Financial Information

Contents

Consolidated Eleven-year Financial Summary

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

	Millions of Yen					
For the Year:	2004	2005	2006	2007	2008	2009
Operating revenues	¥1,391,683	¥1,408,728	¥1,401,751	¥1,408,327	¥1,482,351	¥1,524,193
Electric	1,308,843	1,320,581	1,311,995	1,307,737	1,363,423	1,398,577
Other	82,840	88,146	89,755	100,590	118,927	125,616
Operating expenses	1,192,718	1,194,993	1,230,466	1,253,154	1,376,811	1,439,470
Electric	1,108,104	1,107,744	1,140,797	1,155,413	1,260,615	1,317,216
Other	84,614	87,249	89,669	97,741	116,195	122,254
Interest charges	77,120	49,522	41,129	38,354	36,937	35,770
Income (loss) before income taxes and minority interests	112,450	146,796	120,790	112,887	72,463	55,859
Income taxes	39,085	57,857	43,038	46,075	29,853	21,481
Net income (loss)	72,792	89,288	76,849	65,967	41,726	33,991

	Yen					
Per Share of Common Stock:						
Basic net income (loss)	¥153.05	¥187.91	¥161.67	¥139.37	¥88.19	¥71.84
Cash dividends applicable to the year	50.00	60.00	60.00	60.00	60.00	60.00

At Year-End:	Millions of Yen					
Total assets	¥4,114,378	¥4,049,713	¥4,102,319	¥4,038,838	¥4,059,775	¥4,110,877
Net property	3,394,855	3,300,739	3,217,981	3,140,200	3,109,292	3,080,446
Long-term debt, less current portion	1,858,512	1,739,660	1,724,178	1,689,106	1,712,949	1,811,744
Total equity	910,837	979,251	1,052,785	1,092,600	1,084,212	1,072,374

(U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥102.92 = U.S.$1, the approximate rate of exchange at March 31, 2014.)
Note: Figures less than a million yen are rounded down.

Summary of the Year Ended March 31, 2014

Ordinary loss and net loss for the third consecutive fiscal year

Although the effects of a weak yen and increased purchases from renewable energy sources made fuel costs and costs for power purchases rise, the size of the deficit for the year under review decreased due to the effects of the rate hike and fuel adjustments, as well as increased renewable energy subsidies, and in addition we worked to cut costs, for example by streamlining maintenance costs and cutting personnel costs.

For the Year:	Millions of Yen 2010	2011	2012	2013	2014	Thousands of U.S. Dollars 2014
Operating revenues	¥1,444,941	¥1,486,083	¥1,508,084	¥1,545,919	¥1,791,152	$17,403,352
Electric	1,310,085	1,354,204	1,367,610	1,406,218	1,633,023	15,866,925
Other	134,856	131,878	140,474	139,700	158,129	1,536,426
Operating expenses	1,345,214	1,387,174	1,692,939	1,845,347	1,886,974	18,334,379
Electric	1,220,536	1,261,425	1,562,055	1,715,262	1,746,890	16,973,284
Other	124,677	125,748	130,883	130,085	140,083	1,361,095
Interest charges	35,292	34,025	34,025	37,407	39,429	383,104
Income (loss) before income taxes and minority interests	67,610	48,318	(214,750)	(334,298)	(73,732)	(716,408)
Income taxes	25,404	19,245	(48,760)	(2,195)	20,786	201,971
Net income (loss)	41,812	28,729	(166,390)	(332,470)	(96,096)	(933,701)

Per Share of Common Stock:	Yen 2010	2011	2012	2013	2014	U.S. Dollars 2014
Basic net income (loss)	¥88.38	¥60.73	¥(351.80)	¥(702.98)	¥(203.19)	$(1.97)
Cash dividends applicable to the year	60.00	60.00	50.00			

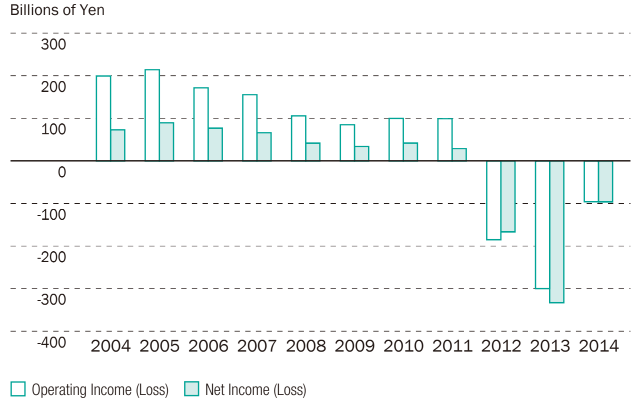
At Year-End:	Millions of Yen 2010	2011	2012	2013	2014	Thousands of U.S. Dollars 2014
Total assets	¥4,054,192	¥4,185,460	¥4,428,093	¥4,526,513	¥4,549,852	$44,207,658
Net property	3,037,054	3,033,125	2,997,232	2,941,114	2,941,142	28,576,979
Long-term debt, less current portion	1,724,972	1,714,429	2,188,601	2,526,729	2,804,896	27,253,173
Total equity	1,089,066	1,079,679	888,131	557,799	494,232	4,802,107

Operating Revenues

Billions of Yen

Operating Income (Loss)/Net Income (Loss)

Billions of Yen



Management Discussion and Analysis

Kyushu Electric Power Company, Incorporated, and Consolidated Subsidiaries
Year Ended March 31, 2014

Operating Results

In the year ended March 31, 2014, Kyushu Electric Power recorded a 15.9% year-on-year increase in operating revenues, to ¥1,791.1 billion. This was due to higher electricity sales revenues stemming from higher unit charges as a result of the increase in electricity rates and the fuel cost adjustment system, as well as to higher subsidies based on feed-in tariffs for renewable energy sources.

With regard to expenditures, operating expenses increased 2.3% year on year, to ¥1,886.9 billion, because despite efforts to streamline maintenance costs and reduce personnel costs, fuel costs were higher due to the impact of the weak yen, and there was an increase in purchases from renewable energy sources. As a result of the above factors, performance at the operating level improved ¥203.6 billion compared to the previous fiscal year, resulting in an operating loss of ¥95.8 billion.

Other revenues rose by 9.6%, to ¥15.5 billion, due to increases in investment returns from equity-method affiliates. Other expenses rose 11.3%, to ¥51.1 billion, due to an increase in interest charges and other factors.

Ordinary revenues were up 15.8%, to ¥1,806.7 billion, while ordinary expenses increased 2.5%, to ¥1,938.1 billion. This caused the ordinary loss to shrink ¥199.7 billion, to ¥131.4 billion.

Furthermore, the water flow rate fell to 86.7% of the ordinary level (100%) during the year under review. Consequently, the reserve for fluctuations in water levels was drawn down by ¥4.3 billion (the full amount).

In addition, the sale of real estate and negotiable securities as part of our rationalization efforts, as well as the establishment of a retirement benefit trust, resulted in the posting of extraordinary income of ¥53.4 billion.

Deferred income taxes increased due to a year-on-year decrease in the temporary difference in tax-effect accounting associated with the establishment of a retirement benefit trust, resulting in a ¥22.9 billion year-on-year increase in income taxes, to ¥20.7 billion.

As a result, the net loss decreased ¥236.3 billion compared to the previous fiscal year, to ¥96 billion. The net loss per share was ¥203.19, reflecting an improvement of ¥499.79 over the previous year's figure.

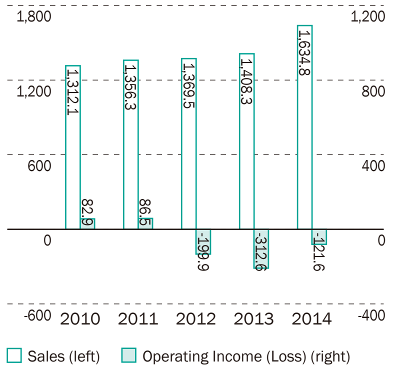
Segment Information (Before Elimination of Internal Transactions)

(1) Electric Power

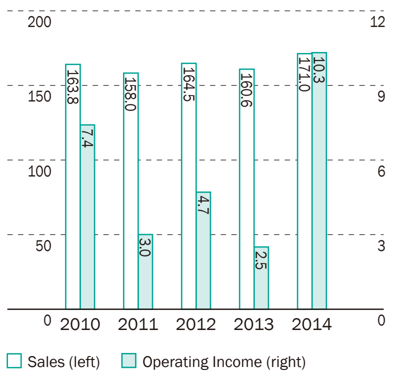
The total volume of electrical sales increased 0.8%, to 84.45 billion kWh. Contributing to this result was an increase in general demand, which includes both domestic lighting and commercial, stemming from a 1.1% year-on-year rise in air conditioning demand because of high temperatures during the June – October period. Meanwhile, power demand from large-scale industrial customers was flat, as a fall in electronics and non-ferrous metal production offset a rise in demand due to increased steel production.

On the supply side, the shutdown of nuclear power plants persisted and a drought caused a reduction in hydro power, but we were able to address this situation by purchasing power from other producers. Analysis of the energy mix, including power generated by Kyushu Electric Power and power purchased from other companies, shows that nuclear power accounted for 0%, thermal power for 89%, hydroelectric for 6% and new energy sources for 5% of total power.

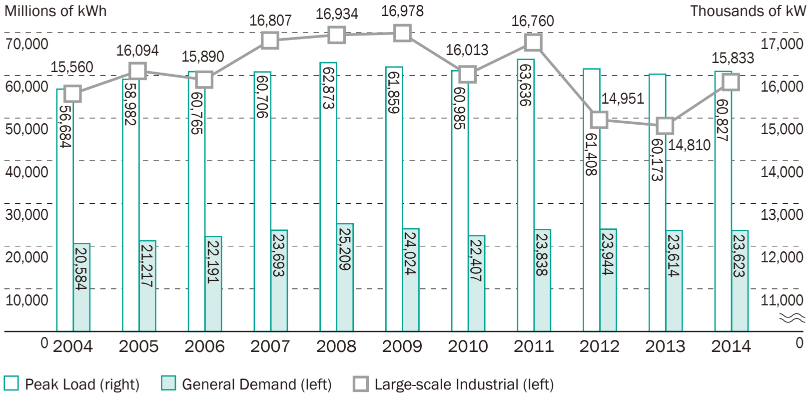
Electric Power



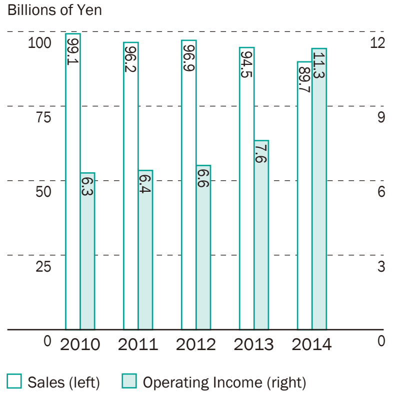
Energy-related Business



Electricity Sales Volume and Peak Load



IT and Telecommunications



As a result, electric power segment sales rose 16.1% year on year, to ¥1,634.8 billion, owing to an increase in electricity sales revenues due to higher unit charges resulting from the increase in electricity rates and the fuel cost adjustment system, as well as higher subsidies based on feed-in tariffs for renewable energy sources. Although the effects of the weak yen and increased purchases from renewable energy sources made fuel costs and costs for power purchases rise, the operating loss amount contracted ¥191.0 billion, to ¥121.6 billion, due to the effects of the rate hike, fuel adjustments, and higher renewable energy subsidies, in addition to which we worked to cut costs, for example by streamlining maintenance costs and cutting personnel costs.

