

Toward  
A Strong and  
Supple Company



## Kyushu Electric Power Summary

### Corporate Profile

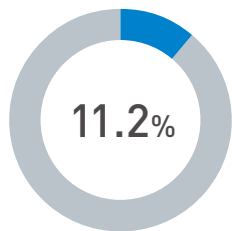
Since its establishment in 1951, the mission of the Kyushu Electric Power Company has been to assure quality and comfort in life for customers and their local communities by providing a stable supply of electricity.

We have weathered many changes, including post-war reconstruction and subsequent high economic growth, the oil shocks of the 1970s and the recent deregulation of the electric power industry. In the decades to come, we will continue to fulfill our social responsibility through the discharge of our mission.

### Snapshot of Kyushu (Percentages in Comparison with Japan as a whole)

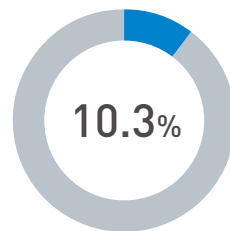
Area (As of October 1, 2013)

42,195 km<sup>2</sup>



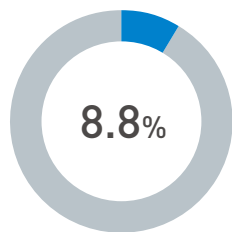
Population (As of October 1, 2013)

13.11 million



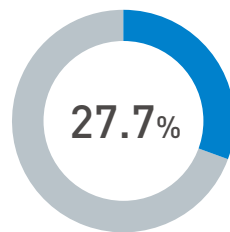
Nominal Gross Regional Product (FY2011)

Around 44 trillion



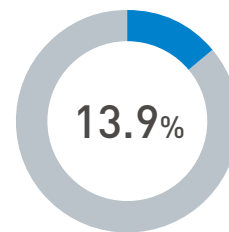
IC Production Value (FY2013)

597.8 billion yen



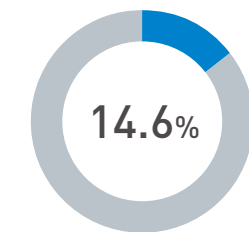
Automobile Production (FY2013)

1.38 million



Crude Steel Production (FY2013)

16.31 million tons



Sources: Geospatial Survey of All Prefectures, Cities, Towns and Municipalities in Japan, Geospatial Information Authority of Japan; Population Estimate, Ministry of Internal Affairs and Communications; Annual Report on Prefectural Accounts, Cabinet Office; Recent Trends in the Kyushu Economy, Kyushu Bureau of Economy, Trade and Industry

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Shin Oita Unit 3 (Axis 4) construction site

- Construction commenced July 2013, scheduled to be online July 2016
- LNG combined cycle generation facility
- Thermal efficiency approximately 60% (lower heating value standards)

#### Disclaimer Regarding Forward-looking Statements

Statements made in this annual report regarding Kyushu Electric Power Group'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.

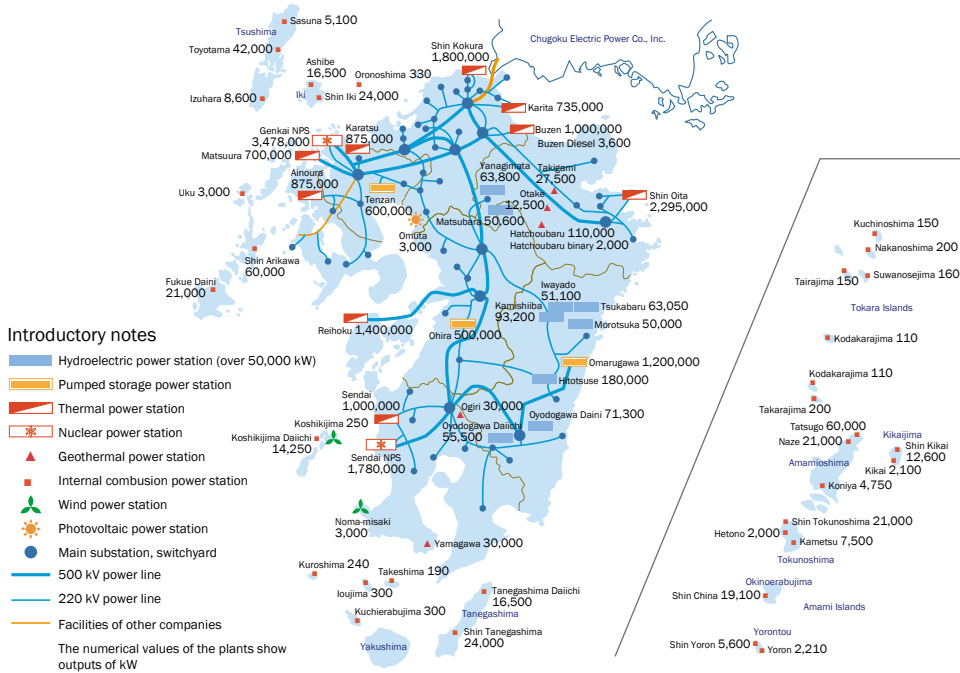
## Our Business

The Kyushu Electric Power Group comprises Kyushu Electric Power Co., Ltd., 57 subsidiaries and 29\* affiliated companies. The Group's business activities consist of Electric Power, Energy-related business, IT and Telecommunications, and Other. As the center of the Group, Kyushu Electric Power is engaged in general electric power business activities.

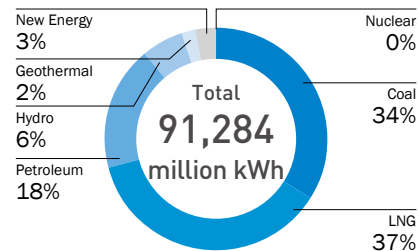
\*As of March 31, 2014

## Main Supply Facilities

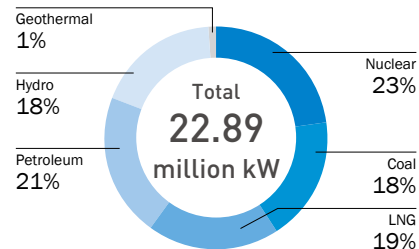
(As of March 31, 2014)



## Composition of Generated and Purchased Electric Power (kWh)

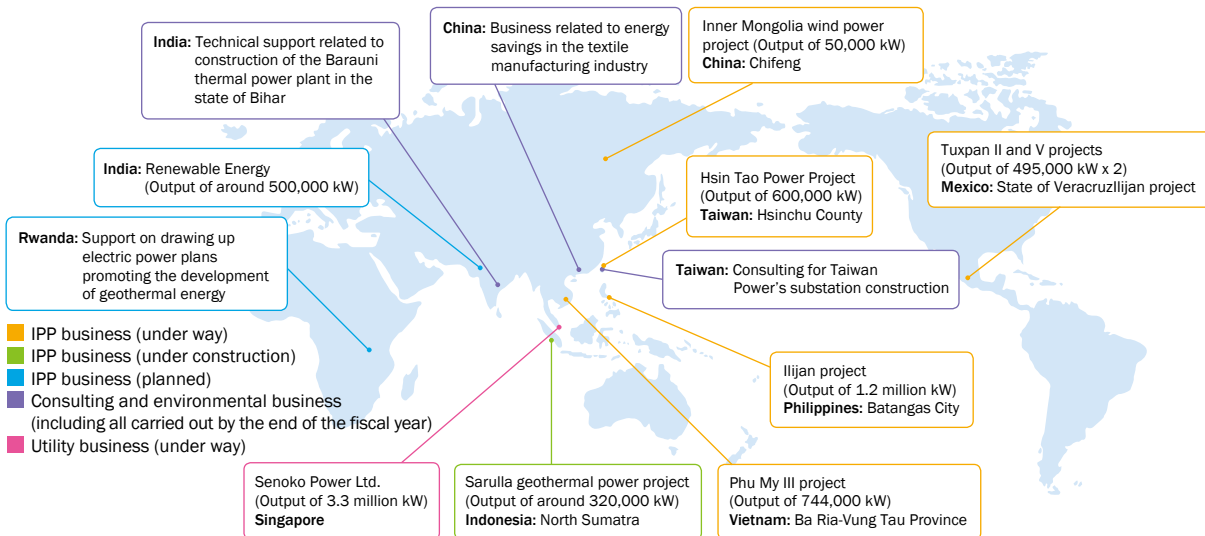


## Composition of Capacity for All Facilities (kW)



## Business Development Overseas

(Fiscal 2013)



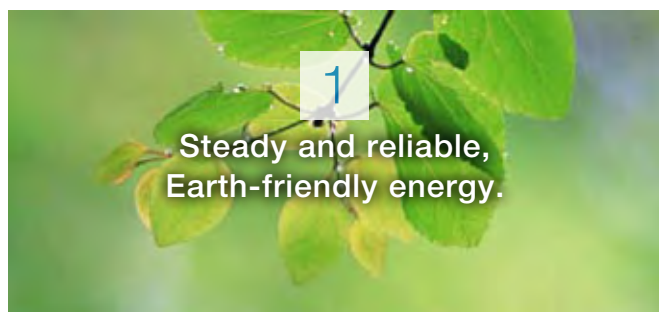


## Kyushu Electric Power's Mission

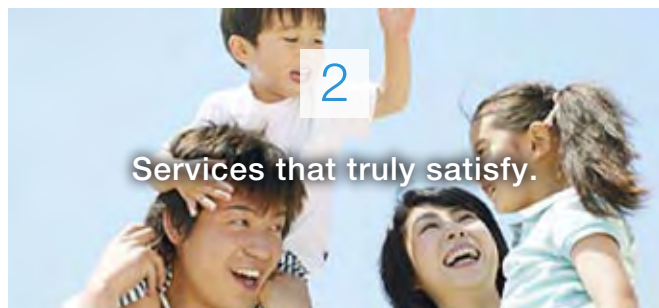
### “Enlighten Our Future”

Towards a comfortable and environment-friendly lifestyle today and for generations to come.

To fulfill this mission, we are dedicated to achieving the following 4 goals:



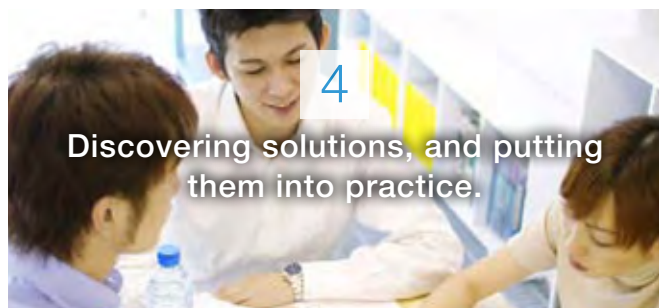
In order for our customers to lead harmonious lives we will provide steady and reliable, Earth-friendly energy, while anticipating global trends and making full use of our advanced technology and abundant experience with energy and the environment.



We will offer services that place the gaining of trust from the customer as top priority. We would like to listen to the various voices of our customers in order to respond to their needs with services that truly satisfy.



In company with the people of Kyushu, we will work together to take action while thinking of our children's future and of the prosperity of the region. And from there, we will look to Asia and the world.



We will discover solutions that lead to a better tomorrow through honest, sincere and active discussions, believing in people's potential and mutually respecting personalities, and we will put these solutions into practice.

## Midterm Management Policy

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.

### Midterm Management Policy (Fiscal 2013 through Fiscal 2015)

#### Vision

A Company serving its customers faithfully

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

A Company continuously reviewing its business activities in pursuing higher efficiency

A Company supporting local communities by providing electricity

#### Major Initiatives

- 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 complete efficiency in all of our operations.
- We will provide our customers with a stable supply of high-quality power in an environment undergoing significant changes.
- We will proceed with measures designed to make us more open and to help us win the trust of the public.
- We will promote the reform of our organizational culture and operations that serve as the basis for the above-mentioned efforts.

#### The business environment

- A rapid worsening of our business situation and financial status, associated with an increase in fuel costs, etc.
- A very tight supply-and-demand situation, where we have to ask our customers to take power-saving measures
- Increasing public interest in energy issues
- Revision of the government's energy policies, including its nuclear energy policy, and the progress of discussions concerning the reforms of the electric power system

### Kyushu Electric Power's Mission

## Financial Highlights

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

For the Year:	Billions of Yen					Millions of U.S. Dollars
	2010	2011	2012	2013	2014	2014
Operating revenues . . . . .	¥1,444.9	¥1,486.0	¥1,508.0	¥1,545.9	¥1,791.1	\$17,403
Operating income (loss) . . . . .	99.7	98.9	(184.8)	(299.4)	(95.8)	(931)
Net income (loss) . . . . .	41.8	28.7	(166.3)	(332.4)	(96.0)	(933)
	Millions of kWh					
Electricity sales volume . . . . .	83,392	87,474	85,352	83,787	84,450	
General demand . . . . .	60,985	63,636	61,408	60,173	60,827	
Large-scale industrial customers . . . . .	22,407	23,838	23,944	23,614	23,623	
	Billions of Yen					Millions of U.S. Dollars
At Year-end:						
Total assets . . . . .	¥4,054.1	¥4,185.4	¥4,428.0	¥4,526.5	¥4,549.8	\$44,207
Shareholders' equity* <sup>1</sup> . . . . .	1,071.7	1,062.4	870.3	539.6	475.5	4,620
Interest-bearing debt . . . . .	2,004.7	2,089.4	2,483.2	2,910.7	3,116.7	30,282
	Yen					U.S. Dollars
Per Share of Common Stock:						
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			
	%					
Financial Ratios:						
ROA* <sup>2</sup> . . . . .	1.6	1.5	(2.7)	(4.6)	(1.5)	
ROE* <sup>3</sup> . . . . .	3.9	2.7	(17.2)	(47.2)	(18.9)	
Equity ratio . . . . .	26.4	25.4	19.7	11.9	10.5	

(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.)

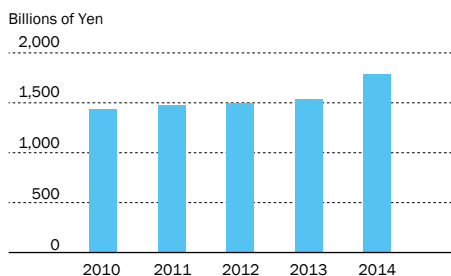
\*1 Shareholders' equity = Equity - Minority interests

\*2 ROA = After-tax operating income / Average total assets at beginning and ending of the fiscal year

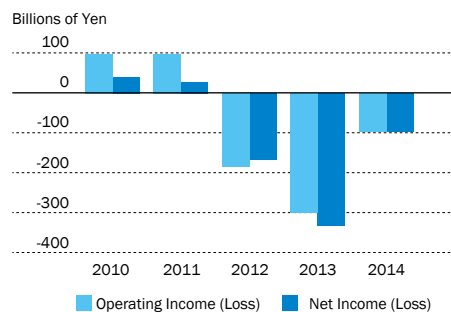
\*3 ROE = Net income / Average equity at beginning and ending of the fiscal year

\*4 Figures less than a billion yen are rounded down.

