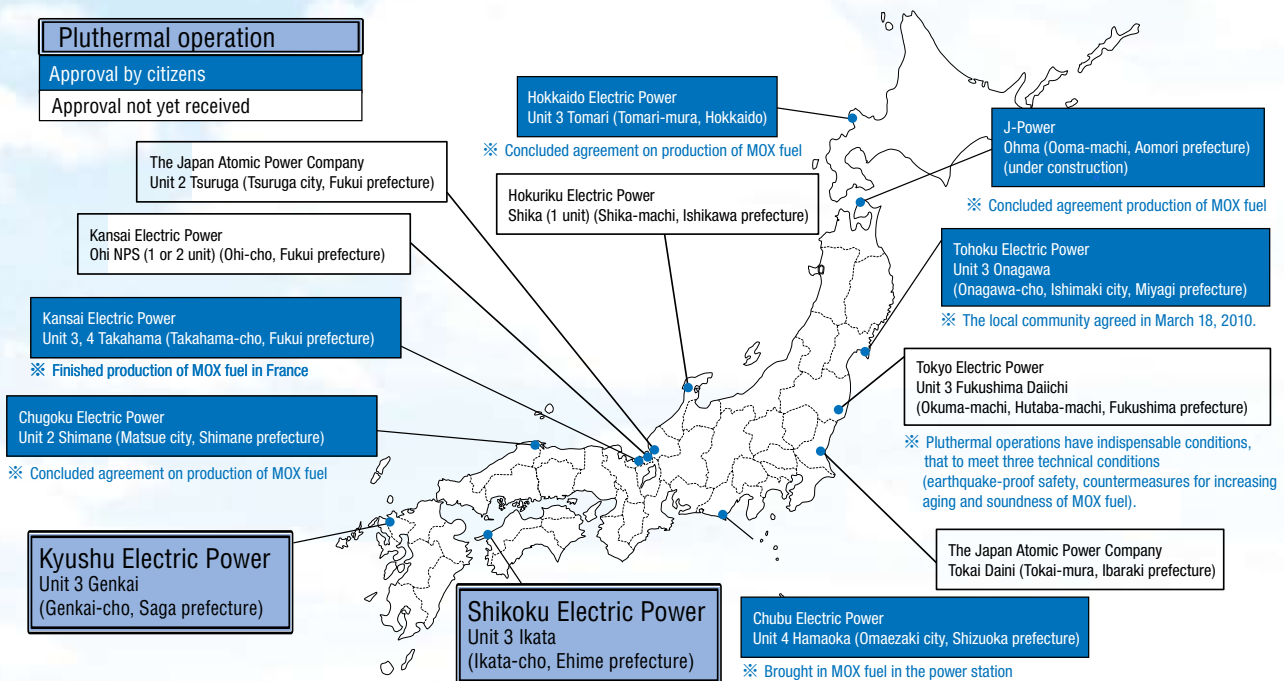
# Overall Progress of Pluthermal Power Generation Safety in Japan

# 02

On December 2, 2009, the Unit 3 of the Genkai Nuclear Power Station passed the final government inspection and began the first-ever pluthermal power generation in Japan. The unit is now steadily operating under constant rated thermal power operation. During operation of a nuclear power station, the operator periodically measures the concentration of radioactive iodine in the reactor's primary coolant (water) and confirms that minute openings have not occurred in the fuel rods (cladding tubes) leading to leakage of radioactive substances into the primary coolant. To confirm fuel safety during operation at the Unit 3 of the Genkai Nuclear Power Station, which is loaded with mixed-oxide (MOX) fuel, we have stepped up the frequency of primary coolant monitoring from three to four times a week. We publish on the corporate website the results of those measurements together with data indicating that the fuel is burning according to plan. Since the start-up of the reactor, we have conducted inspections to confirm that the control rods have the capability of shutting down the nuclear reactor with ample margin (reactor shutdown margin) by actually confirming the effectiveness of the control rods in the reactor and we publish those inspection results on the corporate website, too. Japan aims to establish a nuclear fuel cycle in order to secure a stable supply of energy into the future.

Electric power companies in Japan plan to implement pluthermal power generation at a total of sixteen to eighteen reactor units by fiscal 2015 at the latest. Two companies, including Kyushu Electric Power, had begun pluthermal power generation by the end of fiscal 2009.

## Progress Situation of Pluthermal Project in Domestic Electrical Power Utilities (As of March 31, 2010)



\* Tokyo Electric Power Company intends to carry out pluthermal operation at 3-4 reactors in its nuclear power plants, in line with a basic policy of earning public trust in the hosting areas.

Source: Data calculated from homepage of the Resources and Energy Agency.





# OUR OPERATIONS

— CUSTOMER CONNECTED

**Towards the Creation of Sustainable Corporate Value**

The Kyushu Electric Power Group is diversifying into the Social/Lifestyle-oriented Service Business from its core Environment-friendly Energy Business. We are prioritizing businesses that offer synergy with the core business on the basis of social importance, risk and profitability.

**LEVERAGING OUR STRENGTHS IN STRATEGIC ACTIONS FOR THE FUTURE**

# 01

# NUCLEAR POWER

### Nuclear Power Generation Policy

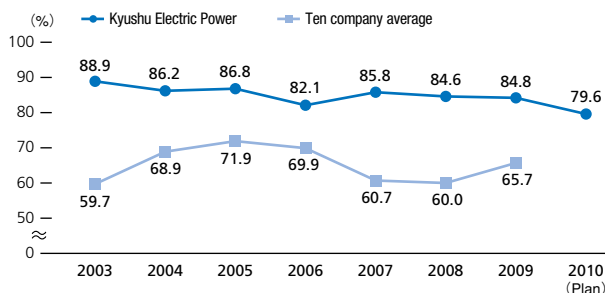
Due to the long-term stability of fuel procurement, nuclear power generation offers comprehensive superiority with respect to energy security and economic efficiency. The absence of CO<sub>2</sub> emissions during operation, also gives it advantages with respect to global warming prevention. For these reasons, the Company seeks to attain a contribution to total power generation from nuclear power of approximately 50%. To support this objective, we engage in activities to establish the nuclear fuel cycle, including pluthermal power generation, making safety assurance our highest priority. We also work to further increase safety and reliability through preventative maintenance, rigorous implementation of measures to counter the aging of facilities and enhancement of quality assurance activities.

### Activities from a Medium- to Long-term Perspective

In December 2009 the Company began pluthermal power generation at the Unit 3 of the Genkai Nuclear Power Station. This involves the reuse of plutonium recovered through the reprocessing of spent fuel and mixed with uranium fuel to make mixed-oxide (MOX) fuel. The first-ever commercial operation of pluthermal power generation in Japan has contributed greatly to the establishment of a nuclear fuel cycle.

We plan to develop the Unit 3 of the Sendai Nuclear Power Station and aim to start operation in fiscal 2019. The procurement of fossil fuels is expected to grow increasingly difficult as economic development in China, India and other countries raises the demand for resources. Early facility development to achieve a low-carbon society is necessary in light of the government's policy to combat global warming (a 25% reduction in CO<sub>2</sub> emissions from the fiscal 1990 level in 2020).

**Change in Nuclear Power Utilization Rate**



\*The utilization rate can vary according to the number of days on which regular inspections are implemented in that year.

The Company's average nuclear power utilization rate exceeds 80%, higher than the average for ten electric power companies in Japan. Although we expect the figure to fall below 80% in fiscal 2010, this is temporary, for scheduled replacement of major equipment and comparatively more days of shutdown for periodic inspections. In nuclear power generation, an increase in the nuclear power utilization rate of one percentage point has a CO<sub>2</sub> reduction effect of 300,000 tons per year.



# Developing Nuclear Power and Maintaining a High Nuclear Power Utilization Rate

Approximately 30% of all electric power generated in Japan comes from nuclear power generation, and Kyushu Electric Power accounts for about 40% of that nuclear power. The Company promotes nuclear power generation as a core power source because of the economic, social and environmental advantages that are increasing its importance as a mainstream power source.



**LEVERAGING OUR STRENGTHS IN STRATEGIC ACTIONS FOR THE FUTURE**

# 02 RENEWABLE ENERGY

**Regional Advantages**

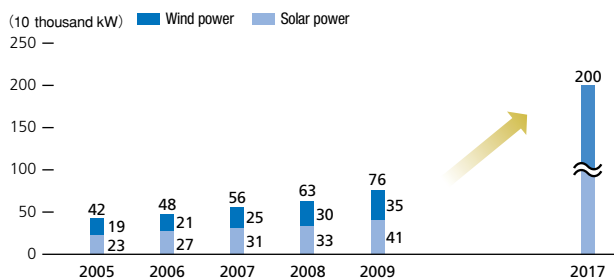
The Company is actively proceeding with the development and introduction of renewable energy sources, including wind, solar, biomass, hydroelectric and geothermal power. We are putting particular emphasis on wind and solar power, installing facilities that will bring combined capacity to two million kilowatts by fiscal 2017. Specifically, we are working to increase installation of wind power generation facilities by accepting wind power generation system utility interconnection and using in-house technology to install solar power generation facilities at power station sites and all business sites to generate power.

**Wind power and Solar power Facilities Installation Capacity**

The Nagashima Wind Power Station, operated by Kyushu Electric Power Group member, Nagashima Windhill Co., Ltd., is Japan's largest-scale wind power station. It operates 21 windmills, each with capacity of 2,400 kilowatts, for a total capacity of 50,400 kilowatts. The power station, which began operation in 2008, has an annual CO<sub>2</sub> emissions reduction effect of 40,000 tons. Also, the Company is proceeding with development of the Omuta mega solar (large-scale solar power generation) power plant, our first large-scale solar power generation station. This facility will be the largest-scale solar power generation station in Kyushu, with capacity of 3,000 kilowatts. We began construction in fiscal 2009, plan to start operation in fiscal 2010, and expect to achieve an annual CO<sub>2</sub> emissions reduction effect of 1,200 tons.



**Solar Power and Wind Power Facilities Installation Capacity**

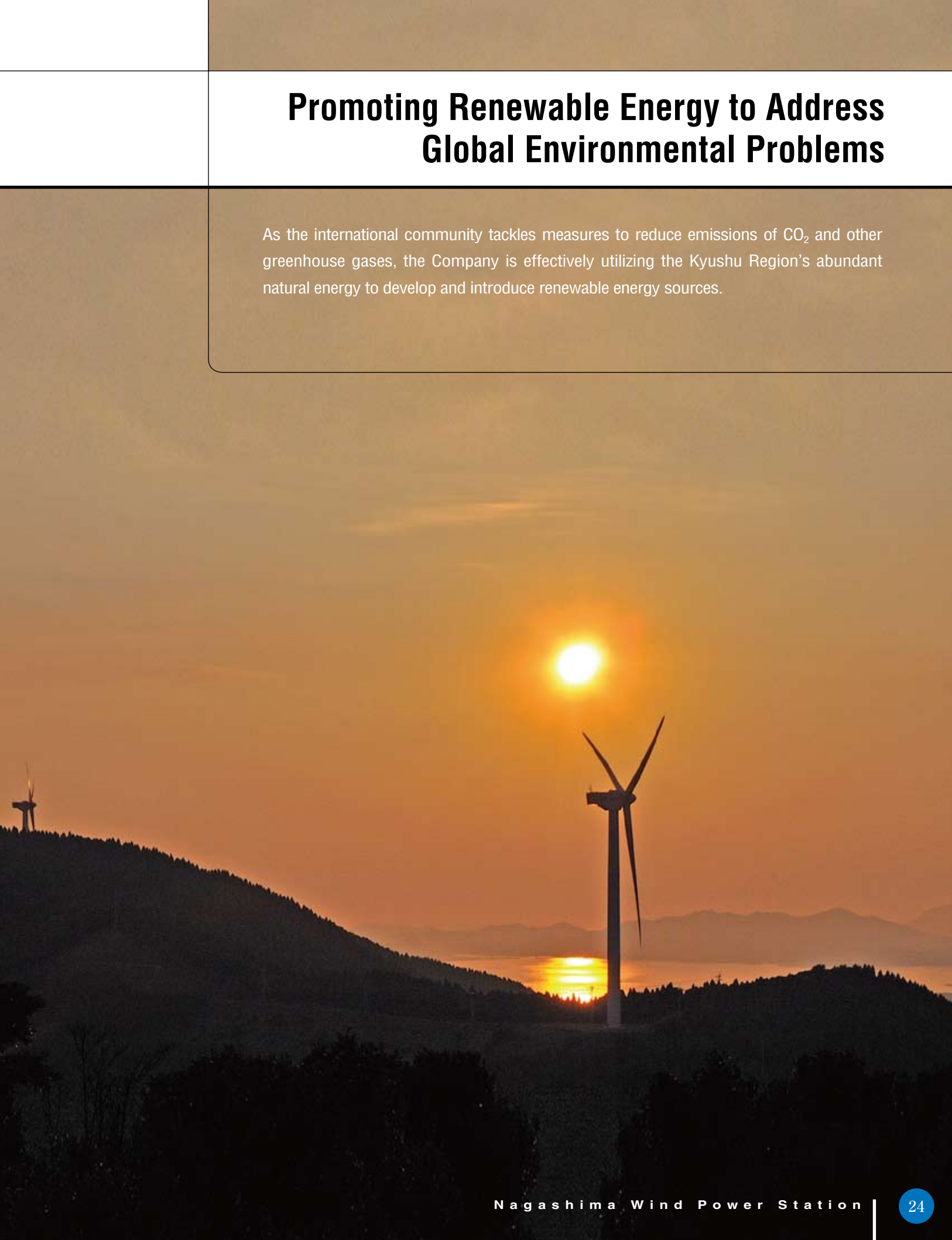


The Company is actively proceeding with the development and introduction of renewable energy sources, including wind, solar, biomass, hydroelectric and geothermal power. We are putting particular emphasis on wind and solar power, installing facilities that will bring combined capacity to two million kilowatts by fiscal 2017. Specifically, we are working to increase installation of wind power generation facilities by accepting wind power generation system utility interconnection and install solar power generation facilities at power station sites and all business sites to generate power.



# Promoting Renewable Energy to Address Global Environmental Problems

As the international community tackles measures to reduce emissions of CO<sub>2</sub> and other greenhouse gases, the Company is effectively utilizing the Kyushu Region's abundant natural energy to develop and introduce renewable energy sources.



**LEVERAGING OUR STRENGTHS IN STRATEGIC ACTIONS FOR THE FUTURE**

# 03

# OVERSEAS ACTIVITIES

**Important from a Management Perspective**

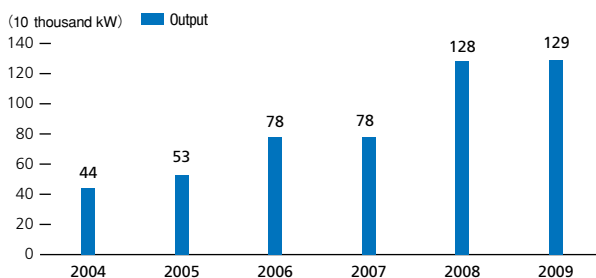
The Company's overseas energy businesses are the drivers of corporate value creation. Through our overseas operations, we secure revenues and profits by leveraging technologies and expertise to contribute to the stable supply of energy and improve energy efficiency in overseas countries. These efforts also contribute to global CO<sub>2</sub> emissions reduction. With regard to the scale of the overseas power generation business, at the end of fiscal 2009, we had an ownership interest in overseas power generation facilities with total capacity of 1.3 million kilowatts, for a total investment amount of approximately ¥30.0 billion. This includes our fiscal 2008 equity investment in Senoko Energy Pte Ltd. Over the next decade, we plan to markedly expand our total investment to about ¥100.0 billion and our ownership interest to about 3.0 million kilowatts.

**Principal Results in Fiscal 2009**

In fiscal 2009, Datang Sino-Japan (Chifeng) Renewable Power Co Ltd., a joint venture, began commercial operation of a wind power station. This is the first wind power generation project involving the participation of a Japanese company in China. On the basis of the results of wind condition field surveys a Group company conducted since 2004, we invited companies to participate in the project and established a joint venture company in November 2007. The power station has 25 2,000-kilowatt wind generators, for total capacity of 50,000 kilowatts, and a planned annual electric power sales volume of approximately 120 million kilowatt-hours. In addition to helping to alleviate China's electric power shortage, the power station is expected to contribute to the environment with an annual CO<sub>2</sub> emissions reduction effect of 140,000 tons.



**Ownership Interest in the Overseas Power Generation Business**



Overseas markets offer greater room for improvement with respect to environmental response and supply stability than Japan, and the overseas energy business has high social significance. Accordingly, we have positioned it as a core business. We will expand the overseas power generation business by promoting the highly efficient thermal IPP projects as well as geothermal power, wind power, and other renewable energy power generation businesses.



# Overseas Operations Focused on the Continuously Growing Asia Region

Through the overseas energy business, one of the Group's top priorities, we aim to promote a stable supply of energy, increase energy efficiency and contribute to CO<sub>2</sub> emissions reduction on a global scale. Our business activities are focused on Asia, a region of rapid economic growth. We will engage in overseas businesses that take advantage of our developed technologies and expertise as core elements of the Environment-friendly Energy Business.





# ENERGY BUSINESS IN KYUSHU

## Contribution to the Sustained Growth of the Kyushu Region

To secure a long-term stable supply of energy and realize a low-carbon society, the Kyushu Electric Power Group is helping to build a sustainable society through an environment-friendly energy business. We promote nuclear power, develop renewable energy sources suited to the Kyushu Region and conduct research to ensure a stable supply of energy.

### Balancing Power Sources for a Low-carbon Society

To help realize the Japanese government's goal of a low-carbon society while also securing a long-term stable supply of energy, the Company is promoting nuclear power, actively introducing renewable energy sources such as solar and wind power and promoting energy conservation by customers. The Company promotes nuclear power generation as a core power source because it is clearly superior in both energy security and global warming

prevention. Because nuclear power has strong social and economic benefits, including long-term stability of fuel procurement, as well as emitting zero CO<sub>2</sub> emissions during operation, the Company is developing nuclear power facilities with the objective of obtaining approximately 50% of total power generated from nuclear power.

Since renewable energy is an excellent source of power from the perspectives of effective utilization of domestic energy resources and global warming mitigation, we are actively developing and introducing renewable energy sources aiming to supply

approximately 10% of total power generated from renewable energy.

With regard to thermal power as well, we will strive to boost thermal efficiency to mitigate global warming and ensure the effective use of energy resources and will steadily implement measures to counter the aging of facilities to ensure stable, long-term facility upkeep.

### Ensuring Competitiveness in the Electricity Business

By achieving efficiency increases across all operations, the Company has repeatedly lowered its electricity charges. As a result, in fiscal 2009 our electricity charges ranked among the lowest in the industry. We will continue to strive to maintain inexpensive charges and offer a wide range of charge plans adapted to customer needs.

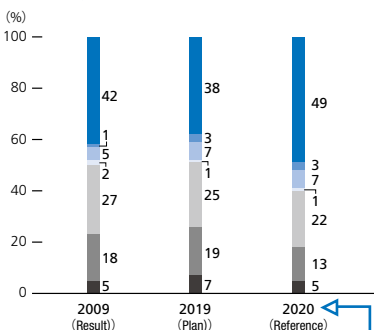
### Acquisition of Upstream Energy Rights

As the worldwide balance of energy supply and demand continues to tighten, the Company is proceeding with the acquisition of upstream interests to secure

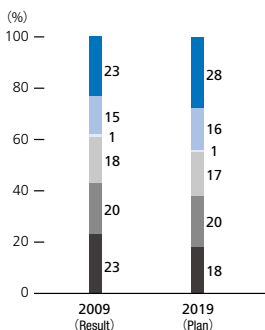
### Power Sources Diversification Plans (including power sourced from other companies)

■ Nuclear ■ Other renewable energy ■ Hydroelectric ■ Geothermal ■ Coal ■ LNG ■ Oil, etc.

(Power output)



(Supply capacity)



\* In fiscal 2020, after starting operation of Unit 3 Sendai Nuclear Power Station in fiscal 2019, we assume our zero-emission power supply rate will be 60%, for carbon dioxide, and including nuclear power, new energy, hydroelectric (excluding pumped storage) and geothermal energy.



a long-term stable supply of necessary fuels. We have participated in a new uranium mine development and production project in the Republic of Kazakhstan since September 2007. In addition, we entered into a basic agreement to participate in a new LNG exploration and production project in Australia in January 2010.

### Woody Biomass

At the Reihoku Power Station, from fiscal 2010 to 2014 we will conduct demonstration testing of woody biomass mixed combustion using untapped forest resources such as scraps from forest operations in Japan\*. In woody biomass combustion, wood chips are crushed together with coal in a coal pulverizer and burnt in a boiler. We plan a maximum woody biomass combustion volume of 15,000 tons per year (co-firing ratio of approximately 1%), which will result in CO<sub>2</sub> emissions reduction of approximately 10,000 tons per year.

