Business Update

November 6, 2014

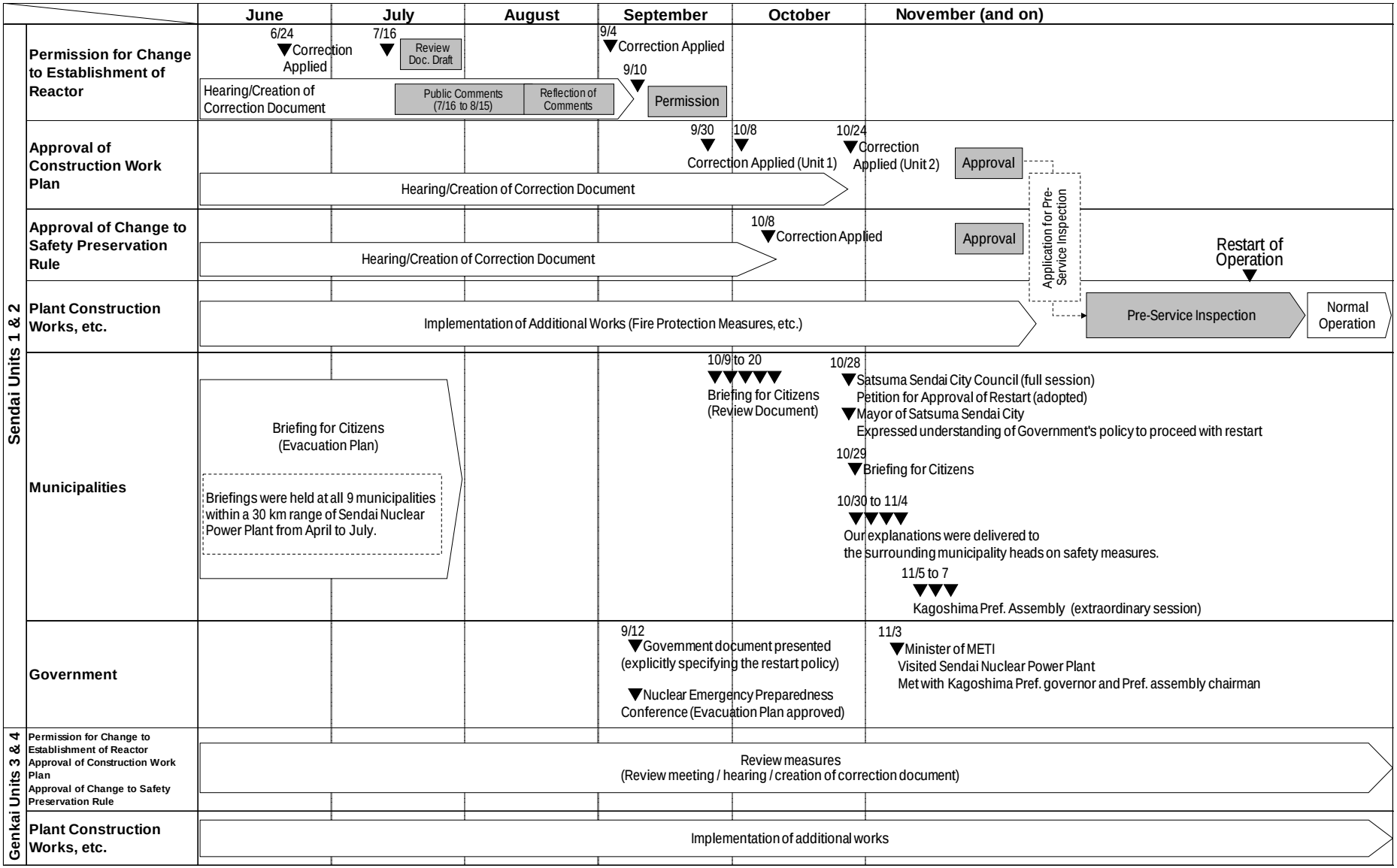
九州電力

ずっと先まで、明るくしたい。

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.

