

# Annual Report 2020



Enlighten Our Future

Hatchoubaru Geothermal Power Station (Oita Prefecture)



# Enlighten Our Future

## **Steady and reliable, environment-friendly energy.**

In order for our customers to lead harmonious lives, we will provide steady and reliable, environment-friendly energy, while anticipating global trends and making full use of our advanced technology and abundant experience with energy and the environment.

## **Services that truly satisfy.**

Customer trust is our top priority. We will listen to the various voices of our customers in order to respond to their needs with services that truly satisfy.

A woman with short dark hair, wearing a patterned sweater, and a young girl with dark hair, wearing a white sweater, are holding hands and looking up towards the ceiling. They are in a bright, modern interior space with large windows and a potted plant in the background.

Towards a comfortable and environment-friendly lifestyle today and for generations to come.

This is the mission of the Kyuden Group.

Our brand message, “Enlighten Our Future,” expresses our desire amid changing times to remain unchanged in delivering a stable supply of electricity and other forms of energy, and contribute towards a comfortable and environment-friendly lifestyle today and for generations to come.

The phrase “comfortable and environment-friendly lifestyle” contains the cyclical concept of “enjoying a pleasant life being connected to bettering the global environment, which, in turn, enriches human hearts and provides us with comfort,” sustainable society that we want to contribute to. Kyuden Group’s Mission is to contribute toward the realization of a comfortable and environment-friendly lifestyle today and for generations to come.

## As one with Kyushu, Asia, and the world.

In company with the people of Kyushu, we will work together to take action while thinking of our children’s future and of the prosperity of the region. And from there, we will look to Asia and the world.

## Discovering solutions, and putting them into practice.

We will discover and implement solutions that lead to a better tomorrow through open, active discussions, believing in people’s potential and mutually respecting personalities.





**Michiaki Uriu**

Member of the Board of Directors,  
Chairperson

*M. Uriu*

**Kazuhiro Ikebe**

Member of the Board of Directors,  
President & Chief Executive Officer

*K. Ikebe*



To our shareholders and investors,

We would like to express our gratitude for your loyal patronage and continuous support for the Kyuden Group.

First of all, the spread of the new coronavirus continues to have an enormous impact on socio-economic activities, and the government, local governments and other members of society are making concerted efforts to bring this situation to an end.

We will take all possible measures to prevent infection so as not to interfere with the stable supply of electricity and other business operations.

Regarding the financial results for FY2019, despite a decrease in fuel costs, ordinary income decreased compared to the previous year due to a decline in retail electricity sales and in electricity sales to other suppliers, due to low market prices in the domestic power business. And we decided to partially reverse deferred tax assets. This led to an increase in corporate taxes and to a loss of net income attributable to owners of parent 400 million yen.

At this point in time, both net sales and profits are undecided due to the difficulty in assuming the impact of the spread of the new coronavirus infection, but we will take the necessary measures, while paying close attention to future trends in electricity demand and its impact on earnings.

Under the “Kyushu Electric Group Management Vision 2030,” which was formulated in June 2019, we have been promoting initiatives such as the stable supply of environmentally friendly and low-cost energy, further strengthening the competitiveness of energy services, and proactively participating in overseas electric power projects to secure new sources of revenue, with the aim of achieving the consolidated ordinary income of 150 billion yen and other targets set for 2030.

On April 2020, the Group split the general power transmission and distribution business into a 100 percent-owned subsidiary, and established Kyushu Electric Power Transmission and Distribution Co., Inc. We will continue to work together as a group to fulfill our unchanging mission of providing a stable supply of energy.

We would like to ask our shareholders and investors for their continued understanding and support.

August 2020



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## Our Strategy

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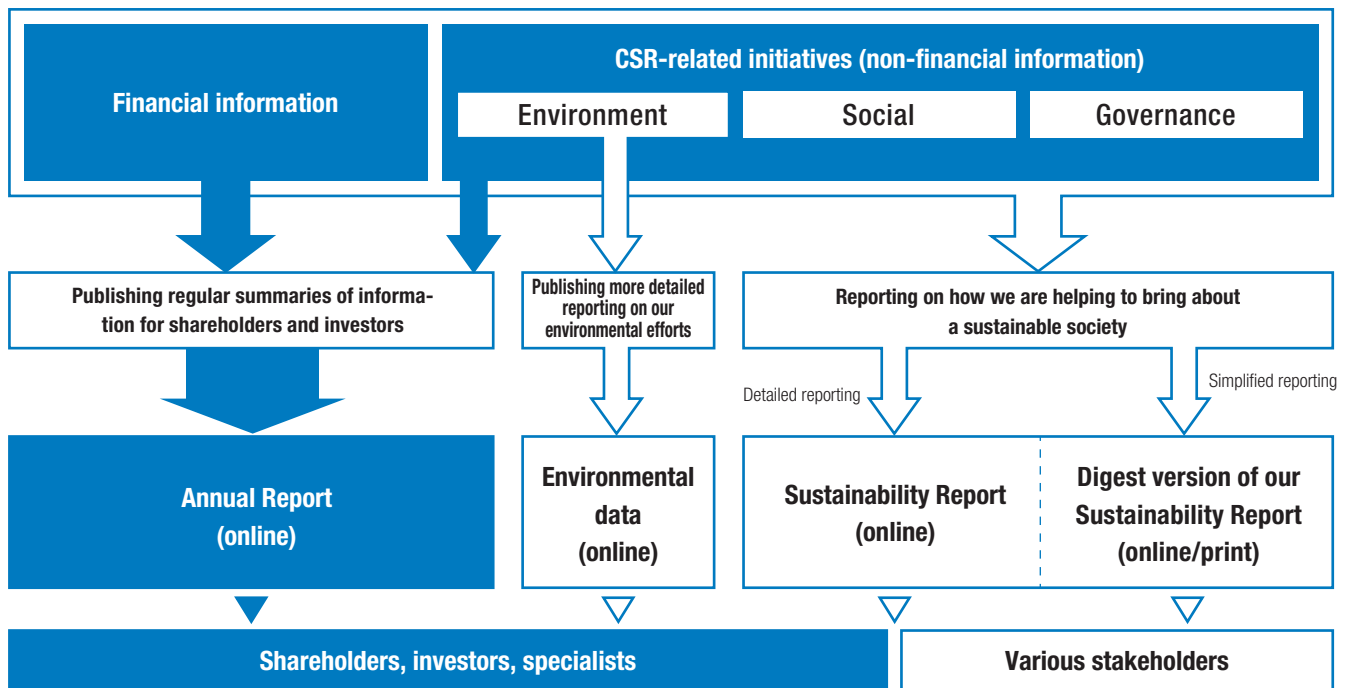
## Editorial Policy

### About this report

**This report integrates financial information for the previous fiscal year based and non-financial information that represents our non-visible assets.**

Since 2016, the Kyuden Group Annual Report has been published with the objective of enabling shareholders and investors to gain an understanding of how Kyushu Electric Power will create corporate value on financial and non-financial information.

Readers' opinions regarding this report will be used as a reference to create easily understandable reports in the future.



### Issue Date

August 2020 (Next report: summer 2021 (planned))

### Scope of Reporting

Kyushu Electric Power Company, Incorporated and Group Companies

### Reporting Period

The financial information reporting period covered is primarily FY2019 (April 2019 through March 2020). However, the report also contains some data from FY2020 in the interests of providing timely information.

### Guidelines Consulted

International Integrated Reporting Framework  
Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation  
Task Force on Climate-related Financial Disclosures (TCFD) Recommendations  
Sustainability Accounting Standards Board (SASB)

### Website Information

IR Website

For shareholders and investors

[http://www.kyuden.co.jp/english\\_ir\\_index.html](http://www.kyuden.co.jp/english_ir_index.html)

Please refer to our website for more detailed information.



### About the front cover

Hatchoubaru Geothermal Power Station / Oita Prefecture  
(Posted to the Kyuden Group's Instagram account)

The Kyuden Group's Instagram account delivers photographs on the themes of "Night views of Kyushu / Illuminated scenery," "Nature, scenery, and festivals of Kyushu," and "Scenery where electricity is born or connected."

Kyuden Group Instagram account:



### Responding to the SDGs

The Kyuden Group will contribute to the achievement of the SDGs through our CSR initiatives.

### SDGs (Sustainable Development Goals)

The Sustainable Development Goals for international society as a whole, adopted in 2015 at a United Nations summit, comprise 17 goals to be realized by 2030.



### Note Regarding Forward-looking Statements

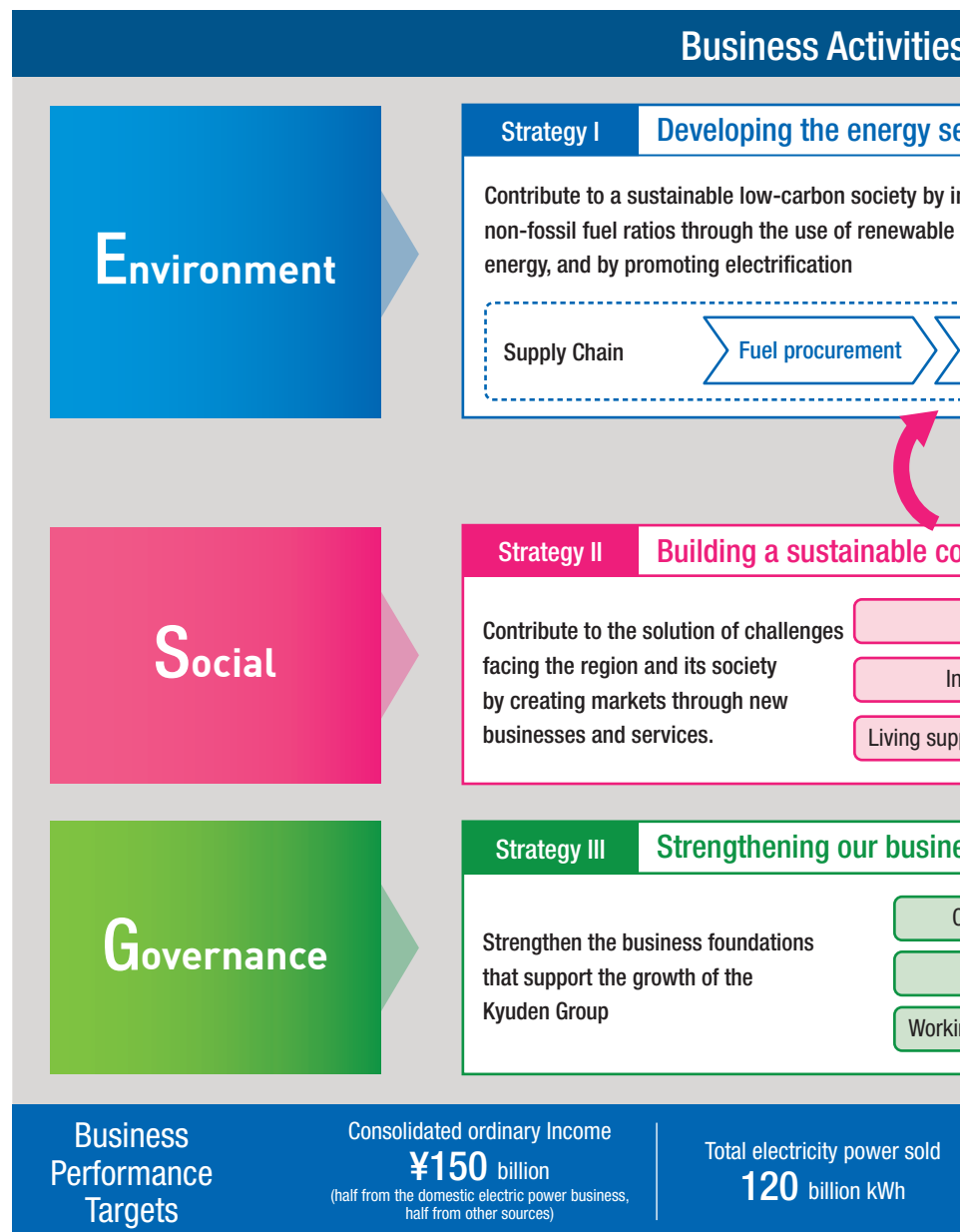
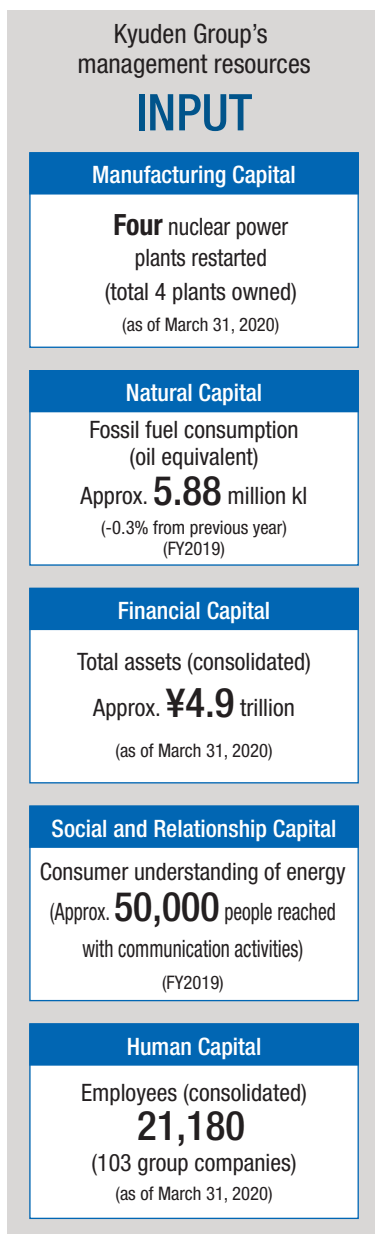
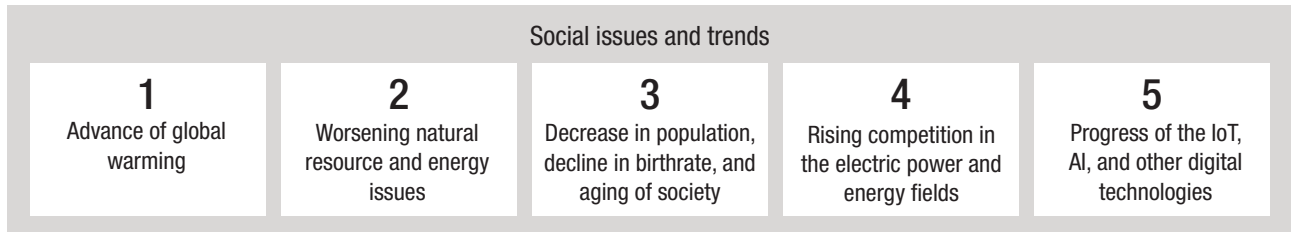
Statements made in this report regarding the Kyuden Group's strategies and forecasts and other statements that are not historical facts are forward-looking statements based on management's assumptions and beliefs in light of information currently available, and should not be interpreted as promises or guarantees. Owing to various uncertainties, actual results may differ materially from these statements. Shareholders and investors are hereby cautioned against making investment decisions solely on the basis of forward-looking statements contained herein.



# The Kyuden Group's Value Creation Process

Make a brighter future for generations to come.

The Kyuden Group's Mission is to contribute toward the realization of a comfortable and environment-friendly lifestyle today and for generations to come. In addition to continuing to provide environment-friendly energy, as a regional enterprise throughout each prefecture in the region, we are working together with local communities, exchanging knowledge and expertise, and proactively tackling the challenges posed by new issues. In this way, we are expanding and enhancing our corporate value.



\* The power transmission and distribution business is conducted for the purpose of ensuring neutrality. K

# Kyuden Group's Mission: Enlighten Our Future



## SUSTAINABLE DEVELOPMENT GOALS

17 goals for changing the world

Contribution to the SDGs

### Service business

P26

Improving  
and nuclear

Japanese electric  
power business

Energy-related  
business

Overseas  
businesses

Power generation

Power transmission  
and distribution<sup>(\*)</sup>

Energy services

Synergies

### Community together

P41

ICT services

Urban development and city planning

Infrastructure services

Business support

Port

Tourism-related businesses

Primary industry-related businesses ...

### Business foundations

P45

Creating corporate culture that prioritizes safety, health, and diversity

Creating workplaces where people want to work

Working to improve trust from stakeholders (strengthening of governance, etc.)

Contribute to the reduction  
requirement of cutting Kyushu's  
CO<sub>2</sub> emissions by **70%**

Pursue unchanging top-level  
electricity charges

## Value provided to stakeholders OUTPUT / OUTCOME

### Environment-friendly energy

Ratio of non-fossil fuel power sources: **44%** (FY2019)

\* Total of nuclear power, renewable energy  
(excluding FIT electricity), and hydropower (over 30 MW)

### Customers

#### Customer-centered Energy Services

Retail electric power sales of the Kyuden Group:

**73.2** billion kWh

Electricity/gas package sales: approx. **123,000**

(**34%** increase year-on-year) (as of March 31, 2020)

### Region

#### Regional Development

Nominal gross regional product: approx. **46** trillion yen (FY2016)

#### Stable supply of electric power

Power outage minutes/year/household: **15** min./household (FY2019)<sup>(\*)</sup>

### Shareholders and investors

#### Stable return to shareholders

**5**-year consecutive increase in dividends  
(FY2015-FY2019)

### Employees

#### Work-friendly environment

Average years of service: **24.2** years (FY2019)  
(National average **12.4** years)

### Supply Chain

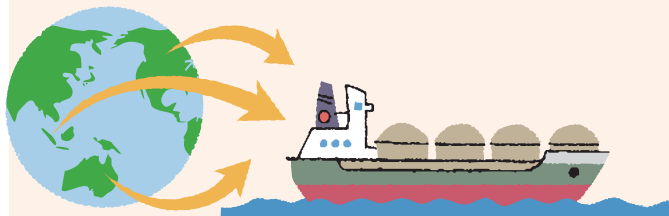
#### Development through fair and impartial transactions

The distribution business of Kyushu Electric Power was spun off as Kyushu Electric Power Transmission and Distribution Co., Inc. in April 2020 for the  
Kyushu Electric Power Transmission and Distribution Co., Inc. operates the power transmission and distribution business.



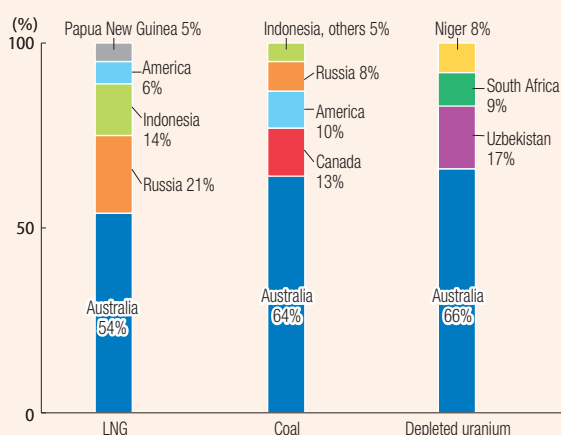
## Supply Chain

### Fuel procurement

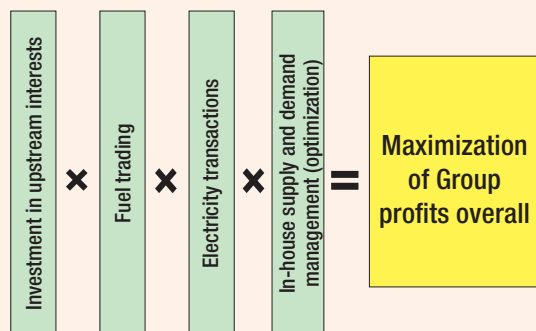


Kyushu Electric Power is strengthening its fuel procurement through means such as diversification of fuel procurement, participation in resource development and production projects, and introduction of fuel trading (adjustment of fuel volume and price management). We are further working to optimize supply and demand management through close operation with fuel trading and power trading, to maximize profit for the Group. We strive for cost reduction in fuel transportation by using our own LNG tanker and chartered ships for shipping.

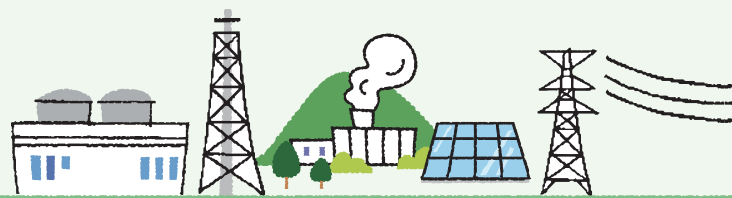
#### ◆ Fuel procurement status (FY2019)



#### ◆ Effect of optimization of supply and demand management



### Power generation



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

#### ◆ Power generation facilities (Kyushu Electric Power)

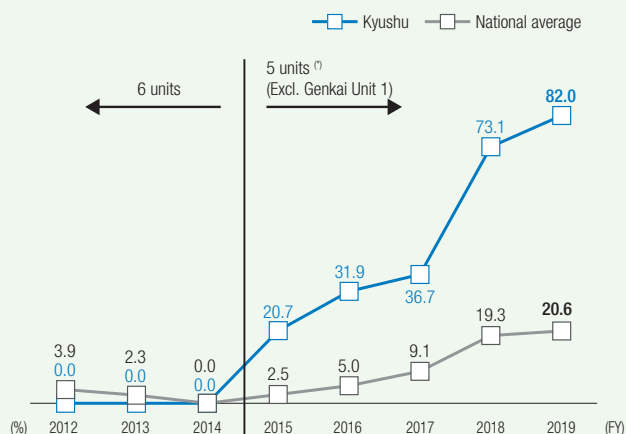
(end of FY2019)

\* Includes facilities transferred to Kyushu Electric Power Transmission and Distribution Co., Inc. from April 1, 2020 due to spin-off

|                                                                            |                  |                  |
|----------------------------------------------------------------------------|------------------|------------------|
| Hydroelectric (including pumped hydroelectric storage power generation)    |                  |                  |
| Mainland                                                                   | 138 sites        | 3,576 MW         |
| Remote islands*                                                            | 5 sites          | 4 MW             |
| Geothermal power generation (including geothermal binary power generation) | 6 sites          | 208 MW           |
| Wind power generation                                                      | 1 site           | 300 kW           |
| Nuclear power generation                                                   | 2 sites          | 4,140 MW         |
| Thermal power generation                                                   | 7 sites          | 9,585 MW         |
| Internal combustion power generation (including gas turbines)*             | 32 sites         | 400 MW           |
| <b>Total power generation facilities</b>                                   | <b>191 sites</b> | <b>17,913 MW</b> |

Note: Totals may not match due to rounding.

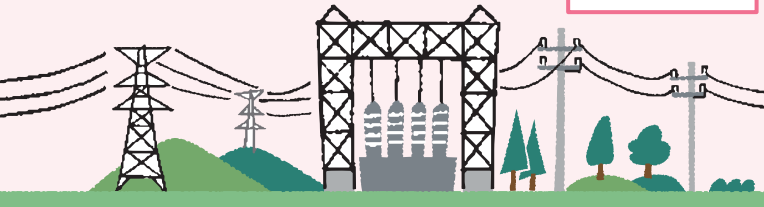
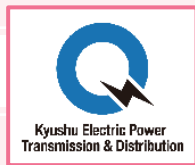
#### ◆ Nuclear power station utilization rate



(\*) For FY2019, due to the halt of operations at Genkai Unit 2, figures are for a five-unit basis until April 9, 2019, and for a four-unit basis thereafter.

Note: The power transmission/distribution business of Kyushu Electric Power was spun off as Kyushu Electric Power Transmission and Distribution Co., Inc. in April 2020.

## Power transmission and distribution



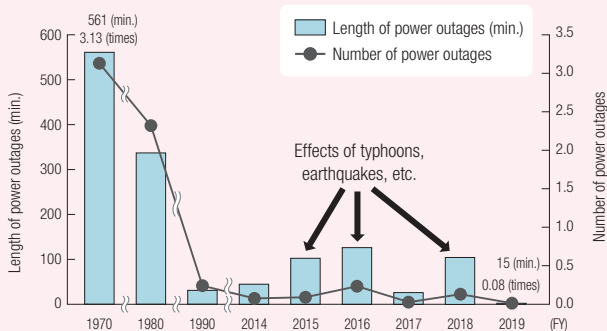
We deliver a stable supply of electricity, sending it along transmission lines from power stations to substations, and along distribution lines from substations to places such as homes and factories. To be able to deliver low-cost, stable electricity to support Kyushu's industries and lifestyles, we operate a stable electricity system preserving steady transmission and distribution facilities.

### ◆ Power transformation, transmission and distribution (as of March 31, 2020)

Note: Facilities of Kyushu Electric Power Transmission and Distribution Co., Inc., from April 1, 2020

|                |                              |                               |                   |
|----------------|------------------------------|-------------------------------|-------------------|
| Transformation | Number of substations        |                               | 604 sites         |
|                | Capacity                     |                               | 75,295,000 kVA    |
| Transmission   | Length of transmission lines |                               | 10,900 km         |
|                | Supporters                   | Steel towers                  | approx. 25,000    |
|                |                              | Others (concrete poles, etc.) | approx. 44,000    |
| Distribution   | Length of distribution lines |                               | 142,832 km        |
|                | Supporters                   | Concrete poles                | approx. 2,437,000 |
|                |                              | Others (steel poles, etc.)    | approx. 41,000    |

### ◆ Number and length of power outages per customer household

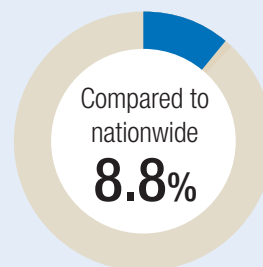


## Energy services



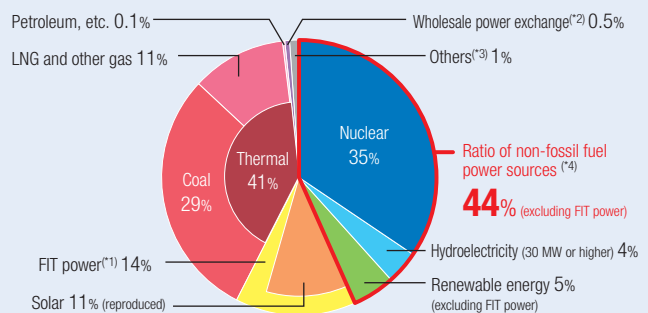
We provide various energy services that meet the diverse needs of customers, including proposals for plans and services meeting the requirements of household customers and one-stop energy services for corporate customers.

### ◆ Sales as a ratio of the entire electricity business in FY2019



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

### ◆ Power sources (kWh) in FY2019



The diagram above shows the power sources for energy supplied to those customers who have not specified a service using only renewable energy sources (hydroelectric, geothermal power).

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

(2) Power procured from wholesale power exchanges

This electric power includes hydroelectric, thermal, nuclear, FIT, and renewable energy power.

(3) Others

Includes power procured from other companies for which the power station cannot be specified.

(4) Numbers differ from those in achievement plans under the Act on the Promotion of Use of Non-fossil Energy Sources and Effective Use of Fossil Energy Materials by Energy Suppliers

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

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

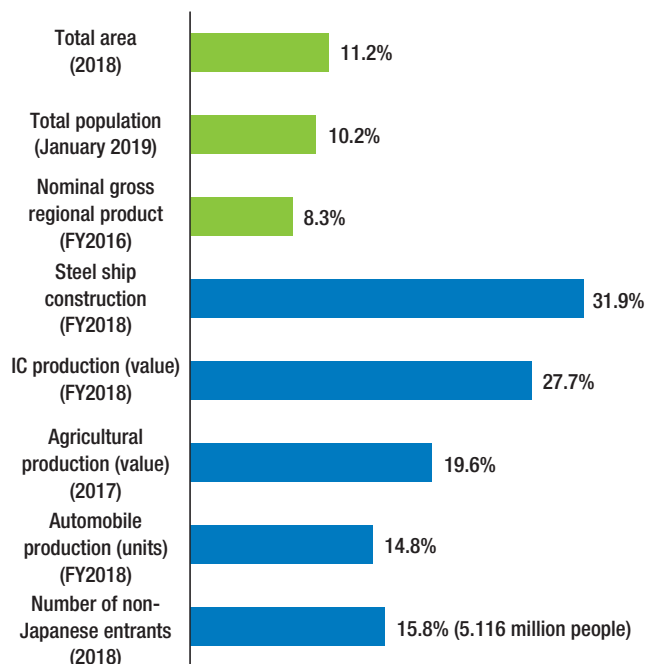
## Snapshot of Kyushu

Located nearly at the center of East Asia, Kyushu serves as a hub for interaction with Asia.

Kyushu's economy is roughly 10% of Japan's economy; it similarly accounts for about 10% of Japan's land area and population. Kyushu's gross regional product is on par with the nominal gross regional product of Belgium, Iran, or Thailand. Kyushu commands a high proportion of Japan's production value in IC and agriculture, and in unit production of automobiles, all key industries for Kyushu.

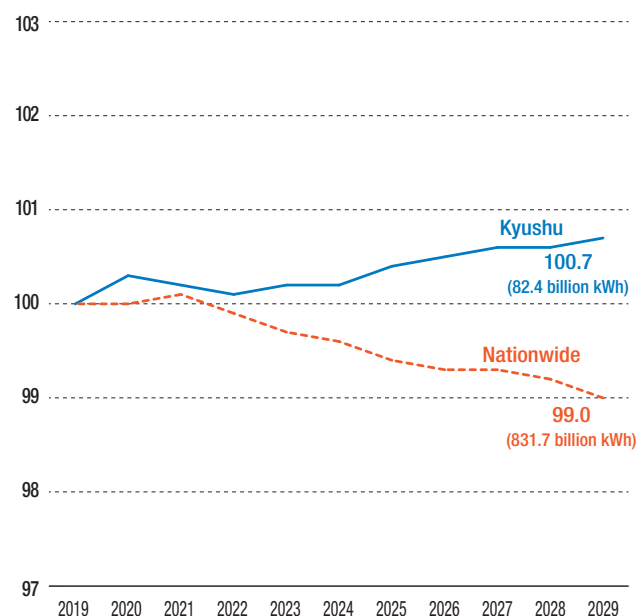
Electricity demand over the coming decade is expected to decline in Japan as a whole but to increase slightly in Kyushu.

### Share of Kyushu nationwide



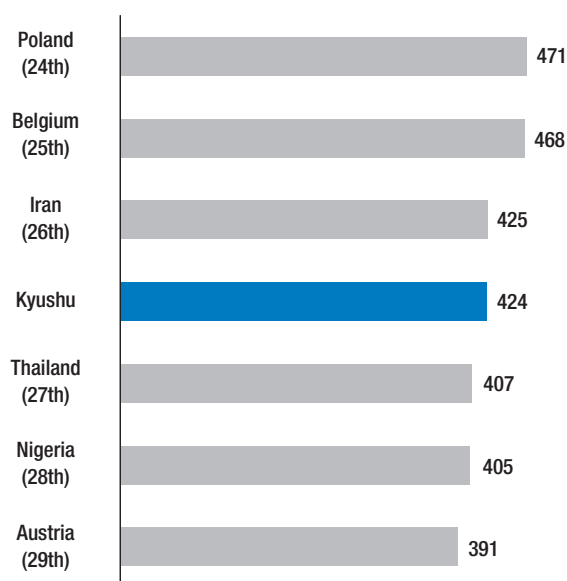
Source: Created in-house based on "Kyushu Economic Internationalization Data 2019,"  
Kyushu Bureau of Economy, Trade and Industry

### Electric power demand outlook (Value with FY2019 set to 100)



\*A metric based on the amount of electricity demand (receiving end)  
Source: Created in-house based on "Demand Assumptions Nationwide and by Supplying Area (FY2020),"  
Organization for Cross-regional Coordination of Transmission Operators, JAPAN (OCCO)

### Nominal gross regional product compared (USD 1.0 billion)



\*Values from 2016

\*Numbers in parentheses represent global position

Source: Created in-house based on "Kyushu Economic Internationalization Data 2019,"  
Kyushu Bureau of Economy, Trade and Industry

### Kyushu as a part of Asia



Source: Created in-house based on "Profile of Kyushu 2020," Kyushu Economy International (KEI),  
Kyushu Bureau of Economy, Trade and Industry



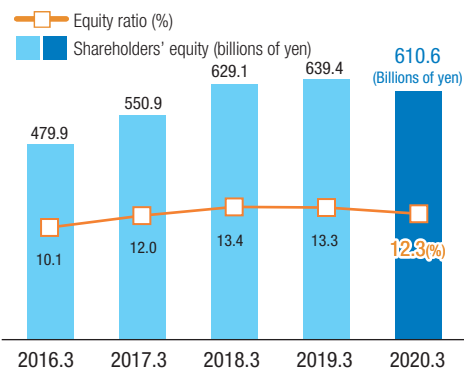
## Financial and Non-Financial Highlights

Equity ratio  
(Consolidated)

**12.3%**  
(End of FY2019)

Financial  
Objective

**Approx. 20%** (End of FY2021)

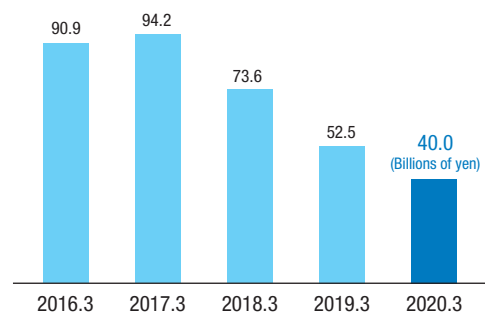


Ordinary income  
(Consolidated)

**¥40 billion**  
(FY2019)

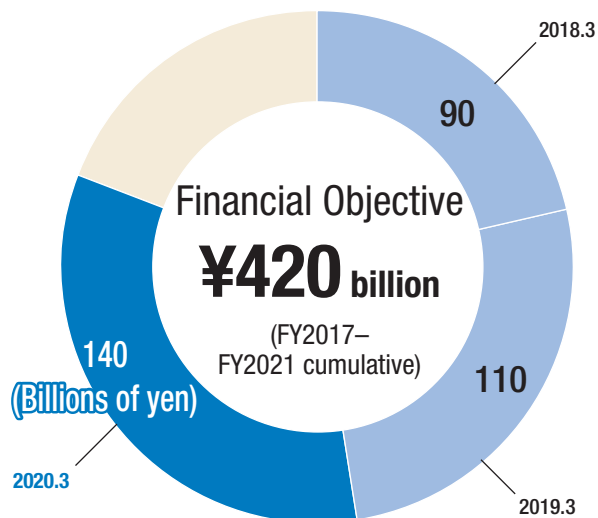
Financial  
Objective

**Excess of ¥110 billion**  
(FY2017–FY2021 average)



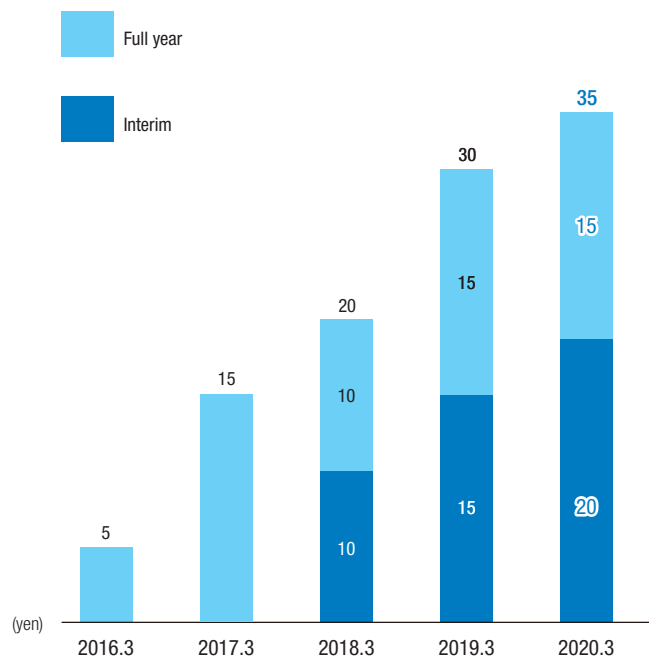
Growth investments  
(Consolidated)

**Approx. ¥350 billion**  
(FY2017–FY2019 cumulative)

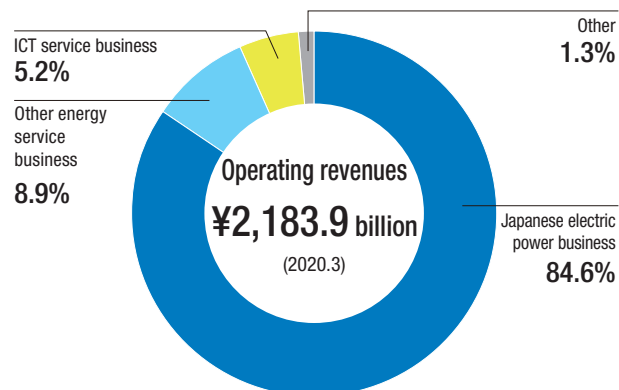


Dividends (per share of common stock)  
(Kyushu Electric Power)

**¥35**  
(FY2019)

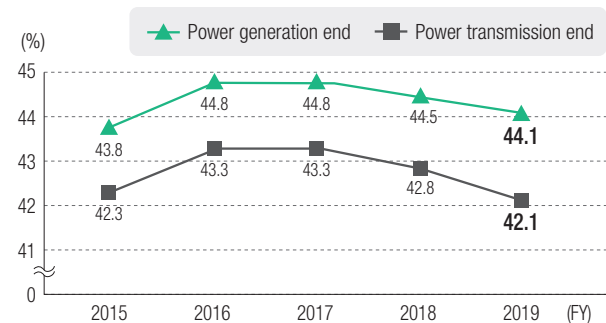


|                                                                                 |              |
|---------------------------------------------------------------------------------|--------------|
| Ratio of electricity business in sales<br>(Includes intra-company transactions) | <b>84.6%</b> |
|---------------------------------------------------------------------------------|--------------|



The Kyuden Group consists of Kyushu Electric Power, 64 subsidiaries, and 39 affiliated companies. (as of March 31, 2020)

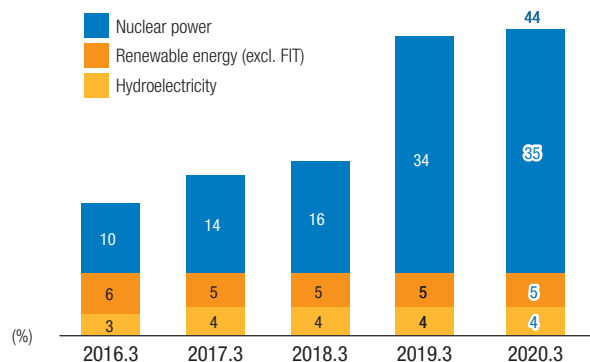
|                                                                               |                                       |
|-------------------------------------------------------------------------------|---------------------------------------|
| Total thermal efficiency for thermal power stations<br>(Power generation end) | <b>44.1%</b><br>(Lower heating value) |
|-------------------------------------------------------------------------------|---------------------------------------|



\*Thermal efficiency is calculated on a lower heating value basis.

In FY2019, through the operation of LNG/coal-fired power stations with high thermal efficiency, we maintained a high 44.1% (power generation end) total thermal efficiency for thermal power stations.

|                                        |            |
|----------------------------------------|------------|
| Ratio of non-fossil fuel power sources | <b>44%</b> |
|----------------------------------------|------------|

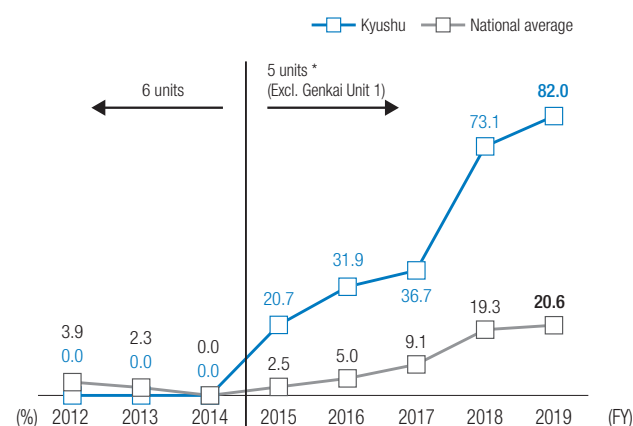


\*Total of nuclear power, renewable energy (excluding FIT electricity), and hydropower (over 30,000 kW), based on data from "The Guidelines Concerning the Management of the Electricity Retail Business" by the Ministry of Economy, Trade and Industry

While considering the S+3E<sup>(\*)</sup> perspective, we are pursuing an optimal energy mix, and by improving the efficiency of thermal power plants and increasing the proportion of our energy that comes from renewable or nuclear energy, we are contributing to the reduction of Kyushu's carbon footprint.

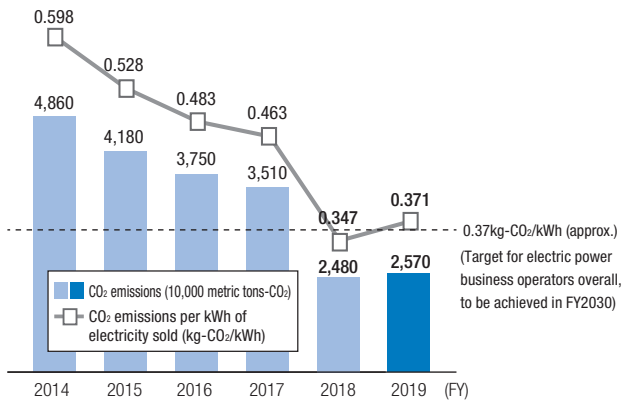
(\*) S+3E refers to the four pillars of Japan's basic energy policy, which aims to simultaneously achieve Energy security, Economic efficiency, and preservation of the Environment, while maintaining Safety.

|                                        |              |
|----------------------------------------|--------------|
| Nuclear power station utilization rate | <b>82.0%</b> |
|----------------------------------------|--------------|



\*For FY2019, due to the halt of operations at Genkai Unit 2, figures are for a five-unit basis until April 9, 2019, and for a four-unit basis thereafter.

With four nuclear power plants under operation, our facility utilization rate for FY2019 was 82.0%, above the national average.

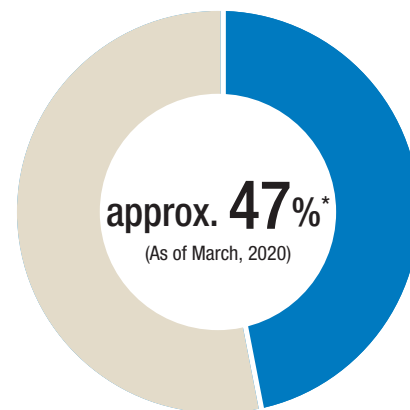
CO<sub>2</sub> emissions per kWh of electricity sold**0.371 kg-CO<sub>2</sub>/kWh**  
(Provisional value)

Amid declining power sales in FY2019, our nuclear power stations continued stable operation, and the purchased volume of electric power generated from renewable energy increased. However, our CO<sub>2</sub> emissions volume and emissions coefficient both rose year-on-year due to an increase in the percentage of electric power from coal-fired thermal power generation, including the start of operation at Matsuura Power Station Unit 2.

Capacity of geothermal power generation equipment

**218 MW**

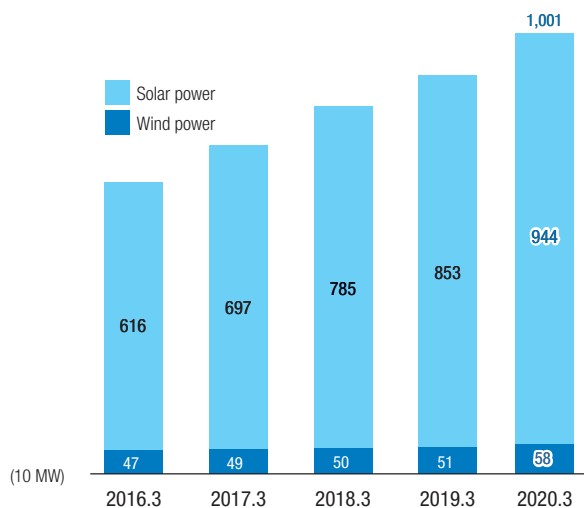
Ratio of Kyushu Electric Power among all power businesses



\*Calculated in-house on the basis of "Electricity statistics survey" from the Agency for Natural Resources and Energy.

The Kyuden Group owns about 47% of all Japan's geothermal power generation facilities, including Hatchoubaru Geothermal Power Station, Japan's largest.

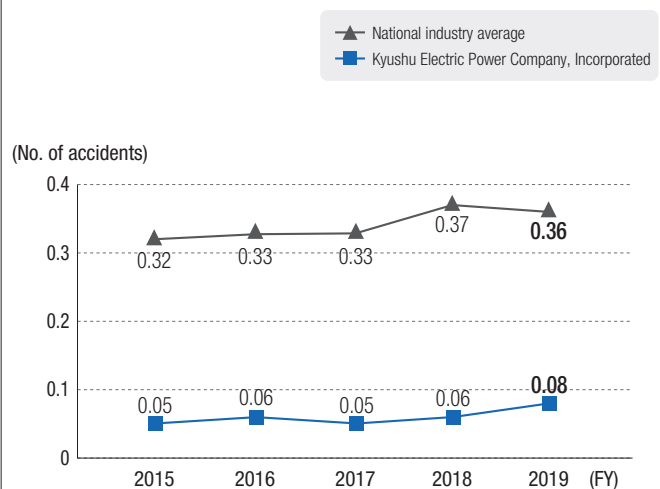
Capacity of solar and wind power equipment

**10,010 MW**  
(Mainland Kyushu, excl. remote islands)

As of the end of March 31, 2020, the capacity of solar and wind power equipment on mainland Kyushu stood at approximately 10,010 MW. As of the end of December 31, 2019, solar and wind power FIT equipment capacity on mainland Kyushu accounts for approximately 17% of the national capacity.

\*Totals for equipment capacity may not match due to rounding.

Frequency rate of workplace accidents\*

**0.08**

(\*) No. of accidents per 200,000 working hours

\*Calculation of data includes employees in the power transmission/distribution sector (transferred to Kyushu Electric Power Transmission and Distribution Co., Inc. following spin-off in April 2020).

In order to encourage safety activities throughout the company, we have implemented internal measures such as the establishment of a Companywide Safety Promotion Committee, as well as the formulation of the Companywide Safety Promotion Basic Policy as a common initiative to be shared among all divisions.



## **Interview with the President**

**Our Group will work in unison  
towards achieving our Management Vision 2030**



Member of the Board of Directors,  
President & Chief Executive Officer

*K. Ikebe*

## Q1

Looking back, how would you sum up the year?

## A1

The Japanese electric power business is now at a major turning point under a challenging business environment. Despite this, we have taken steps aimed at boosting profits, such as the commercial operation of the competitive, coal-fired Matsuura Power Station Unit 2, alliances with other companies to expand electric power sales.

Following Japan's full deregulation of the retail electricity sector in April 2016, full liberalization of the retail gas sector in April 2017, and the spin-off of our transmission and distribution business (through legal separation) in April 2020, our business has come to a major turning point. While the business environment is a tough one, in terms of setting a foundation for the future, I believe we delivered steady results during the year by successfully having tackled a number of management issues.

First, we announced Kyuden Group Management Vision 2030 in June 2019. We created this vision to rally the Kyuden Group in transitioning our business from defense to offense under a changing business environment. We set a long-term strategy direction that allows us to contribute to the sustainable growth of Kyushu, the region that is our base, and to grow together with the local community and society through our business activities.

Our Management Vision for 2030 conveys the message "Kyuden Group: Creating the future, starting from Kyushu. Providing more prosperous, comfortable living to become our customers' No. 1 choice." This expresses our wish to become our customers' first choice by providing energy services and new value for a more prosperous and comfortable lifestyle. It also conveys our wish to make Kyushu a base from which we help resolve social issues and create a bright future together with the region and society, then extend this from Kyushu to the rest of the world. In line with this vision, we have set ordinary profit of 150 billion yen by 2030 as a goal, with 50% to be generated from the domestic electric power business and the remaining 50% from overseas and other businesses.

Looking at our financial results for fiscal 2019, ordinary income remained at 40 billion yen due to the market slump in wholesale power exchange caused by unseasonable weather in summer and a historic warm winter. At the same time, we were able to move forward with efforts that will lead to future expansion of profit.