\* Fiscal 2009 Forest Scrap Biomass/Coal Mixed Combustion Electric Power Generation Proving Project, a government subsidized project

### Establishment of Kyuden Ecosol

In December 2009, the Company established Kyuden Ecosol Co., Ltd., a provider of on-site solar power generation services to customers in the industrial and public sectors. The new company installs solar power generation equipment within customer facilities, such as plants and office buildings, and supplies the generated electricity to the customers. It also operates a solar power system integration business, acting as a one-stop supplier for services for the design, construction, operation and maintenance of solar power

generation facilities. The company's strengths include technological capabilities developed in the electricity business, as well as comprehensive proposal capabilities in the energy sector and procurement capabilities made possible by scale benefits. Marketing and sales are enhanced by the collective power of the Kyushu Electric Power Group, which provides customers with high-quality, low-cost services and contributes to the promotion and dissemination of solar power generation in Kyushu.

### Solar Power Promotion Surcharge

November 2009 marked the start of the Purchase System for Solar Power-Generated Electricity, established under a national law that obligates electric power companies to purchase excess solar electric power. Attendant on the introduction of the system, beginning in April 2010 the cost of purchased surplus solar power is equitably passed along to all electricity customers in the form of a Solar Power Promotion Surcharge on their electricity bills in the current fiscal year (April to March) based on the amount of electricity used in the previous calendar year (January to December).

Note: The Solar Power Promotion Surcharge unit charge for fiscal 2010 was ¥0.0. This is because the system began in November 2009, the purchase cost was low, and amounts less than ¥0.1 are rounded down. The cost required for 2009 purchases will be combined with costs for 2010 for billing in April 2011 and beyond.

#### How the Solar Power Promotion Surcharge Works (In the Case of Metered Service)

|   |   |              |   |   |   |                                 |
|---|---|--------------|---|---|---|---------------------------------|
| Electricity Rate  | = | Basic Charge | + | Electricity Charge (incl. Fuel Cost Adjustment) | + | Solar Power Promotion Surcharge |
| Solar Power Promotion Surcharge Unit Rate (yen/kWh) × Used Volume (kWh) |   |              |   |   |   |                                 |

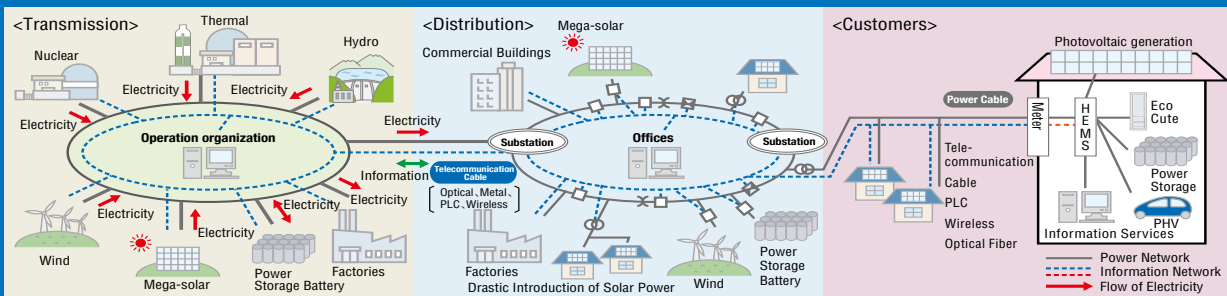
# OUR OPERATIONS — ENVIRONMENT-FRIENDLY ENERGY BUSINESS

## Smart Grid Research

Smart grids are highly efficient, high-quality, highly reliable electric power supply systems that integrate and utilize solar power generation, other distributed power sources and demand-side information. This is enabled by using information and communication technology to integrate alternative power sources with the operation of conventional concentrated power sources and transmission systems. Possible constituent technological elements of a smart grid are automation of transmission and distribution using IT, solutions for the introduction of distributed renewable energy and diverse forms of demand-side management (DSM). Although IT-driven

automation of transmission and distribution in Japan are advanced, the issues of distributed power sources and DSM are yet to be settled. The Company has developed and introduced a new low-voltage electronic meter with a two-way communication function and is conducting demonstration testing of a micro grid that combines solar and wind power. We formed within the Corporate Planning Division a specialist team to evaluate smart grids and have launched the Smart Grid Working Group, made up of the managers of involved departments. We are now proceeding with internal cross-organizational consideration of smart grids from the perspective of supply and demand.

### Image of Smart Grids



PLC :Power line communication, a technology in which power lines also serve as communication lines

HEMS :Home energy management system, a system that optimizes electric energy use in the home based on appliance monitoring and usage status and season of the year

PHV :Plug-in hybrid vehicle, a hybrid car whose battery can be directly charged by plugging into a household outlet

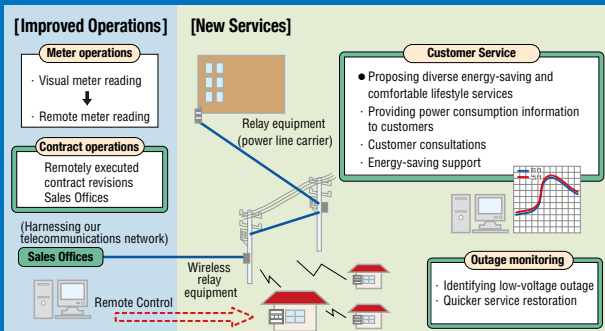
## New Low-voltage Electronic Meter

Following the November 2009 introduction of a new low-voltage electronic meter (unit meter) equipped with a communication function to improve customer service and increase operational efficiency, we plan to continue systematic installation of the meter. Once the new meter is in widespread use, we expect to utilize it in proposals for energy-saving comfortable lifestyles, enhanced by information on electricity use and for energy conservation consulting. We will also use the meter as a means of increasing operating efficiency. It will facilitate rapid restoration of power by quickly revealing low-voltage blackout areas and enable us to perform remote meter-reading operations.

## Micro Grid System for Outlying Islands

On outlying islands that have no linkage with the main island, the Company principally supplies electric power by means of internal combustion power generation using heavy oil as fuel. However, we are considering an optimal electric power supply system adapted to the characteristics of each island from the standpoints of energy security, environmental protection and economic efficiency. As part of this initiative, in fiscal 2009 we constructed a micro grid system that combines conventional internal combustion power generation with renewable energy involving solar power, wind power and storage batteries on six islands in Kagoshima Prefecture: Kuroshima, Takeshima, Nakanoshima, Suwanosejima, Kodakarajima and Takarajima. We will conduct demonstration tests from fiscal 2010 to 2012 to verify and assess power system operation, system control issues and economic efficiency.

### Low-voltage electric meters coming into common use

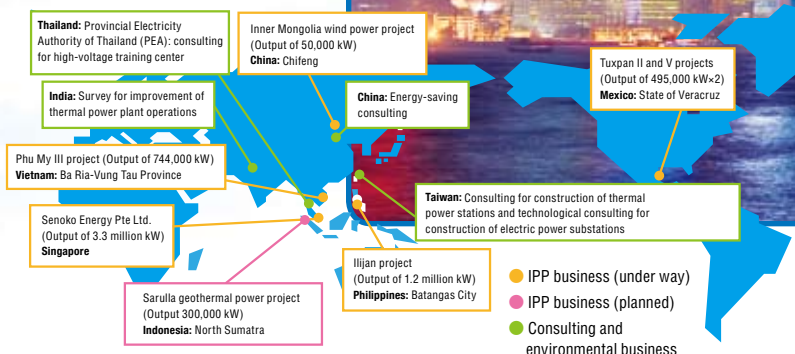




# ENERGY BUSINESS OVERSEAS

## The Challenge of Increasing Growth Potential and Reducing CO<sub>2</sub> Emissions on a Global Scale

To powerfully promote the overseas energy business, the Company has opened its first overseas business office. The new office supports the operation of existing projects and engages in new project development.



### IPP Projects

At the end of fiscal 2009, the Company was involved in six overseas IPP projects in five countries, notably the Tuxpan II IPP project, which began operation in fiscal 2001. We are continuing to steadily operate our existing IPP projects: the Tuxpan II and V projects in Mexico, the Ilijan project in the Philippines, and the Phu My III project in Vietnam. We are receiving dividends and other returns on our investments in these projects and have repaid loans on schedule from electric power sales revenue based on long-term sales contracts.

### Senoko Energy

The Company participated in a consortium with Marubeni Corporation, The Kansai Electric Power Co., Inc., Japan Bank for International Cooperation and GDF Suez S.A. The consortium bid successfully in an international auction conducted by Temasek Holdings Pte Ltd., owned by the Ministry of Finance of Singapore,

concerning the divestiture of all shares of Senoko Energy Pte Ltd. (now Senoko Energy). As a result, we have acquired a 15% equity stake in Senoko Energy.

Senoko Energy is Singapore's largest electric power generation company and owns power generation assets that account for approximately 30% of the country's total electric power generation capacity. The company sells the electricity it generates to customers in Singapore, mainly through its retail electric power sales subsidiary. Continued growth in demand for electricity is forecast in Singapore, and we aim to secure stable revenues and profits in a country that is an important base of operations for business activities in the Asia region.

### Consulting Business

The Company utilizes specialists for overseas consulting who possess experience, expertise, and advanced technological capabilities gained through the electricity business in Japan. They

consult in fields such as power generation, transmission and distribution technology, the environment, energy conservation, and personnel development. Through the consulting business, conducted primarily in Asia, we contribute to the stable supply of electricity in various countries and the development of engineers in electricity-related fields. At the end of fiscal 2009, we were engaged in six consulting projects in five countries.

### Establishment of a Business Office in Singapore

In light of the geographical location and characteristics of Kyushu, in July 2009 the Company opened its first overseas business office in Singapore to serve as a support base for information gathering and overseas projects in Indonesia, Vietnam, the Philippines, India and other Asian countries. We will make use of the Singapore office to gather information on new projects and manage and operate existing projects.

# SOCIAL/LIFESTYLE ORIENTED SERVICE

## The Provision of Services Grounded in Customer Needs

The Company makes use of its enterprise resources to support the infrastructure needs of an information-driven society and contribute to local communities. In addition, we engage in businesses that contribute to fulfilling, comfortable lives for our customers.



Grand Garden Fukuoka Josui urban senior-citizen condominium

### IT and Telecommunication Business

The Group engages in an IT and telecommunications business focused on information and communications fields with high growth potential, such as the dissemination and expansion of the Internet and the computerization of companies. Specifically, we engage in four businesses: The IT solutions business, BBIQ ultra-high-speed Internet connection service, as well

as design, construction and operation of telecommunications infrastructure and application provision. The data center business houses customers' server equipment. And through the optical fiber core leasing business, we provide service to local governments, telecommunications companies and cable TV operators. The number of BBIQ subscribers has increased steadily to approximately 280,000 at the end of fiscal 2009.

information security and mitigating environmental impact. We collect confidential documents generated by companies and local governments, erase confidential information then recycle the paper to manufacture and sell paper products.

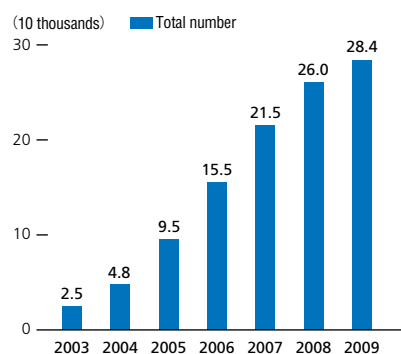
### Lifestyle-oriented Services Business

To provide fulfilling, highly convenient living environments to aged customers, we operate a new style of urban senior citizen condominiums that harmoniously coexist with local communities, called Grand Garden. They have full-featured medical support systems that provide care services that enable senior citizens to lead secure and comfortable lives. Grand Garden Fukuoka Josui began operation in May 2010, bringing the number of facilities in operation to four.

### Environment/Recycling Business

In the environment and recycling business, we contribute to the creation of a recycling-based society and offer solutions for the prevention of environmental pollution by collecting used fluorescent bulbs from companies, schools and local governments. We separate them into their original materials, and manufacture and sell recycled fluorescent bulbs. We also engage in a document recycling business with the aim of meeting societal needs for

#### BBIQ Broadband Contracts





# OUR STRUCTURE

## MANAGEMENT CONNECTED

### Establishing a Solid Management Foundation

Kyushu Electric Power is reinforcing its sustainable management practices by strengthening corporate governance, compliance, CSR and environmental management for fulfillment of our mission.



## OUR STRUCTURE — CORPORATE GOVERNANCE

### The Company is reinforcing corporate governance to ensure that business activities are executed appropriately.

The Company has made the Board of Directors and the Board of Auditors the foundation stones of corporate governance, with a highly independent outside director further strengthening the management supervision function. In addition, the corporate auditors and internal auditing organizations collaborate to increase auditing effectiveness.

#### Board of Directors

In principle, this body meets monthly and whenever otherwise necessary to decide on important corporate management matters and monitor implementation. The Board of Directors met fifteen times in fiscal 2009. The Corporate Management Committee considers matters requiring further discussion before the Board of Directors makes decisions and decides on important executive issues.

Each division and branch office has an executive officer to accelerate decision making and streamline operations.

#### Internal Controls (Financial Reporting)

Kyushu Electric Power strictly enforces proper internal controls for financial reporting and shows its commitment to highly reliable reporting by maintaining a system that can take necessary corrective actions.

(Note) Pursuant to the Financial Instruments and Exchange Act, the Company has evaluated the effectiveness of the operation of its internal controls for financial reporting and received a clean opinion from an audit by independent auditors.

#### Board of Auditors

Auditors attend important gatherings, including those of the Board of Directors. They conduct hearings for all divisions, consolidated subsidiaries and other business units, and otherwise conduct overall audits of the work of the Board of Directors and executive officers. In principle, the Board of Auditors meets monthly to debate on and make resolutions about the reporting on important matters relating to laws and ordinances and the articles of incorporation. The Board of Auditors met fifteen times in fiscal 2009. The Corporate Audit Office assists this body.

#### Internal Auditing

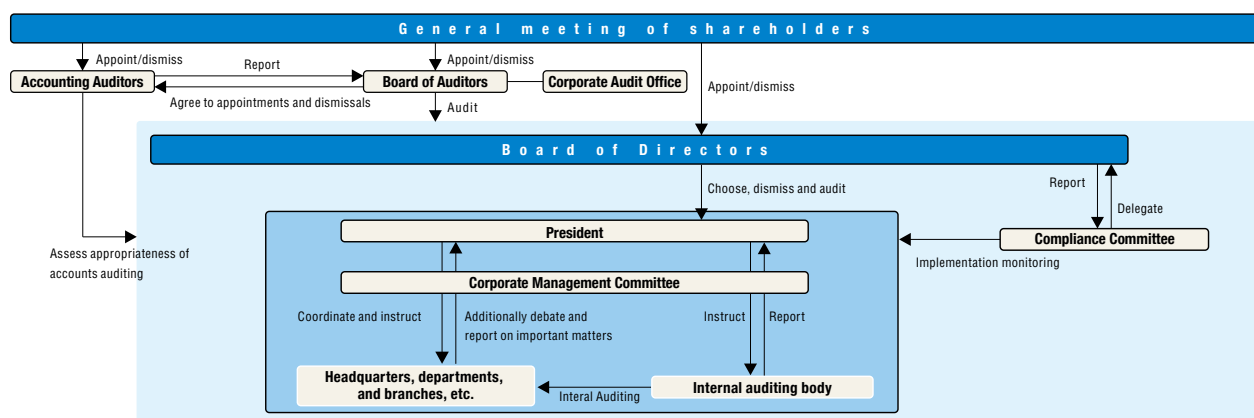
We set up an internal auditing body that functions objectively, ensuring that operations are proper and helping to improve management efficiency. The office audits compliance and business operations at all divisions and branch offices.

Staff from this office audit quality assurance systems for safety initiatives at nuclear and thermal power stations and other important facilities.

#### Risk Management

Our risk management policy is to periodically identify, classify and evaluate risks that pose a serious threat to our business operations. We then identify the most important risks for the Company as a whole and for each department. Each department and business site incorporates into its business plan countermeasures against the identified risks as well as against other risks relating to specific projects. Then, they carry out those plans in appropriate risk management. We have also established a response system and procedures for rapidly and appropriately responding to natural disasters and other events that have a material affect on the management of the Company and on society. We prepare by periodically conducting response training.

## Corporate Governance Structure



### Board of Directors and Auditors



**Chairperson**  
Shingo Matsuo



**President**  
Toshio Manabe



**Executive Vice President**  
Yasumichi Hinago



**Executive Vice President**  
Mamoru Dangami



**Executive Vice President**  
Masayoshi Nuki



**Executive Vice President**  
Yoshinori Fukahori

#### Chairperson

Shingo Matsuo

#### President

Toshio Manabe

#### Executive Vice Presidents

Yasumichi Hinago

Mamoru Dangami

Masayoshi Nuki

Yoshinori Fukahori

#### Directors

Toshihiko Hirano

Haruyoshi Yamamoto

Kenichi Fujinaga

Satoshi Mizobe

Masatoshi Morooka

Masahiro Kajiwara

Michiaki Uriu

Kenji Tsugami

Kazuumi Nashida

Masanao Chinzei

Akiyoshi Watanabe

(Outside Director)

#### Senior Corporate Auditor

Tokihisa Ichinose

#### Corporate Auditors

Tsutomu Zempuku

Shinji Yasumoto

Kyousuke Takaishi  
(Outside Corporate Auditor)

Hirokazu Murayama  
(Outside Corporate Auditor)

Keiko Hieda  
(Outside Corporate Auditor)

#### Alternate Auditor

Kazuyuki Yamada

# OUR STRUCTURE — CORPORATE SOCIAL RESPONSIBILITY

As a responsible energy provider, the Kyushu Electric Power Group practices management grounded in corporate social responsibility.

Through management action that fundamentally incorporates corporate social responsibility (CSR) group-wide, we aspire to create sustained value for everyone involved in the Company's business activities.

## CSR Management

We appointed one director to oversee our CSR management structure. The president chairs the CSR Promotion Committee, which formulates our CSR action plans and deliberates on our CSR Report as part of efforts to bolster our initiatives. The CSR Promotion Committee, as a rule, meets twice a year.

We established this body to foster group-wide CSR efforts, ensure understanding of our action plans and implement plan-do-check-act (PDCA) initiatives. The Group CSR Promotion Committee is composed of 46 companies as of the end of May 2010, and as a rule meets twice a year.

## Information Disclosure

We formulated the Kyushu Electric Power Disclosure Commitment in April 1999 to demonstrate our basic stance on disclosure and maintain transparency and increase public confidence in our business. We accordingly disclose simple, timely, and accurate

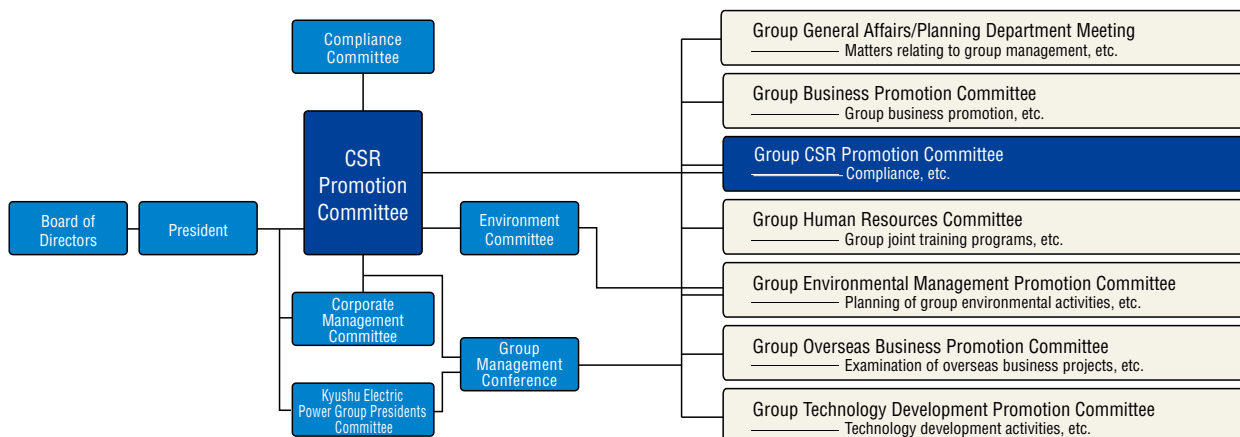
information at press conferences and on our website, informing the public about operations or about problems with nuclear or thermal power stations or outages attributable to human error.

We quickly identify and assess the information of blackout and emergencies, such as typhoons and earthquakes. We use this data to handle customer inquiries and disseminate an array of information through the media and on our website.

We started a service in 2008 to e-mail information on outages stemming from disasters to customers' pre-registered cell phone addresses. In June 2009, we enhanced the service by additionally reporting on the operational conditions of nuclear power stations following large earthquakes.

We produce an annual plan for proactive communications through press conferences, our website and brochures. We updated our disclosure rules in February 2009 to ensure speedy and accurate disclosure, especially for accidents, violations of corporate ethics, and other disadvantageous information to customers and society if not disclosed.

## CSR Promotion Structure



# OUR STRUCTURE — COMPLIANCE MANAGEMENT

## Kyushu Electric Power Group will strive to raise compliance awareness and further increase customer trust.

The Company strives to raise the compliance awareness of each individual employee and engages in fair and transparent business activities in compliance with the law and corporate ethical standards.

