The Kyushu Electric Group's Medium-Term Management Policy

Up to now, we have continued to support the lives and economic activities of customers in the Kyushu region and grow together with the regional community by delivering a stable supply of low-priced, high-quality energy.

We formulated a Medium-Term Management Policy (fiscal 2013–2015) in April 2013, and amid the severe financial situation and supply–demand relations caused by the suspension of operation of all our nuclear power stations, we have worked to achieve greater managerial efficiency, resume operation of nuclear power stations, take measures to cope with such supply–demand relations and gain greater public confidence.

On the other hand, looking at the external business environment, we are going to enter a period of real competition in the years to come as the full liberalization of the retail market due to the electric power system reforms scheduled for April 2016.

In this competitive environment, in order to achieve our mission to "Make a brighter future for generations to come" and continue to be trusted and chosen by customers as an energy supplier (See page 1 for details), we need to accelerate our reforms on a groupwide basis. We therefore recently formulated the new Kyushu Electric Power Group Medium-Term Management Policy, which covers the five years from fiscal 2015 to fiscal 2019.

This policy consists of our "Vision for 2030" and the three main strategies to attain the vision. It also shows the priority measures we should take during the five-year period from fiscal 2015 to fiscal 2019.

We aim to achieve sustained growth and provide all stakeholders with enhanced value by pushing forward with these initiatives on a groupwide basis.

We ask all stakeholders to give their continued support and cooperation to our Group.

Kyushu Electric Group Medium-term Management Policy

Vision for 2030

Aiming to become a corporate group that provides Japan's best energy services
—Everyone eventually asks the Kyuden Group for energy!—

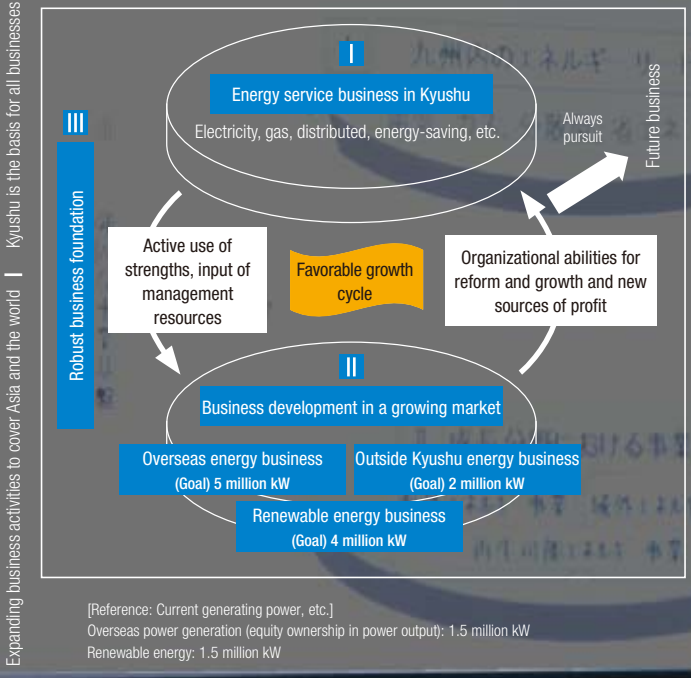
Three Pillars of strategy

I Grow into a corporate group that provides energy services in Kyushu where we operate from a company that delivers electricity and develops together with the regional community and society by meeting the diverse energy needs of customers

II Make the most of the Kyuden Group strengths to achieve sustained growth through energy service businesses for overseas and outside Kyushu and renewable energy business