(2) Energy-Related Business
Sales increased 6.5% year on year, to ¥171.0 billion due to increases in power plant maintenance work and construction of the new mega-solar plant, with increased revenue from gas sales as well. As a result, operating income rose 302.1%, to ¥10.3 billion.

(3) IT and Telecommunications
Sales declined 5.1%, to ¥89.7 billion, due to reduced data systems development, although revenues from data transmission services for mobile communications providers increased. Operating income increased 49.2%, to ¥11.3 billion, due to cost-cutting efforts and a decrease in depreciation expenses in the fiber optic core cable leasing business.

(4) Other Business
Sales were ¥27.1 billion, about the same as the previous fiscal year. Operating income increased 31.8%, to ¥3.2 billion, due to a decrease in depreciation expenses on rental assets.

Financial Position
(1) Cash Flows
Cash used in operating activities declined 95.6%, with a net outlay of ¥5.9 billion due to increases in thermal power fuel costs and power purchases, despite an increase in revenue from electrical power sales and cost-cutting efforts.

Cash used in investment activities increased 4.8%, to ¥184.9 billion, because despite an increase in revenues from the sale of real estate and negotiable securities as part of our rationalization efforts, outlays associated with safety enhancement work at nuclear power plants also increased.

Cash flows provided by financing activities decreased 52.4%, to ¥196.3 billion.

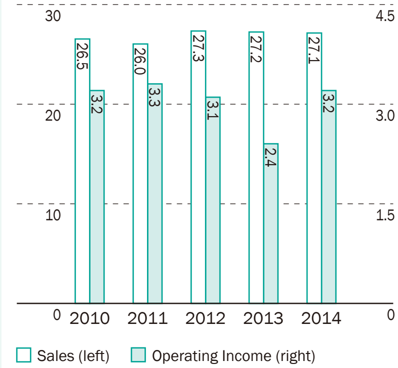
As a result, cash and cash equivalents on March 31, 2014, stood at ¥384.7 billion, an increase of ¥5.5 billion from the end of the previous fiscal year.

(2) Assets, Liabilities and Net Assets
Total assets increased 0.5% year on year, to ¥4,549.8 billion, because while depreciation continued and a portion of the Company's stock holdings was provisioned as retirement benefit trust assets, the construction in progress account associated with safety enhancement work at nuclear power plants increased, as did accounts receivable.

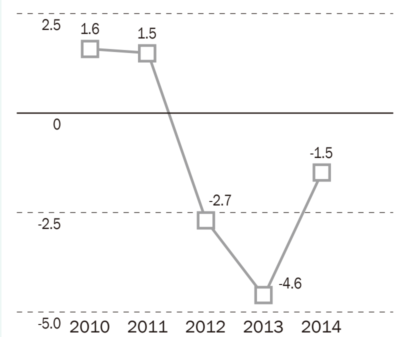
Total liabilities grew 2.2%, to ¥4,055.6 billion, because despite a decrease due to application of "Accounting Standards Concerning Retirement Allowance Reserves" (revised in May 2012) and the establishment of a retirement benefit trust, interest-bearing debt increased, with outstanding interest-bearing debt expanding ¥205.9 billion, to ¥3,116.7 billion.

Despite an increase due to application of "Accounting Standards Concerning Retirement Allowance, net assets fell 11.4% from the previous fiscal year-end, to ¥494.2 billion, mainly because of the posting of a net loss. The equity ratio was 10.5%.

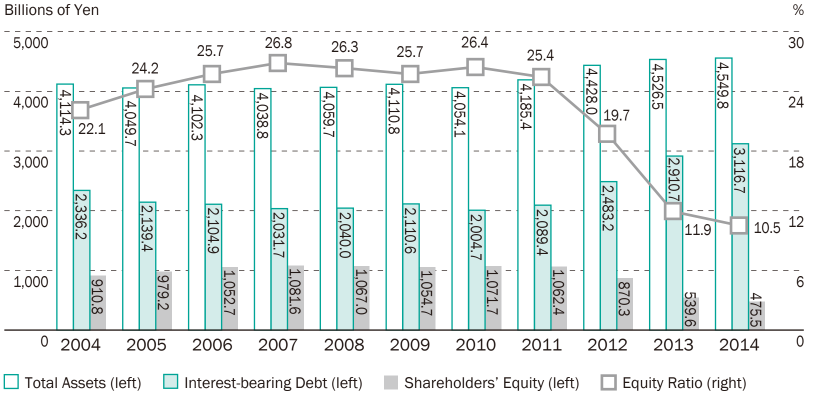
Other
Billions of Yen



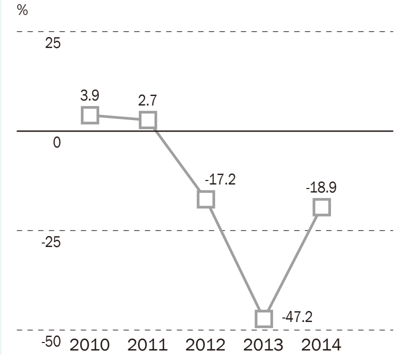
ROA
%



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



ROE
%



Business Risk Factors

The following is a list of some significant risk factors that may impact on the operating results, financial position, and other aspects of the Group (consolidated). Forward-looking statements in this report reflect the judgment of the Company as of March 31, 2014.

1. Changes in systems affecting the electricity business

Discussions towards the implementation of electricity system reform (the liberalization of the retail power sector as a whole in order to give customers a greater range of choice, the invigoration of the wholesale power market in order to stimulate a competitive environment, and the realization of broader coverage and greater neutrality in the transmission and distribution sector) are proceeding.

The government has also approved the Basic Energy Plan, which established the nation's basic orientation in relation to energy supply and demand in cabinet and progressing with deliberations such as the best mix of energy in the future.

Changes such as these to the systems affecting the electricity business could have an impact on the Group's performance.

2. Status of environment surrounding nuclear power

We still believe that nuclear power generation is important in terms of energy security and global warming concerns. Based on the lessons learned from the accident at the Fukushima Daiichi Nuclear Power Station, we will strictly comply with the New Nuclear Regulatory Requirements and continue our voluntary efforts in order to achieve the world's highest safety standards. At the same time, we will work to ease the concerns of local residents regarding nuclear power generation.

However, depending on the status of operation of our nuclear power stations as it will be affected by the future trends in regulations (the progress of governmental studies towards restart, etc.) and other factors, it is possible that the results of the Kyushu Electric Group will be affected by factors including increases in costs such as fuel costs and the cost of procuring funds, and our judgment regarding the realizability of our deferred tax assets resulting from the continuation of these cost burdens.

3. Fluctuations in electricity sales volume

Electricity sales volume in the electricity business fluctuates according to factors such as economic trends, temperature changes, the spread of residential solar power systems, and trends in regulations and institutional reforms relating to energy conservation. As a result, changes in these factors could have an impact on the Group's performance.

4. Fuel price fluctuations

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 helps to ease the impact of fuel price volatility on the Group's performance.

5. Nuclear fuel cycle costs

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, the Group's performance could be affected by discussion trends related to nuclear fuel cycle policy and increased costs based on revised cost estimates for future expenses.

6. Cost of measures to combat global warming

In response to global warming, the Group aims for more efficient power generation that uses less carbon, and to this end the Group conducts a variety of measures, such as safe and stable nuclear power station operations, active development and introduction of renewable energy, and maintenance and improvement of total thermal efficiency for thermal power stations. Future changes in policies related to global warming could have an impact on the Group's performance.

7. Businesses other than electricity

The Group is enhancing its revenue basis by utilizing the Group's management resources and steadily 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 Group's performance may be affected.

8. Interest rate fluctuations

The Group's balance of interest-bearing debt as of the end of March 2014 is ¥3,116.7 billion, which accounts for 69% of total assets of the Group. Future changes in interest rates have potential to affect the Group's financial condition.

However, 96% 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 the Group's performance is therefore viewed as limited.

9. Leakage of information

The 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 Group's performance may be affected.

10. Natural disasters

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

We are also developing a risk management system and are preparing for numerous risks that may have a material impact on business operations. Proper actions not taken in response to a risk may adversely affect the Group's performance.

11. Compliance

To be worthy of the trust of all its stakeholders, the Group conducts its business activities from the perspective of its customers and local people in the regions it operate in by working together to fully instill an awareness of compliance and complying with laws and regulations. However, if problems such as compliance violations were to cause the Group's social credibility to decline, this could have an impact on the Group's performance.

The Group will continue to work to build trust-based relationships with all its stakeholders.

