Presentation Materials for IR meeting

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This material contains descriptions related to future performance. These descriptions do not guarantee that future performance, but involve some risks and uncertainties. Note that the future performance may vary with changes in conditions related to the management environment.

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KYUSHU ELECTRIC POWER CO.,INC.

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- Kyushu Electric Power Group Medium-term Management Policy[FY2015-FY2019]

Corporate Groups Providing Japan's Best Energy Services: Ultimately Ask the Kyuden Group for Energy!

(Important points in the Kyushu Electric Power Group Medium-term Management Policy and the Outline of the FY2015 Management Plan)

KYUSHU ELECTRIC POWER CO.,INC.

● Introduction

Up to now, we have continued to support the lives and economic activities of customers in the Kyushu region and grow together with the regional community by **delivering low-priced, high-quality energy in a stable manner**.

Recently, we formulated our medium-term management policy (FY2013 to FY2015) in April 2013 amidst the severe financial situation and supply-demand relations caused by suspension of operation of all our nuclear power stations, we have worked to achieve greater managerial efficiency, resume operation of the power stations, take measures to cope with such supply-demand relations, and gain greater public confidence.

On the other hand, looking at the external business environment, we are going to enter **a period of intense competition** in the years to come as **the full liberalization of the retail market due to the electric power system reforms is scheduled for 2016**.

Amidst this competitive environment, in order to achieve **our mission** to **"Enlighten Our Future"** and continue to be trusted and chosen by customers as an energy supplier, we need to accelerate our reforms on a group-wide basis. We therefore recently formulated the new **Kyushu Electric Power Group Medium-term Management Policy**, which covers the five years from FY2015 to FY2019.

This policy consists of **a vision of what we position we should be in 2030** and **the three main strategies** to attain the vision. It also shows **the priority measures we should take during the five-year period (from FY2015 to FY2019)**.

In addition, based on this policy, specific action plans are summarized in **the Outline of the Management Plan**.

We aim to achieve sustained growth and provide all stakeholders with enhanced value by pushing forward with these initiatives on a group-wide basis.

We ask all stakeholders to give their continued support and cooperation to our Group.

Kyushu Electric Power's mission

Make a brighter future for generations to come.

"Comfortable and environmentally friendly"
May such days be inherited by our children in future generations.
That is the intention of our heart.
We will continue to take the following 4 approaches, so that our intentions can be accomplished.

1. Provide energy that is friendly to the earth without fail or trouble
2. Maintaining the understanding of our customers
3. Thinking and acting with Kyushu, looking ahead to Asia and the world
4. Finding answers through discussions and taking action

● Kyushu Electric Power Group Medium-term Management Policy

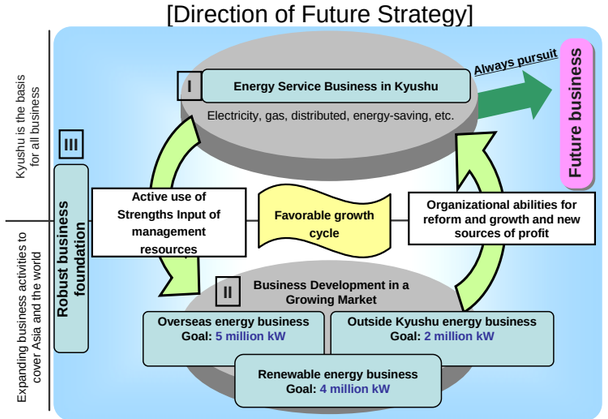
Vision for 2030

Corporate Groups Providing Japan's Best Energy Services:
Ultimately Ask the Kyuden Group for Energy!

Three pillars of strategy

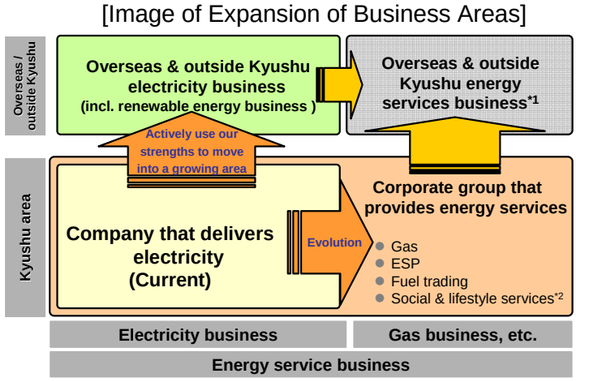
I. Grow into a corporate group that provides energy services in the Kyushu region where it operates as a company that delivers electricity and grows together with the local community and society by meeting the diverse needs of customers
II. Make the most of Kyuden Group strengths to achieve sustained growth through overseas energy, outside-Kyushu energy, and renewable energy businesses
III. Reinforce the organizational strength required for strategy implementation to establish a robust business foundation

[Direction of Future Strategy]



[Reference: Current generating power, etc.]
Overseas power generation (equity ownership in power output): 1.5 million kW
Renewable energy: 1.5 million kW

[Image of Expansion of Business Areas]



*1: In overseas and outside-Kyushu markets, for the immediate future, we will focus on the electricity business where we can display our strength in high-level maintenance and operation technology but will also enter energy service business starting from services that we can provide.
*2: Relationships with energy service business and projected synergistic effects will be taken into consideration.

● Outline of the FY2015 Management Plan

Pillar of strategy I

Meeting the diverse energy needs of customers in the Kyushu region

(1) Gaining more Kyuden fans through provision of diverse energy services

- We will not only make optimal system proposals for energy supply equipment that customers use but also provide **one-stop** services in which we undertake design, construction, operation, and maintenance on behalf of customers. (This energy service business is designed for corporate clients.)
- We are considering making customers' power consumption visible at our website's "Energy-saving, Comfortable Life" page starting from April 2016. Data on power consumption will be obtainable every 30 minutes through **smart meters**, which have been installed since November 2009. (This service is designed for ordinary households.)
- In addition to the wholesaling of **gas supplies** in the past, we will **enter the gas retail business in earnest** as part of our energy services as the retail market is fully liberalized. In order to meet customer needs through the optimal energy services, we will consider gas retail business systems and other requirements we should meet to enter the business.
- In order to continue to be trusted and chosen by customers as an energy supplier even after the full liberalization of the electricity retail market, we will work to **improve our services** mainly by pushing business reforms based on **the opinions of customers**.

(2) Enhancing the competitiveness of power sources and fuel procurement abilities

- In order to secure competitive and stable power sources with the full liberalization of the retail market in mind, we will work to develop **System No. 3 x 4 for the Shin-Oita Power Station** and a **Unit 2 for the Matsuura Power Station**.
- Firmly determined **not to cause accidents like the one that occurred at the Fukushima Daiichi Nuclear Power Station**, we will **continue** our **independent** initiatives to ensure further safety of **nuclear power generation**.
- In terms of fuel procurement, we will step up our efforts to address the entire fuel value chain such as introduction of **fuel trading** and promotion of **investments to acquire upstream interests**, thus ensuring more flexible fuel procurement and enhancing competitiveness.

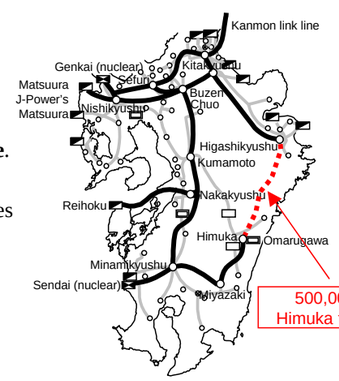
Conceptional drawing of the Matsuura Power Station Unit 2 at its completion

[Outline of the Matsuura Power Station Unit 2 plan]

Location	Matsuura City, Nagasaki Prefecture
Generating power	1 million kW
Power generation method	Pulverized coal-burning ultra-super critical (USC) thermal power generation
Fuel	Coal
Start of operation	June 2020

(3) Improving and making effective use of power transmission and distribution networks

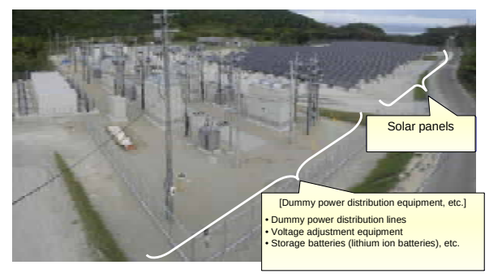
- We are working to construct mission-critical systems so that power supply is not cut off to wide areas even during replacement of old equipment scheduled for the future. Currently, we are building a **500,000-volt Himuka trunk line**.
- In the future, in order to ensure stable power supply, we will continue to take measures to connect renewable energy sources smoothly. As part of these initiatives, we will carry out a government-subsidized **test project to improve the supply-demand balance for large-capacity electricity storage systems**.
- In order to ensure that high-quality power is supplied in a reliable manner even if sunlight and other types of renewable energy whose output is unstable comes into wide use, we will conduct tests on both the supplier and user sides, obtain data that meet the conditions of our equipment and the characteristics of local markets, and examine such data, thus solving issues to be addressed in **building smart grids** in the future.
- In order to improve customer service and achieve operational sophistication, we aim to introduce **about eight million smart meters** for all customers in Kyushu by FY2023 (About 830,000 units had been installed by the end of FY2014).



[Construction of the 500,000-volt Himuka trunk line]

Length	About 124 km
Number of steel towers	291
Start of construction	November 2014
Start of operation	June 2019

[Legend]
: 500,000-volt transmission line
: 220,000-volt transmission line
: 500,000-volt Himuka trunk line being built in this project



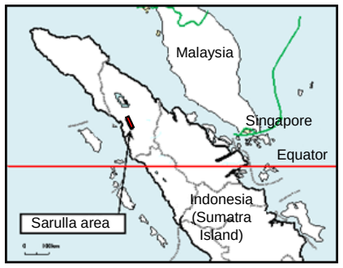
Smart grid test grounds (Satsumasendai City)

Pillar of strategy II

Developing in growth markets to make the most of the Kyuden Group strengths

(1) Strengthening the overseas electricity business [2030 goal for equity ownership in electricity output: 5 million kW (3.5 million kW more than the current level)]

- We will make the most of the technology and know-how we have accumulated in Japan and abroad to develop overseas electricity business focusing on **IPP projects** mainly in **Asia**, whose market has high growth potential.
- We will make effective use of the geothermal power generation technology we have gained through geothermal development in Japan to steadily implement the **Sarulla geothermal IPP project** in Indonesia where construction work is currently under way (generating power: 320,000 kW [three systems]; the generators will start operation in 2016 or thereafter as soon as they are online).
- Along with IPP projects, we will actively provide **consulting services in overseas** markets as an important pillar of our overseas electricity business.



Location of the Sarulla geothermal IPP project in Indonesia


View from a production test site

(2) Developing electricity business outside Kyushu [2030 goal for external power source development: 2 million kW (2 million kW more than the current level)]

- In addition to power transmission from inside Kyushu, we will work to develop power sources outside the region mainly through **alliances** with other companies.
- We recently agreed with **Idemitsu Kosan Co., Ltd.** and **Tokyo Gas Co., Ltd.** to form an **alliance** to consider developing coal-burning thermal power stations jointly. To that end, the three companies established the **Chiba-Sodegaura Energy Co., Ltd.** on May 1 of this year.
  Taking into consideration the impending full liberalization of the electricity retail market, the three partner companies will make the best use of the strength of their respective value chains and other assets to achieve safer, lower-priced, and more stable power supply, thus meeting the demands and expectations of society as energy companies. They will also aim at making the utmost effort to take appropriate environmental measures and contribute to local economies.

[Outline of the power station plan]

Planned site	3-1, Nakasode, Sodegaura-shi, Chiba-ken (The site is owned by Idemitsu Kosan)
Power generation method	Ultra-super critical (USC) power generation
Scale of power generation	Maximum: 2 million kW (1 million kW x two units)
Fuel	Coal (Burning a mixture of biomass and coal is also under consideration)
Start of operation	Scheduled for the mid-2020s

(3) Expanding renewable energy business [2030 development goal: 4 million kW (2.5 million kW more than the current level*)]

*** Breakdown: +800,000 kW for geothermal power; +200,000 kW for hydroelectric power; +1.1 million kW for wind power, and +400,000 kW for other in Japan and abroad**

- We will actively develop the **renewable energy business**, a globally growing market in Japan and abroad while taking into account possibilities for its stable supply and its environmental performance. We will make the most of the technology and know-how we have accumulated in Japan and abroad in the past to focus on **geothermal/hydroelectric** power generation. But we will also work on **ocean wind power** generation which has growth potential while taking into account the advancement of technological development.
- In July 2014, we founded **Kyuden Mirai Energy K.K.**, a new company that develops renewable energy sources in general to meet a wide range of needs of local communities through a **single channel**. As a responsible business operator in the local community where it operates, Kyuden Mirai Energy is working with us to implement power generation projects making the most of integrated technology and know-how that cover all processes from investigations and planning for various renewable energy sources construction to operation and maintenance and to provide customers with related services.


A scene from a well production test at the Sugawara Binary Cycle Power Station

- We have constructed the **Sugawara Binary Cycle Power Station** (5,000 kW) making effective use of the geothermal wells owned by Kokonoe Town of Oita Prefecture and aim at starting its operation in June 2015. This is Japan's first geothermal power development project that involves collaboration between a local government and a private enterprise (Kyuden Mirai Energy).
- In order to develop new geothermal power stations, we plan to dig wells to assess the geothermal resources available in the northern part of Mt. Hiiji in Oita Prefecture.
- Kyuden Mirai Energy is working with other companies to study and test **ocean wind power** generation, a project outsourced by the New Energy and Industrial Technology Development Organization (NEDO).


Ocean wind power generation (illustration)
Source: Website of the New Energy and Industrial Technology Development Organization (NEDO)

Pillar of strategy III

Establishing a robust business foundation

(1) Developing innovative human resources who take on new challenges

- Through initiatives aimed at **promoting active communication, cultivating a sense of unity in the workplace**, and so forth, we will create an awareness of the need to take on new challenges and develop innovative human resources who will lead business improvements and reforms.

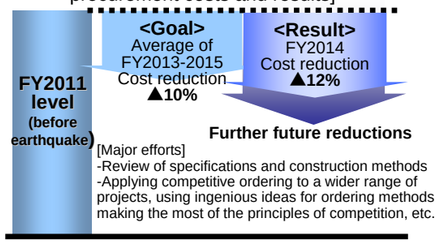
(2) Creating organizations that respond swiftly to changes

- With the full liberalization of the electricity retail market and other factors in mind, we will work to establish systems to enhance competitiveness and give shape to group management functions as we shift from a company focusing on the electrical power business to a corporate **group that provides energy services**.

(3) Bolstering the financial foundation of the Kyuden Group as a whole and enhancing its competitive power

- The Kyuden Group will make united, all-out efforts to achieve **greater efficiency** in all its business activities and enhance its competitiveness, thus improving its profitability and reconstructing its financial foundation.
- We will make effective use of the **Procurement Reform Promotion Committee**'s external knowledge to promote material/equipment procurement reforms, create a greater cost awareness of the need for continuous cost reductions, and step up cost management.
- From the perspective of reducing fuel consumption, we are striving to improve thermal efficiency at thermal power stations by **replacing** existing equipment with **high-efficiency equipment**.

[Goal for reduction in material/equipment procurement costs and results]



[Major efforts]
-Review of specifications and construction methods
-Applying competitive ordering to a wider range of projects, using ingenious ideas for ordering methods making the most of the principles of competition, etc.

(4) Pursuing safety and security

- We will basically give top priority to **safety and security** in all our business activities.
- We have established internal systems so that if a **multiple disaster** that involves both a natural one (such as earthquakes and tsunami) and a nuclear one occurs, a natural disaster response headquarters and a nuclear one will be combined to form a comprehensive center for integrated action. In the future, mainly through company-wide drills, we will examine the effectiveness of our multiple disaster response system, division of roles, and other aspects of preparedness and make necessary improvements. Thus we will enhance our abilities to respond to such disasters.
- We are keenly aware that there is no end to efforts to ensure the safety of nuclear power and will strive to step up **risk management** under the top managers' strong leadership. We will also promote **face-to-face** communication with local residents and reflect their opinions on Kyuden initiatives to pursue safety and security.

