



Enlighten Our Future

Annual Report 2019

Enlighten Our Future

Comfortable and environment-friendly
Our mission is to leave that kind of lifestyle
to the generations to come.

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.

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.

At 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.

Message from the Top



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,

First, we would like to express our gratitude for your loyal patronage and support of the Kyushu Electric Power Group (Kyuden Group).

In FY2018, power generation was restarted at the Genkai Nuclear Power Station. However, electric power sales fell due to a drop in the volume of contracted power sales, combined with the effects of a relatively warm winter. In addition, we recorded higher maintenance costs such as those associated with scheduled inspection of the Sendai Nuclear Power Station, and recorded a valuation loss on investment in our overseas energy business. As a result, profits declined compared to the previous term.

In line with the Kyuden Group Medium-term Management Policy, established in 2015, we have made maximal efforts to achieve safe operation and early restart of our nuclear power stations, implement policies to enhance our financial condition, and thrive under full deregulation of the retail electricity sector.

In particular, we are working autonomously and continuously to enhance the safety and reliability of nuclear power as a top management priority. The Group is also working diligently toward early completion of specific safety facilities.

In June of this year, we formulated our Kyuden Group Management Vision 2030 long-term management policies. These policies will help ensure our ability to contribute to the sustained development of Kyushu, our business base, and achieve growth into the future along with the region and its society, through the present and future business activities of the Kyuden Group.

In line with this new management vision, in FY2019 we will develop energy services that leverage the strengths of the Kyuden Group, actively expand into fields such as urban development and infrastructure services, and work to create new business by promoting innovation.

Through these and related efforts, the Kyuden Group will aim for sustainable growth and strive to further enhance our corporate value.

In April 2020, we plan to split off our general power transmission and distribution business into a separate entity. But as before, the Kyuden Group will work in unison to be an enterprise that continues to be trusted and preferred by its customers.

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

July 2019

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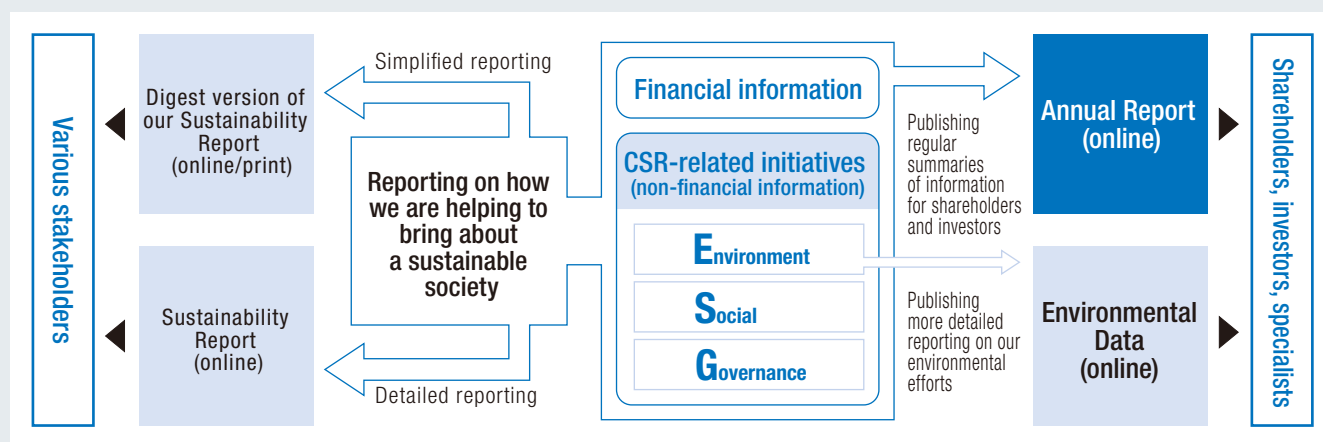
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Editorial Policy



About the Kyuden Group Annual Report 2019

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.

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Financial Section



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Issue Date

July 2019

Previous report: July 2018

Next report: July 2020 (planned)

Scope of Reporting

Kyushu Electric Power Company, Incorporated and Group Companies

Reporting Period

Reporting on financial information essentially covers FY2018 (April 2018 to March 2019). However, the report also contains some data from FY2019 in the interests of providing timely information.

Guidelines Consulted

International Integrated Reporting Framework

Website Information

IR Website

For shareholders and investors

http://www.kyuden.co.jp/en_ir_index.html

Please refer to our website for more detailed information.

SDGs



Kyuden Group is committed to doing its part to contribute to the achievement of the Sustainable Development Goals (SDGs) adopted by the UN Sustainable Development Summit in 2015.

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.

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.

Major Changes in Our Operating Environment



INPUT

Manufacturing Capital

Four nuclear power stations restarted (as of July 31, 2019)

Natural Capital

Fossil fuel consumption (oil equivalent)
Approx. **5.9** million kl (-38.5% over previous year) (FY2018)

Financial Capital

Total assets (consolidated)
Approx. **¥4.8** trillion (as of March 31, 2019)

Social and Relationship Capital

Consumer understanding of energy (Approx. **80,000** people reached with communication activities) (FY2018)

Human Capital

Employees (consolidated)
21,103 (92 group companies) (as of March 31, 2019)

Business

Kyuden Group Management Policy

Kyuden Group: Creating the Value of Energy

Providing more prosperous, comfortable lifestyles



Business Performance Targets 2030

Consolidated ordinary income (half from the domestic business)

Total electric power sales

-Contribute to the realization of a sustainable society

-Pursue unchanged business

Activities

OUTPUT

OUTCOME

Management Vision 2030

future, starting from Kyushu

aiming to become our customers' No. 1 choice



Primary income ¥150 billion

(Electric power business, half from other sources)

Electric power sold 120 billion kWh

Reduction requirement of cutting Kyushu's CO₂ emissions by 70%
by raising top-level electricity charges

Domestic electricity business

Electric power sales
72.2 billion kWhEnergy-related business/
overseas electricity
business

(Other energy service business)

Optical broadband business/
data center business, etc.

(ICT service business)

Urban development/city planning/
infrastructure services, etc.

(Other business)

Stable Provision
of Electric PowerPower outage minutes/
year/household: **103**
(FY2018)Customer-centered
Energy ServicesElectricity/
gas package contracts
Approx. **92,000**
(Gas share in operating
area relative to major gas
providers: Approx. **11%**
(as of March 31, 2019))Environment-friendly
EnergyNon-fossil fuel energy
43%* of total output
(FY2018)*Total of nuclear power, renewable energy (excluding FIT electricity),
and hydropower (over 30,000 kW)

Regional Development

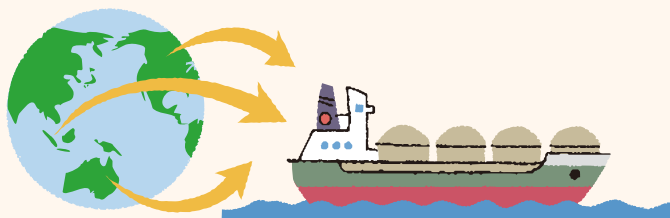
Nominal gross regional product
Approx. **¥45** trillion
(8.2% of national total)
(FY2015)

Work-friendly Environment

Average years of service
24.0 (all-industrial average, 12.4)
(FY2018)

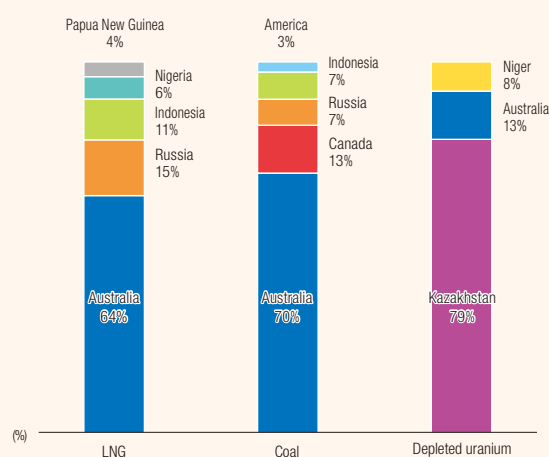
Supply Chain

Fuel procurement

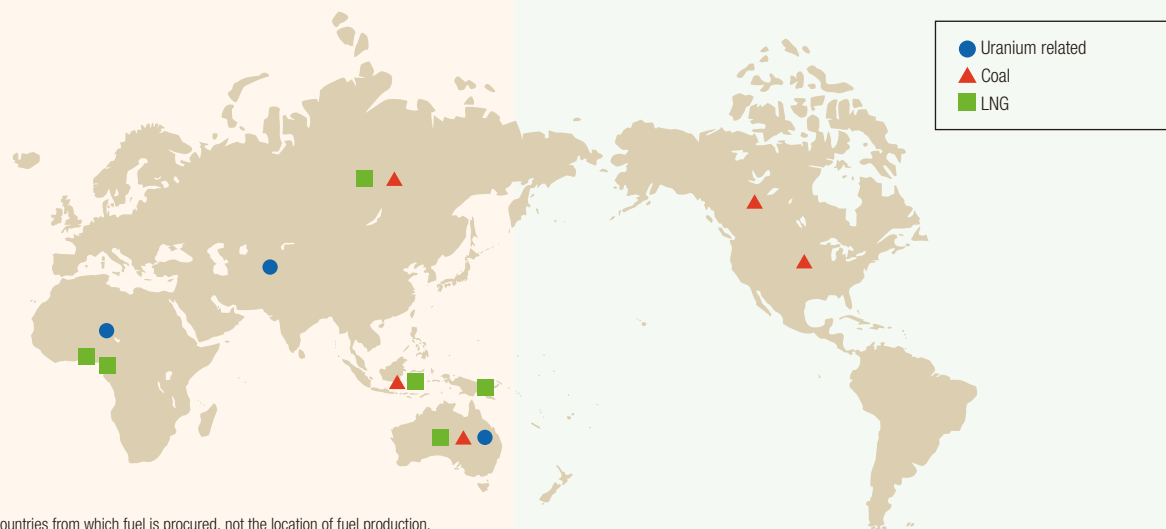


Kyushu Electric Power is strengthening its fuel procurement through such ways as diversification of fuel procurement, participation in resource development and production projects and introduction of fuel trading (adjustment of fuel volume and price management). We strive for cost reduction in fuel transportation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

◆ Fuel procurement status (FY2018)

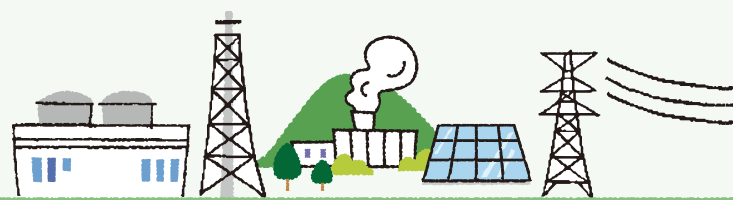


◆ Regional fuel procurement status (FY2018)



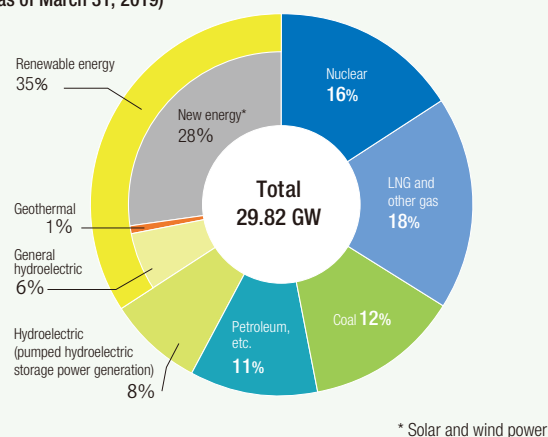
Note: This denotes countries from which fuel is procured, not the location of fuel production.

Power generation

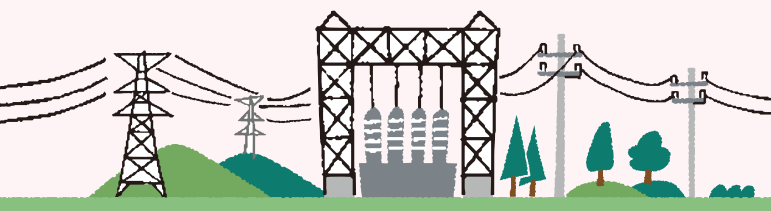


We generate power through a combination of a best balance from various types of power sources from the perspective of securing long-term, stable energy in such ways as taking countermeasures against global warming and economic power supply, promoting nuclear power on the assumption of safety and security,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

◆ Composition of capacity for all facilities (GW) (Including power purchased from other companies) (as of March 31, 2019)



Power transmission and distribution

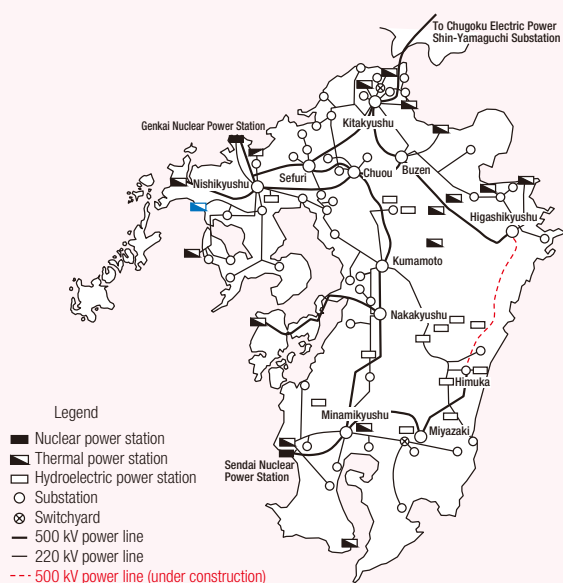


We deliver a stable supply of electricity, sending it along transmission lines from power stations to substations, and along distribution lines from substations to places such as homes and factories. To be able to deliver low-cost, stable electricity to support Kyushu's industries and lifestyles, we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

◆ Power transformation, transmission and distribution (as of March 31, 2019)

Transformation	Number of substations		597
	Capacity		75,092,000 kVA
Transmission	Length of transmission lines		10,803 km
	Supporters	Steel towers	approx. 25,000
		Others (concrete poles, etc.)	approx. 40,000
Distribution	Length of distribution lines		142,223 km
	Supporters	Concrete poles	approx. 2,423,000
		Others (steel towers, etc.)	approx. 42,000

◆ Power transformation, diagram (as of March 31, 2019)



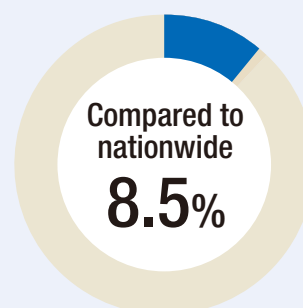
(Note) The Ainoura Thermal Power Plant was decommissioned on April 30, 2019.

Energy services



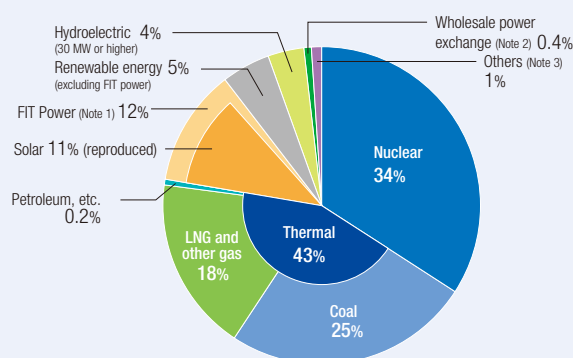
We provide various energy services that respond to the diverse needs of customers, including proposals for plans and services meeting the requirements of household customers and one-stop energy services for corporate customers.

