

ANNUAL REPORT 2013

Kyushu Electric Power Company

Toward

▶ A Strong and Supple Company



 KYUSHU ELECTRIC
POWER CO., INC.

Kyushu Electric Power's 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, the development of high speed information systems 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

Area: **42,194** km²
(11.2% of Japan's total area)

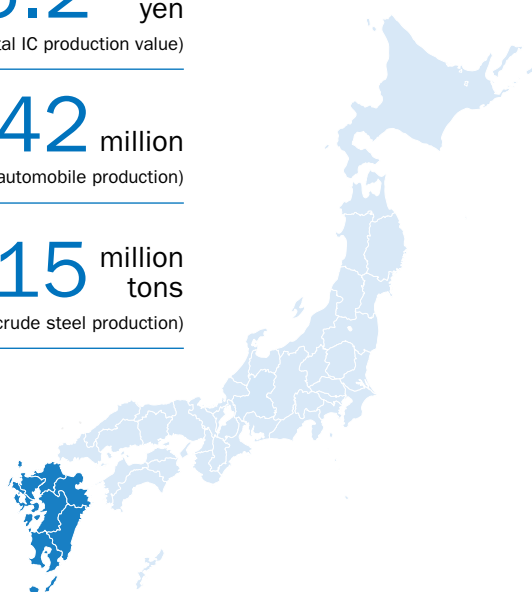
IC Production Value: **686.2** billion yen
(38.3% of Japan's total IC production value)

Population: **13.14** million
(10.3% of Japan's total population)

Automobile Production: **1.42** million
(14.9% of Japan's total automobile production)

Gross Regional Product: **44.1** trillion yen
(8.9% of Japan's total GDP)

Crude Steel Production: **16.15** million tons
(15.1% of Japan's total crude steel production)



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On the cover: The Hatchoubaru Geothermal Power Station in Kokonoe-machi, Kusu-gun, Oita Prefecture, with an output of 110,000 kW, is the largest geothermal power plant in Japan.

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.

“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:

1 Steady and reliable, Earth-friendly energy.

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.



2 Services that truly satisfy.

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.



3 In company with Kyushu. And to Asia and the world.

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.



4 Discovering solutions, and putting them into practice.

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.



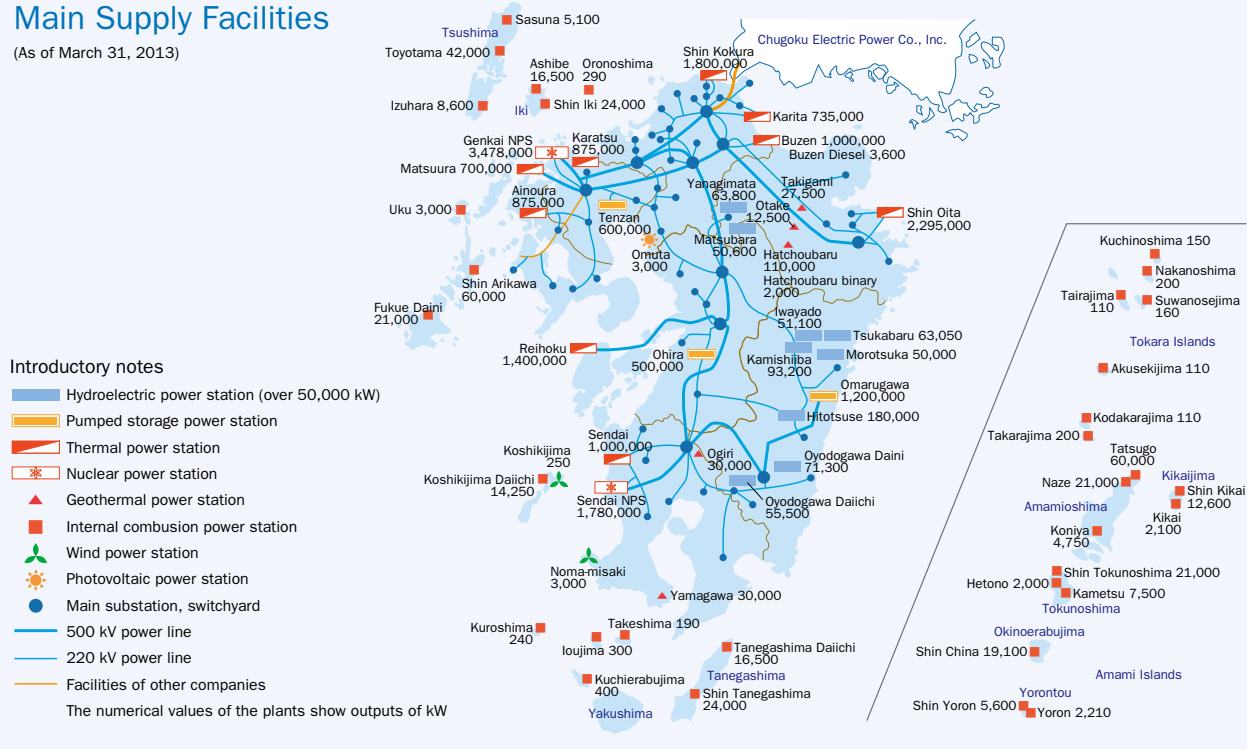
Our Business

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 Co., Ltd. is engaged in general electric power business activities.

The business domains of the Kyushu Electric Power Group comprise the core business domains of Environment-friendly Energy Business, and Social/Lifestyle-oriented Service, which includes the areas of IT and Telecommunications, Environment and Recycling, and Lifestyle-oriented Service. *As of March 31, 2013

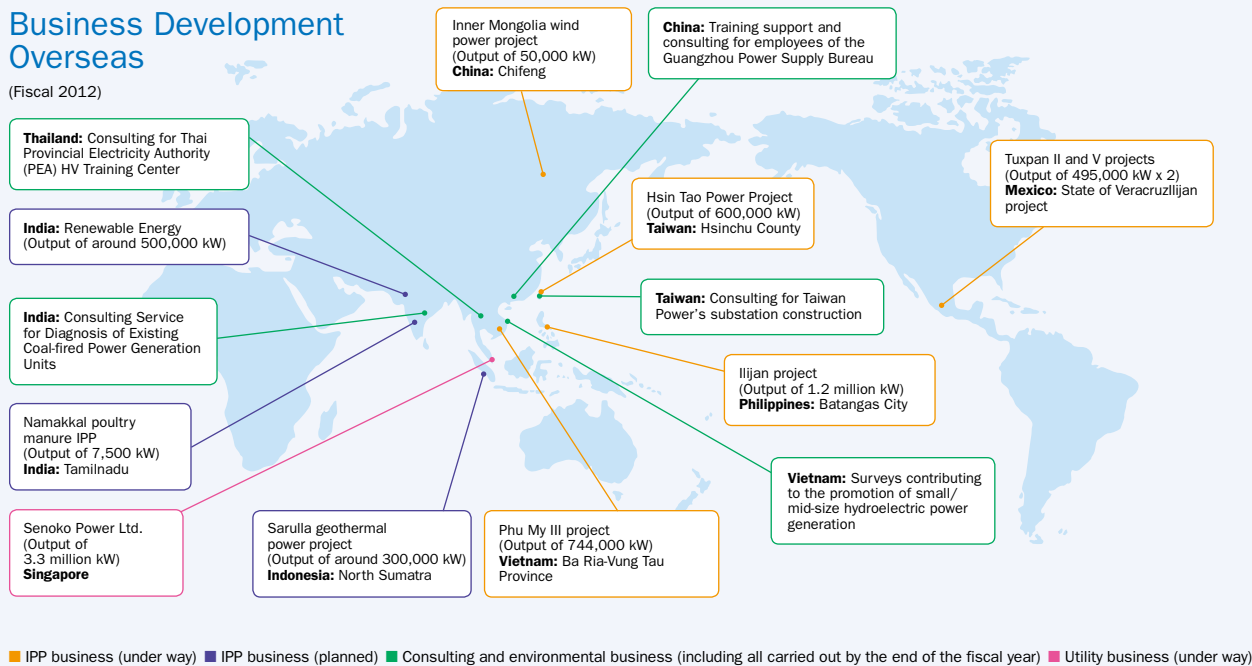
Main Supply Facilities

(As of March 31, 2013)



Business Development Overseas

(Fiscal 2012)



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
	2009	2010	2011	2012	2013	2013
Operating revenues	¥1,524.1	¥1,444.9	¥1,486.0	¥1,508.0	¥1,545.9	\$16,447
Operating income (loss)	84.7	99.7	98.9	(184.8)	(299.4)	(3,185)
Net income (loss)	33.9	41.8	28.7	(166.3)	(332.4)	(3,537)
	Millions of kWh					
Electricity sales volume	85,883	83,392	87,474	85,352	83,787	
General demand	61,859	60,985	63,636	61,408	60,173	
Large-scale industrial customers	24,024	22,407	23,838	23,944	23,614	
	Billions of Yen					Millions of U.S. Dollars
At Year-end:						
Total assets	¥4,110.8	¥4,054.1	¥4,185.4	¥4,428.0	¥4,526.5	\$48,159
Shareholders' equity* ¹	1,054.7	1,071.7	1,062.4	870.3	539.6	5,741
Interest-bearing debt	2,110.6	2,004.7	2,089.4	2,483.2	2,910.7	30,968
	Yen					U.S. Dollars
Per Share of Common Stock:						
Basic net income (loss)	¥71.84	¥88.38	¥60.73	¥(351.80)	¥(702.98)	\$(7.47)
Cash dividends applicable to the year	60.00	60.00	60.00	50.00		
	%					
Financial Ratios:						
ROA* ²	1.3	1.6	1.5	(2.7)	(4.6)	
ROE* ³	3.2	3.9	2.7	(17.2)	(47.2)	
Equity ratio	25.7	26.4	25.4	19.7	11.9	

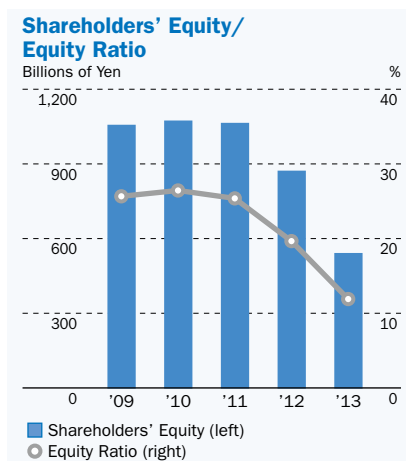
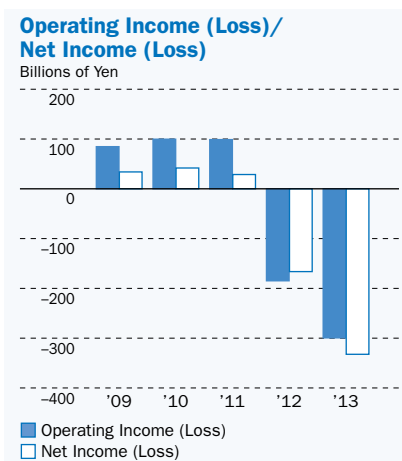
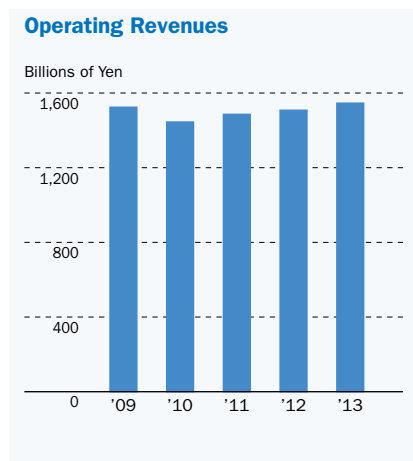
(U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥93.99 = U.S.\$1, the approximate rate of exchange at March 31, 2013.)

*¹ Shareholders' equity = Equity - Minority interests

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

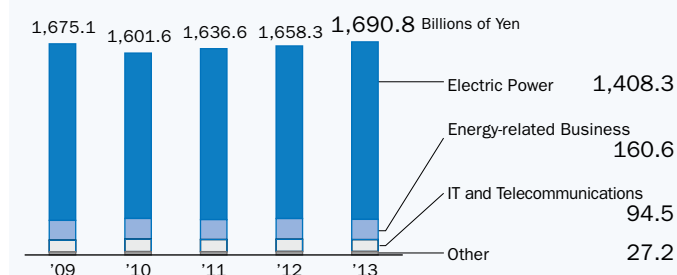
*³ ROE = Net income / Average equity at beginning and ending of the fiscal year

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

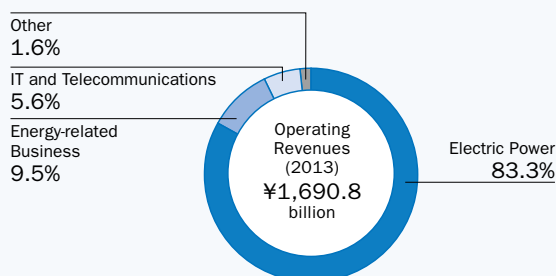


Segment Information (Before Eliminating Internal Transactions)

Operating Revenues



Revenue Share by Segment





From left
Masayoshi Nuki
Chairperson

Michiaki Uriu
President

Toward A Strong and Supple Company

Our 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

Kyushu Electric Power pursues business activities in line with our brand message, “Enlighten Our Future,” which expresses our social mission as a responsible energy provider: to remain consistent in stably supplying electric power and energy to our customers.

Society’s trust in nuclear power safety was damaged by the serious accident at Tokyo Electric Power’s Fukushima Daiichi Nuclear Power Station. At Kyushu Electric Power, we have suspended operations at all of our nuclear power plants since then, which has made it very challenging to supply enough electric power to meet demand. We have also seen a rapid deterioration in the balance of revenues and expenses as well as our financial condition.

To address this situation, we have received tremendous cooperation from our customers in conserving energy and we have worked as hard as we can on both the supply and demand sides. As a result, we have managed to maintain a stable supply of electric power. In addition, we have implemented multiple emergency management responses as we have worked to improve the balance of revenues and expenses.

However, the increase in costs such as fuel for thermal power stations used as alternatives to nuclear power stations has greatly exceeded the cost reductions we achieved through our emergency management responses. Given this situation, we then determined that any further deterioration in our financial condition would make it difficult to provide a stable supply of electric power, and consequently we were left with no choice but to increase the electricity rates. Specifically, from May 1, 2013, we increased electricity rates by an average of 6.23% for customers in the regulated area, and since April 2013 we have gradually implemented a rate increase averaging 11.94% for customers in the deregulated area. **Please refer to page 11-12**

Going forward, we will continue with our thorough efforts to increase management efficiency and to provide a stable supply of electric power. We aim to be a company trusted by society as a result of sincerely addressing customers’ concerns about issues such as nuclear power safety and electricity rates.

Also, we will accurately respond to any revisions to the national government’s energy policies and reforms to electric power systems, as well as to other changes in the areas of energy and electric power.