(5) Ensuring thorough CSR management

- We will grasp the opinions and requests of customers, local communities, and society as a whole about our efforts for corporate social responsibility (CSR) more firmly than ever before and promote initiatives for responding to them. At the same time, we will step up our efforts to implement the **management cycle** to convey the results of such initiatives to the wide spectrum of society through CSR reports, websites, and other media.
- In order to become an eco-friendly corporate group, we will give priority to environmental protection programs such as the burning of fields in the **Kuju Bogatsuru wetlands** in Oita Prefecture.
- We will push **compliance management** through initiatives for raising the awareness of employees, including training based on group discussions, and those for reducing legal risks, including creation of manuals aimed at spreading legal knowledge.
- Considering opportunities for **communication** with customers as important, we will strive to reflect their opinions collected on various occasions and through various points of contact on business administration at Kyuden and **communication information** in a swift, easy-to-understand way.
- We will work on collaborative activities with local residents on a group-wide scale. One example is **Korabora Q-den, a volunteer activity** aimed at solving local problems in cooperation with NPOs and other groups.


Kuju Bogatsuru wetlands and Mt. Hiiji (Oita)


A scene from the burning of a field

Korabora Q-den
Logotype for Korabora Q-den


[Korabora Q-den]
Project to build terraces at the courtyard of the Aya junior high school (Miyazaki)


[Korabora Q-den]
Environmental protection activities at Niji-no-Matsubara (Saga)

Kyushu Electric Power Group Medium-term Management Policy [FY2015-FY2019]

Aiming to become a corporate group that provides Japan's best energy services
—Everyone eventually asks the Kyuden Group for energy!—

April 2015

Kyushu Electric Power Co., Inc.

KYUSHU ELECTRIC POWER CO.,INC.

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1. Introduction

- Up to now, we have continued to support the lives and economic activities of customers in Kyushu region and grow together with the regional community by delivering a stable supply of low-priced, high-quality energy.
- Recently, we formulated the medium-term management policy (FY2013-FY2015) in April 2013, and amidst the severe financial situation and supply-demand relations caused by the suspension of operation of all our nuclear power stations, we have worked to achieve greater managerial efficiency, resume operation of power stations, take measures to cope with such supply-demand relations and gain greater public confidence.
- On the other hand, looking at the external business environment, we are going to enter a period of real competition in the years to come as the full liberalization of the retail market due to the electric power system reforms scheduled for 2016.
- In this competitive environment, in order to achieve our mission “Enlighten Our Future” and continue to be trusted and chosen by customers as an energy supplier, we need to accelerate our reforms on a group-wide basis. We therefore recently formulated the new Kyushu Electric Power Group Medium-term Management Policy, which covers the five years from FY2015 to FY2019.

* In the future, the basic principle is that each member of the Kyuden Group develops their business independently, but the Group also needs to work as one team since business growth will be even harder than before. Therefore, we have revised the previous Kyushu Electric Power Medium-term Management Policy and renamed the revised one the Kyushu Electric Power Group Medium-term Management Policy.

* We will reexamine the quantitative financial goals when we become confident that we can resume operation of all our nuclear power stations (Sendai’s Units 1 and 2 and Genkai’s Units 3 and 4) for which we have filed applications for examinations to ensure conformity to the new regulatory standards.

(Reference) Recognition of the business environment

- While the population and energy demand in the world are increasing, the population and energy demand in Japan are decreasing.
- With the full liberalization of the electricity and gas retail markets in mind, players are forming alliances and competing with one another in earnest across industry boundaries.
- With the introduction of the feed-in tariff system, renewable energy is spreading rapidly.
- While nuclear power is positioned as an important base load power source that continues to contribute to the stability of energy supply-demand structure, there are many uncertain factors involved such as spent nuclear fuel, nuclear damage compensation systems, and regulatory risks.
- There are also growing expectations for fossil fuel since unconventional types of fossil fuel can be used effectively.

2. Long-term vision

- In order to continue to be trusted and chosen by customers in the future competitive environment, it is necessary to continually take on the mission of stable power supply and maintain our enthusiasm for fulfilling the mission as in the past, as well as outgrow our policy of controlling the overall costs while pursuing operational efficiency and service improvement.

- The Kyuden Group strives to continuously enhance its corporate value by taking a hard look at the future, aiming high and working to move forward as one team to succeed in its business activities.

(1) Vision for 2030

Aiming to become a corporate group that provides

Japan's best energy services

—Everyone eventually asks the Kyuden Group for energy!—

We aim to become a corporate group that provides Japan's best energy services by encouraging each and every one of our employees to display leadership at their workplaces.

2. Long-term vision

	Basic policy
Services	○ Aim at Japan's highest level of customer satisfaction by providing diverse services including not only electrical power but also gas and other types of energy, focusing on customers more than any other company, and making swifter managerial decisions.
Competitive power	○ Taking maximum advantage and further developing the strengths we have cultivated in various fields to acquire the technological capabilities that we can proudly claim as Japan's best in each field. (Examples include operation of power stations, geothermal development, and response to emergencies and disasters.) ○ Aim at Japan's highest level of productivity through constant daily business improvements and reforms.
Organizational strength	○ Develop a group of highly motivated employees who view the competitive environment positively and take on new challenges. ○ Energize communication within the group to create a closely united corporate group that is more vibrant and active in Japan.

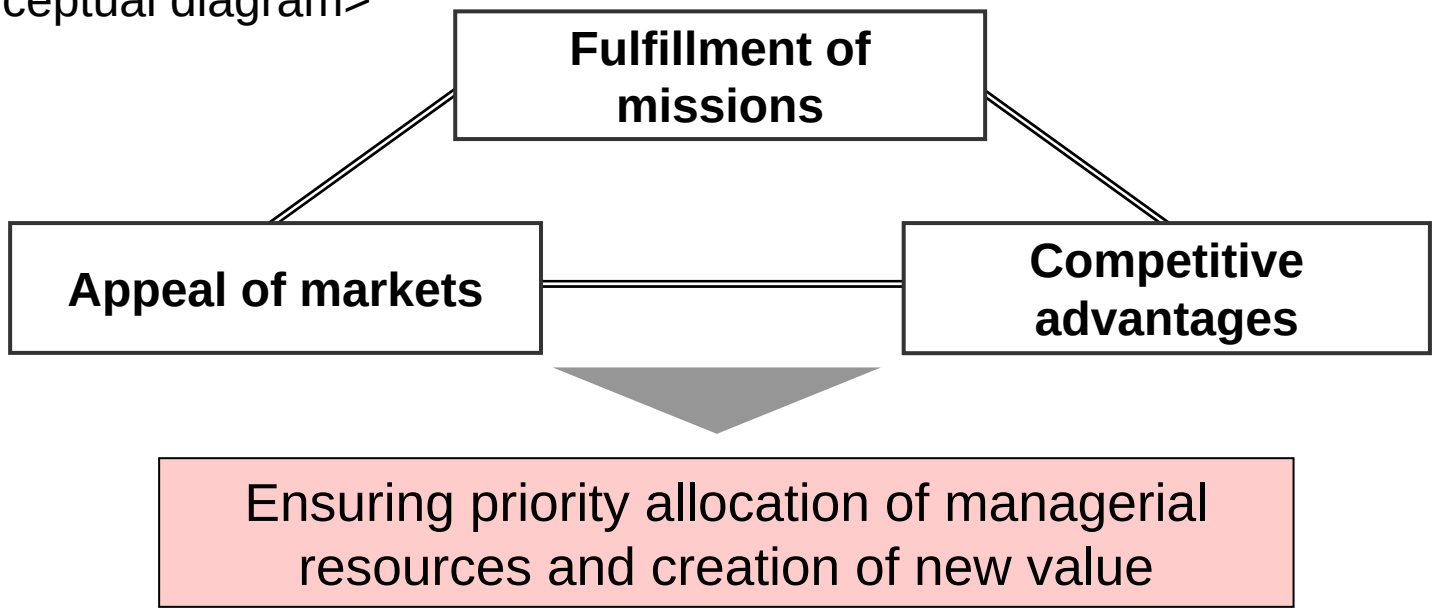
2. Long-term vision

(2) Perspectives to devise strategy

○ Consider medium- to long-term strategy from the perspectives listed below in order to attain a vision of where we should be in 2030.

- Fulfill Kyushu Electric Power's mission
- Attractiveness of markets (market growth potential and competitiveness)
- Competitive advantages (making the most of and further developing Kyuden Group strengths and obtaining synergistic effects among businesses)

<Conceptual diagram>



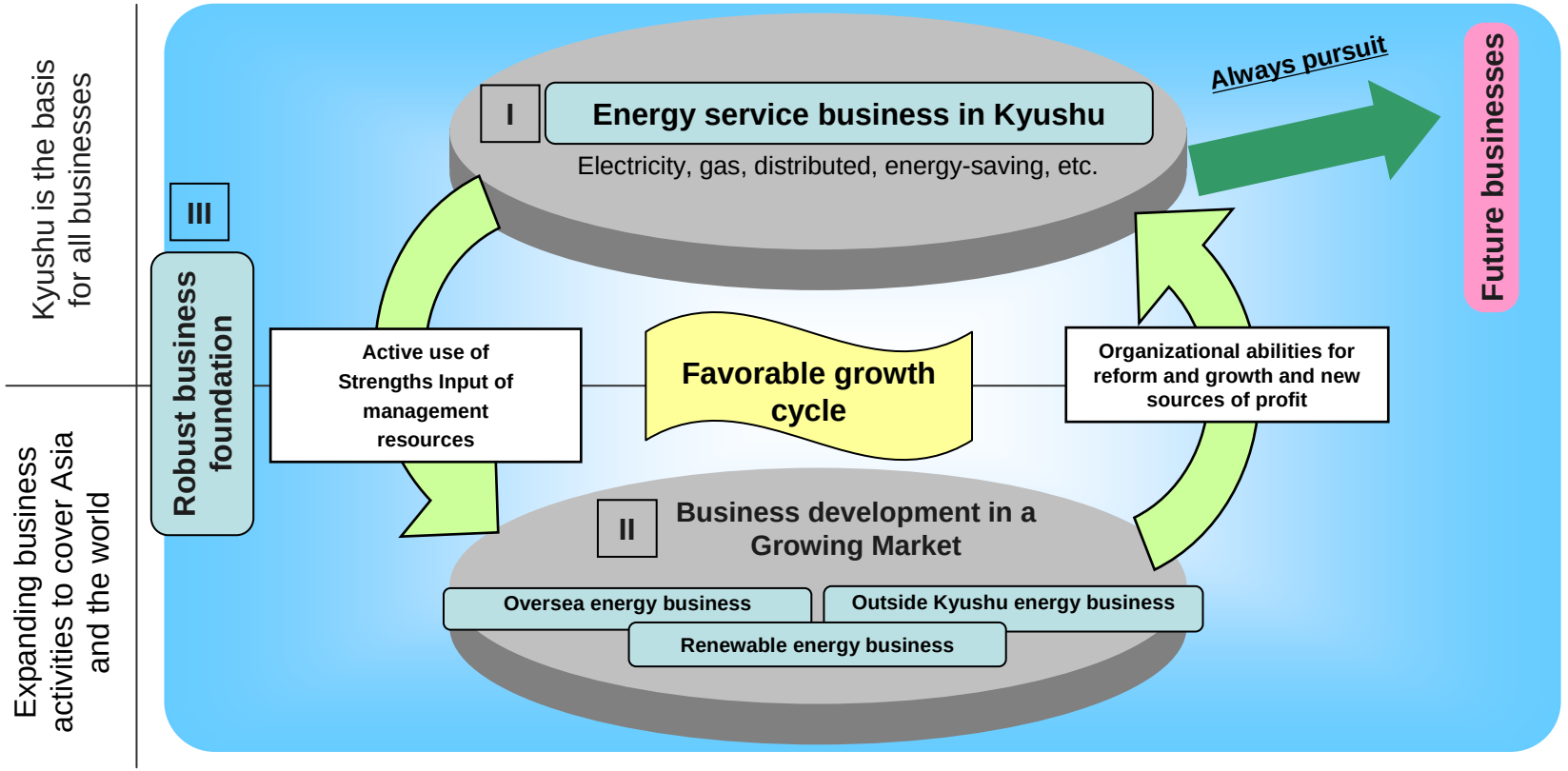
2. Long-term vision

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

I. Grow into a corporate group that provides energy services in Kyushu where we operate from a company that delivers electricity and develops together with the regional community and society by meeting the diverse energy needs of customers

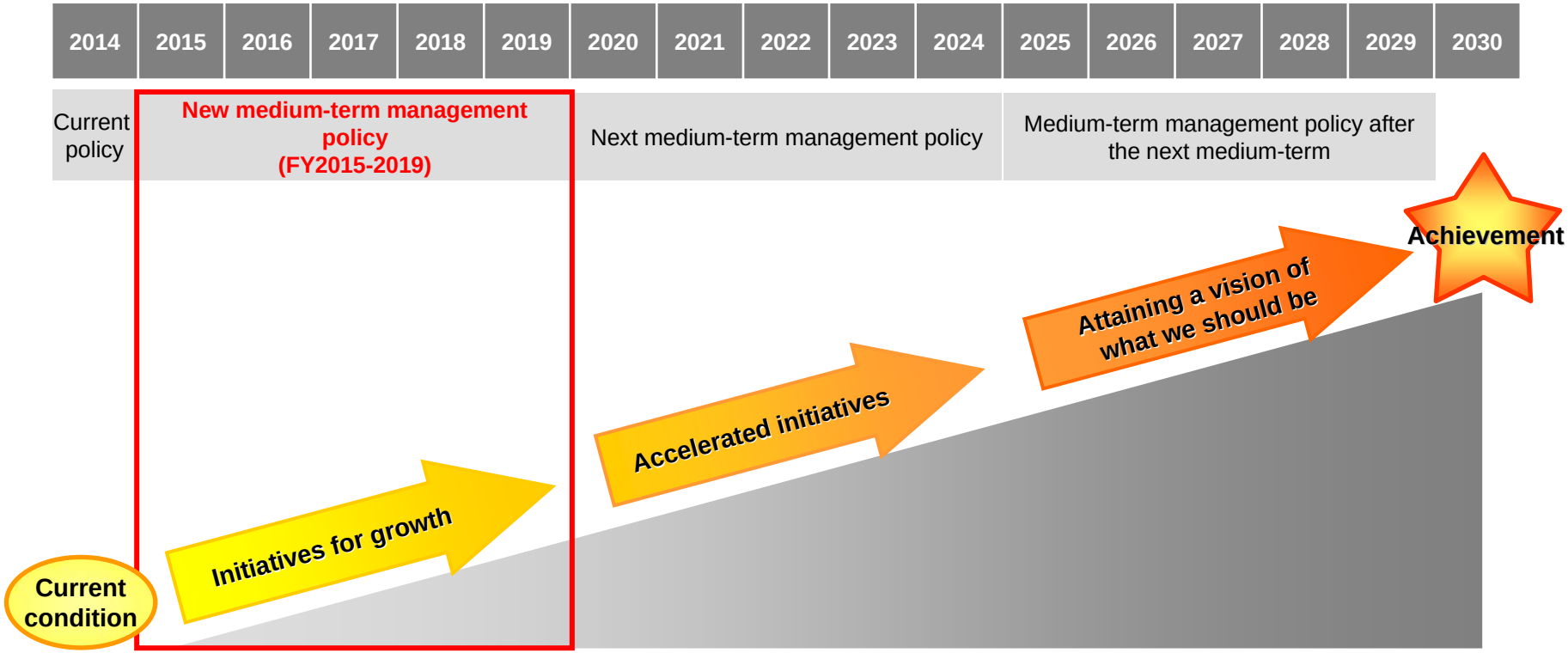
II. Make the most of the Kyuden Group strengths to achieve sustained growth through energy service businesses for overseas and outside Kyushu and renewable energy business

