Presentation Materials for IR meeting

May 9, 2016

Section1 Business Update

Section2 Financial Results of FY2015

KYUSHU ELECTRIC POWER CO.,INC.

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Strategy to make the most of the upcoming total liberalization of electricity retailing (in Kyushu)

The New Rate Plans

○ Various initiatives are underway to achieve our 2030 vision of becoming "the corporate group that provides Japan's best energy services" as set forth in the Kyuden Group's medium-term management plan last April.

○ We introduced three new pricing plans to accommodate the diversifying lifestyles and life patterns of customers who use power in their homes, stores, and elsewhere.

- Intensive power users : 『Smart Family Plan』 『Smart Business Plan』
- Customers who consume more power at night and on the weekends : 『Electric Night Select Plan』

For families

Smart Family Plan

- Recommended for customers using more 350kWh/month.
- Prepared the option “Discount for two-years contract”.

For customers using at night or in holidays

Electric Night Select Plan

- Recommended for customers making their homes all-electric.
- Prepared three types of night time fitting customers life style.

①21:00~7:00 ②22:00~8:00 ③23:00~9:00

For private shops

Smart Business Plan

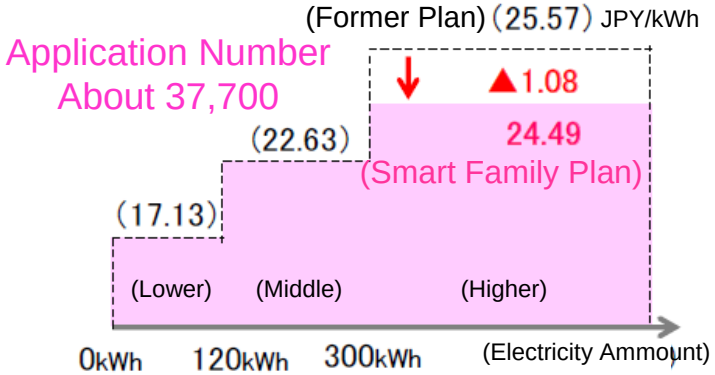
- Recommended for customers using more 550kWh/month.

Liberalization in Kyushu

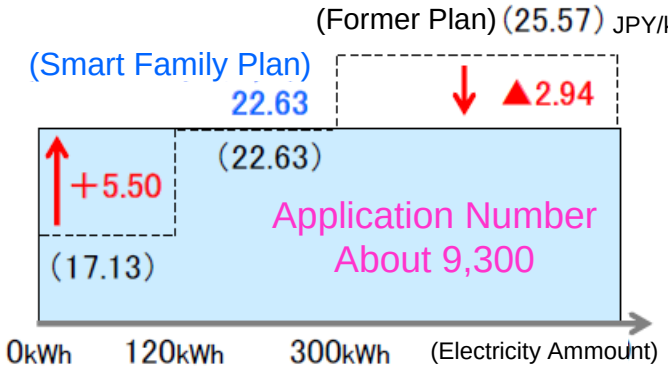
○ As of April 28, we had received roughly 56,300 applications for our new pricing plans.
○ As of April 22, about 20,700 customers had switched* from our company to another.
(ca. 0.3% of low-voltage agreements)

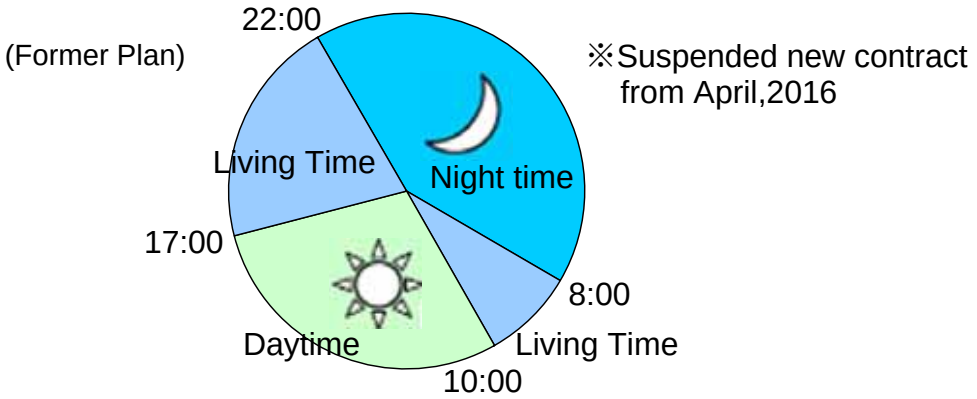
* According to the official announcement by the Organization for Cross-regional Coordination of Transmission Operators, Japan

For families
Smart Family Plan



For private shops
Smart Business Plan

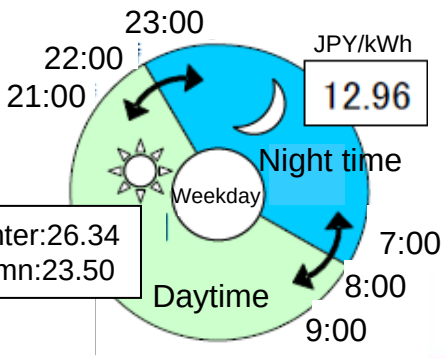




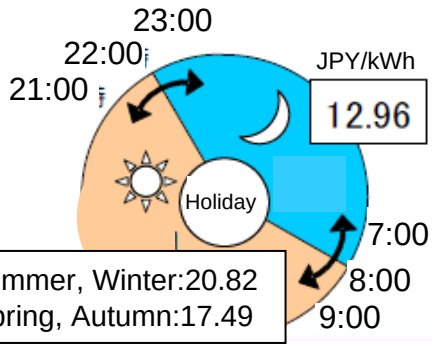
※Suspended new contract from April,2016

For customers
using at night or in holidays
Electric Night Select Plan

Application Number
About 9,300



Summer, Winter:26.34
Spring, Autumn:23.50



Summer, Winter:20.82
Spring, Autumn:17.49

New Services

○ New services to offer more benefits besides just a competitive price

“Kyushu electric safe support”

●Provided one stop services for difficulties in lives

- o Monitoring Support （ Monitoring senior customers by used amounts. ）
- o Daily Lives Support （ e.g. cleaning, baby-sitting, pruning ）
- o Electric Support （ e.g. leakage, damaged breaker ）
- o Filial support （visiting parents' remote homes on behalf of customers ）

“Q point for comfort” (point service)

- ● Ponts given according to used amount of electricity
- ● Points that never disappear and keep on accumulating
- ● Prizes given by lottely according to points

Member’s website “Kirei Life Plus”