Consolidated Balance Sheet

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
ASSETS			
PROPERTY (Note 3):			
Plant and equipment	¥9,668,646	¥9,628,349	$93,943,323
Construction in progress	329,749	220,817	3,203,942
Total	9,998,396	9,849,166	97,147,265
Less-			
Contributions in aid of construction	163,824	160,700	1,591,762
Accumulated depreciation	6,893,429	6,747,352	66,978,523
Total	7,057,253	6,908,052	68,570,286
Net property	2,941,142	2,941,114	28,576,979
NUCLEAR FUEL	281,522	278,941	2,735,356
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 15)	85,275	122,388	828,562
Investments in and advances to nonconsolidated subsidiaries and affiliated companies (Note 15)	102,311	103,813	994,087
Reserve funds for reprocessing of irradiated nuclear fuel (Notes 8 and 15)	261,058	240,155	2,536,519
Assets for retirement benefits (Note 7)	239		2,329
Deferred tax assets (Note 11)	146,426	176,988	1,422,722
Other	29,229	20,186	284,003
Total investments and other assets	624,541	663,534	6,068,223
CURRENT ASSETS:			
Cash and cash equivalents (Note 15)	384,769	379,207	3,738,529
Receivables (Note 15)	183,568	144,428	1,783,599
Allowance for doubtful accounts	(855)	(945)	(8,312)
Inventories, principally fuel	82,559	73,077	802,168
Deferred tax assets (Note 11)	33,137	31,203	321,970
Prepaid expenses and other	19,466	15,950	189,142
Total current assets	702,644	642,922	6,827,098
TOTAL	¥4,549,852	¥4,526,513	$44,207,658

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
LIABILITIES AND EQUITY			
LONG-TERM LIABILITIES:			
Long-term debt, less current portion (Notes 6 and 15)	¥2,804,896	¥2,526,729	$27,253,173
Liability for retirement benefits (Note 7)	51,237	163,875	497,840
Reserve for reprocessing of irradiated nuclear fuel (Note 8)	332,882	346,913	3,234,377
Asset retirement obligations (Note 9)	202,989	221,025	1,972,302
Other	37,831	40,382	367,581
Total long-term liabilities	3,429,837	3,298,927	33,325,275
CURRENT LIABILITIES:			
Current portion of long-term debt (Notes 6 and 15)	204,144	243,288	1,983,521
Short-term borrowings (Notes 10 and 15)	118,521	119,532	1,151,588
Commercial paper (Note 15)		33,000	
Notes and accounts payable (Notes 14 and 15)	167,725	151,460	1,629,663
Accrued income taxes (Note 15)	3,448	2,197	33,505
Accrued expenses	83,719	76,038	813,446
Deferred tax liabilities (Note 11)	74	87	728
Other	48,148	39,873	467,822
Total current liabilities	625,782	665,478	6,080,276
RESERVE FOR FLUCTUATIONS IN WATER LEVEL		4,308	
COMMITMENTS AND CONTINGENCIES (Note 17)			
EQUITY (Note 12):			
Common stock, authorized, 1,000,000,000 shares; issued, 474,183,951 shares in 2014 and 2013	237,304	237,304	2,305,721
Capital surplus	31,130	31,130	302,473
Retained earnings	174,871	252,145	1,699,100
Treasury stock-at cost, 1,214,196 shares in 2014 and 1,246,883 shares in 2013	(2,340)	(2,373)	(22,738)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	2,352	19,212	22,857
Deferred gain on derivatives under hedge accounting	4,235	3,747	41,156
Foreign currency translation adjustments	(450)	(1,481)	(4,380)
Defined retirement benefit plans	28,429		276,225
Total	475,533	539,684	4,620,415
Minority interests	18,699	18,114	181,691
Total equity	494,232	557,799	4,802,107
TOTAL	¥4,549,852	¥4,526,513	$44,207,658

See notes to consolidated financial statements.

Consolidated Statement of Operations

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
OPERATING REVENUES:			
Electric	¥1,633,023	¥1,406,218	$15,866,925
Other	158,129	139,700	1,536,426
Total operating revenues	1,791,152	1,545,919	17,403,352
OPERATING EXPENSES (Note 13):			
Electric	1,746,890	1,715,262	16,973,284
Other	140,083	130,085	1,361,095
Total operating expenses	1,886,974	1,845,347	18,334,379
OPERATING LOSS	(95,821)	(299,428)	(931,027)
OTHER (INCOME) EXPENSES:			
Interest charges	39,429	37,407	383,104
Gain on sales of fixed assets	(26,173)		(254,309)
Gain on sales of investment securities (Note 4)	(5,524)		(53,672)
Gain on contribution of securities to retirement benefit trust (Note 4)	(21,711)		(210,953)
Other-net	(3,800)	(5,629)	(36,929)
Total other (income) expenses-net	(17,780)	31,777	(172,759)
LOSS BEFORE INCOME TAXES AND (REVERSAL OF) PROVISION FOR RESERVE FOR FLUCTUATIONS IN WATER LEVEL AND MINORITY INTERESTS	(78,040)	(331,206)	(758,267)
(REVERSAL OF) PROVISION FOR RESERVE FOR FLUCTUATIONS IN WATER LEVEL	(4,308)	3,092	(41,858)
LOSS BEFORE INCOME TAXES AND MINORITY INTERESTS	(73,732)	(334,298)	(716,408)
INCOME TAXES (Note 11):			
Current	5,131	3,674	49,858
Deferred	15,655	(5,869)	152,113
Total income taxes	20,786	(2,195)	201,971
NET LOSS BEFORE MINORITY INTERESTS	(94,519)	(332,102)	(918,380)
MINORITY INTERESTS IN NET INCOME OF CONSOLIDATED SUBSIDIARIES	(1,576)	(367)	(15,321)
NET LOSS	¥ (96,096)	¥ (332,470)	$ (933,701)

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.r):			
Basic net loss	¥(203.19)	¥(702.98)	$(1.97)
Cash dividends applicable to the year			

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
NET LOSS BEFORE MINORITY INTERESTS	¥ (94,519)	¥(332,102)	$ (918,380)
OTHER COMPREHENSIVE (LOSS) INCOME (Note 18):			
Unrealized (loss) gain on available-for-sale securities	(16,670)	6,503	(161,974)
Deferred gain on derivatives under hedge accounting	464	3,918	4,512
Foreign currency translation adjustments	(1,429)	(709)	(13,891)
Defined retirement benefit plans	(683)		(6,644)
Share of other comprehensive income in nonconsolidated subsidiaries and affiliated companies	2,816	1,529	27,361
Total other comprehensive (loss) income	(15,503)	11,242	(150,636)
COMPREHENSIVE LOSS	¥(110,023)	¥(320,860)	$(1,069,017)
TOTAL COMPREHENSIVE LOSS (INCOME) ATTRIBUTABLE TO:			
Owners of the parent	¥(111,780)	¥(321,237)	$(1,086,093)
Minority interests	1,757	376	17,076

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Year Ended March 31, 2014

	Thousands of Shares/Millions of Yen												
	Common Stock				Treasury Stock		Accumulated Other Comprehensive Income						
	Shares	Amount	Capital Surplus	Retained Earnings	Shares	Amount	Unrealized Gain on Available-for-Sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE AT APRIL 1, 2012	474,183	¥237,304	¥31,133	¥ 594,080	1,236	¥(2,366)	¥12,331	¥ (179)	¥(1,907)		¥ 870,396	¥17,735	¥ 888,131
Net loss				(332,470)							(332,470)		(332,470)
Cash dividends, ¥20 per share				(9,464)							(9,464)		(9,464)
Purchase of treasury stock					12	(10)					(10)		(10)
Disposal of treasury stock			(2)		(1)	3					1		1
Net change in the year							6,880	3,927	425		11,232	379	11,612
BALANCE AT MARCH 31, 2013	474,183	¥237,304	¥31,130	¥ 252,145	1,246	¥(2,373)	¥19,212	¥3,747	¥(1,481)		¥ 539,684	¥18,114	¥ 557,799
Cumulative effects of changes in accounting policies				18,822						¥28,773	47,596	(291)	47,304
Restated Balance	474,183	¥237,304	¥31,130	¥270,967	1,246	¥(2,373)	¥19,212	¥3,747	¥(1,481)	28,773	¥587,280	¥17,822	¥ 605,103
Net loss				(96,096)							(96,096)		(96,096)
Purchase of treasury stock					(32)	(18)					(18)		(18)
Disposal of treasury stock						51					51		51
Net change in the year							(16,859)	488	1,031	(344)	(15,684)	876	(14,807)
BALANCE AT MARCH 31, 2014	474,183	¥237,304	¥31,130	¥174,871	1,214	¥(2,340)	¥ 2,352	¥4,235	¥ (450)	¥28,429	¥475,533	¥18,699	¥ 494,232

	Thousands of U.S. Dollars (Note 1)										
					Accumulated Other Comprehensive Income						
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE AT MARCH 31, 2013	$2,305,721	$302,473	$2,449,913	$(23,059)	$186,669	$36,410	$(14,399)		$5,243,730	$176,007	$5,419,738
Cumulative effects of changes in accounting policies			182,888					$279,569	462,458	(2,834)	459,624
Restated Balance	$2,305,721	$302,473	$2,632,801	$(23,059)	$186,669	$36,410	$(14,399)	279,569	$5,706,189	$173,172	$5,879,362
Net loss			(933,701)						(933,701)		(933,701)
Purchase of treasury stock				(182)					(182)		(182)
Disposal of treasury stock				504					503		503
Net change in the year					(163,812)	4,745	10,018	(3,344)	(152,392)	8,518	(143,873)
BALANCE AT MARCH 31, 2014	$2,305,721	$302,473	$1,699,100	$(22,738)	$ 22,857	$41,156	$ (4,380)	$276,225	$4,620,415	$181,691	$4,802,107

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Loss before income taxes and minority interests	¥ (73,732)	¥(334,298)	$ (716,408)
Adjustments for:			
Income taxes paid	(3,965)	(3,976)	(38,525)
Depreciation and amortization	202,856	212,735	1,971,009
Decommissioning costs of nuclear power units	1,978	2,627	19,224
Reversal of reserve for reprocessing of irradiated nuclear fuel	(14,031)	(11,738)	(136,332)
Loss on disposal of plant and equipment	6,438	8,338	62,560
(Reversal of) provision in reserve for fluctuation in water level	(4,308)	3,092	(41,858)
Gain on sales of fixed assets	(26,173)		(254,309)
Gain on sales of investment securities	(5,524)		(53,672)
Gain on contributions of securities to retirement benefit trust	(21,711)		(210,953)
Changes in assets and liabilities:			
Increase in reserve funds for reprocessing of irradiated nuclear fuel	(20,902)	(19,862)	(203,096)
Increase in trade receivables	(40,493)	(8,284)	(393,443)
(Increase) decrease in inventories, principally fuel	(9,481)	4,830	(92,125)
(Decrease) increase in trade payables	(5,534)	7,567	(53,778)
(Decrease) increase in liability for retirement benefits	(10,577)	10,024	(102,776)
Other-net	19,239	(6,187)	186,937
Total adjustments	67,809	199,167	658,860
Net cash used in operating activities	(5,922)	(135,130)	(57,548)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures including nuclear fuel	(236,378)	(183,922)	(2,296,719)
Proceeds from sales of fixed assets	27,591	2,403	268,089
Payments for investments and advances	(2,966)	(442)	(28,823)
Proceeds from sales of investment securities and collections of advances	14,845	3,640	144,241
Other-net	11,943	1,774	116,050
Net cash used in investing activities	(184,963)	(176,546)	(1,797,161)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of bonds	194,488	139,736	1,889,703
Repayments of bonds	(163,842)	(120,000)	(1,591,935)
Proceeds from long-term loans	280,344	439,967	2,723,905
Repayments of long-term loans	(76,447)	(69,296)	(742,786)
Net (decrease) increase in short-term borrowings	(1,011)	1,531	(9,826)
Net (decrease) increase in commercial paper	(33,000)	33,000	(320,637)
Other-net	(4,134)	(12,690)	(40,168)
Net cash provided by financing activities	196,397	412,248	1,908,253
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	51	690	496
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,561	101,262	54,040
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	379,207	277,945	3,684,490
CASH AND CASH EQUIVALENTS AT END OF YEAR	¥ 384,769	¥ 379,207	$ 3,738,529

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Year Ended March 31, 2014

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 accordance with accounting principles generally accepted in Japan, 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, 2013, to conform to the classifications used in the consolidated financial statements for the year ended March 31, 2014.

