

Formulation of Midterm Management Policy

Kyushu Electric Power has formulated a Midterm Management Policy that establishes our management orientation and defines the major initiatives that we will implement over the three years spanning fiscal 2013 through fiscal 2015.

■ Basic Stance

“Restructuring of New Kyushu Electric Power” —to become a strong and supple company

Striving to become a strong and supple company that is trusted and actively chosen by its customers, Kyushu Electric Power will work to change itself by increasing its sensitivity to changes in attitudes towards power companies among its customers and in society more generally. Kyushu Electric Power will keep challenging itself to respond to future social needs on the basis of new concepts.

Vision of the “Restructuring of New Kyushu Electric Power”

• A Company serving its customers faithfully

After listening to our customers' concerns with an open mind and taking their feelings on board in a responsible manner, we will proactively inform them of our thinking and policies in an easy-to-understand manner. We will also share with all employees our customers' concerns as we encountered them during the listening process, and we will go all-out to respond to the real needs of our customers.

• A Company taking up the challenge of making changes swiftly and flexibly

We will promote the reform of our organizational culture and the reform of operations from a standpoint of Company-wide optimization, by cultivating a culture of respecting diversity, evaluating and recruiting personnel who can lead the reform in a new era. We will also strive to deal with changes in the business environment, using the power of mutual trust, mutual improvement, and cooperation across divisions and hierarchical boundaries.

• A Company continuously reviewing its business activities in pursuing higher efficiency

We will realize high competitiveness by working together as a Group for the thorough improvement of efficiency and the maintenance and improvement of our technological capacities. In addition, we will strive to improve our profitability and build a stable structure of income and expenditure by continuously reviewing business activities, such as the restructuring and reorganization of operations based on risk and profitability.

• A Company supporting local communities by providing electricity

With the aim of “contributing to the creation of a better society through a stable supply of power” as our starting point, we will do so even in a business environment undergoing changes, such as revisions in energy policy. We will continue to ensure stable supply of the power as required by our customers and communities according to the time and circumstances, so as to support our customers' daily lives and their business activities, as well as supporting local communities.

Policies in each business domain

Against the backdrop of a challenging business environment, we will put the first priority on the energy business in Kyushu, and in the medium to long term, we will build a strong business infrastructure that can adapt to changing circumstances to ensure the sustainable supply of energy, which is the main axis of our business.

1. Energy Business in Kyushu

For the time being, we will allocate management resources only to operations that directly contribute to the stable supply of energy. On this basis, we will examine our medium- to long-term investment strategy, taking into account the situation of facilities.

2. Energy Business Overseas

Through consultation, we will work to build a foundation for future business expansion by developing relationships of trust with regions where we do business, while securing profits through the proper management of existing projects.

3. Social/Lifestyle-oriented Service, which includes the business domains of IT and Telecommunications, Environment and Recycling, and Lifestyle-oriented Service

We will restructure the business from the point of view of whether it can truly contribute to increasing our corporate value as a Group, based on the results of rigorous risk and profitability assessments.

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■ Basic Stance
■ Major Initiatives

Increasing of
Electricity Rates
■ Background to
the Increasing of
Electricity Rates
■ Overview of the Increase

Initiatives for
Improving the Safety
and Security
of Nuclear Power
■ Overview of the New
Regulatory
Requirements
■ Our Safety Precautions
in View of the New
Requirements
■ Enhanced Framework
for Preventing Nuclear
Disasters and the
Performance of Drills

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■ Major Initiatives

We will put the following four major initiatives into practice with our entire company working together as one:

(1) In order to provide support for our customers' daily lives and business activities and for the regional community more generally, and to achieve sustainable development together with all our stakeholders, we will seek to increase efficiency in all areas of our operations.

Seeking to fulfill our responsibilities as an electric utility while responding appropriately to the reforms of the electric power system (across the board liberalization of the retail sector, etc.) and avoiding any further worsening of our finances against the backdrop of an ongoing difficult business environment, the Kyushu Electric Group will work as a single entity to manage costs and implement thorough measures to increase efficiency. By doing so, we will realize a stable structure of income and expenditure, and provide value to all of our stakeholders, in particular our customers, shareholders and investors.

(2) We will provide our customers with a stable supply of high-quality power in an environment undergoing significant changes.

Against the background of a supply and demand situation which continues to be tight, we will work to implement a full range of measures on both the supply and demand sides in order to ensure a stable supply of energy for the time being. At the same time, we will consider the medium- to long-term balance of power sources, taking into account the revisions to energy policy and global environmental problems.

(3) We will proceed with measures designed to make us more open and to help us win the trust of the public.

The trust of our stakeholders is the foundation of our business operations, and in order to win that trust, in addition to working to reflect the opinions of our stakeholders in our business operations, we will make comprehensive efforts in the area of Corporate Social Responsibility (CSR) management, for example by further increasing the transparency of our business activities.

(4) We will reform our organizational climate and the operations which serve as the foundations for the above-mentioned initiatives.

We will proceed with initiatives (1) to (3) with the entire company working together as one, based on the participation of employees, so as to promote the reform of our organizational culture and the reform of operations that serve as the basis for the "Restructuring of a New Kyushu Electric Power." We will also review our organizational structure by taking into account unforeseeable changes in the business environment and other factors in the future.