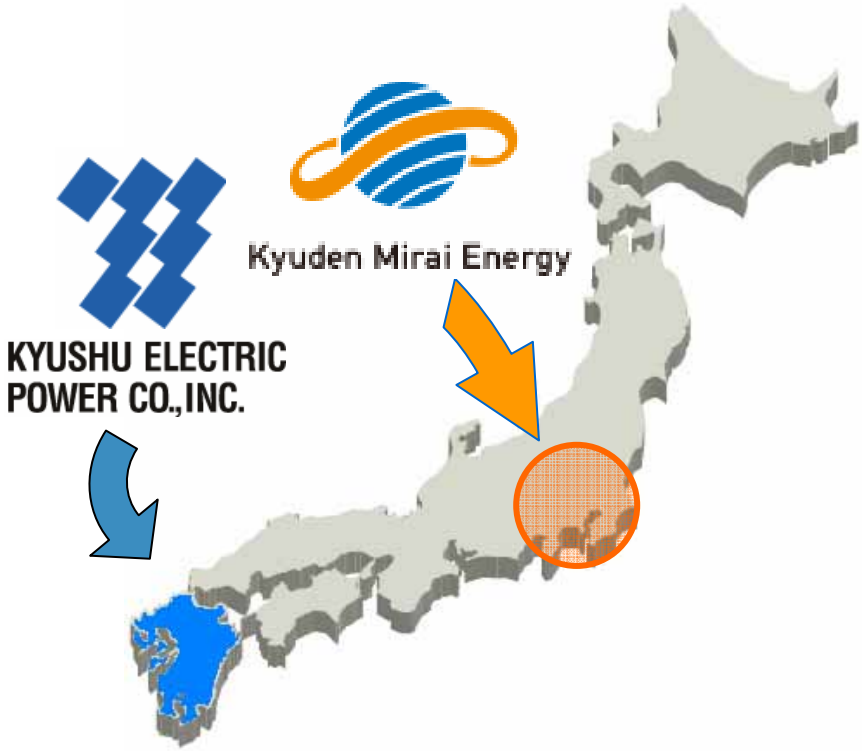
- ● Visualized consumption
- ● Notification of the optimal price plan
- ● Up-to-date local information provided by mobilizing our network of sales offices throughout the Kyushu region

Strategy to make the most of the upcoming total liberalization of electricity retailing (Outside Kyushu)

Strategies beyond the Kyushu region

- ○ Kyuden Mirai Energy, our 100%-owned subsidiary, began to sell electricity in the Kanto region in April 2016.
- ○ Kyushu Electric Company and Kyuden Mirai Energy will continue to build up the Kyuden Group's revenue base through proactive business operation.
- ○ We set a target of winning 10,000 contracts for FY 2016.

Items		Contents
Sales Area		Kanto region (excluding some customers living on remote islands and apartments that have signed up for high-voltage lump-sum power contracts)
Rate Plan	Basic Plan M	Customers with contracted current of 40 A, 50 A, or 60 A
	Basic Plan L	Customers with contracted capacity of 6kVA or more



Initiatives for boosting power supply competitiveness and introducing renewable energy

Boosting power supply competitiveness

○ We will combine decommissioning and planned shutdown of aging heavy-oil-fired thermal power stations with the establishment of new highly efficient LNG- and coal-fired thermal power stations in order to boost the competitiveness of steam-power stations.

[Boosting competitiveness of our own steam-power stations]

＜As of March, 2016＞

(Total 9.81GW)

- Oil 3.25GW (4 stations)
- LNG 4.10GW (2 stations)
- Coal 2.46GW (3 staions)

＜Decommisioning and planed shutdown and establishment of steam-power stations＞

	Fuel	Station Name	Output	Schedule
Decommissioning	Oil	Karita No.1	375MW	FY2017
Planed Shutdown	Oil	Ainoura No.1 and 2	875MW	FY2018～
Establishment	LNG	Shin oita No.3×4	459.4MW	July 2016
	Coal	Matsuura No.2	1,000MW	December 2019※

※Operation of Matsuura No.2 will start sooner to ensure competitiveness.

FY2006～ FY2013 Developing Plan

FY2014 Tender for thermal power supply

FY2016 Developing Plan

[Guidelines for application] After April, 2023

[Bidding by our company] Until June, 2021

June, 2020

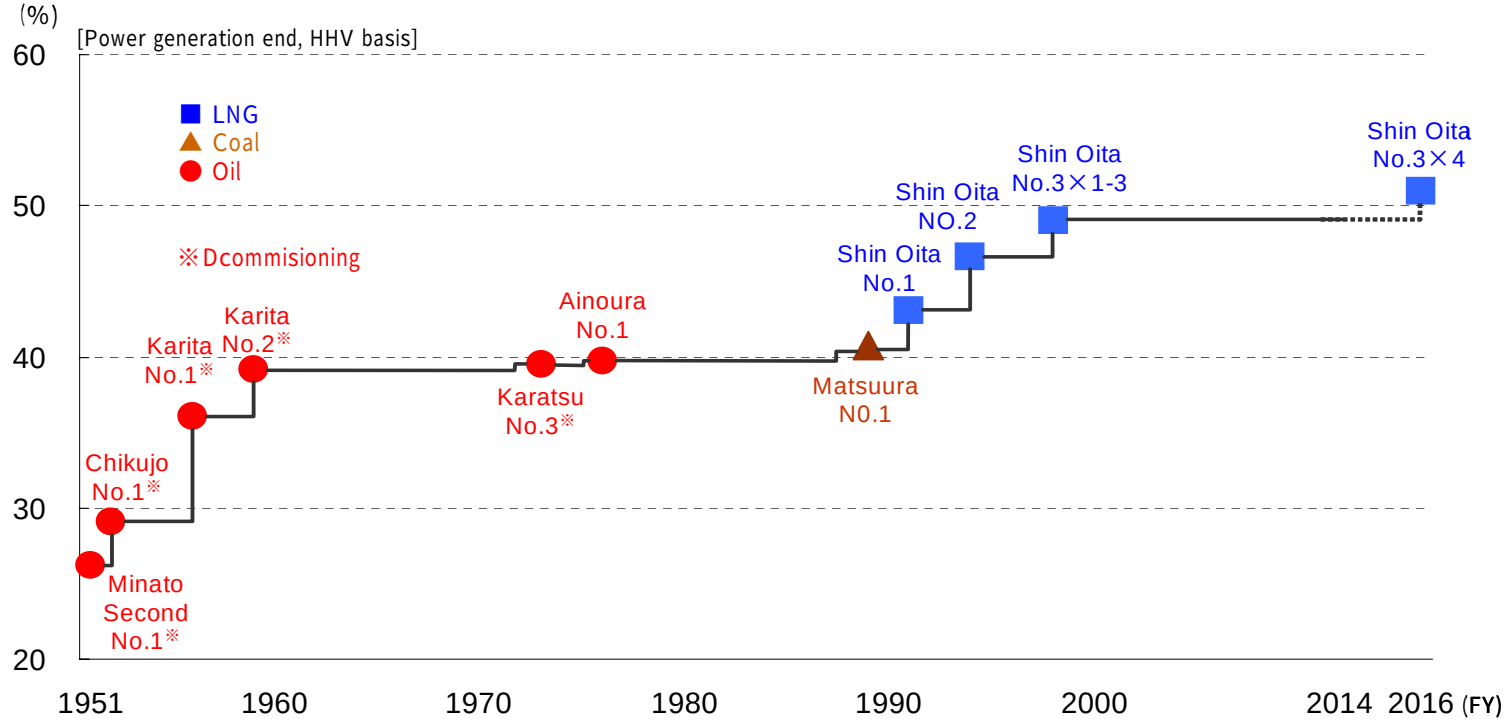
December, 2019

Advancing the operation date

[Outline of the development of new power sources]

