

**Presentation Material**

# Financial Forecast Revision for FY2014

**March 9, 2015**



Statements made in this overview of operations regarding Kyushu Electric Power's strategies and forecasts and other statements that are not historical facts are forward-looking statements based on management's assumptions and beliefs in light of information currently available, and should not be interpreted as promises or guarantees. Owing to various uncertainties, actual results may differ materially from these statements. Investors are hereby cautioned against making investment decisions solely on the basis of forward-looking statements contained herein.

## Financial Results Forecasts for FY2014

### 【 Reason for the revision of Consolidated Financial Results Forecasts for FY2014 】

- Kyushu Electric Power has announced the forecasts of operating, ordinary, and net income for FY2014 which were undetermined by calculation mainly based on recent trends in electrical power supply/demand and progress situation of our management efficiency efforts under the assumption we cannot restart all of our nuclear power plants in this fiscal year.

### 【Summary of Consolidated Financial Results Forecasts for FY2014】

- Kyushu Electric Power has facing an ongoing severe financial situation in electricity business stem from the ballooning fuel cost make up for long term shutdown of all our nuclear power stations while we made thoroughly management efficiency efforts. Under these situations, we issued Class A preferred shares in the amount of ¥100 billion to allocated to the Development Bank of Japan in August,2014 to stabilize our total operations by strengthen our equity base. We have made every effort group-wide to achieve thorough efficiency and an early restart of our nuclear power stations.  
Under these economic conditions, we forecast our financial results for FY2014 as below.
- Consolidated sales is expected to exceed FY2013 to ¥1,875 billion affected by the business performances in electricity business as lighting and power revenue increased mainly due to an increase in charge unit price with the effect of electricity rate increase conducted from last fiscal year and fuel cost adjustment system and grant based on the act on purchase of renewable energy sourced electricity while electricity sales volume decreased.
- The ordinary loss is expected to reduce degree of loss compared with FY2013 to about ¥90 billion affected by the business performances in electricity business because of the decreased fuel cost due to a decrease in fuel prices and the sales increase in spite of increased costs for power purchases from renewable energy.
- The net loss is expected to increase degree of loss compared with FY2013 to about ¥115 billion due to a decreased extraordinary gain according to the sales of real estate.

# Financial Results Forecasts for FY2014

## Consolidated

(Billion Yen, %)

	FY2014 (Forecast)	FY2013 (Actual Results)	Change in Amount	Rate of Changes
Sales	1,875.0	1,791.1	83.9	4.7
Operating Profit	▲ 60.0	▲ 95.8	35.8	—
Ordinary Profit	▲ 90.0	▲ 131.4	41.4	—
Net Profit	▲ 115.0	▲ 96.0	▲ 19.0	—

## Non-Consolidated

(Billion Yen, %)

	FY2014 (Forecast)	FY2013 (Actual Results)	Change in Amount	Rate of Changes
Sales	1,765.0	1,682.9	82.1	4.9
Operating Profit	▲ 70.0	▲ 112.2	42.2	—
Ordinary Profit	▲ 105.0	▲ 137.2	32.2	—
Net Profit	▲ 115.0	▲ 90.9	▲ 24.1	—

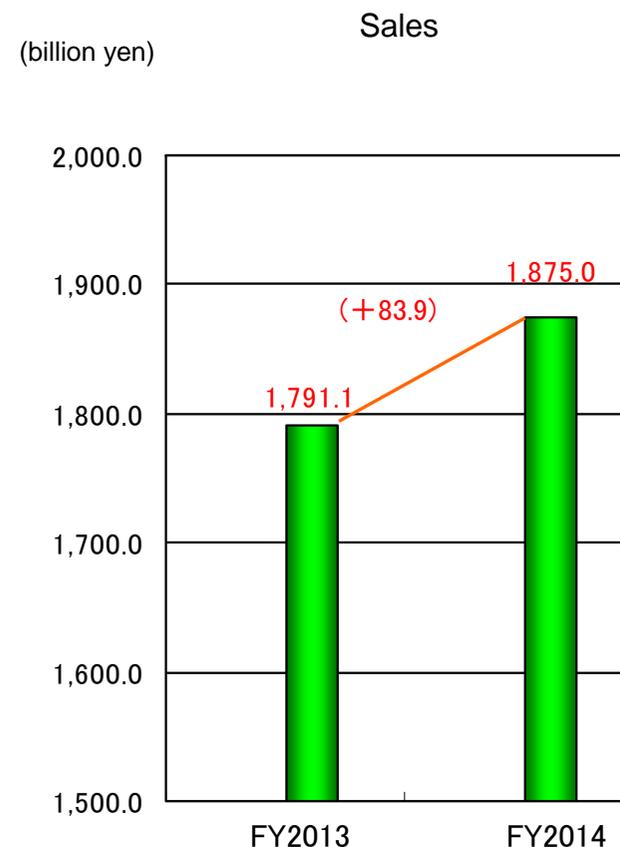
## (Reference)Key Fundamentals

	FY2014	FY2013	Change in Amount
Electricity sales Volume	81.5 Billion kWh	84.4 Billion kWh	▲2.9 Billion kWh
Crude oil CIF price	92\$/b	110\$/b	▲18\$/b
Exchange rate	110¥/\$	100¥/\$	10¥/\$
Nuclear power utilization rate	—%	—%	—%