First, in our domestic electric power business, we achieved operational status for four nuclear power stations, and lowered electricity rates in April 2019 to strengthen competitiveness. In December 2019, we began commercial operation of the coal-fired Matsuura Power Station

Unit 2, which uses the cutting-edge technology called ultra-supercritical generation. We also met the expectations of customers in the Kyushu region with compelling rate plans such as electricity/gas packages (approx. 120,000 customers as of March 31, 2020) and a heat stroke prevention plan (approx. 185,000 customers as of the same period). Our subsidiary Kyuden Mirai Energy is steadily growing its sales outside of Kyushu, and our overall retail electric power sales in FY2019 reached 73.2 billion kWh, an increase of 0.6% year-on-year despite unseasonable weather conditions. We are also actively forming alliances with other companies. In April 2020, we launched a partnership with ITOCHU ENEX Co., Ltd. to further expand electric power sales.

In our overseas business, we forged ahead with initiatives aimed at expanding business in Asia and North America, including our participation in the management of major Thai power generator EGCO and participation in the Westmoreland Gas-Fired Power Project, our fourth power generation project in the USA. We also joined the Taweelah B power generation and desalination project, the Kyuden Group's first project in the Middle East.

We engaged in a variety of businesses to diversify our sources of revenue. In the airport operation business, we acquired operation rights jointly with other companies, and began private operation at Fukuoka Airport in April 2019 and Kumamoto Airport in April 2020. In the urban development business, we are steadily moving ahead with redevelopment of the old market area in Fukuoka. We also joined a rental residential complex development project in a mixed-use development area in Atlanta, USA, our first overseas real estate development project. In addition, we have started the KYUDEN i-PROJECT to generate innovative businesses and services, as well as a number of promising commercialization projects including Kyuden Drone Services, the Qottaby service that uses location information to watch over children and the elderly, and the weev EV car sharing service exclusively for condominium residents. I feel that the Kyuden Group as a whole is building momentum in tackling innovation through these projects, which I expect will contribute to future profits.

## Q2

What actions are you taking to continue to be a company that is trusted and chosen by customers?

## A2

We intend to solidly address our ESG (Environment, Society, Governance) issues while making our management vision a reality. We will also enhance our disclosure of ESG-related information so that we can be accountable to our stakeholders.

In recent years, there have been growing expectations toward efforts to bring about a sustainable society on a global scale. These include efforts to achieve the United Nations' sustainable development goals (SDGs) for the international community, and ESG investment that evaluates companies' consideration of factors such as the environment. We recognize the importance of meeting these expectations.

That is why our group strategy and ESG initiatives are inseparable. To name an example, our management vision includes a business performance target of contributing to the reduction of Kyushu's CO<sub>2</sub> emissions by 70%. This is consistent with Japan's plan to combat global warming (a 26% reduction from 2013 levels in 2030) under the Paris Agreement. We have set three strategies for achieving our vision: Strategy I tied to E (Environment), Strategy II tied to S (Society), and Strategy III tied to G (Governance). Our entire management vision is linked to ESG.

Looking back on Governance in the past year, the gift-giving scandal of another electric power industry company was revealed, which seriously harmed trust in the industry. Our company has been working hard to enforce compliance management, and we confirmed that we have no involvement in such incidents. We will continue our efforts to instill a compliance mindset within the company, and will conduct our business on a foundation of high ethical standards.

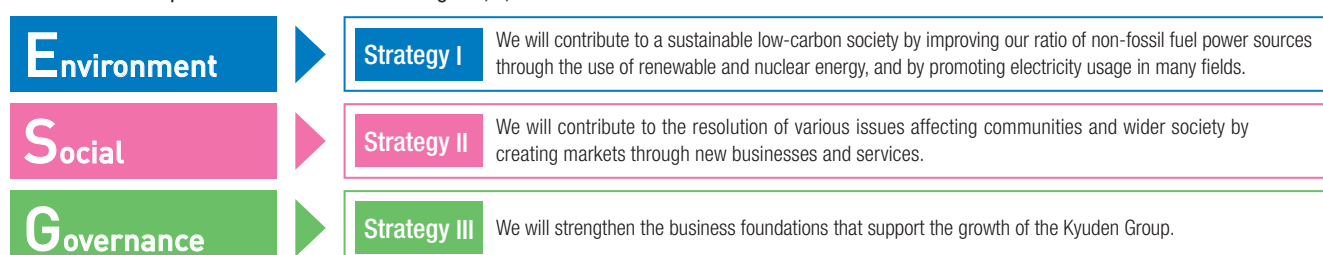
We will also actively disclose information. In this Annual Report, we are performing disclosure in accordance with the TCFD (Task Force on Climate-related Financial Disclosures). By enhancing the disclosure

of ESG-related information alongside the Kyuden Group Sustainability Report, we will meet our responsibility to be accountable to our stakeholders.

By steadily addressing ESG under the strategies in our management vision, we will continue to be a company that is trusted and selected and will achieve sustainable growth and greater corporate value.



### ○ The relationship between ESG and our Strategies I, II, and III



Q3

How will you specifically work toward the business performance target of contributing to the reduction of Kyushu's CO<sub>2</sub> emissions by 70%? (Fiscal 2030)

A3

I believe that initiatives on both the demand and supply sides are important, including promoting EV proliferation, all-electric energy usage, and other electrification of energy consumption, as well as promoting greater utilization of nuclear power, renewable energy, and other low-carbon power sources. Our target for renewable energy development volume is 5,000 MW in 2030.

Preventing global warming calls for promoting all-electric energy and increased proliferation of EVs, and increasing the percentage of electricity in energy consumption (demand side). At the same time, we must avoid generating CO<sub>2</sub> when creating electricity (supply side).

To promote electrification, we plan to further expand all-electric energy in homes and in commercial kitchens. We will also tackle all-electric energy in transport, by promoting EV sharing and installation of charging infrastructure in condominiums and workplaces.

On the supply side, we will make use of non-fossil fuel power sources such as nuclear power and renewable energy.

Genkai Nuclear Power Station Unit 4 resumed normal operation in July 2018, bringing our total number of nuclear power units in operation to four. As of July 2020, four of the nine nuclear power plants that were restarted in Japan after the earthquake disaster are our plants, giving us high operational performance.

Sendai Nuclear Power Station Units 1 and 2 began periodic inspections in March and May 2020, respectively, to install Specific Safety Facilities. The units are scheduled to resume power generation in December 2020 and January 2021, respectively. At Genkai Nuclear Power Station Units 3 and 4, we will use what we have learned at the Sendai Nuclear Power Station Units to complete installation of the facilities within the deadline while ensuring safety during construction.

In the area of renewable energy, our Group will drive development in the Kyushu region and elsewhere in Japan and overseas, to achieve the 5,000 MW renewable energy generation development target set out in our management vision.

Our Group has the capability to conduct in an integrated manner (from development to operation) the generation of all five renewable energy sources: solar, wind, geothermal, biomass, and hydro. We recognize that we are the only corporate group that can address all aspects of geothermal power generation that spans resource exploration, engineering, procurement, construction, operation, and maintenance, an ability that has earned us a high reputation overseas as well. The Hatchobaru Geothermal Power Station in Kokonoe, Oita Prefecture, is the largest geothermal facility in Japan; its capacity of approximately

110 MW accounts for over 20% of the country's total geothermal power output. We are also taking part in the management of one of the world's largest geothermal power stations (with output of 330 MW) in Sarulla on the Indonesian island of Sumatra. In May 2020, we acquired USA-based advanced geothermal technology services provider Thermochem, Inc., a move designed to dramatically enhance our presence in the geothermal industry.

In the area of offshore wind power, we are performing commercialization studies aimed at starting construction of fixed bottom wind turbines in FY2022 in the Hibikinada district of Kitakyushu, Fukuoka Prefecture. We are also taking part in a floating wind turbine demonstration project in Goto, Nagasaki Prefecture.

As renewable energy expands, it is becoming more important to ensure adjustment capabilities. Our Group has the Buzen Battery Electrical Substation (output: 50 MW), which is equipped with one of the world's highest-capacity storage battery systems. Due to cost and other issues, however, thermal power stations are essential in ensuring adjustment capabilities. By using thermal power sources with high efficiency and excellent load following, such as LNG thermal power and the cutting-edge coal-fired thermal power of Matsuura Power Station Unit 2, we plan to expand the adoption of renewable energy while securing stable supply and economic efficiency.

The strengths of our company include a high ratio of non-fossil fuel power sources (44% in FY2019, excluding FIT renewable electricity), an excellent CO<sub>2</sub> emission coefficient (0.371kg-CO<sub>2</sub>/kWh in fiscal 2019), and the low price levels essential for promoting electrification. We will continue making solid contributions to preventing global warming, a matter of growing importance.



**Q4**

What progress are you making toward mid-term financial goals?  
Also, what are your thoughts on returns to shareholders?

**A4**

A4: Achieving our current mid-term targets will be challenging. I would like to summarize our achievements, and present new financial targets at the appropriate time. We have grown dividends for five consecutive years, and will continue working to return to our pre-earthquake dividend of 50 yen as quickly as possible, while also increasing our equity ratio.

In 2017, we set financial targets of an equity ratio of approximately 20% (end of fiscal 2021) and consolidated ordinary income of 110 billion yen or more (average for fiscal 2017 to 2021). Based on performance in fiscal 2017 to 2019, we recognize that achieving these targets will be difficult. Over the three-year period since we set the targets in June 2017, the restart of operations at the Genkai Nuclear Power Station was delayed for about half a year, electric power sales declined under strengthening competition and unseasonable weather, and our LNG resale loss grew. As a result, average annual ordinary income from fiscal 2017 to 2019 was 55.4 billion yen, and our equity ratio at the end of fiscal 2019 was 12.3%. We were unfortunately unable to achieve the goals that we had committed to.

I would like to summarize our achievements and then set new financial goals, but we have not yet been able to announce a financial results forecast for fiscal 2020 because of the COVID-19 pandemic. At the appropriate time, I hope to present our interim goals toward achieving Kyuden Group Management Vision 2030.

On the topic of dividends, we will determine our dividend under a basic policy of stable dividends, based on a comprehensive review of business performance for the current fiscal year and our medium- to long-term revenues/expenditures and financial situation.

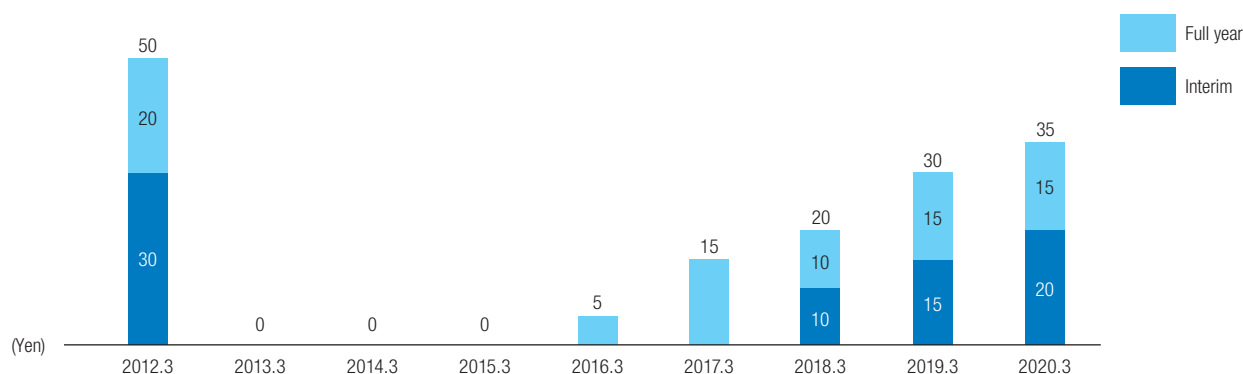
Our dividend for fiscal 2019 was 35 yen per share, marking the fifth consecutive year of dividend growth.

The dividend forecast for fiscal 2020 remains undetermined, as we need to confirm the impacts of the pandemic on our operating results. We are making utmost efforts to at least maintain the level of the fiscal 2019 dividend.

We continue working to restore our dividend of 50 yen per share, which was our pre-earthquake level. We will restore it when we are confident that our equity ratio will recover to around 20%.

After restoring the dividend to 50 yen, we will work to enhance returns even more in accordance with a basic policy of stable dividends, taking into account the profits of the domestic electric power business and other businesses.

#### ● Dividends per share of common stock



## Q5

In closing, please tell us about your aspirations for the future.

## A5

With a commitment to our Management Vision for 2030, we will increase profitability in the energy service business and create new businesses and services that contribute to resolving community and societal issues.

We expect impacts from the suspension of the Sendai Nuclear Power Station and from COVID-19 in fiscal 2020, and find ourselves in a difficult business situation. However, I believe that the situation also provides us an opportunity to become a more resilient company. We will work to increase efficiency without any sacred cows and to increase profits in a variety of fields for the Group, aiming for sustainable growth and enhancement of our corporate value.

To do this, we will first use all the resources of the Kyuden Group to strengthen the earnings capabilities of the energy service business under Strategy I. We will work to expand electric power sales while improving profitability, will leverage our relationships of trust with customers to keep from competing on the basis of price alone, and will provide better service to differentiate ourselves from the competition. In wholesale, we will actively expand relative transactions that are less affected by market conditions, and will maximize profits in the capacity market and the non-fossil value trading market.

In the capacity market, we expect that maintenance and other costs for power generation facilities are reasonably recoverable. In the non-fossil value trading market, we expect to leverage our high ratio of non-fossil fuel power sources, as all of our nuclear power capacity is back on line.

To create electricity demand, we will push initiatives to promote electrification in every field and to attract companies.

We will also promote participation in promising projects overseas, to expand our total electric power sales in Japan and overseas and to achieve the total electric power sales of 120 billion kWh in 2030 that we set out in our management vision.

Following that, we will take on building sustainable communities together, as stated in Strategy II. Specifically, we will focus on “ICT services” such as the optical broadband business and data center business; “urban development and city planning” such as the urban development business and real estate business; and “infrastructure services” such as the airport operating business. By doing so, we hope to

create new businesses and services that find opportunities in resolving community and societal issues.

In July 2020, we strengthened our sales capabilities by reforming branch offices, integrating our branches (responsible for the execution of regional strategies) with our sales centers (responsible for providing customer services). The new branch offices will find new opportunities while contributing to the solution of regional issues. In the fields of urban development/city planning and infrastructure services, we integrated functions to create stronger cooperation between these businesses, and established the Urban Development Business Division. Under this new structure, we plan to work with the local community and use our knowledge to actively work on resolving issues, grounded in the belief that “the Kyuden Group cannot develop without the development of Kyushu.”

Through these efforts, we will make steady progress toward our Management Vision for 2030.



## Kyuden Group Management Vision 2030

To continue contributing to the sustainable development of Kyushu, being our foundation, and to create a brighter future together with the region and society by our business activities, we formulated our management direction based on a long-term perspective in the Kyuden Group Management Vision 2030, which was published in June 2019.

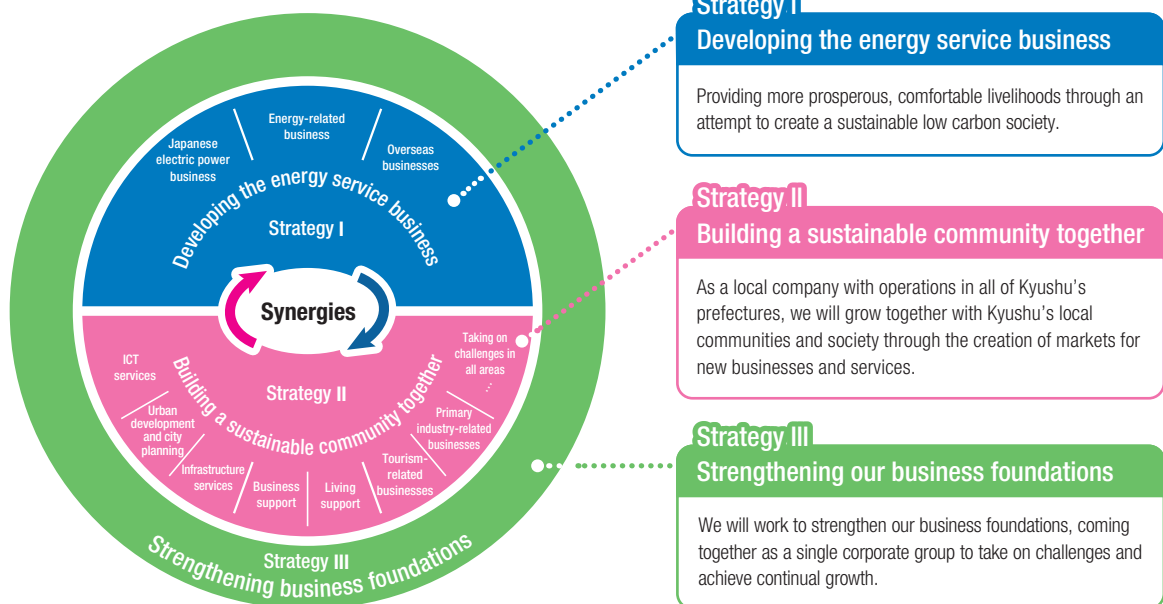
We have described our ideal image for 2030 and for realizing this vision we have set three strategies, along with four business performance targets.

Under the Kyuden Group Management Vision 2030, the Group will work as one to promote a wide range of activities aimed at achieving sustainable growth for the region and society, and delivering value to our stakeholders.

### Our 2030 Vision

**Kyuden Group:**  
**Creating the future, starting from Kyushu**  
 Providing more prosperous,  
 comfortable living to become our customers' No.1 choice

### Three Strategies for Achieving Our Vision



### ESG Initiatives

As the business environment changes significantly, the Kyuden Group will actively engage in the pursuit of ESG initiatives with the aim of improving mid- to long-term corporate value.

|                         |                     |                                                                                                                                                                          |
|-------------------------|---------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>E</b><br>Environment | <b>Strategy I</b>   | Increase non-fossil fuel power use through renewable and nuclear energy, and promote electricity usage in many fields, contributing to a sustainable low-carbon society. |
| <b>S</b><br>Social      | <b>Strategy II</b>  | Contribute to the resolution of various issues affecting communities and wider society by creating markets through new businesses and services.                          |
| <b>G</b><br>Governance  | <b>Strategy III</b> | Strengthen the business foundations that support the growth of the Kyuden Group.                                                                                         |

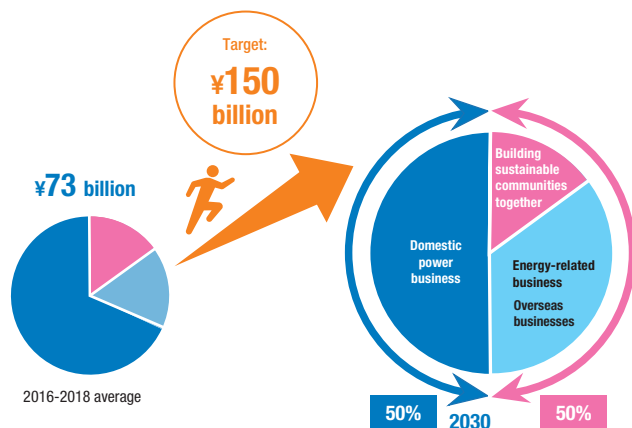
Contribute to the achievement of the SDGs<sup>(\*)</sup> adopted by the UN, in order to make progress on implementing sustainability initiatives from an ESG standpoint, while also contributing to the sustainable growth of the Kyuden Group.

(\*) Sustainable Development Goals for international society as a whole, adopted in 2015 at a United Nations summit. Seventeen goals were selected for realization by 2030.

## Business performance targets for 2030

|                                 |                                                                                          |
|---------------------------------|------------------------------------------------------------------------------------------|
| Consolidated ordinary profit of | <b>¥150 billion</b><br>(50% from the Japanese power business, 50% from other businesses) |
|---------------------------------|------------------------------------------------------------------------------------------|

We will come together as a group to pursue the strategies required to realize our vision, targeting ¥150 billion in ordinary consolidated profit by 2030 (50% from the Japanese power business, 50% from other businesses).

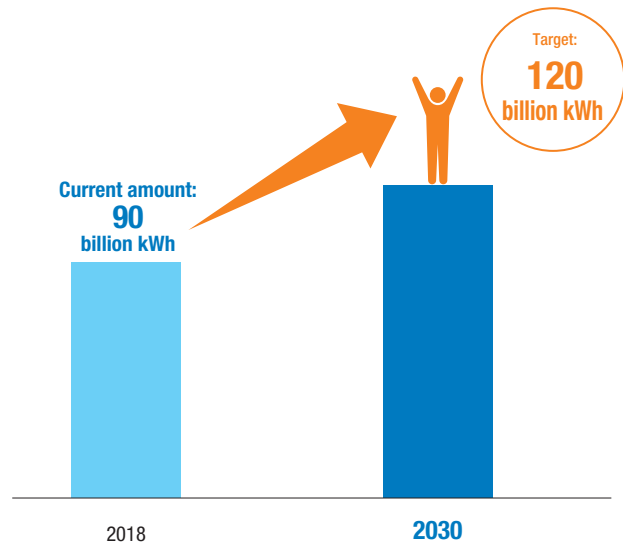


[As for shareholder return]

We are currently aiming to achieve the same level of dividends as before the 2011 earthquake (around ¥50 per share). With a basic policy of maintaining a stable dividend, we will then work to provide even greater shareholder returns by adjusting our dividends in the light of growth in other businesses.

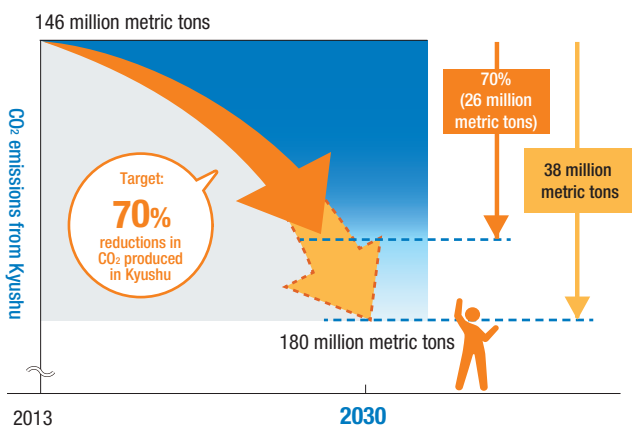
|                                   |                        |
|-----------------------------------|------------------------|
| Total electricity sales volume of | <b>120 billion kWh</b> |
|-----------------------------------|------------------------|

We will aim to achieve total electricity retail and wholesale electric power sales volume of 120 billion kWh in Japan and overseas.



### Contributing to reducing Kyushu's CO<sub>2</sub> emissions by 70%

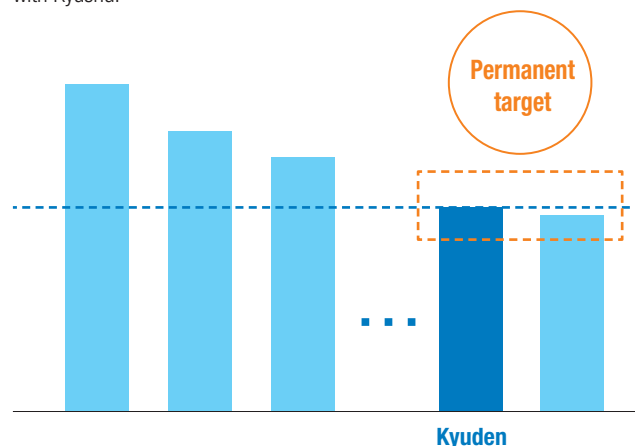
By promoting the use of renewable and nuclear energy to improve the proportion of usage of non-fossil fuels and by encouraging electricity usage in various industries, the Kyuden Group will contribute to reductions in CO<sub>2</sub> emissions produced in Kyushu of 70% (26 million metric tons).<sup>(\*)</sup>



<sup>(\*)</sup> Japan's intermediate target is to achieve a 26% reduction in comparison to FY2013 by 2030. Converting this into a target for Kyushu results in a required reduction of approximately 38 million metric tons, corresponding to 26% of the 146 million metric tons of CO<sub>2</sub> emitted in Kyushu in FY2013.

### Permanent pursuit of a reasonable price for electricity

By promoting the strategies required to achieve our vision, Kyuden will always seek to provide leading, reasonably priced electricity service<sup>(\*)</sup>, contributing to the vitality of the region as the Kyuden Group grows together with Kyushu.



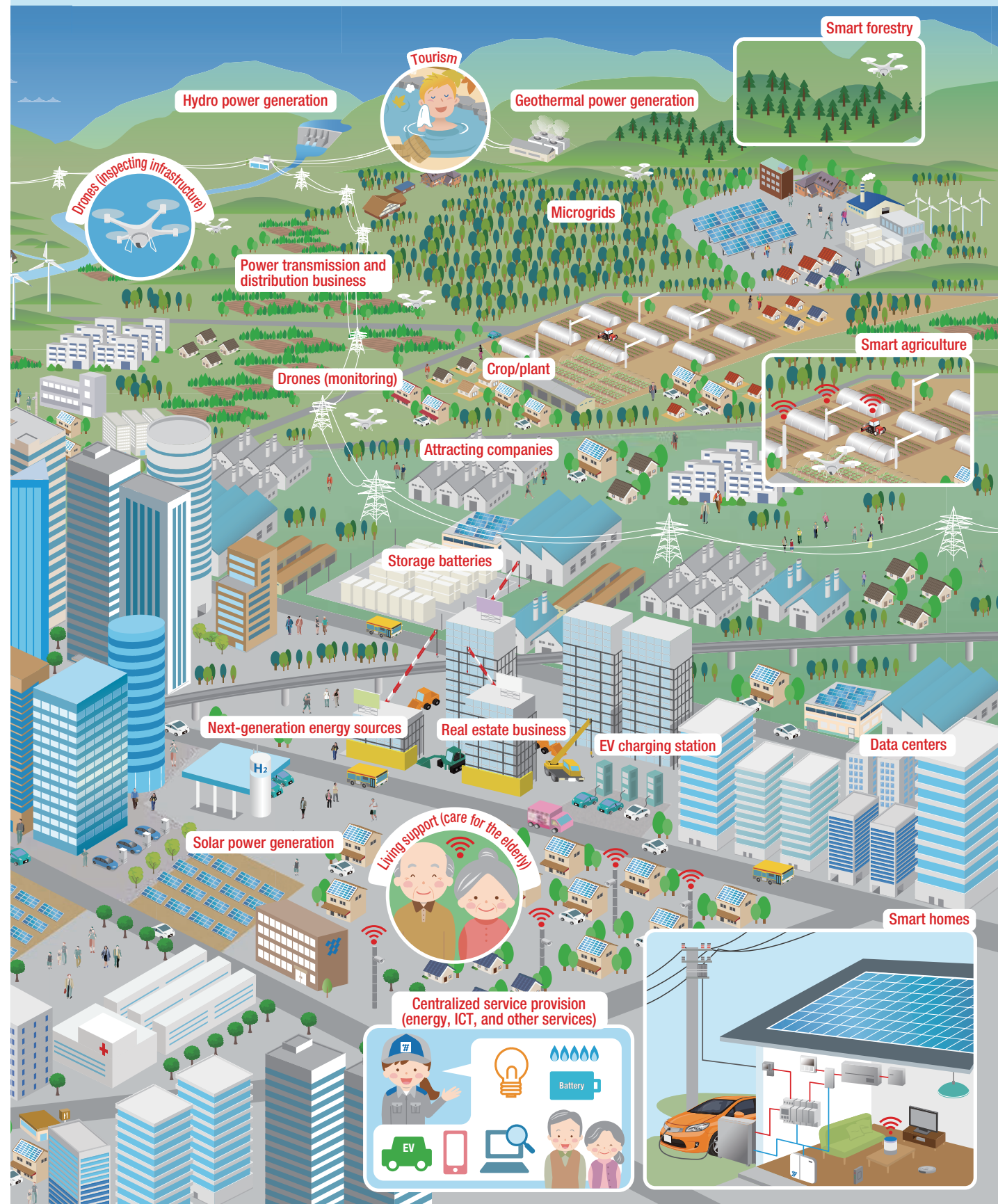
<sup>(\*)</sup> Excludes renewable energy surcharge, fuel adjustment charge, and consumption tax



## Kyushu and Kyuden Group in 2030



Kyuden Group, under the brand message of “Enlighten Our Future” is committed to providing energy services that support prosperous, comfortable lifestyles while also harnessing new technology and alliances with other companies to contribute to the resolution of social problems and work with local communities and wider society to build a brighter future, starting in Kyushu.

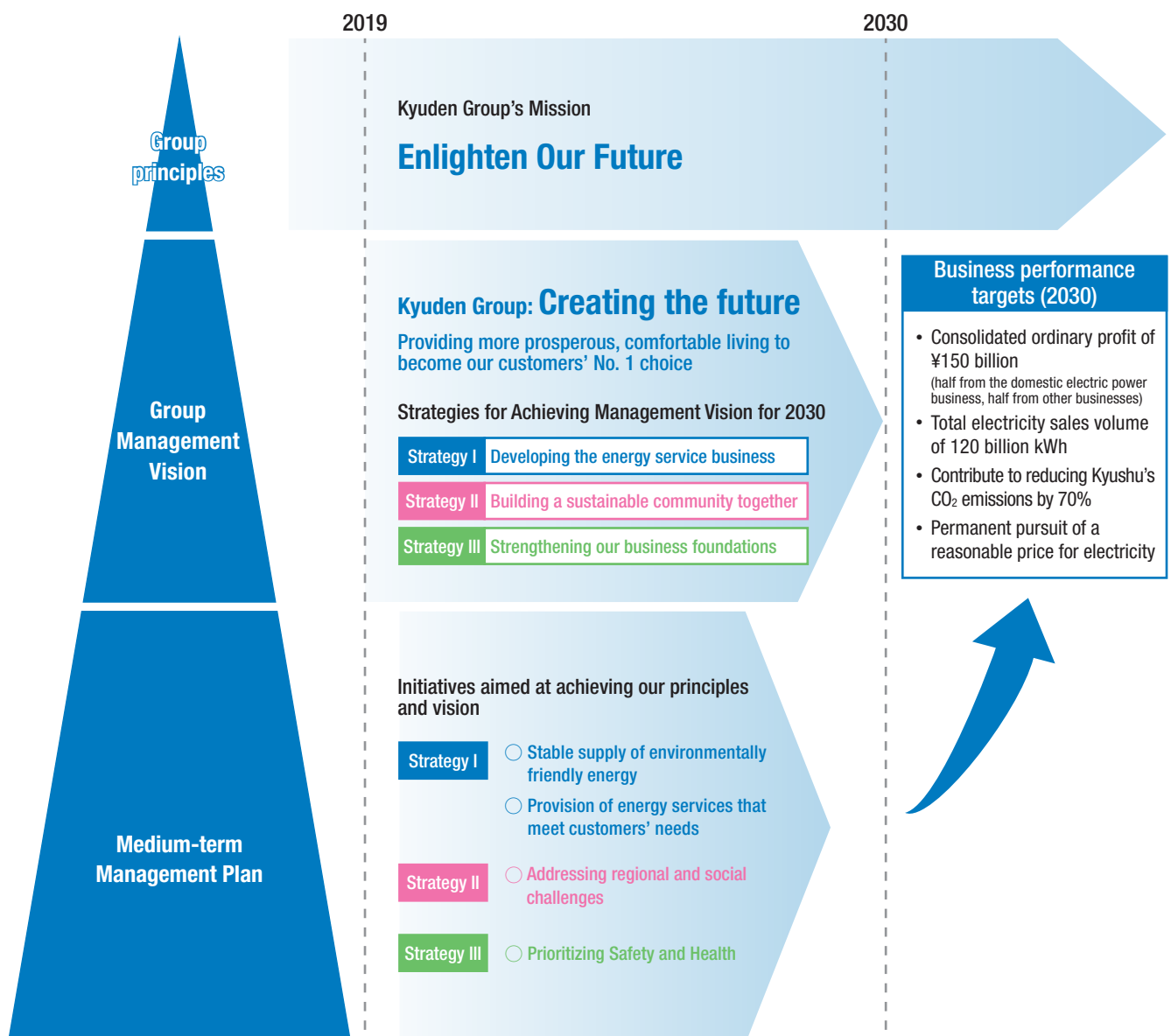


# Overview of the Medium-term Management Plan

In order to realize Kyuden Group Management Vision 2030, we formulated the FY2020 Medium-term Management Plan, a concrete implementation plan for the five years from FY2020 to FY2024.

In this plan, two years after our management vision was published, we will accelerate developing our energy service business through the stable supply of environmentally friendly energy and the provision of energy services that meet the needs of customers. In addition, we will work together to build a sustainable community by helping resolve a variety of regional and societal issues. We will further strive to strengthen our business foundations so that we can take up these challenges as a unified group. Regarding the COVID-19 pandemic, we will work under our business continuity plan to ensure the stable supply of electricity while preventing the spread of infection, and will take appropriate actions while watching closely the impact on electricity demand.

## Positioning of the Medium-term Management Plan





## Strategy

# Developing the Energy Service Business

Providing more prosperous, comfortable lifestyles through an attempt to create a sustainable low carbon society.



## 1 Continually supplying reasonably priced stable eco-friendly energy

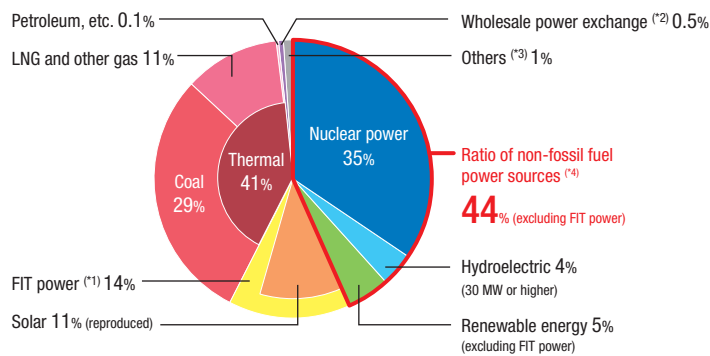
### Stable Supply of Environment-friendly Energy

While considering the S+3E<sup>(\*)</sup> perspective, we are pursuing an optimal energy mix, and by improving the efficiency of thermal power plants and increasing the proportion of our energy that comes from renewable or nuclear energy, we are contributing to the reduction of Kyushu's carbon footprint.

(\*) S+3E refers to the four pillars of Japan's basic energy policy, which aims to simultaneously achieve Energy security, Economic efficiency, and preservation of the Environment, while maintaining Safety.

Through the use of nuclear power and renewable energy, non-fossil fuel power sources account for 44% of our power source composition (excluding 14% FIT electricity).

■ Power sources (kWh) (FY2019)



The diagram above shows the power sources for energy supplied to those customers who have not specified a service using only renewable energy sources (hydroelectric, geothermal power).

(\*) Feed-in tariff (FIT) system for renewable energy

Kyushu Electric Power's electricity procurement costs are partially financed by a surcharge on all electricity users, including non-customers. As a result, these CO<sub>2</sub> emissions from electricity are regarded as the national average of CO<sub>2</sub> emissions from electricity, including that generated through sources such as thermal power.

\* Subject to powers generated by solar, wind, hydroelectric (below 30 MW), geothermal, and biomass.

(\*\*) Power procured from wholesale power exchange

This electric power includes hydroelectric, thermal, nuclear, FIT, and renewable energy powers.

(\*\*\*) Others

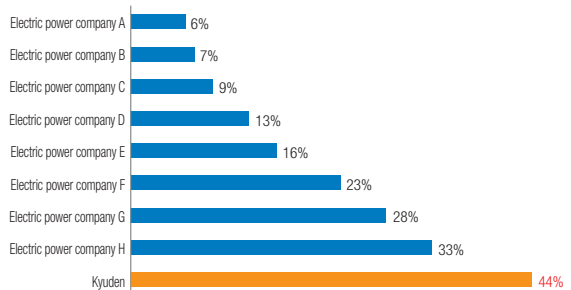
Includes power procured from other companies for which the power station cannot be specified.

(\*) Numbers differ from those in achievement plans under the Act on the Promotion of Use of Non-fossil Energy Sources and Effective Use of Fossil Energy Materials by Energy Suppliers.

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

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

■ Comparison of companies' ratios of non-fossil fuel power sources



\* Comparison of eight main domestic power companies

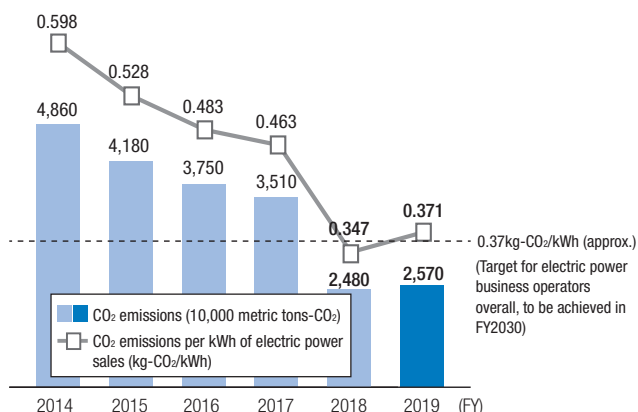
\* Figures represent FY2019 for Kyuden, FY2018 for other companies

\* Total percentages for nuclear energy, hydroelectric power (30 MW or more), and renewable energy (excluding FIT)

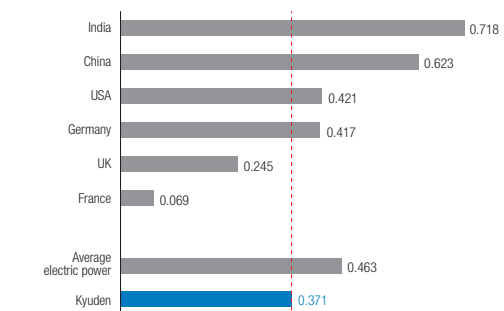
Source: Created from companies' published data based on "The Guidelines Concerning the Management of the Electricity Retail Business" by the Ministry of Economy, Trade and Industry. Numbers differ from those in achievement plans under the Act on the Promotion of Use of Non-fossil Energy Sources and Effective Use of Fossil Energy Materials by Energy Suppliers.

FY2019 CO<sub>2</sub> emissions were 25.7 million tons; CO<sub>2</sub> emissions per kWh of electricity sold (CO<sub>2</sub> emissions coefficient) were 0.371kg-CO<sub>2</sub>/kWh. These levels are lower than those of other power companies, including in the USA, Germany, and other countries.

■ CO<sub>2</sub> emissions per kWh of electricity sold



■ Comparison of CO<sub>2</sub> emissions per kWh of electricity sold



\* Average electric power values are from The Electric Power Council for a Low Carbon Society (ELCS) (Composed of the Federation of Electric Power Companies of Japan, new entrants)

\* Average electric power is for FY2018; figures represent FY2019 for Kyuden, FY2017 for other countries

Source: Website of The Electric Power Council for a Low Carbon Society (ELCS)

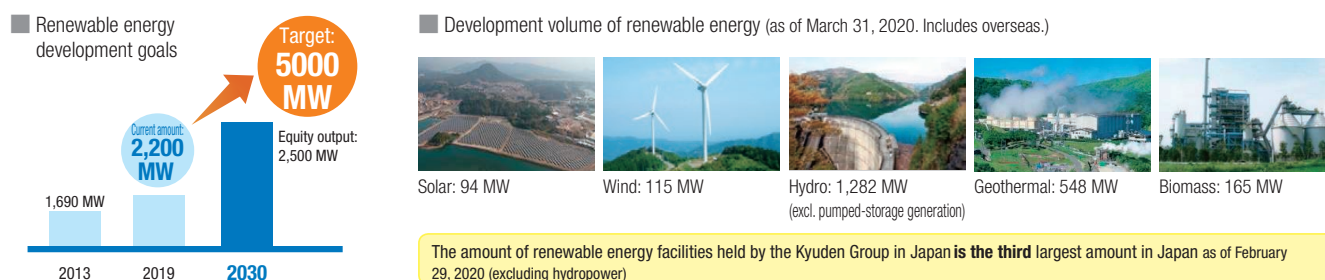
IEA "CO<sub>2</sub> emissions from fuel combustion 2019"



## Expansion of renewable energy businesses

The Kyuden Group is actively developing renewable energy sources that do not emit CO<sub>2</sub>, with the goal of developing 5,000 MW of renewable energy in 2030.

While promoting the development of geothermal, hydroelectric, biomass, and other power to achieve the development goal, we are also working on promising areas such as offshore wind power.



### Geothermal power generation FY2019 CO<sub>2</sub> emissions reduction due to geothermal power generation approx. 390,000 tons

The Kyuden Group, which has long engaged in the development of geothermal power generation, owns about 40% of all geothermal power generation facilities in Japan, including Hatchoubaru Geothermal Power Station, the largest facility in the country. Utilizing our technological capabilities, we are investigating regions that promise abundant resources in Kyushu, throughout Japan, and overseas. We engage in development in collaboration with the local community, comprehensively taking into consideration technological aspects, economic efficiency, site environments, and other factors.

At present, the Otake Power Station in Kokonoe, Oita Prefecture, which began operation in 1967 as Japan's first commercial geothermal power station, is undergoing renewal of aging power generation facilities, with construction scheduled for completion in October 2020.

\*Calculated using FY2018 CO<sub>2</sub> emissions coefficient

■ Geothermal power generation (as of March 31, 2020) (kW)

|                            |                                | Output  |
|----------------------------|--------------------------------|---------|
| Existing (approx. 218,000) | Otake                          | 12,500  |
|                            | Hatchoubaru                    | 110,000 |
|                            | Yamagawa                       | 30,000  |
|                            | Ogiri                          | 25,800  |
|                            | Takigami                       | 27,500  |
|                            | Hatchoubaru Binary             | 2,000   |
|                            | Sugawara Binary <sup>(*)</sup> | 5,000   |
| Planned (2,000)            | Yamagawa Binary <sup>(*)</sup> | 4,990   |
|                            | Otake <sup>(*)</sup>           | +2,000  |

(\*) Development/operation by Group companies

(\*) "+2,000 kW" represents the increase in output due to the renewal of power generation facilities at the Otake Power Station

### Hydro power generation FY2019 CO<sub>2</sub> emissions reduction due to hydro power generation (excluding pumped storage power) approx. 1,140,000 tons

Kyuden and Group companies engage in development of hydroelectric power generation in coexistence with the local community, comprehensively taking into consideration technological aspects, economic efficiency, site environments, and other factors. We are proceeding with new development that makes effective use of unused energy, and development through the renewal of existing hydroelectric power stations that have become old.

In August 2019, we began commercial operation of the Shin Kosa Power Station in Kosa, Kumamoto Prefecture.

\*Calculated using FY2018 CO<sub>2</sub> emissions coefficient

■ Hydroelectric power generation (as of March 31, 2020) (kW)

|                          |                          | Output    |
|--------------------------|--------------------------|-----------|
| Existing <sup>(*)</sup>  | 143 sites                | 1,282,391 |
| Planned (approx. 12,720) | Inaba <sup>(*)</sup>     | +420      |
|                          | Shin-Takeda              | +8,300    |
|                          | Tsukabaru <sup>(*)</sup> | +4,000    |

(\*) General hydroelectric (excluding pumped hydroelectric storage power generation; including development by Group companies)

(\*) Development by Group companies

(\*) Increase in output due to renewal of power generation facilities

### Solar power generation FY2019 CO<sub>2</sub> emissions reduction due to solar power generation approx. 20,000 tons

Utilizing sites such as the old power stations of Kyushu Electric Power, we are engaging in the Mega Solar power generation business through Group companies (Kyuden Mirai Energy, etc.).

We have developed about 89,000 kW so far.



Omura Mega Solar Power Station

■ Solar power generation (as of March 31, 2020) (kW)

|                           |                                        | Output         |
|---------------------------|----------------------------------------|----------------|
| Existing (approx. 89,000) | Omura Mega Solar <sup>(*)</sup>        | 1,990          |
|                           | Omura Mega Solar <sup>(*)</sup>        | 17,480         |
|                           | Sasebo Mega Solar <sup>(*)</sup>       | 10,000         |
|                           | Installation at business offices, etc. | approx. 2,300  |
|                           | Other Mega Solar <sup>(*)</sup>        | approx. 57,600 |
| Planned (approx. 60,000)  |                                        | approx. 60,000 |

(\*) Development by Group companies

## Strategy I Developing the energy service business

### Wind power generation FY2019 CO<sub>2</sub> emissions reduction due to wind power generation approx. 20,000 tons

\*Calculated using FY2018 CO<sub>2</sub> emissions coefficient

On promising sites where long-term stable and economical wind power generation is possible, we are undertaking development through Group companies (Kyuden Mirai Energy, etc.), taking into account harmony with the surrounding environment.



RWE Renewables' Arkona Offshore Wind Power Station (Germany)

#### Wind power generation (as of March 31, 2020) (kW)

|                              |                                | Location                                | Output |
|------------------------------|--------------------------------|-----------------------------------------|--------|
| Existing<br>(approx. 65,000) | Koshiki-jima                   | Satsumasendai-shi, Kagoshima Prefecture | 250    |
|                              | Nagashima <sup>(*)</sup>       | Nagashima-cho, Kagoshima Prefecture     | 50,400 |
|                              | Amami Oshima <sup>(*)</sup>    | Amami-shi, Kagoshima Prefecture         | 1,990  |
|                              | Washiodake <sup>(*)</sup>      | Sasebo-shi, Nagasaki Prefecture         | 12,000 |
| Planned<br>(92,000)          | Kushima <sup>(*)</sup>         | Kushima-shi, Miyazaki Prefecture        | 64,800 |
|                              | Karatsu/Chinzei <sup>(*)</sup> | Karatsu-shi, Saga Prefecture            | 27,200 |

(\*) Development by Group companies

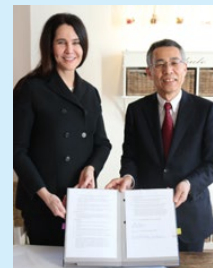
## TOPICS

### Kyuden and E.ON of Germany concluded a cooperative agreement on a joint study of fixed-bottom offshore wind power generation.

In April 2019, Kyuden Group company Kyuden Mirai Energy concluded a cooperative agreement with German energy company E.ON SE (currently RWE Renewables GmbH) to jointly research fixed-bottom offshore wind power generation business in Japan.

The companies are currently studying the commercialization<sup>(\*)</sup> of offshore wind power generation in the Hibikinada district of Kitakyushu, Fukuoka Prefecture, but are also investigating the possibility of offshore wind power development in other regions. By concluding the agreement, we hope to make maximum use of the knowledge and management resources of both companies, connecting these to the expansion of our offshore wind power generation business in Japan.

(\*) Hibiki Wind Energy Co., Ltd. was established by five companies including Kyushu Electric Power Company, Incorporated, and is currently engaged in studies aimed at commercialization.



### Biomass power generation FY2019 CO<sub>2</sub> emissions reduction due to biomass power generation approx. 40,000 tons

\*Calculated using FY2018 CO<sub>2</sub> emissions coefficient

Biomass power generation that makes use of the heat from burning wood, combustible trash, and other materials is carbon neutral, in that the burning does not impact amounts of CO<sub>2</sub><sup>(\*)</sup>. For this reason, we are working to promote the technology through development by Group companies and electricity purchasing from power generators.

(\*) The concept holds that in the carbon cycle, CO<sub>2</sub> emitted from burning biomass fuel is CO<sub>2</sub> that had originally been absorbed by plants; the total amount of CO<sub>2</sub> does not increase as the net change from emission and absorption is zero.

