

Issuance of Preferred Shares by Third Party Allotment, Reduction of Capital and Capital Reserve, and Partial Revision of Articles of Incorporation

This is to announce that at the April 30, 2014 meeting of the Board of Directors ("Meeting of the Board"), Kyushu Electric Power Co., Inc. ("Kyushu Electric Power") passed resolutions to do the following: 1) Issue 100 billion yen in Class A preferred shares ("the Preferred Shares") by third party allotment to the Development Bank of Japan Inc. ("the Allottee") (this transaction referred to below as "the Third Party Allotment"); 2) At the same time, reduce Kyushu Electric Power's paid-in capital and additional paid-in capital and transfer the difference to "other capital surplus"; and 3) Conclude an investment agreement on the acceptance of the Preferred Shares ("the Agreement") with the Allottee covering these transactions.

This is also to announce that, in order to carry out the above transactions, Kyushu Electric Power at the Meeting of the Board passed a resolution to refer a proposal to partially revise the Company's articles of incorporation to accompany the issuance of the Preferred Shares, along with a proposal to issue the Preferred Shares, to the regular general meeting of shareholders to be held on June 26, 2014 ("the Regular General Meeting of Shareholders").

The issuance of the Preferred Shares is conditioned upon approval at the Regular General Meeting of Shareholders of the above proposal to partially revise the articles of incorporation and proposal to issue the Preferred Shares. The reduction of additional paid-in capital that is to take place simultaneously with issuance of the Preferred Shares is conditioned upon the issuance of Preferred Shares taking effect.

Details

I. Issuance of Preferred Shares by third party allotment

1. Overview of issuance of the Preferred Shares

(1) Payment date (issue date)	August 1, 2014
(2) Number of new shares to be issued	1,000 shares of Class A preferred shares
(3) Issue price	100,000,000 yen/share
(4) Amount of funds procured	100,000,000,000 yen
(5) Amount of paid-in capital to be increased	50,000,000,000 yen (50,000,000 yen/share)
(6) Preferred dividend	3,500,000 yen annually/share (dividends paid using dates in the business year ending March 31, 2015 as the record date will not be prorated)
(7) Method of offering or allotment (allottee)	Third party allotment to Development Bank of Japan Inc.
(8) Other	There will be no put option or call provision using common stock as consideration. The issuance of the Preferred Shares is conditioned upon approval at the Regular General Meeting of Shareholders of the proposal to partially revise the articles of incorporation to accompany the issuance of the Preferred Shares, and the proposal to issue the Preferred Shares.

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2. Purpose and reasons for issuance of the Preferred Shares by third party allotment

(1) Main purpose for financing

Based on Kyushu Electric Power's Mission, which incorporates our brand message, "Enlighten Our Future," we proceed in our business activities as a responsible power utility with the mission of providing our customers with a stable supply of electricity and energy.

However, operations are currently suspended at all nuclear power stations in Japan, and operations have been suspended for an extended time at the Company's own Genkai and Sendai nuclear power stations. As a result, the challenging electric power supply and demand situation is continuing and Company revenues and finances have rapidly worsened. In search of maximum management efficiency, we have implemented cost efficiency measures worth about 140 billion yen per year on average for the three-year period FY2013–2015. In April 2013, additionally, we raised electric power rates on the condition that we would sell off assets not directly concerned with electricity business operations.

Kyushu Electric Power has made every effort to enhance the stability of the electric power supply with our customers' cooperation. However, as the suspension of operations at our nuclear power stations has persisted, our equity capital has rapidly become compromised (for example, the last business year was our third consecutive year of net losses). As a responsible power utility, we believe it is necessary and appropriate to practice capital-building financing to increase our equity capital while securing the investment funds needed to provide a stable supply of electric power, starting with construction to meet new regulatory standards* and other steps to enhance the safety of nuclear power.

*New regulatory standards for nuclear power facilities accounting for lessons learned from past accidents, the latest technical knowledge, regulatory trends outside Japan, and more, as based on the Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors, which was revised following the accidents at the Fukushima Daiichi Nuclear Power Station (and was enforced on July 8, 2013)

(2) Reason for financing with the Preferred Shares

Kyushu Electric Power has studied various financing options, including loans from financial institutions and other financing mechanisms. However, liability-bearing financing such as borrowing from a financial institution would lower our shareholders' equity ratio. Instead, the Company has determined it is necessary and appropriate to build our equity capital with capital-building financing.