III. Enhance the organizational strength required to implement strategies to establish a robust business foundation



2. Long-term vision

(4) Growth roadmap



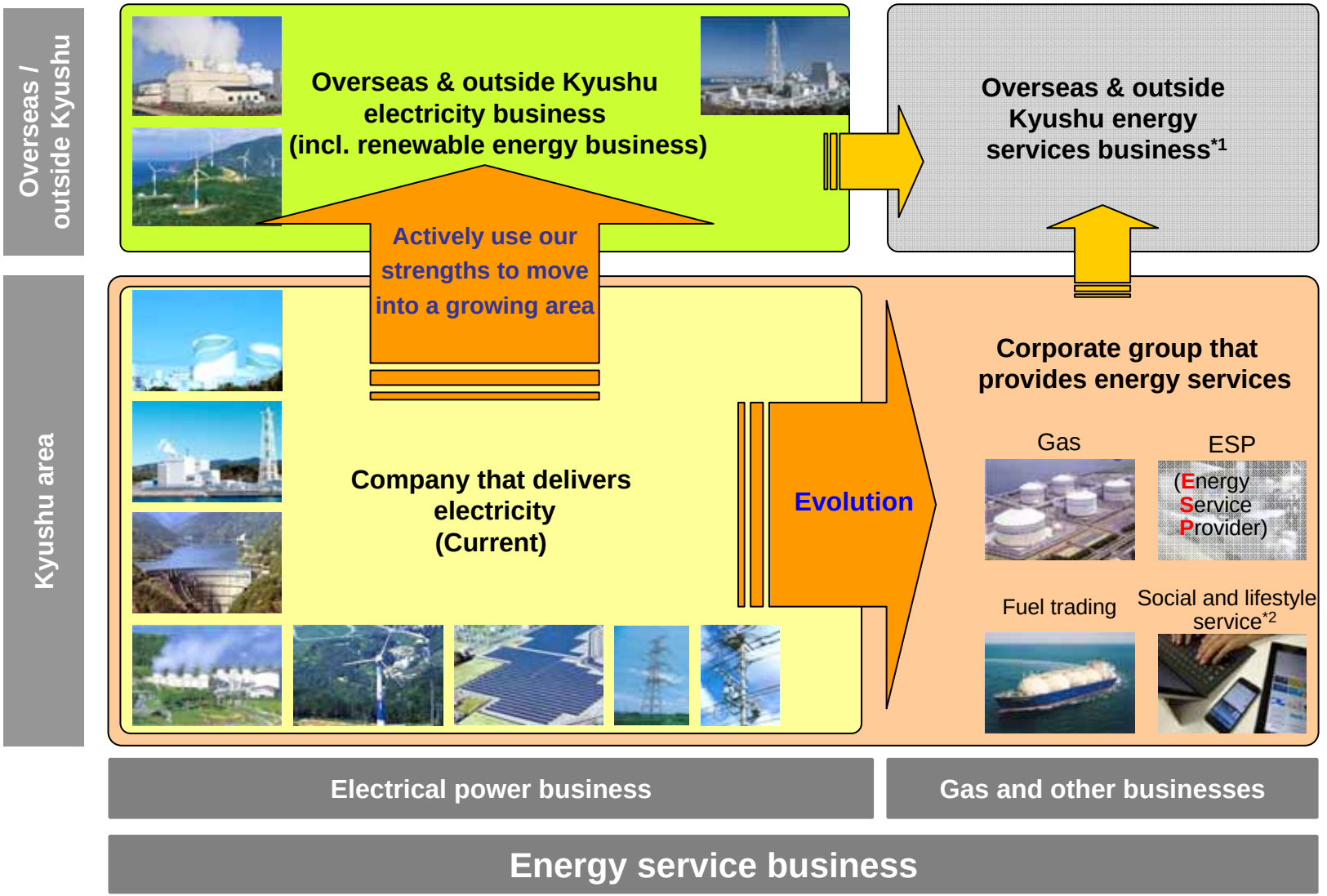
[Goals for growth businesses]

	Current		2030
Equity ownership in overseas electricity output	1.5 million kW	→	5 million kW (3.5 million kW more than the current level)
Amount of power sources developed outside Kyushu	–	→	2 million kW (2 million kW more than the current level)
Amount of renewable energy developed	1.5 million kW	→	4 million kW (2.5 million kW more than the current level*)

* The breakdown is +800,000 kW for geothermal power, +200,000 kW for hydraulic power, +1.1 million kW for wind power, and +400,000 kW for other types of energy in Japan and abroad.

2. Long-term vision

(5) 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: Relationships with energy service business and expected synergistic effects will be taken into consideration.

3. Priority initiatives

○ Priority initiatives for the next five years to attain a long-term vision

Pillars of strategy	Priority initiatives
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 strengths to develop in growth markets	(1) Strengthening overseas electricity business
	(2) Developing electrical power businesses outside Kyushu
	(3) Expanding renewable energy business
III. Establishing a robust business foundation	(1) Developing innovative human resources 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

I. Meeting the diverse energy needs of customers in Kyushu

- Develop together with the local community and society as a whole by meeting the diverse energy needs of customers in Kyushu where the Kyuden Group is based

(1) Acquire more Kyuden fans by providing diverse energy services

[One-stop energy services (for corporate clients)]

- ○ Energy-related sales operations will be integrated into Kyuden's retail operations to offer all optimal combinations of energy services through a single channel.

[Services closely tied to the lives of customers (for ordinary households)]

- ○ Service menus that suit the lifestyles of customers will be offered to provide entertainment and excitement.

[Gas business]

- ○ In addition to the previous wholesaling of gas supplies, we will start retail sales gas in earnest as part of our energy services.

[Reflecting customer needs on energy services]

- ○ The opinions of customers will widely be collected through business activities and used to improve the services and create new ones.
- ○ Social and lifestyle service businesses will be restructured taking into consideration their relationships with energy service business and synergistic effects between the two.

I. Meeting the diverse energy needs of customers in Kyushu

(2) Enhancing the competitiveness of power sources and fuel procurement abilities

- We will secure stable and competitive power sources with the imminent full liberalization of the retail market in mind.
- We will maintain our competitiveness so that we can respond flexibly even if the strengths and weaknesses of power sources change with various environmental changes and possess nuclear power, coal or LNG-burning thermal power, and renewable energy such as hydraulic and geothermal power in a well-balanced manner.
- Firmly determined not to cause accidents like the one that occurred at the Fukushima Daiichi Nuclear Power Station, we will continuously work to improve the safety and reliability of nuclear power and use it as a power source that is effective in ensuring energy security, mitigating global warming, and supplying electrical power economically.
- We will enhance competitiveness in fuel procurement and enhance its flexibility by stepping up our initiatives for the entire fuel value chain such as introducing fuel trading and promoting investments for upstream interests.
- By operating our own supply/demand-related functions such as fuel adjustments, power trading, and supply/demand management in an integrated manner, we will enhance our supply & demand adjustment abilities, thus maximizing the Group’s profitability.

I. Meeting the diverse energy needs of customers in Kyushu

(3) Improving and effectively using power transmission and distribution network technology

- In order to deliver electrical power to support the industries of Kyushu region and the lives of its people at a low cost in a stable manner, we will ensure stable operation of our electric power systems and steady maintenance of our power transmission and distribution equipment.
- We aim to achieve both high electricity quality and cost reductions by enhancing technological capabilities and using ingenious ideas at work sites.
- We will strengthen power transmission and distribution networks under transparent and neutral business administration systems. We will also contribute to the spread of renewable energy and attainment of smart communities.
- We will effectively use the technology and know-how gained through our power transmission and distribution businesses for business development in growth areas.
- As a company with equipment covering the entire Kyushu region, we will contribute to sustained development and growth of the region through business activities such as creation and operation of equipment.

II. Making the most of Kyuden Group strengths to develop in growth markets

- Make the most of the technology and know-how that have been accumulated up to now in Japan and abroad to develop the overseas electrical power business mainly in Asia
- Work to develop the electrical power business outside Kyushu in order to meet the needs of customers
- Actively develop renewable energy business and a globally growing market in Japan and abroad taking into account factors such as stable supply and environmental performance

(1) Strengthen overseas electrical power business [2030 goal for equity ownership in overseas electricity output: 5 million kW (3.5 million kW more than the current level)]

- Expand the IPP business mainly in Asia whose market has high growth potential
- Strive to contribute to the international community by developing human resources and overcoming issues such as low-cost, stable power supply through IPP business and overseas consulting
- Aim to expand business domains for the future

(2) Develop the electrical power business outside Kyushu [2030 goal for power sources developed outside Kyushu: 2 million kW (2 million kW more than the current level)]

- Develop power sources outside Kyushu for our own use mainly through alliances with other companies
- Secure the ability to supply electrical power for our retail sales until power sources are developed by using material exchanges and other means of procurement effectively in addition to power transmission from within Kyushu region

(3) Expand renewable energy business [2030 development goal: 4 million kW (2.5 million kW more than the current level]

- Meet the diverse needs of customers for renewable energy through a single channel
- Aim at risk diversification and portfolio development with future policy trends and technological innovation in mind
- Make the most of the know-how developed in Kyushu for business expansion in and outside Kyushu region

III. Establishing a robust business foundation

- Step up efforts to develop human resources and organizations required for implementing strategies
- Strengthen the financial foundation and enhance competitiveness on a group-wide scale
- Promote meticulous CSR (corporate social responsibility) management to enhance the trust of customers, local communities, and society

(1) Develop innovative human resources who take on new challenges

- We will ensure that all employees of the Kyuden Group share the mindset of contributing to society by fulfilling Kyuden's mission in addition to the actual task of attaining stable power supply.
- As we enter a new period of competition, we will create among all employees an awareness of the need to view the changing times positively and take on new challenges.
- We will develop and choose personnel who will lead reforms with enthusiasm as the business environment undergo major changes.
- We will develop personnel who exert their originality and ingenuity to promote business improvements and reforms.

(2) Create organizations that respond swiftly to changes

- We will build a swift, flexible organizational management and business administration system.
- We will make the most of information and communications technology (ICT) to achieve operational efficiency and invigorate communication and collaboration across the boundaries of organizations.
- In order to shift our focus from electricity business to group-wide energy service business, we will give a concrete shape to group management functions.

III. Establishing a robust business foundation

(3) Strengthen our financial foundation and enhance competitiveness on a group-wide basis

- We will make all-out efforts to achieve greater efficiency in all business activities and work continuously for cost reductions.
- We will increase profitability and restore the financial foundation.
- We will promote technical development to establish competitive advantages.
- We will maintain the technological capabilities and skills we have developed on a group-wide basis and hand them over to the next generation.

(4) Pursue safety and security

- In principle, we will give top priority to safety and security in all business activities.
- We are keenly aware that there is no end to efforts to ensure the safety of nuclear power. Under the top managers' strong leadership, we will step up risk management and promote initiatives to reduce nuclear risks. We will also promote face-to-face dialogues with local residents and reflect their opinions in our business administration.

(5) Promote meticulous CSR (corporate social responsibility) management

- Aiming to become an environmentally friendly corporate group, we will develop initiatives for protection of the global environment and coexistence with the local environment.
- We will make all-out efforts to ensure sincere, fair business administration through actions trusted by society, not to mention compliance with laws and ordinances.
- We will promote closer communication with society and reflect the opinions collected on business administration in an appropriate manner. We will also disclose information in an easy-to-understand way to increase the transparency of business activities.
- We will contribute to solutions to social problems through collaboration with local residents, including volunteer activities, and develop together with the local communities.
- We will respect human rights and create environments easy to work in, where people with diverse backgrounds can display their abilities to the maximum extent.

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Section 2: Progress in Efforts to Resume Operation of the Sendai Nuclear Power Station and Other Issues

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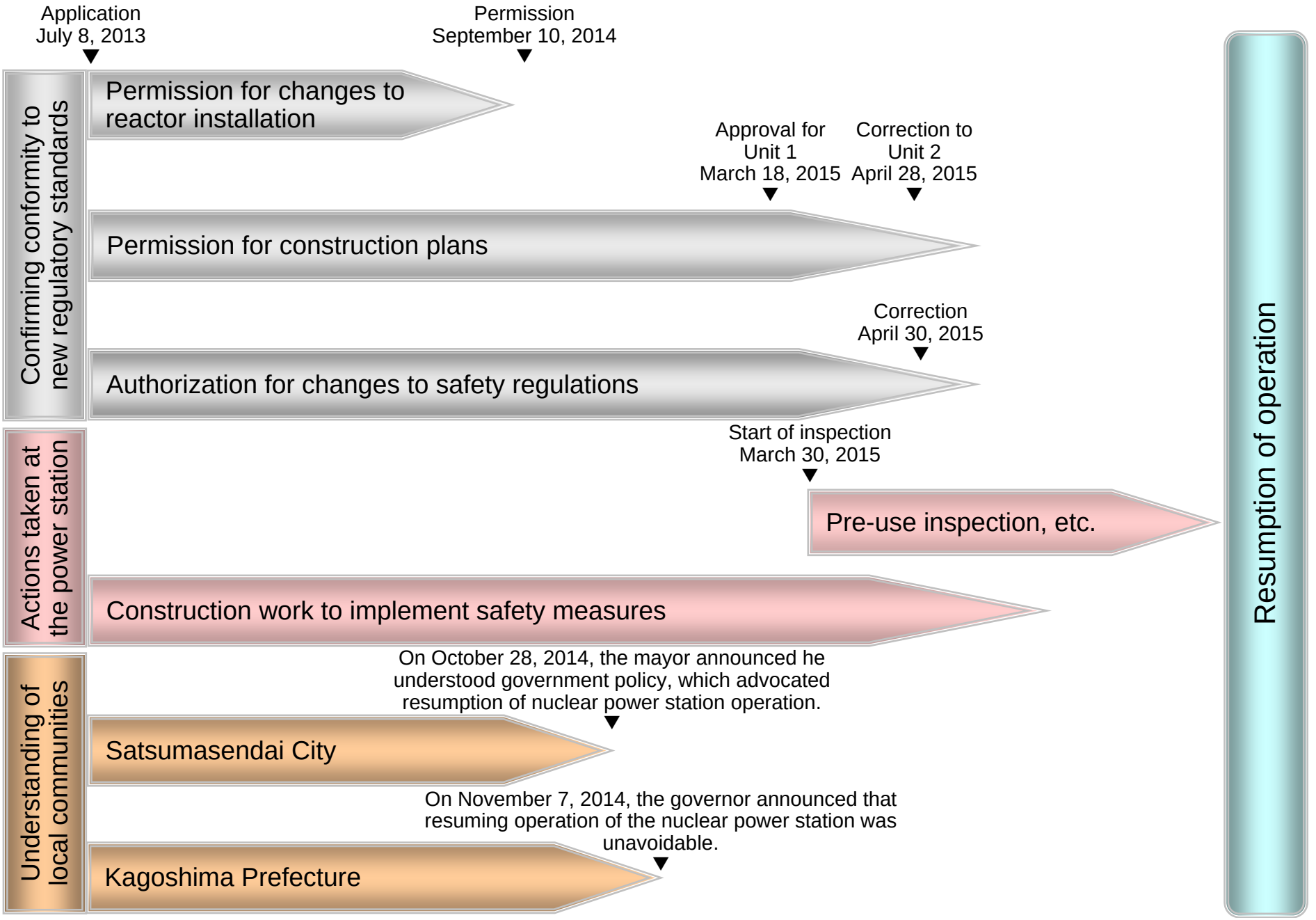
◇ Materials