#### Biomass power generation (as of March 31, 2020)

|                               |                                                  | Main fuels                                   | Output                                 |
|-------------------------------|--------------------------------------------------|----------------------------------------------|----------------------------------------|
| Existing<br>(approx. 165,000) | Miyazaki Biomass Recycle <sup>(*)</sup>          | Chicken manure                               | 11,350                                 |
|                               | Fukuoka Clean Energy <sup>(*)</sup>              | General wastes                               | 29,200                                 |
|                               | Reihoku <sup>(*)</sup>                           | Wood chips                                   | (combustion with maximum 1% by weight) |
|                               | Matsuura <sup>(*)</sup>                          | Sewage sludge                                | (approx. 800 t/year)                   |
|                               | Nanatsu Island Biomass Power <sup>(*)</sup>      | Palm kernel shells (PKS), wood pellets, etc. | 49,000                                 |
|                               | Buzen New Energy <sup>(*)</sup>                  | Palm kernel shells (PKS), wood pellets       | 74,950                                 |
| Planned<br>(approx. 368,000)  | Fukuoka Wood Pellet Biomass <sup>(*)</sup>       | Unused materials, lumber remnants            | 5,700                                  |
|                               | Soyano Wood Power <sup>(*)</sup>                 | Unused materials, lumber remnants            | 14,500                                 |
|                               | Kanda Biomass Energy <sup>(*)</sup>              | Palm kernel shells (PKS), wood pellets, etc. | 74,950                                 |
|                               | Okinawa Uruma New Energy <sup>(*)</sup>          | Palm kernel shells (PKS), wood pellets       | 49,000                                 |
|                               | Shimonoseki Biomass Energy <sup>(*)</sup>        | Wood pellets                                 | 74,980                                 |
|                               | Hirohata Biomass Power Generation <sup>(*)</sup> | Palm kernel shells (PKS), wood chips         | approx. 75,000                         |
|                               | Oita Biomass Energy <sup>(*)</sup>               | Palm kernel shells (PKS), unused materials   | approx. 22,000                         |
|                               | Ishikari Bioenergy <sup>(*)</sup>                | Palm kernel shells (PKS), wood pellets       | 51,500                                 |

(\*)1 Development by Group companies

(\*)2 Co-combustion at existing coal-fired thermal power stations

(\*)3 Development by special-purpose company (SPC) in which Group companies are investors



Conceptual image of completed Shimonoseki Biomass Energy Co., Ltd.  
(scheduled to begin operation in January 2022)

## The use of nuclear energy

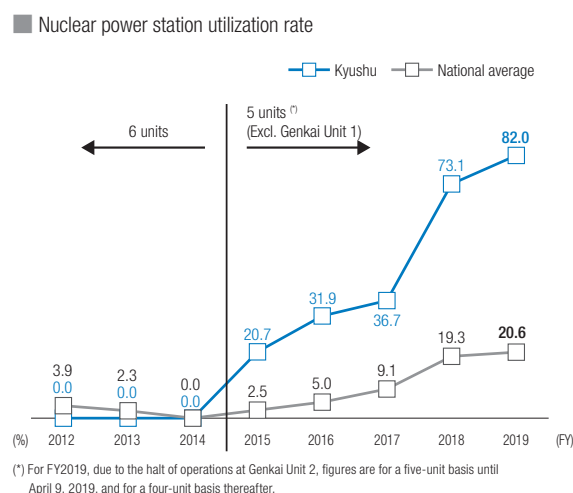
We make use of nuclear power as a non-fossil fuel power source in order to stably secure energy in the long term and address global environmental issues, provided that safety is ensured.

In Japan all nuclear power stations were temporarily shut down following the Great East Japan Earthquake. Sendai Nuclear Power Station Unit 1 was the first to meet the new national regulatory standards and restart normal operation in September 2015, with all four of our stations returning to normal operation by July 2018. Currently, four of the nine total nuclear power plants in Japan that have been restarted are units of ours, giving us a high utilization rate compared to other operators.

For FY2019, we estimate the effect of nuclear power generation on reducing CO<sub>2</sub> emissions at about 10 million tons.

Sendai Nuclear Power Station Units 1 and 2 began periodic inspections in March and May 2020, respectively, to install facilities for dealing with Specific Safety Facilities<sup>(\*)</sup>. The units are scheduled to resume power generation in December 2020 and January 2021, respectively. At Genkai Nuclear Power Station Units 3 and 4, we will leverage knowledge gained at the Sendai Nuclear Power Station Units, and will make utmost efforts to complete installation of the facilities within the deadline while ensuring safety during construction.

<sup>(\*)</sup> Facilities with functions that prevent damage to the reactor containment vessel in the event that reactor cooling functions are lost and the reactor core is seriously damaged, due to acts of terrorism such as intentional aircraft collision with the reactor auxiliary building, etc.

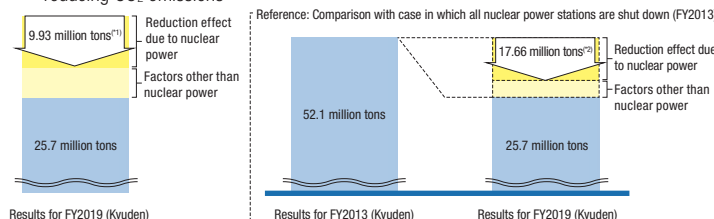


■ Nuclear power generation (as of March 31, 2020)

| Station name | Output                       | Start of operation                         | Type                            |
|--------------|------------------------------|--------------------------------------------|---------------------------------|
| Genkai       | Units 3, 4:<br>1,180 MW each | Unit 3: March 1994<br>Unit 4: July 1997    | Pressurized water reactor (PWR) |
| Sendai       | Units 1, 2:<br>890 MW each   | Unit 1: July 1984<br>Unit 2: November 1985 |                                 |

\*Operation of Genkai Unit 1 ended in April 2015, Genkai Unit 2 in April 2019

■ Effect of nuclear power generation by Kyushu Electric Power Company, Incorporated on reducing CO<sub>2</sub> emissions



<sup>(\*)</sup> FY2018 CO<sub>2</sub> emissions coefficient (adjusted) 0.347kg-CO<sub>2</sub>/kWh is used

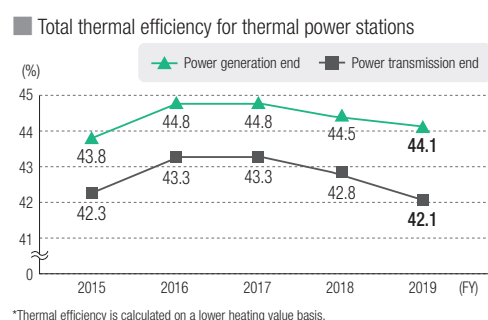
<sup>(\*)</sup> FY2013 CO<sub>2</sub> emissions coefficient (adjusted) 0.617kg-CO<sub>2</sub>/kWh is used

## Improving the efficiency of thermal power generation

The Kyuden Group is working to maintain and improve total thermal efficiency in order to reduce fuel consumption and CO<sub>2</sub> emissions.

Kyushu Electric Power maintained a high 44.1% (power generation end) total thermal efficiency for thermal power stations through the decommissioning and scheduled shutdown of aging oil-fired thermal power (2,880 MW in FY2018-2019) and the operation of LNG/coal-fired power stations with high thermal efficiency in FY2019.

In December 2019, Matsuura Power Station Unit 2 began commercial operation as a highly efficient pulverized coal-fired power station. Unit 2 uses cutting-edge technology to improve power generation efficiency and reduce CO<sub>2</sub> emissions, and features high output adjustment capabilities to address the increases in output fluctuations associated with the increased use of renewable energy. Accordingly, we believe that the power station can aid in flexibly adjusting to supply and demand.



■ Overview of Matsuura Power Station Unit 2

|                                                                                 |                                                                |
|---------------------------------------------------------------------------------|----------------------------------------------------------------|
| Output                                                                          | 1,000 MW                                                       |
| Format                                                                          | Ultra-supercritical <sup>(*)</sup> pulverized coal-fired power |
| Thermal efficiency at the power generation end (lower calorific value standard) | approx. 46%                                                    |

<sup>(\*)</sup> Ultra-supercritical (USC) power generation is a cutting-edge power generation method that improves thermal efficiency by compressing the steam used in power generation to exceptionally high heat and pressure.



Start of commercial operation of Matsuura Power Station Unit 2 on December 20, 2019 (front side)

## Strategy I Developing the energy service business

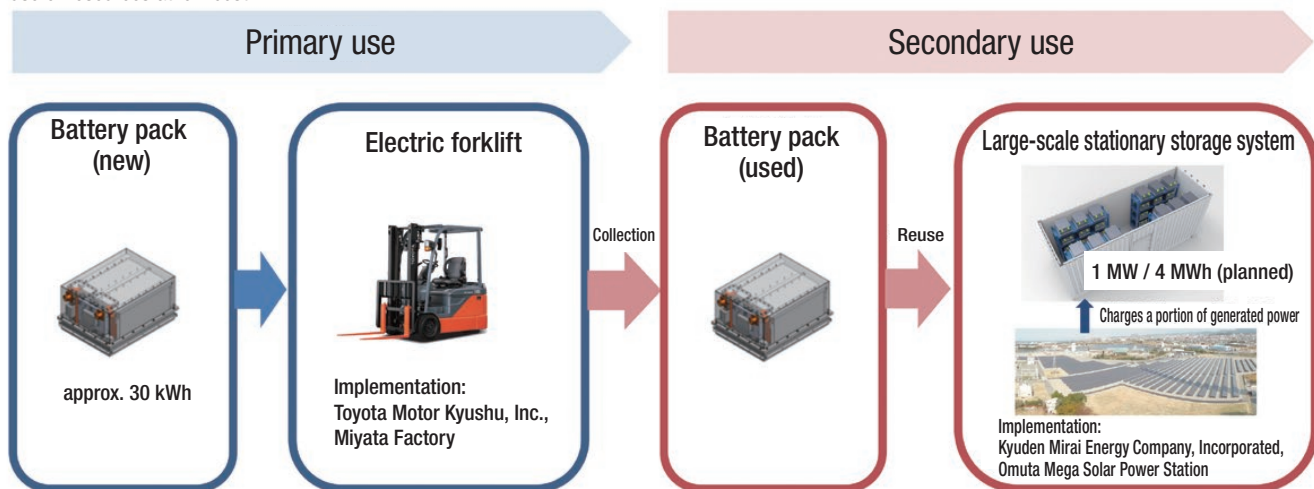
### Develop energy-related technologies, such as those that store or control electricity

We will adapt to the spread of distributed power sources and diversification of electricity transactions, and will work to harness storage cell technology and optimize electric power control. At the same time, we will work to develop the technology required to produce the next generation of power sources.

#### Utilization of reusable storage batteries

We are collaborating with NEXT-e Solutions Co., Ltd. and Kyuden Mirai Energy on a project to demonstrate mechanisms for reusing electric forklift lithium-ion storage batteries in large-scale stationary storage systems.

Through the study, we will confirm the performance and cost of the reused storage batteries, and build a power storage system that enables the effective use of resources at low cost.



#### Demonstration of Virtual Power Plant (VPP) (\*) technology

Kyushu Electric Power is undertaking construction of a VPP that performs remote control and integrated management of storage batteries, electric vehicles, and other distributed energy resources that are expected to proliferate, to make use of these in adjusting electric power supply and demand balance.

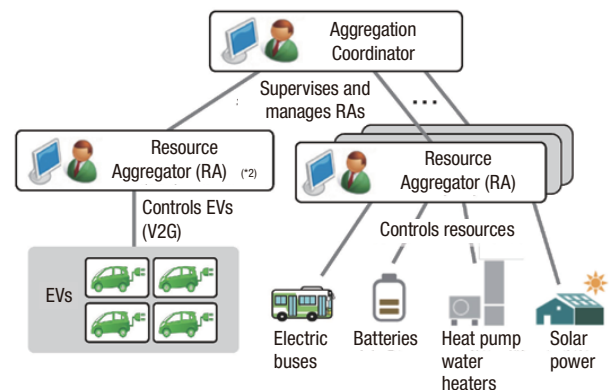
(\*) Virtual Power Plant

A mechanism that controls distributed energy resources, etc. that are directly connected to the power grid, and provides functions as if these were a single power station

Under national government support<sup>(\*)</sup> from FY2018, we are conducting a demonstration test involving the adjustment of power supply and demand balance using electric vehicles (EVs), to verify the potential for using EVs to reduce the level of output control from solar power generation.

In FY2020, we will undertake demonstration tests to control electric buses, stationary storage batteries, heat pump water heaters, and other energy resources, in addition to passenger EVs.

(\*) "Demonstration Project for the Construction of a Virtual Power Plant Utilizing Demand-Size Energy Resources," Ministry of Economy, Trade and Industry



(\*) Aggregator: A business operator, existing between power companies and customers, that adjusts (controls) demand volume by customers in order to maintain balance between electric power demand and supply.

#### Trial facilities





## 2 Move rapidly to respond to environmental changes including changes in energy markets and the diversification of customer needs, developing our energy services

### Energy Services Suited to Our Customers' Needs

We are expanding our personable style of marketing, offering a selection of pricing plans catered to increasingly diverse lifestyles or living patterns, as well as supplying gas alongside electricity or other services that make us a one-stop service for our customers.

#### Further promoting all-electric energy for the home

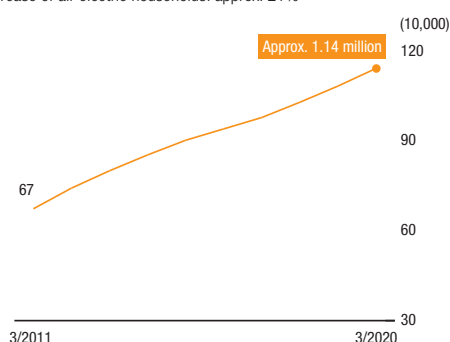
We hope to increase the number of homes using electricity for all their energy needs, which we believe makes users' lives more comfortable, environment-friendly, and economic while also offering peace of mind.



One-day shops with an all-electric mobile marketing vehicles  
(All-Electric demonstration van)

■ No. of all-electric homes

Increase of all-electric households: approx. 21%

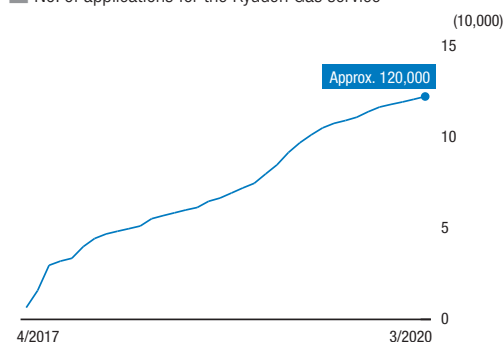


#### Retail gas business in the Fukuoka and Kitakyushu areas

In the Fukuoka and Kitakyushu areas, we offer Kyuden Gas with contracts for discounted combined gas and electricity.



■ No. of applications for the Kyuden Gas service



(Source: Data on number of homes switching energy provider, from the Agency for Natural Resources and Energy website)

#### Expanding electricity supply in the areas outside Kyushu

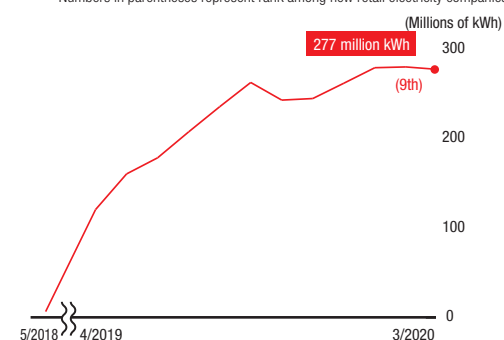
Kyuden Mirai Energy began retail electricity sales in the Kanto area in April 2016. The company has rate plans that include earned JAL mileage, WAON points, and dPOINTS, as well as rate plans for all-electric customers.

In January 2020, the number of subscribers to the plans exceeded 20,000.



■ Electric power sales by Kyuden Mirai Energy

\*Numbers in parentheses represent rank among new retail electricity companies



(Created in-house based on published data from the Agency for Natural Resources and Energy)

## Strategy I Developing the energy service business

### Development of Power Sources Outside of the Kyushu Region and Strengthening of the Fuel Business

By working to develop power sources away from Kyushu, and by building up our business in fuels, we aim to make ourselves more competitive.

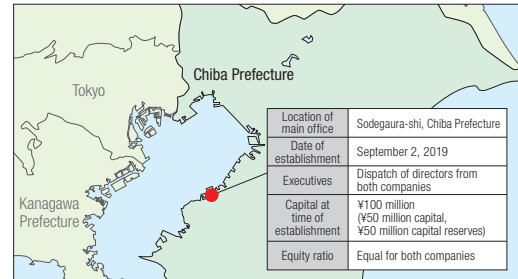
#### Power source development outside of Kyushu

Energy equivalent of power sources developed outside Kyushu by 2030 **2,000 MW** (Equity ownership in output: 1,000 MW)

We are working on power source development outside of Kyushu to expand profits through the stable and inexpensive supply of power in other regions.

In September 2019, we joined with Tokyo Gas Co., Ltd. to establish Chiba-Sodegaura Power Co., Ltd., and are investigating the feasibility of developing a LNG-fired thermal power plant.

■ Location map



■ Overview of power station plan

|                           |                                               |
|---------------------------|-----------------------------------------------|
| Planned site              | 3-1 Nakasode, Sodegaura-shi, Chiba Prefecture |
| Format                    | Gas turbine combined cycle                    |
| Scale of power generation | Maximum 2,000 MW                              |
| Fuel                      | Liquid natural gas (LNG)                      |

#### Strengthening of the fuel business

The Kyuden Group is making use of our existing expertise and our alliances with other companies in business areas within the fuel value chain that spans fuel's manufacturing to its transport, and includes receiving delivery and sales. We will work to expand opportunities for new profits, including the business of supplying LNG fuel for ships.

#### TOPICS

#### We are developing biomass mixed fuel to reduce CO<sub>2</sub> emissions from existing coal-fired power stations.

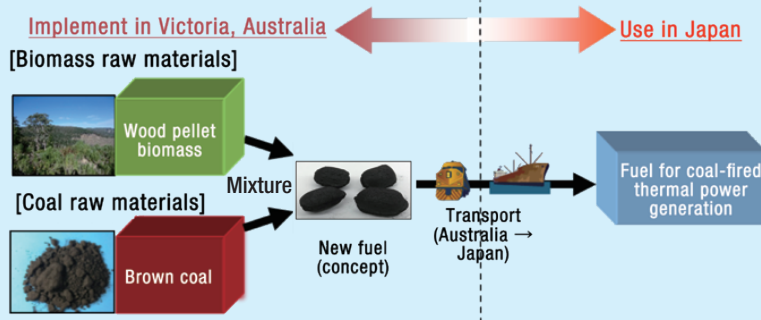
Under support from the national government <sup>(\*)1</sup>, Kyushu Electric Power has joined with Nippon Steel Engineering Co., Ltd. in October 2018 to undertake development of new biomass mixed fuel that utilizes brown coal <sup>(\*)2</sup> and unused wood biomass. In April 2019, we concluded a cooperative relationship with the state of Victoria in Australia regarding technological development and resource utilization.

We believe that the development of this new fuel will lead to the reduction of CO<sub>2</sub> emissions from domestic coal-fired power stations, and the securing of fuel resources.

(\*)1 Project commissioned by The New Energy and Industrial Technology Development Organization (NEDO)

(\*)2 Brown coal is the lowest grade of coal, containing a high level of water and impurities.

Overview of R&D



Brown coal mining site in Victoria

#### TOPICS

#### Contributing to the reduction of carbon emissions in the supply chain (coal carriers for our thermal power stations)

On December 25, 2019, Kyushu Electric Power Nippon Yusen Kabushiki Kaisha, and Mitsui O.S.K. Lines concluded a basic agreement concerning long-term transport contracts for two coal carriers, the world's first powered by LNG.

The use of LNG as fuel contributes to the reduction of greenhouse gas emissions, with expected cuts of nearly 100% in sulfur oxides (SOx), about 80% in nitrogen oxides (NOx), and about 30% in carbon dioxide (CO<sub>2</sub>).

Looking ahead, we will work to reduce our environmental impacts worldwide not only through conversion of our own coal carriers to LNG fuel but also through LNG bunkering of ferries, car carriers, and other transport vessels.



Photograph courtesy of Oshima Shipbuilding Co., Ltd.



Photograph courtesy of Namura Shipbuilding Co., Ltd.

## Expansion of overseas business

To achieve our goal of 5,000 MW output from our equity ownership in overseas businesses in 2030, we will expand our business into new areas including microgrids and power transmission and distribution, and into our existing markets of Asia and North America as well as new areas such as Europe, the Middle East, and Africa.

2030 target for equity ownership in overseas power generation

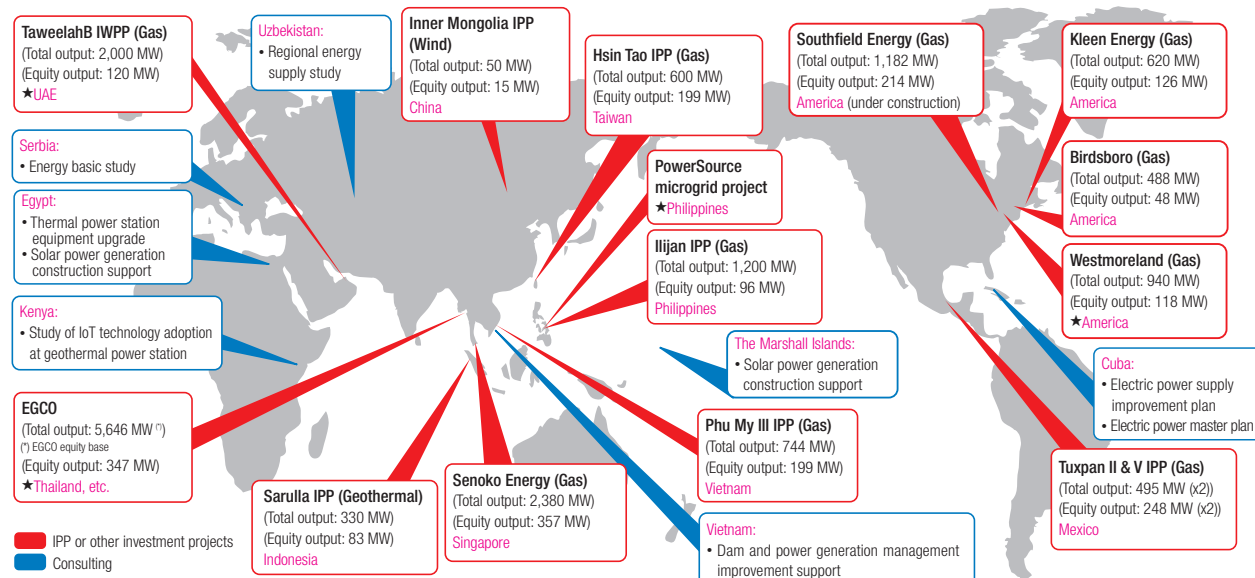
**5,000 MW**

Equity ownership in overseas power generation

**2,410 MW** (as of June 30, 2020)

### Overseas power generation assets (IPP, etc.)

Equity ownership in output in 13 countries/regions 2,410 MW



Note: Consulting indicates results of major activities in recent years  
★: New project participation in FY2019



World's largest geothermal power station (Sarulla, Indonesia)



PowerSource microgrid project (Philippines)



Periodic inspection support by our employees (Tuxpan, Mexico)

## TOPICS

### Kyuden Group made its first independent acquisition of an overseas company to further strengthen its overseas geothermal power generation business.

On May 29, 2020, group companies Kyuden International Corporation and West Japan Engineering Consultants, Inc. concluded a stock purchase agreement for the acquisition of USA-based geothermal technology services provider Thermochem, Inc.

Thermochem offers advanced geothermal technology services, manufacturing and sales of specialized equipment, research and development, and consulting services. The company enjoys a high level of recognition among geothermal power generation developers and operators worldwide for its high technological capabilities, product development capabilities, and extensive knowledge.

Thermochem made significant contributions, including flow volume measurement during well drilling, at the Indonesian geothermal IPP project in Sarulla, Indonesia. (Kyuden is a participant in the project, which is one of the world's largest geothermal projects with a total output of approximately 330 MW.)

Through the acquisition, Thermochem's advanced technical services will join the geothermal power generation technologies that the Kyuden Group has accumulated regarding development and operation.

Leveraging this strength, we will continue working to realize a sustainable society through the reinforcement and expansion of geothermal development overseas.

## Strategy I Developing the energy service business

### Initiatives in the power transmission and distribution business

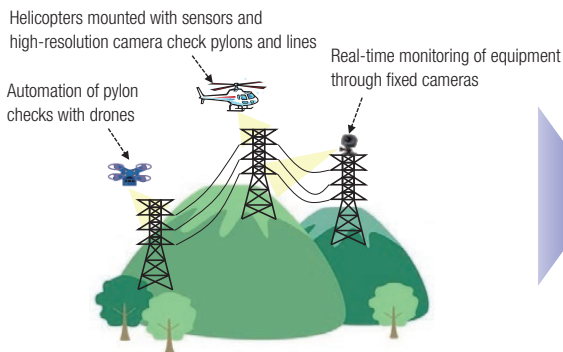
The power transmission and distribution business of Kyushu Electric Power was spun off as Kyushu Electric Power Transmission and Distribution Co., Inc. in April 2020 to enhance the neutrality of the power transmission and distribution network. Following the spin-off, the company will continue fulfilling its mission to deliver stable, high-quality electricity at a low cost to all customers in Kyushu as a member of the Kyuden Group.



#### Technology development to upgrade power grids

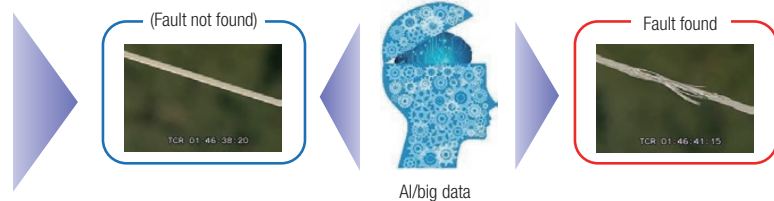
To suitably maintain the aging equipment we use to transmit and distribute electricity, we are putting effort into a number of areas. These include finding an effective means of gathering data about the equipment, such as through the use of drones, and research and development into methods to determine deterioration, such as image analysis and artificial intelligence.

##### Efficient gathering data on the status of equipment



##### Electrical line fault determination using AI and big data

Using images captured on camera, technologies such as AI and big data can automatically identify faults in electrical lines



#### Creating electric power demand in the Kyushu area

We will work to create demand for electricity in Kyushu through measures such as attracting companies in collaboration with local governments, and promoting all-electric energy use during our various contact moments with customers.



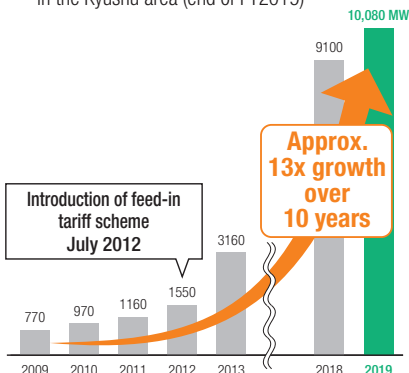
Example of activities to promote all-electric energy usage (all-electric fair and demonstration of power supply from electric vehicles)

#### Overseas business development leveraging our knowledge of renewable energy adoption

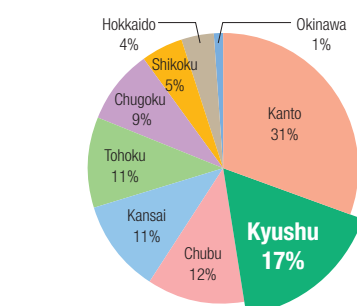
We are working to ensure maximum acceptance of renewable energy through trouble-free connections to the grid and through the utilization of very high-capacity storage battery systems.

We will develop overseas business by utilizing the technology and knowledge that we have built up in our domestic business, including supporting the adoption of renewable energy.

##### Grid-connected solar and wind power generation in the Kyushu area (end of FY2019)



##### Ratio of solar and wind power generation adoption in Japan (\*)



(\*) Agency for Natural Resources and Energy  
Created based on the data from "Feed-in Tariff Scheme Information Disclosure Website" (as of December 31, 2019). Totals may not match due to rounding.



Buzen Battery Storage and Transformer Station



# Response to climate change based on TCFD recommendations

As there is a worldwide trend toward low-carbon and no carbon-societies, the Kyuden Group, as a responsible energy business operator, will contribute to the creation of a sustainable society by actively undertaking global warming countermeasures and reducing greenhouse gas emissions.

In June of last year, we formulated Kyuden Group Management Vision 2030 (hereinafter “Management Vision”), and Kyuden Group is committed to “creating the future, starting from Kyushu”, and our aim is “providing more prosperous, comfortable living to become our customers' No.1 choice”.

We have set one of business performance targets the reduction of Kyushu's CO<sub>2</sub> emissions in 2030 by 70% (compared to FY2013). While promoting the use of all-electric energy, the use of energy sources that are low-carbon or non-carbon and other initiatives, we will consider appropriately climate-related risks and carry out sustainable corporate management.

To achieve these goals, we will take into consideration TCFD recommendations<sup>(\*)</sup> in analyses of long-term risks and opportunities caused by climate change. At the same time, by enhancing information disclosure in line with this framework, we will fulfill our information responsibilities to our stakeholders.



(\*) TCFD: Task Force on Climate-related Financial Disclosures

This task force was established by the Financial Stability Board (FSB) at the request of the G20 Finance Ministers and Central Bank Governors Meeting. In June 2017, TCFD issued a set of recommendations to encourage the disclosure of information related on the financial impacts of climate-related risks and opportunities, to aid investors in making appropriate investment decisions.

## Disclosure items recommended by the TCFD and response to our disclosed content

The content of the disclosure items are based on TCFD disclosure recommendations.

| TCFD disclosure recommendations         |                                                                                                                                                                                                                         | Content disclosed by company (page)                                                                                                                                                                                                                                                                            |
|-----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Governance                              | <ul style="list-style-type: none"> <li>● Construction of a supervisory system through internal committees, etc.</li> <li>● Roles of management in evaluating and managing risks and opportunities</li> </ul>            | <ul style="list-style-type: none"> <li>▶ Structure for actions involving climate change (risk and opportunity assessment and management process)</li> <li>⇒ (P36)</li> </ul>                                                                                                                                   |
| Risks/opportunities and countermeasures | <ul style="list-style-type: none"> <li>● Identification of short-, medium-, and long-term risks and opportunities</li> <li>● Impact of risks and opportunities on business, strategy, and financial planning</li> </ul> | <ul style="list-style-type: none"> <li>▶ Assumptions behind consideration</li> <li>▶ Factors affecting forecasts and the electricity business</li> <li>▶ Results of risk and opportunity analysis</li> <li>▶ Consideration of countermeasures, and financial impact assessment</li> <li>⇒ (P37-P40)</li> </ul> |
| Metrics and goals                       | <ul style="list-style-type: none"> <li>● Setting of metrics used to evaluate risks and opportunities in strategy and risk management</li> </ul>                                                                         | <ul style="list-style-type: none"> <li>▶ Setting of climate-related goals (KPIs) matched to business performance targets</li> <li>⇒ (P40)</li> </ul>                                                                                                                                                           |

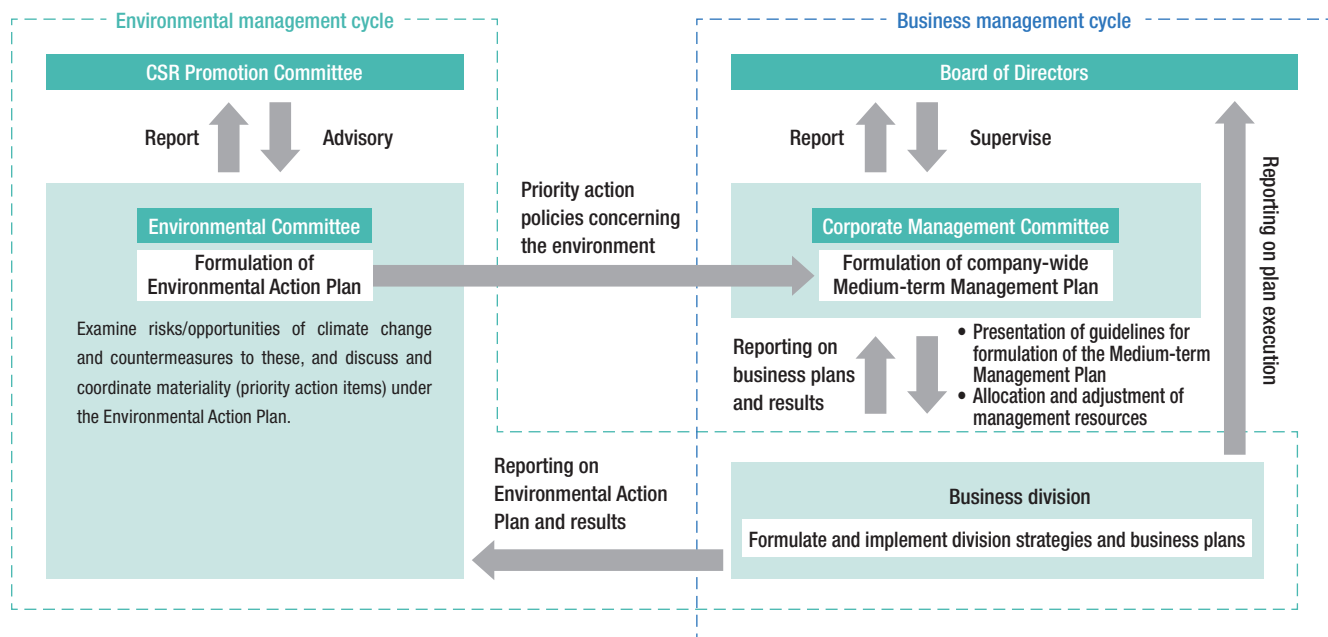
# 1 Governance Linking the environmental management cycle to the business management cycle

## Response structure for climate change (risk and opportunity assessment and management process)

Viewing our response to risks and opportunities associated with climate change as an important management issue, we will deliberate on materiality (major matters to address) involving climate change and other environmental issues within the CSR Promotion Committee chaired by the president of Kyushu Electric Power and within the Environmental Committee chaired by a vice president of Kyushu Electric Power, and will make efforts to improve and enhance our initiatives.

The priority action policies deliberated in the Environmental Committee are reflected in our company-wide Medium-term Management Plan, and are discussed and decided by the Corporate Management Committee and the Board of Directors. Each business division reports on the execution of its business plan to the Board of Directors.

### Response structure



### CSR Promotion Committee

|                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Role:           | Deliberation and coordination regarding basic policies and action plans for CSR activities overall, sustainability reporting, etc.                                                                                                                                                                                                                                                                                                                  |
| Composition:    | Chairperson: President of Kyushu Electric Power<br>Vice chairperson: Kyushu Electric Power vice president or executive officer in charge of CSR<br>Committee members: Kyushu Electric Power, vice presidents, members of the board of directors, senior managing executive officers, managing executive officers, officers connected to Kyushu Electric Power Transmission and Distribution Co., Inc. <sup>(*)</sup> (appointed by the chairperson) |
| Meetings:       | Twice a year in principle                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Primary agenda: | Disclosure policy and overview of considerations by the Environmental Committee                                                                                                                                                                                                                                                                                                                                                                     |

### Environmental Committee

|                 |                                                                                                                                                                                                                                                                                                           |
|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Role:           | Comprehensive deliberation of company-wide environmental activity strategies                                                                                                                                                                                                                              |
| Composition:    | Chairperson: Kyushu Electric Power vice president or executive officer in charge of CSR<br>Vice chairperson: Kyushu Electric Power director of the District Symbiosis Division<br>Committee members: Kyushu Electric Power directors, deputy directors, and general managers appointed by the chairperson |
| Meetings:       | Twice a year in principle                                                                                                                                                                                                                                                                                 |
| Primary agenda: | <ul style="list-style-type: none"> <li>Priority action items for the following year's Environmental Action Plan, based on the Management Vision</li> <li>Disclosure policies, written content, etc. based on TCFD recommendations</li> </ul>                                                              |

(\*) Following the spin-off in April 2020, these will continue cooperating and attend meetings as committee members, to promote CSR initiatives

## 2 Risks/opportunities and countermeasures Climate change countermeasures based on scenario analysis

### (1) Assumptions behind consideration

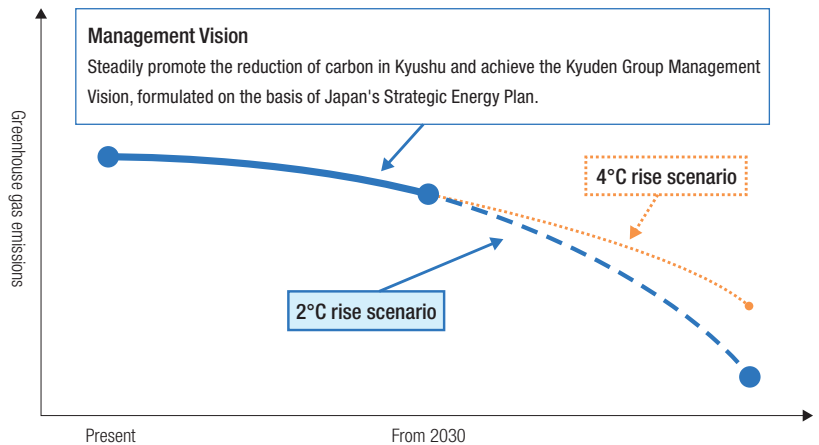
#### Target periods

As Japan's medium- and long-term goals under the Paris Agreement target 2030 and 2050, and as the Management Vision that we released last year targets 2030, we set the scenario analysis target periods to 2030 and 2050.

#### Envisioned scenarios

The scenario analysis assumes the 2°C rise scenario<sup>(\*)</sup> as in Japan's medium- to long-term targets. Regarding the scenario, based on Japan's Strategic Energy Plan for 2030 and referencing forecast models by the IEA<sup>(\*)</sup> for 2050, we analyzed the main impact factors concerning the electric power business, focusing on reduced carbon/decarbonization in power sources from the supply side, and electrification from the demand side. We identified potential risks and opportunities, and considered countermeasures to address these.

If measures to limit global warming to the 2°C rise scenario are not enforced, the global average temperature may rise by 4°C or more, with a risk of intensifying weather disasters. We examined the impacts of this based on the 4°C rise scenario of the IPCC<sup>(\*)</sup>.



(\*) There is increasing discussion worldwide regarding action based on the 1.5°C rise scenario. However, in light of the fact that Japan's Strategic Energy Plan is formulated under the 2°C rise scenario, for the time being our group will consider and address risks and opportunities on the premise of that same scenario.

(\*) The International Energy Agency (IEA) conducts surveys and creation of statistics on energy, and issues reports and books. World Energy Outlook (WEO, a forecast of energy markets over the medium to long term) is a well-known example.

(\*) The UN Intergovernmental Panel on Climate Change (IPCC) is an intergovernmental organization that aims to perform comprehensive assessments of anthropogenic climate change, the impacts of change, and adaptation and mitigation measures from scientific, technical, and socioeconomic perspectives.

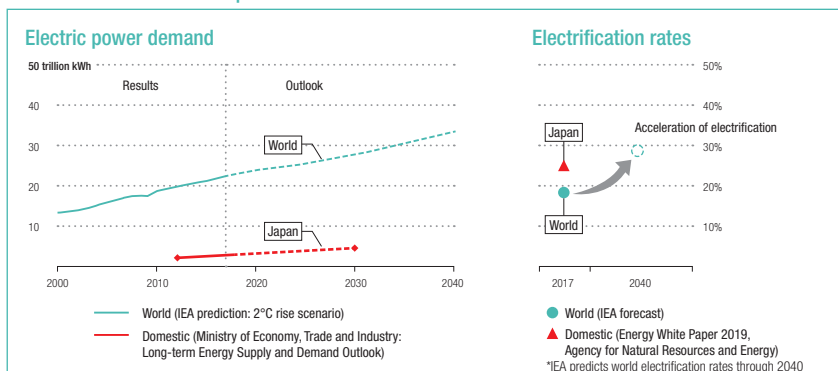
### (2) Factors affecting forecasts and the electricity business

The 2°C rise scenario demands that action be taken from both the electricity supply and demand sides.

#### Demand side

- According to forecasts by IEA, global electrical power demand will continue to grow steadily from 2030, and electrification rate growth will accelerate.
- Japan's Strategic Energy Plan, predicts that electric power demand in Japan will increase gradually through 2030, and that the electrification rate will grow due to the advance of digitalization, and others.

#### Prediction model: Electrical power demand and electrification rate



#### Reference: Electrification rates worldwide

(From materials of the Strategic Policy Committee, Advisory Committee on Natural Resources and Energy)

| Country | Electrification rates on the way to decarbonization |                |                                   |
|---------|-----------------------------------------------------|----------------|-----------------------------------|
|         |                                                     | Current amount | Assumption in long-term strategy* |
| USA     | Extensive electrification                           | approx. 20%    | 45-60%                            |
| Canada  | Extensive electrification                           | approx. 20%    | 45-70%                            |
| UK      | Promotion of electrification                        | —              | —                                 |

\* Assumed values based on results of analysis, assuming an 80% reduction in greenhouse gases in the countries in 2050

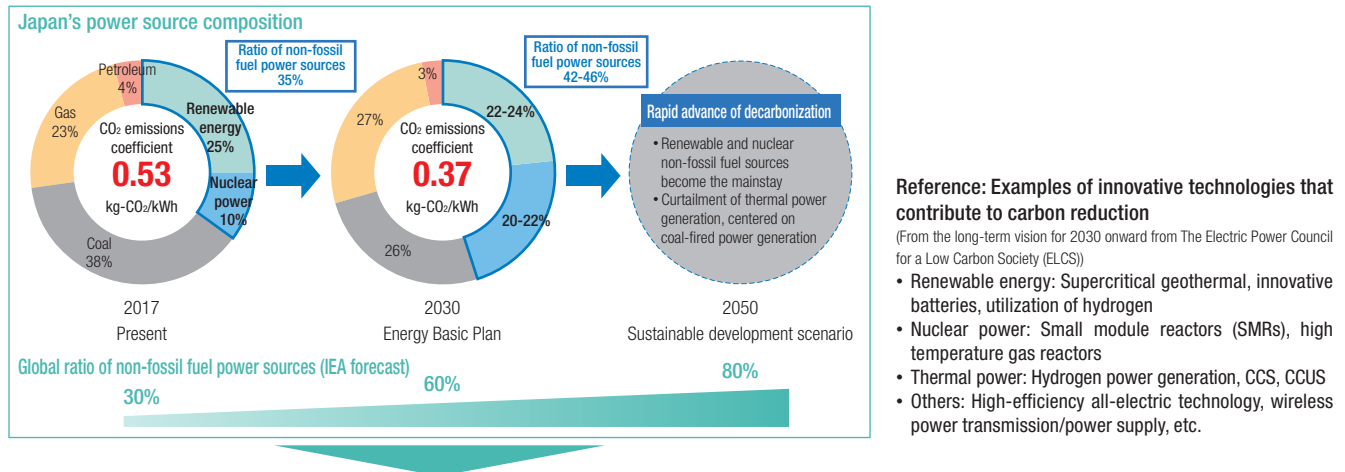
#### Major factors affecting the electricity business

- Proliferation of electrification in the transportation sector, including in automobiles, ships, and aircraft
- Acceleration of the shift to electrification of energy due to heightened safety and environmental orientation
- Further advancement of digital technologies such as the IoT and AI

### Supply side

- According to forecasts by IEA, non-fossil fuel power sources will increase significantly around the world, with the ratio of non-fossil fuel power sources expected to reach 80% by 2050.
- Japan aims for carbon reduction by achieving the power source composition (energy mix) for 2030 indicated in the country's Strategic Energy Plan. Rapid progress in decarbonization is forecast from 2030.
- It is thought that innovation (the practical application of innovative technology) is needed for the significant proliferation of such non-fossil fuel power sources.

#### Prediction model: Changes in electrical power source composition



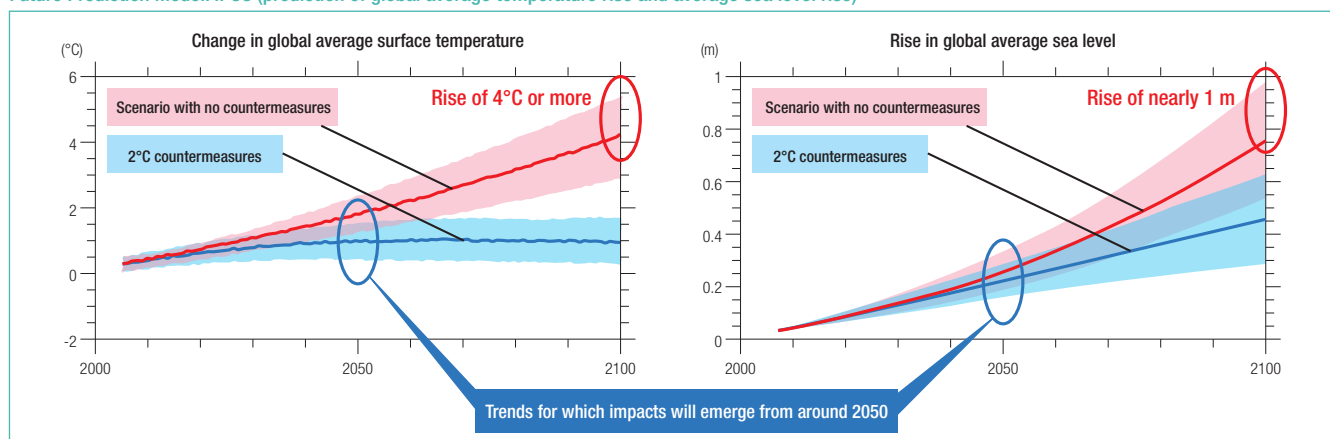
#### Major factors affecting the electricity business

- Growing demands for strengthened global warming regulations aimed at decarbonization
- Increased value of non-fossil fuel power sources, heightened need for large-scale adoption of renewable energy, decreased acceptance of fossil fuel use
- Low assessment of CO<sub>2</sub>-emitting businesses from investors
- Heightened need for carbon reduction/decarbonization technology, and progress in practical application of technology

### Climate disasters

Without the enforcement of global warming countermeasures, the global average temperature is predicted to rise by 4°C or more and the average sea level by nearly 1 m by 2100. There is concern that intensifying weather disasters and other physical risks will emerge, particularly after 2050.

#### Future Prediction Model: IPCC (prediction of global average temperature rise and average sea level rise)



#### Major factors affecting the electricity business

- Torrential rains/flooding, increase in storms, intensification and prolongation of high temperatures/heat waves
- Increased damage to customers' facilities and electric power supply facilities
- Inoperability of resource development areas
- Increasing need for disaster prevention and mitigation



### (3) Results of risk and opportunity analysis

Risks and opportunities related to climate change from 2030 onward are analyzed as follows, taking into account factors that affect the demand side and the supply side in the earlier-noted 2°C rise scenario, and the climate disaster in the 4°C rise scenario.

Numbers in parentheses indicate relationship with the impact factors at left.

| Impacting factors                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                           | Risks |                                                                                                                                                                                                                                        |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|-------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Demand side</b><br>(1) Shift to electrification in the transport sector<br>(2) Acceleration of the electrification of energy<br>(3) Further advance of digital technology<br><br><b>Supply side</b><br>(4) Strengthening of global warming regulations<br>(5) Expansion of needs for non-fossil fuel sources<br>(6) Decreased acceptance of CO <sub>2</sub> -emitting business operators<br>(7) Progress of carbon reduction/decarbonization technology<br><br><b>Climate disasters</b><br>(8) Intensification of weather<br>(9) Increased damage to power supply and demand equipment<br>(10) Inoperability in resource development areas<br>(11) Expansion of disaster prevention and mitigation needs | <b>Policy measures/regulation</b>         | (A)   | • Increased costs and investments associated with strengthening of greenhouse gas emission regulations ((4))                                                                                                                           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <b>Technology</b>                         | (B)   | • Decreased grid stability associated with large-scale introduction of renewable energy/distributed power sources ((5), (6), (7))<br>• Technical adaptation to the proliferation of distributed power sources ((5), (6), (7))          |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <b>Market</b>                             | (C)   | • Loss of customers and withdrawal of investment associated with decreased acceptance of fossil fuel power generation ((4), (5), (6))                                                                                                  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <b>Determination</b>                      | (D)   | • Deterioration of corporate image due to passive stance on climate change initiatives ((5), (6), (7))                                                                                                                                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <b>Climate disasters</b>                  | (E)   | • Increased facility damage associated with increasing and intensifying climate disasters ((8), (9), (10))<br>• Increasing difficulty of fuel procurement associated with inoperability of resource development areas ((8), (9), (10)) |
| Opportunities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                           |       |                                                                                                                                                                                                                                        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <b>Products/services</b>                  | (F)   | • Advance of electrification across the transportation sector ((1), (2))<br>• Proliferation of new energy services utilizing digital technologies ((3))                                                                                |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                           | (G)   | • Expansion of customer needs for carbon-free electricity ((5), (6), (7))<br>• Expansion of demand for low-carbon and decarbonization technologies in emerging countries, etc. ((5), (7))                                              |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <b>Energy sources/resource efficiency</b> | (H)   | • Expansion of policies to support the development and adoption of zero-emission power sources ((4), (5), (6), (7))                                                                                                                    |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                           | (I)   | • Practical application of innovative technologies such as decarbonization technologies, storage batteries, and next-generation energy ((1), (2), (3), (7))                                                                            |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <b>Resilience and toughness</b>           | (J)   | • Improved evaluation of business operators with regard to climate change response ((11))<br>• Increasing need for disaster prevention and mitigation ((11))                                                                           |

\* This scenario analysis is considered on the basis of scenarios from IEA, IPCC, etc. Many uncertainty factors are present after 2030 in particular, and the analysis was deliberately created based on what the company is able to envision, not based on predictions of outcomes.