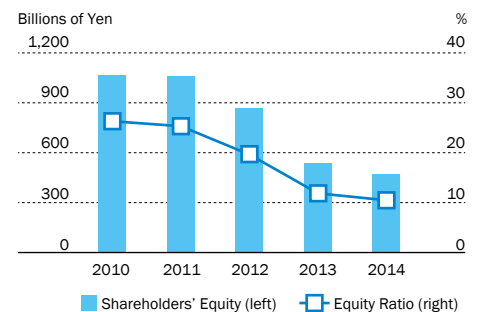
### Operating Revenues



### Operating Income (Loss)/ Net Income (Loss)

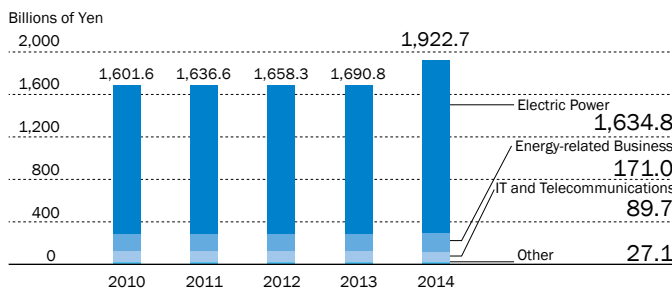


### Shareholders' Equity/ Equity Ratio

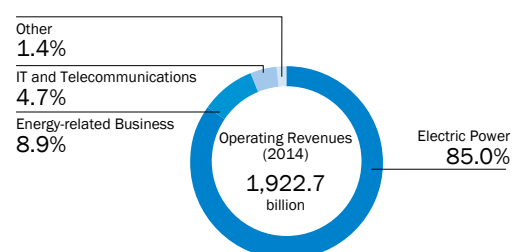


### Segment Information (Before Eliminating Internal Transactions)

#### Operating Revenues



#### Revenue Share by Segment



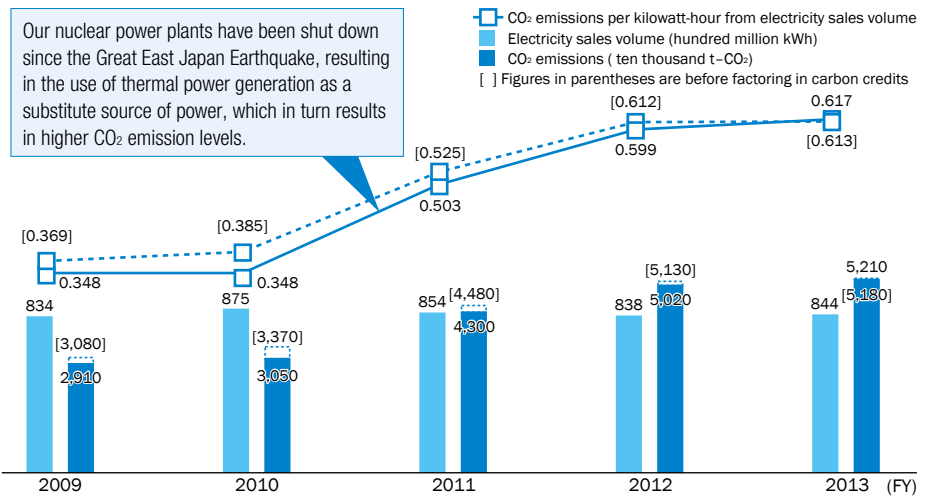
## Non-financial Information

### CO<sub>2</sub> Emissions

Kyushu Electric Power engages in measures to prevent global warming from both the supply side (activation of nuclear power generation, development and introduction of renewable energy, etc.) and as a user (our own efforts to conserve and reduce energy use, etc.).

\* "Reflecting credits, etc." refers to CO<sub>2</sub> emissions credit acquisition adjustments and adjustments associated with feed-in tariffs (FITs) for renewable energy sources or the Excess Electricity Purchasing Scheme for Photovoltaic Power. Kyushu Electric Power's FIT adjustments result in an increase in the CO<sub>2</sub> emissions value, and because in fiscal 2013 the increased emissions value associated with FIT adjustments was higher than the reduced CO<sub>2</sub> emissions value adjusted for CO<sub>2</sub> emissions credit, the value credits reflected is higher.

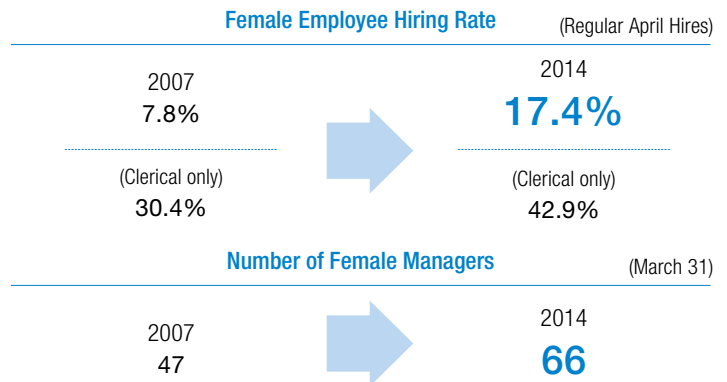
### CO<sub>2</sub> Emissions: CO<sub>2</sub> Emissions Intensity from Electricity Sales Volume



### Success of Diversity Initiatives

Kyushu Electric Power aims to enhance enterprise value through the concerted efforts of the entire organization. Therefore, we seek to build an active workforce free of gender- or age-based discrimination.

We have steadily expanded the range of career possibilities open to women by continuing to build on initiatives launched in fiscal 2007 that support career building by female employees and nurture a corporate culture conducive to innovation.



### PICK UP Kyushu Electric School of the Future: In support of the next generation

Kyushu Electric Power conducts a variety of programs throughout Kyushu aimed at providing children with places to meet up and learn about energy, the environment, culture and technology, to stimulate curiosity and enhance sensitivity.



**Eco-Mothers**  
Through our "Eco-Mothers" program, mothers from communities throughout Kyushu visit nursery schools and similar locations to conduct picture-story shows about environmental topics. Fiscal 2013 results: 250 visits with 18,717 participants



**School lectures**  
Through our school lecture program, Kyushu Electric Power employees visit elementary and middle schools to conduct lessons about energy. Fiscal 2013 results: 343 visits with 12,741 participants

Message from the Chairperson and the President

## Message from the Chairperson and the President



*M. Nuki*

Chairperson

*M. Uruu*

President



I would like to begin by expressing my gratitude to our shareholders and investors for their support.

As a result of all of our nuclear power plants remaining closed and the continuation of tight supply and demand conditions, as well as the rapid deterioration of our balance of revenues and expenses, and consequently our financial condition, we raised our rates, effective from April 2013. Despite the rate hike, our consolidated operating revenues for the year ended March 31, 2014, were marked by an ordinary loss of ¥131.4 billion and a net loss of ¥96 billion.

Taking such results into consideration, it is with deep regret that we must refrain from providing a dividend for fiscal 2013. We would like to offer our humblest apologies to our shareholders.

Our efforts to restart our nuclear power plants, which is a priority issue for us, included applying in July 2013 for permission for a change in reactor installation license at Sendai (Units 1 & 2) and Genkai (Units 3 & 4). Subsequently, in April and June 2014 we submitted supplements to our application, which pertain to items indicated in inspections of Sendai Units 1 & 2, to the Nuclear Regulation Authority. The authority on July 16 acknowledged and announced that the inspection proposal in the application is in line with the new regulatory standards. Next, a call was put out for scientific and technical opinions concerning the inspection proposal during the 30-day period from July 17 through August 15. We will continue to make an all-out companywide effort to deal with the national government's inspections of nuclear facilities, with the goal of restarting our reactors, including Genkai (Units 3 & 4), as soon as possible.

Given that we have posted a net loss for three consecutive fiscal years and that our equity ratio (non-consolidated) has fallen to 8.1%, in order to stabilize operations by increasing equity capital we deemed it necessary to issue 1,000 shares of Class A preferred stock for ¥100 billion to the Development Bank of Japan Inc. by way of third-party allotment, effective August 1, 2014.

Kyushu Electric Power will continue to do its utmost to make operations as efficient as possible while ensuring a stable supply of electric power. Furthermore, we aim to maintain public trust by responding directly to customer concerns about nuclear power safety and electricity rates.

We ask for the understanding and support of all our shareholders and investors as we move toward our goals.

August 2014

## Interview with the President



**We are continuing this fiscal year to make a concerted companywide effort to deal with the serious matter of restarting our nuclear reactors, to stabilize the supply and demand of power as well as our finances.**

**Michiaki Uriu**  
President

**Q** What are your general thoughts looking back on fiscal 2013?

**A** **It was a difficult year for everyone, and not one to be proud of.**

The tight supply and demand situation caused by the ongoing closure of all of our nuclear power plants as well as the deterioration of revenues and expenses and financial condition in fiscal 2013 created problems for our customers, shareholders and investors, so it was not a year of which we can be proud.

We have been continuously asking our customers to conserve power since the winter of 2011 to help deal with the power supply and demand tightness, and even though there were no preparations or numerical targets for planned blackouts in the winter or summer of fiscal 2013, this has nonetheless been a serious inconvenience for them. We took measures that sometimes appeared desperate, such as asking customers to conserve power, borrowing from other power companies and buying power on the market, and have persevered somehow by maintaining our ability to supply power.

We have responded to the rapid deterioration of revenues and expenses

and our financial condition by raising rates and implementing deep streamlining measures, but the cost of fuel for the thermal power that replaces the power generated by the nuclear plants, which have been closed longer than we expected, has risen. This has resulted not only in being in the red for three consecutive fiscal years, but also in an inability to pay dividends for two years in a row, for which I would like to offer my heartfelt apologies to our shareholders.

The only way to resolve the tight supply and demand situation and fix our financial condition is to restart the nuclear power plants. We applied in July 2013 for an inspection of Sendai (Units 1 & 2) and Genkai (Units 3 & 4) for compliance with the new regulatory standards, and have been handling conferences and hearings with the Nuclear Regulation Authority, as well as on-site inspections, with the utmost seriousness.

**Q** What is the background of the issuance of Class A preferred stock, and what is your stance concerning returns to regular shareholders?

**A** We issued ¥100 billion in preferred stock to underpin our finances. We are doing everything possible to improve revenues and expenses during the period to resume dividend payments as soon as we can.

Our company has experienced accelerating damage to shareholders' equity due to the posting of a net loss for the three consecutive years since fiscal 2011 as the shutdown of the nuclear plants has evolved into a long-term issue. Taking this into account, in order to fulfill our obligations as a responsible energy producer we determined that it is both necessary and appropriate to seek to increase equity capital as we secure the funds necessary to the stable supply of power by procuring funds that are capital in nature. Therefore, we have issued preferred stock by way of third-party allotment to the Development Bank of Japan.

The preferred stock in this instance cannot be transferred to common stock, and because it is so-called "corporate bond"-type preferred stock, which does not confer General Meeting of Shareholders voting rights, it does not cause dilution of common stock.

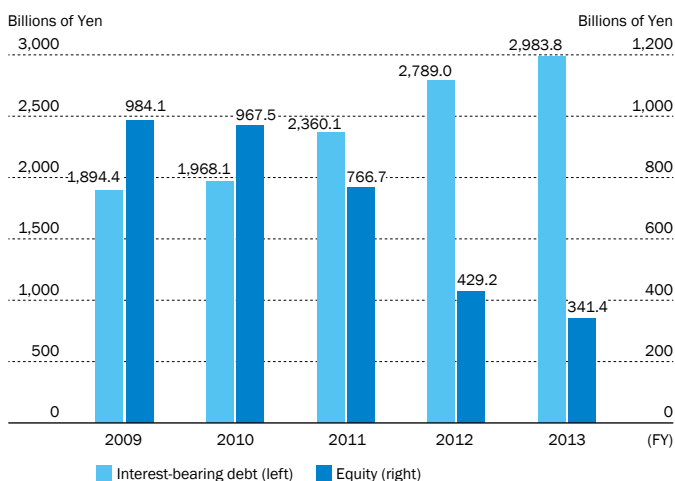
In addition, our basic policy of maintaining stable dividends has not changed, and we will make our determinations about future dividends based on considerations of the proper balance among our stakeholders in addition to revenue forecasts and our financial condition. From our perspective,

after having gone two consecutive fiscal years without offering a dividend we would like to return to offering dividends, even reduced dividends, as soon as possible. Our ability to do so depends first of all on rationalizing our operations and restarting our nuclear plants for better revenues and expenditures.

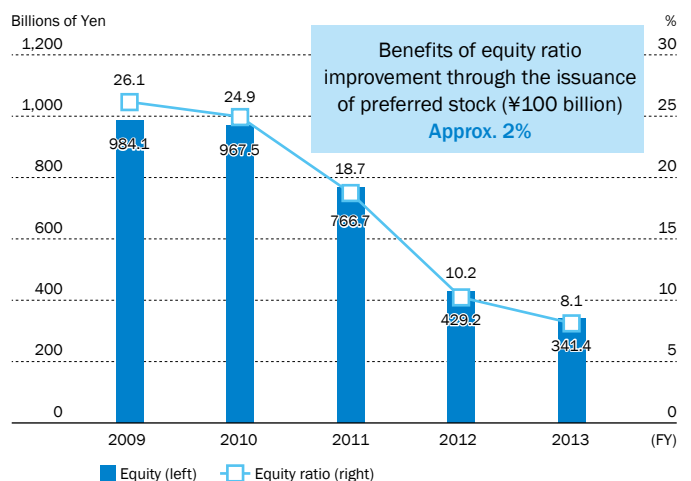
#### Outline of Issuance of Preferred Stock

1. Issuance date	August 1, 2014
2. Class and number of new shares issued	1,000 shares of Class A preferred stock
3. Issue price	¥100 million per share
4. Total amount of the issue price	¥100 billion
5. Preferred dividend	¥3.5 million per share
6. Way of offering	Third-party allotment to the Development Bank of Japan Inc.
7. Uses of proceeds	Proceeds planned to be used entirely for construction to enhance the safety of the Company's nuclear power plants

#### Interest-Bearing Debt and Equity (Nonconsolidated)



#### Equity and Equity Ratio (Nonconsolidated)



**Q** Kyushu Electric Power announced “Voluntary continuous nuclear power safety improvements”<sup>\*</sup> in June of this year. Please give us your thoughts as company president on renewed nuclear power safety improvements.

<sup>\*</sup> For details, please refer to the Special Report on safety efforts at nuclear power plants on page 16.

**A** **Nuclear power risk is our top operational priority, and we aim at always maintaining the world’s highest safety standards.**

We have always been aware of the risks of nuclear power, and have worked to assure its safety. Nevertheless, since the Fukushima incident even we have found it necessary to make greater preparations for the highly unpredictable occurrence of natural phenomena, and engage in nuclear power risk management with even greater awareness of the importance of improving nuclear power safety. Based upon this awareness, I have instructed our employees to proceed with efforts founded on the following four pillars of our Quality Directive:

- (1) Ongoing cultivation of a corporate culture in which nuclear power safety is the top priority;
- (2) Voluntary and continuous efforts to improve safety and reliability;
- (3) Fulfill our duty to inform the public by taking the initiative in providing information;
- (4) Create an organizational climate conducive to openness within Kyushu Electric Power and with our partners.

Everyone at Kyushu Electric Power, including myself, is aware that nuclear power safety efforts constitute a never-ending process. Through the accumulated effect of daily efforts to reduce risk engaged in autonomously and continuously by Kyushu Electric Power together with our partners, we will strive to earn the trust and ensure the ongoing peace of mind of our customers.





## Q What is the status of your streamlining efforts?

### A We are taking it to the limit as power professionals, narrowing operations down to the necessary and essential.

When we raised rates in the spring of 2013, we also embarked on streamlining efforts aimed at cutting costs by ¥140 billion.