Contents

1 Schedule for the Restart of the Nuclear Power Plant



*** Although the above schedule indicates future dates, it does not necessarily mean that those dates have been fixed.**

*** ▭ represents measures taken by the Nuclear Regulation Authority.**

(Reference) Key Points in Application for Change of Reactor Establishment in Units 1 & 2 of Sendai Nuclear Power Plant

	Main Items	Key Points

Design Criteria	Earthquake	• There shall be no active faults within the site.
		• Reference seismic motion shall be established as follows:
		  • Seismic motion with the hypocenter identified: 540 gals
		  • Seismic motion with the hypocenter not identified: 620 gals (in consideration of the earthquake south of the Rumoe Branch Office in Hokkaido)

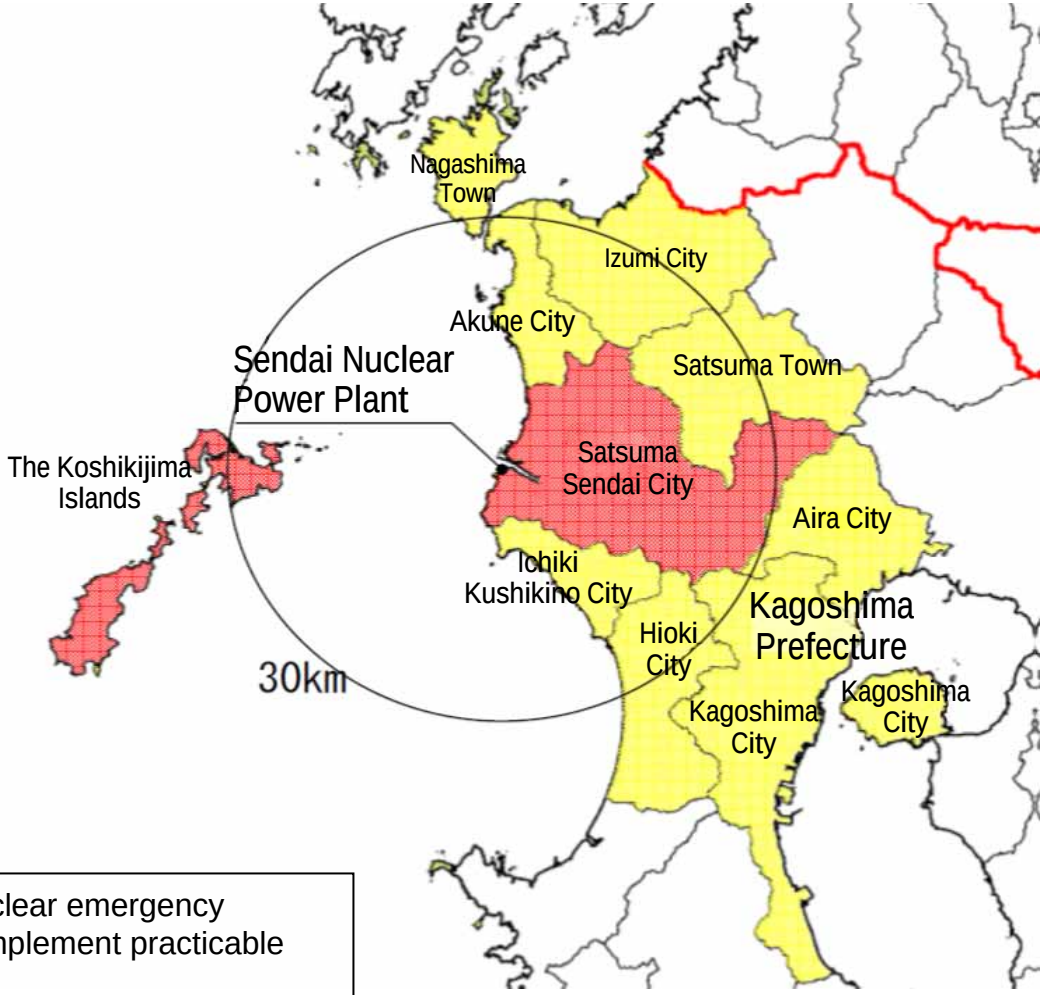
	Tsunami	• Based on a tsunami caused by an interplate earthquake in the Ryukyu Trench (Mw 9.1), the maximum run-up height is estimated to be approx. 6 m* (at high tide). * The run-up height including variations in subsidence and tide levels. • The site for the main facilities of the plant is approx. 13 m above sea level, providing a sufficient margin against wave run-up. • To ensure protection from tsunami, a protective wall (15 m above sea level) and a bank (8 m above sea level) were established around the seawater pumps (5 m above sea level) which are important for safety.
	Volcano	• The possibility of a catastrophic caldera eruption occurring while the plant is operating was assessed to be extremely low. (The caldera is being monitored to prepare for a catastrophic eruption.) • It was assessed that there would be no impacts on the buildings and equipment that are important to safety, even if volcanic ash covered the area (based on 15 cm of ash).
	Tornado	• Assuming a tornado with a peak wind speed of 100 m/sec, a protective net was established around the outdoor facilities that are important to safety.
	Fire	• Fire prevention measures include an increased number of fire detectors and automatic extinguishers that use different detection methods, and the installation of fire-resistant bulkheads for the facilities important to safety within the same area.
	Inundation	• Designed with the necessary protection in mind, such as reinforcement of tanks and pipes, as well as the establishment of watertight doors.
Serious Accident Measures	Core Damage Prevention Measures	• The sources of power and reactor cooling methods were diversified.
	Containment Damage Prevention Measures	• The sources of power and containment cooling methods were diversified. • To prevent hydrogen explosion, a static catalytic hydrogen recombination system, which is designed to reduce the hydrogen concentration, and an electric hydrogen combustion system were installed.
	Radioactive Materials Diffusion Prevention Measures	• A water cannon for spraying the damaged part of the containment, and a silt fence to prevent diffusion of radioactive materials into the sea were deployed.
	Measures against Catastrophic Destruction	• A system, procedures, materials, and equipment were arranged to mitigate remarkable core damage and containment damage in the event of catastrophic destruction.