### Compliance Management Structure

We established the Compliance Committee in October 2002 under the oversight of the Board of Directors. The committee appoints the heads of head-office departments, branch offices and business sites as Compliance officers to ensure companywide compliance management, thus raising awareness of issues.

We set up internal and external compliance consulting desks that work as an internal reporting system.

The Group CSR Subcommittee disseminates action plans and provides information to group companies.

### Compliance Committee

The president chairs this body, whose members include directors, the chairperson of the Company's labor union committee and three external experts, with auditors attending, to ensure objectivity and transparency.

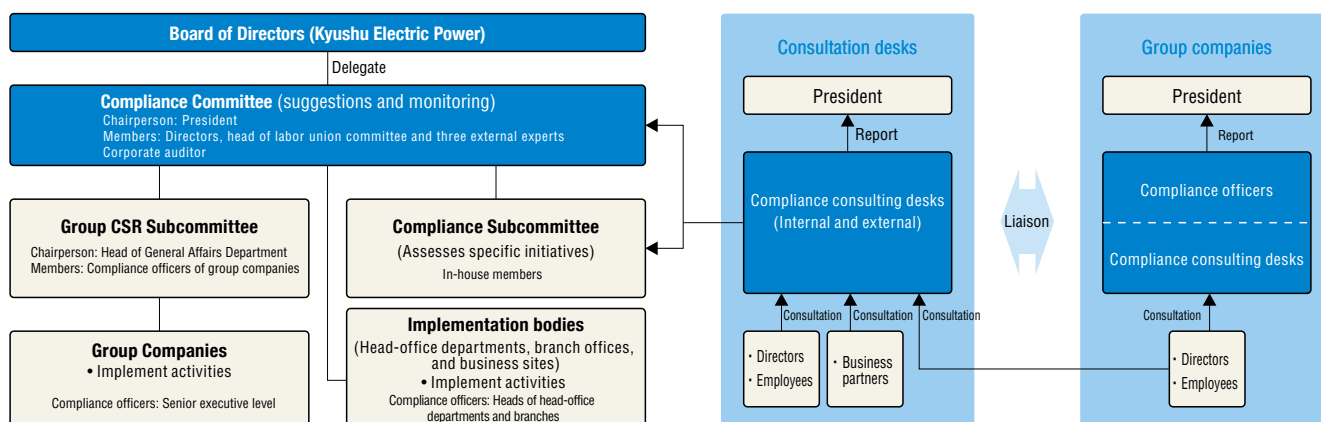
This committee meets semiannually to deliberate on and propose compliance management policies and responses, and to

monitor progress. Specifically, the committee contributes to the promotion of compliance management by discussing revisions to the Compliance Action Guidelines. They make recommendations concerning compliance implementation plans, the state of implementation and measures to prevent the recurrence of compliance violations, and they conduct a compliance awareness survey of Kyushu Electric Power Group employees.

### Compliance Action Guidelines

The Company distributes to all corporate officers and employees the Compliance Action Guidelines, which provides guidance on the Code of Conduct for proper judgment, and state specifically how to conduct relationships with customers, shareholders, investors and other stakeholders.

## Compliance Management Structure





# OUR STRUCTURE — ENVIRONMENTAL MANAGEMENT

## Environmental initiatives to develop a society capable of sustainable development.

The Kyushu Electric Power Group works in unison to practice environmental management that achieves a proper balance between business activities and environmental protection.

### Kyushu Electric Power Group Environmental Charter

As a corporate group whose business activities impact on the environment, the Kyushu Electric Power Group is keenly aware of its responsibility to protect the natural environment. For this reason, environmental protection as an important management priority. Management actions are designed to achieve a proper balance between business activities and environmental protection across all business activities. The Kyushu Electric Power Group Environmental Charter contains guidelines that clearly define our environmental posture and the direction of our environmental protection activities.

### Kyushu Electric Power Group Environmental Charter —Pursuing Environment-friendly Corporate Activities—

The Kyushu Electric Power Group protects the global environment and harmoniously coexists with the regional environment in order to contribute to the development of a sustainable society from a global standpoint.

1. We strive to properly address environmental issues and use resources effectively while pursuing business that contributes to the future.
2. We work with society to enhance the environment.
3. We foster interest in conservation in keeping with our desire to earn customer trust for the entire Group.
4. We proactively disclose environmental information when communicating with society.

### The Kyushu Electric Power Group Environmental Action Plan

Annually we prepare the Kyushu Electric Power Group Environmental Action Plan, for environmental management, and undertake steady, precise implementation. Each year, we publish the Environmental Action Report on the status of our environmental initiatives.

### The Kyushu Electric Power Group Environmental Action Plan (Activities in Kyushu Electric Power Co., Inc.)

#### Environmental Activities Policy

This is the basic long-term policy regarding environmental activities.

### Environmental Activities Plan

Based on the Environmental Activities Policy, this plan contains specific activities for each business site and employee that are necessary to achieve our environmental objectives.

#### FY2010 Environmental Activities Plan

##### Measures to Address Global Environmental Problems

Steadily implement measures to realize a low-carbon society : promoting nuclear power, development and introduction of renewable energy, promoting CO<sub>2</sub> emission reduction by customers and utilization of the Kyoto Mechanisms.

##### Measures to Create a Recycling Society

We will steadily practice the environmental 3Rs—Reduction, Reuse, and Recycling—in all business activities and engage in green procurement in cooperation with suppliers.

##### Protection of the Regional Environment

R&D that contributes to environmental load reduction, such as safe and appropriate disposal of PCBs and other harmful substances and pilot research on a micro grid system for outlying islands.

##### Partnership with Society

Environmental communication with customers through the Kyushu Homeland Forestation Program to plant one million trees over a ten-year period and the Kyushu Mirai School, providing energy and environmental education to children.

##### Environmental Management

We will appropriately execute an environmental management system (EMS) at all Company business sites and group companies and endeavor to ensure that environmental protection activities take firm root throughout the Group.

| Five pillars   | Environmental Conduct Policies  |
|--|---|
| 1<br>Measures to Address Global Environmental Problems | <ul style="list-style-type: none"> <li>• Control of Greenhouse Gases Emissions on both Sides of Electricity Supply and Use</li> <li>• Appropriate Correspondence to Kyoto Protocol and Post Kyoto Protocol, etc.</li> <li>• Contribution to International Global Warming Measures</li> <li>• Thorough Collection of Restricted Chlorofluorocarbon (protect the ozone layer.)</li> </ul> |
| 2<br>Measures to Create a Recycling Society            | <ul style="list-style-type: none"> <li>• Working Towards Zero Waste Emission Activities (Thoroughness 3R)</li> <li>• Promotion of Green Procurement</li> </ul>  |
| 3<br>Protection of the Regional Environment            | <ul style="list-style-type: none"> <li>• Environmental Preservation Related to Power Plants and Transformation Stations</li> <li>• Appropriate Management of PCB and Asbestos</li> <li>• Harmonizing with the Surrounding Environment</li> <li>• Research and Development to Reduce Environmental Impact</li> <li>• Conservation of Biodiversity</li> </ul>                             |
| 4<br>Partnership with Society                          | <ul style="list-style-type: none"> <li>• Promotion of Communications</li> <li>• Development and Support of Environmental Practices in Our Region</li> <li>• Development of Energy and Environmental Education for the Next Generation</li> </ul>  |
| 5<br>Environmental Management                          | <ul style="list-style-type: none"> <li>• Appropriate Operation of Environmental Management System (EMS)</li> <li>• Enhancing Environmental Efficiencies</li> <li>• Heightening of Employees' Awareness for Environment</li> <li>• Environmental Management on a Kyushu Electric Power Group Basis</li> </ul>  |



# FINANCIAL INFORMATION

## CONTENTS

|    |  |
|----|--|
| 39 | Consolidated Eleven-Year Financial Summary   |
| 39 | Management Discussion and Analysis           |
| 43 | Business Risk Factors                        |
| 45 | Consolidated Balance Sheets                  |
| 47 | Consolidated Statements of Income            |
| 48 | Consolidated Statements of Changes in Equity |
| 49 | Consolidated Statements of Cash Flows        |
| 50 | Notes to Consolidated Financial Statements   |
| 63 | Independent Auditors' Report                 |
| 64 | Non-consolidated Five-Year Financial Summary |
| 65 | Non-consolidated Balance Sheets              |
| 67 | Non-consolidated Statements of Income        |
| 68 | Overview of Power Generation Facilities      |
| 69 | Subsidiaries and Affiliated Companies        |

# FINANCIAL INFORMATION

## Consolidated Eleven-Year Financial Summary

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries  
Years Ended March 31,

| For the Year:                                     | 2000        | 2001        | 2002        | 2003        | 2004        |
|---|-------------|-------------|-------------|-------------|-------------|
| Operating revenues                                | ¥ 1,428,559 | ¥ 1,448,376 | ¥ 1,458,066 | ¥ 1,421,310 | ¥ 1,391,684 |
| Electric  | 1,392,148   | 1,410,010   | 1,381,440   | 1,350,675   | 1,308,843   |
| Other   | 36,411      | 38,366      | 76,626      | 70,635      | 82,841      |
| Operating expenses                                | 1,246,791   | 1,236,344   | 1,260,308   | 1,241,296   | 1,192,718   |
| Electric  | 1,211,227   | 1,199,237   | 1,184,382   | 1,170,655   | 1,108,104   |
| Other   | 35,564      | 37,107      | 75,926      | 70,641      | 84,614      |
| Interest charges                                  | 107,190     | 89,952      | 85,653      | 77,897      | 77,121      |
| Income before income taxes and minority interests | 39,490      | 97,447      | 99,464      | 102,363     | 112,451     |
| Income taxes                                      | 16,058      | 37,595      | 39,808      | 38,417      | 39,086      |
| Net income  | 22,934      | 59,191      | 61,120      | 64,319      | 72,792      |
| Per share of common stock (yen and U.S. dollars): |             |             |             |             |             |
| Net income:                                       |             |             |             |             |             |
| Basic   | ¥ 48.37     | ¥ 124.83    | ¥ 128.90    | ¥ 135.13    | ¥ 153.05    |
| Diluted   | 48.21       | 123.65      | —           | —           | —           |
| Cash dividends applicable to the year             | 50.00       | 60.00       | 60.00       | 50.00       | 50.00       |

### At year-end:

|                                      |             |             |             |             |             |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Total assets                         | ¥ 4,141,718 | ¥ 4,166,489 | ¥ 4,290,132 | ¥ 4,204,566 | ¥ 4,114,378 |
| Net property                         | 3,528,297   | 3,459,859   | 3,595,794   | 3,523,273   | 3,394,855   |
| Long-term debt, less current portion | 2,137,509   | 2,071,192   | 2,130,149   | 1,984,702   | 1,858,512   |
| Equity                               | 725,516     | 810,018     | 824,928     | 840,245     | 910,838     |

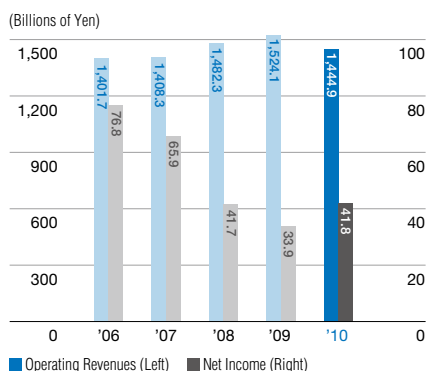
## Management Discussion and Analysis

### Summary

- **Rising profits for the first time in six years, despite a decline in sales**

In the electricity business:

- Electricity sales declined due to lower electricity sales volume, a decrease in charge unit prices prompted by falling fuel prices, and other factors.
- Fuel costs and purchased power expenses declined due to a drop in fuel prices, a decrease in electricity demand, and other factors.



### Operating Results

In the year ended March 31, 2010 (fiscal 2009), Kyushu Electric Power had a 5.2% year-on-year decline in consolidated operating revenues to ¥1,444.9 billion, as a result of lower electricity demand and a decrease in electric power charge unit prices prompted by drop in fuel prices.

With regard to expenditures, operating expenses decreased by 6.5% to ¥1,345.2 billion. The decrease is also attributable to reduced fuel expenses, as a result of a fall in fuel prices, and lower electricity demand. As a result, operating income for the segment rose by 17.7% to ¥99.7 billion.

Other revenues grew by 8.9% from the previous year to ¥11.3 billion. One primary factor was an increase in investment returns from equity method affiliates, which offset lower proceeds from dividends and other decreases. In addition, other expenses fell by 2.7% year on year to ¥43.4 billion

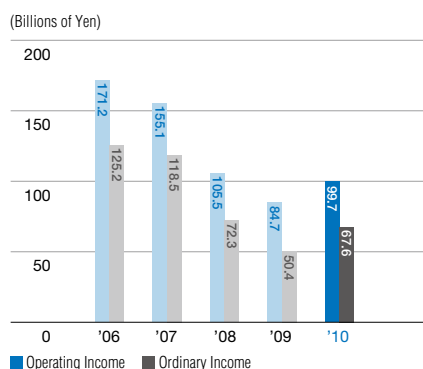
|             |             |             |             |             | Millions of Yen<br>(except for per share data) | Thousands of U.S. Dollars<br>(except for per share data) |
|-------------|-------------|-------------|-------------|-------------|--|--|
| 2005        | 2006        | 2007        | 2008        | 2009        | 2010   | 2010   |
| ¥ 1,408,728 | ¥ 1,401,752 | ¥ 1,408,328 | ¥ 1,482,352 | ¥ 1,524,193 | ¥ 1,444,941                                    | \$15,530,321   |
| 1,320,581   | 1,311,996   | 1,307,737   | 1,363,424   | 1,398,577   | 1,310,085                                      | 14,080,880   |
| 88,147      | 89,756      | 100,591     | 118,928     | 125,616     | 134,856  | 1,449,441  |
| 1,194,993   | 1,230,467   | 1,253,155   | 1,376,811   | 1,439,470   | 1,345,214                                      | 14,458,448   |
| 1,107,744   | 1,140,797   | 1,155,414   | 1,260,616   | 1,317,216   | 1,220,537                                      | 13,118,411   |
| 87,249      | 89,670      | 97,741      | 116,195     | 122,254     | 124,677  | 1,340,037  |
| 49,522      | 41,130      | 38,354      | 36,938      | 35,771      | 35,292   | 379,321  |
| 146,797     | 120,790     | 112,887     | 72,463      | 55,859      | 67,610   | 726,677  |
| 57,858      | 43,038      | 46,075      | 29,853      | 21,481      | 25,405   | 273,055  |
| 89,288      | 76,850      | 65,968      | 41,727      | 33,992      | 41,813   | 449,409  |
| ¥ 187.91    | ¥ 161.67    | ¥ 139.37    | ¥ 88.19     | ¥ 71.84     | ¥ 88.38  | \$ 0.95  |
| —           | —           | —           | —           | —           | —  | —  |
| 60.00       | 60.00       | 60.00       | 60.00       | 60.00       | 60.00  | 0.64   |
| ¥ 4,049,713 | ¥ 4,102,319 | ¥ 4,038,839 | ¥ 4,059,775 | ¥ 4,110,878 | ¥ 4,054,192                                    | \$43,574,721   |
| 3,300,740   | 3,217,982   | 3,140,200   | 3,109,293   | 3,080,447   | 3,037,055                                      | 32,642,466   |
| 1,739,660   | 1,724,179   | 1,689,107   | 1,712,949   | 1,811,744   | 1,724,973                                      | 18,540,122   |
| 979,252     | 1,052,785   | 1,092,601   | 1,084,213   | 1,072,375   | 1,089,066                                      | 11,705,353   |

(U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥93.04 = U.S. \$1, the approximate rate of exchange at March 31, 2010.)

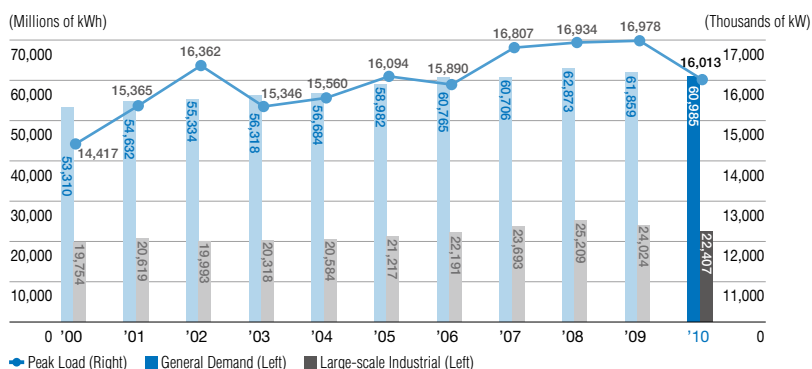
due to such factors as lower valuation losses on investment securities.

As a result, ordinary revenues fell by 5.1% from the previous year to ¥1,456.2 billion, but ordinary expenses decreased by 6.4% to ¥1,388.6 billion, resulting in a 34.0% year-on-year increase in ordinary income to ¥67.6 billion, the first increase in ordinary income in five years.

Net income rose by 23.0% from the previous year to ¥41.8 billion for the first rise in five years, causing net earnings per share to rise ¥16.54 to ¥88.38.

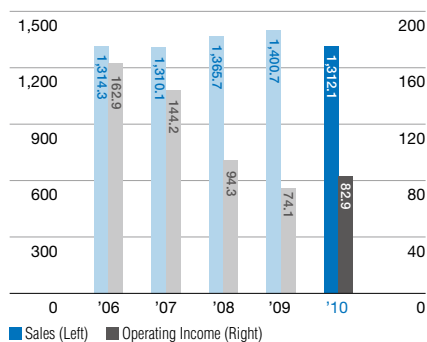


Electricity Sales Volume (Millions of kWh) and Peak Load (Thousands of kW)

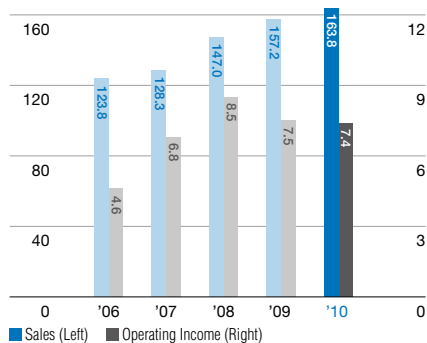




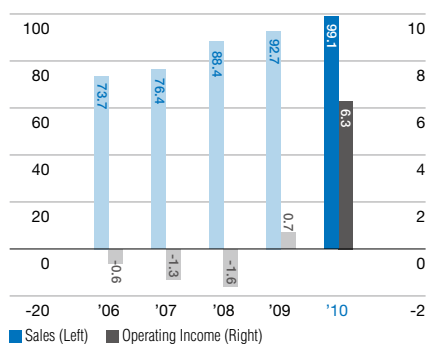
Electric Power (Billions of Yen)



Energy-related Business (Billions of Yen)



IT and Telecommunications (Billions of Yen)



## Segment Information (Before Elimination of Internal Transactions)

### (1) Electric Power

Sales volume in the electric power segment slipped by 1.4% from the previous year. General demand, including domestic lighting and commercial demand, was affected by reduced cooling demand due to lower temperatures in July compared to the previous year and a decline in demand from small factories and retail business. Large industrial demand fell by 6.7%, as production cuts in the electrical equipment, transport equipment and steel industries in the first half offset the revived production in transport equipment, chemicals and non-ferrous metals in the second half. As a result, total sales volume fell by 2.9% year on year to 83.39 billion kWh.

On the supply side, our nuclear facilities (power generation) and other facilities continued to operate steadily, allowing us to maintain reliable sources of electric power. Analysis of the energy mix, including power generated by Kyushu Electric Power and power purchased from other companies, shows nuclear power to account for 42%, thermal power for 50%, hydroelectric for 5% and new energy sources for 3%.

For the electric power segment, operating revenues fell by 6.3% from the previous year to ¥1,312.1 billion, owing to lower electricity sales volumes due to lower electricity demand and charge unit prices prompted by falling fuel prices, while operating income grew by 11.9% year on year to ¥82.9 billion, due to lower fuel expenses and other factors.

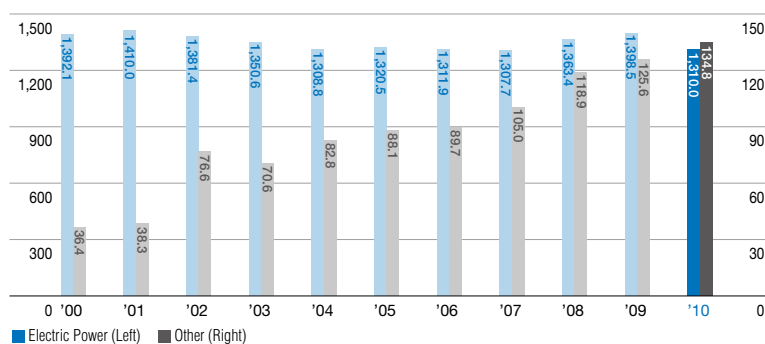
### (2) Energy-related Business

Operating revenues in the energy-related segment were up 4.2% year on year to ¥163.8 billion, owing to completed construction projects, such as wind power generation projects, and increases in revenues from ship leasing in conjunction with putting an LNG carrier into service, while revenues were down from declines in gas sales prices. Operating income fell by 2.6% from the previous year to ¥7.4 billion due to increased depreciation expenses and other factors.