### (4) Examination of countermeasures and assessment of financial impacts

We examined risks from the perspective of reduction or mitigation to the degree possible, and examined opportunities from the perspective of proactively linking these to business opportunities. We then evaluated the financial impacts of these.

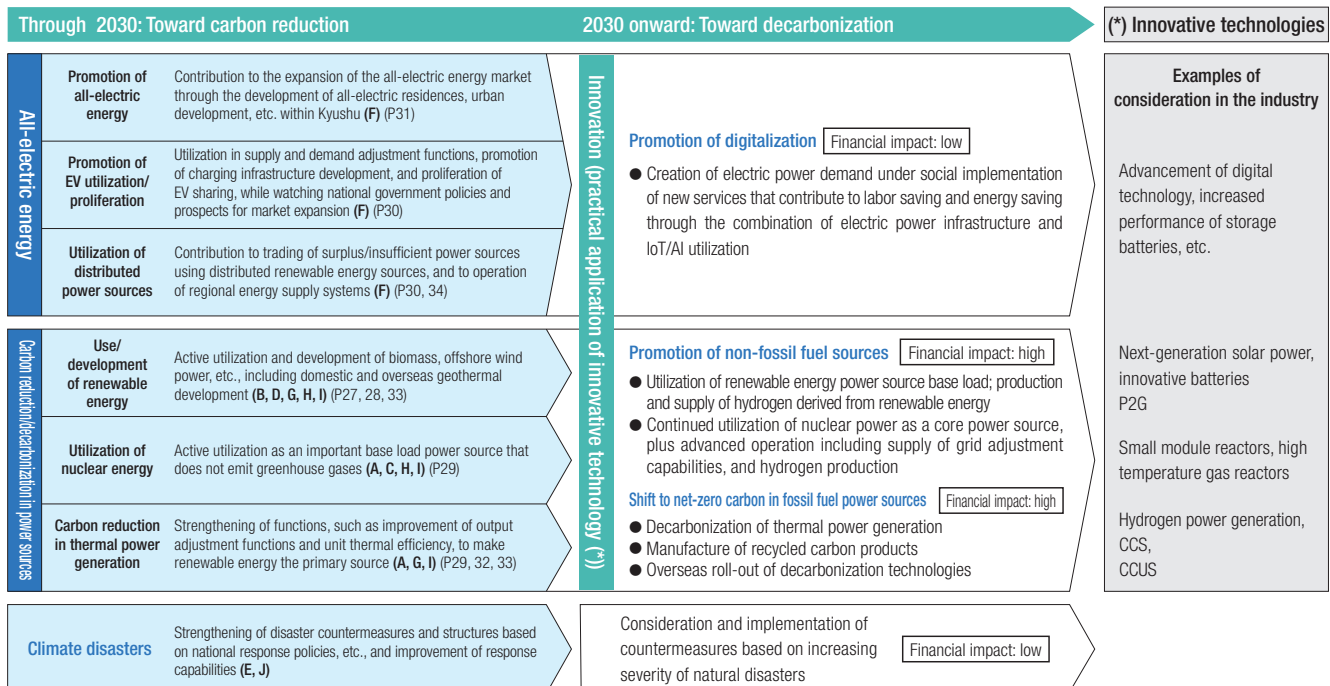
To achieve the goals of our Management Vision by 2030, we will undertake the promotion of EV proliferation, all-electric energy usage, and other electrification of energy consumption, as well as greater utilization of nuclear power, renewable energy, and other low-carbon power sources.

For the period from 2030 onward, we will take part in the industry's investigation of practical applications of innovative technologies, and will undertake promotion of digitalization, promotion of non-fossil power sources, and a shift to net-zero carbon from fossil fuel power sources.

Moreover, by appropriately considering and implementing measures against natural disasters that are expected to increase in severity, we aim to become a sustainable company.

## Measures to address risks and opportunities related to climate change

Letters in parentheses indicate relationship with the risks and opportunities on the previous page.



Thinking concerning financial impacts

We qualitatively evaluated the degree of impact on our business, taking into account the scale of our consolidated ordinary income (results) in recent years. As national policies, energy market trends, and other factors may fluctuate due to changes in the external environment, this impact assessment is not conclusive.

## 3 Metrics and Goals Setting of climate-related goals (KPIs) matched to business performance targets

In Japan's Fifth Strategic Energy Plan, nuclear power is positioned as an important base load power source that contributes to the stability of the long-term energy supply and demand structure, with the assurance of safety as its premise. Renewable energy is positioned as an important domestically produced, low-carbon energy source that is utilized with a view to reducing environmental impacts over the long term.

On the premise of an optimal energy mix based on the role of each of these power sources, our Management Vision sets the following business performance targets.

We have set these as climate change-related goals (KPIs) based on TCFD recommendations.

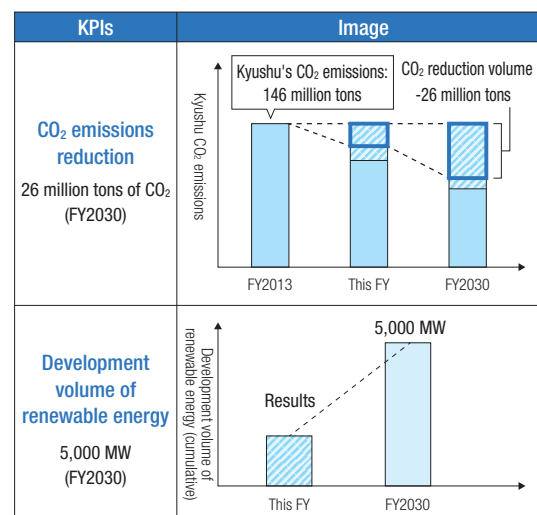
### (1) CO<sub>2</sub> emissions reduction: 26 million tons (FY2030, compared with FY2013)

By improving our ratio of non-fossil fuel power sources through the use of nuclear power generation that does not emit CO<sub>2</sub> and the development and use of renewable energy, and by promoting electricity usage in many fields, we will contribute to the reduction of Kyushu's CO<sub>2</sub> emissions by 70% (26 million metric tons)<sup>(\*)</sup>.

(\*) The Japanese government's plan for countering global warming (decided by the Cabinet in May 2016) sets a medium-term goal of reducing greenhouse gas emissions by 26% in FY2030, compared to FY2013. Applying this target, Kyushu is required to reduce CO<sub>2</sub> emissions by 38 million tons in FY2030, compared to FY2013.

### (2) Development volume of renewable energy: 5,000 MW (cumulative total by FY2030)

Leveraging the outstanding O&M technological capabilities that we have built up, we will actively engage in the development and operation of renewable energy, including in our overseas businesses, and will contribute to the reduction of CO<sub>2</sub> on a global scale.



\* Kyuden's FY2013 CO<sub>2</sub> emissions coefficient (adjusted) of 0.617kg-CO<sub>2</sub>/kWh is used in calculations of CO<sub>2</sub> emissions reductions.

# Building a Sustainable Community Together

As a local company with operations in all of Kyushu's prefectures, we will grow together with Kyushu's local communities and society through the creation of markets for new businesses and services.

## Addressing Regional and Social Challenges

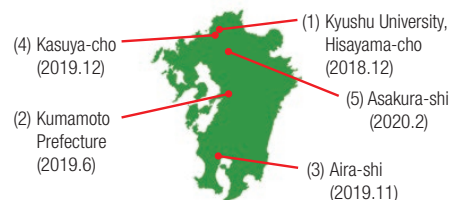
To facilitate the achievement of the SDGs, we are working to address the challenges facing the region and its society through initiatives in collaboration with industry, universities, and government, as well as by the Kyuden Group itself.

### Establishment of regional revitalization model through collaboration with industry, universities and government

We have concluded comprehensive cooperation agreements with local governments and academic research institutions in Kyushu, involving solutions to regional issues and city planning.

Through initiatives under these agreements, we will contribute to the resolution of social issues in the Kyushu region and to sustainable development.

■ Status of comprehensive partnership agreements

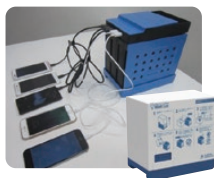


### Addressing regional and social challenges with the unified strength of the Kyuden Group

Four categories of businesses and services offered by the Kyuden Group that have been well-received by the region and wider society are sold under the withQ brand. Through these businesses and services, we are working to address regional and social challenges and expand the profitability of the Group overall.



#### Disaster measures



Watt Satt charger that charges phones with rainwater or seawater (Kyuden Sangyo)



Thermal insulation sheets (top heat barrier) that reduce heat from rooftops by approx. 90% during hot summer hours (Kyuden Technosystems)

#### Heatstroke measures

#### Information security



QT PRO Managed Security Service that protects data from cyber attacks (QTnet)



Proposing optimal lighting and switching lighting fixtures to LED (Seishin Sangyo)

#### Switch to LED

## ICT Services

We provide a wide range of ICT services and offer customers optimized solutions.

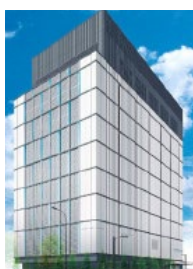
### Principal ICT Services

- BBIQ optical broadband business, QTmobile mobile service business
- Data center business: secure, safe maintenance of customer information assets
- MIHARAS IT sensor for agriculture: automated instrumentation data delivery to smartphones and tablets



QTnet services  
QT Mobile

BBIQ



Data centers (illustration)



Nishimu Electronics Industries, service  
MIHARAS IT sensor

## Strategy II Building a Sustainable Community Together



### Urban Development and City Planning

Through the urban development and real estate businesses, we will contribute to the development of Kyushu while working to earn new revenue.

#### Urban development

We will actively engage in urban development projects centered on Kyushu, including redevelopment of the old market area in Fukuoka.



Conceptual image of redevelopment of the old market area in Fukuoka (scheduled to open in spring 2022)  
(source: municipal website)

#### Real estate

The Kyuden Group is working as one to strengthen the real estate business, creating the future of living by providing comfortable, safe and environmentally friendly spaces.



All-electric for-rent condominiums in Fukuoka  
(Completed in July 2020)

### Infrastructure Services

To contribute to the development and revitalization of the Kyushu region, we will strengthen our efforts in social infrastructure businesses such as airport management.

#### Airport management

While steadily moving forward with our management business at the Fukuoka and Kumamoto Airports, we will expand efforts at other airports and investigate expansion into other fields of social infrastructure.

Management rights acquired jointly by  
Kyushu Electric Power and other companies

- Fukuoka Airport (airport management business begun April 2019)
- Kumamoto Airport (airport management business begun April 2020)



Kumamoto Airport in the future

#### TOPICS

#### Establishment of the Urban Development Business Division by integrating the functions of the urban development/city planning and infrastructure service businesses

Kyushu Electric Power has until now leveraged the specialization of separate organizations for each of the urban development/city planning and infrastructure service businesses. We aim for drastic growth of the business by strengthening collaboration between the separate organizations and by strategically investing management resources and by responding quickly to social trends. In order to do so, we integrated the businesses' functions to establish the Urban Development Business Division in July 2020.

### Creating New Markets

We will leverage the strengths of the Kyuden Group to create new businesses and services based on the needs of local communities and wider society.

#### Power infrastructure tourism

We will promote infrastructure tourism that takes advantage of dams, power stations, transmission/distribution facilities, and other electric power infrastructure, contributing to economic stimulus and PR for Kyushu by increasing the number of visitors.



Walking tour of inspection passageways at  
Kamishiiba Dam, Miyazaki Prefecture

#### Drone services

We offer a service for processing data aerial photographic data from drones (creation of original videos, 3D images, and other services).

In April 2020, we added a 360° panoramic VR service.





# Promoting Innovation

We will accelerate “Strategy I Developing the energy service business” and “Strategy II Building a sustainable community together,” and promote initiatives for maximizing the two strategies’ synergies.

## Innovation across the group



As part of its efforts to drive innovation, the Kyuden Group is taking ideas created by inter-group collaboration and investigating how those with the most potential can become new businesses or services.

In FY2019, we held i-Challenge 3, a business idea creation project. From across the Kyuden Group, we recruited people and teams who have enthusiasm and interest in innovation, and sought to generate promising ideas through the combination of a “nurturing phase” involving workshops and mentoring by outside experts, and a “selection phase” involving presentations.



Scenes from i-Challenge 3



## Co-creation with other companies (open innovation)

By collaborating with outside parties, we will share not only the resources of the Kyuden Group but also the technologies, know-how, and ideas of others to co-create new businesses and services.

### Investigating a world-class next-generation plant factory

Together with Kyudenko, Tokyo Century, and SPREAD, we are studying the commercialization of a next-generation vegetable factory utilizing idle land at the Buzen Power Station.

With a lettuce production capacity of 5 tons per day, one of the highest in the world, the project has great social significance in contributing to the stable supply of vegetables.

We will also investigate potential ways of creating new added value, such as provision of low environmental-impact lettuce in combination with renewable energy or utilizing the factory as a VPP (\*) resource.

(\*) Virtual Power Plant

This refers to controlling equipment on the electric power user side and utilizing it like a power station, to maintain balance between supply and demand.



Conceptual image of completed next-generation vegetable factory

## ■ Projects created by KYUDEN i-PROJECT

### Commercialization projects (including those under preparation)



Hydroelectric power operation improvement project by Kyuden Innovatech Vietnam, a local corporation in Vietnam



Qottaby, a watch-over service that makes use of location tracking



The KYUDEN GLOBAL project, which aims to revitalize the region through employment and settlement of talented overseas human resources



Kyuden Drone Services, which offers drone-based aerial video capture, video editing, 3D image creation, and other services



weev, an electric vehicle sharing service for condominium residents



Okeiko Town, a marketplace for matching students with teachers or tutors



TEQNICO, a business that offers firefighting equipment inspection services for condominiums, apartments, and other buildings by women-only

### Projects under demonstration testing



Connect, a system using sensors to support active older people to live independently and healthy



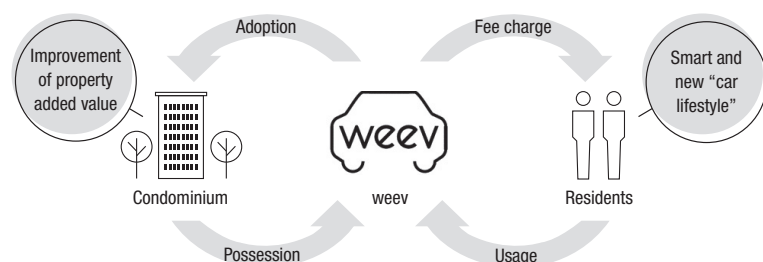
Disaster response information transmission service located on utility poles

We are undertaking demonstration testing for many other projects.

### Electric vehicle sharing service for condominium residents

In December 2020, we will launch weev, an electric vehicle-based car sharing service for condominium residents, in Kyushu and the Tokyo metropolitan area.

This service aims to offer safe, convenient, and reasonably priced "car ownership" to condominium residents.





# Strengthening our business foundations

We will work to strengthen our business foundations, coming together as a single corporate group to take on challenges and achieve continual growth.

## 1 Creating a corporate culture that prioritizes safety, health, and diversity

### Prioritizing Safety and Health

We take the prioritization of safety and health as the cornerstone of all of our business activities. We hope to become a company where every employee is mentally and physically healthy, and where they can work energetically.

#### Comprehensive safety measures

Our awareness and actions are based on the Kyuden Group Safe Conduct Charter and other safety codes, and the group is promoting initiatives related to safety, which is the foundation of our management.

Information sharing and cooperation between the Kyushu Electric Power Safety Promotion Committee, and the Group Safety Promotion Subcommittee, in which safety officers of group companies participate and together drive safety initiatives for the group as a whole.



Scene from safety workshop, with safety practitioners from group companies

#### Kyuden Group Safe Conduct Charter

The Kyuden Group aims to protect the safety of all people involved in our business, and to connect that safety to further security and trust.

From the standpoints of occupational safety and equipment security, we will enforce the following five actions aimed at corporate activities that place the highest priority on safety, the foundation of our management.

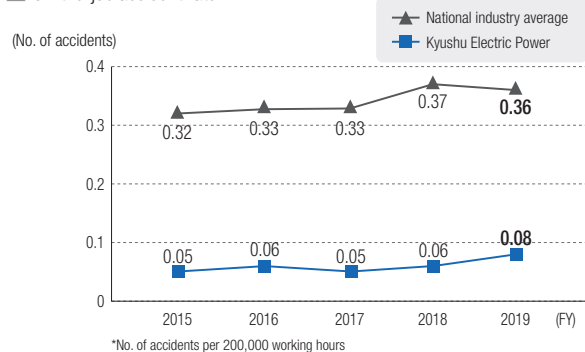
- |                                                     |                               |
|-----------------------------------------------------|-------------------------------|
| 1 Creation and evolution of safety                  | 4 Self-improvement            |
| 2 Incorporation of opinions and sharing information | 5 Transmission of company DNA |
| 3 Creation of open and friendly environments        |                               |

#### Efforts to Reduce Accident Rates to Zero

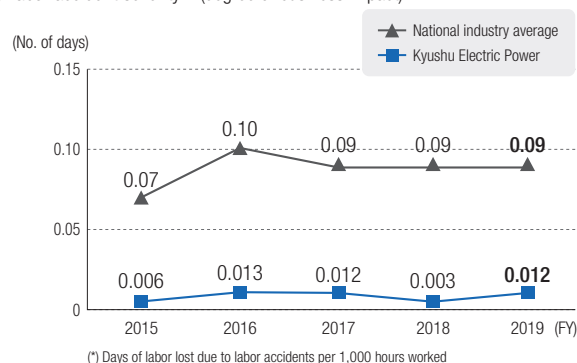
To ensure worksite safety, we promote accident prevention practices that include risk assessment. Furthermore, we carefully investigate accidents to determine their fundamental causes, use these findings to formulate and implement measures to prevent recurrence, and monitor adherence to such measures. By doing so, our ratio of accident occurrence and severity are significantly below national averages for the industry.

In addition, we educate employees regarding labor safety and hygiene regulations to promote compliance, and conduct safety training that includes hands-on crises training.

##### On-the-job accident rate<sup>(\*)</sup>



##### Labor accident severity<sup>(\*)</sup> (degree of business impact)

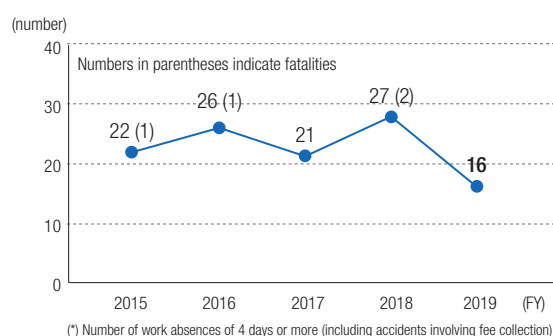


#### Promoting Safety Activities with Contractors and Subcontractors

We provide support for safe activities to contractors and subcontractors to ensure the safety of those who work with us.

This includes hosting gatherings for subcontractors where we share safety-related information, and work with them to monitor worksite safety management, including engaging in worksite safety patrols. Through these efforts, we are working to enhance the safety of facilities and operating procedures.

##### Contractor and subcontractor accidents<sup>(\*)</sup>



## Strategy III Strengthening our business foundations



### Promoting Diversity

We will secure and nurture diverse human resources who will drive transformation and new business development, and will establish working environments in which diverse human resources can play active roles.

To create environments in which every individual can display maximum potential, we are developing initiatives focused on reform of awareness and corporate culture, human resource development, and the pursuit of motivating and enjoyable work.

We support women building their future careers, and actively promote female leadership and promotion of women to managerial positions.

We are working together as a group to help create a society where people with disabilities can also play an active role in the region and in society. As part of this, we are working to promote their employment.

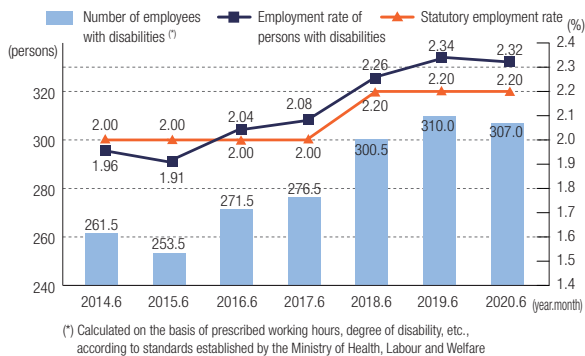
#### Eruboshi Certification under the Act on Promotion of the Women's Participation and Advancement in the Workplace

The Minister of Health, Labour and Welfare granted recognition to our company in July 2016, and to our group company Kyuden Sangyo Co., Inc. in February 2018, as companies that excel in the implementation of initiatives for promoting active participation by women.

Eruboshi certification mark ▶

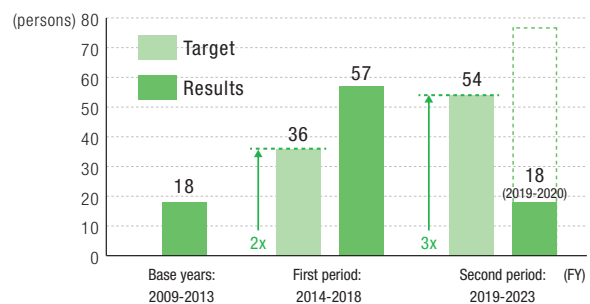


#### ■ Number and employment rate of employees with disabilities



#### ■ Target rate for new female managers

(An excerpt from the Action Plan to Promote an Active Role for Women)



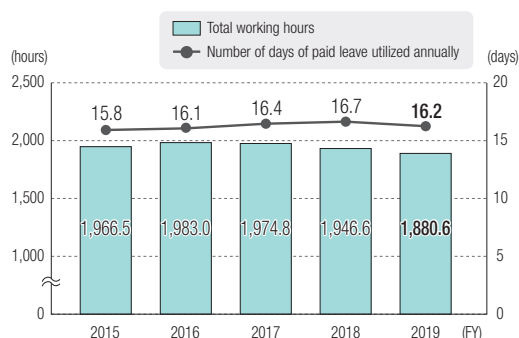
## 2 Continually pursuing a workplace that motivates its employees

### Creation of Workplaces Where People Want to Work

By promoting work style reforms, we are creating an organizational culture and workplaces where employees can show their true potential and feel motivated to work.

Kyushu Electric Power is coming together as a company to promote work style reform aimed at creation of environments where employees can actively engage in their jobs; enhancement of labor efficiency through thoroughgoing increases in operational efficiency; and the fostering of a corporate culture that encourages employees to take on new challenges.

#### ■ Total hours worked and days of paid leave utilized annually per person



#### ● Specific details of work style reforms

##### I Reform of awareness

- Promotion of initiatives through collaboration with persons in charge of work style reform promotion at business offices
- Cultivation of awareness of work style reform across the company by sharing good practices

##### II Enhancement of operational efficiency

- Solicitation of employees' suggestions for enhancing operational efficiency, and practice of reforms based on these
- Enhancement of efficiency and improvement of quality of work by instilling company-wide shared rules regarding the performance of work
- Implementation of a "smart meetings campaign" aimed at streamlining meetings

##### III Enhancement of programs that contribute to flexible work styles

- Expansion of workplaces where teleworking is used
- Expansion of workplaces where flex-time and staggered attendance programs are used, etc.

#### Company-wide shared rules





## Strategy III Strengthening our business foundations

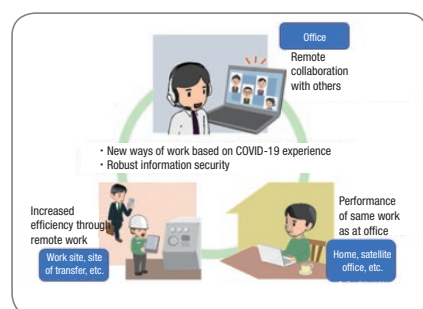
### Revolutionizing Work Tasks with ICT

We will promote digital transformation <sup>(\*)</sup> and will drive business transformation that improves productivity, profitability, and customer service.

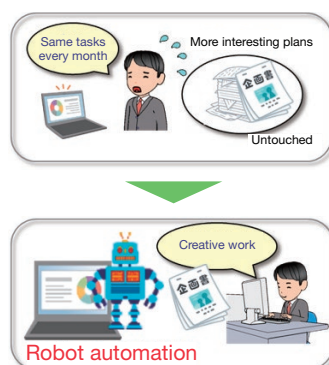
(\*) Strategic and structural business transformation through the utilization of ICT to effectively create and deliver value

By pushing these cutting-edge ICT applications, while bearing in mind its economic viability, we are promoting work task reform that will lead to improved management efficiency and better customer service.

■ How remote work and other diverse work styles can be achieved

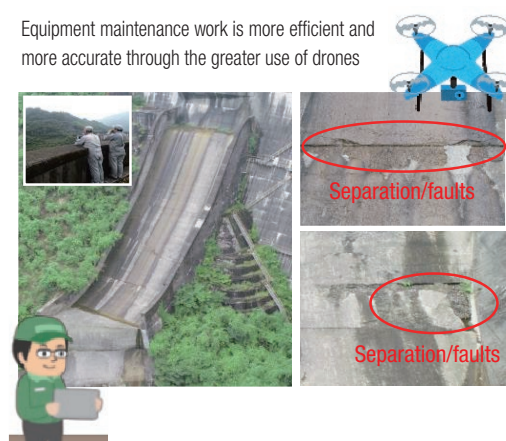


■ How software robots can raise productivity



■ How equipment maintenance can be made more efficient and more accurate

Equipment maintenance work is more efficient and more accurate through the greater use of drones



## 3 Consistently working to improve stakeholder trust

### CSR Initiatives That Meet Stakeholder Expectations

Aiming to develop sustainably with local communities and with wider society, we will strengthen our efforts to resolve Major CSR Challenges toward which stakeholders have high expectations, such as environmental activities and the resolution of regional issues.

Among the social issues that we broadly extracted from the SDGs, we identified 14 items subject to particularly high expectations from stakeholders as Major CSR Challenges for the Kyuden Group to prioritize. To connect these to the achievement of a sustainable society, we are working to resolve key issues through the group's collective management resources.

► P49

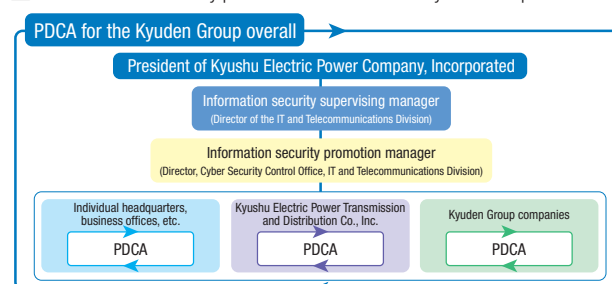
### Initiatives to Ensure Information Security

To respond appropriately to the threat of cyber attacks and to continue as a business, we will strengthen information security measures for the entire Kyuden Group.

To respond to security risks such as information leaks caused by cyber attacks and to continue the provision of energy services and other business activities, we are working to maintain and improve the information security level of the Kyuden Group overall, acting primarily through the Cyber Security Control Office.

We are strengthening organizational, human, physical, and technical measures through the promotion of PDCA across the group, under a structure that places the president of Kyushu Electric Power as the topmost responsible party.

■ The information security promotion structure of the Kyuden Group



## Strategy III Strengthening our business foundations

### Promote Compliance-based Management

We will strive to raise employees' compliance awareness and prevent violations of law to enforce compliance-based management, a foundation for earning the trust of society.

#### Structure for promotion of compliance-based management

The Compliance Committee is chaired by the company's president and its members include outside experts. Its role is to evaluate the company's efforts towards compliance and make suggestions for improvement.

We have also established contact points for compliance consultation inside and outside the company (contact points to allow whistleblowing), and are working to ensure that any breaches of laws or acts that would damage trust in the company are either prevented or discovered at an early stage.

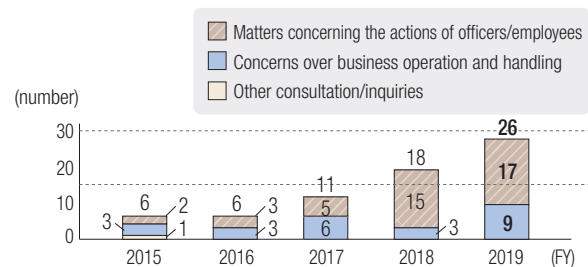
##### ■ Major items for deliberation/reporting by the Compliance Committee (FY2019)

- Issues and future initiatives in compliance promotion
- Operational status of the Compliance Consultation Desk
- Results of compliance awareness survey of group company employees
- Initiatives related to awareness of accepting gifts such as the gift-giving scandal of Kansai Electric Power Co.



Compliance Committee

##### ■ Number of consultations with and notifications to the Compliance Consultation Desk



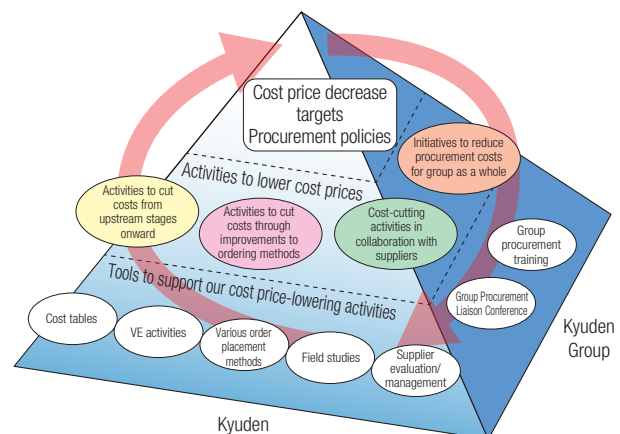
### Improved Management Efficiency

We are working to increase our management efficiency in order to bring about improvements in our financial structure.

#### Efforts to lower the costs involvement in equipment procurement

To lower procurement costs even further, we formed the Procurement Reform Promotion Committee, whose members include outside experts. We have taken on the committee's opinions and advice, alongside other external expertise, to strengthen our procurement capabilities. Simultaneously, we have been working on improvements to the way we place orders and other measures to lower cost prices.

##### ■ Initiatives to reduce procurement costs in the Kyuden Group overall



## Identifying Major CSR Challenges (Materiality)

International awareness of global-scale social problems is growing rapidly, as reflected in the growing adoption of Sustainable Development Goals (SDGs) set forth by the UN, as well as the spread of ESG investment activities. In this environment, enterprises are also strongly expected to play a role in solving problems.

With awareness of this management environment, the Kyuden Group has identified 14 major CSR challenges for which stakeholder expectations are particularly high. Going forward, the Kyuden Group will work actively to address these major CSR challenges.

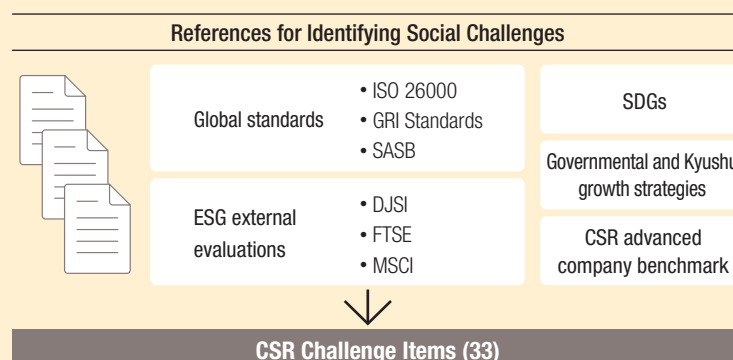
### Kyuden Group Major CSR Challenges

| Theme                                                                                                                    | Main related SDGs                                                                   | Major CSR Challenges                                                         |
|--------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| <b>Global environment</b><br>Lessen the risks of climate change and protect the bountiful planet.                        |    | Reduce CO <sub>2</sub> emissions                                             |
|                                                                                                                          |                                                                                     | Develop/adopt renewable energy                                               |
|                                                                                                                          |                                                                                     | Preserve biodiversity                                                        |
| <b>Economic foundation</b><br>Support people's lifestyles and the economy with energy infrastructure.                    |    | Provide energy reliably                                                      |
|                                                                                                                          |                                                                                     | Operate nuclear power stations safely and reliably                           |
|                                                                                                                          |                                                                                     | Create urban development for safe, strong neighborhoods                      |
|                                                                                                                          |                                                                                     | Meet customer needs and challenges with energy services                      |
| <b>Local community</b><br>Together with residents of the region, we will energize local communities.                     |  | Promote local industry and create jobs                                       |
|                                                                                                                          |                                                                                     | Expand the number of visitors to Kyushu                                      |
|                                                                                                                          |                                                                                     | Help create a society that is equally welcoming for the elderly and children |
| <b>Organizations/human resources</b><br>Urge employees to take on challenges, and strengthen organizational foundations. |  | Create innovation                                                            |
|                                                                                                                          |                                                                                     | Develop personnel                                                            |
|                                                                                                                          |                                                                                     | Create work-friendly environments                                            |
|                                                                                                                          |                                                                                     | Ensure effective corporate governance                                        |

## STEP 1 Identifying Social Challenges (CSR Challenge Selection)

The process of identifying social challenges took items given importance by global CSR standards as its foundation and included reference to the SDGs and to ESG external evaluations, as well as to growth strategies formulated by the national government and Kyushu administrative entities. This yielded a list of challenges for further consideration.

To set the identified social challenges at a level easy to connect to future concrete initiatives in the Kyuden Group, we organized them into 33 CSR Challenges.



## STEP 2 Prioritizing CSR Challenge Items

We then formed a draft list of Major CSR Challenges by giving the CSR Challenge Items in Step 1 a relative evaluation along two axes, Stakeholder Expectations vs. Importance to the Kyuden Group. In making selections, we gave deliberate priority to Stakeholder Expectations. For example, items that were high in terms of Stakeholder Expectations were included in the list even when Importance to the Kyuden Group was relatively low.

In addition, we solicited opinions within the Kyuden Group regarding the draft list of Major CSR Challenges and reflected these in results, to make them highly effective items that will lead to concrete efforts in the future.

### Perspectives for evaluation

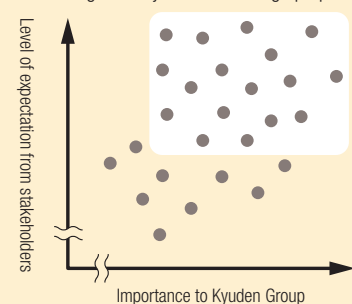
#### Degree of stakeholders' expectations

- (1) Level of expectations toward the electric power industry (emphasis on evaluation points for the electric power industry in ESG investing)
- (2) Level of expectations toward companies with roots in the Kyushu region (emphasis on key issues in Kyushu's growth strategies)
- (3) Level of expectations placed directly on the Kyuden Group (emphasis on items for which expectations are high in terms of dialogue with customers, points of contact in work, etc.)

#### Importance to Kyuden Group

- A. Degree of relatedness to the Kyuden Group Management Vision
- B. Size of risks arising if Challenge Items are not addressed
- C. Size of growth potential (i.e., opportunity) of markets related to Challenge Items

### Plotting the Major CSR Challenge proposals



## STEP 3 Verifying Appropriateness (Discussions with Experts)

Based on the Major CSR Challenges selected in Step 2, we held discussions with external experts to obtain opinions from the standpoint of their specialist knowledge. The results of these discussions were used to help draw up a draft list of 14 Major CSR Challenges.

| Organization/Title                                                                                                                                           | Name               | Organization/Title                                                                                                          | Name              |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-----------------------------------------------------------------------------------------------------------------------------|-------------------|
| Director of Business Development Division, Kyushu Economic Research Center<br>Director, BIZCOLL Hall                                                         | Hideyuki Okano     | Representative, Biznet Corporation External Director, Aeon Kyushu Co., Ltd.                                                 | Yuriko Hisadome   |
| Representative Director, Psy's Learning Chairman, GEWEL                                                                                                      | Machiko Takami     | Sustainability & CSR Director, Mitsubishi Corporation                                                                       | Takehiro Fujimura |
| Deputy Chief Research Officer, Chief Manager of Sustainability Management Office,<br>Corporate Planning & Coordination Department, Development Bank of Japan | Keisuke Takegahara | Fellow, Chuo Graduate School of Strategic Management, Chuo University<br>Supervising Lecturer, Japan Management Association | Etsuhiro Hosoda   |

### Principal Opinions Received

#### ● Formulation Process, Major CSR Challenge

- Using global standards, opinions sent directly to the Kyuden Group, and other references, a wide range of social challenges were identified, and all areas were covered
- Objective materials were used to determine Stakeholder Expectations, and the results were deemed appropriate

#### ● Efforts to Address Challenges

- It is important to solve Major Challenges through active efforts of the unified Kyuden Group based firmly on its management strategy, including its management vision
- It is vital that efforts to solve regional challenges be adapted to the characteristics of each locality

#### ● Items Selected for Major CSR Challenges

- Items like "promote local industry" and "expand the number of visitors to Kyushu" conveyed the message that the Kyuden Group wants to grow along with Kyushu by invigorating its economy
- The list of items is a good representation of the Kyuden Group's culture

#### ● Message to Society

- The Major Challenges represent a commitment by the Kyuden Group. It is important that they follow through on this commitment to be better regarded by society, and their active messaging is encouraging.
- Demonstrating how the Group's efforts to solve the Major Challenges will tend to deliver value for society will facilitate communication with society

## STEP 4 Identification of Major CSR Challenges (review and approval by deliberative bodies)

The draft list of Major CSR Challenges selected in Step 3 was reviewed for appropriateness by the CSR Promotion Committee (chaired by the president and composed of senior management of Kyushu Electric Power Company, Incorporated), and 14 Major CSR Challenges were selected.

The list of challenges will be reviewed as required in light of changes in social trends and the operating environment among others.

For more details regarding the Kyuden Group's efforts to address Major CSR Challenges, please refer to the Kyuden Group Sustainability Report 2020.



## Members of the Board of Directors (Kyushu Electric Power Co., Inc.) (As of June 25, 2020)



1

### Michiaki Uriu

Member of the Board of Directors,  
Chairperson

4

### Ichirou Fujii

Member of the Board of Directors,  
Vice-Presidential Executive Officer,  
Executive Director of Business Solution  
Headquarters, Matters relating to CSR

7

### Naoyuki Toyoshima

Member of the Board of Directors,  
Senior Managing Executive Officer,  
Director of Nuclear Power Division

10

### Akiyoshi Watanabe

Member of the Board of Directors  
(External)

2

### Kazuhiro Ikebe

Member of the Board of Directors,  
President & Chief Executive Officer

5

### Makoto Toyoma

Member of the Board of Directors,  
Vice-Presidential Executive Officer,  
Executive Director of Corporate  
Strategy Division

8

### Yoshio Ogura

Member of the Board of Directors,  
Senior Managing Executive Officer,  
Matters relating to International  
Business Office

11

### Sakie Tachibana Fukushima

Member of the Board of Directors  
(External)

3

### Hideomi Yakushinji

Member of the Board of Directors,  
Vice-Presidential Executive Officer,  
Crisis Management Officer

6

### Nobuya Osa

Member of the Board of Directors,  
Senior Managing Executive Officer,  
Director of the Operation Division,  
Business Solution Headquarters

9

### Yasuji Akiyama

Member of the Board of Directors,  
Senior Managing Executive Officer,  
Executive Director of Energy  
Service Headquarters

12

### Michihiro Uruma

Member of the Board of Directors,  
Audit & Supervisory Committee  
Member



13

**Kazutaka Koga**

Member of the Board of Directors,  
Audit & Supervisory Committee  
Member (External)

14

**Kazuko Fujita**

Member of the Board of Directors,  
Audit & Supervisory Committee  
Member (External)

15

**Hiroko Tani**

Member of the Board of Directors,  
Audit & Supervisory Committee  
Member (External)





## Members of the Board of Directors (Kyushu Electric Power Co., Inc.) (As of June 25, 2020)



**Michiaki Uriu**

**Member of the Board of Directors,  
Chairperson**

**[Reason for appointment]**

During the 11 years since his appointment to the Board of Directors in 2009, he has acquired a wealth of experience through his participation in management of the company. After his subsequent appointment as Member of the Board of Directors and President in 2012, he was appointed Chairperson of the Board of Directors in 2018, one of the positions in which he has been involved in all aspects of corporate management.

We have extended his appointment as Director in overall consideration of this career history, as well as his own personal character and insights.

1975 Joined Kyushu Electric Power  
2018 Member of the Board of Directors,  
Chairperson (current position)

(Important concurrent positions)  
External Director, Audit & Supervisory Committee  
Member,  
Nishi-Nippon City Bank, Ltd.,  
External Audit & Supervisory Board Member,  
Kyudenko Corporation



**Kazuhiro Ikebe**

**Member of the Board of Directors,  
President & Chief Executive Officer**

**[Reason for appointment]**

During the 3 years since his appointment to the Board of Directors in 2017, he has acquired a wealth of experience through his participation in management of the company. Since his appointment in 2018 as a Member of the Board of Directors and President & Chief Executive Officer, he has directed business execution across all aspects of administration.

We have extended his appointment as Director in overall consideration of this career history, as well as his own personal character and insights.

1981 Joined Kyushu Electric Power  
2018 Member of the Board of Directors,  
President & Chief Executive Officer  
(current position)

(Important concurrent positions)  
Chairperson, Federation of Electric Power Companies



**Hideomi Yakushinji**

**Member of the Board of Directors,  
Vice-Presidential Executive Officer,  
Crisis Management Officer**

**[Reason for appointment]**

During the 8 years since his appointment to the Board of Directors in 2012, he has acquired a wealth of experience through his participation in management of the company. Since his appointment in 2018 as a Member of the Board of Directors and Vice-Presidential Executive Officer, he has assisted the Company's President & Chief Executive Officer across all areas of management including the General Affairs Department.

We have extended his appointment as Director in overall consideration of this career history, as well as his own personal character and insights.

1976 Joined Kyushu Electric Power  
2018 Member of the Board of Directors,  
Vice-Presidential Executive Officer  
(current position)

(Important concurrent positions)  
External Director,  
RKB Mainichi Holdings Corporation



**Ichirou Fujii**

**Member of the Board of Directors,  
Vice-Presidential Executive Officer,  
Executive Director of Business Solution  
Headquarters, Matters relating to CSR**

**[Reason for appointment]**

Appointed as an Executive Officer in 2012, he has attained a high level of specialized expertise based on a wealth of practical experience developed through business execution, primarily in the Personnel and Labor Department. He has contributed to management of the Company throughout the 2 years since his appointment to the Board of Directors in 2018.

We have extended his appointment as Director in overall consideration of this career history, as well as his own personal character and insights.

1979 Joined Kyushu Electric Power  
2020 Member of the Board of Directors,  
Vice-Presidential Executive Officer  
(current position)

(Important concurrent positions)  
External Director, Audit & Supervisory Committee  
Member,  
Nishi-Nippon Railroad Co., Ltd.



**Makoto Toyoma**

**Member of the Board of Directors,  
Vice-Presidential Executive Officer,  
Executive Director of  
Corporate Strategy Department**

**[Reason for appointment]**

He has attained a high level of specialized expertise based on a wealth of practical experience developed through business execution, primarily in the Electric Power Transmission Department, and was appointed as an Executive Officer in 2016. He has contributed to management of the Company throughout the 2 years since his appointment to the Board of Directors in 2018.

We have extended his appointment as Director in overall consideration of this career history, as well as his own personal character and insights.

1981 Joined Kyushu Electric Power  
2020 Member of the Board of Directors,  
Vice-Presidential Executive Officer  
(current position)

(Important concurrent positions)  
External Director, Nippon Tungsten Co., Ltd.



**Nobuya Osa**

**Member of the Board of Directors,  
Senior Managing Executive Officer,  
Director of the Operation Division,  
Business Solution Headquarters**

**[Reason for appointment]**

He has attained a high level of specialized expertise based on a wealth of practical experience developed through business execution, primarily in the Accounting Department. He has contributed to management of the Company since his appointment to the Board of Directors in 2019. Having been appointed as an Audit & Supervisory Committee Member in 2015, and subsequently as a Board of Directors Audit & Supervisory Committee Member in 2018, he has served the Company in an oversight role for 4 years. We have extended his appointment as Director in overall consideration of this career history, as well as his own personal character and insights.

1977 Joined Kyushu Electric Power  
2019 Member of the Board of Directors,  
Senior Managing Executive Officer  
(current position)



**Naoyuki Toyoshima**

**Member of the Board of Directors,  
Senior Managing Executive Officer,  
Director of Nuclear Power Division**

**[Reason for appointment]**

Appointed as an Executive Officer in 2015, he has attained a high level of specialized expertise based on a wealth of practical experience developed through business execution, primarily in the Nuclear Power Department. He has contributed to management of the Company throughout the 2 years since his appointment to the Board of Directors in 2018.

We have extended his appointment as Director in overall consideration of this career history, as well as his own personal character and insights.

1982 Joined Kyushu Electric Power  
2018 Member of the Board of Directors,  
Senior Managing Executive Officer  
(current position)



**Yoshio Ogura**

**Member of the Board of Directors,  
Senior Managing Executive Officer,  
Matters relating to International  
Business Office**

**[Reason for appointment]**

Appointed as an Executive Officer in 2014, he has attained a high level of specialized expertise based on a wealth of practical experience developed through business execution, primarily in the Planning and Supply/Demand Departments.

We appointed him as a Member of the Board of Directors in 2020 in overall consideration of this career history, as well as his own personal character and insights.

1979 Joined Kyushu Electric Power  
2020 Members of the Board of Directors,  
Senior Managing Executive Officer  
(current position)



## Yasuji Akiyama

**Member of the Board of Directors,  
Senior Managing Executive Officer,  
Executive Director of Energy  
Service Headquarters**

### [Reason for appointment]

Appointed as an Executive Officer in 2018, he has attained a high level of specialized expertise based on a wealth of practical experience developed through business execution, primarily in the Power Generation Department.

We appointed him as a Member of the Board of Directors in 2020 in overall consideration of this career history, as well as his own personal character and insights.

1979 Joined Kyushu Electric Power  
2020 Member of the Board of Directors,  
Senior Managing Executive Officer  
(current position)



## Akiyoshi Watanabe

**Member of the Board of Directors  
(External)**

### [Reason for appointment]

With a long career as an executive, he has a wealth of experience and insight. In combination with his career history, his personal character and insights make him well-suited to work as an External Director for the Company, providing us with valuable opinions on the Company's business from an objective standpoint. Given that he is the optimal person to fulfill this oversight function, we have extended his appointment as External Director.

1966 Joined Toyota Motor Co., Ltd.  
(now Toyota Motor Corporation)  
1996 Director  
1998 Director (part-time), Toyota Motor  
Kyushu, Inc.  
2001 Managing Officer, Toyota Motor  
Corporation  
2002 Retired as a Managing Officer from  
Toyota Motor Corporation  
2002 President, Toyota Motor Kyushu, Inc.  
2007 Vice-Chairperson, Kyushu Economic  
Federation (a general incorporated  
association) (through 2015)  
2008 Chairman, Toyota Motor Kyushu, Inc.  
2009 Member of the Board of Directors,  
Kyushu Electric Power (part-time,  
current position)  
2011 Advisor, Toyota Motor Kyushu, Inc.  
2011 Director, Kyudenko Corporation  
(part-time, current position)  
2015 Retired as an Advisor from Toyota Motor  
Kyushu, Inc.

### (Important concurrent positions)

External Director, Kyudenko Corporation



## Sakie Tachibana Fukushima

**Member of the Board of Directors  
(External)**

### [Reason for appointment]

With a long career as an executive both domestically and overseas, she has a wealth of global experience and insight. In combination with her career history, her personal character and insights make her well-suited to work as an External Director for the Company, providing us with valuable opinions on the Company's business from an objective standpoint. Given that she is the optimal person to fulfill this oversight function, we appointed her External Director in 2020.