◆ Sales as a ratio of the entire electricity business in FY2018



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

◆ Power sources (kWh) in FY2018



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).

Note 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 CO₂ emissions from electricity are regarded as the national average of CO₂ 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.

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

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

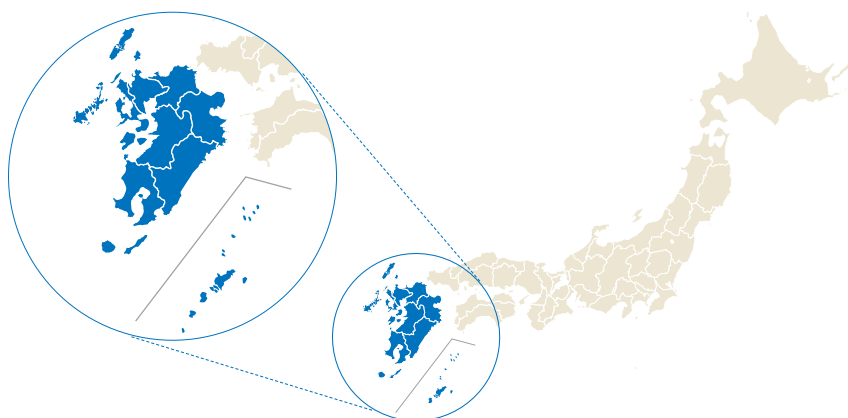
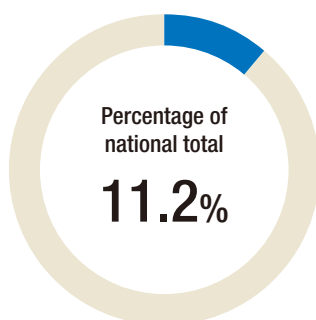
* Calculated and announced based on "Formulation of the Guidelines Concerning the Management of the Electricity Retail Business" by the Ministry of Economy, Trade and Industry
* Calculated on the basis of power generated by Kyushu Electric Power and volume of power purchased from other companies (excluding remote islands)

Snapshot of Kyushu

1. Area (As of October 1, 2018)

42,231 km²

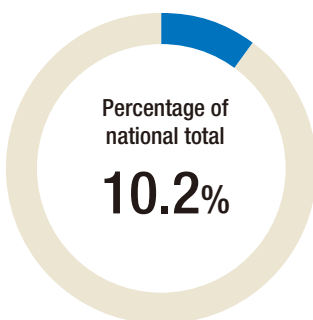
(377,974 km²)



2. Population (As of October 1, 2018)

12,860,000

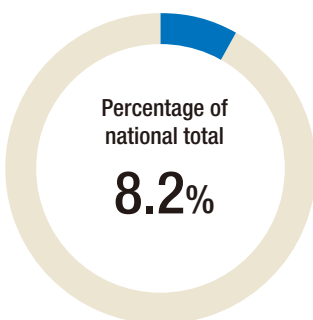
(126,440,000)



3. Nominal gross regional product (FY2015)

Approx. ¥45 trillion

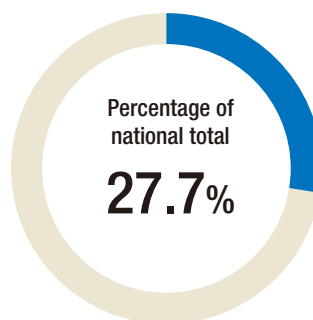
(¥547 trillion)



4. IC production value (FY2018)

¥710.8 billion

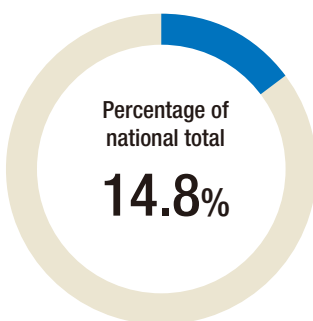
(¥2,569.1 billion)



5. Automobile production (FY2018)

1,440,000

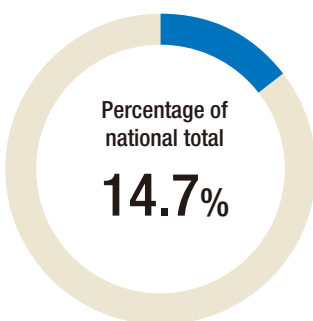
(9,750,000)



6. Crude steel production (FY2018)

15,140,000 tons

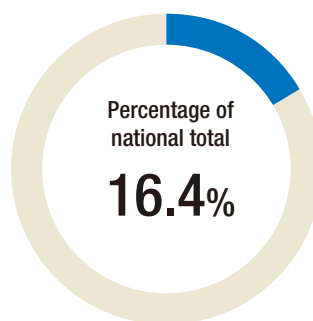
(102,890,000 tons)



7. Non-Japanese entrants (2018)

5,120,000

(31,190,000)



*National total figures are in parentheses *Figures after the decimal point are rounded up

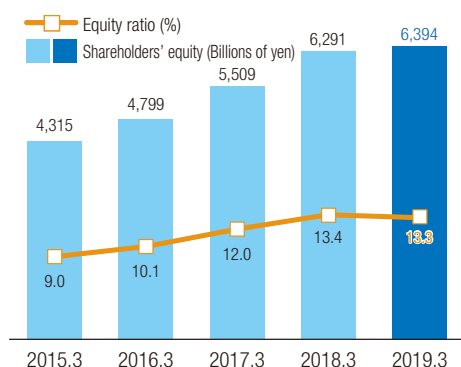
Source: Geospatial Information Authority of Japan "Areas of prefectures and municipalities in Japan," Ministry of Internal Affairs and Communications "Population estimates," Cabinet Office "Report on Prefectural Accounts," Kyushu Bureau of Economy, Trade and Industry "Main economic indicators in Kyushu," Japan National Tourism Organization "Foreign Tourist Statistics," and Kyushu District Transport Bureau "Annual number of foreign visitors to Kyushu."

Equity ratio

13.3%
(End of FY2018)

Financial
Objective

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

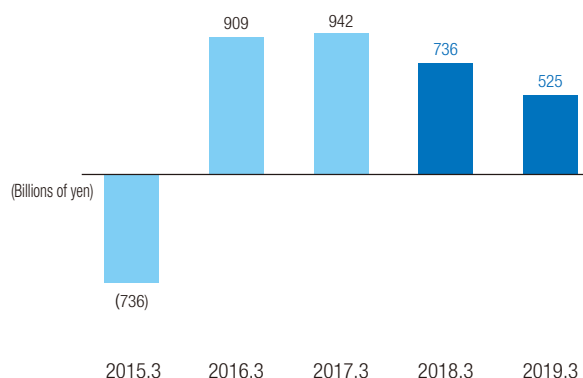


Ordinary income

¥52.5 billion
(FY2018)

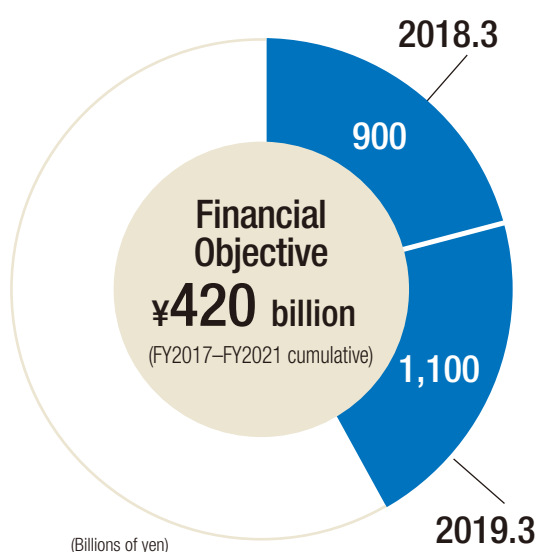
Financial
Objective

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



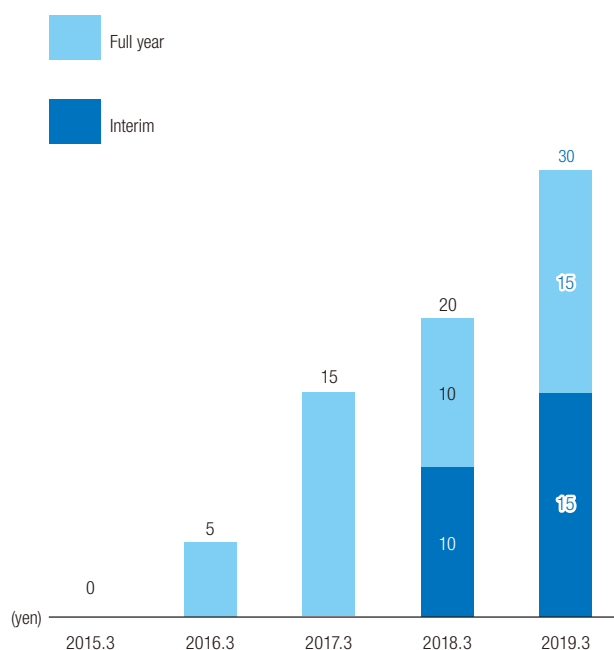
Growth
investments

Approx. **¥200 billion**
(FY2017–FY2018 cumulative)



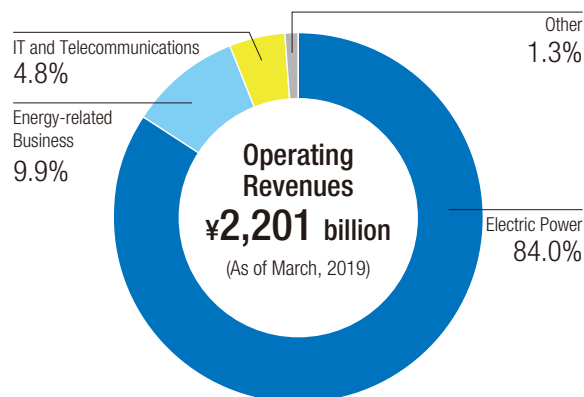
Dividends per share
of common stock

¥30
(FY2018)



Ratio of electricity business in sales (Includes intra-company transactions)

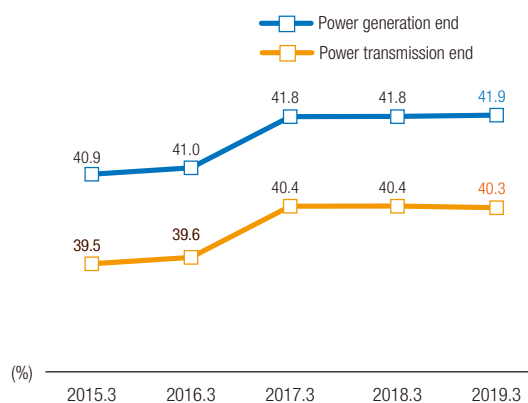
84.0%



The Kyuden Group consists of Kyushu Electric Power, 57 subsidiaries and 35 affiliated companies.

Total thermal efficiency for thermal power stations (power generation end)

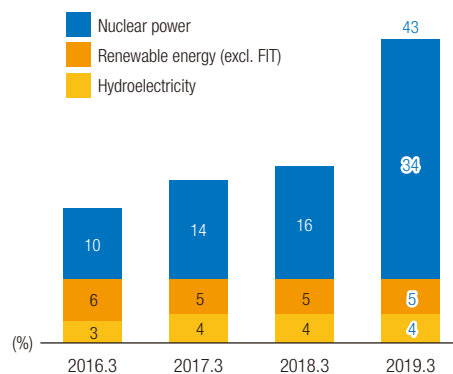
41.9%
(Higher heating value)



In FY2018, by strictly limited the running of oil-fired thermal power plants, for which thermal efficiency is low, and maximizing operations at high-thermal-efficiency thermal power plants, we maintained our high standard of 41.9% at the power generation end.

Ratio of non-fossil fuel power sources

43%



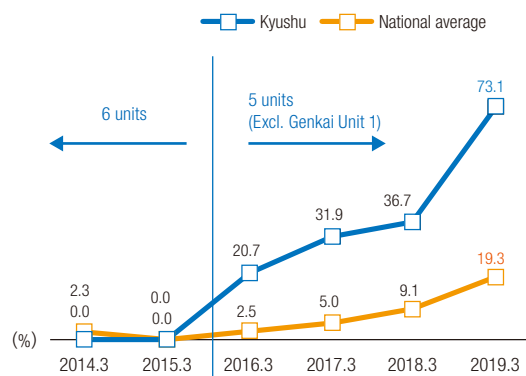
*Total figure for nuclear power, renewables (excl. FIT) and hydroelectricity (30 MW or above)

While considering the S+3E* 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.

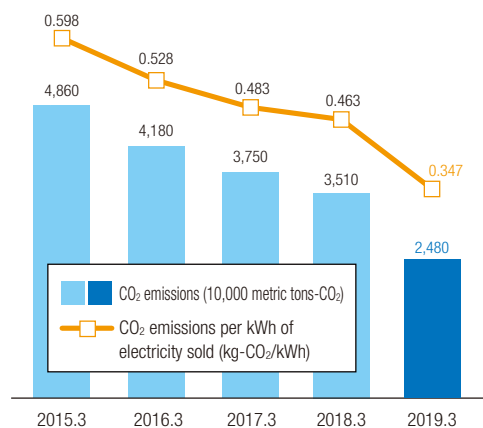
(Note) S+3E refers to the four pillars of Japan's basic energy policy which aims to simultaneously achieve Energy security, Economic efficiency and preservation of the Environment, while maintaining Safety

Nuclear power utilization rate

73.1%



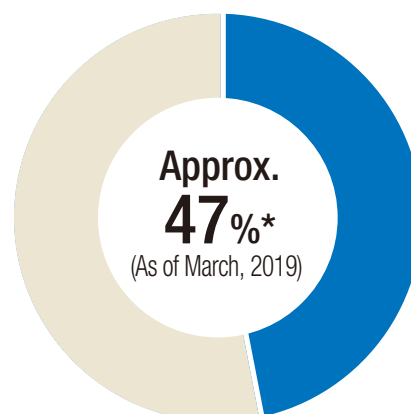
With the restart of Genkai Nuclear Power Station Units 3 and 4, the utilization rate for FY2018 recovered to 73.1%.

CO₂ emissions per kWh
of electricity sold**0.347** kg-CO₂/kWh
(Provisional value)

The stable operation of Sendai Nuclear Power Station Units 1 and 2 (with the exception of periodic inspections), the restarting of Genkai Nuclear Power Station Units 3 and 4, and the increase in purchases of power generated by renewable energies resulted in lower CO₂ emissions in FY2018 than in FY2017.

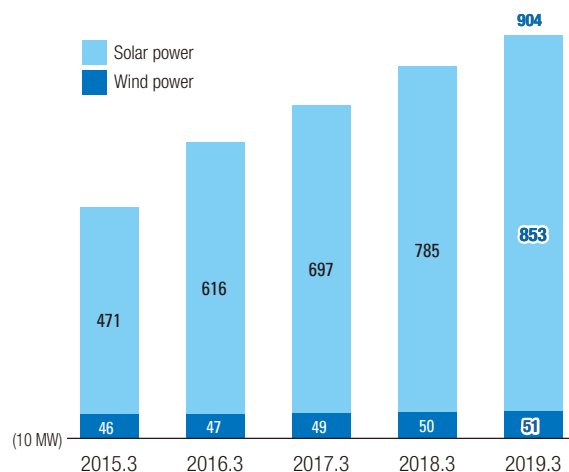
Capacity of geothermal
power generation
equipment**218** MW

Ratio of Kyushu Electric Power among all power businesses

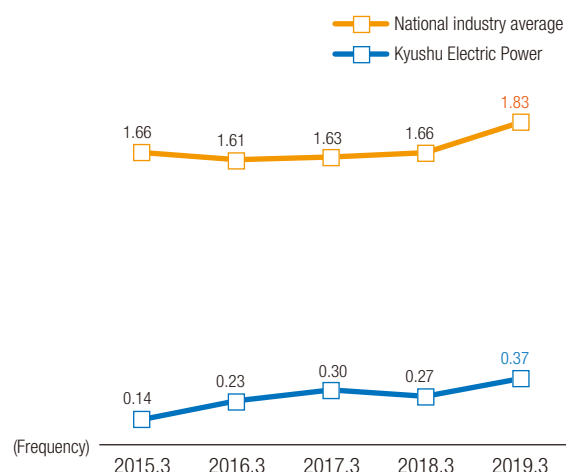


*Calculated in house based on the Agency for Natural Resources and Energy's "Electricity statistics survey."

