

## 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.

Formulation of  
Midterm  
Management Policy

- Basic Stance
- Major Initiatives

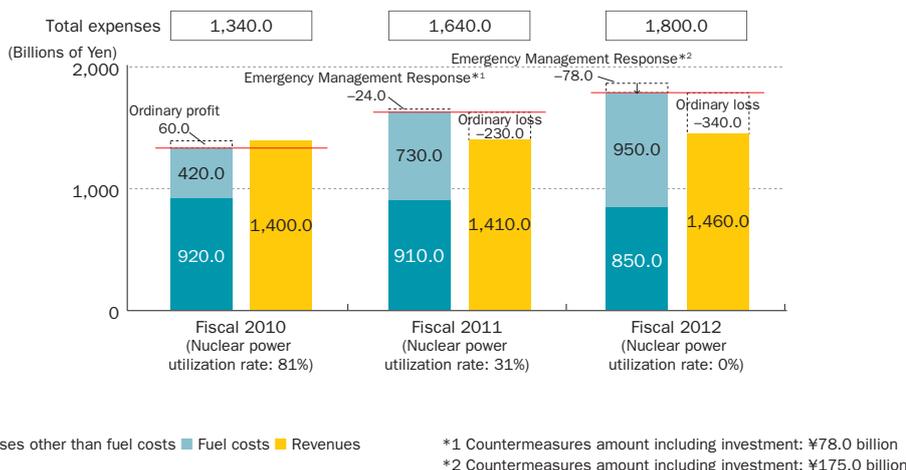
Increasing of  
Electricity Rates

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

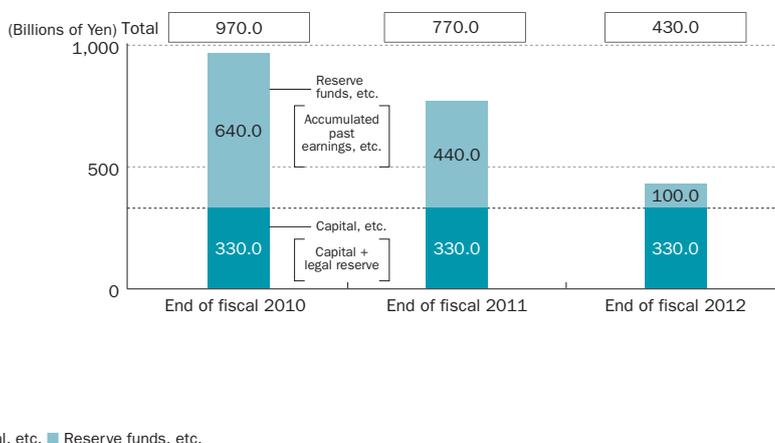
Initiatives for  
Improving the Safety  
and Security  
of Nuclear Power

- 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

Changes in Revenues and Expenses



Changes in Equity



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

Overview of the Increase

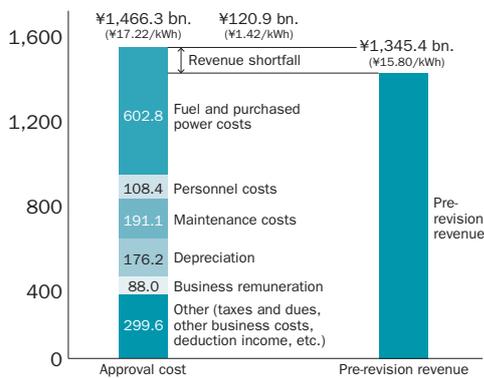
Increase details

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