(Reference) Safety Agreement with Municipalities (Sendai Nuclear Power Plant)

[Conclusions of Safety Agreement]

Municipality	Name of Safety Agreement & Memo	Concluded on
Kagoshima Pref. Satsuma Sendai City	Safety Agreement on Sendai Nuclear Power Plant	1982/6/12
Ichiki Kushikino City Akune City	Agreement on Assurance of Safety for Citizens of Ichiki Kushikino City and Akune City	2013/3/26
Kagoshima City, Izumi City, Hioki City, Aira City, Satsuma Town, Nagashima Town	Agreement on Nuclear Emergency Preparedness Related to Sendai Nuclear Power Plant	2012/12/27
Kumamoto Pref.	Memo on Notification of Emergency Preparedness Information Related to Sendai Nuclear Power Plant	2012/7/6
Miyazaki Pref.	Memo on Notification of Emergency Preparedness Information Related to Sendai Nuclear Power Plant	2013/7/16

[30 km Zone from Sendai NPP]



[Our Approach to Evacuation Plan]

- ○ Considering that each municipality is adequately addressing nuclear emergency preparedness according to its own situation, we will sincerely implement practicable approaches based on requests from municipalities.
- ○ For the Sendai area, we will respond to the problems as requested by the government. Specifically, “securing of welfare cars, buses, and drivers as an evacuation means for those who need help within the PAZ” and “purchasing of food and drinks, and the creation of stockpiles including bedding at the fallout shelters (5 locations).”

(Reference) Reviews on Conformity of Units 3 & 4 of Genkai NPP

[Review Meetings Conducted So Far]

○ Topics related to Earthquake/Tsunami

- March 5: The earthquake south of the Rumoe Branch Office in Hokkaido (Ss-4) was added as seismic motion with unidentified hypocenter.
- July 11: The earthquake in western Tottori Pref. (Ss-5) was added as seismic motion with unidentified hypocenter.
- Sept. 12: Explanations basically finished and issues related to earthquake/tsunami have been generally determined.

■ Reference Seismic Motion
Seismic motion with identified hypocenter Ss-1: 540 gals, Ss-2: 268 gals, Ss-3: 524 gals
Seismic motion with unidentified hypocenter Ss-4: 620 gals, Ss-5: 531 gals
Reference seismic motion for designing the seismically isolated buildings Ss-L: 400 gals
■ Max. Tsunami Height: sea level + approx. 4 m (the plant site: 11 m above sea level)

○ Topics related to Plants

- Sept. 17: A full-scale review was resumed

Reviews are being conducted about whether the severe accident measures conform to the new regulation criteria in terms of earthquake-resistance and tsunami-resistance as well as reliability of power supply, facilities subject to design standards such as cooling facilities, and diversified cooling methods for reactors and containments in order to prepare for situations that exceed the hypothesized design criteria.

[Conclusions of Safety Agreements and Discussions with Municipalities]

○ We concluded safety agreements with the municipality where the Genkai NPP is located, as well as with the surrounding municipalities

Municipalities that concluded agreements with us:
(Saga Pref.) Saga Pref., Genkai Town, Karatsu City, Saga City, Tosu City, Taku City, Takeo City, Kashima City, Ogi City,
Ureshino City, Kanzaki City, Yoshinogari Town, Kiyama Town, Kamimine Town, Miyaki Town, Arita Town, Ohmachi Town,
Kouhoku Town, Shiraishi Town, Tara Town
(Fukuoka Pref.) Fukuoka Pref., Itoshima City, Fukuoka City
(Nagasaki Pref.) Nagasaki Pref., Matsuura City, Sasebo City, Hirato City, Iki City
(Kumamoto Pref.) Kumamoto Pref.