It was from this standpoint that this April we formulated our Midterm Management Policy, which highlights the management direction and key initiatives we will undertake over the upcoming three years ending with fiscal 2015. Going forward, we will steadfastly address the issues surrounding Kyushu Electric Power by carrying out operations in line with this Midterm Management Policy. **Please refer to page 7-10**

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

August, 2013

Chairperson
Masayoshi Nuki



President
Michiaki Uriu



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Formulation of Midterm Management Policy

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

■ Basic Stance

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

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

Vision of the “Restructuring of New Kyushu Electric Power”

- A Company serving its customers faithfully

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

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

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

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

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

- A Company supporting local communities by providing electricity

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

Policies in each business domain

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

1. Energy Business in Kyushu

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

2. Energy Business Overseas

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

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

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

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■ Major Initiatives

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

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

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

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

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

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

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

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

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

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TOPICS: Renewable Energy Initiatives

[Proactive development and introduction of renewable energy sources]

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

Volume of Electricity Available by Renewable Energy Source

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

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



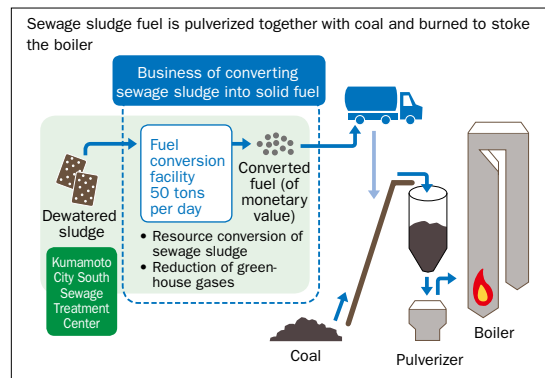
Omura mega-solar power station (Omura City, Nagasaki Prefecture)

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



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

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



Co-combustion of sewage sludge at the Matsuura Power Station

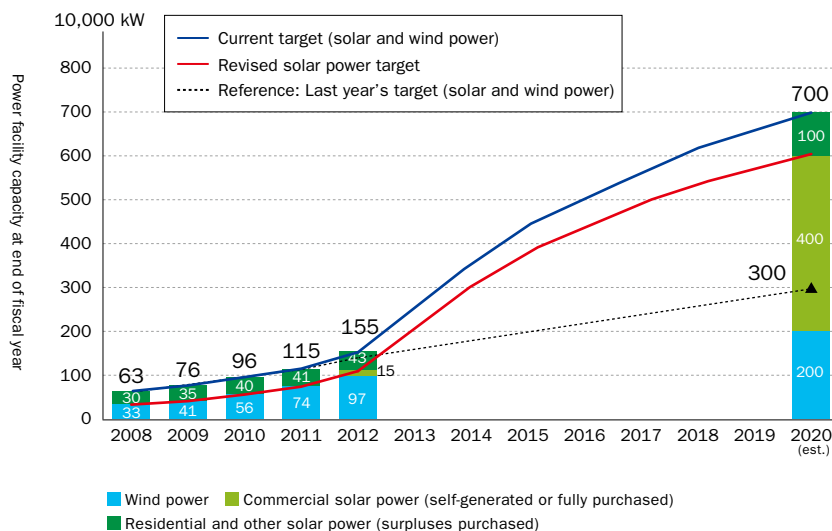
In a collaborative effort with Electric Power Development Co., Ltd. (J-POWER) and others, we are participating in a project to convert sewage sludge into solid fuel. We are using the solid fuel that is produced by burning it in a mixture with coal at the Matsuura Power Station and other power stations.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

TOPICS: Renewable Energy Initiatives

[Review of introduction of solar and wind power]

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

Our Target for the Installation of Solar and Wind Power Facilities



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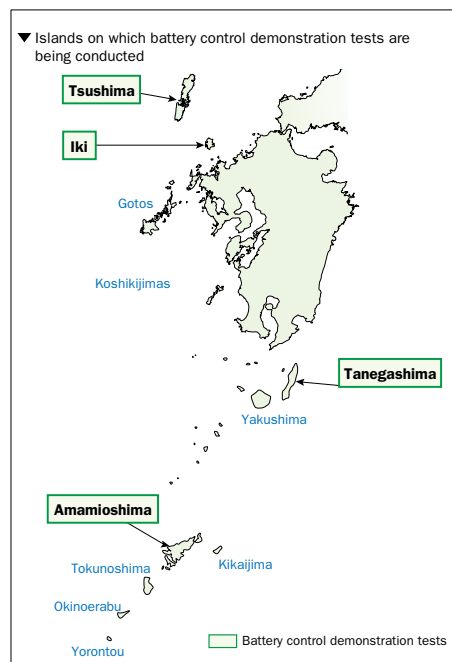
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[Research into expanding the introduction of renewable energy on isolated islands]

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

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

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



Increasing of Electricity Rates

Kyushu Electric Power increased electricity rates based on the condition of needing to ensure thorough management rationalization.

■ Background to the Increasing of Electricity Rates

In response to the extremely tight power supply situation resulting from the shutdown of its nuclear power stations, Kyushu Electric Power has taken all measures available to ensure a stable supply of electric power, such as increasing thermal power generation and purchasing power from other utilities. However, these measures have resulted in a considerable increase in fuel expenses and power purchasing costs, leading to two consecutive years of significant losses since fiscal 2011.

The Company implemented an emergency management response which included cost-cutting and net asset drawdowns, and did everything possible to keep electricity rates unchanged, but the Company's financial condition rapidly deteriorated to the point where concerns emerged about its ability to secure financing, leaving us with no alternative but to increase electricity rates.

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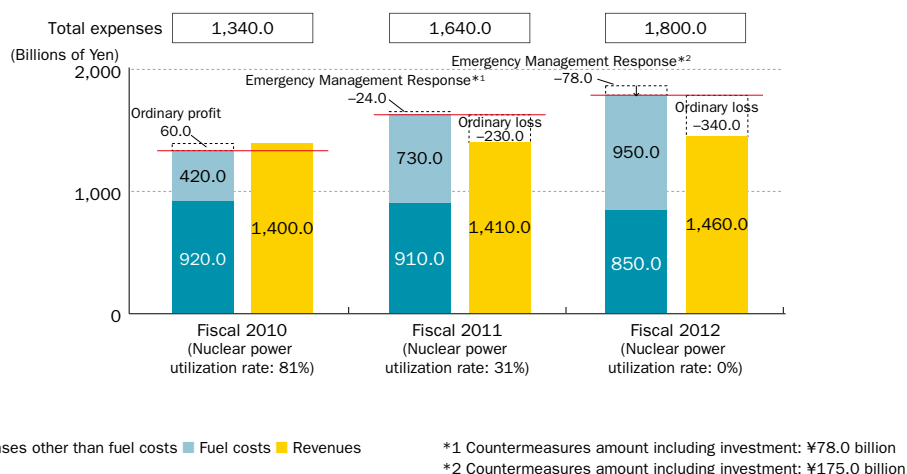
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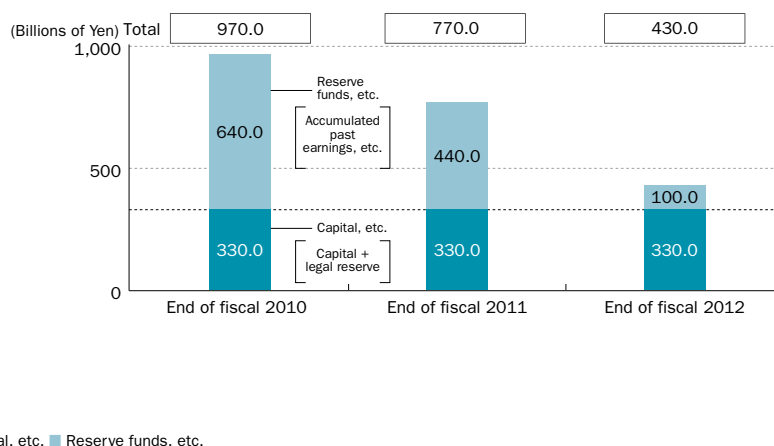
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Changes in Revenues and Expenses



Changes in Equity



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Overview of the Increase

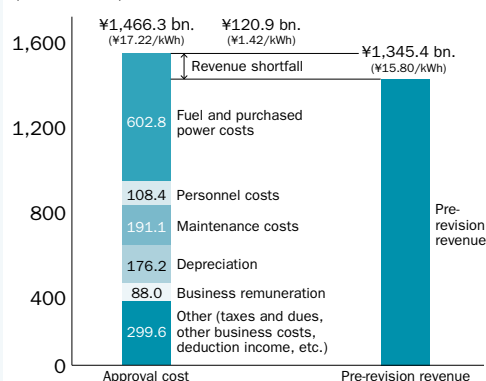
Increase details

	Increase date	New unit price	Former unit price	Increase rate
Regulated area	From May 2013	¥21.14	¥19.90	6.23%
Deregulated area	From April 2013*	¥14.49	¥12.94	11.94%

*As regards the dates in the deregulated area, this will be done successively according to the contract expiry dates

Difference Between the Approval Cost and the Pre-revision Revenue

(Billions of Yen)



Presupposed Factors

	Previous: A (fiscal 2008)	Current: B (fiscal 2013-2015)	Difference: B-A	
Electricity sold	billion kWh	87.9	85.3	-2.6
Crude oil price	\$/b	93.0	105.9	12.9
Foreign exchange rate	¥/\$	107	79	-28
Nuclear power utilization rate	%	83	55	-28
Business remuneration rate	%	3.0	2.9	-0.1
Employees requiring expenses (including senior employees)	people	12,234	12,007	-227

Initiatives to improve management efficiency

The current rates costs reflect the Company's efforts to improve efficiency by reducing costs of ¥140 billion. Looking ahead, Group companies will continue to rigorously work as one to improve management efficiency.

Cost of Streamlining Factored into the Electricity Rates Costs

Item	Fiscal 2013-2015 average	Details of main initiatives
Depreciation (capital expenditure)	-¥23.0 billion	<ul style="list-style-type: none"> Review of design standards and specifications Suspend, defer and scale back construction work
Maintenance costs	-¥32.0 billion	<ul style="list-style-type: none"> Lengthening of inspection cycle Suspend, defer and scale back repair work Introduce and expand competitive orders at materials procurement or issuing construction order
Personnel costs	-¥48.0 billion	<ul style="list-style-type: none"> Cut executive compensation and lower remuneration standards Review benefit packages Lower employer's proportion of health insurance costs Curb recruitment
Demand-supply related costs (fuel costs, etc.)	-¥18.0 billion	<ul style="list-style-type: none"> Reduce procurement costs for fuels such as LNG and coal Reduce costs for power purchases
Other costs (miscellaneous costs, etc.)	-¥22.0 billion	<ul style="list-style-type: none"> Review scope and details of subcontracting Suspend, defer and reduce costs, including expansion and development expenses, group fees, and research and development costs. Introduce and expand competitive orders at materials procurement or issuing construction order
Total	-¥140.0 billion	—

Initiatives for Improving the Safety and Security of Nuclear Power

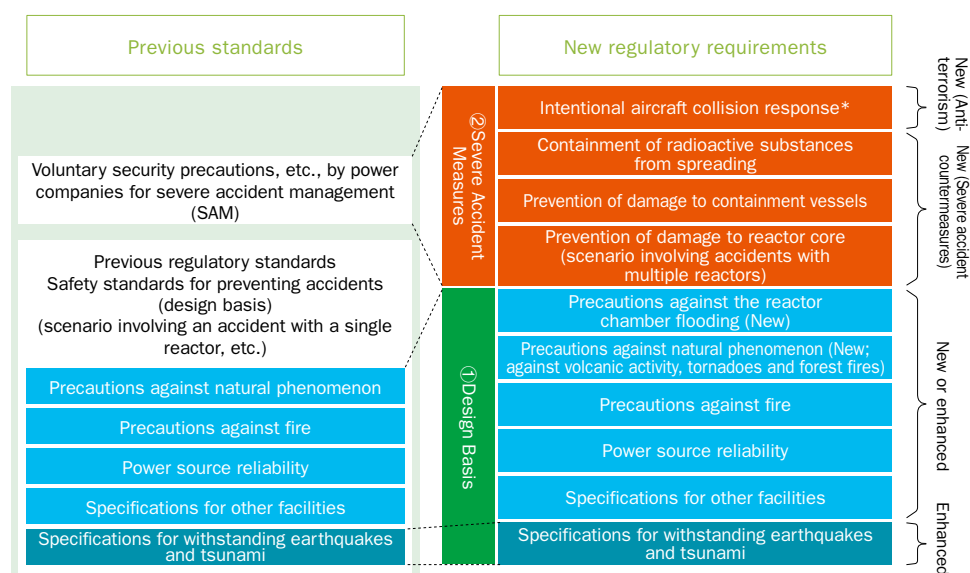
Kyushu Electric Power is enthusiastically adopting the new standards prescribed by Japan's Nuclear Regulation Authority, while at the same time going beyond regulatory demands to achieve the world's highest safety standards. We are both voluntarily and continually promoting initiatives for improving the safety and security of nuclear power.

■ Overview of the New Regulatory Requirements

New regulatory requirements concerning nuclear power generation facilities were formulated for enactment on July 8, 2013 as a result of the lessons Japan learned from the accidents at the Fukushima Daiichi Nuclear Power Station.

The new regulatory requirements consist of ① **Design Basis** stipulating design criteria to be used for preventing accidents, carried forward from previous legislation, and new ② **Severe Accident Measures** stipulating countermeasures to be used in the event of a severe accident.

Overview of the New Regulatory Requirements



(Compiled based on Nuclear Regulatory Authority materials)

■ Our Safety Precautions in View of the New Regulatory Requirements

In July 2013, Kyushu Electric Power applied for a compatibility check with the new regulatory requirements for its Sendai (Units 1 & 2) and Genkai (Units 3 & 4) nuclear power stations.

① Design Basis

- Confirmed there were no active fault lines within the power station grounds
- Confirmed safety functions can withstand an earthquake load triggered by the regulatory standard seismic movement*¹ of 540 gal*² for each power station.