Station Name	Shin Oita No.3×4	Matsuura No.2
Fuel	LNG	Coal
System	Combined Cycle	Pulverized coal-burning, Ultra-super critical (USC) power generation
Output	459.4MW	1,000MW
Efficiency	Around 51% (HHV Basis) Around 57% (LHV Basis)	Over 43% (HHV Basis) Over 45% (LHV Basis)
Operation Date	July 2016	December 2019

[Changes in efficiency]

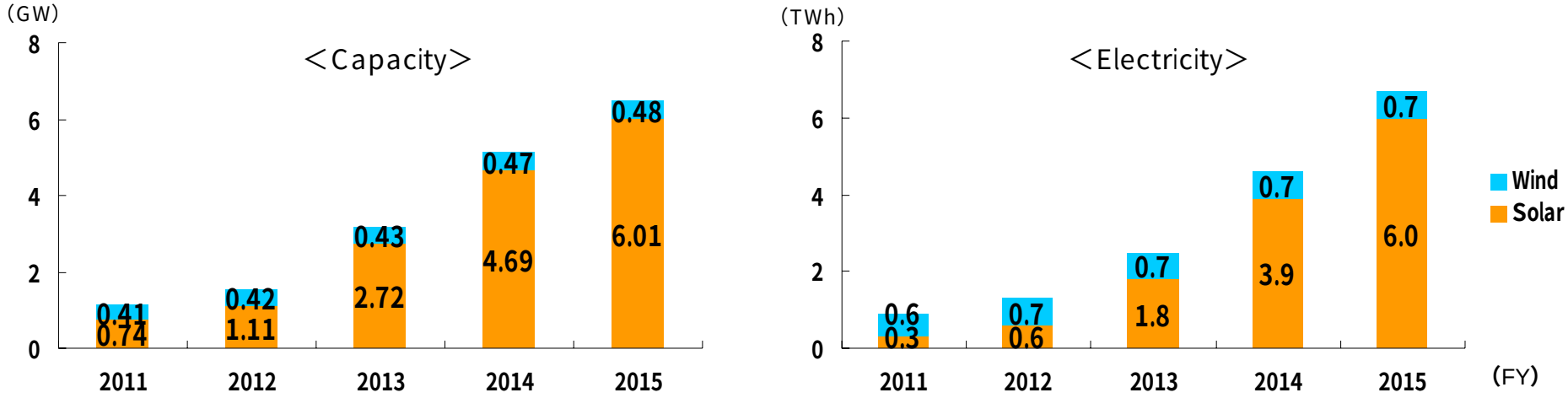


State of renewable energy sources

○ Application of renewable energy sources, mainly photovoltaic power generation, rapidly expanded after the introduction of the feed-in-tariff in 2012.

○ Output was controlled on the remote islands of Tanegashima and Iki as supply was expected to overwhelm demand.

[Introduction amount of Solar and Wind Power] ※amount that purchased from other companies



[Total introduced renewable energy of FY 2015] * Total of our company and others

Facility	Solar	Wind	Hydro	Geothermal	Biomass etc.	Total
Electricity amount(TWh)	6.0	0.7	6.3	1.3	0.4	14.7
Share of generated and purchased power output	7.0%	0.8%	7.3%	1.6%	0.4%	17.2%

※The total may not add up due to rounding

※Output was controlled on remote islands in response to increased installed capacity from renewable energy sources (as of May 5).

Tanegashima island	FY2015：7 times FY2016：5 times
Iki island	FY2016：5 times

Demonstration of large-scale batteries

○ In March 2016, we constructed Buzen Battery Substation, which has one of the largest power storage system capacities in the world.

○ We will carry out a demonstration to test efficient operation of the large-capacity power storage system while charging and discharging the batteries in order to improve the supply-demand balance in accordance with photovoltaic power generation output.

[Large-capacity power storage system demonstration project for improved supply-demand balance (subsidized by the national government)]

■ Demonstration

○ Improvement of the supply-demand balance with a power storage function comparable to pumped-power storage generation.
○ Frequency adjustment and efficient operation of the power storage system in addition to continued validation of grid voltage control.

■ Output

50MW
(electricity volume：300MWh)

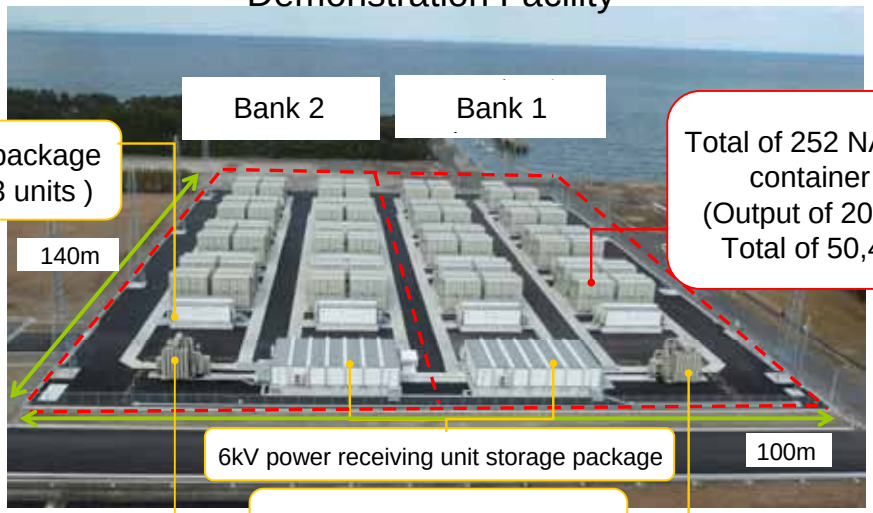
■ Location

in Buzen thermal power station
(Buzen city, Fukuoka prefecture)

■ Period

FY2015～2016

Demonstration Facility



Site area of ca. 14,000㎡

Activities for resuming operation of the Genkai Nuclear Power Station

Status of the conformity review of Units 3 and 4 of the Genkai Nuclear Power Station

○ With respect to the risks imposed by earthquakes and tsunamis, we presented a summary on volcanic activity in the February 26 review meeting following an on-site inspection by the Nuclear Regulation Authority last December.