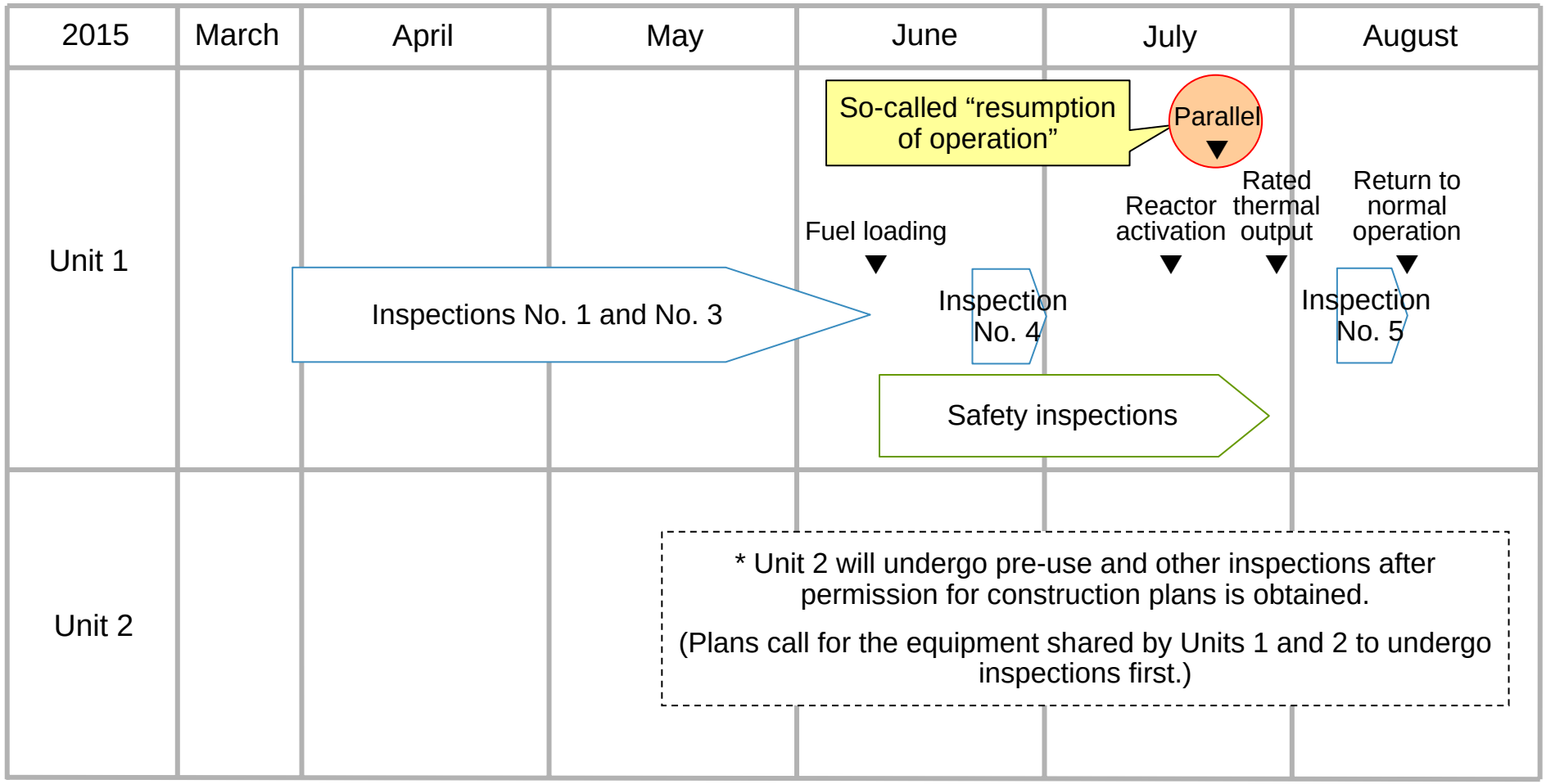
◇ Reference materials

Progress in efforts to resume operation of the Sendai Nuclear Power Station (process overview)



Progress in efforts to resume operation of the Sendai Nuclear Power Station (projected schedule)

* This is our projected schedule.



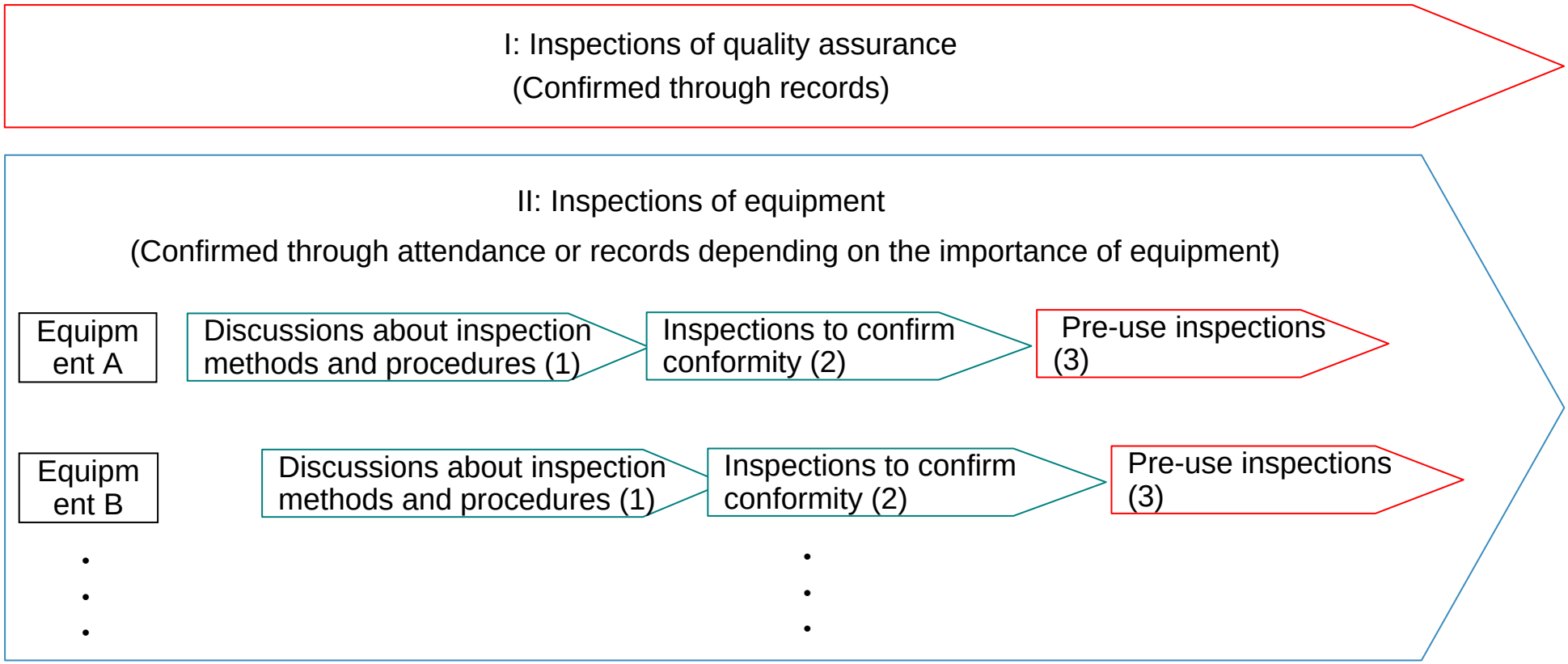
[Outline of pre-use inspections]
Inspection No. 1: Inspect materials, dimensions, external appearance, etc.
Inspection No. 3: Inspect performance (confirmed mainly through trial system operation)
Inspection No. 4: Inspect functions and performance at the time of reactor activation
Inspection No. 5: Inspect overall load performance at the time of rated output operation
[Outline of safety inspections]
Inspections to confirm compliance with safety regulations that stipulate operation and management of power stations

Progress in efforts to resume operation of the Sendai Nuclear Power Station (how to conduct pre-use inspections)

○ Pre-use inspections consist of two types of inspections: (I) inspections to confirm that operator quality control activities (inspections of quality assurance) are appropriate and (II) those to confirm conformity to technical standards for equipment (about 1,200 pieces of equipment and about 200 procedures)

○ Inspections of equipment (II) are conducted in three stages. The operator discusses with the Secretariat of the Nuclear Regulation Authority about inspection methods and procedures (1), and then conducts internal inspections of its equipment ((2): inspections to confirm conformity). These are followed by pre-use inspections through attendance by Secretariat personnel or confirmation of records depending on the importance of equipment (3).

<Conceptual diagram of pre-use inspections>



(Reference) Review of conformity of the Genkai Nuclear Power Station Units 3 and 4

[Convocation of meetings of the board of examiners]

○ Earthquakes and tsunami
- All explanations have been given and most items with respect to earthquakes and tsunamis have been confirmed.

○ Plants
- Examinations began again on September 17 last year.

(Main topics explained about at meetings of the board of examiners)
- November 18: Establishment of systems when large-scale destruction occurs
- November 27: Assessment of effectiveness of countermeasures against serious accidents, etc.
- December 25: Establishment of systems when large-scale destruction occurs (Explanations about large-scale destruction have generally been given.)

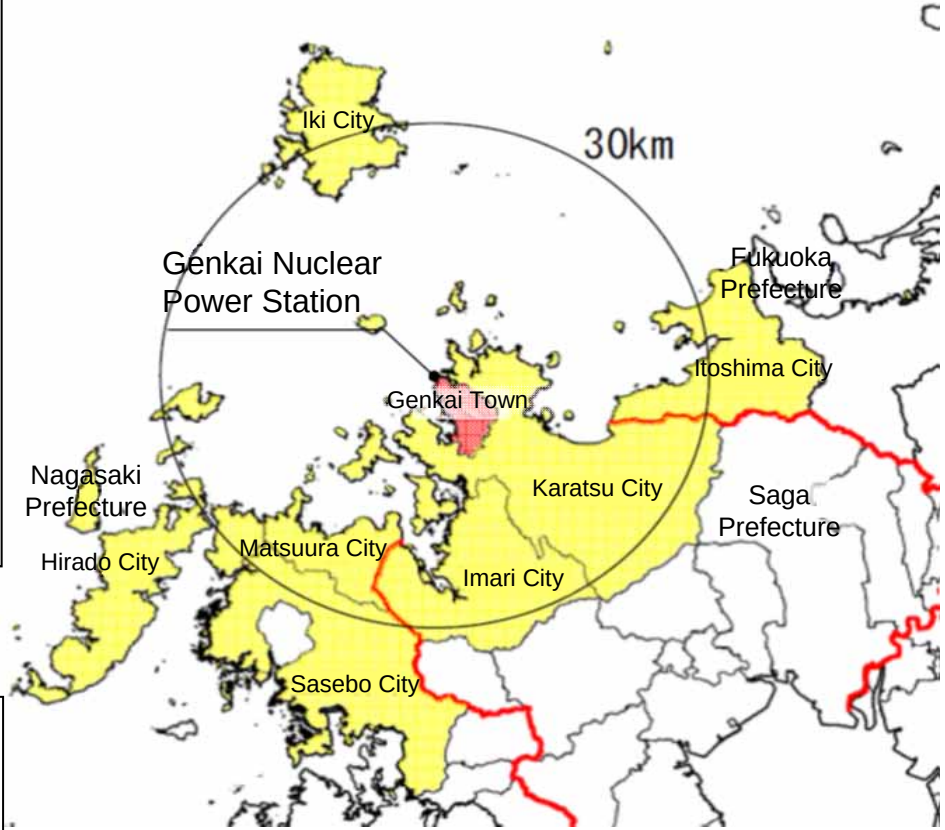
* In the future, we will explain about remaining issues such as technical abilities required mainly to prevent the spread of accidents.

[Conclusion of safety agreements and consultations with local governments]

○ We have concluded safety and other agreements not only with the local government of the area where the power station is located but also neighboring local governments and other parties concerned.

○ We are continuing discussions with Imari City of Saga Prefecture about entering into a safety agreement.

<Local governments around the Genkai Nuclear Power Station>



Reference materials: Outline of the FY2015 supply plan (1)

[Prospects for electrical power sales]

○ In FY2015, despite the effects from customers leaving Kyushu Electric Power, electrical power sales are expected to grow compared to the previous year because of effects such as increases in the number of households subscribing to electrical service, growth in industrial production due to economic expansion, and the leap year.

○ In the long run, mainly due to stable economic growth, electrical power sales are predicted to increase though they are affected by customers who leave Kyushu Electric Power and as electrical power saving takes root. We expect electricity sales to be 86.1 billion kWh in FY2024 and the maximum power supply to be 15.52 million kW.

FY / Item	2013 (Result)	2014 (Result)	2015	2023	2024	Average annual growth rate (%) This plan 24/13	Average annual growth rate (%) Previous plan 23/12
Segments other than the liberalized segment	<341> 351	<334> [▲4.8] 334	<336> [1.0] 337	335	336	<▲0.1> ▲0.4	<0.5> 0.3
Residential (included above)	<290> 298	<285> [▲4.3] 285	<288> [1.1] 288	292	293	<0.1> ▲0.2	<0.7> 0.6
Commercial	<189> 194	<184> [▲6.0] 183	<184> [0.9] 184	208	212	<1.0> 0.8	<1.2> 1.1
Industrial use and others	<299> 299	<296> [▲1.1] 296	<296> [0.3] 297	312	314	<0.4> 0.4	<0.6> 0.6
Liberalized segment	<488> 493	<480> [▲3.0] 479	<480> [0.5] 481	520	526	<0.7> 0.6	<0.8> 0.8
Electrical power sales (100 million kWh)	<829> 844	<814> [▲3.8] 813	<817> [0.7] 819	855	861	<0.4> 0.2	<0.7> 0.6
Maximum supply (10,000 kW)	<1,489> 1,583	<1,483> [▲7.1] 1,471	[0.5] 1,478	1,541	1,552	<0.4> ▲0.2	<0.7> 0.8

(Note 1) Figures in < > indicate temperature- and leap year-adjusted ones.
(Note 2) Figures in [ ] show year-on-year changes (%).
(Note 3) The total may not be the same as the sum of figures in all items because the latter is rounded off.
(Note 4) The maximum supply indicates the average of up to three-day supply at the end of transmission lines in summer.

[Economic prospects used as assumptions for this plan]

Item	2013 (Result)	2023	2024	Average annual growth rate (%) This plan 24/13	Average annual growth rate (%) Previous plan 23/12
Real GDP (¥1 trillion)	529.2	590.3	597.4	1.1	1.3
Industrial production index (2010 = 100)	98.9	114.9	116.6	1.5	1.8
Kyushu's population (10,000 people)	1,311	1,239	1,229	▲0.6	▲0.5

[Major assumptions for estimating electricity sales by user]

(Residential)

・The effects of population decrease and customers leaving Kyushu Electric Power after full market liberalization are already included. It is assumed that although also affected by the effects from electrical power conservation and other factors, electrical power sales are expected to fall at an annual rate of 0.2% (0.1% if temperature-adjusted) due to the spread of new home electric appliances, use of larger equipment, and growth in Ecocute users.

(Liberalized segment)

・Although an increasing number of customers leave Kyushu Electric Power and electricity conservation continues, the economy is expected to shift increasingly to services as exemplified by increase in the number of medical and welfare facilities due to the aging population and growth in service industries utilizing ICT. As a result, electrical power sales for business users are expected to rise at an annual rate of 0.8% (1.0% if temperature-adjusted).

・Although an increasing number of customers leave Kyushu Electric Power and electricity conservation continues, electricity sales for industrial users are predicted to grow at an annual rate of 0.4% (0.4% if temperature-adjusted) for reasons such as long-term stable growth of the world economy and expansion of production by Japanese manufacturers of more high-value-added products.

[Assumptions for effects from customers leaving Kyushu Electric Power]

・This plan includes two new factors: the recent increase in the number of customers leaving Kyushu Electric Power in the liberalized segment and low-voltage customers who are expected to leave Kyushu Electric Power due to full market liberalization. Demand from these former customers was estimated at about 1.5 billion kWh in FY2014 (about 2% of the total demand in Kyushu Electric Power's service area) and about 4.1 billion kWh in FY2024 (about 5%).

[Assumptions about effects from solar power generation (purchase of excess electricity)

・Equipment capacity is expected to grow based on the recent trends, and the amount of electricity consumed in-house is also expected to grow, a factor that causes electrical power demand to fall.