Capital-building financing mechanisms include public offering and third party allotments using a company's common stock. We judged these to be inappropriate given the business and financial conditions facing Kyushu Electric Power, as it is not certain we could secure as much financing as planned, and a large-scale dilution of common stock could potentially hurt shareholder value, among other reasons. In order to ensure procurement of the necessary finances and stabilize our financial strength without diluting common stock, we studied the option of procuring financing from an investor with a deep understanding of our business and outstanding capacity for appraising risk. As a result, we judged the best option to be issuance of "corporate bond-type" Preferred Shares (see (3) below) to the Development Bank of Japan Inc., a major correspondent financial institution for the Company.

(3) Product characteristics of the Preferred Shares

The Preferred Shares are so-called "corporate bond-type" preferred shares, which provide no call provision or put option using common stock as consideration, nor do they provide any voting rights at the general meeting of shareholders. These shares will also not dilute common stock.

The Preferred Shares will not have a so-called maturity date, but they will provide a call provision allowing the investor to acquire cash at Kyushu Electric Power's discretion as consideration the day after the payment date or thereafter. The Preferred Shares will provide the Preferred Shares owner ("the Preferred Shareholder") the right to demand acquisition of cash as consideration from Kyushu Electric Power the day after the payment date or thereafter if the Preferred Shareholder undertakes the prescribed procedures, but the exercise of this right by the Preferred Shareholder is limited by the Agreement as described in (c).

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(a) Preferred dividend

The preferred dividend on the Preferred Shares will be 3,500,000 yen annually/share (dividends paid using dates in the business year ending March 31, 2015 as the record date will not be prorated), and will be cumulative and non-participating.

(b) Call provision with cash as consideration

On August 2, 2014 (the day after the payment date) or thereafter, Kyushu Electric Power will be allowed to acquire all or part of the Preferred Shares in exchange for cash as allowed by law, regardless of the Allottee's wishes. By using this option, Kyushu Electric Power can acquire the Preferred Shares with cash as consideration. The acquisition price for the Preferred Shares will be found by taking the price paid per share and adding the cumulative unpaid dividends as of the acquisition date and the accrued interest for the business year in which the acquisition date belongs (calculated according to the Preferred Shares issuance guidelines).

(c) Put option with cash as consideration

On August 2, 2014 or thereafter, the Allottee will be allowed to request acquisition of all or part of the Preferred Shares from Kyushu Electric Power in exchange for cash as allowed by law. By using this option, Kyushu Electric Power can acquire the Preferred Shares with cash as consideration. The acquisition price for the Preferred Shares will be found by taking the price paid per share and adding the cumulative unpaid dividends as of the acquisition date and the accrued interest for the business year in which the acquisition date belongs (calculated according to the Preferred Shares issuance guidelines).

However, under the Agreement, the put option for the Preferred Shares with cash as consideration can only be exercised if (i) five years have passed since the payment date of the Preferred Shares, (ii) Kyushu Electric Power is in violation of the Agreement, or (iii) the value of Kyushu Electric Power's net assets on the final day of any of its business years or final day of any of its second quarters falls below the total amount paid for the Preferred Shares currently owned by the Allottee as of that final day of the business year or final day of the second quarter.

(d) Voting rights

The Preferred Shares will not provide voting rights, and will not require passing of any resolution at a class meeting for the Preferred Shares, except for the minimum number of items when not requiring a resolution at a class meeting is not allowed under the Companies Act.

(e) Restrictions on transfer

The nature of the Preferred Shares does not establish restrictions on their transfer. However, under the Agreement, the Allottee cannot transfer all or part of the Preferred Shares without the advance written consent of Kyushu Electric Power until there is a reason empowering the Allottee to demand acquisition as listed in (c) above.

(4) Consent to investment agreement with the Allottee

Under the Agreement, Kyushu Electric Power consents to the provisions under (3) (c)-(e) above and mainly bears the following obligations to the Allottee.

(a) Providing financial information and the like to the Allottee and notifying the Allottee of the start of any lawsuit or other situation having a major adverse effect on Kyushu Electric Power's execution of operation, management or finances.