Our nuclear plants remained shut in fiscal 2013, making our operations more difficult than ever before, so in addition to our constant streamlining efforts we are cutting costs on a limited short-term basis, for example by temporarily deferring maintenance and miscellaneous costs, and selling such assets as we can.

As a result, in addition to cuts, mainly those of a limited short-term basis, amounting to ¥110 billion, we have also cut other costs by ¥250 billion, and sold assets of around ¥70 billion.

[Examples of constant efforts]

- Control maintenance and facility investment costs through careful examination of the actual state and operation of individual equipment
- Review scope and details of subcontracting and cut miscellaneous costs by streamlining work overall
- Cut materials procurement costs by increasing competitive ordering and reviewing specifications and work methods

[Examples of limited short-term basis efforts]

- In principle, cease any items not immediately necessary to safety and legal compliance or business continuity, reducing the scope of maintenance costs and miscellaneous costs by reducing scope, halting, or postponing execution

In fiscal 2014, we will continue efforts to achieve the “three-year average of ¥140 billion in cuts” announced in April of last year.

As in fiscal 2013, we plan to continue with our sales of assets, reexamining from various perspectives any assets for which sales gains can be forecast.

Given that the prospects for restarting the nuclear power plants remain unclear, we will continue to engage in thorough streamlining efforts.

#### Status of Operational Streamlining Initiatives

(Billions of yen)

Item	Cost of Streamlining Factored into the Electricity rate costs <Fiscal 2013–2015 average>	Fiscal 2013 streamlining initiative results	Fiscal 2013 main initiatives
Maintenance costs	-32.0	-108.0	<ul style="list-style-type: none"> <li>• Lengthening of inspection cycle</li> <li>• Temporarily suspend, defer and scale back repair work</li> </ul>
Miscellaneous costs, etc.	-22.0	-67.0	<ul style="list-style-type: none"> <li>• Review scope and details of subcontracting</li> <li>• Suspend, defer and reduce costs, including expansion and development expenses, group fees, and research and development costs.</li> <li>• Introduce and expand competition for orders by materials and construction vendors</li> </ul>
Personnel costs	-48.0	-48.0	<ul style="list-style-type: none"> <li>• Cut executive compensation and lower remuneration standards</li> <li>• Reduce base pay, and cut annual bonuses to zero</li> <li>• Review benefit packages</li> <li>• Curb recruitment</li> </ul>
Demand–supply related costs (fuel costs, etc.)	-18.0	[-40.0]*	<ul style="list-style-type: none"> <li>• Reduce procurement costs for fuels such as LNG and coal</li> <li>• Actively purchase power on the power trading market</li> </ul>
Depreciation (capital expenditure)	-23.0	-22.0	<ul style="list-style-type: none"> <li>• Review of design standards and specifications</li> <li>• Temporarily suspend, defer and scale back construction</li> <li>• Introduce and expand competition for orders by materials and construction vendors</li> </ul>
Total [Including demand–supply related costs]	[-140.0]	-245.0 [-285.0]	

\* Calculated based on certain assumptions because no nuclear power was available in fiscal 2013, resulting in a supply and demand balance that varied greatly from projected electricity rate costs.

**Q** Although you have already announced the Fiscal 2014 Supply Plan, can you tell us more about your power source development ideas?

**A** We are looking into appropriate power source development that takes the national energy policy into consideration.

In addition to supply and demand trends, our power source development plan is formulated comprehensively, taking into consideration items such as energy security, global warming prevention, the state of existing facilities and the national energy policy.

The Basic Energy Plan set by the Cabinet Office in April 2014 indicates the importance of constructing a balanced supply system from the perspective of "S+3E" that does not depend excessively on any specific power or fuel source.

At the same time, although the Basic Energy Plan does not address in detail items such as the energy mix or the new construction/replacement of

nuclear power plants, it clearly states that "The government will commence examination of the prompt creation of a system that addresses the details indicated in the Basic Energy Plan," so we recognize that discussions are ongoing.

We will take the direction of discussions about energy mix or the new construction/replacement of nuclear power plants into consideration as we move forward, and look into how to proceed with appropriate power source development in light of factors such as the characteristics of each kind of power source and trends in fuels, economic feasibility, etc.

#### Actual Electricity Sales and Forecast

	FY	2012 (Actual)	2013 (Actual)	2014	2015	2016	2017	2018	2023	Annual average growth rate 2023/2012 (%)
	Electric power sold (100 million kWh)		838 (832)	846 (833)	837	844	847	854	861	896
Peak demand (10,000 kW)		1,481 (1,487)	1,583 (1,489)	1,502	1,512	1,522	1,535	1,547	1,610	0.8 (0.7)

Note1: ( ) is after compensation for air temperature and a leap day.

Note2: Peak demand is maximum three days average peak demand at transmission end during summer.

#### Power Plant

Class	Unit	Generating unit name	Output	Construction schedule	
				Commencement of construction	Commencement of commercial operation
Under construction	Hydro power	Shin-Kosa	7,200kW	May 2012	TBD
		Ryugudaki	200kW	May 2013	March 2015
	Thermal power (LNG)	Shin-Oita unit 3-4	480,000kW	July 2013	July 2016
	Thermal power (coal)	Matsuura unit 2*1	1,000,000kW	March 2001	June 2021*2
In preparation for construction	Hydro power	Shin-Naongawa	370kW	September 2014	June 2016
	Thermal power (Internal-Combustion engine power)	Toyotama unit 6*1	8,000kW		June 2018*2
	Nuclear	Sendai unit 3	1,590,000kW	TBD	TBD
	Geothermal	Otake	14,500kW [+2,000kW]	September 2017	December 2019

\*1. Matsuura unit 2 and Toyotama unit 6 are candidates of biddings with Guideline of Thermal Power Plant Bids.

\*2. For Matsuura unit 2 and Toyotama unit 6, supply commencement deadline in biddings is listed instead of actual commencement month of commercial operation.

**Q** You are taking bids for thermal power sources in this fiscal year. What is the background and details of this bidding?

**A** We are proceeding with renewal of our superannuated thermal plant to ensure the competitiveness of that power source.

Most of our thermal power plants are aging, particularly the roughly 3 million kW Kyushu mainland oil-burning plant, which will have been operation for 40 years at the end of fiscal 2020, and Tsushima internal combustion Units 11 (55,700 kW) and Central 5 (10,100 kW), which will be 50 years old at the end of fiscal 2018.

It will be necessary to proceed with the development of substitute power sources in stages, so during this fiscal year we will hold bidding for thermal power sources, as follows:

- A total of 1 million kW at Kyushu mainland, with supply commencing by the end of June 2021;
- For plants located on isolated islands, a total of 8,000 kW at Tsushima in Nagasaki Prefecture, to commence supplying power by the end of June 2018.

Currently, development of Matsuura Unit 2 of Kyushu mainland is ahead of schedule, while we are bidding ourselves for new development of Toyotama Unit 6 on the isolated island (Tsushima).

#### Status of Aging Thermal Power Facilities

Thermal-oil (Year)

		Start of operations	Permitted output (10,000 kW)	March 31, 2014	March 31, 2021
Sendai	1	July 1974	50	39	46
	2	September 1985	50	28	35
Buzen	1	December 1977	50	36	43
	2	June 1980	50	33	40
Ainoura	1	April 1973	37.5	40	47
	2	October 1976	50	37	44
Karita	New Unit 2	April 1972	37.5	41	48

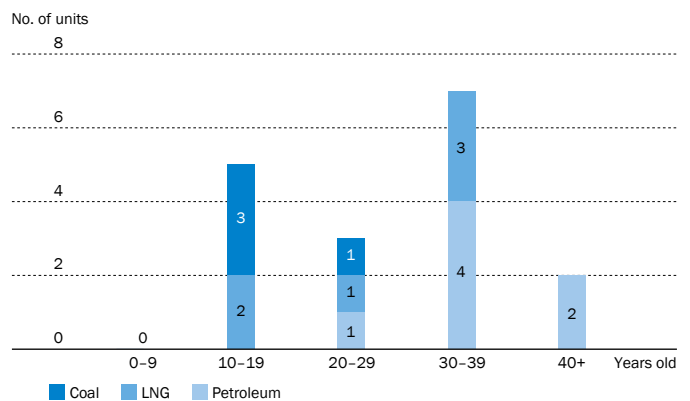
Thermal-LNG (Year)

		Start of operations	Permitted output (10,000 kW)	March 31, 2014	March 31, 2021
Shin Kokura	3	September 1978	60	35	42
	4	June 1979	60	34	41
	5	July 1983	60	30	37
Shin Oita	1	June 1991	69	22	29
	2	February 1995	87	19	26
	3	July 1998	73.5	15	22

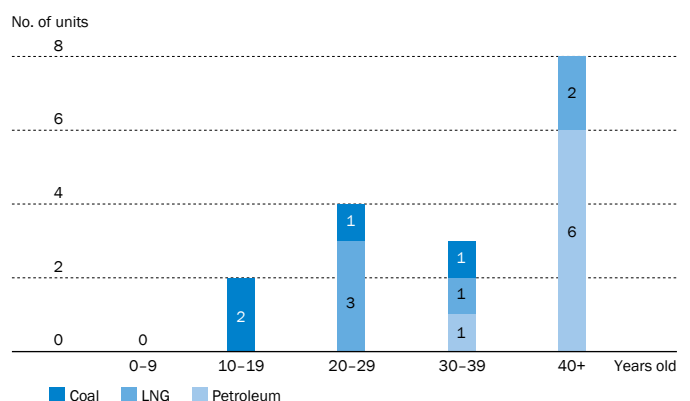
Thermal-coal (Year)

		Start of operations	Permitted output (10,000 kW)	March 31, 2014	March 31, 2021
Matsuura	1	June 1989	70	24	31
Reihoku	1	December 1995	70	18	25
	2	June 2003	70	10	17
Karita	New Unit 1	July 2001	36	12	19

#### Distribution of Aging Thermal Power Facilities (As Of End of Fiscal 2013)



#### Distribution of Aging Thermal Power Facilities (As Of End of Fiscal 2020)



**Q** Given that Japan is proceeding with reforms to the electric power system in a bid to become more competitive, what is your management strategy henceforth?

**A** **Our goal is to be a strong and supple company that customers trust and continue to choose.**

Electric power system reforms, including matters such as across-the-board liberalization of the retail sector, is currently being debated in Japan. While a detailed system design has yet to be determined, to put things succinctly there is no possibly of the management environment in which we operate returning to pre-Great East Japan Earthquake status. Faced with this situation, I would like us to become “a strong and supple company” that can remain a strong presence no matter what kind of management environment we are in.

“Enlighten Our Future,” which is the slogan of “Kyushu Electric Power’s Mission,” will remain our guiding principle even in the coming era. We will seek not only to supply stable electric power to our customers without fail, but will also be sensitive to their diverse energy needs to create value together with our customers, with the aim of being a trusted company that they continue to choose.

Therefore, the first important matter to address is to solidify our base in Kyushu. We will put our all into taking nuclear power plant safety to a new level, with the goal of restarting our nuclear plants as well as steadily reducing our cost structure by continuing to engage in streamlining. In addition, we will use the relationships we have built with customers and regions, and our strengths such as technical ability and know-how, to offer services spanning the entire energy spectrum.

Moreover, we are drawing up new growth strategies from the perspective of increasing profitability. We are actively developing renewable energy sources, such as geothermal, and building our power business overseas, mainly in Asia. We are examining the future shape of the Kyushu Electric Group as an energy services provider as we go beyond our previous boundaries to provide electrical power and other services to customers outside of Kyushu.





# Special Report 1: Safety Efforts at Nuclear Power Plants

## Voluntary and Ongoing Measures to Boost Nuclear Power Safety

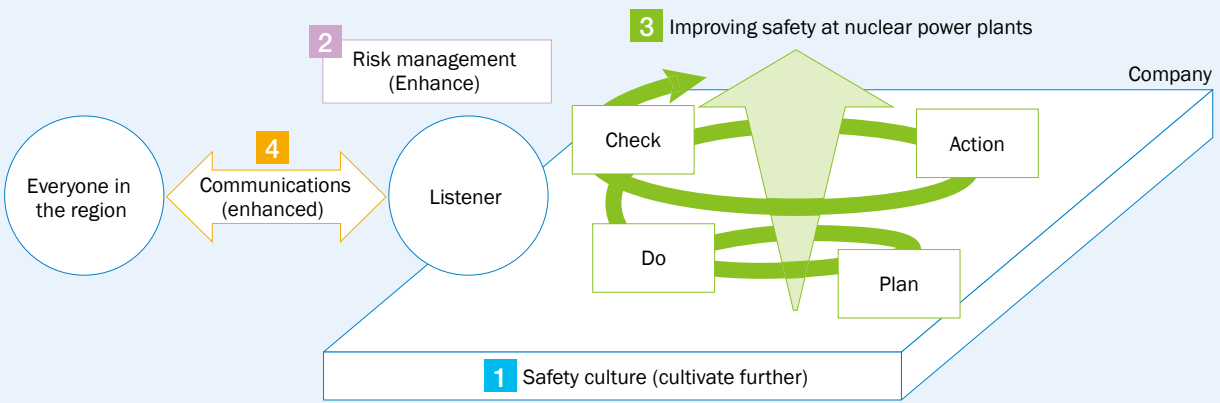
- We have always been aware of the risks of nuclear power, and have worked to assure its safety. Since the Great East Japan Earthquake, we have resolved never to allow an accident such as that which occurred at Fukushima, and are taking every possible measure to ensure the safety of our nuclear power plants. This includes adhering to the new regulatory standards.
- Minimizing the risks of nuclear power will continue to be our top operational priority, and we believe there is nothing more important than going beyond the regulatory requirements in taking continuous, voluntary measures to improve and enhance nuclear power safety.
- Therefore, we are implementing initiatives based on the risk governance framework directed by our top management, as follows.

- 1 Nurturing a culture of safety**  
Cultivate a culture of safety to serve as the foundation of our voluntary and continuous safety enhancement initiatives.
- 2 Strengthening risk management**  
Enhance safety by managing risk using the PDCA cycle.
- 3 Improving nuclear power plant safety**  
Repeat the PDCA cycle and employ “hard” and “soft” measures to improve nuclear power plant safety.
- 4 Fully communicating with everyone in local communities**  
Use communications to share information about the above initiatives with everyone in our local communities, listen to the opinions of everyone concerned and reflect those opinions in our efforts.



Our aim with these efforts is always to maintain the world’s highest safety standards.