### (3) IT and Telecommunications

Operating revenues increased 6.9% year on year to ¥99.1 billion. This increase is attributable to increases in the number of broadband service lines in operation and telecommunications equipment sales. Operating income jumped by 712.5% over the previous year to ¥6.3 billion as a result of increased operating revenues and decreased depreciation expenses.

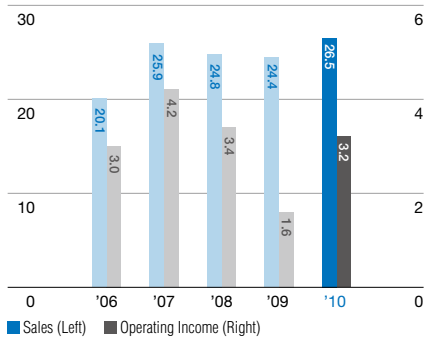
Trends of Operating Revenues by Segments (after eliminating internal transactions) (Billions of Yen)



#### (4) Other Activities

Other business showed an 8.7% year-on-year increase in operating revenues to ¥26.5 billion from increased revenues from real estate sales, while operating income jumped by 94.8% to ¥3.2 billion as a result of reduced expenses related to real estate leasing and other factors.

Other Activities (Billions of Yen)



### Financial Position

#### (1) Cash Flows

Cash flows from operating activities increased by 42.2% from the previous year to an inflow of ¥351.4 billion. The primary causes were lower cash outflows for fuel expenses and purchased power costs combined with lower cash inflows from electric lighting and power in the electric power business.

Cash flows for investment activities decreased by 9.4% year on year to a ¥235.3 billion outflow. This increase is attributable to reduced capital investments and other factors.

Cash flows for financing activities amounted to a ¥135.9 billion outflow (¥42.0 billion inflow in the previous year).

Based on the figures above, cash and cash equivalents on March 31, 2010, stood at ¥68.1 billion, a ¥19.9 billion decrease from the end of the previous year.

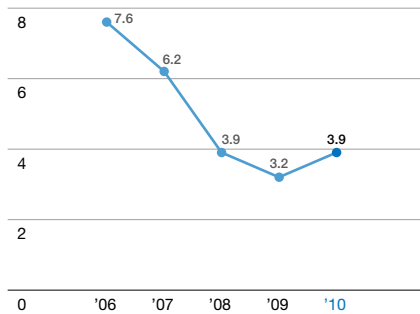
#### (2) Assets, Liabilities and Net Assets

Total assets at the end of the year in review were ¥4,054.1 billion, a 1.4% decrease since the end of the previous year. Major factors behind this fall include additional accumulated depreciation for fixed assets and reduced cash and cash equivalents for current assets.

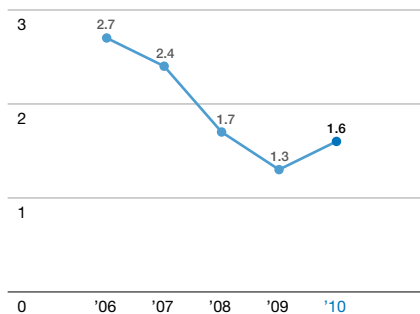
Total liabilities at the end of the year under review decreased by 2.4% compared to the previous year to ¥2,965.1 billion, owing to such factors as a decrease in interest-bearing debt. Outstanding interest-bearing debt decreased ¥105.8 billion to ¥2,004.7 billion.

In spite of a reduction in net assets from the payment of cash dividends, net assets rose by 1.6% from the end of the previous year to ¥1,089.0 billion due to the recording of a net profit for the term. The equity ratio was 26.4%.

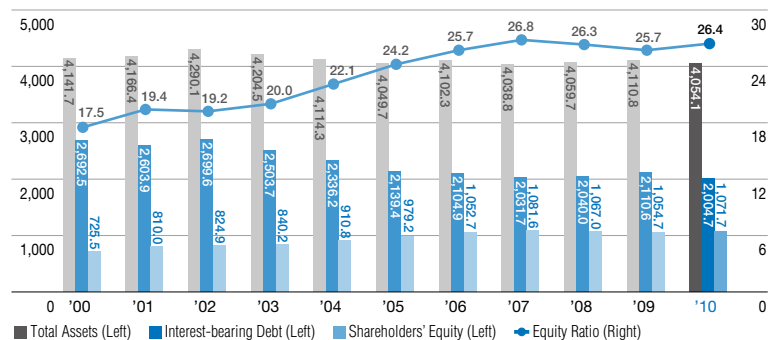
ROE (%)



ROA (%)



Consolidated Interest-bearing Debt and Equity Ratio (Billions of Yen, %)



## Business Risk Factors

The following is a list of some significant risk factors that may have an effect on the operating results, financial position and other aspects of the Group (consolidated). The statements made in this report regarding our future operations are forward-looking statements made in light of information available as of June 29, 2010.

### 1 Risks Related to Economic Conditions and Weather Conditions

The sales volume in the electric power business reflects economic conditions and seasonal changes in temperatures. These factors may have a material impact on the results and financial condition of the Kyushu Electric Power Group.

### 2 Risks Related to the Fluctuation of Fuel Prices

Fuel expenses in electricity business fluctuate as a result of trends in CIF prices and in the foreign exchange markets because we procure sources of fuel for thermal power generation including liquefied natural gas (LNG) and coal from overseas.

However, fluctuations in fuel prices are reflected in electric rates through the fuel cost adjustment system, which in our opinion helps to limit the impact of fuel price volatility on the Kyushu Electric Power Group.

### 3 Risks Related to Costs of Nuclear Fuel Cycle Operations

The uncertainties in the long-term prospects of nuclear fuel cycle operations pose a risk, but operator risk is being reduced through measures proposed by the Japanese government. However, Group performance could be affected by the burden of increased costs based on revised cost estimates for future expenses.

### 4 Costs of Measures to Fight Global Warming

The Kyushu Electric Power Group is undertaking numerous measures to combat global warming. One key measure is to maintain a high utilization rate as a result of nuclear power safety and stable operations. Other initiatives include maintenance and enhancement of thermal power efficiency, reduced losses in the transmission network and the active development and introduction of renewable power. However, Group performance may be affected by the increased cost burden from policy trends related to global warming.

## 5 Risks Related to Businesses Other than Electricity

The Kyushu Electric Power Group is enhancing its revenue basis by utilizing the group's management resources and proactively developing new business area beyond electricity business. In the business operation, we put emphasis on the profitability and work to improve efficiency while pursuing the growth. In case securing the planned profits cannot be achieved due to the worsening business conditions, the Kyushu Electric Power Group's performance may be affected.

## 6 Risks Related to Interest Rates

The Kyushu Electric Power Group's balance of interest-bearing debt as of the end of March 2010 is ¥2,004.7 billion, which accounts for 49% of total assets of the group. Future changes in interest rates have potential to affect the Kyushu Electric Power Group's financial condition.

However, 94% of outstanding interest-bearing debt comprises long-term debt, and most of these bear interest at fixed rates. The impact of fluctuating interest rates on Kyushu Electric Power Group is therefore viewed as limited.

## 7 Related to the Leaking of Information

The Kyushu Electric Power Group has established strict internal frameworks to manage in-house information and personal information, which Group companies hold, to ensure information security. Additionally, we have implemented thorough information management by establishing internal policies and guidelines on handling information as well as familiarizing employees with the handling procedures. However, in case of the leaking of in-house information and personal information, the Kyushu Electric Power Group's operation may be affected.

## 8 Risks Related to Natural Disasters

To ensure a stable supply of electricity to our customers, the Kyushu Electric Power Group implements inspection and maintenance of the facilities systematically to prevent any trouble from occurring. However, large-scaled natural disasters such as typhoons, torrential rains and earthquakes as well as unexpected accidents and illicit acts have the potential to affect the Kyushu Electric Power Group's operations.

We are also developing a risk management system and are preparing for numerous risks that may have a material impact on business operations. Improper actions taken in response to an emergency situation may adversely affect the Kyushu Electric Power Group's business performance.



# Consolidated Balance Sheets

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries  
March 31, 2010 and 2009

|   | Millions of Yen    |                    | Thousands of<br>U.S. Dollars (Note 1) |
|---|--------------------|--------------------|---------------------------------------|
|   | 2010               | 2009               | 2010                                  |
| <b>ASSETS</b>   |                    |                    |                                       |
| <b>PROPERTY (Note 3):</b>   |                    |                    |                                       |
| Plant and equipment   | ¥ 9,213,586        | ¥ 9,123,680        | \$ 99,028,224                         |
| Construction in progress  | 247,078            | 212,169            | 2,655,611                             |
| Total   | 9,460,664          | 9,335,849          | 101,683,835                           |
| Less-   |                    |                    |                                       |
| Contributions in aid of construction  | 150,818            | 148,728            | 1,621,001                             |
| Accumulated depreciation  | 6,272,791          | 6,106,674          | 67,420,368                            |
| Total   | 6,423,609          | 6,255,402          | 69,041,369                            |
| Net property  | 3,037,055          | 3,080,447          | 32,642,466                            |
| <b>NUCLEAR FUEL</b>   | <b>269,663</b>     | <b>264,205</b>     | <b>2,898,356</b>                      |
| <b>INVESTMENTS AND OTHER ASSETS:</b>  |                    |                    |                                       |
| Investment securities (Notes 4 and 14)  | 87,237             | 82,988             | 937,629                               |
| Investments in and advances to non-consolidated subsidiaries and affiliated companies (Note 14) | 75,946             | 69,618             | 816,272                               |
| Reserve funds for reprocessing of irradiated nuclear fuel (Notes 8 and 14)                      | 167,770            | 136,012            | 1,803,203                             |
| Deferred tax assets (Note 10)   | 119,709            | 117,744            | 1,286,640                             |
| Other assets  | 18,851             | 34,405             | 202,612                               |
| Total investments and other assets  | 469,513            | 440,767            | 5,046,356                             |
| <b>CURRENT ASSETS:</b>  |                    |                    |                                       |
| Cash and cash equivalents (Note 14)   | 68,178             | 88,124             | 732,782                               |
| Receivables (Note 14)   | 110,592            | 126,857            | 1,188,650                             |
| Allowance for doubtful accounts   | (1,080)            | (1,286)            | (11,608)                              |
| Inventories, principally fuel   | 63,846             | 76,481             | 686,221                               |
| Deferred tax assets (Note 10)   | 16,567             | 16,285             | 178,063                               |
| Prepaid expenses and other  | 19,858             | 18,998             | 213,435                               |
| Total current assets  | 277,961            | 325,459            | 2,987,543                             |
| <b>TOTAL</b>  | <b>¥ 4,054,192</b> | <b>¥ 4,110,878</b> | <b>\$ 43,574,721</b>                  |

See notes to consolidated financial statements.

|  | Millions of Yen    |                    | Thousands of<br>U.S. Dollars (Note 1) |
|--|--------------------|--------------------|---------------------------------------|
|  | 2010               | 2009               | 2010                                  |
| <b>LIABILITIES AND EQUITY</b>  |                    |                    |                                       |
| <b>LONG-TERM LIABILITIES:</b>  |                    |                    |                                       |
| Long-term debt, less current portion (Notes 6 and 14)  | ¥ 1,724,973        | ¥ 1,811,744        | \$ 18,540,122                         |
| Liability for employees' retirement benefits (Note 7)  | 141,699            | 137,684            | 1,522,990                             |
| Reserve for reprocessing of irradiated nuclear fuel (Note 8)                                   | 369,220            | 366,437            | 3,968,401                             |
| Reserve for decommissioning of nuclear power units   | 164,931            | 155,838            | 1,772,689                             |
| Other  | 32,081             | 34,666             | 344,809                               |
| Total long-term liabilities  | 2,432,904          | 2,506,369          | 26,149,011                            |
| <b>CURRENT LIABILITIES:</b>  |                    |                    |                                       |
| Current portion of long-term debt (Notes 6 and 14)   | 174,799            | 169,264            | 1,878,751                             |
| Short-term borrowings (Notes 9 and 14)   | 111,887            | 133,645            | 1,202,569                             |
| Notes and accounts payable (Notes 13 and 14)   | 99,838             | 92,157             | 1,073,065                             |
| Accrued income taxes (Note 14)   | 21,344             | 3,220              | 229,407                               |
| Accrued expenses   | 80,398             | 86,632             | 864,123                               |
| Other  | 43,956             | 47,216             | 472,442                               |
| Total current liabilities  | 532,222            | 532,134            | 5,720,357                             |
| <b>COMMITMENTS AND CONTINGENCIES (Note 16)</b>   |                    |                    |                                       |
| <b>EQUITY (Note 11):</b>   |                    |                    |                                       |
| Common stock, authorized, 1,000,000,000 shares;<br>issued, 474,183,951 shares in 2010 and 2009 | 237,305            | 237,305            | 2,550,570                             |
| Capital surplus  | 31,141             | 31,147             | 334,706                               |
| Retained earnings  | 788,538            | 775,130            | 8,475,258                             |
| Unrealized gain on available-for-sale securities   | 16,383             | 13,099             | 176,086                               |
| Deferred gain on derivatives under hedge accounting  | 1,880              | 1,393              | 20,206                                |
| Foreign currency translation adjustments   | (1,290)            | (1,341)            | (13,865)                              |
| Treasury stock-at cost 1,110,624 shares in 2010 and 1,024,166 shares in 2009                   | (2,165)            | (2,000)            | (23,270)                              |
| Total  | 1,071,792          | 1,054,733          | 11,519,691                            |
| Minority interests   | 17,274             | 17,642             | 185,662                               |
| Total equity   | 1,089,066          | 1,072,375          | 11,705,353                            |
| <b>TOTAL</b>   | <b>¥ 4,054,192</b> | <b>¥ 4,110,878</b> | <b>\$ 43,574,721</b>                  |

# Consolidated Statements of Income

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries  
Years Ended March 31, 2010 and 2009

|  | Millions of Yen |                 | Thousands of<br>U.S. Dollars (Note 1) |
|--|-----------------|-----------------|---------------------------------------|
|  | 2010            | 2009            | 2010                                  |
| <b>OPERATING REVENUES:</b>   |                 |                 |                                       |
| Electric   | ¥ 1,310,085     | ¥ 1,398,577     | \$ 14,080,880                         |
| Other  | 134,856         | 125,616         | 1,449,441                             |
| Total operating revenues   | 1,444,941       | 1,524,193       | 15,530,321                            |
| <b>OPERATING EXPENSES (Note 12):</b>   |                 |                 |                                       |
| Electric   | 1,220,537       | 1,317,216       | 13,118,411                            |
| Other  | 124,677         | 122,254         | 1,340,037                             |
| Total operating expenses   | 1,345,214       | 1,439,470       | 14,458,448                            |
| <b>OPERATING INCOME</b>  | <b>99,727</b>   | <b>84,723</b>   | <b>1,071,873</b>                      |
| <b>OTHER EXPENSES (INCOME):</b>  |                 |                 |                                       |
| Interest charges   | 35,292          | 35,771          | 379,321                               |
| Gain on sales of investment securities   |                 | (5,400)         |                                       |
| Other-net  | (3,175)         | (1,507)         | (34,125)                              |
| Total other expenses-net   | 32,117          | 28,864          | 345,196                               |
| <b>INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS</b>                               | <b>67,610</b>   | <b>55,859</b>   | <b>726,677</b>                        |
| <b>INCOME TAXES (Note 10):</b>   |                 |                 |                                       |
| Current  | 29,646          | 14,587          | 318,637                               |
| Deferred   | (4,241)         | 6,894           | (45,582)                              |
| Total income taxes   | 25,405          | 21,481          | 273,055                               |
| <b>INCOME BEFORE MINORITY INTERESTS IN NET INCOME OF<br/>CONSOLIDATED SUBSIDIARIES</b> | <b>42,205</b>   | <b>34,378</b>   | <b>453,622</b>                        |
| <b>MINORITY INTERESTS IN NET INCOME OF CONSOLIDATED SUBSIDIARIES</b>                   | <b>(392)</b>    | <b>(386)</b>    | <b>(4,213)</b>                        |
| <b>NET INCOME</b>  | <b>¥ 41,813</b> | <b>¥ 33,992</b> | <b>\$ 449,409</b>                     |

| PER SHARE OF COMMON STOCK (Note 2.q.): | Yen     |         | U.S. Dollars |
|--|---------|---------|--------------|
|  |         |         |              |
| Basic net income                       | ¥ 88.38 | ¥ 71.84 | \$ 0.95      |
| Cash dividends applicable to the year  | 60.00   | 60.00   | 0.64         |

See notes to consolidated financial statements.

# Consolidated Statements of Changes in Equity

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries  
Years Ended March 31, 2010 and 2009

Thousands of Shares / Millions of Yen

|                                  | Common Stock |           | Capital Surplus | Retained Earnings | Unrealized Gain on Available-for-sale Securities | Deferred Gain on Derivatives under Hedge Accounting | Foreign Currency Translation Adjustments | Treasury Stock |           | Total       | Minority Interests | Total Equity |
|----------------------------------|--------------|-----------|-----------------|-------------------|--|---|--|----------------|-----------|-------------|--------------------|--------------|
|                                  | Shares       | Amount    |                 |                   |  |   |  | Shares         | Amount    |             |                    |              |
| <b>BALANCE AT MARCH 31, 2008</b> | 474,184      | ¥ 237,305 | ¥ 31,141        | ¥ 769,542         | ¥ 28,004   | ¥ 3,332   | ¥ (282)                                  | 1,028          | ¥ (1,995) | ¥ 1,067,047 | ¥ 17,166           | ¥ 1,084,213  |
| Net income                       |              |           |                 | 33,992            |  |   |  |                |           | 33,992      |                    | 33,992       |
| Cash dividends, ¥60 per share    |              |           |                 | (28,404)          |  |   |  |                |           | (28,404)    |                    | (28,404)     |
| Purchase of treasury stock       |              |           |                 |                   |  |   |  | 111            | (276)     | (276)       |                    | (276)        |
| Disposal of treasury stock       |              |           | 6               |                   |  |   |  | (115)          | 271       | 277         |                    | 277          |
| Net change in the year           |              |           |                 |                   | (14,905)   | (1,939)   | (1,059)                                  |                |           | (17,903)    | 476                | (17,427)     |
| <b>BALANCE AT MARCH 31, 2009</b> | 474,184      | 237,305   | 31,147          | 775,130           | 13,099   | 1,393   | (1,341)                                  | 1,024          | (2,000)   | 1,054,733   | 17,642             | 1,072,375    |
| Net income                       |              |           |                 | 41,813            |  |   |  |                |           | 41,813      |                    | 41,813       |
| Cash dividends, ¥60 per share    |              |           |                 | (28,405)          |  |   |  |                |           | (28,405)    |                    | (28,405)     |
| Purchase of treasury stock       |              |           |                 |                   |  |   |  | 101            | (200)     | (200)       |                    | (200)        |
| Disposal of treasury stock       |              |           | (6)             |                   |  |   |  | (14)           | 35        | 29          |                    | 29           |
| Net change in the year           |              |           |                 |                   | 3,284  | 487   | 51                                       |                |           | 3,822       | (368)              | 3,454        |
| <b>BALANCE AT MARCH 31, 2010</b> | 474,184      | ¥ 237,305 | ¥ 31,141        | ¥ 788,538         | ¥ 16,383   | ¥ 1,880   | ¥ (1,290)                                | 1,111          | ¥ (2,165) | ¥ 1,071,792 | ¥ 17,274           | ¥ 1,089,066  |

Thousands of U.S. Dollars (Note 1)

|                                  | Common Stock                     | Capital Surplus | Retained Earnings | Unrealized Gain on Available-for-sale Securities | Deferred Gain on Derivatives under Hedge Accounting | Foreign Currency Translation Adjustments | Treasury Stock | Total         | Minority Interests | Total Equity  |
|----------------------------------|----------------------------------|-----------------|-------------------|--|---|--|----------------|---------------|--------------------|---------------|
|                                  | <b>BALANCE AT MARCH 31, 2009</b> | \$ 2,550,570    | \$ 334,770        | \$ 8,331,148                                     | \$ 140,789  | \$ 14,972                                | \$ (14,413)    | \$ (21,496)   | \$ 11,336,340      | \$ 189,617    |
| Net income                       |                                  |                 | 449,409           |  |   |  |                | 449,409       |                    | 449,409       |
| Cash dividends, \$0.64 per share |                                  |                 | (305,299)         |  |   |  |                | (305,299)     |                    | (305,299)     |
| Purchase of treasury stock       |                                  |                 |                   |  |   |  | (2,150)        | (2,150)       |                    | (2,150)       |
| Disposal of treasury stock       |                                  | (64)            |                   |  |   |  | 376            | 312           |                    | 312           |
| Net change in the year           |                                  |                 |                   | 35,297   | 5,234   | 548                                      |                | 41,079        | (3,955)            | 37,124        |
| <b>BALANCE AT MARCH 31, 2010</b> | \$ 2,550,570                     | \$ 334,706      | \$ 8,475,258      | \$ 176,086                                       | \$ 20,206   | \$ (13,865)                              | \$ (23,270)    | \$ 11,519,691 | \$ 185,662         | \$ 11,705,353 |

See notes to consolidated financial statements.