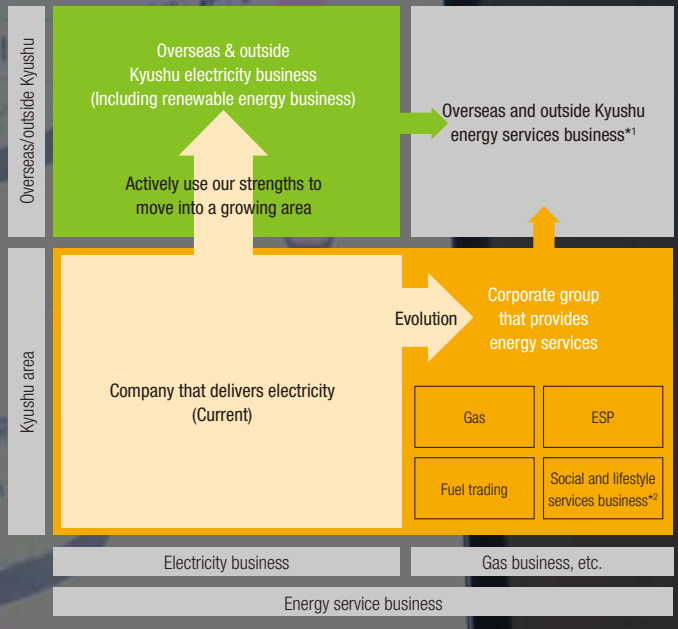
III Enhance the organizational strength required to implement strategies to establish a robust business foundation

Direction of Future Strategy



[Reference: Current generating power, etc.]
Overseas power generation (equity ownership in power output): 1.5 million kW
Renewable energy: 1.5 million kW

Image of Expansion of Business Areas



*1 In overseas and outside Kyushu markets, for the immediate future, we will focus on the electrical power business where we can display our strength in high-level maintenance and operation technology but will also enter the energy service business starting from services that we can provide.
*2 Relationships with energy service business and expected synergistic effects will be taken into consideration.

Outline of the Fiscal 2015 Management Plan

Strategy Pillar I

Meeting the diverse energy needs of customers in the Kyushu region

(1) Gaining more Kyuden fans through provision of diverse energy services

[One-stop energy services (for corporate clients)]

- Energy-related sales operations will be integrated into Kyuden's retail operations to offer all optimal combinations of energy services through a single channel.

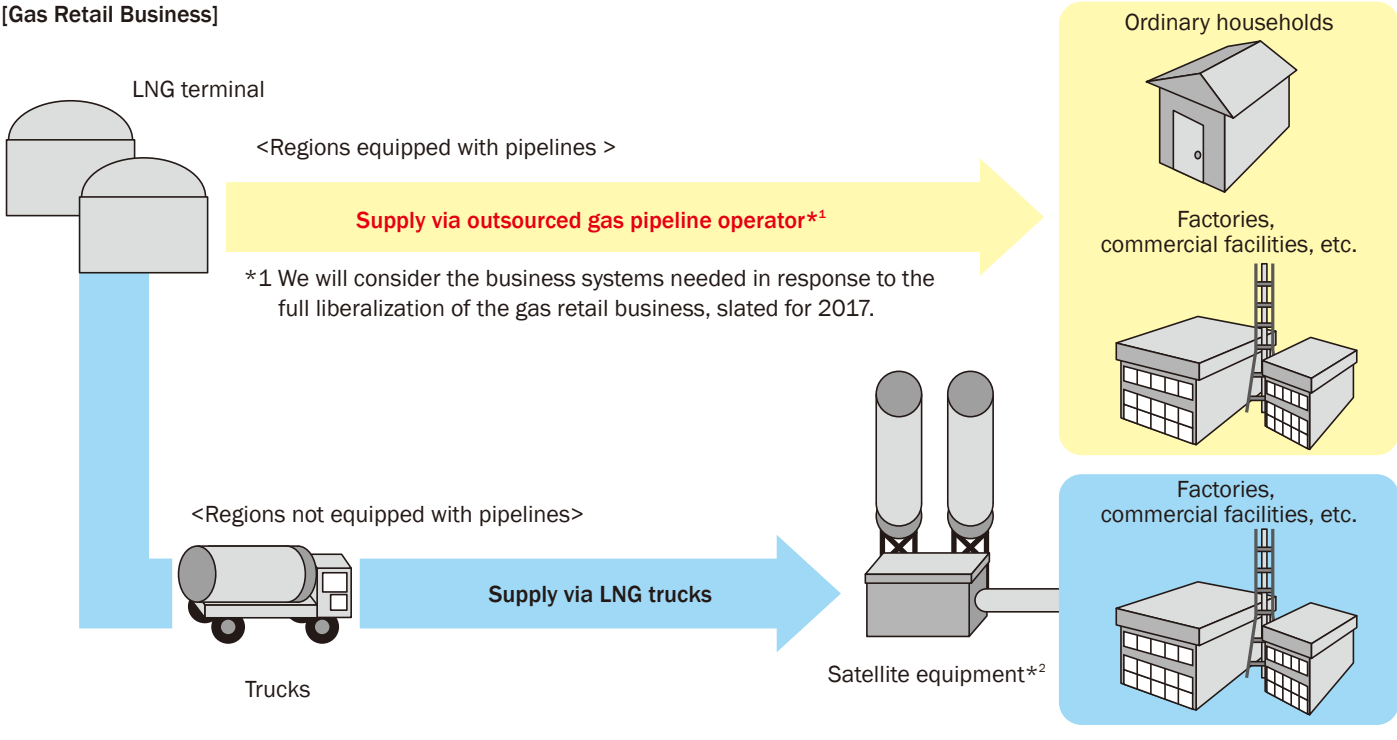
[Services closely tied to the lives of customers (for ordinary households)]