1980 Joined Blackstone International, Ltd.  
1984 Left Blackstone International, Ltd.  
1987 Joined Bain & Company, Inc.  
1990 Left Bain & Company, Inc.  
1991 Joined Korn Ferry International-Japan  
(Now Korn Ferry Japan)  
1995 Member of the Board of Directors,  
Korn Ferry International U.S. Headquarters  
2000 President, Korn Ferry  
International-Japan  
2001 President and Representative Director,  
Korn Ferry International-Japan  
2007 Retired as Member of the Board of Directors,  
Korn Ferry International U.S. Headquarters  
2009 Chairperson and Representative Director,  
Korn Ferry International-Japan  
2010 Retired as Chairperson and Representative  
Director  
2010 President and Representative Director,  
G&S Global Advisors, Inc. (current position)  
2011 Vice Chairperson, Japan Association of  
Corporate Executives (through 2015)  
2012 Member of the Board of Directors,  
J.Front Retailing Co., Ltd. (part-time)  
2016 Member of the Board of Directors,  
Ushio, Inc.  
(part-time, current position)  
2019 Member of the Board of Directors,  
Konica Minolta, Inc.  
(part-time, current position)  
2020 Retired as Member of the Board of Directors,  
J.Front Retailing Co., Ltd. (part-time)  
2020 Member of the Board of Directors,  
Kyushu Electric Power (part-time,  
current position)

### (Important concurrent positions)

President and Representative Director,  
G&S Global Advisors, Inc.,  
External Director, Ushio, Inc.,  
External Director, Konica Minolta, Inc.



## Michihiro Uruma

**Member of the Board of Directors,  
Audit & Supervisory  
Committee Member**

### [Reason for appointment]

His apt knowledge of finance and accounting, including Accounting Department and Audit & Supervisory Committee leadership experience, gives him the appropriate auditing and oversight capabilities.

We have extended his appointment as Board of Directors Audit & Supervisory Committee Member in overall consideration of this career history, as well as his own personal character and insights.

1977 Joined Kyushu Electric Power  
2019 Member of the Board of Directors, Audit  
& Supervisory Committee Member  
(current position)



## Members of the Board of Directors (Kyushu Electric Power Co., Inc.) (As of June 25, 2020)



### Kazutaka Koga

**Member of the Board of Directors,  
Audit & Supervisory Committee  
Member (External)**

[Reason for appointment]

With a long career as an attorney, he has a wealth of experience and insight. In combination with his career history, his personal character and insights make him well-suited to work as an External Director for the Company, providing us with valuable opinions on the Company's business from an objective standpoint. Given that he is the optimal person to fulfill this auditing and oversight function, we have extended his appointment as External Director on the Audit & Supervisory Committee.

- 1986 Registered as attorney (to present)
- 1989 Established Kazutaka Koga Law Office (Now Koga Hanashima Kuwano Law Office) (to present)
- 2007 Auditor (part-time), MAXVALU KYUSHU CO., Ltd. (current position)
- 2012 Vice President, Kyushu Federation of Bar Associations (through 2013)
- 2012 Chairperson, Fukuoka Bar Association (through 2013)
- 2014 Vice President, Japan Federation of Bar Associations (through 2015)
- 2016 Audit & Supervisory Board Member, Kyushu Electric Power
- 2018 Member of the Board of Directors, Audit & Supervisory Committee Member, Kyushu Electric Power (current position)
- 2020 Auditor, Aeon Kyushu Co., Ltd. (part-time, current position)

(Important concurrent positions)  
Attorney at Law

(Koga Hanashima Kuwano Law Office)  
External Auditor, MaxValu Kyushu Co., Ltd.  
External Auditor, Aeon Kyushu Co., Ltd.

\* MaxValu Kyushu and Aeon Kyushu were scheduled to merge on September 1, 2020.



### Kazuko Fujita

**Member of the Board of Directors,  
Audit & Supervisory Committee  
Member (External)**

[Reason for appointment]

With a long career as a certified public accountant and tax accountant, she has a wealth of experience and insight. In combination with her career history, her personal character and insights, as well as her apt knowledge of finance and accounting make her well-suited to work as an External Director for the Company, providing us with valuable opinions on the Company's business from an objective standpoint. Given that she is the optimal person to fulfill this auditing and oversight function, we appointed her External Director on the Audit & Supervisory Committee Member in 2020.

- 1971 Joined Chuo Accounting Office (Auditing Corporation, subsequently Misuzu Audit Corporation)
- 1975 Registered Certified Public Accountant (to present)
- 1983 Member, Chuo Accounting Office
- 1989 Representative Member, Chuo Shinko Audit Corporation (Subsequently Misuzu Audit Corporation)
- 2007 Left Misuzu Audit Corporation
- 2007 Partner, Tohmatsu Auditing (now Deloitte Touche Tohmatsu LLC)
- 2009 Retired as Partner
- 2009 Established Fujita Certified Public Accountants (to present)
- 2010 Registered Tax Accountant (to present)
- 2012 Controller, Kyushu University (part-time)
- 2016 Resigned the above position
- 2016 Controller, University of Teacher Education, Fukuoka (part-time, current position)
- 2017 Controller, Fukuoka Gakuen (part-time, current position)
- 2020 Retired (scheduled) as Controller, University of Teacher Education, Fukuoka (part-time)

(Important concurrent positions)  
Certified Public Accountant  
Tax Accountant (Fujita Certified Public Accountants)



### Hiroko Tani

**Member of the Board of Directors,  
Audit & Supervisory Committee  
Member (External)**

[Reason for appointment]

With a long career as a certified public accountant, she has a wealth of experience and insight. In combination with her career history, her personal character and insights, as well as her apt knowledge of finance and accounting make her well-suited to work as an External Director for the Company, providing us with valuable opinions on the Company's business from an objective standpoint. Given that she is the optimal person to fulfill this auditing and oversight function, we appointed her External Director on the Audit & Supervisory Committee Member in 2020.

- 1982 Joined Asahi Tax Corporation (Now KPMG AZSA LLC)
- 1989 Registered Certified Public Accountant (to present)
- 2004 Member, Azusa Audit Corporation (now KPMG AZSA LLC)
- 2018 Left KPMG AZSA LLC
- 2018 Established Tani Certified Public Accountants (to present)
- 2019 Representative Member, Choshu Audit Corporation (current position)

(Important concurrent positions)  
Certified Public Accountant  
(Tani Certified Public Accountants, Choshu Audit Corporation)



## Special Interview

### External Director Interview

Appointed as an External Director at Kyushu Electric Power in June 2020, Sakie Tachibana Fukushima has an extensive experience in the management of many corporations in the United States and Japan. We asked her why she accepted the role of External Director and how she perceives her role.



#### Q1 Why did you decided to become an External director at Kyushu Electric Power?

I have been deeply involved in management and governance at a number of companies since 1995, when I became a director at the U.S. personnel consulting firm Korn Ferry International. Since 2002, living in Japan, I have worked as an external director at 11 companies, including Kao and Sony. Now, at Kyushu Electric Power, this is the first time I have been with an infrastructure company that supports Japan's industrial and social basis.

Having worked on the Advisory Board of the Development Bank of Japan for 10 years (2008-2017), I developed a strong interest in the public aspect of corporations and their relationship to the public interest. When I received the request from Kyushu Electric Power, I decided to

accept it because I was interested in the organization itself that supports the infrastructure of Kyushu overall, and their decision-making and corporate management, which balances between profitability and the public interest.

Also, my maternal grandfather is from Kumamoto Prefecture, so the area of Kyushu holds an appeal for me. When I visited Fukuoka on a few occasions to give lectures on gender equality, I got the distinct impression that the region is open to diversity. I felt eager to contribute to Kyushu Electric Power, which has its roots in this locale.

#### Q2 What is your impression of Kyushu Electric Power? Has there been any change in your impression since your appointment?

The region Kyushu experiences many floods, typhoons, and other disasters, and I had mainly seen Kyushu Electric Power as it made drastic efforts to cope with disaster recovery.

The sense I now have is, first, that the brand message of "Make a brighter future for generations to come" is wonderful. Now especially, with the COVID-19 pandemic making the future uncertain, I believe it is very important that Kyuden continues to send this message for the future to the local communities.

The KYUDEN i-PROJECT, which promotes innovation groupwide, is

an effort to change the conventional image of a power company. I believe that companies need strategies of turning the coronavirus crisis into opportunities. Projects are promoting creative business ideas by making use of existing assets, including the sort of ideas, which Kyushu Electric Power is currently working on, of which I was very surprised to learn of their involvement.

I have gained an impression of Kyushu Electric Power as an organization with assets (capabilities) that enable forward-looking thinking in search of a brighter future.

### Q3 | How do you regard the role of an External Director?

I think that the crucial role of an external director is, on the defensive side, preventing things that seem common sense inside the company but lack common sense outside it, and, on the offensive side, bringing in benchmarks from outside to provide new perspectives. In short, the role involves pointing out how the company's internal shared understanding and tacit knowledge appear to people outside, in terms of both offense and defense, based on experiences at other companies.

I originally served as a director in the United States, at the center of U.S.-style corporate governance. Following an IPO in 1999, four years after I was appointed a director, and all the members of the board except the CEO and myself were external directors. When external directors hit us with questions from the perspective of investors, I became keenly aware

of how common sense within the company can seem from the outside lacking sound reasoning, and I came to really know my own company. The experience was a good opportunity to learn about corporate governance.

There are two sides to governance: offense and defense. While it depends on a given corporation's institutional design, I recognize the division of roles between External Directors and Auditors as a distinction between offense and defense. I think about how I can be of service as an external director, in line with the company's institutional design and corporate culture.

I see the duty of an external director as supervising the company's success. That is, it is crucial that I think about whether things lead to gain for shareholders, investors, and stakeholders in the broader sense.

### Q4 | How do you plan to contribute to the growth of Kyushu Electric Power?

I believe I can contribute in the areas of global business development, and Human resources and organizations to support that development. For more than 30 years, I have been calling attention to a shortage of personnel in Japan who are capable of acting globally. Over the past ten years or so, the government and private sectors have finally come to recognize the importance of global human resource development, but Japan lags behind other Asian countries. I hope I can contribute to Kyushu Electric Power from this standpoint.

With regard to sustainable growth, the global trend in governance is conducting business by maintaining a balance with making a profit and contributing to society, as can be seen in the SDGs and ESG investment. In business management, it is important to maintain a perspective of what can be done to further the happiness of people, society, and humanity as a whole. Increasing profits is also crucial, but I believe that what really leads to achieving the SDGs and ESG is staying mindful of whose happiness is furthered, and how, as we carry out our business.

Kyushu Electric Power is an infrastructure company with the potential to become a leader in such efforts. I believe that this company can dig deeper and produce business models that can evolve.



## Special Interview

## External Director Interview

## Q5 In closing, is there anything that you would like to communicate to the stakeholders?

Of companies around the world that have been in business for 200 years or more, 65% are Japanese companies. While Japanese companies have weathered many crises, recently I feel unease over their crisis management for dealing with unexpected situations. Even under the COVID-19 pandemic, there is a visible tendency for companies to set strategies based on a hope that they can maintain the status quo. What is needed, however, is to envision worst-case scenarios and think out strategies that make a company sustainable, including the transformation of business models at an early stage. Kyushu Electric Power has a lot of experience coping with disasters, and I think the company has developed the ability to respond to risk. I would like to make a conscious effort to express my opinions about these matters.

With regard to diversity, I believe it is better to not think in terms of “male” and “female” as separate categories. In previous positions I have worked with thousands of global executives in previous positions, and I believe that, rather than evaluating a whole person on the single individuality of “female,” we should view gender, nationality, and race as no more than individualities that make up the person. We should then evaluate and promote people as whole individuals having those diverse individualities. When I was Vice chairperson of the Japan Association of Corporate Executives (2011-2015), I declared that we would take action to raise the percentage of women in positions of leadership to at least 30% by 2020. This 30% remains a distant goal, and there is still a need to support women as a category in order to reach a specified ratio in a limited time. However, I believe that developing and promoting talented human resources, regardless of gender, will probably no longer create the need to offer “support for women.” Diversity means leveraging human resources who are diverse, in ways that include gender and nationality, that enable the growth of the company. I want this company to be one that is attractive to diverse, talented human resources.

Finally, I personally place great importance on “inner fortitude with outward flexibility.” This means that I maintain inner fortitude by not bending my personal beliefs and other core principles, while acting flexibly yet tenaciously on the outside. This is how I would like Japanese companies to be, under this drastically changing global economy. As we move forward, I believe that it will be all the more crucial to respond flexibly and tenaciously to changes in the external environment, while holding fast to aspects of our management philosophy that have everlasting value.



## Profile

Sakie Tachibana Fukushima  
External Director

Ms. Fukushima joined Blackstone International in 1980. After working with Bain & Company, she joined Korn Ferry International-Japan in 1991. In 1995, she took up the post of Member of the Board, Korn Ferry International. In 2000, she became President of Korn Ferry International-Japan, then President & Representative Director in 2001, and Chairperson & Representative Director in 2009. In 2008, she became the only Japanese person selected by BusinessWeek magazine as one of the “Top 100 World's Most Influential Headhunters.” In 2010, she became President & Representative Director, G&S Global Advisors, Inc. (current position). She has been an External Director at Kyushu Electric Power since June 2020.







# Governance

## Corporate Governance

### Basic Stance on Corporate Governance

At Kyushu Electric Power Co., we aim to generate sustainable value for all shareholders in keeping with the Kyuden Group's Mission by engaging in operations that are socially meaningful from a long-term perspective. It is a top management priority to strengthen corporate governance to ensure that we do so properly.

Our operating environment is changing rapidly. We believe that strengthened governance and accelerated decision-making are essential if we are to respond to these changes more flexibly and dynamically. To that end, we have adopted an Audit and Supervisory Committee model.

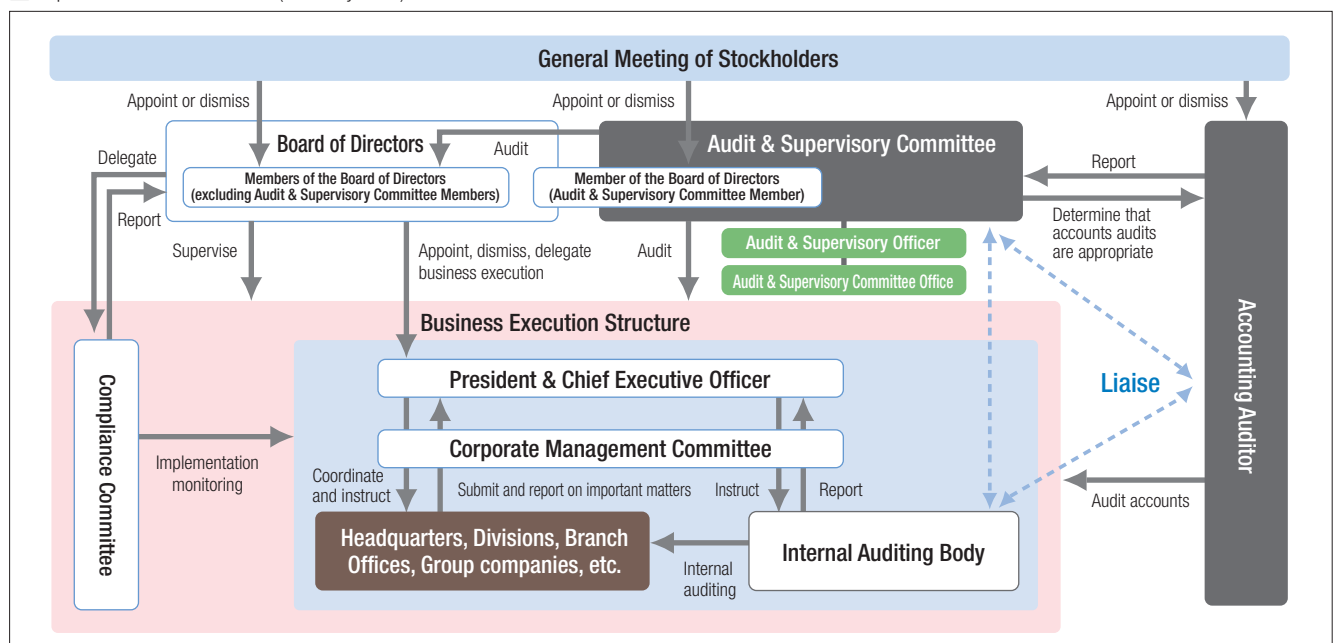
Going forward, we will endeavor to enhance our corporate governance to achieve sustainable growth and enhance medium- to long-term corporate value.

### Specific Initiatives

We have established a basic internal control policy to ensure that our organization is equipped for appropriate corporate operation, and are engaged in an ongoing effort to enhance that organization.

- Strengthen oversight functions through the appointment of multiple highly independent external directors
- Ensure efficient operation of the Audit and Supervisory Committee through close coordination with our internal audit structure
- Clarify the role of directors and executive officers in oversight and execution
- Strict compliance
- Enhancement of a consistently neutral internal audit structure (separate, specialized audit structure established for the nuclear power)

■ Corporate Governance Structure (as of July 2020)



■ Overview of Internal Organizations at Kyushu Electric Power Co.

| Organization                   | Role                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Members<br>(As of July 1, 2020)                                                                                                                                                                                                                                                                                                                                                                              | Meeting Frequency,<br>etc.                          |
|--------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|
| Board of Directors             | <ul style="list-style-type: none"> <li>Decides on important corporate management matters</li> <li>Supervises performance of duties</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                | <ul style="list-style-type: none"> <li>15 members of the Board of Directors in total (including 5 external members of the Board of Directors)</li> </ul>                                                                                                                                                                                                                                                     | Once monthly, in principle (17 times during FY2019) |
| Corporate Management Committee | <ul style="list-style-type: none"> <li>Considers matters that were decided by the Board of Directors in advance</li> <li>Makes important decisions on business execution</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                          | <ul style="list-style-type: none"> <li>President, vice president, senior managing executive officers, managing executive officers, and others 12–23 members (11 members attended in response to agenda)</li> <li>* In addition to the above, two external directors attended</li> </ul>                                                                                                                      | Once weekly, in principle (36 times during FY2019)  |
| Audit & Supervisory Committee  | <ul style="list-style-type: none"> <li>Performs audits relating to general status of members of the Board of Directors' performance of duties               <ul style="list-style-type: none"> <li>➡ Attends Board of Directors and other important meetings</li> <li>➡ Receives reports from executive divisions, consolidated subsidiaries, and others</li> <li>➡ Performs business site inspections</li> <li>➡ Deliberates and decides on important matters related to audits stipulated by laws and regulations and the articles of incorporation</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>4 Audit &amp; Supervisory Committee members in total (including 3 external Audit &amp; Supervisory Committee members)</li> <li>* The Audit &amp; Supervisory Committee Member Office, which has 8 members, was established to assist the Audit &amp; Supervisory Committee members and Audit &amp; Supervisory Officer as a specialist organizational body</li> </ul> | Once monthly, in principle (15 times during FY2019) |
| Internal Auditing Body         | <ul style="list-style-type: none"> <li>Audits observance of laws, regulations, and so forth at company divisions, business sites and group companies as well as auditing the status of business execution</li> <li>Audits quality assurance systems in place to monitor safety initiatives and the status of operations based on these</li> </ul>                                                                                                                                                                                                                            | <ul style="list-style-type: none"> <li>Internal Audit Office (19)</li> <li>Nuclear Power Audit Office (10)</li> </ul>                                                                                                                                                                                                                                                                                        | *Held constantly as part of duties                  |

## Risk Management

To manage risk, Kyushu Electric Power Co. regularly identifies, categorizes and assesses risks based on its risk management rules, clarifying Company-wide and division-specific threats that could affect Kyuden Group management.

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

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

For nuclear power in particular, we take external knowledge and opinions into consideration as we work to identify a broad range of risks, share this information with members of the Board of Directors and executive officers, and address the risks thoroughly and on an ongoing basis.

In addition, to respond rapidly and appropriately to emergencies and disasters, we have established rules, in advance, covering response structures and procedures, and we conduct regular drills.

## Crisis Management

To prepare for a variety of crises, we are working to upgrade our crisis management structure, and when a crisis actually occurs, to minimize its impact.

Specifically, we have established the positions of Crisis Management Officer (Kyushu Electric Power Co. Vice President) and Crisis Management Administrator, while also appointing Crisis Management Supervisors at the respective Headquarters of Kyushu Electric Power Co. and Kyushu Electric Power Transmission And Distribution Co. in order to share information and cooperate when a crisis occurs.

In addition, we hold Risk/Crisis Management Policy Conferences as needed to strengthen cooperation between our risk and crisis management

■ Principal risks

- Changes in the Competitive Environment
  - Domestic Power Business
  - Overseas Businesses
  - Energy businesses, ICT service business Other
- Status of the Situation Surrounding Nuclear Power
  - Stable Operation of Nuclear Power
  - Atomic Fuel Cycle and Back-end of Nuclear Operations
- Fluctuations in Market Prices
  - Fluctuations in Fuel Costs
  - Interest Rate Fluctuations
- Changes in Systems Related to the Power Industry
  - System Design Based on the Strategic Energy Plan
  - Development of Markets and Rules in Accordance with the Reform of Electric Systems
- Climate Change Initiatives
- Facility Accidents/Failures and System failures
  - Natural Disasters
  - Aging of Equipment
  - System Failure
  - Cyber Attacks
- Operational Risks
  - Inadequate Business
  - Violation of Laws and Regulations
  - Infectious Disease Outbreaks
  - Lack of Human Resources and Skills
- Others
  - Impairment of Fixed Assets
  - Reduction of Deferred Tax Assets

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efforts. While deliberating policies to respond to crises when they do occur, we also enhance our system of support provided by external experts who have advanced, specialized expertise.

## SASB INDEX

Results related to the Kyushu Electric Power Group are organized on the basis of Electric Utilities & Power Generators industry standard provided by the U.S. Sustainability Accounting Standards Board (SASB).

The SASB Standards are primarily designed for U.S. companies and markets and therefore include items that are not applicable to the Kyuden Group, but we strive to disclose as much information as possible according to the Standards.

| Disclosure topics                                   | Accounting metrics                                                                                                                                                                                                                             | Category                | Unit                  | Code         | Results                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-----------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-----------------------|--------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Environment</b>                                  |                                                                                                                                                                                                                                                |                         |                       |              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Greenhouse Gas Emissions & Energy Resource Planning | (1) Gross global Scope 1 emissions, percentage covered under (2) emissions-limiting regulations, and (3) emissions-reporting regulations                                                                                                       | Quantitative            | t-CO <sub>2</sub> , % | IF-EU-110a.1 | 1. 19,040,000 [t-CO <sub>2</sub> ]<br>2. 0 [%] (no regulated markets in Japan)<br>3. 100 [%]<br>* Scope 1 emissions include direct emissions of greenhouse gases as defined in the Promotion of Global Warming Countermeasures (CO <sub>2</sub> , N <sub>2</sub> O, SF <sub>6</sub> And HFC).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|                                                     | Greenhouse gas (GHG) emissions associated with power deliveries                                                                                                                                                                                | Quantitative            | t-CO <sub>2</sub>     | IF-EU-110a.2 | 23,900,000 [t-CO <sub>2</sub> ] (25,700,000 [t-CO <sub>2</sub> ])<br>* Values in parentheses represent CO <sub>2</sub> emissions generated by Kyushu Electric Power Co., Inc. after adjustments made in accordance with the feed-in tariff system for renewable energy per the Promotion of Global Warming Countermeasures.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|                                                     | Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets                                                                         | Discussion and Analysis | —                     | IF-EU-110a.3 | <ul style="list-style-type: none"> <li>○ The industry-wide target set by the Electricity Business Low Carbon Society Council is approximately 0.37 kg-CO<sub>2</sub>/kWh based on the 2030 energy mix and greenhouse gas reduction targets set by the Japanese government. In order to achieve this industry-wide target, we will take into account the country's Strategic Energy Plan with a focus on "S+3E" so as to contribute to the reduction of carbon in Kyushu.               <ul style="list-style-type: none"> <li>• Proactive development of renewable energy, maximum acceptance, utilization of nuclear power generation on the premise of ensuring safety, and utilization of power that does not produce CO<sub>2</sub></li> <li>• Promote electrification on the demand side of energy through electric vehicles (EV) and heat pump technology</li> </ul> </li> <li>○ Business Performance Targets               <ul style="list-style-type: none"> <li>• Make a 70% contribution to Kyushu's CO<sub>2</sub> emission reduction (26 million tons)</li> <li>• Develop renewable energy systems to produce 5 million kW of energy by 2030 [Development output] (2.5 million kW [equity output])</li> </ul> </li> <li>○ Scope 1 emissions trends: 26.4 million tons in 2017, 17.56 million tons in 2018, and 19.04 million tons in 2019.<br/>               In May, 2020, we participated as a member company in the Consortium for the Promotion of Electric Vehicle Utilization (hereinafter referred to as the Consortium) to help spread the popularity of electric commercial vehicles. In addition, we have set a goal of modifying all company vehicles (excluding vehicles that are not suitable for EV conversion) into EVs by 2030. We will continue to plan and proceed with initiatives required to achieve Japan's greenhouse gas reduction targets for 2030.             </li> </ul> |
|                                                     | (1) Number of customers served in markets subject to renewable portfolio standards (RPS) and (2) percentage fulfillment of RPS target by market                                                                                                | Quantitative            | Number, %             | IF-EU-110a.4 | 1. Not applicable<br>2. Not applicable<br>* These items are marked as "Not applicable" because the RPS Act, which defines RPS regulations in Japan, was abolished in 2012 and replaced with a feed-in tariff system.<br>* We purchase electricity generated by renewable energy systems at a fixed price.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Air Quality                                         | Air emissions of the following pollutants: (1) NO <sub>x</sub> (excluding N <sub>2</sub> O), (2) SO <sub>x</sub> , (3) particulate matter (PM10), (4) lead (Pb), and (5) mercury (Hg); percentage of each in or near areas of dense population | Quantitative            | t, %                  | IF-EU-120a.4 | 1. 4,941 [t], 100 [%]<br>2. 3,549 [t], 100 [%]<br>3. Not disclosed<br>4. Not disclosed<br>5. Not disclosed<br>* Information for categories 3, 4, and 5 are not disclosed because this information was not obtained using the measurement method recommended by SASB standards.<br>* Figures are based on results excluding island-based combustion power plants.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

| Disclosure topics   | Accounting metrics                                                                                                                                             | Category                   | Unit       | Code         | Results                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|------------|--------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Environment         |                                                                                                                                                                |                            |            |              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Water Management    | (1) Total water withdrawn,<br>(2) total water consumed,<br>percentage of each in regions<br>with High or Extremely High<br>Baseline Water Stress               | Quantitative               | 1000 m³, % | IF-EU-140a.1 | 1. 6,397 [1,000 m³], 0 [%]<br>* Main applications: Water for thermal power generation and nuclear power generation (fresh water)<br>* The above does not include hydroelectric power water (fresh water) or indirect cooling water (seawater) for thermal power generation.<br>2. 2,800 [1,000 m³], 0 [%]                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|                     | Number of incidents of<br>non-compliance associated<br>with water quantity and/or<br>quality permits, standards,<br>and regulations                            | Quantitative               | Number     | IF-EU-140a.2 | 0                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|                     | Description of water<br>management risks and<br>discussion of strategies and<br>practices to mitigate those<br>risks                                           | Discussion<br>and Analysis | N/A        | IF-EU-140a.3 | We manage the following risks regarding the use of water resources, which are essential for the power generation business.<br>Our hydroelectric power business is in compliance with laws and regulations regarding water intake. At hydroelectric power plants of or larger than a specific size, we release water to maintain the river environment. Our thermal power generation business collects and reuses water for power generation to reduce the amount of water intake. Our thermal power generation business and nuclear power generation business use seawater as indirect cooling water for power generation facilities. As such, we monitor the temperature difference between water intake and discharge.<br>The results of verifying water stress in the current and future facility locations using WRI Aqueduct 3.0 tools to identify water risks are as follows:<br>According to the Baseline Water Stress tool, maximum water stress is low-medium in the Kyushu region where we have installed a power plant that uses fresh water or seawater. Water-related risks such as droughts are assumed to occur less frequently there.<br>* The extension of the section where the water flow rate of the river decreases due to water intake for hydroelectric power generation is 10 km or more, and the water collection area is 200 km². |
| Coal Ash Management | Amount of coal combustion<br>residuals (CCR) generated,<br>percentage recycled                                                                                 | Quantitative               | t, %       | IF-EU-150a.1 | 753,000 [t], 100.0 [%]<br>* Amount of coal ash (fly ash and bottom ash)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|                     | Total number of coal<br>combustion residual (CCR)<br>impoundments, broken down<br>by hazard potential<br>classification and structural<br>integrity assessment | Quantitative               | Number     | IF-EU-150a.2 | Not disclosed<br>* We reuse most of the coal ash generated at thermal power plants. In fact, we achieved a reuse rate of 100% in fiscal 2019.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |



| Disclosure topics                      | Accounting metrics                                                                                                                             | Category                | Unit      | Code         | Results                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-----------|--------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Social capital</b>                  |                                                                                                                                                |                         |           |              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Energy Affordability                   | Average retail electric rate for (1) residential, (2) commercial, and (3) industrial customers                                                 | Quantitative            | JPY       | IF-EU-240a.1 | Not disclosed<br>* We will withhold disclosure for competitive reasons due to the liberalization of electric power.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|                                        | Typical monthly electric bill for residential customers for (1) 500 kWh and (2) 1,000 kWh of electricity delivered per month                   | Quantitative            | JPY       | IF-EU-240a.2 | 1. 13,916 [Yen]<br>2. 29,010 [Yen]                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|                                        | Number of residential customer electric disconnections for non-payment, percentage reconnected within 30 days                                  | Quantitative            | Number, % | IF-EU-240a.3 | 1. 48,336<br>* Number of cancellations due to non-payment of electricity charges<br>* Excluding the service stops implemented based on the Specified Retail Supply Agreement<br>2. No data<br>* In accordance with the power agreement, the power contract will be canceled if payment is not paid after the payment deadline date has passed.<br>* No data because service stops and restorations are not specified in the power contract.                                                                                                                                                                                                                                                                                                                                                                                 |
|                                        | Discussion of impact of external factors on customer affordability of electricity, including the economic conditions of the service territory  | Discussion and Analysis | N/A       | IF-EU-240a.4 | The Electricity Business Act in Japan stipulates that general transmission and distribution operators shall not refuse consignment supply in their supply areas without justifiable grounds. When we accept an application to supply electricity in areas handled by Kyushu Electric Power Transmission and Distribution, in principle, we supply to the designated area. We believe that there is no difference in the opportunities for consumers to obtain low-cost energy, and therefore we recognize that there are no areas without power in these areas. With that, we recognize that the factors affecting electricity prices include the promotion of renewable energy generation based on the national system and fuel cost adjustments due to price fluctuations of thermal fuel that affect electricity prices. |
| <b>Human Capital</b>                   |                                                                                                                                                |                         |           |              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Workforce Health & Safety              | (1) Total recordable incident rate (TRIR), (2) fatality rate, and (3) near miss frequency rate (NMFR)                                          | Quantitative            | %         | IF-EU-320a.1 | 1. [Employees] 0.08 [%], [Contractors] Not disclosed because we do not know the total working hours.<br>2. [Employees] 0 [incidents], [Contractors] 0 [incidents]<br>* We report the number of deaths as SASB standards do not provide a specific calculation formula for the percentage of deaths.<br>3. Not disclosed<br>* This information is not disclosed because this information was not obtained using the measurement method recommended by SASB standards.                                                                                                                                                                                                                                                                                                                                                        |
| <b>Business Model &amp; Innovation</b> |                                                                                                                                                |                         |           |              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| End-Use Efficiency & Demand            | Percentage of electric utility revenues from rate structures that (1) are decoupled and (2) contain a lost revenue adjustment mechanism (LRAM) | Quantitative            | %         | IF-FU-420a.1 | Not applicable (No customers subject to decoupling and LRAM systems in Japan)<br>* Sales decreases due to the progress of energy conservation will be resolved through gas sales and various services that meet customer needs.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|                                        | Percentage of electric load served by smart grid technology                                                                                    | Quantitative            | %         | IF-EU-420a.2 | Penetration of smart meters in Kyushu Electric Power Transmission and Distribution areas: 62%<br>○ Results as of March, 2020: Approximately 5.4 million units<br>○ 2020 target: Approximately 6.3 million units                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|                                        | Customer electricity savings from efficiency measures, by market                                                                               | Quantitative            | MWh       | IF-EU-420a.3 | The following information is disclosed as quantitative data instead of reduced power amounts.<br>○ Number of electrification and energy-saving solution proposals: Approximately 2,000 (5 years from 2015 to 2019)<br>* Kyushu Electric Power Company provides a variety of solutions to customers for electrification and energy conservation.<br>(URL: <a href="http://www.kyuden.co.jp/service_index/">http://www.kyuden.co.jp/service_index/</a> )                                                                                                                                                                                                                                                                                                                                                                      |

| Disclosure topics                     | Accounting metrics                                                                                                                                                                                           | Category                | Unit            | Code         | Results                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-----------------|--------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Leadership &amp; Governance</b>    |                                                                                                                                                                                                              |                         |                 |              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Nuclear Safety & Emergency Management | Total number of nuclear power units, broken down by U.S. Nuclear Regulatory Commission (NRC) Action Matrix Column                                                                                            | Quantitative            | Number          | IF-EU-540a.1 | 6 units (breakdown: 4 units at the Genkai Nuclear Power Station, 2 units at the Sendai Nuclear Power Station)<br>* Genkai Nuclear Power Station is in the process of decommissioning units 1 and 2.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|                                       | Description of efforts to manage nuclear safety and emergency preparedness                                                                                                                                   | Discussion and Analysis | N/A             | IF-EU-540a.2 | The Kyushu Electric Power Company is working to maintain and improve the safety and reliability of nuclear power stations by accurately implementing safety activities based on the quality management system for nuclear safety headed by the President and steadily making continuous improvements, including risk management to prevent abnormalities.<br>In addition, we are continuously working to foster and maintain an corporate culture in which each employee can raise awareness of various risks of nuclear power, ask what can be done to improve safety, and demonstrate leadership to improve performance.<br>We have also established the Nuclear Safety and Reliability Improvement Committee as a mechanism to receive opinions on the operation of nuclear power from a third-party perspective as part of efforts to further improve the safety of nuclear power. |
| Grid Resiliency                       | Number of incidents of non-compliance with physical and/or cybersecurity standards or regulations                                                                                                            | Quantitative            | Number          | IF-EU-550a.1 | 0 (number of non-compliance issues with cybersecurity regulations)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|                                       | (1) System Average Interruption Duration Index (SAIDI), (2) System Average Interruption Frequency Index (SAIFI), and (3) Customer Average Interruption Duration Index (CAIDI), inclusive of major event days | Quantitative            | Minutes, Number | IF-EU-550a.2 | 1. 15 [minutes]<br>2. 0.08 [outages]<br>3. 187.5 [minutes/month]                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

### Activity Metrics

| Accounting Metric                                                                                                                            |  | Unit   | Code        | Results                                                                                                                                                                                                                                                                                                           |
|----------------------------------------------------------------------------------------------------------------------------------------------|--|--------|-------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Number of: (1) residential, (2) commercial, and (3) industrial customers served                                                              |  | Number | IF-EU-000.A | Not disclosed<br>* We will withhold disclosure for competitive reasons due to the liberalization of electric power.                                                                                                                                                                                               |
| Total electricity delivered to: (1) residential, (2) commercial, (3) industrial, (4) all other retail customers, and (5) wholesale customers |  | MWh    | IF-EU-000.B | Total electricity delivered by Kyuden Group: 80,710,000 [MWh]<br>* A breakdown of items (1)-(5) is not disclosed for competitive reasons due to the liberalization of electric power.                                                                                                                             |
| Length of transmission and distribution lines                                                                                                |  | km     | IF-EU-000.C | •Transmission lines: Overhead 16,600 [km], underground 1,407 [km] (line extensions)<br>•Distribution lines: Overhead 140,748 [km], underground 2,084 [km] (span)                                                                                                                                                  |
| Total electricity generated, percentage by major energy source, percentage in regulated markets                                              |  | MWh, % | IF-EU-000.D | 1. 59,000,000 [MWh]<br>2. Hydroelectric power: 8.21 [%], Coal: 27.60 [%], LNG: 11.92 [%], Petroleum: 1.51 [%], Thermal power (other): 0.01 [%], Nuclear power: 48.96 [%], Wind power: 0.00 [%], Geothermal: 1.78 [%]<br>* Rounded to the third decimal place<br>3. Not applicable (no regulated markets in Japan) |
| Total wholesale electricity purchased                                                                                                        |  | MWh    | IF-EU-000.E | Not disclosed<br>* We will withhold disclosure for competitive reasons due to the liberalization of electric power.                                                                                                                                                                                               |

## Consolidated Eleven-year Financial Summary

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

|                                                          | Millions of Yen |            |            |            |            |            |
|----------------------------------------------------------|-----------------|------------|------------|------------|------------|------------|
| For the Year:                                            | 2010.3          | 2011.3     | 2012.3     | 2013.3     | 2014.3     | 2015.3     |
| Operating revenues:                                      | ¥1,444,941      | ¥1,486,083 | ¥1,508,084 | ¥1,545,919 | ¥1,791,152 | ¥1,873,467 |
| Electric                                                 | 1,310,085       | 1,354,204  | 1,367,610  | 1,406,218  | 1,633,023  | 1,719,570  |
| Other                                                    | 134,856         | 131,878    | 140,474    | 139,700    | 158,129    | 153,897    |
| Operating expenses:                                      | 1,345,214       | 1,387,174  | 1,692,939  | 1,845,347  | 1,886,974  | 1,916,782  |
| Electric                                                 | 1,220,536       | 1,261,425  | 1,562,055  | 1,715,262  | 1,746,890  | 1,779,711  |
| Other                                                    | 124,677         | 125,748    | 130,883    | 130,085    | 140,083    | 137,070    |
| Interest charges                                         | 35,292          | 34,025     | 34,025     | 37,407     | 39,429     | 40,148     |
| Income (loss) before income taxes and minority interests | 67,610          | 48,318     | (214,750)  | (334,298)  | (73,732)   | (72,901)   |
| Income taxes                                             | 25,404          | 19,245     | (48,760)   | (2,195)    | 20,786     | 40,324     |
| Net income (loss) attributable to owners of the parent   | 41,812          | 28,729     | (166,390)  | (332,470)  | (96,096)   | (114,695)  |

|                                                                  | Yen    |        |           |           |           |           |
|------------------------------------------------------------------|--------|--------|-----------|-----------|-----------|-----------|
| Per Share of Common Stock:                                       |        |        |           |           |           |           |
| Basic net income (loss)                                          | ¥88.38 | ¥60.73 | ¥(351.80) | ¥(702.98) | ¥(203.19) | ¥(242.38) |
| Diluted net income (loss)                                        | —      | —      | —         | —         | —         | —         |
| Cash dividends applicable to the year (common stock)             | 60.00  | 60.00  | 50.00     | —         | —         | —         |
| Cash dividends applicable to the year (Class A preferred shares) | —      | —      | —         | —         | —         | —         |

|                                      | Millions of Yen |            |            |            |            |            |
|--------------------------------------|-----------------|------------|------------|------------|------------|------------|
| At Year-End:                         |                 |            |            |            |            |            |
| Total assets                         | ¥4,054,192      | ¥4,185,460 | ¥4,428,093 | ¥4,526,513 | ¥4,549,852 | ¥4,784,735 |
| Net property                         | 3,037,054       | 3,033,125  | 2,997,232  | 2,941,114  | 2,941,142  | 2,985,935  |
| Long-term debt, less current portion | 1,724,972       | 1,714,429  | 2,188,601  | 2,526,729  | 2,804,896  | 2,844,538  |
| Total equity                         | 1,089,066       | 1,079,679  | 888,131    | 557,799    | 494,232    | 450,990    |

(U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥108.83 = U.S.\$1, the approximate rate of exchange at March 31, 2020.)

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

### Summary of the Year Ended March 31, 2020

In terms of business results for the fiscal year ending March 31, 2020, although the Group has been working to reduce costs, and we enjoyed a decrease in fuel costs due to a decrease in the unit price of thermal power generation as the Matsuura Power Station No. 2 started operation, ordinary income decreased in comparison to the previous fiscal year. Factors include a decrease in light and power revenue, a decrease in delivered power revenue due to a market slump in wholesale power transactions, and an increase in depreciation costs due to starting operation of the Matsuura Power Station No. 2. Based on recent business performance trends, net income attributable to owners of the parent was -400 million yen, reflecting an increase in income taxes due to the partial withdrawal of deferred tax assets as a result of examining the recoverability of deferred tax assets.

For more information on financial conditions, please refer to the Securities Report.

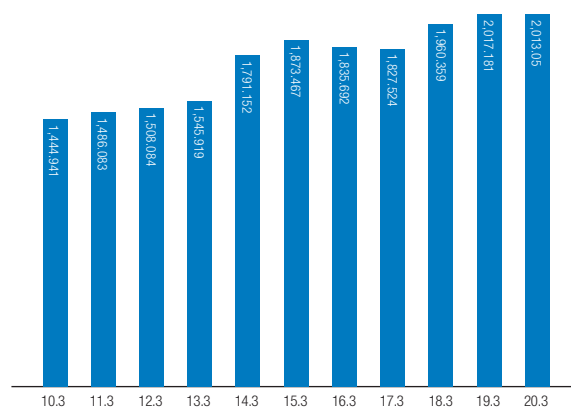
|                                                          | Millions of Yen |            |            |            | Thousand US dollars |              |
|----------------------------------------------------------|-----------------|------------|------------|------------|---------------------|--------------|
| For the Year:                                            | 2016.3          | 2017.3     | 2018.3     | 2019.3     | 2020.3              | 2020.3       |
| Operating revenues:                                      | ¥1,835,692      | ¥1,827,524 | ¥1,960,359 | ¥2,017,181 | ¥2,013,050          | \$18,497,197 |
| Electric                                                 | 1,688,328       | 1,681,066  | 1,804,418  | 1,844,850  | 1,800,189           | 16,541,302   |
| Other                                                    | 147,364         | 146,458    | 155,940    | 172,331    | 212,860             | 1,955,895    |
| Operating expenses:                                      | 1,715,435       | 1,704,883  | 1,857,235  | 1,930,606  | 1,949,236           | 17,910,837   |
| Electric                                                 | 1,584,556       | 1,574,890  | 1,713,322  | 1,771,776  | 1,751,766           | 16,096,358   |
| Other                                                    | 130,879         | 129,993    | 143,913    | 158,829    | 197,469             | 1,814,478    |
| Interest charges                                         | 39,317          | 36,008     | 33,416     | 31,397     | 28,990              | 266,385      |
| Income (loss) before income taxes and minority interests | 92,499          | 82,840     | 73,558     | 52,276     | 40,170              | 369,115      |
| Income taxes                                             | 17,359          | 2,230      | (14,470)   | 19,773     | 38,594              | 354,633      |
| Net income (loss) attributable to owners of the parent   | 73,499          | 79,270     | 86,657     | 30,970     | (419)               | (3,851)      |

|                                                                                 | Yen     |              |              |              | (U.S. dollars) |           |
|---------------------------------------------------------------------------------|---------|--------------|--------------|--------------|----------------|-----------|
| Per Share of Common Stock:                                                      |         |              |              |              |                |           |
| Basic net income (loss)                                                         | ¥155.17 | ¥159.97      | ¥175.56      | ¥58.05       | ¥(6.05)        | \$(0.05)  |
| Diluted net income (loss)                                                       | —       | 159.78       | 144.03       | 47.51        | —              | —         |
| Cash dividends applicable to the year (common stock) <sup>(*)</sup>             | —       | 15.00        | 20.00        | 30.00        | 35.00          | 0.32      |
| Cash dividends applicable to the year (Class A preferred shares) <sup>(*)</sup> | —       | 3,500,000.00 | 3,500,000.00 | 3,500,000.00 | 1,599,452.00   | 14,696.79 |

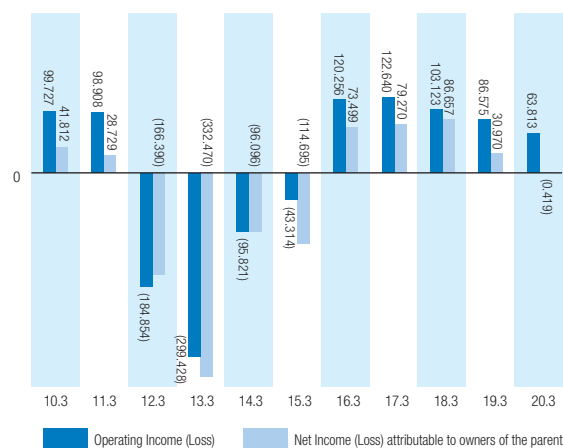
\* The amounts of cash dividends per share are based on the recorded earnings for each fiscal year.

|                                      | Millions of Yen |            |            |            | Thousand US dollars |              |
|--------------------------------------|-----------------|------------|------------|------------|---------------------|--------------|
| At Year-End:                         |                 |            |            |            |                     |              |
| Total assets                         | ¥4,748,237      | ¥4,587,541 | ¥4,710,073 | ¥4,794,039 | ¥4,948,063          | \$45,465,988 |
| Net property                         | 3,073,861       | 3,134,911  | 3,229,489  | 3,344,082  | 3,483,659           | 32,010,098   |
| Long-term debt, less current portion | 2,745,848       | 2,789,038  | 2,699,097  | 2,666,177  | 2,795,794           | 25,689,557   |
| Total equity                         | 499,903         | 574,577    | 653,963    | 665,250    | 637,957             | 5,861,964    |

Operating Revenues (Billions of yen)



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





# Management Discussion and Analysis

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries

## Operating Results

In terms of income as of March 31 for 2020, consolidated operating revenues decreased 0.2% from the previous fiscal year to ¥2.013 trillion despite an increase in sales in the ICT service business. Factors include a decrease in retail electricity sales and in electricity sales to other suppliers as well as an increase in renewable energy-related subsidies.

Operating expenses increased 1.0% to ¥1.9492 trillion despite the Group working to reduce costs and decreased fuel costs due to a decrease in the unit price of thermal power generation for the domestic power business. Factors include an increase in depreciation costs, an increase in cost of purchased power from renewable sources, an increase in electricity procurement costs at consolidated subsidiaries, and an increase in costs in the ICT service business.

As a result, operating income for the term under review fell 26.3% year on year, to ¥63.8 billion.

Other revenues increased 62.5% year on year, to ¥16.9 billion due to the recording of equity in earnings of affiliates. Other expenses

decreased 8.4% from the previous fiscal year to ¥40.7 billion, partly due to the impact of equity method investment losses recorded in the previous fiscal year.

Ordinary revenue was ¥2.03 trillion, an increase of 0.1% over the previous fiscal year, while ordinary expenses reached ¥1.9899 trillion, up 0.8%. As a result, ordinary income was down 23.8% year on year, to ¥40 billion.

Corporate income tax increased to 38.5 billion from ¥18.8 billion over the previous term, due to such factors as an increase in income taxes-deferred resulting from partial withdrawal of deferred tax assets.

As a result of the foregoing factors, net income attributable to owners of the parent declined by ¥31.3 billion over the previous fiscal year, to ¥400 million. The basic net income per share of common stock decreased by ¥64.10, resulting in a ¥6.05 loss.

## Segment Information

### (Before Elimination of Internal Transactions)

#### (1) Domestic Power Business

Despite a decrease in volume sold by the Group due to bad weather in summer and the effects

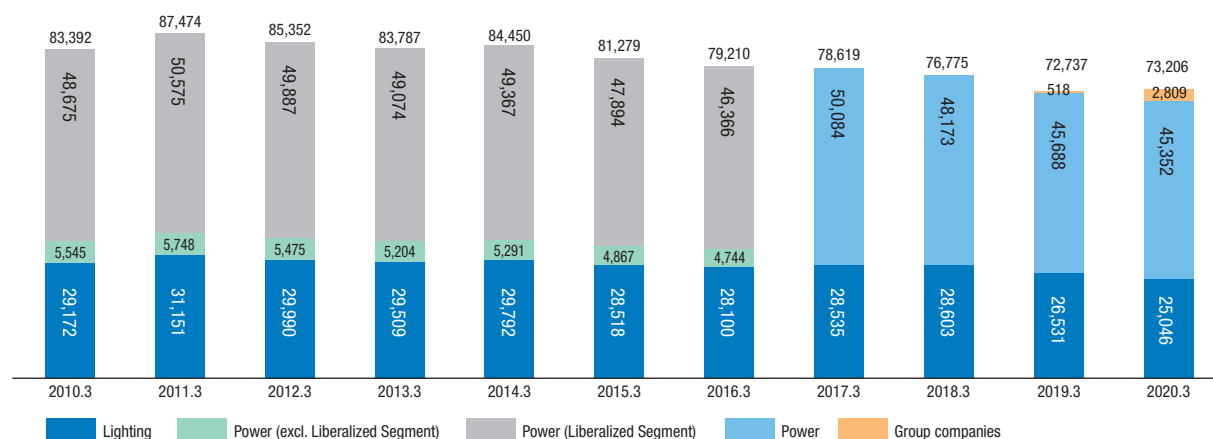
of a warm winter, group total retail sales volume increased 0.6% over the previous fiscal year to 73.2 billion kWh due to the increase in contracts in the Kanto area by Kyuden Mirai Energy Company, Incorporated. Total Group wholesale electric power sales decreased 4.4% from the previous fiscal year to 7.5 billion kWh. As a result, the total electricity sales volume sold by the Group increased by 0.1% over the previous fiscal year to 80.7 billion kWh.

