

Make a brighter future for generations to come



View from Mount Sarakura in Kitakyushu City, Fukuoka Prefecture

# Kyushu Electric Power's Mission

## Make a brighter future for generations to come

Kyushu Electric Power's brand message,  
"Make a brighter future for generations to come,"  
expresses our desire amid changing times to remain unchanged in  
delivering a stable supply of electricity and energy and  
contributing towards a comfortable and environment-friendly lifestyle today and  
for generations to come.

The phrase "comfortable and environment-friendly lifestyle"  
contains the meaning of "enjoying a pleasant life every day and  
connecting that to a better global environment, which enriches human hearts and  
connects to comfort so we want to contribute to a sustainable society."

Kyushu Electric Power's Mission is to contribute toward  
the realization of a comfortable and  
environment-friendly lifestyle today and for generations to come.





**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.



**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.



**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.



**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.



View from Mount Sarakura in Kitakyushu City, Fukuoka Prefecture

# Top Message



Chairperson

*M. Nuki*

President

*M. Uriu*

To our shareholders and investors,

First, I would like to express my gratitude to all of you for your loyal patronage and support of Kyushu Electric Power.

We would like to express our heartfelt desire for a rapid recovery for those who suffered as a result of the recent series of earthquakes in Kumamoto.

We offer our sincerest apologies for power outages that occurred across a widespread area and the trouble that these caused. We would also like to express our heartfelt gratitude for the understanding and cooperation we received from people from various local authorities and associated organizations while restoring services.

In response to the serious accidents at the Fukushima Daiichi Nuclear Power Station, Kyushu Electric power also suspended operations at all its nuclear power stations. We have had ongoing difficulties since that time in our revenue/expense balance, financial condition and supply and demand situation.

Against this backdrop, the resumption of operations at our nuclear power stations is our topmost management priority. We have been leading the nation in this regard, with Unit 1 of the Sendai Nuclear Power Station recommencing commercial operations in September 2015 and Unit 2 at the same plant restoring regular operations in November 2015.

In our results for the fiscal year ended March 31, 2016, we returned to profit for the first time in five years. This result reflects a Group-wide effort to achieve thorough cost savings, the restart of electricity generation at Sendai Nuclear Power Station Units 1 and 2, and a decrease in fuel costs attendant on the significant decline in fuel prices. At the same time, on the revenue side, reflection of declining fuel prices in lighting and power prices based on the fuel costs adjustment system, has been partially shifted to the next fiscal year.

However, compliance tests under new regulations are continuing at Units 3 and 4 of the Genkai Nuclear Power Station and we have yet to recover full-scale earning capacity. Moreover, full-scale liberalization of the retail power sector started in April 2016, heralding a period of challenging competition for Kyushu Electric.

Kyushu Electric formulated the “Kyushu Electric Power Group Medium-Term Management Policy” in April 2015 for the five years from fiscal 2015 to fiscal 2019. Based on this plan, we will work together as a Group in a concentrated effort to achieve a rapid resumption of operations at the Genkai Nuclear Power Station, implement various income and expenditure improvement measures, and take initiatives to deal with the liberalization of the retail power sector, among other steps.

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

July 2016

## About Annual Report 2016

Annual Report 2016 is published with the objective of enabling shareholders and investors to gain an understanding of how Kyushu Electric Power Company will create corporate value over the long term, and reports in an integrated style on financial and non-financial information.

The International Integrated Reporting Framework released by the International Integrated Reporting Council has been used as reference in editing this report. Readers' opinions regarding this report will be used as a reference to create easily understandable reports in the future.

## Editorial Policy

### About This Report

This report is a compilation of information regarding the Kyushu Electric Power Group's business intended for shareholders and investors.

Issue date: July 2016

(Previous report: September 2015. Next report: July 2017)

### Reporting Period

Reporting on financial information essentially covers fiscal 2015 (April 2015 to March 2016). However, the report also contains some data from fiscal 2016 in the interests of providing timely information.

### Issue date

July 2016

Previous report: September 2015  
Next report: July 2017

### Website Information

<IR site>

For shareholders and investors

[http://www.kyuden.co.jp/en\\_index.html](http://www.kyuden.co.jp/en_index.html)

Please refer to our website for more detailed information.



### Note Regarding Forward-looking Statements

Statements made in this 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. Shareholders and investors are hereby cautioned against making investment decisions solely on the basis of forward-looking statements contained herein.

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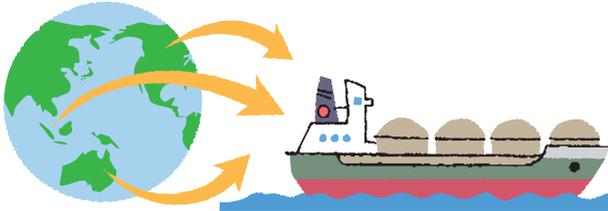
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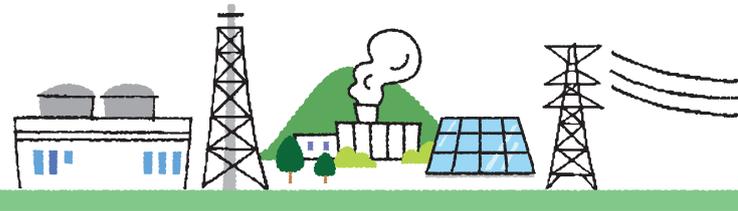
# Kyushu Electric Power's Supply Chain

## Fuel procurement



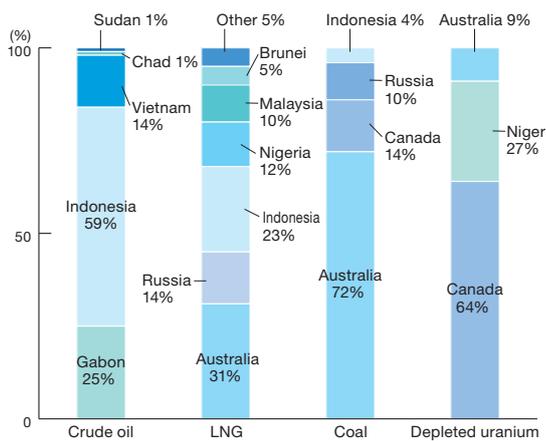
Kyushu Electric Power is strengthening its fuel procurement through such ways as diversification of fuel procurement, participation in resource development and production projects and introduction of fuel trading (adjustment of fuel volume and price management). We strive for cost reduction in fuel transportation by using our own LNG tanker and chartered ships for shipping.

## Power generation

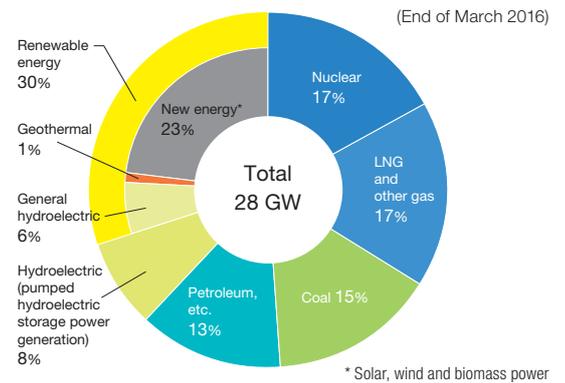


We generate power through a combination of a best balance from various types of power sources from the perspective of securing long-term, stable energy in such ways as taking countermeasures against global warming and economic power supply, promoting nuclear power on the assumption of safety and security, actively developing and installing renewable energies such as solar, wind and geothermal power and improving the efficiency of thermal power.

### Fuel procurement status (fiscal 2015)

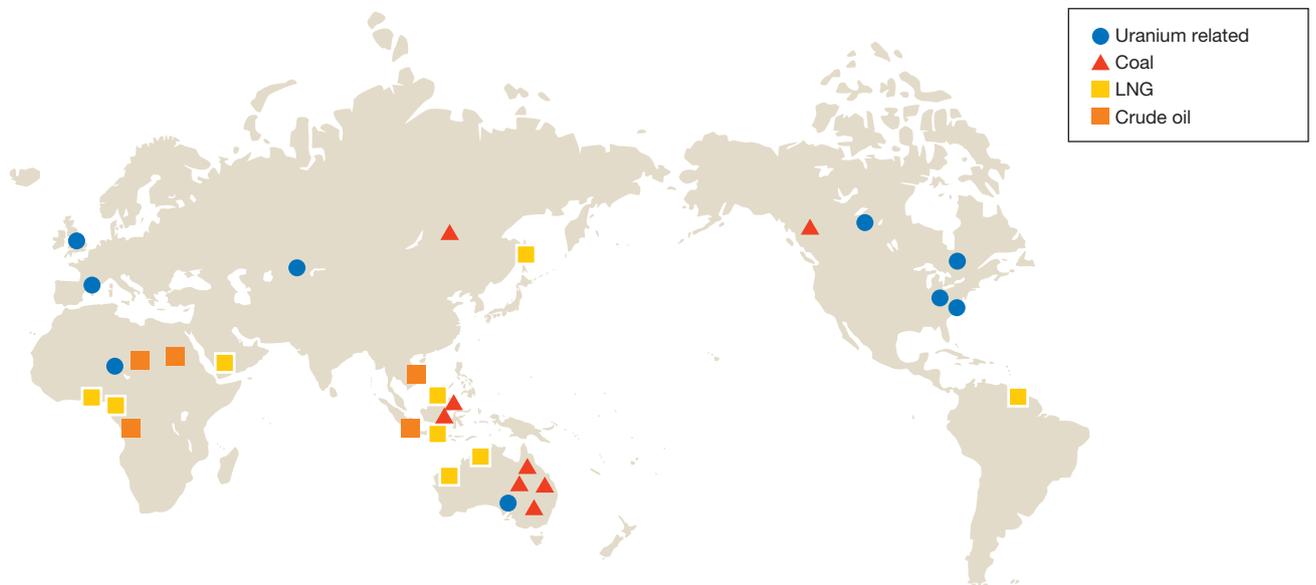


### Composition of Capacity for All Facilities (GW) (Including power purchased from other companies)

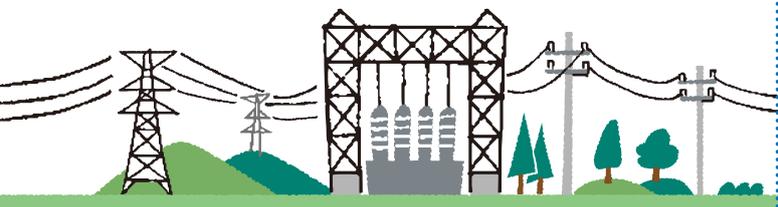


Feature 2: Initiatives to Strengthen the Competitiveness of Power Sources (See pages 28 to 29)

### Regional fuel procurement status (fiscal 2015)



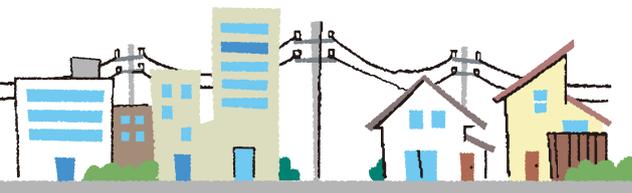
## Power transmission and distribution



We deliver a stable supply of electricity, sending it along transmission lines from power stations to substations, and along distribution lines from substations to places such as homes and factories.

To be able to deliver a low-cost, stable electricity supply to support Kyushu's industries and lifestyles, we operate a stable electricity system preserving steady transmission and distribution facilities.

## Energy services



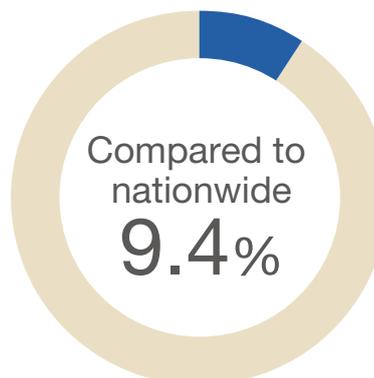
We provide various energy services that respond to the diverse needs of customers, including proposals for plans and services meeting the requirements of household customers and one-stop energy services for corporate customers.

Please refer to The Kyushu Electric Group's Policy Regarding Electricity Retail Liberalization (See pages 24 to 27)

### Power transformation, transmission and distribution (as of March 31, 2016)

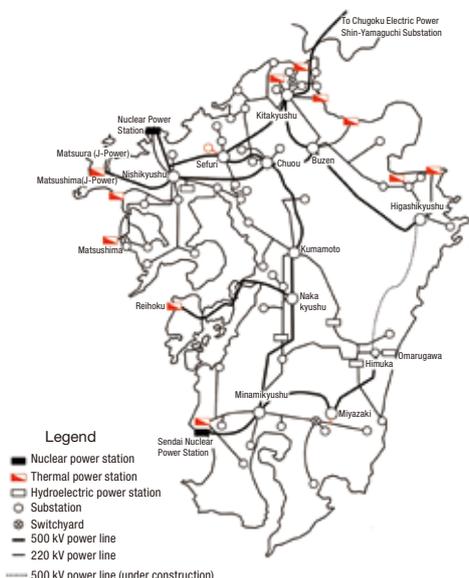
Transformation	Number of substation		596
	Capacity		725,990,000 kVA
Transmission	Length of transmission lines		10,773 km
	Supporters	Steel towers	approx. 25,000
		Others (concrete pole, etc.)	approx. 40,000
Distribution	Length of distribution lines		140,352 km
	Supporters	Concrete pole	Approx. 2,380,000
		Others (steel towers, etc.)	approx. 43,000

### Kyushu Electric Power's Sales as a Ratio of the Entire Electricity Business (fiscal 2015)

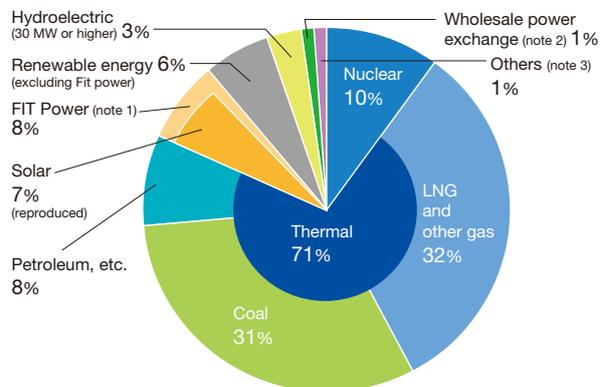


Reference: Report on Total Electric Power Demand for Fiscal 2015 (Agency for Natural Resources and Energy)

### Power transmission diagram (as of March 31, 2016)



### Kyushu Electric Power's power sources (fiscal 2015)



Note 1: Feed-in tariff (FIT) system for renewable energy  
Kyushu Electric Power's electricity procurement costs are partially financed by a levy on all electricity users, including non-customers. As a result, these CO<sub>2</sub> emissions from electricity are regarded as the national average of CO<sub>2</sub> emissions from electricity, including that generated through sources such as geothermal power.  
Outline of feed-in tariff (FIT) system for renewable energy  
Subject to powers generated by solar, wind, hydroelectric (below 30 MW), geothermal, and biomass.

Note 2: Power procured from wholesale power exchange  
Includes hydroelectric, thermal, nuclear, FIT, and renewable energy powers.

Note 3: Others  
Includes power procured from other companies that the power station cannot be specified.

\* Calculated and announced based on "Formulation of the Guidelines Concerning the Management of the Electricity Retail Business" by Ministry of Economy, Trade and Industry

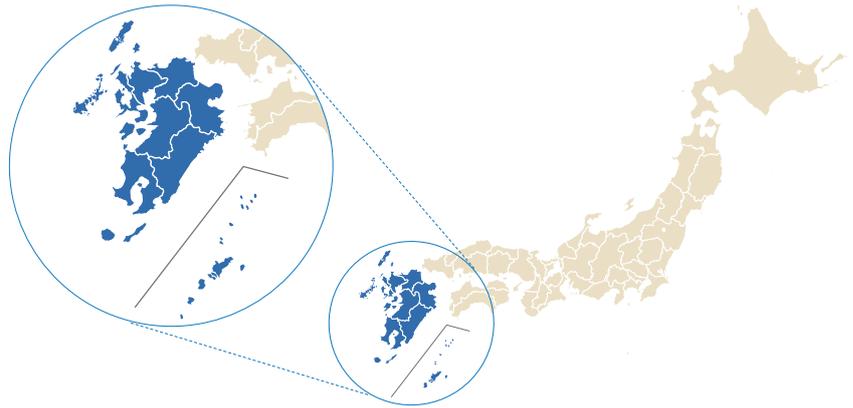
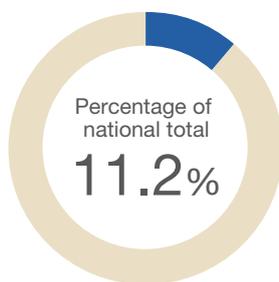
\* Calculated on a basis of power generated by Kyushu Electric Power and volume of power purchased from other companies (includes remote islands)

# Snapshot of Kyushu

Since its establishment in 1951, the mission of the Kyushu Electric Power Company has been to assure quality and comfort in life for customers and their local communities by providing a stable supply of electricity. We have weathered many changes, including post-war reconstruction and subsequent high economic growth, the oil shocks of the 1970s and the recent deregulation of the electric power industry. In the decades to come, we will continue to fulfill our social responsibility through the discharge of our mission.

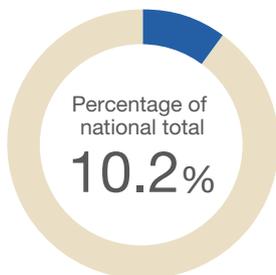
Area (As of October 1, 2015)

**42,231 km<sup>2</sup>**  
(377,971 km<sup>2</sup>)



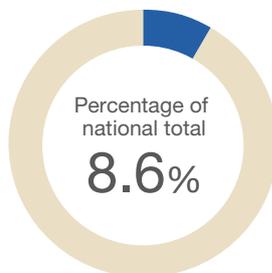
Population (As of October 1, 2015)

**13,020,000**  
(127,110,000)



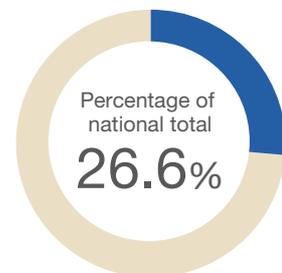
Nominal Gross Regional Product (Fiscal 2013)

**Approx. ¥44 trillion**  
(¥509 trillion)



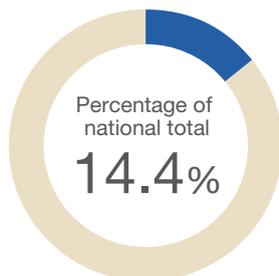
IC production value (fiscal 2015)

**¥606.7 billion**  
(¥2,279.5 billion)



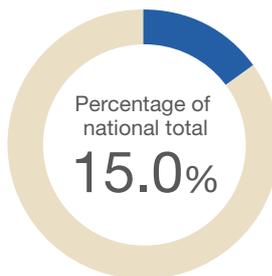
Automobile production (fiscal 2015)

**1,330,000**  
(9,190,000)



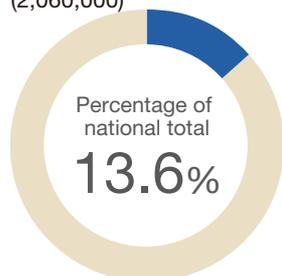
Crude steel production (fiscal 2015)

**15,630,000 tons**  
(1,044,250,000 tons)



Non-Japanese entrants in Kyushu (fiscal 2015)

**2,830,000**  
(2,060,000)



\* Percentage of national total figures are in parentheses

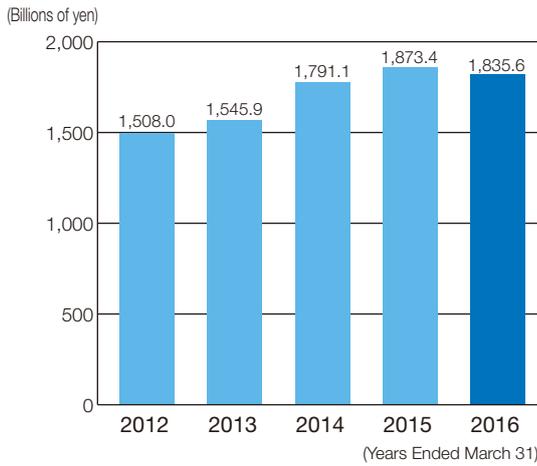
(Source) Geospatial Information Authority of Japan "Areas of prefectures and municipalities in Japan," Ministry of Internal Affairs and Communications "Population Census 2015," Cabinet Office "Report on Prefectural Accounts," Kyushu Bureau of Economy, Trade and Industry "Recent Economic Trends within the Jurisdiction" and Ministry of Justice "Statistical Survey on Legal Migrants"

# Financial Highlights

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries

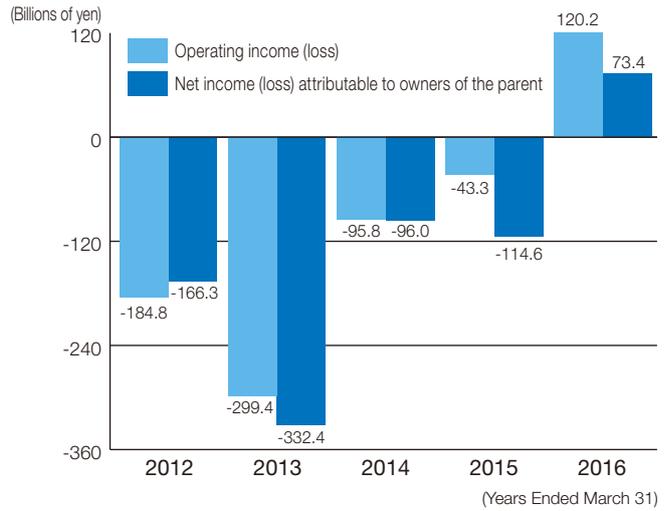
## Sales (Operating revenues)

¥1,835.6 billion



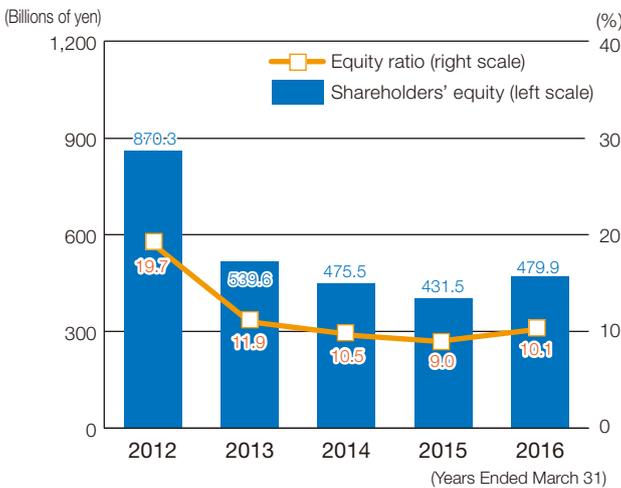
## Net income (loss) attributable to owners of the parent

¥73.4 billion



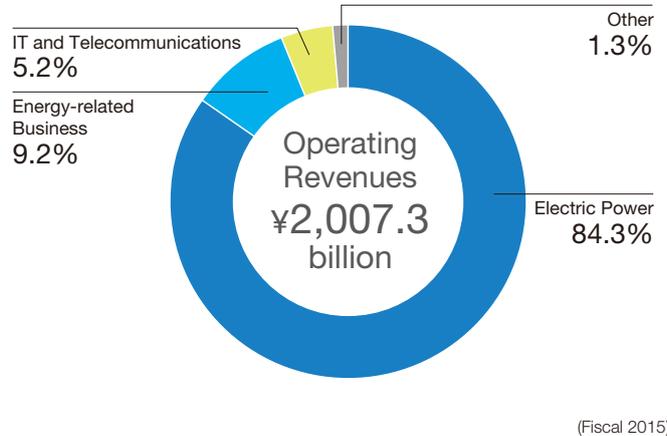
## Equity ratio

10.1%



## Ratio of Electricity Business in Sales (includes intra-company transactions)

84.3%



(Fiscal 2015)

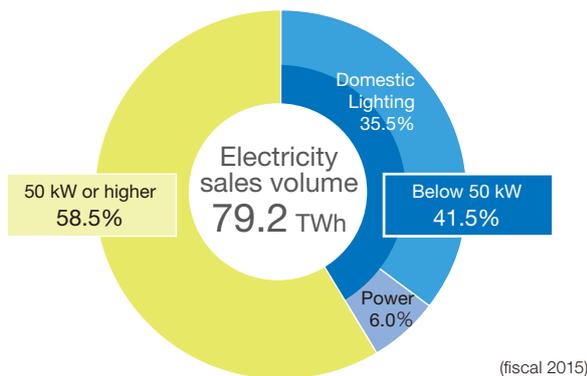
See the Financial Section notes for detailed financial information.

# Business Highlights

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries

## Ratio of Customers Affected by Full Liberalization of the Electricity Retail Business in April 2016

**41.5%**

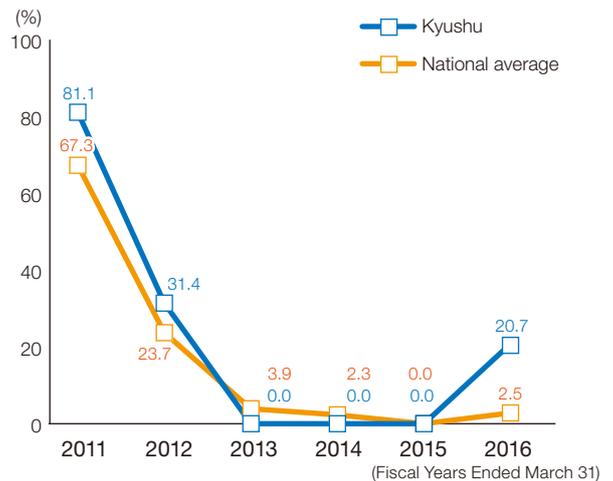


The scope of market liberalization expanded in stages from users of 2,000 kW or more in March 2000 to 50 kW or higher. From April 2016, the market was liberalized to include all customers, such as homes or stores using 50 kW or less.

Please refer to The Kyushu Electric Group's Policy Regarding Electricity Retail Liberalization (See pages 24 to 27).

## Nuclear power utilization rate

**20.7%**



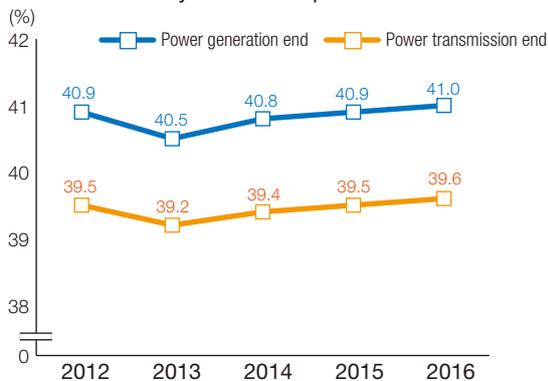
Following the resumption of normal operations at Sendai Nuclear Power Station Units 1 and 2 in 2015, the utilization rate returned to 20.7%. We are aiming for early resumption of operations at Genkai Nuclear Power Station to provide a stable supply of electric power and fundamental improvement in revenues.

Please refer to the ESG Section regarding nuclear power generation safety measures (See pages 46 to 47).

## Thermal efficiency at Shin-Oita Power Station Unit 3 (Turbine 4)

**Approx. 60%** (lower heating value basis)  
(Planned output 480 MW)

Total thermal efficiency for thermal power stations



Note: Heating values are calculated on a higher heating value basis (Fiscal Years Ended March 31)

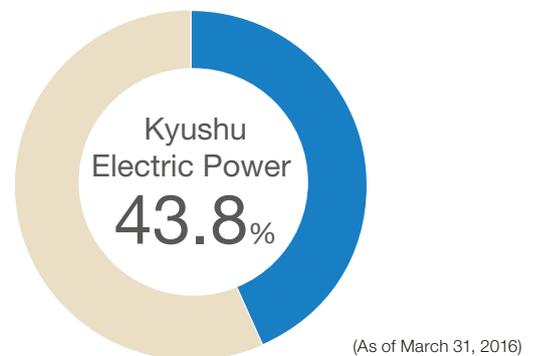
In June 2016, operations commenced at Shin-Oita Power Station Unit 3 (Turbine 4), which is the latest combined-cycle unit. In fiscal 2015, as a result of striving to use highly efficient LNG and high rate of operations at coal-fired thermal power plants, we maintained a high rate of total thermal efficiency (at the power transmission end) of 39.6%.

Please see Feature 2 Initiatives for Strengthening Power Source Competitiveness (See pages 28 to 29)

## Capacity of geothermal power generation equipment

**208 MW**

Ratio of Kyushu Electric Power among all power businesses (Excluding private power generation)



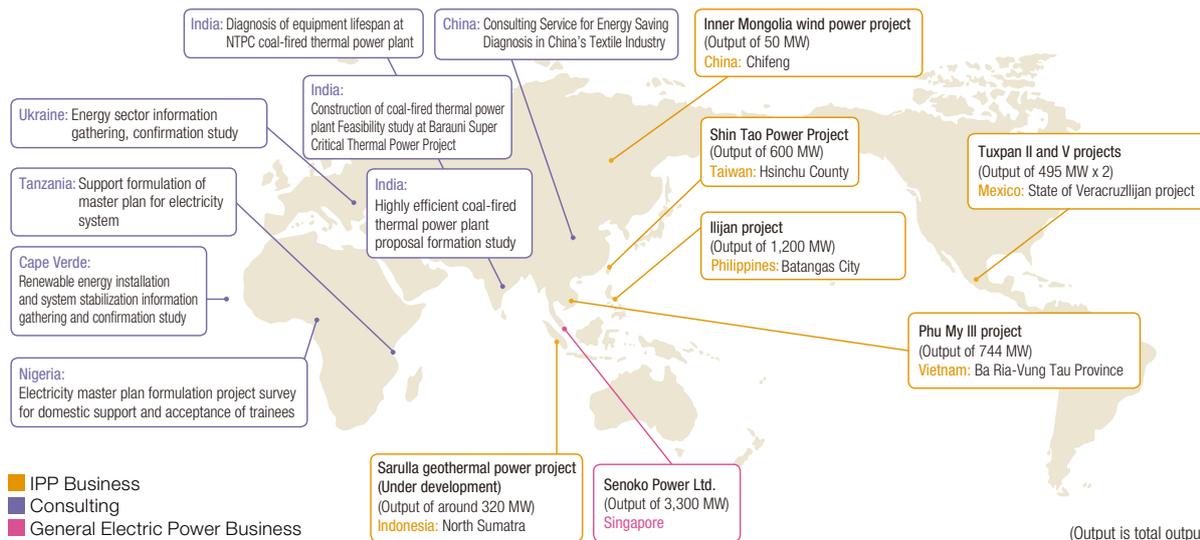
Kyushu Electric Power owns about 40% of all Japan's geothermal power generation facilities, including the Hatchoubaru Geothermal Power Station, Japan's largest, and total power accounts for more than 50% of all power generated nationally.