○ A review meeting was convened on March 31 to resume the national review of plants, to which our company is responding with the best of intentions.

○ We are drafting amendments and other materials for review to apply for approval of the construction plan and modified operational safety program along with the application for approval of changes to reactor installation.

＜July 12, 2013＞

Application for conformity to new regulatory standards

Permission for changes to Reactor Installation

Approval for Construction Plans

Approval for Changes to Safety Regulations

＜September 12, 2014＞

All explanations have been given and most items with respect to earthquakes and tsunamis have been confirmed.

Standard Seismic Motion

■ reflecting active faults around the station
：Largest 540gal

■ reflecting the earthquake south of the Rumoe Branch Office in Hokkaido
：Latgest 620gal

Maximum Tsunami Height

–Sea level +around 4m (the plant site：11m above sea level)

＜November 20, 2015＞

■ We submitted materials (summaries) for review by the Nuclear Regulation Authority to obtain approval of the changes to the reactor installations.

■ Review of volcanic activity, the ground, earthquakes, and tsunamis was resumed after an approximately one-year interval.

＜Feburary 26, 2016＞

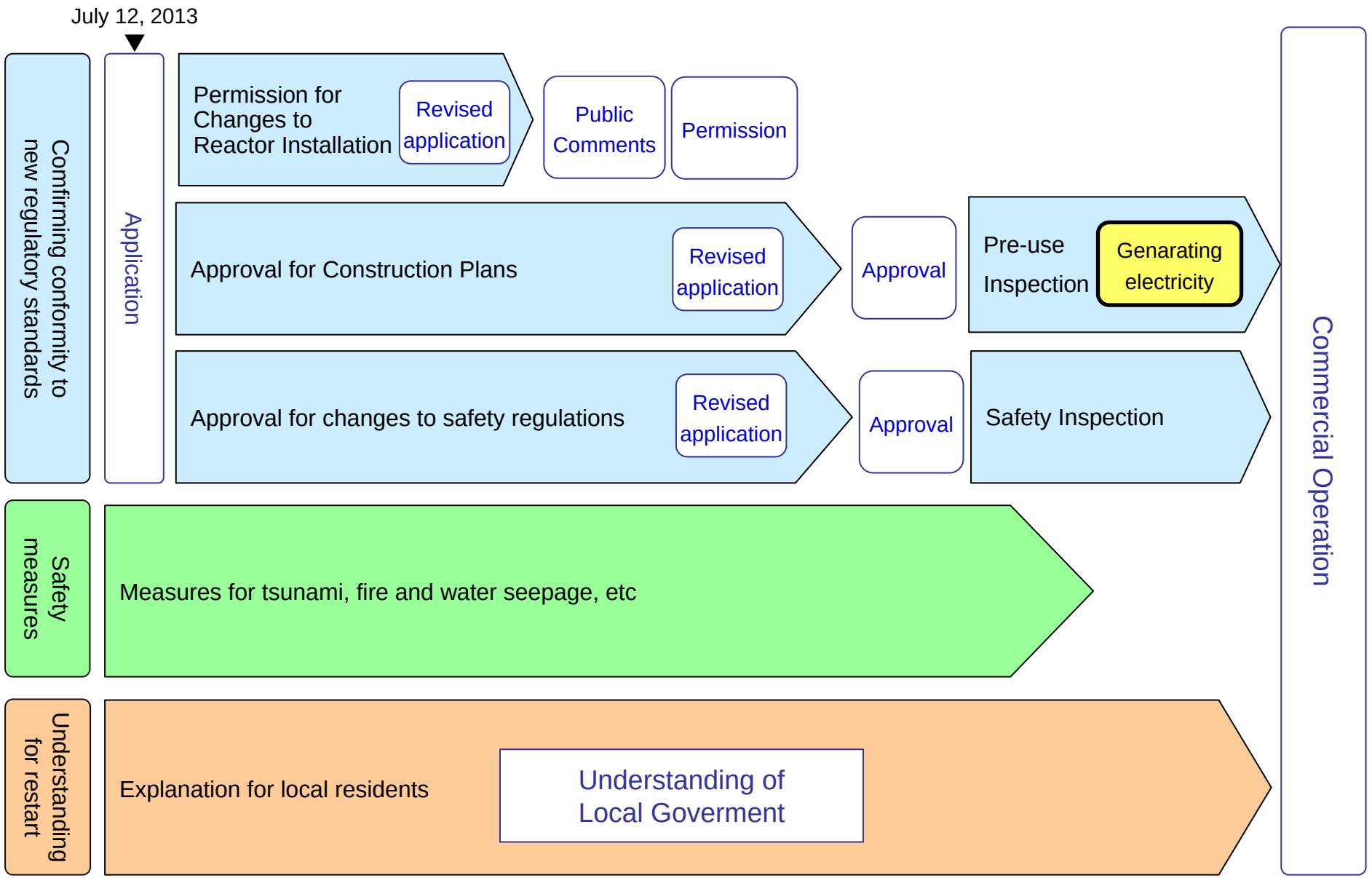
■ Verification of the volcanic impact assessment was mostly completed.

＜March 31, 2016＞

■ During the plant review of the Genkai NPS Units 3 and 4, we made an explanation regarding unaddressed items and points previously brought to light by other plants.

■ We are giving explanations as necessary for early application of amendments based on the materials we have submitted so far.

[The schedule for restart of Genkai Nuclear Power Station No.3 and 4]



Construction to improve safety

○ Construction work to further improve safety is underway in addition to the work planned in July 2013 when we filed the application for the conformity review.

Completed

○ Foundation work to consolidate the grounds where mobile large-scale power generators are installed
○ Installation of an electric hydrogen combustion unit (diversification of means to prevent hydrogen explosions inside the containment), etc.

Under construction

○ Additional installation of fire detectors and halon fire extinguishers
○ Installation of nets and other means of protecting safety-related equipment from flying objects (following the practices of other plants)
○ Reinforced support to enhance seismic safety

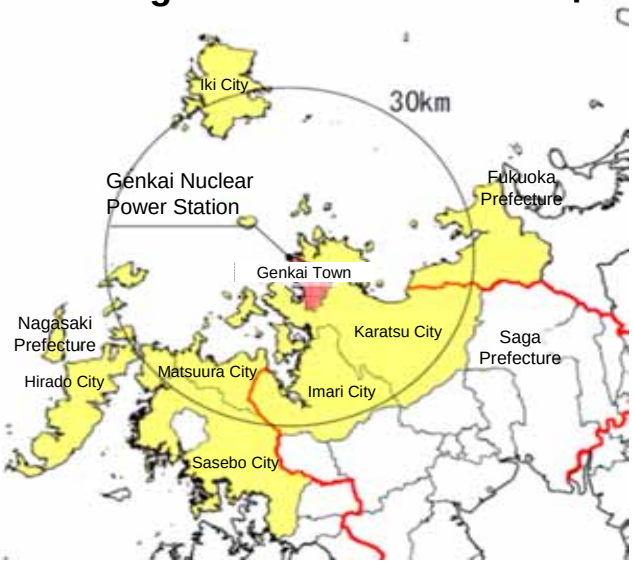
Understanding of local governments

○ Following the accident at the Fukushima Daiichi Nuclear Power Station, we signed the Agreement on Nuclear Power with the municipalities surrounding the Genkai Nuclear Power Station. An agreement that includes a commitment to swiftly provide information in the event of any emergency has already been signed between Genkai and Saga Prefecture, where the station is located.
○ We signed a safety agreement with Imari City in February 2016 after frequent consultations that started in September 2012.