- We will offer service menus that suit the lifestyles of customers to provide enjoyment and excitement.
- We are considering making customers' power consumption visible at our website's "Energy-saving, Comfortable Life" page starting from April 2016. Data on power consumption will be obtainable every 30 minutes through smart meters, which have been installed since November 2009.

[Gas business]

- In addition to the previous wholesaling of gas supplies, we will start retail sales gas in earnest as part of our energy services.

[Gas Retail Business]



*2 Facilities for LNG storage, vaporization and delivery

(2) Enhancing the competitiveness of power sources and fuel procurement abilities

- We will secure stable and competitive power sources with the imminent full liberalization of the retail market in mind.
  - ≫ We will develop System No. 3 x 4 for the Shin-Oita Power Station (LNG, output of 480,000 kW, operations to commence in July 2016) and Unit 2 for the Matsuura Power Station
- We will maintain our competitiveness so that we can respond flexibly even if the strengths and weaknesses of power sources change with various environmental changes and possess nuclear power, coal or LNG-burning thermal power, and renewable energy such as hydraulic and geothermal power in a well-balanced manner.

Conceptual drawing of the Matsuura Power Station Unit 2 at its completion

Location	Matsuura, Nagasaki Prefecture
Generating power	1 million kW
Power generation method	Pulverized coal-burning ultra-super critical (USC)* thermal power generation
Fuel	Coal
Start of operation	June 2020 (scheduled)

Outline of the Matsuura Power Station Unit 2 Plan

*Ultra-super critical (USC)
This is a highly efficient method of generating electricity that reduces environmental impact, boosting thermal efficiency by operating at temperatures and pressures above the critical point of water.

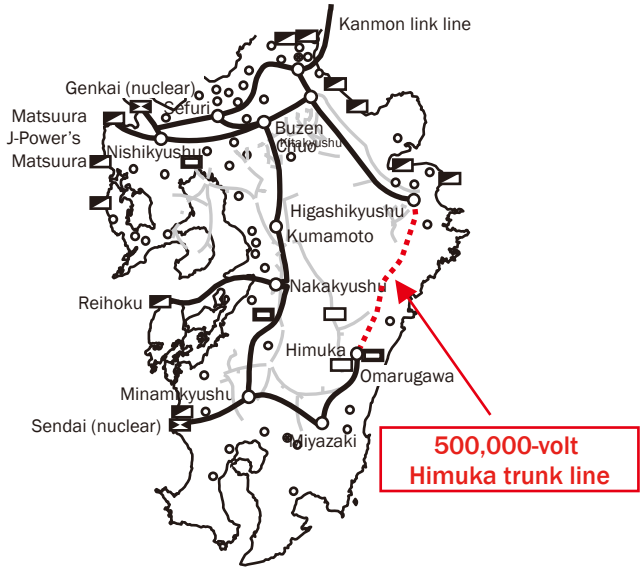
- Firmly determined not to cause accidents like the one that occurred at the Fukushima Daiichi Nuclear Power Station, we will continuously work to improve the safety and reliability of nuclear power and use it as a power source that is effective in ensuring energy security, mitigating global warming, and supplying electrical power economically.
- We will enhance competitiveness in fuel procurement and enhance its flexibility by stepping up our initiatives for the entire fuel value chain such as introducing fuel trading and promoting investments for upstream interests.