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**9,040** MW
(Mainland Kyushu, excl. remote islands)

As of the end of March 31, 2019, the capacity of solar and wind power equipment on mainland Kyushu stood at approximately 9,040 MW. As of the end of December 31, 2018, solar and wind power FIT equipment capacity on mainland Kyushu accounts for approximately 17% of the national capacity.

Frequency rate of
workplace accidents***0.37**

*No. of accidents per one million working hours

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 formulating the Companywide Safety Promotion Basic Policy as a common initiative to be shared among all divisions.

Interview with the President

TOP INTERVIEW



Kazuhiro Ikebe

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

K. Ikebe

Q1

How would you review your first year as president overall?

A1

I think that we've laid a firm business foundation that will help the Kyuden Group grow in the medium to long term.

In FY2018, we moved forward with several essential strategies, including operating four nuclear power stations, responding to the competitive environment, and developing new sources of revenue. At the same time, the group as a whole put tremendous effort into increasing efficiency throughout all our business activities. As a result, we've now been in the black for four consecutive years.

First, in terms of nuclear power, we resumed normal operations of Genkai Nuclear Power Station Unit 4, bringing our total number of nuclear power units in operation to four. That means that four of the nine total nuclear power generation facilities in Japan that have been restarted are units of ours. Moving forward, we will work autonomously and continuously to enhance safety and reliability, and strive to continue operating our nuclear power stations safely and stably, provide a stable source of power, improve our balance, and reduce the amount of CO₂ emissions, all while providing information proactively and communicating effectively.

With respect to the competitive environment, three years have passed since full deregulation of the industry. Although the increase in the number of lost customers has slowed somewhat, the level of competition we face is steadily increasing. FY2018

saw us firmly engaged in a variety of business activities, such as top-level sales by myself and other executives, and face-to-face sales that take advantage of direct contact with customers. We also made sure to quickly provide price plans that meet our customers' needs, such as by offering electricity and gas as a set (with about 90,000 applications received as of the end of March 2019) and heat stroke prevention plans, which we announced last July and have been very well received (about 160,000 applications). We also started reducing our prices in April 2019, which, when taken with our operation of four nuclear plants and the effects of improved management efficiency, has strengthened our competitive position.

We are seeking new sources of revenue through the full-scale rollout of the KYUDEN i-PROJECT, which is aimed at generating new value for customers and the community by solving a range of issues. Elsewhere, the whole group is working cohesively to create innovative businesses and services. Some of these have already been commercialized, including a personal monitoring service that works by using location information, and a project for improving hydroelectric power generation in Vietnam.

In infrastructure-related services, our airport management project is expected to provide stable returns over the medium to long term, while also contributing to regional development and revitalization. From our base in Kyushu, we remain dedicated to our core business—energy services—as a means of regional development and revitalization. This increases the potential for revenue, not only for our main business, but also for the group as a whole. It should also be noted that our company jointly holds the rights to operate Fukuoka Airport with other organizations, and the airport commenced private operations in April 2019. The same applies to Kumamoto Airport, which will commence private operations in April 2020.

So, I think over my first year as president, we've successfully laid a firm business foundation that will grow the Kyuden Group over the medium to long term.





We have now reached the middle fiscal year of the period set for the completion of the financial objectives announced in FY2017, what can you tell us about the Kyuden Group's progress so far?



At present, our equity ratio is on the road to recovery, and the group as a whole continues to work on the dual policies of increasing revenue and cutting costs.

Our target of ¥110 billion or more in ordinary income (FY2017—FY2021 average) has been affected by factors such as the state of operations at the Genkai Nuclear Power Station Units 3 and 4 and the schedule for regular inspections of nuclear power stations. As such, we expect an average of around ¥70 billion for the three years from FY2017 to FY2019.

We also have an equity ratio target of around 20% to be achieved by the end of FY2021. In light of such circumstances with respect to ordinary income, our equity ratio is showing recovery, and stands at 13.3% as of the end of FY2018.

In terms of FY2020 onwards, we first need to determine the progress of construction at Specific Safety Facilities at the Sendai Nuclear Power Station Units 1 and 2, in light of the installation

deadlines of March and May 2020, respectively. That said, we do foresee a reduction in fuel costs achieved by using our nuclear power plants to the maximum extent and bringing our cutting-edge coal-fired Matsuura Power Station Unit 2 (ultra-supercritical generation type, 1,000 MW) online, lowering temporary outgoing related to power system reforms, and more. At the same time, we are aiming at a further increase in revenue from overseas business, renewable energy business, ICT services, and more.



Q3

You recently drew up the Kyuden Group Management Vision 2030. Can you tell us about the position in which you hope to be by 2030, and your approach to management objectives?

A3

We formulated our management vision based on the idea that without development for Kyushu, there can be no development for the Kyuden Group. In other words, we made it our mission to develop and grow along with the region, and then set the position we want to be in, and four management objectives, for 2030.

Many social issues have become much more serious in recent years. Decreases in the population, a falling birthrate and aging society, and people concentrating in urban areas have led to increased social and economic gaps between regions. One of the main points of this vision lies in us reaffirming the Kyuden Group as an organization whose mission is to face these issues head-on, and develop and grow along with the region.

In terms of our position for 2030, we created the slogan, "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 kinds of value for a more prosperous and comfortable lifestyle, and the idea that by using Kyushu as a foundation to help solve a variety of social issues, we can create a brighter future throughout the region and throughout society, which will then spread from Kyushu to the rest of the world.

In terms of management objectives, we need to further improve our equity ratio, secure income with a look to growth investments, and so on to realize the position I've described just now. In light of this, we set ordinary income as one of our management objectives. Specifically, we're aiming for earnings of ¥150 billion, which is about double our current level. Half of this will come from domestic power businesses, and the other half from other sources. Increasing the total amount of power sales—both retail and wholesale—in and outside Japan, and strengthening our competitiveness through low power prices, are two extremely important factors for us to achieve this ordinary income target. We therefore set total power sales of 120 million MWh and a never-ending pursuit of top-level power prices as

further management objectives. At the same time, I've been extremely concerned about environmental problems such as global warming for some time now. Thus, to demonstrate our strong commitment to creating a low-carbon society, we have made contributing 70% to the amount by which Kyushu's CO₂ must be reduced one of our management objectives. We feel this is also in line with the increasing global focus on ESG investment.



Interview with the President



FY2018 was the fourth fiscal year running where dividends increased, what is your approach to shareholder returns in the future?



Maintaining stable dividends continues to be the foundation of increased returns for our shareholders and investors.

We will determine the dividend based on a comprehensive review of our business performance and other factors, with maintenance of stable dividend payments as a fundamental policy.

The dividend for the fiscal year ending in March 2019 was set at ¥30 (¥15 each for the interim and full year) based on that year's business results and other factors.

For the fiscal year ending in March 2020, we are planning to increase the dividend by ¥10 from the previous fiscal year, to ¥40 (¥20 each for the interim and full year), based on a general judgment of this year's performance forecast, revenues/expenditures and financial status for the medium to long term, and so on.

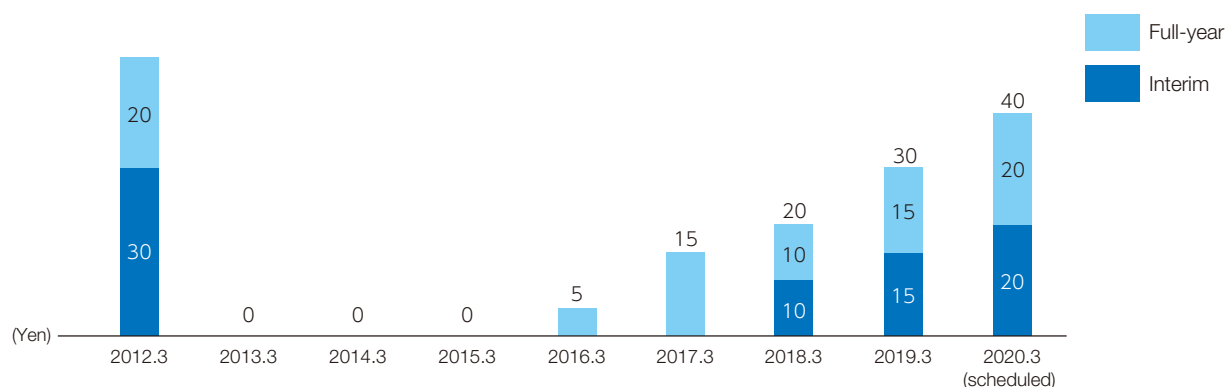
Future dividends will be considered in light of whether or not financial targets are being met, revenues/expenditures and financial status for the medium to long term, etc. We hope to return the dividend to its pre-disaster level (about ¥50) as soon as possible once it appears certain that we will meet our equity ratio target of about 20%.

As I mentioned earlier, part of our management vision is

earning half of our 2030 ordinary income target (¥150 billion) from businesses other than our domestic power businesses. Thus, in the future, we will consider the redistribution of profits in light of the growth of those other businesses, while keeping stable dividends as the bedrock. This will enable us to provide even better returns to our shareholders.

Of course, our company is still operating in a difficult business environment, and we are aware that uncertain times will likely continue. Maintaining and strengthening our equity capital remains one of the most important issues for us. Thus, through a special resolution at the annual shareholders' meeting in June 2019, we revised the specifics concerning class A preferred stock issued in August 2014, by changing assignees, changing dividend rates, and so on. Doing so not only ensured the stability of our recovering equity capital, but also reduced the preferred dividend rate from 3.5% annually to 2.1%, enabling us to achieve a reduction of ¥1.4 billion per year in preferred dividend obligations.

● Dividends per Share of Common Stock



Q5

Finally, can you tell us about your hopes for FY2019?

A5

We believe factors such as operating four nuclear power plants and the Matsuura Power Station Unit 2 coming online provide us with an opportunity to switch our business from “defense” to “offense.” We will aim for the sustainable growth of the Kyuden Group as a whole, while also working to further enhance our corporate value.

Continuing safe and stable nuclear power operation, responding to the competitive environment, and improving our balance are the management issues we will engage with as we move forward.

First, when it comes to operating our nuclear plants safely and stably, we firmly believe that we must always be striving to ensure that nuclear power is safe. Based on this belief, we will work autonomously and continuously to enhance safety and reliability with respect to the safe and stable operations of Genkai Nuclear Power Station Units 3 and 4 and Sendai Nuclear Power Station Units 1 and 2, and making steady progress on decommissioning Genkai Nuclear Power Station Units 1 and 2. One particular issue is that the installation deadlines for specific safety facilities at Sendai are coming up next year. Although we are aware that progress has been slower than anticipated, the construction plan has already been approved, so we will thoroughly examine ways to shorten the work period for the remaining installation construction and devote all our energy to making that a reality.

In terms of responding to the competitive environment, we plan to use the price reductions in effect since April 2019, new price plans and services created based on customer needs, and more as “weapons” to move beyond our competitors openly and fairly. We are forecasting an increase in the amount of power sold in FY2019 over the previous year for the first time since 2016’s full deregulation of the power sales market.

To improve our balance, we will continue steady operations of the power sources that give us a competitive edge, including our four nuclear power plants, as well as the Matsuura Power Station Unit 2, which we are bringing online in December. We will also work further to achieve an unmatched level of efficiency throughout all of our business activities. At the same time, we will continue to develop our overseas businesses and renewable energy businesses, while expanding into new businesses and



Interview with the President

services that take advantage of the Kyuden Group’s strengths, including ICT services, urban development and community planning, and infrastructure-based services. This should enable us to achieve even higher levels of revenue.

Working as a single entity to address these issues will ensure the Kyuden Group can both achieve sustainable growth and further enhance its corporate value.

In closing, we announced our Management Vision for 2030 in 2019. This will serve as a starting point for our entire group to work together toward making that vision a reality.

The Kyuden Group Management Vision 2030

With “Make a brighter future for generations to come” as its brand message and mission, the Kyuden Group has grown along with Kyushu by supplying customers with reasonably-priced, high-quality power on a stable basis.

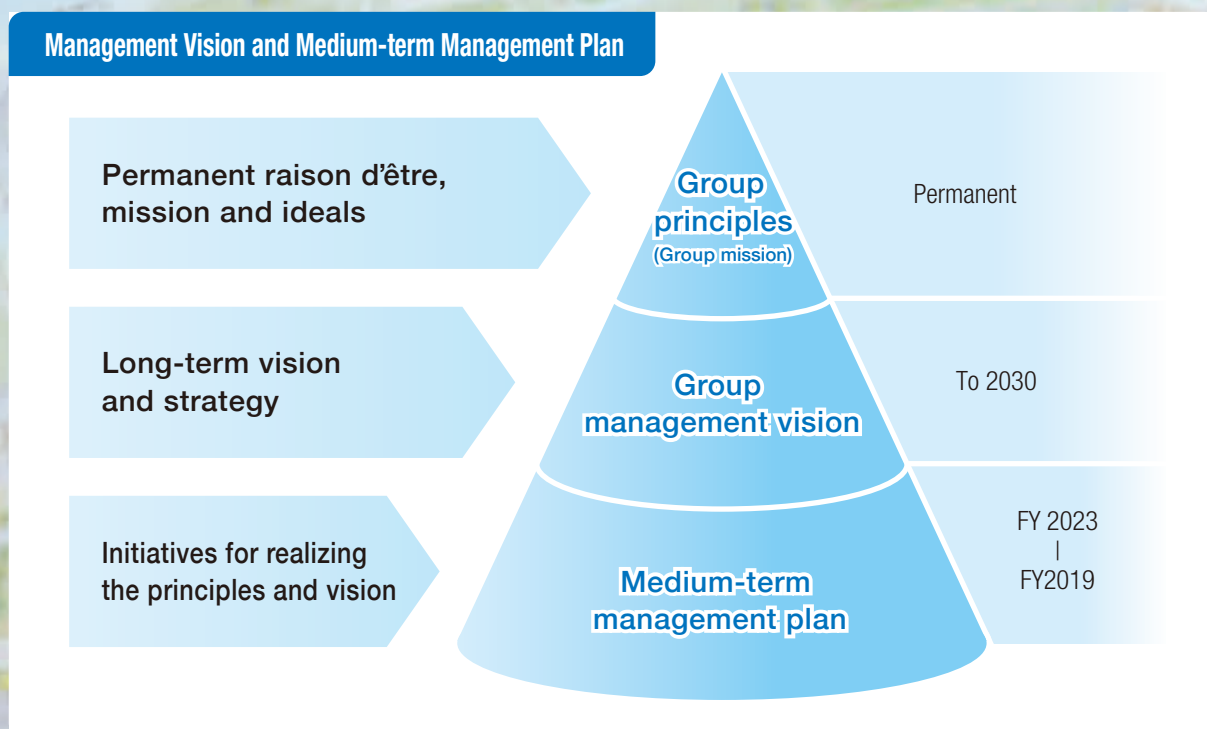
In recent years especially, however, our management environment has changed dramatically. April 2016 saw the full deregulation of the retail electricity sector, and in April 2017, the complete deregulation of the retail gas sector. In addition, in April 2020 we are scheduled to split off our power transmission and distribution business into a separate entity (in what is known as legal unbundling).