[**Safety agreements, etc. signed with local governments**]

Date	Local Goverments
April 2012	Fukuoka pref., Itoshima City, Fukuoka City
June 2012	Nagasaki pref., Matsuura City, Sasebo City, Hirado City, Iki City
October 2012	Karatsu City
March 2013	Kumamoto Pref.
August 2013	17 cities and towns in Saga pref. (exclude Genkai Town, Karatsu City, Imari City)
Feburary 2016	Imari City

[**30-km range from the Genkai NPS**]



(Reference) Ensuring safe, stable operation for Units 1 and 2 of the Sendai Nuclear Power Station

Ensuring safe, stable operation

○ We will expend all possible means to ensure safe, stable operation of Units 1 and 2 of the Sendai Nuclear Power Station, engage in voluntary and continued efforts to improve their safety and reliability, and thus strive to reassure local community members and gain their trust.

- Both Units 1 and 2 of the Sendai Nuclear Power Station met the new national standards after due reinforcement and augmentation in terms of safety measures against natural disasters and severe accidents. Thanks to constant efforts to ensure safe operation, Unit 1 resumed normal operation on September 10, 2015, and Unit 2 resumed operation on November 17, 2015.

- We are making efforts to install facilities for responding to specific severe accidents in order to further improve safety and reliability.

- Power station personnel and affiliated companies will work in unison to ensure continued safe, stable operation. We will share information proactively to ensure peace of mind among local community members and gain their trust.

(Reference) Shutdown periods for regular inspections (planned for FY 2016)

Sendai Unit 1: Oct. 6 – Dec. 11
Sendai Unit 2: Dec. 16 – Feb. 27

■ Monitoring of power station operation

■ Information published on our website

Reference Introduction of an in-house company system for the power transmission and distribution business, etc.

Business environment

Intensifying competition due to reforms to the power system and gas system

- Introduction of a licensing system (for power generation, transmission, distribution, and retailing) (2016)
- Total liberalization of electricity retailing (2016)
- Total liberalization of gas retailing (2017)
- Legal division of power transmission and distribution (2020)

Organizational reforms

■Transmission and distribution business

introduce an in-house company to transmission and distribution business in order to ensure high neutrality on April, 2017

■Power generation and retail business

establishing organization with swiftness and flexibility on power generation and retail business in order to survive intense competition

(Reference)

■ In response to the total liberalization of electricity retailing and the introduction of a licensing system in April 2016:

- In FY 2015, we restructured our business operations in advance for each type of license, such as by establishing a distribution division and a sales division.
- We will properly operate transmission and distribution business, not using consignment information other than for intended purposes and not discriminating its treatments discriminatory, based on 'Guidelines for proper power transaction' established by government, because facing business entry of newcomer and introduction of license system on April, 2016.

Overview

○ This April, an agreement for mutual cooperation in the nuclear power business was signed among Kansai Electric Power Company, Chugoku Electric Power Company, Shikoku Electric Power Company, and our company.

Cooperation in the event of a nuclear disaster

Purpose	To promptly respond through mutual cooperation, including dispatch of supporters and provision of materials and equipment, by making the most of the four companies' geographical proximity.
Key areas of cooperation	1. Dispatch of supporters In addition to cooperation based on existing agreements, the four companies will dispatch from 100 to 200 supporters. - Environmental radiation monitoring, inspection in the event of evacuations - Public relations through branches, sales offices, and so on - Operation of transport vehicles to power stations in need 2. Provision of materials and equipment In addition to increased supplies according to existing agreements, each company will provide available materials and equipment. (Examples) Heavy machinery for removing debris, cistern trucks, and Tyvek suits 3. Assistance such as advice provided from the top management of nuclear departments of other companies to the company experiencing the disaster through videoconferencing 4. Regular drills for participants from each company

Cooperation in decommissioning

■ Purpose: To enhance the safety of decommissioning and respond to reviews

■ Main areas of cooperation: Discussion of technologies and procurement involved in major construction, information sharing regarding decommissioning status

Cooperation in installation of facilities for responding to specific severe accidents

■ Purpose: To enhance safety related to facility installation in order to respond to specific severe accidents and respond to reviews

■ Main areas of cooperation: Discussion of unified specifications for facilities and information sharing regarding existing plants' statuses

(Provisional title) Overview of the construction plan for Sodegaura Thermal Power Station in Chiba

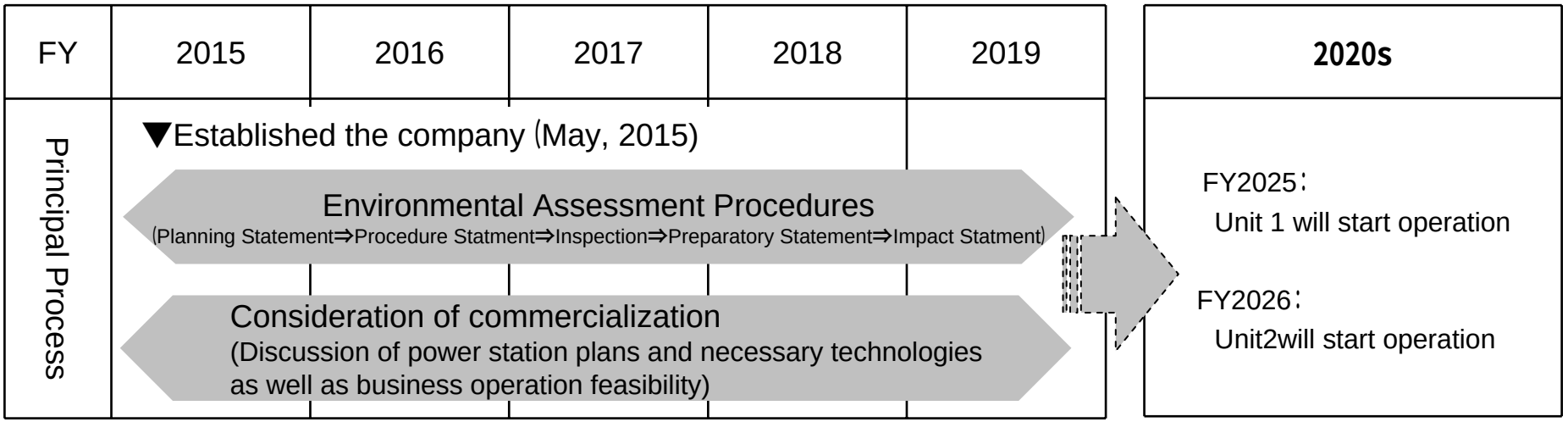
○ Our company has forged an alliance with Idemitsu Kosan and Tokyo Gas. The three companies established Chiba Sodegaura Energy (CSE) in May 2015 after agreeing to consider development of a coal-fired thermal power station with a maximum capacity of two million kW.