Please refer to the ESG Section regarding geothermal power generation (See page 49)

## Overseas energy business

# 1,500 MW

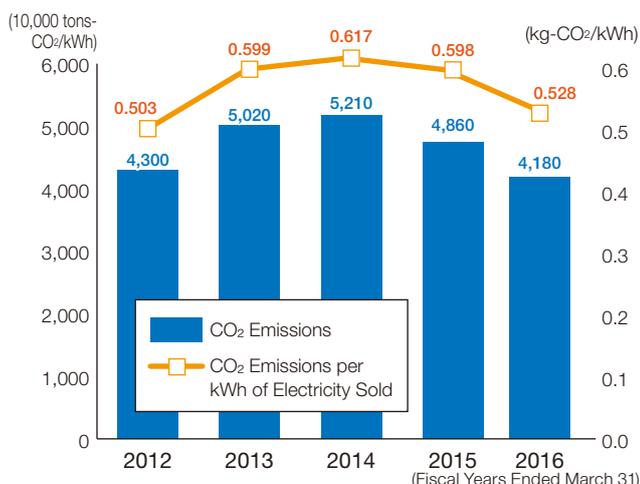
### Business Development Overseas (fiscal 2015)



## Sustainability Highlights

### CO<sub>2</sub> Emissions per kWh of Electricity Sold

0.528 kg-CO<sub>2</sub> /kWh [provisional value]

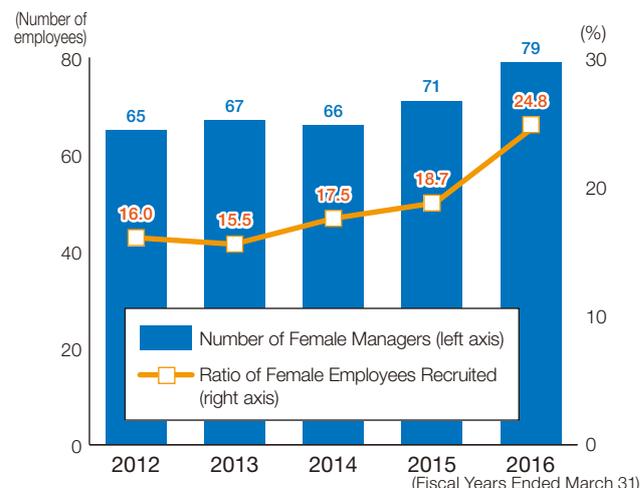


Since the Great East Japan Earthquake operation of nuclear power stations has continued to be halted and there has been an increase in coal-fired power generation, which has increased both CO<sub>2</sub> emissions and CO<sub>2</sub> emissions per kWh of electricity. In fiscal 2015, CO<sub>2</sub> emissions per kWh of electricity decreased 11.7% due to the restart of operations at Sendai Nuclear Power Station in fiscal 2014.

Please refer to the ESG Section for environmental objectives and results (See page 48)

### Ratio of Female Employees Recruited\*

24.8% (Administrative work only 55.1%)



In March 2016, we formulated the Action Plan to Promote an Active Role for Women to develop initiatives to nurture female employees.

\* Recruits for each fiscal year

Please refer to the ESG Section for initiatives promoting an active role for women (See page 53)

# Kyushu Electric Power Group's Medium-term Management Policy

We entered a period of real competition with the full liberalization of the retail market due to the electric power system reforms that started in April 2016. To continue to be trusted and chosen by customers under this competitive environment and to materialize our brand message, "Enlighten Our Future" that expresses our social mission as a responsible energy provider, we need to accelerate our reforms on a Group-wide basis and therefore formulated the Kyushu Electric Power Group Medium-term Management Policy, which covers the five years from fiscal 2015 to fiscal 2019.

## Vision

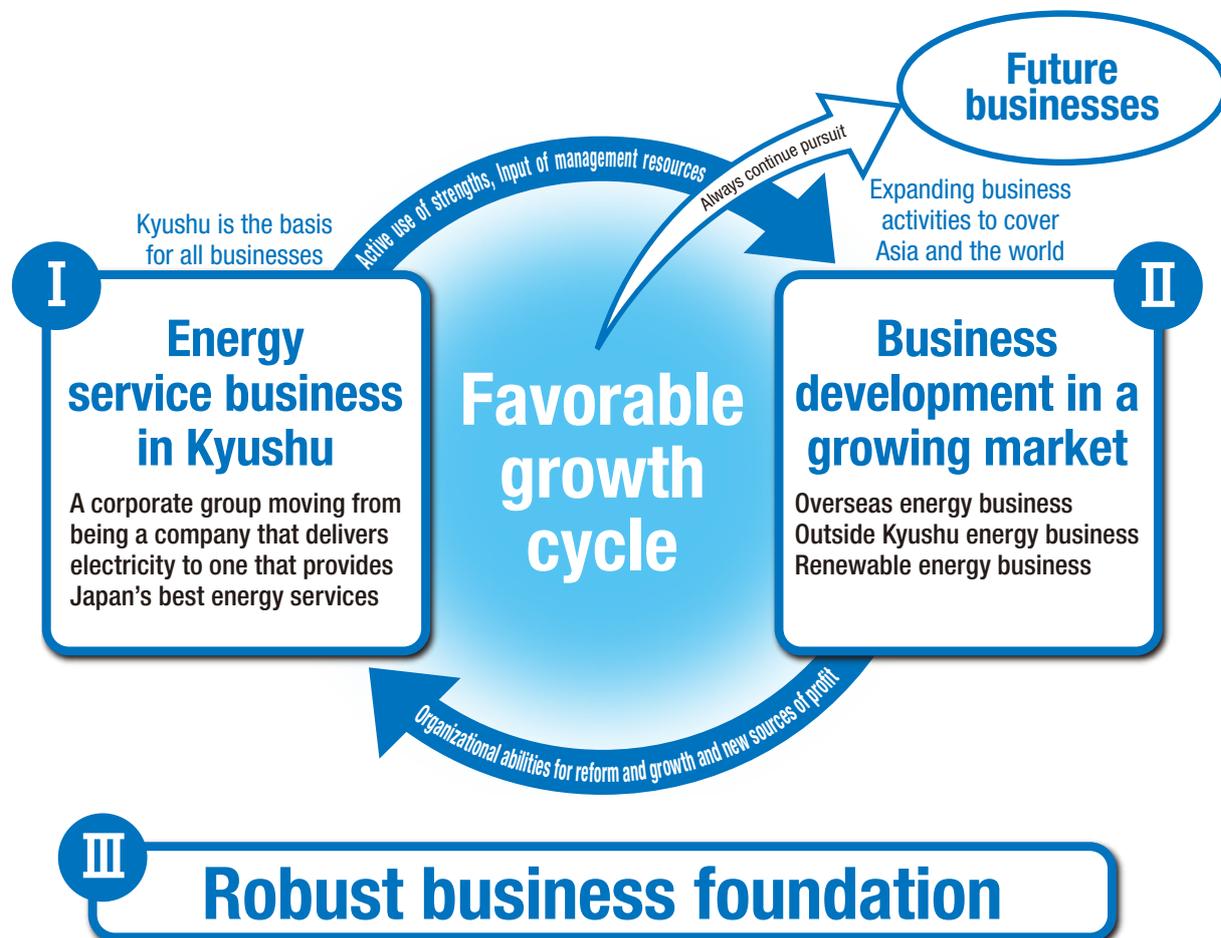
### Vision for 2030

**Aiming to become a corporate group that provides Japan's best energy services**

**—Everyone eventually asks the Kyuden Group for energy!—**

## Strategy

Three pillars of strategy to achieve a vision of where we should be



## Priority initiatives for the next five years

### I Meeting the diverse energy needs of customers in Kyushu

1. Acquiring more Kyuden fans by providing diverse energy services
2. Enhancing the competitiveness of power sources and fuel procurement abilities
3. Improving and effectively using power transmission and distribution network technology

### II Making the most of Kyuden Group's strengths to develop in growth markets

1. Strengthening overseas electricity business
2. Developing electrical power businesses outside Kyushu
3. Expanding renewable energy business

Goals for growth businesses	Current condition		2030
Equity ownership in overseas electricity output *1	1,500 MW	+3,500 MW →	5,000 MW
Amount of power sources developed outside Kyushu	–	+2,000 MW →	2,000 MW
Amount of renewable energy developed	1,500 MW	+2,500 MW*2 →	4,000 MW

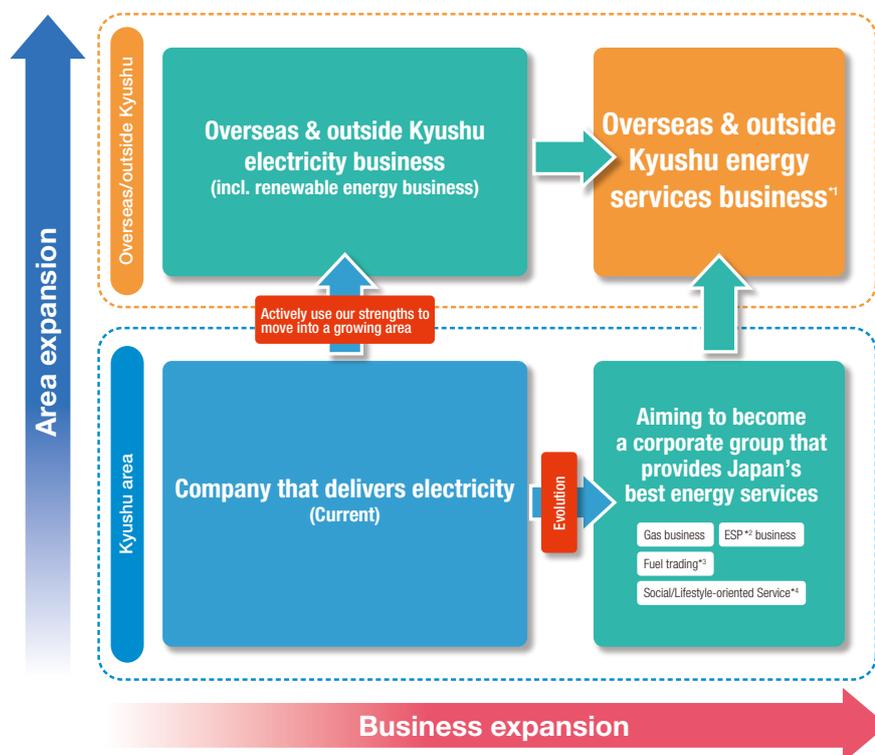
\*1 Equity ownership in overseas electricity output = Electric equipment output for each project × Kyushu Electric Group's investment ratio

\*2 The breakdown is +800 MW for geothermal power, +200 MW for hydraulic power, +1,100 MW for wind power, and +400 MW for other types of energy in Japan and abroad.

### III Establishing a robust business foundation

1. Developing innovative staff who take on new challenges
2. Creating organizations that respond swiftly to changes
3. Reinforcing our financial foundation and enhancing competitiveness on a Group-wide scale
4. Pursuing safety and security
5. Promoting thorough CSR (corporate social responsibility) management

## Image of Expansion of Business Areas



\*1 In overseas and outside Kyushu markets, for the immediate future, we will focus on the electrical power business where we can display our strength in high-level maintenance and operation technology but will also enter the energy service business starting from services that we can provide.

\*2 Energy Service Provider. Business operator outsourced for all energy-related operations for companies and the like

\*3 Involved in purchase and sale transactions instead of the conventional purchases only

\*4 Relationships with energy service business and expected synergistic effects will be taken into consideration.

# Interview with the President



Michiaki Uriu

President

**Q1** How would you review fiscal 2015 overall?

**A1** The Group as a whole is working toward cutting costs and has recorded a profit for the first time in five years.

Since the suspension of all nuclear power station operations in December 2011, we have made the restart of nuclear power our primary and most urgent issue, and in September 2015, our Group efforts resulted in the return of Sendai Unit 1 to normal operation, followed by Sendai Unit 2 in November.

This is the first restart of a plant in compliance with new regulatory standards since the Great East Japan Earthquake, and I believe it represents a major step not only for us, but for the electric power industry as a whole.

We consider this restart is not a goal, but a beginning, and are keenly aware that efforts to improve the safety of nuclear power are unending, so will continue to work to ensure safe, stable operation of our plants.

In April 2015, we also announced the Kyushu Electric Power Group Medium-term Management Policy, which incorporates three strategic pillars: (I), meeting the diverse energy needs of customers in Kyushu; (II) making the most of Kyuden Group strengths to develop in growth markets; and (III), establishing a robust business foundation.

We have seen steady results from our efforts in the first

year, which included reviewing our options in anticipation of the full liberalization of retail electricity which began in April 2016; the launch of a new company to advance our plans for a coal-fired thermal power plant outside the Kyushu region (in Sodegaura, Chiba Prefecture); and our reorganization in response to the new licensing system.

In our results for the fiscal year ended March 31, 2016, the Kyushu Electric Group returned to profit for the first time in five years. The result reflects a Group-wide effort to achieve thorough cost savings, the restart of electricity generation at Sendai Nuclear Power Station Units 1 and 2, and a decrease in fuel costs attendant on the significant decline of fuel prices. At the same time, on the revenue side, reflection of declining fuel prices in lighting and power prices based on the fuel costs adjustment system, has been partially shifted to the next fiscal year. This was our first profitable year since I assumed the post of president, and the road we traveled to get to this point has truly been a long one. I believe this milestone is the fruit of the long, hard efforts of our employees and everyone else involved.

**Q2** Tell us about your efforts to streamline management in fiscal 2015, and your outlook for fiscal 2016.

**A2** In fiscal 2015, we recorded a ¥267.0 billion reduction in expenses. In fiscal 2016, we will continue striving to cut costs and increase management efficiency.

We have worked to increase management efficiency by an average of ¥140 billion/year over three years (¥153.0 billion

in fiscal 2015 alone), a goal incorporated in our plan at the time of the 2013 rate increase.

In fiscal 2015, we worked to move steadily ahead with our constant efforts at streamlining and to find even deeper efficiencies, including reducing equipment procurement costs. To mitigate the negative impact on revenue and expenses of the suspension of operations at our Genkai Nuclear Power Station, we also put in place emergency countermeasures, including postponing construction and temporarily suspending some work in an attempt at achieving short-term cost reductions wherever possible.

As a result, we achieved additional cuts of ¥114.0

billion, primarily from these short-term efforts, reducing costs by a total of ¥267.0 billion while also posting a ¥4.4 billion profit on the sale of assets.

In fiscal 2016, although the timing of a restart of our Genkai Nuclear Power Station remains uncertain, and despite other factors that may increase costs—including safety measures at nuclear power plants and costs associated with electric power system reforms—we will continue to do our utmost to reduce costs and to achieve the streamlining factored into our electricity rate costs.

#### Fiscal 2015 streamlining initiative results (Billions of yen)

Item	Fiscal 2015 streamlining initiative results [A] + [B]	Cost of streamlining factored into electricity rate costs (Fiscal 2015) [A]	Streamlining efforts (Fiscal 2015) [B]	Cost of streamlining factored into electricity rate costs (2013–2015 average)
Maintenance costs <small>Figures in parentheses are reproduced miscellaneous costs</small>	-91.0	-28.0	-63.0	-32.0
Miscellaneous costs, etc. *1	-59.0 (-23.0)	-22.0 (-20.0)	-37.0 (-3.0)	-22.0 (-20.0)
Personnel costs	-25.0	-51.0	+26.0	-48.0
Fuel costs, cost of electricity purchases*2	-52.0	-22.0	-30.0	-18.0
Depreciation expenses (capital expenditure)	-40.0	-30.0	-10.0	-23.0
Total <small>[Excluding fuel costs and the cost of purchased power]</small>	-267.0 [-215.0]	*-153.0 [-131.0]	-114.0 [-84.0]	Reduction of around ¥140.0 billion

\* 1 Figures in parentheses indicate 9 cost items (outsourcing expense, rental expense, waste disposal expense, supplies expense, research expense, spread and development-related cost, etc. ), retirement of fixed assets expense, nonlife insurance premium expense, etc.

\* 2 Genkai Nuclear power was not operational in fiscal 2015, so the supply–demand balance is a preliminary calculation that differs substantially from rate costs.

#### Results of Asset Sales (Billions of yen)

Item	Sales results (Fiscal 2015)	Sales results (total for Fiscal 2013 and 2015) A+B	Sales plan upon receipt of acceptance to raise the rate cost (total for Fiscal 2013 and 2015) A	Streamlining effect B
Fixed assets	2.1 (2.0)	44.1 (39.0)	10.0	34.1
Securities	4.5 (2.4)	46.9 (32.7)	4.0	42.9
Total	6.6 (4.4)	91.0 (71.7)	14.0	77.0

\*3 Figures in parentheses indicate gains on sales.

**Q3** Fiscal 2016 marks the start of full liberalization of retail electricity and promises to be a turbulent year. What is your outlook for the year, and what are your aspirations?

**A3** We will endeavor to develop new services and bolster competitiveness while also working as a unified Group toward normalization of operations.

I would like to see fiscal 2016 be the year in which all of our stakeholders, including our customers, members of our communities, shareholders and investors, truly sense that Kyushu Electric Power has changed.

With the start of full liberalization of retail electricity in April, we are faced with the arrival of an era of a truly competitive environment as diverse businesses enter the market, alliances are formed across industry lines, and new business models emerge.

In January 2016, we announced a new set of rates in anticipation of this liberalization, and in February, we released the details of our new Kyuden Safety Support and Q-Pico point services. In April, our subsidiary Kyushu Mirai



Energy Co., Inc., launched its retail electricity business outside the Kyushu region. The development of these and other new services are part of our effort to strengthen our competitiveness and ensure that customers will continue to choose Kyushu Electric Power.

Normalizing operations also continues to be an urgent issue for us, and in addition to continued efforts at streamlining, it is essential that we restart Units 3 and 4 at our Genkai Nuclear Power Station, on which our current electricity rates are predicated. We will work to fully leverage the knowledge we gained with the restart of the Sendai Nuclear Power Station, as well as subsequent examples from other nuclear power plants, as the Group works together toward an early restart while making safety our first priority.

By continuing to push forward with these initiatives in fiscal 2016, we are aiming to achieve sustained growth and to provide value to our stakeholders.

☞ Please refer to The Kyushu Electric Group's Policy Regarding Electricity Retail Liberalization (See pages 24 to 27).

**Q4** Please tell us about the progress toward the restart of operations at Genkai Nuclear Power Station.

**A4** Although impact assessments have essentially been decided in regard to earthquakes, tsunami and volcanoes, reviews are currently ongoing for plant-related matters.

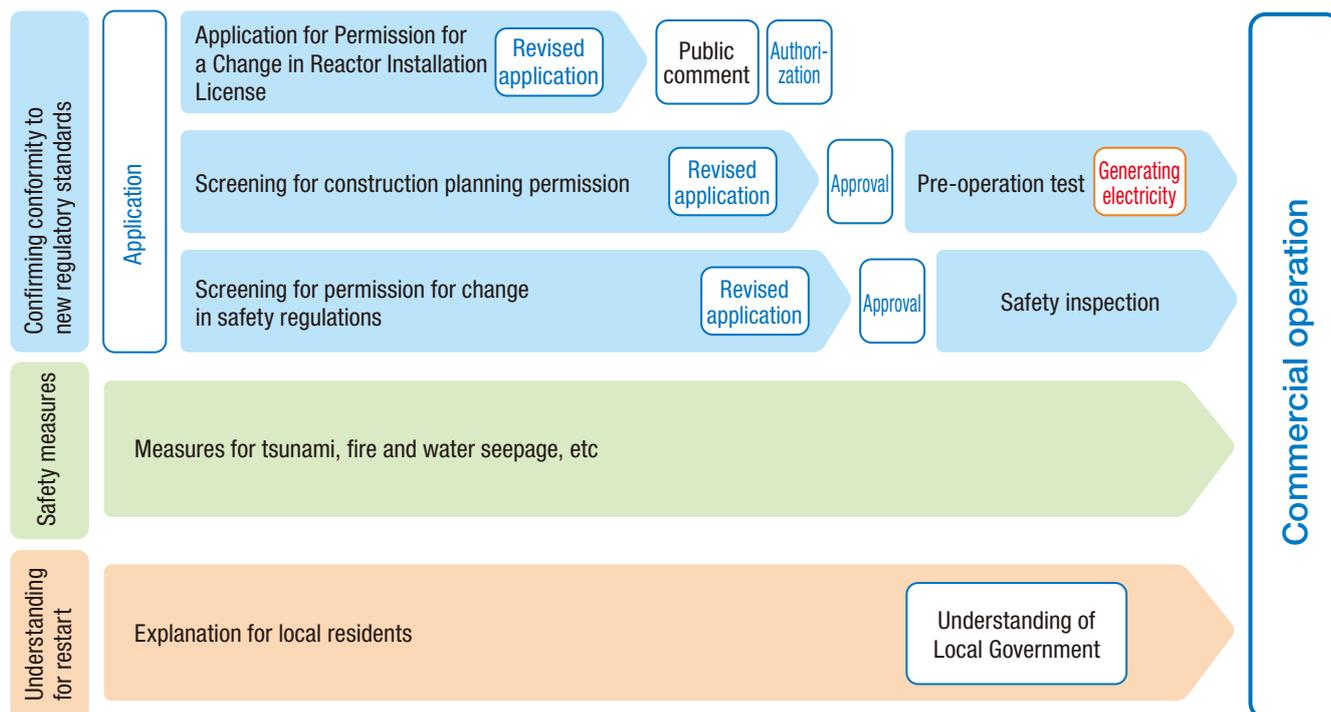
Regarding earthquakes, tsunami and volcano related matters, Kyushu Electric Power finalized the outlines of its standards for seismic motion and standard water intake from tsunami in September 2014. About 11 months later, in November 2015, the review committee reconvened and in February 2016 decided on the outline impact assessment of volcanoes.

Meanwhile, in regard to plants, the main remaining issues presented at the review committee in March 2016 are now being explained in detail, but we are not yet at the

stage of being able to provide detailed comments on when we will submit supplementary materials for our application for authorization to change in the reactor installation license. Moreover, as there is no clear date for the review or pre-operation testing, it is not possible to forecast a specific date for resumption of operations.

Kyushu Electric Power has thoroughly explained matters to the Nuclear Regulation Authority review and is working in earnest toward the earliest possible restart of operations at the Genkai Nuclear Power Station Units 3 and 4.

**Schedule until restart**





**Q5** Fiscal 2015 marked the first resumption of dividends in four years. How will you approach your dividends moving forward?

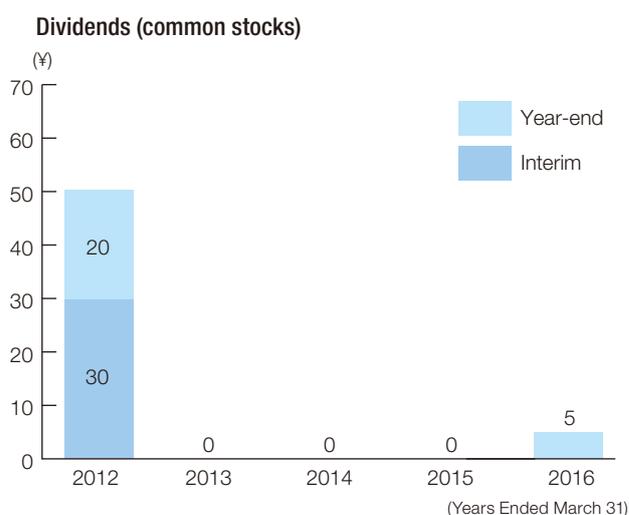
**A5** We will continue our efforts toward a restart of nuclear power operations the Genkai Nuclear Power Station, and toward further streamlining of overall operations so that we can offer at least some level of dividend.

In establishing a dividend of ¥5 for the fiscal year ended March 31, 2016, we considered not only our performance for the year, but a comprehensive review of our efforts at streamlining going forward, the need to improve our damaged financial structure, and our desire to offer returns to our shareholders.

We will determine our dividends going forward based on comprehensive consideration of the economic environment, our mid- to long-term revenue and expenses, and our financial status.

Note that given the lack of a specific date for the restart of our Genkai Nuclear Power Station, the dividend for the fiscal year ending March 31, 2017, remains undetermined. However, we will continue our efforts toward an early restart of the Genkai Nuclear Power Station, and toward further streamlining of overall operations so that we can offer at

least some level of dividend as we did in the fiscal year ended March 31, 2016.



A dividend of ¥7,153,763 per preferred share will be paid out for class A preferred shares, including the accumulated unpaid class A preferred share dividends.

---

**Q6** You have announced that beginning in April 2017, you will introduce an in-house company to handle the electricity transmission and distribution business. How do you view these and other future organizational reforms?

**A6** **Outside of the electricity transmission and distribution business, we are considering an organizational and operating structure that gives us the speed and flexibility.**

---

Given the entry of new retail electricity businesses associated with the full liberalization that began in April 2016, and the Guidelines for Proper Electric Power Trade associated with the introduction of the new licensing system, our goal is for an autonomous operation in the electricity transmission and distribution business that can ensure an even greater level of fairness, transparency and neutrality. This is why, in April 2017, we will introduce an in-house company that will formally unify our electricity transmission and distribution business.

In other areas as well, we are considering an organizational and operating structure that unites our power generation and retail electricity businesses, giving us the speed and flexibility to compete successfully given the changes in our business environment, including full liberalization.

We will also need to prepare for legal unbundling to be enacted in April 2020. This will require power generation, transmission and distribution, and retail electricity to function autonomously, while we aim to optimize operations as a whole, and this is something we will give careful consideration.

**Q7** Incidentally, controls on renewable energy output are being put into effect on some remote islands. Tell us about your policy in preparing for this move.

**A7** **It is possible that similar controls on output will need to be implemented on the Kyushu mainland, but we will continue working toward maximizing acceptance.**

---

Since the introduction of the feed-in tariff (FIT) system for renewable energy in July 2012, the Kyushu area has seen rapid growth in the deployment of solar power, particularly for commercial use.

During mainly light-load periods, particularly daytime hours when solar power output is large, there may be times when steps need to be taken, such as when supply outstrips demand even if thermal power plants are brought down to

their lowest possible level of output without hindrance of stable supply. In those cases, we believe it is necessary to place controls on renewable energy output to ensure a stable supply of electric power.

In fact, since May 2015, several cases have emerged on certain remote islands with independent power systems in which supply exceeded demand on the island even when the renewable energy power generator was brought down to

its lowest level of output, and controls on output had to be implemented.

Going forward, it is possible that similar controls on output will need to be implemented on the Kyushu mainland, depending on the level of renewable energy deployment, demand trends and other power sources.

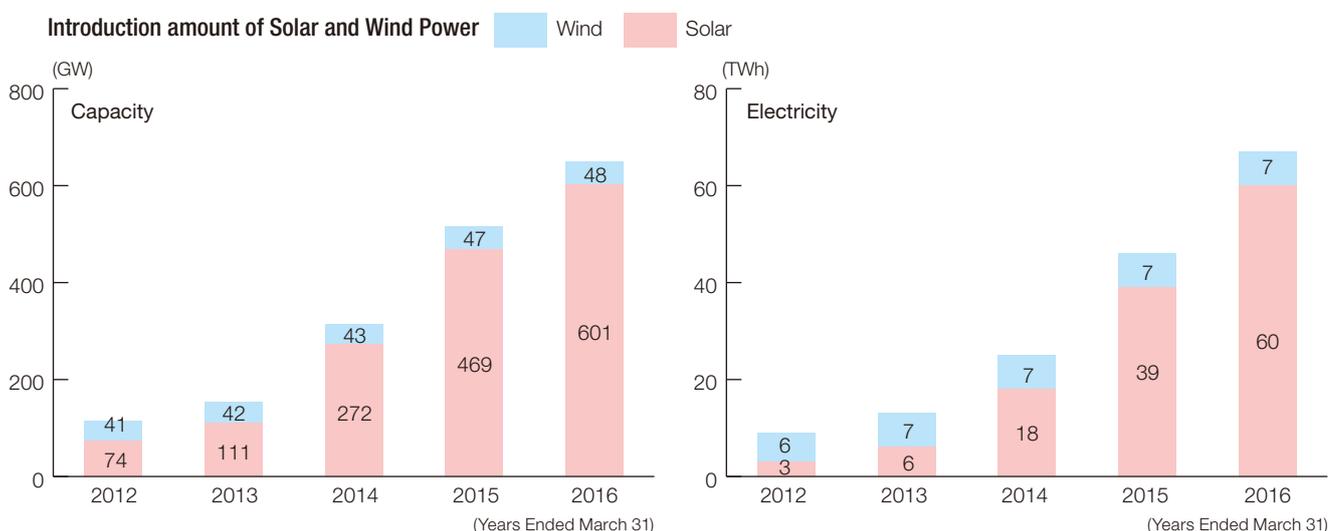
We are reviewing and implementing measures to balance supply and demand with renewable energy output, to ensure we can maximize our acceptance of energy from these

sources, which fluctuate significantly with the weather.

Specifically, we are utilizing government subsidies to mitigate controls on renewable energy output by installing large capacity storage batteries and developing systems that enable finer control over solar power output.

We will continue our efforts to maximize our acceptance of renewable energy.

For more information on large-capacity electricity storage system, refer to ESG section Environmentally Friendly Business (See pages 48 to 49).



Interview with the President

## Q8 Finally, can you tell us about the Kumamoto Earthquake that struck in April of this year?

### • What about recovery efforts?

**There was a maximum of 476,600 households affected by a power outage, but we made a rapid recovery.**

First, I would like to express our heartfelt desire for a rapid recovery for those who suffered as a result of the recent series of earthquakes in Kumamoto.

The earthquake that struck on April 14, 2016, had its

epicenter in the Kumamoto region of Kumamoto Prefecture, and left as many as 16,700 customers without power, primarily in the town of Mashiki and the city of Kumamoto. By the next day, April 15, we had completed installation of a



Large-scale landslide (Minami Aso, Kumamoto Prefecture)



Power transmission via high voltage distribution lines (Kansai Electric Power Company)

high-voltage power distribution line.