(3) Improving and making effective use of power transmission and distribution networks

As a company with equipment covering the entire Kyushu region, we will contribute to sustained development and growth of the region through business activities such as creation and operation of equipment.

- Building a 500,000 V Hinuka trunk line
- Test project to improve the supply–demand balance for large-capacity electricity storage systems
- Building smart grids
  In order to ensure that high-quality power is supplied in a reliable manner even if sunlight and other types of renewable energy whose output is unstable comes into wide use, we will conduct tests on both the supplier and user sides, obtain data that meet the conditions of our equipment and the characteristics of local markets, and examine such data, thus solving issues to be addressed in building smart grids in the future.
- Building related systems in preparation for the full-fledged introduction of smart meters
  As of March 31, 2015, we have introduced approximately 830,000 smart meters. We aim to increase this number to around 8 million by fiscal 2023.

Construction of the 500,000-Volt Himuka Trunk Line



Length	About 124 km
Number of steel towers	291
Start of construction	November 2014
Start of operation	June 2019

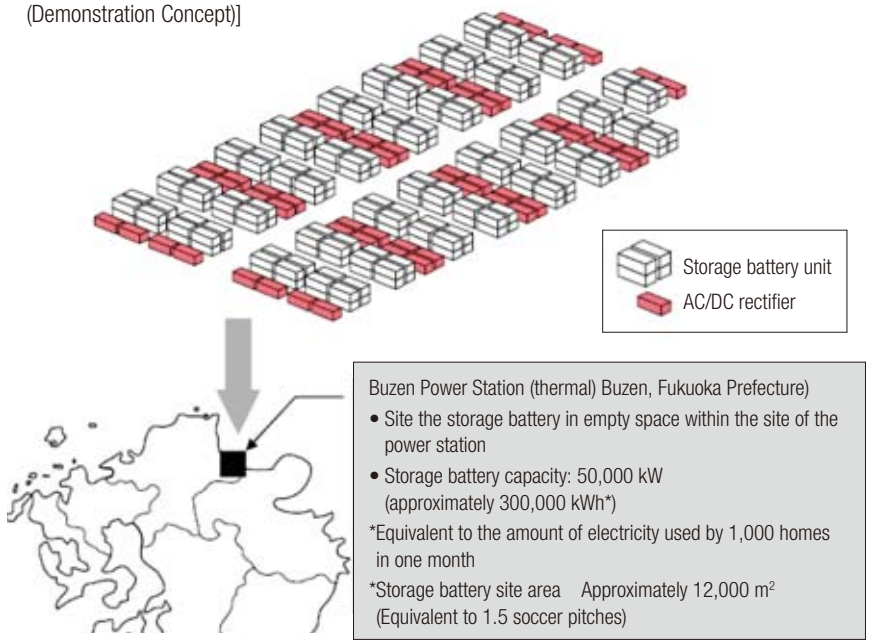
[Legend]
: 500,000-volt transmission line
: 220,000-volt transmission line
: 500,000-volt Himuka trunk line being built in this project

Large-Scale Storage Battery Demonstration Business

In the future, in order to ensure stable power supply, we will continue to take measures to connect renewable energy sources smoothly. As part of these initiatives, we will carry out a government-subsidized test project to improve the supply–demand balance for large-capacity electricity storage systems.