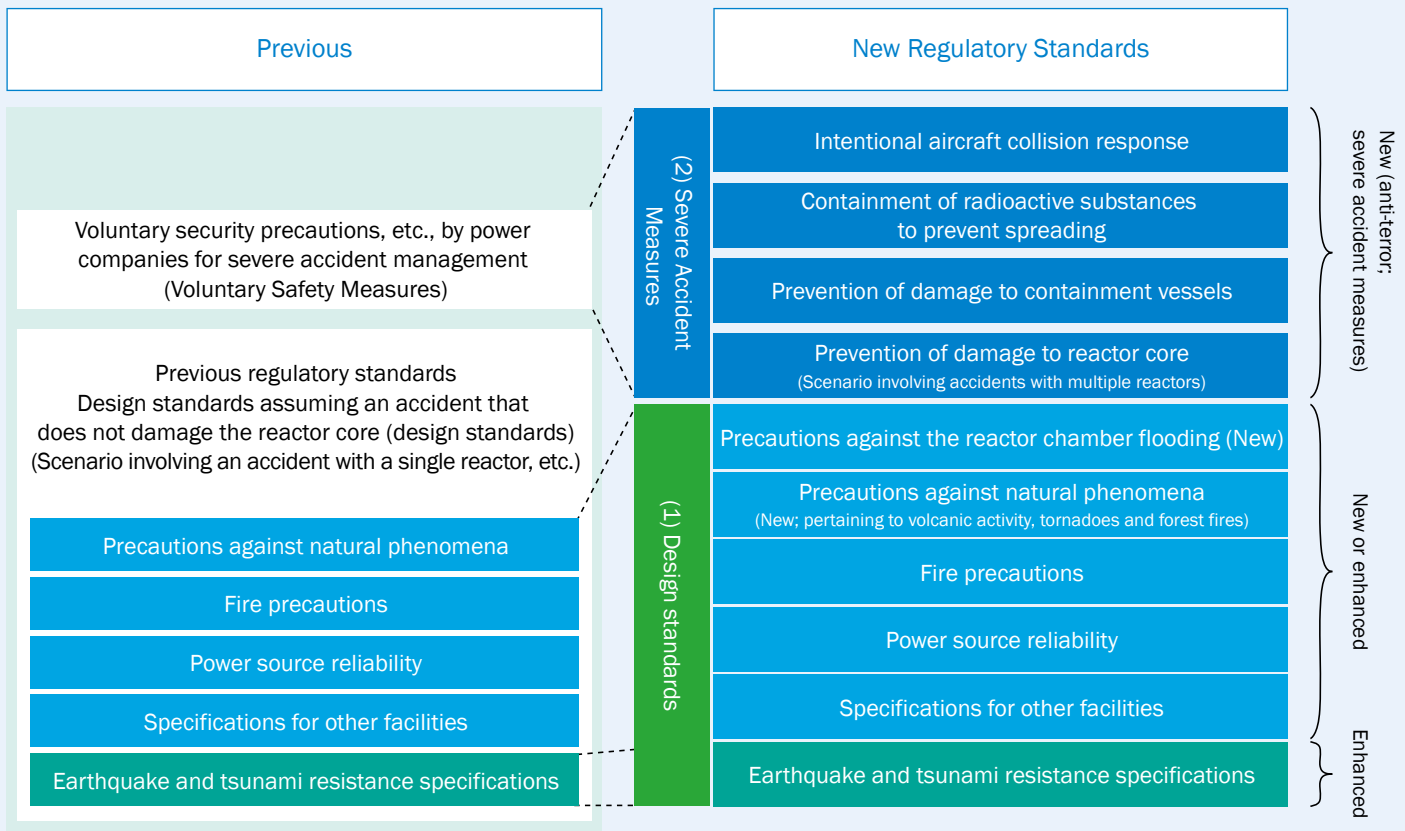
### Risk Governance Framework



## Kyushu Electric Power's Safety Measures: In Line with New Regulatory Standards

- Kyushu Electric Power applied in July 2013 to confirm that safety measures in place at Sendai (Units 1 & 2) and Genkai (Units 3 & 4) are in compliance with the new regulatory standards.
- Also, on April 30 and June 24 of 2014 we submitted supplements to our application for permission for a change in the reactor installation license pertaining to the compliance inspections performed up to now on Sendai Units 1 & 2 to the Nuclear Regulation Authority.
- The Nuclear Regulation Authority on July 16 acknowledged and announced that the inspection proposal in the application is in line with the new regulatory standards. Next, a call was put out for scientific and technical opinions concerning the inspection proposal during the 30-day period from July 17 through August 15.
- Kyushu Electric Power will voluntarily continue to employ "hard" and "soft" measures to improve safety, engaging in every possible measure to ensure the safety of our nuclear power plants.

### New Regulatory Standards Overview



## Response to New Standards (main efforts at the Sendai nuclear power plant)

### Standard Seismic Motion

▪ Safety evaluations are being conducted based on new understanding as a result of surveys of earthquakes and geological features covering a broad range of details [Earthquakes with specified epicenters at each site]

• Based on active fault evaluation by the Headquarters for Earthquake Research Promotion, it has been confirmed that there is no change in the Ss-1 standard seismic motion (540 gal).

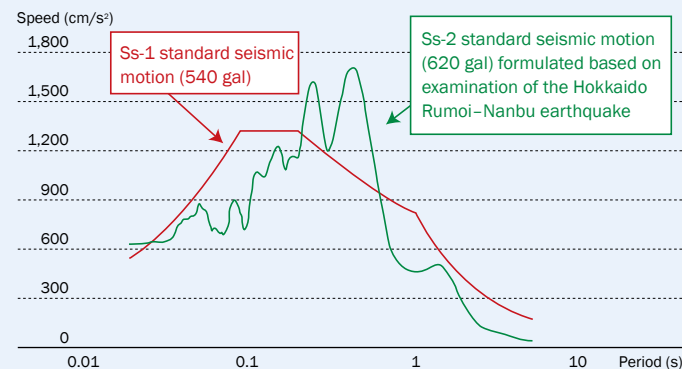
[Earthquakes with unspecified epicenters]

• Based on the results of examination of the Hokkaido Rumoi–Nanbu earthquake, a new standard seismic motion of Ss-2 (620 gal) has been added.

[Standard seismic motion used for mission-critical base-isolated structures]

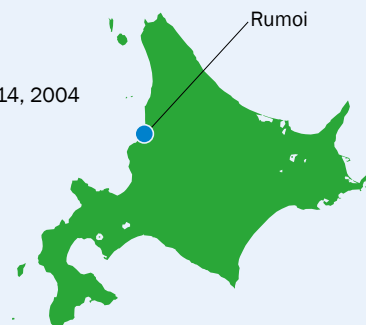
• The Ss-L (400 gal) standard seismic motion for use in anti-seismic designs for mission-critical base-isolated structures was added for use in creating base-isolated structures that can withstand a mild, drawn-out earthquake

### Standard Seismic Motion for the Sendai Nuclear Power Plant



### Outline of the Hokkaido Rumoi–Nanbu Earthquake

- Date: December 14, 2004
- Magnitude: Mw5.7



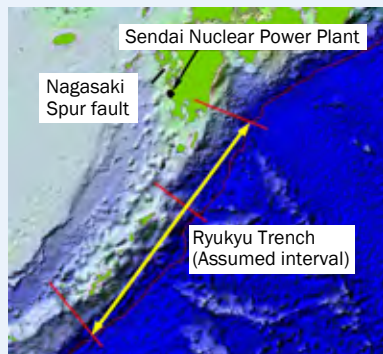
### Standard Tsunami

▪ Rather than assuming that our current store of knowledge and data is all there is, our safety evaluations are conducted from the perspective that something may occur that exceeds what is known.

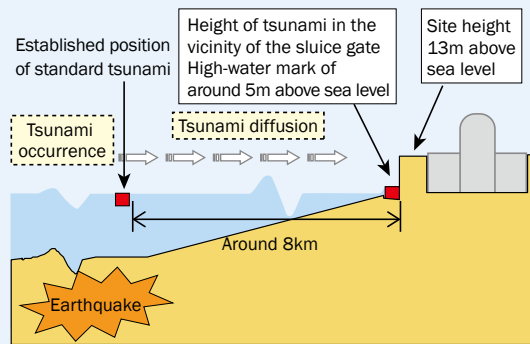
• The standard tsunami has been reevaluated to cover tsunamis stemming from an interplate earthquake (Mw 9.1) in the Ryukyu Trench, to a generator (in the vicinity of the sluice gate) maximum high-water mark of around 5m above sea level (at high tide).

\*The generator's maximum run-up height, taking into account the difference between land subsidence and the tide level, is around 6m above sea level.

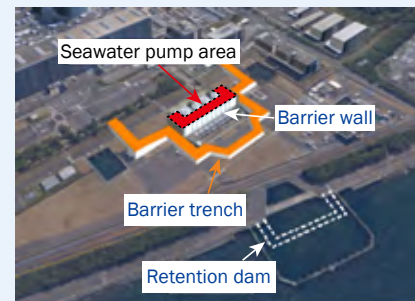
• A protective wall has been placed around the seawater pump area at 5m above sea level with a retention dam located in front of the sluice to allow the water to drain when the wave recedes as well.



Tsunami source assumed in tsunami evaluation



Outline of tsunami evaluation

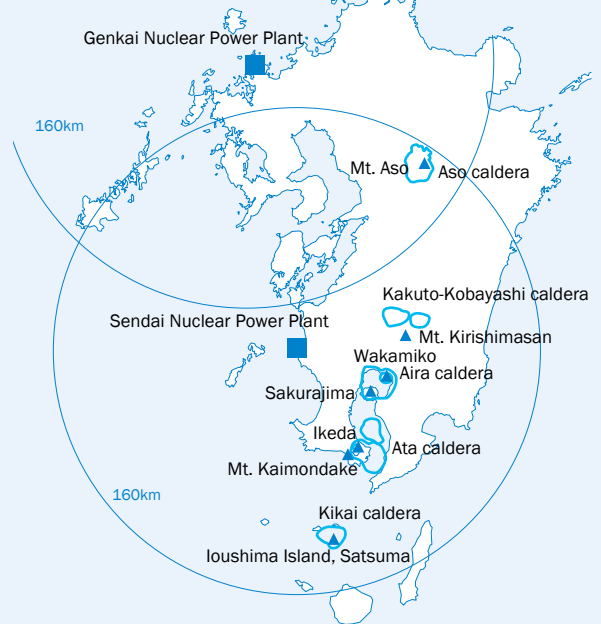


Seawater pump area waterproofing measures

### Evaluating Volcano Impact

- Calderas that were the sites of catastrophic eruptions in the past would be monitored.
- Regular monitoring of volcanoes for changes (diastrophism and seismic activity measurement data, collection and analysis of data released by public organizations)
- In the event of the possibility of a catastrophic eruption, the reactor would be shut down and fuel removed.
- Implementation of continuous efforts, such as the creation of an actual system by establishing a monitoring committee, and the gathering of input from experts.

### Volcanoes Monitored



## Serious Accident Response Measures (Main Efforts at the Sendai Nuclear Power Plant)

### Reactor Core Damage Prevention

- Measures are taken to cool the interior of the reactor through the use of portable injection pumps and mobile high-capacity pump trucks to prevent damage to the fuel (core) in the reactor.



Mobile high-capacity pump truck

### Prevention of Damage to Containment Vessels

- Measures are taken to cool and decompress the container vessel through the use of portable injection pumps and other equipment, to prevent hydrogen explosions and damage to the containment vessel that encapsulates the radioactive substances.

### Containing the Spread of Radioactive Substances

- Measures are taken to contain the spread of radioactive substances into the atmosphere, for example if the containment vessel is damaged.



Discharge test using a water cannon

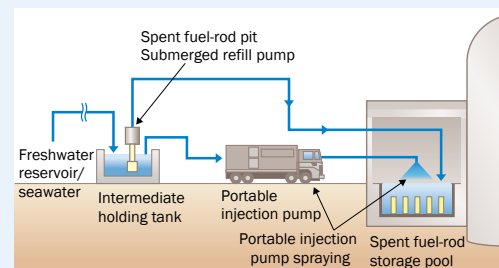
### Power Source Support Functions

- Diversify of power supply options.

Mobile high-capacity generator  
(alternate current)

### Spent Fuel-Rod Storage Pool Cooling

- Measures are taken that employ submerged pumps to cool the spent fuel-rod storage pool and prevent damage to fuel rods.



### Establishment of Emergency Response Posts for Maintaining Functions as an On-Site Command Center

- Established substitute emergency response posts.
- Establish mission-critical anti-seismic building (fiscal 2015).



Substitute emergency response post



## Interview with the Chief of the Sendai Nuclear Power Plant

Everyone at the plant is working as one on safety measures and drills to bring about a restart of operations.

**Q. How is the atmosphere at the plant, and what sort of efforts will you be engaging in from now on?**

**A.** The Nuclear Regulation Authority announced the Sendai nuclear power plant's draft inspection record, and while that has increased our motivation toward getting the plan restarted, we also feel a lot of pressure.

We feel a sense of tension as we work to implement the safety measures in the new regulatory standards at the plant. Everyone at the plant and in our partner companies is making safety their top priority, and we are giving our all in a unified effort as we make our preparations.

Repeated drilling is vital to ensuring that from now on each of us sticks to his post and responds appropriately at all times, no matter what.

**Q. As plant chief, what is foremost in your mind?**

**A.** I think that no matter what we do to shore up the facility itself, the most important thing is the ability of our people, by which I mean the intuition that comes from using all one's senses. Our people must watch, pay close attention, and remain aware so as not to let any changes escape their attention.

There are many people working at the nuclear power plant, including those from our partner companies. I believe that communications, by which each person speaks his mind and pays heed to the thoughts of his associates, are important to each of us understanding co-workers, connecting with them, and performing as a member of the organization.

I myself tour the site daily, including the business offices, and do my best to foster opportunities for communications so I can get to know everyone at the plant as an individual and get a sense of what they are like.



**Nobuhiko Fujiwara**

Executive Officer

General Manager of Sendai Nuclear Power Plant

### Conducting Drills in Conjunction with the National and Local Government

The first national government-sponsored nuclear power emergency drill, which was based on a new disaster prevention framework created to reflect the lessons learned through the Fukushima Unit 1 accident, was held in October of last year.



Drills at the Sendai nuclear power emergency response posts

(Collaboration through teleconferencing with the Prime Minister's official residence and others)

### Communications Program

We are engaging in a face-to-face communications program involving visits to provide explanations and power plant tours throughout Kyushu to improve understanding of the safety measures implemented at our nuclear power plants. We will strive to disseminate information appropriately and accurately in order to maintain close ties with national and related government bodies, as well as affiliated institutions.

#### Results of our Communications Program (Throughout Kyushu)

	Visits	Explanatory meetings	Power plant tours	Total
FY2013	Approx. 33,000	Approx. 39,000	Approx. 9,000	Approx. 81,000
FY2012	Approx. 23,700	Approx. 28,800	Approx. 10,500	Approx. 63,000

(People)

Special  
Report 2:Active Development and Introduction of  
Renewable Energy

## Status of Renewable Energy Introduction

- Kyushu Electric Power is actively developing and introducing renewable energy, such as solar, wind, biomass, hydro and geothermal, which are effective domestic power sources that also help to prevent global warming.
- Since the inception of the feed-in tariff power purchase and sales system in July 2012, solar power has shown particularly rapid growth. The result of our efforts to introduce solar power through March 2014 has been a total expansion of 1.92 million kW to a total of 2.72 kW, or 3.4 times the amount being generated at the time the system commenced. Wind power has reached 0.43 million kW, for a solar/wind power total of 3.15 million kW.
- With regard to the large-scale introduction of solar and wind power, going forward we will continue working to develop technologies related to grid stabilization to ensure that we supply high-quality electricity with stable voltage and frequency.