# Financial Results Forecasts for FY2014

<Factor of Consolidated Sales Increase	+ 83.9>
• Increase in Electricity Sales of Lighting	+18.0
Electricity rate increase	+34.0
Difference of fuel cost adjustment charge	+23.0
<u>Increase in Renewable Energy Power</u>	
<u>Promotion Surcharge</u>	<u>+25.0</u>
Decrease in electricity sales volume	52.0
• <u>Increase in grant based on the Act on Purchase of Renewable Energy Sourced Electricity</u>	<u>+ 64.0</u>

(Note) The underlined parts are related to Feed-in Tariff Power purchase and sale system of renewable energy

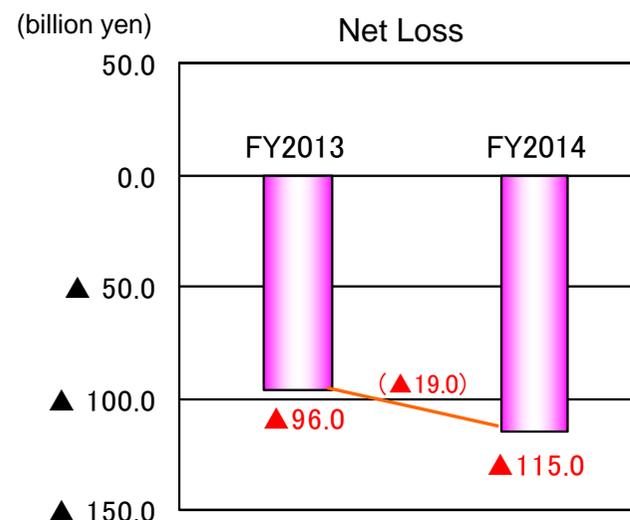
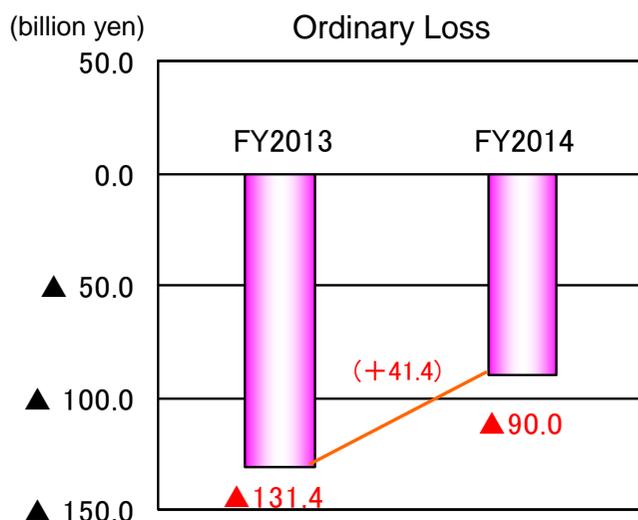


# Financial Results Forecasts for FY2014

<Factor of Consolidated Ordinary Loss Reduce +41.4>	
• Sales Increase	+83.9
• Decrease in Fuel and Power purchase Cost	+9.0
Decrease in electricity sales volume	+52.0
Exchange losses and Drop in CIF	+33.0
<u>Increase in purchase of Renewable Energy Sourced Electricity</u>	<u>81.0</u>
• <u>Increase in levy based on the Act on Purchase of Renewable Energy Sourced Electricity</u>	<u>25.0</u>
• Increase in Maintenance Cost and Overhead expenses	37.0

<Factor of Consolidated Net Loss Reduce 19.0>	
• Consolidated Ordinary Loss Reduce	+41.4
• Decrease in an Extraordinary Gain including sales of real estates	51.0
• Increase in Income Taxes-Deferred affected by the tax revision of FY2015 (reduction in corporate tax rate)	10.0

(Note) The underlined parts are related to Feed-in Tariff Power purchase and sale system of renewable energy