Reference materials: Outline of the FY2015 supply plan (2)

[Major plans to develop or abolish power sources]

Category	Equipment	Power station and unit name	Output	Construction period	
				Start of construction	Start of operation
Under construction	Thermal (LNG)	Shin-Oita Unit 3 (× 4)	480,000 kW	July 2013	July 2016
	Thermal (coal)	Matsuura Unit 2*1	1,000,000 kW	March 2001	June 2020
Under preparation for construction	Nuclear	Sendai Nuclear Unit 3	1,590,000 kW	Undecided yet	Undecided yet
	Geothermal	Otake*2	14,500 kW [+2,000 kW]	September 2017	December 2019
Abolished or to be abolished	Nuclear	Genkai Unit 1	559,000 kW	Abolished in April 2015	
	Thermal (petroleum)	Karatsu Units 2 and 3	375,000 kW, 500,000 kW	Abolished in June 2015	

*1 Successful bid on thermal power source in FY2014
*2 The Otake Power Station plans to have its power generation equipment updated (The figure in bracket shows the increase in output).

[Major power transmission equipment plan]

Category	Line name	Outline of construction work		Construction period	
		Voltage (10,000 volts)	Length (km)	Start of construction	Start of operation
Under construction	Hyuga main line	50	120	November 2014	June 2019

[Major transformer equipment plan]

Category	Line name	Outline of construction work		Construction period	
		Voltage (10,000 volts)	Capacity (10,000 kVA)	Start of construction	Start of operation
Under construction	Higashikyushu transformer substation	50/22	150	September 2014	June 2016

[FY2015 bidding-based thermal power source procurement plan]

	Item	Description
Distant islands (Okinoerabu Island)	Scale of invitation	We invited tenders for a power source that could start to supply a total of 4,500 kW of electricity to Okinoerabu Island, a distant island in Kagoshima Prefecture, by June 2020.
	Procurement period	In principle, 15 years

Reference materials: Outline of the FY2015 supply plan (3) [Power source development plan for the Matsuura Power Station Unit 2]

○ We invited tenders for thermal power sources, and in February 2015, Kyushu Electric Power became a successful bidder with its Matsuura Power Station Unit 2 (Matsuura City, Nagasaki Prefecture).

○ The Matsuura Power Station Unit 2 which is capable of generating 1,000,000 kW of electricity is scheduled to start operation in June 2020.

[Outline of invitation of tenders for thermal power sources]

Item	Description
Scale of invitation	1,000,000 kW in total
Start of supply	By June 2021
Procurement period	In principle 15 years (Can be selected from among the 10–30 years)
Type of power source (Annual operating rate)	70 to 80%

Kyushu Electric Power became a successful bidder

[Matsuura Power Station Unit 2]

Item	Outline
Generating power	1,000,000 kW
Start of operation	June 2020
Fuel	Coal
Power generation method	Pulverized coal-burning, ultra-super critical (USC) power generation*1

*1 This high-performance power generation method improves thermal efficiency and reduces environmental impacts by increasing the temperature and pressure level of steam used for ultra-super critical (USC) power generation.

○ We are considering increasing the thermal efficiency of the Matsuura Power Station Unit 2 so that it exceeds that of BAT*2 (45% for generating-end output and 42% for sending-end output*3).

○ We will install high-performance environmental equipment to reduce emissions of sulfur oxides, nitrogen oxides, and other environmental pollutants (annual CO_2 emissions: Around 4.7 million tons-CO_2)

○ Since environmental assessments have already been conducted in accordance with relevant laws, it is not necessary to carry out new environmental assessments unless there are major changes to the plan in the future.

*2: BAT stands for the best available technology.

*3: Based on low calorific value.

Reference materials: Outline of the FY2015 supply plan (4) [Decommissioning of the Genkai Nuclear Power Station Unit 1]

- ○ On March 18, 2015, we decided to terminate operation of the Genkai Nuclear Power Station Unit 1 and notified the Minister of Economy, Trade and Industry of changes to the electrical work. On April 27, we decided to decommission the unit.
- ○ The decommissioning process and schedule will be considered in the decommissioning plan we plan to submit in the future.
- ○ With the introduction of an “accounting-related system to smoothly proceed with decommissioning”, the decommissioning of the Genkai Nuclear Power Station Unit 1 will have little effect on the income/expenditure and finances of Kyushu Electric Power.

[Genkai Nuclear Power Station Unit 1]

Reactor: Pressurized-water reactor (PWR)	Date of discontinuation of operation: April 27, 2015
Output: 559,000 kW	Total power generation: 132.72 billion kWh*
Start of operation: October 15, 1975	Equipment usage rate: 74.3%*

* Cumulative amount for the period up to the end of FY2011

[Accounting-related system to smoothly proceed with decommissioning]

- The revision of the Ordinance on Accounting at Electric Utilities and related guidelines on March 13, 2015, made it possible that if an electric power company decommissions its reactor unexpectedly when for example safety regulations are changed, it can report that as depreciation in part of its assets over a certain period of time rather than simultaneously reporting all expenses incurred by its decommissioning, including its remaining book value.

  FY2014: We only report the unit as an asset (by creating a new account “nuclear decommissioning related temporary account”)

  From FY2015 to the next revision of rates: We will depreciate an amount equivalent to the portion of the asset amount that is included in the costs of the current rates.

  After the next revision of rates: We will include in the rate costs, the amount calculated on the assumption that the undepreciated balance will be depreciated equally over ten years and will depreciate it by the same amount.

Reference materials: Initiatives to achieve greater operational efficiency

- ○ In FY2014, we made steady efforts to constantly achieve greater operational efficiency, including reduction in material/equipment procurement costs, and exerted even further efforts in some areas to attain that goal. As part of our emergency measures to ease the effects from a deterioration in financial conditions caused by the suspended operation of all nuclear power stations, we also worked to reduce costs as much as possible in the short run chiefly by postponing certain construction projects through a close examination of their period and process and suspending certain operations temporarily while determining whether such measures directly affected safety, compliance, and stable supply.
- ○ As a result, we reduced costs by 314 billion yen, including the 179 billion yen cut-back through additional short-term efforts.
- ○ In FY2015, there are reasons for cost increases such as the repair expenses temporarily deferred from FY2013 and FY2014, but we will work to achieve the goal of reducing costs by 153 billion yen as included in the plan to achieve greater operational efficiency which was announced in April 2013, by reducing costs by an average of 140 billion yen annually over three years.

Item	FY2015 plan to achieve greater efficiency	FY2014 improved efficiency (actual) [A] + [B]	Value of improved efficiency if electricity rate costs are included (FY2014 alone) [A]	Additional efforts to improve efficiency (FY2014 alone) [B]	Value of improved efficiency if rate costs are included (average of 2013–2015)
Repair expenses	▲ 280	▲ 980	▲ 230	▲ 750	▲ 320
Miscellaneous expenses	▲ 220	▲ 710	▲ 210	▲ 500	▲ 220
Personnel expenses	▲ 510	▲ 370	▲ 440	70	▲ 480
Fuel expenses and purchased electrical power rates	▲220 ※1	▲740 ※2	▲ 250	▲ 490	▲ 180
Depreciation expenses (Capital investments)	▲ 300	▲ 340	▲ 220	▲ 120	▲ 230
Total [If fuel expenses and purchased electrical power rates are excluded]	▲ 1,530 [▲1,310]	▲ 3,140 [▲2,400]	▲ 1,350 [▲1,100]	▲ 1,790 [▲1,300]	▲140 billion yen level

*1: This is a reference value because it is based on a nuclear usage rate of 66%, which includes electrical power rate costs.
*2: The result was calculated on certain assumptions because no nuclear power stations operated in FY2014, making assumptions for supply-demand relations quite different from those used for electrical power rate costs.

Reference materials: Applications for renewable energy

○ Applications for renewable energy in Kyushu (excluding remote islands) at the end of March 2015 were worth 21,500,000 kW (including 17,930,000 kW for solar energy). Of this amount, 7,440,000 kW of renewable energy (including 4,660,000 kW for solar energy) have already been connected to Kyushu Electric Power.

- On December 22, 2014, we were appointed as a designated electric utility (electric operator)* for photovoltaic power generation because the amount for applications for connection exceeded the amount of renewable energy that can be connected (8,170,000 kW).
- In terms of solar energy, the total amount of renewable energy that has already been connected and the amount of energy whose connection has already been approved reached the amount of renewable energy that can be connected at the end of December 2014.

* Since we were appointed as a designated electric utility (electric operator) by the government, it has now become possible that after applications for connections exceeds the total amount of renewable energy that has already been connected and the amount for such energy whose connection has already been approved, we may impose on the applicants a set of conditions for system connection that assume 30-day-per-year or longer output restrictions without compensation.

Applications for renewable energy in mainland Kyushu (excluding remote islands and including Kyushu Electric Power)
(as of the end of March 2015) (10,000 kW)

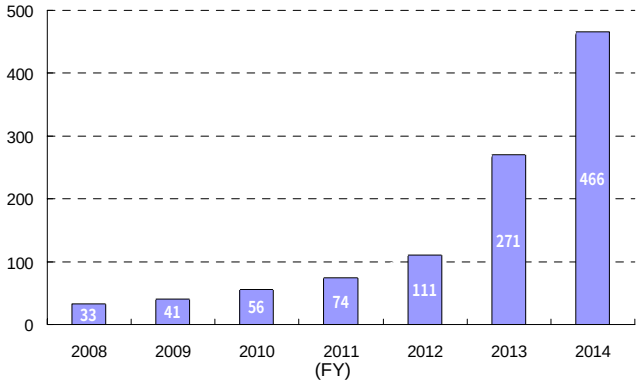
	Solar energy	Wind power	Biomass, etc.	Hydraulic power (excluding pumping up)	Geothermal	Total
Applications for consideration of connection	479	16	9	5	3	513
Applications for connection contracts	491	20	1	6	0.3	518
Connection already approved	357	12	4	1	1	377
Already connected	466	46	27	183	21	744
Total	1,793	95	41	195	26	2,150

* The total may not be the same as the sum of figures in all items because the latter is rounded off.
* All figures for biomass include those for cold energy.
* Amount of renewable energy that can be connected: 8,170,000 kW for solar energy and 1,000,000 kW for wind power.

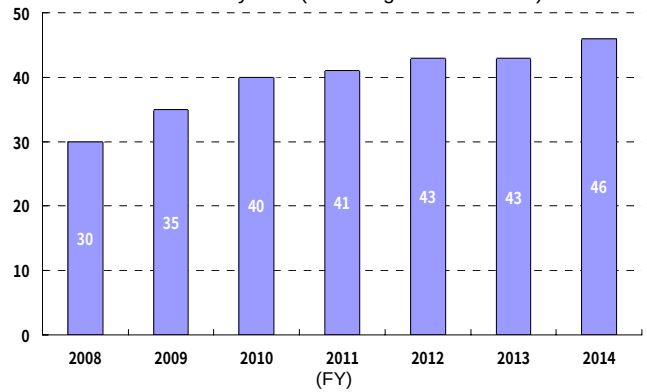
Connection of Kyushu Electric Power's renewable energy (excluding remote islands and including group companies)
(as of the end of March 2015) (10,000 kW)

	Solar energy	Wind power	Biomass, etc.	Hydraulic power (excluding pumping up)	Geothermal	Total
Already connected	4	7	4	128	21	164

Changes in the amount of solar energy connected in mainland Kyushu (excluding remote islands)



Changes in the amount of wind power connected in mainland Kyushu (excluding remote islands)



Reference materials: Prospects for supply and demand this summer (if operation of nuclear power stations is not resumed)

○ This summer's electricity demand is expected to be about 90% of last year's level as electricity conservation takes root (1,510,000 kW less). It is assumed that it will be 15,470,000 kW if the temperature is normal and that it will be 16,430,000 kW if Kyushu is hit by the same level of fierce heat as in 2013.

○ This summer, if operation of nuclear power stations is not resumed, we can supply a maximum of 16,930,000–16,980,000 kW of electricity.

○ Compared to the maximum electricity demand in 2013, when Kyushu was hit by fierce heat, it is expected that this summer we can secure a minimum reserve margin of 3% required for stable power supply by taking measures to maintain supply capability such as providing electrical power via support supply from other electric power companies (up to 740,000 kW).

(Generating end: 10,000 kW)

	July		August	
	(1) Same level of fierce heat as in 2013	(2) Average temperature	(1) Same level of fierce heat as in 2013	(2) Average temperature
Demand	1,643	1,547	1,643	1,547
Supply capabilities (total)	1,693	1,693	1,693	1,698
Nuclear	0	0	0	0
Thermal	1,227	1,227	1,227	1,227
Hydraulic	113	113	109	109
Pumping up	200	200	215	220
Solar energy and wind power	65	65	67	67
Geothermal	16	16	16	16
Provided by other companies	74	74	61	61
PPS, etc.	▲1	▲1	▲1	▲1
Reserve [Reserve margin]	50 [3.1%]	146 [9.4%]	50 [3.0%]	151 [9.8%]

* The total may not be the same as the sum of figures in all items because the latter is rounded off.

Reference materials: Prospects of supply and demand this summer if the operation of the Sendai Nuclear Power Station is resumed

○ If the Sendai Nuclear Power Station resumes its operation, prospects for this summer's supply and demand indicate that we can secure a reserve margin of around 4% (if one unit is operated) to 11% (if two units are operated) even if we are not provided with electrical power from other electric power companies.

(Generating end: 10,000 kW)

	If one unit of the Sendai Nuclear Power Station is operated		If two units of the Sendai Nuclear Power Station are operated	
	July (Same level of fierce heat as in 2013)	August (Same level of fierce heat as in 2013)	July (Same level of fierce heat as in 2013)	August (Same level of fierce heat as in 2013)
Demand	1,643	1,643	1,643	1,643
Supply capabilities (total)	1,708	1,727	1,797	1,822
Nuclear	89	89	178	178
Thermal	1,227	1,227	1,227	1,227
Hydraulic	113	109	113	109
Pumping up	200	221	200	227
Solar energy and wind power	65	67	65	67
Geothermal	16	16	16	16
Provided by other companies	0	0	0	0
PPS, etc.	▲1	▲1	▲1	▲1
Reserve [Reserve margin]	65 [4.0%]	84 [5.1%]	154 [9.4%]	179 [10.9%]

* The total may not be the same as the sum for all figures in all items because the latter is rounded off.

Section 3: Financial Results of FY 2014

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Financial Results and Forecasts Summary

FY2014 Financial Results Summary (vs. Previous year)

[Summary]

The ordinary loss for the FY2014 decreased compared with the previous year. In the electricity business, this was because of increase in sales due to the increase in charge unit price with the effect of electricity rate increase during the previous year and fuel cost adjustment system, and in the grant based on a feed-in tariff power purchase, while increase in the costs for purchase from renewable energy sources and in the maintenance for facilities inspections and repair of the thermal power stations.
The net loss for the FY2014 increased compared with the previous year mainly due to the decrease in the extraordinary gain and a partial reversal of deferred tax assets.

Indeed we are sorry, a year-end dividend for FY2014 of 0 yen per share is decided as well as interim.