Across the globe, there is growing interest in, and awareness

of, the importance of sustainability, supported in part by ESG and SDGs, to create a better world and a better future for everyone that can be left to the next generation through the solution of global-scale social problems in such areas as the economy, society, and the environment. Enterprises are being looked to increasingly to play their part in solving these issues.

In addition, Japan’s population is progressively shrinking and aging, with marked concentration in large urban communities, and a wide range of problems are becoming more acute, including an increasing social and economic gap between regions.

At the same time, the advance of IoT, AI and other



ement Plan

technologies is enabling not only more efficient operations, but the creation (digital transformation) of never-before-seen business models and value, and we believe they can deliver new value to customers and society.

In this environment, we have formulated the Kyuden Group Management Vision 2030. As we aim for sustainable growth for the region and its society by leveraging Kyushu's potential, our Kyuden Group Management Vision 2030 outlines the kinds of contributions the Kyuden Group can make and communicates our commitment to developing and growing along with the region.

We have long had a slogan, "the Kyuden Group cannot develop without the development of Kyushu." We believe that

our highest mission is to contribute to the vitality of Kyushu by sharing our expertise with the people of the region and working hard together with them. And by carefully monitoring changes in Asia and the rest of the world, we hope to make contributions through our business activities by leveraging our management resources.

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.



Feature 1 Management Vision & Medium-term Management Plan

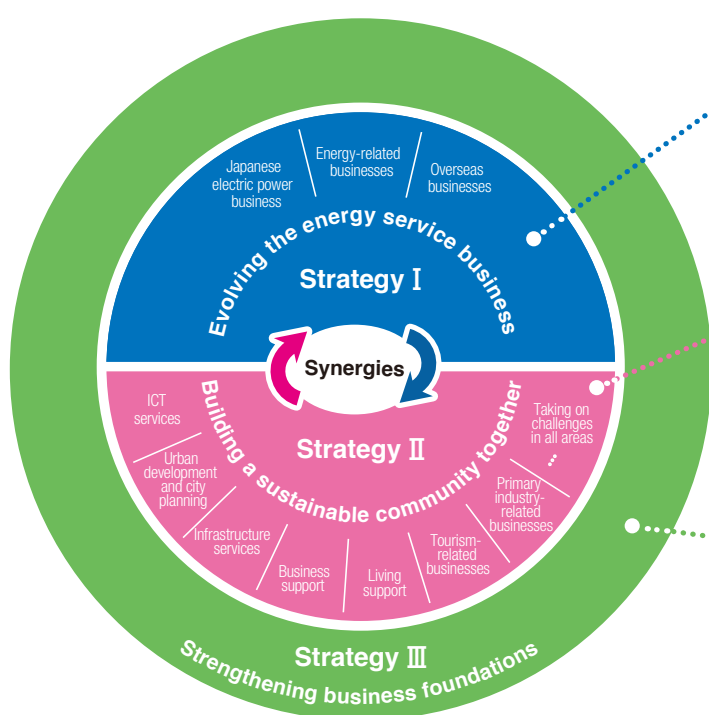
Kyuden Group Management Vision 2030



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



Strategy I

Developing the energy service business

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

Strategy II

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.

Strategy III

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.

ESG Initiatives

As the business environment changes significantly, Kyuden Group are actively engaged in the pursuit of ESG strategies with the aim of continually improving intermediate- to long-term corporate value.

*For more details on our ESG initiatives, please see page 38 onwards.

Environment

Strategy I

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.

Social

Strategy I

Contribute to the resolution of various issues affecting communities and wider society by creating markets through new businesses and services.

Governance

Strategy I

Strengthen the business foundations that support the growth of the Kyuden Group.

Contribute to the achievement of the SDGs* 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.

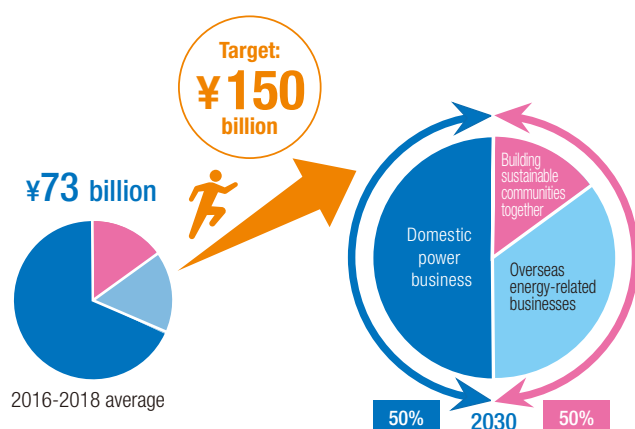
Business Performance Targets

Consolidated
ordinary profit of

¥150 billion

(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)



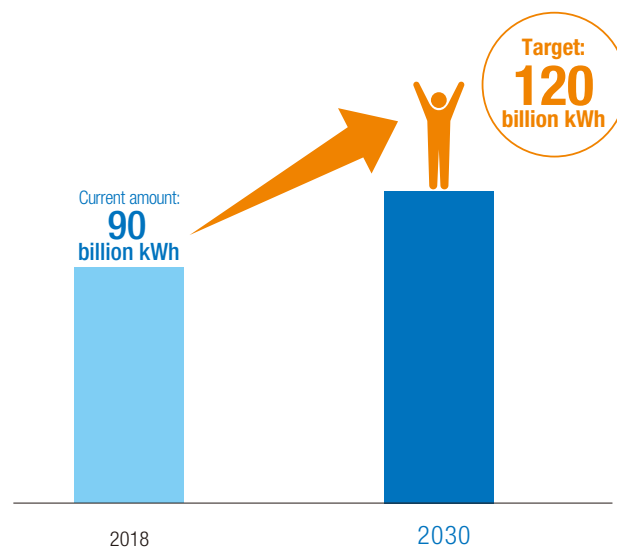
[As for shareholder return]

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

Total electricity
sales volume of

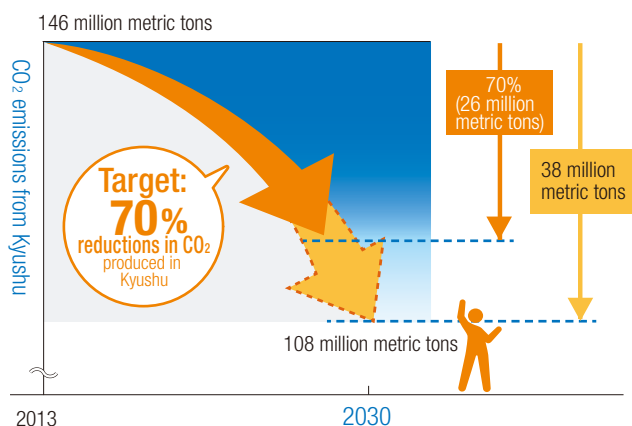
120 billion kWh

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



Contributing to reducing Kyushu's CO₂ emissions by 70%

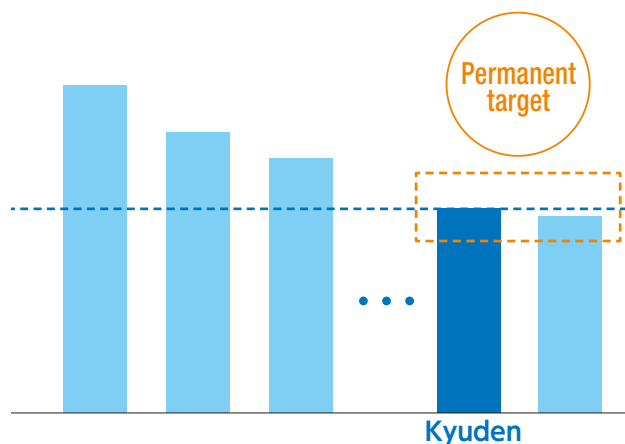
By promoting the use of renewable and nuclear energy to improve the proportion of usage of non-fossil fuels and by encouraging electricity usage in various industries, the Kyuden Group will contribute to reductions in CO₂ emissions produced in Kyushu of 70% (26 million metric tons).^{*1}



^{*1}: Japan's intermediate target is to achieve 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 CO₂ 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,^{*2} contributing to the vitality of the region as Kyuden Group grows together with Kyushu.

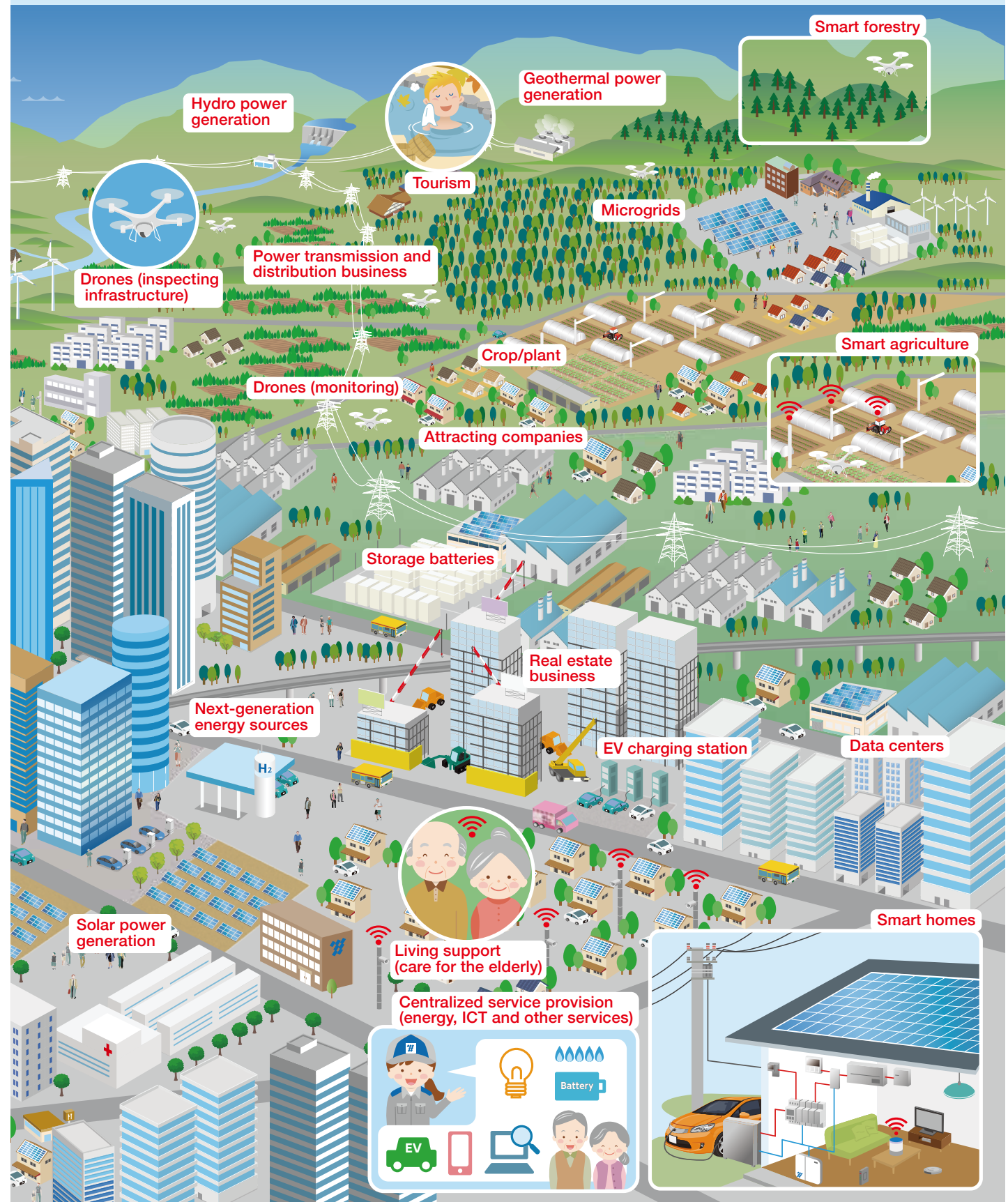


^{*2}: Excludes renewable energy surcharge, fuel adjustment charge and consumption tax.

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

With the FY2019 medium-term management plan, we aim to develop the energy service business through offering energy services that both offer a stable supply of environment-friendly energy and meet our customers' requirements. Equally, we will work to help resolve a variety of issues that face Kyushu and society and, in so doing, work together to build a sustainable community.

Furthermore, to make sure that we can take on the challenge of these initiatives as one unified group, we are endeavoring to strengthen our business foundations.

FY2019 Medium-term Management Plan Initiatives

Strategy I Developing the energy service business

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

Specific Initiatives

- Provide a stable supply of environment-friendly energy

Development volume
of renewable energy target
for 2030

5,000 MW (Equity ownership
in output 2,500 MW)

- Develop energy-related technologies, such as those that store or control electricity
- Offer energy services that respond to customers' needs
- Develop energy sources outside of Kyushu, and strengthen our fuel business

Energy equivalent of power sources
developed outside Kyushu by 2030

2,000 MW (equity ownership in
output: 1,000 MW)

- Expand further overseas

2030 target for equity ownership
in overseas power generation

5,000 MW

- Work on our power transmission and distribution business

Strategy II 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.

Specific Initiatives

- Resolve regional and social issues
- Provide ICT services, urban development, city planning, and infrastructure services
- Create new markets

Strategy III 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.

Specific Initiatives

- Prioritize safety and health
- Promote diversity
- Create workplaces where people want to work
- Revolutionize work tasks with ICT
- Construct a work management system that supports legal unbundling
- Work to ensure information security
- Implement CSR initiatives that meet stakeholder expectations
- Promote compliance-based management
- Disclose information and reflect customer feedback
- Improve management efficiency

Strategy I Developing the Energy Service Business

Providing more prosperous, comfortable livelihoods 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 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.