Kyushu Electric Power maintained stable supplies of electric power through stable operation, coordinated operation of its thermal power generation and pumped-storage facilities, and control of renewable energy output based on national rules.

In terms of operating results, operating revenues decreased 0.6% from the previous fiscal year to 1.8483 trillion yen despite an increase in renewable energy-related subsidies. Factors include decreases in electricity charges and electricity charges from resellers. Operating expenses increased 0.7% to 1.8059 trillion yen despite the Group working to reduce costs and decreased fuel costs due to a decrease in the unit price of thermal power generation. Factors

## Electricity Sales Volume

(Millions of kWh)



\*1 Specified-Scale Demand is 6,000 V or higher at standard voltage and 50 kW or higher of contracted power

\*2 Display categories changed from fiscal 2017

\*3 Values before fiscal 2018 describe the amount of electricity sold separately by the Company. Values after fiscal 2019 describe the amount of electricity sold including group companies.

\*4 Group companies include Kyuden Mirai Energy Company, Incorporated

include an increase in depreciation costs, an increase in cost of purchased power from renewable sources, and an increase in electricity procurement costs at consolidated subsidiaries.

As a result, operating income fell 34.5% to ¥42.4 billion.

## (2) Other Energy Service Business

Operating revenues decreased 4.6% from the previous fiscal year to 193.9 billion yen, and operating income decreased 1.8% to 11.4 billion yen despite an increase in projects to replace electric meters. Factors include a decrease in power plant construction/repair projects and a decline in LNG sales prices.

## (3) ICT Service Business

Sales increased 6.9% over the previous fiscal year to ¥112.6 billion due to contracts for information system development and sales of information system equipment. Operating revenues increased 28.7% to ¥6.2 billion.

## (4) Other Business

Sales decreased 2.2% from the previous fiscal year to ¥28.8 billion due to a decrease in real

estate sales. Operating revenues decreased 19.8% to ¥4.8 billion.

## Financial Position

### (1) Assets, Liabilities and Equity

Assets increased by ¥154 billion to ¥4.948 trillion mainly due to an increase in fixed assets from construction projects to improve nuclear safety.

Liabilities increased by ¥181.3 billion over the end of the previous fiscal year to ¥4.3101 trillion due to an increase in interest-bearing debt. The balance of interest-bearing debt increased by 183.1 billion year on year to ¥3.4062 trillion.

Total equity decreased ¥27.2 billion to reach 637.9 billion at the close of the term, while the equity ratio was 12.3%, partially due to dividend payments.

### (2) Cash Flows

Cash flows provided by operating activities fell by ¥56.1 billion from the previous fiscal year to ¥226.8 billion despite a decrease in fuel expenses in our electricity business. Factors include a drop in lighting and power revenue

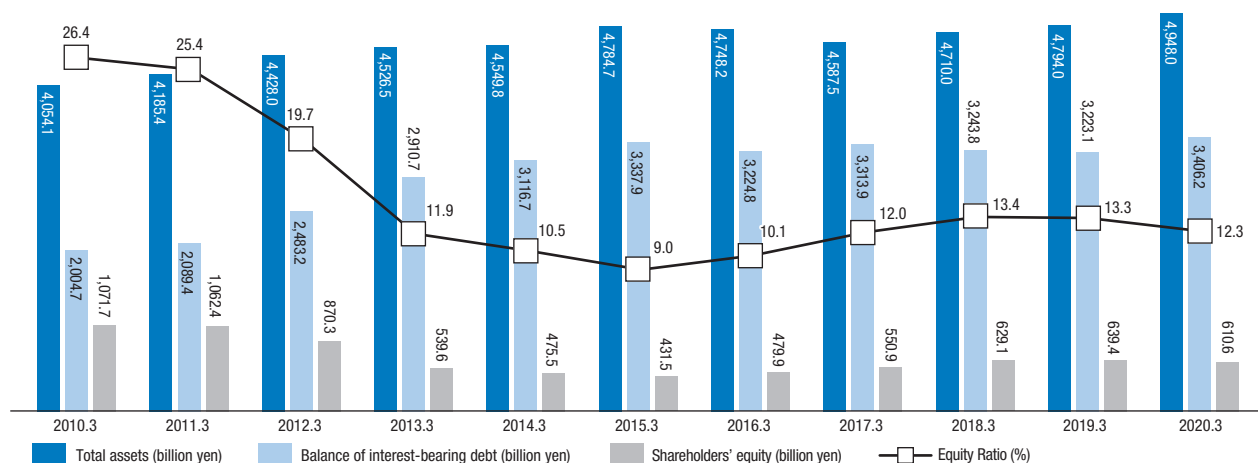
and the costs of purchased power as well as an increase in costs associated with reprocessing of used nuclear fuel.

Net cash used in investment activities ended ¥60.2 billion higher at the close of the previous fiscal year to ¥424.6 billion. This was due, in part, to increased expenditures for capital investments, other investment, and lending.

Net cash used in financing activities increased from ¥40.7 billion in spending to ¥157.9 billion in income, mainly due to an increase in income from the issuance of corporate bonds and commercial paper as well as long-term borrowing.

As a result, the balance of cash and cash equivalents at the end of the term was ¥205.4 billion, ¥39.7 billion down from the close of the previous fiscal year.

Consolidated Interest-bearing Debt and Equity Ratio



## Business Risks Factors

The major risks that the Group (the Company and its consolidated subsidiaries) management recognizes as having impact on business performance and financial condition are as follows.

Forward-looking statements in this report reflect judgment as of the filing date of the Securities Report.

### (1) Changes in the Competitive Environment

#### 1. Domestic Power Business

Total Group electricity sales volume may be affected by unavoidable external environmental conditions due to changes in temperature and climate, economic trends, etc., as well as changes in the competitive environment caused by the emergence of new competitors from the total liberalization of electricity retailing that took effect in April 2016 and trends in wholesale electricity transactions in the electric power trading market.

In fiscal 2019, the Group sold a total of 80.7 billion kWh of electricity, which is 100.1% compared to the previous fiscal year.

Group revenue from the domestic electricity business accounts for the majority of Group business performance. As such, a significant decrease in the total electricity sales volume would likely affect the Group's business performance.

In response to these risks of a decrease in profits in the domestic electric business, the Group is working to expand sales, including outside of Kyushu, by offering attractive rate plans and services, strengthening sales activities as a whole, and promoting gas sales businesses, etc.

Kyushu Electric Power Transmission and Distribution Co., Inc. is engaged in activities aimed at generating electricity demand in the Kyushu area, taking into account behavior regulation under legal unbundling.

#### 2. Overseas Businesses

The Group invests in overseas businesses with the objective of increasing profits. As of March 31, 2020, the Group's equity output overseas is 2.42 million kW. Our goal is to expand this to 5 million kW by fiscal 2030.

Overseas businesses hold risks different from those in the domestic electricity business. In the event of changes in the external environment, such as the manifestation of country-specific risks, especially changes in environmental and energy-related policies, the Group's business performance may be affected due to insufficient return on investment.

To reduce these risks, the Group has established an organization, centralizing knowledge related to overseas business investment, conducting inspections of overseas businesses, and establishing a management system for participating projects. We conduct profitability and risk assessments for each project and optimize our portfolio as necessary as part of our overseas business risk management strategy.

#### 3. Energy businesses, ICT service business Other

In addition to the domestic electricity and overseas businesses, the Group is engaged in a wide range of businesses, including energy businesses, ICT services, urban development, community development, and real estate businesses. With these businesses, we are able to utilize our strengths to innovate in new areas from the viewpoint of generating new revenue streams.

However, Group business performance may be affected by changes in the business environment in each business area, such as more intensive competition from other companies and shrinking of markets.

Businesses in new areas have risks different from existing business areas. Obtaining a suitable return on investment may not always be possible, which can affect Group business performance.

To reduce these risks, the Group conducts profitability and risk assessments as part of the process to implement new businesses.

### (2) Status of the Situation Surrounding Nuclear Power

#### 1. Stable Operation of Nuclear Power

We believe that nuclear power generation is important in terms of energy security and global warming concerns. We will comply with the New Nuclear Regulatory Requirements enforced by the government based on the lessons learned from the accident at the Fukushima Daiichi Nuclear Power Station and continue our voluntary efforts to improve safety and reliability. The Group intends to maximize the benefits of nuclear power on the premise of ensuring safety.

As of March 31, 2020 the Group faces a deadline in completing construction of facilities to help prevent specific serious accidents, and we are contending with 5 pending lawsuits calling for the suspension of operations at Genkai Nuclear Power Station and Sendai Nuclear Power Station. The Group may be forced to suspend the operation of nuclear power stations depending on the delay in responding to the construction deadline and the results of the lawsuits, which may affect Group business performance.

In response to such risks, the Sendai Nuclear Power Station is conducting intensive construction of these facilities to help prevent specific serious accidents. The Genkai Nuclear Power Station is also conducting intensive construction and responding promptly and thoroughly to national reviews in efforts to finish this construction early. Regarding the litigation, we are committed to fully defending the Group's claims and achieving an understanding of nuclear power station safety.

#### 2. Atomic Fuel Cycle and Back-end of Nuclear Operations

As of March 31, 2020, the Group has guaranteed 79.4 billion yen for Japan Nuclear Fuel Limited, which is the implementation entity of the atomic fuel cycle business. Creditors may require implementation of this guarantee if the financial condition of Japan Nuclear Fuel Limited deteriorates.

In response to such risks, the Group provides human resources support via temporarily contract employees to ensure an early completion of Japan Nuclear Fuel Limited reorganization and its stable operations.

Group business performance may be affected by changes in costs, such as the decommissioning of nuclear facilities, which are ultra-long-term businesses, and nuclear back-end of nuclear operations such as storage, reprocessing, and disposal of spent fuel, depending on future system reviews, changes in estimated future costs, and the status of fuel storage.

At this time, these risks have been reduced to a certain extent as the Group reserves and contributes necessary expenses based on national subsidies.

### (3) Fluctuations in Market Prices

#### 1. Fluctuations in Fuel Costs

The main thermal fuels used by the Group's power generation businesses include LNG and coal procured from overseas. Purchase amounts are affected by fluctuations in CIF prices and foreign exchange rates. These fluctuations can affect Group business performance.

In response, the Group has decided to hedge risks on foreign currency-denominated debt associated with the import of fuel by utilizing currency swap transactions and fuel price swap transactions as necessary.

A fuel cost adjustment system has been established to update electricity prices in accordance with the impact of fuel prices and foreign exchange rates. This helps to alleviate some of the impact on Group business performance.

The Group has concluded a long-term purchase agreement linked to crude oil prices, in which annual volume obligations are imposed for the purpose of stable procurement of LNG fuel. Potential surpluses of LNG as a result of current supply and demand conditions for power would be sold. In such cases, a sluggish LNG market may result in LNG resale loss due to differences in resale prices. These risks may actualize affecting Group business performance.

In fiscal 2019, LNG resale losses of 18.1 billion yen were incurred due to an increase in resale price differences.

In response to these risks, the Group is taking efforts to reduce the risk of excess LNG. Some of these efforts include creating LNG demand in Japan and overseas via LNG fuel supply (LNG bunkering) for ships as well as postponing transactions the next several years.

#### 2. Interest Rate Fluctuations

The Group owns a large number of facilities, including power generation facilities, transmission and substation facilities, and power distribution facilities, which are necessary for a stable supply of electricity in our domestic electricity business, which is our core business.

To continue a stable supply of electricity, we must continue to systematically build and upgrade facilities, which requires a significant amount of capital.

The Group procures these funds mainly through loans from financial institutions and the issuing of corporate bonds. As of March 31, 2020, the Group balance of interest-bearing debt amounts to 3.4062 trillion yen (equivalent to 69% of total assets). As a result, future fluctuations in market interest rates may affect Group business performance.

However, 94% of outstanding interest-bearing debt comprises corporate bonds and long-term debt, and most of this bears interest at fixed rates. The impact of fluctuating interest rates on Group business performance is therefore viewed as limited.

### (4) Changes in Systems Related to the Power Industry

#### 1. System Design Based on the Strategic Energy Plan

With regard to energy policy, we have taken on board the government's 5th Strategic Energy Plan, formulated by cabinet decision in July 2018, and investigations into a system design that will allow the plan's goals to be achieved are ongoing.

Group business performance could be affected if capital investment and power supply costs, such as power generation facilities, transmission and substation facilities, and power distribution facilities owned by the Group, increase due to the aforementioned and other changes in the organization of electricity businesses, or if the utilization rate of power generation facilities owned by the Group declines.

#### 2. Development of Markets and Rules in Accordance with the Reform of Electric Systems

The 2019 baseload market was established with the aim of further invigorating competition in the electric power trading market. This may intensify competition due to competitor procurement of baseload power supplies, and so the company may need to secure an alternative supply capacity to compensate for market offerings.

In response to public interest issues, the creation of the capacity market and a non-fossil value trading market is expected to improve the business environment related to the maintenance of power generators. However, improper system design could result in insufficient compensation resulting in difficulty to maintain supply of power.

In order to respond quickly and accurately to the risks as just described, we have established an organization within the Group to actively collect information on energy policy, systems related to the electricity business, and environmental regulations and to cooperate with relevant parties to conduct company-wide strategy reviews.

### (5) Climate Change Initiatives

In recent years, interest in climate change has been growing at home and abroad. Since the adoption of the Paris Agreement, and especially at the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change in 2015, initiatives toward a low-carbon society have become critical in many countries.

Under these circumstances, Group business performance may be affected by the revision of regulations aimed at lower carbon emissions, including increased capital investment and costs for power supply facilities owned by the Group.

In global financial and capital markets, ESG information continues to be used more and more for investment decisions. If our efforts to reduce carbon are found to be insufficient or not appropriate in response to information disclosed on climate change, we may lose trust and evaluation from shareholders and investors. This could impact business results including slumps in stock prices and difficulty in obtaining financing.

In response to these risks, the Group aims to diversify our energy production methods as defined in the Strategic Energy Plan. We will proactively develop and



increase acceptance of renewable energy while continuing to utilize nuclear power generation on the premise of ensuring safety. We will maintain and improve the thermal efficiency of thermal power plants in efforts to achieve power sources that produce low amounts of carbon. We will promote the electrification of society with initiatives such as promoting the current trend of fully electric residential buildings as well as the utilization of heat pumps in offices and factories. Other energy-saving and low-CO<sub>2</sub> emissions efforts include electrification in the transportation division.

As an energy provider responsible for helping to address the global warming issue, we will continue transparent disclosure of information on low-carbon initiatives based on the TCFD recommendations to which we agreed to in July 2019.

## (6) Facility Accidents/Failures and System failures

### 1. Natural Disasters

Recognizing that the electricity business is the foundation of society and economic activities by being an indispensable lifeline to customers, the Group strives to ensure a stable supply of electricity.

We have a large number of facilities necessary for the execution of electric business, including power supply facilities such as power generation facilities, transmission and substation facilities, and power distribution facilities necessary for a stable supply of electric power. In the event of a large-scale disaster caused by an earthquake, tsunami, typhoon, torrential rain, or other disasters, these facilities will be damaged potentially resulting in power outages over large areas for extended periods of time. This would result in lost income and significant costs to repair facilities, affecting business performance.

In response to these risks, the Group is upgrading/reinforcing facilities while cooperating with relevant organizations such as local governments (prefectures and municipalities) and the Self-Defense Forces to respond effectively to disasters, take emergency measures, and conduct disaster recovery efforts for power supply facilities.

With regard to nuclear facilities in particular and as described in “(2) Status of the Situation Surrounding Nuclear Power”, we are strengthening measures to prevent and to respond effectively to serious accidents on the basis of new regulatory standards in Japan.

### 2. Aging of Equipment

The Group has a large number of power supply, information, and communication facilities, including power generation facilities, transmission and substation facilities, and power distribution facilities, in various parts of Kyushu.

Power supply facilities built in accordance with the growth of electricity demand during the period of high economic growth in particular are significantly aging. The probability of accidents and failures will likely increase due to deterioration of the equipment. In the unlikely event of a serious facility accident at a large-scale power plant or ultra-high voltage transmission line, the Group may experience an economic loss due to equipment damage, and widespread and long-term power outages may have a significant impact on socio-economic activities. With equipment continuing to age, we need to increase the frequency of inspections, maintenance, and repairs. This could increase repair expenses and other related costs.

In response to these risks, the Group making efforts to assess and find potentially hazardous areas through equipment patrols and proper maintenance in accordance with equipment conditions. While we increase our focus on inspections and repairs of aging power supply facilities, we are also making efforts to replace/upgrade significantly aged equipment. We are also working to improve the sophistication and efficiency of equipment maintenance by utilizing new technologies such as drones, image analysis, and AI.

### 3. System Failure

Information processing systems are indispensable for the execution of Group business. Our ICT service business is also an important base of business in providing information processing systems to customers.

System failures can cause disruptions both internally and externally. In this case, Group business performance may be adversely affected due to a loss of trust in the Group and costs incurred from system restoration.

To address this risk, the Group actively monitors system operations 24 hours a day, 365 days a year and systematically updates equipment in efforts to prevent system failures.

### 4. Cyber Attacks

The number of cyber attacks against the Group continues to increase year over year. As attack methods become more sophisticated and malicious, the impact and significance of these threats are also increasing.

The Group operates a wide range of businesses, including the domestic electricity business and ICT service business. As such, sensitive internal information and personal information could be stolen and/or disclosed due to cyber attacks.

Power outages caused by cyber attacks on power supply facilities have occurred outside of Japan. Attacks on Group power supply facilities power supply can cause suspensions of power.

In all of these cases, Group business performance may be affected due to the loss of the trust in the group and costs incurred to restore systems.

In response to these risks, the Group takes a multi-layered approach to defending against these risks, via our Cyber Security Control Office, through organizational, human, physical, and technical initiatives. Through this, we aim to maintain and improve the level of information security throughout the entire Group.

## (7) Operational Risks

### 1. Inadequate Business

The Group operates a wide range of businesses such as the domestic electricity business, energy business, ICT service business. Various business deficiencies due to employee negligence and such could have a significant impact both internally and externally, such as hindering our ability to provide services to customers.

In the domestic electric power business, our core business, managing supply and demand has become more complicated than before due to reforms of the electricity system and the spread of renewable energy. Even in such circumstances, the stable supply of power is an important mission of the Group. Accidental improper operational of power supply facilities could result in wide-range power outages or injury and even

death by electric shock. Such situations could negatively impact trust in the Group, and costs may be incurred to restore facilities. This would ultimately affect Group business performance.

To prevent such accidents in operating power supply facilities, the Group has established thorough planning and work management systems. Work education and training systems are also in place.

The group-wide safety promotion system centered on the Companywide Safety Promotion Committee and the Group Safety Promotion Subcommittee in which group companies participate, implements initiatives based on the Kyuden Group Safe Conduct Charter in efforts to eliminate the threat of disasters.

## 2. Violation of Laws and Regulations

The Group has many bases mainly in the Kyushu area. We provide customers with various products and services including electricity, which are subject to various laws and regulations. Overseas business operations are subject to the legal regulations of the relevant country.

The Group strives to comply with these various laws and regulations. However, violations of laws and regulations due to insufficient understanding of various laws and regulations or inadequate response when laws and regulations are changed are possible. Any damage or loss of customer trust due to actions contrary to social requirements, including personal misconduct by employees, could affect Group business performance.

In response to such risks, we have established a compliance-based management to comply with legal regulations through the understanding of laws and regulations, as well as to comply with social norms and corporate ethics. A Compliance Officer positioned within the Compliance Committee chaired by the President functions as the head of the executive body of this organization. The organization formulates and implements activity plans, and has already established a system to set up consultation desks internally and externally to promote compliance.

We are working to strengthen our ability to promote these initiatives throughout the entire Group. In addition to sharing compliance information and exchanging opinions with group companies, we promote initiatives that involve cooperation from all group companies. We are also clarifying the role of managing departments regarding guidance and support for group companies.

## 3. Infectious Disease Outbreaks

Since the report of a new coronavirus infection (Covid-19) in China in December, 2019, the number of infected people has increased globally. A declaration of emergency has been issued by the government in Japan, which has had a significant impact on society and the economy.

Not limited to only the Covid-19, whether there is an outbreak of a new infectious disease with high pathogenicity, the Group could be compromised by this, which could impact business continuity. Group business performance may be affected by global epidemics of infectious diseases as maintaining supply chains could become quite difficult, increasing risk in providing a stable supply of electricity and smooth operations.

In response to such risks, the Group has formulated a Business Plan Against New Infectious Diseases based on the Act on Special Measures for Pandemic Influenza and New Infection Diseases. With this plan, we will be able to maintain a stable and

appropriate supply system for electric power even if the infection of the coronavirus spreads further or new infectious diseases occur. With safety as the top priority, we will be better prepared to continue our business.

## 4. Lack of Human Resources and Skills

The Group recognizes the importance of continuously providing high-quality products and services to customers by securing excellent human resources and improving their skills.

With our core business of the domestic electricity business in particular, technique and expertise must be passed down. If it is not possible to secure and develop human resources, or if a large number of human resources leave us, this could impact sustainable growth of the Group and affect business performance.

In response to these risks, we formulate a recruitment plan every year based on medium- to long-term forecasts and strive to secure the necessary human resources. Based on the Kyushu Electric Power Education Charter, which we use as guidelines for our training system, we have established training policies and plans and conduct various training programs to promote social and technical growth and to create a workplace culture that emphasizes human resource development. We also develop human resources with the aim of strengthening comprehensive capabilities of the Group, such as conducting joint training with the Group.

We also promote flexible work styles to enhance the work-life balance of employees, to improve labor productivity through work style reforms, and to create a workplace environment in which diverse human resources can play an active role.

## (8) Others

### 1. Impairment of Fixed Assets

The Group owns a large number of facilities, and its assets and future cash flows produced by the Asset Group will be affected by changes in the business environment surrounding the Group.

As such, if company profitability declines due to the manifestation of various risks, such as a decrease in total electricity sales volume, an unplanned shutdown of nuclear power stations, or a decrease in the utilization rate of power generation facilities, Group business performance may be affected by impairment of fixed assets as cash flows would decrease with little to no return on investment as a result.

### 2. Reduction of Deferred Tax Assets

The Group has determined the recoverability of deferred tax assets based on an estimate of future taxable income, mainly due to carryover losses from the prolonged suspension of nuclear power stations in the past year.

If the risk of significant impact on taxable income, such as a decrease in total electricity sales volume or an unplanned suspension of nuclear power stations, becomes apparent resulting in a potential deterioration in taxable income in the future, Group business performance may be affected by the reduction of deferred tax assets.

# Consolidated Balance Sheet

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries  
March 31, 2020

|                                                                                                | Millions of Yen |             | Thousands of U.S.<br>Dollars (Note 1) |
|------------------------------------------------------------------------------------------------|-----------------|-------------|---------------------------------------|
|                                                                                                | 2020            | 2019        | 2020                                  |
| ASSETS                                                                                         |                 |             |                                       |
| PROPERTY (Note 3):                                                                             |                 |             |                                       |
| Plant and equipment                                                                            | ¥10,608,007     | ¥10,368,906 | \$97,473,191                          |
| Construction in progress                                                                       | 641,816         | 587,629     | 5,897,424                             |
| Total                                                                                          | 11,249,824      | 10,956,535  | 103,370,615                           |
| Less-                                                                                          |                 |             |                                       |
| Contributions in aid of construction                                                           | 221,603         | 216,366     | 2,036,233                             |
| Accumulated depreciation                                                                       | 7,544,561       | 7,396,086   | 69,324,283                            |
| Total                                                                                          | 7,766,165       | 7,612,452   | 71,360,517                            |
| Net property                                                                                   | 3,483,659       | 3,344,082   | 32,010,098                            |
| NUCLEAR FUEL                                                                                   | 240,942         | 267,824     | 2,213,935                             |
| INVESTMENTS AND OTHER ASSETS:                                                                  |                 |             |                                       |
| Investment securities (Notes 4 and 14)                                                         | 82,924          | 75,551      | 761,960                               |
| Investments in and advances to nonconsolidated subsidiaries and affiliated companies (Note 14) | 166,612         | 131,441     | 1,530,939                             |
| Assets for retirement benefits (Note 7)                                                        | 6,210           | 14,099      | 57,066                                |
| Deferred tax assets (Note 10)                                                                  | 164,272         | 189,892     | 1,509,439                             |
| Special account related to nuclear power decommissioning (Note 2.g)                            | 43,535          | 45,592      | 400,034                               |
| Special account related to reprocessing of spent nuclear fuel (Note 2.n)                       | 54,777          | 32,400      | 503,332                               |
| Other                                                                                          | 126,008         | 87,608      | 1,157,844                             |
| Total investments and other assets                                                             | 644,340         | 576,585     | 5,920,617                             |
| CURRENT ASSETS:                                                                                |                 |             |                                       |
| Cash and cash equivalents (Note 14)                                                            | 205,485         | 245,273     | 1,888,136                             |
| Receivables (Note 14)                                                                          | 258,646         | 237,236     | 2,376,609                             |
| Allowance for doubtful accounts                                                                | (773)           | (769)       | (7,107)                               |
| Inventories, principally fuel                                                                  | 83,059          | 91,827      | 763,207                               |
| Prepaid expenses and other                                                                     | 32,702          | 31,980      | 300,491                               |
| Total current assets                                                                           | 579,121         | 605,547     | 5,321,337                             |
| TOTAL                                                                                          | ¥4,948,063      | ¥4,794,039  | \$45,465,988                          |

See notes to consolidated financial statements.

|                                                                                  | Millions of Yen |            | Thousands of U.S.<br>Dollars (Note 1) |
|----------------------------------------------------------------------------------|-----------------|------------|---------------------------------------|
|                                                                                  | 2020            | 2019       | 2020                                  |
| LIABILITIES AND EQUITY                                                           |                 |            |                                       |
| LONG-TERM LIABILITIES:                                                           |                 |            |                                       |
| Long-term debt, less current portion (Notes 6 and 14)                            | ¥2,807,217      | ¥2,676,370 | \$25,794,516                          |
| Liability for retirement benefits (Note 7)                                       | 102,265         | 99,600     | 939,677                               |
| Asset retirement obligations (Note 8)                                            | 268,332         | 264,166    | 2,465,612                             |
| Other                                                                            | 64,865          | 64,961     | 596,026                               |
| Total long-term liabilities                                                      | 3,242,680       | 3,105,099  | 29,795,832                            |
| CURRENT LIABILITIES:                                                             |                 |            |                                       |
| Current portion of long-term debt (Notes 6 and 14)                               | 404,208         | 445,466    | 3,714,128                             |
| Short-term borrowings (Notes 9 and 14)                                           | 118,012         | 115,063    | 1,084,370                             |
| Commercial paper (Note 14)                                                       | 92,000          |            | 845,355                               |
| Notes and accounts payable (Notes 13 and 14)                                     | 142,732         | 135,648    | 1,311,521                             |
| Accrued income taxes (Note 14)                                                   | 3,471           | 2,324      | 31,898                                |
| Other                                                                            | 298,160         | 316,228    | 2,739,686                             |
| Total current liabilities                                                        | 1,058,585       | 1,014,731  | 9,726,961                             |
| RESERVE FOR FLUCTUATIONS IN WATER LEVEL                                          | 8,840           | 8,958      | 81,230                                |
| COMMITMENTS AND CONTINGENCIES (Note 16)                                          |                 |            |                                       |
| EQUITY (Note 11):                                                                |                 |            |                                       |
| Common stock,<br>authorized, 1,000,000,000 shares; issued,<br>474,183,951 shares | 237,304         | 237,304    | 2,180,509                             |
| Preferred stock,<br>authorized, 1,000 shares; issued,<br>1,000 shares            |                 |            |                                       |
| Capital surplus                                                                  | 120,008         | 120,831    | 1,102,712                             |
| Retained earnings                                                                | 276,997         | 300,551    | 2,545,227                             |
| Treasury stock-at cost,<br>1,194,235 shares in 2020 and 1,209,576 shares in 2019 | (1,501)         | (1,524)    | (13,800)                              |
| Accumulated other comprehensive income:                                          |                 |            |                                       |
| Unrealized gain on available-for-sale securities                                 | 2,115           | 4,090      | 19,439                                |
| Deferred gain (loss) on derivatives under hedge accounting                       | 713             | (4,306)    | 6,557                                 |
| Foreign currency translation adjustments                                         | (4,697)         | (3,582)    | (43,164)                              |
| Defined retirement benefit plans                                                 | (20,298)        | (13,928)   | (186,514)                             |
| Total                                                                            | 610,641         | 639,435    | 5,610,966                             |
| Noncontrolling interests                                                         | 27,316          | 25,814     | 250,998                               |
| Total equity                                                                     | 637,957         | 665,250    | 5,861,964                             |
| TOTAL                                                                            | ¥4,948,063      | ¥4,794,039 | \$45,465,988                          |

See notes to consolidated financial statements.



# Consolidated Statement of Operations

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries  
Year Ended March 31, 2020

|                                                                                                       | Millions of Yen |             | Thousands of U.S.<br>Dollars (Note 1) |
|-------------------------------------------------------------------------------------------------------|-----------------|-------------|---------------------------------------|
|                                                                                                       | 2020            | 2019        | 2020                                  |
| OPERATING REVENUES:                                                                                   |                 |             |                                       |
| Electric                                                                                              | ¥ 1,800,189     | ¥ 1,844,850 | \$ 16,541,302                         |
| Other                                                                                                 | 212,860         | 172,331     | 1,955,895                             |
| Total operating revenues                                                                              | 2,013,050       | 2,017,181   | 18,497,197                            |
| OPERATING EXPENSES (Note 12):                                                                         |                 |             |                                       |
| Electric                                                                                              | 1,751,766       | 1,771,776   | 16,096,358                            |
| Other                                                                                                 | 197,469         | 158,829     | 1,814,478                             |
| Total operating expenses                                                                              | 1,949,236       | 1,930,606   | 17,910,837                            |
| OPERATING INCOME                                                                                      | 63,813          | 86,575      | 586,360                               |
| OTHER EXPENSES (INCOME)                                                                               |                 |             |                                       |
| Interest charges                                                                                      | 28,990          | 31,397      | 266,385                               |
| Share of loss (profit) of entities accounted for using the equity method (Note 13)                    | (9,247)         | 2,822       | (84,975)                              |
| Other-net                                                                                             | 4,018           | (189)       | 36,925                                |
| Total other expenses-net                                                                              | 23,761          | 34,030      | 218,335                               |
| INCOME BEFORE INCOME TAXES AND (REVERSAL OF) PROVISION FOR RESERVE FOR FLUCTUATIONS<br>IN WATER LEVEL | 40,052          | 52,544      | 368,025                               |
| (REVERSAL OF) PROVISION FOR RESERVE FOR FLUCTUATIONS IN WATER LEVEL                                   | (118)           | 268         | (1,089)                               |
| INCOME BEFORE INCOME TAXES                                                                            | 40,170          | 52,276      | 369,115                               |
| INCOME TAXES (Note 10):                                                                               |                 |             |                                       |
| Current                                                                                               | 6,953           | 9,905       | 63,895                                |
| Deferred                                                                                              | 31,640          | 9,868       | 290,737                               |
| Total income taxes                                                                                    | 38,594          | 19,773      | 354,633                               |
| NET INCOME                                                                                            | 1,576           | 32,502      | 14,481                                |
| NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS                                                   | 1,995           | 1,532       | 18,333                                |
| NET (LOSS) INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT                                                | ¥ (419)         | ¥ 30,970    | \$ (3,851)                            |

|                                       | Yen          | U.S. Dollars |
|---------------------------------------|--------------|--------------|
| PER SHARE OF COMMON STOCK (Note 2.t): |              |              |
| Basic net (loss) income               | ¥(6.05)      | \$ (0.05)    |
| Diluted net income                    |              | 47.51        |
| Cash dividends applicable to the year |              |              |
| Common share                          | 35.00        | 0.32         |
| Class A preferred share               | 1,599,452.00 | 14,696.79    |

See notes to consolidated financial statements.

# Consolidated Statement of Comprehensive Income

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries  
Year Ended March 31, 2020

|                                                                                               | Millions of Yen |         | Thousands of U.S.<br>Dollars (Note 1) |
|-----------------------------------------------------------------------------------------------|-----------------|---------|---------------------------------------|
|                                                                                               | 2020            | 2019    | 2020                                  |
| NET INCOME                                                                                    | ¥1,576          | ¥32,502 | \$14,481                              |
| OTHER COMPREHENSIVE (LOSS) INCOME (Note 17):                                                  |                 |         |                                       |
| Unrealized loss on available-for-sale securities                                              | (1,776)         | (113)   | (16,326)                              |
| Deferred gain (loss) on derivatives under hedge accounting                                    | 5,121           | (3,155) | 47,055                                |
| Foreign currency translation adjustments                                                      | (923)           | (3,536) | (8,486)                               |
| Defined retirement benefit plans                                                              | (6,362)         | (1,954) | (58,465)                              |
| Share of other comprehensive loss in<br>nonconsolidated subsidiaries and affiliated companies | (588)           | (1,146) | (5,408)                               |
| Total other comprehensive loss                                                                | (4,530)         | (9,905) | (41,631)                              |
| COMPREHENSIVE (LOSS) INCOME                                                                   | ¥(2,954)        | ¥22,597 | \$(27,149)                            |
| TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:                                            |                 |         |                                       |
| Owners of the parent                                                                          | ¥(4,861)        | ¥21,257 | \$(44,669)                            |
| Noncontrolling interests                                                                      | 1,906           | 1,339   | 17,519                                |

See notes to consolidated financial statements.

# Consolidated Statement of Changes in Equity

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries  
Year Ended March 31, 2020

|                                                                                               | Thousands of Shares/Millions of Yen |          |                 |        |                 |                   |                |           |                                                  |                                                            |                                          |                                  |           |         |                           |              |
|-----------------------------------------------------------------------------------------------|-------------------------------------|----------|-----------------|--------|-----------------|-------------------|----------------|-----------|--------------------------------------------------|------------------------------------------------------------|------------------------------------------|----------------------------------|-----------|---------|---------------------------|--------------|
|                                                                                               | Common Stock                        |          | Preferred Stock |        | Capital Surplus | Retained Earnings | Treasury Stock |           | Accumulated Other Comprehensive Income           |                                                            |                                          |                                  |           | Total   | Non-controlling interests | Total Equity |
|                                                                                               | Shares                              | Amount   | Shares          | Amount |                 |                   | Shares         | Amount    | Unrealized Gain on Available-for-Sale Securities | Deferred Gain (Loss) on Derivatives under Hedge Accounting | Foreign Currency Translation Adjustments | Defined Retirement Benefit Plans |           |         |                           |              |
| BALANCE AT APRIL 1, 2018                                                                      | 474,183                             | ¥237,304 | 1               |        | ¥120,825        | ¥282,504          | 520            | ¥(668)    | ¥4,369                                           | ¥(1,412)                                                   | ¥(1,905)                                 | ¥(11,876)                        | ¥629,140  | ¥24,822 | ¥653,963                  |              |
| Change in the parent's ownership interest due to transactions with noncontrolling interests   |                                     |          |                 |        | 5               |                   |                |           |                                                  |                                                            |                                          |                                  | 5         |         | 5                         |              |
| Cash dividends, ¥25 per common share                                                          |                                     |          |                 |        |                 | (11,849)          |                |           |                                                  |                                                            |                                          |                                  | (11,849)  |         | (11,849)                  |              |
| Cash dividends, ¥3,500,000 per class A preferred share                                        |                                     |          |                 |        |                 | (3,500)           |                |           |                                                  |                                                            |                                          |                                  | (3,500)   |         | (3,500)                   |              |
| Net income attributable to owners of the parent                                               |                                     |          |                 |        |                 | 30,970            |                |           |                                                  |                                                            |                                          |                                  | 30,970    |         | 30,970                    |              |
| Purchase of treasury stock                                                                    |                                     |          |                 |        |                 |                   | 690            | (857)     |                                                  |                                                            |                                          |                                  | (857)     |         | (857)                     |              |
| Disposal of treasury stock                                                                    |                                     |          |                 |        | (0)             |                   | (0)            | 1         |                                                  |                                                            |                                          |                                  | 0         |         | 0                         |              |
| Adjustment of retained earnings for inclusion of companies accounted for by the equity method |                                     |          |                 |        |                 | 2,425             |                |           |                                                  |                                                            |                                          |                                  | 2,425     |         | 2,425                     |              |
| Net change in the year                                                                        |                                     |          |                 |        |                 |                   |                |           | (278)                                            | (2,893)                                                    | (1,677)                                  | (2,051)                          | (6,900)   | 991     | (5,908)                   |              |
| BALANCE AT MARCH 31, 2019                                                                     | 474,183                             | ¥237,304 | 1               |        | ¥120,831        | ¥300,551          | 1,209          | ¥(1,524)  | ¥4,090                                           | ¥(4,306)                                                   | ¥(3,582)                                 | ¥(13,928)                        | ¥639,435  | ¥25,814 | ¥665,250                  |              |
| Change in the parent's ownership interest due to transactions with noncontrolling interests   |                                     |          |                 |        | 21              |                   |                |           |                                                  |                                                            |                                          |                                  | 21        |         | 21                        |              |
| Cash dividends, ¥35 per common share                                                          |                                     |          |                 |        |                 | (16,588)          |                |           |                                                  |                                                            |                                          |                                  | (16,588)  |         | (16,588)                  |              |
| Cash dividends, ¥2,296,575 per class A preferred share                                        |                                     |          |                 |        |                 | (2,296)           |                |           |                                                  |                                                            |                                          |                                  | (2,296)   |         | (2,296)                   |              |
| Net loss attributable to owners of the parent                                                 |                                     |          |                 |        |                 | (419)             |                |           |                                                  |                                                            |                                          |                                  | (419)     |         | (419)                     |              |
| Purchase of treasury stock (Note 11)                                                          |                                     |          |                 |        |                 |                   | 14             | (100,857) |                                                  |                                                            |                                          |                                  | (100,857) |         | (100,857)                 |              |
| Disposal of treasury stock (Note 11)                                                          |                                     |          |                 |        | (844)           |                   | (29)           | 100,880   |                                                  |                                                            |                                          |                                  | 100,035   |         | 100,035                   |              |
| Adjustment of retained earnings for inclusion of companies accounted for by the equity method |                                     |          |                 |        |                 | (4,250)           |                |           |                                                  |                                                            |                                          |                                  | (4,250)   |         | (4,250)                   |              |
| Net change in the year                                                                        |                                     |          |                 |        |                 |                   |                |           | (1,975)                                          | 5,019                                                      | (1,114)                                  | (6,370)                          | (4,440)   | 1,502   | (2,938)                   |              |
| BALANCE AT MARCH 31, 2020                                                                     | 474,183                             | ¥237,304 | 1               |        | ¥120,008        | ¥276,997          | 1,194          | ¥(1,501)  | 2,115                                            | 713                                                        | ¥(4,697)                                 | ¥(20,298)                        | ¥610,641  | ¥27,316 | ¥637,957                  |              |

|                                                                                               | Thousands of U.S. Dollars (Note 1) |                    |                    |                      |                   |                                                            |                                                                        |                                                   |                                        |             |           |                              |                 |
|-----------------------------------------------------------------------------------------------|------------------------------------|--------------------|--------------------|----------------------|-------------------|------------------------------------------------------------|------------------------------------------------------------------------|---------------------------------------------------|----------------------------------------|-------------|-----------|------------------------------|-----------------|
|                                                                                               | Common<br>Stock                    | Preferred<br>Stock | Capital<br>Surplus | Retained<br>Earnings | Treasury<br>Stock | Accumulated Other Comprehensive Income                     |                                                                        |                                                   |                                        |             | Total     | Non-controlling<br>interests | Total<br>Equity |
|                                                                                               |                                    |                    |                    |                      |                   | Unrealized<br>Gain on<br>Available-for-<br>Sale Securities | Deferred<br>Gain (Loss)<br>on Derivatives<br>under Hedge<br>Accounting | Foreign<br>Currency<br>Translation<br>Adjustments | Defined<br>Retirement<br>Benefit Plans |             |           |                              |                 |
| BALANCE AT MARCH 31, 2019                                                                     | \$2,180,509                        |                    | \$1,110,274        | \$2,761,656          | \$(14,011)        | \$37,589                                                   | \$39,567                                                               | \$(32,922)                                        | \$(127,979)                            | \$5,875,549 | \$237,196 | \$6,112,745                  |                 |
| Change in the parent's ownership interest due to transactions with noncontrolling interests   |                                    |                    | 198                |                      |                   |                                                            |                                                                        |                                                   |                                        | 198         |           | 198                          |                 |
| Cash dividends, \$0.32 per common share                                                       |                                    |                    |                    | (152,422)            |                   |                                                            |                                                                        |                                                   |                                        | (152,422)   |           | (152,422)                    |                 |
| Cash dividends, \$21,102.40 per class A preferred share                                       |                                    |                    |                    | (21,102)             |                   |                                                            |                                                                        |                                                   |                                        | (21,102)    |           | (21,102)                     |                 |
| Net loss attributable to owners of the parent                                                 |                                    |                    |                    | (3,851)              |                   |                                                            |                                                                        |                                                   |                                        | (3,851)     |           | (3,851)                      |                 |
| Purchase of treasury stock (Note 11)                                                          |                                    |                    |                    |                      | (926,741)         |                                                            |                                                                        |                                                   |                                        | (926,741)   |           | (926,741)                    |                 |
| Disposal of treasury stock (Note 11)                                                          |                                    |                    | (7,760)            |                      | 926,952           |                                                            |                                                                        |                                                   |                                        | 919,191     |           | 919,191                      |                 |
| Adjustment of retained earnings for inclusion of companies accounted for by the equity method |                                    |                    |                    | (39,052)             |                   |                                                            |                                                                        |                                                   |                                        | (39,052)    |           | (39,052)                     |                 |
| Net change in the year                                                                        |                                    |                    |                    |                      |                   | (18,149)                                                   | 46,125                                                                 | (10,242)                                          | (58,535)                               | (40,802)    | 13,801    | (27,000)                     |                 |
| BALANCE AT MARCH 31, 2020                                                                     | \$2,180,509                        |                    | \$1,102,712        | \$2,545,227          | \$(13,800)        | \$19,439                                                   | \$6,557                                                                | \$(43,164)                                        | \$(186,514)                            | \$5,610,966 | \$250,998 | \$5,861,964                  |                 |

See notes to consolidated financial statements.

# Consolidated Statement of Cash Flows

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries  
Year Ended March 31, 2020

|                                                                                                            | Millions of Yen |           | Thousands of U.S.<br>Dollars (Note 1) |
|------------------------------------------------------------------------------------------------------------|-----------------|-----------|---------------------------------------|
|                                                                                                            | 2020            | 2019      | 2020                                  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                                               |                 |           |                                       |
| Income before income taxes                                                                                 | ¥ 40,170        | ¥ 52,276  | \$ 369,115                            |
| Adjustments for:                                                                                           |                 |           |                                       |
| Income taxes paid                                                                                          | (5,963)         | (19,367)  | (54,796)                              |
| Depreciation and amortization                                                                              | 261,369         | 238,189   | 2,401,631                             |
| Decommissioning costs of nuclear power units                                                               | 9,450           | 10,557    | 86,833                                |
| Amortization of special account related to nuclear power decommissioning                                   | 2,056           | 873       | 18,900                                |
| Loss on disposal of plant and equipment                                                                    | 4,874           | 5,843     | 44,793                                |
| (Reversal of) provision for reserve for fluctuation in water level                                         | (118)           | 268       | (1,089)                               |
| Share of (profit) loss of entities accounted for using the equity method                                   | (9,247)         | 2,822     | (84,975)                              |
| Changes in assets and liabilities:                                                                         |                 |           |                                       |
| Increase in trade receivables                                                                              | (7,074)         | (12,546)  | (65,004)                              |
| Decrease (increase) in inventories, principally fuel                                                       | 8,766           | (20,508)  | 80,555                                |
| Decrease in trade payables                                                                                 | (5,083)         | (12,493)  | (46,706)                              |
| Increase in liability for retirement benefits                                                              | 793             | 988       | 7,290                                 |
| (Decrease) increase in accrued expenses                                                                    | (35,473)        | 32,459    | (325,949)                             |
| Other-net                                                                                                  | (37,669)        | 3,658     | (346,127)                             |
| Total adjustments                                                                                          | 186,682         | 230,743   | 1,715,354                             |
| Net cash provided by operating activities                                                                  | 226,852         | 283,020   | 2,084,469                             |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                                               |                 |           |                                       |
| Capital expenditures including nuclear fuel                                                                | (425,054)       | (377,408) | (3,905,676)                           |
| Proceeds from contribution in aid of construction                                                          | 38,444          | 40,751    | 353,249                               |
| Payments for investments and advances                                                                      | (58,525)        | (27,318)  | (537,770)                             |
| Proceeds from sales of investment securities and collections of advances                                   | 14,020          | 9,996     | 128,826                               |
| Other-net                                                                                                  | 6,492           | (10,362)  | 59,656                                |
| Net cash used in investing activities                                                                      | (424,623)       | (364,341) | (3,901,714)                           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                                               |                 |           |                                       |
| Proceeds from issuance of bonds                                                                            | 259,154         | 209,288   | 2,381,277                             |
| Repayments of bonds                                                                                        | (194,600)       | (219,800) | (1,788,109)                           |
| Proceeds from long-term loans                                                                              | 271,470         | 200,514   | 2,494,444                             |
| Repayments of long-term loans                                                                              | (248,443)       | (207,582) | (2,282,855)                           |
| Net increase (decrease) in short-term borrowings                                                           | 2,948           | (2,311)   | 27,093                                |
| Net increase in commercial paper                                                                           | 92,000          |           | 845,355                               |
| Acquisition of treasury stock                                                                              | (100,901)       | (857)     | (927,143)                             |
| Disposal of treasury stock                                                                                 | 100,036         |           | 919,198                               |
| Cash dividends paid                                                                                        | (18,820)        | (15,300)  | (172,935)                             |
| Other-net                                                                                                  | (4,845)         | (4,668)   | (44,520)                              |
| Net cash provided by (used in) financing activities                                                        | 157,999         | (40,716)  | 1,451,803                             |
| <b>FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS</b>                               | (16)            | 1,426     | (149)                                 |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                                                           | (39,787)        | (120,611) | (365,589)                             |
| <b>CASH AND CASH EQUIVALENTS OF A NONCONSOLIDATED SUBSIDIARY<br/>MERGED WITH A CONSOLIDATED SUBSIDIARY</b> |                 | 9         |                                       |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>                                                      | 245,273         | 365,875   | 2,253,726                             |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>                                                            | ¥ 205,485       | ¥ 245,273 | \$ 1,888,136                          |

See notes to consolidated financial statements.



# Notes to Consolidated Financial Statements

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries  
Year Ended March 31, 2020

## 1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

Kyushu Electric Power Company, Incorporated (the "Company") has prepared the accompanying consolidated financial statements in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act, the Electricity Business Act and their related accounting regulations and in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. Especially accounting related to the nuclear power generation is regulated by the above accounting regulations, which are dependent on a governmental long-term nuclear energy policy.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made to the consolidated financial statements for the year ended March 31, 2019, to conform to the classifications used in the consolidated financial statements for the year ended March 31, 2020.