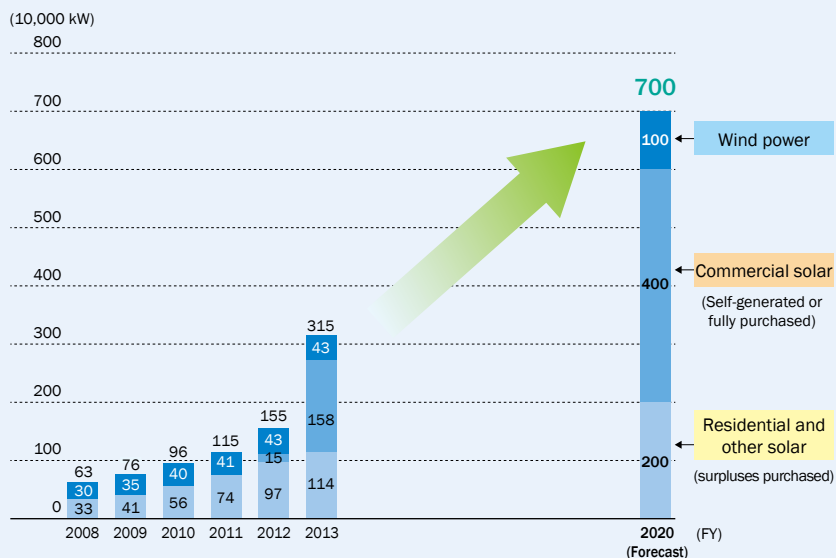
## Volume of Renewable Energy Provided

	FY2011		FY2012		FY2013	
	Combined capacity for all facilities (10,000 kW)	Power volume (100 million kWh)	Combined capacity for all facilities (10,000 kW)	Power volume (100 million kWh)	Combined capacity for all facilities (10,000 kW)	Power volume (100 million kWh)
Solar	74	4	112	7	272	19
Wind	41	7	43	7	43	7
Hydro (excluding from pumped hydroelectric storage)	184	59	184	62	184	48
Geothermal	21	14	21	14	21	14
Biomass, etc	25	6	20	6	21	4
Total	345	89	379	95	541	92

(Note 1) Figures for combined capacity for all facilities are as of the end of each fiscal year.

(Note 2) Totals may not match exactly because figures have been rounded.

## Forecasts and Results for Solar and Wind Power Introduction



## Sasebo Mega-Solar Power Plant (10,000 kW)



Installed at the site of the former Ainoura power plant in the city of Sasebo, Nagasaki Prefecture, the Mega-Solar Power Plant commenced operations in March 2014.  
Note: Operated by Kyuden Mirai Energy, a Kyushu Electric Power Group company.

## New Group Company: Kyuden Mirai Energy

- Kyuden Mirai Energy was formed in July 2014 as a new company aggregating the Kyushu Electric Power Renewable Energy Department and the renewable energy (“renewables”) business of our Group companies to promote renewables development and provide one-stop service that meets our customers’ diverse renewables needs.

### Interview with the CEO of Kyuden Mirai Energy

We will collaborate as a responsible operator with Kyushu Electric Power to increase the use of renewables in regional communities.

#### Q. What is the aim of concentrating the renewables business functions in a Group company rather than in Kyushu Electric Power itself?

A. By having a Group company specialize in renewables development, we can provide one-stop service that meets our customers’ renewables needs quickly and flexibly. Aggregating the renewables business conducted by individual Group companies can also provide for more efficient operations. Also, by maximizing the reinvestment of revenues using feed-in tariffs for renewable energy sources we can further spread the use of renewables.

#### Q. What are the strengths and characteristics of the new company?

A. We possess the technology and know-how to execute everything from renewables testing and planning through construction and operational control, and can develop power business associated with a wide variety of renewables (solar, wind, geothermal, biomass and hydro). Another of our strengths lies in our ability to provide related services, including a full range of contracting services for other power generation businesses and onsite power generation business at factories and other locations.

#### Q. What is your growth strategy?

A. In consideration of future market attractiveness and full exploitation of the know-how currently possessed by the Kyushu Electric Power Group, we are making solar, wind, and geothermal our priority strategic businesses, and by developing business overseas as well as outside Kyushu region our goal is to grow to seven times our current level by the 10th year since our founding, to the provision of 700,000 kW.



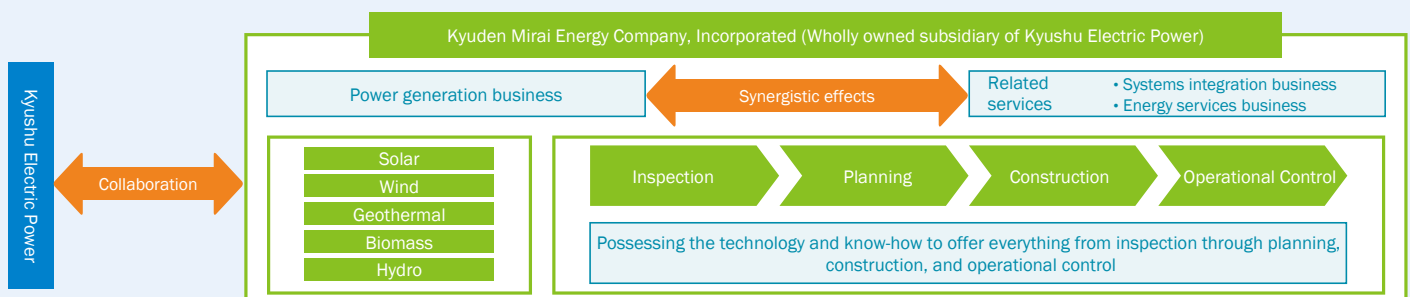
Yasuji Akiyama, President & CEO  
Kyuden Mirai Energy Company, Incorporated

[Overview of the new company]

- Company name: Kyuden Mirai Energy Company, Incorporated
- Capital: ¥645,450 thousand
- Capital interest ratio: Kyushu Electric Power Co., Ltd. 100%
- Established: July 1, 2014
- President & CEO: Yasuji Akiyama
- Employees at time of establishment: 96

\* Established as an aggregation of the renewable energy operations of the Kyushu Electric Power Renewable Energy Department, Nishinippon Environmental Energy Co., Inc. and Kyuden Ecosol Co., Ltd.

### Business Outline



# Management Base

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- 29 Board of Directors and Auditors



## Corporate Governance

### Basic Stance on Corporate Governance

Based on a corporate governance structure centered on the Board of Directors and the Board of Corporate Auditors, we work to strengthen management oversight functions by appointing highly independent external directors, while heightening the effectiveness of audits by fostering close cooperation between the corporate auditors and internal auditing bodies. Furthermore, we have clearly defined the oversight and executive roles of directors and executive officers, while striving to rigorously enforce compliance management. At the same time, we have developed a basic policy on the formation of a system to ensure proper business operations (basic internal control policy), as we strive to continuously improve the internal control system.

### Board of Directors

In principle, the Board of Directors meets monthly or as otherwise necessary to decide on important corporate management matters and monitor implementation. In the fiscal year ended March 31, 2014, the Board of Directors met 18 times. In order to heighten the effectiveness of its oversight functions, the Board of Directors receives advice from standpoints independent of the Company, such as by appointing external directors.

Moreover, the Corporate Management Committee, which is made up of the president, executive vice president, the senior managing executive officers, the managing executive officers and other members, considers matters requiring further discussion before the Board of Directors makes decisions and decides on important executive issues. In the fiscal year ended March 31, 2014, the committee met 40 times.

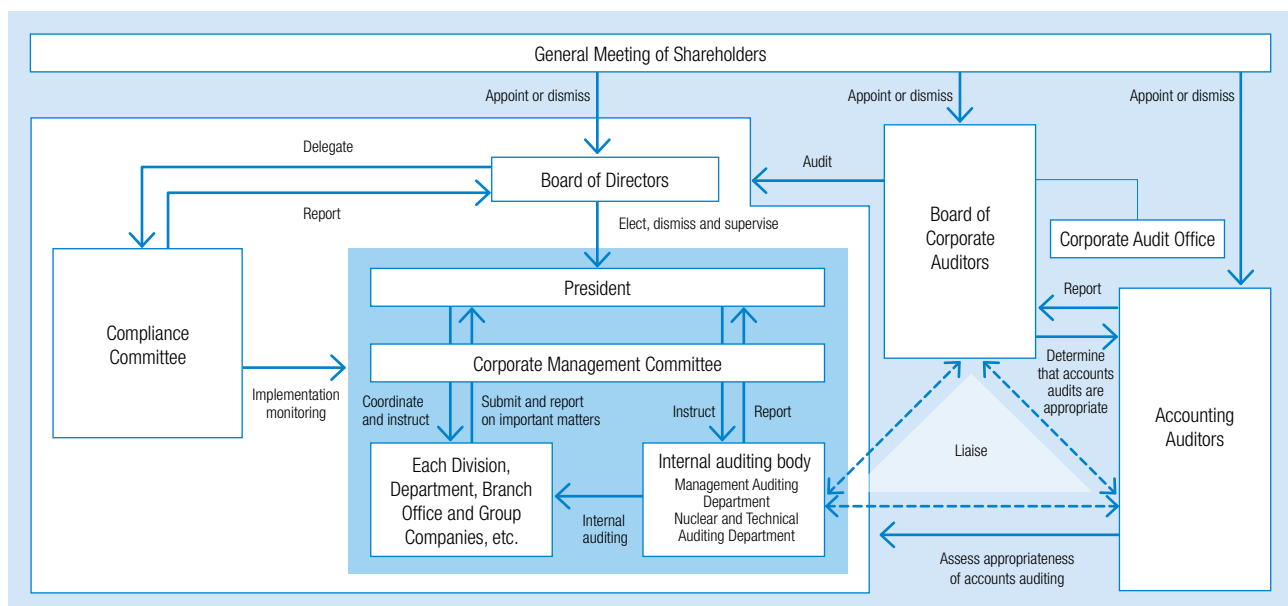
Furthermore, each division and branch office has an executive officer to accelerate decision-making and streamline operations.

### Board of Corporate Auditors

In principle, the Board of Corporate Auditors meets monthly or as otherwise necessary to debate on and make resolutions about reports on important matters relating to audits stipulated in laws and ordinances and the articles of incorporation. In the fiscal year ended March 31, 2014, the Board of Corporate Auditors met 16 times. Corporate auditors attend important gatherings, including those of the Board of Directors. They conduct hearings for all divisions, consolidated subsidiaries, and other business units, and otherwise conduct overall audits of the work of directors and executive officers.

Furthermore, the Corporate Audit Office, which has 12 members, assists the corporate auditors as a specialist organizational body.

### Corporate Governance Structure



### External Directors and External Corporate Auditors

When appointing external directors or external corporate auditors, the Company refers to the Tokyo Stock Exchange's evaluation standards regarding the independence of directors and corporate auditors. Moreover, the Company has designated its one external director and three external corporate auditors as an independent director and independent corporate auditors, respectively, judging that these individuals will offer objective and neutral opinions about the Company's business based on their experience and insight.

The external director attends meetings of the Board of Directors and expresses an opinion as necessary on agenda items based on the individual's experience and insight. This external director also expresses opinions regarding management issues at meetings other than the Board of Directors such as the Corporate Management Committee.

The external corporate auditors attend meetings of the Board of Directors, where they offer opinions as necessary on agenda items based on their experience and insight. They also attend meetings of the Board of Corporate Auditors to help formulate audit plans, as well as receive reports from the accounting auditors and the internal auditing body regarding audit results.

### Internal Auditing

We have set up an internal auditing body (Management Auditing Department, 23 staff members) that functions objectively, ensuring that operations are proper and helping to improve management efficiency. The division audits compliance and business operations at all divisions and branch offices.

Moreover, staff from a separate specialist internal auditing body (Nuclear and Technical Auditing Department, 12 staff members) audit the quality assurance systems in place to monitor safety initiatives at nuclear and thermal power stations and other important facilities, and the status of operations based on these.

### Accounting Auditors

The certified public accountants that audited the Company's accounts belong to Deloitte Touche Tohmatsu LLC.

The internal auditing body, corporate auditors and accounting auditors work to improve and enhance audit functions through close cooperation on formulating audit plans and reporting audit results.

### Financial Reporting

The Company properly operates internal controls governing financial reporting and establishes systems to make corrections as necessary. At the same time, the Company's Financial Reporting Disclosure Committee, which is chaired by the president and consists of management executives, works to ensure the appropriateness of financial reporting.

### Information Management

The Company properly stores and manages documents stipulated by laws and regulations such as minutes of Board of Directors meetings, as well as other documents concerning important decision-making matters. To this end, the Company assigns responsibility for document management to appropriate departments based on internal rules. At the same time, the Company works to ensure the security of information concerning the execution of duties as necessary, based on basic policies and rules concerning information security.

### Risk Management

Based on our risk management rules, we identify, categorize and assess risks, clarifying material Company-wide and business threats. Each division and business office produces contingency plans to manage clear general and specific risks.

Furthermore, we have established rules for a response structure and procedures to quickly and properly address situations where the materialization of a risk may lead to an emergency, loss of public trust, or other situations that could have a significant impact on Company operations and society. This includes enhancing and strengthening our crisis management system to minimize the impact on the Company and society. We also regularly conduct drills.

In addition, we hold a Risk and Crisis Management Countermeasures Meeting that prepares all possible responses to a crisis, comprising both prevention countermeasures to be implemented in advance and also responses for when a crisis actually occurs. If a crisis does occur, the meeting also mobilizes company-wide functions and capabilities to implement an appropriate response.



## CSR Management

We are building a CSR management cycle that reflects feedback from all of our stakeholders, including customers, shareholders and investors, in our management and operations.

### CSR Promotion Committee

Our CSR promotion efforts include bolstering our CSR initiatives through the appointment of a director to oversee our CSR management structure and the establishment of the CSR Promotion Committee, which is chaired by the president and formulates our CSR Action Plan.

#### Overview of the CSR Promotion Committee (as of June 2014)

[Role] Deliberation of direction and planning of CSR efforts  
 [Structure] Committee Chairman: President  
 Vice Chairman: Executive Vice President in charge of CSR or Executive Officer  
 Committee members: Primarily Executive Vice President, Directors, Senior Managing Executive Officer, Managing Executive Officers (appointed by the chairman)  
 In attendance: Senior Corporate Auditor  
 [Convened] Twice annually in principle

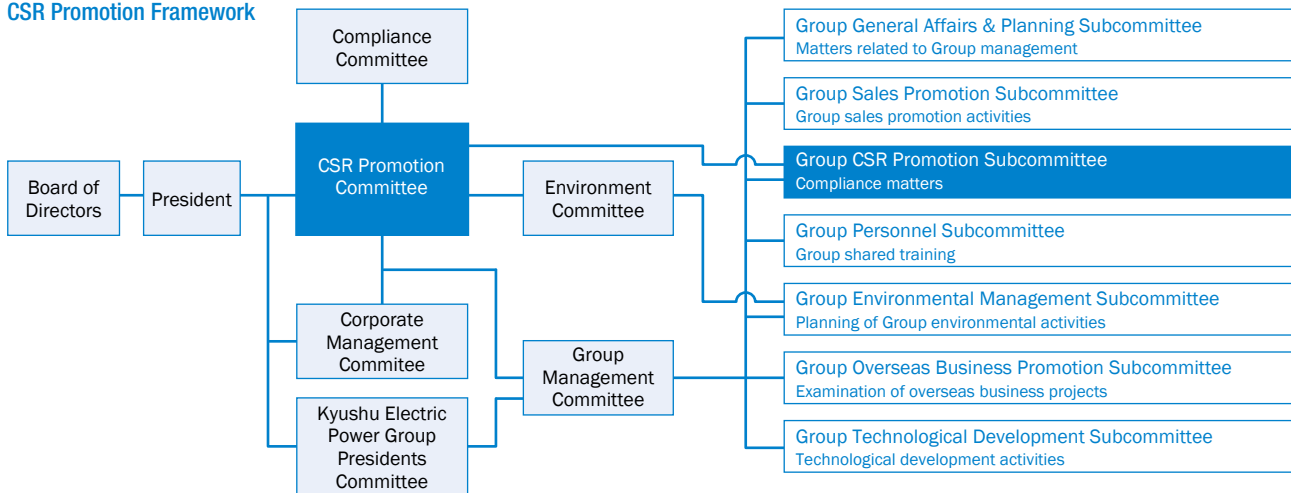
### Group CSR Promotion Subcommittee

We established this body to foster groupwide CSR efforts and implement plan-do-check-act (PDCA) initiatives for our CSR action plans.