[Consolidated]

(Billions of Yen,%)

	FY2014	FY2013	Difference	Change
Sales	1,873.4	1,791.1	82.3	104.6
Operating Income (Loss)	-43.3	-95.8	52.5	-
Ordinary Income (Loss)	-73.6	-131.4	57.7	-
(Extraordinary gain)	(2.4)	(53.4)	(-50.9)	(-)
(Income Taxes-Deferred)	(40.3)	(20.7)	(19.5)	(-)
Net Income (Loss)	-114.6	-96.0	-18.5	-
Comprehensive Income (Loss)	-143.1	-110.0	-33.1	-

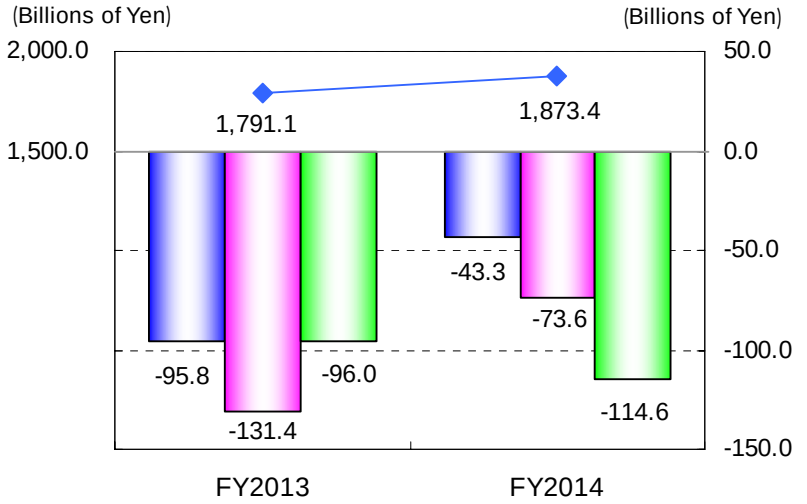
Note: As of the end of FY2014, 69 affiliates were subject to consolidated accounting.
Breakdown:
Consolidated subsidiaries: 40 companies (no change from the end of FY2013)
Equity method companies: 29 companies (decrease of 2 companies from the end of FY2013: 2 companies excluded)

[Non-Consolidated]

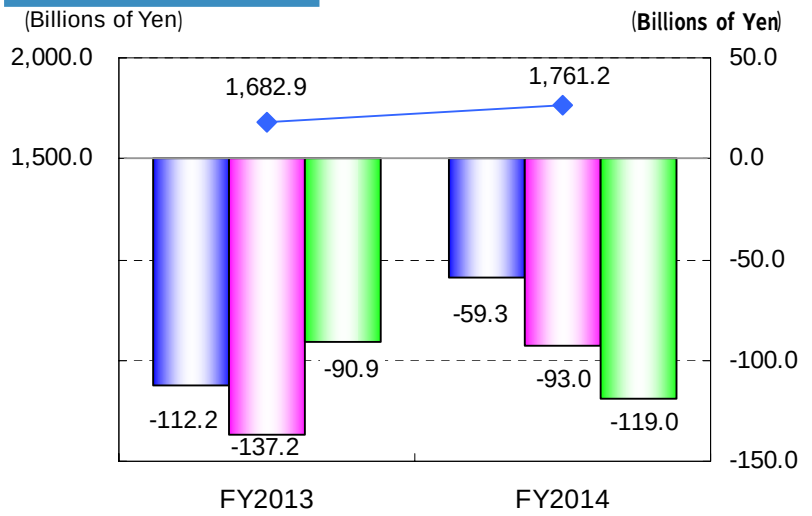
(Billions of Yen,%)

	FY2014	FY2013	Difference	Change
Sales	1,761.2	1,682.9	78.2	104.7
Operating Income (Loss)	-59.3	-112.2	52.8	-
Ordinary Income (Loss)	-93.0	-137.2	44.1	-
(Extraordinary gain)	(9.8)	(57.3)	(-47.4)	(-)
(Income Taxes-Deferred)	(34.1)	(15.3)	(18.7)	(-)
Net Income (Loss)	-119.0	-90.9	-28.0	-

Consolidated



Non-Consolidated



FY2014 Financial Results Summary (vs. Previous Forecast , Mar. FY2014)

【Summary (vs. Previous Forecast, Mar.FY2014)】

Ordinary loss decreased compared with previous forecast, Mar.FY2014. In the electricity business, this was because of a decrease in fuel costs and power purchase costs due to the reduction of the unit price for power generation through economic management as well as a greater decrease than expected in overhead expenses and retirement expense of fixed assets as a result of our continuous thorough streaming efforts after the publication of forecasts.

The net loss for the current period stayed at the same level as the figure published in March despite a reduction in the ordinary loss. This was mainly due to a partial reverse of deferred tax assets after our discussing the recoverability of deferred tax assets.

【Consolidated】

(Billions of Yen,%)

	FY2014	Mar.FY2014 Forecast	Difference	Change
Sales	1,873.4	1,875.0	-1.6	99.9
Operating Income (Loss)	-43.3	-60.0	16.7	-
Ordinary Income (Loss)	-73.6	-90.0	16.4	-
Net Income (Loss)	-114.6	-115.0	0.4	-

【Non-Consolidated】

(Billions of Yen,%)

	FY2014	Mar.FY2014 Forecast	Difference	Change
Sales	1761.2	1,765.0	-3.8	99.8
Operating Income (Loss)	-59.3	-70.0	10.7	-
Ordinary Income (Loss)	-93.0	-105.0	12.0	-
Net Income (Loss)	-119.0	-115.0	-4.0	-

【Reference：Key Fundamentals】

	FY2014	Mar.FY2014 Forecast	Difference
Electricity Sales Volume	81.3 Billion kWh	81.5 Billion kWh	-0.2 Billion kWh
Crude oil CIF price	90 $/b	92 $/b	-2 $/b
Exchange rate	110 yen/$	110 yen/$	-

FY2015 Financial Results Forecasts and Dividend Forecasts

【Financial Results Forecasts Summary】

We expect our sales to increase compared with the previous year, in the electricity business, despite reduced electricity sales for lighting caused by the decrease in charge unit price due to the fuel cost adjustment system. This increase we expect will be driven by an increased grant based on the Act on Purchase of Renewable Energy Sourced Electricity.

We are currently unable to make a projection for our performance outlook for our income. Sendai Nuclear Power Plant Unit 1 is currently undergoing pre-service inspections to review compliance with the New Regulatory Requirements. Since we are not able to estimate the exact restart date of the nuclear power plant, we cannot calculate fuel costs and other expenses in a rational manner. We will promptly inform you of our forecasts once we are able to make them.

We, as an operator, will exert ourselves to the utmost during FY 2015 in order to avoid being in the red for five consecutive periods.

【Dividend Forecasts Summary】

Indeed we are sorry, we regret to plan no interim dividend, both for common shares and class A preferred shares, for FY2014 because extremely severe performance.

We will announce year-end dividend for FY2015 as soon as FY2015 financial results forecasts for financial results become possible in the future.

【Consolidated】 (Billions of Yen,%)

	FY2015	FY2014	Difference	Change
Sales	1,880.0	1,873.4	6.6	100.3
Operating Income (Loss)	-	-43.3	-	-
Ordinary Income (Loss)	-	-73.6	-	-
Net Income (Loss) attributable to Kyushu Electric	-	-114.6	-	-

【Non-Consolidated】 (Billions of Yen,%)

	FY2015	FY2014	Difference	Change
Sales	1,750.0	1,761.2	-11.2	99.4
Operating Income (Loss)	-	-59.3	-	-
Ordinary Income (Loss)	-	-93.0	-	-
Net Income (Loss)	-	-119.0	-	-

【Reference：Key Fundamentals】

	FY2015	FY2014	Difference
Electricity Sales Volume	81.9 Billion kWh	81.3 Billion kWh	0.6 Billion kWh
Crude oil CIF price	65 $/b	90 $/b	-25 $/b
Exchange rate	120 yen/$	110 yen/$	10 yen/$

○ Changes in sales of Consolidated and Non-Consolidated

A loss of 11 billion yen out of the decrease in Non-Consolidated sales (11.2 billion yen) was due to the transfer of the fiber-optic cable core rental business to our consolidated subsidiary in 2014.

* No change to consolidated sales

FY2014 Financial Results

Electricity Sales Volume

○ Customers other than large-scale industrial
Decreased by 4.9% compared with the previous year mainly due to the decrease in the air-conditioning demand as the low temperature in the May through October.

○ Large-scale industrial customers
Decreased by 0.9% compared with the previous year mainly due to the decrease in production of Steel and Iron, while the increase in production of non-ferrous metals.

【Electricity Sales Volume】 (Million-kWh,%)

		FY2014	vs.FY2013	
			Difference	Change
Lighting		28,518	-1,274	95.7
Power		52,761	-1,897	96.5
Total		81,279	-3,171	96.2
(Figures are included above)	Customers other than large-scale industrial	57,860	-2,967	95.1
	Large-scale industrial customers	23,419	-204	99.1

【Reference: Electricity Sales Volume (by sector)】 (Million-kWh,%)

			FY2014	vs.FY2013	
				Difference	Change
Demand other than under liberalization	Lighting		28,518	-1,274	95.7
	Power	Low voltage	4,201	-362	92.1
		Others	666	-62	91.5
	Subtotal		33,385	-1,698	95.2
Demand under liberalization	Commercial		18,281	-1,158	94.0
	Industrial		29,613	-315	98.9
	Subtotal		47,894	-1,473	97.0
Total			81,279	-3,171	96.2

【Large-scale industrial customers by sector】 (Million-kWh,%)

		FY2014	vs.FY2013	
			Difference	Change
Machinery Total		6,402	-53	99.2
(Figures are included above)	Electronics	4,281	-43	99.0
	Transportation	1,625	-9	99.5
Steel and Iron		2,557	-168	93.8
Chemicals		2,677	-15	99.4
Clay and Stone		974	24	102.6
Non-ferrous Metals		1,842	150	108.9
Pulps and Papers		333	-23	93.5
Foodstuffs		2,339	-32	98.7
Others		6,295	-87	98.7
Total		23,419	-204	99.1

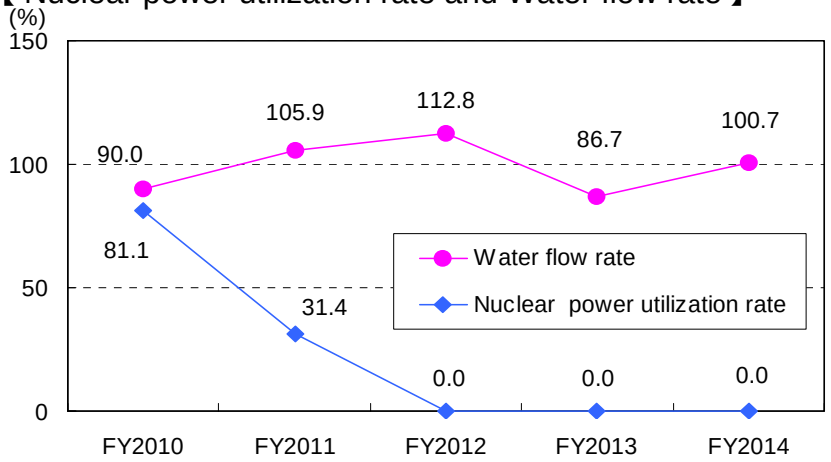
Generated and Received Electricity

【Generated and Received Electricity】 （Million-kWh,%）

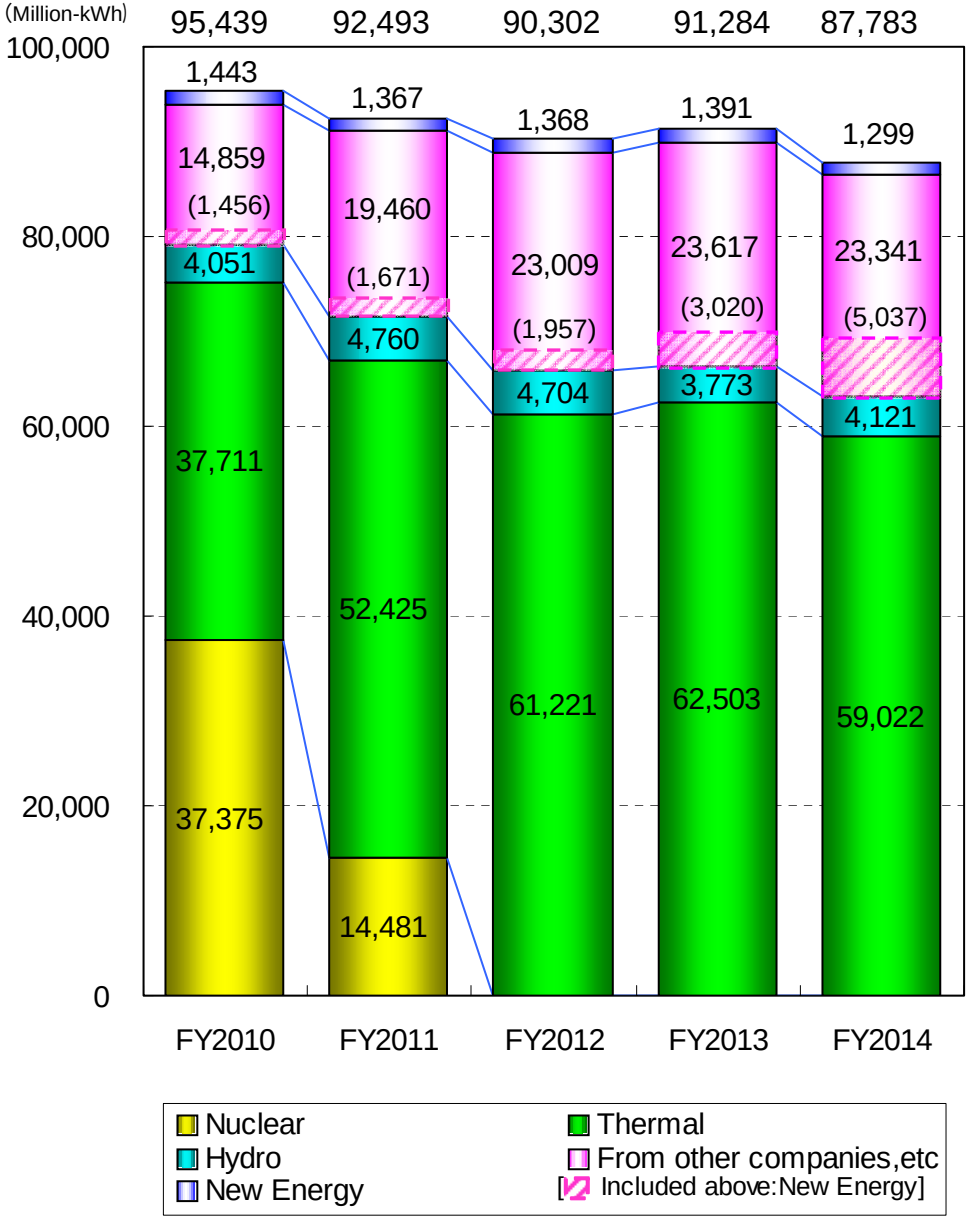
		FY2014	vs.FY2013 Difference	vs.FY2013 Change
Own facilities	Hydro	4,121	348	109.2
	(Water flow rate)	(100.7)	(14.0)	
	Thermal	59,022	-3,481	94.4
	Nuclear	-	-	-
	(Utilization rate)	(-)	(-)	
	New Energy※	1,299	-92	93.4
	Subtotal	64,442	-3,225	95.2
From other companies	Hydro	1,766	378	127.2
	Thermal	15,826	-2,913	84.5
	New Energy※	5,037	2,017	166.8
	Subtotal	22,629	-518	97.8
Interchange		917	-129	87.7
For pumping		-205	371	35.6
Total		87,783	-3,501	96.2