The U.S. dollar amounts included herein are provided solely for the convenience of readers outside Japan and are stated at the rate of ¥102.92 = U.S. $1, the approximate exchange rate prevailing on March 31, 2014. The translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Japanese yen figures less than a million yen are rounded down to the nearest million yen, except for per share data. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation and Application of the Equity Method— The consolidated financial statements as of March 31, 2014, include the accounts of the Company and its 40 subsidiaries (together, the "Companies"). All significant intercompany transactions and balances have been eliminated in consolidation. Investments in 17 nonconsolidated subsidiaries and 14 affiliated companies are accounted for by the equity method.

The Company adopts the control and 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.

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.

The fiscal year-end of four consolidated subsidiaries and several nonconsolidated subsidiaries and affiliated companies is December 31. The Company consolidates such consolidated subsidiaries' financial statements and accounts for investments in such nonconsolidated subsidiaries and affiliated companies by the equity method using their financial results for the year ended December 31. The effects of any significant transactions during the period between the subsidiaries' and affiliated companies' fiscal year-end and the Company's fiscal year-end are reflected in the consolidated financial statements.

b. Business Combination— Major requirements under the Accounting Standards Board of Japan (the "ASBJ") Statement No. 21, "Accounting Standard for Business Combinations" are as follows: (a) The standard requires accounting for business combinations only by the purchase method. (b) Under the standard, in-process research and development acquired in the business combination are capitalized as an intangible asset. (c) Under the standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation.

c. 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 related to transmission lines is computed using the straight-line method based on the estimated useful lives of the transmission lines.

On October 1, 2013, the Japanese government, i.e., the Ministry of Economy, Trade and Industry (the "METI"), revised accounting regulations applicable to electric utility providers. Under the revised accounting regulations, properties, which are required for decommissioning of nuclear power units or which need maintenance and management even after nuclear power units have been in the process of decommissioning, are to be included in "Plant and equipment." Retroactive application will not be conducted in accordance with the stipulations of the regulations. This change had no effect on consolidated financial statements for the year ended March

31, 2014, because the Company did not have nuclear power units in the process of decommissioning.

d. 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.

e. 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.

f. Investment Securities— Investment securities are classified and accounted for, depending on management's intent, as follows:
(a) Held-to-maturity debt securities are stated at cost with discounts or premiums amortized throughout the holding periods; (b) Available-for-sale securities, which are not classified as the aforementioned securities and investment securities in nonconsolidated subsidiaries and affiliated companies, are stated at market value; and nonmarketable securities 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.

g. 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 fund investments in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

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

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

j. Foreign Currency Financial Statements— The balance sheet accounts of the consolidated foreign subsidiaries, and nonconsolidated foreign subsidiaries and foreign affiliated companies which are 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 are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

k. Derivatives and Hedging Activities— Derivative financial instruments 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 consolidated statement of operations and (b) for such 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 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.

l. 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.

Effective April 1, 2000, the Companies adopted a new accounting standard for retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a straight-line basis. Actuarial gains and losses are amortized on a straight-line basis over mainly 5 years within the average remaining service period. Past service costs are amortized on a straight-line basis over mainly 5 years within the average remaining service period.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Companies early applied the revised accounting standard and guidance for retirement benefits for (a), (b) and (c) above effective April 1, 2013, and changed the method of attributing expected benefit to periods from a straight-line basis to a benefit formula basis. The Companies recorded the effect of (a) and (b) above as of April 1, 2013, in accumulated other comprehensive income, and the effect of (c) above as of April 1, 2013, in retained earnings. As a result, accumulated other comprehensive income and retained earnings as of April 1, 2013, increased by ¥28,773 million ($279,569 thousand) and by ¥18,822 million ($182,888 thousand), respectively, and loss before income taxes and minority interests for the year ended March 31, 2014, decreased by ¥512 million ($4,978 thousand). In addition, basic net loss per share for the year ended March 31, 2014 decreased by ¥0.76.

m. 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.

n. Asset Retirement Obligations— Under ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations," 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. The Company recognizes the asset retirement obligation as the sum of the future decommissioning costs of nuclear power unit imposed by the "Law on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors," discounted at 2.3%.

On October 1, 2013, the METI revised the accounting regulations and related regulations concerning allocation of asset retirement costs of nuclear power units. Prior to October 1, 2013, asset retirement costs of nuclear power units were allocated to expense through depreciation based on a proportion of the current generation of electric power to the estimated total life-time generation of electric power of each unit. Effective October 1, 2013, the asset retirement costs are allocated to expense through depreciation based on the straight-line method over a period totaling the remaining useful life and expected safe storage period. This change in accounting estimate increased loss before income taxes and minority interests for the year ended March 31, 2014, by ¥4,967 million ($48,266 thousand).

In addition, with the revision of such regulations, the expected period, used to calculate discounted value of asset retirement obligations of nuclear power units, was prolonged by number of the years that are expected for safe storage. As a result, asset retirement obligations and assets retirement costs as of March 31, 2014, decreased by ¥19,952 million ($193,863 thousand).

o. Income Taxes— The provision for income taxes is computed based on the pretax income included in the consolidated statement of operations. 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.

p. 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.

q. 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.

r. Net Income and Cash Dividends per Share— Basic earnings per share ("EPS") are 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, 2014 and 2013, because potentially dilutive securities were not outstanding.

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

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

t. New Accounting Pronouncements

Accounting Standards for Business Combinations and Consolidated Financial Statements— On September 13, 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements."

Major accounting changes are as follows:

(a) Transactions with noncontrolling interest

A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of minority interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the current accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the minority interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of operation. Under the revised accounting standard, such difference shall be accounted for as capital surplus as long as the parent retains control over its subsidiary.

(b) Presentation of the consolidated balance sheet

In the consolidated balance sheet, "minority interest" under the current accounting standard will be changed to "noncontrolling interest" under the revised accounting standard.

(c) Presentation of the consolidated statement of operations

In the consolidated statement of operations, "income before minority interest" under the current accounting standard will be changed to "net income" under the revised accounting standard, and "net income" under the current accounting standard will be changed to "net income attributable to owners of the parent" under the revised accounting standard.

(d) Provisional accounting treatments for a business combination

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the current accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(e) Acquisition-related costs

Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the current accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for "transactions with noncontrolling interest," "acquisition-related costs" and "presentation changes in the consolidated financial statements" are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for the presentation changes in the consolidated financial statements. In case of earlier application, all accounting standards and guidance above, except for the presentation changes, should be applied simultaneously. Either retrospective or prospective application of the revised accounting standards and guidance for "transactions with noncontrolling interest" and "acquisition-related costs" is permitted. In retrospective application of the revised standards and guidance for "transactions with noncontrolling interest" and "acquisition-related costs," accumulated effects of retrospective adjustments for all "transactions with noncontrolling interest" and "acquisition-related costs" which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application.

In prospective application, the new standards and guidance for "transactions with noncontrolling interest" and "acquisition-related costs" shall be applied prospectively from the beginning of the year of the first-time application. The changes in presentation shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for "provisional accounting treatments for a business combination" are effective for a business combination which will occur on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which will occur on or after the beginning of annual periods beginning on or after April 1, 2014.

In addition with the revision of the above standards and a guidance, the ASBJ issued the following relevant revised statements and guidances; revised ASBJ Statement No. 7, "Accounting Standard for Business Divestitures," revised ASBJ Statement No. 2, "Accounting Standard for Earnings per Share," and revised ASBJ Guidance No. 4, "Guidance on Accounting Standard for Earnings per Share."

The Companies expect to apply the revised accounting standards and guidance from the beginning of the annual period beginning on April 1, 2015, and are in the process of measuring the effects of applying the revised accounting standards and guidance in future applicable periods.

3. PROPERTY

The breakdown of property at March 31, 2014 and 2013, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Costs:			
Electric power production facilities:			
Hydroelectric power	¥ 805,336	¥ 805,385	$ 7,824,875
Thermal power	1,469,915	1,469,187	14,282,121
Nuclear power	1,630,816	1,625,719	15,845,479
Internal-combustion engine power	129,138	128,329	1,254,747
Renewable power	108,990	106,843	1,058,981
Total	4,144,197	4,135,465	40,266,205
Transmission facilities	1,759,126	1,750,094	17,092,173
Transformation facilities	978,919	976,841	9,511,464
Distribution facilities	1,389,531	1,371,329	13,501,080
General facilities	384,405	392,018	3,734,995
Other electricity-related facilities	5,782	40,914	56,180
Other plant and equipment	1,006,683	961,684	9,781,224
Construction in progress	329,749	220,817	3,203,942
Total	9,998,396	9,849,166	97,147,265
Less-			
Contributions in aid of construction	163,824	160,700	1,591,762
Accumulated depreciation	6,893,429	6,747,352	66,978,523
Carrying amount	¥2,941,142	¥2,941,114	$28,576,979

4. INVESTMENT SECURITIES

The costs and aggregate fair values of investment securities at March 31, 2014 and 2013, were as follows:

	Millions of Yen			
March 31, 2014	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥3,230	¥3,217	¥348	¥6,099
Debt securities	1,350	285	1	1,634
Other securities	363	34	0	398
Held-to-maturity	1,505	4	151	1,359

	Millions of Yen			
March 31, 2013	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥13,215	¥28,274	¥500	¥40,989
Debt securities	2,239	665	28	2,875
Other securities	361	19	3	377
Held-to-maturity	2,536	8	205	2,339

	Thousands of U.S. Dollars			
March 31, 2014	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$31,391	$31,265	$3,387	$59,268
Debt securities	13,124	2,775	16	15,883
Other securities	3,532	339	2	3,869
Held-to-maturity	14,632	45	1,472	13,206

The information for available-for-sale securities which were sold during the year ended March 31, 2014, was as follows:

	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥5,763	¥5,386	¥ 5
Debt securities	560	138	78
Total	¥6,323	¥5,524	¥83

	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	$56,000	$52,332	$ 50
Debt securities	5,441	1,340	757
Total	$61,441	$53,672	$808

The Company contributed certain securities with a fair value of ¥32,021 million ($311,126 thousand) to the retirement benefit trust for the Company's retirement benefit plans and recognized a noncash gain of ¥21,711 million ($210,953 thousand) for the year ended March 31, 2014.