*1 The most severe shock wave caused by an earthquake that could conceivably strike in the power station's vicinity

*2 A unit of acceleration used in describing the intensity of ground and structural swaying caused by an earthquake

- Confirmed safety functions can withstand a regulatory standard tsunami*³

*3 The tsunami with the largest impact that could conceivably hit against the power station

	Max tsunami height* ⁴	Station elevation
Sendai Units 1 & 2	Approx. 4 m above sea level	Approx. 13 m above sea level
Genkai Units 3 & 4	Approx. 3 m above sea level	Approx. 11 m above sea level

*4 Maximum water level near the water intake to Sendai Units 1 & 2 and in front of the water intake pit to Genkai Units 3 & 4 as a result of the tallest regulatory standard tsunami at high tide

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Formulation of Midterm Management Policy

- Basic Stance
- Major Initiatives

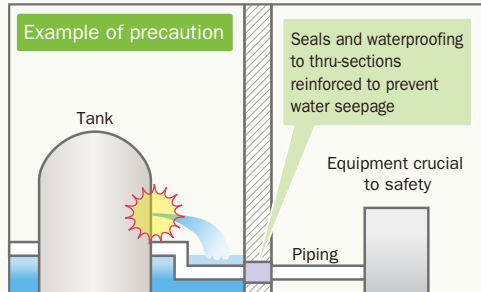
Increasing of Electricity Rates

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

Initiatives for Improving the Safety and Security of Nuclear Power

- Overview of the New Regulatory Requirements
- Our Safety Precautions in View of the New Requirements
- Enhanced Framework for Preventing Nuclear Disasters and the Performance of Drills

- Confirmed that the safety of reactor facilities would be unaffected by natural phenomenon (tornadoes, volcanic activity, forest fires, etc.)
- Instituted measures to prevent water seepage from equipment damaged in the event of an earthquake
 - Instituted precautions preventing water and steam from seeping out of damaged tanks and pipes and flooding nuclear facilities crucial to safety



- Rigorous reinforcement of fire protection
- Instituted measures to improve power source reliability
 - Additional fuel tanks were installed to enable the operation of emergency diesel generators powering accident response facilities for seven continuous days



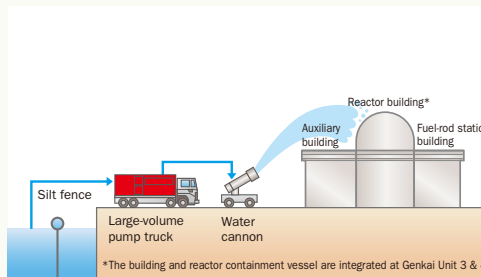
Construction of additional fuel tanks to emergency diesel generators

② Severe Accident Measures

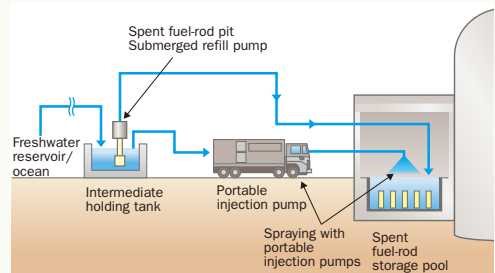
- Instituted measures to prevent damage to the reactor core
 - Instituted measures involving portable injection pumps and large-volume pump trucks for cooling the nuclear reactor inside and preventing damage to the reactor core (nuclear fuel rods)
- Instituted measures to prevent damage to the containment vessel
 - Instituted measures using portable injection pumps and other equipment to cool and decompress the container vessel, and to prevent hydrogen explosions, thereby preventing damage to the containment vessel encapsulating the radioactive substances.
- Instituted measures to contain the spread of radioactive substances
 - Instituted measures to contain the spread of radioactive substances into the atmosphere, for example, in the event that the containment vessel is damaged.



Large-volume pump truck



- Instituted measures to cool the spent fuel-rod storage pool
 - Instituted measures involving submerged pumps to cool the spent fuel-rod storage pool and prevent damage to the fuel rods



- Securing power source support functions
 - Diversification of power supply options



Mobile large-capacity generator (alternate current)



Direct current power source generators (portable substitute power source)

- Securing water supply support functions
 - Water supply required for putting out severe accidents, etc.

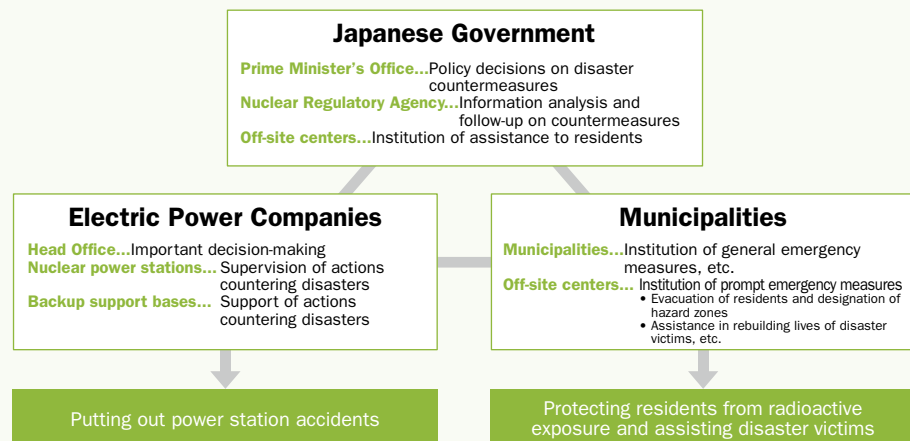
- Established emergency response posts for maintaining functions as an on-site command center
 - Established additional substitute emergency response posts
 - Established mission-critical anti-seismic building (fiscal 2015)

■ Enhanced Framework for Preventing Nuclear Disasters and the Performance of Drills

Enhanced framework for preventing nuclear disasters

Kyushu Electric Power revamped its plan for disaster prevention as a nuclear power facilities operator in March 2013 to enhance its disaster prevention framework in line with the revised Act on Special Measures Concerning Measures for Preventing Nuclear Disasters.

Roles Under the Framework for Preventing Nuclear Disasters



Main Enhancements to the Plan for Disaster Prevention as a Nuclear Power Facilities Operator

- Built a framework for collaborating with the government's disaster countermeasures headquarters and the relevant municipalities, having established emergency response posts within nuclear power stations and a nuclear incident quick response center within the Head Office
- Enhanced capabilities for responding to accidents, having established backup support bases
- Performed disaster drills in preparedness of severe accidents

Ongoing performance of drills

Our nuclear power stations perform operational procedure and maintenance and repair drills on an ongoing basis to ensure safe operation of their facilities. Since the accidents at the Fukushima Daiichi Nuclear Power Station, those drills have incorporated multiple disaster scenarios in an effort to further enhance our response capabilities.



Drill to supply coolant water with a temporary pump



Drill to restore an external power source



Drill conducted under total AC power blackout



Drill to remove debris

Formulation of Midterm Management Policy

- Basic Stance
- Major Initiatives

Increasing of Electricity Rates

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Management Base

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- 17 Corporate Governance
- 19 Board of Directors and Auditors

- 20 CSR Management
 - CSR Promotion Framework
 - Key Issues
 1. We will place importance on communication with society.
 2. We will put safety and peace of mind as our top priorities.
 3. We will collaborate with local communities to creating a better society.
 4. We will aim for corporate activities that are friendly to the environment.
 5. We will respect human rights and create good working environments.
 6. We will promote compliance management.

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, 2013, the Board of Directors met 21 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, 2013, the Committee met 30 times.

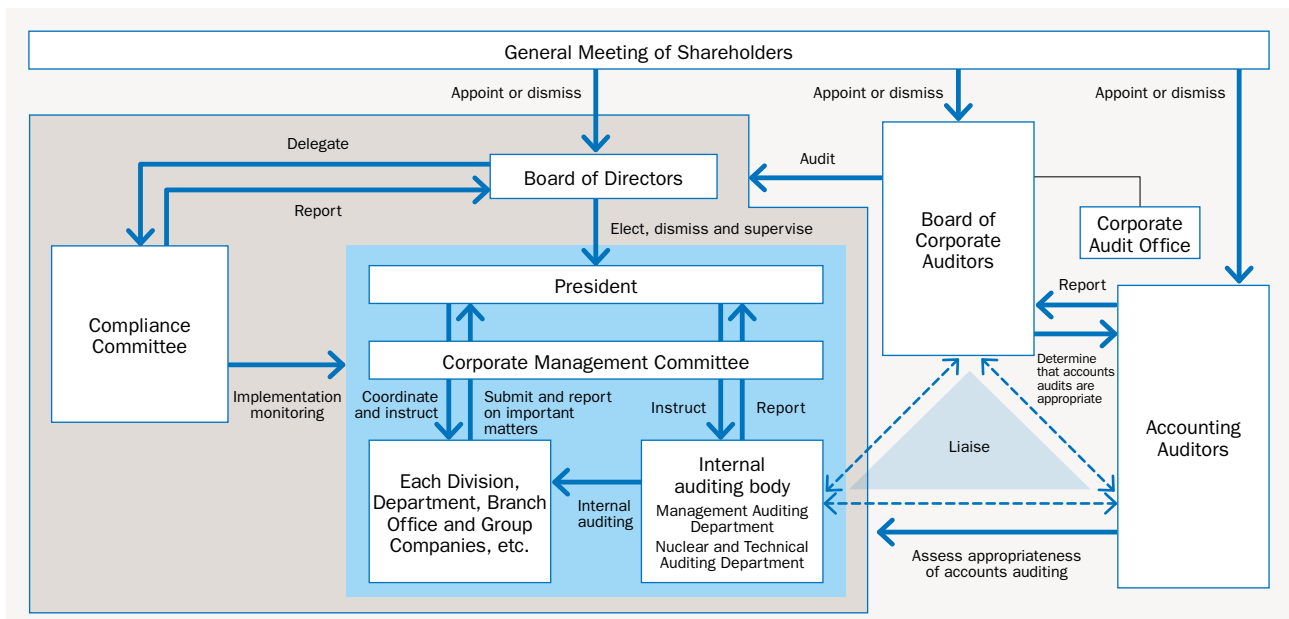
Furthermore, each division and branch office has an executive officer to accelerate decision-making and streamline operations.

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, 2013, 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.

Board of Directors and Auditors



Masayoshi Nuki
Chairperson



Michiaki Uriu
President



Haruyoshi Yamamoto
Executive Vice President



Masanao Chinzei
Executive Vice President



Kenji Tsugami
Executive Vice President



Toru Yoshizako
Executive Vice President

Chairperson

Masayoshi Nuki

President

Michiaki Uriu

Executive Vice Presidents

Haruyoshi Yamamoto

Masanao Chinzei

Kenji Tsugami

Toru Yoshizako

Directors

Tomoyuki Aramaki

Soujuu Hirata

Hiroshi Oshima

Masayuki Yamasaki

Tomio Naito

Seiichi Sakaguchi

Naofumi Satou

Kazuhiro Izaki

Hideomi Yakushinji

Akiyoshi Watanabe
(External Director)

Senior Corporate Auditor

Shinji Yasumoto

Corporate Auditors

Shigeru Matsui

Tsuyoshi Ono

Toshifumi Yada
(External Corporate Auditor)

Yoshio Utsumi
(External Corporate Auditor)

Fumiko Furusho
(External Corporate Auditor)

We are building a CSR management cycle that reflects feedback from customers and other stakeholders in our management and operations, using the CSR Report as a communication tool.

CSR Promotion Framework

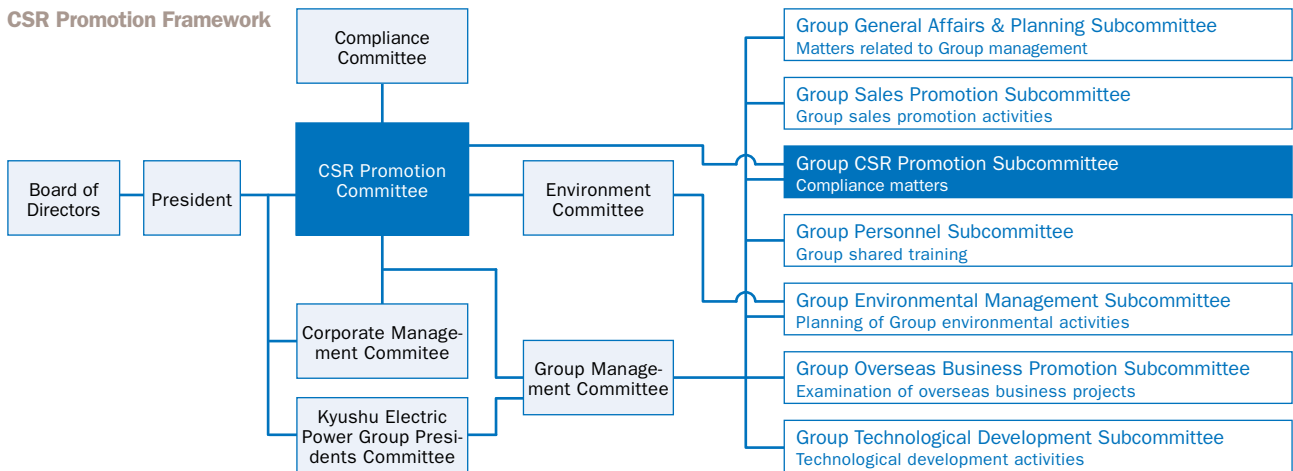
<CSR Promotion Committee>

We appointed one director to oversee our CSR management structure. The president chairs the CSR Promotion Committee, which formulates our CSR action plans and deliberates on our CSR Report as part of our efforts to bolster our CSR initiatives.

<Group CSR Promotion Subcommittee>

We established this body to foster Group-wide CSR efforts, implementing plan-do-check-act (PDCA) initiatives for our CSR action plans.

CSR Promotion Framework



Key Issues

1 We will place importance on communication with society.

2 We will put safety and peace of mind as our top priorities.

3 We will collaborate with local communities and contribute to creating a better society.

4 We will aim for corporate activities that are friendly to the environment.

5 We will respect human rights and create good working environments.

6 We will promote compliance management.

1 Placing importance on communication with society

Pursue proactive disclosure

In order to promote the understanding of both the Company's business activities and nuclear power generation, we proactively disseminate information through presidential and other press conferences. At press conferences, we use diagrams and other

devices for ease of understanding, and videos of the press conferences are available on our website.

We disclose site information and hold tours and press briefings for the mass media to ensure accurate news coverage.

Results of Disclosures of Site Information at Press Briefings

Fiscal 2012 results		
Press conferences	12	<ul style="list-style-type: none"> • Presidential press conferences • Press conferences at Federation of Electric Power Companies of Japan
Press releases	306	—
Disclosures of site information	11	<ul style="list-style-type: none"> • Disaster drills at nuclear power stations • Response training for when demand & supply is tight
Tours	8	<ul style="list-style-type: none"> • Tour of Tenzan Power Plant, etc.
Press briefings	3	<ul style="list-style-type: none"> • Power system overview and demand/supply assumptions



Disclosure of power supply training

2 Putting safety and peace of mind as top priorities

Eliminating Occupational Accidents

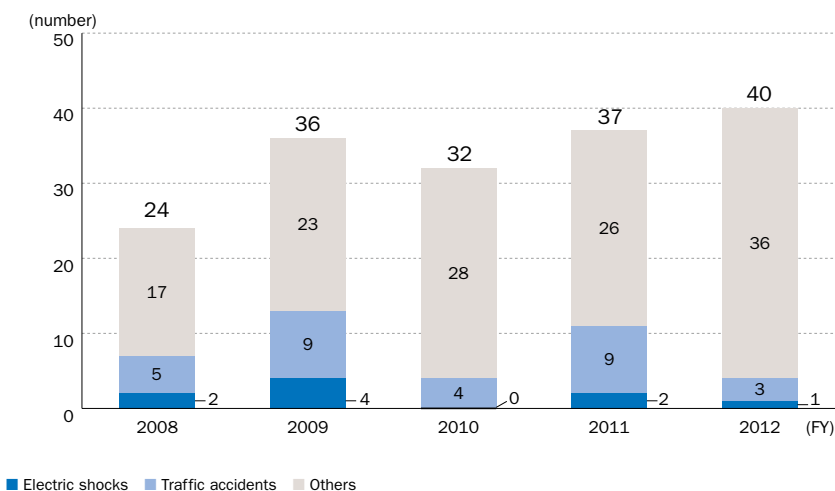
Based on our belief that safety and health take priority over everything, we have formulated a company-wide Occupational Safety & Health Management Policy and plan. The Workplace Safety & Health Committee discusses policies, and promotes safety measures at each workplace.