On April 16, another earthquake hit the same region, with as many as 476,600 customers losing power, mainly in Aso, Kumamoto Prefecture. By April 20, we again completed installation of high-voltage power distribution lines to the areas, except in places where restoration was made difficult by landslides, damaged roads and so on.

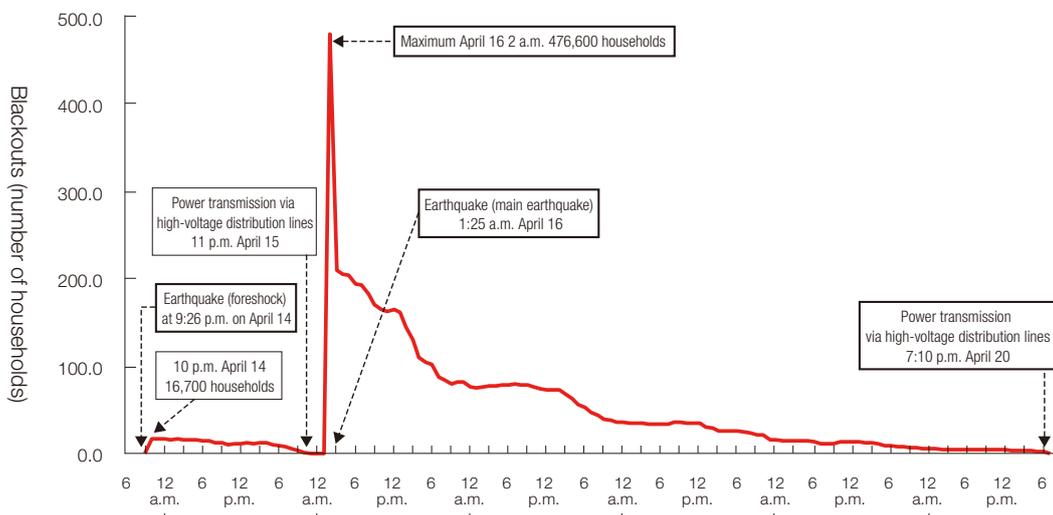
We offer our sincerest apologies for power outages that occurred across a widespread area and the trouble that these caused. We would also like to express our heartfelt gratitude for the understanding and cooperation we received from people from various local authorities and associated organizations while restoring services. I believe our ability to accomplish this so quickly was thanks to the everyday ef-

forts, training and experience of our employees and everyone else involved.

The 9 power companies, from Hokkaido to Okinawa, also dispatched 110 high-voltage power generator trucks, along with 629 support staff. It was moving to see trucks lined up in Kumamoto with logos from Hokkaido Electric Power and Okinawa Electric Power, and made me realize once again the strong bond that exists between those of us involved in the power business.

At this point we estimate that the cost of restoring damaged power supply facilities will be approximately ¥10 billion for repairs, with an additional ¥10 billion in capital investment. \*

\* Calculations of damage are based on information available as of the publication date of this report. Due to various factors, the actual damage and projected amounts may differ from these statements.



• What impact has this had on your nuclear power plants?

**No abnormalities were found at the Sendai Nuclear Power Station, which was operating at the time, and which continues safe, stable operation.**

While there was some concern among the general public about the impact on our nuclear power plants, no abnormalities were found at the Sendai Nuclear Power Station, which was operating at the time, and which continues safe, stable operation.

In formulating a standard seismic motion for the Sendai Nuclear Power Station, we assumed movement of about 100 gal for the Futagawa-Hinagu fault zone, the epicenter of this quake. In terms of standard seismic motion, for the three active fault zones closer to the nuclear power plant site, which would have a more significant impact, we set an estimate of 540 gal, and for seismic motion with no specific epicenter, 620 gal. The nuclear power plant is also equipped with a system for safe, automatic shutdown in the event of a tremor of 160 gal, more than adequate for this standard

seismic motion.

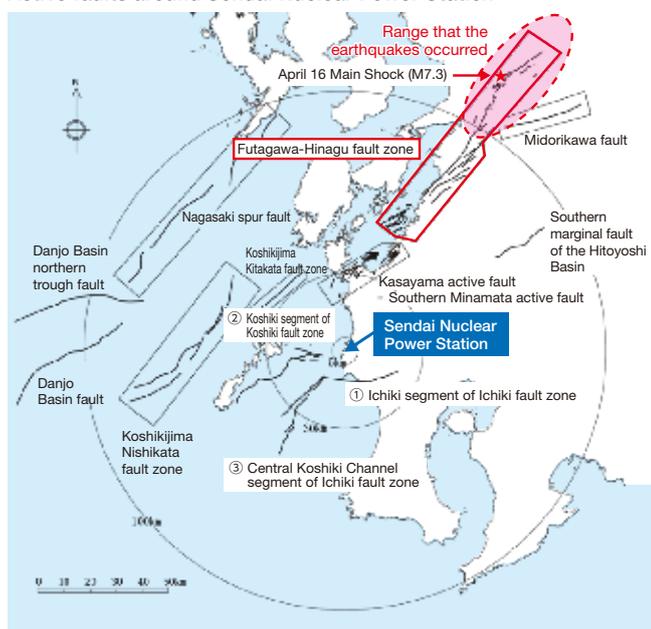
This latest earthquake caused a shift in part of the fault zone, with the tremor measured at 8.6 gal at the Sendai Nuclear Power Station. This is, of course, well below the standard seismic motion, and significantly below the level set for automatic shutdown. Even in the event the remainder of the fault also shifts, it is unlikely to produce a tremor that will have any significant impact on the power plant.

In formulating a standard seismic motion for the Genkai Nuclear Power Station, the Futagawa-Hinagu fault zone was not included in the assessment because of its distance from the plant site. The tremor was measured at 20.3 gal at the power plant, and, as with the Sendai Nuclear Power Station, was well below the level of 170 gal set for automatic shutdown of Units 3 and 4.

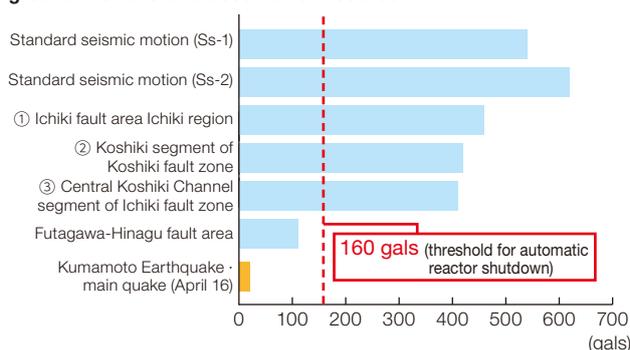
We will continue to maintain the safe, stable operation of our nuclear power plants, prioritizing safety as we fulfill our mission to provide a stable supply of electric power.

Interview with the President

Active faults around Sendai Nuclear Power Station



Comparison between assumptions for establishing standard ground motions and observation records

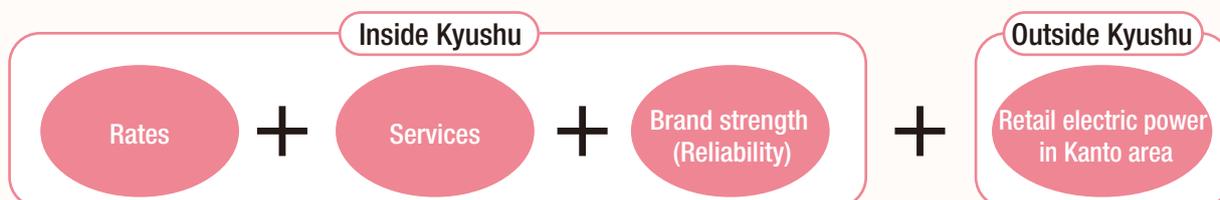


# The Kyushu Electric Group's Policy Regarding Electricity Retail Liberalization



## Policies Amid Full Deregulation of Retail Electricity Sector

- Develop new rate plans, new services such as “Kyuden Safety Support,” the member website “Kirei Life Plus”, and “Q Point for Comfort” loyalty point system.
- Develop personable marketing based on relationships of trust with customers built over 60 years of operations, to remain the preferred choice of customers.
- Develop retail electric power in the Kanto area to secure a new earnings base.



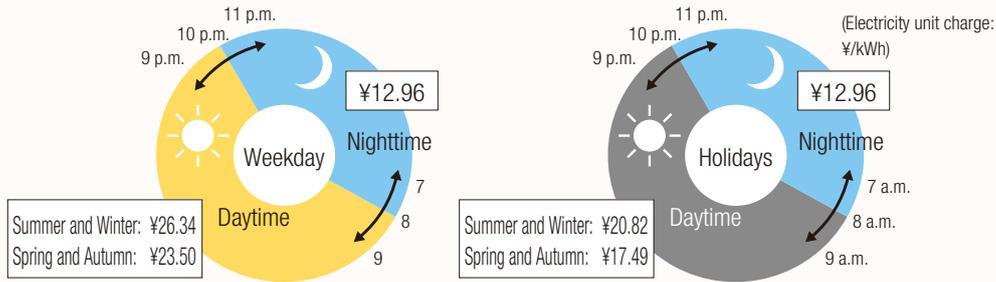
## Charges

■ Three new rate plans for customers to choose from that fit their diverse lifestyles.

### A plan for the customers who use electricity mostly at night or on holidays

For customers who use electricity mostly at night or on holidays  
**Electric Night Select Plan**

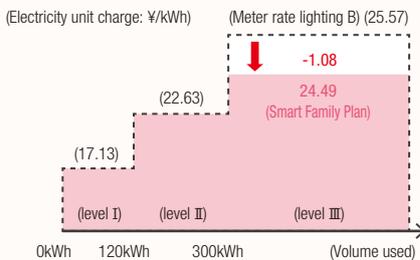
- For all-electric customers
  - Cheaper rates for nighttimes and holidays
  - Select discount nighttime rates
- ① 9 p.m.–7 a.m. ② 10 p.m.–8 a.m. ③ 11 p.m.–9 a.m.



### Plans for the customers who use large amounts of electricity

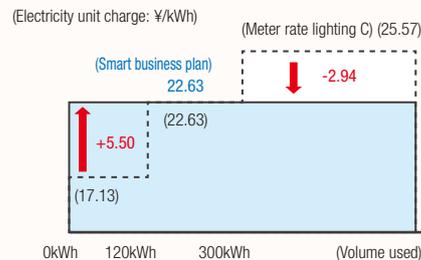
For customers with families  
**Smart Family Plan**

- For households with monthly use of 350 kWh or higher
- Further specials provided upon signing a 2-year contract



For customers with shops  
**Smart Business Plan**

- For stores and offices with monthly use of 550 kWh or higher

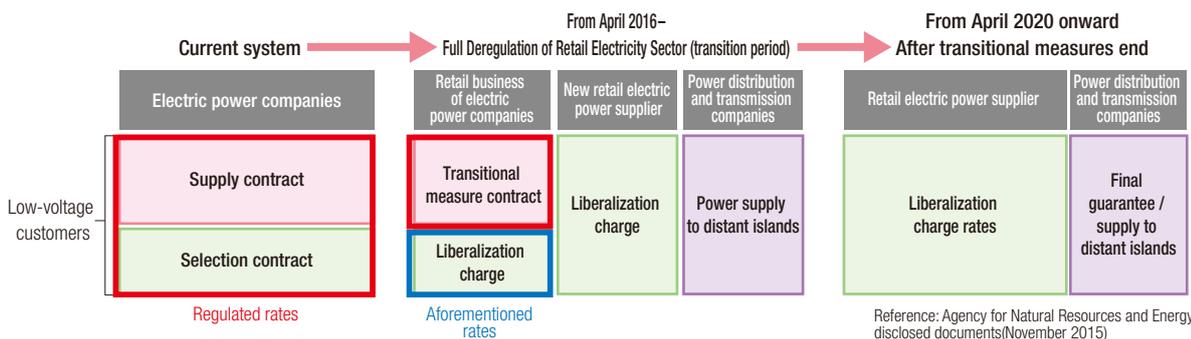


The Kyushu Electric Group's Policy Regarding Electricity Retail Liberalization

## TOPICS II

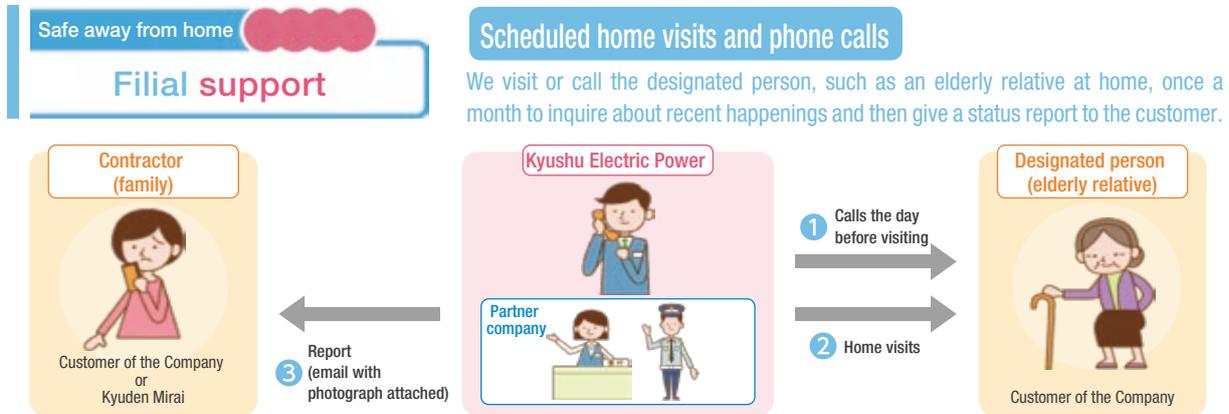
### Liberlization Rates and Regulated Rates

To protect customers, electric power companies are currently mandated by law to supply the retail sector with electricity at regulated rates. The current regulated rate system will remain in force until at least March 2020.

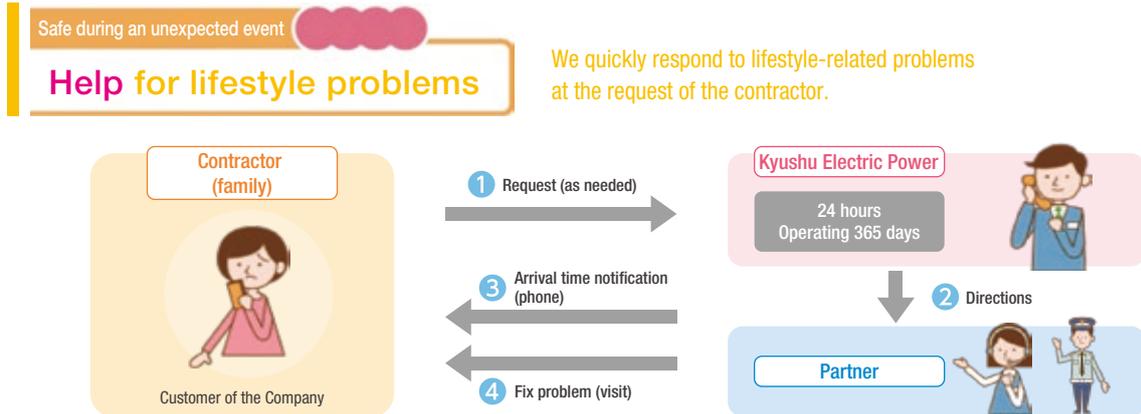


## Services

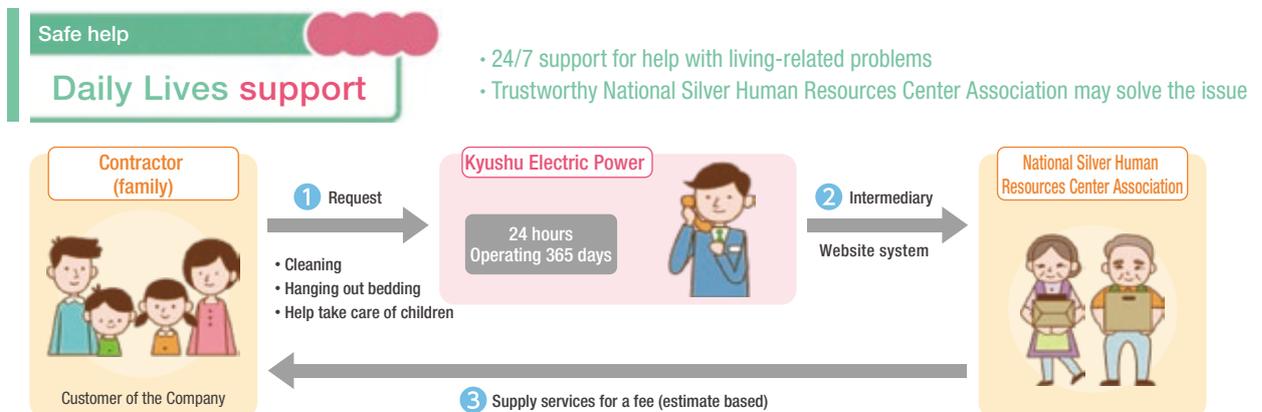
- Develop “Kyuden Safety Support” to help customers lead worry-free lifestyles every day, based on their trust placed in us for having delivered a safe and reliable supply of electricity in Kyushu as a company that is always there for customers.



\* We also provide a service where we wait for the contractor to ask us to check in on the designated person (an elderly relative's home), and then give an update after the visit.



\* Services can also be provided to homes other than the contractor's residence (the home of an elderly relative).



### [Service Under Development]

#### Monitoring support

We will check the daily electricity used by parents living alone and alert their families if any irregularity is detected.

- Full of useful information for daily lifestyles, the “Kirei Life Plus” member website is a communication channel that connects us to our customers.
- We deliver enjoyment and discounts to customers through our unique “Q Point for Comfort” loyalty point system.

### “Kirei Life Plus” member website

#### 1. Provides seasonal local information

Local information about flower blossom times, good fishing spots and local cuisine that is not covered by other information sources



#### 2. Notifications about optimal rate plans

#### 3. Compare electricity usage with other customers

etc.

### “Q Point for Comfort” loyalty point system

#### All Sorts of Savings

##### ■ No application required and accumulate Q Points for Comfort at various times

- Points accumulate based on monthly electricity usage and years of customer loyalty to the Company

#### Win in lotteries

- Customers can win wonderful products
- Points do not decrease if a product is won
- Win multiple times



Conceptual images

## Outside Kyushu

- Group company Kyuden Mirai Energy engages in the retail electric power business for households in the Kanto area.
- Rate plans comprise the Basic Plan, which benefits customers who use a large volume of electricity, and the JAL Mileage Plan, which gives JAL miles to the customer based on their monthly electric bills.
- Kyushu Electric Power provides Filial Support and help for lifestyle problems as Kyushu Filial Support

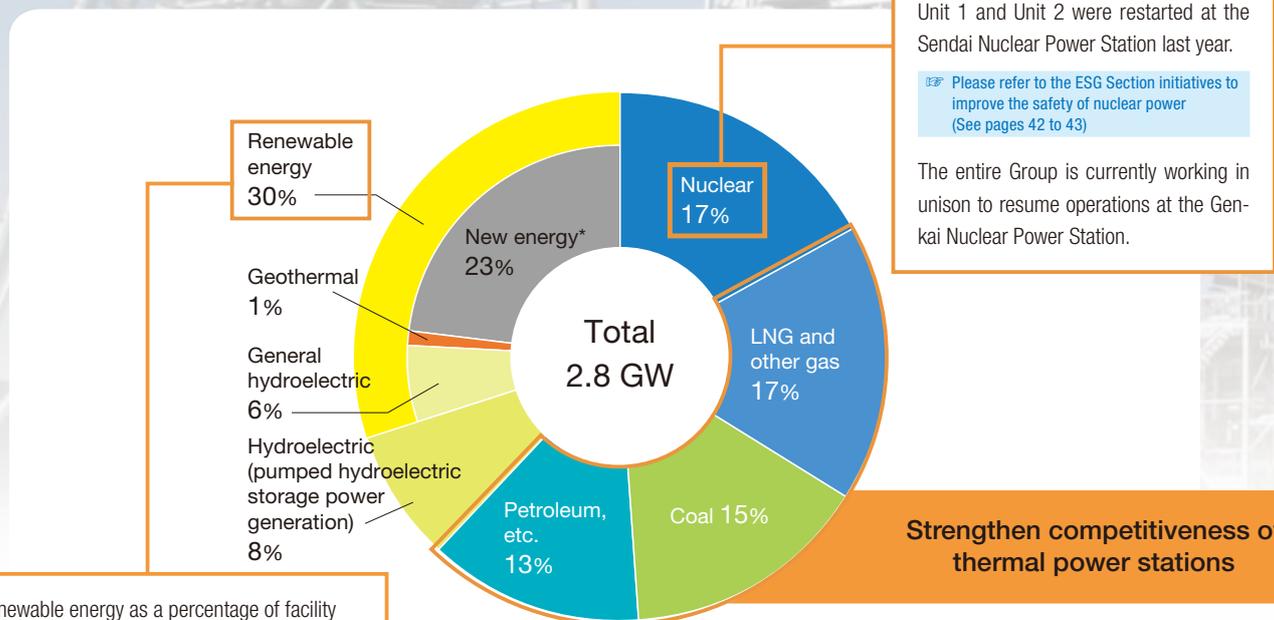
Item		
Sales area		Kanto area
Rate plans	Basic Plan M JAL Mileage Plan M	Customers with 30A, 40A, 50A and 60A contracts
	Basic Plan L JAL Mileage Plan L	Customers with 6kVA or higher capacity contracts current



# Initiatives to Strengthen Competitiveness of Power Sources

## Balanced Portfolio of Power Sources and Low Electricity Rates

- Kyushu Electric Power's electricity rates are among the lowest of the major electric power companies, thanks to efforts to increase management efficiency while maintaining a balanced portfolio of power sources.
- Kyushu Electric Power intends to strengthen the competitiveness of its power sources by accommodating rapidly growing renewable energy as much as possible, restarting nuclear power plants and increasing the efficiency of thermal power plants.



Unit 1 and Unit 2 were restarted at the Sendai Nuclear Power Station last year.

Please refer to the ESG Section initiatives to improve the safety of nuclear power (See pages 42 to 43)

The entire Group is currently working in unison to resume operations at the Genkai Nuclear Power Station.

Renewable energy as a percentage of facility capacity (kW): about 30%

Please refer to the ESG Section regarding renewable energy initiatives (See pages 48 to 49)

**Strengthen competitiveness of thermal power stations**

Composition of Capacity for All Facilities (kW) (Including power purchased from other companies) (At the end of March 2016)

To prosper in a competitive environment, Kyushu Electric Power maintains a good balance of nuclear power, coal, LNG and renewable energy sources of power through endeavors to secure power sources that are both competitive and reliable, as well as by flexibly responding to changes in the strengths and weaknesses of power sources as a result of trends in the business environment.

More specifically, Kyushu Electric Power has advanced the development of competitive power sources, commencing operations of Unit No. 3 x 4 at the Shin-Oita Power Station in June 2016, and planning to launch operations of the cutting-edge, coal-fired Unit No. 2 at Matsuura Power Station in December 2019.

### Operations Commence at Unit No. 3 x 4 at the Shin-Oita Power Station

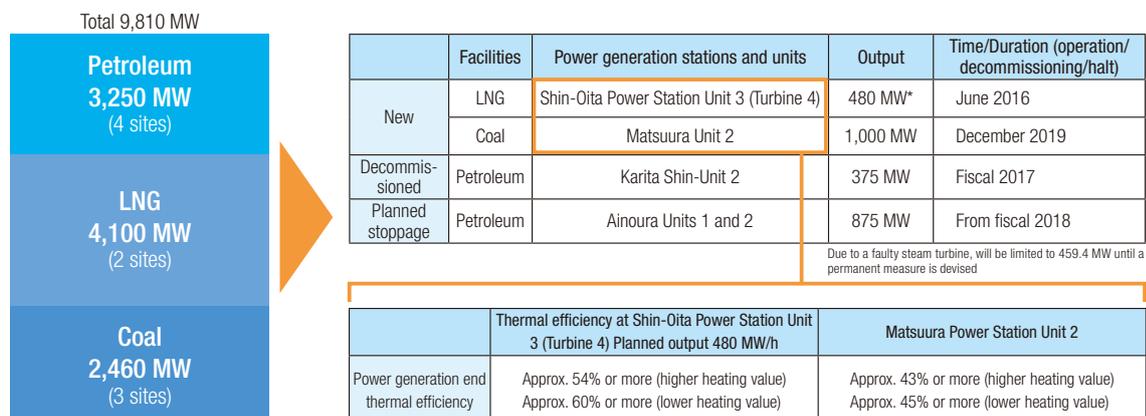
- Operations commenced in June 2016 with LNG combined cycle system that boasts the highest level of efficiency in the world.
- We estimate that this plant will reduce CO<sub>2</sub> emissions by about 400,000 tons per year when operating at planned output of 480 MW.

### Early Development of Unit 2 at Matsuura Power Station

- We plan to bring forward the launch of operations by six months to December 2019, from June 2020 previously, to more quickly secure a power source that is both competitive and reliable.
- We aim to reduce fuel consumption and environmental impact by achieving higher levels of efficiency with the use of cutting-edge ultra-super critical (USC) technology that is currently in the process of being commercialized.

\* Ultra-super critical (USC): This is a highly efficient method of generating electricity that reduces environmental impact, boosting thermal efficiency by using steam under higher temperatures and pressures to generate electricity.

#### Steam Power Generation Station Development Plan (As of March 31, 2016)



Initiatives to Strengthen Competitiveness of Power Sources

# The Kyushu Electric Group's ESG

This section will introduce the Corporate Governance structure forming the premise of initiatives for Kyushu Electric Power's ESG, and initiatives for the seven main CSR key issues.



## Corporate Governance

Strengthening governance to achieve sustainable growth and enhance corporate value over the medium- to long-term.

See page 36



## Creating Customer Satisfaction

We provide products and services with value that respond to customers' needs and challenges.

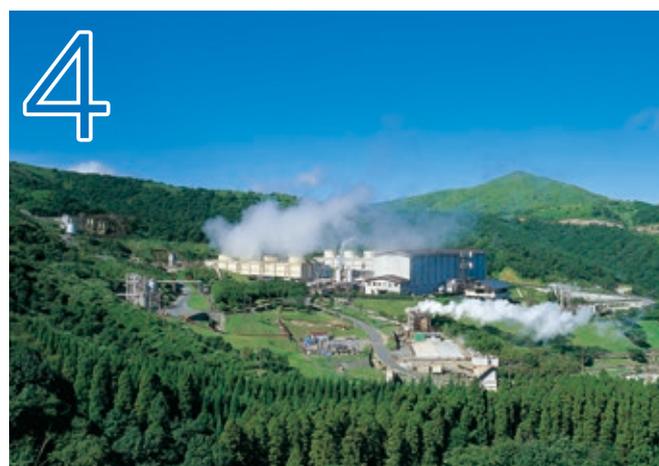
See page 45



## Pursue safety and security

We are meticulous about safety measures for equipment and securing the safety of workers and conduct business prioritizing safety and ease of mind above all.

See page 46



## Environmentally Friendly Business

We are advancing with initiatives toward the preservation of the environment, and co-existence with it.

See page 48



5

### Fair and Just Business Operation

We conduct business operations in a fair and just manner with individual employees possessing a strong awareness of compliance.

See page 50



6

### Sincere Communication with the Community

We disclose information in a timely manner and actively advance communication with communities.

See page 51



7

### Co-Existing with Communities and Society

We contribute to resolving community and social issues through environmental activities, support for raising future generations and activities deeply rooted in the community.

See page 52



8

### Respect for Human Rights and Creation of Worker Friendly Workplaces

We respect human rights and strive to create workplace environments that enable diverse human resources to maximize their talents.

See page 53

# Board of Directors and Auditors (As of June 28, 2016)

## Directors



## Directors

### Masayoshi Nuki

Chairperson

1968 Joined Kyushu Electric  
2012 Chairperson (current position)

### Michiaki Uriu

President

1975 Joined Kyushu Electric  
2012 President (current position)

### Naofumi Satou

Executive Vice President

1976 Joined Kyushu Electric  
2014 Executive Vice President (current position)

### Tomoyuki Aramaki

Executive Vice President  
Secretary Office, CSR, Crisis Management

1975 Joined Kyushu Electric  
2015 Executive Vice President (current position)

### Kazuhiro Izaki

Executive Vice President  
General Manager of Power Generation Division

1978 Joined Kyushu Electric  
2015 Executive Vice President (current position)

### Yuuzou Sasaki

Executive Vice President  
General Manager of Engineering Division

1978 Joined Kyushu Electric  
2016 Executive Vice President (current position)

### Haruyoshi Yamamoto

Director  
Officer Extraordinary for the Nuclear Power  
Generation Business

1972 Joined Kyushu Electric  
2015 Director (current position)

### Hideomi Yakushinji

Director, Senior Managing Executive Officer  
General Manager of District Symbiosis Division

1976 Joined Kyushu Electric  
2013 Director, Senior Managing Executive  
Officer (current position)

### Akira Nakamura

Director, Senior Managing Executive Officer  
Deputy General Manager of Power Generation Division

1977 Joined Kyushu Electric  
2015 Director, Senior Managing Executive  
Officer (current position)

### Yoshiro Watanabe

Director, Senior Managing Executive Officer  
General Manager of Marketing Division

1977 Joined Kyushu Electric  
2015 Director, Senior Managing Executive  
Officer (current position)

### Narumi Nagao

Director, Senior Managing Executive Officer  
General Manager of Corporate Planning Division

1977 Joined Kyushu Electric  
2015 Director, Senior Managing Executive Officer  
(current position)

### Takashi Yamasaki

Director, Senior Managing Executive Officer  
Division Manager, Electric Power Transportation  
Division

1976 Joined Kyushu Electric  
2016 Director, Senior Managing Executive  
Officer (current position)



- 1 Masayoshi Nuki 2 Michiaki Uriu 3 Naofumi Satou  
 4 Tomoyuki Aramaki 5 Kazuhiro Izaki 6 Yuuzou Sasaki  
 7 Haruyoshi Yamamoto 8 Hideomi Yakushinji  
 9 Akira Nakamura 10 Yoshiro Watanabe  
 11 Narumi Nagao 12 Takashi Yamasaki  
 13 Akiyoshi Watanabe 14 Ritsuko Kikukawa

## External Directors

### Akiyoshi Watanabe

External Director

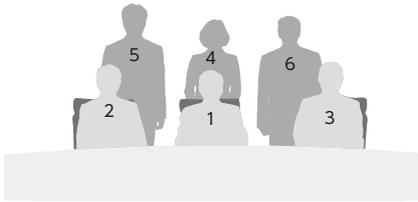
1966 Joined Toyota Motor Co., Ltd. (now Toyota Motor Corporation)  
 1996 Director  
 1998 Director (part-time), Toyota Motor Kyushu, Inc.  
 2001 Managing Director, Toyota Motor Corporation  
 2002 Retired from Toyota Motor Corporation  
 2002 President, Toyota Motor Kyushu, Inc.  
 2007 Vice-Chairman, Kyushu Economic Federation  
 2008 Chairman, Toyota Motor Kyushu, Inc.  
 2009 Director, Kyushu Electric (current position)  
 2011 Advisor, Toyota Motor Kyushu, Inc.  
 2011 Director, Kyudenko Corporation (current position)  
 2015 Retired as Vice-Chairman of Kyushu Economic Federation  
 2015 Retired from Toyota Motor Kyushu, Inc.