○ Discussions are being conducted with Imari City of Saga Pref. to conclude a safety agreement.

2 Direction of Future Strategies (1)

We are developing businesses based on our corporate principle
"The Heart of Kyushu Electric Power Co."
While the management environment is greatly changing,
we will pursue future strategies for further growth
in a new competitive era by fully exerting the strengths of our group.

[Understanding of Key Management Environment]

- After the earthquake, all units of all nuclear power plants were suspended, leading to a long-lasting severe supply and demand as well as severe financial conditions.
- Progress in the reform of the power system has spurred competition beyond the barriers of the industry.
- Renewable energies have rapidly spread thanks to the Feed-In Tariff Scheme.
- While nuclear energy is continuously regarded as an important base-load power, the government is deliberating on a system to ensure a foreseeable future for the business.

[Key Strengths of Our Group]

- Maintenance and operation technology of nuclear, thermal, renewable energies, network of power grids, as well as geothermal development technology
- Relationship with regions associated with nuclear energy, and responsiveness to regulation changes
- Ability to propose technical services to customers
- Awareness and trust of the Kyushu Electric Power brand (within the Kyushu area)
- International network covering fuel and overseas businesses

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

So that our customers can lead a reassured everyday life, we will actively provide energy that is friendly to the earth without fail or trouble, based on our abundant skill and experience in energy and the environment.

2. Maintaining the understanding of our customers

We believe in the adage “the customer comes first.” That is why we take the various views and opinions expressed by them so seriously. This enables us to provide our customers with pleasant, impressive service that is truly satisfying.

3. Thinking and acting with Kyushu, looking ahead to Asia and the world

We will think about and take actions for a brighter future for our children and a prosperous community alongside the people of Kyushu, looking ahead to the prosperity of Asia and the world.

4. Finding answers through discussions and taking action

We believe in the potential possessed by people and in sharing a mutual respect for each other. That is why we believed we will find the answers that lead us into the future through free and active discussions followed by appropriate actions.

2 Direction of Future Strategies (2)

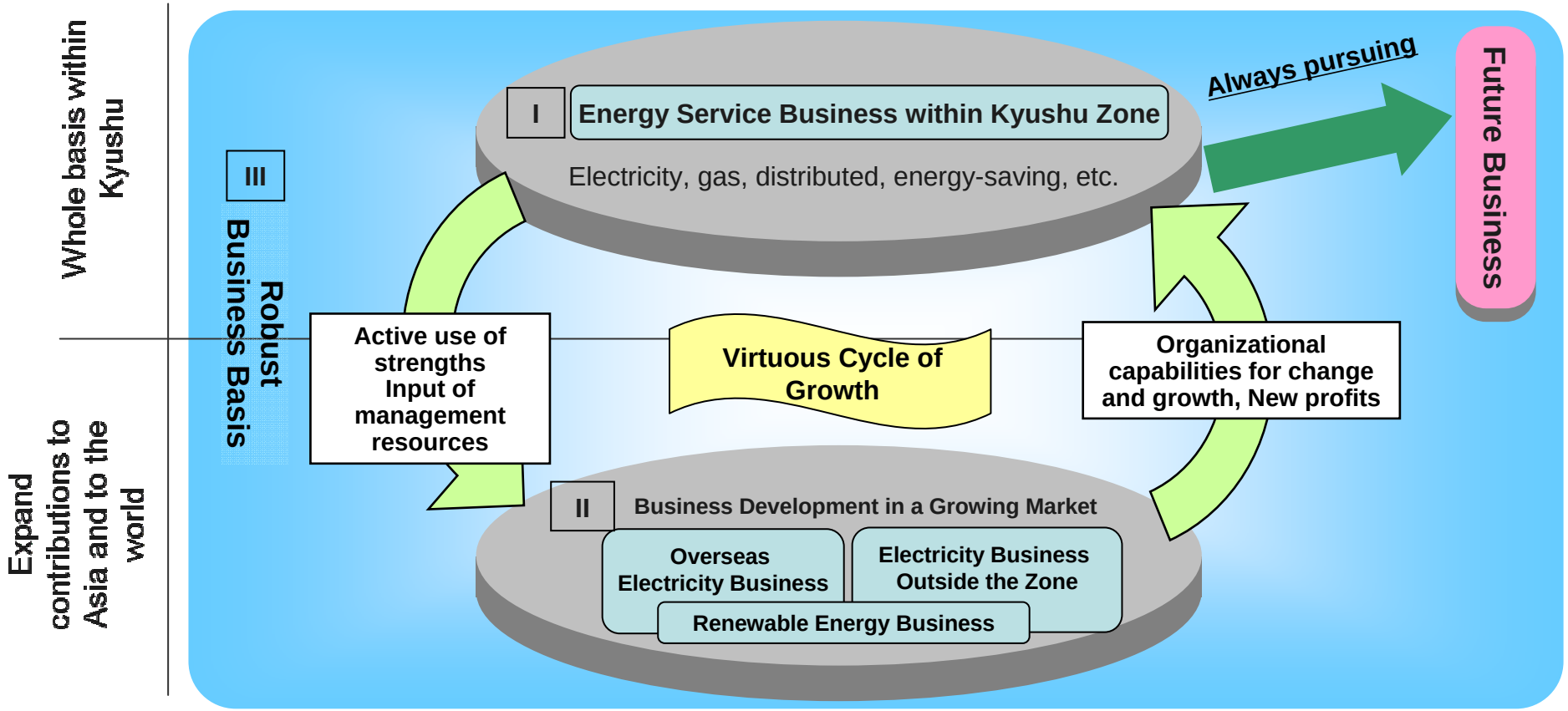
- **Thinking of strategies from the viewpoints of realizing our corporate principle "the Heart of Kyushu Electric Power," market attractiveness, and competitiveness**