※Note: "New Energy" includes Solar, Wind, Biomass, Waste and Geothermal

【 Nuclear power utilization rate and Water flow rate 】

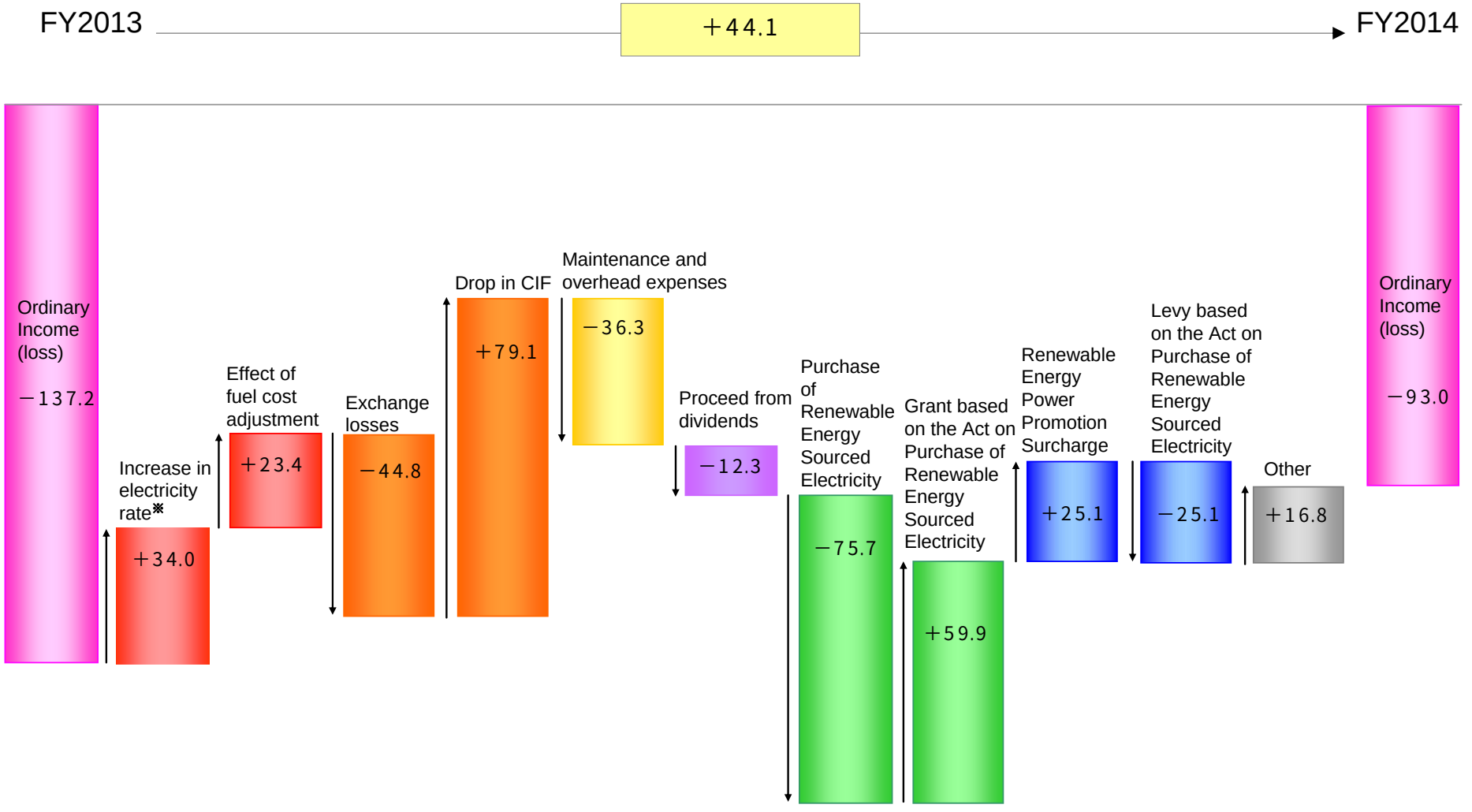


【Trends in Generated and Received Electricity】



Variable factors of Ordinary Income(Loss)(Non-Consolidated)

(Billions of Yen)



※ Liberalized category : Rise in electricity rates in time of contract renewal since April 2013 .
Regulated category : Rise in electricity rates from May 1,2013.

Income Statement Summary (Non-Consolidated)

(Billions of Yen,%)

		FY2014	FY2013	Difference	Change	Explanations
Ordinary Revenues	Lighting	648.5	656.6	-8.1	98.8	Decrease in electricity sales volume -53.6 Increase in electricity rate 34.0 Effect of fuel cost adjustment 23.4 Renewable Energy Power Promotion Surcharge 25.1
	Power	897.6	871.4	26.1	103.0	
	Other	225.8	176.2	49.5	128.1	Grant based on the Act on Purchase of Renewable Energy Sourced Electricity 59.9 Electricity sales 6.9 Proceed from dividends -12.3 Incidental-Business Operating Revenues -8.7
	(Sales)	(1,761.2)	(1,682.9)	(78.2)	(104.7)	
	Total	1,771.9	1,704.4	67.5	104.0	
Ordinary Expenses	Labor	113.1	113.7	-0.6	99.4	
	Fuel	678.4	754.4	-75.9	89.9	Drop in CIF -79.1 Exchange losses 44.8 Decrease in electricity sales volume -55.1 Increase in Water flow -15.6 Decrease in Power purchase 16.5
	Power purchase	372.4	314.9	57.4	118.2	Purchase from other companies 61.7 [Figures are included above：Purchase of Renewable Energy Sourced Electricity 75.7 Thermal from other companies -15.8] Purchase from other electric companies -4.2
	Maintenance	126.6	103.1	23.4	122.8	Thermal 9.1 Distribution 5.1 Transmission 3.6
	Depreciation	164.7	172.3	-7.6	95.6	Thermal -2.5 Hydro -1.6 Transmission -1.3
	Interest	38.6	38.0	0.6	101.8	
	Tax and public dues *1	86.0	86.0	-	100.1	
	Nuclear back-end *2	21.4	22.3	-0.9	95.8	
	Other	263.4	236.6	26.8	111.3	Levy based on the Act on Purchase of Renewable Energy Sourced Electricity 25.1 Overhead expenses*3 12.8 Incidental Businesses Operating Expenses -8.4
	Total	1,865.0	1,841.6	23.3	101.3	
(Operating Income (Loss))		(-59.3)	(-112.2)	(52.8)	(-)	
Ordinary Income (Loss)		-93.0	-137.2	44.1	-	
Reserve for fluctuation In water levels		1.6	-4.3	6.0	-	
Extraordinary gain		9.8	57.3	-47.4	17.2	Gain on contribution of securities to retirement benefit trust -21.7 Gain on sale of fixed assets -17.2 Gain on sale of securities -6.0 Gain on sale of stocks of affiliates -2.4
Income taxes		34.1	15.3	18.7	222.6	Income taxes-deferred 18.6 [Figures are included above： partial reverse of deferred tax assets 31.6]
Net Income (Loss)		-119.0	-90.9	-28.0	-	

Note 1 : Tax and public dues consist of the following: Charge for right of water, Property Tax, Miscellaneous Taxes, Power Development Promotion Tax, Business Tax

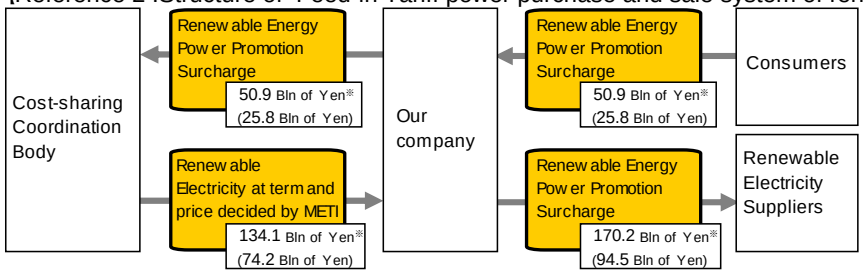
Note 2 : Nuclear back-end expenses consist of the following: Reprocessing costs of irradiated nuclear fuel, Reprocessing preparation costs of irradiated nuclear fuel, Decommissioning costs of nuclear power units, and Disposal costs of high-level radioactive waste.

Note 3 : Overhead expenses refer to the aggregate sum of waste disposal expenses, consumables expenses, compensation expenses, leasing fees, subcontract fees, expansion and development expenses, training expenses, research expenses and others.

【Reference 1 :Key Fundamentals】

	FY2014	FY2013	Difference
Crude oil CIF price	90 $/b	110 $/b	-20 $/b
Exchange rate	110 yen/$	100 yen/$	10 yen/$
Nuclear power utilization rate	- %	- %	- %
Water flow rate	100.7 %	86.7 %	14.0%

【Reference 2 :Structure of Feed-in Tariff power purchase and sale system of renewable energy】



※ Note：Figures for FY2014 and FY2013 in parenthesis.

(Reference) The effect of the tax revision for FY2015 in Deferred Tax Assets (Non-Consolidated)

1　Reduction in corporate tax rate

・In line with the reduction in the corporate tax rate, we recalculated our deferred tax assets using the new rate, achieving a reversal of 9.6 billion yen.

[Present]　legal effective tax rates：30.7%（Corporate tax rates 25.5%）
[Amendment] legal effective tax rates：28.7%（Corporate tax rates 23.9%）

2　Gradual reduction of tax loss carry forward amount limit

・We reversed 21.9 billion yen of our deferred tax assets since we are unlikely to be able to carry forward losses in the future in line with the reduction of the maximum limit of tax losses that can be carried forward.

[Present]　80% of taxable income
[Amendment] 65% of taxable income：FY2015, 2016
　　50% of taxable income：FY2017

[Explanations] Ordinary Revenues

(Billions of Yen,%)

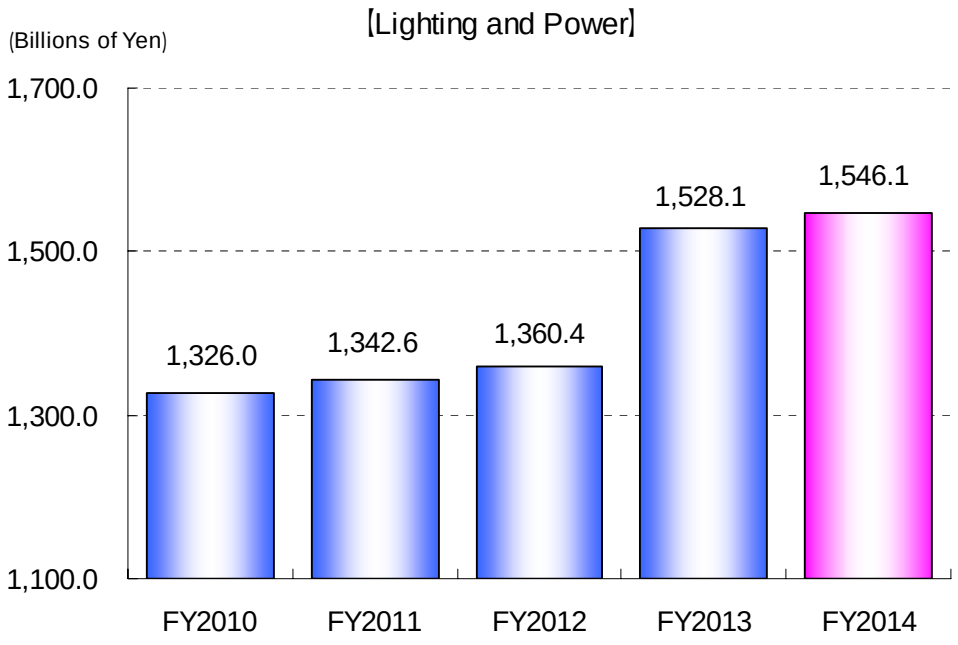
	FY2014	FY2013	Difference	Change
Lighting and Power	1,546.1	1,528.1	17.9	101.2

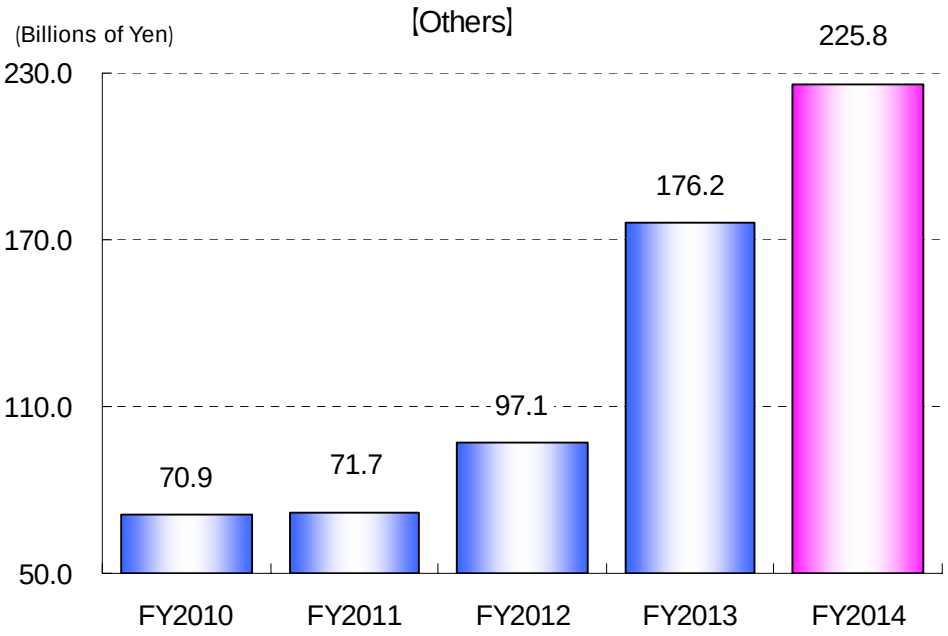
	Difference	FY2014	FY2013
1. Decrease in electricity sales volume	-53.6		
2. Increase in electricity rate	34.0		
3. Effect of fuel cost adjustment	23.4		
4. Renewable Energy Power Promotion Surcharge	25.1	(50.9 ←	25.8)

(Billions of Yen,%)

	FY2014	FY2013	Difference	Change
Others	225.8	176.2	49.5	128.1

	Difference	FY2014	FY2013
1. Grant based on the Act on Purchase of Renewable Energy Sourced Electricity	59.9	(134.1 ←	74.2)
2. Electricity sales	6.9	(17.0 ←	10.0)
3. Proceed from dividends	-12.3	(1.7 ←	14.1)
4. Incidental-Business Operating Revenues	-8.7	(39.4 ←	48.1)





[Explanations] Fuel, Power purchase

(Billions of Yen,%)

	FY2014	FY2013	Difference	Change
Fuel	678.4	754.4	-75.9	89.9

	Difference
1. Drop in CIF	-79.1
2. Exchange losses	44.8
3. Decrease in electricity sales volume	-55.1
4. Increase in Water flow	-15.6
5. Decrease in Power purchase (Decrease in thermal from other companies and interchange, Increase in new Energy)	16.5

[Reference] All Japan CIF prices

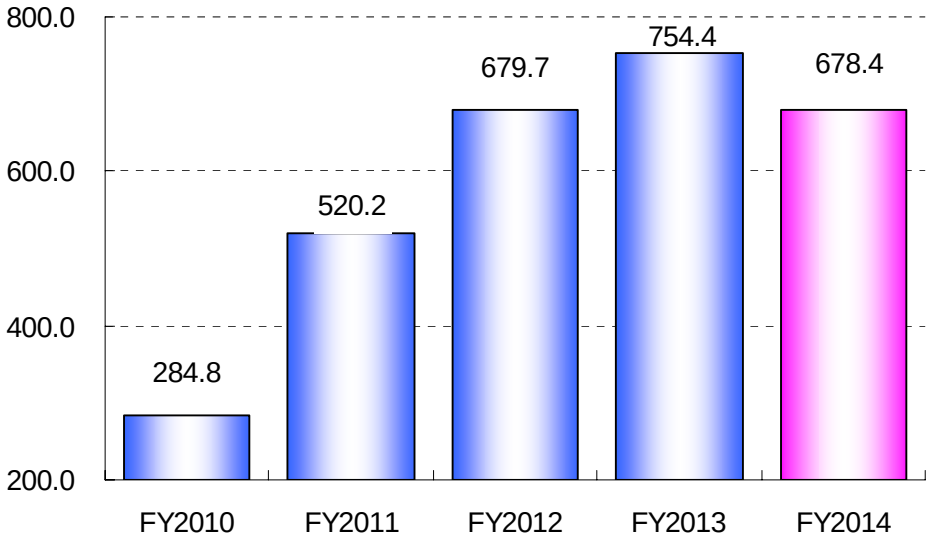
	FY2014	FY2013	Difference
Coal($/t)	93	108	-15
LNG($/t)	816	836	-20
Crude oil($/b)	90	110	-20

[Reference] Fuel consumption

	FY2014	FY2013	Difference
Coal (thousand. ton)	6,150	6,308	-158
Heavy oil (thousand. kiloliter)	1,671	1,837	-166
Crude oil (thousand. kiloliter)	699	1,038	-339
LNG (thousand. ton)	4,717	4,858	-141

[Fuel]

(Billions of Yen)