### Ritsuko Kikukawa

External Director

1974 Joined Fukuoka Prefectural Government  
 2005 Director, Fukuoka Prefectural General Social Education Center  
 2007 Director, Fukuoka Prefectural Library  
 2008 Retired from Fukuoka Prefectural Government  
 2008 Senior Officer, National Institution for Youth Education  
 2011 Retired from the National Institution for Youth Education  
 2012 Executive Vice President, Kyushu University  
 2014 Retired from Kyushu University  
 2014 Director of Fukuoka Study Center, Open University of Japan (current position)  
 2015 Director, Kyushu Electric (current position)

# Corporate Auditor



1 Toshiaki Hirano 2 Nobuya Osa 3 Eiji Kamei 4 Fumiko Furusho 5 Kazutaka Koga 6 Yusuke Inoue

## Corporate Auditors

### Toshiaki Hirano

Senior Corporate Auditor

2005 Joined Kyushu Electric  
2014 Corporate Auditor (current position)

### Nobuya Osa

Corporate Auditor

1977 Joined Kyushu Electric  
2015 Corporate Auditor (current position)

### Eiji Kamei

Corporate Auditor

1979 Joined Kyushu Electric  
2016 Corporate Auditor (current position)

## External Corporate Auditors

### Fumiko Furusho

External Corporate Auditor

1982 Joined Furusho Tochi, Ltd.  
1982 Director  
1998 President, Special Olympics Japan (now Special Olympics Japan Foundation)  
2000 Bureau Chief  
2004 Retired from position as Bureau Chief  
2006 Member, Kumamoto Prefectural Board of Education  
2008 Retired from Special Olympics Japan (now Special Olympics Japan Foundation)  
2009 Committee Chairman, Kumamoto Prefectural Board of Education  
2011 President, Furusho Tochi, Ltd. (current position)  
2012 Retired as Committee Chairman, Kumamoto Prefectural Board of Education  
2013 Corporate Auditor, Kyushu Electric (current position)

### Yusuke Inoue

External Corporate Auditor

1973 Joined Bank of Japan  
1985 Retired from Bank of Japan  
1985 Joined Fukuoka Sogo Bank, Ltd.  
1986 Director  
1989 Director, Fukuoka City Bank, Ltd. (Name changed from Fukuoka Sogo Bank, Ltd.)  
1990 Managing Director  
1993 Senior Managing Director  
1997 Deputy President  
2003 Resigned as Deputy President, Fukuoka City Bank, Ltd.  
2003 Chairman, The Kyushu Card Co., Ltd.  
2005 Resigned as Chairman, The Kyushu Card Co., Ltd.  
2005 Chairman, Kyusyu Servicer (current position)  
2016 Corporate Auditor, Kyushu Electric (current position)

### Kazutaka Koga

External Corporate Auditor

1986 Registered as attorney (current position)  
1989 Established Koga Kazutaka Law Office (now Koga Hanashima Law Office)  
2007 Auditor, MAXVALU KYUSHU CO., Ltd. (current position).  
2012 Vice President, Kyushu Federation of Bar Associations  
2012 Chairman, Fukuoka Bar Association  
2013 Vice President, Kyushu Federation of Bar Associations  
2013 Resigned as Chairman, Fukuoka Bar Association  
2014 Vice President, Japan Federation of Bar Associations  
2015 Resigned as Vice President, Japan Federation of Bar Associations  
2016 Corporate Auditor, Kyushu Electric (current position)

# Sustainable Growth and Increased Corporate Value Over the Mid- to Long-Term

Masayoshi Nuki × Akiyoshi Watanabe × Ritsuko Kikukawa

Last year, Japan announced a Corporate Governance Code that now applies to all listed companies. We are working to strengthen corporate governance at Kyushu Electric Power with the goal of meeting the objective of the code, which is to seek sustainable corporate growth and increased corporate value over the mid- to long-term. In that process, the role of the Board of Directors is of particular importance.

We asked Chairperson of the Board Masayoshi Nuki, and external directors Akiyoshi Watanabe and Ritsuko Kikukawa to share their thoughts regarding the Board of Directors.



Akiyoshi Watanabe  
External Director

Masayoshi Nuki  
Chairperson

Ritsuko Kikukawa  
External Director

## Q1 What is your thinking regarding the roles and responsibilities of the Board of Directors in achieving sustainable growth and increased corporate value over the mid- to long-term?

**Chairperson Nuki** The Board of Directors is expected to deliberate carefully on matters of corporate strategy and other proposals on important items relating to management from a supervisory position, decide on these and move them in a direction that will enable us to prevail in an intensely competitive environment. As chairperson, I believe that is one of my most important responsibilities.

Diversity is important in generating vigorous, high-quality debate, and we thus make it a practice to promote directors from

within the Company from different backgrounds and fields of specialization. For external directors, we designate individuals with rich experience and knowledge in corporate management and other specialized fields.

Since last year, we have also been conducting questionnaires and interviews with our directors and corporate auditors as a means of analyzing and assessing the Board's effectiveness. Through these efforts, we will continue working to improve the operation of the Board of Directors.

## Q2 Chairperson Nuki, can you describe your expectations for Mr. Watanabe and Ms. Kikukawa regarding deliberations of the Board of Directors and so on? Would each of the directors then tell us about your own roles and what you try to keep in mind during Board discussions?



**Chairperson Nuki** My expectation is that our two external directors will share their honest opinions and suggestions from an outside viewpoint regarding our management. I also hope they will utilize their extensive experience and deep insight to offer better solutions for our management issues.

Moreover, to improve the effectiveness of the Board, we need to ensure that the external directors feel free to speak up when appropriate and can make rational decisions. We work to ensure we share with our external directors enough information to allow them to do this, including having them attend meetings of our Corporate Management Committee.

**External Director Watanabe** Corporate governance can be considered a framework that enables management to balance profitability and fiscal soundness by ensuring an effective supervisory function. On the Board, which supervises business execution, the external directors need to strengthen that function. With that in mind, we utilize our own experience to proactively offer opinions and suggestions, not only to the Board of Directors, but at Corporate Management Committee meetings and elsewhere.

**External Director Kikukawa** Kyushu Electric Power has created an atmosphere in which the external directors can feel free to speak up about any questions they may have, and that contributes to the vigorous discussions we see at meetings of the Board. We also attend the weekly Corporate Management Committee meetings, and try to offer suggestions from our

unique outsider perspective even away from the Board, to help clarify issues and accelerate decision-making. We want to take a perspective bearing in mind consumers and the experience we have accumulated through to now and make it useful for Company management.

### Q3 What are your thoughts on the Corporate Governance Code mentioning “engaging in constructive dialogue with shareholders?”



**Chairperson Nuki** It is important to clearly articulate corporate strategy and to conduct an ongoing dialogue with shareholders and investors. The Corporate Governance Code also calls on the Board of Directors to establish a framework for encouraging that dialogue. We recognize that IR is an important issue for management, and the entire Company works together, under the leadership of the president, to engage in IR-related activities. At the same time, given the enormous changes in conditions surrounding the electric power industry, it is also important that we always continue to consider steps for enhancing corporate value in the mid- to long-term.

**External Director Watanabe** Kyushu Electric Power has built a framework to share information obtained in dialogue with shareholders and investors with management and across the entire Company. The opinions of shareholders and investors considering mid- to long-term investments can be particularly valuable to management and the directors. Going forward, in addition to promoting understanding of the Company’s business, it will be important for the Company to establish an interactive dialogue with its shareholders and investors, and truly listen to their opinions and suggestions. I think it is these mid- to long-term investments that enable a company to execute forward-thinking strategies, and eventually enhance corporate value.

**External Director Kikukawa** Kyushu Electric Power has formulated a Company-wide IR Policy, and is proactive in disclosing information investors need to make decisions. Going forward, shareholders and investors considering mid- to long-term investments will be increasingly interested not just in corporate philosophy or management issues, but in non-financial matters such as the Company's response to environmental issues and efforts to promote diversity. More than ever, it will be important to clearly divulge not just financial data, but the kind of information that can lead to sustained growth.



# Corporate Governance

## Basic Stance on Corporate Governance

We aim to generate sustainable value for all shareholders and other stakeholders in keeping with “Kyushu Electric Power’s mission” by engaging in operations that are socially meaningful from a long-term perspective. It is a top management priority to strengthen corporate governance to ensure that we do business properly.

In concrete terms, we have a corporate governance structure centered on the Board of Directors and the Board of Corporate Auditors, and based on this 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 in-

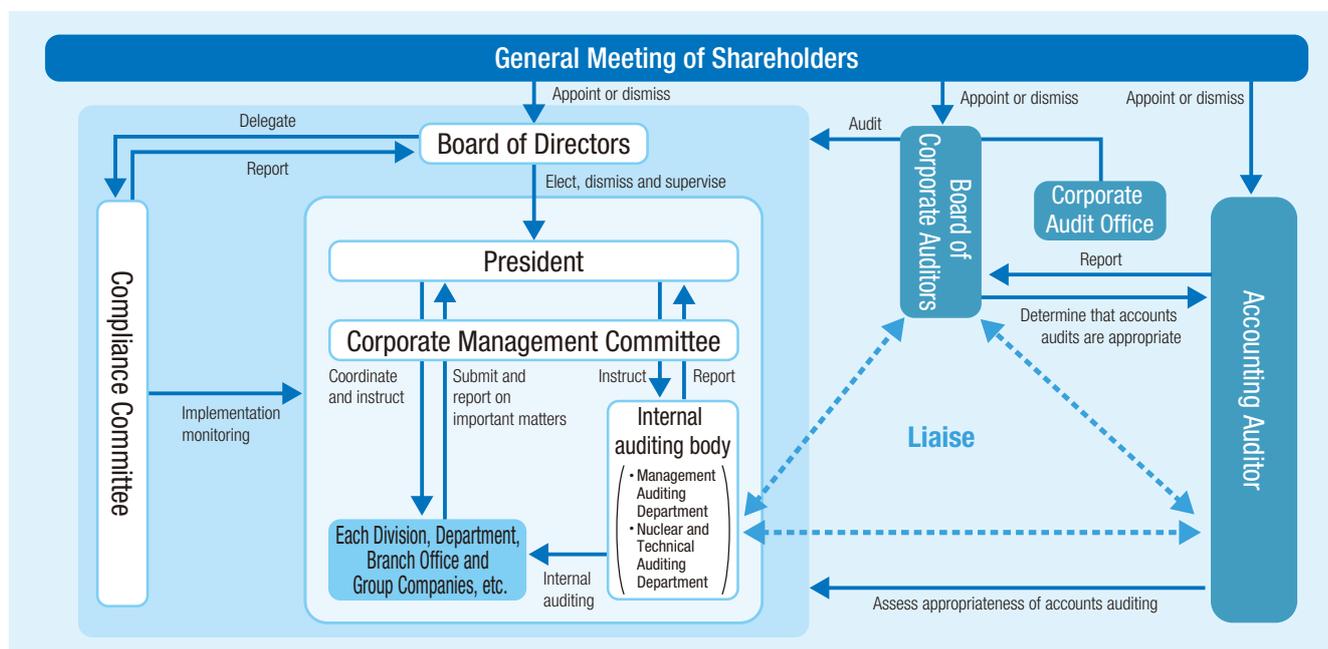
ternal auditing bodies. Furthermore, we have clearly defined the oversight and executive roles of directors and executive officers, while striving to rigorously enforce compliance management. At the same time, we have developed a basic policy on the formation of a system to ensure proper business operations (basic internal control policy), as we work to continuously improve the internal control system.

In response to the application of the Japan’s Corporate Governance Code to listed companies, after giving due consideration to the tenor of the Code, we will further reinforce our corporate governance in the aim of ensuring sustainable growth and medium- to long-term increases in corporate value.

Overview of Internal Organizations

Organization	Role	Members (As of March 31, 2016)	Meeting Frequency
<b>Board of Directors</b>	<ul style="list-style-type: none"> <li>Decides on important corporate management matters</li> <li>Supervises performance of duties</li> </ul>	<ul style="list-style-type: none"> <li>14 directors in total (including 2 external directors)</li> </ul>	Once a month in principle (16 times during fiscal 2015)
<b>Corporate Management Committee</b>	<ul style="list-style-type: none"> <li>Considers matters requiring discussion before being decided by the Board of Directors</li> <li>Makes important decisions on business execution</li> </ul>	<ul style="list-style-type: none"> <li>President, vice president, senior managing executive officers, managing executive officers, and others</li> </ul>	Once a week in principle (39 times during fiscal 2015)
<b>Board of Corporate Auditors</b>	<ul style="list-style-type: none"> <li>Perform audits relating to general status of directors’ performance of duties                             <ul style="list-style-type: none"> <li>→ Attend Board of Directors and other important meetings</li> <li>→ Receive oral reports from executive divisions, consolidated subsidiaries, and others</li> </ul> </li> <li>Perform business site inspections</li> <li>Deliberate and decide on important matters related to audits stipulated by laws and regulations and the articles of incorporation</li> </ul>	<ul style="list-style-type: none"> <li>6 corporate auditors in total (including 3 external corporate auditors)</li> <li>* The Corporate Audit Office, which has 12 members, was established to assist the corporate auditors as a specialist organizational body.</li> </ul>	Once a month in principle (15 times during fiscal 2015)
<b>Internal auditing body</b>	<ul style="list-style-type: none"> <li>Audit observance of laws, regulations, and so forth in divisions and business sites and status of business execution</li> <li>Audit quality assurance systems in place to monitor safety initiatives and the status of operations based on these</li> </ul>	<ul style="list-style-type: none"> <li>Management Auditing Department (22 members)</li> <li>Nuclear and Technical Auditing Department (11 members)</li> </ul>	*Held constantly as part of duties.

Corporate Governance Structure



### External Directors and External Corporate Auditors

We have appointed two highly independent external directors. They draw on their knowledge and experience to provide necessary input and advice in the discussion of proposals at Board of Directors meetings, as well as participating and advising appropriately on nomination, remuneration, and other matters regarding director candidates.

We have six corporate auditors. One of them has considerable knowledge regarding finance and accounting, having experience as manager of the Company's Accounting Department. Three are external corporate auditors. 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.

When appointing external directors or external corporate auditors, the Company refers to its own independence evaluation standards. These are based on criteria for independent external directors and external corporate auditors stipulated by the Companies Act and the Tokyo Stock Exchange's evaluation standards regarding the independence of directors and corporate auditors.

Moreover, the Company has designated all of its external directors and external corporate auditors as independent directors 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.

### Reason for Appointment of External Directors

External Director	Reason for Appointment
<b>Akiyoshi Watanabe</b>	Mr. Watanabe has a wealth of experience and insight due to his many years serving as a business manager, as well as the appropriate character, insight, and professional background for an external director of the Company. We consider him a most appropriate person to provide useful opinions about the Company's business from an objective standpoint, and to perform a supervisory function.
<b>Ritsuko Kikukawa</b>	Ms. Kikukawa has a wealth of experience and insight due to her many years serving in national and regional government, mainly in the education field, as well as the appropriate character, insight, and professional background for an external director of the Company. We consider her a most appropriate person to provide useful opinions about the Company's business from an objective standpoint, and to perform a supervisory function.

### Reasons for Appointment of External Corporate Auditors

External Corporate Auditor	Reason for Appointment
<b>Fumiko Furusho</b>	Ms. Furusho has a wealth of experience and insight due to her many years serving as a business manager, as well as the appropriate character, insight, and professional background for an external corporate auditor of the Company. We consider her a most appropriate person to provide useful opinions about the Company's business from an objective standpoint, and to perform a supervisory function.
<b>Yusuke Inoue</b>	Mr. Inoue has a wealth of experience and insight due to his many years serving as a business manager, as well as the appropriate character, insight, and professional background for an external corporate auditor of the Company. We consider him a most appropriate person to provide useful opinions about the Company's business from an objective standpoint, and to perform audit and supervisory functions.
<b>Kazutaka Koga</b>	Mr. Koga has a wealth of experience and insight due to his many years serving as an attorney, as well as the appropriate character, insight, and professional background for an external corporate auditor of the Company. We consider him a most appropriate person to provide useful opinions about the Company's business from an objective standpoint, and to perform audit and supervisory functions.

## Policy Regarding Determination of Remuneration for Directors and Corporate Auditors

Our policy on remuneration is to set it at a level commensurate with the capabilities and responsibilities required of the Company's directors and corporate auditors, giving due consideration to factors such as the Company's management environment, remuneration levels at other companies, primarily listed companies, and the level of treatment of the Company's employees.

Specifically, remuneration for directors and corporate audi-

tors comprises a monthly basic remuneration and bonuses. To ensure objectivity and transparency, the level of remuneration is determined by the Board of Directors and the Board of Corporate Auditors based on the deliberations of the Remuneration Discussion Committee, which is chaired by an external director.

Directors' bonuses are paid in correspondence with the Company's performance within a limited amount to clarify directors' responsibility for performance and provide them with an incentive to improve it.

Classification	Directors (excluding external directors)		Corporate auditors (excluding external corporate auditors)		External directors and corporate auditors	
	Number of people	Amount (Millions of yen)	Number of people	Amount (Millions of yen)	Number of people	Amount (Millions of yen)
Basic remuneration	15	244	4	53	7	31
Bonuses	—	—	—	—	—	—
Total	—	244	—	53	—	31

(Note) The number of people listed above as recipients for basic remuneration includes three directors (excluding external directors) and one external officer (external corporate auditor) who retired at the end of the 91st Annual General Meeting of Shareholders, held on June 25, 2015. The number also includes one external officer (external corporate auditor) who retired on February 29, 2016 due to passing away.

## Disclosure of Important Concurrent Positions Held by Directors and Corporate Auditors

Important concurrent positions held by the Company's directors and corporate auditors are as follows.

Director	Important Concurrent Position
<b>Michiaki Uriu</b>	Outside Audit & Supervisory Board member, Kyudenko Corporation Outside director, THE NISHI-NIPPON CITY BANK, LTD.
<b>Naofumi Satou</b>	Outside director, RKB MAINICHI HOLDINGS CORPORATION Outside director, Nishi-Nippon Railroad Co., Ltd.
<b>Kazuhiro Izaki</b>	Outside director, Nippon Tungsten Co., Ltd.
<b>Yuuzou Sasaki</b>	Outside director, FUJI P.S CORPORATION
<b>Akiyoshi Watanabe</b>	Outside director, Kyudenko Corporation
<b>Ritsuko Kikukawa</b>	Director of Fukuoka Study Center, Open University of Japan

Corporate Auditors	Important Concurrent Position
<b>Yusuke Inoue</b>	Chairman, Kyusyu Servicer
<b>Kazutaka Koga</b>	Attorney (Koga Hanashima Law Office) External auditor, MAXVALU KYUSHU CO., Ltd.

## Analysis and Evaluation of Overall Effectiveness of the Board of Directors

The Company conducts questionnaires and interviews with directors and corporate auditors, and the results are confirmed by the Board of Directors.

### (1) Regarding the function and composition of the Board of Directors

- Appropriateness of the decision-making process
- Formulation and external disclosure of management strategies and policies
- Appropriateness of supervision of business execution
- Appropriateness of composition (diversity, scale)

### (2) Operation of the Board of Directors

- Appropriateness of determination of matters for resolution and reporting and matters for deliberation
- Clarity of materials and explanations
- Appropriateness of frequency and time allocation for deliberation

### Compliance Committee

To promote compliance, the Compliance Committee has been established to ensure compliance with corporate ethics, laws and regulations, internal rules, and so forth. The committee is chaired by the president and includes external experts and promotes fair business practices. In addition, compliance officers have been established for every division. The officers promote compliance with corporate ethics, laws and regulations, and so forth, in accordance with the basic policies and recommendations set forth by the Compliance Committee, as well as the specific measures it has deliberated.

### Accounting Auditor

The Company's accounting audits are carried out by certified public auditors Masanori Motono, Kei Nozawa, and Hideo Muroi, of Deloitte Touche Tohmatsu LLC. The Company's accounting audit was assisted by 17 certified public accountants and another 11 personnel.

The internal auditing body, corporate auditors and accounting auditor 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

With regard to 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

To manage risk, we regularly identify, categorize and assess risks based on our risk management rules, clarifying Company-wide and division-specific threats that could affect management.

Each division and business office produces contingency plans to appropriately manage clear general and specific risks.

With regard to risks that relate to multiple departments and risks for which concerns of materializing are high, we share information among related departments, clarify response structures and address these risks appropriately

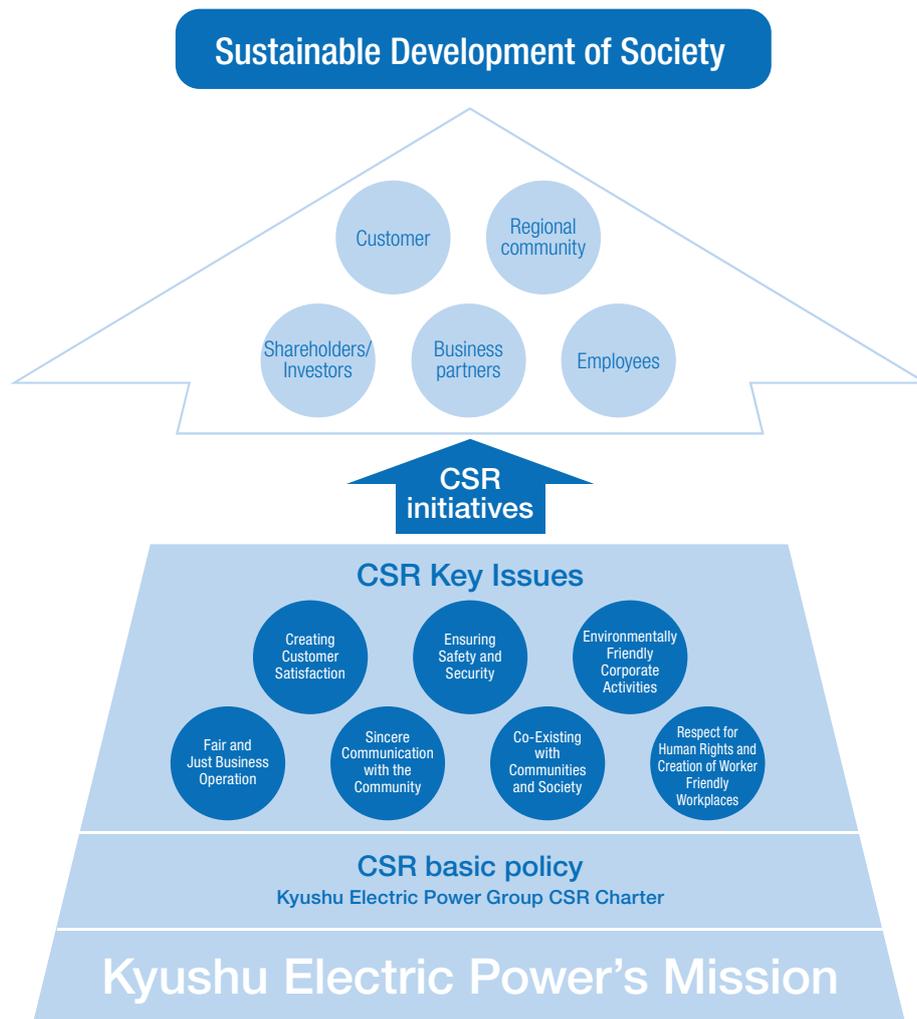
For nuclear power in particular, we take external knowledge and opinions into consideration as we work to identify a broad range of risks and address them thoroughly and on an ongoing basis.

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.

# The Kyushu Electric Power Group's CSR Promotion System

Based on the Kyushu Electric Power Group's Mission, we deliver energy to customers after going from fuel procurement to power generation and transmission and distribution while carrying out business to respond to customers' diverse energy needs.

The base of those business activities is not only a consideration for society, but also an aim to develop together with stakeholders by meeting expectations and responding to requirements and promoting CSR initiatives that contribute to resolving issues faced by the community and society.



## CSR Management

We are building a CSR management cycle that reflects feedback from shareholders and investors, in our management and business operations.

**CSR Promotion Committee:**

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

**Group CSR Promotion Subcommittee:**

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

# Creating Customer Satisfaction

We provide valuable products and services that meet customer needs and address their issues.

## Major Risk Scenario

If we do not quickly and accurately address customer needs and issues in a competitive environment, it could result in a decrease in the electricity sales volume and have an impact on financial performance.

## Main Initiatives in Fiscal 2016

- Restoring power rapidly after outages in major disasters
- Providing energy services based on customer needs and issues
- Developing electrical power businesses outside Kyushu
- Incorporating customer feedback in business operations

Approx. **12,000** comments

## Customer Feedback in Business Operations

We received approximately 12,000 items of feedback from customers in fiscal 2015 through daily business activities, dialogue with customers and other interactions.

## Examples of Specific Initiatives

### Restoring power rapidly after outages in major disasters

#### Responding to the 2016 Kumamoto Earthquake

In the 2016 Kumamoto Earthquake, up to 480,000 households were without electricity. Kyushu Electric Power worked as one to restore power and with the help of other power companies, we had returned power to high-voltage distribution lines within four days of the earthquake, except in areas where restoration proved exceedingly difficult due to landslides, road damage or other such obstacles.

Kyushu Electric Power will continue to stably supply power without interruption to support the lives of customers and further facilitate corporate economic activity.



▲ Temporary transmission tower wiring work



▲ Restoration work on distribution lines

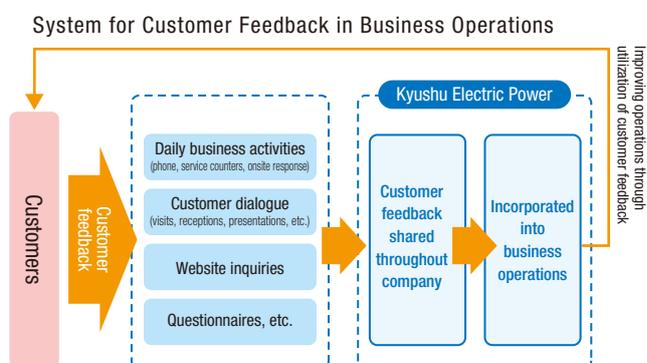


▲ Power supplied by mobile generators

### Incorporating customer feedback in business operations

Kyushu Electric Power disseminates feedback from customers to management and throughout the company and incorporates it into business operations.

We will continue to faithfully take in feedback from customers and strive to rapidly respond to customer requirements.



For information on new rate plans, new services and retail power sales outside of the Kyushu region, refer to Feature 1 Full Liberalization of Retail Power Sales (See pages 24-27)

# Ensuring Safety and Security

We will rigorously implement safety measures for facilities, ensure the safety of workers and conduct business activities with safety and security as the highest priority.

## Major Risk Scenario

Depending on the response to new regulatory standards and the outcome of lawsuits related to nuclear power, and other factors, there could be an impact on our financial performance if nuclear power stations remain shut down for the long term or capital investment increases, among other possibilities.

## Main Initiatives in Fiscal 2016

- Ensuring the safety of nuclear power stations
- Initiatives to ensure the safety of customers
- Initiatives to ensure the security of facilities
- Initiatives for occupational safety and health

**520 gal. / 620 gal.**

## Standard Seismic Motion for Sendai Nuclear Power Station

The buildings and facilities of Sendai Nuclear Power Station have been designed to withstand standard seismic motion (540 gal\*1 / 620 gal\*2), which is based on the largest earthquake that could conceivably occur as determined by surveys of fault lines in the vicinity and information on past earthquakes. The station will automatically stop in the event of seismic motion of 160 gal or higher.

\*1 Seismic movement that could conceivably occur along active fault lines in the power station's vicinity

\*2 Past seismic movement that is difficult to attribute to the epicenter and active fault lines

## Examples of Specific Initiatives

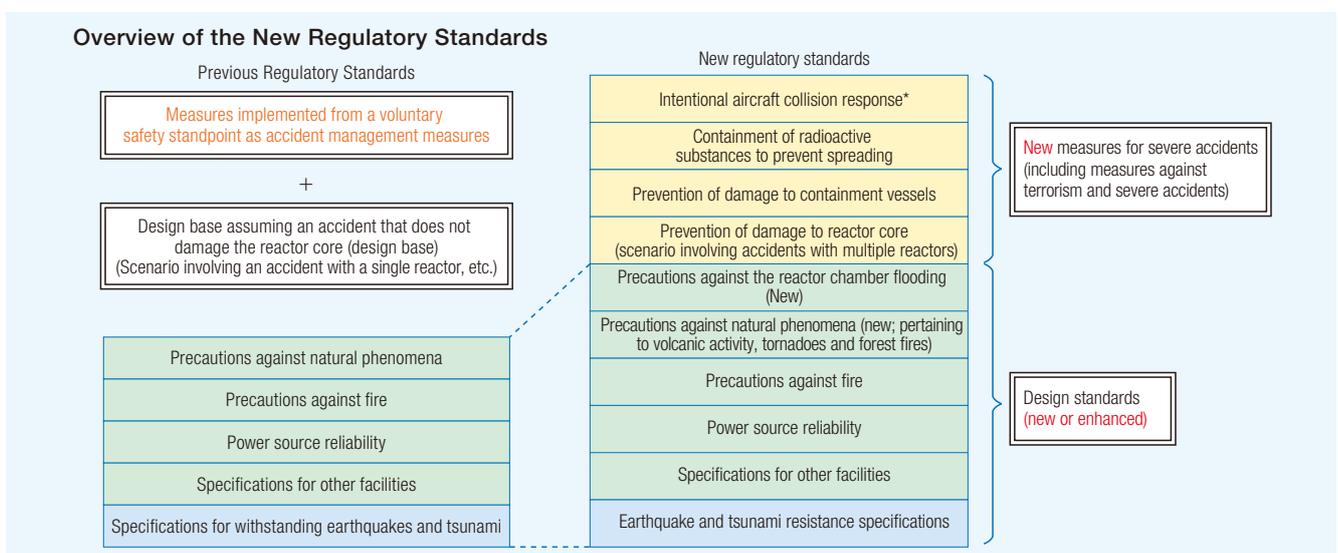
### ■ Initiatives to further raise the safety and reliability of nuclear power stations

Kyushu Electric Power is absolutely determined to never allow an accident to occur like the one that occurred at Fukushima Daiichi Nuclear Power Station. Based on the national government's new regulatory standards, we are further strengthening measures to prevent major accidents and respond appropriately in the event an accident does occur as we make every effort possible to ensure the

safety of our nuclear power stations.