The U.S. dollar amounts included herein are provided solely for the convenience of readers outside Japan and are stated at the rate of ¥108.83 = U.S. \$1, the approximate exchange rate prevailing on March 31, 2020. The translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Japanese yen figures less than a million yen are rounded down to the nearest million yen, except for per share data. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a. Consolidation and Application of the Equity Method —

The consolidated financial statements as of March 31, 2020, include the accounts of the Company and its 47 (45 for 2019) subsidiaries (together, the "Companies"). All significant intercompany transactions and balances have been eliminated in consolidation. Investments in 17 (12 for 2019) nonconsolidated subsidiaries and 22 (16 for 2019) affiliated companies are accounted for by the equity method.

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

Consolidation of the remaining subsidiaries and the

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

The fiscal year-end of 10 (8 for 2019) consolidated subsidiaries and several nonconsolidated subsidiaries and affiliated companies is December 31. The Company consolidates such consolidated subsidiaries' financial statements and accounts for investments in such nonconsolidated subsidiaries and affiliated companies by the equity method using their financial results for the year ended December 31. The effects of any significant transactions during the period between the subsidiaries' and affiliated companies' fiscal year-end and the Company's fiscal year-end are reflected in the consolidated financial statements.

**b. Business Combination —** Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

**c. Property and Depreciation —** Property is stated at cost. Contributions in aid of construction including those made by customers are deducted from the cost of the related assets.

Depreciation is principally computed using the declining-balance method based on the estimated useful lives of the assets. Depreciation of easements related to transmission lines is computed using the straight-line method based on the estimated useful lives of the transmission lines.

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

**d. Impairment of Fixed Assets** — The Companies review their fixed assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

**e. Amortization of Nuclear Fuel** — Amortization of nuclear fuel is computed based on the proportion of current heat produced to the estimated total potential heat production over the estimated useful life of the nuclear fuel.

**f. Investment Securities** — Investment securities are classified and accounted for, depending on management’s intent, as follows:

(a) Held-to-maturity debt securities are stated at cost with discounts or premiums amortized throughout the holding periods; (b) Available-for-sale securities, which are not classified as the aforementioned securities and investment securities in nonconsolidated subsidiaries and affiliated companies, are stated at market value; and nonmarketable securities are stated at cost.

The Companies record unrealized gains or losses on available-for-sale securities, net of deferred taxes, in equity presented as “Unrealized gain on available-for-sale securities.”

For other-than-temporary declines in fair value, investment securities are written down to net realizable value by a charge to income.

**g. Special Account Related to Nuclear Power Decommissioning** — On March 13, 2015, the Japanese government, i.e., the Ministry of Economy, Trade and Industry (“METI”), revised the accounting regulation applicable to electric utility providers. Under the revised accounting regulation effective on March 13, 2015, in case the Company decides to decommission nuclear power units due to factors such as a change of the government’s energy policy, the

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

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

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

**j. Foreign Currency Transactions** — Receivables and payables denominated in foreign currencies are translated into Japanese yen at the rates in effect as of each balance sheet date.

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

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

**l. Derivatives and Hedging Activities** — Derivative financial instruments are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of operations and (b) for such derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Liabilities denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations are translated at the contracted rate if the forward contracts qualify for hedge accounting. Forward contracts applied for committed transactions are measured at fair value and the unrealized gains/losses are deferred until the underlying transactions are completed.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements are recognized and included in interest charges.

**m. Severance Payments and Pension Plans** — The Companies have unfunded retirement plans for most of their employees and the Company and most of the consolidated subsidiaries also have contributory funded defined benefit pension plans covering substantially all of their employees.

Under ASBJ Statement No. 26, “Accounting Standard for Retirement Benefits” and ASBJ Guidance No. 25, “Guidance on Accounting Standard for Retirement Benefits”, the Companies accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over 5 years no longer than the expected average remaining service period of the employees.

**n. Accounting for Contributions Concerning Reprocessing of Spent Nuclear Fuel and Concerning Processing of Nuclear Fuel Material Separated in Reprocessing** — Prior to October 1, 2016, reserve for reprocessing of irradiated nuclear fuel was provided for reprocessing costs of irradiated nuclear fuel. The annual provision was calculated in accordance with the accounting regulations set by the Japanese Government applicable to electric utility providers in Japan.

As of April 1, 2005, unrecognized prior costs of ¥130,495 million, which had not been recognized in the past as a liability, were incurred because new accounting regulations to estimate the reprocessing costs for irradiated nuclear fuel were applicable on or after April 1, 2005. These costs were being amortized on a straight-line basis over 15 years. As of April 1, 2008, the Company recalculated the estimate in accordance with a specific law. As a result, the unrecognized prior costs were changed from ¥104,397 million to ¥90,977 million, and these costs are amortized over 12 years, beginning on

April 1, 2008. The Company was permitted to recover these reprocessing costs by including them in the admitted cost elements for electric rates.

The Company was obliged to reserve funds which were owned by the Company and managed by an independent fund managing body set up based on the Spent Nuclear Fuel Reprocessing Implementation Act. The reserve funds belonged to the nuclear operator and were presented as “Reserve funds for reprocessing of irradiated nuclear fuel” in the consolidated balance sheet.

The Act for Partial Revision of the Spent Nuclear Fuel Reprocessing Implementation Act (the “Act”) was enforced on October 1, 2016. The Act aims to secure the funds stably for reprocessing costs without being influenced by the financial position of nuclear operators under the competitive environment on April 1, 2016, when full liberalization of participation in retail electricity sales began.

The Nuclear Reprocessing Organization of Japan (the “NuRO”) was established on October 3, 2016 under the Act. Nuclear operators are obliged to contribute the funds for reprocessing nuclear fuel to the NuRO every year. Nuclear operators fulfill the obligation to bear the reprocessing costs when they pay contributions to the NuRO, and the funds belong to the NuRO. The Reserve funds for reprocessing of irradiated nuclear fuel which were funded by nuclear operators until September 30, 2016 were transferred to the NuRO.

Contributions to NuRO consists of two parts. One is concerning reprocessing of spent nuclear fuel (part “A”), the other is concerning processing of nuclear fuel material separated in reprocessing (part “B”).

To reflect such revision of the funding system for reprocessing costs of nuclear fuel, accounting regulations applicable to electric providers were revised, and the revised regulations became effective on October 1, 2016. In accordance with the revised regulations, the Company records the part A of contributions to the NuRO, the amount of which is calculated based on quantities of irradiated nuclear fuel resulting from operation of nuclear power stations, as operating expenses. On the other hand, the Company records part B of the contributions to the NuRO as assets and presents them as “Special account related to reprocessing of spent nuclear fuel” in the consolidated balance sheet.

The Company is required to contribute equally divided amounts (¥7,581 million (\$69,663thousand)) of unrecognized past costs due to the revision of accounting regulations effective on April 1, 2005, until 2020 and record them as operating expenses.

**o. Asset Retirement Obligations** — Under ASBJ Statement No. 18, “Accounting Standard for Asset Retirement Obligations,”

an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement. The Company recognizes the asset retirement obligation as the sum of the future decommissioning costs of nuclear power unit imposed by the “Law on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors,” discounted at 2.3%.

In accordance with the accounting regulations applicable to electric utility providers, asset retirement costs are allocated to expense over the remaining useful lives of nuclear power units through depreciation based on the straight-line method, except for asset retirement costs of nuclear power units decommissioned due to factors such as a change of a government energy policy which are continuously allocated to expense over 10 years from the month that includes the date of decommissioning of the nuclear power unit.

**p. Income Taxes** — The provision for income taxes is computed based on the pretax income included in the consolidated statement of operations. The Company and its wholly owned domestic subsidiaries adopted consolidated taxation system.

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

**q. Reserve for Fluctuations in Water Level** — This reserve is provided to stabilize the Company's income level based on the Electricity Business Act and related accounting regulations. This reserve is recorded when the volume of water for generating hydroelectric power is abundant and available for future power generation, and reversed in years when there is an insufficient volume of water. Also, this reserve must be shown as a liability under the act and regulations.

**r. Treasury Stock** — The accounting standard for treasury stock requires that where an affiliated company holds a parent company's stock, a portion which is equivalent to the parent company's interest in such stock should be presented as treasury stock as a separate component of equity and the carrying value of the investment in the affiliated company should be reduced by the same amount.

**s. Board Benefit Trust (BBT)** — The Company has a performance-based stock compensation plan called “Board Benefit Trust (BBT),” (the “Plan”) for directors (excluding outside directors) and executive officers (together, the “Directors”).

(a) Overview of the Plan

The Plan is a stock compensation plan under which shares of the Company will be acquired through a trust (the “Trust” refers to a trust established based on the Plan) using funds contributed by the Company. The shares of the Company and cash equivalent to the value of the Company's shares converted at market value (the “Company's Shares, etc.”) will be provided to the Directors through the Trust, pursuant to the “Rules on Provision of Shares to Officers” set forth by the Company. The Company's shares, etc. will be provided to the Directors at the time of retirement of the Directors, in principle.

(b) Shares of the Company held by the Trust

The Company records shares of the Company in the Trust as treasury stock at cost (excluding acquisition-related costs). As of March 31, 2020, the number of shares was 648 thousand.

**t. Net Income and Cash Dividends per Share** — Basic earnings per share (“EPS”) are computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding during the year, and diluted EPS reflects the potential dilution that could occur if securities were exercised or converted into common stock.

The weighted-average number of common stock used in the computation of basic EPS and diluted EPS during the year excludes treasury stock held by the Trust established based on BBT (657 thousand shares for the year ended March 31, 2020).

Diluted EPS at year ended reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted EPS of common stock assumes full conversion of the outstanding convertible bonds at the time of issuance with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Diluted EPS for the year ended March 31, 2020 is not disclosed because it is anti-dilutive due to the Companies' net loss position.

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

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



### *v. New Accounting Pronouncements — Accounting Standard for Revenue Recognition*

On March 30, 2018, the ASBJ issued ASBJ Statement No. 29, “Accounting Standard for Revenue Recognition,” and ASBJ Guidance No. 30, “Implementation Guidance on Accounting Standard for Revenue Recognition.” The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The accounting standard and guidance are effective for annual periods beginning on or after April 1, 2021. Earlier application is permitted for annual periods beginning on or after April 1, 2018.

The Companies expect to apply the accounting standard and guidance for annual periods beginning on or after April 1, 2021, and are in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

### *Accounting Standard for Fair Value Measurement*

To enhance comparability of financial statements among domestic and overseas companies, the ASBJ issued ASBJ Statement No. 30, “Accounting Standard for Fair Value Measurement” and ASBJ Guidance No. 31, “Implementation Guidance on Accounting Standard for Fair Value Measurement,” and revised related ASBJ Statements and ASBJ Guidance (the “New Accounting Standards”) on July 4, 2019. The New Accounting Standards define the guidance for fair value measurements. The New Accounting Standards are applied for fair value measurements as follows:

- Financial Instruments defined by “Accounting Standard for Financial instruments”
- Measurement method of Inventories held for trading purpose defined by “Accounting Standard for Measurement of Inventories”

In accordance with the New Accounting Standards, “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” was revised and the revised guidance requires an entity to disclose details of financial instruments by levels of the fair value hierarchy.

The New Accounting Standards are effective for the annual periods beginning on or after April 1, 2021. Earlier application is permitted for annual periods beginning on or after April 1, 2020, or annual periods ending on or after March 31, 2020. The New Accounting Standards shall be applied prospectively, however, under certain circumstances, it is permitted to be applied retrospectively.

The Companies expect to apply the accounting standard and guidance for annual periods beginning on or after April 1, 2021, and are in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

### *Revised Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Correction*

On March 31, 2020, the ASBJ issued the revised ASBJ Statement No.24, (revised 2020) “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections.” The revised accounting standard requires an entity to disclose the outline of accounting principles and procedures in the absence of accounting standards that are specifically applied to transactions or events.

The Companies expect to apply the accounting standard for the year ending March 31, 2021.

### *Accounting Standard for Disclosure of Accounting Estimates*

On March 31, 2020, the ASBJ issued the ASBJ Statement No. 31, “Accounting Standard for Disclosure of Accounting Estimates.” To help the users of the financial statements understand the assumptions and related risks, the new accounting standard requires an entity to disclose the information of estimation uncertainty at the end of the reporting period that has a significant risk of resulting in a material adjustment to the financial statement within the next financial year.

The Companies expect to apply the accounting standard for the year ending March 31, 2021.

### 3. PROPERTY

The breakdown of property at March 31, 2020 and 2019, was as follows:

|                                       | Millions of Yen |             | Thousands of U.S. Dollars |
|---------------------------------------|-----------------|-------------|---------------------------|
|                                       | 2020            | 2019        | 2020                      |
| Costs:                                |                 |             |                           |
| Electric power production facilities: |                 |             |                           |
| Hydroelectric power                   | ¥ 832,774       | ¥ 823,163   | \$ 7,652,063              |
| Thermal power                         | 1,484,717       | 1,422,363   | 13,642,535                |
| Nuclear power                         | 1,861,669       | 1,859,676   | 17,106,213                |
| Internal-combustion engine power      | 136,986         | 132,202     | 1,258,723                 |
| Renewable power                       | 113,642         | 114,138     | 1,044,216                 |
| Total                                 | 4,429,789       | 4,351,544   | 40,703,752                |
| Transmission facilities               | 1,893,384       | 1,875,081   | 17,397,637                |
| Transformation facilities             | 1,062,761       | 1,050,236   | 9,765,336                 |
| Distribution facilities               | 1,490,384       | 1,471,235   | 13,694,614                |
| General facilities                    | 409,446         | 406,650     | 3,762,256                 |
| Other electricity-related facilities  | 144,818         | 123,326     | 1,330,687                 |
| Other plant and equipment             | 1,177,421       | 1,090,830   | 10,818,906                |
| Construction in progress              | 641,816         | 587,629     | 5,897,424                 |
| Total                                 | 11,249,824      | 10,956,535  | 103,370,615               |
| Less-                                 |                 |             |                           |
| Contributions in aid of construction  | 221,603         | 216,366     | 2,036,233                 |
| Accumulated depreciation              | 7,544,561       | 7,396,086   | 69,324,283                |
| Carrying amount                       | ¥ 3,483,659     | ¥ 3,344,082 | \$ 32,010,098             |

### 4. INVESTMENT SECURITIES

The costs and aggregate fair values of investment securities at March 31, 2020 and 2019, were as follows:

|                           | Millions of Yen |                  |                   |            |
|---------------------------|-----------------|------------------|-------------------|------------|
|                           | Cost            | Unrealized Gains | Unrealized Losses | Fair Value |
| March 31, 2020            |                 |                  |                   |            |
| Securities classified as: |                 |                  |                   |            |
| Available-for-sale:       |                 |                  |                   |            |
| Equity securities         | ¥ 1,681         | ¥ 1,677          | ¥ 85              | ¥ 3,272    |
| Debt securities           | 250             | 31               |                   | 281        |
| Other securities          | 311             | 42               | 2                 | 351        |
| Held-to-maturity          | 141             |                  | 9                 | 131        |
| March 31, 2019            |                 |                  |                   |            |
| Securities classified as: |                 |                  |                   |            |
| Available-for-sale:       |                 |                  |                   |            |
| Equity securities         | ¥ 3,298         | ¥ 4,023          | ¥ 33              | ¥ 7,288    |
| Debt securities           | 230             | 20               |                   | 250        |
| Other securities          | 320             | 70               | 3                 | 388        |
| Held-to-maturity          | 141             | 0                | 6                 | 134        |

## Notes to Consolidated Financial Statements

| March 31, 2020            | Thousands of U.S. Dollars |                  |                   |            |
|---------------------------|---------------------------|------------------|-------------------|------------|
|                           | Cost                      | Unrealized Gains | Unrealized Losses | Fair Value |
| Securities classified as: |                           |                  |                   |            |
| Available-for-sale:       |                           |                  |                   |            |
| Equity securities         | \$ 15,447                 | \$ 15,413        | \$ 789            | \$ 30,071  |
| Debt securities           | 2,301                     | 289              |                   | 2,590      |
| Other securities          | 2,863                     | 394              | 23                | 3,233      |
| Held-to-maturity          | 1,295                     |                  | 84                | 1,211      |

The Company contributed certain securities with a fair value of ¥2,352 million (\$21,619 thousand) to the retirement benefit trust for the Company's retirement benefit plans and recognized a noncash gain of ¥656 million (\$6,035 thousand) for the year ended March 31, 2020.

### 5. PLEDGED ASSETS

All of the Company's assets amounting to ¥4,433,616 million (\$40,738,920 thousand) are subject to certain statutory preferential rights established to secure bonds and loans borrowed from the Development Bank of Japan Inc.

Investments in affiliated companies held by consolidated subsidiaries, amounting to ¥15,737 million (\$144,605 thousand), are pledged as collateral for bank loans and derivatives, mainly interest rate swaps of the affiliated companies and the subsidiary of the affiliated companies at March 31, 2020.

Certain assets of the consolidated subsidiaries, amounting to ¥46,436 million (\$426,691 thousand), are pledged as collateral for a portion of their long-term debt at March 31, 2020.

### 6. LONG-TERM DEBT

Long-term debt at March 31, 2020 and 2019, consisted of the following:

|                                                                                               | Millions of Yen |             | Thousands of U.S. Dollars |
|-----------------------------------------------------------------------------------------------|-----------------|-------------|---------------------------|
|                                                                                               | 2020            | 2019        | 2020                      |
| Yen bonds, 0.14% to 2.52%, due serially to 2049                                               | ¥ 1,274,898     | ¥ 1,134,497 | \$ 11,714,582             |
| Yen-denominated zero coupon convertible bonds due 2020 and 2022                               | 75,000          | 150,000     | 689,148                   |
| Loans from the Development Bank of Japan Inc., 0.32% to 3.15%, due serially to 2038           | 278,339         | 285,450     | 2,557,562                 |
| Loans, principally from banks and insurance companies, 0.091% to 4.945%, due serially to 2039 |                 |             |                           |
| Collateralized                                                                                | 64,201          | 65,114      | 589,921                   |
| Unsecured                                                                                     | 1,503,820       | 1,473,038   | 13,818,071                |
| Obligations under finance leases                                                              | 15,166          | 13,736      | 139,357                   |
| Total                                                                                         | 3,211,425       | 3,121,836   | 29,508,644                |
| Less current portion                                                                          | 404,208         | 445,466     | 3,714,128                 |
| Long-term debt, less current portion                                                          | ¥ 2,807,217     | ¥ 2,676,370 | \$ 25,794,516             |

The annual maturities of long-term debt outstanding at March 31, 2020, were as follows:

| Year ending March 31 | Millions of Yen | Thousands of U.S. Dollars |
|----------------------|-----------------|---------------------------|
| 2021                 | ¥ 404,208       | \$ 3,714,128              |
| 2022                 | 390,694         | 3,589,956                 |
| 2023                 | 346,762         | 3,186,275                 |
| 2024                 | 308,113         | 2,831,144                 |
| 2025                 | 342,378         | 3,145,994                 |
| Thereafter           | 1,419,267       | 13,041,145                |
| Total                | ¥ 3,211,425     | \$ 29,508,644             |

The offer price of Yen-denominated zero coupon convertible bonds is ¥102.0, and Issue price ¥100.0 has been paid to the Company.

The contents regarding Yen-denominated zero coupon convertible bonds at March 31, 2020, were as follows:

| Stock name                                                             | Yen-denominated zero coupon convertible bonds due 2022 |
|------------------------------------------------------------------------|--------------------------------------------------------|
| Stock will be converted                                                | Common stock                                           |
| Issue price of stock acquisition rights (yen)                          | Gratis free                                            |
| Issue price of stock                                                   | ¥1,416.4 (\$13.01)                                     |
| Amount of zero coupon convertible bonds                                | ¥75,000 million (\$689,148 thousand)                   |
| Amount of stock price issued<br>by exercising stock acquisition rights | —                                                      |
| Application rate of stock acquisition rights (%)                       | 100                                                    |
| Period of exercise stock acquisition rights                            | From April 13, 2017 to March 17, 2022                  |

In the case of exercising stock acquisition rights, Yen-denominated zero coupon convertible bonds shall be deemed to be acquired by the Company as a capital contribution in kind by such bond holder at the price equal to the principal amount of the bond.

At the general shareholders meeting held on June 25, 2020, the Company's shareholders approved a ¥15 cash dividend per share. As a result, under the constriction rules of convertible bonds, the issue price of stock of Yen-denominated zero coupon convertible bonds due 2022 has been changed from ¥1,416.4 to ¥1,391.8, with an effective date on April 1, 2020.

## 7. SEVERANCE PAYMENTS AND PENSION PLANS

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

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

of service but before the mandatory retirement age, receive a lump-sum payment upon retirement and an annuity. The Company has established retirement benefit trusts for the Company's defined retirement benefit plan.

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

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

(1) The changes in defined benefit obligation for the years ended March 31, 2020 and 2019, were as follows:

|                              | Millions of Yen |           | Thousands of U.S. Dollars |
|------------------------------|-----------------|-----------|---------------------------|
|                              | 2020            | 2019      | 2020                      |
| Balance at beginning of year | ¥ 408,992       | ¥ 415,695 | \$ 3,758,088              |
| Current service cost         | 13,422          | 13,554    | 123,333                   |
| Interest cost                | 3,200           | 3,302     | 29,403                    |
| Actuarial (gains) losses     | (1,142)         | 530       | (10,495)                  |
| Benefits paid                | (23,528)        | (24,159)  | (216,194)                 |
| Other                        | 11              | 68        | 101                       |
| Balance at end of year       | ¥ 400,955       | ¥ 408,992 | \$ 3,684,238              |



## Notes to Consolidated Financial Statements

(2) The changes in plan assets for the years ended March 31, 2020 and 2019, were as follows:

|                                                        | Millions of Yen |           | Thousands of U.S. Dollars |
|--------------------------------------------------------|-----------------|-----------|---------------------------|
|                                                        | 2020            | 2019      | 2020                      |
| Balance at beginning of year                           | ¥ 326,512       | ¥ 338,750 | \$ 3,000,204              |
| Expected return on plan assets                         | 7,202           | 7,276     | 66,180                    |
| Actuarial losses                                       | (18,318)        | (8,861)   | (168,326)                 |
| Contributions from the employer                        | 6,729           | 6,756     | 61,832                    |
| Benefits paid                                          | (16,461)        | (17,409)  | (151,260)                 |
| Contribution of securities to retirement benefit trust | 2,352           |           | 21,619                    |
| Balance at end of year                                 | ¥ 308,016       | ¥ 326,512 | \$ 2,830,250              |

(3) Reconciliation between the liability and asset recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2020 and 2019, was as follows:

|                                              | Millions of Yen |           | Thousands of U.S. Dollars |
|----------------------------------------------|-----------------|-----------|---------------------------|
|                                              | 2020            | 2019      | 2020                      |
| Funded defined benefit obligation            | ¥394,037        | ¥402,204  | \$ 3,620,672              |
| Plan assets                                  | (308,016)       | (326,512) | (2,830,250)               |
|                                              | 86,021          | 75,692    | 790,422                   |
| Unfunded defined benefit obligation          | 6,917           | 6,788     | 63,565                    |
| Net liability for defined benefit obligation | ¥ 92,939        | ¥ 82,480  | \$ 853,987                |

|                                              | Millions of Yen |          | Thousands of U.S. Dollars |
|----------------------------------------------|-----------------|----------|---------------------------|
|                                              | 2020            | 2019     | 2020                      |
| Liability for retirement benefits            | ¥ 98,484        | ¥ 95,845 | \$904,934                 |
| Assets for retirement benefits               | (5,544)         | (13,364) | (50,946)                  |
| Net liability for defined benefit obligation | ¥ 92,939        | ¥ 82,480 | \$ 853,987                |

(4) The components of net periodic benefit costs for the years ended March 31, 2020 and 2019 were as follows:

|                                    | Millions of Yen |          | Thousands of U.S. Dollars |
|------------------------------------|-----------------|----------|---------------------------|
|                                    | 2020            | 2019     | 2020                      |
| Current service cost               | ¥ 13,422        | ¥ 13,554 | \$ 123,333                |
| Interest cost                      | 3,200           | 3,302    | 29,403                    |
| Expected return on plan assets     | (7,202)         | (7,276)  | (66,180)                  |
| Recognized actuarial losses        | 7,783           | 6,105    | 71,521                    |
| Amortization of prior service cost | 504             | 658      | 4,634                     |
| Others                             | 315             | 240      | 2,902                     |
| Net periodic benefit costs         | ¥ 18,023        | ¥ 16,585 | \$ 165,615                |

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2020 and 2019, were as follows:

|                    | Millions of Yen |           | Thousands of U.S. Dollars |
|--------------------|-----------------|-----------|---------------------------|
|                    | 2020            | 2019      | 2020                      |
| Prior service cost | ¥ 503           | ¥ 589     | \$ 4,630                  |
| Actuarial losses   | (9,391)         | (3,287)   | (86,298)                  |
| Total              | ¥ (8,887)       | ¥ (2,698) | \$ (81,668)               |

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2020 and 2019, were as follows:

|                                 | Millions of Yen |            | Thousands of U.S. Dollars |
|---------------------------------|-----------------|------------|---------------------------|
|                                 | 2020            | 2019       | 2020                      |
| Unrecognized prior service cost | ¥ (15)          | ¥ (519)    | \$ (140)                  |
| Unrecognized actuarial losses   | (25,888)        | (16,496)   | (237,879)                 |
| Total                           | ¥ (25,903)      | ¥ (17,015) | \$(238,019)               |

(7) Plan assets as of March 31, 2020 and 2019

**a. Components of plan assets**

Plan assets consisted of the following:

|                                             | 2020 | 2019 |
|---------------------------------------------|------|------|
| Debt investments                            | 39%  | 42%  |
| Equity investments                          | 21   | 26   |
| General account of life insurance companies | 21   | 19   |
| Others                                      | 19   | 13   |
| Total                                       | 100% | 100% |

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

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

(8) Assumptions used for the years ended March 31, 2020 and 2019, were set forth as follows:

|                                        | 2020        | 2019        |
|----------------------------------------|-------------|-------------|
| Discount rate                          | Mainly 1.0% | Mainly 1.0% |
| Expected rate of return on plan assets | Mainly 2.0% | Mainly 2.0% |

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

(1) The changes in the net carrying amount of liabilities and assets for the years ended March 31, 2020 and 2019, were as follows:

|                                 | Millions of Yen |         | Thousands of U.S. Dollars |
|---------------------------------|-----------------|---------|---------------------------|
|                                 | 2020            | 2019    | 2020                      |
| Balance at beginning of year    | ¥ 3,021         | ¥ 2,899 | \$ 27,760                 |
| Periodic benefit costs          | 728             | 574     | 6,696                     |
| Benefits paid                   | (311)           | (144)   | (2,865)                   |
| Contributions from the employer | (323)           | (307)   | (2,968)                   |
| Balance at end of year          | ¥ 3,115         | ¥ 3,021 | \$ 28,623                 |

## Notes to Consolidated Financial Statements

(2) Reconciliation between the liability and asset recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2020 and 2019, were as follows:

|                                               | Millions of Yen |         | Thousands of U.S. Dollars |
|-----------------------------------------------|-----------------|---------|---------------------------|
|                                               | 2020            | 2019    | 2020                      |
| Funded defined benefit obligation             | ¥6,105          | ¥6,078  | \$ 56,097                 |
| Plan assets                                   | (5,563)         | (5,653) | (51,117)                  |
|                                               | 541             | 425     | 4,980                     |
| Unfunded defined benefit obligation           | 2,573           | 2,595   | 23,643                    |
| Net carrying amount of liabilities and assets | 3,115           | 3,021   | 28,623                    |
|                                               |                 |         |                           |
| Liabilities for retirement benefits           | 3,781           | 3,755   | 34,742                    |
| Assets for retirement benefits                | (665)           | (734)   | (6,119)                   |
| Net carrying amount of liabilities and assets | ¥3,115          | ¥3,021  | \$ 28,623                 |

(3) Periodic benefit costs

|                                                               | Millions of Yen |       | Thousands of U.S. Dollars |
|---------------------------------------------------------------|-----------------|-------|---------------------------|
|                                                               | 2020            | 2019  | 2020                      |
| Periodic benefit costs calculated under the simplified method | ¥ 728           | ¥ 574 | \$6,696                   |

### Defined contribution plans

The required contribution to defined contribution plans by the Company and its certain consolidated subsidiaries for the years ended March 31, 2020 and 2019 was ¥2,209 million (\$20,299 thousand) and ¥2,251 million, respectively.

## 8. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2020 and 2019, were as follows:

|                              | Millions of Yen |           | Thousands of U.S. Dollars |
|------------------------------|-----------------|-----------|---------------------------|
|                              | 2020            | 2019      | 2020                      |
| Balance at beginning of year | ¥ 264,166       | ¥ 221,372 | \$ 2,427,331              |
| Net change in the year       | 4,265           | 42,793    | 39,196                    |
| Balance at end of year       | ¥ 268,432       | ¥ 264,166 | \$ 2,466,528              |

## 9. SHORT-TERM BORROWINGS

Short-term borrowings were generally represented by bank loans, bearing interest at rates ranging from 0.014% to 0.48% and from 0.16% to 0.46% for the years ended March 31, 2020 and 2019, respectively.

## 10. INCOME TAXES

The Companies are subject to national and local income taxes. The aggregate normal statutory tax rates for the Company approximated 27.9% for the years ended March 31, 2020 and 2019.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2020 and 2019, were as follows:

|                                                                 | Millions of Yen |           | Thousands of U.S. Dollars |
|-----------------------------------------------------------------|-----------------|-----------|---------------------------|
|                                                                 | 2020            | 2019      | 2020                      |
| Deferred Tax Assets:                                            |                 |           |                           |
| Tax loss carryforwards                                          | ¥169,277        | ¥168,314  | \$1,555,431               |
| Depreciation                                                    | 50,466          | 46,269    | 463,717                   |
| Liability for retirement benefits                               | 38,819          | 37,401    | 356,698                   |
| Asset retirement obligations                                    | 29,102          | 30,097    | 267,415                   |
| Other                                                           | 78,909          | 79,670    | 725,073                   |
| Total of tax loss carryforwards and temporary differences       | 366,576         | 361,751   | 3,368,336                 |
| Less valuation allowance for tax loss carryforwards             | (121,512)       | (95,868)  | (1,116,530)               |
| Less valuation allowance for temporary differences              | (48,374)        | (42,242)  | (444,492)                 |
| Total valuation allowance (Note)                                | (169,886)       | (138,110) | (1,561,022)               |
| Deferred tax assets                                             | 196,689         | 223,641   | 1,807,314                 |
| Deferred Tax Liabilities:                                       |                 |           |                           |
| Capitalized assets retirement costs                             | 9,863           | 11,216    | 90,630                    |
| Gain on contributions of securities to retirement benefit trust | 5,619           | 5,375     | 51,632                    |
| Accrued income of foreign subsidiary                            | 5,616           | 4,267     | 51,605                    |
| Amortization in foreign subsidiary                              | 3,708           | 2,505     | 34,077                    |
| Assets for retirement benefits                                  | 1,761           | 3,981     | 16,182                    |
| Deferred gain on derivatives under hedge accounting             | 1,439           |           | 13,230                    |
| Other                                                           | 11,944          | 10,084    | 109,750                   |
| Deferred tax liabilities                                        | 39,952          | 37,431    | 367,110                   |
| Net deferred tax assets                                         | ¥156,737        | ¥186,210  | \$1,440,203               |

## Note:

Valuation allowance increased by ¥31,775 million (\$291,975 thousand). This was mainly because the Company additionally recognized valuation allowance for tax loss carryforwards of ¥26,114 million (\$239,954 thousand).

The expiration of tax loss carryforwards, the related valuation allowance and the resulting net deferred tax assets as of March 31, 2020 and 2019 were as follows:

|                                                                 | Millions of Yen  |                                  |                                     |                                      |                                     |                  | Total           |
|-----------------------------------------------------------------|------------------|----------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|------------------|-----------------|
|                                                                 | One Year or Less | After One Year through Two Years | After Two Years through Three Years | After Three Years through Four Years | After Four Years through Five Years | After Five Years |                 |
| Deferred tax assets relating to tax loss carryforwards (Note a) | ¥ 15,308         | ¥ 86,959                         | ¥ 32,653                            | ¥ 25,021                             | ¥ 926                               | ¥ 8,409          | ¥ 169,277       |
| Less valuation allowances for tax loss carryforwards            | 9,486            | 69,562                           | 26,923                              | 14,511                               | 404                                 | 623              | 121,512         |
| Net deferred tax assets relating to tax loss carryforwards      | 5,821            | 17,396                           | 5,729                               | 10,509                               | 521                                 | 7,785            | 47,765 (Note b) |

## Notes:

a) The tax loss carryforwards were the amount multiplied by the normal effective statutory tax rate.

b) Tax loss carryforwards mainly resulted from the long-term shutdown of nuclear power plants of the Company in past years. Deferred tax assets related to tax loss carryforwards were recognized at amounts the Company judged those were recoverable from expectations of future taxable income based on the business plan approved by the Board of Directors.



## Notes to Consolidated Financial Statements

| March 31, 2019                                                  | Millions of Yen  |                                        |                                           |                                            |                                           |                     |                    |
|-----------------------------------------------------------------|------------------|----------------------------------------|-------------------------------------------|--------------------------------------------|-------------------------------------------|---------------------|--------------------|
|                                                                 | One Year or Less | After<br>One Year through<br>Two Years | After<br>Two Years through<br>Three Years | After<br>Three Years<br>through Four Years | After<br>Four Years through<br>Five Years | After<br>Five Years | Total              |
| Deferred tax assets relating to tax loss carryforwards (Note c) | ¥ 605            | ¥ 17,551                               | ¥ 86,934                                  | ¥ 32,174                                   | ¥ 25,226                                  | ¥ 5,821             | ¥ 168,314          |
| Less valuation allowances for tax loss carryforwards            | 505              | 178                                    | 60,471                                    | 22,836                                     | 10,699                                    | 1,177               | 95,868             |
| Net deferred tax assets relating to tax loss carryforwards      | 100              | 17,372                                 | 26,463                                    | 9,338                                      | 14,527                                    | 4,643               | 72,446<br>(Note d) |

Notes:

c) The tax loss carryforwards were the amount multiplied by the normal effective statutory tax rate.

d) Tax loss carryforwards mainly resulted from the long-term shutdown of nuclear power plants of the Company in past years. Deferred tax assets related to tax loss carryforwards were recognized at amounts the Company judged those were recoverable from expectations of future taxable income based on the business plan approved by the Board of Directors.

| March 31, 2020                                                  | Thousands of U.S. Dollars |                                        |                                           |                                            |                                           |                     |                     |
|-----------------------------------------------------------------|---------------------------|----------------------------------------|-------------------------------------------|--------------------------------------------|-------------------------------------------|---------------------|---------------------|
|                                                                 | One Year or Less          | After<br>One Year through<br>Two Years | After<br>Two Years through<br>Three Years | After<br>Three Years<br>through Four Years | After<br>Four Years through<br>Five Years | After<br>Five Years | Total               |
| Deferred tax assets relating to tax loss carryforwards (Note a) | \$ 140,663                | \$ 799,036                             | \$ 300,040                                | \$ 229,910                                 | \$ 8,511                                  | \$ 77,270           | \$ 1,555,431        |
| Less valuation allowances for tax loss carryforwards            | 87,167                    | 639,181                                | 247,393                                   | 133,341                                    | 3,717                                     | 5,728               | 1,116,530           |
| Net deferred tax assets relating to tax loss carryforwards      | 53,495                    | 159,854                                | 52,647                                    | 96,568                                     | 4,793                                     | 71,541              | 438,901<br>(Note b) |

Notes:

a) The tax loss carryforwards were the amount multiplied by the normal effective statutory tax rate.

b) Tax loss carryforwards mainly resulted from the long-term shutdown of nuclear power plants of the Company in past years. Deferred tax assets related to tax loss carryforwards were recognized at amounts the Company judged those were recoverable from expectations of future taxable income based on the business plan approved by the Board of Directors.

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2020 and 2019, was as follows:

|                                     | 2020  | 2019  |
|-------------------------------------|-------|-------|
| Normal effective statutory tax rate | 27.9% | 27.9% |
| Valuation allowance                 | 69.2  | 11.1  |
| Other - net                         | (1.0) | (1.2) |
| Actual effective tax rate           | 96.1% | 37.8% |

## 11. EQUITY

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

### (a) Dividends

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

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the Company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

### (b) Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account that was charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

### (c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

## *Acquisition and disposal of Class A preferred stock*

The Company acquired the previous Class A preferred stock based on the articles of incorporation and has issued the new Class A preferred stock. The information of the new Class A preferred stock is as follows:

### (1) Way of offering

Third-party allotment to the Mizuho Bank, Ltd., Development Bank of Japan Inc. and MUFG Bank, Ltd

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

1,000 shares of Class A Preferred Stock

### (3) Issue price

¥100 million per share

### (4) Total amount of the issue price

¥100,000 million

### (5) Issue date

June 28, 2019

### (6) Uses of proceeds

The proceeds procured by issue of new Class A preferred stock will be used to repay a part of a bank loan the Company borrowed for acquisition of current Class A preferred stock.

### (7) Characteristics of the Preferred Stock

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

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

Annual preferred dividend for the Preferred Stock is ¥2,100,000 per share.

(Annual preferred dividend as of the record date of March 31, 2020 is ¥1,599,452 per share.)

The information of the previous Class A preferred stock was as follows:

### (1) Way of offering

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

## Notes to Consolidated Financial Statements

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

1,000 shares of Class A Preferred Stock

(3) Issue price

¥100 million per share

(4) Total amount of the issue price

¥100,000 million

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

Amount of preferred stock to be increased: ¥50,000 million

(¥50 million per share)

Amount of additional paid-in capital to be increased: ¥50,000 million

(¥50 million per share)

(6) Issue date

August 1, 2014

(7) Uses of proceeds

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

(8) Characteristics of the Preferred Stock

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

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

Annual preferred dividend for the Preferred Stock is ¥3,500,000 per share.

## 12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥5,525 million (\$50,774 thousand) and ¥5,459 million for the years ended March 31, 2020 and 2019, respectively.

## 13. RELATED PARTY DISCLOSURES

(a) Significant transactions of the Company with an affiliated company for the years ended March 31, 2020 and 2019 were as follows:

|                                                                     | Millions of Yen |         | Thousands of U.S. Dollars |
|---------------------------------------------------------------------|-----------------|---------|---------------------------|
|                                                                     | 2020            | 2019    | 2020                      |
| KYUDENKO CORPORATION                                                |                 |         |                           |
| Transactions:                                                       |                 |         |                           |
| Purchase of construction works on distribution facilities and other | ¥40,217         | ¥37,794 | \$369,545                 |
| Balances at year end:                                               |                 |         |                           |
| Payables for construction works                                     | 3,160           | 3,539   | 29,042                    |

(b) Notes concerning the parent company or important affiliates

### Important affiliates' financial summary

For the year ended March 31, 2020, Kyudenko Corporation was an important affiliate. The financial summary of its financial statements was as follows:

| March 31, 2020               | Millions of Yen | Thousands of U.S. Dollars |
|------------------------------|-----------------|---------------------------|
| Total current assets         | ¥184,812        | \$1,698,176               |
| Total noncurrent assets      | 144,096         | 1,324,052                 |
| Total current liabilities    | 143,524         | 1,318,799                 |
| Total noncurrent liabilities | 14,144          | 129,970                   |
| Total equity                 | 171,239         | 1,573,459                 |
| Operating revenues           | 365,128         | 3,355,039                 |
| Income before income taxes   | 28,677          | 263,504                   |
| Net income                   | 19,225          | 176,657                   |

For the year ended March 31, 2019, Kyudenko Corporation and Lion Power (2008) Pte. Ltd. were important affiliates. The financial summary of their combined financial statements was as follows:

| March 31, 2019               | Millions of Yen |
|------------------------------|-----------------|
| Total current assets         | ¥186,053        |
| Total noncurrent assets      | 166,330         |
| Total current liabilities    | 148,614         |
| Total noncurrent liabilities | 13,802          |
| Total equity                 | 189,966         |
| Operating revenues           | 352,007         |
| Income before income taxes   | (22,931)        |
| Net income                   | (33,763)        |

#### 14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

##### Items Pertaining to Financial Instruments

##### (a) The Companies' policy for financial instruments

The Companies use mainly long-term debt, including bonds and loans, to raise funds required for investments in electric utility plant and equipment and repayments of bonds and loans. Cash surpluses, if any, are invested in low-risk financial assets. Derivatives are used not for speculative purposes, but to avoid financial risks as described in (b) below.

##### (b) Nature and extent of risks arising from financial instruments and risk control system

Investment securities, mainly held-to-maturity debt securities and equity securities issued by companies related through business, and investments in and advances to nonconsolidated subsidiaries and affiliated companies which have a quoted market price in an active market are exposed to the risk of market price fluctuations. Such market risk is managed by monitoring market values and financial position of issuers on a regular basis. Investment securities and investments in and advances to nonconsolidated subsidiaries and affiliated companies which do not have a quoted market price in an active market are managed by monitoring financial position of issuers on a regular basis. In addition, the Company requires its nonconsolidated subsidiaries and affiliated companies to submit business plans and performance reports, and to consult in advance on any items that could have a significant impact on the Companies' business activities.

Receivables are exposed to customer credit risk. Payment terms are set forth in specific retail electricity power supply provisions and so on. The Companies manage their credit risk from receivables by monitoring payment terms and balances of each customer and identifying and reducing the default risk of customers at an early stage.

Bonds and loans are mainly used to raise funds for investments in plant and equipment. Foreign currency denominated debt is exposed to the market risk of fluctuations in foreign exchange. Such risk is mitigated by using currency swaps. Financial liabilities with variable interest rate is exposed to interest rate fluctuation risk. Such risk is mitigated by using interest rate swaps as necessary.

Payment terms of notes and accounts payable are less than one year. Accounts payable to purchase fuel in foreign currencies is exposed to the market risk of fluctuations in foreign exchange and fuel price. Such risks are mitigated by using currency swaps and energy swaps as necessary.

Liquidity risk comprises the risk that the Companies cannot meet their contractual obligations in full on maturity dates. The Companies manage their liquidity risk by holding adequate volumes of liquid assets based on monthly financial planning and diversifying sources of their financing.

##### Fair values of financial instruments

The carrying amounts and aggregate fair values of financial instruments at March 31, 2020 and 2019 were as follows:

| March 31, 2020                                                                       | Millions of Yen |             |                          |
|--------------------------------------------------------------------------------------|-----------------|-------------|--------------------------|
|                                                                                      | Carrying Amount | Fair Value  | Unrecognized Gain (Loss) |
| Investment securities:                                                               |                 |             |                          |
| Held-to-maturity debt securities                                                     | ¥ 141           | ¥ 131       | ¥ (9)                    |
| Available-for-sale securities                                                        | 3,906           | 3,906       |                          |
| Investments in and advances to nonconsolidated subsidiaries and affiliated companies | 39,593          | 47,061      | 7,467                    |
| Cash and cash equivalents                                                            | 205,485         | 205,485     |                          |
| Receivables                                                                          | 258,646         | 258,646     |                          |
| Total                                                                                | ¥ 507,773       | ¥ 515,232   | ¥ 7,458                  |
| Long-term debt:                                                                      |                 |             |                          |
| Bonds                                                                                | ¥ 1,349,898     | ¥ 1,358,316 | ¥ 8,417                  |
| Loans                                                                                | 1,846,361       | 1,879,188   | 32,827                   |
| Short-term borrowings                                                                | 118,012         | 118,012     |                          |
| Commercial paper                                                                     | 92,000          | 92,000      |                          |
| Notes and accounts payable                                                           | 142,732         | 142,732     |                          |
| Accrued income taxes                                                                 | 3,471           | 3,471       |                          |
| Total                                                                                | ¥ 3,552,476     | ¥ 3,593,721 | ¥ 41,245                 |
| Derivatives                                                                          | ¥ 1,189         | ¥ 1,189     |                          |



| March 31, 2019                                                                       | Millions of Yen |             |                          |
|--------------------------------------------------------------------------------------|-----------------|-------------|--------------------------|
|                                                                                      | Carrying Amount | Fair Value  | Unrecognized Gain (Loss) |
| Investment securities:                                                               |                 |             |                          |
| Held-to-maturity debt securities                                                     | ¥ 141           | ¥ 134       | ¥ (6)                    |
| Available-for-sale securities                                                        | 7,926           | 7,926       |                          |
| Investments in and advances to nonconsolidated subsidiaries and affiliated companies | 31,908          | 55,868      | 23,960                   |
| Cash and cash equivalents                                                            | 245,273         | 245,273     |                          |
| Receivables                                                                          | 237,236         | 237,236     |                          |
| Total                                                                                | ¥ 522,485       | ¥ 546,438   | ¥ 23,953                 |
| Long-term debt:                                                                      |                 |             |                          |
| Bonds                                                                                | ¥ 1,284,497     | ¥ 1,310,896 | ¥ 26,399                 |
| Loans                                                                                | 1,823,603       | 1,866,554   | 42,951                   |
| Short-term borrowings                                                                | 115,063         | 115,063     |                          |
| Notes and accounts payable                                                           | 135,648         | 135,648     |                          |
| Accrued income taxes                                                                 | 2,324           | 2,324       |                          |
| Total                                                                                | ¥ 3,361,136     | ¥ 3,430,487 | ¥ 69,350                 |
| Derivatives                                                                          | ¥ (5,002)       | ¥ (5,002)   |                          |

| March 31, 2020                                                                       | Thousands of U.S. Dollars |               |                          |
|--------------------------------------------------------------------------------------|---------------------------|---------------|--------------------------|
|                                                                                      | Carrying Amount           | Fair Value    | Unrecognized Gain (Loss) |
| Investment securities:                                                               |                           |               |                          |
| Held-to-maturity debt securities                                                     | \$ 1,295                  | \$ 1,211      | \$ (84)                  |
| Available-for-sale securities                                                        | 35,895                    | 35,895        |                          |
| Investments in and advances to nonconsolidated subsidiaries and affiliated companies | 363,812                   | 432,433       | 68,620                   |
| Cash and cash equivalents                                                            | 1,888,136                 | 1,888,136     |                          |
| Receivables                                                                          | 2,376,609                 | 2,376,609     |                          |
| Total                                                                                | \$ 4,665,749              | \$ 4,734,286  | \$ 68,536                |
| Long-term debt:                                                                      |                           |               |                          |
| Bonds                                                                                | \$ 12,403,731             | \$ 12,481,080 | \$ 77,349                |
| Loans                                                                                | 16,965,556                | 17,267,194    | 301,638                  |
| Short-term borrowings                                                                | 1,084,370                 | 1,084,370     |                          |
| Commercial paper                                                                     | 845,355                   | 845,355       |                          |
| Notes and accounts payable                                                           | 1,311,521                 | 1,311,521     |                          |
| Accrued income taxes                                                                 | 31,898                    | 31,898        |                          |
| Total                                                                                | \$ 32,642,433             | \$ 33,021,421 | \$ 378,987               |
| Derivatives                                                                          | \$ 10,926                 | \$ 10,926     |                          |

## Notes to Consolidated Financial Statements

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

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

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

Derivatives are stated at the net amount.

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

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

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

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

***Bonds***

The fair values of bonds are based on market price.

***Long-term loans***

The fair values of long-term loans at fixed interest rates are determined by discounting the cash flows related to the loans at the Company's assumed corporate borrowing rate. Because loans at variable interest rates reflect short-term movements in market interest rates and there has been no substantial change in the Company's credit position since the loans were implemented, the carrying amounts approximate fair values. A part of loans is subjected to interest rate swaps, which qualify for hedge accounting and meet specific matching criteria (see Note 15), and the fair values are determined by discounting the cash flows related to the loans with the interest rate swaps at the Company's assumed corporate borrowing rate.

***Short-term borrowings, commercial paper, notes and accounts payable, and accrued income taxes.***

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

***Derivatives***

Fair value information for derivatives is included in Note 15.