There has been an increase in occupational accidents involving employees as well as occupational accidents involving contractors. In order to ensure that work is carried out safely at

worksites, we are working to put in place measures to prevent accidents based on risk assessments, studying and implementing measures to prevent occupational accidents from recurring based on thorough investigations of causes, and following up on the effectiveness of such recurrence prevention measures.

From the standpoint of compliance, we regularly offer education related to occupational safety and health ordinances as well as implement virtual exposures to danger and other safety education programs in order to raise employees' sensitivity to danger.

Number of Occupational Accidents by Category



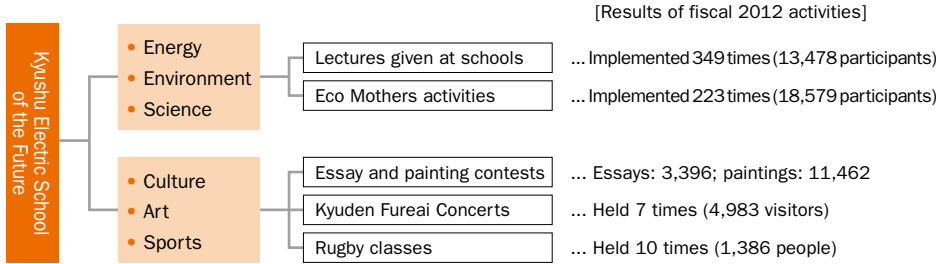
A safety patrol

3 Collaborating with local communities and contributing to creating a better society

Kyushu Electric School of the Future for the Young

We are engaged in activities to foster interest in energy and environmental issues among young people. For example, we visit schools and give lectures about how electricity is created as well as about energy conservation and the environment. We also have

a program where community Eco-Mothers visit nursery schools and other childcare centers and conduct Eco-Mothers activities where they read environmental picture-story shows which raise awareness of environmental problems. We are also involved in community-based activities such as rugby classes.



An on-site lesson

4 Aiming for corporate activities that are friendly to the environment

Initiatives to Curtail CO₂ Emissions

CO₂ emissions per kWh of electricity sold for fiscal 2012 were 0.599 kg-CO₂. This represented a 19% increase compared with fiscal 2011. The increase was due to a substantial rise in thermal power generation because of the continued stoppage of our nuclear power facilities.

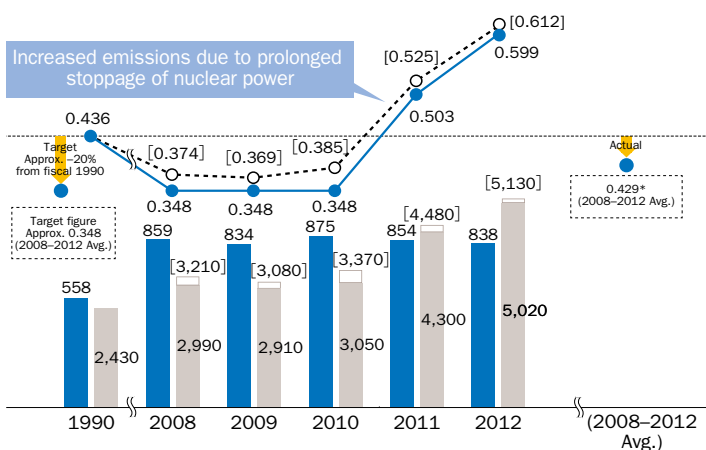
Kyushu Electric Power's main target had been to reduce average CO₂ emissions per kWh of electricity sold for fiscal 2008 through fiscal 2012, during the first five-year pledge period of the Kyoto Protocol, by around 20% compared with levels in 1990 as the base year. However, due to the prolonged stoppage of our nuclear power facilities, curtailments from the base year averaged no more than 1.6%.

Although the target was not attained, Kyushu Electric Power has nonetheless worked to reduce CO₂ emissions per kWh of electricity sold by curtailing both the supply and use of electricity, while obtaining approximately 10 million tons in CO₂ emission credits over the past five years. Had it not been for the stoppage of nuclear power facilities, Kyushu Electric Power may have attained its targeted 20% reduction in levels of CO₂ emissions.

The Company will continue to work on reducing CO₂ emissions and promote initiatives for realizing a low carbon society in order to stay in step with the measures to prevent global warming that the Japanese government is formulating.

Company CO₂ Emissions and CO₂ Emissions per kWh of Electricity Sold

Emissions that were on target until fiscal 2010 increased substantially from fiscal 2011 onward due to the prolonged stoppage of nuclear power facilities



Voluntary CO₂ Reduction Target

Cut average CO₂ emissions per kWh of electricity sold for fiscal 2008 through fiscal 2012 by around 20% from fiscal 1990 levels (reduce to around 0.348 kg-CO₂/kWh)

● CO₂ emissions per kWh of electricity sold (kg-CO₂/kWh)
 ■ Electricity sales (hundred million kWh) ■ CO₂ emissions (ten thousand t-CO₂)
 [] Numbers before reflecting carbon credits

Note: Calculated based on the Japanese government's formula for CO₂ emissions by business.

*The five-year average of CO₂ emissions per kWh of electricity sold may be revised a small amount to reflect a lag in the approval of additional CO₂ emission credits owing to the UN's assessment procedures and other hitches.

5 Respecting human rights and creating good working environments

Creating work environments that foster diversity

We undertake comprehensive initiatives to motivate our workforce and create a dynamic corporate culture for all employees, regardless of gender or age. Efforts include helping female employees to build their careers, balance their work and home commitments, and fostering a culture of broader awareness to support these objectives.

Efforts include helping female employees build their careers, enhancing the hiring environment for elderly persons, promoting

the employment of persons with disabilities, as well as creating a working environment that helps employees balance their work and home commitments.

With the low birthrate and aging population in recent years, in addition to raising their own children employees have increasing needs related to caring for elderly family members. We will continue to consider ways to help employees more flexibly respond to both needs.

TOPICS: Holding the Try Forum

As part of our efforts to raise awareness and reform the organizational culture in promoting diversity, each year we hold the Try Forum, a company-wide women's group. This event provides an opportunity for female employees to build networks and learn about personal growth through their work.

In fiscal 2012, approximately 50 female employees from engineering-related divisions (including group companies), where they are far outnumbered by male colleagues, participated in the event. They spent time envisioning themselves 5 to 10 years in the future, and had discussions about what they can do, as well as what they want to ask of their supervisors and workplaces, in order to achieve their visions.



The Try Forum

6 Promoting compliance management

Enhancing the Compliance 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 which include internal and external consultation desks, and promotes compliance management.

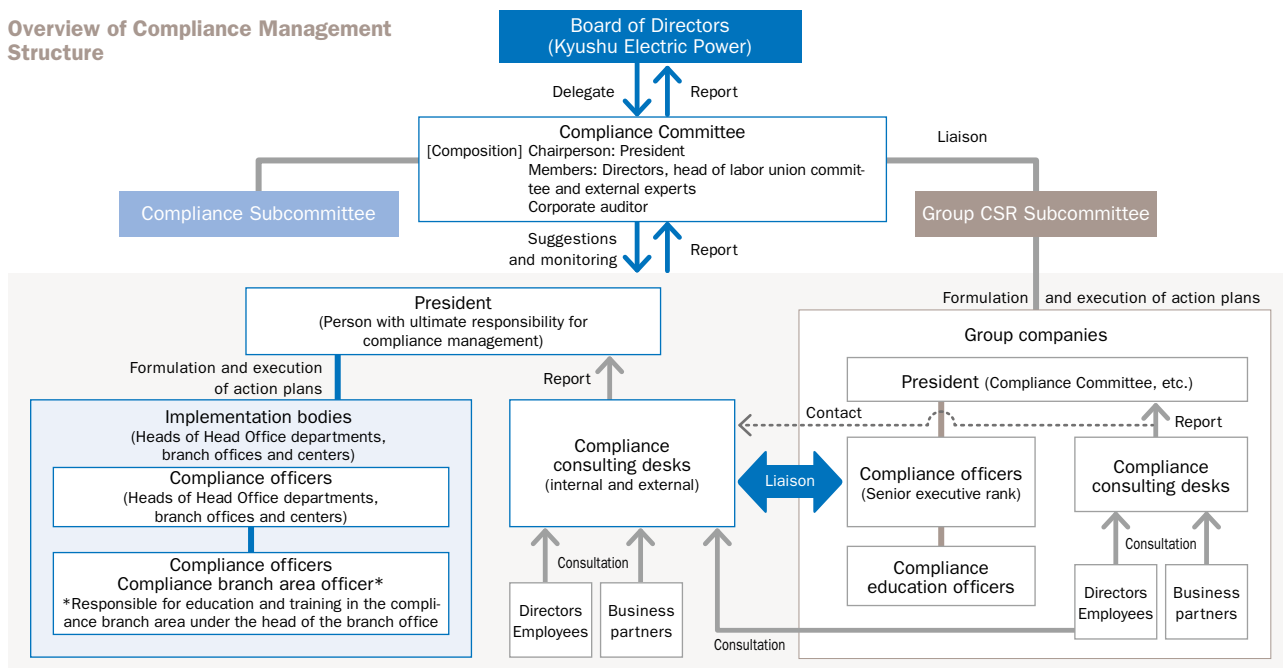
Furthermore, in July 2012 we strengthened our promotion structure based on the opinions from a third party regarding the issue of employees having posed as members of the public and

made prepared statements and opinions in a television discussion program for the general public.

Main initiatives to strengthen the compliance promotion system (July 2012)

- Established an independent promotion structure by a single department with jurisdiction for compliance
- Enhanced the functions of the Compliance Committee during any scandal that has a large societal impact (advice, etc. from outside experts)
- Appointed personnel responsible for compliance at all Company branch offices (excluding Tokyo) for the purpose of educating employees, etc.

Overview of Compliance Management Structure



Financial Section

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Consolidated Eleven-year Financial Summary

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

	Millions of Yen					
For the Year:	2003	2004	2005	2006	2007	2008
Operating revenues	¥1,421,310	¥1,391,683	¥1,408,728	¥1,401,751	¥1,408,327	¥1,482,351
Electric	1,350,674	1,308,843	1,320,581	1,311,995	1,307,737	1,363,423
Other	70,635	82,840	88,146	89,755	100,590	118,927
Operating expenses	1,241,296	1,192,718	1,194,993	1,230,466	1,253,154	1,376,811
Electric	1,170,655	1,108,104	1,107,744	1,140,797	1,155,413	1,260,615
Other	70,640	84,614	87,249	89,669	97,741	116,195
Interest charges	77,896	77,120	49,522	41,129	38,354	36,937
Income (loss) before income taxes and minority interests . .	102,362	112,450	146,796	120,790	112,887	72,463
Income taxes	38,417	39,085	57,857	43,038	46,075	29,853
Net income (loss)	64,319	72,792	89,288	76,849	65,967	41,726
Per share of common stock:	Yen					
Basic net income (loss)	¥135.13	¥153.05	¥187.91	¥161.67	¥139.37	¥88.19
Cash dividends applicable to the year	50.00	50.00	60.00	60.00	60.00	60.00

	Millions of Yen					
At year-end:	2003	2004	2005	2006	2007	2008
Total assets	¥4,204,566	¥4,114,378	¥4,049,713	¥4,102,319	¥4,038,838	¥4,059,775
Net property	3,523,272	3,394,855	3,300,739	3,217,981	3,140,200	3,109,292
Long-term debt, less current portion	1,984,702	1,858,512	1,739,660	1,724,178	1,689,106	1,712,949
Total equity	840,244	910,837	979,251	1,052,785	1,092,600	1,084,212

(U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥93.99 = U.S.\$1, the approximate rate of exchange at March 31, 2013.)
* Figures less than a million yen are rounded down.

Summary of the year ended March 31, 2013

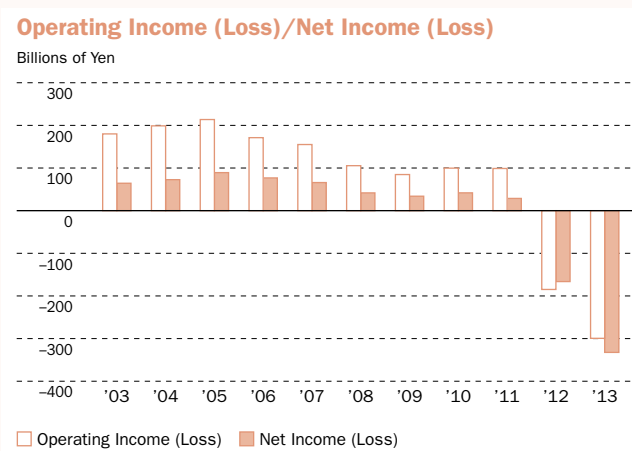
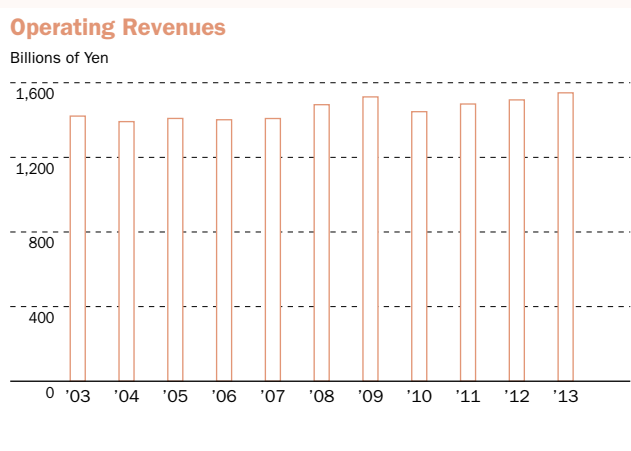
Ordinary loss and net loss for second consecutive fiscal year

Operating revenues increased year on year, but losses widened compared with fiscal 2011 as thermal fuel costs and costs for power purchases increased sharply in the electricity business due to the shutdown of operations at our nuclear power stations.