Development volume of renewable energy target for 2030 **5,000 MW** (Equity ownership in output 2,500 MW)

Development volume of renewable energy **2,130 MW** (end of May 2019)



Solar: 94 MW



Wind: 115 MW



Hydro: 1,282 MW
(excl. pumped-storage generation)



Geothermal: 548 MW

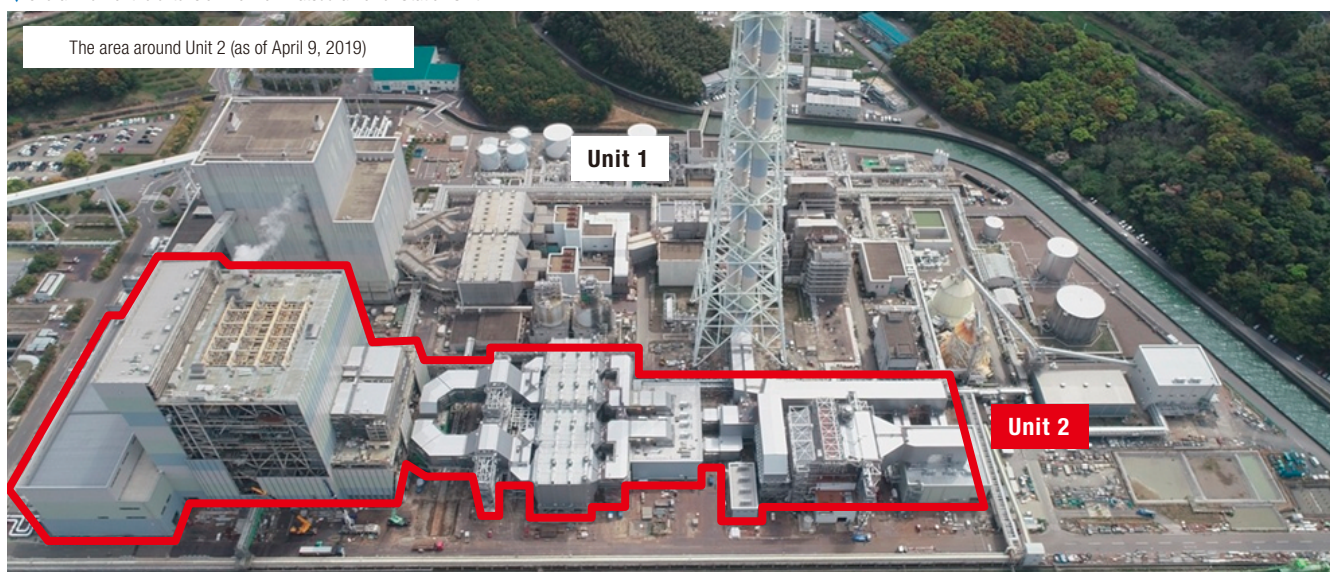


Biomass: 90 MW

Development of competitive, reliable power sources

We are running trial operations at the Matsuura Power Station Unit 2, with a view to begin commercial operations in December 2019. As well as introducing technologies that meet the highest standards and striving to reduce our impact on the environment, we will respond flexibly to the variable nature of output from renewable energy sources.

▼ Overall view of the extension work on Matsuura Power Station Unit 2



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

*Ultra-supercritical power generation is a power generation with cutting-edge technology and a high thermal efficiency, where the steam used to generate power is heated and compressed to an exceptionally high level.

Improving the safety and reliability of nuclear power

Taking into account new safety standards, we are implementing measures that go as far as possible in ensuring the safety of nuclear power. We are going even further than the framework imposed by the new regulations, and are gathering the latest technological expertise and data in order to continuously work to improve the safety and reliability of nuclear power.

We are constantly striving for safe, stable operations at our nuclear power plants, so that in future too, we can gain the trust of and bring peace of mind to the people in our region.

▼ Large-capacity pumping vehicle



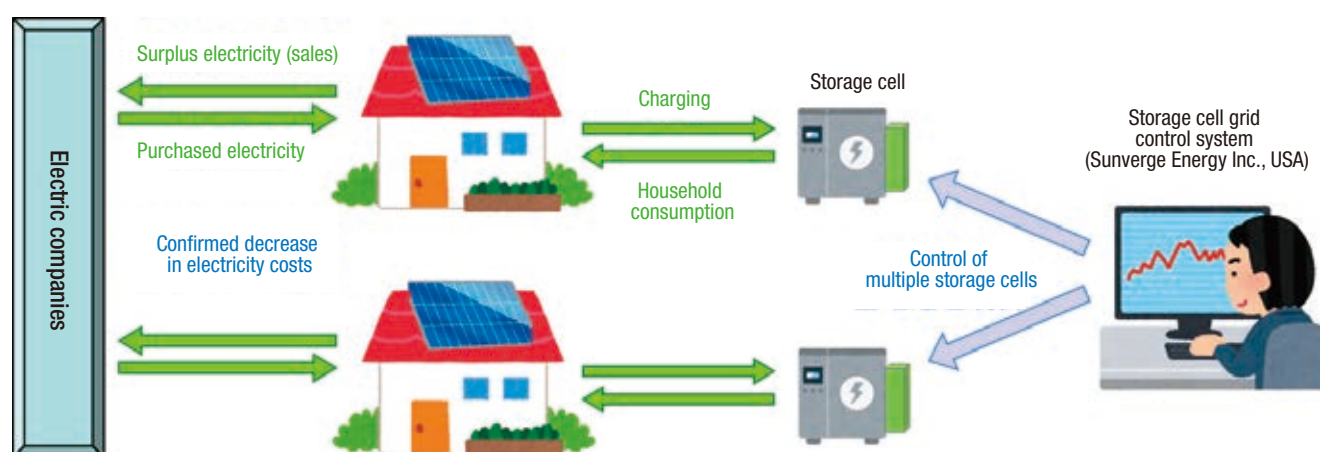
Development of Energy-related Technologies, Such as Those That Store or Control Electricity

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.

Energy management services that use storage cells

In a joint project with Mitsui & Co., Ltd., we are trialing a service designed to reduce electricity costs by promoting household electricity consumption that uses storage cells among customers who have solar power equipment at home.

▼ Illustration showing how the verification tests work



Development of new biomass-mix fuels

In April 2019, with an eye on reducing CO₂ emissions and ensuring a stable energy source, we signed an agreement with Australia's state of Victoria for materials such as woody biomass and brown coal, which it has in abundance. We are working to develop technologies that can mix these materials to produce new fuels.

▼ Development goals for new biomass-mix fuels

Safety	A fuel as safe as coal (bituminous or sub-bituminous)
Stable supply	A fuel that can be sustainably procured in the long term, and which uses woody biomass as well as brown coal, of which there are extensive deposits
Economy	A fuel that is cost-competitive
Environmental suitability	A CO ₂ -emission suppressing fuels that takes woody biomass from managed forests as its main constituent

Strategy I Developing the Energy Service Business

2

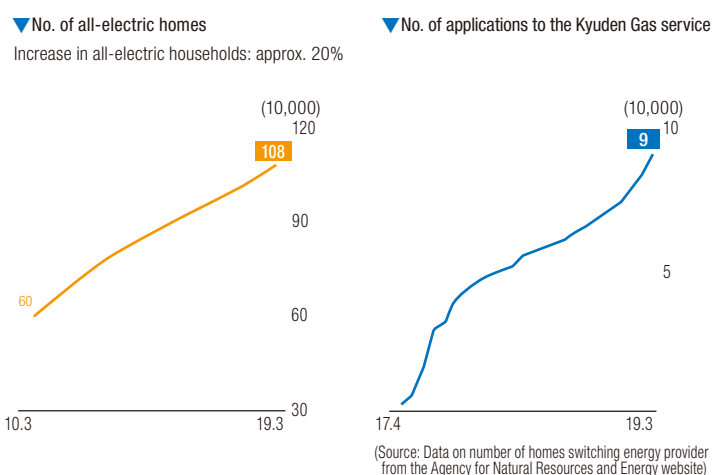
Move rapidly to respond to environmental changes including changes in energy markets and the diversification of customer needs, evolving our energy services

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. To do this, we are expanding our business activities and taking advantage of the various opportunities with which we are presented.



Retail gas business in the Fukuoka and Kitakyushu areas

In the Fukuoka and Kitakyushu areas, we are offering customers Kyuden Gas, with contracts for discounted combined gas and electricity supply (cumulative total of approx. 90,000 applications by the end of March, 2019).

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.

Promotion of power source development as part of an alliance with other companies

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

Current measures include an investigation into the validity of developing an LNG-fired thermal power station in collaboration with Tokyo Gas, in Sodegaura in Chiba.

Strengthening of the fuel business

The Kyuden Group is opening up a new business in the profitable area of fuel, making use of its existing expertise and an alliance with other companies. The business domain will cover the fuel value chain, from the fuel's manufacturing to its transport, and will include receiving delivery and sales.

Business Expansion Overseas

We are aiming to be able to produce 5,000 MW through our equity ownership in our overseas business in the year 2030, and to this end we will expand into other areas in addition to just Asia and the United States.

2030 target for equity ownership
in overseas power generation

5,000 MW

Equity ownership in overseas
power generation as of
the end of July, 2019

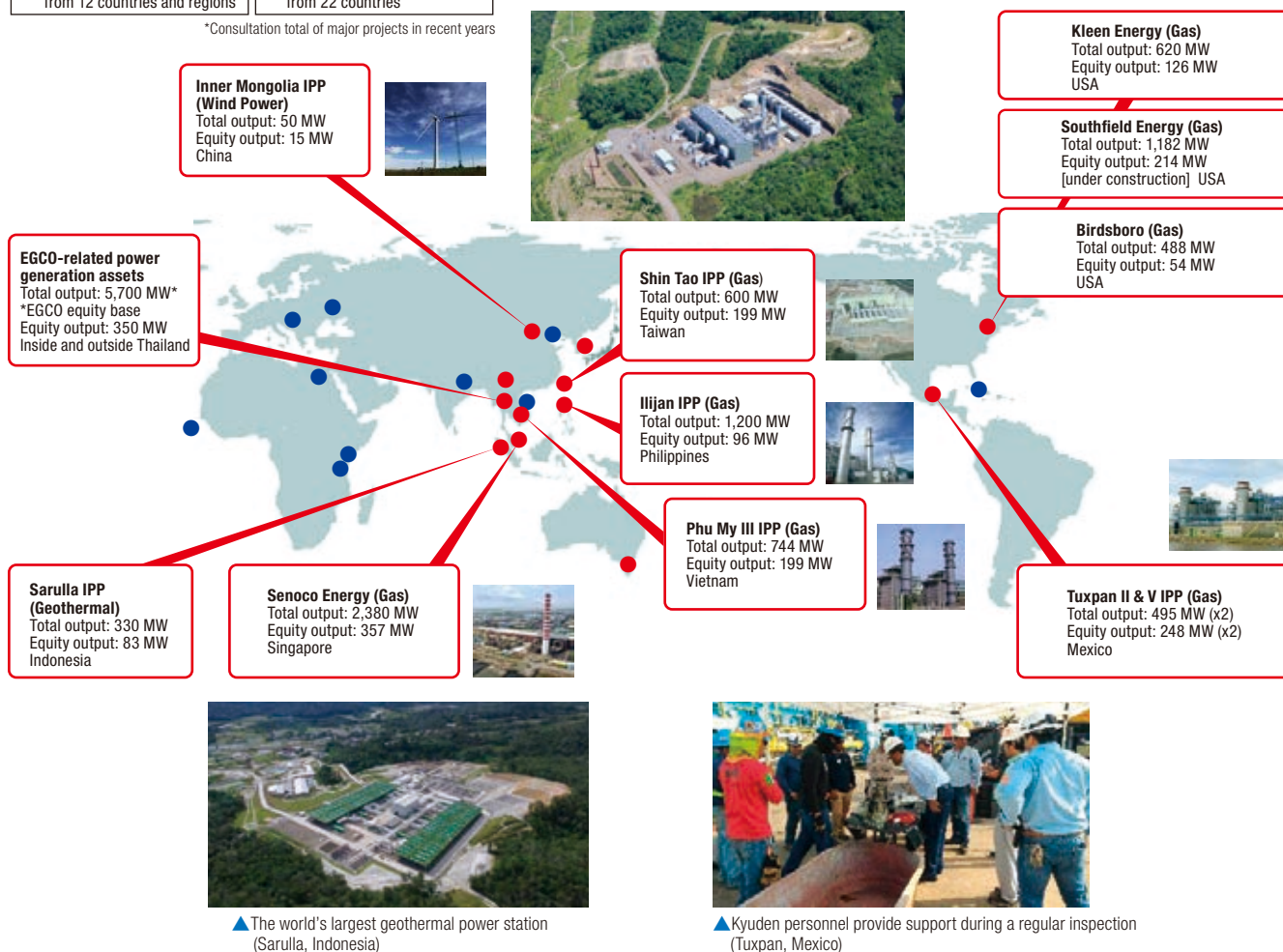
2,190 MW

● Overseas power generation
assets (IPP, etc.) 2,190 MW
from 12 countries and regions

● Overseas consultation
Cumulative total of 78 projects
from 22 countries

*Consultation total of major projects in recent years

▼ Equity participation in the US market
(Kleen Energy Gas-fired Thermal Power Plant)

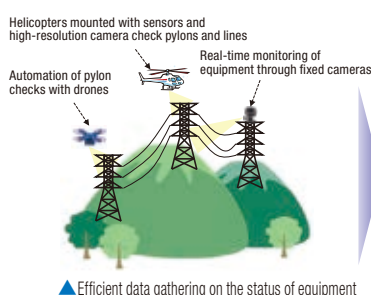


Initiatives in the Power Transmission and Distribution Business

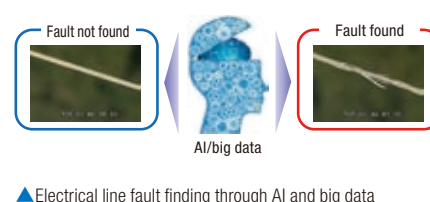
We are endeavoring to create demand for electricity in Kyushu through measures such as promoting all-electric energy use alongside our efforts to lower the cost to the consumer and ensure stable supply through initiatives to improve the quality and efficiency in maintenance and operating.

Improving maintenance quality and efficiency

To suitably maintain the equipment we use to transmit and distribute electricity as it ages, 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 when quality drops that use new technologies such as image analysis or artificial intelligence.



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



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

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

Businesses and services offered by the Kyuden Group that have been well-received by the region and its society are sold under the withQ brand. Through these businesses and services, we are undertaking to address regional and social challenges and expand profitability.

▼ The four withQ categories: disaster measures, heatstroke measures, LED lighting, information security



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
- QuUn IoT service business: essential IoT services for the Smart Home that create lifestyles of the future
- MIHARAS IT sensor for agriculture: automated instrumentation data delivery to smartphones and tablets

▼ Qtnet services

QT Mobile

BBIQ



▼ QuUn: An AI speaker born in Japan



▼ MIHARAS: An IT sensor from Nishimu Electronics Industries.



Infrastructure Services

To contribute to the development and vitalization of the Kyushu region, we are participating in infrastructure services such as airport management.

Airport management

We are working to increase the number of visitors to Kyushu and contribute to regional development and vitalization. To this end, we are participating in the increasingly privatized management of airports.

Management rights acquired jointly by Kyushu Electric Power and other companies

- Fukuoka Airport (private operations begin April 2019)
- Kumamoto Airport (private operations scheduled to begin April 2020)

▼ Kumamoto Airport in the future



Urban Development and City Planning

We will provide our expertise in energy supply and ICT to businesses in the fields of urban development, city planning, and real estate.

Urban development

We will enter actively into the field of urban development with such projects as the development of the old market area in Fukuoka, and the Tenjin Area Energy Project.

Real estate

By leveraging the comprehensive strength of the Kyuden Group, and collaborating with other enterprises, we will aim to further promote all-electric energy through business area expansion and the real estate business.

Creating New Markets

Toward Kyushu's further growth and vitalization, we will actively promote digital transformation* and alliances with other enterprises, and mobilize the entire group to create new markets.

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

Power infrastructure tourism

We are promoting infrastructure tourism at electric power infrastructure sites and increasing the number of visitors to Kyushu to stimulate the local economy and publicize the region.

▼ Tour of Kamishiiba Dam, Miyazaki Prefecture

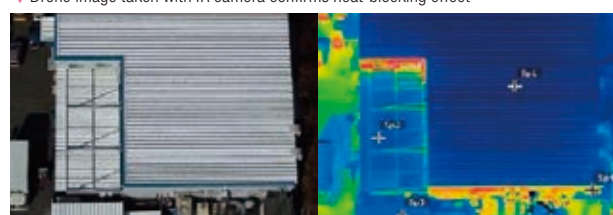


Drone services

We are utilizing drones to provide a one-stop aerial photography, inspection, and measurement service, from drone imaging and image editing to image analysis and final report.