(b) Obtaining the advance written consent of the Allottee before revising Kyushu Electric Power's articles of incorporation, decreasing its capital, decreasing its reserves, merging with another business, splitting the company, exchanging or transferring shares, or transferring all or an important part of its business to a third party (including subsidiaries and affiliated companies of Kyushu Electric Power) (each of these applies only to items requiring a resolution of the general meeting of shareholders of Kyushu Electric Power). However, when deciding whether or not to provide such consent, the Allottee will give utmost respect to the wishes of Kyushu Electric Power and will not

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refuse or put reservations on its consent unreasonably.

3. Amount and use of funds to be procured, and scheduled date of outlays

(1) Amount of funds to be procured (approximate amount procured after costs)

Total amount paid: 100,000,000,000 yen

Estimated issuing costs: 430,000,000 yen

Approximate amount procured after costs: 99,570,000,000 yen

*Major parts of estimated issuing costs are expected to be registration and license tax (350,000,000 yen), financial advisory costs, attorneys' fees, and the cost of calculating the Preferred Shares' price.

The estimated issuing costs do not include consumption tax.

(2) Specific uses of funds to be procured

The above approximate amount procured after costs as a result of issuance of the Preferred Shares is planned to be used entirely for construction to meet new regulatory standards and other steps to enhance the safety of Kyushu Electric Power's nuclear power stations.

(3) Scheduled date of outlays of funds to be procured

The above approximate amount procured after costs as a result of issuance of the Preferred Shares is planned to be used as described in (2) above between August 2014 and March 2016 for construction to meet new regulatory standards and other steps to enhance the safety of Kyushu Electric Power's nuclear power stations.

Until such time as Kyushu Electric Power uses the above approximate amount procured after costs as a result of issuance of the Preferred Shares for the above-stated use, it will be kept in a Company bank account.

(4) Stance on rationality of use of funds

By using the funds procured from issuance of the Preferred Shares to enhance the safety of our nuclear power stations, Kyushu Electric Power, as a responsible power utility, can fulfill our mission to ensure a stable supply of electric power and energy for our customers, stabilize our business, and enhance the shareholder value associated with our common stock. Kyushu Electric Power has determined therefore that it is rational to use the funds in the ways described above.

4. Reason for selection of the Allottee, etc.

(1) Reason for selection of the Allottee

The Allottee of the Preferred Shares is a major correspondent financial institution for Kyushu Electric Power. We selected the Development Bank of Japan Inc., judging it to be an appropriate allottee, as it understands our policy of using capital-building financing to secure the investment funds needed to provide a stable supply of electric power and increase our equity capital without diluting our common stock.

(2) Allottee's policy on ownership

The Allottee has informed Kyushu Electric Power that it intends to treat its acquisition of the Preferred Shares as a medium-term investment, and that after acquisition of the Preferred Shares, it plans to own the Preferred Shares as prescribed in the Preferred Shares issuance guidelines and the like.

Moreover, as indicated in 2.(3)(e) above, under the Agreement, the Allottee cannot transfer all or part of the Preferred Shares without the advance written consent of Kyushu Electric Power until there is a reason empowering the Allottee to demand acquisition as listed in 2.(3)(c) above.

5. Outlook

By using the funds procured from issuance of the Preferred Shares to enhance the safety of our nuclear power stations, Kyushu Electric Power, as a responsible energy business, will endeavor to ensure a stable supply of electric power and energy for our customers, stabilize our business, and enhance the shareholder value associated with our

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common stock.

The issuance of the Preferred Shares will have only a slight effect on the Group's business results.

Partial revision of articles of incorporation

1. Objective of revision of articles of incorporation

New provisions will be added to the articles of incorporation concerning the Preferred Shares, and other wording will be amended, added, etc. to allow issuance of Preferred Shares as described in “I. Issuance of Preferred Shares by third party allotment” above.

2. Schedule for revision of articles of incorporation

- (1) April 30, 2014 (Wed.): Resolution at the Meeting of the Board
- (2) June 26, 2014 (Thurs.): The Regular General Meeting of Shareholders (scheduled)
- (3) June 26, 2014 (Thurs.): Revised articles of incorporation take effect (scheduled)

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