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the Increasing of
Electricity Rates
- Overview of the Increase

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TOPICS: Renewable Energy Initiatives

[Proactive development and introduction of renewable energy sources]

Kyushu Electric Power is moving ahead in the proactive development and adoption of renewable energy sources such as solar, wind, biomass, hydroelectric and geothermal power, from the standpoint of utilizing domestic energy sources more effectively, and taking advantage of sources manifesting a superior performance in the fight against global warming.

Volume of Electricity Available by Renewable Energy Source

	Solar power	Wind power	Biomass power, etc.	Hydroelectric power (excluding pumped hydroelectric storage power generation)	Geothermal power	Total
Combined capacity for all facilities (10,000 kW) (End fiscal 2012)	112	43	20	184	21	379
Electricity (billion kWh) (Fiscal 2012)	0.7	0.7	0.6	6.2	1.4	9.6

Note: Totals may not match exactly because figures have been rounded off.



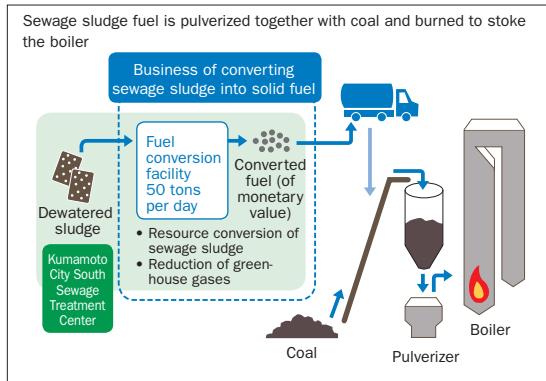
Omura mega-solar power station
(Omura City, Nagasaki Prefecture)

Group company Kyuden Ecosol Co., Ltd. has developed a mega-solar power station (13,500 kW) on the former site of the Omura Power Station in Omura City, Nagasaki Prefecture, and it has started operations. (May 2013)



Yamagawa geothermal binary power facility
(Ibusuki City, Kagoshima Prefecture)

At the Yamagawa Power Station, we are carrying out verification testing of a small-scale geothermal binary power generation system (output of 250 kW) which effectively utilizes comparatively low-temperature (80–100 degrees Celsius) steam and heated water which cannot be used in conventional geothermal power generation systems. (May 2013–March 2015)



Co-combustion of sewage sludge at the Matsuura Power Station

In a collaborative effort with Electric Power Development Co., Ltd. (J-POWER) and others, we are participating in a project to convert sewage sludge into solid fuel. We are using the solid fuel that is produced by burning it in a mixture with coal at the Matsuura Power Station and other power stations. (April 2013–ongoing)

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- Overview of the Increase

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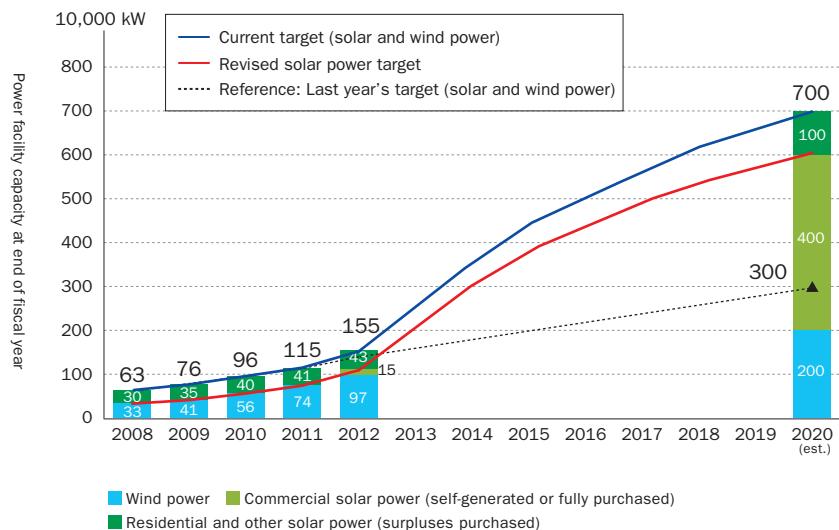
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[Review of introduction of solar and wind power]

For the two energy sources of wind and solar, we adopted a feed-in tariff power purchase and sales system in July 2012. As a result, the number of system applications for business-use solar power is rapidly increasing. Based on this, we have upwardly revised our fiscal 2020 target for solar and wind power capacity from 3 million kW to 7 million kW.

Our Target for the Installation of Solar and Wind Power Facilities



[Research into expanding the introduction of renewable energy on isolated islands]

On isolated islands, while expanding solar and wind power generation, in order to maintain a stable supply of electric power, Kyushu Electric Power has received subsidies from the government to comprehensively install storage batteries, and is conducting a demonstration test to curb frequency volatility from solar power and other renewable energy sources.

Targeted isolated islands	Battery capacity	Planned demonstration period
Iki Nagasaki Prefecture	4,000 kW	Fiscal 2012– Fiscal 2014
Tsushima Nagasaki Prefecture	3,500 kW	
Tanegashima Kagoshima Prefecture	3,000 kW	Fiscal 2013– Fiscal 2016
Amamioshima Kagoshima Prefecture	2,000 kW	

*Facilities to receive subsidies from the Ministry of Economy, Trade and Industry (Iki Island) and the Ministry of the Environment (other 3 islands)