Such information for the year ended March 31, 2013, is not disclosed because realized gains and losses on sales of available-for-sale securities for the fiscal year is immaterial.

5. PLEDGED ASSETS

All of the Company's assets amounting to ¥4,218,037 million ($40,983,656 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 17).

Certain assets of the consolidated subsidiaries, amounting to ¥50,588 million ($491,527 thousand), are pledged as collateral for a portion of their long-term debt at March 31, 2014.

Investments in affiliated companies held by a consolidated subsidiary, amounting to ¥24,746 million ($240,444 thousand), are pledged as collateral for bank loans of the affiliated companies and the subsidiary of the affiliated company at March 31, 2014.

6. LONG-TERM DEBT

Long-term debt at March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Yen bonds, 0.281% to 3.65%, due serially to 2031	¥1,243,414	¥1,193,392	$12,081,365
Swiss franc bonds, 2.625%, due 2014		18,861	
Loans from the Development Bank of Japan Inc., 0.58% to 4.60%, due serially to 2029	291,843	278,145	2,835,638
Loans, principally from banks and insurance companies, 0.25% to 2.475%, due serially to 2030			
Collateralized	33,097	33,322	321,581
Unsecured	1,429,795	1,234,421	13,892,298
Obligations under finance leases	10,890	11,874	105,810
Total	3,009,040	2,770,018	29,236,694
Less current portion	204,144	243,288	1,983,521
Long-term debt, less current portion	¥2,804,896	¥2,526,729	$27,253,173

The annual maturities of long-term debt outstanding at March 31, 2014, were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2015	¥ 204,144	$1,983,521
2016	375,055	3,644,150
2017	361,297	3,510,464
2018	390,609	3,795,270
2019	391,029	3,799,351
Thereafter	1,286,905	12,503,936
Total	¥3,009,040	$29,236,694

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 Company has established retirement benefit trusts for the Company's defined retirement benefit plan.

The Company and certain consolidated subsidiaries calculate liability for retirement benefits and periodic benefit costs related to defined retirement benefit plans by the simplified method. Under the simplified method, projected benefit obligations are principally stated at the necessary payment amounts for voluntary retirement as of the end of the fiscal year. The simplified method for accounting for defined retirement benefit plans is allowed for a specified small-sized entity under accounting principles generally accepted in Japan.

Year Ended March 31, 2014

Defined retirement benefit plans (excluding plans applying the simplified method)

(1) The changes in defined benefit obligation for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥468,221	$4,549,371
Cumulative effects of changes in accounting policies	(26,869)	(261,068)
Restated balance	441,352	4,288,302
Current service cost	14,260	138,559
Interest cost	8,300	80,648
Actuarial losses	1,136	11,040
Benefits paid	(29,452)	(286,168)
Prior service cost	1,291	12,544
Others	(1,056)	(10,265)
Balance at end of year	¥435,831	$4,234,662

(2) The changes in plan assets for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥350,077	$3,401,455
Expected return on plan assets	9,194	89,333
Actuarial gains	4,597	44,673
Contributions from the employer	9,395	91,284
Benefits paid	(17,355)	(168,634)
Contribution of securities to retirement benefit trust	32,021	311,126
Balance at end of year	¥387,930	$3,769,238

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2014

	Millions of Yen	Thousands of U.S. Dollars
Funded defined benefit obligation	¥430,742	$4,185,217
Plan assets	(387,930)	(3,769,238)
	42,812	415,978
Unfunded defined benefit obligation	5,088	49,445
Net liability for defined benefit obligation	¥47,901	$465,423

(4) The components of net periodic benefit costs for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current service cost	¥14,260	$138,559
Interest cost	8,300	80,648
Expected return on plan assets	(9,194)	(89,333)
Recognized actuarial gains	(934)	(9,082)
Amortization of prior service cost	(2,861)	(27,798)
Others	144	1,400
Net periodic benefit costs	¥9,715	$94,394

(5) Other comprehensive income on defined retirement benefit plans as of March 31, 2014

	Millions of Yen	Thousands of U.S. Dollars
Prior service cost	¥(4,152)	$(40,342)
Actuarial gains	2,526	24,550
Total	¥(1,625)	$(15,792)

(6) Accumulated other comprehensive income on defined retirement benefit plans as of March 31, 2014

	Millions of Yen	Thousands of U.S. Dollars
Unrecognized prior service cost	¥15,099	$146,714
Unrecognized actuarial gains	26,444	256,942
Total	¥41,544	$403,657

(7) Plan assets as of March 31, 2014

a. Components of plan assets

Plan assets consisted of the followings:

Debt investments	45%
Equity investments	26
General account of life insurance companies	18
Others	11
Total	100%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering distribution of plan assets currently and in the future and the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the year ended March 31, 2014, were set forth as follows:

Discount rate	Mainly 2.0%
Expected rate of return on plan assets	Mainly 2.5%

Defined retirement benefit plans applying the simplified method

(1) The changes in the net carrying amount of liabilities and assets for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥3,445	$33,479
Periodic benefit costs	173	1,683
Benefits paid	(199)	(1,936)
Contributions from the employer	(323)	(3,139)
Balance at end of year	¥3,096	$30,087

(2) Reconciliation between the liability and asset recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2014 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Funded defined benefit obligation	¥4,680	$45,475
Plan assets	(4,414)	(42,890)
	266	2,584
Unfunded defined benefit obligation	2,830	27,502
Net carrying amount of liabilities and assets	3,096	30,087
Liabilities for retirement benefits	3,336	32,416
Assets for retirement benefits	(239)	(2,329)
Net carrying amount of liabilities and assets	¥3,096	$30,087

(3) Periodic benefit costs

	Millions of Yen	Thousands of U.S. Dollars
Periodic benefit costs calculated under the simplified method	¥173	$1,683

Defined contribution plans

The required contribution to defined contribution plans by the Company and its certain consolidated subsidiaries for the year ended March 31, 2014 was ¥1,377 million ($13,386 thousand).

Year Ended March 31, 2013

The liability for employees' retirement benefits at March 31, 2013, consisted of the following:

	Millions of Yen
Projected benefit obligation	¥ 475,455
Fair value of plan assets	(353,866)
Unrecognized actuarial gain	23,917
Unrecognized prior service cost (deduction of liability)	18,195
Prepaid pension cost	173
Net liability	¥ 163,875

The components of net periodic benefit costs for the year ended March 31, 2013 were as follows:

	Millions of Yen
Service cost	¥15,671
Interest cost	9,727
Expected return on plan assets	(6,701)
Recognized actuarial loss	10,384
Amortization of prior service cost	(896)
Net periodic benefit costs	¥28,185

Assumptions for actuarial computations for the year ended March 31, 2013 were as follows:

Discount rate	Mainly 2.0 %
Expected rate of return on plan assets	Mainly 2.0 %
Recognition period of actuarial gain/loss	Mainly 5 years
Amortization period of prior service cost	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 consists 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 1.5% and 1.6% at March 31, 2014 and 2013, 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, 2014 was ¥45,488 million ($441,981 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, 2014 is a gain of ¥9,197 million ($89,362 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 from 2005. The reserve funds are provided to ensure the appropriate reprocessing of irradiated nuclear fuel and presented as "Reserve funds for reprocessing of irradiated nuclear fuel."

9. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Balance at beginning of year	¥221,025	¥212,008	$2,147,550
Net change in the year	(18,015)	9,017	(175,042)
Balance at end of the year	203,010	221,025	1,972,508
Less current portion	21		205
Asset retirement obligations, less current portion	¥202,989	¥221,025	$1,972,302

10. SHORT-TERM BORROWINGS

Short-term borrowings were generally represented by bank loans, bearing interest at rates ranging from 0.26% to 1.88% for the years ended March 31, 2014 and 2013.

11. INCOME TAXES

The Companies are subject to national and local income taxes. The aggregate normal statutory tax rates for the Company approximated 33.2% for the years ended March 31, 2014 and 2013.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Deferred Tax Assets:			
Tax loss carryforwards	¥ 189,067	¥ 156,014	$ 1,837,035
Liability for retirement benefits	39,320	51,837	382,046
Depreciation	33,109	33,683	321,696
Asset retirement obligations	20,782	26,332	201,925
Reserve for reprocessing of irradiated nuclear fuel	22,243	22,192	216,127
Other	51,689	65,245	502,230
Less valuation allowance	(163,834)	(128,180)	(1,591,861)
Deferred tax assets	¥ 192,378	¥ 227,126	$ 1,869,201
Deferred Tax Liabilities:			
Gain on contributions of securities to retirement benefit trust	5,914		57,467
Deferred gain on derivatives under hedge accounting	1,915	1,870	18,610
Capitalized assets retirement costs	1,330	7,047	12,932
Other	3,976	10,108	38,636
Deferred tax liabilities	¥ 13,137	¥ 19,026	$ 127,647
Net deferred tax assets	¥ 179,240	¥ 208,100	$ 1,741,554

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of operations for the years ended March 31, 2014 and 2013, were as follows:

	2014	2013
Normal effective statutory tax rate	33.2%	33.2%
Valuation allowance	(48.6)	(29.1)
Difference of tax rates on special income tax for reconstruction funding	(8.8)	(3.4)
Amendment for consolidation of gains on sales of investments in an affiliated company	(1.7)	
Elimination of unrealized gains	(0.8)	
Other - net	(1.5)	0.0
Actual effective tax rate	(28.2)%	0.7%

The stated difference of tax rates on special income tax for reconstruction funding for the fiscal year ended March 31, 2014 includes a negative 4.1% adjustment of deferred tax assets at year-end resulting from tax-rate changes which are mentioned below.

New tax reform laws enacted in 2014 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2014, from approximately 33.2% to 30.7%. The effect of this change was to decrease deferred tax assets in the consolidated balance sheet as of March 31, 2014, by ¥2,537 million ($24,650 thousand), to increase income taxes—deferred in the consolidated statement of operations for the year then ended by ¥3,058 million ($29,717 thousand), and to increase accumulated other comprehensive income in the consolidated balance sheet by ¥516 million ($5,015 thousand). Decrease of deferred tax liabilities in the consolidated balance sheet was immaterial.

At March 31, 2014, the Company and certain subsidiaries have tax loss carryforwards aggregating ¥614,847 million ($5,974,029 thousand), which are available to be offset against taxable income of the Company and these subsidiaries and will expire in 9 years. At March 31, 2014, the tax loss carryforwards for the Company amounting to ¥115,270 million ($1,119,996 thousand), ¥311,672 million ($3,028,301 thousand), and ¥175,798 million ($1,708,112 thousand) will expire in the year ending March 31, 2023, 2022, and 2021, respectively.

12. 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, 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 (noncash 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 that was 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.

13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥6,423 million ($62,416 thousand) and ¥8,175 million for the years ended March 31, 2014 and 2013, respectively.