[3 key strategies]

I In Kyushu, our home base, we will change from a company that merely sells electricity to a company that provides energy services, by responding to various customer ideas regarding energy.

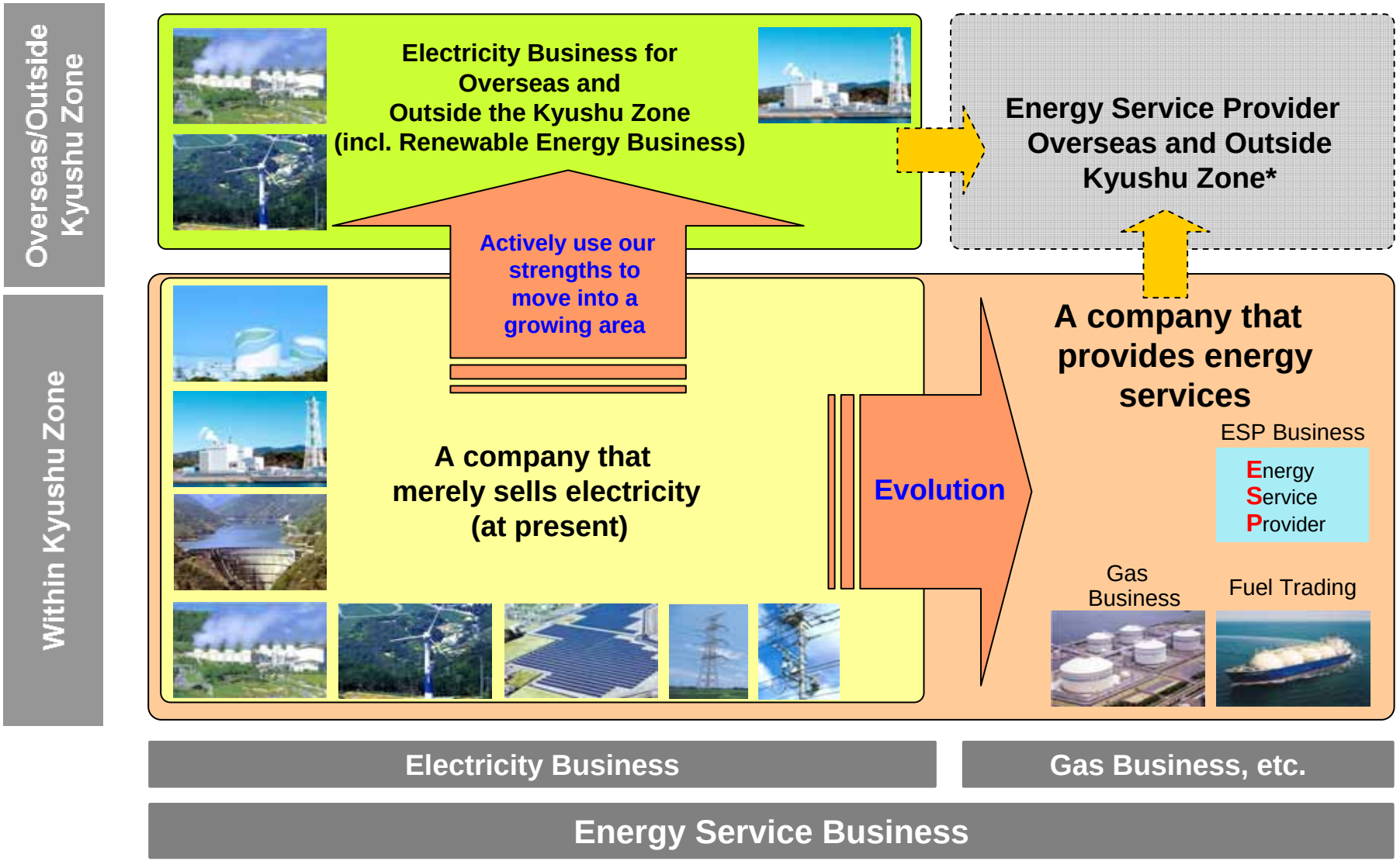
II By actively using the strengths fostered by our group, we will develop a renewable energy business, which is a growing market, an overseas electricity business, and electricity businesses outside the Kyushu zone.