- Demonstration content
  —We will conduct a demonstration to improve the supply–demand balance by connecting a large-scale storage battery to the grid, utilizing its electrical storage capacity in the same manner as pumped storage.
  —We will conduct a demonstration of measures to effectively utilize the large-scale storage battery through appropriate grid voltage control.
- Storage battery capacity
  —Output: 50,000 kW
  (storage: approximately 300,000 kWh)
  Note: One of the largest in the world
- Storage battery location
  —Within the site of the Buzen Power Station (Buzen, Fukuoka Prefecture)
- Demonstration period
  —FY2015–2016

[Demonstration Business of Improving the Supply–Demand Balance Using a Storage Battery (Demonstration Concept)]



Strategy Pillar II

Developing in growth markets to make the most of Kyuden Group strengths

(1) Strengthening the overseas electricity business [2030 goal for equity ownership in electricity output: 5 million kW (3.5 million kW more than the current level)]

- We will expand the IPP business mainly in Asia whose market has high growth potential
  - Construction is currently underway at the Sarulla geothermal IPP project in Indonesia (generating power: 320,000 kW [three systems]). The generators will start operation in 2016 or thereafter as soon as they are online.
- We will strive to contribute to the international community by developing human resources and overcoming issues such as low-cost, stable power supply through IPP business and overseas consulting

Location of the Sarulla geothermal IPP project in Indonesia

View from a production test site

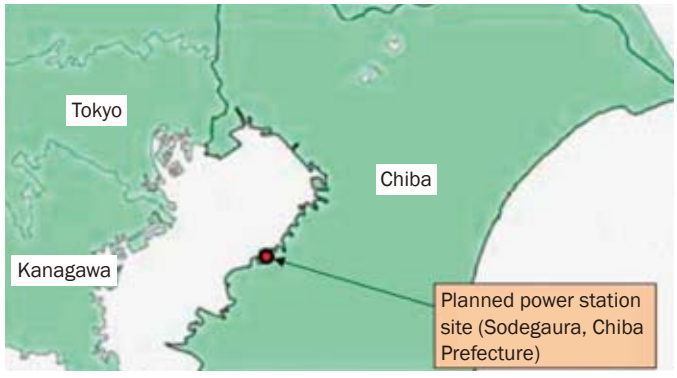
(2) Develop the electrical power business outside Kyushu [2030 goal for power sources developed outside Kyushu: 2 million kW (2 million kW more than the current level)]

- We will develop power sources outside Kyushu for our own use mainly through alliances with other companies
  - » We established Chiba-Sodegaura Energy Co., Ltd. (May 2015)
- We will consider ways to secure electrical power supply capabilities for our retail sales until power sources are developed by using material exchanges and other means of procurement effectively in addition to power transmission from within Kyushu region

Outline of the power station plan

We recently agreed with Idemitsu Kosan Co., Ltd. and Tokyo Gas Co., Ltd. to form an alliance to consider developing coal-burning thermal power stations jointly. To that end, the three companies established the Chiba-Sodegaura Energy Co., Ltd. on May 1, 2015.

Taking into consideration the impending full liberalization of the electricity retail market, the three partner companies will make the best use of the strength of their respective value chains and other assets to achieve safer, lower-priced, and more stable power supply, thus meeting the demands and expectations of society as energy companies. They will also aim at making the utmost effort to take appropriate environmental measures and contribute to local economies.



Planned site	3-1, Nakasode, Sodegaura-shi, Chiba Prefecture (The site is owned by Idemitsu Kosan.)
Power generation method	Ultra-super critical (USC) power generation
Scale of power generation	Maximum: 2 million kW (1 million kW x two units)
Fuel	Coal (Burning a mixture of biomass and coal is also under consideration.)
Start of operation	Scheduled for the mid-2020s

(3) Expanding renewable energy business [2030 development goal: 4 million kW (2.5 million kW more than the current level*)]

* Breakdown: +800,000 kW for geothermal power; +200,000 kW for hydroelectric power; +1.1 million kW for wind power, and +400,000 kW for other in Japan and abroad

- In July 2014, we established Kyuden Mirai Energy Co., Inc., a general developer of renewable energy sources. By liaising with Kyushu Electric, Kyuden Mirai Energy will meet the local community's broad-ranging needs through a single channel.
- We will aim at risk diversification and portfolio development with future policy trends and technological innovation in mind
  - » Developing Renewable Energy in Collaboration with Group Companies
    Through development of the Sugawara Binary Cycle Power Station and by participating in demonstration tests for next-generation floating wind generation (offshore).
- Leveraging the expertise we have cultivated in the Kyushu region to expand our business in other parts of Japan, as well as overseas.