Furthermore, we are fully aware that there is no end to initiatives for improving safety and so will willingly and continually work to raise levels of safety and reliability while striving to earn the confidence and trust of local residents.

## Overview of the Nuclear Regulation Authority's New Regulatory Standards



[Prepared from materials announced on July 3, 2013 by the Nuclear Regulation Authority]

\*A five-year grace period, calculated from the approval date for projects related to conformance with the new standards, has been set as an interim measure for facilities to address specific large-scale disasters (measures for restricting abnormal emissions of radioactive materials caused by a large aircraft collision or other act of terrorism) until conformance is achieved.

## Overview of Safety Measures at Nuclear Power Plants

We are working to conform to the new regulatory standards set by the national government and are implementing a range of safety measures to further raise safety and reliability.

### Main Measures at Sendai Nuclear Power Station

#### 1 Prevent abnormalities from occurring

Protect facilities from natural disasters such as earthquakes, tsunami and tornados



Barrier wall for seawater pump area



Metal netting to protect outdoor tanks from tornados

#### 2 Prevent abnormalities from spreading

Prepare for the loss of external power



Large-capacity air-cooled generator

Protect facilities from internal water leaks



Watertight door

#### 3 Prevent fuel damage Add various means of cooling reactor fuel



Large-volume pump truck



Portable injection pump



Permanently powered injection pump

#### 4 Prevent damage to containment vessels

Reduce hydrogen concentration in containment vessels to prevent damage to the vessels caused by a hydrogen explosion



Static catalyst hydrogen recoupling device



Electrical hydrogen igniter

#### 5 Reduce the spread of radioactive substances

Spray water on damaged areas of containment vessels



Water-spraying drill using a water cannon

Prevent the spread of radioactive substances into the ocean



Drill involving the establishment of a silt fence (in-sea curtain)

#### 6 Protect people in the region from radioactive substances

Kyushu Electric Power conducts internal drills, participates in nuclear emergency preparedness drills sponsored by national and local governments, confirms that nuclear emergency preparedness organizations function effectively and works to enhance disaster preparedness measures to ensure the safety of everyone in the region should an accident occur.

In addition, as a company, we will provide maximum support for the evacuation of residents and other needed measures.

##### Main Initiatives for Nuclear Emergency Preparedness

- Secure any needed welfare vehicles, buses and drivers as a means of evacuating people in the PAZ\* zone who require support
- Provide personnel and supplies for testing, decontamination and emergency monitoring in the evacuated area
- Stockpile daily commodities and other items (non-perishable food, electronic products, miscellaneous items) and supply them to facilities that protect people from radioactive substances
- Supply fuel to monitoring posts, offsite centers and facilities that protect people from radioactive substances

\*The area within about five kilometers of a nuclear power station

# Environmentally Friendly Business

We are advancing with initiatives toward the preservation of the environment, and co-existence with it.

## Major Risk Scenario

It is the responsibility of companies with substantial emissions of greenhouse gases to take measures to reduce them, and if these measures are delayed, it may erode the confidence of the public in the Group, increase environmental costs, such as CO<sub>2</sub> credits, and have an impact on financial performance.

## Main Initiatives in Fiscal 2016

- Environmental initiatives
- Helping create a recycling oriented society
- Environmental protection
- Harmonizing with society
- Pursuing environmental management

**0.528**kg-CO<sub>2</sub>/kWh [provisional value]

## CO<sub>2</sub> Emissions per kWh of Electricity Sold

Since the Great East Japan Earthquake operation of nuclear power stations has continued to be halted and there has been an increase in coal-fired power generation used as an alternative, which has increased both CO<sub>2</sub> emissions and CO<sub>2</sub> emissions per kWh of electricity.

In fiscal 2015, CO<sub>2</sub> emissions per unit of electricity sales volume decreased by 0.528 kg-CO<sub>2</sub>/kWh, or 11.7%, compared to fiscal 2014 due to recommencing operations at Sendai Nuclear Power Plant Units 1 and 2.

## Examples of Specific Initiatives

### Kyushu Electric Power Group Environment Charter

The Kyushu Electric Power Group Environmental Charter has been established as a set of guidelines for integrated environmental management by the Group. We have established a framework that

ties directly to management, created an evaluation body of external experts and are steadily advancing environmental management.

### Main Environmental Targets and Achievements

	Item	Unit	Fiscal 2015 target	Fiscal 2015 results	Fiscal 2016 target
Environmental initiatives	CO <sub>2</sub> Emissions per kWh of Electricity Sales volume	kg-CO <sub>2</sub> /kWh	— <sup>*1</sup>	0.528	Maximum possible reduction <sup>*5</sup>
	Total thermal efficiency for thermal power stations on transmission end (higher heating value basis)	%	— <sup>*2</sup>	39.6	— <sup>*2</sup>
	Office power usage	Million kW	55 or less	54	54 or less
Efforts to Create a Recycling Society	Industrial waste recycling rate	%	99 or more	About 100	99 or more
	Paper recycling rate	%	100	100	100
	Green procurement rate	%	Maximum possible procurement <sup>*3</sup>	99	Maximum possible procurement <sup>*3</sup>
Environmental protection	SOx emissions per unit of thermal power generation	g/kWh	Maximum possible reduction <sup>*4</sup>	0.29	Maximum possible reduction <sup>*4</sup>
	NOx emissions per unit of thermal power generation	g/kWh	Maximum possible reduction <sup>*4</sup>	0.24	Maximum possible reduction <sup>*4</sup>
	Dose evaluation for the public ground the nuclear power station (per year)	milli sieverts	under 0.001	under 0.001	under 0.001

<sup>\*1</sup> Was decided as a matter to be considered going forward based on developments in the government's energy and environmental policies and at the FEPC, etc.

<sup>\*2</sup> Revisions, etc. to nuclear power in supply plans are unclear, so setting this target has been postponed.

<sup>\*3</sup> A qualitative target has been set based on the fact that activities are nearly fully established, and other factors.

<sup>\*4</sup> A qualitative target has been set because it fluctuates greatly depending on the usage rate of oil-fired thermal power stations.

<sup>\*5</sup> Maximum effort will be made to achieve the target set for all electricity providers (approx. 0.37 kg-CO<sub>2</sub>/kWh on the usage end in fiscal 2030).

### Environmental initiatives

#### Raising the Thermal Efficiency of Thermal Power Stations

To secure fuel in a stable manner over the long term, we are working to diversify fuels, and this includes liquefied natural gas

(LNG) and coal, and to maintain or improve overall thermal efficiency based on fuel amounts consumed and CO<sub>2</sub> emissions reduction.

 For more information on raising the thermal efficiency of thermal power stations, please see Feature 2 Initiatives to Strengthen Competitiveness of Power Sources (See pages 28 to 29)

## Developing Geothermal Power Stations

Kyushu Electric Power owns around 40% of the nation's geothermal power facilities by capacity, including Hatchoubaru Geothermal Power Station, one of Japan's largest, and has been involved in their development over many years. We conduct surveys not only in Kyushu but in various regions inside and outside Japan thought to be promising in terms of resource availability, comprehensively consider technological factors, economic feasibility, the site environment and other factors, and conduct development while working to maintain harmony with the local area.

In June 2015, operations commenced at the Sugawara Binary Cycle Power Station (5,000 kW), a geothermal power project in Kokonoe, Oita Prefecture involving collaboration with the local government and a private enterprise, which is a first for Japan. The town of Kokonoe provides the geothermal resources (steam and heated water), and Kyuden Mirai Energy utilizes them to generate power.

The Otake Power Station, also in Kokonoe, Oita Prefecture, commenced operations in 1967 as Japan's first geothermal power station for commercial use, but it has aged considerably, so upgrades are being planned to its power generation facilities. The upgrades are slated for completion in December 2020.

We are also engaged in a new geothermal development project and are drilling test wells to confirm geothermal resources in the northern Mt. Hiji region near Taketa, Yufushi and Kokonoe, Oita Prefecture. In addition, at Minami-aso, Kumamoto Prefecture, we are conducting a geothermal resource survey jointly with Mitsubishi Corporation and are planning test well drilling based on the results. Further, in Ibusuki, Kagoshima Prefecture, we are partnering with the city of Ibusuki and Seika Sports Center and considering the development of geothermal resources within the city limits.

Moreover, outside of Kyushu, in Sobetsu, Hokkaido, we have partnered with Hokkaido Electric Power and are helping the town of Sobetsu survey geothermal resources and plan to move forward with considerations related to their development.

## Test Project to Improve the Supply-Demand Balance for Large-Capacity Electricity Storage Systems

Kyushu Electric Power is working to accept as much renewable energy as possible on the condition of stable power supply. As one such initiative, we have been contracted by the government to conduct a test project to improve the supply-demand balance for large-capacity electricity storage systems and have commenced operations at the Buzen Storage Battery Substation, equipped with one of the world's largest high-capacity electricity storage systems.

### ▼ Facility Overview

Facility Name	Functions / Specifications
NAS storage batteries*	Output: 50,000 kW (capacity: 300,000 kWh)
Power conditioner (PCS)	AC-DC converter
Transformers for interconnection	Raise voltage from 6 kV to 66 kV (2 units of 30,000 kVA capacity)

\*Sodium-sulfur battery



Sugawara Binary Cycle Power Station

### ▼ Geothermal Power (as of May 2016) (kW)

		Output
Existing Facilities (approx. 213,000)	Oyama	12,500
	Hatchoubaru	110,000
	Yamagawa	25,960
	Ogiri	30,000
	Takigami	27,500
	Hatchoubaru Binary	2,000
	Sugawara Binary <sup>*1</sup>	5,000
Planned	Otake <sup>*2</sup>	+2,000

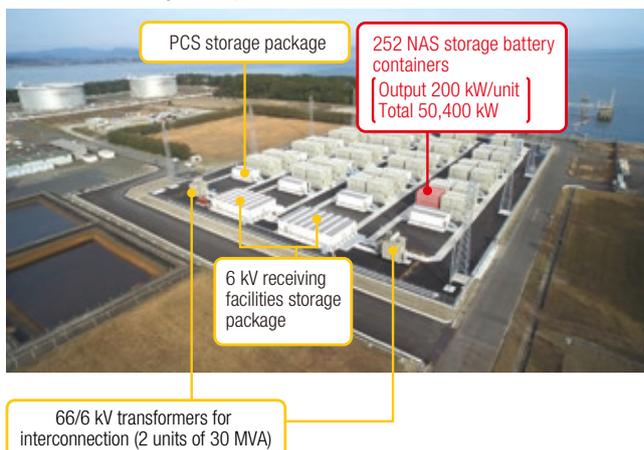
\*1 Developed by Group companies

\*2 2,000 kW of capacity will be added with upgrades to power facilities at Otake Power Station.

Environmentally Friendly Business

Going forward, we plan to actually charge and discharge the storage batteries depending on solar power output and utilize them to improve the supply-and-demand balance while also conducting demonstration testing and other studies on efficient operating methods for large-capacity electricity storage systems (conducted from fiscal 2015 to fiscal 2016).

View of Buzen Storage Battery Substation



# Fair and Just Business Operation

We conduct business operations in a fair and just manner with individual employees possessing a strong awareness of compliance.

## Major Risk Scenario

If company information or personal information is divulged as a result of a non-compliant action or cyber attack, etc., it could diminish the public's confidence in the Group and have a negative impact on financial performance.

## Main Initiatives in Fiscal 2016

- Promoting Compliance Management
- Initiatives to raise compliance awareness
- Rigorous practice of fair business operations
- Rigorous information security and personal information protection and management

**11,428** employees

## Compliance Training

Kyushu Electric holds training for different levels and ranks, including new employee training and new manager training, and these programs include curriculum to provide the compliance knowledge needed by each age group and rank. In addition, training is conducted at each worksite in which participants independently consider ways of preventing compliance violations, through group discussions on typical examples that could potentially occur at the Company and other exercises, and connect these considerations into their day-to-day activities.

In fiscal 2015, 11,428 employees underwent compliance training.

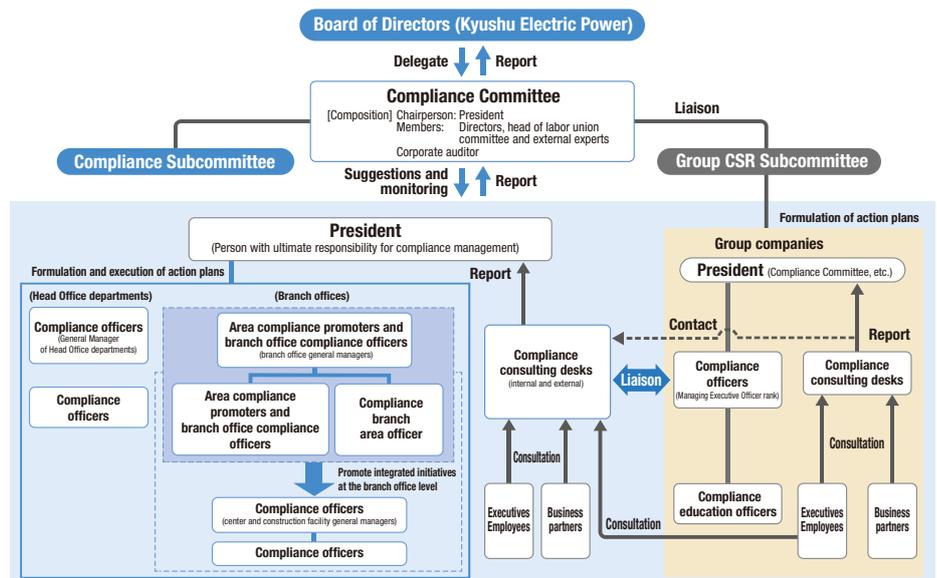
## Examples of Specific Initiatives

### Promoting Compliance Management

Kyushu Electric Power has established a Compliance Committee chaired by the president which promotes CSR management. 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.

In fiscal 2015, general managers of branch offices were designated as area compliance promoters, as efforts were made to further strengthen systems for promoting integrated initiatives at the branch office level.

Integrated initiatives at the Group level are also being promoted, led by the Group CSR Subcommittee.



### Information Security Measures

We implement information security measures from organizational, human, physical and technological standpoints and are currently further strengthening these measures through an initiative led by the Cyber Security Office, which was established in April 2016.

Guidance and technical support for enhancing information security measures is also provided to Group companies, and going forward we will continue to enhance and augment information security for the Group as a whole.

# Sincere Communication with the Community

We disclose information in a timely manner and actively advance communication with communities.

## Major Risk Scenario

If communication with customers or people in the community is inadequate, it could prevent us from obtaining understanding for company projects and thus delay business activities, which could have an impact on financial performance.

If communication with shareholders and investors is adequate, it could diminish trust and have an impact on the ability of capital markets to make appropriate evaluations.

## Main Initiatives in Fiscal 2016

- Public relations activities
- Information disclosure and dissemination during power outages
- Disclosure and dissemination of nuclear power related information and communication activities
- IR activities based on shareholder and investor needs

Total of **180,000** customers

## Promotion of Dialogue with Customers

Kyushu Electric Power promotes face-to-face communication activities utilizing various opportunities to listen to the opinions and requests of customers and convey information on the Company's business activities.

To further promote these activities we are actively conducting initiatives that include forming dialogue promotion teams.

Dialogue was held with 180,000 customers in fiscal 2015.

## Examples of Specific Initiatives

### Public Relations Activities

#### Basic Stance on Information Disclosure

We have established the Kyushu Electric Power Approach to Information Disclosure, which expresses our basic stance on information disclosure to raise the transparency of business activities and earn the understanding and trust of customers, local communities and the general public.

Based on this approach, we actively disclose and disseminate information on management, issues at power stations, safety measures at nuclear power stations, corporate PR and other information on overall business activities through various media that include press conferences, websites, pamphlets and flyers.

#### Kyushu Electric Power Approach to Information Disclosure

1. Actively disclose information to customers.
2. Work to quickly disclose accurate, straightforward information from the customer's standpoint.
3. Determine the information customers need at every possible opportunity.
4. Constantly conduct self-inspections to prevent discrepancies in awareness and recognition between ourselves and customers.

Established April 1999; revised July 2011

### Disclosure Initiatives Related to Restarting Operations at Sendai Nuclear Power Station

Operations have been restarted at Sendai Nuclear Power Station. It is the first nuclear power station in Japan to restart operations since enactment of new regulatory standards based on the accident that occurred at Fukushima Daiichi Nuclear Power Station. Given the public's extremely high level of interest in the restart process, we strengthened our public relations systems for reinforcing information disclosure by establishing a temporary press room within the power station's administrative office and through other measures.

We worked to regularly disseminate information on the station's operating status and quickly disclose information on any problems or issues.



Disclosing information in the temporary press room on restart of station operations (Construction Arrangement office at Sendai Nuclear Power Station)

# Co-Existing with Communities and Society

Kyushu Electric Power contributes to resolving community and social issues through environmental activities, support for raising future generations and activities deeply rooted in the community.

## Basic Policy on Activities for Co-Existence with Communities and Society

As a good corporate citizen, Kyushu Electric Power actively promotes activities for co-existing with communities and society with a view to realizing pleasant and enriching communities and society and contributing to their sustained development.

## Main Initiatives in Fiscal 2016

- Environmental activities
- Activities to support the development of the next generation
- Regional economic promotion
- Volunteer activities

Total of **60,000** employees

## Employees' Community Co-Existence Activity Reports

To contribute to solutions to community and societal issues, 60,000 employees participated in volunteer activities in fiscal 2015.

Kyushu Electric Power is creating an environment where employees are able to actively participate in volunteer activities, including a volunteer leave program (seven days annually), support for activity costs, and information provided via internal bulletin boards and other means.

## Examples of Specific Initiatives

### Initiatives to Further Enhance Activities for Co-Existence with Communities and Society

#### Establishment of Kyuden Mirai Foundation for Enhancement of Environmental Activities and Activities to Support Raising Future Generations

Kyuden Mirai Foundation was established in May 2016 to meet the expectations of community members and further enhance activities for contributing to solutions to community issues by conducting environmental activities and activities to support raising future generations.

The foundation will enhance environmental protection activities in the Bogatsuru wetlands in Oita Prefecture, which have been conducted together with community members, and our environmental education program that utilizes watershed forestland,

and will also provide grants for activities to support the development of future generations that are conducted by local organizations.

#### Activities

- ◎ **Environmental activities**
  - Environmental preservation activities at the Bogatsuru wetlands (Taketa, Oita Prefecture)
  - Environmental education activities at Lake Yamashita (Yufu, Oita Prefecture)
- ◎ **Activities to support the development of the next generation**
  - Grants for activities such as support for children's education and support for childcare conducted by local organizations

### Volunteer activities with local communities around Kyushu

Kyushu Electric has carried out the Korabora Q-den volunteer activity in regions around Kyushu since 2014 with the collaboration of NPOs and local residents.

In fiscal 2015, we conducted the activity 28 times with 20 organizations throughout Kyushu and approximately 1,600 people participated. Going forward, we will continue to work together with even more local community members to help solve issues faced by the region.

#### Name and Logo



Korabora is formed from the Japanese renderings of the words "collaboration" and "volunteer." Its logo expresses, from left, the "C" in collaboration, "V" in volunteer, and "Q" in the pronunciation of Kyushu Electric Power to create two smiling faces that symbolize friendliness, the warmth of feeling in volunteering and, the connection with local community members.



Cleaning a Saga Castle wall (Saga Prefecture)

# Respect for Human Rights and Creation of Worker Friendly Workplaces

We respect human rights and strive to create workplace environments that enable diverse human resources to maximize their talents.

## Empowering Workplaces for Diverse Human Resources

We will promote the development of workplace environments that enable all human resources, including women and senior citizens, to fully exhibit their abilities without prejudice.

## Main Initiatives in Fiscal 2016

- Respect human rights
- Create energetic, worker-friendly workplaces
- Create conditions that empower diverse human resources
- Enhance employee skills and maintain and pass down technological capabilities

## Ratio of Female Employees Recruited **24.8%**

### Hiring Women and Promoting Women to Managerial Positions

Kyushu Electric Power will work to raise corporate value through the empowerment of diverse human resources.

We have formulated an action plan for female empowerment based on the Women's Workplace Participation Promotion Act<sup>3</sup> and are creating an environment that enables women to fully demonstrate their abilities. We are aiming to double the number of new promotions of women to management positions by fiscal 2018 (fiscal 2014 to fiscal 2018) compared to the past five years (fiscal 2009 to fiscal 2013).

\* Act of Promotion of Women's Participation and Advancement in the Workplace (Enacted September 2015)

## Examples of Specific Initiatives

### ■ Create conditions that empower diverse human resources

#### Initiatives to Promote Women's Empowerment

We will conduct leadership development training for female employees as a new initiative to promote women's participation and advancement, and will institute a re-employment program for employees (men and women) who have to resign due to marriage, childcare, spousal transfer or other reason.

We will also develop various other conditions that empower women at the workplace.

#### Enhancing the Employment Environment for Seniors

Employees age 60 and above are seen as valuable human resources with extensive experience and advanced knowledge and skills, and in fiscal 2015 we worked to further enhance our re-employment program by instituting the career employee program as a system for more fully utilizing motivated senior employees.

In addition, we are conducting broad-ranging support for senior employees through a career bank program in which work assignments are made based on the wishes of retiring employees, as well as through a re-employment support course and transfer preparation leave program to support work by seniors outside the Company.

Going forward, we will continue to consider measures to enhance senior employment, including expanding the scope of activities, and conduct initiatives for raising employment awareness.

#### Main Initiatives for Next 3 Years (FY2016-18)

- **Conduct work assignments, transfers and job assignments from a long-term, career development perspective**
  - Planned development, transfers and job assignments that take into account marriage, maternity, etc.
  - Support for women in management positions with subordinates (hold seminars, etc.)
- **Further enhance conditions that allow women to continue working after marriage or while raising children**
  - Institute e-learning (including for employees taking childcare leave)
  - Institute re-employment program for employees who have to resign due to marriage or childcare, etc.
- **Hold career-building seminars for female employees based on their career stage**
  - Young: Hold dialogue with Human Resource Activation Center activation division
  - Mid-Career: Establish new female leadership training course
  - Raising Children: Hold seminars on work-life balance support
- **Provide information such as role model profiles on a dedicated internal site**

#### Initiatives for raising employment awareness

##### Career design training

Target: Employees aged 55  
Objective: Create opportunities for becoming more concretely aware of one's own future, enhancing one's future work life and thinking about post-retirement paths.

##### Training prior to career employee employment

Target: Employees aged 59 (employees wishing to utilize the program)  
Objective: Become prepared, mentally and otherwise, to change one's awareness with the change in role that comes with being a career employee and to willingly work in harmony with regular, pre-retirement employees.

# Consolidated Eleven-year Financial Summary

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

	Millions of Yen					
For the Year:	2006	2007	2008	2009	2010	2011
Operating revenues	¥1,401,751	¥1,408,327	¥1,482,351	¥1,524,193	¥1,444,941	¥1,486,083
Electric	1,311,995	1,307,737	1,363,423	1,398,577	1,310,085	1,354,204
Other	89,755	100,590	118,927	125,616	134,856	131,878
Operating expenses	1,230,466	1,253,154	1,376,811	1,439,470	1,345,214	1,387,174
Electric	1,140,797	1,155,413	1,260,615	1,317,216	1,220,536	1,261,425
Other	89,669	97,741	116,195	122,254	124,677	125,748
Interest charges	41,129	38,354	36,937	35,770	35,292	34,025
Income (loss) before income taxes and minority interests	120,790	112,887	72,463	55,859	67,610	48,318
Income taxes	43,038	46,075	29,853	21,481	25,404	19,245
Net income (loss) attributable to owners of the parent	76,849	65,967	41,726	33,991	41,812	28,729

	Yen					
Per Share of Common Stock:						
Basic net income (loss)	¥161.67	¥139.37	¥88.19	¥71.84	¥88.38	¥60.73
Cash dividends applicable to the year	60.00	60.00	60.00	60.00	60.00	60.00

	Millions of Yen					
At Year-End:	2006	2007	2008	2009	2010	2011
Total assets	¥4,102,319	¥4,038,838	¥4,059,775	¥4,110,877	¥4,054,192	¥4,185,460
Net property	3,217,981	3,140,200	3,109,292	3,080,446	3,037,054	3,033,125
Long-term debt, less current portion	1,724,178	1,689,106	1,712,949	1,811,744	1,724,972	1,714,429
Total equity	1,052,785	1,092,600	1,084,212	1,072,374	1,089,066	1,079,679

(U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥112.69 = U.S.\$1, the approximate rate of exchange at March 31, 2016.)

Note: Figures less than a million yen are rounded down. (Applies hereafter)

## Summary of the Year Ended March 31, 2016

We returned to profit in our results for the fiscal year ended March 31, 2016. The result reflects a group-wide effort to achieve thorough cost savings, the restart of electricity generation at Sendai Nuclear Power Station Units 1 and 2, and a decrease in fuel costs attendant on the significant decline of fuel prices. At the same time, on the revenue side, reflection of declining fuel prices in lighting and power prices based on the fuel costs adjustment system, has been partially shifted to the next fiscal year.

Contents from pages 54 to 59 and from pages 87 to 90 is based on Kyushu Electric Power's Securities Report.

For the Year:	Millions of Yen					Thousands of U.S. Dollars
	2012	2013	2014	2015	2016	2016
Operating revenues	¥1,508,084	¥1,545,919	¥1,791,152	¥1,873,467	¥1,835,692	\$16,289,757
Electric	1,367,610	1,406,218	1,633,023	1,719,570	1,688,328	14,982,059
Other	140,474	139,700	158,129	153,897	147,364	1,307,697
Operating expenses	1,692,939	1,845,347	1,886,974	1,916,782	1,715,435	15,222,608
Electric	1,562,055	1,715,262	1,746,890	1,779,711	1,584,556	14,061,196
Other	130,883	130,085	140,083	137,070	130,879	1,161,412
Interest charges	34,025	37,407	39,429	40,148	39,317	348,902
Income (loss) before income taxes and minority interests	(214,750)	(334,298)	(73,732)	(72,901)	92,499	820,833
Income taxes	(48,760)	(2,195)	20,786	40,324	17,359	154,044
Net income (loss) attributable to owners of the parent	(166,390)	(332,470)	(96,096)	(114,695)	73,499	652,227

	Yen				U.S. Dollars	
Per Share of Common Stock:						
Basic net income (loss)	¥(351.80)	¥(702.98)	¥(203.19)	¥(242.38)	¥155.17	\$1.37
Cash dividends applicable to the year	50.00					

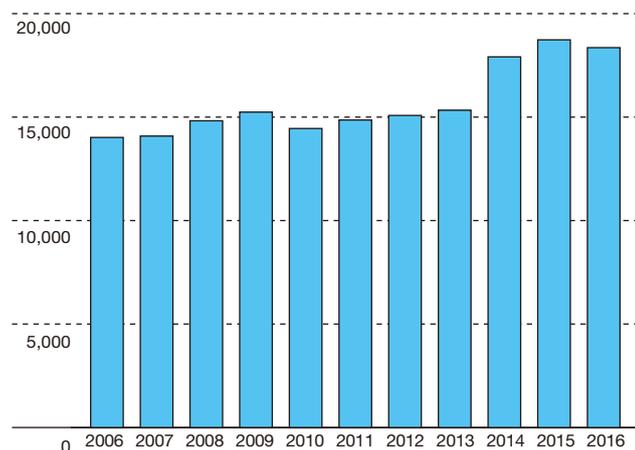
\* The amounts of cash dividends per share are based on the recorded earnings for each fiscal business year.

At the General Meeting of Shareholders held on June 28, 2016, a resolution was passed to use capital surplus as of March 31, 2016 to fund the following appropriation.

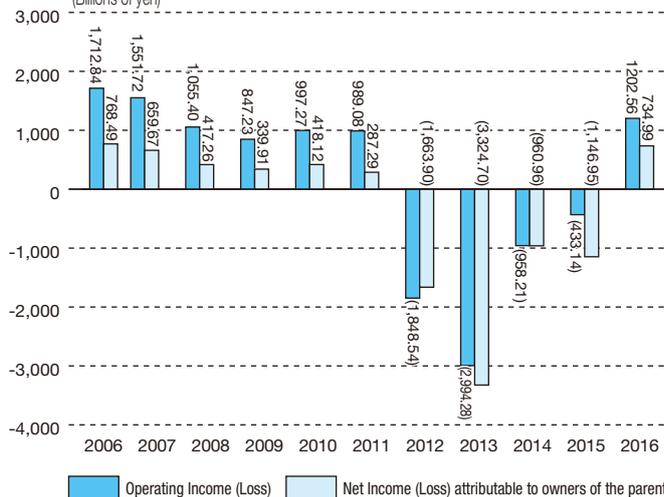
Cash dividends per share: Common stock ¥5.00; Class A preferred shares ¥7,153,763.00

At Year-End:	Millions of Yen					Thousands of U.S. Dollars
Total assets	¥4,428,093	¥4,526,513	¥4,549,852	¥4,784,735	¥4,748,237	\$42,135,390
Net property	2,997,232	2,941,114	2,941,142	2,985,935	3,073,861	27,277,145
Long-term debt, less current portion	2,188,601	2,526,729	2,804,896	2,844,538	2,745,848	24,336,391
Total equity	888,131	557,799	494,232	450,990	499,903	4,436,091

Operating Revenues (Billions of yen)



Operating Income (Loss)/Net Income (Loss) attributable to owners of the parent (Billions of yen)



# Management Discussion and Analysis

Kyushu Electric Power Company, Incorporated, and Consolidated Subsidiaries  
Year Ended March 31, 2016

## Operating Results

In the year ended March 31, 2016, Kyushu Electric Power recorded a 2.0% year-on-year decrease in operating revenues, to ¥1,835.6 billion. In the electricity business, although subsidies related to renewable energy increased, lighting and power revenue declined as the impact of an adjustment in fuel costs caused unit charges to decrease, and the volume of sales declined.