# Consolidated Statements of Cash Flows

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries  
Years Ended March 31, 2010 and 2009

|  | Millions of Yen |                 | Thousands of<br>U.S. Dollars (Note 1) |
|--|-----------------|-----------------|---------------------------------------|
|  | 2010            | 2009            | 2010                                  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                 |                 |                                       |
| Income before income taxes and minority interests  | ¥ 67,610        | ¥ 55,859        | \$ 726,677                            |
| Adjustments for:   |                 |                 |                                       |
| Income taxes-paid  | (11,188)        | (15,946)        | (120,249)                             |
| Depreciation and amortization  | 256,700         | 252,431         | 2,759,028                             |
| Provision for (reversal of) liability for employees' retirement benefits   | 4,015           | (12,829)        | 43,153                                |
| Provision for reserve for reprocessing of irradiated nuclear fuel  | 2,783           | 3,611           | 29,912                                |
| Provision for reserve for decommissioning of nuclear power units   | 9,093           | 8,309           | 97,732                                |
| Loss on disposal of plant and equipment  | 8,953           | 9,537           | 96,228                                |
| Gain on sales of investment securities   |                 | (5,400)         |                                       |
| Changes in assets and liabilities, net of effects from merger of a non-consolidated subsidiary with a consolidated subsidiary: |                 |                 |                                       |
| Increase in reserve funds for reprocessing of irradiated nuclear fuel  | (31,758)        | (31,272)        | (341,337)                             |
| Decrease in trade receivables  | 16,249          | 4,315           | 174,645                               |
| Decrease (increase) in inventories   | 12,635          | (11,366)        | 135,802                               |
| Increase (decrease) in trade payables  | 2,173           | (23,117)        | 23,356                                |
| Other-net  | 14,173          | 12,963          | 152,332                               |
| Total adjustments  | 283,828         | 191,236         | 3,050,602                             |
| Net cash provided by operating activities  | 351,438         | 247,095         | 3,777,279                             |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                 |                 |                                       |
| Capital expenditures including nuclear fuel  | (235,613)       | (258,530)       | (2,532,384)                           |
| Payments for investments and advances  | (13,296)        | (20,064)        | (142,906)                             |
| Proceeds from sales of investment securities and collections of advances   | 9,451           | 10,246          | 101,580                               |
| Other-net  | 4,107           | 8,514           | 44,142                                |
| Net cash used in investing activities  | (235,351)       | (259,834)       | (2,529,568)                           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |                 |                 |                                       |
| Proceeds from issuance of bonds  | 59,803          | 204,380         | 642,766                               |
| Repayments of bonds  | (50,000)        | (100,000)       | (537,403)                             |
| Proceeds from long-term bank loans   | 25,230          | 61,778          | 271,174                               |
| Repayments of long-term bank loans   | (119,324)       | (74,322)        | (1,282,502)                           |
| Net decrease in short-term borrowings  | (21,758)        | (9,812)         | (233,856)                             |
| Net decrease in commercial paper   |                 | (12,000)        |                                       |
| Cash dividends paid  | (28,398)        | (28,413)        | (305,224)                             |
| Other-net  | (1,526)         | 479             | (16,402)                              |
| Net cash provided by (used in) financing activities  | (135,973)       | 42,090          | (1,461,447)                           |
| <b>FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS</b>   | <b>(60)</b>     | <b>(40)</b>     | <b>(645)</b>                          |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>  | <b>(19,946)</b> | <b>29,311</b>   | <b>(214,381)</b>                      |
| <b>CASH AND CASH EQUIVALENTS OF A NON-CONSOLIDATED SUBSIDIARY MERGED WITH A CONSOLIDATED SUBSIDIARY</b>                        |                 | <b>46</b>       |                                       |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>  | <b>88,124</b>   | <b>58,767</b>   | <b>947,163</b>                        |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>  | <b>¥ 68,178</b> | <b>¥ 88,124</b> | <b>\$ 732,782</b>                     |

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries  
Years Ended March 31, 2010 and 2009

## 1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

Kyushu Electric Power Company, Incorporated (the "Company") has prepared the accompanying consolidated financial statements in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act, the Electricity Business Act and their related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. Especially accounting related to the nuclear power generation is regulated by the above accounting regulations which are dependent on a governmental long term nuclear energy policy.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements

issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made to the consolidated financial statements for the year ended March 31, 2009 to conform to the classifications used in the consolidated financial statements for the year ended March 31, 2010.

The United States dollar amounts included herein are provided solely for the convenience of readers and are stated at the rate of ¥93.04 = U.S. \$1, the approximate exchange rate prevailing on March 31, 2010. The translations should not be construed as representations that the Japanese yen amounts could be converted into United States dollars at that or any other rate.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**a. Consolidation and Application of the Equity Method** — The consolidated financial statements as of March 31, 2010 include the accounts of the Company and its thirty-four (thirty-three for 2009) subsidiaries (together, the "Companies"). All significant intercompany transactions and balances have been eliminated in consolidation. Investments in eighteen (nineteen for 2009) non-consolidated subsidiaries and thirteen affiliated companies are accounted for by the equity method.

The Company adopts the control or influence concept. Under the concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are treated as subsidiaries and those companies over which the Companies have the ability to exercise significant influence are treated as affiliated companies.

The difference between the cost of an acquisition and the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortized over a period of five years.

Consolidation of the remaining subsidiaries and the application of the equity method to the remaining affiliated companies would not have a material effect on the accompanying consolidated financial statements.

**b. Property and Depreciation** — Property is stated at cost. Contributions in aid of construction including those made by customers are deducted from the cost of the related assets.

Depreciation is principally computed using the declining-balance method based on the estimated useful lives of the assets. Depreciation of easements is computed using the straight-line method based on the estimated useful lives of the transmission lines.

**c. Impairment of Fixed Assets** — The Companies review their fixed assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

**d. Amortization of Nuclear Fuel** — Amortization of nuclear fuel is computed based on the proportion of current heat produced to the estimated total potential heat production over the estimated useful life of the nuclear fuel.

**e. Investment Securities** — Investment securities are classified and accounted for, depending on management's intent, as follows:

i) held-to-maturity debt securities are stated at cost with discounts or premiums amortized throughout the holding periods; ii) available-for-sale securities, which are not classified as the aforementioned securities and investment securities in non-consolidated subsidiaries and affiliated companies, are stated at market value; and securities without market value are stated at cost.

The Companies record unrealized gains or losses on available-for-sale securities, net of deferred taxes, in equity presented as "Unrealized gain on available-for-sale securities."

For other than temporary declines in fair value, investment securities are written down to net realizable value by a charge to income.

**f. Cash Equivalents** — Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and mutual funds investing in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

**g. Inventories** — Inventories are stated at the lower of cost, principally determined by the average method, or net selling value.

**h. Foreign Currency Transactions** — Receivables and payables denominated in foreign currencies are translated into Japanese yen at the rates in effect as of the each balance sheet date.

**i. Foreign Currency Financial Statements** — The balance sheet accounts of foreign subsidiaries and foreign affiliated companies, which are not consolidated but accounted for by the equity method, are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate.

Differences arising from such translation were shown as “Foreign currency translation adjustments” in a separate component of equity.

**j. Derivatives and Hedging Activities** — Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the income statement and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Liabilities denominated in foreign currencies for which foreign exchange forward contracts and currency swaps are used to hedge the foreign currency fluctuations are translated at the contracted rate if the forward contracts and currency swaps qualify for hedge accounting. Forward contracts and currency swaps applied for committed transactions are measured at the fair value and the unrealized gains / losses are deferred until the underlying transactions are completed.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest charges.

**k. Severance Payments and Pension Plans** — The Companies have unfunded retirement plans for most of their employees and the Company and most of the consolidated subsidiaries also have contributory funded defined benefit pension plans covering substantially all of their employees.

The Companies account for the liability for employees' retirement benefits based on the projected benefit obligations and plan assets of the pension fund at the end of the fiscal year.

**l. Reserve for Reprocessing of Irradiated Nuclear Fuel** — This reserve is provided for reprocessing costs of irradiated nuclear fuel. The annual provision is calculated in accordance with the accounting regulations set by the Japanese Government applicable to electric utility providers in Japan.

**m. Reserve for Decommissioning of Nuclear Power Units** — Provision is made for future disposition costs of nuclear power units based on a proportion of the current generation of electric power to the estimated total life-time generation of electric power of each unit.

**n. Income Taxes** — The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

**o. Reserve for Fluctuations in Water Level** — This reserve is provided to stabilize the Company's income level based on the Electricity Business Act and related accounting regulations. This reserve is recorded when the volume of water for generating hydroelectric power is abundant and available for future power

generation, and reversed in years when there is an insufficient volume of water. Also this reserve must be shown as a liability under the act and regulations. Neither provision nor reversal of the reserve was made for the years ended March 31, 2010 and 2009.

**p. Treasury Stock** — The accounting standard for treasury stock requires that where an affiliated company holds a parent company's stock, a portion which is equivalent to the parent company's interest in such stock should be presented as treasury stock as a separate component of equity and the carrying value of the investment in the affiliated company should be reduced by the same amount.

**q. Net Income and Cash Dividends per Share** — Basic earnings per share (“EPS”) is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding during the year and diluted EPS reflects the potential dilution that could occur if securities were exercised or converted into common stock.

Diluted EPS is not disclosed for the years ended March 31, 2010 and 2009, because potentially dilutive securities were not outstanding.

Cash dividends per share represent actual amounts applicable to earnings of the respective years.

**r. Construction Contracts** — In December 2007, the Accounting Standards Board of Japan (the “ASBJ”) issued ASBJ Statement No.15 “Accounting Standard for Construction Contracts” and ASBJ Guidance No.18 “Guidance on Accounting Standard for Construction Contracts”. Under the previous Japanese GAAP, either the completed-contract method or the percentage-of-completion method was permitted to account for construction contracts. Under this new accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts. This standard is applicable to construction contracts and software development contracts and effective for fiscal years beginning on or after April 1, 2009.

The Companies applied the new accounting standard effective April 1, 2009. The effect of this change was immaterial.

**s. Research and Development Costs** — Research and development costs are charged to income as incurred.

**t. New Accounting Pronouncements**

**Asset Retirement Obligations** — In March 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No.18 “Accounting Standard for Asset Retirement Obligations” and ASBJ Guidance No.21 “Guidance on Accounting Standard for Asset Retirement Obligations”. Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction,

development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement

obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010.

### 3. PROPERTY

The Japanese government revised the accounting regulations applicable to electric utility providers in Japan. The revisions were effective on or after April 1, 2009. The revised accounting regulations require presentation of wind power, solar power, geothermal power, biomass power, and waste power production facilities as "renewable power production facilities". The breakdown of property as of March 31, 2010 and 2009 was as follows:

|   | Millions of Yen |             | Thousands of U.S. Dollars |
|---|-----------------|-------------|---------------------------|
|   | 2010            | 2009        | 2010                      |
| Costs:                                    |                 |             |                           |
| Electric power production facilities:     |                 |             |                           |
| Hydroelectric power                       | ¥ 734,019       | ¥ 730,137   | \$ 7,889,284              |
| Thermal power                             | 1,459,043       | 1,459,189   | 15,681,890                |
| Nuclear power                             | 1,564,071       | 1,552,174   | 16,810,737                |
| Internal-combustion engine power          | 126,269         | 125,791     | 1,357,147                 |
| Renewable power                           | 99,217          | 98,581      | 1,066,391                 |
|   | 3,982,619       | 3,965,872   | 42,805,449                |
| Transmission facilities                   | 1,628,237       | 1,604,431   | 17,500,398                |
| Transformation facilities                 | 960,966         | 948,069     | 10,328,525                |
| Distribution facilities                   | 1,329,468       | 1,314,803   | 14,289,209                |
| General facilities                        | 379,864         | 373,580     | 4,082,803                 |
| Other electricity-related facilities      | 41,456          | 64,561      | 445,572                   |
| Other plant and equipment                 | 890,976         | 852,364     | 9,576,268                 |
| Construction in progress                  | 247,078         | 212,169     | 2,655,611                 |
| Total                                     | 9,460,664       | 9,335,849   | 101,683,835               |
| Less contributions in aid of construction | 150,818         | 148,728     | 1,621,001                 |
| Less accumulated depreciation             | 6,272,791       | 6,106,674   | 67,420,368                |
| Carrying amount                           | ¥ 3,037,055     | ¥ 3,080,447 | \$ 32,642,466             |



## 4. INVESTMENT SECURITIES

The costs and aggregate fair values of investment securities at March 31, 2010 and 2009 were as follows:

| March 31, 2010            | Millions of Yen |                  |                   |            |
|---------------------------|-----------------|------------------|-------------------|------------|
|                           | Cost            | Unrealized Gains | Unrealized Losses | Fair Value |
| Securities classified as: |                 |                  |                   |            |
| Available-for-sale:       |                 |                  |                   |            |
| Equity securities         | ¥ 14,530        | ¥ 27,041         | ¥ 801             | ¥ 40,770   |
| Debt securities           | 2,119           | 32               | 829               | 1,322      |
| Other securities          | 431             | 10               | 27                | 414        |
| Held-to-maturity          | 7,074           | 52               | 733               | 6,393      |
| March 31, 2009            |                 |                  |                   |            |
| Securities classified as: |                 |                  |                   |            |
| Available-for-sale:       |                 |                  |                   |            |
| Equity securities         | ¥ 14,460        | ¥ 22,666         | ¥ 1,183           | ¥ 35,943   |
| Debt securities           | 2,319           |                  | 957               | 1,362      |
| Other securities          | 557             | 2                | 64                | 495        |
| Held-to-maturity          | 5,835           | 14               | 1,047             | 4,802      |

| March 31, 2010            | Thousands of U.S. Dollars |                  |                   |            |
|---------------------------|---------------------------|------------------|-------------------|------------|
|                           | Cost                      | Unrealized Gains | Unrealized Losses | Fair Value |
| Securities classified as: |                           |                  |                   |            |
| Available-for-sale:       |                           |                  |                   |            |
| Equity securities         | \$ 156,169                | \$ 290,638       | \$ 8,609          | \$ 438,198 |
| Debt securities           | 22,775                    | 344              | 8,910             | 14,209     |
| Other securities          | 4,632                     | 108              | 290               | 4,450      |
| Held-to-maturity          | 76,032                    | 559              | 7,879             | 68,712     |

Available-for-sale securities and held-to-maturity debt securities whose fair value is not readily determinable as of March 31, 2009 were as follows. The similar information for 2010 is disclosed in Note 14.

|                     | Millions of Yen |  |
|---------------------|-----------------|--|
|                     | 2009            |  |
| Available-for-sale: |                 |  |
| Equity securities   | ¥ 35,924        |  |
| Other securities    | 2,091           |  |
| Held-to-maturity    | 1,338           |  |
| Total               | ¥ 39,353        |  |

## 5. PLEDGED ASSETS

All of the Company's assets amounting to ¥3,776,569 million (\$40,590,810 thousand) are subject to certain statutory preferential rights established to secure bonds and loans borrowed from The Development Bank of Japan Inc. and bonds transferred to banks under debt assumption agreements (see Note 16).

Certain assets of the consolidated subsidiaries, amounting to ¥69,855 million (\$750,806 thousand), are pledged as collateral for a portion of their long-term debt

at March 31, 2010.

Investments in affiliated companies held by a consolidated subsidiary, amounting to ¥24,832 million (\$266,896 thousand), are pledged as collateral for bank loans of the affiliated companies and the subsidiary of the affiliated company at March 31, 2010.

## 6. LONG-TERM DEBT

Long-term debt consisted of the following at March 31, 2010 and 2009:

|   | Millions of Yen |             | Thousands of U.S. Dollars |
|---|-----------------|-------------|---------------------------|
|   | 2010            | 2009        | 2010                      |
| Yen bonds, 0.73% to 3.65%, due serially to 2024   | ¥ 1,262,514     | ¥ 1,252,486 | \$ 13,569,583             |
| Swiss franc bonds, 2.625%, due 2014   | 18,939          | 18,965      | 203,558                   |
| Loans from The Development Bank of Japan Inc., 0.69% to 6.1%, due serially to 2028          | 175,391         | 202,521     | 1,885,114                 |
| Loans, principally from banks and insurance companies, 0.25% to 3.51%, due serially to 2025 |                 |             |                           |
| Collateralized  | 31,224          | 34,392      | 335,597                   |
| Unsecured   | 404,771         | 468,603     | 4,350,505                 |
| Obligations under finance leases  | 6,933           | 4,041       | 74,516                    |
| Total   | 1,899,772       | 1,981,008   | 20,418,873                |
| Less current portion  | 174,799         | 169,264     | 1,878,751                 |
| Long-term debt, less current portion  | ¥ 1,724,973     | ¥ 1,811,744 | \$ 18,540,122             |

The annual maturities of long-term debt outstanding at March 31, 2010 were as follows:

| Year ending March 31 | Millions of Yen | Thousands of U.S. Dollars |
|----------------------|-----------------|---------------------------|
| 2011                 | ¥ 174,799       | \$ 1,878,751              |
| 2012                 | 228,169         | 2,452,375                 |
| 2013                 | 178,570         | 1,919,282                 |
| 2014                 | 219,522         | 2,359,437                 |
| 2015                 | 167,153         | 1,796,571                 |
| Thereafter           | 931,559         | 10,012,457                |
| Total                | ¥ 1,899,772     | \$ 20,418,873             |

## 7. SEVERANCE PAYMENTS AND PENSION PLANS

Employees terminating their employment with the Companies, either voluntarily or upon reaching mandatory retirement age, are entitled, under most circumstances, to severance payments based on credits earned in each year of service, length of service and certain other factors. As for the Company, if the termination is made voluntarily at one of a number of specified ages, the employee is entitled to certain additional payments.

Additionally, the Company and most of the consolidated subsidiaries have contributory funded defined benefit pension plans covering substantially all of their employees. In general, eligible employees retiring at the mandatory retirement age receive pension payments for the several fixed terms selected by them. As for the Company, eligible employees retiring after at least 20 years of service but before the mandatory retirement age, receive a lump-sum payment upon retirement and annuities.

The liability for employees' retirement benefits at March 31, 2010 and 2009 consisted of the followings:

|  | Millions of Yen |           | Thousands of U.S. Dollars |
|--|-----------------|-----------|---------------------------|
|  | 2010            | 2009      | 2010                      |
| Projected benefit obligation                             | ¥ 492,766       | ¥ 489,060 | \$ 5,296,281              |
| Fair value of plan assets                                | (327,610)       | (286,661) | (3,521,174)               |
| Unrecognized actuarial loss                              | (23,763)        | (75,519)  | (255,406)                 |
| Unrecognized prior service cost (deduction of liability) | 306             | 911       | 3,289                     |
| Prepaid pension cost                                     |                 | 9,893     |                           |
| Net liability  | ¥ 141,699       | ¥ 137,684 | \$ 1,522,990              |

The components of net periodic benefit costs for the years ended March 31, 2010 and 2009 are as follows:

|                                    | Millions of Yen |           | Thousands of U.S. Dollars |
|------------------------------------|-----------------|-----------|---------------------------|
|                                    | 2010            | 2009      | 2010                      |
| Service Cost                       | ¥ 14,689        | ¥ 15,273  | \$ 157,878                |
| Interest Cost                      | 9,606           | 9,624     | 103,246                   |
| Expected return on plan assets     | (678)           | (10,453)  | (7,287)                   |
| Recognized actuarial loss (gain)   | 10,328          | (9,437)   | 111,006                   |
| Amortization of prior service cost | (196)           | (7,859)   | (2,107)                   |
| Net periodic benefit costs         | ¥ 33,749        | ¥ (2,852) | \$ 362,736                |

Assumptions for actuarial computations for the years ended March 31, 2010 and 2009 are as follows:

|   | 2010           | 2009           |
|---|----------------|----------------|
| Discount rate                               | 2.0%           | 2.0%           |
| Expected rate of return on plan assets      | mainly 0.0%    | mainly 3.0%    |
| Recognition period of actuarial gain / loss | mainly 5 years | mainly 5 years |
| Amortization period of prior service cost   | mainly 5 years | mainly 5 years |

## 8. RESERVE FOR REPROCESSING OF IRRADIATED NUCLEAR FUEL

The reserve is provided for reprocessing costs of irradiated nuclear fuel resulting from operation of nuclear power production facilities. The annual provision is calculated in accordance with the accounting regulations set by the Japanese Government applicable to electric utility providers in Japan.

The reserve is consisted of three portions and each of them is calculated in different ways.

- (a) The costs reprocessed in Japan Nuclear Fuel Limited ("JNFL") are calculated based on the expected future cash flows discounted at 1.3% and 1.5% at March 31, 2010 and 2009, respectively,
- (b) the costs reprocessed in the other reprocessing companies are calculated based on the quantities to be reprocessed as of each balance sheet date and contracted reprocessing rate,
- (c) the costs of irradiated nuclear fuels which have no authorized definite reprocessing plan are calculated based on the expected future cash flows discounted at 4.0%.