Geothermal: Sugawara Binary Cycle Power Station (Kokonoe, Kyushu Prefecture)

The Sugawara Binary Cycle Power Station* (5,000 kW), which makes effective use of geothermal wells owned by the town of Kokonoe in Oita Prefecture, commenced operations in Jun 2015. This is Japan's first geothermal power development project that involves collaboration between a local government and a private enterprise (Kyuden Mirai Energy).

* Binary power generation utilizes comparatively low-temperature steam and heated water that cannot be used by conventional geothermal power generation systems. This method is expected to find application on islands that have abundant geothermal sources and for generation at hot springs.


Sugawara Binary Cycle Power Station

Strategy Pillar III

Establishing a robust business foundation

(1) Developing innovative human resources who take on new challenges

- Through a groupwide, cross-functional team project, we will cultivate an organizational culture that embraces challenges.

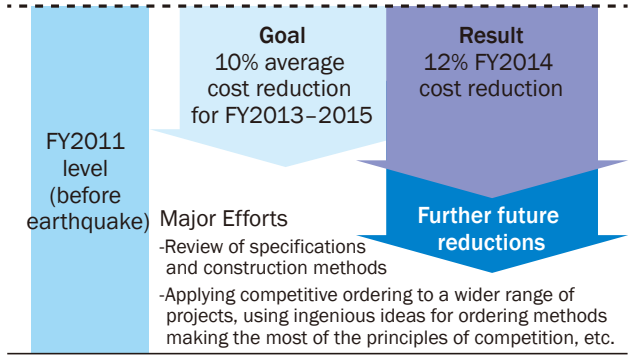
(2) Creating organizations that respond swiftly to changes

- We will respond to full liberalization and the licensing system.
  - » To win out over the competition, we will concentrate on sales and establish systems to enhance competitiveness
  - » We will guild an organizational management and business administration system to further enhance our neutrality in the transmission sector

(3) Bolstering the financial foundation of the Kyuden Group as a whole and enhancing its competitive power

- We will make effective use of external knowledge of the Procurement Reform Promotion Committee, established in February 2014, to promote material/equipment procurement reforms, create a greater cost awareness of the need for continuous cost reductions, and step up cost management.
- From the perspective of reducing fuel consumption, we are striving to improve thermal efficiency at thermal power stations by replacing existing equipment with high-efficiency equipment.

[Goal for Reduction in Material/ Equipment Procurement Costs and Results]



(4) Pursue safety and security

- Establishing internal systems in preparation for compound disasters
  We have established internal systems so that if a multiple disaster that involves both a natural one such as an earthquake and tsunami and a nuclear one occurs, a natural disaster response headquarters and a nuclear one will be combined to form a comprehensive center for integrated action.
- Reinforcing management of nuclear power risks
- We are enhancing communication with local communities about nuclear power → For details, see the Special Feature on pages 25-31.

(5) Ensuring thorough CSR management

- Reinforce the CSR management cycle.
- Conduct environmental preservation activities in the aim of being an eco-friendly corporate group.
  - Prioritize such programs as the burning of fields in the Kuju Bogatsuru wetlands in Oita Prefecture.
  - Offer environmental education targeting the next generation.
- Promote compliance management.
- Conduct volunteer activities in collaboration with the local community to resolve local issues.
  - We will participate in such initiatives as Korabora Q-den, a volunteer activity aimed at solving local problems in cooperation with NPOs and other groups.

A scene from the burning of a field

Kuju Bogatsuru wetlands and Mt. Hiiji (Oita)

Project to build terraces at the courtyard of the Aya junior high school (Miyazaki)

Environmental protection activities at Niji-no-Matsubara (Saga)