○ In January 2016, CSE submitted a report on the environmental impact assessment method to the Minister of Economy, Trade and Industry, which was also sent to the governor of Chiba Prefecture and three mayors (of Sedegaura, Kisarazu, and Ichihara). This report was made available for public inspection from February 1 to March 1 of the same year.

[Outline of power station Plan]

Place (Headquarter)	Sodegaura City, Chiba Pref.	Output	Maximum 2GW (Unit1 : 1GW、Unit 2 : 1GW)
System	Ultra-super critical (USC) power generation	Start of Operation	Unit1：FY2025(scheduled) Unit2：FY2026(scheduled)
Fuel	Coal（Burning a mixture of biomass and coal is also under consideration）		

[Outline of Schedule for Start of Operation]



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Reference Overview of the Kumamoto earthquakes and their impact on our company

Overview of earthquakes and associated blackouts

○ Beginning on April 14, earthquakes with a maximum intensity of 7 caused blackouts among up to 476,600 households around their epicenters in the Kumamoto region of Kumamoto Prefecture.

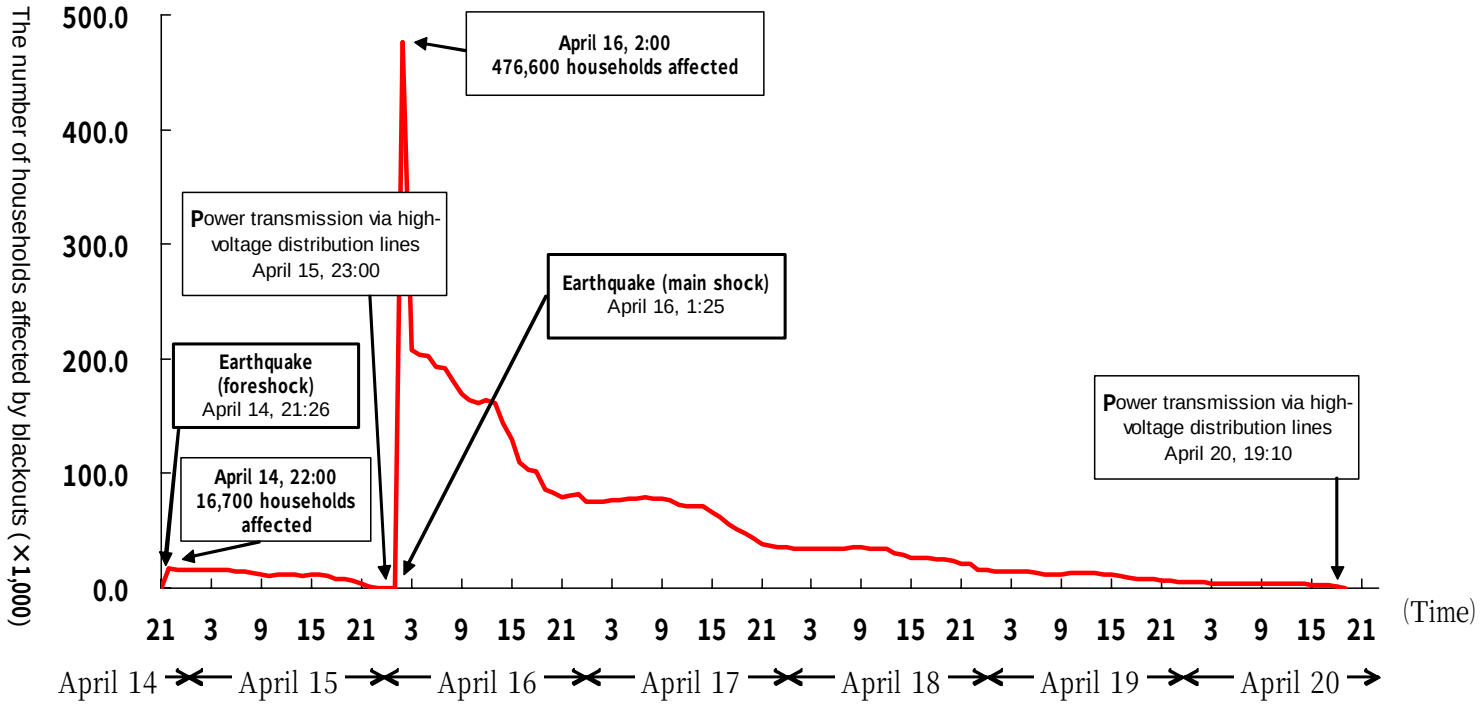
○ Up to 3,600 workers throughout the entire group were mobilized for the recovery operation, which was assisted by about 600 additional supporters from other electric power companies. By April 20, power transmission to high-voltage distribution lines was complete except for segments where landslides, damaged roads, and the like had made recovery impossible.

○ Power was supplied by generator trucks to the villages of Aso, Takamori, and Minami-Aso, which were affected by mudslides. Provisional recovery work was completed on April 27 via alternative routes. Power supply has now been switched back to supply from a substation.

[Overview of main shock]

Date and time	April 16, 2016 at 1:25	Magnitude	M7．3
Location and depth of epicencer	Kumamoto region, Kumamoto Pref. at a depth of ca.12km	Intensity	7 ：Mashiki and Nishihara Village in Kumamoto Pref. 6+：Minami-Aso Village in Kumamoto Pref.