III We will strengthen the organizational capabilities necessary for implementing strategies, and establish a robust business basis.



2 Direction of Future Strategies (3)

[Image of Expansion of Business Areas]



* For overseas and outside the Kyushu zone, an electricity business with the ability to exert “sophisticated maintenance and operation skills” will be expanded, while some feasible energy service businesses will be implemented.

3 Progress in Improvement in Management Efficiency

- In the area of improvement in management efficiency (135 billion yen in fiscal year 2014 alone), a total cost reduction of 143 billion yen (106% of progress rate) was achieved at the end of the second quarter.
- The breakdown of the reduced amount is 53 billion yen for repair costs, 26 billion yen for other costs, 24 billion yen for human costs, 22 billion yen for supply/demand costs, and 18 billion yen for depreciation costs. The reduced amount was at the same level as the same quarter of the previous year, due to the inclusion of a tentative carrying-over limited to a short period.
- In the area of asset sales, 8.9 billion yen (8.6 billion yen of profit, etc.) in sales was reported for the second quarter.
- At present, we are improving efficiency by incorporating the rate cost. Since the restart of the NPP is still uncertain, we will further improve efficiency, fully considering ensured safety, compliance, and stable supply.

Item	Efficiency cost incorporated into the 2014 rate cost (100 million yen)	Efficiency of 2nd Quarter	
		Results (100 million yen)	Progress Rate
Repair Costs	▲230	▲530	230% (Note 1)
Other Costs (incl. overheads)	▲210	▲260	124% (Note 1)
Human Costs	▲440	▲240	55%
Supply/Demand Costs (Note 2)	[▲250]	[▲220]	[88%]
Depreciation Cost	▲220	▲180	82%
Total [incl. supply/demand] (Note 2)	▲1,100 [▲1,350]	▲1,210 [▲1,430]	110% [106%]

Accumulated Results of Asset Sales(100 mil. yen) (Note 4)		2nd Qtr. Of 2014		Total of 2013-2014	
		Sales Amt.	Sales Profit	Sales Amt.	Sales Profit
Fixed Asset	[FY2013] Site for Kyuden Memorial Gym, Kyushu Energy Pavilion, Sakurazaka Training Center, Ebisu employee accommodation, Remaining Company House Site,etc. [FY2014] Remaining Company House Site,etc.	89	86	406	357
Securities	Stocks, etc.	0	0	101	85
	Retirement Allowance Payment Trust (Note 3)	0	0	320	217
Total		89	86	827	659