With regard to expenditures, operating expenses decreased 10.5% to ¥1,715.4 billion. In the electricity business, although the cost of purchased power from renewable sources increased, Kyushu Electric Power mounted a groupwide effort to cut costs, and a sharp fall in fuel prices and the restart of the Sendai Nuclear Power Station Units 1 and 2, among other factors, reduced fuel costs.

As a result of these factors, operating income was ¥120.2 billion, improving from an operating loss of ¥43.3 billion in the previous fiscal year.

Other revenues decreased 1.8% to ¥16.2 billion, mainly due to the recording of foreign exchange losses in the fiscal year ended March 31, 2016, compared with foreign exchange gains recorded in the previous fiscal year. This was partly offset by an increase in equity in earnings of affiliates.

Other expenses decreased 2.9% to ¥45.6 billion, owing to a decline in interest charges, among other factors.

Ordinary income was ¥90.9 billion, improving from an ordinary loss of ¥73.6 billion in the previous fiscal year. This result stemmed from a 2.0% decline in ordinary revenues to ¥1,851.9

billion, coupled with a 10.3% decrease in ordinary expenses to ¥1,761.0 billion.

The water flow rate rose to 11.4% above average (100%) during the year under review. For this reason, Kyushu Electric Power posted a provision for fluctuations in water level of ¥5.9 billion in preparation for increased expenses associated with future water shortages.

In addition, Kyushu Electric Power posted an extraordinary gain of ¥7.5 billion, including a gain on sales of investment securities and a gain on revision of retirement benefit plans.

Total income taxes decreased ¥22.9 billion, to ¥17.3 billion. This decrease was due to a decline in deferred income taxes reflecting the impact of deferred tax assets drawn down in the previous fiscal year, despite an increase in current income taxes in line with higher taxable income in the year ended March 31, 2016.

Due to these factors, net income attributable to owners of the parent was ¥73.4 billion, improving from a net loss attributable to owners of the parent of ¥114.6 billion in the previous fiscal year. Basic net income per share of common stock was ¥155.17, an improvement of ¥397.55 from a basic net loss per share of common stock in the previous fiscal year.

## Segment Information (Before Elimination of Internal Transactions)

### ① Electric Power

The total volume of electrical sales decreased 2.5% to 79.21 billion kWh. This result reflected a 2.3% decrease in general demand, which includes both domestic lighting and commercial,

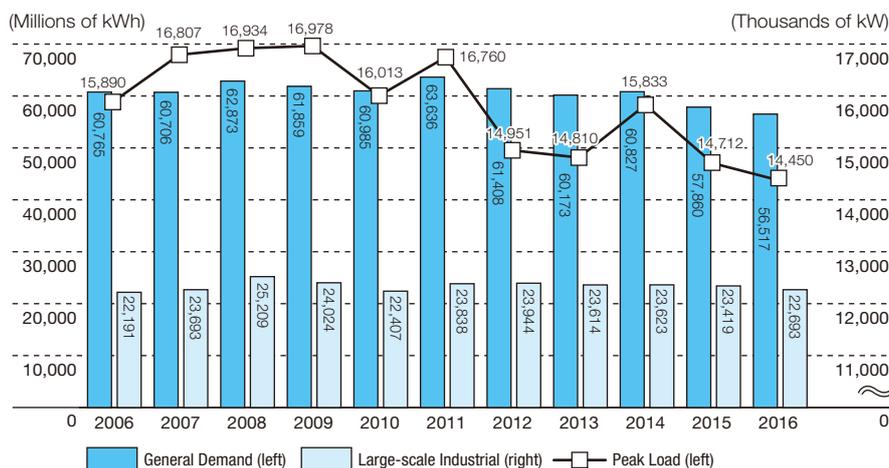
as commercial volume declined and higher temperatures from December to March reduced heating demand. Power demand from large-scale industrial customers was down by 3.1%, mainly owing to a fall in demand due to reduced steel and chemicals production, among other factors.

On the supply side, thermal power generation by Kyushu Electric Power declined, due in part to a decrease in demand and an increase in power from new energy and other sources, along with the restart of power generation at the Sendai Nuclear Power Station Units 1 and 2.

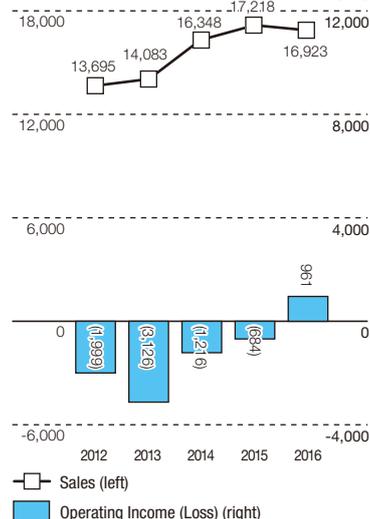
Analysis of the energy mix, including power generated by Kyushu Electric Power and power purchased from other companies, shows that nuclear power accounted for 10%, thermal power for 72%, hydroelectric for 8% and new energy sources for 10% of total power.

Electric power segment sales decreased 1.7%, to ¥1,692.3 billion. Although subsidies related to renewable energy increased, lighting and power revenue declined as the impact of an adjustment in fuel costs caused unit charges to decrease, and the volume of sales declined. Meanwhile, operating expenses decreased 10.8% to ¥1,596.1 billion. Although the cost of purchased power from renewable sources increased, fuel costs declined owing to a sharp fall in fuel prices and the restart of the Sendai Nuclear Power Station Units 1 and 2. In addition, Kyushu Electric Power mounted a groupwide effort to cut costs. Consequently, operating income was ¥96.1 billion, improving from an operating loss of ¥68.4 billion in the previous fiscal year.

## Electricity Sales Volume and Peak Load



## Electric Power



② Energy-Related Business

Sales decreased 1.1% to ¥184.6 billion, mainly due to a decline in gas sales, despite the positive impact of an increase in consolidated subsidiaries. Operating income declined by 1.2% to ¥10.8 billion.

③ IT and Telecommunications

Sales rose 7.3% to ¥103.5 billion, mainly due to an increase in commissioned information system development projects. Operating income decreased by 10.0% to ¥10.2 billion, mainly owing to an increase in depreciation associated with the expansion of broadband services.

④ Other Business

Sales were ¥26.8 billion, up 4.2% year on year, mainly due to higher revenue stemming from the sale of real estate and the rental of buildings. Operating income increased by 17.7% to ¥4.3 billion mainly due to a decrease in depreciation of rental buildings.

Financial Position

① Cash Flows

Net cash provided by operating activities was ¥329.4 billion, an increase of 271.3% from the previous fiscal year. In the electricity business, although lighting and power revenue decreased, cash flows benefited from a decrease in thermal fuel costs.

Net cash used in investing activities rose 7.4% to ¥288.3 billion, mainly owing to an increase in investment in plant and equipment, which was partly offset by an increase in proceeds from redemptions and sales of investment securities.

Net cash used in financing activities was ¥126.1 billion, compared with net cash provided of ¥310.8 billion in the previous fiscal year. This change mainly reflected an increase in repayments of bonds and loans, as well as a decrease in proceeds from the issuance of stock and bonds.

As a result, cash and cash equivalents on March 31, 2016, stood at ¥429.7 billion, down ¥86.7 billion from a year earlier.

② Assets, Liabilities and Equity

Total assets were ¥4,748.2 billion, down ¥36.4 billion from the previous fiscal year-end. This was mainly due to decreases in cash and cash equivalents and inventories such as thermal fuel, partly offset by an increase in utility property, plant and equipment in connection with construction work related to nuclear power station safety enhancement measures.

Total liabilities were ¥4,248.3 billion, a decrease of 2.0% from the previous fiscal year-end, mainly due to a decrease in interest-bearing debt, despite an increase in accrued construction expenses. Outstanding interest-bearing debt decreased 3.4% from the previous fiscal year-end to ¥3,224.8 billion.

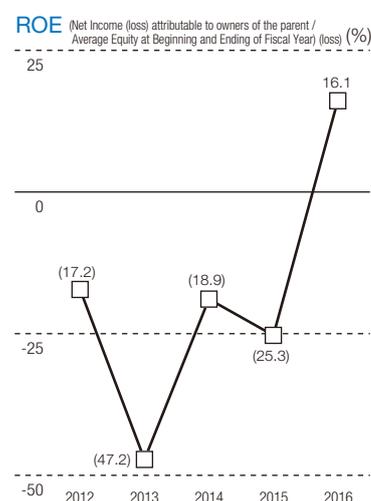
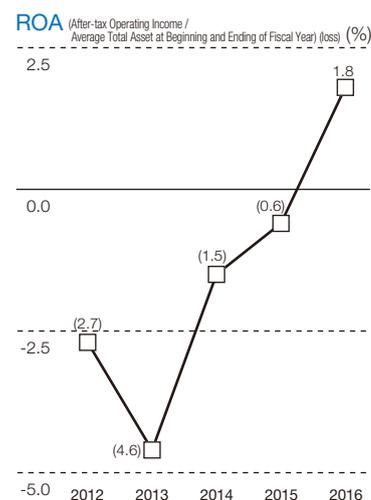
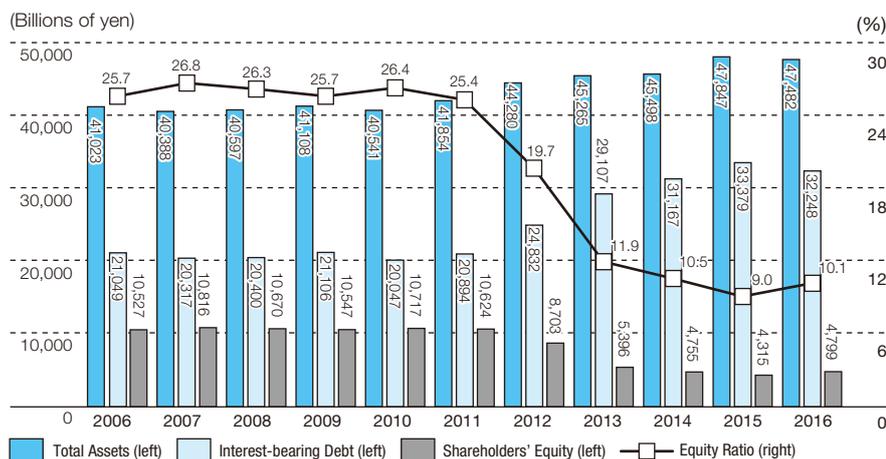
Total equity was ¥499.9 billion, up 10.8% from a year earlier, mainly reflecting the recording of net income attributable to owners of the parent, despite a decrease in defined retirement benefit plans. The equity ratio was 10.1%. The decrease in defined retirement benefit plans reflects the booking of an actuarial loss arising from the actual returns on the plan assets of the Company's defined benefit corporate pension plans underperforming the expected return on plan assets.

Response to Kumamoto Earthquakes

The Kumamoto Earthquakes that occurred in April 2016, mainly in Kumamoto Prefecture, caused damage to our electricity supply facilities (mainly fixed assets in the electricity business). We estimate the cost for repairing these damages will be approximately ¥10 billion from the year ending March 31, 2017, onward.

The above estimated amount is based on information available as of the publication date of this report, but actual circumstances may differ from these statements.

Consolidated Interest-bearing Debt and Equity Ratio



# Business Risks Factors

The following is a list of some significant risk factors that may have an effect 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 the end of current consolidated fiscal year.

## 1 Changes in Systems Affecting the Electricity Business

With regard to the matter of electricity system reforms, the full liberalization of the electricity retail market began in April 2016. In addition, legal unbundling of the transmission/distribution sector to ensure further neutrality of them will start in April 2020. We will steadily put in place the new internal systems required by these changes and work to achieve greater operational efficiency.

The government has approved the Long-term Energy Supply and Demand Outlook based on the Strategic Energy Plan, which established the nation's basic orientation in relation to energy supply and demand such as the direction of nuclear and renewable energy policy. Discussions have been ongoing.

Changes such as these to the systems affecting the electricity business could have an impact on the Group's performance.

## 2 Status of the environment Surrounding Nuclear Power

We still believe that nuclear power generation is important in terms of energy security and global warming concerns. We will comply with the New Nuclear Regulatory Requirements enforced by the government based on the lessons learned from the accident at the Fukushima Daiichi Nuclear Power Station and continue our voluntary efforts to improve safety and reliability. At the same time, we will work to ease the concerns of local residents regarding nuclear power generation.

However, the Group's performance could be affected by any suspension of our nuclear power stations or increases in capital investments, depending on new regulatory standards and the results of lawsuits regarding their operations.

## 3 Fluctuations in Electricity Sales Volume

Electricity sales volume in the electricity business fluctuates according to factors such as economic trends, temperature changes, the spread of residential solar power systems, the development of energy conservation, and competition due to the full liberalization of the electricity retail market. As a result, changes in these factors could have an impact on the Group's performance.

Supply and demand operations in a day could be affected by an increase in solar power systems.

## 4 Fuel Price Fluctuations

Fuel expenses in the electricity business fluctuate as a result of trends in CIF prices and in the foreign exchange markets because we procure sources of fuel for thermal power generation including liquefied natural gas (LNG) and coal from overseas.

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.

## 5 Costs for the Back-end of Nuclear Operations

The decommissioning of nuclear facilities and the back-end of nuclear operations such as the storage, reprocessing, and disposal of spent nuclear fuel require long-term projects that involve uncertainties. However, risks to operators have been reduced to a certain extent due to the government's institutional measures and other factors. Since the costs for the back-end of nuclear operations and so forth vary in accordance with factors such as future reviews of systems, changes to estimated future expenses, and the storage conditions of spent nuclear fuel, they may affect the business performance of the Kyuden Group.

## 6 Cost of Measures to Combat Global Warming

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.

## 7 Businesses Other than Electricity

The Group is enhancing its revenue basis by utilizing its 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. If the planned profits cannot be achieved due to worsening business conditions, the Group's performance may be affected.

## 8 Deferred Tax Assets

The recoverability of deferred tax assets reported in the consolidated balance sheet is determined based on estimated future taxable income. Therefore, if estimated future taxable income falls due to factors such as changes in the business environment, we will have to break into deferred tax assets, and this may affect the business performance of the Kyuden Group.

## 9 Interest Rate Fluctuations

The Group's balance of interest-bearing debt as of the end of March 2016 was ¥3,224.8 billion, which accounts for 68% of the Group's total assets. Future changes in interest rates have the potential to affect the Group's financial condition.

However, 96% of outstanding interest-bearing debt comprises long-term debt, and most of these bear interest at fixed rates. The impact of fluctuating interest rates on the Group's performance is therefore viewed as limited.

## 10 Leakage of Information

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 leaks of in-house information or personal information caused by computer viruses or cyber attacks, the Group's performance may be affected.

## 11 Natural Disasters

To ensure a stable supply of electricity to our customers, the Group implements inspections and maintenance of facilities systematically to prevent any trouble from occurring. However, large-scale natural disasters, such as typhoons, torrential rains, earthquakes and tsunami, as well as unexpected accidents and illicit acts have the potential to affect the Group's performance.

We are also developing a risk management system and are preparing for numerous risks that may have a material impact on business operations. Failing to respond appropriately to a risk may adversely affect the Group's performance.

## 12 Compliance

To be worthy of the trust of all its stakeholders, the Group conducts its business activities from the perspective of its customers and the local people in the regions in which it operates 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.

The Group will continue to work to build trust-based relationships with all its stakeholders.

# Consolidated Balance Sheet

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries  
March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
ASSETS			
PROPERTY (Note 3):			
Plant and equipment	¥9,934,583	¥9,692,661	\$88,158,522
Construction in progress	417,187	410,049	3,702,082
Total	10,351,771	10,102,710	91,860,605
Less-			
Contributions in aid of construction	200,387	173,124	1,778,217
Accumulated depreciation	7,077,522	6,943,649	62,805,242
Total	7,277,910	7,116,774	64,583,459
Net property	3,073,861	2,985,935	27,277,145
NUCLEAR FUEL	283,227	280,616	2,513,335
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 15)	75,647	85,178	671,284
Investments in and advances to nonconsolidated subsidiaries and affiliated companies (Note 15)	105,848	102,960	939,289
Reserve funds for reprocessing of irradiated nuclear fuel (Notes 8 and 15)	270,095	282,071	2,396,801
Assets for retirement benefits (Note 7)	9,403	14,925	83,449
Deferred tax assets (Note 11)	136,691	127,072	1,212,986
Special account related to nuclear power decommissioning (Note 2.g)	20,870	21,692	185,204
Other	43,791	25,266	388,602
Total investments and other assets	662,348	659,168	5,877,616
CURRENT ASSETS:			
Cash and cash equivalents (Note 15)	429,757	516,480	3,813,629
Receivables (Note 15)	183,110	199,707	1,624,903
Allowance for doubtful accounts	(813)	(822)	(7,222)
Inventories, principally fuel	59,827	81,433	530,904
Deferred tax assets (Note 11)	29,425	34,068	261,120
Prepaid expenses and other	27,491	28,147	243,956
Total current assets	728,799	859,015	6,467,292
TOTAL	¥4,748,237	¥4,784,735	\$42,135,390

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
<b>LIABILITIES AND EQUITY</b>			
<b>LONG-TERM LIABILITIES:</b>			
Long-term debt, less current portion (Notes 6 and 15)	¥2,745,848	¥2,844,538	\$24,366,391
Liability for retirement benefits (Note 7)	101,961	90,547	904,792
Reserve for reprocessing of irradiated nuclear fuel (Note 8)	309,595	322,666	2,747,320
Asset retirement obligations (Note 9)	213,006	207,437	1,890,195
Other	37,919	34,706	336,492
<b>Total long-term liabilities</b>	<b>3,408,330</b>	<b>3,499,896</b>	<b>30,245,191</b>
<b>CURRENT LIABILITIES:</b>			
Current portion of long-term debt (Notes 6 and 15)	373,566	382,425	3,314,990
Short-term borrowings (Notes 10 and 15)	118,362	119,901	1,050,336
Notes and accounts payable (Notes 14 and 15)	156,808	160,392	1,391,501
Accrued income taxes (Note 15)	6,536	4,453	58,004
Accrued expenses	115,978	98,461	1,029,183
Deferred tax liabilities (Note 11)	61	66	543
Other	61,062	66,456	541,865
<b>Total current liabilities</b>	<b>832,376</b>	<b>832,156</b>	<b>7,386,425</b>
<b>RESERVE FOR FLUCTUATIONS IN WATER LEVEL</b>	<b>7,627</b>	<b>1,692</b>	<b>67,681</b>
<b>COMMITMENTS AND CONTINGENCIES (Note 17)</b>			
<b>EQUITY (Note 12):</b>			
Common stock, authorized, 1,000,000,000 shares; issued, 474,183,951 shares in 2016 and 2015	237,304	237,304	2,105,820
Preferred stock, authorized, 1,000 shares; issued, 1,000 shares in 2016 and 2015			
Capital surplus	130,368	130,344	1,156,881
Retained earnings	133,675	60,175	1,186,218
Treasury stock-at cost, 523,345 shares in 2016 and 509,481 shares in 2015	(684)	(666)	(6,077)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	2,839	4,097	25,199
Deferred (loss) gain on derivatives under hedge accounting	(1,255)	596	(11,143)
Foreign currency translation adjustments	(2,280)	(18)	(20,240)
Defined retirement benefit plans	(20,037)	(305)	(177,810)
<b>Total</b>	<b>479,929</b>	<b>431,528</b>	<b>4,258,847</b>
Noncontrolling interests	19,973	19,462	177,244
<b>Total equity</b>	<b>499,903</b>	<b>450,990</b>	<b>4,436,091</b>
<b>TOTAL</b>	<b>¥4,748,237</b>	<b>¥4,784,735</b>	<b>\$42,135,390</b>

See notes to consolidated financial statements.

# Consolidated Statement of Income

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries  
Year Ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
<b>OPERATING REVENUES:</b>			
Electric	¥1,688,328	¥1,719,570	\$14,982,059
Other	147,364	153,897	1,307,697
Total operating revenues	1,835,692	1,873,467	16,289,757
<b>OPERATING EXPENSES (Note 13):</b>			
Electric	1,584,556	1,779,711	14,061,196
Other	130,879	137,070	1,161,412
Total operating expenses	1,715,435	1,916,782	15,222,608
<b>OPERATING INCOME (LOSS)</b>	120,256	(43,314)	1,067,148
<b>OTHER EXPENSES (INCOME):</b>			
Interest charges	39,317	40,148	348,902
Gain on sales of fixed assets	(1,683)	(2,484)	(14,941)
Gain on sales of investment securities (Note 4)	(2,935)		(26,045)
Gain on revision of retirement benefit plans (Note 7)	(2,899)		(25,727)
Other-net	(9,977)	(9,769)	(88,537)
Total other expenses-net	21,822	27,894	193,650
<b>INCOME (LOSS) BEFORE INCOME TAXES AND PROVISION FOR RESERVE FOR FLUCTUATIONS IN WATER LEVEL</b>	98,434	(71,208)	873,497
<b>PROVISION FOR RESERVE FOR FLUCTUATIONS IN WATER LEVEL</b>	5,934	1,692	52,664
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	92,499	(72,901)	820,833
<b>INCOME TAXES (Note 11):</b>			
Current	12,038	7,114	106,826
Deferred	5,320	33,210	47,217
Total income taxes	17,359	40,324	154,044
<b>NET INCOME (LOSS)</b>	75,140	(113,225)	666,789
<b>NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b>	1,641	1,470	14,562
<b>NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	¥73,499	¥(114,695)	\$652,227
<b>PER SHARE OF COMMON STOCK (Note 2.s):</b>			
Basic net income (loss)	¥155.17	¥(242.38)	\$1.37
Cash dividends applicable to the year			

See notes to consolidated financial statements.

# Consolidated Statement of Comprehensive Income

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries  
Year Ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
NET INCOME (LOSS)	¥75,140	¥(113,225)	\$666,789
OTHER COMPREHENSIVE LOSS (Note 18):			
Unrealized (loss) gain on available-for-sale securities	(865)	1,188	(7,680)
Deferred loss on derivatives under hedge accounting	(1,843)	(1,759)	(16,361)
Foreign currency translation adjustments	(2,106)	(25)	(18,692)
Defined retirement benefit plans	(19,173)	(28,192)	(170,139)
Share of other comprehensive loss in nonconsolidated subsidiaries and affiliated companies	(1,700)	(1,171)	(15,094)
Total other comprehensive loss	(25,689)	(29,960)	(227,967)
COMPREHENSIVE INCOME (LOSS)	¥49,450	¥(143,186)	\$438,821
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the parent	¥48,394	¥(144,891)	\$429,445
Noncontrolling interests	1,056	1,705	9,375

See notes to consolidated financial statements.

# Consolidated Statement of Changes in Equity

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries

Year Ended March 31, 2016

	Thousands of Shares/Millions of Yen													Total	Non-controlling Interests	Total Equity
	Common Stock		Preferred Stock		Capital Surplus	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Income							
	Shares	Amount	Shares	Amount			Shares	Amount	Unrealized Gain on Available-for-Sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans				
BALANCE AT APRIL 1, 2014	474,183	¥237,304			¥31,130	¥174,871	1,214	¥(2,340)	¥2,352	¥4,235	¥(450)	¥28,429	¥475,533	¥18,699	¥494,232	
Issuance of preferred stock			1	¥50,000	50,000								100,000		100,000	
Transfer from preferred stock to capital surplus				(50,000)	50,000											
Net loss attributable to owners of the parent						(114,695)							(114,695)		(114,695)	
Purchase of treasury stock							13	(14)					(14)		(14)	
Disposal of treasury stock					(303)		(254)	580					277		277	
Changes by share exchange					(482)		(463)	1,107					624		624	
Net change in the year									1,745	(3,639)	432	(28,734)	(30,195)	762	(29,433)	
BALANCE AT MARCH 31, 2015	474,183	¥237,304	1		¥130,344	¥60,175	509	¥(666)	¥4,097	¥596	¥(18)	¥(305)	¥431,528	¥19,462	¥450,990	
Net income attributable to owners of the parent						73,499							73,499		73,499	
Change in the parent's ownership interest due to transactions with noncontrolling interests (Note 2.b)					24								24		24	
Purchase of treasury stock							14	(18)					(18)		(18)	
Disposal of treasury stock					(0)		(0)	0					0		0	
Net change in the year									(1,257)	(1,852)	(2,262)	(19,732)	(25,105)	511	(24,593)	
BALANCE AT MARCH 31, 2016	474,183	¥237,304	1		¥130,368	¥133,675	523	¥(684)	¥2,839	¥(1,255)	¥(2,280)	¥(20,037)	¥479,929	¥19,973	¥499,903	

	Thousands of U.S. Dollars (Note 1)											Total	Non-controlling Interests	Total Equity
	Common Stock	Preferred Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income								
						Unrealized Gain on Available-for-Sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans					
BALANCE AT MARCH 31, 2015	\$2,105,820		\$1,156,662	\$533,991	\$(5,918)	\$36,362	\$5,295	\$(162)	\$(2,708)	\$3,829,342	\$172,705	\$4,002,048		
Net income attributable to owners of the parent				652,227						652,227		652,227		
Change in the parent's ownership interest due to transactions with noncontrolling interests (Note 2.b)			220							220		220		
Purchase of treasury stock					(164)					(164)		(164)		
Disposal of treasury stock				(1)	5					3		3		
Net change in the year						(11,163)	(16,438)	(20,077)	(175,102)	(222,781)	4,538	(218,243)		
BALANCE AT MARCH 31, 2016	\$2,105,820		\$1,156,881	\$1,186,218	\$(6,077)	\$25,199	\$(11,143)	\$(20,240)	\$(177,810)	\$4,258,847	\$177,244	\$4,436,091		

See notes to consolidated financial statements.

# Consolidated Statement of Cash Flows

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries  
Year Ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Income (loss) before income taxes	¥92,499	¥(72,901)	\$820,833
Adjustments for:			
Income taxes paid	(10,001)	(5,812)	(88,755)
Depreciation and amortization	203,060	193,972	1,801,942
Decommissioning costs of nuclear power units	4,640	4,293	41,182
Amortization of special account related to nuclear power decommissioning	821		7,293
Reversal of reserve for reprocessing of irradiated nuclear fuel	(13,071)	(12,770)	(115,992)
Loss on disposal of plant and equipment	6,833	6,643	60,636
Provision for reserve for fluctuation in water level	5,934	1,692	52,664
Gain on sales of fixed assets	(1,683)	(2,484)	(14,941)
Gain on sales of investment securities	(2,935)		(26,045)
Gain on revision of retirement benefit plans	(2,899)		(25,727)
Changes in assets and liabilities:			
Decrease (increase) in reserve funds for reprocessing of irradiated nuclear fuel	11,975	(21,012)	106,270
Decrease (increase) in trade receivables	8,209	(15,489)	72,847
Decrease in inventories, principally fuel	21,606	1,125	191,731
(Decrease) increase in trade payables	(12,796)	1,697	(113,550)
Increase (decrease) in liability for retirement benefits	440	(5,823)	3,911
Other-net	16,855	15,606	149,576
Total adjustments	236,991	161,637	2,103,042
Net cash provided by operating activities	329,491	88,736	2,923,876
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Capital expenditures including nuclear fuel	(318,495)	(293,944)	(2,826,295)
Proceeds from contribution in aid of construction	17,859	23,259	158,485
Proceeds from sales of fixed assets	2,055	3,137	18,236
Payments for investments and advances	(2,314)	(679)	(20,537)
Proceeds from sales of investment securities and collections of advances	12,506	3,181	110,983
Other-net	65	(3,367)	585
Net cash used in investing activities	(288,321)	(268,413)	(2,558,541)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from issuance of bonds	59,821	139,570	530,847
Repayments of bonds	(219,360)	(99,800)	(1,946,579)
Proceeds from long-term loans	200,167	275,475	1,776,268
Repayments of long-term loans	(161,299)	(102,184)	(1,431,354)
Net (decrease) increase in short-term borrowings	(1,538)	1,379	(13,655)
Proceeds from issuance of preferred stock		99,597	
Other-net	(3,975)	(3,231)	(35,277)
Net cash (used in) provided by financing activities	(126,184)	310,807	(1,119,751)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(2,327)	579	(20,652)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(87,342)	131,710	(775,067)
CASH AND CASH EQUIVALENTS OF A NEWLY CONSOLIDATED SUBSIDIARY, BEGINNING OF YEAR	620		5,503
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	516,480	384,769	4,583,193
CASH AND CASH EQUIVALENTS AT END OF YEAR	¥429,757	¥516,480	\$3,813,629

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries  
Year Ended March 31, 2016

## 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, 2015, to conform to the classifications used in the consolidated financial statements for the year ended March 31, 2016.

The U.S. dollar amounts included herein are provided solely for the convenience of readers outside Japan and are stated at the rate of ¥112.69 = U.S. \$1, the approximate exchange rate prevailing on March 31, 2016. 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, 2016, include the accounts of the Company and its 41 (40 for 2015) subsidiaries (together, the “Companies”). All significant intercompany transactions and balances have been eliminated in consolidation. Investments in 13 (15 for 2015) nonconsolidated subsidiaries and 14 affiliated companies are accounted for by the equity method.

The Company adopts the control and influence concepts. Under these concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are treated as subsidiaries and those companies over which the Companies have the ability to exercise significant influence are treated as affiliated companies.

Consolidation of the remaining subsidiaries and the application of the equity method to the remaining affiliated companies would not have a material effect on the accompanying consolidated financial statements.

The fiscal year-end of 5 (4 for 2015) consolidated subsidiaries and

several nonconsolidated subsidiaries and affiliated companies is December 31. The Company consolidates such consolidated subsidiaries' financial statements and accounts for investments in such nonconsolidated subsidiaries and affiliated companies by the equity method using their financial results for the year ended December 31. The effects of any significant transactions during the period between the subsidiaries' and affiliated companies' fiscal year-end and the Company's fiscal year-end are reflected in the consolidated financial statements.