[Blackouts]

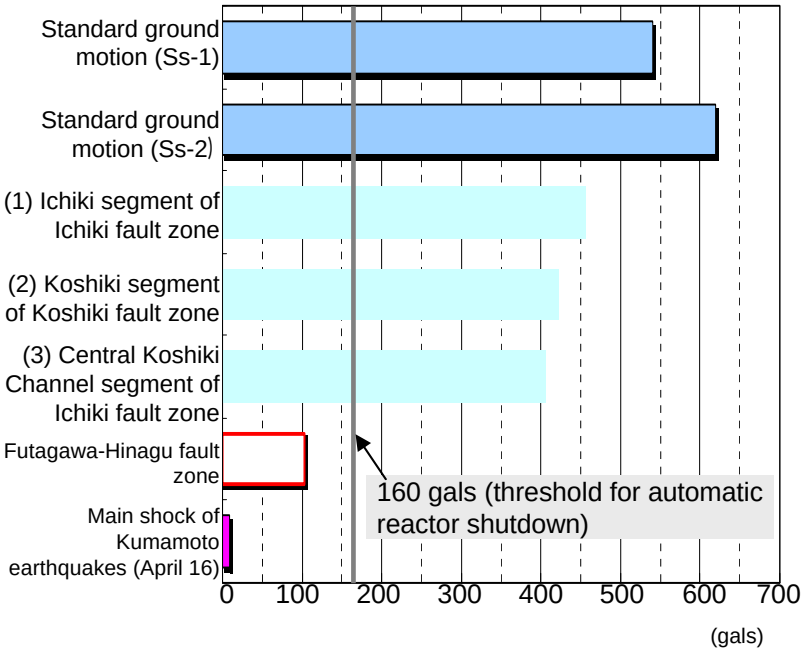


Safety of the Sendai Nuclear Power Station against the Kumamoto earthquakes

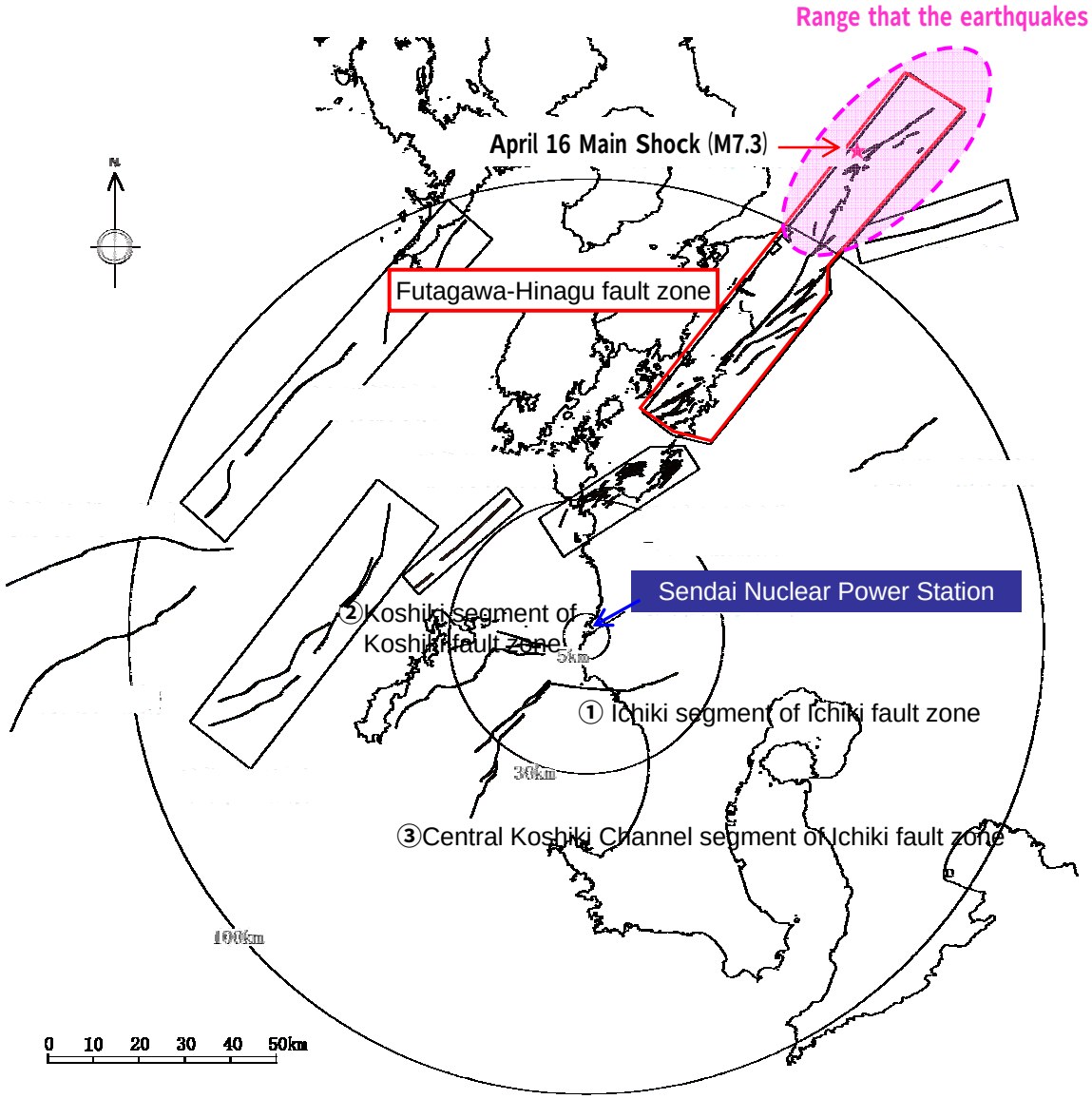
- ○ Standard ground motion was determined by assuming an earthquake of around 100 gals caused along the entire Futagawa-Hinagu fault zone (M 8.1).
- ○ Standard ground motion Ss-1 of 540 gals was determined by considering three active faults that are near the site and that affected more than the Futagawa-Hinagu fault zone. Ground motion Ss-2 of 620 gals was determined without specifying an epicenter.
- ○ The Sendai Nuclear Power Station is designed to safely and automatically shut down in the event of an earthquake of 160 gals with a sufficient margin against these standard ground motions.
- ○ The recent earthquakes were associated with dislocation of part of the Futagawa-Hinagu fault zone (M 7.3). The observed earthquake of 8.6 gals is much smaller than standard ground motions and the threshold for automatic reactor shutdown.

Comparison between assumptions for establishing standard ground motions and observation records

Earthquake name	Magnitude	Distance from site	Degree of shaking	
Assumption for establishing standard ground motions				
Ground motion determined by identifying an epicenter for each site (Ground motion determined based on active faults around the site)				
(1) Ichiki segment of Ichiki fault zone	M7.2	ca. 12 km	ca. 460 gals	540 gals (Ss-1)
(2) Koshiki segment of Koshiki fault zone	M7.5	ca. 26 km	ca. 420 gals	
(3) Central Koshiki Channel segment of Ichiki fault zone	M7.5	ca. 29 km	ca. 410 gals	
Futagawa-Hinagu fault zone	M8.1	ca. 92 km	ca. 100 gals	
Ground motion established without specifying an epicenter	—	—	620 gals	
Threshold for automatic reactor shutdown	—	—	160 gals	
Observation record [2016 Kumamoto earthquakes (part of the Futagawa-Hinagu fault zone)]				
Main shock (April 16, 2016 at 1:25)	M7.3	ca. 116k m	8.6 gals	