For the Year:	Millions of Yen					Thousands of U.S. Dollars
	2009	2010	2011	2012	2013	2013
Operating revenues	¥1,524,193	¥1,444,941	¥1,486,083	¥1,508,084	¥1,545,919	\$16,447,696
Electric	1,398,577	1,310,085	1,354,204	1,367,610	1,406,218	14,961,363
Other	125,616	134,856	131,878	140,474	139,700	1,486,333
Operating expenses	1,439,470	1,345,214	1,387,174	1,692,939	1,845,347	19,633,447
Electric	1,317,216	1,220,536	1,261,425	1,562,055	1,715,262	18,249,410
Other	122,254	124,677	125,748	130,883	130,085	1,384,037
Interest charges	35,770	35,292	34,025	34,025	37,407	397,992
Income (loss) before income taxes and minority interests	55,859	67,610	48,318	(214,750)	(334,298)	(3,556,740)
Income taxes	21,481	25,404	19,245	(48,760)	(2,195)	(23,355)
Net income (loss)	33,991	41,812	28,729	(166,390)	(332,470)	(3,537,292)

Per share of common stock:	Yen				U.S. Dollars
Basic net income (loss)	¥71.84	¥88.38	¥60.73	¥(351.80)	\$(7.47)
Cash dividends applicable to the year	60.00	60.00	60.00	50.00	

At year-end:	Millions of Yen					Thousands of U.S. Dollars
Total assets	¥4,110,877	¥4,054,192	¥4,185,460	¥4,428,093	¥4,526,513	\$48,159,517
Net property	3,080,446	3,037,054	3,033,125	2,997,232	2,941,114	31,291,778
Long-term debt, less current portion	1,811,744	1,724,972	1,714,429	2,188,601	2,526,729	26,882,963
Total equity	1,072,374	1,089,066	1,079,679	888,131	557,799	5,934,667



Management Discussion and Analysis

Operating Results

In the year ended March 31, 2013 (fiscal 2012), Kyushu Electric Power recorded a 2.5% year on year increase in consolidated operating revenues to ¥1,545.9 billion. While electricity sales volume in the electricity business was lower for the year, electricity sales revenues were lifted mainly by the charge unit prices that had been increased due to the fuel cost adjustment system and other factors. Another contributing factor was the subsidies commensurate with electricity purchases that the Group posted, based on a feed-in tariff power purchase and sales system that began in July 2012.

With regard to expenditures, operating expenses increased by 9.0% to ¥1,845.3 billion due to acute increases in thermal fuel costs and costs for power purchases in the electric business caused mainly by the stoppage of our nuclear power stations. Although the Group promoted emergency and other management measures to promote the rationalization and reduction of costs, the result was a ¥114.5 billion worsening in operating loss to ¥299.4 billion.

Other revenues rose by 2.0% year on year to ¥14.1 billion, primarily as increases in investment returns from equity method affiliates and other factors made up for a decrease in gains on negative goodwill. Other expenses rose by 7.9% to ¥45.9 billion, mainly as a result of interest charges increasing.

As a result, ordinary revenues rose by 2.5% from the previous year to ¥1,560.1 billion, and ordinary expenses rose by 9.0% to ¥1,891.3 billion. Consequently, ordinary loss worsened ¥117.6 billion to ¥331.2 billion.

Furthermore, the water flow rate rose 12.8% above average (100%) during the year under review. For this reason, Kyushu Electric Power posted a reserve for fluctuations in water level of ¥3.0 billion in preparation for increased expenses associated with future water shortages.

Total income taxes credit was ¥2.1 billion, a ¥46.5 billion change from the credit figure of ¥48.7 billion recorded in fiscal 2011. This reflected a decrease in the negative deferred income taxes figure due mainly to the decision not to record some deferred tax assets in fiscal 2012.

As a result, net loss worsened ¥166.0 billion to ¥332.4 billion. The net loss per share was ¥702.98, reflecting a decline of ¥351.18 from the previous year's net earnings per share.

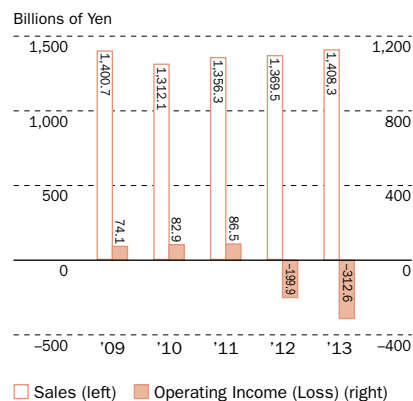
Segment Information

(Before Elimination of Internal Transactions)

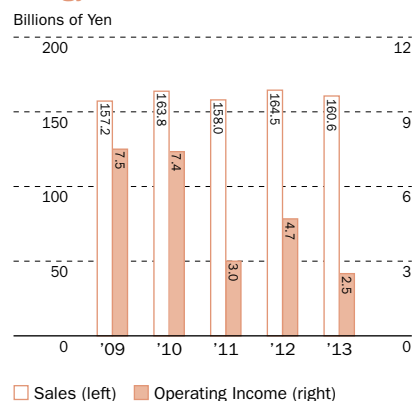
(1) Electric Power

Electricity sales volume fell by 2.0% from the previous fiscal year due to a decrease in general demand, including domestic lighting and commercial demand, as a result of factors such as lower air conditioning and heating demand caused by customers' power savings and lower temperatures than in the previous fiscal year from June to July, as well as higher temperatures from February to March. Power demand from large-scale industrial customers fell 1.4% year on year, due to a decrease in production of electric machinery and the impact of customers' power saving, despite an increase in production of steel and iron, chemicals. As a result, total electricity sales volume fell by 1.8% year on year to 83.78 billion kWh.

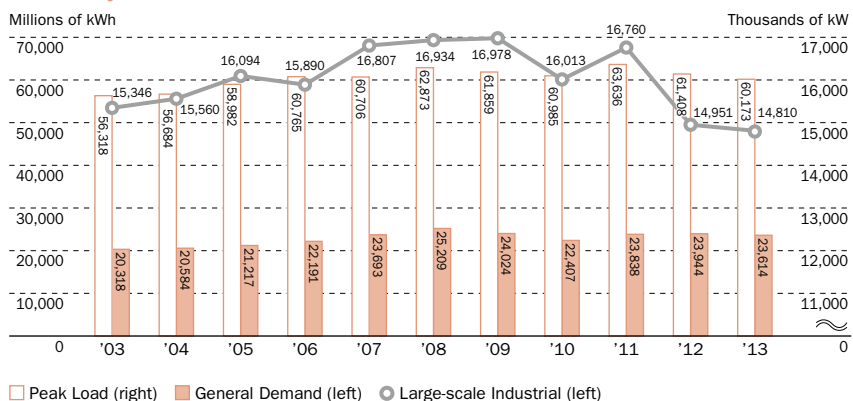
Electric Power



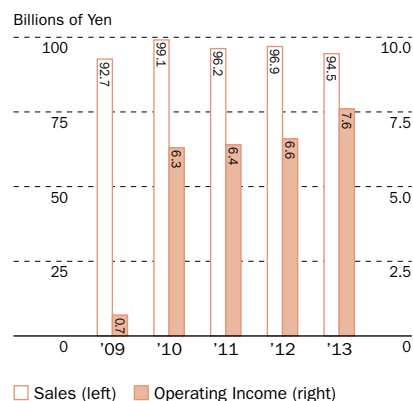
Energy-related Business



Electricity Sales Volume and Peak Load



IT and Telecommunications



On the supply side, we were impacted by the stoppage of our nuclear power stations and other factors, but we responded mainly by increasing both our own thermal power generation and electricity purchased from other companies. Analysis of the energy mix, including power generated by Kyushu Electric Power and power purchased from other companies, shows nuclear power accounted for 0%, thermal power for 88%, hydroelectric for 8% and new energy sources for 4% of total power.

For the electric power segment, operating revenues rose by 2.8% from the previous fiscal year to ¥1,408.3 billion, due to higher charge unit prices resulting in an increase in electricity sales from the impact of the fuel cost adjustment system and other factors, despite a decrease in electricity sales volume. The segment posted an operating loss of ¥312.6 billion, a worsening of ¥112.6 billion from the segment loss in the previous fiscal year, mainly due to large increases in thermal fuel costs and costs for power purchases.

(2) Energy-related Business

The operating revenues decreased by 2.4% year on year to ¥160.6 billion, mainly due to a decline in the completion of power generation facility maintenance and repair work. Operating income fell by 46.1% to ¥2.5 billion.

(3) IT and Telecommunications

The operating revenues decreased by 2.5% year on year to ¥94.5 billion, mainly due to decreases in information systems development work and sales of IT equipment. Operating income increased by 14.7% to ¥7.6 billion, mainly as a result of depreciation expenses diminishing for the fiber optic core cable leasing business.

(4) Other

The operating revenues were ¥27.2 billion, about the same as the previous fiscal year. Operating income decreased by 21.2% to

¥2.4 billion as a result of various factors including an increase in depreciation expenses accompanying the completed construction of rental buildings.

Financial Position

(1) Cash Flows

Cash used in operating activities was ¥135.1 billion in contrast to ¥16.9 billion in cash provided in the previous fiscal year. This was mainly due to increases in thermal power fuel costs and in costs for power purchases, despite an increase in electricity sales revenue in the electric power business.

Cash used in investment activities declined 22.7% to ¥176.5 billion, mainly as a result of efforts to improve capital investment efficiency.

Cash flows from financing activities increased by 13.5% to ¥412.2 billion.

As a result, cash and cash equivalents on March 31, 2013 stood at ¥379.2 billion, an increase of ¥101.2 billion from the end of the previous fiscal year.

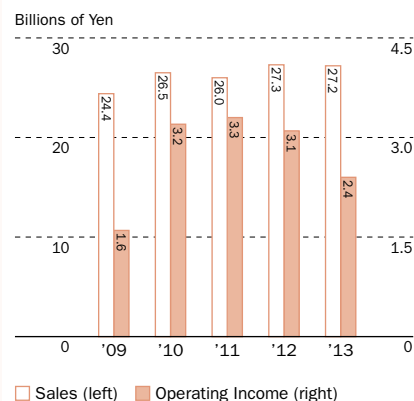
(2) Assets, Liabilities and Net Assets

Total assets at the end of the fiscal year under review were ¥4,526.5 billion, an increase of 2.2% from the end of the previous fiscal year. This increase was mainly due to a rise in current assets such as cash and cash equivalents, despite a decline in fixed assets as a result of depreciation and efforts to improve capital investment efficiency.

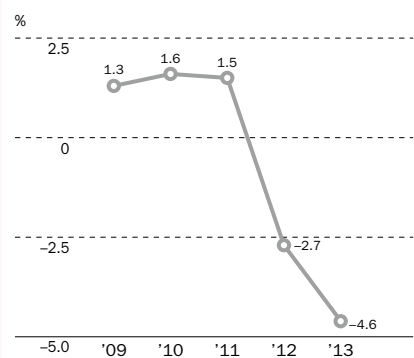
Total liabilities at the end of the fiscal year under review were ¥3,968.7 billion, an increase of 12.1% from the end of the previous fiscal year. This was mainly attributable to higher interest-bearing debt. Outstanding interest-bearing debt increased ¥427.4 billion to ¥2,910.7 billion.

Net assets fell by 37.2% from the end of the previous fiscal year to ¥557.7 billion, mainly because of the posting of a net loss. The equity ratio was 11.9%.

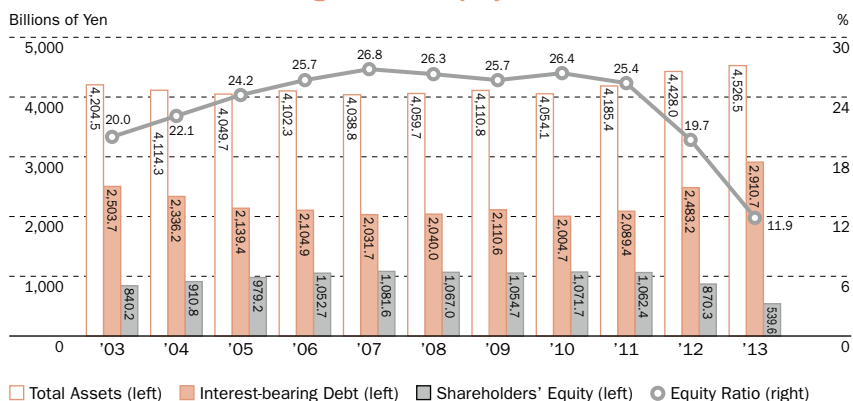
Other



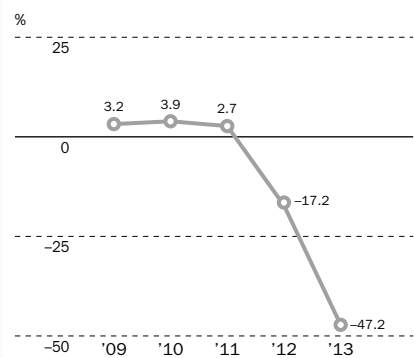
ROA



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, 2013.