#### Overview of the Group CSR Promotion Subcommittee (as of June 2014)

[Roles]  
 • Establish a groupwide CSR management cycle  
 • Ensure penetration of compliance measures at Group companies  
 [Structure] Sub-committee chairman: General Manager of District Symbiosis Division (in charge of General Affairs), Kyushu Electric Power  
 Vice Subcommittee Chairman: General Manager of District Symbiosis Division (in charge of Legal Affairs), Kyushu Electric Power  
 Constituent companies: 52  
 [Convened] Twice annually in principle

### CSR Promotion Framework



## Compliance Management Promotion

We are strengthening our compliance promotion structure and seeking to enhance employee consciousness so that everyone in the Group is of one mind concerning compliance, including as it pertains to the matter of employees posing as members of the public to give opinions at meetings.

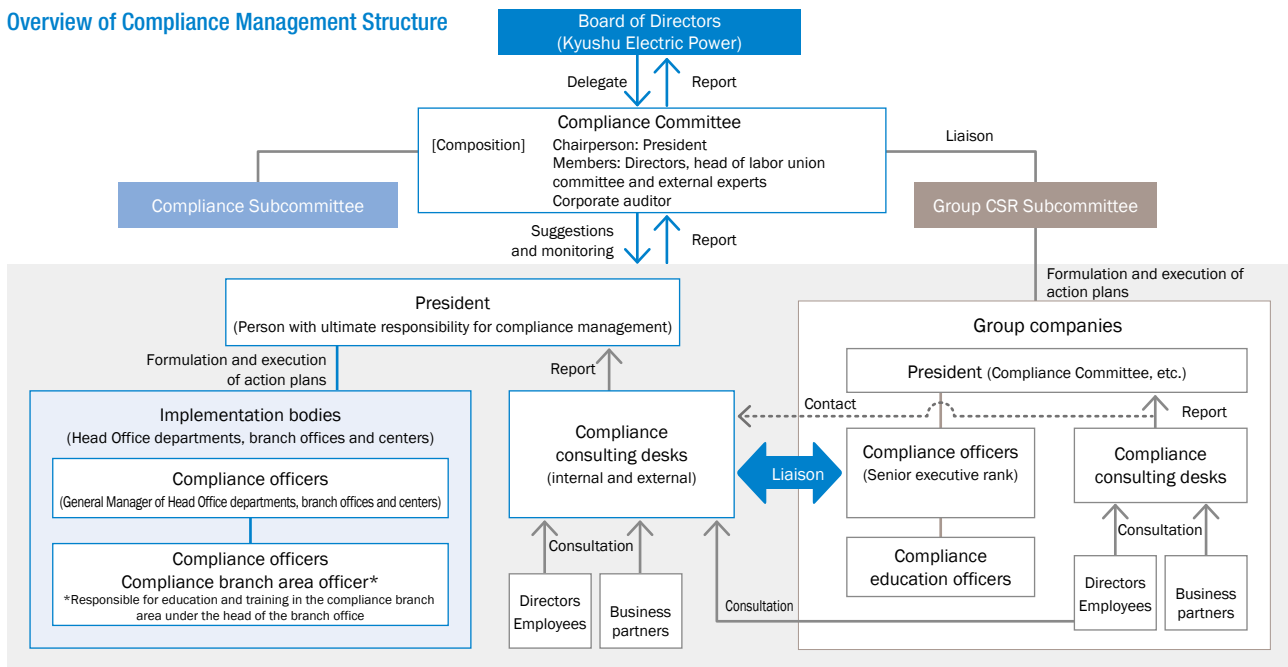
### The Compliance Management Promotion Framework

Kyushu Electric Power has established a Compliance Committee chaired by the president. Under the Compliance Committee, there are implementation bodies led by compliance officers. The Compliance Committee formulates

and executes policies, and has established structures including internal and external consultation desks, and promotes compliance management.

We also engage in unified Group compliance promotion efforts centered on the Group CSR Compliance Subcommittee.

### Overview of Compliance Management Structure



### Compliance Committee

Kyushu Electric Power established a Compliance Committee in October 2002 under the supervision of the Board of Directors. The committee regularly offers advice and monitoring of compliance, and in the event of the occurrence of improprieties of major social impact seeks the opinions of experts from outside the Company.

### Compliance Consulting Desks

Kyushu Electric Power established Compliance Consulting Desks in February 2003 for the prevention and early detection of legal infractions and breaches of corporate ethics. We have additionally improved our consultation structure by maintaining a consulting desk at a law firm outside the Company since April 2005.

### Major Deliberations and Reporting in Fiscal 2013

- Summary of circumstances of the scandal and preventative measures
- Issues concerning compliance promotion and future efforts
- Operational status of the Compliance Consulting Desks
- Results of consciousness survey based on questionnaire of Kyushu Electric Power Group employees

## Promotion of Environmental Management

The Kyushu Electric Power Group is unified in its efforts to promote environmental management that encompasses both business and environmental efforts to contribute to the building of a sustainable society.

### Kyushu Electric Power Group Environmental Charter

We have established the Kyushu Electric Power Group Environmental Charter to clearly establish the Group's unified approach to environmental management.

#### Kyushu Electric Power Group Environmental Charter

##### Aiming for Environmentally Friendly Business

The Kyushu Electric Power Group seeks to create a sustainable society, and is engaging in efforts to preserve the global environment and exist in harmony with local communities.

1. We will strive to take appropriate measures concerning local environmental issues and use resources effectively as we conduct business that looks toward the future.
2. We will exist in harmony with society and conduct environmental efforts aimed at maintaining a healthy environment in our communities.
3. We will seek to maintain a sound consciousness concerning environmental conservation, with the aim of maintaining the trust of our customers in our Group.
4. We will actively disclose environmental information, and promote communications with the public.

Established in April 2008

### The Kyushu Electric Power Group Environmental Action Plan

The Kyushu Electric Power Group Environmental Action Plan sets a course for environmental action based on five core initiatives involving efforts to solve global environmental issues, efforts to create a recycling society, global conservation efforts, harmony with society, and promoting environmental management. It presents a concrete plan for environmental action and sets environmental targets.

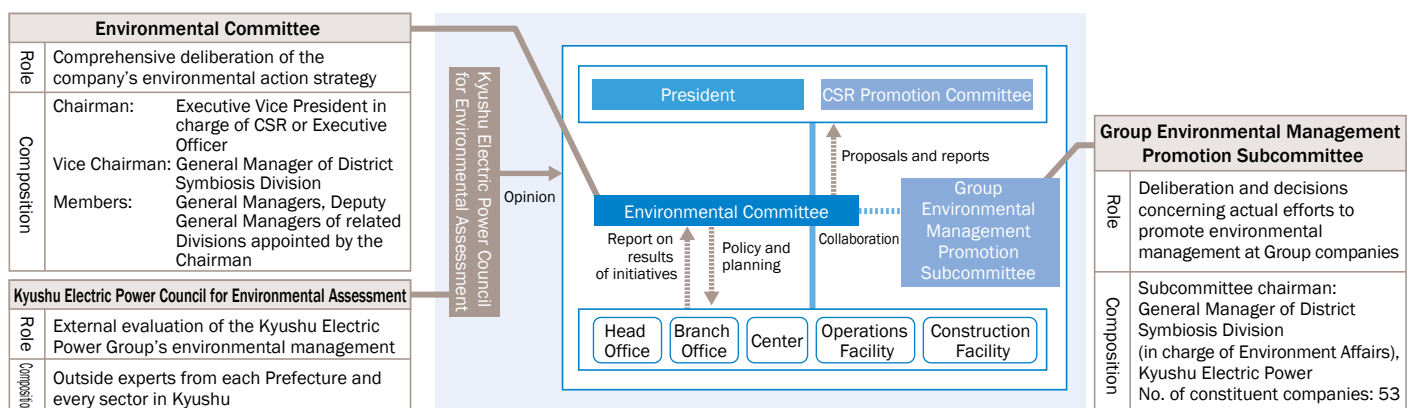
#### Environmental Action Plan



### Promotion Structure

We are building a promotion structure that is both directly connected to management and evaluated by outside experts.

#### Environmental Management Promotion Structure (As of March 2014)





## Board of Directors and Auditors



Masayoshi Nuki  
Chairperson



Michiaki Uriu  
President



Haruyoshi Yamamoto  
Executive Vice President



Masanao Chinzei  
Executive Vice President



Toru Yoshizako  
Executive Vice President



Naofumi Satou  
Executive Vice President

### Chairperson

Masayoshi Nuki

### President

Michiaki Uriu

### Executive Vice Presidents

Haruyoshi Yamamoto

Masanao Chinzei

Toru Yoshizako

Naofumi Satou

### Directors

Tomoyuki Aramaki

Soujuu Hirata

Hiroshi Oshima

Kazuhiro Izaki

Hideomi Yakushinji

Yuuzo Sasaki

Akiyoshi Watanabe  
(External Director)

### Senior Corporate Auditor

Shigeru Matsui

### Corporate Auditors

Tsuyoshi Ono

Toshiaki Hirano

Toshifumi Yada  
(External Corporate Auditor)

Yoshio Utsumi  
(External Corporate Auditor)

Fumiko Furusho  
(External Corporate Auditor)

# Financial Information

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## Consolidated Eleven-year Financial Summary

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

For the Year:	Millions of Yen					
	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

Per Share of Common Stock:	Yen					
	2004	2005	2006	2007	2008	2009
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					
	2004	2005	2006	2007	2008	2009
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.

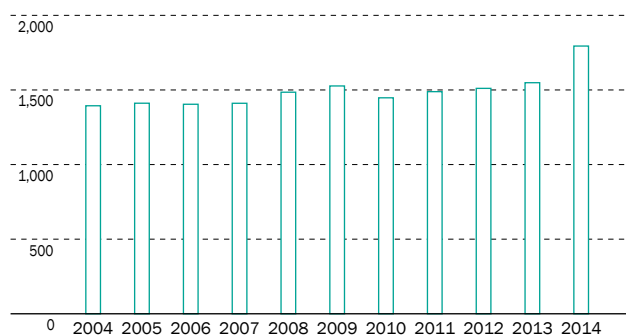
For the Year:	Millions of Yen					Thousands of
	2010	2011	2012	2013	2014	U.S. Dollars
Operating revenues . . . . .	¥1,444,941	¥1,486,083	¥1,508,084	¥1,545,919	¥1,791,152	\$17,403,352
Electric. . . . .	1,310,085	1,354,204	1,367,610	1,406,218	1,633,023	15,866,925
Other . . . . .	134,856	131,878	140,474	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					U.S. Dollars
	Basic net income (loss) . . . . .	¥88.38	¥60.73	¥(351.80)	¥(702.98)	¥(203.19)
Cash dividends applicable to the year . . . . .	60.00	60.00	50.00			

At Year-End:	Millions of Yen					Thousands of
	2010	2011	2012	2013	2014	U.S. Dollars
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

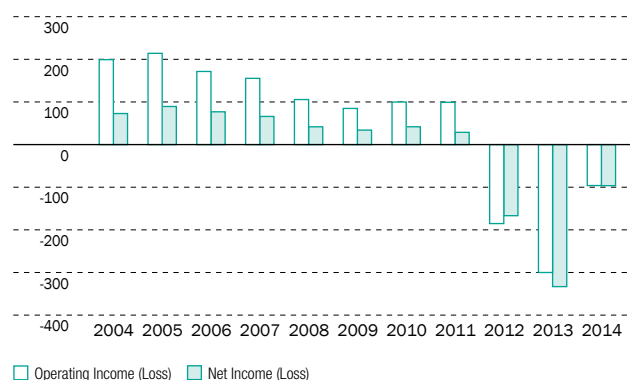
### Operating Revenues

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

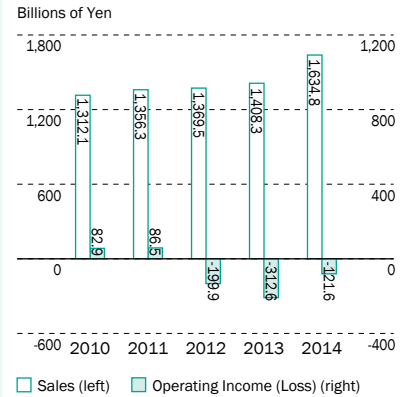
#### (Before Elimination of Internal Transactions)

##### (1) Electric Power

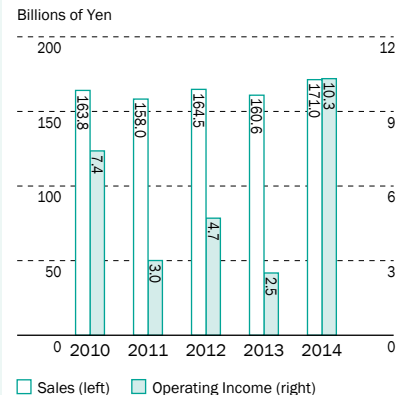
The total volume of electrical sales increased 0.8%, to 84.45 billion kWh. Contributing to this result was an increase in general demand, which includes both domestic lighting and commercial, stemming from a 1.1% year-on-year rise in air conditioning demand because of high temperatures during the June – 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.