We launched Kyuden Drone Services in July 2019 after field testing indicated potential demand.

▼ Drone image taken with IR camera confirms heat-blocking effect



Promoting Innovation

We are developing the energy service business in **Strategy I** and building a sustainable community together in **Strategy II**, and are engaged in activities aimed at maximizing synergy between the two strategies.

◆ KYUDEN i-PROJECT: Creating New Businesses and Services

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

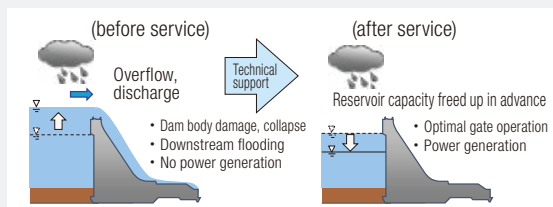
Case Study I

Upgraded dam and power generation management in Vietnam

In Vietnam, dam collapse and major disasters originating in poor dam management have become a social issue, and there is room for operational improvement.

Consequently, we established Kyuden Innovatech Vietnam, a local corporation, in April 2019. The company is providing services to introduce Kyuden Group's dam and hydroelectric power generation technology and enhance dam safety in Vietnam.

▼ Outline of service



Case Study II

Smartphone-controlled home delivery box

We may have a solution to the problem of package redelivery, and are studying its business potential for possible commercialization. This solution has the potential to make life easier and reduce the stress involved in redelivery for both the delivery people involved and those receiving packages.

▼ Home delivery box



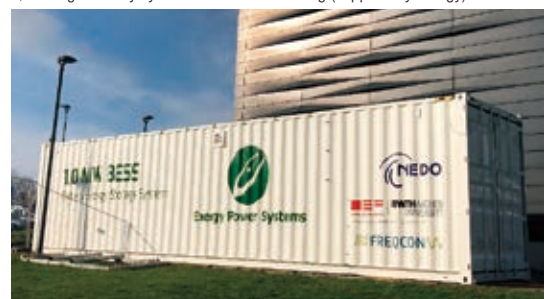
◆ Forming Strategic Partnerships with Other Companies

- In June 2018, in an effort to accelerate our creation of new businesses or services in collaboration with promising venture enterprises and other entities, we formed a strategic partnership with Energy & Environment, Inc.
- In October 2018, with the aim of investigating and developing pioneering new services, using AI, IoT or other similar technologies, or new business, we concluded a strategic agreement with OPTiM Corp. for continuous cooperation.

◆ Creating New Businesses with Venture Enterprises

We are aiming to co-create new businesses with venture enterprises. For example, we are collaborating with next-generation storage battery system developer Exergy Power Systems toward entry into the electric power supply adjustment business in Ireland.

▼ Storage battery system used in field testing (supplied by Exergy)



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

Comprehensive safety measures P55

In addition to establishing the Kyuden Group Safe Conduct Charter and other safety codes, the group is acting as one in its promotion of initiatives related to safety, which is the foundation of our management.

Promotion of health management

We have been pursuing health management with a view to maintaining and improving the health of our employees, and our efforts have been recognized as, for the second year running, we have been named a Certified Health & Productivity Management Organization* in the large enterprise category.



*under the Certified Health & Productivity Management Organization Recognition Program, a program that awards companies that are going above and beyond in their efforts in health management that was created by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi.

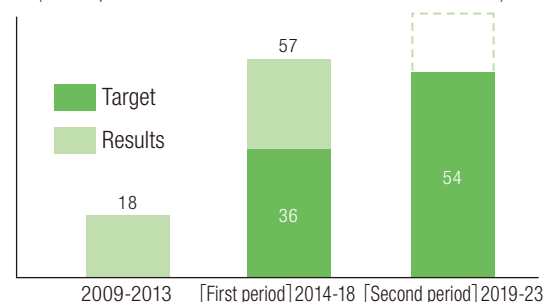
Promoting Diversity

We are working to support a diverse range of personnel, whatever their gender, age, nationality, or any disability they may have. We also support our employees through personal life commitments such as child-raising or care-giving.

- Promoting initiatives that increase participation by female employees
As well as having formulated our second Action Plan to Promote an Active Role for Women, we are working to support female workers in other ways so that they are able to both raise children and continue working.
- Providing a working environment for older employees
We believe that employees over the age of sixty are a valuable human resource thanks to their wealth of experience, knowledge and skills. As such we are committed to creating a working environment where they can be more active, and are introducing measures such as re-employment systems.
- Promoting employment of workers with disabilities
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.

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

Promoting Work Style Reform

By promoting work style reforms, we are creating an organizational culture and workplaces that allow employees to show their true potential, and where they 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.

▼ Management workshop on work style reforms



▼ Kyuden Workstyle Reform Festa



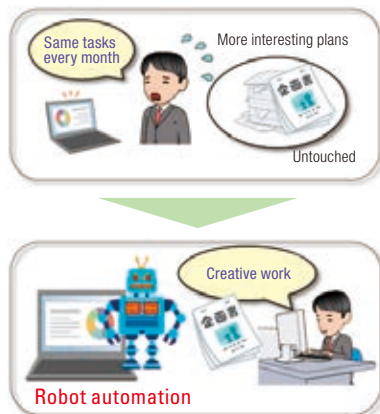
Strategy III Strengthening Our Business Foundations

Revolutionizing Work Tasks with ICT

With the timely application of ICT, while bearing in mind its economic viability, we are promoting work task reform that will lead to improved management efficiencies and better customer service.

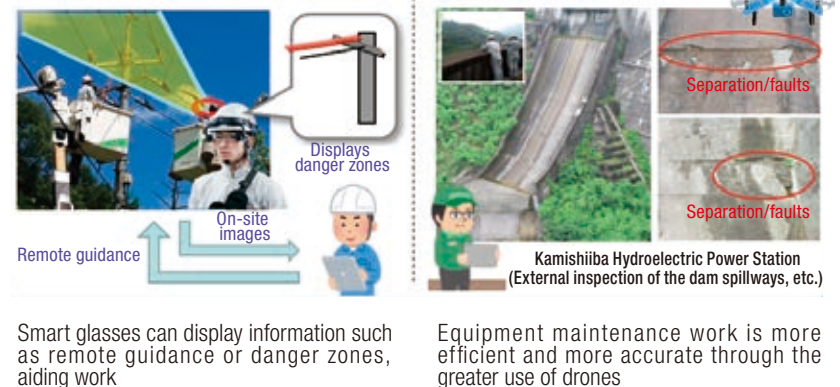
By pushing these cutting-edge ICT applications to promote work task reform, we are shifting to creative, added-value work tasks.

▼ How software robots can raise productivity



A greater number of computer-based tasks can be automated by delegating them to software robots

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



3 Consistently working to improve stakeholder trust

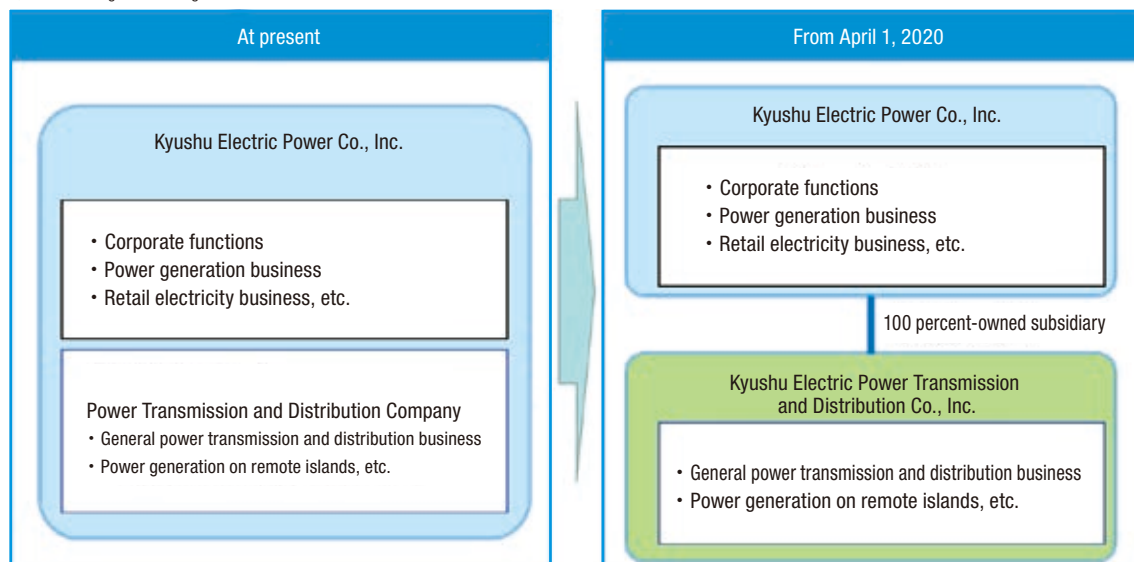
Construction of a Work Management System That Supports the Business' Legal Unbundling

In April 2020, to adequately respond to the required legal unbundling,* we plan to split off our general power transmission and distribution business into a 100 percent-owned subsidiary, Kyushu Electric Power Transmission and Distribution Co., Inc.

*In June 2015, it was decided that the electricity business would be altered as the third step in reforms of the electricity system; this process is due to begin in April 2020.

Even after this unbundling, to fulfill our obligations as we continue to operate in the energy business, we will aim to continually improve the value of the entire Kyuden Group.

▼ What our legal unbundling will look like



Initiatives to Ensure Information Security

To respond appropriately to the threat of cyber-attack, and to allow business continuity, we are working to ensure our information is secure.

Our Cyber Security Control Office is at the heart of our efforts to maintain and heighten the overall level of information security across the entire Kyuden Group.

Alongside our creation of a system designed to respond to any information security incidents, we are constantly running practice drills even before anything has happened, both of which are helping to strengthen our response to information security breaches.

CSR Initiatives That Meet Stakeholder Expectations P56

We are promoting working together as a united group in fulfilling our obligations as a corporate group and building strong relationships of trust with the region and society.

Promotion of Compliance

We push compliance, evidenced in our efforts to increase employee awareness of what compliance entails.

Our Compliance Promotion System

- 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 we are working to ensure that any breaches of laws, regulations or company ethics are either prevented or discovered at an early stage.

▼ Compliance Committee



Information Disclosure and Reflecting Customer Feedback

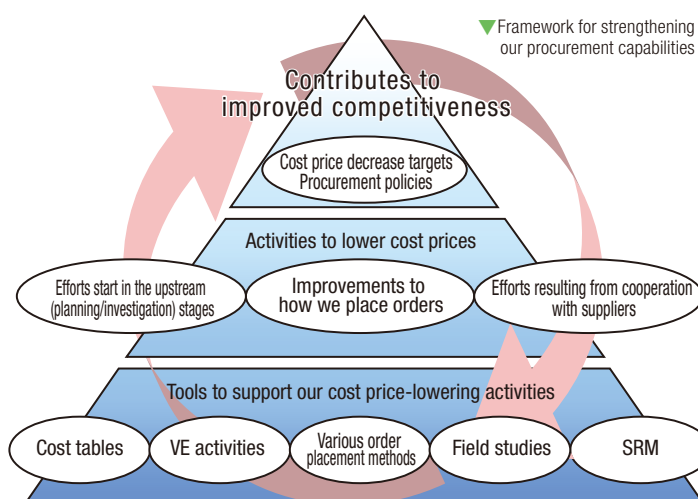
Customer feedback is integral to our business operations and to how we can go about solving the problems that face the region. By disclosing multi-faceted information about the Kyuden Group to our customers, we hope to deepen their understanding of our efforts and get them on board.

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.



ESG Initiatives

Amidst an environment in which we are seeing great change, in addition to financial initiatives, ESG efforts will be paramount in our endeavor to continuously improve corporate value.

This section outlines a number of key ESG initiatives of the Kyuden Group.

Governance P48



Environment P50



Social P54





Members of the Board of Directors



1 Michiaki Uriu
Member of the Board of Directors,
Chairperson

2 Kazuhiro Ikebe
Member of the Board of Directors,
President & Chief Executive Officer

3 Yuuzou Sasaki
Member of the Board of Directors,
Vice-Presidential Executive Officer

4 Hideomi Yakushinji
Member of the Board of Directors,
Vice-Presidential Executive Officer

5 Yoshiro Watanabe
Member of the Board of Directors,
Vice-Presidential Executive Officer

6 Nobuya Osa
Member of the Board of Directors,
Senior Managing Executive Officer

7 Ichirou Fujii
Member of the Board of Directors,
Senior Managing Executive Officer

8 Naoyuki Toyoshima
Member of the Board of Directors,
Senior Managing Executive Officer

9 Makoto Toyoma
Member of the Board of Directors,
Senior Managing Executive Officer



Members of the Board of Directors

10 Akiyoshi Watanabe
Member of the Board of Directors
(External)

11 Ritsuko Kikukawa
Member of the Board of Directors
(External)

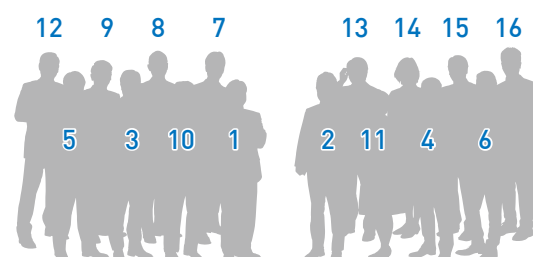
12 Eiji Kamei
Member of the Board of Directors,
Audit & Supervisory Committee
Member

13 Michihiro Uruma
Member of the Board of Directors,
Audit & Supervisory Committee
Member

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

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

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



Members of the Board of Directors

Career Highlights

1



Michiaki Uriu

Member of the Board of Directors,
Chairperson
Important Concurrent Positions: 1

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

6



Nobuya Osa

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

1977 Joined Kyushu Electric Power
2018 Member of the Board of Directors,
Senior Managing Executive Officer (current position)

2



Kazuhiro Ikebe

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

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

7



Ichirou Fujii

Member of the Board of Directors,
Senior Managing Executive Officer,
Director of Human Resource Vitalization Division,
Business Solution Headquarters,
Matters relating to the Secretary Office

1979 Joined Kyushu Electric Power
2018 Member of the Board of Directors,
Senior Managing Executive Officer (current position)

3



Yuuzou Sasaki

Member of the Board of Directors,
Vice-Presidential Executive Officer,
Executive Director of Technical Solution Headquarters
Important Concurrent Positions: 1

1978 Joined Kyushu Electric Power
2016 Member of the Board of Directors,
Vice-Presidential Executive Officer (current position)

8



Naoyuki Toyoshima

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

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

4



Hideomi Yakushinji

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

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

9



Makoto Toyoma

Member of the Board of Directors,
Senior Managing Executive Officer,
Executive Director of Corporate Strategy Division
Important Concurrent Positions: 1

1981 Joined Kyushu Electric Power
2018 Member of the Board of Directors,
Senior Managing Executive Officer (current position)

5



Yoshiro Watanabe

Member of the Board of Directors,
Vice-Presidential Executive Officer,
Director of Energy Service Headquarters

1977 Joined Kyushu Electric Power
2018 Member of the Board of Directors,
Vice-Presidential Executive Officer (current position)



Akiyoshi Watanabe

Member of the Board of Directors (External)

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-Chairman, Kyushu Economic Federation (a general incorporated association)
2008 Chairman, Toyota Motor Kyushu, Inc.
2009 Member of the Board of Directors, Kyushu Electric Power (current position)
2011 Advisor, Toyota Motor Kyushu, Inc.
2011 Director, Kyudenko Corporation (current position)
2015 Retired as Vice-Chairman of Kyushu Economic Federation
2015 Retired as an Advisor from Toyota Motor Kyushu, Inc.