1.	Changes in systems affecting the electricity business	<p>The Cabinet has approved the Policy on Electricity System Reform, among the aims of which are 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. Discussions towards the implementation of the Policy are proceeding.</p> <p>The government is also proceeding with the re-examination of the Basic Energy Plan, which establishes the nation's basic orientation in relation to energy supply and demand, encompassing elements such as the best mix of energy and nuclear energy policy.</p> <p>Changes such as these to the systems affecting the electricity business could have an impact on the Group's performance.</p>
2.	Status of environment surrounding nuclear power	<p>Turning to regulations concerning nuclear power, the revision of the Nuclear Reactor Regulation Law in June 2012 saw the introduction of a variety of measures, including the enhancement of countermeasures for severe accidents and the introduction of a system for approval of extension of operating periods and a back-fit system. The Nuclear Regulation Authority is currently progressing with deliberations towards the establishment of detailed regulations to be enforced.</p> <p>Believing, even in the wake of the accident at the Tokyo Electric Power Company's Fukushima Daiichi Nuclear Power Station in March 2011, that the importance of nuclear power has not declined, Kyushu Electric Power is working steadily to further increase safety by introducing emergency safety measures in order to ensure power sources and a water supply in the event of an accident, in addition to implementing safety measures including the installation of a seismically isolated building as a command post, as specified in 30 items of the Technical Findings concerning the Fukushima Power Station Accident.</p> <p>In addition, looking towards the recommencement of operation of our nuclear power stations at an early stage, we are seeking to respond appropriately to the full range of regulations that are being enforced by working to increase safety through initiatives including putting in place measures to respond to major accidents.</p> <p>In future, basing ourselves firmly on the lessons learned from the accident at the Fukushima Daiichi Nuclear Power Station, we will work continuously to implement voluntary measures to further increase our safety and reliability, at the same time as actively seeking to gain the understanding of the residents of our region.</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>
3.	Fluctuations in electricity sales volume	<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>

4.	Fuel Price Fluctuations	<p>Fuel expenses in the electricity business fluctuate as a result of trends in cost, insurance and freight (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>
5.	Nuclear Fuel Cycle Costs	<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.	Cost of Measures to Combat Global Warming	<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.	Businesses Other than Electricity	<p>The Group is enhancing its revenue basis by utilizing the group's management resources and steadily developing new business areas beyond the electricity business. In business operations, we put emphasis on profitability and work to improve efficiency while pursuing growth. In case planned profits cannot be achieved due to worsening business conditions, the Group's performance may be affected.</p>
8.	Interest Rate Fluctuations	<p>The Group's balance of interest-bearing debt as of the end of March 2013 was ¥2,910.7 billion, which accounted for 64% of total assets of the group. Future changes in interest rates have potential to affect the Group's financial condition.</p> <p>However, 95% 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.	Leakage of Information	<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.	Natural Disasters	<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-scaled natural disasters such as typhoons, torrential rains and earthquakes or tsunamis as well as unexpected accidents and illicit acts have the potential to affect the Group's performance.</p> <p>We are also upgrading our 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.	Compliance	<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, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
ASSETS			
PROPERTY (Note 3):			
Plant and equipment	¥9,628,349	¥9,562,225	\$102,440,144
Construction in progress	220,817	184,857	2,349,373
Total	9,849,166	9,747,082	104,789,518
Less—			
Contributions in aid of construction	160,700	160,083	1,709,760
Accumulated depreciation	6,747,352	6,589,765	71,787,978
Total	6,908,052	6,749,849	73,497,739
Net property	2,941,114	2,997,232	31,291,778
NUCLEAR FUEL	278,941	267,124	2,967,779
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 15)	122,388	114,698	1,302,148
Investments in and advances to nonconsolidated subsidiaries and affiliated companies (Note 15)	103,813	101,212	1,104,521
Reserve funds for reprocessing of irradiated nuclear fuel (Notes 8 and 15)	240,155	220,293	2,555,121
Deferred tax assets (Note 11)	176,988	178,753	1,883,062
Other	20,186	15,351	214,772
Total investments and other assets	663,534	630,309	7,059,626
CURRENT ASSETS:			
Cash and cash equivalents (Note 15)	379,207	277,945	4,034,554
Receivables (Note 15)	144,428	135,395	1,536,637
Allowance for doubtful accounts	(945)	(827)	(10,057)
Inventories, principally fuel	73,077	77,908	777,504
Deferred tax assets (Note 11)	31,203	28,202	331,990
Prepaid expenses and other	15,950	14,802	169,701
Total current assets	642,922	533,427	6,840,332
TOTAL	¥4,526,513	¥4,428,093	\$ 48,159,517

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
LIABILITIES AND EQUITY			
LONG-TERM LIABILITIES:			
Long-term debt, less current portion (Notes 6 and 15)	¥2,526,729	¥2,188,601	\$26,882,963
Liability for employees' retirement benefits (Note 7)	163,875	153,850	1,743,542
Reserve for reprocessing of irradiated nuclear fuel (Note 8)	346,913	358,651	3,690,961
Asset retirement obligations (Note 9)	221,025	211,989	2,351,589
Other	40,382	44,454	429,645
Total long-term liabilities	3,298,927	2,957,548	35,098,703
CURRENT LIABILITIES:			
Current portion of long-term debt (Notes 6 and 15)	243,288	186,295	2,588,449
Short-term borrowings (Notes 10 and 15)	119,532	118,000	1,271,760
Commercial paper (Note 15)	33,000		351,101
Notes and accounts payable (Notes 14 and 15)	151,460	151,330	1,611,451
Accrued income taxes (Note 15)	2,197	2,585	23,384
Accrued expenses	76,038	83,785	809,006
Deferred tax liabilities (Note 11)	87	100	927
Other	39,873	39,099	424,229
Total current liabilities	665,478	581,197	7,080,310
RESERVE FOR FLUCTUATIONS IN WATER LEVEL	4,308	1,216	45,835
COMMITMENTS AND CONTINGENCIES (Note 17)			
EQUITY (Note 12):			
Common stock, authorized, 1,000,000,000 shares; issued, 474,183,951 shares in 2013 and 2012	237,304	237,304	2,524,788
Capital surplus	31,130	31,133	331,212
Retained earnings	252,145	594,080	2,682,680
Treasury stock—at cost, 1,246,883 shares in 2013 and 1,236,366 shares in 2012	(2,373)	(2,366)	(25,250)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	19,212	12,331	204,404
Deferred gain (loss) on derivatives under hedge accounting	3,747	(179)	39,870
Foreign currency translation adjustments	(1,481)	(1,907)	(15,767)
Total	539,684	870,396	5,741,938
Minority interests	18,114	17,735	192,729
Total equity	557,799	888,131	5,934,667
TOTAL	¥4,526,513	¥4,428,093	\$48,159,517

Consolidated Statement of Operations

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
OPERATING REVENUES:			
Electric.	¥1,406,218	¥1,367,610	\$14,961,363
Other	139,700	140,474	1,486,333
Total operating revenues	1,545,919	1,508,084	16,447,696
OPERATING EXPENSES (Note 13):			
Electric.	1,715,262	1,562,055	18,249,410
Other	130,085	130,883	1,384,037
Total operating expenses	1,845,347	1,692,939	19,633,447
OPERATING LOSS	(299,428)	(184,854)	(3,185,750)
OTHER EXPENSES (INCOME):			
Interest charges	37,407	34,025	397,992
Gain on negative goodwill		(2,592)	
Other-net.	(5,629)	(2,752)	(59,899)
Total other expenses-net.	31,777	28,680	338,092
LOSS BEFORE INCOME TAXES AND PROVISION FOR RESERVE FOR FLUCTUATIONS IN WATER LEVEL AND MINORITY INTERESTS	(331,206)	(213,534)	(3,523,843)
PROVISION FOR RESERVE FOR FLUCTUATIONS IN WATER LEVEL	3,092	1,216	32,897
LOSS BEFORE INCOME TAXES AND MINORITY INTERESTS	(334,298)	(214,750)	(3,556,740)
INCOME TAXES (Note 11):			
Current	3,674	3,585	39,096
Prior years		494	
Deferred.	(5,869)	(52,839)	(62,451)
Total income taxes.	(2,195)	(48,760)	(23,355)
NET LOSS BEFORE MINORITY INTERESTS	(332,102)	(165,990)	(3,533,385)
MINORITY INTERESTS IN NET INCOME OF CONSOLIDATED SUBSIDIARIES	(367)	(400)	(3,906)
NET LOSS	¥ (332,470)	¥ (166,390)	\$ (3,537,292)
PER SHARE OF COMMON STOCK (Note 2.r.):			
Basic net loss	¥(702.98)	¥(351.80)	\$(7.47)
Cash dividends applicable to the year.		50.00	

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
NET LOSS BEFORE MINORITY INTERESTS	¥(332,102)	¥(165,990)	\$(3,533,385)
OTHER COMPREHENSIVE INCOME (Note 18):			
Unrealized gain on available-for-sale securities	6,503	920	69,191
Deferred gain on derivatives under hedge accounting	3,918	1,695	41,688
Foreign currency translation adjustments	(709)	730	(7,547)
Share of other comprehensive income in nonconsolidated subsidiaries and affiliated companies	1,529	(593)	16,275
Total other comprehensive income	11,242	2,753	119,608
COMPREHENSIVE LOSS	¥(320,860)	¥(163,236)	\$(3,413,776)
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥(321,237)	¥(163,627)	\$(3,417,785)
Minority interests	376	390	4,008

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Year Ended March 31, 2013

	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 (Loss) on Derivatives under Hedge Accounting				Foreign Currency Translation Adjustments
BALANCE AT APRIL 1, 2011	474,183	¥237,304	¥31,137	¥ 788,867	1,202	¥(2,333)	¥11,356	¥(1,871)	¥(2,003)	¥1,062,458	¥17,220	¥1,079,679
Net loss				(166,390)						(166,390)		(166,390)
Cash dividends, ¥60 per share				(28,396)						(28,396)		(28,396)
Purchase of treasury stock					37	(43)				(43)		(43)
Disposal of treasury stock			(4)		(4)	10				5		5
Net change in the year							975	1,691	95	2,763	514	3,277
BALANCE AT MARCH 31, 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

	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 (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments				
BALANCE AT MARCH 31, 2012	\$2,524,788	\$331,238	\$ 6,320,673	\$(25,181)	\$131,203	\$ (1,911)	\$(20,291)	\$ 9,260,520	\$188,691	\$ 9,449,211	
Net loss			(3,537,292)					(3,537,292)		(3,537,292)	
Cash dividends, \$0.21 per share			(100,701)					(100,701)		(100,701)	
Purchase of treasury stock				(111)				(111)		(111)	
Disposal of treasury stock			(26)		42			15		15	
Net change in the year						73,201	41,781	4,523	119,506	4,038	123,545
BALANCE AT MARCH 31, 2013	\$2,524,788	\$331,212	\$ 2,682,680	\$(25,250)	\$204,404	\$39,870	\$(15,767)	\$ 5,741,938	\$192,729	\$ 5,934,667	

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
CASH FLOWS FROM OPERATING ACTIVITIES:			
Loss before income taxes and minority interests	¥(334,298)	¥(214,750)	\$(3,556,740)
Adjustments for:			
Income taxes–paid	(3,976)	(20,523)	(42,308)
Depreciation and amortization	212,735	244,470	2,263,380
Decommissioning costs of nuclear power units	2,627	3,106	27,949
Provision for liability for employees' retirement benefits	10,024	9,129	106,656
Reversal of reserve for reprocessing of irradiated nuclear fuel	(11,738)	(10,279)	(124,889)
Loss on disposal of plant and equipment	8,338	9,784	88,722
Provision for reserve for fluctuation in water level	3,092	1,216	32,897
Gain on negative goodwill		(2,592)	
Changes in assets and liabilities:			
Increase in reserve funds for reprocessing of irradiated nuclear fuel	(19,862)	(23,020)	(211,323)
Increase in trade receivables	(8,284)	(13,961)	(88,138)
Decrease (increase) in inventories	4,830	(19,287)	51,397
Increase in trade payables	7,567	40,552	80,518
Other–net	(6,187)	13,065	(65,828)
Total adjustments	199,167	231,660	2,119,032
Net cash (used in) provided by operating activities	(135,130)	16,909	(1,437,707)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures including nuclear fuel	(183,922)	(229,351)	(1,956,825)
Payments for investments and advances	(442)	(6,729)	(4,709)
Proceeds from sales of investment securities and collections of advances	3,640	4,204	38,734
Other–net	4,177	3,596	44,450
Net cash used in investing activities	(176,546)	(228,279)	(1,878,350)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of bonds	139,736		1,486,714
Repayments of bonds	(120,000)	(150,000)	(1,276,731)
Proceeds from long-term loans	439,967	657,634	4,681,000
Repayments of long-term loans	(69,296)	(80,553)	(737,271)
Net increase (decrease) in short-term borrowings	1,531	(2,770)	16,298
Net increase (decrease) in commercial paper	33,000	(30,000)	351,101
Cash dividends paid	(9,489)	(28,408)	(100,967)
Other–net	(3,200)	(2,582)	(34,056)
Net cash provided by financing activities	412,248	363,319	4,386,089
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS			
	690	7	7,344
NET INCREASE IN CASH AND CASH EQUIVALENTS	101,262	151,956	1,077,375
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	277,945	125,988	2,957,179
CASH AND CASH EQUIVALENTS AT END OF YEAR	¥ 379,207	¥ 277,945	\$ 4,034,554

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Year Ended March 31, 2013

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, 2012, to conform to the classifications used in the consolidated financial statements for the year ended March 31, 2013.

The U.S. dollar amounts included herein are provided solely for the convenience of readers and are stated at the rate of ¥93.99 = U.S. \$1, the approximate exchange rate prevailing on March 31, 2013. 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, 2013, include the accounts of the Company and its 40 (39 for 2012) subsidiaries (together, the “Companies”). All significant intercompany transactions and balances have been eliminated in consolidation. Investments in 17 (16 for 2012) nonconsolidated subsidiaries and 14 affiliated companies are accounted for by the equity method.

The Company adopts the control or 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.

The excess of the cost of an acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is being amortized over a period of 5 years.

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 — 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.

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 funds 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 subsidiary, 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 subsidiary 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.

The Companies account for the liability for employees' retirement benefits based on the projected benefit obligations and plan assets of the pension fund at the end of the fiscal year.

In March 2013, the Company decided to shift part of its contributory funded defined benefit pension plan to a defined contribution pension plan from July 2013. The prior service cost (deduction of liability) associated with this amendment will be amortized (deduction of cost) using the straight-line method from the fiscal year ended March 31, 2013, over 5 years, which is within the average remaining service period of employees.

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 the 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%.

Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense based on a proportion of the current generation of nuclear electric power to the estimated total life-time generation of nuclear electric power of each unit.

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, 2013 and 2012, 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 Standard for Retirement Benefits — On May 17, 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 followed by partial amendments from time to time through 2009.

Major changes are as follows:

(a) Treatment in the balance sheet

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.

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

(b) Treatment in the statement of operations and the statement of comprehensive income

The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives 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 shall be 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) Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases

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 Company expects to apply the revised accounting standard for (a), (b) and (c) above from the beginning of the annual period beginning on April 1, 2013, and is in the process of measuring the effects of applying the revised accounting standard in future applicable periods.

3. PROPERTY

The breakdown of property at March 31, 2013 and 2012, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Costs:			
Electric power production facilities:			
Hydroelectric power	¥ 805,385	¥ 798,662	\$ 8,568,840
Thermal power	1,469,187	1,466,669	15,631,320
Nuclear power	1,625,719	1,611,231	17,296,732
Internal-combustion engine power	128,329	127,453	1,365,350
Renewable power	106,843	105,974	1,136,750
Total	4,135,465	4,109,991	43,998,994
Transmission facilities	1,750,094	1,733,940	18,620,009
Transformation facilities	976,841	976,102	10,393,037
Distribution facilities	1,371,329	1,360,361	14,590,165
General facilities	392,018	392,340	4,170,856
Other electricity-related facilities	40,914	40,915	435,307
Other plant and equipment	961,684	948,574	10,231,772
Construction in progress	220,817	184,857	2,349,373
Total	9,849,166	9,747,082	104,789,518
Less-			
Contributions in aid of construction	160,700	160,083	1,709,760
Accumulated depreciation	6,747,352	6,589,765	71,787,978
Carrying amount	¥2,941,114	¥2,997,232	\$31,291,778

4. INVESTMENT SECURITIES

The costs and aggregate fair values of investment securities at March 31, 2013 and 2012, were as follows:

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, 2012	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥13,261	¥19,365	¥602	¥32,025
Debt securities	1,550	86	2	1,634
Other securities	420	4	25	399
Held-to-maturity	4,976	11	763	4,224

March 31, 2013	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	\$140,603	\$300,822	\$5,324	\$436,101
Debt securities	23,822	7,078	302	30,598
Other securities	3,850	203	38	4,014
Held-to-maturity	26,985	93	2,189	24,888

5. PLEDGED ASSETS

All of the Company's assets amounting to ¥4,201,704 million (\$44,703,742 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

¥53,978 million (\$574,304 thousand), are pledged as collateral for a portion of their long-term debt at March 31, 2013.