**b. Business Combination**—Major requirements under 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.

In September, 2013, the ASBJ issued revised ASBJ Statement No. 21, “Accounting Standard for Business Combinations,” revised ASBJ Guidance No. 10, “Guidance on Accounting Standards for Business Combinations and Business Divestitures,” and revised ASBJ Statement No. 22, “Accounting Standard for Consolidated Financial Statements.” Major accounting changes are as follows:

- (a) Transactions with noncontrolling interest  
A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the previous accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference is accounted for as capital surplus as long as the parent retains control over its subsidiary.
- (b) Presentation of the consolidated balance sheet  
In the consolidated balance sheet, “minority interest” under the previous accounting standard is changed to “noncontrolling interest” under the revised accounting standard.
- (c) Presentation of the consolidated statement of income  
In the consolidated statement of income, “income before minority interest” under the previous accounting standard is changed to “net income” under the revised accounting standard, and “net income” under the previous accounting standard is changed to “net income

attributable to owners of the parent” under the revised accounting standard.

(d) Provisional accounting treatments for a business combination

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the previous accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(e) Acquisition-related costs

Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the previous accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income. In case of earlier application, all accounting standards and guidance above, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, should be applied simultaneously. Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (a) transactions with noncontrolling interest and (e) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be

applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (d) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2014.

The Companies applied the revised accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs above, effective April 1, 2015, and (d) provisional accounting treatments for a business combination above for a business combination which occurred on or after April 1, 2015. The revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs were applied prospectively.

With respect to (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, the applicable line items in the 2015 consolidated financial statements have been accordingly reclassified and presented in line with those in 2016.

In the consolidated statement of cash flows for the year ended March 31, 2016, cash flows for purchases or sales of ownership interests in a subsidiary without a change in consolidation scope are presented under financing activities, and cash flows for acquisition-related costs are presented under operating activities.

The effect from these accounting changes, on the consolidated financial statements and the per share information for the year ended March 31, 2016, was immaterial.

**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.

Under the accounting regulations applicable to electric utility providers, properties, which are required for decommissioning of nuclear power units or which need maintenance and management even after nuclear power units have been in the process of decommissioning, are to be included in “Plant and equipment.”

**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. Special account related to nuclear power decommissioning**—On March 13, 2015, the Japanese government, i.e., the Ministry of Economy, Trade and Industry (“METI”), revised the accounting regulation applicable to electric utility providers. Under the revised accounting regulation, on and after March 13, 2015 in case the Company decides

to decommission nuclear power units due to factors such as a change of the government’s energy policy, the Company is permitted to transfer the carrying amounts related to nuclear power units and costs related to nuclear power decommissioning to “special account related to nuclear power decommissioning” when the Company decides to decommission nuclear power units and applies to the Minister of METI for adopting the above special account, because they are expected to be collected through regulated electricity fees. The special account is amortized in proportion to the amounts of future regulated electricity fees collected, after approval of the Minister of METI.

**h. Cash Equivalents**—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and mutual fund investments in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

**i. Inventories**—Inventories are stated at the lower of cost, principally determined by the average method, or net selling value.

**j. 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.

**k. Foreign Currency Financial Statements**—The balance sheet accounts of the consolidated foreign subsidiaries, and nonconsolidated foreign subsidiaries and foreign affiliated companies which are accounted for by the equity method, are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as “Foreign currency translation adjustments” under accumulated other comprehensive income in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

**l. 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 income 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.

**m. 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.

Under ASBJ Statement No. 26, “Accounting Standard for Retirement Benefits” and ASBJ Guidance No. 25, “Guidance on Accounting Standard for Retirement Benefits, the Companies accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to a benefit formula basis. Actuarial gains and losses are amortized on a straight-line basis over mainly 5 years within the average remaining service period. Past service costs are amortized on a straight-line basis over mainly 5 years within the average remaining service period.

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

Actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

**n. 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.

**o. Asset Retirement Obligations**—Under ASBJ Statement No. 18, “Accounting Standard for Asset Retirement Obligations,” an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement. The Company recognizes the asset retirement obligation as the sum of the future decommissioning

costs of nuclear power unit imposed by the “Law on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors,” discounted at 2.3%.

The asset retirement costs are allocated to expense through depreciation based on the straight-line method over a period totaling the remaining useful life and expected safe storage period in accordance with the accounting regulations applicable to electric utility providers.

**p. Income Taxes**—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. 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.

**q. 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.

**r. 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.

**s. 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, 2016 and 2015, because potentially dilutive securities were not outstanding.

Cash dividends per share represent actual amounts applicable to earnings of the respective years.

**t. Research and Development Costs**—Research and development costs are charged to income as incurred.

### 3. PROPERTY

The breakdown of property at March 31, 2016 and 2015, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Costs:			
Electric power production facilities:			
Hydroelectric power	¥803,858	¥798,893	\$7,133,364
Thermal power	1,475,830	1,473,210	13,096,379
Nuclear power	1,705,902	1,611,295	15,138,009
Internal-combustion engine power	130,794	130,217	1,160,659
Renewable power	112,022	111,190	994,074
Total	4,228,409	4,124,808	37,522,486
Transmission facilities	1,829,638	1,779,845	16,236,029
Transformation facilities	1,026,284	994,549	9,107,148
Distribution facilities	1,430,830	1,409,711	12,697,048
General facilities	398,605	393,145	3,537,183
Other electricity-related facilities	5,782	5,782	51,309
Other plant and equipment	1,015,034	984,819	9,007,315
Construction in progress	417,187	410,049	3,702,082
Total	10,351,771	10,102,710	91,860,605
Less-			
Contributions in aid of construction	200,387	173,124	1,778,217
Accumulated depreciation	7,077,522	6,943,649	62,805,242
Carrying amount	¥3,073,861	¥2,985,935	\$27,277,145

### 4. INVESTMENT SECURITIES

The costs and aggregate fair values of investment securities at March 31, 2016 and 2015, were as follows:

March 31, 2016	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥2,714	¥2,970	¥100	¥5,585
Debt securities	323		42	280
Other securities	366	53	0	419
Held-to-maturity	455	5	7	453

March 31, 2015	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥2,734	¥3,924	¥50	¥6,608
Debt securities	914	387		1,301
Other securities	364	71		436
Held-to-maturity	755	7	13	749

March 31, 2016	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	\$24,090	\$26,361	\$888	\$49,563
Debt securities	2,871		381	2,490
Other securities	3,251	470	3	3,718
Held-to-maturity	4,046	44	69	4,021

The information for available-for-sale securities which were sold during the year ended March 31, 2016, was as follows:

March 31, 2016	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥5,171	¥2,935	
Other securities	15	0	
Total	¥5,186	¥2,935	

March 31, 2016	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	\$45,890	\$26,045	
Other securities	133	0	
Total	\$46,023	\$26,045	

Such information for the year ended March 31, 2015, is not disclosed b

## 5. PLEDGED ASSETS

All of the Company's assets amounting to ¥4,321,442 million (\$38,348,057 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

¥42,461 million (\$376,798 thousand), are pledged as collateral for a portion of their long-term debt at March 31, 2016.

Investments in affiliated companies and time deposits held by a consolidated subsidiary, amounting to ¥28,132 million (\$249,642 thousand), are pledged as collateral for bank loans of the affiliated companies and the subsidiary, of the affiliated company at March 31, 2016.

## 6. LONG-TERM DEBT

Long-term debt at March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Yen bonds, 0.281% to 2.825%, due serially to 2030	¥1,124,284	¥1,283,630	\$9,976,793
Loans from the Development Bank of Japan Inc., 0.38% to 3.4%, due serially to 2031	320,671	322,006	2,845,604
Loans, principally from banks and insurance companies, 0.163% to 5.0%, due serially to 2034			
Collateralized	51,708	32,070	458,852
Unsecured	1,609,846	1,580,344	14,285,618
Obligations under finance leases	12,904	8,911	114,512
Total	3,119,414	3,226,963	27,681,381
Less current portion	373,566	382,425	3,314,990
Long-term debt, less current portion	¥2,745,848	¥2,844,538	\$24,366,391

The annual maturities of long-term debt outstanding at March 31, 2016, were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2017	¥373,566	\$3,314,990
2018	405,699	3,600,139
2019	423,821	3,760,949
2020	348,580	3,093,265
2021	375,308	3,330,454
Thereafter	1,192,438	10,581,582
Total	¥3,119,414	\$27,681,381

## 7. SEVERANCE PAYMENTS AND PENSION PLANS

Employees terminating their employment with the Companies, either voluntarily or upon reaching mandatory retirement age, are entitled, under most circumstances, to severance payments based on credits earned in each year of service, length of service and certain other factors. As for the Company, if the termination is made voluntarily at one of a number of specified ages, the employee is entitled to certain additional payments.

Additionally, the Company and most of the consolidated subsidiaries have contributory funded defined benefit pension plans covering substantially all of their employees. In general, eligible employees retiring at the mandatory retirement age receive pension payments for the several fixed terms selected by them. As for the Company, eligible employees retiring after at least 20 years of service but before the

mandatory retirement age, receive a lump-sum payment upon retirement and annuities. The Company has established retirement benefit trusts for the Company's defined retirement benefit plan.

In March 2016, the Company transferred a part of its defined benefit retirement plans to its defined contribution pension plans.

Certain consolidated subsidiaries calculate liability for retirement benefits and periodic benefit costs related to defined retirement benefit plans by the simplified method. Under the simplified method, projected benefit obligations are principally stated at the necessary payment amounts for voluntary retirement as of the end of the fiscal year. The simplified method for accounting for defined retirement benefit plans is allowed for a specified small-sized entity under accounting principles generally accepted in Japan.

### Defined retirement benefit plans (excluding plans applying the simplified method)

(1) The changes in defined benefit obligation for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥489,701	¥435,831	\$4,345,560
Current service cost	13,046	13,861	115,777
Interest cost	4,926	8,292	43,719
Actuarial losses	5,600	49,346	49,698
Benefits paid	(21,963)	(20,629)	(194,904)
Prior service cost	0	2,998	1
Decrease on transition to a defined contribution pension plan	(68,424)		(607,189)
Other	1		11
Balance at end of year	¥422,888	¥489,701	\$3,752,674

(2) The changes in plan assets for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥416,841	¥387,930	\$3,699,011
Expected return on plan assets	10,562	9,767	93,729
Actuarial gains	(19,335)	28,402	(171,583)
Contributions from the employer	6,563	8,003	58,240
Benefits paid	(17,579)	(17,261)	(155,997)
Decrease on transition to a defined contribution pension plan	(63,690)		(565,183)
Balance at end of year	¥333,361	¥416,841	\$2,958,216

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Funded defined benefit obligation	¥416,813	¥484,291	\$3,698,758
Plan assets	(333,361)	(416,841)	(2,958,216)
	83,451	67,450	740,541
Unfunded defined benefit obligation	6,075	5,409	53,916
Net liability for defined benefit obligation	¥89,527	¥72,859	\$794,457

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Liability for retirement benefits	¥98,396	¥87,204	\$873,163
Assets for retirement benefits	(8,869)	(14,345)	(78,703)
Net liability for defined benefit obligation	¥89,527	¥72,859	\$794,459

(4) The components of net periodic benefit costs and related gain for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Current service cost	¥13,046	¥13,861	\$115,777
Interest cost	4,926	8,292	43,719
Expected return on plan assets	(10,562)	(9,767)	(93,729)
Recognized actuarial gains	(496)	(12,796)	(4,402)
Amortization of prior service cost	(3,446)	(3,828)	(30,582)
Others	77	293	683
Net periodic benefit costs	¥3,546	¥(3,944)	\$31,467
Gain on revision of retirement benefit plans	¥(2,899)		\$(25,727)

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Prior service cost	¥(5,068)	¥(6,826)	\$(44,979)
Actuarial losses	(21,976)	(33,740)	(195,013)
Total	¥(27,044)	¥(40,567)	\$(239,992)

The amount of recycled prior service cost and actuarial losses, caused by transition from a defined retirement benefit plan to a defined contribution pension plan which occurred in March 2016, were ¥1,662 million (\$14,397 thousands) and ¥(3,456) million (\$14,397 thousands), respectively. These amounts are included in prior service cost and actuarial losses which were recognized in other comprehensive income for the year ended March 31, 2016.

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrecognized prior service cost	¥3,204	¥8,273	\$28,435
Unrecognized actuarial losses	(29,272)	(7,296)	(259,760)
Total	¥(26,068)	¥976	\$(231,325)

(7) Plan assets as of March 31, 2016 and 2015

*a. Components of plan assets*

Plan assets consisted of the following:

	2016	2015
Debt investments	45%	45%
Equity investments	23	28
General account of life insurance companies	18	17
Others	14	10
Total	100%	100%

*b. Method of determining the expected rate of return on plan assets*

The expected rate of return on plan assets is determined considering distribution of plan assets currently and in the future and the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2016 and 2015, were set forth as follows::

	2016	2015
Discount rate	Mainly 1.0%	Mainly 1.0%
Expected rate of return on plan assets	Mainly 2.5%	Mainly 2.5%

**Defined retirement benefit plans applying the simplified method**

(1) The changes in the net carrying amount of liabilities and assets for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥2,762	¥3,096	\$24,512
Periodic benefit costs	850	243	7,543
Benefits paid	(246)	(255)	(2,189)
Contributions from the employer	(336)	(321)	(2,983)
Balance at end of year	¥3,029	¥2,762	\$26,883

(2) Reconciliation between the liability and asset recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Funded defined benefit obligation	¥5,994	¥5,401	\$53,192
Plan assets	(4,983)	(4,860)	(44,222)
Unfunded defined benefit obligation	1,010	541	8,969
Net carrying amount of liabilities and assets	3,029	2,762	26,883
Liabilities for retirement benefits	3,564	3,343	31,629
Assets for retirement benefits	(534)	(580)	(4,745)
Net carrying amount of liabilities and assets	¥3,029	¥2,762	\$26,883

(3) Periodic benefit costs

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Periodic benefit costs calculated under the simplified method	¥850	¥243	\$7,543

**Defined contribution plans**

The required contribution to defined contribution plans by the Company and its certain consolidated subsidiaries for the years ended March 31, 2016 and 2015 was ¥2,177 million (\$19,322 thousand) and ¥1,767 million, respectively.

**8. RESERVE FOR REPROCESSING OF IRRADIATED NUCLEAR FUEL**

The reserve is provided for reprocessing costs of irradiated nuclear fuel resulting from operation of nuclear power production facilities. The annual provision is calculated in accordance with the accounting regulations set by the Japanese Government applicable to electric utility providers in Japan.

The reserve consists of three portions and each of them is calcu-

lated in different ways.

- (a) The costs reprocessed in Japan Nuclear Fuel Limited ("JNFL") are calculated based on the expected future cash flows discounted at 0.6% at March 31, 2016 and 1.5% at March 31, 2015,
- (b) The costs reprocessed in the other reprocessing companies are calculated based on the quantities to be reprocessed as of each balance sheet date and contracted reprocessing rate,

- (c) The costs of irradiated nuclear fuels which have no authorized definite reprocessing plan are calculated based on the expected future cash flows discounted at 4.0%.

As of April 1, 2005, unrecognized prior costs of ¥130,495 million, which had not been recognized in the past as liability, were incurred because new accounting regulations to estimate the reprocessing costs for irradiated nuclear fuel were applicable on or after April 1, 2005. These costs were amortized on a straight-line basis over 15 years. The Company recalculated an estimate in accordance with a specific law. As a result, the unrecognized prior costs as of April 1, 2008 were changed from ¥104,397 million to ¥90,977 million, and these costs are amortized over 12 years, beginning on April 1, 2008. The balance of unrecognized past costs as of March 31, 2016 was ¥30,325 million (\$269,108 thousand). The Company is permitted to recover these reprocessing costs by including them in the admitted cost elements for electric rate.

In addition, if any changes are made in the assumptions for the calculations of the reserve, such as expected future cash flows and the discount rate, unrecognized difference might be incurred. The balance of unrecognized difference as of March 31, 2016 is ¥129,245 million (\$1,146,913 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, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥207,459	¥203,010	\$1,840,975
Net change in the year	5,546	4,449	49,219
Balance at end of the year	213,006	207,459	1,890,195
Less current portion		22	
Asset retirement obligations, less current portion	¥213,006	¥207,437	\$1,890,195

## 10. SHORT-TERM BORROWINGS

Short-term borrowings were generally represented by bank loans, bearing interest at rates ranging from 0.17% to 1.88% and from 0.23% to 1.88% for the years ended March 31, 2016 and 2015, respectively.

## 11. INCOME TAXES

The Companies are subject to national and local income taxes. The aggregate normal statutory tax rates for the Company approximated 28.7% and 30.7% for the years ended March 31, 2016 and 2015 respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Deferred Tax Assets:			
Tax loss carryforwards	¥187,751	¥201,720	\$1,666,087
Liability for retirement benefits	38,149	34,914	338,535
Depreciation	35,871	32,856	318,318
Asset retirement obligations	19,455	19,637	172,647
Reserve for reprocessing of irradiated nuclear fuel	21,232	21,373	188,411
Other	65,954	68,921	585,269
Less valuation allowance	(183,293)	(199,682)	(1,626,532)
Deferred tax assets	185,120	179,741	1,642,737
Deferred Tax Liabilities:			
Gain on contributions of securities to retirement benefit trust	5,375	5,529	47,698
Assets for retirement benefits	2,654	3,000	23,552
Amortization in foreign subsidiary	2,013	1,606	17,863
Capitalized assets retirement costs	1,554	1,346	13,796
Unrealized gain on available-for-sale securities	1,158	1,487	10,284
Other	6,404	6,223	56,830
Deferred tax liabilities	19,160	19,194	170,026
Net deferred tax assets	¥165,959	¥160,547	\$1,472,711

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2016 and 2015, was as follows:

	2016	2015
Normal effective statutory tax rate	28.7%	30.7%
Valuation allowance	(12.1)	(68.6)
Effect of reduction of income tax rate on deferred tax assets	4.2	(14.7)
Equity in earnings of nonconsolidated subsidiaries and affiliated companies	(1.9)	1.4
Other - net	(0.1)	(4.1)
Actual effective tax rate	(18.8)%	(55.3)%

New tax reform laws enacted in 2016 in Japan changed the normal effective statutory tax rate from approximately 28.7% to 28.1% from April 1, 2016 to March 31, 2018 and approximately 28.1% to 27.9% after April 1, 2018. The effect of these changes was to decrease deferred tax assets, net of deferred tax liabilities, in the consolidated balance sheet as of March 31, 2016, by ¥4,080 million (\$36,207 thousand), increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥3,896 million (\$34,580 thousand), and increase other comprehensive income in the consolidated statement of comprehensive income by ¥215 million (\$1,911 thousand). Decrease of deferred tax liabilities in the consolidated balance sheet was immaterial.

At March 31, 2016, the Company and certain subsidiaries have tax

loss carryforwards aggregating ¥670,820 million (\$5,952,795 thousand), most of which are available to be offset against taxable income of the Company and these subsidiaries and will expire in 9 years. At March 31, 2016, the tax loss carryforwards for the Company amounting to ¥87,858 million (\$779,650 thousand), ¥114,354 million (\$1,014,770 thousand), ¥310,635 million (\$2,756,704 thousand), and ¥140,690 million (\$1,248,471 thousand) will expire in the years ending March 31, 2024, 2023, 2022, and 2021, respectively.

## 12. EQUITY

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

## (a) Dividends

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

## Issuance of Preferred Stock

The Company issued 1,000 shares of Class A Preferred Stock for ¥100,000 million by way of third-party allotment to the Development Bank of Japan Inc.

## (1) Way of offering

Third-party allotment to the Development Bank of Japan Inc.

## (2) Class and number of new shares to be issued

1,000 shares of Class A Preferred Stock

## (3) Issue price

¥100 million per share

## (4) Total amount of the issue price

¥100,000 million

## (5) Amount of preferred stock and additional paid-in capital to be increased

Amount of preferred stock to be increased: ¥50,000 million (¥50 million per share) Amount of additional paid-in capital to be increased: ¥50,000 million (¥50 million per share)

## (6) Issue date

August 1, 2014

## (7) Uses of proceeds

The proceeds from issuance of the Preferred Stock are planned to be used entirely for construction to enhance the safety of the Company's nuclear power plants to meet new regulations for safety of nuclear power plants.

## (8) Characteristics of the Preferred Stock

The Preferred Stock provides no provision for acquisition or right to request acquisition using the common stock as consideration that will not dilute common stock. These stocks also do not provide any voting rights at the general shareholders meeting.

The Preferred Stock has a provision for acquisition allowing the Company to acquire this Preferred Stock in exchange for cash the day after the payment date or thereafter. Furthermore, the Preferred Stock will provide the Preferred Shareholders with the right to request acquisition of this Preferred Stock in exchange for cash of the Company the day after the payment date or thereafter if the Preferred Shareholders follow the prescribed procedures, but the exercise of this right by the Preferred Shareholders is limited by the agreement to underwriting of the Preferred Stock.

Annual preferred dividend for the Preferred Stock is ¥3,500 thousand per share.

## 13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥6,499 million (\$57,679 thousand) and ¥7,343 million for the years ended March 31, 2016 and 2015, respectively.

## 14. RELATED PARTY DISCLOSURES

Significant transactions of the Company with an affiliated company for the years ended March 31, 2016 and 2015 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
KYUDENKO CORPORATION			
Transactions:			
Purchase of construction works on distribution facilities and other	¥35,474	¥36,073	\$314,798
Balances at year end:			
Payables for construction works	3,866	4,618	34,309

## 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 terms are set forth in electric power supply agreements and so on. The Companies manage their credit risk from receivables by monitoring payment terms and balances of each customer and identifying and reducing the default risk of customers in early stage.

Bonds and loans are mainly used to raise funds for investments in electric utility plant and equipment. Although a part of loans is exposed to market risk from changes in variable interest rates, a consolidated subsidiary of the Company mitigates such risk from long-term loans by using interest rate swaps.

Payment terms of notes and accounts payable are less than one year. Although a part of accounts payable to purchase fuel in foreign currencies is exposed to the market risk of fluctuations in foreign exchange, such risk is mitigated by using foreign exchange forward contracts and currency swaps.

The Companies use foreign exchange forward contracts, currency swaps and interest rate swaps to manage their exposures to fluctuations in foreign exchange and interest rates. 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, 2016 and 2015 were as follows:

March 31, 2016	Millions of Yen		
	Carrying Amount	Fair Value	Unrecognized Loss
Investment securities:			
Held-to-maturity debt securities	¥455	¥453	¥(2)
Available-for-sale securities	6,285	6,285	
Investments in and advances to nonconsolidated subsidiaries and affiliated companies	19,227	43,133	23,906
Reserve funds for reprocessing of irradiated nuclear fuel	270,095	270,095	
Cash and cash equivalents	429,757	429,757	
Receivables	183,110	183,110	
<b>Total</b>	<b>¥908,931</b>	<b>¥932,835</b>	<b>¥23,903</b>
Long-term debt:			
Bonds	¥1,124,284	¥1,167,027	¥42,743
Loans	1,982,225	2,051,528	69,302
Short-term borrowings	118,362	118,362	
Notes and accounts payable	156,808	156,808	
Accrued income taxes	6,536	6,536	
<b>Total</b>	<b>¥3,388,217</b>	<b>¥3,500,263</b>	<b>¥112,045</b>
Derivatives	¥(1,843)	¥(1,843)	

March 31, 2015	Millions of Yen		
	Carrying Amount	Fair Value	Unrecognized Loss
Investment securities:			
Held-to-maturity debt securities	¥755	¥749	¥(6)
Available-for-sale securities	8,346	8,346	
Investments in and advances to nonconsolidated subsidiaries and affiliated companies	17,295	21,123	3,828
Reserve funds for reprocessing of irradiated nuclear fuel	282,071	282,071	
Cash and cash equivalents	516,480	516,480	
Receivables	199,707	199,707	
<b>Total</b>	<b>¥1,024,657</b>	<b>¥1,028,479</b>	<b>¥3,821</b>
Long-term debt:			
Bonds	¥1,283,630	¥1,323,644	¥40,014
Loans	1,934,421	1,984,555	50,133
Short-term borrowings	119,901	119,901	
Notes and accounts payable	160,392	160,392	
Accrued income taxes	4,453	4,453	
<b>Total</b>	<b>¥3,502,799</b>	<b>¥3,592,947</b>	<b>¥90,148</b>
Derivatives	¥3,596	¥3,596	

March 31, 2016	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrecognized Loss
Investment securities:			
Held-to-maturity debt securities	\$4,046	\$4,021	\$(25)
Available-for-sale securities	55,772	55,772	
Investments in and advances to nonconsolidated subsidiaries and affiliated companies	170,619	382,759	212,140
Reserve funds for reprocessing of irradiated nuclear fuel	2,396,801	2,396,801	
Cash and cash equivalents	3,813,629	3,813,629	
Receivables	1,624,903	1,624,903	
<b>Total</b>	<b>\$8,065,773</b>	<b>\$8,277,888</b>	<b>\$212,115</b>
Long-term debt:			
Bonds	\$9,976,793	\$10,356,091	\$379,297
Loans	17,590,075	18,205,061	614,985
Short-term borrowings	1,050,336	1,050,336	
Notes and accounts payable	1,391,501	1,391,501	
Accrued income taxes	58,004	58,004	
<b>Total</b>	<b>\$30,066,711</b>	<b>\$31,060,994</b>	<b>\$994,283</b>
Derivatives	\$(16,359)	\$(16,359)	

The securities whose fair value cannot be reliably determined are excluded from investment securities and investments in and advances to nonconsolidated subsidiaries and affiliated companies (see (b) below).

Advances are excluded from investments in and advances to nonconsolidated subsidiaries and affiliated companies because they are immaterial.

Long-term debt contains its current portion, and obligations under finance leases are excluded because they are immaterial.

Derivatives are stated at the net amount.

(a) Methods used to calculate fair values of financial instruments  
***Investment securities and investments in and advances to nonconsolidated subsidiaries and affiliated companies***

The fair values of investment securities and investments in and advances to nonconsolidated subsidiaries and affiliated companies are measured at the quoted market price of the exchanges for the equity securities and some of debt securities, principally at the quoted price obtained from the financial institution for other debt securities. Fair value information for investment securities by classification is included in Note 4.

***Reserve funds for reprocessing of irradiated nuclear fuel***

Reserve funds for reprocessing of irradiated nuclear fuel are provided in accordance with a specific law to ensure the appropriate reprocessing of irradiated nuclear fuel resulting from operation of nuclear power production facilities.

The funds must be used in accordance with a plan approved by the Japanese Government. The fair value is based on the carrying amount determined by discounting the cash flows related

to the using plan.

***Cash and cash equivalent, and receivables***

The carrying amounts of cash and cash equivalents, and receivables approximate fair values because of their short maturities.

***Bonds***

The fair values of bonds are based on market price.

***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, notes and accounts payable, and accrued income taxes***

The carrying amounts of short-term borrowings, notes and accounts payable and accrued income taxes approximate fair values because of their short maturities.

***Derivatives***

Fair value information for derivatives is included in Note 16.

## (b) Financial instruments whose fair value cannot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Investment securities:			
Available-for-sale:			
Equity securities	¥66,384	¥73,739	\$589,089
Other securities	2,521	2,336	22,375
Investments in and advances to nonconsolidated subsidiaries and affiliated companies:			
Equity securities	72,283	71,186	641,433
Other securities	10,969	10,868	97,338
Total	¥152,158	¥158,130	\$1,350,237

*Maturity analysis for financial assets and securities with contractual maturities*

	Millions of Yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
<b>March 31, 2016</b>				
Investment securities:				
Held-to-maturity debt securities	¥100	¥200	¥20	¥136
Available-for-sale securities with contractual maturities	23	14	6	280
Reserve funds for reprocessing of irradiated nuclear fuel	29,838			
Cash and cash equivalents	429,757			
Receivables	183,110			
Total	¥642,830	¥214	¥26	¥416

	Thousands of U.S. Dollars			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
<b>March 31, 2016</b>				
Investment securities:				
Held-to-maturity debt securities	\$887	\$1,774	\$177	\$1,206
Available-for-sale securities with contractual maturities	210	129	53	2,490
Reserve funds for reprocessing of irradiated nuclear fuel	264,781			
Cash and cash equivalents	3,813,629			
Receivables	1,624,903			
Total	\$5,704,412	\$1,904	\$231	\$3,697

Reserve funds for reprocessing of irradiated nuclear fuel are provided for reprocessing costs of irradiated nuclear fuel charged by JNFL. The using plan for the reserve funds is disclosed only for amounts due in one year or less, to comply with agreements with JNFL and to avoid any disadvantages, possibly caused by disclosure, to the interested parties.

Please see Note 6 for annual maturities of long-term debt.

## 16. DERIVATIVES

The Company enters into foreign exchange forward contracts and interest rate swaps to manage its exposures to fluctuations in foreign exchanges and interest rates, 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 and interest rate swaps are not subject to any market risk except for abandoning potential income by market fluctuations in hedged items.

The Companies do not anticipate any losses arising from credit risk, which is the possibility that a loss may result from counterparties' failure to perform according to the terms and conditions of the contract, because the counterparties to those derivatives have high credit ratings.

The derivative transactions are executed by the specific sections, and the administrative section monitors them based on internal policies.

### Derivative transactions to which hedge accounting is applied

	Millions of Yen			
	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
<b>March 31, 2016</b>				
Currency swaps:				
Buying USD (Note a)	Accounts payable	¥1,317		¥669
Interest rate swaps:				
Principle treatment (Note a)				
Pay fixed/Receive floating	Long-term loans	17,205	¥17,205	(2,512)
Special treatment (Note b)				
Pay fixed/Receive floating	Long-term loans	3,198	2,680	
<b>Total</b>				<b>¥(1,843)</b>

	Millions of Yen			
	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
<b>March 31, 2015</b>				
Currency swaps:				
Buying USD (Note a)	Accounts payable	¥6,197	¥1,317	¥3,596
Interest rate swaps:				
Special treatment (Note b)				
Pay fixed/Receive floating	Long-term loans	3,092	2,198	
<b>Total</b>				<b>¥3,596</b>

	Thousands of U.S. Dollars			
	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
<b>March 31, 2016</b>				
Currency swaps:				
Buying USD (Note a)	Accounts payable	\$11,687		\$5,939
Interest rate swaps:				
Principle treatment (Note a)				
Pay fixed /Receive floating	Long-term loans	152,682	\$152,682	(22,298)
Special treatment (Note b)				
Pay fixed /Receive floating	Long-term loans	28,378	23,782	
<b>Total</b>				<b>\$(16,359)</b>

#### Notes:

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

b) The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest charges. As a result, the fair values of interest rate swaps are included in those of hedged items (i.e., long-term loans) in Note 15.