Ritsuko Kikukawa

Member of the Board of Directors (External)
Important Concurrent Positions: 1

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



Eiji Kamei

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

1979 Joined Kyushu Electric Power
2018 Member of the Board of Directors,
Audit & Supervisory Committee Member (current position)



Michihiro Uruma

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

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



Fumiko Furusho

Member of the Board of Directors,
Audit & Supervisory Committee Member (External)
Important Concurrent Positions: 1

1982 Joined Furusho Tochi, Ltd.
1982 Director
1998 Board Member, Special Olympics Nippon
2000 Bureau Chief
2004 Retired as a Bureau Chief from Special Olympics Nippon
2006 Member, Kumamoto Prefectural Board of Education
2008 Retired from Special Olympics Japan
(now Special Olympics Japan Foundation)
2009 Committee Chairman, Kumamoto Prefectural Board of Education
2011 Representative Director, Furusho Tochi, Ltd. (current position)
2012 Retired as Committee Chairman,
Kumamoto Prefectural Board of Education
2013 Audit & Supervisory Board Member, Kyushu Electric Power
2014 Retired as a Member from Kumamoto Prefectural Board of Education
2018 Member of the Board of Directors, Audit & Supervisory Committee Member, Kyushu Electric Power (current position)



Yusuke Inoue

Member of the Board of Directors,
Audit & Supervisory Committee Member (External)
Important Concurrent Positions: 1

1973 Joined Bank of Japan
1985 Retired from Bank of Japan
1985 Joined Fukuoka Sogo Bank, Ltd.
(now Nishi-Nippon City Bank, Ltd.)
1986 Director
1989 Director, Fukuoka City Bank, Ltd.
(Name changed from Fukuoka Sogo Bank, Ltd.)
1990 Managing Director
1993 Senior Managing Director
1997 Deputy President
2003 Retired as Deputy President, Fukuoka City Bank, Ltd.
2003 Chairman, The Kyushu Card Co., Ltd.
2005 Retired as Chairman, The Kyushu Card Co., Ltd.
2005 Chairman, Kyushu Servicer Co., Ltd. (current position)
2016 Audit & Supervisory Board Member, Kyushu Electric Power
2018 Member of the Board of Directors, Audit & Supervisory Committee Member, Kyushu Electric Power (current position)



Kazutaka Koga

Member of the Board of Directors,
Audit & Supervisory Committee Member (External)
Important Concurrent Positions: 2

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

*Important concurrent positions to not include those within the Kyuden Group.



Feature 2 | Corporate Governance Session

Q1

A year has passed since the transition to an Audit and Supervisory Committee. How has this affected such things as Board of Director discussions?

Uriu During President Ikebe's first year after being appointed, I provided support to help him fully demonstrate leadership. At the same time, as Chairman of the Board, I worked to further strengthen its oversight functions. As part of this effort, I take care to thoroughly explain the objectives, background, and discussion points, so that external directors, including Audit & Supervisory Committee members, are able to discuss them with full understanding.

Kikukawa I attended 17 of the 19 board meetings held during FY2018. When I or one of the other external directors had questions to ask or opinions to offer, Chairman Uriu provided detailed feedback and encouraged other relevant board members to contribute. Overall, I believe the board meetings were conducted in an atmosphere that encouraged members, including external members, to speak up and engage in active discussion.

Watanabe My impression from attending 18 board meetings was that effectiveness was even higher than before. Due to the size of the organization, the range of topics brought before the board is quite diverse. Generally speaking, important management decisions are decided or announced at board meetings after being

discussed thoroughly by the Corporate Management Committee and in other meetings. In addition, where necessary for important decisions, the Audit and Supervisory Committee holds meetings with operations management to confirm the situation ahead of the board's taking action. This allows the directors to make fully informed, appropriate decisions, and I believe the Board of Directors is functioning effectively.

Uriu As Chairman of the Board, I am gratified to hear both of you express those opinions. I believe that strengthened governance and accelerated decision-making are the merits of our transition from an Audit and Supervisory Board model to an Audit and Supervisory Committee model, under which the Board of Directors delegates authority to individual directors. As such, I plan to expand the scope of this delegation in stages.

Q2

What steps are you taking to further enhance the Board of Directors' effectiveness?

Uriu The 95th Shareholders' Meeting approved a reduction in the total number of directors, including those on the Audit and Supervisory Committee, from 19 to 16. We expect this to further stimulate discussion by the Board of Directors.

Watanabe While the total number of directors has dropped, the number of external directors remains at five, including three who are members of the Audit and Supervisory Committee. As such, the proportion of external directors to the board as a whole has increased. We external directors aim to encourage sustainable growth and enhance corporate value over the medium to long term. From that standpoint, our role is to offer candid opinions from an independent standpoint, and oversee how business is conducted. We hope to continue in that capacity going forward.

Uriu I'm also very grateful that the two of you are not only attending board meetings (held once a month in principle) but also Corporate Management Committee meetings (held weekly in principle) to offer your extensive knowledge as external directors.

Kikukawa Attendance at Corporate Management Committee meetings is also useful for encouraging understanding of the content of issues that will be presented to the board for a decision. Furthermore, members of management have been visiting business offices and engaging in direct dialog with employees, and last year I was able to participate in some of these meetings. This enabled me to hear frontline employee opinions directly. As an external director, they were very valuable experiences.



Participants

Center: **Michiaki Uriu**
Member of the Board of Directors, Chairperson
Right: **Akiyoshi Watanabe**
Member of the Board of Directors (External)
Left: **Ritsuko Kikukawa**
Member of the Board of Directors (External)

Watanabe I also had the opportunity to visit nuclear power stations and engage in two-way communication with employees, as well as visit and observe at a training center. Actually, seeing employees engaged earnestly in operations training brought home the importance of independent, ongoing efforts to enhance safety and enabled me to deepen my understanding of the nuclear power business.





How do you view ESG management and SDGs, which are drawing increased attention?

Kikukawa It is certainly true that there is a growing awareness of the importance of sustainability in creating a better world and a better future for the next generation through the resolution of global-scale economic, social, and environmental problems. In particular, one often hears the terms ESG and SDGs, and I believe expectations toward enterprises in this respect are growing.

Watanabe Institutional investor interest in the ESG and SDG themes is growing, and there is growing demand for active

information disclosure through dialog or other channels. In addition, one of the basic principles in the Corporate Governance Code calls for appropriate collaboration with non-shareholder stakeholders. To promote Kyushu Electric Power's sustainable growth and medium- to long-term corporate value creation, the region and society that constitutes the basis for our existence and activities is naturally an important stakeholder. Consequently, I believe it is important to engage in ESG and SDGs from that perspective as well, and work actively to address social challenges.





Uriu In the Kyuden Group Management Vision 2030, which we recently announced, we state that we will actively promote ESG and contribute to the achievement of SDGs. Specifically, with respect to the environment (E), we will contribute to the realization of a low-carbon, sustainable society by raising the ratio of non-fossil fuel power sources through the utilization of renewable energy and nuclear power, and promoting all-electric energy and other initiatives. With respect to society (S), we will contribute to a wide range of solutions to challenges facing the region and society by creating markets for new businesses and services. Concerning corporate governance (G), we will work to reinforce the Kyuden Group's management base, which supports its growth. We are also carrying out CSR activities to firmly meet stakeholder expectations, for example

with biodiversity preservation activities under the slogan, "Making the Future with People and Nature."

Based on Kyuden Group's new management vision, we are creating the future, starting from Kyushu in collaboration with the people of the region, and are aiming to provide more prosperous, comfortable living to become our customers' No. 1 choice. I look to the two of you to continue providing frank opinions and suggestions from an external viewpoint that differs from the internal viewpoint.

*For more information on Kyuden Group's efforts to create a sustainable society, please refer to the Kyuden Group Sustainability Report 2019.



Governance

Corporate Governance

Basic Stance on Corporate Governance

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.

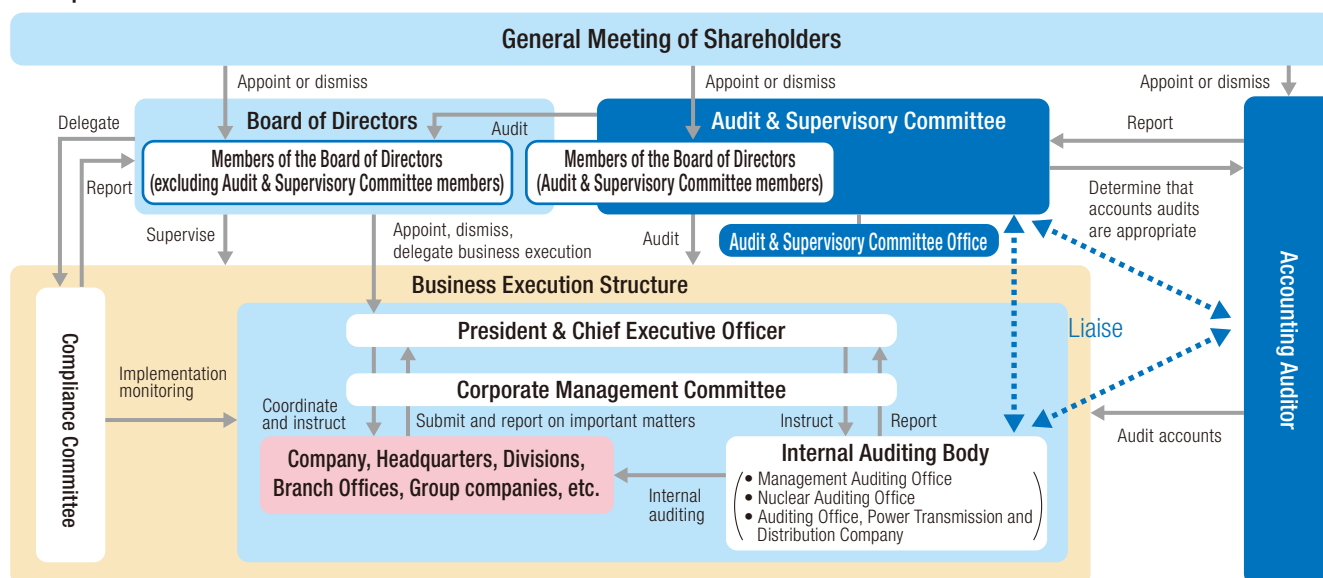
Our operating environment is changing rapidly. We believe that strengthened governance and accelerated decision-making are essential if we are to respond to these changes more flexibly and dynamically. To that end, we have adopted an Audit and Supervisory Committee model. Going forward, we will endeavor 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 the oversight function by appointing 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 and power transmission businesses)

Corporate Governance Structure



● Overview of Internal Organizations

Organization	Role	Members (As of March 31, 2019)	Meeting Frequency, etc.
Board of Directors	- Decides on important corporate management matters - Supervises performance of duties	19 members of the Board of Directors in total (including 5 external members of the Board of Directors)	Once a month in principle (19 times during FY2018)
Corporate Management Committee	- Considers matters that were decided by the Board of Directors in advance - Makes important decisions on business execution	- President, vice president, senior managing executive officers, managing executive officers, and others 17–24 members (7 members attended in response to agenda) *In addition to the above, two external directors attended	Once a week in principle (38 times during FY2018)
Audit & Supervisory Committee	- Performs audits relating to general status of members of the Board of Directors' performance of duties → Attends Board of Directors and other important meetings → Receives reports from executive divisions, consolidated subsidiaries, and others → Performs business site inspections → Deliberates and decides on important matters related to audits stipulated by laws and regulations and the articles of incorporation	5 Audit & Supervisory Committee members in total (including 3 external Audit & Supervisory Committee members) *The Audit & Supervisory Committee Member Office, which has 12 members, was established to assist the Audit & Supervisory Committee members as a specialist organizational body	Once a month in principle In FY2018, the committee met 5 times prior to the transition to a company structure that includes an Audit & Supervisory Committee, and 11 times after
Internal auditing body	- 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 - Audits quality assurance systems in place to monitor safety initiatives and the status of operations based on these	- Management Auditing Office (19) - Nuclear Auditing Office (9) - Auditing Office, Power Transmission and Distribution Company (8)	*Held constantly as part of duties

Risk Management

To manage risk, we regularly identify, categorize and assess risks based on our risk management rules, clarifying Company-wide and division-specific threats that could affect management. Each division and business office produces contingency plans to appropriately manage clear major risks. With regard to risks that relate to multiple departments and risks for which concerns of materializing are high, we share information among related departments, clarify response structures and address these risks appropriately.

For nuclear power in particular, we take external knowledge and opinions into consideration as we work to identify a broad range of risks, 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.

Principal Risks

- Changes in systems affecting the electric power business, etc.
- Fluctuations of electric power sales volume, etc.
- Costs related to nuclear power backend costs, etc.

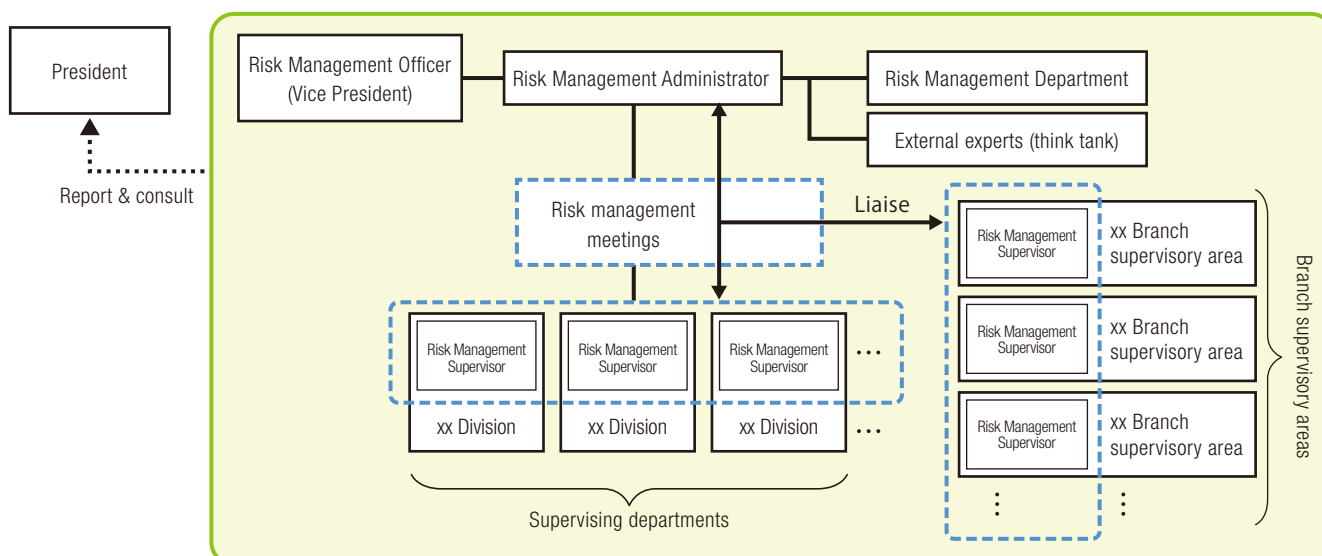
- Status of the environment surrounding nuclear power generation
- Fluctuations of fuel price
- Costs related to climate change

For details, see Business and Other Risks (page 62)

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.