Investments in affiliated companies held by a consolidated subsidiary, amounting to ¥41,020 million (\$436,429 thousand), are pledged as collateral for bank loans of the affiliated companies and the subsidiary of the affiliated company at March 31, 2013.

6. LONG-TERM DEBT

Long-term debt at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Yen bonds, 0.35% to 3.65%, due serially to 2031	¥1,193,392	¥1,173,368	\$12,697,017
Swiss franc bonds, 2.625%, due 2014	18,861	18,887	200,674
Loans from the Development Bank of Japan Inc., 0.577% to 4.60%, due serially to 2028	278,145	224,716	2,959,311
Loans, principally from banks and insurance companies, 0.25% to 2.50%, due serially to 2030			
Collateralized	33,322	34,343	354,537
Unsecured	1,234,421	913,897	13,133,539
Obligations under finance leases	11,874	9,683	126,332
Total	2,770,018	2,374,896	29,471,412
Less current portion	243,288	186,295	2,588,449
Long-term debt, less current portion	¥2,526,729	¥2,188,601	\$26,882,963

The annual maturities of long-term debt outstanding at March 31, 2013, were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2014	¥ 243,288	\$ 2,588,449
2015	200,702	2,135,361
2016	352,675	3,752,266
2017	295,656	3,145,615
2018	351,584	3,740,661
Thereafter	1,326,110	14,109,058
Total	¥2,770,018	\$29,471,412

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.

In March 2013, the Company decided to shift part of its contributory funded defined benefit pension plans to a defined contribution pension plan effective July 2013.

The liability for employees' retirement benefits at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Projected benefit obligation	¥ 475,455	¥ 493,587	\$ 5,058,575
Fair value of plan assets	(353,866)	(335,220)	(3,764,935)
Unrecognized actuarial gain (loss)	23,917	(6,817)	254,471
Unrecognized prior service cost (deduction of liability)	18,195	2,260	193,589
Prepaid pension cost	173	41	1,842
Net liability	¥ 163,875	¥ 153,850	\$ 1,743,542

The components of net periodic benefit costs for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Service cost	¥15,671	¥15,456	\$166,733
Interest cost	9,727	9,651	103,499
Expected return on plan assets	(6,701)	(6,707)	(71,299)
Recognized actuarial loss	10,384	9,327	110,480
Amortization of prior service cost	(896)	(367)	(9,535)
Net periodic benefit costs	¥28,185	¥27,360	\$299,879

Assumptions for actuarial computations for the years ended March 31, 2013 and 2012, were as follows:

	2013	2012
Discount rate	Mainly 2.0%	2.0%
Expected rate of return on plan assets	Mainly 2.0%	Mainly 2.0%
Recognition period of actuarial gain/loss	Mainly 5 years	Mainly 5 years
Amortization period of prior service cost	Mainly 5 years	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 is consisted 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 1.6% at March 31, 2013 and 2012,
- The costs reprocessed in the other reprocessing companies are calculated based on the quantities to be reprocessed as of each balance sheet date and the 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 ¥104,396 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, 2013, was ¥53,070 million (\$564,636 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 differences might be incurred. The balance of unrecognized difference as of March 31, 2013, is a gain of ¥4,835 million (\$51,449 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, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Balance at beginning of year	¥212,008	¥207,855	\$2,255,652
Net change in the year	9,017	4,153	95,936
Balance at end of year	221,025	212,008	2,351,589
Less current portion		19	
Asset retirement obligations, less current portion	¥221,025	¥211,989	\$2,351,589

10. SHORT-TERM BORROWINGS

Short-term borrowings were generally represented by bank loans, bearing interest at rates ranging from 0.26% to 1.88% and from 0.24% to 1.88% for the years ended March 31, 2013 and 2012, respectively.

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% and 36.1% for the years ended March 31, 2013 and 2012, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Deferred Tax Assets:			
Tax loss carryforwards	¥ 156,014	¥ 60,249	\$ 1,659,908
Pension and severance costs	51,837	49,020	551,520
Depreciation	33,683	32,740	358,377
Asset retirement obligations	26,332	24,300	280,164
Reserve for reprocessing of irradiated nuclear fuel	22,192	20,958	236,119
Other	65,245	62,791	694,170
Less valuation allowance	(128,180)	(30,076)	(1,363,764)
Deferred tax assets	¥ 227,126	¥219,982	\$ 2,416,497
Deferred Tax Liabilities:			
Unrealized gain on available-for-sale securities	¥ 8,470	¥ 5,566	\$ 90,118
Capitalized asset retirement costs	7,047	5,523	74,979
Deferred gain on derivatives under hedge accounting	1,870	504	19,903
Other	1,638	1,543	17,428
Deferred tax liabilities	¥ 19,026	¥ 13,137	\$ 202,429
Net deferred tax assets	¥ 208,100	¥206,844	\$ 2,214,067

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, 2013 and 2012, were as follows:

	2013	2012
Normal effective statutory tax rate	33.2%	36.1%
Valuation allowance	(29.1)	(2.3)
Difference of tax rates on special income tax for reconstruction funding	(3.4)	
Adjustment of deferred tax assets at year-end resulting from tax-rate changes		(12.5)
Other-net	0.0	1.4
Actual effective tax rate	0.7%	22.7%

At March 31, 2013, the Company and certain subsidiaries have tax loss carryforwards aggregating ¥503,769 million (\$5,359,823 thousand), which are available to be offset against taxable income of the Company, and these subsidiaries and will expire in nine

years. At March 31, 2013, the tax loss carryforwards for the Company amounting to ¥311,687 million (\$3,316,172 thousand) and ¥175,798 million (\$1,870,400) will expire in the years ending March 31, 2022 and 2021, respectively.

12. EQUITY

Japanese companies are subject to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders’ meeting. For companies that meet certain criteria, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the Company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the Company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account that was charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥8,175 million (\$86,987 thousand) and ¥8,600 million for the years ended March 31, 2013 and 2012, respectively.

14. RELATED PARTY DISCLOSURES

Significant transactions of the Company with an affiliated company for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
KYUDENKO CORPORATION			
Transactions:			
Purchase of construction works on distribution facilities and other	¥34,840	¥39,622	\$370,686
Balances at year end:			
Payables for construction works	4,577	4,953	48,699

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 reduction of 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. Bonds in a foreign currency are exposed to the market risk of fluctuation in foreign currency exchange rates, which is mitigated by using currency swaps. 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 are 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, respectively.

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, 2013 and 2012, were as follows:

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	
Total	¥ 830,258	¥ 819,698	¥10,559
Long-term debt:			
Bonds	¥1,212,254	¥1,249,339	¥37,085
Loans	1,545,889	1,570,373	24,483
Short-term borrowings	119,532	119,532	
Commercial paper	33,000	33,000	
Notes and accounts payable	151,460	151,460	
Accrued income taxes	2,197	2,197	
Total	¥3,064,335	¥3,125,904	¥61,569
Derivatives	¥ 5,726	¥ 5,726	

March 31, 2012	Millions of yen		
	Carrying Amount	Fair Value	Unrecognized Loss
Investment securities:			
Held-to-maturity debt securities	¥ 4,976	¥ 4,224	¥ 752
Available-for-sale securities	34,059	34,059	
Investments in and advances to nonconsolidated subsidiaries and affiliated companies			
	18,787	10,893	7,894
Reserve funds for reprocessing of irradiated nuclear fuel	220,293	220,293	
Cash and cash equivalents	277,945	277,945	
Receivables	135,395	135,395	
Total	¥ 691,458	¥ 682,812	¥ 8,646
Long-term debt:			
Bonds	¥1,192,255	¥1,229,695	¥37,439
Loans	1,172,958	1,189,831	16,872
Short-term borrowings	118,000	118,000	
Notes and accounts payable	151,330	151,330	
Accrued income taxes	2,585	2,585	
Total	¥2,637,131	¥2,691,443	¥54,312
Derivatives	¥ (98)	¥ (98)	

March 31, 2013	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrecognized Loss
Investment securities:			
Held-to-maturity debt securities	\$ 26,985	\$ 24,888	\$ 2,096
Available-for-sale securities	470,714	470,714	
Investments in and advances to nonconsolidated subsidiaries and affiliated companies			
	209,461	99,206	110,254
Reserve funds for reprocessing of irradiated nuclear fuel	2,555,121	2,555,121	
Cash and cash equivalents	4,034,554	4,034,554	
Receivables	1,536,637	1,536,637	
Total	\$ 8,833,474	\$ 8,721,123	\$112,351
Long-term debt:			
Bonds	\$12,897,691	\$13,292,257	\$394,566
Loans	16,447,387	16,707,881	260,494
Short-term borrowings	1,271,760	1,271,760	
Commercial paper	351,101	351,101	
Notes and accounts payable	1,611,451	1,611,451	
Accrued income taxes	23,384	23,384	
Total	\$32,602,777	\$33,257,837	\$655,060
Derivatives	\$ 60,923	\$ 60,923	

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 current portion of them, 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, and principally at the quoted price obtained from the financial institution for other debt securities. The information of the fair values for the 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. Bonds denominated in a foreign currency for which currency swaps are used to hedge the foreign currency fluctuations (see Note 16) are treated as yen-denominated bonds. 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

The information of the fair value 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
	2013	2012	2013
Investment securities:			
Available-for-sale:			
Equity securities	¥ 73,141	¥ 73,116	\$ 778,181
Other securities	2,468	2,546	26,267
Investments in and advances to nonconsolidated subsidiaries and affiliated companies:			
Equity securities	71,202	70,321	757,551
Other securities	7,819	6,995	83,197
Total	¥154,632	¥152,979	\$1,645,197

Maturity analysis for financial assets and securities with contractual maturities

March 31, 2013	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
Investment securities:				
Held-to-maturity debt securities	¥ 470	¥199	¥10	¥1,856
Available-for-sale securities with contractual maturities	375	13	47	2,463
Reserve funds for reprocessing of irradiated nuclear fuel	27,407			
Cash and cash equivalents	379,207			
Receivables	144,428			
Total	¥551,889	¥212	¥57	¥4,319

March 31, 2013	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
Investment securities:				
Held-to-maturity debt securities	\$ 5,004	\$2,127	\$106	\$19,746
Available-for-sale securities with contractual maturities	4,000	138	507	26,207
Reserve funds for reprocessing of irradiated nuclear fuel	291,596			
Cash and cash equivalents	4,034,554			
Receivables	1,536,637			
Total	\$5,871,792	\$2,266	\$613	\$45,954

Reserve funds for reprocessing of irradiated nuclear fuel are provided for reprocessing costs of irradiated nuclear fuel charged by JNFL. Using plan of the reserve funds is disclosed only about due in one

year or less, to comply with agreements with JNFL and to avoid disadvantage, 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, currency swaps, 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

March 31, 2013	Millions of Yen			Fair Value
	Hedged Item	Contract Amount	Contract Amount due after One Year	
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 b)	Long-term loans	¥ 2,592	¥ 1,870	
Total				¥5,726

March 31, 2012	Millions of Yen			Fair Value
	Hedged Item	Contract Amount	Contract Amount due after One Year	
Currency swaps:				
Buying CHF (Note b)	Bonds	¥19,523	¥19,183	
Buying USD (Note a)	Accounts payable	¥48,090	¥31,599	¥(667)
Energy swap agreements:				
(fixed price payment, floating price receipt) (Note a)	Accounts payable	¥ 6,660	¥ 4,045	¥ 568
Interest rate swaps:				
(fixed rate payment, floating rate receipt) (Note b)	Long-term loans	¥ 3,299	¥ 2,592	
Total				¥ (98)

March 31, 2013	Thousands of U.S. Dollars			Fair Value
	Hedged Item	Contract Amount	Contract Amount due after One Year	
Currency swaps:				
Buying CHF (Note b)	Bonds	\$204,102		
Buying USD (Note a)	Accounts payable	\$336,205	\$184,952	\$52,978
Energy swap agreements:				
(fixed price payment, floating price receipt) (Note a)	Accounts payable	\$ 43,040	\$ 15,220	\$ 7,944
Interest rate swaps:				
(fixed rate payment, floating rate receipt) (Note b)	Long-term loans	\$ 27,577	\$ 19,895	
Total				\$60,923

Notes:

(a) The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

(b) Bonds denominated in foreign currencies for which currency swaps are used to hedge the foreign currency fluctuations are translated at the contracted rate if the currency swaps qualify for hedge accounting.

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 such currency swaps and interest rate swaps are included in those of hedged items (i.e., bonds and long-term loans, respectively) in Note 15.

(c) 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, 2013, 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, 2013, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Co-guarantees of loans, mainly in connection with procurement of fuel.	¥94,695	\$1,007,507
Guarantees of employees' loans	79,671	847,657
Guarantees under debt assumption agreements.	70,000	744,760
Other.	21,850	232,474

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 years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Other comprehensive income:			
Unrealized gain on available-for-sale securities			
Gains arising during the year	¥ 9,240	¥ (114)	\$ 98,316
Reclassification adjustments to profit or loss	217	27	2,314
Amount before income tax effect.	9,458	(87)	100,631
Income tax effect.	(2,955)	1,008	(31,439)
Total	¥ 6,503	¥ 920	\$ 69,191
Deferred gain on derivatives under hedge accounting			
Gains arising during the year	¥ 6,041	¥ 840	\$ 64,276
Adjustments for amounts transferred to the initial carrying amounts of hedged items	(216)	1,807	(2,302)
Amount before income tax effect.	5,824	2,647	61,974
Income tax effect.	(1,906)	(951)	(20,285)
Total	¥ 3,918	¥1,695	\$ 41,688
Foreign currency translation adjustments			
Adjustments arising during the year.	¥ (709)	¥ 730	\$ (7,547)
Share of other comprehensive income in nonconsolidated subsidiaries and affiliated companies			
Gains arising during the year	¥ 1,504	¥ (625)	\$ 16,010
Reclassification adjustments to profit or loss	24	32	264
Total	¥ 1,529	¥ (593)	\$ 16,275
Total other comprehensive income.	¥11,242	¥2,753	\$119,608

19. SEGMENT INFORMATION

(1) Description of reportable segments

The Companies' reportable segments are those for which separately financial information is available 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."