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, 2016, 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, 2016 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Co-guarantees of loans, mainly in connection with procurement of fuel	¥100,670	\$893,344
Guarantees of employees' loans	68,021	603,615
Guarantees under debt assumption agreements	40,000	354,956
Other	4,495	39,888

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 loss for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Other comprehensive (loss) income:			
Unrealized (loss) gain on available-for-sale securities			
(Losses) gains arising during the year	¥(1,200)	¥1,579	\$(10,650)
Reclassification adjustments to profit or loss	(479)	197	(4,255)
Amount before income tax effect	(1,679)	1,777	(14,906)
Income tax effect	814	(589)	7,225
Total	¥(865)	¥1,188	\$(7,680)
Deferred loss on derivatives under hedge accounting:			
Losses arising during the year	¥(2,906)	¥(2,142)	\$(25,788)
Adjustments for amounts transferred to the initial carrying amounts of hedged items	341	(500)	3,031
Amount before income tax effect	(2,564)	(2,642)	(22,757)
Income tax effect	720	883	6,396
Total	¥(1,843)	¥(1,759)	\$(16,361)
Foreign currency translation adjustments:			
(Losses) gains arising during the year	¥(4,378)	¥1,235	\$(38,858)
Amount before income tax effect	(4,378)	1,235	(38,858)
Income tax effect	2,272	(1,260)	20,166
Total	¥(2,106)	¥(25)	\$(18,692)
Adjustments related to defined retirement benefit plans:			
Losses arising during the year	¥(24,936)	¥(23,793)	\$(221,285)
Reclassification adjustments to profit or loss	(2,108)	(16,774)	(18,707)
Amount before income tax effect	(27,044)	(40,567)	(239,992)
Income tax effect	7,871	12,375	69,852
Total	¥(19,173)	¥(28,192)	\$(170,139)
Share of other comprehensive loss in nonconsolidated subsidiaries and affiliated companies:			
Losses arising during the year	¥(1,842)	¥(1,349)	\$(16,346)
Reclassification adjustments to profit or loss	141	178	1,252
Total	¥(1,700)	¥(1,171)	\$(15,094)
Total other comprehensive loss	¥(25,689)	¥(29,960)	\$(227,967)

## 19. SEGMENT INFORMATION

### (1) Description of reportable segments

The Companies' reportable segments are those for which financial information is available separately and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Companies. Therefore, the Companies consist of 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, renewable energy business 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, 2016 and 2015, was as follows:

	Millions of Yen						
	2016						
	Reportable segment				Total	Reconciliations	Consolidated
Electric Power	Energy related Business	IT and Telecommunications	Other				
Sales:							
Sales to external customers	¥1,688,328	¥64,196	¥69,348	¥13,819	¥1,835,692		¥1,835,692
Intersegment sales or transfers	3,988	120,453	34,208	12,984	171,634	¥(171,634)	
Total	¥1,692,316	¥184,649	¥103,557	¥26,804	¥2,007,327	¥(171,634)	¥1,835,692
Segment profit	¥96,183	¥10,852	¥10,277	¥4,327	¥121,641	¥(1,384)	¥120,256
Segment assets	4,155,999	419,465	186,791	142,522	4,904,778	(156,541)	4,748,237
Other:							
Depreciation	172,806	8,433	20,051	4,473	205,764	(2,703)	203,060
Increase in property and nuclear fuel	284,090	18,130	25,583	1,091	328,897	(5,039)	323,858

	Millions of Yen						
	2015						
	Reportable segment				Total	Reconciliations	Consolidated
Electric Power	Energy related Business	IT and Telecommunications	Other				
Sales:							
Sales to external customers	¥1,719,570	¥71,793	¥69,217	¥12,886	¥1,873,467		¥1,873,467
Intersegment sales or transfers	2,298	114,878	27,333	12,846	157,356	¥(157,356)	
Total	¥1,721,869	¥186,672	¥96,550	¥25,732	¥2,030,824	¥(157,356)	¥1,873,467
Segment (loss) profit	¥(68,481)	¥10,983	¥11,419	¥3,677	¥(42,400)	¥(914)	¥(43,314)
Segment assets	4,235,616	375,418	176,152	141,491	4,928,679	(143,943)	4,784,735
Other:							
Depreciation	164,724	9,052	18,028	4,947	196,753	(2,780)	193,972
Increase in property and nuclear fuel	228,362	22,756	25,550	948	277,617	(4,737)	272,880

Thousands of U.S. Dollars							
2016							
Reportable segment							
	Electric Power	Energy related Business	IT and Telecommunications	Other	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	\$14,982,059	\$569,670	\$615,390	\$122,635	\$16,289,757		\$16,289,757
Intersegment sales or transfers	35,390	1,068,890	303,565	115,222	1,523,068	\$(1,523,068)	
Total	\$15,017,450	\$1,638,561	\$918,956	\$237,857	\$17,812,825	\$(1,523,068)	\$16,289,757
Segment profit	\$853,523	\$96,303	\$91,203	\$38,401	\$1,079,431	\$(12,283)	\$1,067,148
Segment assets	36,879,932	3,722,295	1,657,567	1,264,727	43,524,521	(1,389,131)	42,135,390
Other:							
Depreciation	1,533,464	74,842	177,935	39,695	1,825,937	(23,994)	1,801,942
Increase in property and nuclear fuel	2,520,992	160,892	227,028	9,689	2,918,602	(44,717)	2,873,884

## Notes:

(a) Reconciliations of segment profit (loss) and segment assets are intersegment transaction eliminations.

(b) Segment profit (loss) is adjusted to reflect operating income (loss) in the consolidated statement of income.

Geographic segment information is not disclosed because the Companies' overseas operations are immaterial.

Information for overseas sales is not disclosed due to overseas sales being immaterial compared with consolidated net sales.

**20. SUBSEQUENT EVENT**

At the general shareholders meeting held on June 28, 2016, the Company's shareholders approved the following appropriation of capital surplus as of March 31, 2016:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥5.00 (\$0.04) per common share	¥2,369	\$21,030
Year-end cash dividends, ¥7,153,763.00 (\$63,481.79) per Class A preferred share	¥7,153	\$63,481

## 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, 2016, and the related consolidated statements of income, 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, 2016, 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 28, 2016

Member of  
Deloitte Touche Tohmatsu Limited

# Nonconsolidated Five-year Financial Summary

Kyushu Electric Power Company, Incorporated  
Years Ended March 31

For the Year:	Millions of Yen					Thousands of U.S. Dollars
	2012	2013	2014	2015	2016	2016
Operating revenues	¥1,406,770	¥1,448,876	¥1,682,994	¥1,761,275	¥1,705,485	\$15,134,314
Electric	1,369,537	1,408,339	1,634,829	1,721,869	1,692,316	15,017,450
Other	37,232	40,536	48,165	39,405	13,169	116,863
Operating expenses	1,569,533	1,721,006	1,756,444	1,790,350	1,596,132	14,163,927
Personnel	167,965	151,844	113,781	113,103	131,038	1,162,824
Fuel	520,282	679,722	754,442	678,486	364,741	3,236,684
Purchased power	206,042	269,582	314,961	372,437	386,826	3,432,656
Depreciation	202,151	180,180	172,333	164,721	167,024	1,482,156
Maintenance	176,007	147,924	103,155	126,641	144,494	1,282,233
Reprocessing costs of irradiated nuclear fuel	21,631	17,352	16,502	17,111	16,043	142,372
Decommissioning costs of nuclear power units.	3,106	2,627	1,978	4,293	4,640	41,182
Amortization of special account related to nuclear power decommissioning					821	7,293
Disposal cost of high-level radioactive waste	6,010	3,247	3,861		1,032	9,161
Disposition of property	15,334	14,501	10,600	11,491	14,255	126,506
Taxes other than income taxes	83,142	82,265	84,339	84,397	83,610	741,949
Subcontract fee	65,948	64,485	62,182	74,332	82,371	730,957
Rent	31,276	29,298	26,920	25,741	26,237	232,829
Other	70,634	77,974	91,384	117,591	172,992	1,535,120
Interest charges	32,266	35,581	38,009	38,693	37,056	328,838
Income (loss) before income taxes	(229,754)	(343,051)	(75,619)	(84,905)	75,812	672,756
Net income (loss)	(174,983)	(338,050)	(90,939)	(119,010)	65,328	579,720

	Yen					U.S. Dollars
Per share of common stock:						
Basic net income (loss)	¥(369.74)	¥(714.33)	¥(192.17)	¥(251.32)	¥137.83	\$1.22
Cash dividends applicable to the year	50.00					

At year-end:	Millions of Yen					Thousands of U.S. Dollars
Total assets	¥4,110,950	¥4,201,704	¥4,218,037	¥4,390,912	¥4,321,442	\$38,348,057
Net property	2,757,023	2,704,014	2,687,936	2,664,541	2,743,423	24,344,867
Long-term debt, less current portion	2,090,311	2,425,739	2,692,319	2,712,193	2,563,858	22,751,430
Total equity	766,700	429,287	341,405	322,299	385,190	3,418,145

# Nonconsolidated Balance Sheet

Kyushu Electric Power Company, Incorporated  
March 31, 2016 (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
ASSETS			
PROPERTY:			
Plant and equipment	¥9,136,297	¥8,927,999	\$81,074,605
Construction in progress	377,132	370,033	3,346,638
Total	9,513,430	9,298,033	84,421,244
Less-			
Contributions in aid of construction	192,509	165,254	1,708,308
Accumulated depreciation	6,577,497	6,468,236	58,368,068
Total	6,770,006	6,633,491	60,076,376
Net property	2,743,423	2,664,541	24,344,867
NUCLEAR FUEL	283,227	280,616	2,513,335
INVESTMENTS AND OTHER ASSETS:			
Investment securities	69,719	77,315	618,680
Investments in and advances to subsidiaries and affiliated companies	188,572	184,605	1,673,370
Reserve funds for reprocessing of irradiated nuclear fuel	270,095	282,071	2,396,801
Deferred tax assets	107,183	107,187	951,133
Special account related to nuclear power decommissioning	20,870	21,692	185,204
Other	35,317	33,294	313,408
Total investments and other assets	691,758	706,167	6,138,598
CURRENT ASSETS:			
Cash and cash equivalents	371,424	466,141	3,295,984
Receivables	151,194	167,633	1,341,686
Allowance for doubtful accounts	(547)	(452)	(4,857)
Fuel and supplies	42,284	60,005	375,232
Deferred tax assets	25,743	30,371	228,442
Prepaid expenses and other	12,933	15,887	114,768
Total current assets	603,033	739,586	5,351,256
TOTAL	¥4,321,442	¥4,390,912	\$38,348,057

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
LIABILITIES AND EQUITY			
LONG-TERM LIABILITIES:			
Long-term debt, less current portion	¥2,563,858	¥2,712,193	\$22,751,430
Liability for retirement benefits	66,556	69,686	590,611
Reserve for reprocessing of irradiated nuclear fuel	309,595	322,666	2,747,320
Asset retirement obligations	211,447	206,113	1,876,367
Other	18,416	17,159	163,428
Total long-term liabilities	3,169,875	3,327,820	28,129,160
CURRENT LIABILITIES:			
Current portion of long-term debt	346,991	344,632	3,079,166
Short-term borrowings	114,000	115,000	1,011,624
Accounts payable	126,985	131,926	1,126,859
Accrued income taxes	2,433		21,596
Accrued expenses	123,751	104,490	1,098,159
Other	44,587	43,050	395,664
Total current liabilities	758,749	739,099	6,733,071
RESERVE FOR FLUCTUATIONS IN WATER LEVEL	7,627	1,692	67,681
EQUITY:			
Common stock, authorized, 1,000,000,000 shares; issued, 474,183,951 shares in 2016 and 2015	237,304	237,304	2,105,820
Preferred stock, authorized, 1,000 shares; issued, 1,000 shares in 2016 and 2015			
Capital surplus:			
Additional paid-in capital	31,087	31,087	275,868
Other capital surplus	99,309	99,309	881,259
Retained earnings:			
Legal reserve	59,326	59,326	526,455
Retained earnings - carryforward	(42,602)	(107,931)	(378,053)
Unrealized gain on available-for-sale securities	724	1,062	6,428
Deferred gain on derivatives under hedge accounting	481	2,564	4,270
Treasury stock-at cost 205,318 shares in 2016 and 192,661 shares in 2015	(439)	(423)	(3,903)
Total equity	385,190	322,299	3,418,145
TOTAL	¥4,321,442	¥4,390,912	\$38,348,057

# Nonconsolidated Statement of Income

Kyushu Electric Power Company, Incorporated  
Year Ended March 31, 2016 (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
<b>OPERATING REVENUES:</b>			
Electric	¥1,692,316	¥1,721,869	\$15,017,450
Other	13,169	39,405	116,863
Total operating revenues	1,705,485	1,761,275	15,134,314
<b>OPERATING EXPENSES:</b>			
Electric:			
Personnel	131,038	113,103	1,162,824
Fuel	364,741	678,486	3,236,684
Purchased power	386,826	372,437	3,432,656
Depreciation	167,024	164,721	1,482,156
Maintenance	144,494	126,641	1,282,233
Reprocessing costs of irradiated nuclear fuel	16,043	17,111	142,372
Decommissioning costs of nuclear power units	4,640	4,293	41,182
Amortization of special account related to nuclear power decommissioning	821		7,293
Disposal cost of high-level radioactive waste	1,032		9,161
Disposition of property	14,255	11,491	126,506
Taxes other than income taxes	83,610	84,397	741,949
Subcontract fee	82,371	74,332	730,957
Rent	26,237	25,741	232,829
Other	172,992	117,591	1,535,120
Total	1,596,132	1,790,350	14,163,927
Other	11,506	30,304	102,109
Total operating expenses	1,607,639	1,820,655	14,266,037
<b>OPERATING INCOME (LOSS)</b>	97,846	(59,380)	868,276
<b>OTHER EXPENSES (INCOME):</b>			
Interest charges	37,056	38,693	328,838
Gain on sales of fixed assets	(2,054)	(9,867)	(18,227)
Gain on sales of investment securities	(2,455)		(21,790)
Gain on revision of retirement benefit plans	(2,899)		(25,727)
Other-net	(13,549)	(4,993)	(120,236)
Total other expenses-net	16,098	23,832	142,856
<b>INCOME (LOSS) BEFORE INCOME TAXES AND PROVISION FOR RESERVE FOR FLUCTUATIONS IN WATER LEVEL</b>	81,747	(83,213)	725,420
<b>PROVISION FOR RESERVE FOR FLUCTUATIONS IN WATER LEVEL</b>	5,934	1,692	52,664
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	75,812	(84,905)	672,756
<b>INCOME TAXES:</b>			
Current	4,909	486	43,567
Deferred	5,574	33,618	49,467
Total income taxes	10,484	34,105	93,035
<b>NET INCOME (LOSS)</b>	¥65,328	¥(119,010)	\$579,720
		Yen	U.S. Dollars
<b>PER SHARE OF COMMON STOCK:</b>			
Basic net income (loss)	¥137.83	¥(251.32)	\$1.22
Cash dividends applicable to the year			

# Overview of Power Generation Facilities

(As of March 31, 2016)

## Nuclear Power (2 facilities/maximum output 4,699,000kW)

Station name	Maximum output (kW)	Operation commencement date	System	Location
Genkai	2,919,000 (559,000×1 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 9,805,000kW) \*excluding internal-combustion engines at the Buzen Power Station

Station name	Maximum output (kW)	Operation commencement date	System	Location
Shin Kokura	1,800,000 (600,000×3)	Sep. 1978	LNG	Kokura Kita-ku, Kitakyushu-shi, Fukuoka Prefecture
Karita	735,000 (360,000×1 375,000×1)	Apr. 1972	Coal/heavy oil/crude oil	Kanda-machi, Miyako-gun, Fukuoka Prefecture
Buzen	1,000,000 (500,000×2)	Dec. 1977	Heavy oil/crude oi	Buzen-shi, Fukuoka 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

\*Shin-Oita unit3-4(459,400kW) has started operation in June 2016.

## Hydroelectric Power (143 facilities/maximum output 3,583,681 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	52,000	Jan. 1942	Dam and conduit system	Shiiba-son, Higashi Usuki-gun, Miyazaki Prefecture
Kamishiiba	93,200	May 1955	Dam and conduit system	Shiiba-son, Higashi Usuki-gun, Miyazaki Prefecture
Tsukabaru	63,050	Oct. 1938	Dam and conduit system	Morotsuka-son, Higashi Usuki-gun, Miyazaki Prefecture
Morotsuka	50,000	Feb. 1961	Dam and conduit system	Morotsuka-son, Higashi Usuki-gun, Miyazaki Prefecture
Omarugawa	1,200,000	Jul. 2007	Dam and conduit system (pure pumped-storage)	Kijo-cho, Koyu-gun, Miyazaki Prefecture
Hitotsuse	180,000	Jun. 1963	Dam and conduit system	Saito-shi, Miyazaki Prefecture
Oyodogawa Daiichi	55,500	Jan. 1926	Dam system	Miyakonojo-shi, Miyazaki Prefecture Oyodogawa
Oyodogawa Daini	71,300	Mar. 1932	Dam and conduit system	Miyazaki-shi, Miyazaki Prefecture

\*with outputs of 50,000 kW or higher

## Geothermal Power (6 facilities/maximum output 207,960 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	25,960	Mar. 1995	Ibusuki-shi, Kagoshima Prefecture

## Internal Combustion Power (34 facilities/maximum output 399,040kW) \*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, 2016)

## Consolidated Subsidiaries (41)

Company Name	Capital (Millions of yen)	Equity Ownership (%)	Business
<b>Energy Business in Kyushu</b>			
Oita Liquefied Natural Gas Co., Inc.	7,500	98.0	Receipt, storage, vaporization and delivery and sales of LNG
Kitakyushu Liquefied Natural Gas Co., Inc.	4,000	75.0	Receipt, storage, vaporization and delivery and sales of LNG
Pacific Hope Shipping Limited	4,071	60.0	Purchasing, operating, chartering and renting of LNG carriers
Nishinippon Environmental Energy Co., Inc.	1,016	100.0	Distributed power system business and consultation about energy efficiency
Kyuden Mirai Energy Company, Incorporated	669	100.0	Renewable energy business
Kyushu Rinsan Co., Inc.	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	97.3	Manufacture and sales of HV and LV insulators and other items
Nishigi Kogyo, Co., Inc.	20	74.0	Conduit maintenance for hydroelectric power stations
<b>Energy Business Overseas</b>			
Kyuden International Corporation	23,150	100.0	Acquisition and holding of securities of overseas electric companies
Kyuden International Netherlands B.V.	6,545	100.0	Acquisition and holding of securities of overseas electric companies
Kyuden Hsin Tao Power Holdings	2,400 (Millions of Taiwan dollars)	100.0	Investment in Hsin Tao IPP business company
Kyushu Electric Australia Pty Ltd.	175 (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.	166 (Millions of U.S. dollars)	100.0	Ownership of mining interests and assets, trading and sales of output in Wheatstone LNG project
KYUDEN SARULLA PTE. LTD.	1000 (Thousands of Singapore dollars)	100.0	Geothermal power generation
<b>IT and Telecommunications</b>			
Kyushu Telecommunication Network Co., Inc.	22,020	100.0	Fiber-optic cable and broadband services
Kyuden Infocom Company, Inc.	480	100.0	IT-related planning and consultation, and data center business
Nishimu Electronics Industries, Co., Ltd.	300	100.0	Manufacture, sales, installation and maintenance of telecommunication devices
Kyuden Business Solutions Co., Inc.	100	100.0	Development, operation and maintenance of information systems
RKK Computer Service Co., Inc.	100	61.3	Development and sales of computer software
<b>Lifestyle-oriented Services</b>			
DENKI BLDG. CO., Ltd.	3,395	91.9	Leasing and management of real estate
Kyuden Good Life Company, Inc.	300	100.0	Paid elderly nursing home management and nursing services
Capital Kyuden Corporation	285	100.0	Acquiring and owning of securities, loans to group companies
Kyuden Good Life Kumamoto Company, Inc.	200	100.0	Paid elderly nursing home management and nursing services
Kyuden Business Front Inc.	100	100.0	Temporary staffing and job-placement services
Kyuden Good Life Fukuoka Josui Company, Inc.	100	100.0	Paid elderly nursing home management and nursing services
Kyuden Good Life Kagoshima Company, Inc.	100	90.0	Paid elderly nursing home management and nursing services
Kyuden Good Life Higashifukuoka Company, Inc.	100	70.0	Paid elderly nursing home management and nursing services
Kyuden Fudousan Co., Ltd.	32	98.1	Leasing of real estate and site management
Kyuden Office Partner Co., Inc.	30	100.0	Clerical work acceptance on trust and consulting business
Kyushu Maintenance Co., Ltd.	10	82.0	Cleaning and maintenance of real estate

## Non-consolidated Subsidiaries and Affiliated Companies Accounted for under Equity Method (27)

Company Name	Capital (Millions of yen)	Equity Ownership (%)	Business
<b>Energy Business in Kyushu</b>			
Tobata Co-operative Thermal Power Co., Inc.	9,000	50.0	Wholesale electricity supply
Fukuoka Clean Energy Co., Ltd.	5,000	49.0	Waste incineration and power generation business
Oita Co-operative Thermal Power Co., Inc.	4,000	50.0	Wholesale electricity supply
Kyudenko Corporation	7,901	24.8	Electric work
KYUSYU CRYOGENICS CO., LTD.	450	50.0	Manufacture and sales of liquid oxygen, liquid nitrogen and liquid argon
Kyuhon Co., Ltd.	225	35.9	Manufacture and sales of electrical equipment
Seishin Corporation	200	26.5	Sale of electrical equipment
Plazwire Co., Ltd.	50	100.0	Flame spray coating (painting) business
Nishikyushu Kyodo Kowan Co., Ltd.	50	50.0	Operation and maintenance of coal handling equipment
Kyuken Corporation	100	15.2	Construction and repair of transmission lines
Nishi Nihon Denki Tekkou Co., Ltd.	30	33.5	Design, production and sales of steel towers and steel conduits
Washiodake Wind Power Co., Ltd.	10	100.0	Sales of generated electric power
NISHIGI SURVEYING AND DESIGN CO., LTD.	10	100.0	Investigation, measurement, design, drafting and care of civil engineering/ construction projects
Munakataasty Solar Power Co., Ltd.	10	100.0	Sales of electricity generated by solar power
Amami Oshima Wind Power Co., Ltd.	10	75.0	Sales of electric power from wind generation
<b>Energy Business Overseas</b>			
KYUDEN ILIJAN HOLDING CORPORATION	3 (Millions of U.S. dollars)	100.0	Investment in Ilijan IPP business company
Kyushu Tohoku Enrichment Investing SAS	104 (Millions of Euro)	50.0	Investment in uranium enrichment business
Electricidad Aguila de Tuxpan, S. de R.L. de C.V.	641 (Millions of Mexico Pesos)	50.0	Power-generation activities using natural gas fuel
Electricidad Sol de Tuxpan, S. de R.L. de C.V.	493 (Millions of Mexico Pesos)	50.0	Power-generation activities using natural gas fuel
<b>IT and Telecommunications</b>			
RKKCS Software	10	100.0	Developments and sales of computer software
<b>Environment and Recycling Business</b>			
J-Re-Lights Co., Ltd.	275	100.0	Recycling of used fluorescent bulbs
Records & Intelligence Management Co., Ltd	80	98.1	Recycling of confidential documents
<b>Lifestyle-oriented Services</b>			
Kyushu Highlands Development Co., Ltd.	300	100.0	Management of golf courses
Kyushu Housing Guarantee Corporation	272	33.3	Housing and building assessments, security services affairs
Kyuden Shared Business Co., Ltd.	80	100.0	Accounting and personnel services
Kyushu Captioning Co-Production Center Inc.	60	78.3	Subtitle production for broadcasting
Oak Partners Co., Ltd.	3	100.0	Real estate management

# Outline of Kyushu Electric Power's History

Fiscal Year	Noteworthy events
1951	•Kyushu Electric Power is established.
1955	•The Kamishiiba Power Station, the first in Japan with an arch dam, becomes operational.
1956	•Unit 1 at the Karita Power Station (coal, 75,000 kW) becomes operational.
1957	•Kyushu Electric Power's Central Line (220,000V), its first super-high-voltage transmission line, becomes operational. •Thermal generation capacity exceeds hydroelectric capacity. •Unit 1 at the Omura Power Station (coal, 66,000 kW) becomes operational.
1960	•Frequency unification is completed. •Unit 1 at the Minato Power Station (coal, 156,000 kW) becomes operational.
1961	•Unit 1 at the Shin Kokura Power Station (coal, 156,000 kW) becomes operational.
1967	•The Otake Power Station (geothermal, 11,000 kW), Japan's first commercial geothermal generation facility, becomes operational. •Unit 1 at the Karatsu Power Station (coal, 156,000 kW) becomes operational, becoming Kyushu Electric Power's first generation facility with a control computer.
1969	•Unit 1 at the Oita Power Station (oil, 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.
1973	•Unit 1 at the Ainoura Power Plant (coal, 375,000 kW) becomes operational.
1974	•Unit 1 at the Sendai Power Plant (coal, 500,000 kW) becomes operational.
1975	•Unit 1 at the Genkai Nuclear Power Plant (559,000 kW) becomes operational. •The Ohira Power Station, then Kyushu Electric Power's first pumped storage facility (500,000 kW), becomes operational.
1977	•Unit 1 at the Hatchoubaru Power Station (geothermal, 23,000 kW) becomes operational. •Unit 1 at the Buzen Power Station (coal, 500,000 kW) becomes operational.
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 Electric Power Development Co., Ltd., begins operating the Trans-Kanmon Line (500,000 V).
1981	•Unit 1 at the Genkai Nuclear Power Plant (559,000 kW) becomes operational.
1982	•The Kyushu Energy Center is opened.
1984	•Unit 1 at the Sendai Nuclear Power Station (890,000 kW) becomes operational.
1985	•Unit 2 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	•Unit 1 at the Matsuura Power Station (coal, 700,000 kW) becomes operational.
1990	•Kyushu Electric Power achieves a zero outage record for work on high-and low-voltage facilities for the first time in Japan.
1991	•The No. 1 system at the Shin Oita Power Station (LNG, 690,000) becomes operational as Kyushu Electric Power's first combined-cycle power station.
1994	•Unit 3 at the Genkai Nuclear Power Plant (1,180,000 kW) becomes operational.
1995	•The Yamagawa Power Station (geothermal, 30,000 kW) becomes operational. •Unit 1 at the Reihoku Power Station (coal, 700,000 kW) becomes operational.
1996	•The Ogiri Power Station (geothermal, 30,000 kW) becomes operational. •The Takigami Power Station (geothermal, 27,500 kW) becomes operational.
1997	•Unit 4 at the Genkai Nuclear Power Plant (1,180,000 kW) becomes operational.
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 becomes operational. •Unit 1 at the Karita Power Station (coal, 360,000 kW) becomes operational, Kyushu Electric Power's first pressurized fluidized bed combustion (PFBC) station.
2002	•Dedicated account managers are assigned to corporate customers.
2003	•The Koshikijima Wind Power Station (250 kW) becomes operational. •The Noma-Misaki Wind Park Station (3,000 kW) becomes operational.
2004	•The Omura Power Station is decommissioned. •The Minato Power Station is decommissioned.
2005	•The Goto Archipelago Link, Japan's longest sea-bed cable (53 km), becomes operational.
2006	•The Hatchoubaru Binary Power Station (2,000 kW), Japan's first commercial geothermal binary power station, becomes operational.
2007	•"Kyushu Electric Power's Mission" and brand message "Enlighten Our Future" are adopted. •Unit 4 at the Omarugawa Power Station (300,000 kW) becomes operational.
2009	•Unit 3 at the Genkai Nuclear Power Plant, Japan's first pluthermal facility, becomes operational.
2010	•The Mega Solar Omuta, our first large-scale solar power generation station (3,000 kW), becomes operational.
2013	•The Kyushu Energy Center is closed. •The Oita Power Station is decommissioned.
2015	•Operations are halted at Unit 1 of the Genkai Nuclear Power Plant •The Karatsu Power Station is decommissioned.

# Corporate Data

(As of March 31, 2016)

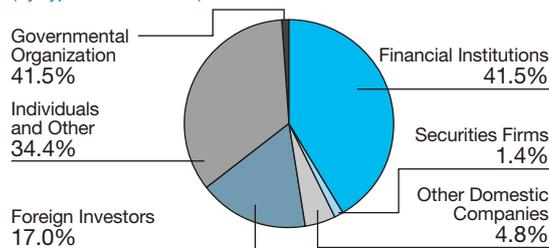
## Company Overview

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	13,132

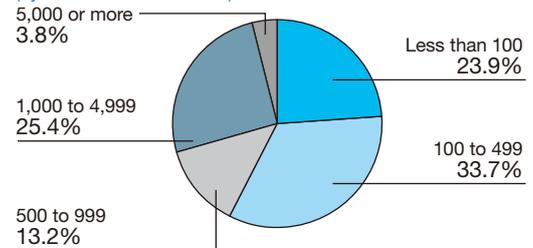
## Stock Information

Total Number of Shares Authorized	1,000,000,000 Common stock 1,000,000,000 Class A preferred shares 1,000	Shareholders' Meeting	June
Number of Shares Issued and Outstanding	Common stock 474,183,951 Class A preferred shares 1,000	Fiscal Year	From April 1 to March 31
Number of Shareholders	Common stock 163,189 Class A preferred shares 1	Stock Listings	Tokyo Stock Exchange, Fukuoka Stock Exchange (Code: 9508)
		Transfer Agent and Registrar	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan
		Accounting Auditor	Deloitte Touche Tohmatsu LLC

•Common stock  
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	2,288	4.83
The Master Trust Bank of Japan, Ltd. (trust unit)	2,113	4.46
Nippon Life Insurance Company	1,476	3.11
Kochi Shinkin Bank	1,308	2.76
Japan Trustee Services Bank, Ltd. (trust unit)	1,226	2.58
Kyushu Electric Power Co., Inc. Employees' Shareholding Association	1,007	2.12
Mizuho Bank, Ltd.	967	2.04
The Bank of Fukuoka, Ltd.	867	1.83
Sumitomo Mitsui Banking Corporation	847	1.79
Japan Trustee Services Bank, Ltd. (trust unit9)	822	1.73

•Class A preferred shares

Name	Number of Shares Held (Thousands of Shares)	Shareholding Ratio (%)
The Development Bank of Japan	1	100.0

## Trends of Stock Price and Trading Volume