14. RELATED PARTY DISCLOSURES

Significant transactions of the Company with an affiliated company for the years ended March 31, 2014 and 2013 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
KYUDENKO CORPORATION			
Transactions:			
Purchase of construction works on distribution facilities and other	¥32,593	¥34,840	$316,683
Balances at year end:			
Payables for construction works	3,807	4,577	36,991

15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Items Pertaining to Financial Instruments

(a) The Companies' policy for financial instruments

The Companies use 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 nonconsolidated 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 nonconsolidated 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 nonconsolidated 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 are 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 reducing 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.

Although a part of loans is 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 is exposed to the market risk of fluctuations in foreign exchange, such risk is mitigated by using foreign exchange forward contracts and currency swaps.

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. Please see Note 16 for more details 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, 2014 and 2013, were as follows:

	Millions of Yen		
March 31, 2014	Carrying Amount	Fair Value	Unrecognized Loss
Investment securities:			
Held-to-maturity debt securities	¥ 1,505	¥ 1,359	¥ 146
Available-for-sale securities	8,132	8,132	
Investments in and advances to nonconsolidated subsidiaries and affiliated companies	15,382	13,298	2,083
Reserve funds for reprocessing of irradiated nuclear fuel	261,058	261,058	
Cash and cash equivalents	384,769	384,769	
Receivables	183,568	183,568	
Total	¥ 854,417	¥ 852,187	¥2,230
Long-term debt:			
Bonds	¥1,243,414	¥1,283,048	¥39,634
Loans	1,754,736	1,799,739	45,003
Short-term borrowings	118,521	118,521	
Notes and accounts payable	167,725	167,725	
Accrued income taxes	3,448	3,448	
Total	¥3,287,845	¥3,372,483	¥84,637
Derivatives	¥ 6,239	¥ 6,239	

	Millions of Yen		
March 31, 2013	Carrying Amount	Fair Value	Unrecognized Loss
Investment securities:			
Held-to-maturity debt securities	¥ 2,536	¥ 2,339	¥ 197
Available-for-sale securities	44,242	44,242	
Investments in and advances to nonconsolidated subsidiaries and affiliated companies	19,687	9,324	10,362
Reserve funds for reprocessing of irradiated nuclear fuel	240,155	240,155	
Cash and cash equivalents	379,207	379,207	
Receivables	144,428	144,428	
Total	¥ 830,258	¥ 819,698	¥10,559
Long-term debt:			
Bonds	¥1,212,254	¥1,249,339	¥37,085
Loans	1,545,889	1,570,373	24,483
Short-term borrowings	119,532	119,532	
Commercial paper	33,000	33,000	
Notes and accounts payable	151,460	151,460	
Accrued income taxes	2,197	2,197	
Total	¥3,064,335	¥3,125,904	¥61,569
Derivatives	¥ 5,726	¥ 5,726	

	Thousands of U.S. Dollars		
March 31, 2014	Carrying Amount	Fair Value	Unrecognized Loss
Investment securities:			
Held-to-maturity debt securities	$ 14,632	$ 13,206	$ 1,426
Available-for-sale securities	79,021	79,021	
Investments in and advances to nonconsolidated subsidiaries and affiliated companies	149,461	129,216	20,245
Reserve funds for reprocessing of irradiated nuclear fuel	2,536,519	2,536,519	
Cash and cash equivalents	3,738,529	3,738,529	
Receivables	1,783,599	1,783,599	
Total	$ 8,301,765	$8,280,094	$ 21,671
Long-term debt:			
Bonds	$12,081,365	$12,466,466	$385,100
Loans	17,049,518	17,486,780	437,262
Short-term borrowings	1,151,588	1,151,588	
Notes and accounts payable	1,629,663	1,629,663	
Accrued income taxes	33,505	33,505	
Total	$31,945,641	$32,768,005	$822,363
Derivatives	$ 60,619	$ 60,619	

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

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

Long-term debt contains its current portion, 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 nonconsolidated subsidiaries and affiliated companies

The fair values of investment securities and investments in and advances to nonconsolidated subsidiaries and affiliated companies are measured at the quoted market price of the exchanges for the equity securities and some of debt securities, principally at the quoted price obtained from the financial institution for other debt securities. Fair value information for 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 are 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 equivalent, 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. 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 is subjected to interest rate swaps, which qualify for hedge accounting and meet specific matching criteria (see Note 16), and 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, commercial paper, notes and accounts payable, and accrued income taxes

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

Derivatives

Fair value information for derivatives is included in Note 16.

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Investment securities:			
Available-for-sale:			
Equity securities	¥ 73,260	¥ 73,141	$ 711,824
Other securities	2,375	2,468	23,083
Investments in and advances to nonconsolidated subsidiaries and affiliated companies:			
Equity securities	72,372	71,202	703,187
Other securities	9,424	7,819	91,573
Total	¥157,433	¥154,632	$1,529,668

Maturity analysis for financial assets and securities with contractual maturities

	Millions of Yen			
March 31, 2014	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		¥299	¥20	¥1,186
Available-for-sale securities with contractual maturities		37	10	1,634
Reserve funds for reprocessing of irradiated nuclear fuel	¥ 27,626			
Cash and cash equivalents	384,769			
Receivables	183,568			
Total	¥595,964	¥337	¥30	¥2,820

	Thousands of U.S. Dollars			
March 31, 2014	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		$2,914	$194	$11,523
Available-for-sale securities with contractual maturities		364	105	15,883
Reserve funds for reprocessing of irradiated nuclear fuel	$ 268,428			
Cash and cash equivalents	3,738,529			
Receivables	1,783,599			
Total	$5,790,558	$3,278	$299	$27,407

Reserve funds for reprocessing of irradiated nuclear fuel are provided for reprocessing costs of irradiated nuclear fuel charged by JNFL. The using plan for the reserve funds is disclosed only for amounts due in one year or less, to comply with agreements with JNFL and to avoid any disadvantages, possibly caused by disclosure, to the interested parties.

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

16. DERIVATIVES

The Company enters into foreign exchange forward contracts, 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 the administrative section monitors them based on internal policies.

Derivative transactions to which hedge accounting is applied

	Millions of Yen			
March 31, 2014	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Currency swaps:				
Buying USD (Note a)	Accounts payable	¥67,869	¥6,197	¥5,800
Energy swap agreements: (fixed-price payment; floating-price receipt) (Note a)	Accounts payable	¥ 1,430		¥438
Interest rate swaps: (fixed-rate payment; floating-rate receipt) (Note c)	Long-term loans	¥ 3,970	¥2,698	
Total				¥6,239

	Millions of Yen			
March 31, 2013	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Currency swaps:				
Buying CHF (Note b)	Bonds	¥19,183		
Buying USD (Note a)	Accounts payable	¥31,599	¥17,383	¥4,979
Energy swap agreements: (fixed-price payment; floating-price receipt) (Note a)	Accounts payable	¥ 4,045	¥ 1,430	¥ 746
Interest rate swaps: (fixed-rate payment; floating-rate receipt) (Note c)	Long-term loans	¥ 2,592	¥ 1,870	
Total				¥5,726

	Thousands of U.S. Dollars			
March 31, 2014	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Currency swaps:				
Buying USD (Note a)	Accounts payable	$659,437	$60,212	$56,362
Energy swap agreements: (fixed-price payment; floating-price receipt) (Note a)	Accounts payable	$ 13,899		$ 4,257
Interest rate swaps: (fixed-rate payment; floating-rate receipt) (Note c)	Long-term loans	$ 38,573	$26,214	
Total				$60,619

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. As a result, the fair values of currency swaps are determined as yen-denominated bonds by discounting the cash flows related to the bonds at the Company's assumed corporate borrowing rate.
c) 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 is recognized and included in interest charges. As a result, the fair values of interest rate swaps are included in those of hedged items (i.e., long-term loans) in Note 15.
d) 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.

17. COMMITMENTS AND CONTINGENCIES

At March 31, 2014, 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 at March 31, 2014 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Co-guarantees of loans, mainly in connection with procurement of fuel	¥98,243	$954,563
Guarantees of employees' loans	76,196	740,351
Guarantees under debt assumption agreements	70,000	680,139
Other	16,431	159,657

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

18. COMPREHENSIVE INCOME

The components of other comprehensive income for the year ended March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Other comprehensive (loss) income:			
Unrealized gain on available-for-sale securities			
Gains arising during the year	¥ 2,758	¥ 9,240	$ 26,803
Reclassification adjustments to profit or loss	(26,843)	217	(260,820)
Amount before income tax effect	(24,084)	9,458	(234,016)
Income tax effect	7,414	(2,955)	72,041
Total	¥(16,670)	¥ 6,503	$(161,974)
Deferred gain on derivatives under hedge accounting:			
Gains arising during the year	¥ 1,233	¥ 6,041	$ 11,988
Adjustments for amounts transferred to the initial carrying amounts of hedged items	(720)	(216)	(7,005)
Amount before income tax effect	512	5,824	4,982
Income tax effect	(48)	(1,906)	(470)
Total	¥ 464	¥ 3,918	$ 4,512
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ (1,429)	¥ (709)	$ (13,891)
Adjustments related to defined retirement benefit plans:			
Gains arising during the year	¥ 3,461		$ 33,632
Reclassification adjustments to profit or loss	(5,086)		(49,425)
Amount before income tax effect	(1,625)		(15,792)
Income tax effect	941		9,148
Total	¥ (683)		$ (6,644)
Share of other comprehensive income in nonconsolidated subsidiaries and affiliated companies:			
Gains arising during the year	¥ 2,699	¥ 1,504	$ 26,232
Reclassification adjustments to profit or loss	116	24	1,128
Total	¥ 2,816	¥ 1,529	$ 27,361
Total other comprehensive (loss) income	¥(15,503)	¥11,242	$(150,636)

19. SEGMENT INFORMATION

(1) Description of reportable segments

The Companies' reportable segments are those for which financial information is available separately and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Companies. Therefore, the Companies consist of the industry electric power, energy related business, information technology (IT) and telecommunications and other.

The energy related business consists of obtaining, storing, gasifying, supplying and selling LNG and other businesses related to energy.

IT and telecommunications consists of provision of telecommunications.