As of April 1, 2005, unrecognized prior costs of ¥130,495 million, which had not been recognized in the past as liability, were incurred because new accounting regulations to estimate the reprocessing costs for irradiated nuclear fuel were applicable on or after April 1, 2005. These costs were amortized on a straight-line basis over 15 years. The Company recalculated an estimate in accordance with

a specific law. As a result, the unrecognized prior costs as of April 1, 2008 were changed from ¥104,397 million to ¥90,977 million, and these costs are amortized over 12 years, beginning on April 1, 2008. The balance of unrecognized past costs as of March 31, 2010 was ¥75,815 million (\$814,865 thousand). The Company is permitted to recover these reprocessing costs by including them in the admitted cost elements for electric rate.

In addition, if any changes are made in the assumptions for the calculations of the reserve, such as expected future cash flows and the discount rate, unrecognized difference might be incurred. The balance of unrecognized difference as of March 31, 2010 is a gain of ¥8,890 million (\$95,550 thousand). In accordance with the accounting regulations, the difference will be amortized on a straight-line basis beginning the following year the change was made, over the period in which the irradiated nuclear fuel was produced. The annual amortization is treated as operating expenses.

An independent fund managing body was set up based on a specific law and the Company is obliged to contribute the same amounts as the balance of reserve for reprocessing of irradiated nuclear fuel to reserve funds in 15 years. The reserve funds is provided to ensure the appropriate reprocessing of irradiated nuclear fuel and presented as "Reserve funds for reprocessing of irradiated nuclear fuel."

## 9. SHORT-TERM BORROWINGS

Short-term borrowings are generally represented by bank loans, bearing interest at rates ranging from 0.43% to 1.88% and from 0.57% to 1.88% at March 31, 2010 and 2009, respectively.

## 10. INCOME TAXES

The Companies are subject to national and local income taxes. The aggregate normal statutory tax rates for the Company approximated 36.1% for the years ended March 31, 2010 and 2009.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2010 and 2009 are as follows:

|   | Millions of Yen |           | Thousands of U.S. Dollars |
|---|-----------------|-----------|---------------------------|
|   | 2010            | 2009      | 2010                      |
| Deferred Tax Assets:  |                 |           |                           |
| Pension and severance costs   | ¥ 51,858        | ¥ 46,735  | \$ 557,373                |
| Depreciation  | 33,816          | 33,245    | 363,457                   |
| Reserve for reprocessing of irradiated nuclear fuel   | 21,280          | 19,247    | 228,719                   |
| Reserve for decommissioning of nuclear power units  | 15,025          | 15,025    | 161,490                   |
| Unrealized profits arising from the elimination of intercompany transactions in consolidation | 9,644           | 9,381     | 103,654                   |
| Accrued bonus to employees  | 7,645           | 7,472     | 82,169                    |
| Tax loss carryforwards  | 5,429           | 7,508     | 58,351                    |
| Other   | 31,848          | 33,904    | 342,304                   |
| Less valuation allowance  | (28,089)        | (28,405)  | (301,902)                 |
| Deferred tax assets   | ¥ 148,456       | ¥ 144,112 | \$ 1,595,615              |
| Deferred Tax Liabilities:   |                 |           |                           |
| Unrealized gain on available-for-sale securities  | ¥ 9,342         | ¥ 7,611   | \$ 100,409                |
| Deferred gain on derivatives under hedge accounting   | 1,402           | 1,049     | 15,069                    |
| Other   | 1,452           | 1,431     | 15,606                    |
| Deferred tax liabilities  | ¥ 12,196        | ¥ 10,091  | \$ 131,084                |
| Net deferred tax assets   | ¥ 136,260       | ¥ 134,021 | \$ 1,464,531              |

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the year ended March 31, 2009 was as follows:

|   | 2009  |
|---|-------|
| Normal effective statutory tax rate             | 36.1% |
| Expenses not deductible for income tax purposes | 2.9   |
| Increase in valuation allowance                 | 2.6   |
| Income not taxable for income tax purposes      | (1.8) |
| Tax credit for R&D                              | (1.5) |
| Other-net                                       | 0.2   |
| Actual effective tax rate                       | 38.5% |

Such reconciliation for the year ended March 31, 2010 is not disclosed because the difference between the normal effective statutory tax rate and the actual effective tax rate is immaterial.

## 11. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

### (a) Dividends

Under the Companies Act, companies can pay dividends at any time during

the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for



dividends in kind) at any time during the fiscal year if the Company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the Company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

**(b) Increases / decreases and transfer of common stock, reserve and surplus**

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until

the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

**(c) Treasury stock and treasury stock acquisition rights**

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

## 12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥10,442 million (\$112,231 thousand) and ¥10,292 million for the years ended March 31, 2010 and 2009, respectively.

## 13. RELATED PARTY DISCLOSURES

Significant transactions of the Company with an affiliated company for the years ended March 31, 2010 and 2009 were as follows:

|   | Millions of Yen |          | Thousands of U.S. Dollars |
|---|-----------------|----------|---------------------------|
|   | 2010            | 2009     | 2010                      |
| <b>KYUDENKO CORPORATION</b>   |                 |          |                           |
| Transactions:   |                 |          |                           |
| Purchase of construction works on distribution facilities and other | ¥ 42,014        | ¥ 44,584 | \$ 451,569                |
| Balances at year end:   |                 |          |                           |
| Payables for construction works                                     | 5,213           | 4,845    | 56,030                    |

## 14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

On March 10, 2008, the ASBJ revised ASBJ Statement No.10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No.19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures". This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Companies applied the revised accounting standard and the new guidance effective March 31, 2010.

*Items Pertaining to Financial Instruments*

**(a) The Companies' policy for financial instruments**

The Companies use financial instruments, mainly long-term debt including bonds and loans, to raise funds required for investments in electric utility plant and equipment, and repayments of bonds and loans. Cash surpluses, if any, are invested in low risk financial assets. Derivatives are used, not for

speculative purposes, but to avoid financial risks as described in (b) below.

**(b) Nature and extent of risks arising from financial instruments, and risk control system**

Investment securities, mainly held-to-maturity debt securities and equity securities issued by companies related through business, and investments in and advances to non-consolidated subsidiaries and affiliated companies which have a quoted market price in an active market, are exposed to the risk of market price fluctuations. Such market risk is managed by monitoring market values and financial position of issuers on a regular basis. Investment securities and investments in and advances to non-consolidated subsidiaries and affiliated companies which do not have a quoted market price in an active market are managed by monitoring financial position of issuers on a regular

basis. In addition, the Company requires its non-consolidated subsidiaries and affiliated companies to submit business plans and performance reports, and to consult in advance on any items that could have a significant impact on the Companies' business activities.

Reserve funds for reprocessing of irradiated nuclear fuel is provided in accordance with a specific law to ensure the appropriate reprocessing of irradiated nuclear fuel resulting from operation of nuclear power production facilities.

Receivables are exposed to customer credit risk. Payment term is set forth in electric power supply agreements and so on. The Companies manage their credit risk from receivables by monitoring of payment term and balances of each customer and identifying and reduction of the default risk of customers in early stage.

Bonds and loans are mainly used to raise funds for investments in electric utility plant and equipment. Bonds in a foreign currency are exposed to the market risk of fluctuation in foreign currency exchange rates, which is mitigated by using currency swaps. Although a part of loans are exposed to market risk from changes in variable interest rates, a consolidated subsidiary of the Company mitigates such risk from long-term loans by using interest rate swaps.

Payments terms of notes and accounts payable are less than one year. Although a part of accounts payable to purchase fuel in foreign currencies are exposed to the market risk of fluctuations in foreign exchange and fuel price, such risk is mitigated by using foreign exchange forward contracts, currency swaps and energy swap agreements.

The Companies use foreign exchange forward contracts, currency swaps, interest rate swaps and energy swap agreements to manage their exposures to fluctuations in foreign exchange, interest rates and fuel price, respectively.

Please see Note 15 for more detail about derivatives.

Liquidity risk comprises the risk that the Companies cannot meet their contractual obligations in full on maturity dates. The Companies manage their liquidity risk by holding adequate volumes of liquid assets based on monthly financial planning and diversifying sources of their financing.

#### *Fair values of financial instruments*

The carrying amounts and aggregate fair values of financial instruments at March 31, 2010 were as follows:

|   | Millions of Yen           |                      |                   |
|---|---------------------------|----------------------|-------------------|
|   | Carrying amount           | Fair value           | Unrecognized loss |
| <b>March 31, 2010</b>   |                           |                      |                   |
| Investment securities:  |                           |                      |                   |
| Held-to-maturity debt securities  | ¥ 7,074                   | ¥ 6,393              | ¥ 681             |
| Available-for-sale securities   | 42,506                    | 42,506               |                   |
| Investments in and advances to non-consolidated subsidiaries and affiliated companies | 17,890                    | 12,574               | 5,316             |
| Reserve funds for reprocessing of irradiated nuclear fuel                             | 167,770                   | 167,770              |                   |
| Cash and cash equivalents   | 68,178                    | 68,178               |                   |
| Receivables   | 110,592                   | 110,592              |                   |
| <b>Total</b>  | <b>¥ 414,010</b>          | <b>¥ 408,013</b>     | <b>¥ 5,997</b>    |
| Long-term debt:   |                           |                      |                   |
| Bonds   | ¥ 1,281,453               | ¥ 1,328,114          | ¥ 46,661          |
| Loans   | 611,386                   | 634,544              | 23,158            |
| Short-term borrowings   | 111,887                   | 111,887              |                   |
| Notes and accounts payable  | 99,838                    | 99,838               |                   |
| Accrued income taxes  | 21,344                    | 21,344               |                   |
| <b>Total</b>  | <b>¥ 2,125,908</b>        | <b>¥ 2,195,727</b>   | <b>¥ 69,819</b>   |
| Derivatives   | ¥ 3,126                   | ¥ 3,126              |                   |
|   |                           |                      |                   |
|   | Thousands of U.S. Dollars |                      |                   |
|   | Carrying amount           | Fair value           | Unrecognized loss |
| <b>March 31, 2010</b>   |                           |                      |                   |
| Investment securities:  |                           |                      |                   |
| Held-to-maturity debt securities  | \$ 76,032                 | \$ 68,712            | \$ 7,320          |
| Available-for-sale securities   | 456,857                   | 456,857              |                   |
| Investments in and advances to non-consolidated subsidiaries and affiliated companies | 192,283                   | 135,146              | 57,137            |
| Reserve funds for reprocessing of irradiated nuclear fuel                             | 1,803,203                 | 1,803,203            |                   |
| Cash and cash equivalents   | 732,782                   | 732,782              |                   |
| Receivables   | 1,188,650                 | 1,188,650            |                   |
| <b>Total</b>  | <b>\$ 4,449,807</b>       | <b>\$ 4,385,350</b>  | <b>\$ 64,457</b>  |
| Long-term debt:   |                           |                      |                   |
| Bonds   | \$ 13,773,141             | \$ 14,274,656        | \$ 501,515        |
| Loans   | 6,571,216                 | 6,820,120            | 248,904           |
| Short-term borrowings   | 1,202,569                 | 1,202,569            |                   |
| Notes and accounts payable  | 1,073,065                 | 1,073,065            |                   |
| Accrued income taxes  | 229,407                   | 229,407              |                   |
| <b>Total</b>  | <b>\$ 22,849,398</b>      | <b>\$ 23,599,817</b> | <b>\$ 750,419</b> |
| Derivatives   | \$ 33,599                 | \$ 33,599            |                   |

The securities whose fair value cannot be reliably determined are excluded from investment securities and investments in and advances to non-consolidated subsidiaries and affiliated companies (see (b) below).

Advances are excluded from investments in and advances to non-consolidated subsidiaries and affiliated companies because they are immaterial.

Long-term debt contains current portion of them, and obligations under finance leases are excluded because they are immaterial.

Derivatives are stated at the net amount.

**(a) Methods used to calculate fair values of financial instruments**

***Investment securities, and investments in and advances to non-consolidated subsidiaries and affiliated companies***

The fair values of investment securities and investments in and advances to non-consolidated subsidiaries and affiliated companies are measured at the quoted market price of the exchanges for the equity securities and some of debt securities, and principally at the quoted price obtained from the financial institution for other debt securities. The information of the fair values for the investment securities by classification is included in Note 4.

***Reserve funds for reprocessing of irradiated nuclear fuel***

Reserve funds for reprocessing of irradiated nuclear fuel is provided in accordance with a specific law to ensure the appropriate reprocessing of irradiated nuclear fuel resulting from operation of nuclear power production facilities.

The funds must be used in accordance with a plan approved by the Japanese Government. The fair value is based on the carrying amount determined by discounting the cash flows related to the using plan.

***Cash and cash equivalents, and receivables***

The carrying amounts of cash and cash equivalents, and receivables approximate fair values because of their short maturities.

***Bonds***

The fair values of bonds are based on market price. Bonds denominated in a foreign currency for which currency swaps are used to hedge the foreign currency fluctuations (see Note 15) are treated as yen-denominated bonds. The fair values are determined by discounting the cash flows related to the bonds at the Company's assumed corporate borrowing rate.

***Long-term loans***

The fair values of long-term loans at fixed interest rates are determined by discounting the cash flows related to the loans at the Company's assumed corporate borrowing rate. Because loans at variable interest rates reflect short-term movements in market interest rates and there has been no substantial change in the Company's credit position since the loans were implemented, the carrying amounts approximate fair values. A part of loans are subjected to interest rate swaps which qualify for hedge accounting and meet specific matching criteria (see Note 15), the fair values are determined by discounting the cash flows related to the loans with the interest rate swaps at the Company's assumed corporate borrowing rate.

***Short-term borrowings, notes and accounts payable, and accrued income taxes***

The carrying amounts of short-term borrowings, notes and accounts payable and accrued income taxes approximate fair values because of their short maturities.

***Derivatives***

The information of the fair value for derivatives is included in Note 15.

**(b) Financial instruments whose fair value cannot be reliably determined**

|  | Millions of Yen | Thousands of U.S. Dollars |
|--|-----------------|---------------------------|
|  | 2010            | 2010                      |
| Investment securities:   |                 |                           |
| Available-for-sale:  |                 |                           |
| Equity securities  | ¥ 35,696        | \$ 383,663                |
| Other securities   | 1,961           | 21,077                    |
| Investments in and advances to non-consolidated subsidiaries and affiliated companies: |                 |                           |
| Equity securities  | 48,068          | 516,638                   |
| Other securities   | 7,400           | 79,536                    |
| Total  | ¥ 93,125        | \$1,000,914               |

***Maturity analysis for financial assets and securities with contractual maturities***

|   | Millions of Yen         |                                       |  |                     |
|---|-------------------------|---------------------------------------|--|---------------------|
| <b>March 31, 2010</b>                                     | Due in one year or less | Due after one year through five years | Due after five years through ten years | Due after ten years |
| Investment securities:                                    |                         |                                       |  |                     |
| Held-to-maturity debt securities                          | ¥ 601                   | ¥ 2,179                               | ¥ 938                                  | ¥ 3,356             |
| Available-for-sale securities with contractual maturities | 13                      | 247                                   | 25                                     | 1,065               |
| Reserve funds for reprocessing of irradiated nuclear fuel | 29,396                  |                                       |  |                     |
| Cash and cash equivalents                                 | 68,178                  |                                       |  |                     |
| Receivables   | 110,592                 |                                       |  |                     |
| Total   | ¥ 208,780               | ¥ 2,426                               | ¥ 963                                  | ¥ 4,421             |

| March 31, 2010  | Thousands of U.S. Dollars |                                       |  |                     |
|---|---------------------------|---------------------------------------|--|---------------------|
|   | Due in one year or less   | Due after one year through five years | Due after five years through ten years | Due after ten years |
| Investment securities:                                    |                           |                                       |  |                     |
| Held-to-maturity debt securities                          | \$ 6,460                  | \$ 23,420                             | \$ 10,082                              | \$ 36,070           |
| Available-for-sale securities with contractual maturities | 139                       | 2,655                                 | 268                                    | 11,447              |
| Reserve funds for reprocessing of irradiated nuclear fuel | 315,950                   |                                       |  |                     |
| Cash and cash equivalents                                 | 732,782                   |                                       |  |                     |
| Receivables   | 1,188,650                 |                                       |  |                     |
| Total   | \$ 2,243,981              | \$ 26,075                             | \$ 10,350                              | \$ 47,517           |

Reserve funds for reprocessing of irradiated nuclear fuel is provided for reprocessing costs of irradiated nuclear fuel charged by JNFL. Using plan of the reserve funds is disclosed only about due in one year or less, to comply with

agreements with JNFL and to avoid disadvantage, possibly caused by disclosure, to the interested parties.

Please see Note 6 for annual maturities of long-term debt.

## 15. DERIVATIVES

The Company enters into foreign exchange forward contracts, currency swaps, interest rate swaps and energy swap agreements to manage its exposures to fluctuations in foreign exchanges, interest rates and fuel price, respectively.

A consolidated subsidiary of the Company enters into interest rate swaps to manage exposure to fluctuations in interest rates.

The Companies do not enter into derivatives for trading or speculative purposes.

Foreign exchange forward contracts, currency swaps, interest rate swaps and energy swap agreements are not subject to any market risk except for abandoning potential income by market fluctuations in hedged items.

The Companies do not anticipate any losses arising from credit risk which is the possibility that a loss may result from counterparties' failure to perform

according to the terms and conditions of the contract, because the counterparties to those derivatives have high credit ratings.

The derivative transactions are executed by the specific sections and administrative section monitors them based on internal policies.

As noted in Note 14, the Companies applied ASBJ Statement No.10 "Accounting Standard for Financial Instruments" and ASBJ Guidance No.19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures". The accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010; therefore, the required information is disclosed only for 2010.

### Derivative transactions to which hedge accounting is applied at March 31, 2010

| March 31, 2010   | Hedged item      | Millions of Yen |                                    |            |
|--|------------------|-----------------|------------------------------------|------------|
|  |                  | Contract Amount | Contract Amount due after One Year | Fair Value |
| Currency swaps:  |                  |                 |                                    |            |
| Buying CHF (Note b)  | Bonds            | ¥ 20,203        | ¥ 19,863                           |            |
| Buying U.S.\$ (Note a)   | Accounts payable | ¥ 40,882        | ¥ 29,550                           | ¥ (46)     |
| Energy swap agreements: (fixed price payment, floating price receipt) (Note a) | Accounts payable | ¥ 4,549         | ¥ 3,599                            | ¥ 3,172    |
| Interest rate swaps: (fixed rate payment, floating rate receipt) (Note b)      | Long-term loans  | ¥ 4,667         | ¥ 3,991                            |            |
| Total  |                  |                 |                                    | ¥ 3,126    |

| March 31, 2010   | Hedged item      | Thousands of U.S. Dollars |                                    |            |
|--|------------------|---------------------------|------------------------------------|------------|
|  |                  | Contract Amount           | Contract Amount due after One Year | Fair Value |
| Currency swaps:  |                  |                           |                                    |            |
| Buying CHF (Note b)  | Bonds            | \$ 217,143                | \$ 213,489                         |            |
| Buying U.S.\$ (Note a)   | Accounts payable | \$ 439,402                | \$ 317,605                         | \$ (494)   |
| Energy swap agreements: (fixed price payment, floating price receipt) (Note a) | Accounts payable | \$ 48,893                 | \$ 38,682                          | \$ 34,093  |
| Interest rate swaps: (fixed rate payment, floating rate receipt) (Note b)      | Long-term loans  | \$ 50,161                 | \$ 42,896                          |            |
| Total  |                  |                           |                                    | \$ 33,599  |

Notes: a) The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

b) Bonds denominated in foreign currencies for which currency swaps are used to hedge the foreign currency fluctuations are translated at the contracted rate if the currency swaps qualify for hedge accounting.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest charges.

As a result, the fair values of such currency swaps and interest rate swaps are included in those of hedged items (i.e. bonds and long-term loans, respectively) in Note 14.

c) The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Companies' exposure to market risk.



## 16. COMMITMENTS AND CONTINGENCIES

At March 31, 2010, the Companies had a number of fuel purchase commitments, most of which specify quantities and dates for fuel deliveries. However, most of purchase prices are contingent upon fluctuations in market prices.

Contingent liabilities as of March 31, 2010 were as follows:

|   | Millions of Yen | Thousands of U.S. Dollars |
|---|-----------------|---------------------------|
| Co-guarantees of loans, mainly in connection with procurement of fuel | ¥ 97,539        | \$ 1,048,356              |
| Guarantees of employees' loans  | 80,879          | 869,293                   |
| Guarantees under debt assumption agreements                           | 70,000          | 752,365                   |
| Other   | 15,739          | 169,164                   |

Under the debt assumption agreements, the Company was contingently liable for the redemption of the domestic bonds transferred to banks.