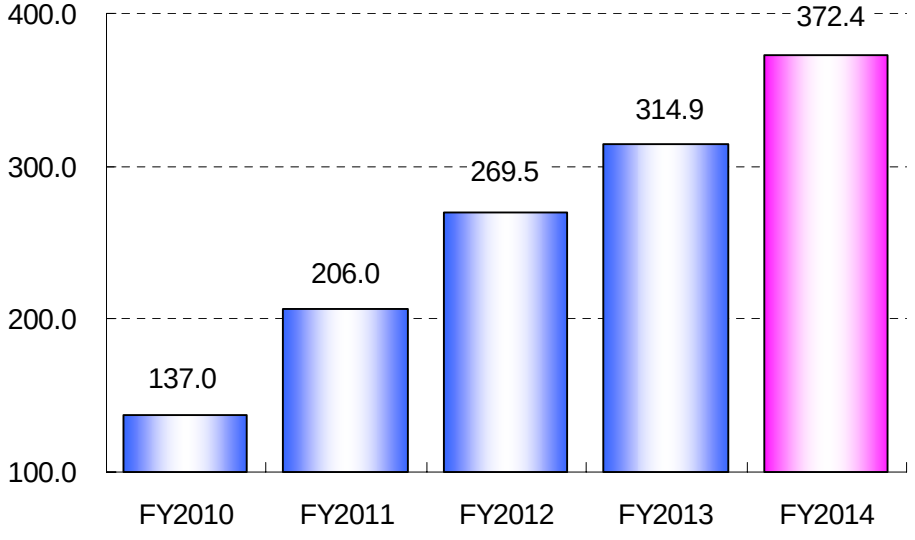
(Billions of Yen,%)

	FY2014	FY2013	Difference	Change
Power purchase	372.4	314.9	57.4	118.2

	Difference	FY2014	FY2013
1. Purchase from other companies	61.7	(352.3	← 290.5)
Figures are included above: Purchase of Renewable Energy Sourced Electricity	75.7	(170.2	← 94.5)
◆ Purchase of Renewable energy	76.6		
◆ Received thermal from other companies	-15.8		
2. Purchase from other electric companies	-4.2	(20.1	← 24.3)

[Power purchase]

(Billions of Yen)



[Explanations] Maintenance, Depreciation

(Billions of Yen,%)

	FY2014	FY2013	Difference	Change
Maintenance	126.6	103.1	23.4	122.8

	Difference	FY2014		FY2013
1. Thermal	9.1	(30.2	←	21.0)
2. Distribution	5.1	(41.4	←	36.3)
3. Transmission	3.6	(11.5	←	7.8)

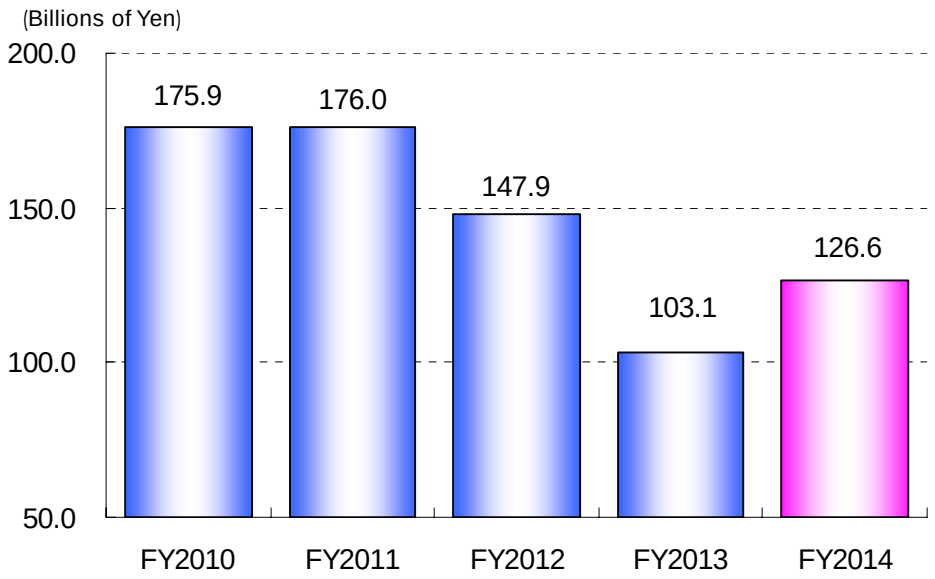
【Maintenance】

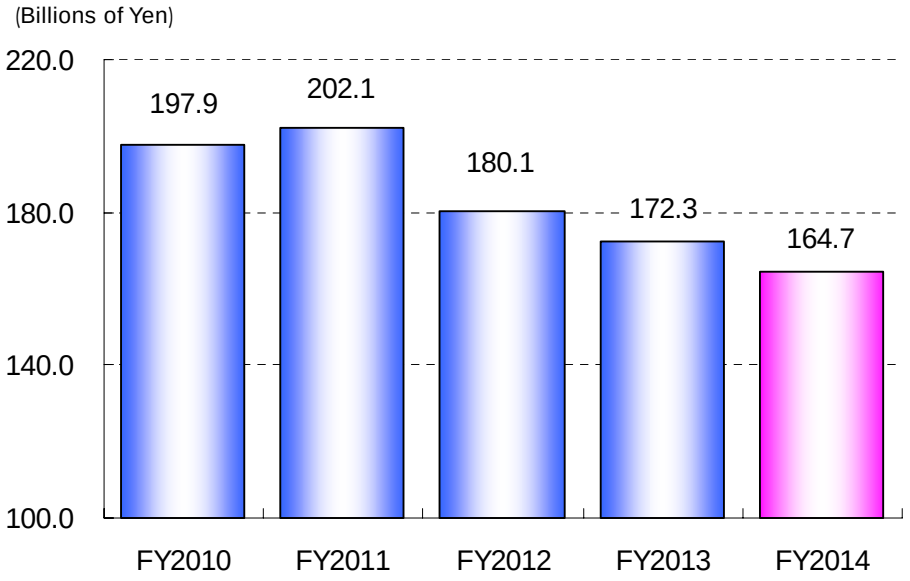
(Billions of Yen,%)

	FY2014	FY2013	Difference	Change
Depreciation	164.7	172.3	-7.6	95.6

	Difference	FY2014		FY2013
1. Thermal	-2.5	(15.6	←	18.1)
2. Hydro	-1.6	(18.4	←	20.0)
3. Transmission	-1.3	(40.0	←	41.3)

【Depreciation】





[Explanations] Labor, Others

(Billions of Yen,%)

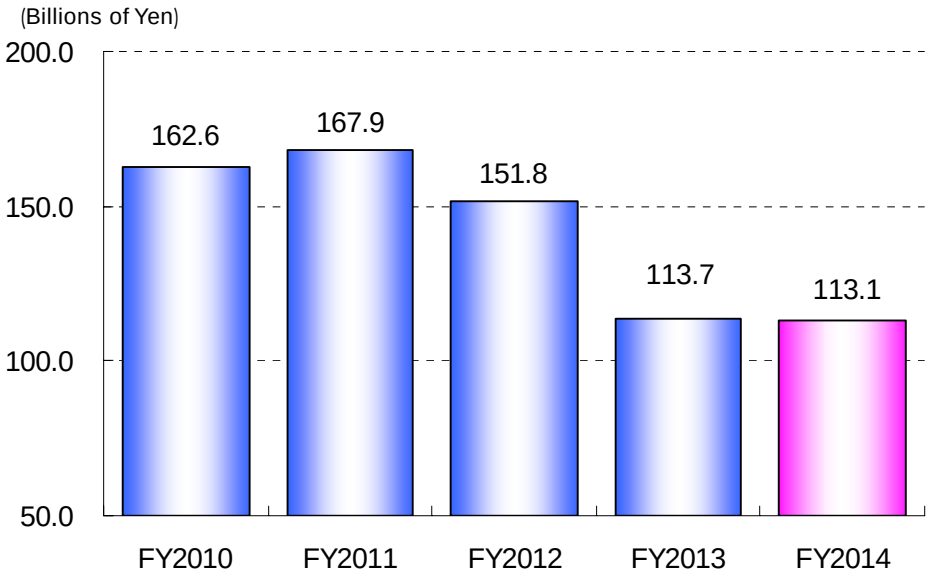
	FY2014	FY2013	Difference	Change
Labor	113.1	113.7	-0.6	99.4

(Billions of Yen,%)

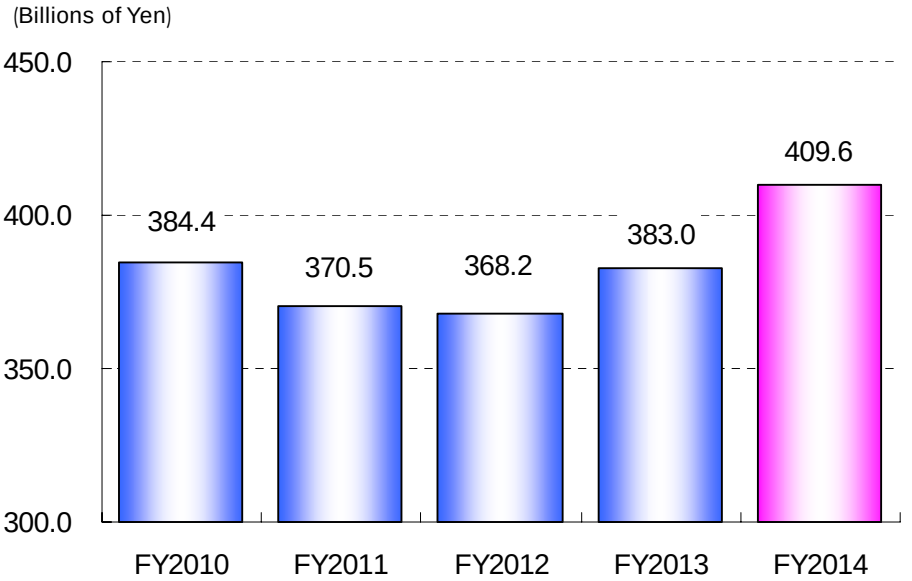
	FY2014	FY2013	Difference	Change
Others	409.6	383.0	26.6	107.0

	Difference	FY2014	FY2013
1. Levy based on the Act on Purchase of Renewable Energy Sourced Electricity	25.1	(50.9	← 25.8)
2. Overhead expenses	12.8	(142.3	← 129.4)
3. Incidental Businesses Operating Expenses	-8.4	(30.3	← 38.7)

【Labor】



【Others】



Balance Sheet Summary (Non-Consolidated)

Assets

(Billions of Yen)

	Mar. 31, 2015	Mar. 31, 2014	Difference	Explanations
Utility Property, Plant and Equipment	2,281.2	2,341.9	-60.6	Depreciation -164.6 Construction completed 125.5
Investments and Other Assets	684.4	655.9	28.5	Shares of the Kyushu Telecommunication Network Co.,Inc. 33.6
Others	1,425.1	1,220.1	205.0	Cash and cash equivalents 131.6 (Mar.31, 2015 466.1 ← Mar.31, 2014 334.4) Construction in progress 58.6 Special account related to nuclear power decommissioning 21.6
Total	4,390.9	4,218.0	172.8	

Liabilities and Equity

(Billions of Yen)

	Mar. 31, 2015	Mar. 31, 2014	Difference	Explanations
Liabilities	4,068.6	3,876.6	191.9	Interest-bearing debt 184.4
Equity	322.2	341.4	-19.1	FY2013 net loss -119.0 Preferred shares 100.0 [Equity Ratio] Mar.31, 2015 7.3% ← Mar. 31, 2014 8.1%
Total	4,390.9	4,218.0	172.8	

【Reference: Interest-bearing Debt】

(Billions of Yen)

	Mar. 31, 2015	Mar. 31, 2014	Difference
Bonds	1,283.7	1,243.7	40.0
Loans	1,884.4	1,740.0	144.4
Total	3,168.2	2,983.8	184.4

Income Statement Summary , Balance Sheet Summary (Consolidated)

Income Statement Summary

(Billions of Yen,%)

		FY2014	FY2013	Difference	Change	FY2014 Consolidated Ratio
Ordinary Revenues	Operating Revenues (Sales)	1,873.4	1,791.1	82.3	104.6	(1.06)
	Electric	1,719.5	1,633.0	86.5	105.3	
	Other	153.8	158.1	-4.2	97.3	
	Other Revenues	16.5	15.5	1.0	106.7	
	Total	1,890.0	1,806.7	83.3	104.6	
Ordinary Expenses	Operating Expenses	1,916.7	1,886.9	29.8	101.6	
	Electric	1,779.7	1,746.8	32.8	101.9	
	Other	137.0	140.0	-3.0	97.8	
	Other Expenses	46.9	51.1	-4.2	91.8	
	Total	1,963.7	1,938.1	25.5	101.3	
(Operating Income (Loss))		(-43.3)	(-95.8)	(52.5)	(-)	(-)
Ordinary Income (Loss)		-73.6	-131.4	57.7	-	(-)
Reserve for Fluctuation In Water Levels		1.6	-4.3	6.0	-	
Extraordinary gain		2.4	53.4	-50.9	4.7	
Net Income (Loss)		-114.6	-96.0	-18.5	-	(-)
Comprehensive Income (Loss)		-143.1	-110.0	-33.1	-	

Balance Sheet Summary

(Billions of Yen,%)

	Mar. 31, 2015	Mar. 31, 2014	Difference
Total Assets	4,784.7	4,549.8	234.8
Liabilities	4,333.7	4,055.6	278.1
Interest-bearing Debt	3,337.9	3,116.7	221.2
Equity	450.9	494.2	-43.2
【Reference】Equity Ratio	9.0	10.5	-1.5

Segment Information

○ Energy-related business
- Sales and operating income increased mainly due to the increase in the revenue from the maintenance and repair work on power plants and contracted facilities maintenance operation, while increase in the cost of sales on plant construction business.

○ IT and Telecommunications
- Sales increased mainly due to the increase in sales of information system developments and sales of telecommunications devices.
- Operating income stayed at the same level as previous year, because of increase in expenses related to broadband service, etc.

○ Others
- Sales decreased mainly due to the decrease in revenue related to real estate sales.
- Operating income increased mainly due to the decrease in depreciation on the rental building.

(Billions of Yen)

	Electric Power	Energy-related business	IT and Telecommunications	Other	Eliminations/ corporate	Total [Consolidated]
Sales	1,721.8	186.6	96.5	25.7	-157.3	1,873.4
	(87.0)	(15.6)	(6.8)	(-1.4)	(-25.7)	(82.3)
Sales to customers [Figures are included above]	1,719.5	71.7	69.2	12.8	-	1,873.4
	(86.5)	(-6.3)	(3.3)	(-1.2)	(-)	(82.3)
Operating Income (Loss)	-68.4	10.9	11.4	3.6	-0.9	-43.3
	(53.1)	(0.6)	(-)	(0.4)	(-1.7)	(52.5)
Segment Assets	4,235.6	375.4	176.1	141.4	-143.9	4,784.7
	(178.3)	(29.7)	(39.6)	(4.7)	(-17.5)	(234.8)
Capital Expenditures	228.3	22.7	25.5	0.9	-4.7	272.8
	(12.1)	(-1.1)	(5.7)	(-0.4)	(-0.3)	(15.8)

Note：Figures in parentheses denote change from FY2013

Cash Flow Summary (Consolidated)

(Billions of Yen,%)

	FY2014	FY2013	Difference	Explanations
Cash flows from operating activities	88.7	-5.9	94.6	Increase due to the decrease in payments for fuel costs 75.0 Increase due to the Increase in lighting and power revenue 33.7
Cash flows from investing activities	-268.4	-184.9	-83.4	Increase in purchases of property, plant and equipment -57.5 Decrease in proceeds from sales of property, plant and equipment -24.4
Reposting of capital expenditures including nuclear fuel [Figures are included above]	(-293.9)	(-236.3)	(-57.5)	
Cash flows from financing activities	310.8	196.3	114.4	Preferred shares (Approximate amount procured after costs) 99.5 ※ Increase in interest bearing debt 15.2 （FY2014 221.2 ← FY2013 205.9）
Change in cash & cash equivalents	131.7	5.5	126.1	

Free cash flows*	-205.2	-242.3	37.0

*Note : Free cash flows = Cash flows from operating activities + Capital expenditures including nuclear fuel