(3) Information about sales, profit, assets and other items at March 31, 2013 and 2012, was as follows:

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

	Millions of Yen						
	2012						
	Reportable segment					Total	Reconciliations
Electric Power	Energy related Business	IT and Telecommunications	Other				
Sales:							
Sales to external customers	¥1,367,610	¥ 67,039	¥ 61,151	¥ 12,283	¥1,508,084		¥1,508,084
Intersegment sales or transfers	1,927	97,517	35,811	15,026	150,283	¥(150,283)	
Total	¥1,369,537	¥164,557	¥ 96,963	¥ 27,310	¥1,658,368	¥(150,283)	¥1,508,084
Segment (loss) profit	¥ (199,995)	¥ 4,779	¥ 6,628	¥ 3,145	¥ (185,442)	¥ 587	¥ (184,854)
Segment assets	3,962,355	312,340	146,244	155,274	4,576,215	(148,121)	4,428,093
Other:							
Depreciation	211,074	12,059	19,066	5,266	247,467	(2,996)	244,470
Increase in property and nuclear fuel	193,856	20,231	21,432	11,679	247,199	(3,237)	243,962

	Thousands of U.S. Dollars						
	2013						
	Reportable segment					Total	Reconciliations
Electric Power	Energy related Business	IT and Telecommunications	Other				
Sales:							
Sales to external customers	\$14,961,363	\$ 702,175	\$ 646,155	\$ 138,003	\$16,447,696		\$16,447,696
Intersegment sales or transfers	22,567	1,006,886	360,137	152,257	1,541,849	\$(1,541,849)	
Total	\$14,983,931	\$1,709,061	\$1,006,292	\$ 290,261	\$17,989,546	\$(1,541,849)	\$16,447,696
Segment (loss) profit	\$ (3,326,592)	\$ 27,430	\$ 80,862	\$ 26,362	\$ (3,191,938)	\$ 6,188	\$ (3,185,750)
Segment assets	43,124,984	3,462,668	1,505,154	1,593,245	49,686,053	(1,526,535)	48,159,517
Other:							
Depreciation	1,917,114	108,958	199,129	67,650	2,292,853	(29,472)	2,263,380
Increase in property and nuclear fuel	1,656,221	102,807	185,359	16,259	1,960,648	(31,769)	1,928,879

Notes:

- (a) Reconciliations of the segment (loss) profit and the segment assets are intersegment transaction eliminations.
- (b) Segment (loss) profit is adjusted to reflect operating loss on the consolidated statement of operations.
- (c) Significant negative goodwill was incurred in the other business segment for the year ended March 31, 2012, and the gain on negative goodwill was ¥2,470 million.

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.



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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 and its consolidated subsidiaries as of March 31, 2013, 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, 2013, 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.

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, 2013

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
	2009	2010	2011	2012	2013	U.S. Dollars
Operating revenues	¥1,430,161	¥1,339,807	¥1,387,517	¥1,406,770	¥1,448,876	\$15,415,221
Electric.	1,400,792	1,312,103	1,356,317	1,369,537	1,408,339	14,983,931
Other	29,369	27,704	31,199	37,232	40,536	431,290
Operating expenses	1,326,654	1,229,154	1,269,718	1,569,533	1,721,006	18,310,524
Personnel.	136,794	172,720	162,650	167,965	151,844	1,615,536
Fuel	305,600	213,007	284,857	520,282	679,722	7,231,856
Purchased power	149,939	113,668	137,063	206,042	269,582	2,868,202
Depreciation.	195,232	196,741	197,977	202,151	180,180	1,917,012
Maintenance	197,806	195,118	175,986	176,007	147,924	1,573,834
Reprocessing costs of irradiated nuclear fuel	34,166	33,787	30,795	21,631	17,352	184,617
Decommissioning costs of nuclear power units.	8,309	9,093	7,524	3,106	2,627	27,949
Disposal cost of high-level radioactive waste	8,668	10,372	8,885	6,010	3,247	34,555
Disposition of property	22,877	16,478	15,181	15,334	14,501	154,291
Taxes other than income taxes	88,453	87,473	87,680	83,142	82,265	875,259
Subcontract fee	74,835	79,226	67,728	65,948	64,485	686,085
Rent	35,760	34,333	32,789	31,276	29,298	311,715
Other	68,210	67,133	60,598	70,634	77,974	829,605
Interest charges.	33,444	33,145	32,150	32,266	35,581	378,566
Income (loss) before income taxes	44,164	50,356	35,778	(229,754)	(343,051)	(3,649,871)
Net income (loss).	26,916	28,307	20,443	(174,983)	(338,050)	(3,596,662)

Per share of common stock:	Yen				U.S. Dollars
Basic net income (loss)	¥56.85	¥59.80	¥43.19	¥(369.74)	\$(7.60)
Cash dividends applicable to the year	60.00	60.00	60.00	50.00	

At year-end:	Millions of Yen					Thousands of
						U.S. Dollars
Total assets.	¥3,834,124	¥3,776,569	¥3,890,891	¥4,110,950	¥4,201,704	\$44,703,742
Net property	2,847,638	2,811,063	2,811,194	2,757,023	2,704,014	28,769,170
Long-term debt, less current portion	1,715,779	1,641,073	1,627,260	2,090,311	2,425,739	25,808,479
Total equity	981,539	984,109	967,515	766,700	429,287	4,567,368

(U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥93.99 = U.S. \$1, the approximate rate of exchange at March 31, 2013.)
* Figures less than a million yen are rounded down.

Nonconsolidated Balance Sheet

Kyushu Electric Power Company, Incorporated
March 31, 2013 (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
ASSETS			
PROPERTY:			
Plant and equipment	¥8,948,491	¥8,888,533	\$95,206,845
Construction in progress	215,616	186,647	2,294,033
Total	9,164,108	9,075,180	97,500,878
Less—			
Contributions in aid of construction	152,797	152,162	1,625,681
Accumulated depreciation	6,307,295	6,165,994	67,106,027
Total	6,460,093	6,318,157	68,731,708
Net property	2,704,014	2,757,023	28,769,170
NUCLEAR FUEL	278,941	267,124	2,967,779
INVESTMENTS AND OTHER ASSETS:			
Investment securities	113,301	105,002	1,205,468
Investments in and advances to subsidiaries and affiliated companies	150,372	151,627	1,599,879
Reserve funds for reprocessing of irradiated nuclear fuel	240,155	220,293	2,555,121
Deferred tax assets	158,382	161,466	1,685,103
Other	17,701	12,606	188,331
Total investments and other assets	679,914	650,996	7,233,904
CURRENT ASSETS:			
Cash and cash equivalents	324,155	231,959	3,448,826
Receivables	120,344	109,314	1,280,394
Allowance for doubtful accounts	(512)	(511)	(5,448)
Fuel and supplies	59,839	63,160	636,662
Deferred tax assets	28,283	24,784	300,923
Prepaid expenses and other	6,723	7,097	71,530
Total current assets	538,834	435,806	5,732,888
TOTAL	¥4,201,704	¥4,110,950	\$44,703,742

(U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥93.99 = U.S. \$1, the approximate rate of exchange at March 31, 2013.)

* Figures less than a million yen are rounded down.

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
LIABILITIES AND EQUITY			
LONG-TERM LIABILITIES:			
Long-term debt, less current portion	¥2,425,739	¥2,090,311	\$25,808,479
Liability for employees' retirement benefits	147,341	136,875	1,567,634
Reserve for reprocessing of irradiated nuclear fuel	346,913	358,651	3,690,961
Asset retirement obligations	219,450	211,840	2,334,829
Other	15,700	19,585	167,041
Total long-term liabilities	3,155,145	2,817,264	33,568,946
CURRENT LIABILITIES:			
Current portion of long-term debt	219,011	164,403	2,330,160
Short-term borrowings	117,000	111,000	1,244,813
Commercial paper	33,000		351,101
Accounts payable	132,333	130,003	1,407,954
Accrued expenses	82,448	92,419	877,207
Other	29,170	27,942	310,353
Total current liabilities	612,964	525,769	6,521,591
RESERVE FOR FLUCTUATIONS IN WATER LEVEL	4,308	1,216	45,835
EQUITY:			
Common stock, authorized, 1,000,000,000 shares; issued, 474,183,951 shares in 2013 and 2012.	237,304	237,304	2,524,788
Capital surplus:			
Additional paid-in capital	31,087	31,087	330,755
Other capital surplus	19	22	211
Retained earnings:			
Legal reserve	59,326	59,326	631,197
Retained earnings—carryforward	81,997	429,512	872,409
Unrealized gain on available-for-sale securities	17,826	11,634	189,662
Deferred gain (loss) on derivatives under hedge accounting	3,859	(59)	41,059
Treasury stock—at cost 948,557 shares in 2013 and 938,904 shares in 2012.	(2,134)	(2,129)	(22,714)
Total equity	429,287	766,700	4,567,368
TOTAL	¥4,201,704	¥4,110,950	\$44,703,742

Nonconsolidated Statement of Operations

Kyushu Electric Power Company, Incorporated
Year Ended March 31, 2013 (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
OPERATING REVENUES:			
Electric	¥1,408,339	¥1,369,537	\$14,983,931
Other	40,536	37,232	431,290
Total operating revenues	1,448,876	1,406,770	15,415,221
OPERATING EXPENSES:			
Electric:			
Personnel	151,844	167,965	1,615,536
Fuel	679,722	520,282	7,231,856
Purchased power	269,582	206,042	2,868,202
Depreciation	180,180	202,151	1,917,012
Maintenance	147,924	176,007	1,573,834
Reprocessing costs of irradiated nuclear fuel	17,352	21,631	184,617
Decommissioning costs of nuclear power units	2,627	3,106	27,949
Disposal cost of high-level radioactive waste	3,247	6,010	34,555
Disposition of property	14,501	15,334	154,291
Taxes other than income taxes	82,265	83,142	875,259
Subcontract fee	64,485	65,948	686,085
Rent	29,298	31,276	311,715
Other	77,974	70,634	829,605
Total	1,721,006	1,569,533	18,310,524
Other	33,683	32,959	358,370
Total operating expenses	1,754,689	1,602,492	18,668,895
OPERATING LOSS	(305,812)	(195,722)	(3,253,673)
OTHER EXPENSES (INCOME):			
Interest charges	35,581	32,266	378,566
Other-net	(1,434)	550	(15,266)
Total other expenses-net	34,146	32,816	363,300
LOSS BEFORE INCOME TAXES AND PROVISION FOR RESERVE FOR FLUCTUATIONS IN WATER LEVEL	(339,959)	(228,538)	(3,616,973)
PROVISION FOR RESERVE FOR FLUCTUATIONS IN WATER LEVEL	3,092	1,216	32,897
LOSS BEFORE INCOME TAXES	(343,051)	(229,754)	(3,649,871)
INCOME TAXES:			
Current	64		684
Prior years		486	
Deferred	(5,065)	(55,257)	(53,892)
Total income taxes	(5,001)	(54,771)	(53,208)
NET LOSS	¥ (338,050)	¥ (174,983)	\$ (3,596,662)
PER SHARE OF COMMON STOCK:			
Basic net loss	¥(714.33)	¥(369.74)	\$(7.60)
Cash dividends applicable to the year		50.00	

(U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥93.99= U.S. \$1, the approximate rate of exchange at March 31, 2013.)
* Figures less than a million yen are rounded down.

Overview of Power Generation Facilities

(As of March 31, 2013)

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	Main fuel	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)	Jul. 1974	Heavy oil/crude oil	Satsumasendai-shi, Kagoshima Prefecture

Hydroelectric Power (142 facilities/maximum output 3,582,136 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 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
Takigami	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 398,870 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, Ooshima-gun, Kagoshima Prefecture

*with outputs of 50,000 kW or higher

Wind Power (2 facilities/maximum output total 3,250 kW)

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)

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, 2013)

Consolidated Subsidiaries

Company Name	Capital (Millions of yen)	Equity Ownership (%)	Business
Energy Business in Kyushu			
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
Energy Business Overseas			
Kyuden International Corporation	23,150	100.0	Acquisition and holding of securities of overseas electric companies
Kyuden International Netherlands B.V.	6,497	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	52 (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	46 (Millions of U.S. dollars)	100.0	Ownership of mining interests and assets, trading and sales of output in Wheatstone LNG project
IT and Telecommunications			
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
Lifestyle-oriented Services			
DENKI BLDG. CO., Ltd.	3,395	91.9	Leasing and management of real estate
Capital Kyuden Corporation	600	100.0	Acquiring and owning of securities, loans to group companies
Kyuden Good Life Company, Inc.	300	100.0	Paid elderly nursing home management and nursing services
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

Company Name	Capital (Millions of yen)	Equity Ownership (%)	Business
Energy Business in Kyushu			
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
Kyudenko Corporation	7,901	31.0	Electric work
Oita Co-operative Thermal Power Co., Inc.	4,000	50.0	Wholesale electricity supply
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
Kyuken 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
Energy Business Overseas			
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.	9 (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
IT and Telecommunications			
RKKCS Software	10	100.0	Developments and sales of computer software
Environment and Recycling Business			
J-Re-Lights Co., Ltd.	275	100.0	Recycling of used fluorescent bulbs
Kyushu Environmental Management Corporation	80	98.1	Recycling of confidential documents
Lifestyle-oriented Services			
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, 2013)

(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, 2013)

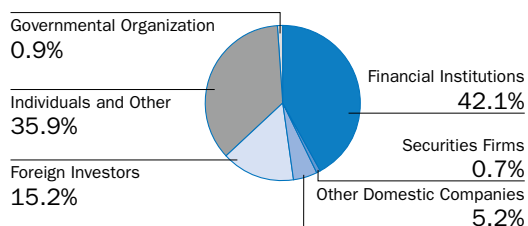
Company Overview

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	13,102

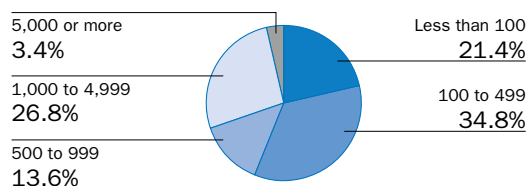
Stock Information

Total Number of Shares Authorized	1,000,000,000	Transfer Agent and Registrar	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan
Number of Shares Issued and Outstanding	474,183,951	Accounting Auditor	Deloitte Touche Tohmatsu LLC
Number of Shareholders	174,293	*1 The Osaka Securities Exchange merged with the Tokyo Stock Exchange on July 16, 2013.	
Shareholders' Meeting	June		
Fiscal Year	From April 1 to March 31		
Stock Listings	Tokyo Stock Exchange, Osaka Securities Exchange*1, Fukuoka Stock Exchange (Code: 9508)		

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 (%)
Meiji Yasuda Life Insurance	22,882	4.8
The Master Trust Bank of Japan, Ltd. (trust unit)	20,060	4.2
Nippon Life Insurance Company	18,454	3.9
Kochi Shinkin Bank	15,453	3.3
Japan Trustee Services Bank, Ltd. (trust unit)	15,398	3.3
Kyushu Electric Power Co., Inc. Employees' Shareholding Association	9,927	2.1
Mizuho Corporate Bank, Ltd.*2	9,669	2.0
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS	9,084	1.9
Mizuho Trust and Banking, Retirement Benefit Trust Fukuoka Bank unit	8,637	1.8
Sumitomo Mitsui Banking Corporation	8,474	1.8

*2 The Mizuho Corporate Bank, Ltd. merged with the Mizuho Bank, Ltd. on July 1, 2013, and changed its name to Mizuho Bank, Ltd.

Trends of Stock Price and Trading Volume