## 17. SEGMENT INFORMATION

Information by business segments for the years ended March 31, 2010 and 2009 is as follows:

### Business Segments

|                      | Millions of Yen |                         |                           |           |                        |              |
|----------------------|-----------------|-------------------------|---------------------------|-----------|------------------------|--------------|
|                      | 2010            |                         |                           |           |                        |              |
|                      | Electric Power  | Energy-related Business | IT and telecommunications | Other     | Eliminations/Corporate | Consolidated |
| Sales to customers   | ¥ 1,310,085     | ¥ 65,503                | ¥ 58,143                  | ¥ 11,210  |                        | ¥ 1,444,941  |
| Intersegment sales   | 2,019           | 98,297                  | 41,042                    | 15,350    | ¥ (156,708)            |              |
| Total sales          | 1,312,104       | 163,800                 | 99,185                    | 26,560    | (156,708)              | 1,444,941    |
| Operating expenses   | 1,229,155       | 156,398                 | 92,824                    | 23,344    | (156,507)              | 1,345,214    |
| Operating income     | ¥ 82,949        | ¥ 7,402                 | ¥ 6,361                   | ¥ 3,216   | ¥ (201)                | ¥ 99,727     |
| Total assets         | ¥ 3,645,116     | ¥ 281,893               | ¥ 142,979                 | ¥ 146,973 | ¥ (162,769)            | ¥ 4,054,192  |
| Depreciation         | 219,834         | 14,628                  | 19,903                    | 5,229     | (2,894)                | 256,700      |
| Impairment loss      | 1,786           |                         |                           | 200       |                        | 1,986        |
| Capital expenditures | 215,507         | 4,901                   | 18,994                    | 9,372     | (4,593)                | 244,181      |

|                      | Millions of Yen |                         |                           |           |                        |              |
|----------------------|-----------------|-------------------------|---------------------------|-----------|------------------------|--------------|
|                      | 2009            |                         |                           |           |                        |              |
|                      | Electric Power  | Energy-related Business | IT and telecommunications | Other     | Eliminations/Corporate | Consolidated |
| Sales to customers   | ¥ 1,398,577     | ¥ 60,462                | ¥ 55,751                  | ¥ 9,403   |                        | ¥ 1,524,193  |
| Intersegment sales   | 2,215           | 96,738                  | 36,994                    | 15,025    | ¥ (150,972)            |              |
| Total sales          | 1,400,792       | 157,200                 | 92,745                    | 24,428    | (150,972)              | 1,524,193    |
| Operating expenses   | 1,326,654       | 149,602                 | 91,962                    | 22,777    | (151,525)              | 1,439,470    |
| Operating income     | ¥ 74,138        | ¥ 7,598                 | ¥ 783                     | ¥ 1,651   | ¥ 553                  | ¥ 84,723     |
| Total assets         | ¥ 3,705,355     | ¥ 284,830               | ¥ 141,956                 | ¥ 136,576 | ¥ (157,839)            | ¥ 4,110,878  |
| Depreciation         | 216,706         | 12,028                  | 21,238                    | 5,400     | (2,941)                | 252,431      |
| Impairment loss      | 501             | 68                      |                           |           |                        | 569          |
| Capital expenditures | 223,954         | 20,202                  | 22,209                    | 3,716     | (4,558)                | 265,523      |

Thousands of U.S. Dollars

|                      | 2010           |                         |                           |              |                        |               |
|----------------------|----------------|-------------------------|---------------------------|--------------|------------------------|---------------|
|                      | Electric Power | Energy-related Business | IT and telecommunications | Other        | Eliminations/Corporate | Consolidated  |
| Sales to customers   | \$ 14,080,879  | \$ 704,031              | \$ 624,925                | \$ 120,486   |                        | \$ 15,530,321 |
| Intersegment sales   | 21,700         | 1,056,503               | 441,122                   | 164,983      | \$ (1,684,308)         |               |
| Total sales          | 14,102,579     | 1,760,534               | 1,066,047                 | 285,469      | (1,684,308)            | 15,530,321    |
| Operating expenses   | 13,211,038     | 1,680,976               | 997,678                   | 250,903      | (1,682,147)            | 14,458,448    |
| Operating income     | \$ 891,541     | \$ 79,558               | \$ 68,369                 | \$ 34,566    | \$ (2,161)             | \$ 1,071,873  |
| Total assets         | \$ 39,177,945  | \$ 3,029,804            | \$ 1,536,748              | \$ 1,579,676 | \$ (1,749,452)         | \$ 43,574,721 |
| Depreciation         | 2,362,790      | 157,223                 | 213,919                   | 56,201       | (31,105)               | 2,759,028     |
| Impairment loss      | 19,196         |                         |                           | 2,150        |                        | 21,346        |
| Capital expenditures | 2,316,283      | 52,676                  | 204,149                   | 100,731      | (49,366)               | 2,624,473     |

Energy related business consisted of obtaining, storing, gasifying and supplying LNG, heat supply business, distributed generation business, energy consulting and other businesses related to energy.

IT and telecommunications consisted of providing telephone lines and wirelines.

Other consisted of environment and recycling, lifestyle-oriented services and others.

Geographic segment information is not disclosed because the Companies' overseas operations are immaterial.

Information for overseas sales is not disclosed due to overseas sales being immaterial compared with consolidated net sales.

## 18. SUBSEQUENT EVENT

At the general shareholders meeting held on June 29, 2010, the Company's shareholders approved the following appropriation of retained earnings as of March 31, 2010:

|  | Millions of Yen | Thousands of U.S. Dollars |
|--|-----------------|---------------------------|
| Year-end cash dividends, ¥30.00 (\$0.32) per share | ¥ 14,200        | \$ 152,623                |



Deloitte Touche Tohmatsu LLC  
Elgala  
1-4-2, Tenjin, Chuo-ku  
Fukuoka-shi, Fukuoka 810-0001  
Japan  
Tel: +81 (92) 751 0931  
Fax: +81 (92) 751 1035  
www.deloitte.com/jp

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Kyushu Electric Power Company, Incorporated:

We have audited the accompanying consolidated balance sheets of Kyushu Electric Power Company, Incorporated (the "Company") and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kyushu Electric Power Company, Incorporated and consolidated subsidiaries as of March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

*Deloitte Touche Tohmatsu LLC*

June 29, 2010

Member of  
Deloitte Touche Tohmatsu

## Non-consolidated Five-Year Financial Summary

Kyushu Electric Power Company, Incorporated  
Years Ended March 31, 2010 and 2009 (Unaudited)

| For the Year:  | Millions of Yen<br>(except for per share data) |             |             |             |             | Thousands of U.S. Dollars<br>(except for per share data) |
|--|--|-------------|-------------|-------------|-------------|--|
|  | 2010   | 2009        | 2008        | 2007        | 2006        | 2010   |
| Operating revenues                                   | ¥ 1,339,808                                    | ¥ 1,430,162 | ¥ 1,392,060 | ¥ 1,333,038 | ¥ 1,329,435 | \$ 14,400,344  |
| Electric   | 1,312,104                                      | 1,400,792   | 1,365,701   | 1,310,170   | 1,314,394   | 14,102,579   |
| Other  | 27,704   | 29,370      | 26,359      | 22,868      | 15,041      | 297,765  |
| Operating expenses                                   | 1,229,155                                      | 1,326,654   | 1,271,380   | 1,165,874   | 1,151,486   | 13,211,038   |
| Personnel  | 172,720  | 136,794     | 138,313     | 144,806     | 178,455     | 1,856,406  |
| Fuel   | 213,008  | 305,600     | 279,930     | 211,318     | 179,745     | 2,289,424  |
| Purchased power                                      | 113,668  | 149,940     | 123,276     | 112,603     | 113,252     | 1,221,711  |
| Depreciation   | 196,742  | 195,232     | 197,343     | 189,004     | 199,587     | 2,114,596  |
| Maintenance  | 195,118  | 197,807     | 184,938     | 170,789     | 157,370     | 2,097,141  |
| Reprocessing costs of irradiated nuclear fuel        | 33,787   | 34,167      | 41,579      | 49,859      | 31,080      | 363,145  |
| Decommissioning costs of nuclear power units         | 9,093  | 8,309       | 21,357      | 6,546       | 9,121       | 97,732   |
| Disposal cost of high-level radioactive waste        | 10,373   | 8,669       | 9,125       | 8,822       | 8,041       | 111,490  |
| Disposition of property                              | 16,478   | 22,877      | 16,329      | 17,866      | 16,407      | 177,107  |
| Taxes other than income taxes                        | 87,474   | 88,453      | 87,107      | 87,216      | 89,259      | 940,176  |
| Subcontract fee                                      | 79,226   | 74,835      | 70,721      | 65,657      | 64,896      | 851,526  |
| Rent   | 34,334   | 35,760      | 36,547      | 36,515      | 36,316      | 369,024  |
| Other  | 67,134   | 68,211      | 64,815      | 64,873      | 67,957      | 721,560  |
| Interest charges                                     | 33,145   | 33,444      | 34,426      | 35,800      | 38,445      | 356,245  |
| Income before income taxes                           | 50,356   | 44,165      | 60,162      | 100,085     | 108,815     | 541,229  |
| Net income   | 28,308   | 26,917      | 35,683      | 59,237      | 69,137      | 304,256  |
| Per share of common stock<br>(yen and U.S. dollars): |  |             |             |             |             |  |
| Basic net income                                     | ¥ 59.80  | ¥ 56.85     | ¥ 75.37     | ¥ 125.07    | ¥ 145.64    | \$ 0.64  |
| Cash dividends applicable to the year                | 60.00  | 60.00       | 60.00       | 60.00       | 60.00       | 0.64   |
| At year-end:   |  |             |             |             |             |  |
| Total assets   | ¥ 3,776,569                                    | ¥ 3,834,125 | ¥ 3,784,701 | ¥ 3,790,112 | ¥ 3,857,317 | \$ 40,590,810  |
| Net property   | 2,811,064                                      | 2,847,639   | 2,878,537   | 2,926,322   | 3,000,958   | 30,213,499   |
| Long-term debt, less current portion                 | 1,641,073                                      | 1,715,780   | 1,620,563   | 1,595,429   | 1,638,092   | 17,638,360   |
| Total equity   | 984,109  | 981,540     | 999,679     | 1,018,804   | 995,662     | 10,577,268   |

(U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥93.04 = U.S. \$1, the approximate rate of exchange at March 31, 2010.)



## Non-consolidated Balance Sheets

Kyushu Electric Power Company, Incorporated  
March 31, 2010 and 2009 (Unaudited)

|  | Millions of Yen    |                    | Thousands of<br>U.S. Dollars |
|--|--------------------|--------------------|------------------------------|
|  | 2010               | 2009               | 2010                         |
| <b>ASSETS</b>  |                    |                    |                              |
| <b>PROPERTY:</b>   |                    |                    |                              |
| Plant and equipment  | ¥ 8,592,420        | ¥ 8,516,921        | \$ 92,351,891                |
| Construction in progress   | 246,824            | 211,662            | 2,652,880                    |
| Total  | 8,839,244          | 8,728,583          | 95,004,771                   |
| Less-  |                    |                    |                              |
| Contributions in aid of construction                                 | 143,024            | 140,908            | 1,537,231                    |
| Accumulated depreciation   | 5,885,156          | 5,740,036          | 63,254,041                   |
| Total  | 6,028,180          | 5,880,944          | 64,791,272                   |
| Net property   | 2,811,064          | 2,847,639          | 30,213,499                   |
| <b>NUCLEAR FUEL</b>  | <b>269,663</b>     | <b>264,205</b>     | <b>2,898,356</b>             |
| <b>INVESTMENTS AND OTHER ASSETS:</b>                                 |                    |                    |                              |
| Investment securities  | 76,414             | 73,029             | 821,303                      |
| Investments in and advances to subsidiaries and affiliated companies | 134,056            | 130,327            | 1,440,842                    |
| Reserve funds for reprocessing of irradiated nuclear fuel            | 167,770            | 136,012            | 1,803,203                    |
| Deferred tax assets  | 101,793            | 100,101            | 1,094,078                    |
| Other assets   | 15,771             | 31,185             | 169,508                      |
| Total investments and other assets                                   | 495,804            | 470,654            | 5,328,934                    |
| <b>CURRENT ASSETS:</b>   |                    |                    |                              |
| Cash and cash equivalents  | 41,681             | 70,074             | 447,990                      |
| Receivables  | 87,637             | 105,426            | 941,928                      |
| Allowance for doubtful accounts                                      | (711)              | (782)              | (7,642)                      |
| Fuel and supplies  | 47,135             | 51,800             | 506,610                      |
| Deferred tax assets  | 11,440             | 12,163             | 122,958                      |
| Prepaid expenses and other   | 12,856             | 12,946             | 138,177                      |
| Total current assets   | 200,038            | 251,627            | 2,150,021                    |
| <b>TOTAL</b>   | <b>¥ 3,776,569</b> | <b>¥ 3,834,125</b> | <b>\$ 40,590,810</b>         |

(U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥93.04 = U.S. \$1, the approximate rate of exchange at March 31, 2010.)

|  | Millions of Yen    |                    | Thousands of U.S. Dollars |
|--|--------------------|--------------------|---------------------------|
|  | 2010               | 2009               | 2010                      |
| <b>LIABILITIES AND EQUITY</b>  |                    |                    |                           |
| <b>LONG-TERM LIABILITIES:</b>  |                    |                    |                           |
| Long-term debt, less current portion   | ¥ 1,641,073        | ¥ 1,715,780        | \$ 17,638,360             |
| Liability for employees' retirement benefits   | 124,225            | 120,665            | 1,335,178                 |
| Reserve for reprocessing of irradiated nuclear fuel  | 369,220            | 366,437            | 3,968,401                 |
| Reserve for decommissioning of nuclear power units   | 164,931            | 155,838            | 1,772,689                 |
| Other  | 15,758             | 17,409             | 169,368                   |
| Total long-term liabilities  | 2,315,207          | 2,376,129          | 24,883,996                |
| <b>CURRENT LIABILITIES:</b>  |                    |                    |                           |
| Current portion of long-term debt  | 153,929            | 148,460            | 1,654,439                 |
| Short-term borrowings  | 104,600            | 129,000            | 1,124,248                 |
| Accounts payable   | 77,447             | 69,939             | 832,405                   |
| Accrued income taxes   | 17,908             | 1,066              | 192,476                   |
| Accrued expenses   | 91,520             | 97,467             | 983,663                   |
| Other  | 31,849             | 30,524             | 342,315                   |
| Total current liabilities  | 477,253            | 476,456            | 5,129,546                 |
| <b>EQUITY:</b>   |                    |                    |                           |
| Common stock, authorized, 1,000,000,000 shares;<br>issued, 474,183,951 shares in 2010 and 2009 | 237,305            | 237,305            | 2,550,570                 |
| Capital surplus:   |                    |                    |                           |
| Additional paid-in capital   | 31,087             | 31,087             | 334,125                   |
| Other capital surplus  | 30                 | 36                 | 322                       |
| Retained earnings:   |                    |                    |                           |
| Legal reserve  | 59,326             | 59,326             | 637,640                   |
| Retained earnings - carryforward   | 640,850            | 640,948            | 6,887,898                 |
| Unrealized gain on available-for-sale securities   | 15,481             | 13,122             | 166,391                   |
| Deferred gain on derivatives under hedge accounting  | 1,998              | 1,520              | 21,474                    |
| Treasury stock-at cost<br>835,566 shares in 2010 and 749,232 shares in 2009                    | (1,968)            | (1,804)            | (21,152)                  |
| Total equity   | 984,109            | 981,540            | 10,577,268                |
| <b>TOTAL</b>   | <b>¥ 3,776,569</b> | <b>¥ 3,834,125</b> | <b>\$ 40,590,810</b>      |

## Non-consolidated Statements of Income

Kyushu Electric Power Company, Incorporated  
Years Ended March 31, 2010 and 2009 (Unaudited)

|   | Millions of Yen |                 | Thousands of U.S. Dollars |
|---|-----------------|-----------------|---------------------------|
|   | 2010            | 2009            | 2010                      |
| <b>OPERATING REVENUES:</b>                    |                 |                 |                           |
| Electric                                      | ¥ 1,312,104     | ¥ 1,400,792     | \$ 14,102,579             |
| Other   | 27,704          | 29,370          | 297,765                   |
| Total operating revenues                      | 1,339,808       | 1,430,162       | 14,400,344                |
| <b>OPERATING EXPENSES:</b>                    |                 |                 |                           |
| Electric:                                     |                 |                 |                           |
| Personnel                                     | 172,720         | 136,794         | 1,856,406                 |
| Fuel  | 213,008         | 305,600         | 2,289,424                 |
| Purchased power                               | 113,668         | 149,940         | 1,221,711                 |
| Depreciation                                  | 196,742         | 195,232         | 2,114,596                 |
| Maintenance                                   | 195,118         | 197,807         | 2,097,141                 |
| Reprocessing costs of irradiated nuclear fuel | 33,787          | 34,167          | 363,145                   |
| Decommissioning costs of nuclear power units  | 9,093           | 8,309           | 97,732                    |
| Disposal cost of high-level radioactive waste | 10,373          | 8,669           | 111,490                   |
| Disposition of property                       | 16,478          | 22,877          | 177,107                   |
| Taxes other than income taxes                 | 87,474          | 88,453          | 940,176                   |
| Subcontract fee                               | 79,226          | 74,835          | 851,526                   |
| Rent  | 34,334          | 35,760          | 369,024                   |
| Other   | 67,134          | 68,211          | 721,560                   |
| Total   | 1,229,155       | 1,326,654       | 13,211,038                |
| Other   | 25,743          | 28,691          | 276,688                   |
| Total operating expenses                      | 1,254,898       | 1,355,345       | 13,487,726                |
| <b>OPERATING INCOME</b>                       | <b>84,910</b>   | <b>74,817</b>   | <b>912,618</b>            |
| <b>OTHER EXPENSES (INCOME):</b>               |                 |                 |                           |
| Interest charges                              | 33,145          | 33,444          | 356,245                   |
| Gain on sales of investment securities        |                 | (5,400)         |                           |
| Other-net                                     | 1,409           | 2,608           | 15,144                    |
| Total other expenses-net                      | 34,554          | 30,652          | 371,389                   |
| <b>INCOME BEFORE INCOME TAXES</b>             | <b>50,356</b>   | <b>44,165</b>   | <b>541,229</b>            |
| <b>INCOME TAXES:</b>                          |                 |                 |                           |
| Current                                       | 24,619          | 10,406          | 264,606                   |
| Deferred                                      | (2,571)         | 6,842           | (27,633)                  |
| Total income taxes                            | 22,048          | 17,248          | 236,973                   |
| <b>NET INCOME</b>                             | <b>¥ 28,308</b> | <b>¥ 26,917</b> | <b>\$ 304,256</b>         |
|   |                 |                 |                           |
|   |                 |                 |                           |
| <b>PER SHARE OF COMMON STOCK:</b>             |                 |                 |                           |
| Basic net income                              | ¥ 59.80         | ¥ 56.85         | \$ 0.64                   |
| Cash dividends applicable to the year         | 60.00           | 60.00           | 0.64                      |

(U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥93.04 = U.S. \$1, the approximate rate of exchange at March 31, 2010.)