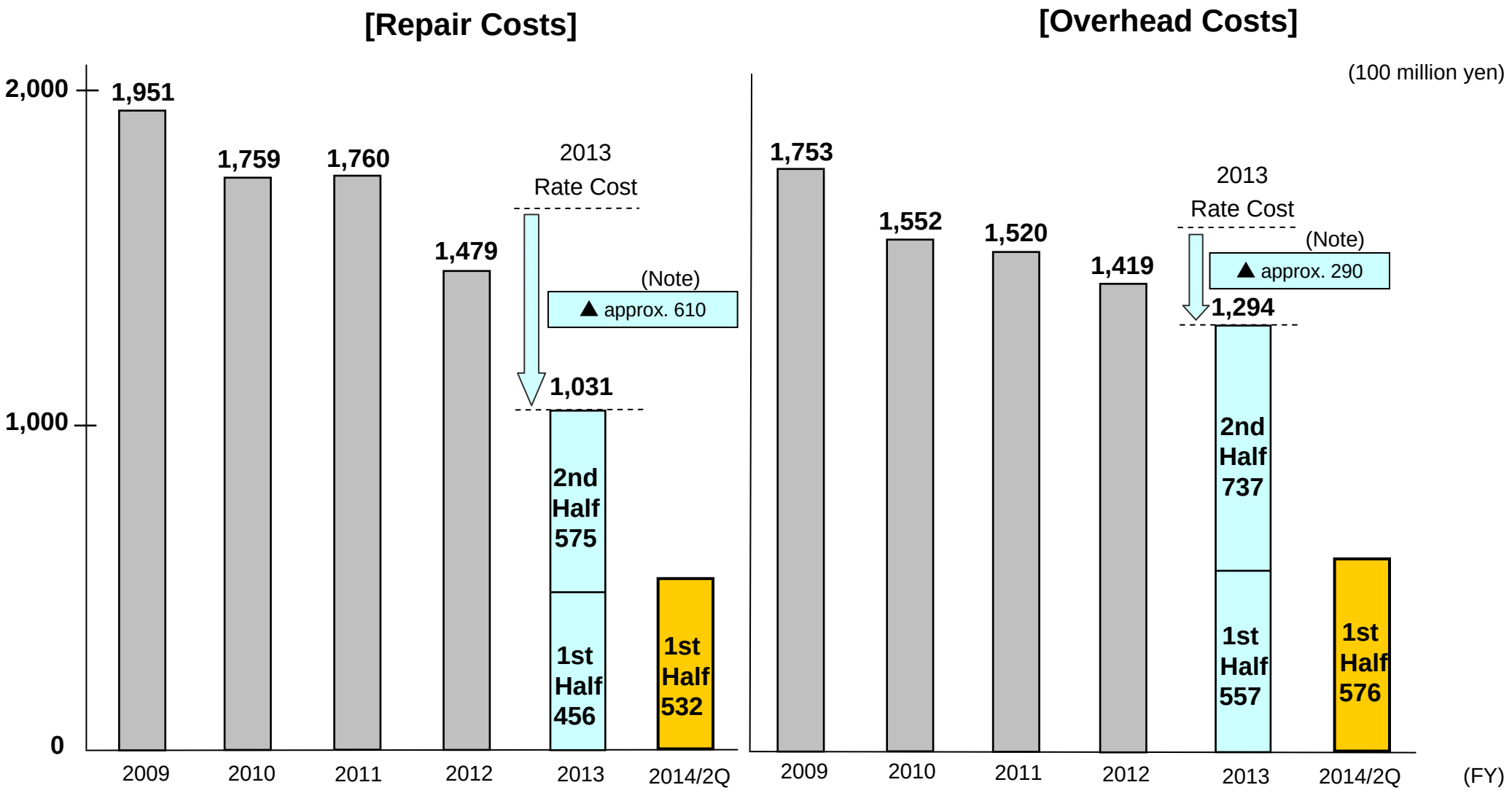
(Note 1) Including the carry-over within the year to suppress the present expenditures.

(Note 2) Supply/demand cost was listed for reference, as the premise of the supply/demand balance greatly differed from the incorporated nuclear capacity factor, and could not be compared.

(Note 3) Our equity was put in a trust to be allotted for retirement payments (profit was recorded on the profit for the retirement allowance payment trust of the P/L statement)

(Note 4) Rounded to the nearest 100 million yen.

(Reference) Changes in Repair Costs and Overhead Costs



(Note) Out of the 2013 rate cost, the cost for further improvement in efficiency includes the carrying-over to 2014 and later.