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

|                                                                                       | Millions of Yen |          | Thousands of U.S. Dollars |
|---------------------------------------------------------------------------------------|-----------------|----------|---------------------------|
|                                                                                       | 2020            | 2019     | 2020                      |
| Investment securities:                                                                |                 |          |                           |
| Available-for-sale:                                                                   |                 |          |                           |
| Equity securities                                                                     | ¥ 67,007        | ¥ 64,564 | \$ 615,712                |
| Other securities                                                                      | 11,868          | 2,919    | 109,057                   |
| Investments in and advances to nonconsolidated subsidiaries and affiliated companies: |                 |          |                           |
| Equity securities                                                                     | 88,193          | 69,085   | 810,376                   |
| Other securities                                                                      | 30,201          | 23,691   | 277,506                   |
| Total                                                                                 | ¥197,270        | ¥160,260 | \$ 1,812,652              |

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

|                                                           | Millions of Yen         |                                       |                                        |                     |
|-----------------------------------------------------------|-------------------------|---------------------------------------|----------------------------------------|---------------------|
|                                                           | Due in One Year or Less | Due after One Year through Five Years | Due after Five Years through Ten Years | Due after Ten Years |
| March 31, 2020                                            |                         |                                       |                                        |                     |
| Investment securities:                                    |                         |                                       |                                        |                     |
| Held-to-maturity debt securities                          |                         | ¥ 5                                   | ¥ 33                                   | ¥ 103               |
| Available-for-sale securities with contractual maturities |                         |                                       | 14                                     | 281                 |
| Cash and cash equivalents                                 | ¥ 205,485               |                                       |                                        |                     |
| Receivables                                               | 258,646                 |                                       |                                        |                     |
| Total                                                     | ¥ 464,132               | ¥ 5                                   | ¥ 47                                   | ¥ 384               |

Millions of Yen

March 31, 2020

|                                                           | Due in One<br>Year or Less | Due after One Year<br>through Five Years | Due after Five Years<br>through Ten Years | Due after<br>Ten Years |
|-----------------------------------------------------------|----------------------------|------------------------------------------|-------------------------------------------|------------------------|
| Investment securities:                                    |                            |                                          |                                           |                        |
| Held-to-maturity debt securities                          |                            | \$ 45                                    | \$ 303                                    | \$ 946                 |
| Available-for-sale securities with contractual maturities |                            |                                          | 134                                       | 2,590                  |
| Cash and cash equivalents                                 | \$ 1,888,136               |                                          |                                           |                        |
| Receivables                                               | 2,376,609                  |                                          |                                           |                        |
| Total                                                     | \$4,264,745                | \$ 45                                    | \$ 437                                    | \$ 3,536               |

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

## 15. DERIVATIVES

The Company enters into foreign exchange forward contracts, currency swaps, interest rate swaps and energy swap agreements to manage its exposures to fluctuations in foreign exchanges, interest rates and fuel price, respectively.

Consolidated subsidiaries of the Company enter into foreign exchange forward contracts and interest rate swaps to manage their exposures to fluctuations in interest rates.

The Companies do not enter into derivatives for trading or speculative purposes.

Foreign exchange forward contracts, currency swaps, interest rate swaps and energy swap agreements are not subject to any market risk except for abandoning potential income by market fluctuations in hedged items.

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

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

### Derivative transactions to which hedge accounting is applied

Millions of Yen

March 31, 2020

|                                    | Hedged Item      | Contract<br>Amount | Contract Amount<br>Due after One Year | Fair Value |
|------------------------------------|------------------|--------------------|---------------------------------------|------------|
| Foreign exchange forward contract: |                  |                    |                                       |            |
| Buying U.S. dollar (Note a)        | Accounts payable | ¥ 55,830           | ¥ 55,830                              | ¥ 5,749    |
| Buying Canadian dollar (Note a)    |                  | 23,101             | 23,101                                | (1,028)    |
| Interest rate swaps:               |                  |                    |                                       |            |
| Principle treatment (Note b)       | Long-term loans  | 58,815             | 57,539                                | (3,531)    |
| Pay fixed /<br>Receive floating    |                  |                    |                                       |            |
| Special treatment (Note c)         | Long-term loans  | 2,106              | 1,889                                 |            |
| Pay fixed /<br>Receive floating    |                  |                    |                                       |            |
| Total                              |                  |                    |                                       | ¥ 1,189    |

## Notes to Consolidated Financial Statements

| March 31, 2019                     | Millions of Yen  |                 |                                    |            |
|------------------------------------|------------------|-----------------|------------------------------------|------------|
|                                    | Hedged Item      | Contract Amount | Contract Amount Due after One Year | Fair Value |
| Foreign exchange forward contract: |                  |                 |                                    |            |
| Buying U.S. dollar (Note a)        | Accounts payable | ¥ 55,830        | ¥ 55,830                           | ¥ (2,016)  |
| Buying Canadian dollar (Note a)    |                  | 23,101          | 23,101                             | (1,335)    |
| Interest rate swaps:               |                  |                 |                                    |            |
| Principle treatment (Note b)       |                  |                 |                                    |            |
| Pay fixed /Receive floating        | Long-term loans  | ¥35,752         | ¥34,384                            | ¥(1,650)   |
| Special treatment (Note c)         |                  |                 |                                    |            |
| Pay fixed / Receive floating       | Long-term loans  | 2,323           | 2,106                              |            |
| Total                              |                  |                 |                                    | ¥(5,002)   |

| March 31, 2020                     | Thousands of U.S. Dollars |                 |                                    |            |
|------------------------------------|---------------------------|-----------------|------------------------------------|------------|
|                                    | Hedged Item               | Contract Amount | Contract Amount Due after One Year | Fair Value |
| Foreign exchange forward contract: |                           |                 |                                    |            |
| Buying U.S. dollar (Note a)        | Accounts payable          | \$ 513,008      | \$ 513,008                         | \$ 52,832  |
| Buying Canadian dollar (Note a)    |                           | 212,274         | 212,274                            | (9,452)    |
| Interest rate swaps:               |                           |                 |                                    |            |
| Principle treatment (Note b)       |                           |                 |                                    |            |
| Pay fixed /<br>Receive floating    | Long-term loans           | 540,432         | 528,705                            | (32,453)   |
| Special treatment (Note c)         |                           |                 |                                    |            |
| Pay fixed /<br>Receive floating    | Long-term loans           | 19,352          | 17,359                             |            |
| Total                              |                           |                 |                                    | \$ 10,926  |

### Notes:

- The fair value of derivative transactions is measured at the forward foreign exchange rate.
- The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.
- The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest charges. As a result, the fair values of interest rate swaps are included in those of hedged items (i.e., long-term loans) in Note 14.
- The contract or notional amounts of derivatives, which are shown in the above table, do not represent the amounts exchanged by the parties and do not measure the Companies' exposure to market risk.

## 16. COMMITMENTS AND CONTINGENCIES

At March 31, 2020, the Companies had a number of fuel purchase commitments, most of which specify quantities and dates for fuel deliveries. However, most of purchase prices are contingent upon fluctuations in market prices.

### *Contingent liabilities*

Contingent liabilities at March 31, 2020 were as follows:

|                                                                       | Millions of Yen | Thousands of<br>U.S. Dollars |
|-----------------------------------------------------------------------|-----------------|------------------------------|
| Co-guarantees of loans, mainly in connection with procurement of fuel | ¥79,443         | \$729,978                    |
| Guarantees of employees' loans                                        | 50,013          | 459,558                      |
| Other                                                                 | 10,527          | 96,730                       |

### *Loan commitments*

Kyuden International Corporation, a consolidated subsidiary of the Company, has entered into the Shareholder Loan Agreement with Senoko Energy Pte Ltd. The unexercised portion of loan commitments under the agreement for the year ended March 31, 2020 was as follows:

|                                         | Millions of Yen | Thousands of<br>U.S. Dollars |
|-----------------------------------------|-----------------|------------------------------|
| Total loan limits                       | ¥1,585          | \$14,564                     |
| Loan executed                           |                 |                              |
| Unexercised portion of loan commitments | 1,585           | 14,564                       |



## Notes to Consolidated Financial Statements

### 17. COMPREHENSIVE INCOME

The components of other comprehensive loss for the years ended March 31, 2020 and 2019, were as follows:

|                                                                                             | Millions of Yen |            | Thousands of<br>U.S. Dollars |
|---------------------------------------------------------------------------------------------|-----------------|------------|------------------------------|
|                                                                                             | 2020            | 2019       | 2020                         |
| Other comprehensive income (loss):                                                          |                 |            |                              |
| Unrealized loss on available-for-sale securities:                                           |                 |            |                              |
| Losses arising during the year                                                              | ¥ (1,756)       | ¥ (183)    | \$ (16,137)                  |
| Reclassification adjustments to profit or loss                                              | (703)           | 2          | (6,460)                      |
| Amount before income tax effect                                                             | (2,459)         | (180)      | (22,598)                     |
| Income tax effect                                                                           | 682             | 67         | 6,272                        |
| Total                                                                                       | ¥ (1,776)       | ¥ (113)    | \$ (16,326)                  |
| Deferred gain (loss) on derivatives under hedge accounting:                                 |                 |            |                              |
| Gains (losses) arising during the year                                                      | ¥ 5,936         | ¥ (2,569 ) | \$ 54,547                    |
| Reclassification adjustments to profit or loss                                              | 255             | (327)      | 2,343                        |
| Amount before income tax effect                                                             | 6,191           | (2,897)    | 56,891                       |
| Income tax effect                                                                           | (1,070)         | (258)      | (9,835)                      |
| Total                                                                                       | ¥ 5,121         | ¥ (3,155)  | \$ 47,055                    |
| Foreign currency translation adjustments:                                                   |                 |            |                              |
| Losses arising during the year                                                              | ¥ (959)         | ¥ (5,006)  | \$ (8,817)                   |
| Amount before income tax effect                                                             | (959)           | (5,006)    | (8,817)                      |
| Income tax effect                                                                           | 36              | 1,469      | 331                          |
| Total                                                                                       | ¥ (923)         | ¥ (3,536)  | \$ (8,486)                   |
| Defined retirement benefit plans:                                                           |                 |            |                              |
| Losses arising during the year                                                              | ¥ (17,175)      | ¥ (9,462)  | \$ (157,820)                 |
| Reclassification adjustments to profit                                                      | 8,287           | 6,763      | 76,151                       |
| Amount before income tax effect                                                             | (8,887)         | (2,698)    | (81,668)                     |
| Income tax effect                                                                           | 2,525           | 744        | 23,202                       |
| Total                                                                                       | ¥ (6,362)       | ¥ (1,954)  | \$ (58,465)                  |
| Share of other comprehensive loss in nonconsolidated subsidiaries and affiliated companies: |                 |            |                              |
| Losses arising during the year                                                              | ¥ (699)         | ¥ (1,121)  | \$ (6,425)                   |
| Reclassification adjustments to profit or loss                                              | 110             | (24)       | 1,016                        |
| Total                                                                                       | ¥ (588)         | ¥ (1,146)  | \$ (5,408)                   |
| Total other comprehensive loss                                                              | ¥ (4,530)       | ¥ (9,905)  | \$ (41,631)                  |

## 18. SEGMENT INFORMATION

### (1) Description of reportable segments

The Companies' reportable segments are those for which financial information is available separately and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Companies. Therefore, the Companies' reportable segments consist of domestic electric power, other energy service, information and communication technology (ICT) service and other.

- **Domestic Electric Power segment:** this segment is engaged in the business of power generation and retail electricity in Japan and electricity transmission and distribution in Kyushu region.
- **Other Energy Service segment:** this segment is engaged in the business that provides a stable supply of electric power, such as construction and maintenance of electricity-related facilities, selling gas and LNG, a renewable energy business, and overseas business.
- **ICT Service segment:** this segment is engaged in the data communication business, optical broadband business, construction and maintenance of telecommunications facilities, information system development business, and data center business.
- **Other segment:** this segment is engaged in the real estate business, nursing home business, and other business.

### (2) Methods of measurement for the amounts of sales, profit, assets and other items for each reportable segment

The accounting policies of each reportable segment are consistent to those disclosed in Note 2, "Summary of Significant Accounting Policies."

### (3) Information about sales, profit, assets and other items at March 31, 2020 and 2019, was as follows:

| Millions of Yen                          |                            |                         |              |          |             |                 |              |
|------------------------------------------|----------------------------|-------------------------|--------------|----------|-------------|-----------------|--------------|
| 2020                                     |                            |                         |              |          |             |                 |              |
| Reportable segment                       |                            |                         |              |          |             |                 |              |
| Energy service                           |                            |                         |              |          |             |                 |              |
|                                          | Domestic<br>Electric Power | Other Energy<br>Service | ICT Services | Other    | Total       | Reconciliations | Consolidated |
| Sales:                                   |                            |                         |              |          |             |                 |              |
| Sales to<br>external customers           | ¥ 1,844,326                | ¥ 74,158                | ¥ 81,005     | ¥ 13,559 | ¥ 2,013,050 |                 | ¥ 2,013,050  |
| Intersegment sales<br>or transfers       | 4,069                      | 119,811                 | 31,690       | 15,292   | 170,863     | ¥ (170,863)     |              |
| Total                                    | ¥ 1,848,395                | ¥ 193,970               | ¥ 112,696    | ¥ 28,851 | ¥ 2,183,913 | ¥ (170,863)     | ¥ 2,013,050  |
| Segment profit                           | 42,471                     | 11,464                  | 6,257        | 4,833    | 65,027      | (1,213)         | 63,813       |
| Segment assets                           | 4,230,126                  | 535,988                 | 190,967      | 181,174  | 5,138,256   | (190,193)       | 4,948,063    |
| Other:                                   |                            |                         |              |          |             |                 |              |
| Depreciation                             | 227,214                    | 10,624                  | 22,692       | 3,648    | 264,179     | (2,810)         | 261,369      |
| Increase in property<br>and nuclear fuel | 383,047                    | 13,049                  | 25,691       | 5,341    | 427,130     | (5,398)         | 421,731      |

| Millions of Yen                          |                            |                         |              |          |             |                 |              |
|------------------------------------------|----------------------------|-------------------------|--------------|----------|-------------|-----------------|--------------|
| 2019                                     |                            |                         |              |          |             |                 |              |
| Reportable segment                       |                            |                         |              |          |             |                 |              |
| Energy service                           |                            |                         |              |          |             |                 |              |
|                                          | Domestic<br>Electric Power | Other Energy<br>Service | ICT Services | Other    | Total       | Reconciliations | Consolidated |
| Sales:                                   |                            |                         |              |          |             |                 |              |
| Sales to<br>external customers           | ¥ 1,854,745                | ¥ 73,094                | ¥ 73,330     | ¥ 16,011 | ¥ 2,017,181 |                 | ¥ 2,017,181  |
| Intersegment sales<br>or transfers       | 4,061                      | 130,195                 | 32,117       | 13,499   | 179,874     | ¥ (179,874)     |              |
| Total                                    | ¥ 1,858,807                | ¥ 203,290               | ¥ 105,447    | ¥ 29,510 | ¥ 2,197,056 | ¥ (179,874)     | ¥ 2,017,181  |
| Segment profit                           | ¥ 64,815                   | ¥ 11,669                | ¥ 4,860      | ¥ 6,025  | ¥ 87,370    | ¥ (795)         | ¥ 86,575     |
| Segment assets                           | 4,109,204                  | 472,178                 | 188,273      | 171,603  | 4,941,259   | (147,219)       | 4,794,039    |
| Other:                                   |                            |                         |              |          |             |                 |              |
| Depreciation                             | 205,430                    | 9,360                   | 22,667       | 3,703    | 241,161     | (2,971)         | 238,189      |
| Increase in property<br>and nuclear fuel | 326,138                    | 24,245                  | 21,743       | 2,569    | 374,697     | (4,881)         | 369,816      |

## Notes to Consolidated Financial Statements

| Thousands of U.S. Dollars             |                         |                      |              |            |               |                 |               |
|---------------------------------------|-------------------------|----------------------|--------------|------------|---------------|-----------------|---------------|
| 2020                                  |                         |                      |              |            |               |                 |               |
| Reportable segment                    |                         |                      |              |            |               |                 |               |
|                                       | Energy service          |                      | ICT Services | Other      | Total         | Reconciliations | Consolidated  |
|                                       | Domestic Electric Power | Other Energy Service |              |            |               |                 |               |
| Sales:                                |                         |                      |              |            |               |                 |               |
| Sales to external customers           | \$ 16,946,855           | \$ 681,416           | \$ 744,334   | \$ 124,591 | \$ 18,497,197 |                 | \$ 18,497,197 |
| Intersegment sales or transfers       | 37,390                  | 1,100,906            | 291,190      | 140,513    | 1,570,000     | (1,570,000)     |               |
| Total                                 | \$ 16,984,245           | \$ 1,782,322         | \$ 1,035,525 | \$ 265,105 | \$ 20,067,198 | \$ (1,570,000)  | \$ 18,497,197 |
| Segment profit                        | \$ 390,259              | \$ 105,346           | \$ 57,493    | \$ 44,413  | \$ 597,513    | \$ (11,152)     | \$ 586,360    |
| Segment assets                        | 38,869,121              | 4,925,009            | 1,754,730    | 1,664,745  | 47,213,606    | (1,747,617)     | 45,465,988    |
| Other:                                |                         |                      |              |            |               |                 |               |
| Depreciation                          | 2,087,790               | 97,626               | 208,511      | 33,527     | 2,427,455     | (25,823)        | 2,401,631     |
| Increase in property and nuclear fuel | 3,519,688               | 119,906              | 236,070      | 49,081     | 3,924,746     | (49,609)        | 3,875,137     |

Notes:

- (a) Reconciliations of segment profit and segment assets are intersegment transaction eliminations.  
(b) Segment profit is adjusted to reflect operating income in the consolidated statement of operations.

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

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

(4) Change in reportable segments

Effective April 1, 2019, the Companies changed its operating segments from electric power, energy related business, information technology (IT) and telecommunications and other to domestic electric power, other energy service, information and communication (ICT) service and other, and transferred Kyuden Mirai Energy Company, Incorporated which had previously been segmented as energy related business, to domestic electric power because the Kyuden Group Management Vision 2030 was formulated in June 2019.

The segment information for the year ended March 31, 2019, is also disclosed using the new operating segments.

## 19. SUBSEQUENT EVENT

### a. Year-end cash dividends

At the general shareholders meeting held on June 25, 2020, the Company's shareholders approved the following appropriation of retained earnings as of March 31, 2020:

|                                                                                 | Millions of Yen | Thousands of U.S. Dollars |
|---------------------------------------------------------------------------------|-----------------|---------------------------|
| Year-end cash dividends, ¥15.00 (\$0.13) per common share                       | ¥7,109          | \$65,322                  |
| Year-end cash dividends, ¥1,052,877.00 (\$9,674.51) per Class A preferred share | ¥1,052          | \$9,674                   |

## 20. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the year ended March 31, 2020 and 2019, was as follows:

|                                                     | Millions of Yen                                          | Thousands of Shares            | Yen      | U.S. Dollars |
|-----------------------------------------------------|----------------------------------------------------------|--------------------------------|----------|--------------|
|                                                     | Net Income<br>Attributable<br>to Owners<br>of the Parent | Weighted-<br>Average<br>Shares | EPS      |              |
| Year Ended March 31,2020                            |                                                          |                                |          |              |
| Net loss attributable to owners of the parent       | ¥(419)                                                   |                                |          |              |
| Amount not attributable to common shareholder:      |                                                          |                                |          |              |
| Preferred dividend                                  | (2,443)                                                  |                                |          |              |
| Basic EPS-Net loss available to common shareholders | ¥(2,862)                                                 | 472,986                        | ¥ (6.05) | \$ (0.05)    |
| Effect of dilutive securities:                      |                                                          |                                |          |              |
| Convertible bonds                                   |                                                          |                                |          |              |
| Diluted EPS-Net income for computation              |                                                          |                                |          |              |
|                                                     | Millions of Yen                                          | Thousands of Shares            | Yen      |              |
|                                                     | Net Income<br>Attributable<br>to Owners<br>of the Parent | Weighted-Average<br>Shares     | EPS      |              |
| Year Ended March 31,2019                            |                                                          |                                |          |              |
| Net loss attributable to owners of the parent       | ¥30,970                                                  |                                |          |              |
| Amount not attributable to common shareholder:      |                                                          |                                |          |              |
| Preferred dividend                                  | (3,500)                                                  |                                |          |              |
| Basic EPS-Net loss available to common shareholders | ¥27,470                                                  | 473,206                        | ¥58.05   |              |
| Effect of dilutive securities:                      |                                                          |                                |          |              |
| Convertible bonds                                   |                                                          | 105,008                        |          |              |
| Diluted EPS-Net income for computation              | ¥27,470                                                  | 578,214                        | ¥47.51   |              |

## 21. ADDITIONAL INFORMATION

### *Execution of the Absorption-type Split Agreement*

With respect to Japanese energy policy, the electric power system reform has been enacted in order to realize “secure stable supply of electric power,” “suppress electricity rates” and “expand choices for consumers and business opportunities for electric providers.”

In June 2015, the Electricity Business Act was revised as a part of the reform. The revised Act requires former General Electricity Utility to legally split the General Transmission and Distribution Business in April 2020 (“Legal Unbundling”). The revised Act also forbids General Transmission and Distribution Utility to operate power generation or retail electricity businesses for the purpose of ensuring fairness of general transmission and distribution division.

The Company carried out an absorption-type split in which the general transmission and distribution business were transferred to Kyushu Electric Power Transmission and Distribution Co., Inc. (the succeeding company), a wholly owned subsidiary of the Company. The business split aimed not only to respond to Legal Unbundling appropriately but also to improve value of the entire group and build a competitive business management system.

a) Description of business

General electricity transmission and distribution business, Power generation business in remote islands and any business incidental thereto

b) Effective date of the absorption-type split

April 1, 2020

c) Method of the absorption-type split

This was an absorption-type split where in the Company was the splitting company and the subsidiary wholly owned by the Company was the succeeding Company.

d) Outline of Accounting Treatment Applied

In accordance with the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, issued on January 16, 2019), and “Guidance on Accounting Standard for Business Combinations and Business Separations” (ASBJ Guidance No. 10, issued on January 16, 2019), this business combination was accounted for as business combinations under common control.

Accordingly, effective April 1, 2020, the Companies divided domestic electric segment into “power generation and sale segment” and “electricity transmission and distribution segment.” Power generation and sale segment includes the Company and Kyuden Mirai Energy Company, Incorporated, and electricity transmission and distribution segment includes Kyushu Electric Power Transmission and Distribution Co., Inc. Consequently, the Companies’ reportable segments consist of five segments.





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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Kyushu Electric Power Company, Incorporated:

### Opinion

We have audited the consolidated financial statements of Kyushu Electric Power Company, Incorporated and its consolidated subsidiaries (the "Companies"), which comprise the consolidated balance sheet as of March 31, 2020, and the consolidated statement of operations, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Companies as of March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Companies in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Companies' ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Companies or to cease operations, or has no realistic alternative but to do so.

The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Companies' financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Companies' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Companies' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Companies to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Companies to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Companies which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

A handwritten signature in black ink that reads "Deloitte Touche Tohmatsu LLC". The signature is written in a cursive, flowing style.

June 25, 2020



# Overview of Power Generation Facilities

(As of Tuesday, March 31, 2020)

| Nuclear Power (2 facilities/maximum output 4,140,000 kW) |                         |                             |                           |                                                   |
|----------------------------------------------------------|-------------------------|-----------------------------|---------------------------|---------------------------------------------------|
| Station name                                             | Maximum output (kW)     | Operation commencement date | System                    | Location                                          |
| Genkai                                                   | 2,360,000 (1,180,000×2) | Mar. 1994                   | Pressurized water reactor | Genkai-cho, Higashi Matsuura-gun, Saga Prefecture |
| Sendai                                                   | 1,780,000 (890,000×2)   | Jul. 1984                   | Pressurized water reactor | Satsumasendai-shi, Kagoshima Prefecture           |

| Thermal Power (7 facilities/maximum output 9,585,000 kW) |                                                     |                             |                     |                                                    |
|----------------------------------------------------------|-----------------------------------------------------|-----------------------------|---------------------|----------------------------------------------------|
| Station name                                             | Maximum output (kW)                                 | Operation commencement date | System              | Location                                           |
| Shin Kokura                                              | 1,800,000 (600,000×3)                               | Sep. 1978                   | LNG                 | Kokura Kita-ku, Kitakyushu-shi, Fukuoka Prefecture |
| Karita                                                   | 360,000 (360,000×1)                                 | Jul. 2001                   | Coal                | Kanda-machi, Miyako-gun, Fukuoka Prefecture        |
| Buzen                                                    | 500,000 (500,000×1)                                 | Jun. 1980                   | Heavy oil/crude oil | Buzen-shi, Fukuoka Prefecture                      |
| Matsuura                                                 | 1,700,000 (700,000×1 1,000,000×1)                   | Jun. 1989                   | Coal                | Matsuura-shi, Nagasaki Prefecture                  |
| Shin Oita                                                | 2,825,000 (115,000×6 230,000×4 245,000×3 480,000×1) | Jun. 1991                   | LNG                 | Oita-shi, Oita Prefecture                          |
| Reihoku                                                  | 1,400,000 (700,000×2)                               | Dec. 1995                   | Coal                | Reihoku-machi, Amakusa-gun, Kumamoto Prefecture    |
| Sendai                                                   | 1,000,000 (500,000×2)                               | Jul. 1974                   | Heavy oil/crude oil | Satsumasendai-shi, Kagoshima Prefecture            |

| Hydroelectric power (143 locations/maximum output 3,580,051 kW) including the main island (138 locations/maximum output 3,576,328 kW) and remote islands (5 locations/maximum output 3,723 kW)* |                       |                             |                                              |                                                       |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------------|----------------------------------------------|-------------------------------------------------------|
| Station name                                                                                                                                                                                    | Maximum output (kW)   | Operation commencement date | System                                       | Location                                              |
| Tenzan                                                                                                                                                                                          | 600,000 (300,000×2)   | Dec. 1986                   | Dam and conduit system (pure pumped-storage) | Karatsu-shi, Saga Prefecture                          |
| Matsubara                                                                                                                                                                                       | 50,600                | Aug. 1971                   | Dam system                                   | Hita-shi, Oita Prefecture                             |
| Yanagimata                                                                                                                                                                                      | 63,800                | Jun. 1973                   | Dam and conduit system                       | Hita-shi, Oita Prefecture                             |
| Ohira                                                                                                                                                                                           | 500,000 (250,000×2)   | Dec. 1975                   | Dam and conduit system (pure pumped-storage) | Yatsushiro-shi, Kumamoto Prefecture                   |
| Kamishiiba                                                                                                                                                                                      | 93,200                | May. 1955                   | Dam and conduit system                       | Shiiba-son, Higashi Usuki-gun, Miyazaki Prefecture    |
| Iwayado                                                                                                                                                                                         | 52,000                | Jan. 1942                   | Dam and conduit system                       | Shiiba-son, Higashi Usuki-gun, Miyazaki Prefecture    |
| Tsukabaru                                                                                                                                                                                       | 63,050                | Oct. 1938                   | Dam and conduit system                       | Morotsuka-son, Higashi Usuki-gun, Miyazaki Prefecture |
| Morotsuka                                                                                                                                                                                       | 50,000                | Feb. 1961                   | Dam and conduit system                       | Morotsuka-son, Higashi Usuki-gun, Miyazaki Prefecture |
| Hitotsuse                                                                                                                                                                                       | 180,000               | Jun. 1963                   | Dam and conduit system                       | Saito-shi, Miyazaki Prefecture                        |
| Oyodogawa Daiichi                                                                                                                                                                               | 55,500                | Jan. 1926                   | Dam system                                   | Miyakonojo-shi, Miyazaki Prefecture                   |
| Oyodogawa Daini                                                                                                                                                                                 | 71,300                | Mar. 1932                   | Dam and conduit system                       | Miyazaki-shi, Miyazaki Prefecture                     |
| Omarugawa                                                                                                                                                                                       | 1,200,000 (300,000×4) | Jul. 2007                   | Dam and conduit system (pure pumped-storage) | Kijo-cho, Koyu-gun, Miyazaki Prefecture               |

(With outputs of 50,000 kW or higher)

| Geothermal Power (6 facilities/maximum output 207,800 kW) |                     |                             |  |                                                                             |
|-----------------------------------------------------------|---------------------|-----------------------------|--|-----------------------------------------------------------------------------|
| Station name                                              | Maximum output (kW) | Operation commencement date |  | Location                                                                    |
| Hatchoubaru                                               | 110,000             | Jun. 1977                   |  | Kokonoe-machi, Kusu-gun, Oita Prefecture                                    |
| Hatchoubaru Binary                                        | 2,000               | Apr. 2006                   |  | Kokonoe-machi, Kusu-gun, Oita Prefecture                                    |
| Takigami                                                  | 27,500              | Nov. 1996                   |  | Kokonoe-machi, Kusu-gun, Oita Prefecture                                    |
| Otake                                                     | 12,500              | Aug. 1967                   |  | Kokonoe-machi, Kusu-gun, Oita Prefecture                                    |
| Yamagawa                                                  | 30,000              | Mar. 1995                   |  | Ibusuki-shi, Kagoshima Prefecture                                           |
| Ogiri                                                     | 25,800              | Mar. 1996                   |  | Makizono-cho, Kirishima-shi and Yusui-cho, Aira-gun in Kagoshima Prefecture |

| Internal Combustion Power (32 facilities/maximum output 399,850 kW; including gas turbines on remote islands)* |                     |                             |  |                                                             |
|----------------------------------------------------------------------------------------------------------------|---------------------|-----------------------------|--|-------------------------------------------------------------|
| Station name                                                                                                   | Maximum output (kW) | Operation commencement date |  | Location                                                    |
| Shinarikawa                                                                                                    | 60,000              | Jun. 1982                   |  | Shinkamigotou-cho, Minami matsuura-gun, Nagasaki Prefecture |
| Toyotama                                                                                                       | 50,000              | Jun. 1978                   |  | Tsushima-shi, Nagasaki Prefecture                           |
| Tatsugo                                                                                                        | 60,000              | Jun. 1980                   |  | Tatsugo-cho, Oshima-gun, Kagoshima Prefecture               |

(With outputs of 5 kW or higher)

| Wind Power (1 facility/maximum output total 250 kW) |                     |                             |  |                                         |
|-----------------------------------------------------|---------------------|-----------------------------|--|-----------------------------------------|
| Station name                                        | Maximum output (kW) | Operation commencement date |  | Location                                |
| Koshikijima wind power <sup>†)</sup>                | 250                 | Mar. 2003                   |  | Satsumasendai-shi, Kagoshima Prefecture |

\*1 Only Kyushu Electric Power facilities are shown.

\*2 Kyushu Electric Power Transmission and Distribution Co., Inc. will be shown for hydroelectric power on remote islands, internal combustion power, and Koshikijima wind power, the equipment of starting April 1, 2020.

\*3 The operation commencement date given is that of the oldest unit still in operation.

\*4 Refer to pages 27-28 for information on the main renewable energy facilities of the Kyuden Group.

\*5 The Tsukabaru Hydroelectric Power Plant has been upgraded to produce a maximum output of 67,050 kW starting May, 2020 (previously 63,050 kW).

## Subsidiaries and Affiliated Companies

(As of Tuesday, March 31, 2020)

### Consolidated Subsidiaries (47)

| Company Name                                                  | Capital<br>(Millions of yen)            | Equity<br>Ownership<br>(%) | Business                                                                                                                               |
|---------------------------------------------------------------|-----------------------------------------|----------------------------|----------------------------------------------------------------------------------------------------------------------------------------|
| <b>Domestic Power Business</b>                                |                                         |                            |                                                                                                                                        |
| Kyushu Electric Power Transmission and Distribution Co., Inc. | 5                                       | 100.0                      | Electric Power                                                                                                                         |
| Kyuden Mirai Energy Company, Incorporated                     | 3,004                                   | 100.0                      | Renewable energy service and energy supply                                                                                             |
| <b>Other Energy Service Business</b>                          |                                         |                            |                                                                                                                                        |
| Kyuden International Corporation                              | 38,447                                  | 100.0                      | Acquisition and holding of securities of overseas companies operating electricity, gas, and other energy businesses                    |
| Oita Liquefied Natural Gas Co., Inc.                          | 7,500                                   | 98.0                       | Receipt, storage, vaporization and delivery and sales of LNG                                                                           |
| Kitakyushu Liquefied Natural Gas Co., Inc.                    | 4,000                                   | 75.0                       | Receipt, storage, vaporization and delivery and sales of LNG                                                                           |
| Kushima Wind Hill Co., Ltd.                                   | 2,821                                   | 51.0                       | Sales of electric power from wind generation                                                                                           |
| Nishinippon Environmental Energy Co., Inc.                    | 1,054                                   | 100.0                      | Distributed Power Business and Effective Energy Usage Consulting                                                                       |
| Kyushu Rinsan Co., Inc.                                       | 490                                     | 100.0                      | Greening construction at power stations and other facilities                                                                           |
| Nagashima Wind Hill Co., Ltd.                                 | 490                                     | 86.0                       | Sales of electric power from wind generation                                                                                           |
| Fukuoka Energy Service Co., Inc.                              | 490                                     | 80.0                       | Heat supply business                                                                                                                   |
| Kyuden Technosystems Corporation                              | 327                                     | 85.2                       | Manufacture and sales of electric machinery; installation, maintenance and management of electrical measurement equipment              |
| Kyuden High Tech Corporation                                  | 200                                     | 100.0                      | Maintenance and repair of electricity facilities                                                                                       |
| Nishi Nippon Airlines Co., Ltd.                               | 360                                     | 54.7                       | Air cargo transportation                                                                                                               |
| Nishinippon Plant Engineering and Construction Co., Ltd.      | 150                                     | 85.0                       | Construction, maintenance and repair of power generation facilities                                                                    |
| Kyushu Kouatsu Concrete Industries Co., Ltd.                  | 240                                     | 51.3                       | Manufacture and sales of concrete poles                                                                                                |
| Kyuden Sangyo Co., Inc.                                       | 117                                     | 100.0                      | Environmental preservation work at power stations                                                                                      |
| Miyazaki Biomass Recycle Co., Inc.                            | 100                                     | 42.0                       | Power-generation activities using poultry dung fuel                                                                                    |
| West Japan Engineering Consultants, Inc.                      | 40                                      | 100.0                      | Consultation and planning of civil engineering and construction                                                                        |
| Koyo Denki Kogyo Co., Ltd.                                    | 20                                      | 97.3                       | Manufacture and sales of HV and LV insulators and other items                                                                          |
| Nishigi Kogyo, Co., Inc.                                      | 20                                      | 74.0                       | Civil Engineering and Other Construction and Maintenance Projects and Manufacturing, Installation, and Maintenance of Steel Structures |
| Shimonoseki Biomass Energy Co., Ltd                           | 1                                       | 100.0                      | Sales of electricity generated by biomass                                                                                              |
| Kyushu Electric Australia Pty Ltd.                            | 214,721<br>Thousand U.S. dollars        | 100.0                      | Share ownership and management (funding, tax, accounting, etc.) of Kyushu Electric Wheatstone Pty Ltd                                  |
| Kyushu Electric Wheatstone Pty Ltd.                           | 201,317<br>Thousand U.S. dollars        | 100.0                      | Ownership of mining interests and assets, trading and sales of output in Wheatstone LNG project                                        |
| KYUDEN SARULLA PTE. LTD.                                      | 166,221<br>Thousand Singapore dollars   | 100.0                      | Geothermal power generation                                                                                                            |
| Kyuden International Netherlands B.V.                         | 6,545                                   | 100.0                      | Acquisition and holding of securities of overseas electric companies                                                                   |
| Kyuden Hsin Tao Power Holdings                                | 2,400,000<br>Thousand Taiwanese dollars | 100.0                      | Investment in Hsin Tao IPP business company                                                                                            |
| Pacific Hope Shipping Limited                                 | 4,071                                   | 60.0                       | Purchasing, operating, chartering and renting of LNG carriers                                                                          |
| Kyuden Birdsboro Inc.                                         | 1<br>U.S. dollars                       | 100.0                      | Investment in, and acquisition and holding securities of, overseas electric companies                                                  |
| Kyuden International Europe B.V.                              | 1<br>U.S. dollars                       | 100.0                      | Acquisition and holding of securities of overseas electric companies                                                                   |
| Kyuden International Kleen, LLC                               | —                                       | 100.0                      | Investment in overseas electric companies                                                                                              |
| Kyuden International South Field Energy, LLC                  | —                                       | 100.0                      | Investment in overseas electric companies                                                                                              |
| Kyuden International Westmoreland, LLC                        | —                                       | 100.0                      | Investment in overseas electric companies                                                                                              |
| <b>ICT Service Business</b>                                   |                                         |                            |                                                                                                                                        |
| QNet Co., Ltd.                                                | 22,020                                  | 100.0                      | Fiber-optic cable and broadband services                                                                                               |
| Nishimu Electronics Industries, Co., Ltd.                     | 300                                     | 100.0                      | Manufacture, sales, installation and maintenance of telecommunication devices                                                          |
| Kyuden Business Solutions Co., Inc.                           | 100                                     | 100.0                      | Development, operation and maintenance of information systems                                                                          |
| RKK Computer Service Co., Inc.                                | 100                                     | 61.3                       | Development and sales of computer software                                                                                             |
| <b>Other</b>                                                  |                                         |                            |                                                                                                                                        |
| DENKI BLDG. CO., Ltd.                                         | 3,395                                   | 91.9                       | Leasing and management of real estate                                                                                                  |
| Kyuden Good Life Company, Inc.                                | 300                                     | 100.0                      | Paid elderly nursing home management and nursing services                                                                              |
| Kyuden Good Life Higashifukuoka Company, Inc.                 | 100                                     | 70.0                       | Paid elderly nursing home management and nursing services                                                                              |
| Kyuden Good Life Fukuoka Josui Company, Inc.                  | 100                                     | 100.0                      | Paid elderly nursing home management and nursing services                                                                              |
| Kyuden Good Life Kumamoto Company, Inc.                       | 200                                     | 100.0                      | Paid elderly nursing home management and nursing services                                                                              |
| Kyuden Good Life Kagoshima Company, Inc.                      | 100                                     | 90.0                       | Paid elderly nursing home management and nursing services                                                                              |
| Capital Kyuden Corporation*                                   | 285                                     | 100.0                      | Acquiring and owning of securities, loans to group companies                                                                           |
| Kyuden Business Front Inc.                                    | 100                                     | 100.0                      | Temporary staffing and job-placement services                                                                                          |
| Kyuden Fudousan Co., Ltd.                                     | 32                                      | 99.0                       | Buying and leasing of real estate                                                                                                      |
| Kyuden Office Partner Co., Inc.                               | 30                                      | 100.0                      | Clerical work acceptance on trust and consulting business                                                                              |
| Kyushu Maintenance Co., Ltd.                                  | 10                                      | 82.0                       | Cleaning and maintenance of real estate                                                                                                |

\* Capital Kyuden Corporation merged with Kyushu Electric Power Co., Inc. on August 1, 2020.

## Non-consolidated Subsidiaries and Affiliated Companies Accounted for under Equity Method (39)

| Company Name                                      | Capital<br>(Millions of yen)            | Equity<br>Ownership<br>(%) | Business                                                                                         |
|---------------------------------------------------|-----------------------------------------|----------------------------|--------------------------------------------------------------------------------------------------|
| <b>Other Energy Service Business</b>              |                                         |                            |                                                                                                  |
| Plazwire Co., Ltd.                                | 50                                      | 100.0                      | Flame spray coating (painting) business                                                          |
| Washiodake Wind Power Co., Ltd.                   | 10                                      | 100.0                      | Sales of electric power from wind generation                                                     |
| NISHIGI SURVEYING AND DESIGN CO., LTD.            | 10                                      | 100.0                      | Investigation, measurement, design, drafting and care of civil engineering/construction projects |
| Munakataasty Solar Power Co., Ltd.                | 10                                      | 100.0                      | Sales of electricity generated by solar power                                                    |
| QE1 Flexibility Services LLC                      | 10                                      | 100.0                      | Provision of ancillary service utilizing rechargeable battery system                             |
| Amami Oshima Wind Power Co., Ltd.                 | 10                                      | 75.0                       | Sales of electric power from wind generation                                                     |
| KYUDEN ILLJAN HOLDING CORPORATION                 | 3,050<br>Thousand US dollars            | 100.0                      | Investment in Ilijan IPP business company                                                        |
| Kyuden Innovatech Vietnam Co., Ltd.               | 2,400<br>Thousand US dollars            | 100.0                      | System sales and consulting for dam and power generation operations                              |
| Tobata Co-operative Thermal Power Co., Inc.       | 9,000                                   | 50.0                       | Thermal power generation business                                                                |
| Kyudenko Corporation                              | 12,561                                  | 22.7                       | Electric work                                                                                    |
| Fukuoka Clean Energy Co., Ltd.                    | 5,000                                   | 49.0                       | Waste incineration and power generation business                                                 |
| Oita Co-operative Thermal Power Co., Inc.         | 4,000                                   | 50.0                       | Thermal power generation business                                                                |
| KYUSYU CRYOGENICS CO., LTD.                       | 450                                     | 50.0                       | Manufacture and sales of liquid oxygen, liquid nitrogen and liquid argon                         |
| Kyuhon Co., Ltd.                                  | 225                                     | 35.9                       | Manufacture and sales of electrical equipment                                                    |
| Seishin Corporation                               | 200                                     | 27.3                       | Sale of electrical equipment                                                                     |
| Nishikyushu Kyodo Kowan Co., Ltd.                 | 50                                      | 50.0                       | Operation and maintenance of coal handling equipment                                             |
| Kyukon Corporation                                | 100                                     | 15.2                       | Construction and repair of transmission lines                                                    |
| Nishi Nihon Denki Tekkou Co., Ltd.                | 30                                      | 33.5                       | Design, production and sales of steel towers and steel conduits                                  |
| Lion Power (2008) Pte. Ltd.                       | 1,161,994<br>Thousand Singapore dollars | 21.4                       | Investment in overseas electric companies                                                        |
| Electricidad Aguila de Tuxpan, S. de R.L. de C.V. | 641,743<br>Thousand Mexican pesos       | 50.0                       | Power-generation activities using natural gas fuel                                               |
| Electricidad Sol de Tuxpan, S. de R.L. de C.V.    | 493,407<br>Thousand Mexican pesos       | 50.0                       | Power-generation activities using natural gas fuel                                               |
| Hsin Tao Power Corporation                        | 5,000,000<br>Thousand Taiwanese dollars | 33.2                       | Power-generation activities using natural gas fuel                                               |
| Kyushu Tohoku Enrichment Investing SAS            | 62,583<br>Thousand Euros                | 50.0                       | Investment in uranium enrichment business                                                        |
| TEPDIA Generating B.V.                            | 18<br>Thousand Euros                    | 25.0                       | Acquisition and holding of securities of overseas electric companies                             |
| Sojitz Birdsboro LLC                              | 0.1<br>(U.S. dollars)                   | 33.3                       | Investment in overseas electric companies                                                        |
| AEIF Kleen Investor, LLC                          | —                                       | 25.0                       | Investment in overseas electric companies                                                        |
| DGC Westmoreland, LLC                             | —                                       | 25.0                       | Investment in overseas electric companies                                                        |
| <b>ICT Service Business</b>                       |                                         |                            |                                                                                                  |
| Coara Co., Ltd.                                   | 160                                     | 99.9                       | Internet website planning, development, and management                                           |
| Network Application Engineering Laboratories Ltd. | 45                                      | 99.9                       | Development and sales of information and communication systems                                   |
| RKKCS Software                                    | 10                                      | 100.0                      | Development and sales of computer software                                                       |
| <b>Other</b>                                      |                                         |                            |                                                                                                  |
| Kyushu Highlands Development Co., Ltd.            | 300                                     | 100.0                      | Management of golf courses                                                                       |
| Records & Intelligence Management Co., Ltd.       | 80                                      | 98.1                       | Recycling of confidential documents                                                              |
| Kyushu Captioning Co-Production Center Inc.       | 60                                      | 78.3                       | Subtitle production for broadcasting                                                             |
| Sengoku Co., Ltd.                                 | 15                                      | 66.9                       | Planning and operation of e-sports business                                                      |
| Oak Partners Co., Ltd.                            | 3                                       | 100.0                      | Real estate management                                                                           |
| Kyuden Urban Development America, LLC             | —                                       | 100.0                      | Investment in U.S. real estate business                                                          |
| Hakata Naka6 Kaihatsu Tokutei Mokuteki kaisha     | 7,501                                   | 25.0                       | Asset management related to Seika market site utilization initiatives in Fukuoka city            |
| Kyushu Housing Guarantee Corporation              | 272                                     | 33.3                       | Housing and building assessments, security services affairs                                      |
| Fukuoka Airport Holdings Co., Ltd.                | 100                                     | 26.7                       | Investment in the airport operations business                                                    |

## Corporate Data

(As of March 31, 2020)

### Company Overview

Trade Name Kyushu Electric Power Company, Incorporated  
 Head Office 1-82, Watanabe-dori 2-chome, Chuo-ku,  
 Fukuoka 810-8720, Japan Phone +81-92-761-3031  
 Tokyo Branch Office 7-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo 100-0006, Japan  
 Phone +81-3-3281-4931

Date of Establishment May 1, 1951  
 Paid-in Capital ¥237,300 million  
 Number of Employees 12,829

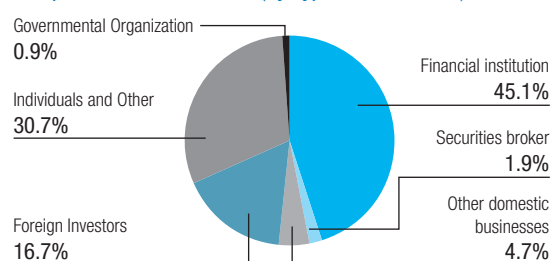
### Stock Information

Total Number of Shares Authorized 1,000,000,000 shares  
 Common stock: 1,000,000,000  
 Class A preferred shares: 1,000  
 Number of Shares Issued and Outstanding Common stock: 474,183,951  
 Class A preferred shares: 1,000  
 Common stock: 143,054  
 Number of Shareholders Class A preferred shares: 3

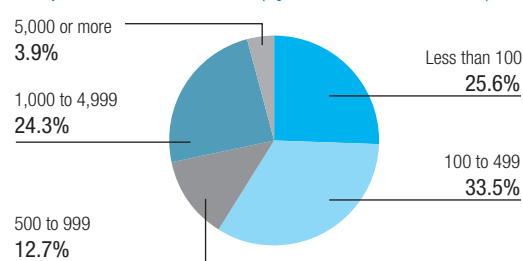
Number of Employees June  
 Fiscal Year From April 1 to March 31  
 Stock Listings Tokyo Stock Exchange, Fukuoka Stock Exchange (Code: 9508)  
 Transfer Agent and Registrar Sumitomo Mitsui Trust Bank, Limited  
 4-1, Marunouchi 1-chome,  
 Chiyoda-ku, Tokyo, Japan  
 Accounting Auditor Deloitte Touche Tohmatsu LLC

#### Common stock

##### Composition of Shareholders (By Type of Shareholder)



##### Composition of Shareholders (By Number of Shares Held)



### Major Shareholders

| Name                                                                               | Number of Shares Held (thousand shares) | Shareholding Ratio (%) |
|------------------------------------------------------------------------------------|-----------------------------------------|------------------------|
| The Master Trust Bank of Japan, Ltd. (trust unit)                                  | 34,394                                  | 7.3                    |
| Meiji Yasuda Life Insurance                                                        | 22,882                                  | 4.8                    |
| Japan Trustee Services Bank, Ltd. (trust unit)                                     | 21,042                                  | 4.4                    |
| Nippon Life Insurance Company                                                      | 11,810                                  | 2.5                    |
| Kyushu Electric Power Co., Inc. Employees' Shareholding Association <sup>(*)</sup> | 11,101                                  | 2.3                    |
| Mizuho Bank, Ltd.                                                                  | 9,669                                   | 2.0                    |
| Japan Trustee Services Bank, Ltd. (trust unit9)                                    | 8,808                                   | 1.9                    |
| The Bank of Fukuoka, Ltd.                                                          | 8,669                                   | 1.8                    |
| Japan Trustee Services Bank, Ltd. (trust unit 5)                                   | 8,395                                   | 1.8                    |
| JP MORGAN CHASE BANK 385151                                                        | 8,211                                   | 1.7                    |

(\*) Kyushu Electric Power Co., Inc. Employees' Shareholding Association

#### Class A preferred shares

| Name                          | Number of Shares Held (shares) | Shareholding Ratio (%) |
|-------------------------------|--------------------------------|------------------------|
| Mizuho Bank, Ltd.             | 400                            | 40.00                  |
| The Development Bank of Japan | 400                            | 40.00                  |
| MUFG Bank, Ltd.               | 200                            | 20.00                  |

### Trends of Stock Price and Trading Volume