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

(2) Methods of measurement for the amounts of sales, profit, assets and other items for each reportable segment

The accounting policies of each reportable segment are consistent to those disclosed in Note 2, "Summary of Significant Accounting Policies."

a. Adoption of revised accounting standard and guidance for retirement benefits

As described in Note 2.l, the Companies early applied the revised accounting standard and guidance for retirement benefits effective April 1, 2013, and changed the method of attributing expected benefit to periods from a straight-line basis to a benefit formula basis. As a result, segment loss of Electric Power for the year ended March 31, 2014 decreased by ¥540 million ($5,255 thousand).

b. Change in method of allocation of asset retirement costs of nuclear power units

As described in Note 2.n, on October 1, 2013, the METI revised the accounting regulations and related regulations concerning allocation of asset retirement costs of nuclear power units. Prior to October 1, 2013, asset retirement costs of nuclear power units were allocated to expense through depreciation based on a proportion of the current generation of electric power to the estimated total life-time generation of electric power of each unit. Effective October 1, 2013, the asset retirement costs are allocated to expense through depreciation based on the straight-line method over a period totaling the remaining useful life and expected safe storage period. This change in accounting estimate increased segment loss of Electric Power for the year ended March 31, 2014 by ¥4,967 million ($48,266 thousand).

(3) Information about sales, profit, assets and other items at March 31, 2014 and 2013, was as follows:

	Millions of Yen						
	2014						
	Reportable segment						
	Electric Power	Energy related Business	IT and Telecommunications	Other	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	¥1,633,023	¥ 78,150	¥ 65,841	¥ 14,137	¥1,791,152		¥1,791,152
Intersegment sales or transfers	1,805	92,856	23,907	13,004	131,573	¥(131,573)	
Total	¥1,634,829	¥171,007	¥ 89,748	¥ 27,142	¥1,922,726	¥(131,573)	¥1,791,152
Segment (loss) profit	¥ (121,615)	¥ 10,367	¥ 11,342	¥ 3,266	¥ (96,639)	¥ 818	¥ (95,821)
Segment assets	4,057,306	345,698	136,493	136,780	4,676,279	(126,427)	4,549,852
Other:							
Depreciation	172,341	9,210	18,432	5,550	205,534	(2,678)	202,856
Increase in property and nuclear fuel	216,181	23,927	19,808	1,438	261,355	(4,351)	257,004

	Millions of Yen						
	2013						
	Reportable segment						
	Electric Power	Energy related Business	IT and Telecommuni-cations	Other	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	¥1,406,218	¥ 65,997	¥ 60,732	¥ 12,970	¥1,545,919		¥1,545,919
Intersegment sales or transfers	2,121	94,637	33,849	14,310	144,918	¥(144,918)	
Total	¥1,408,339	¥160,634	¥ 94,581	¥ 27,281	¥1,690,837	¥(144,918)	¥1,545,919
Segment (loss) profit	¥ (312,666)	¥ 2,578	¥ 7,600	¥ 2,477	¥ (300,010)	¥ 581	¥ (299,428)
Segment assets	4,053,317	325,456	141,469	149,749	4,669,992	(143,479)	4,526,513
Other:							
Depreciation	180,189	10,241	18,716	6,358	215,505	(2,770)	212,735
Increase in property and nuclear fuel	155,668	9,662	17,421	1,528	184,281	(2,985)	181,295

	Thousands of U.S. Dollars						
	2014						
	Reportable segment						
	Electric Power	Energy related Business	IT and Telecommuni-cations	Other	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	$15,866,925	$ 759,333	$ 639,730	$ 137,362	$17,403,352		$17,403,352
Intersegment sales or transfers	17,538	902,221	232,288	126,358	1,278,406	$(1,278,406)	
Total	$15,884,464	$1,661,554	$ 872,018	$ 263,721	$18,681,758	$(1,278,406)	$17,403,352
Segment (loss) profit	$ (1,181,654)	$ 100,731	$ 110,211	$ 31,735	$ (938,976)	$ 7,948	$ (931,027)
Segment assets	39,421,940	3,358,908	1,326,213	1,328,998	45,436,061	(1,228,402)	44,207,658
Other:							
Depreciation	1,674,514	89,489	179,097	53,930	1,997,031	(26,022)	1,971,009
Increase in property and nuclear fuel	2,100,482	232,486	192,464	13,976	2,539,408	(42,283)	2,497,125

Notes:
(a) Reconciliations of segment (loss) profit and segment assets are intersegment transaction eliminations.
(b) Segment (loss) profit is adjusted to reflect operating loss in the consolidated statement of operations.

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.

20. SUBSEQUENT EVENTS

a. Issuance of Preferred Stock

The Company resolved to issue 1,000 shares of Class A preferred stock for ¥100,000 million ($971,628 thousand) by way of third-party allotment to the Development Bank of Japan Inc. at the Board of Directors meeting held on April 30, 2014. Furthermore, the Company obtained the approval for a partial revision of the Company's Articles of Incorporation for the issuance of the preferred stock and issuance of the preferred stock at the shareholders' meeting held on June 26, 2014.

(1) Way of offering
Third-party allotment to the Development Bank of Japan Inc.

(2) Class and number of new shares to be issued
1,000 shares of Class A preferred stock

(3) Issue price
¥100 million ($971 thousand) per share

(4) Total amount of the issue price
¥100,000 million ($971,628 thousand)

(5) Amount of preferred stock and additional paid-in capital to be increased
Amount of preferred stock to be increased: ¥50,000 million ($485,814 thousand) (¥50 million per share ($485 thousand))
Amount of additional paid-in capital to be increased: ¥50,000 million ($485,814 thousand) (¥50 million per share ($485 thousand))

(6) Payment date (issue date)
August 1, 2014 (scheduled)

(7) Uses of proceeds
The proceeds from issuance of the Preferred Stock are planned to be used entirely for construction to enhance the safety of the Company's nuclear power plants to meet new regulations for safety of nuclear power plants.

(8) Characteristics of the Preferred Stock
The Preferred Stock provides no provision for acquisition or right to request acquisition using the common stock as consideration that will not dilute common stock. These stocks also do not provide any voting rights at the general shareholders meeting.

The Preferred Stock has a provision for acquisition allowing the Company to acquire this Preferred Stock in exchange for cash the day after the payment date or thereafter. Furthermore, the Preferred Stock will provide the Preferred Shareholders the right to request acquisition of this Preferred Stock in exchange for cash of the Company the day after the payment date or thereafter if the Preferred Shareholders follow the prescribed procedures, but the exercise of this right by the Preferred Shareholders is limited by the agreement to underwriting of the Preferred Stock.

Annual preferred dividend for the Preferred Stock is ¥3,500 thousand ($34 thousand) per share.

b. Reduction of Preferred Stock and Additional Paid-in Capital

At the Board of Directors meeting held on April 30, 2014, in preparation for future flexible capital management strategies, the Company resolved that capital stock and additional paid-in capital be reduced and transferred to other capital surplus, which constitutes the amount available for distribution to the shareholders, upon issuance of Class A preferred stock mentioned in "Issuance of Preferred Stock" above on condition that the issue comes into effect.

(1) Reduced capital stock
¥50,000 million ($485,814 thousand)
As the issuance of Preferred Stock increases the Company's preferred stock by ¥50,000 million ($485,814 thousand), the total amounts of common stock and preferred stock after the effective date of the reduction will not fall below the amounts before the effective date.

(2) Reduced additional paid-in capital
¥50,000 million ($485,814 thousand)
As the issuance of Preferred Stock increases the Company's additional paid-in capital by ¥50,000 million ($485,814 thousand), the additional paid-in capital after the effective date of the reduction will not fall below the amounts before the effective date.

(3) Method of reducing capital stock and additional paid-in capital
In accordance with the Companies Act, the Company will reduce capital stock and additional paid-in capital and transfer them to other capital surplus.

(4) Time Schedule
April 30, 2014: Resolution at the Board of Directors Meeting
June 30, 2014: Date of public notice of the reduction for creditors to raise objections
July 31, 2014: Deadline for creditors to raise objections
August 1, 2014: Effective date of the reduction

c. Conversion of Kyushu Telecommunication Network Co., Ltd., to a wholly owned subsidiary and transfer of the optical fiber core cable leasing business

At the Board of Directors meeting held on May 16, 2014, a basic policy was resolved and on the same day a basic agreement between the Company and Kyushu Telecommunication Network Co., Ltd. ("QTNet"), a consolidated subsidiary of the Company, was concluded regarding a share exchange (the "Share Exchange") under which the Company is the wholly owning parent company and QTNet" is a wholly owned subsidiary company. Also at the Board of Directors meeting on the same day, a basic agreement between the Company and QTNet was concluded regarding the transfer of the Company's optical fiber core cable leasing business (the "Transfer") to QTNet.

(1) Objectives of the Share Exchange and the Transfer

Since 2000, the Company has laid optical fiber cable leased optical fiber core to telecommunications carriers, including QTNet, and conducted businesses ancillary to the optical fiber core cable leasing service. However, taking into account the difficult management environment and electricity system reform, the Company recognizes the need to concentrate on the energy business, chiefly the electricity business.

On the other hand, QTNet, which is the Group's core company for the IT and telecommunications business, employs the Company's optical fiber core cable to provide an optical fiber broadband service (BBIQ) and corporate data communication services. In the face of increasingly stringent competition, QTNet has the urgent need to enhance its competitiveness.

Consequently, the decision was made to convert QTNet into a wholly owned subsidiary of the Company through the Share Exchange, thereby creating a structure that would facilitate rapid and flexible Group management in the IT and telecommunications business.

Furthermore, transferring the Company's optical fiber core cable leasing service and related optical fiber facilities to QTNet on this basis should encourage more efficient operational management throughout the Group by concentrating management resources, while at the same time enhancing QTNet's self-directive operational structure.

(2) Overview of the Share Exchange

a. Profile of the Company becoming a Wholly Owned Subsidiary through the Share Exchange

Name	Kyushu Telecommunication Network Co., Ltd.
Headquarters	12-20 Tenjin 1-chome, Chuo-ku, Fukuoka
Representative	Hiroyuki Akiyoshi, President and Representative Director
Capital	¥22,020 million ($213,952 thousand) (as of March 31, 2014)
Equity	¥30,606 million ($297,385 thousand) (as of March 31, 2014)
Total assets	¥80,948 million ($786,522 thousand) (as of March 31, 2014)
Businesses	Telecommunications business and others

b. Method of the Share Exchange

The Company is to be the wholly owning parent company and QTNet is to be the wholly owned subsidiary company by the Share Exchange. For the Company, the Share Exchange is to be conducted under procedures for a short-form share exchange based on the provisions of the Companies Act that does not require approval at the shareholders' meeting. For QTNet, the Share Exchange is to be conducted under procedures for a summary share exchange based on the provisions of the Companies Act that do not require approval at the shareholder's meeting.

c. Share allocation in the Share Exchange

Share allocation ratio in the Share Exchange is expected to be resolved by both companies' Boards of Directors, after negotiation between both companies based on evaluation prepared by third-party evaluation agencies.

d. Date of the Share Exchange (Effective Date)

November 14, 2014 (scheduled)

(3) Overview of the Transfer

a. Businesses to be Transferred

Optical fiber core cable leasing service and related optical fiber facilities

b. Method of the Transfer

The optical fiber core cable leasing service are to be transferred to QTNet through the company split(*). However, the optical fiber facilities that QTNet uses are to be sold to QTNet under a separate transfer contract.