4 Suspension of Answers to Connection Requests for Renewable Energy

[Process and Outline of Suspension of Answers]

- Since the start of the Feed-in Tariff Scheme (FIT) in July 2012, renewable energy, mostly solar, has been spreading. Especially in Kyushu, the approved quantity of equipment for solar power through FIT and the quantity of equipment already in operation each account for about one-fourth of the nation, meaning that renewable energy is spreading more rapidly than in other regions.
- Under such conditions, the number of connection agreement applications for solar power generation reached about 70,000 only in March of 2014, equivalent to the total of the previous year. If the total number of applications filed by the end of July 2014 were to be approved for connection, the amount of electricity generated by solar and wind power would exceed the daytime demand in spring and fall (approx. 8 million kW), when electricity consumption is low for our company.
- Because of this situation, we started investigations on how much renewable energy we would be able to accept in Kyushu, by taking actions to pursue the maximum possible balance of supply and demand at present. For example, through the use of daytime pumping and transmission to outside Kyushu through inter-regional link lines. During this period, we will suspend answering the applications already received as well as new applications. (*)

<* Targets of Suspension>

■ Type of Voltage: Low, High, Extra-high
■ Application group:
•New application (Preliminary Consultation, Thinking of Connection, Contract for Connection (Note 1))
•Already applied (Preliminary Consultation, Thinking of Connection, Contract for Connection (Note 2))

(Note 1) This does not apply to low voltage solar power for household use under 10 kW (surplus to be bought) for the time being.
(Note 2) Does not apply to the following:
- Low Voltage…The cases where an invoice for the construction work has already been sent, or cases where applications have already been sent by Sept. 24 (except the site division).
  However, answers to cases where changes were made to the application on Sept. 24 (increases of installations and changes in the configuration of the installations) shall be suspended, in principle.
- High/Extra-High Voltage…The cases where a notice of system linkage approval was sent for the application for connection contract.

(Reference) Reviews by Government

Advisory Committee for Natural Resources & Energy
Energy-saving & New Energy Subcommittee, New Energy Subcommittee

In-depth examinations of measures for renewable energy, and verification of necessary additional measures were implemented based on the Basic Energy Plan

<Discussions at the 5th meeting (Oct. 15)>

■ Organization of problems we face in the introduction and expansion of renewable energy to the maximum extent
(Key Points)

- Balancing both “maximum introduction of renewable energy” and “suppression of the burden on the people”
- Correct the overemphasis on solar power and introduce/promote other renewable energies
- Verify the quantities available for connection of each electricity company
- Expand the quantities available for connection, for example, by use of output suppression
- Set an upper limit on the burden on the people
- Introduce a market mechanism, such as a bidding system, to the buyback program

System Working Group

Based on this situation in which answers to applications for renewable energy connection have been suspended, verify the quantities available for connection, and review measures for expansion

<How to proceed with verifications at WG>

■ Organize the Basic Concept for the calculation method of the quantities available for connection (1st WG (Oct. 16)).

■ Verify the calculation method adopted by each electricity company based on the Basic Concept (2nd WG (Oct. 30)).

■ Based on the verified calculation method, calculate and verify the quantities available for connection at each electricity company (3rd WG (date to be determined)).

■ At the same time, organize an expansion policy option for the quantities available for connection (2nd & 3rd WG).

* Meetings will be held 3 or 4 times this year.

(Reference) Outlook for Supply/Demand This Winter (Without Restart of NPP)

- ○ Power demand this winter is estimated to be 15,160,000 kW at maximum, which is almost equivalent to the coldest period of 2011. This was calculated by estimating about 90% of the actual demand of last winter (▲560,000 kW) due to power saving habits.
- ○ Standby power (more than 3% of the reserve rate), which is a requirement for a stable power supply, is thought to be secured, since the maximum power demand during the coldest period (same level as in 2011) is assumed to be covered by the power received from other electricity companies as part of the backup and interchange as measures for power supply capabilities.
- ○ We will request that our customers cooperate with us by saving as much power as possible without inconvenience to their life, health, production, or economic activities, etc.

[Period and time zone during which cooperation is desired]

•Period: Weekdays during December 1, 2014 (Mon) through March 31, 2015 (Tue) (Except Dec. 29 (Mon) through Jan. 2 (Fri))

•Time Zone: 8:00 through 21:00

(Generating End: 10,000 kW)

	December	January	February	March
Demand	1,400	1,516	1,516	1,286
Supply Capability (Total)	1,482	1,562	1,562	1,340
Nuclear	0	0	0	0
Thermal	1,193	1,201	1,225	1,095
Hydroelectric	77	69	67	75
Pumping-up	153	175	176	111
Solar/Wind	1	1	1	1
Geothermal	17	17	17	17
Interchange	35	93	70	35
New Electric Power, etc.	6	6	6	6
Supply Capability – Demand [Reserve rate]	82 [5.8%]	46 [3.0%]	46 [3.0%]	54 [4.2%]

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