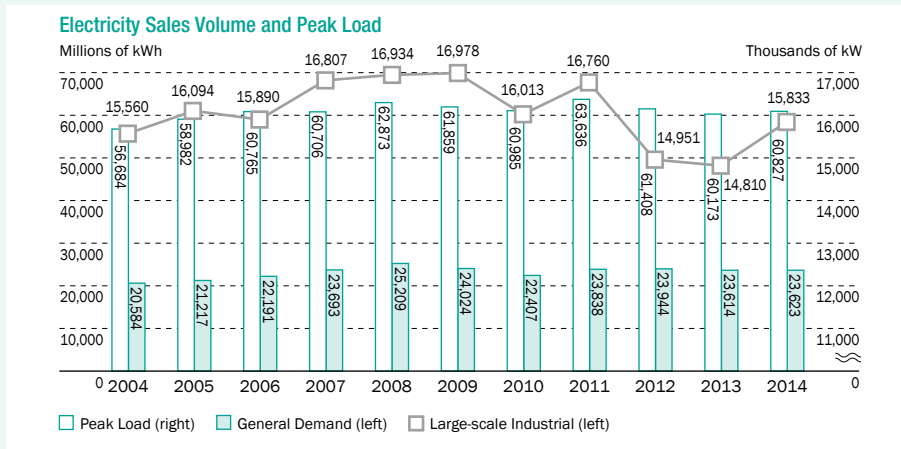
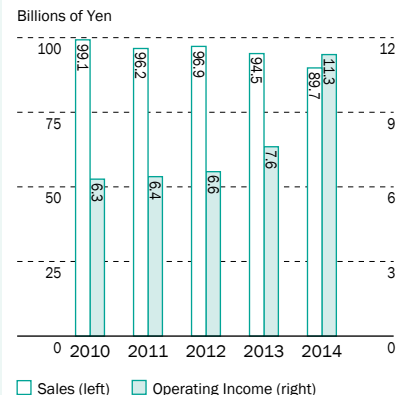
### Electric Power



### Energy-related Business



### 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

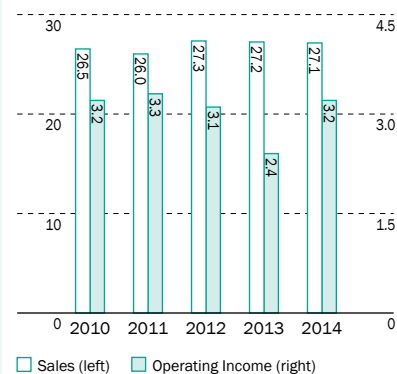
Total assets increased 0.5% year on year, to ¥4,549.8 billion, because while depreciation continued and a portion of the Company's stock holdings was provisioned as retirement benefit trust assets, the construction in progress account associated with safety enhancement work at nuclear power plants increased,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

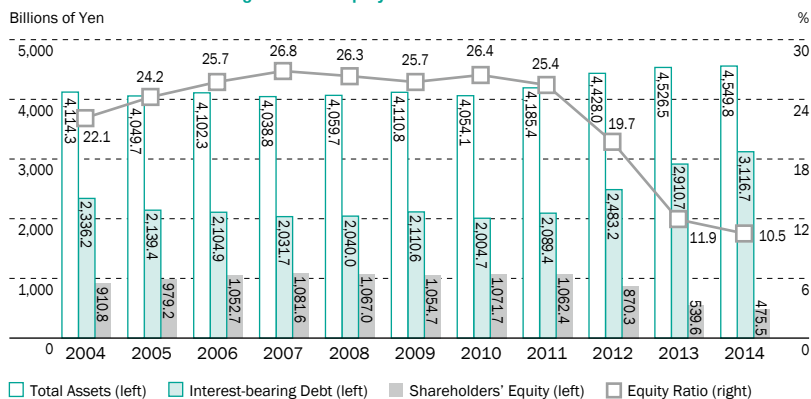
Billions of Yen



### ROA



### Consolidated Interest-bearing Debt and Equity Ratio



### 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.

<p><b>1.</b></p>	<p><b>Changes in systems affecting the electricity business</b></p>	<p>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.</p> <p>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.</p> <p>Changes such as these to the systems affecting the electricity business could have an impact on the Group's performance.</p>
<p><b>2.</b></p>	<p><b>Status of environment surrounding nuclear power</b></p>	<p>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.</p> <p>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.</p>
<p><b>3.</b></p>	<p><b>Fluctuations in electricity sales volume</b></p>	<p>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.</p>
<p><b>4.</b></p>	<p><b>Fuel price fluctuations</b></p>	<p>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.</p> <p>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.</p>
<p><b>5.</b></p>	<p><b>Nuclear fuel cycle costs</b></p>	<p>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.</p>

6.	<b>Cost of measures to combat global warming</b>	<p>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.</p>
7.	<b>Businesses other than electricity</b>	<p>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.</p>
8.	<b>Interest rate fluctuations</b>	<p>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.</p> <p>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.</p>
9.	<b>Leakage of information</b>	<p>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.</p>
10.	<b>Natural disasters</b>	<p>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.</p> <p>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.</p>
11.	<b>Compliance</b>	<p>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.</p> <p>The Group will continue to work to build trust-based relationships with all its stakeholders.</p>

## 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
<b>ASSETS</b>			
<b>PROPERTY (Note 3):</b>			
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
<b>INVESTMENTS AND OTHER ASSETS:</b>			
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
<b>CURRENT ASSETS:</b>			
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
<b>TOTAL .....</b>	<b>¥4,549,852</b>	<b>¥4,526,513</b>	<b>\$44,207,658</b>

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 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					Total	Minority Interests	Total Equity	
	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
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)												
	Common Stock		Treasury Stock		Accumulated Other Comprehensive Income					Total	Minority Interests	Total Equity	
	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					
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		\$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
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
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)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
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)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
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
<b>Costs:</b>			
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
<b>Less-</b>			
Contributions in aid of construction . . . . .	163,824	160,700	1,591,762
Accumulated depreciation . . . . .	6,893,429	6,747,352	66,978,523
<b>Carrying amount. . . . .</b>	<b>¥2,941,142</b>	<b>¥2,941,114</b>	<b>\$28,576,979</b>

#### 4. INVESTMENT SECURITIES

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

March 31, 2014	Millions of Yen			
	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

March 31, 2013	Millions of Yen			
	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

March 31, 2014	Thousands of U.S. Dollars			
	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.

- 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,
- 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,
- 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
<b>Deferred Tax Assets:</b>			
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)
<b>Deferred tax assets . . . . .</b>	<b>¥ 192,378</b>	<b>¥ 227,126</b>	<b>\$ 1,869,201</b>
<b>Deferred Tax Liabilities:</b>			
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
<b>Deferred tax liabilities . . . . .</b>	<b>¥ 13,137</b>	<b>¥ 19,026</b>	<b>\$ 127,647</b>
<b>Net deferred tax assets . . . . .</b>	<b>¥ 179,240</b>	<b>¥ 208,100</b>	<b>\$ 1,741,554</b>

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
<b>Actual effective tax rate . . . . .</b>	<b>(28.2)%</b>	<b>0.7%</b>

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.

## 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

### (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.

## 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:

March 31, 2014	Millions of Yen		
	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	
<b>Total . . . . .</b>	<b>¥ 854,417</b>	<b>¥ 852,187</b>	<b>¥2,230</b>
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	
<b>Total . . . . .</b>	<b>¥3,287,845</b>	<b>¥3,372,483</b>	<b>¥84,637</b>
Derivatives . . . . .	¥ 6,239	¥ 6,239	
March 31, 2013	Millions of Yen		
	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	
<b>Total . . . . .</b>	<b>¥ 830,258</b>	<b>¥ 819,698</b>	<b>¥10,559</b>
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	
<b>Total . . . . .</b>	<b>¥3,064,335</b>	<b>¥3,125,904</b>	<b>¥61,569</b>
Derivatives . . . . .	¥ 5,726	¥ 5,726	

March 31, 2014	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrecognized Loss
<b>Investment securities:</b>			
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	
<b>Total . . . . .</b>	<b>\$ 8,301,765</b>	<b>\$8,280,094</b>	<b>\$ 21,671</b>
<b>Long-term debt:</b>			
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	
<b>Total . . . . .</b>	<b>\$31,945,641</b>	<b>\$32,768,005</b>	<b>\$822,363</b>
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			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
<b>March 31, 2014</b>				
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			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
<b>March 31, 2014</b>				
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:
- The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.
  - 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.
  - 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.
  - 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 2.1, 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				Total	Reconciliations	Consolidated
Electric Power	Energy related Business	IT and Telecommunications	Other				
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 Telecommunications	Other	Total	Reconciliations	Consolidated
<b>Sales:</b>							
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
<b>Other:</b>							
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 Telecommunications	Other	Total	Reconciliations	Consolidated
<b>Sales:</b>							
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
<b>Other:</b>							
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. (“QTNNet”), 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 QTNNet is a wholly owned subsidiary company. Also at the Board of Directors meeting on the same day, a basic agreement between the Company and QTNNet was concluded regarding the transfer of the Company’s optical fiber core cable leasing business (the “Transfer”) to QTNNet.

(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 QTNNet, 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, QTNNet, 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, QTNNet has the urgent need to enhance its competitiveness.

Consequently, the decision was made to convert QTNNet 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 QTNNet on this basis should encourage more efficient operational management throughout the Group by concentrating management resources, while at the same time enhancing QTNNet’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 QTNNet 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 QTNNet, 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 QTNNet through the company split(\*). However, the optical fiber facilities that QTNNet uses are to be sold to QTNNet 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 QTNNet is the succeeding company. In line with the Absorption-Type Company Split, as a consideration for the assets, QTNNet 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

- 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.
- 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

For the Year:	Millions of Yen					Thousands of U.S. Dollars
	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)
<b>Per share of common stock:</b>			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			
<b>At year-end:</b>			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
<b>ASSETS</b>			
<b>PROPERTY:</b>			
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
<b>INVESTMENTS AND OTHER ASSETS:</b>			
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
<b>CURRENT ASSETS:</b>			
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
<b>TOTAL .....</b>	<b>¥4,218,037</b>	<b>¥4,201,704</b>	<b>\$40,983,656</b>

(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
<b>LIABILITIES AND EQUITY</b>			
<b>LONG-TERM LIABILITIES:</b>			
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
<b>Total long-term liabilities . . . . .</b>	<b>3,314,453</b>	<b>3,155,145</b>	<b>32,204,168</b>
<b>CURRENT LIABILITIES:</b>			
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
<b>Total current liabilities . . . . .</b>	<b>562,179</b>	<b>612,964</b>	<b>5,462,292</b>
<b>RESERVE FOR FLUCTUATIONS IN WATER LEVEL . . . . .</b>		<b>4,308</b>	
<b>EQUITY:</b>			
Common stock, authorized, 1,000,000,000 shares; issued, 474,183,951 shares in 2014 and 2013 . . . . .	237,304	237,304	2,305,721
<b>Capital surplus:</b>			
Additional paid-in capital . . . . .	31,087	31,087	302,056
Other capital surplus . . . . .	19	19	192
<b>Retained earnings:</b>			
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)
<b>Total equity . . . . .</b>	<b>341,405</b>	<b>429,287</b>	<b>3,317,194</b>
<b>TOTAL . . . . .</b>	<b>¥4,218,037</b>	<b>¥4,201,704</b>	<b>\$40,983,656</b>

## 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
<b>OPERATING REVENUES:</b>			
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
<b>OPERATING EXPENSES:</b>			
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
<b>OPERATING LOSS .....</b>	<b>(112,237)</b>	<b>(305,812)</b>	<b>(1,090,536)</b>
<b>OTHER (INCOME) EXPENSES:</b>			
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)
<b>LOSS BEFORE INCOME TAXES AND (REVERSAL OF) PROVISION FOR RESERVE FOR FLUCTUATIONS IN WATER LEVEL .....</b>	<b>(79,927)</b>	<b>(339,959)</b>	<b>(776,599)</b>
<b>(REVERSAL OF) PROVISION FOR RESERVE FOR FLUCTUATIONS IN WATER LEVEL .....</b>	<b>(4,308)</b>	<b>3,092</b>	<b>(41,858)</b>
<b>LOSS BEFORE INCOME TAXES .....</b>	<b>(75,619)</b>	<b>(343,051)</b>	<b>(734,741)</b>
<b>INCOME TAXES:</b>			
Current .....	370	64	3,598
Deferred .....	14,949	(5,065)	145,258
Total income taxes .....	15,320	(5,001)	148,856
<b>NET LOSS .....</b>	<b>¥ (90,939)</b>	<b>¥ (338,050)</b>	<b>\$ (883,597)</b>
<b>PER SHARE OF COMMON STOCK:</b>			
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.)

## Overview of Power Generation Facilities

(As of March 31, 2014)

### Nuclear Power (2 facilities/maximum output 5,258,000 kW)

Station name	Maximum output (kW)	Operation commencement date	System	Location
Genkai	3,478,000 (559,000×2 1,180,000×2)	Oct. 1975	Pressurized water reactor	Genkai-cho, Higashi Matsuura-gun, Saga Prefecture
Sendai	1,780,000 (890,000×2)	Jul. 1984	Pressurized water reactor	Satsumasendai-shi, Kagoshima Prefecture

### Thermal Power (9 facilities/maximum output 10,680,000 kW) \*excluding internal-combustion engines at the Buzen Power Station

Station name	Maximum output (kW)	Operation commencement date	System	Location
Shin Kokura	1,800,000 (600,000×3)	Sep. 1978	LNG	Kokura Kita-ku, Kitakyushu-shi, Fukuoka Prefecture
Karita	735,000 (360,000×1 375,000×1)	Apr. 1972	Coal/heavy oil/crude oil	Kanda-machi, Miyako-gun, Fukuoka Prefecture
Buzen	1,000,000 (500,000×2)	Dec. 1977	Heavy oil/crude oil	Buzen-shi, Fukuoka Prefecture
Karatsu	875,000 (375,000×1 500,000×1)	Jul. 1971	Heavy oil/crude oil	Karatsu-shi, Saga Prefecture
Matsuura	700,000 (700,000×1)	Jun. 1989	Coal	Matsuura-shi, Nagasaki Prefecture
Ainoura	875,000 (375,000×1 500,000×1)	Apr. 1973	Heavy oil/crude oil	Sasebo-shi, Nagasaki Prefecture
Shin Oita	2,295,000 (115,000×6 217,500×4 245,000×3)	Jun. 1991	LNG	Oita-shi, Oita Prefecture
Reihoku	1,400,000 (700,000×2)	Dec. 1995	Coal	Reihoku-machi, Amakusa-gun, Kumamoto Prefecture
Sendai	1,000,000 (500,000×2)	Dec. 1995	Heavy oil/crude oil	Satsumasendai-shi, Kagoshima Prefecture

### Hydroelectric Power (143 facilities/maximum output 3,582,546 kW)

Station name	Maximum output (kW)	Operation commencement date	System	Location
Tenzan	600,000	Dec. 1986	Dam and conduit system (pure pumped-storage)	Karatsu-shi, Saga Prefecture
Yanagimata	63,800	Jun. 1973	Dam and conduit system	Hita-shi, Oita Prefecture
Matsubara	50,600	Aug. 1971	Dam system	Hita-shi, Oita Prefecture
Ohira	500,000	Dec. 1975	Dam and conduit system (pure pumped-storage)	Yatsushiro-shi, Kumamoto Prefecture
Iwayado	51,100	Jan. 1942	Dam and conduit system	Shiiba-son, Higashi Usuki-gun, Miyazaki Prefecture
Kamishiiba	93,200	May 1955	Dam and conduit system	Shiiba-son, Higashi Usuki-gun, Miyazaki Prefecture
Tsukabaru	63,050	Oct. 1938	Dam and conduit system	Morotsuka-son, Higashi Usuki-gun, Miyazaki Prefecture
Morotsuka	50,000	Feb. 1961	Dam and conduit system	Morotsuka-son, Higashi Usuki-gun, Miyazaki Prefecture
Omarugawa	1,200,000	Jul. 2007	Dam and conduit system (pure pumped-storage)	Kijo-cho, Koyu-gun, Miyazaki Prefecture
Hitotsuse	180,000	Jun. 1963	Dam and conduit system	Saito-shi, Miyazaki Prefecture
Oyodogawa Daiichi	55,500	Jan. 1926	Dam system	Miyakonojo-shi, Miyazaki Prefecture Oyodogawa
Oyodogawa Daini	71,300	Mar. 1932	Dam and conduit system	Miyazaki-shi, Miyazaki Prefecture

\*with outputs of 50,000 kW or higher

### Geothermal Power (6 facilities/maximum output 212,000 kW)

Station name	Maximum output (kW)	Operation commencement date	Location
Tagigami	27,500	Nov. 1996	Kokonoe-machi, Kusu-gun, Oita Prefecture
Otake	12,500	Aug. 1967	Kokonoe-machi, Kusu-gun, Oita Prefecture
Hatchoubaru	110,000 (55,000×2)	Jun. 1977	Kokonoe-machi, Kusu-gun, Oita Prefecture
Hatchoubaru Binary	2,000	Apr. 2006	Kokonoe-machi, Kusu-gun, Oita Prefecture
Ogiri	30,000	Mar. 1996	Kirishima-shi, Kagoshima Prefecture
Yamagawa	30,000	Mar. 1995	Ibusuki-shi, Kagoshima Prefecture