# Overview of Power Generation Facilities

(As of March 31, 2010)

## Nuclear Power Stations (two facilities/maximum output 5,258,000 kW)

| Station name | Maximum output (kW)               | Operation commencement date | System                    | Location  |
|--------------|-----------------------------------|-----------------------------|---------------------------|---|
| Genkai       | 3,478,000 (559,000×2 1,180,000×2) | Oct. 1975                   | Pressurized water reactor | Genkai-cho, Higashi Matsuura-gun, Saga Prefecture |
| Sendai       | 1,780,000 (890,000×2)             | Jul. 1984                   | Pressurized water reactor | Satsumasendai-shi, Kagoshima Prefecture           |

## Thermal Power Stations (10 facilities/maximum output 11,180,000 kW)

| Station name | Maximum output (kW)                       | Operation commencement date | Main fuel                | Location   |
|--------------|---|-----------------------------|--------------------------|--|
| Shin Kokura  | 1,800,000 (600,000×3)                     | Sep. 1978                   | LNG                      | Kokura Kita-ku, Kitakyushu-shi, Fukuoka Prefecture |
| Karita       | 735,000 (360,000×1 375,000×1)             | Apr. 1972                   | Coal/heavy oil/crude oil | Kanda-machi, Miyako-gun, Fukuoka Prefecture        |
| Buzen        | 1,000,000 (500,000×2)                     | Dec. 1977                   | Heavy oil/crude oil      | Buzen-shi, Fukuoka Prefecture                      |
| Karatsu      | 875,000 (375,000×1 500,000×1)             | Jul. 1971                   | Heavy oil/crude oil      | Karatsu-shi, Saga Prefecture                       |
| Matsuura     | 700,000                                   | Jun. 1989                   | Coal                     | Matsuura-shi, Nagasaki Prefecture                  |
| Ainoura      | 875,000 (375,000×1 500,000×1)             | Apr. 1973                   | Heavy oil/crude oil      | Sasebo-shi, Nagasaki Prefecture                    |
| Oita         | 500,000 (250,000×2)                       | Jul. 1969                   | Heavy oil                | Oita-shi, Oita Prefecture                          |
| Shin Oita    | 2,295,000 (115,000×6 217,500×4 245,000×3) | Jun. 1991                   | LNG                      | Oita-shi, Oita Prefecture                          |
| Reihoku      | 1,400,000 (700,000×2)                     | Dec. 1995                   | Coal                     | Reihoku-machi, Amakusa-gun, Kumamoto Prefecture    |
| Sendai       | 1,000,000 (500,000×2)                     | Jul. 1974                   | Heavy oil/crude oil      | Satsumasendai-shi, Kagoshima Prefecture            |

## Hydroelectric Power Stations (139 facilities/maximum output 2,978,696 kW)

| Station name      | Maximum output (kW) | Operation commencement date | System                                       | Location  |
|-------------------|---------------------|-----------------------------|--|---|
| Tenzan            | 600,000             | Dec. 1986                   | Dam and conduit system (pure pumped-storage) | Karatsu-shi, Saga Prefecture                          |
| Yanagimata        | 63,800              | Jun. 1973                   | Dam and conduit system                       | Hita-shi, Oita Prefecture                             |
| Matsubara         | 50,600              | Aug. 1971                   | Dam system                                   | Hita-shi, Oita Prefecture                             |
| Ohira             | 500,000             | Dec. 1975                   | Dam and conduit system (pure pumped-storage) | Yatsushiro-shi, Kumamoto Prefecture                   |
| Iwayado           | 51,100              | Jan. 1942                   | Dam and conduit system                       | Shiiba-son, Higashi Usuki-gun, Miyazaki Prefecture    |
| Kamishiiba        | 93,200              | May 1955                    | Dam and conduit system                       | Shiiba-son, Higashi Usuki-gun, Miyazaki Prefecture    |
| Tsukabaru         | 63,090              | Oct. 1938                   | Dam and conduit system                       | Morotsuka-son, Higashi Usuki-gun, Miyazaki Prefecture |
| Morotsuka         | 50,000              | Feb. 1961                   | Dam and conduit system                       | Morotsuka-son, Higashi Usuki-gun, Miyazaki Prefecture |
| Omarugawa         | 600,000             | Jul. 2007                   | Dam and conduit system (pure pumped-storage) | Kijo-cho, Koyu-gun, Miyazaki Prefecture               |
| Hitotsuse         | 180,000             | Jun. 1963                   | Dam and conduit system                       | Saito-shi, Miyazaki Prefecture                        |
| Oyodogawa Daiichi | 55,500              | Jan. 1926                   | Dam system                                   | Miyakonojo-shi, Miyazaki Prefecture                   |
| Oyodogawa Daini   | 71,300              | Mar. 1932                   | Dam and conduit system                       | Miyazaki-shi, Miyazaki Prefecture                     |

\*with outputs of 50,000 kW or higher

## Geothermal Power Stations (6 facilities/maximum output 209,500 kW)

| Station name       | Maximum output (kW) | Operation commencement date | Location                                 |
|--------------------|---------------------|-----------------------------|--|
| Tagigami           | 25,000              | Nov. 1996                   | Kokonoe-machi, Kusu-gun, Oita Prefecture |
| Otake              | 12,500              | Aug. 1967                   | Kokonoe-machi, Kusu-gun, Oita Prefecture |
| Hatchoubaru        | 110,000 (55,000×2)  | Jun. 1977                   | Kokonoe-machi, Kusu-gun, Oita Prefecture |
| Hatchoubaru Binary | 2,000               | Apr. 2006                   | Kokonoe-machi, Kusu-gun, Oita Prefecture |
| Ogiri              | 30,000              | Mar. 1996                   | Kirishima-shi, Kagoshima Prefecture      |
| Yamagawa           | 30,000              | Mar. 1995                   | Ibusuki-shi, Kagoshima Prefecture        |

## Wind Power Stations (two facilities/maximum output total 3,250 kW)

| Station name           | Maximum output (kW) | Operation commencement date | Location                                    |
|------------------------|---------------------|-----------------------------|---|
| Koshikijima wind power | 250                 | Mar. 2003                   | Satomura, Satsuma-gun, Kagoshima Prefecture |
| Noma-misaki wind park  | 3,000               | Mar. 2003                   | Minami satsuma-shi, Kagoshima Prefecture    |

## Internal Combustion Power Stations (34 facilities/maximum output 395,270 kW) \*including gas turbines

| Station name | Maximum output (kW) | Operation commencement date | Location   |
|--------------|---------------------|-----------------------------|--|
| Shinarikawa  | 60,000 (10,000×6)   | Jun. 1982                   | Shinkamigotou-chou, Minami matsuura-gun, Nagasaki Prefecture |
| Tatsugo      | 60,000 (10,000×6)   | Jun. 1980                   | Tatsugo-chou, Ooshima-gun, Kagoshima Prefecture              |

\*with outputs of 50,000 kW or higher

# Subsidiaries and Affiliated Companies

(As of March 31, 2010)

## Consolidated Subsidiaries

| Company Name   | Capital<br>(Millions of yen) | Equity<br>Ownership<br>(%) | Business  |
|--|------------------------------|----------------------------|---|
| <b>Energy Business in Kyushu</b>                         |                              |                            |   |
| Oita Liquefied Natural Gas Co., Inc.                     | 7,500                        | 98.0                       | Receipt, storage, vaporization and delivery of LNG                            |
| Kitakyushu Liquefied Natural Gas Co., Inc.               | 4,000                        | 75.0                       | Receipt, storage, vaporization and delivery of LNG                            |
| Pacific Hope Shipping Limited                            | 4,071                        | 60.0                       | Purchasing, operating, chartering and renting of LNG carriers                 |
| Nishinippon Environmental Energy Co., Inc.               | 1,010                        | 100.0                      | Distributed power system business and consultation about energy efficiency    |
| Kyuden Ecosol Co., Ltd.                                  | 495                          | 100.0                      | On-site solar power generation business                                       |
| Kyushu Rinsan Co.  | 490                          | 100.0                      | Greening construction at power stations and other facilities                  |
| Nagashima Windhill Co., Ltd.                             | 490                          | 86.0                       | Sales of electricity generated by wind power                                  |
| Fukuoka Energy Service Co., Inc.                         | 490                          | 80.0                       | Heat supply business  |
| KYUKI CORPORATION  | 305                          | 67.0                       | Manufacture and sales of electric machinery                                   |
| NISHI NIPPON AIRLINES CO., LTD.                          | 360                          | 54.7                       | Air cargo transportation  |
| Nishinippon Plant Engineering and Construction Co., Ltd. | 150                          | 85.0                       | Construction, maintenance and repair of power generation facilities           |
| Kyushu Kouatsu Concrete Industries Co., Ltd.             | 240                          | 51.3                       | Manufacture and sales of concrete poles                                       |
| Kyuden Sangyo Co., Inc.                                  | 117                          | 100.0                      | Environmental preservation work at power stations                             |
| Miyazaki Biomass Recycle Co., Inc.                       | 100                          | 42.0                       | Power-generation activities using poultry dung fuel                           |
| West Japan Engineering Consultants, Inc.                 | 40                           | 100.0                      | Consultation and planning of civil engineering and construction               |
| Kyushu Meter & Relay Engineering Corporation             | 22                           | 98.6                       | Repair and maintenance of electronic instruments                              |
| Koyo Denki Kogyo Co., Ltd.                               | 20                           | 95.9                       | Manufacture and sales of HV and LV insulators and other items                 |
| Nishigi Kogyo, Co., Inc.                                 | 20                           | 69.0                       | Conduit maintenance for hydroelectric power stations                          |
| <b>Energy Business Overseas</b>                          |                              |                            |   |
| Kyuden International Corporation                         | 19,650                       | 100.0                      | Acquisition and holding of securities of overseas electric companies          |
| <b>IT and Telecommunications</b>                         |                              |                            |   |
| Kyushu Telecommunication Network Co., Inc.               | 22,020                       | 96.8                       | Fiber-optic cable and broadband services                                      |
| Kyuden Infocom Company, Inc.                             | 480                          | 100.0                      | IT-related planning and consultation, and data center business                |
| Nishimu Electronics Industries, Co., Ltd.                | 300                          | 100.0                      | Manufacture, sales, installation and maintenance of telecommunication devices |
| Kyuden Business Solutions Co., Inc.                      | 100                          | 100.0                      | Development, operation and maintenance of information systems                 |
| RKK Computer Service Co., Inc.                           | 100                          | 61.3                       | Development and sales of computer softwares                                   |
| <b>Lifestyle-oriented Services</b>                       |                              |                            |   |
| Capital Kyuden Corporation                               | 600                          | 100.0                      | Acquiring and owning of securities, loans to group companies                  |
| DENKI BLDG. CO., Ltd.                                    | 495                          | 89.9                       | Leasing and management of real estate   |
| Kyuden Good Life Company, Inc.                           | 300                          | 100.0                      | Paid elderly nursing home management and nursing services                     |
| Kyuden Good Life Kumamoto Company, Inc.                  | 200                          | 100.0                      | Paid elderly nursing home management and nursing services                     |
| Kyuden Business Front Inc.                               | 100                          | 100.0                      | Temporary staffing and job-placement services                                 |
| Kyuden Good Life Fukuoka Josui Company, Inc.             | 100                          | 100.0                      | Paid elderly nursing home management and nursing services                     |
| Kyuden Good Life Kagoshima Company, Inc.                 | 100                          | 90.0                       | Paid elderly nursing home management and nursing services                     |
| Kyuden Good Life Higashifukuoka Company, Inc.            | 100                          | 70.0                       | Paid elderly nursing home management and nursing services                     |
| Kyuden Fudousan Co., Ltd.                                | 32                           | 98.1                       | Leasing of real estate and site management                                    |
| Kyuden Office Partner Co., Inc.                          | 30                           | 100.0                      | Clerical work acceptance on trust and consulting business                     |



## Non-consolidated Subsidiaries and Affiliated Companies Accounted for under Equity Method

| Company Name                                  | Capital<br>(Millions of yen)              | Equity<br>Ownership<br>(%) | Business   |
|---|---|----------------------------|--|
| <b>Energy Business in Kyushu</b>              |   |                            |  |
| Tobata Co-operative Thermal Power Co., Inc.   | 9,000                                     | 50.0                       | Wholesale electricity supply   |
| Fukuoka Clean Energy Co., Ltd.                | 5,000                                     | 49.0                       | Waste incineration and power generation business   |
| Kyudenko Corporation                          | 7,901                                     | 30.5                       | Electric work  |
| Oita Co-operative Thermal Power Co., Inc.     | 4,000                                     | 50.0                       | Wholesale electricity supply   |
| KYUSYU CRYOGENICS CO., LTD.                   | 450                                       | 50.0                       | Manufacture and sales of liquid oxygen, liquid nitrogen and liquid argon                         |
| Kyuhon Co., Ltd.                              | 225                                       | 35.9                       | Manufacture and sales of electrical equipment  |
| Seishin Corporation                           | 200                                       | 26.5                       | Sale of electrical equipment   |
| Kyukon Corporation                            | 100                                       | 14.7                       | Construction and repair of transmission lines  |
| Plazwire Co., Ltd.                            | 50  | 100.0                      | Flame spray coating (painting) business  |
| Nishikyushu Kyodo Kowan Co., Ltd.             | 50  | 50.0                       | Operation and maintenance of coal handling equipment   |
| Nihon FRP Co., Inc.                           | 30  | 65.0                       | Design fabrication, repair and installation of reinforced plastic                                |
| Nishi Nihon Denki Tekkou Co., Ltd.            | 30  | 33.5                       | Design, production and sales of steel towers and steel conduits                                  |
| NISHIDA TECHNO SERVICE Co., Inc.              | 20  | 65.0                       | Inspection, maintenance, design, production and construction of sluice and weir equipment        |
| Washiodake Wind Power Co., Ltd.               | 10  | 100.0                      | Development of wind power generation facilities and sales of generated electric power            |
| NISHIGI SURVEYING AND DESIGN CO., LTD.        | 10  | 100.0                      | Investigation, measurement, design, drafting and care of civil engineering/construction projects |
| Amami Oshima Wind Power Co., Ltd.             | 10  | 75.0                       | Development of wind power generation facilities and sales of generated electric power            |
| CONTEX  | 10  | 100.0                      | Manufacture and sales of cement products   |
| <b>Energy Business Overseas</b>               |   |                            |  |
| KYUDEN ILIJAN HOLDING CORPORATION             | 3,050<br>(Thousands of U.S. dollars)      | 100.0                      | Investment in Ilijan IPP business company  |
| KYUDEN SARULLA PTE. LTD.                      | 5,345<br>(Thousands of Singapore dollars) | 100.0                      | Geothermal power generation  |
| Electricidad Aguila de Tuxpan, S.deR.L.deC.V. | 641,743<br>(Thousands of Mexico Pesos)    | 50.0                       | Power-generation activities using natural gas fuel   |
| Electricidad Sol de Tuxpan, S.deR.L.deC.V.    | 493,407<br>(Thousands of Mexico Pesos)    | 50.0                       | Power-generation activities using natural gas fuel   |
| <b>IT and Telecommunications</b>              |   |                            |  |
| Kagoshima Hikari Television Co., Inc.         | 75  | 90.0                       | Telecommunication broadcasting business  |
| RKKCS Software                                | 10  | 100.0                      | Developments and sales of computer software  |
| <b>Environment and Recycling Business</b>     |   |                            |  |
| J-Re-Lights Co., Ltd.                         | 275                                       | 100.0                      | Recycling of used fluorescent bulbs  |
| Kyushu Environmental Management Corporation   | 80  | 98.1                       | Recycling of confidential documents  |
| <b>Lifestyle-oriented Services</b>            |   |                            |  |
| Kyushu Housing Guarantee Corporation          | 272                                       | 33.3                       | Housing and building assessments, security services affairs                                      |
| Kyushu Highlands Development Co., Ltd.        | 300                                       | 100.0                      | Management of golf courses   |
| Kyuden Home Security Co., Inc.                | 100                                       | 97.5                       | Home security and monitoring business  |
| Kyuden Shared Business Co., Ltd.              | 80  | 100.0                      | Accounting and personnel services  |
| Kyushu Captioning Co-Production Center Inc.   | 60  | 76.7                       | Subtitle production for broadcasting   |
| Oak Co., Ltd.                                 | 3   | 100.0                      | Real estate management   |

# Outline of Kyushu Electric Power's History

(As of March 31, 2010)

| (Fiscal Year) | Noteworthy Events   |
|---------------|---|
| 1951          | Kyushu Electric Power is established.   |
| 1953          | Kyushu Electric Power receives its first postwar loan (approximately ¥3.8 billion) in Japan from the International Bank for Reconstruction and Development (the World Bank).  |
| 1955          | The Kamishiiba Power Station, the first in Japan with an arch dam, becomes operational.<br>Unit 1 at the Karita Thermal Power Station, an advanced, high-capacity system (75,000 kW) becomes operational.   |
| 1957          | Kyushu Electric Power completes its Central Line (220,000 V), its first super-high-voltage transmission line.<br>Thermal generation capacity exceeds hydroelectric capacity.  |
| 1960          | Frequency unification is completed.   |
| 1967          | The Otake Power Station, Japan's first commercial geothermal generation facility, becomes operational with a capacity of 11,000 kW.<br>Unit 1 at the Karatsu Power Station (156,000 kW) becomes operational as Kyushu Electric Power's first generation facility with a control computer. |
| 1969          | Unit 1 at the Oita Power Station (250,000 kW), Kyushu Electric Power's first facility designed to run exclusively on heavy fuel oil, becomes operational.   |
| 1970          | The provision of electric lighting to all homes is completed.   |
| 1975          | Unit 1 at the Genkai Power Station (559,000 kW), Kyushu Electric Power's first nuclear facility, becomes operational.<br>The Ohira Power Station, then Japan's biggest pumped-storage facility (500,000 kW) becomes operational.  |
| 1977          | Unit 1 at the Hatchoubaru Geothermal Power Station, one of the biggest in Japan, becomes operational, initially with a capacity of 23,000 kW.   |
| 1980          | Kyushu Electric Power builds the Central and West Kyushu Substations (500,000 V) and raises the voltage on its Saga Line to 500,000 V.<br>The 500,000 V Trans-Kanmon Line becomes operational.  |
| 1982          | The Kyushu Energy Center is opened.   |
| 1984          | Unit 1 at the Sendai Nuclear Power Station (890,000 kW) becomes operational.  |
| 1986          | Unit 1 at the Tenzan Power Station (300,000 kW), a large-capacity pumped-storage facility, becomes operational.<br>Kyushu Electric Power begins to use automatic control systems on its distribution lines.   |
| 1989          | Kyushu Electric Power achieves a zero outage record for work on high-and low-voltage facilities for the first time in Japan.  |
| 1990          | The No. 1 System at the Shin Oita Power Station (690,000 kW) becomes operational. Designed to use LNG, this combined-cycle unit provides excellent thermal efficiency.  |
| 1992          | Kyushu Electric Power begins to purchase surplus electric power from distributed generation facilities, including solar and wind power systems.   |
| 1998          | Kyushu Electric Power begins to operate a superconducting storage system as an electric power facility. It is the first of its type in Japan and one of the largest in the world.   |
| 2000          | The Genkai Energy Park is opened.<br>Revision of the Electricity Enterprises Law (deregulation of electric utilities).  |
| 2001          | A loan agreement is signed for the Tuxpan II IPP project in Mexico.<br>The Kyushu Homeland Forestation Program is launched.   |
| 2002          | Dedicated sales representatives are assigned to corporate customers.  |
| 2004          | The Call Center is extended to the entire corporate organization.<br>Kyushu Electric Power achieves the best CO <sub>2</sub> emission level per unit of electric power (0.331 kg-CO <sub>2</sub> /kWh) in the Japanese electric power industry.   |
| 2005          | The Goto Archipelago Link, Japan's longest sea-bed cable, becomes operational.  |
| 2006          | Kyushu Electric Power becomes the first electric power company to win top prize in the 9th Green Reporting Awards.  |
| 2007          | "Kyushu Electric Power's Mission" is adopted.   |
| 2008          | Formulation of Long-term Management Vision.   |
| 2009          | Implementation of Japan's first pluthermal operation.   |

# Corporate Data

(As of March 31, 2010)

## Company Overview

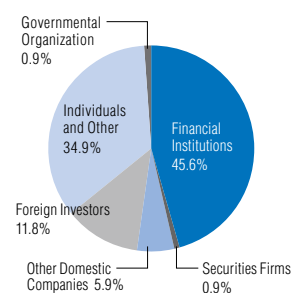
|                       |  |
|-----------------------|--|
| Trade Name            | Kyushu Electric Power Company, Incorporated  |
| Head Office           | 1-82, Watanabe-dori 2-chome, Chuo-ku, Fukuoka 810-8720, Japan<br>Phone +81-92-761-3031 |
| Tokyo Branch Office   | 7-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo 100-0006, Japan<br>Phone +81-3-3281-4931     |
| Date of Establishment | May 1, 1951  |
| Paid-in Capital       | ¥237,304,863,699   |
| Number of Employees   | 12,553   |

## Stock Information

|   |   |
|---|---|
| Total Number of Shares Authorized       | 1,000,000,000   |
| Number of Shares Issued and Outstanding | 474,183,951   |
| Number of Shareholders                  | 184,217   |
| Shareholders' Meeting                   | June  |
| Fiscal Year-end                         | March 31  |
| Stock Listings                          | Tokyo Stock Exchange, Osaka Securities Exchange,<br>Fukuoka Stock Exchange<br>(Code: 9508)  |
| Transfer Agent and Registrar            | The Chuo Mitsui Trust and Banking Co., Ltd.<br>33-1, Shiba 3-chome, Minato-ku, Tokyo, Japan |
| Accounting Auditor                      | Deloitte Touche Tohmatsu  |

### Composition of Shareholders

#### By Type of Shareholder

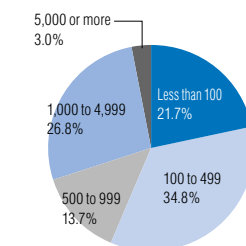


### Major Shareholders

| Name   | Number of Shares Held (Thousands of Shares) | Shareholding Ratio (%) |
|--|---|------------------------|
| Meiji Yasuda Life Insurance  | 23,710                                      | 5.00                   |
| The Master Trust Bank of Japan, Ltd. (trust unit)                    | 21,847                                      | 4.61                   |
| Japan Trustee Services Bank, Ltd. (trust unit)                       | 20,076                                      | 4.23                   |
| Nippon Life Insurance Company  | 18,454                                      | 3.89                   |
| Mizuho Corporate Bank, Ltd.  | 10,419                                      | 2.20                   |
| Mizuho Trust and Banking, Retirement Benefit Trust Fukuoka Bank unit | 8,637                                       | 1.82                   |
| Sumitomo Mitsui Banking Corporation                                  | 8,474                                       | 1.79                   |
| Kyushu Electric Power Co., Inc. Employees' Shareholding Association  | 7,213                                       | 1.52                   |
| Kochi Shinkin Bank   | 5,184                                       | 1.09                   |
| The Dai-ichi Mutual Life Insurance Company                           | 5,007                                       | 1.06                   |

\* Along with reorganization, The Dai-ichi Mutual Life Insurance Company has changed the trade name to "The Dai-ichi Life Insurance Company, Ltd" from April 1, 2010.

#### By Number of Shares Held



## Stock Price Movement