(*) This is an absorption-type company split (the “Absorption-Type Company Split”) in which the Company is the splitting company and QTNet is the succeeding company. In line with the Absorption-Type Company Split, as a consideration for the assets, QTNet will issue new shares, all of which shall be allocated to the Company.

c. Company Name Following the Merger

Kyushu Telecommunication Network Co., Ltd.

d. Date of the Company Split and Sale (Effective Date)

March 1, 2015 (scheduled)

(4) Overview of Accounting Process to be Conducted

The Share Exchange and the Absorption-Type Company Split are expected to be conducted as a transaction under common control in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, as announced on December 26, 2008) and Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, as announced on December 26, 2008).

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of Kyushu Electric Power Company, Incorporated (the "Company") and its consolidated subsidiaries as of March 31, 2014, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 its consolidated subsidiaries as of March 31, 2014, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

1. As discussed in Note 20.a to the consolidated financial statements, the Company resolved to issue Class A preferred stock (hereinafter the "Preferred Stock") by way of third-party allotment to the Development Bank of Japan Inc. at the Board of Directors meeting held on April 30, 2014. Furthermore, the Company obtained the approval for a partial revision of the Company's Articles of Incorporation for issuance of the Preferred Stock and issuance of the Preferred Stock at the shareholders' meeting held on June 26, 2014.
2. As discussed in Note 20.b to the consolidated financial statements, at the Board of Directors meeting held on April 30, 2014, the Company resolved that capital stock and additional paid-in capital be reduced and transferred to other capital surplus, upon the issue of the Preferred Stock mentioned above on condition that the issue comes into effect.

Our opinion is not qualified in respect of these matters.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 26, 2014

Member of
Deloitte Touche Tohmatsu Limited

Nonconsolidated Five-year Financial Summary

Kyushu Electric Power Company, Incorporated
Years Ended March 31

	Millions of Yen					Thousands of U.S. Dollars
For the Year:	2010	2011	2012	2013	2014	2014
Operating revenues	¥1,339,807	¥1,387,517	¥1,406,770	¥1,448,876	¥1,682,994	$16,352,451
Electric	1,312,103	1,356,317	1,369,537	1,408,339	1,634,829	15,884,464
Other	27,704	31,199	37,232	40,536	48,165	467,987
Operating expenses	1,229,154	1,269,718	1,569,533	1,721,006	1,756,444	17,066,118
Personnel	172,720	162,650	167,965	151,844	113,781	1,105,533
Fuel	213,007	284,857	520,282	679,722	754,442	7,330,378
Purchased power	113,668	137,063	206,042	269,582	314,961	3,060,252
Depreciation	196,741	197,977	202,151	180,180	172,333	1,674,442
Maintenance	195,118	175,986	176,007	147,924	103,155	1,002,285
Reprocessing costs of irradiated nuclear fuel	33,787	30,795	21,631	17,352	16,502	160,347
Decommissioning costs of nuclear power units	9,093	7,524	3,106	2,627	1,978	19,224
Disposal cost of high-level radioactive waste	10,372	8,885	6,010	3,247	3,861	37,521
Disposition of property	16,478	15,181	15,334	14,501	10,600	102,996
Taxes other than income taxes	87,473	87,680	83,142	82,265	84,339	819,468
Subcontract fee	79,226	67,728	65,948	64,485	62,182	604,183
Rent	34,333	32,789	31,276	29,298	26,920	261,564
Other	67,133	60,598	70,634	77,974	91,384	887,919
Interest charges	33,145	32,150	32,266	35,581	38,009	369,309
Income (loss) before income taxes	50,356	35,778	(229,754)	(343,051)	(75,619)	(734,741)
Net income (loss)	28,307	20,443	(174,983)	(338,050)	(90,939)	(883,597)

Per share of common stock:	Yen					U.S. Dollars
Basic net income (loss)	¥59.80	¥43.19	¥(369.74)	¥(714.33)	¥(192.17)	$(1.87)
Cash dividends applicable to the year	60.00	60.00	50.00			

At year-end:	Millions of Yen					Thousands of U.S. Dollars
Total assets	¥3,776,569	¥3,890,891	¥4,110,950	¥4,201,704	¥4,218,037	$40,983,656
Net property	2,811,063	2,811,194	2,757,023	2,704,014	2,687,936	26,116,752
Long-term debt, less current portion	1,641,073	1,627,260	2,090,311	2,425,739	2,692,319	26,159,345
Total equity	984,109	967,515	766,700	429,287	341,405	3,317,194

(U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥102.92 = U.S. $1, the approximate rate of exchange at March 31, 2014.)
* Figures less than a million yen are rounded down.

Nonconsolidated Balance Sheet

Kyushu Electric Power Company, Incorporated
March 31, 2014 (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
ASSETS			
PROPERTY:			
Plant and equipment	¥8,975,468	¥8,948,491	$87,208,205
Construction in progress	310,704	215,616	3,018,889
Total	9,286,172	9,164,108	90,227,094
Less-			
Contributions in aid of construction	155,949	152,797	1,515,248
Accumulated depreciation	6,442,287	6,307,295	62,595,093
Total	6,598,236	6,460,093	64,110,342
Net property	2,687,936	2,704,014	26,116,752
NUCLEAR FUEL	281,522	278,941	2,735,356
INVESTMENTS AND OTHER ASSETS:			
Investment securities	76,994	113,301	748,099
Investments in and advances to subsidiaries and affiliated companies	149,634	150,372	1,453,893
Reserve funds for reprocessing of irradiated nuclear fuel	261,058	240,155	2,536,519
Deferred tax assets	141,299	158,382	1,372,906
Other	26,986	17,701	262,210
Total investments and other assets	655,973	679,914	6,373,628
CURRENT ASSETS:			
Cash and cash equivalents	334,476	324,155	3,249,870
Receivables	153,366	120,344	1,490,151
Allowance for doubtful accounts	(519)	(512)	(5,045)
Fuel and supplies	67,306	59,839	653,969
Deferred tax assets	29,225	28,283	283,962
Prepaid expenses and other	8,749	6,723	85,010
Total current assets	592,605	538,834	5,757,919
TOTAL	¥4,218,037	¥4,201,704	$40,983,656

(U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥102.92 = U.S. $1, the approximate rate of exchange at March 31, 2014.)

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
LIABILITIES AND EQUITY			
LONG-TERM LIABILITIES:			
Long-term debt, less current portion	¥2,692,319	¥2,425,739	$26,159,345
Liability for retirement benefits	74,526	147,341	724,121
Reserve for reprocessing of irradiated nuclear fuel	332,882	346,913	3,234,377
Asset retirement obligations	201,142	219,450	1,954,362
Other	13,581	15,700	131,962
Total long-term liabilities	3,314,453	3,155,145	32,204,168
CURRENT LIABILITIES:			
Current portion of long-term debt	181,395	219,011	1,762,491
Short-term borrowings	115,000	117,000	1,117,372
Commercial paper		33,000	
Accounts payable	145,495	132,333	1,413,679
Accrued expenses	85,061	82,448	826,477
Other	35,226	29,170	342,271
Total current liabilities	562,179	612,964	5,462,292
RESERVE FOR FLUCTUATIONS IN WATER LEVEL		4,308	
EQUITY:			
Common stock, authorized, 1,000,000,000 shares; issued, 474,183,951 shares in 2014 and 2013	237,304	237,304	2,305,721
Capital surplus:			
Additional paid-in capital	31,087	31,087	302,056
Other capital surplus	19	19	192
Retained earnings:			
Legal reserve	59,326	59,326	576,430
Retained earnings - carryforward	11,078	81,997	107,646
Unrealized gain on available-for-sale securities	418	17,826	4,062
Deferred gain on derivatives under hedge accounting	4,323	3,859	42,009
Treasury stock-at cost, 962,489 shares in 2014 and 948,557 shares in 2013	(2,153)	(2,134)	(20,923)
Total equity	341,405	429,287	3,317,194
TOTAL	¥4,218,037	¥4,201,704	$40,983,656

Nonconsolidated Statement of Operations

Kyushu Electric Power Company, Incorporated
Year Ended March 31, 2014 (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
OPERATING REVENUES:			
Electric	¥1,634,829	¥1,408,339	$15,884,464
Other	48,165	40,536	467,987
Total operating revenues	1,682,994	1,448,876	16,352,451
OPERATING EXPENSES:			
Electric:			
Personnel	113,781	151,844	1,105,533
Fuel	754,442	679,722	7,330,378
Purchased power	314,961	269,582	3,060,252
Depreciation	172,333	180,180	1,674,442
Maintenance	103,155	147,924	1,002,285
Reprocessing costs of irradiated nuclear fuel	16,502	17,352	160,347
Decommissioning costs of nuclear power units	1,978	2,627	19,224
Disposal cost of high-level radioactive waste	3,861	3,247	37,521
Disposition of property	10,600	14,501	102,996
Taxes other than income taxes	84,339	82,265	819,468
Subcontract fee	62,182	64,485	604,183
Rent	26,920	29,298	261,564
Other	91,384	77,974	887,919
Total	1,756,444	1,721,006	17,066,118
Other	38,787	33,683	376,869
Total operating expenses	1,795,232	1,754,689	17,442,987
OPERATING LOSS	(112,237)	(305,812)	(1,090,536)
OTHER (INCOME) EXPENSES:			
Interest charges	38,009	35,581	369,309
Gain on sales of fixed assets	(27,141)		(263,714)
Gain on sales of investment securities	(6,006)		(58,358)
Gain on sales of investments of an affiliated company	(2,481)		(24,108)
Gain on contribution of securities to retirement benefit trust	(21,711)		(210,953)
Other-net	(12,979)	(1,434)	(126,111)
Total other (income) expenses-net	(32,310)	34,146	(313,936)
LOSS BEFORE INCOME TAXES AND (REVERSAL OF) PROVISION FOR RESERVE FOR FLUCTUATIONS IN WATER LEVEL	(79,927)	(339,959)	(776,599)
(REVERSAL OF) PROVISION FOR RESERVE FOR FLUCTUATIONS IN WATER LEVEL	(4,308)	3,092	(41,858)
LOSS BEFORE INCOME TAXES	(75,619)	(343,051)	(734,741)
INCOME TAXES:			
Current	370	64	3,598
Deferred	14,949	(5,065)	145,258
Total income taxes	15,320	(5,001)	148,856
NET LOSS	¥ (90,939)	¥ (338,050)	$ (883,597)

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK:			
Basic net loss	¥(192.17)	¥(714.33)	$(1.87)
Cash dividends applicable to the year			

(U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥102.92= U.S. $1, the approximate rate of exchange at March 31, 2014.)