### Internal Combustion Power (34 facilities/maximum output 398,850 kW) \*including gas turbines on isolated islands and internal-combustion engines at the Buzen Power Station

Station name	Maximum output (kW)	Operation commencement date	Location
Shinarikawa	60,000 (10,000×6)	Jun. 1982	Shinkamigotou-chou, Minami matsuura-gun, Nagasaki Prefecture
Tatsugo	60,000 (10,000×6)	Jun. 1980	Tatsugo-chou, Oshima-gun, Kagoshima Prefecture

\*with outputs of 50,000 kW or higher

### Wind Power (2 facilities/maximum output total 3,250 kW) \*including gas turbines on isolated islands and internal-combustion engines at the Buzen Power Station

Station name	Maximum output (kW)	Operation commencement date	Location
Koshikijima wind power	250	Mar. 2003	Satsumasendai-shi, Kagoshima Prefecture
Noma-misaki wind park	3,000	Mar. 2003	Minamisatsuma-shi, Kagoshima Prefecture

### Photovoltaic Power (1 facility/maximum output total 3,000 kW) \*including gas turbines on isolated islands and internal-combustion engines at the Buzen Power Station

Station name	Maximum output (kW)	Operation commencement date	Location
Mega Solar Omuta	3,000	Nov. 2010	Omuta-shi, Fukuoka Prefecture

## Subsidiaries and Affiliated Companies

(As of March 31, 2014)

### Consolidated Subsidiaries (40)

Company Name	Capital (Millions of yen)	Equity Ownership (%)	Business
<b>Energy Business in Kyushu</b>			
Oita Liquefied Natural Gas Co., Inc.	7,500	98.0	Receipt, storage, vaporization and delivery and sales of LNG
Kitakyushu Liquefied Natural Gas Co., Inc.	4,000	75.0	Receipt, storage, vaporization and delivery and sales of LNG
Pacific Hope Shipping Limited	4,071	60.0	Purchasing, operating, chartering and renting of LNG carriers
Nishinippon Environmental Energy Co., Inc.	1,010	100.0	Distributed power system business and consultation about energy efficiency
Kyuden Ecosol Co., Ltd.	495	100.0	On-site solar power generation business
Kyushu Rinsan Co.	490	100.0	Greening construction at power stations and other facilities
Nagashima Wind Hill Co., Ltd.	490	86.0	Sales of electricity generated by wind power
Fukuoka Energy Service Co., Inc.	490	80.0	Heat supply business
Kyuden Technosystems Corporation	327	85.2	Manufacture and sales of electric machinery; installation, maintenance and management of electrical measurement equipment
Kyuden High Tech Corporation	200	100.0	Maintenance and repair of electricity facilities
NISHI NIPPON AIRLINES CO., LTD.	360	54.7	Air cargo transportation
Nishinippon Plant Engineering and Construction Co., Ltd.	150	85.0	Construction, maintenance and repair of power generation facilities
Kyushu Kouatsu Concrete Industries Co., Ltd.	240	51.3	Manufacture and sales of concrete poles
Kyuden Sangyo Co., Inc.	117	100.0	Environmental preservation work at power stations
Miyazaki Biomass Recycle Co., Inc.	100	42.0	Power-generation activities using poultry dung fuel
West Japan Engineering Consultants, Inc.	40	100.0	Consultation and planning of civil engineering and construction
Kushima Wind Hill Corporation	50	51.0	Sales of electricity generated by wind power
Koyo Denki Kogyo Co., Ltd.	20	95.9	Manufacture and sales of HV and LV insulators and other items
Nishigi Kogyo, Co., Inc.	20	74.0	Conduit maintenance for hydroelectric power stations
<b>Energy Business Overseas</b>			
Kyuden International Corporation	23,150	100.0	Acquisition and holding of securities of overseas electric companies
Kyuden International Netherlands B.V.	6,545	100.0	Acquisition and holding of securities of overseas electric companies
Kyuden Hsin Tao Power Holdings	2,400 (Millions of Taiwan dollars)	100.0	Investment in Hsin Tao IPP business company
Kyushu Electric Australia Pty Ltd	85 (Millions of U.S. dollars)	100.0	Share ownership and management (funding, tax, accounting, etc.) of Kyushu Electric Wheatstone Pty Ltd
Kyushu Electric Wheatstone Pty Ltd	79 (Millions of U.S. dollars)	100.0	Ownership of mining interests and assets, trading and sales of output in Wheatstone LNG project
<b>IT and Telecommunications</b>			
Kyushu Telecommunication Network Co., Inc.	22,020	97.5	Fiber-optic cable and broadband services
Kyuden Infocom Company, Inc.	480	100.0	IT-related planning and consultation, and data center business
Nishimu Electronics Industries, Co., Ltd.	300	100.0	Manufacture, sales, installation and maintenance of telecommunication devices
Kyuden Business Solutions Co., Inc.	100	100.0	Development, operation and maintenance of information systems
RKK Computer Service Co., Inc.	100	61.3	Development and sales of computer software
<b>Lifestyle-oriented Services</b>			
DENKI BLDG. CO., Ltd.	3,395	91.9	Leasing and management of real estate
Kyuden Good Life Company, Inc.	300	100.0	Paid elderly nursing home management and nursing services
Capital Kyuden Corporation	285	100.0	Acquiring and owning of securities, loans to group companies
Kyuden Good Life Kumamoto Company, Inc.	200	100.0	Paid elderly nursing home management and nursing services
Kyuden Business Front Inc.	100	100.0	Temporary staffing and job-placement services
Kyuden Good Life Fukuoka Josui Company, Inc.	100	100.0	Paid elderly nursing home management and nursing services
Kyuden Good Life Kagoshima Company, Inc.	100	90.0	Paid elderly nursing home management and nursing services
Kyuden Good Life Higashifukuoka Company, Inc.	100	70.0	Paid elderly nursing home management and nursing services
Kyuden Fudousan Co., Ltd.	32	98.1	Leasing of real estate and site management
Kyuden Office Partner Co., Inc.	30	100.0	Clerical work acceptance on trust and consulting business
Kyushu Maintenance Co., Ltd.	10	82.0	Cleaning and maintenance of real estate

Non-consolidated Subsidiaries and Affiliated Companies Accounted for under Equity Method (31)

Company Name	Capital (Millions of yen)	Equity Ownership (%)	Business
<b>Energy Business in Kyushu</b>			
Tobata Co-operative Thermal Power Co., Inc.	9,000	50.0	Wholesale electricity supply
Fukuoka Clean Energy Co., Ltd.	5,000	49.0	Waste incineration and power generation business
Oita Co-operative Thermal Power Co., Inc.	4,000	50.0	Wholesale electricity supply
Kyudenko Corporation	7,901	24.7	Electric work
KYUSYU CRYOGENICS CO., LTD.	450	50.0	Manufacture and sales of liquid oxygen, liquid nitrogen and liquid argon
Kyuhon Co., Ltd.	225	35.9	Manufacture and sales of electrical equipment
Seishin Corporation	200	26.5	Sale of electrical equipment
Plazwire Co., Ltd.	50	100.0	Flame spray coating (painting) business
Nishikyushu Kyodo Kowan Co., Ltd.	50	50.0	Operation and maintenance of coal handling equipment
Nihon FRP Co., Inc.	30	65.0	Design fabrication, repair and installation of reinforced plastic
Kyukon Corporation	100	15.2	Construction and repair of transmission lines
NISHIDA TECHNO SERVICE Co., Inc.	20	65.0	Inspection, maintenance, design, production and construction of sluice and weir equipment
Nishi Nihon Denki Tekkou Co., Ltd.	30	33.5	Design, production and sales of steel towers and steel conduits
Washiodake Wind Power Co., Ltd.	10	100.0	Sales of generated electric power
NISHIGI SURVEYING AND DESIGN CO., LTD.	10	100.0	Investigation, measurement, design, drafting and care of civil engineering/construction projects
Munakataasty Solar Power Co., Ltd.	10	100.0	Sales of electricity generated by solar power
Amami Oshima Wind Power Co., Ltd.	10	75.0	Sales of electric power from wind generation
<b>Energy Business Overseas</b>			
KYUDEN ILIJAN HOLDING CORPORATION	3 (Millions of U.S. dollars)	100.0	Investment in Ilijan IPP business company
Kyushu Tohoku Enrichment Investing SAS	103 (Millions of Euro)	50.0	Investment in uranium enrichment business
KYUDEN SARULLA PTE. LTD.	21 (Millions of Singapore dollars)	100.0	Geothermal power generation
Electricidad Aguila de Tuxpan, S.deR.L.deC.V.	641 (Millions of Mexico Pesos)	50.0	Power-generation activities using natural gas fuel
Electricidad Sol de Tuxpan, S.deR.L.deC.V.	493 (Millions of Mexico Pesos)	50.0	Power-generation activities using natural gas fuel
<b>IT and Telecommunications</b>			
RKKCS Software	10	100.0	Developments and sales of computer software
<b>Environment and Recycling Business</b>			
J-Re-Lights Co., Ltd.	275	100.0	Recycling of used fluorescent bulbs
Kyushu Environmental Management Corporation	80	98.1	Recycling of confidential documents
<b>Lifestyle-oriented Services</b>			
Kyushu Highlands Development Co., Ltd.	300	100.0	Management of golf courses
Kyushu Housing Guarantee Corporation	272	33.3	Housing and building assessments, security services affairs
Kyuden Shared Business Co., Ltd.	80	100.0	Accounting and personnel services
Kyushu Captioning Co-Production Center Inc.	60	76.7	Subtitle production for broadcasting
Kyuden Home Security Co., Inc.	30	97.5	Home security and monitoring business
Oak Partners Co., Ltd.	3	100.0	Real estate management

## Outline of Kyushu Electric Power's History

(As of March 31, 2014)

(Fiscal Year)	Noteworthy Events
1951	Kyushu Electric Power is established.
1953	Kyushu Electric Power receives its first post-war loan (approximately ¥3.8 billion) in Japan from the International Bank for Reconstruction and Development (the World Bank).
1955	The Kamishiiba Power Station, the first in Japan with an arch dam, becomes operational. Unit 1 at the Karita Thermal Power Station, an advanced, high-capacity system (75,000 kW), becomes operational.
1957	Kyushu Electric Power completes its Central Line (220,000 V), its first super-high-voltage transmission line. Thermal generation capacity exceeds hydroelectric capacity.
1960	Frequency unification is completed.
1967	The Otake Power Station, Japan's first commercial geothermal generation facility, becomes operational with a capacity of 11,000 kW. Unit 1 at the Karatsu Power Station (156,000 kW) becomes operational as Kyushu Electric Power's first generation facility with a control computer.
1969	Unit 1 at the Oita Power Station (250,000 kW), Kyushu Electric Power's first facility designed to run exclusively on heavy fuel oil, becomes operational.
1970	The provision of electric lighting to all homes is completed.
1975	Unit 1 at the Genkai Power Station (559,000 kW), Kyushu Electric Power's first nuclear facility, becomes operational. The Ohira Power Station, then Japan's biggest pumped-storage facility (500,000 kW), becomes operational.
1977	Unit 1 at the Hatchoubaru Geothermal Power Station, one of the biggest in Japan, becomes operational, initially with a capacity of 23,000 kW.
1980	Kyushu Electric Power builds the Central and West Kyushu Substations (500,000 V) and raises the voltage on its Saga Line to 500,000 V. The 500,000 V Trans-Kanmon Line becomes operational.
1982	The Kyushu Energy Center is opened.
1984	Unit 1 at the Sendai Nuclear Power Station (890,000 kW) becomes operational.
1986	Unit 1 at the Tenzan Power Station (300,000 kW), a large-capacity pumped-storage facility, becomes operational. Kyushu Electric Power begins to use automatic control systems on its distribution lines.
1989	Kyushu Electric Power achieves a zero outage record for work on high-and low-voltage facilities for the first time in Japan.
1990	The No. 1 System at the Shin Oita Power Station (690,000 kW) becomes operational. Designed to use LNG, this combined-cycle unit provides excellent thermal efficiency.
1992	Kyushu Electric Power begins to purchase surplus electric power from distributed generation facilities, including solar and wind power systems.
1998	Kyushu Electric Power begins to operate a superconducting storage system as an electric power facility. It is the first of its type in Japan and one of the largest in the world.
2000	The Genkai Energy Park is opened.
2001	A loan agreement is signed for the Tuxpan II IPP project in Mexico. The Kyushu Homeland Forestation Program is launched.
2002	Dedicated sales representatives are assigned to corporate customers.
2004	The Call Center is extended to the entire corporate organization.
2005	The Goto Archipelago Link, Japan's longest sea-bed cable, becomes operational.
2007	"Kyushu Electric Power's Mission" and brand message "Enlighten Our Future" are adopted.
2009	Implementation of Japan's first pluthermal operation.
2010	The Mega Solar Omuta, our first large-scale solar power generation station, becomes operational.
2011	An accident occurred at the nuclear power station in Fukushima following the Great Eastern Japan Earthquake.

## Corporate Data

(As of March 31, 2014)

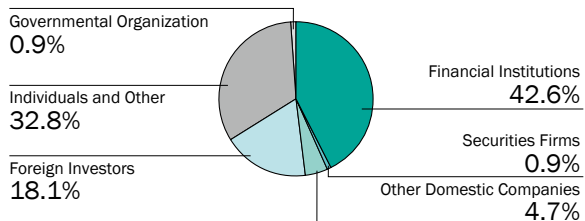
### Company Overview

Trade Name	Kyushu Electric Power Company, Incorporated	Date of Establishment	May 1, 1951
Head Office	1-82, Watanabe-dori 2-chome, Chuo-ku, Fukuoka 810-8720, Japan Phone +81-92-761-3031	Paid-in Capital	¥237,304,863,699
Tokyo Branch Office	7-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo 100-0006, Japan Phone +81-3-3281-4931	Number of Employees	13,186

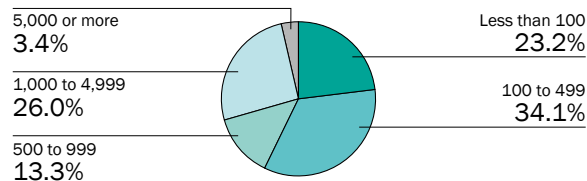
### Stock Information

Total Number of Shares Authorized	1,000,000,000	Stock Listings	Tokyo Stock Exchange, Fukuoka Stock Exchange (Code: 9508)
Number of Shares Issued and Outstanding	474,183,951	Transfer Agent and Registrar	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan
Number of Shareholders	162,422	Accounting Auditor	Deloitte Touche Tohmatsu LLC
Shareholders' Meeting	June		
Fiscal Year	From April 1 to March 31		

#### Composition of Shareholders (By Type of Shareholder)



#### Composition of Shareholders (By Number of Shares Held)



#### Major Shareholders

Name	Number of Shares Held (Thousands of Shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust unit)	23,180	4.9
Meiji Yasuda Life Insurance	22,882	4.8
Japan Trustee Services Bank, Ltd. (trust unit)	18,310	3.9
Nippon Life Insurance Company	16,608	3.5
Kochi Shinkin Bank	13,749	2.9
Kyushu Electric Power Co., Inc. Employees' Shareholding Association	9,869	2.1
Mizuho Bank, Ltd.	9,669	2.0
The Bank of Fukuoka, Ltd.	8,637	1.8
Sumitomo Mitsui Banking Corporation	8,474	1.8
STATE STREET BANK WEST CLIENT - TREATY	5,292	1.1

#### Trends of Stock Price and Trading Volume