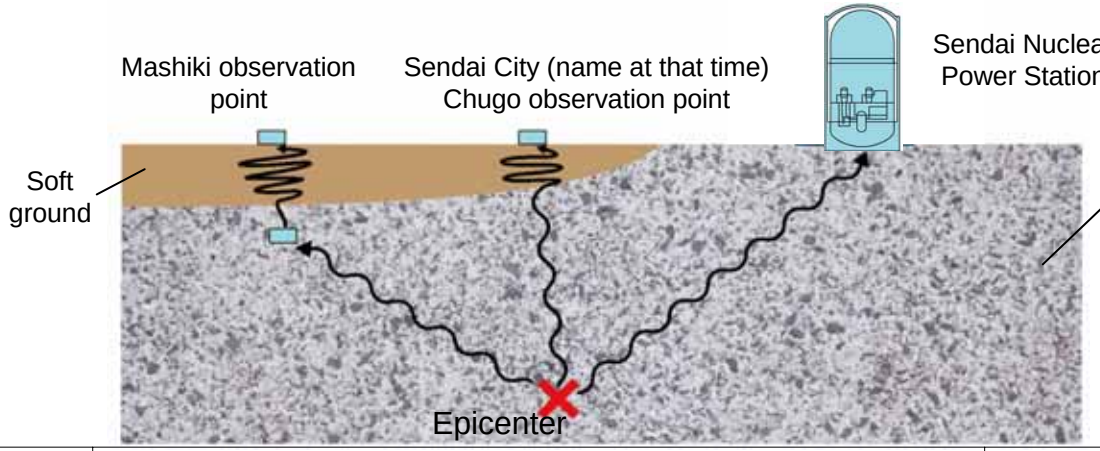
(Active faults around Sendai Nuclear Power Station)



Different degrees of shaking at the Sendai Nuclear Power Station and surrounding observation points

- ○ The foreshock of the earthquake on April 14 (M 6.5) caused a major shaking of 1,580 gals observed in Mashiki, Kumamoto Prefecture (resulting from three components of 760 gals north-south, 925 gals east-west, and 1,399 gals up-down), which is thought to be associated with the soft ground.
- ○ Sendai Nuclear Power Station stands on hard rock, which is less likely to experience major shaking.
- ○ In Mashiki, Kumamoto Prefecture, there are two observation points at the same location – one on the ground surface and another underground. The former, which is on soft ground, registered shaking of 1,580 gals, while the latter, which is on hard rock, experienced a maximum shaking of 237 gals.
- ○ In another earthquake that hit northwestern Kagoshima in May 1997, Chugo in Sendai City (name at that time), which is located on soft ground, experienced shaking of 470 gals, while the Sendai Nuclear Power Station, which is on hard rock, experienced shaking of 68 gals.

Difference in shaking on soft ground and rock caused by actual earthquakes



- Standard ground motion for the Sendai Nuclear Power Station (620 gals on hard rock) would cause major damage with an intensity of 7 in the urban area of Satsuma Sendai located on soft ground. The power station has a sufficient margin to withstand such shaking.

	Mashiki, Kumamoto Prefecture Foreshock (M 6.5) of Kumamoto earthquakes on April 14, 2016	**Sendai City (name at that time), Kagoshima Prefecture** Earthquake (M 6.4) in the northwestern part of Kagoshima Prefecture on May 13, 1997
Soft ground	[Observation point on ground surface]: Epicentral distance of 11 km North-south 760 gals, east-west 925 gals, and up-down 1,399 gals 1,580 gals Intensity of 7	[Chugo observation point in Sendai City (name at that time)]: Epicentral distance of 13 km 470 gals (maximum value in the horizontal direction) Intensity of 6-
Hard rock	[Observation point underground]: Epicentral distance of 11 km North-south 237 gals, east-west 178 gals, and up-down 127 gals	[Sendai Nuclear Power Station] Epicentral distance of 17 km 68 gals (maximum value in the horizontal direction)

Reference Initiatives to Achieve Greater Operational Efficiency

○ The group has been pursuing efficient management (140 billion yen reduction on average for three years), which was reflected in the spring 2013 price increase.
○ In FY 2015, we reduced costs in total by 267 billion yen, including a 114 billion yen reduction achieved by short-term measures to pursue further efficiency. Considering the gain of 4.4 billion yen on assets sold, the reduction achieved solely in FY 2015 was 153 billion yen.
○ Despite the unpredictable timing for resumption of operation of the Genkai Nuclear Power Station and the increase in costs associated with nuclear safety measures and reforms for power systems, we will pursue further efficiency in business operations in FY 2016 by cutting costs reflected in the price.

[Status of Operational Streamlining Initiatives]

※1 Figures in parentheses indicate nine cost items (outsourcing expense, rental expense, supplies expense, etc.) .
※2 Nuclear power was not operational in fi scal 2014, so the supply–demand balance is a preliminary calculation that differs substantially from rate costs.

(Billions of yen)

Item	Fiscal 2014 streamlining initiative results [A]+[B]	Cost of streamlining factored into electricity rate costs (2014 only) [A]	Streamlining efforts (2014 only) [B]	Cost of streamlining factored into electricity rate costs (2013–2015 average)
Maintenance costs	-910	-280	-630	-320
Miscellaneous costs, etc. ※1	-590 (-230)	-220 (-200)	-370 (-30)	-220 (-200)
Personnel costs	-250	-510	+260	-480
Fuel costs, cost of electricity purchases ※2	-520	-220	-300	-180
Depreciation expenses (capital expenditure)	-400	-300	-100	-230
Total [Excluding fuel costs and the cost of purchased power]	-2,670 [-2,150]	-1,530 [-1,310]	-1,140 [-840]	Reduction of around ¥14.0 billion

[Results of Asset Sales]

※3 Figures in parentheses indicate gains on sales

(Billions of yen)

Item	Sales results (2015 only) ※3	Sales results (total for 2013 to 2015) [A]+[B] ※3	Sales plan upon receipt of acceptance to raise the rate (total for 2013 to 2015) [A]	Streamlining effect [B]
Property	21 (20)	441 (390)	100	341
Available-for-sale securities	45 (24)	469 (327)	40	429
Total	66 (44)	910 (717)	140	770

【Establishment】

	Fuel	Station Name	Output	Construction schedule	
				Commencement of construction	Commencement of commercial operation
Under Construction	LNG	Shin Oita No.3×4	459.4MW	July, 2013	July, 2016
	Coal	Matsuura No.2	1,000MW	March, 2001	December, 2019
In preparation for construction	Nuclear	Sendai Nuclear No.3	1,590MW	TBD	TBD
	Geothermal	Otake	12.5→14.5MW	—	December, 2020

【Decommissioning】

Fuel	Station Name	Output	Schedule
Oil	Karita No.2	375MW	FY2017

【 Planed Shutdown 】

Fuel	Station Name	Output	Schedule
Oil	Ainoura No.1 and 2	875MW	FY2018～