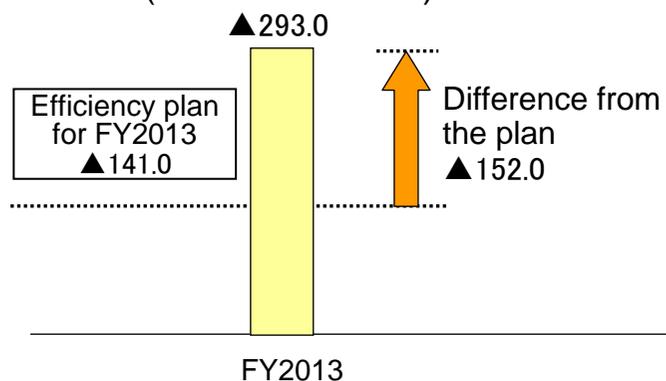


# Forecasts for the effects of Management Efficiency Improvement [ Non-Consolidated ]

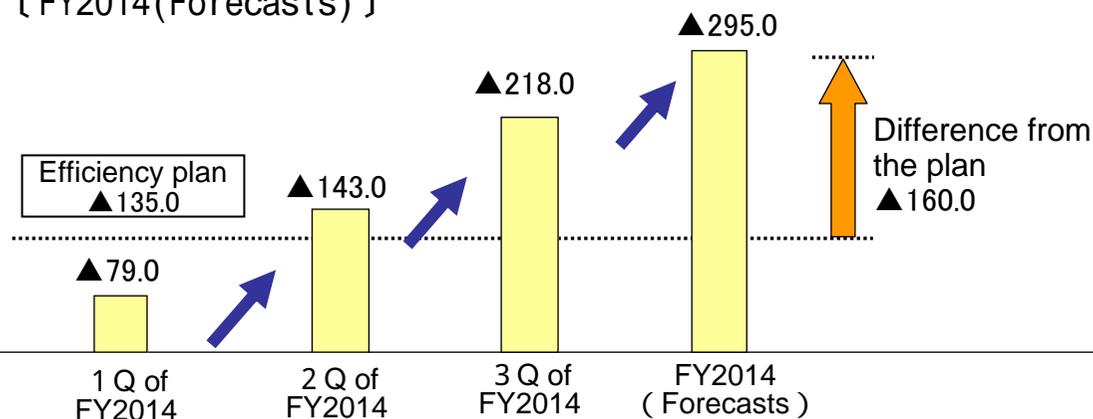
## 【 Forecasts for the effects of Management Efficiency Improvement for FY2014 】

- The effects of Management Efficiency Improvement for FY2014 is estimated to become 295.0 billion yen, proceed 135.0 billion yen of Efficiency Plan for FY2014 which has announced in April, 2014 by 160.0 billion yen due to the inclusion of a tentative carrying-over limited of Maintenance Cost and Overhead expenses and efficiency improvement in Fuel costs.
- According to the continuous efforts for possible assets sales, we estimate to report 10.4 billion yen as sales amount (9.8 billion yen as sales profit)

[ FY2013(Actual Results) ]



[ FY2014(Forecasts) ]



[ Reference ] Assets sales forecasts

( 100 million yen ) Rounded down to the nearest 100 million yen

Item	Forecasts for FY2014		Accumulated Results Forecasts from FY2013 to FY2014		Efficiency cost incorporated into the rate cost ( Accumulated Sales Amount from FY2013 to FY2015 )	Details
	Sales Amt.	Sales Profit	Sales Amt.	Sales Profit		
Fixed Assets	101	97	418	368	100	[FY2013] Site for Kyuden Memorial Gym, Kyusyu Energy Pavilion, Sakurazaka Training Center, Ebisu employee accommodation, Remaining Company House Site, etc. [FY2014] Remaining Company House Site, etc.
Securities	Stocks, etc.	3	1	104	86	-
	Retirement Allowance Payment Trust	0	0	320	217	40
Total	104	98	842	671	140	-

## Deferred Tax Assets

### 【Summary of the tax revision for FY2015】

#### 1 . Reduction in corporate tax rate

[Present] legal effective tax rates : 30 . 7 % ( Corporate tax rates 25 . 5 % )  
[Amendment] legal effective tax rates : 28 . 7 % ( Corporate tax rates 23 . 9 % )

➡ The financial results forecast for FY2014 formulate in the effects of the reduction in corporate tax rate.

#### 2 . Gradual reduction of tax loss carry forward amount limit

[Present] 80 % of taxable income  
[Amendment] 65 % of taxable income : FY 2015 , 2016  
50 % of taxable income : FY 2017

(Note) Period of tax loss carry forward is 9 years at present

➡ Kyushu Electric Power is considering partial change of recorded amount in deferred tax asset at the end of FY2014 due to the tax revision of FY2015 which refer to the reduction of tax loss carry forward amount limit. Taking into consideration this tax revision, we recognize there is no need to reverse deferred tax asset fully.