● Crisis Management System



Environment

Climate Change Strategy

Adoption of TCFD Recommendations for Enhanced Climate Change-Related Disclosure

In June 2019, we adopted the TCFD* recommendations for enhanced climate-related disclosure. As an energy enterprise whose business activities create a load on the environment, we are making efforts to disclose environmental information to meet the needs of our stakeholders who value ESG in addition to our ongoing referencing of international reporting guidelines.

Going forward, while taking into consideration the content of deliberations by the TCFD Consortium of Japan, in which we participate, and further enhance our disclosure relating to climate change to fulfill our information responsibilities to our stakeholders and contribute to the development of a sustainable society.

*TCFD: Task Force on Climate-related Financial Disclosures. It was established by the Financial Stability Board (FSB) in response to a request by a conference of G20 finance ministers and central bank governors. In June 2017, the TCFD issued a set of recommendations to encourage information disclosure concerning the financial influence of climate change-related risks and opportunities, in order to enable investors to make appropriate investment decisions.

TCFD Recommended Disclosure Items



Governance

- Build oversight structure consisting of internal committees, etc.

Strategy

- Identify short-, medium-, and long-term risks and opportunities
- Risks/opportunities impacting business, strategy, and financial planning
- Assess management strength with respect to assumed scenarios

Risk Management

- Configure risk identification, evaluation, and management processes
- Integrate risk management into the group-wide risk management system

Metrics and Objectives

- Configure metrics to evaluate risks and opportunities with respect to strategy and risk management

Carbon Disclosure Project (CDP)

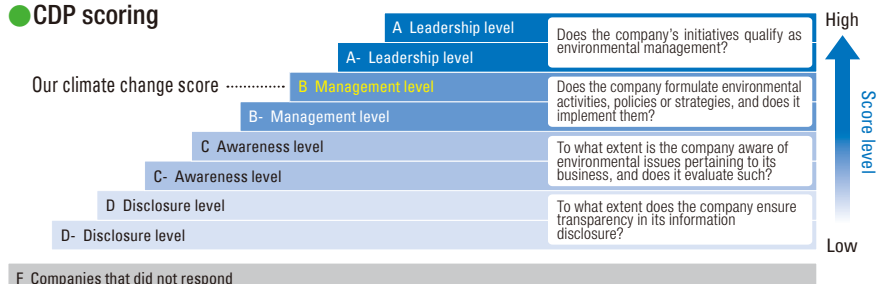
We responded to the Climate Change survey issued by the Carbon Disclosure Project (CDP*), an international NGO, relating to climate change and the environment. In FY2018, Kyushu Electric Power was scored at the Management level in terms of its environmental activities and level of disclosure. This score is high relative to other electric power companies.

*CDP: A project established by UK institutional investors and others to encourage corporate disclosure relating to the environment, including climate change. The survey is sent yearly to top-ranked enterprises around the world, based on market capitalization, and covers climate change, water, and forests. A score is issued for each responding enterprise, and is regarded as an international indicator of corporate value.

Our score

Enterprise	Climate Change Score
Kyushu Electric Power	B
Domestic electric company A	B
Domestic electric company B	B
Domestic electric company C	D
Domestic electric company D	D
Domestic electric company E	C

CDP scoring



Greenhouse Gas Emissions Status

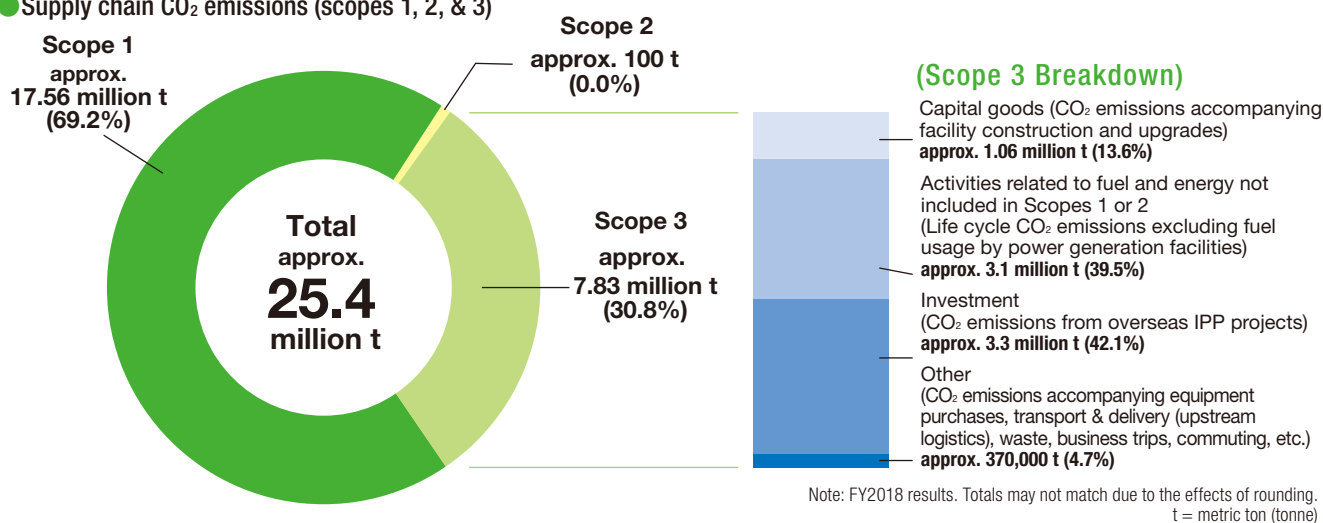
We are working hard to curb emissions of CO₂ and other greenhouse gases.

More specifically, we are taking action to address global warming through efforts on both the electricity supply and usage sides. These efforts are based on our pursuit of an optimal energy mix, and include use of nuclear power, provided that safety is ensured; maintenance and improvement of the thermal efficiency of thermal power plants; active development and maximal use of renewable energy; and commitment to our own energy-conservation activities.

Greenhouse Gas Emissions for the Overall Supply Chain

- Scope 1** Direct emission of greenhouse gases by businesses (CO₂ emissions accompanying use of fuel for power generation and vehicles; and emissions of nitrous oxide and sulfur hexafluoride)
- Scope 2** Indirect emission accompanying the use of electricity, heat or steam supplied by another party (CO₂ emissions accompanying the use of purchased electricity or heat)
- Scope 3** CO₂ emissions other than Scope 1 and Scope 2

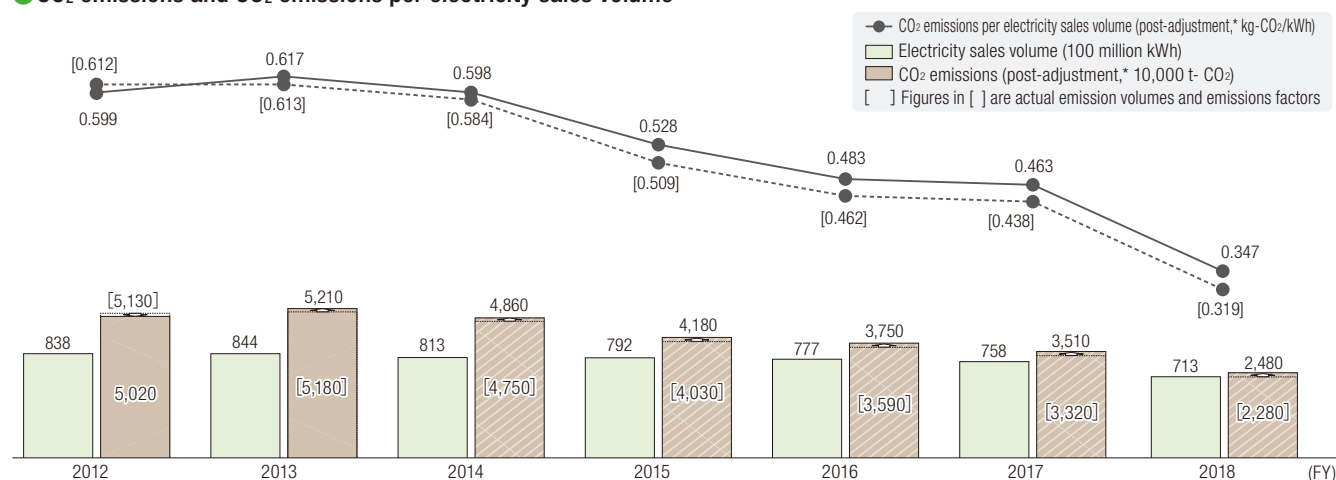
Supply chain CO₂ emissions (scopes 1, 2, & 3)



CO₂ emissions in FY2018 totaled 24.8 million metric tons, with an emissions coefficient of 0.347 kg-CO₂/kWh* for electric power sold, a decline from the level recorded in FY2017. This achievement reflects stable year-long operation (other than regular inspections) of Sendai Nuclear Power Station Units 1 and 2; the restart of Genkai Nuclear Power Station Units 3 and 4; and an increase in the amount of purchases of electric power generated from renewable energy.

*Definitions of conditions and priorities relating to measures to match supply and demand, as defined by the Organization for Cross-regional Coordination of Transmission Operators Japan.

CO₂ emissions and CO₂ emissions per electricity sales volume



*1: Calculated according to the "Calculation and Announcement of Actual Emission Factors and Post-adjustment Emission Factors for Each Power Provider" released by the national government in accordance with the Act on Promotion of Global Warming Countermeasures (includes portion due to purchasing power from other companies).

*2: As the increase in CO₂ emissions due to feed-in tariff (FIT) adjustments is greater than the decrease due to the acquisition of CO₂ emissions credit and other measures, the emissions coefficient after adjustments for the fiscal years 2013–2017 was greater than our base-level emissions coefficient.

*3: With the full liberalization of the retail market for electric power, the results for FY2016 onwards show the CO₂ emissions volume per electricity sales volume, CO₂ emissions, and electricity sales volume for retail electricity providers only; results are not included for isolated islands overseen by general transmission power providers (excluding the Goto Islands, which are handled as part of mainland Nagasaki Prefecture).

*Adjusted in line with CO₂ emissions credits and feed-in tariffs (FIT).

Environment

Active Renewable Energy Development

Because renewable energy sources such as geothermal, hydroelectric, biomass, wind, and solar power are superior pathways to effective utilization of domestic energy and for coping with global warming, the Kyuden Group is united in its active development promotion is working in cooperation with local communities.

Kyuden Group CO₂ Emission reductions by Renewable Energy Generation

Biomass power and waste power (as of March 31, 2019)	Approx. 89.6 MW	CO₂ emission reductions by biomass and waste power generation, FY2018*	Approx. 40,000 metric tons
Wind power (as of March 31, 2019)	Approx. 67.6 MW	CO₂ emission reductions by wind power generation, FY2018*	Approx. 30,000 metric tons
Solar power (as of March 31, 2019)	Approx. 89.6 MW	CO₂ emission reductions by solar power generation, FY2018*	Approx. 30,000 metric tons
Geothermal power (as of March 31, 2019)	Approx. 218 MW	CO₂ emission reductions by geothermal power, FY2018*	Approx. 510,000 metric tons
Hydroelectric power (as of March 31, 2019)	Approx. 1,280 MW	CO₂ emission reductions by hydroelectric power, FY2018*	Approx. 2,360,000 metric tons

*Calculated using FY2017 CO₂ emissions coefficient

Maximum Adoption of Renewable Energy

We are working to maximize the use of solar, wind, and other energy sources, whose power output varies greatly with weather and time of day, by optimally combining them with thermal power or pumped hydropower.

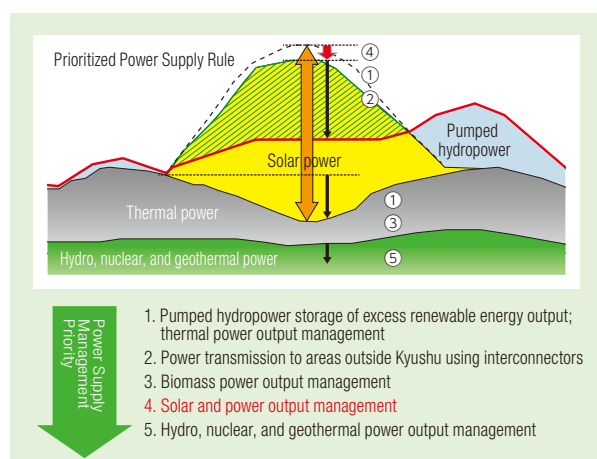
[Responding When Output Exceeds Demand]

In spring and autumn, when demand for electric power is comparatively low, daytime solar power output sometimes exceeds demand.

To maximize the utilization of solar and similar renewable power sources in such instances, we take steps such as reducing power output from thermal power stations. In addition, in some cases when power supply capacity exceeds demand, we must manage solar and wind power output in accordance with the prioritized power supply rule.* This rule functions as a safety valve for unstable solar and wind power, and contributes to greater supply to the power grid.

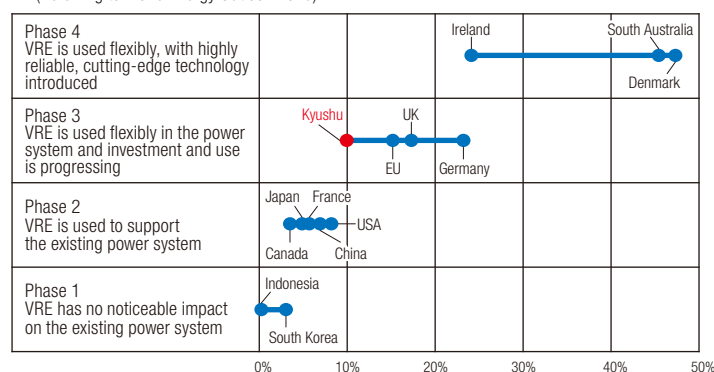
The World Energy Outlook, published by the International Energy Agency (IEA), categorizes the degree of integration of variable renewable energy (VRE), such as solar and wind power, into power systems into four phases (see diagram below). Development and use of VRE in Kyushu is at the same level as that of the EU or Germany.

*Definition of conditions and priorities relating to measures to match supply and demand, as defined by the Organization for Cross-regional Coordination of Transmission Operators Japan.



Annual share of variable renewables generation and related integration phase in selected regions/countries, 2017

(Referring to World Energy Outlook 2018)



Water Management

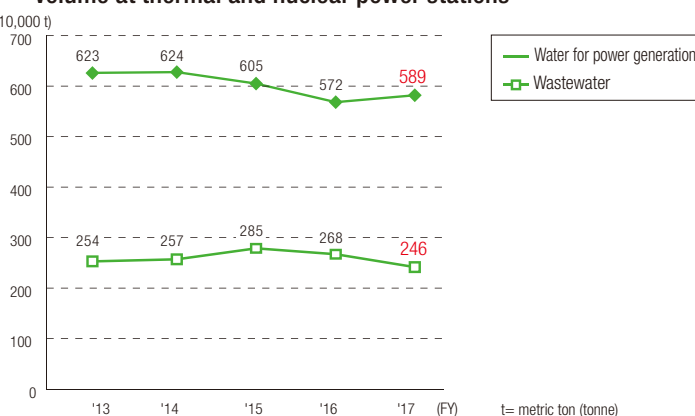
Industrial water used in thermal and nuclear power generation is drawn from rivers and other sources within usage limitations and we are working to reduce the amount of freshly supplied water we use such as through recycling. Further, in regards to wastewater, we follow all national and local laws and regulations for water quality and treat water appropriately with our specialist water treatment equipment, and in these ways, we are endeavoring to lower the risk of water pollution.

● Our score for the FY2018 CDP survey on water

Our FY2018 evaluation was management level, B-.

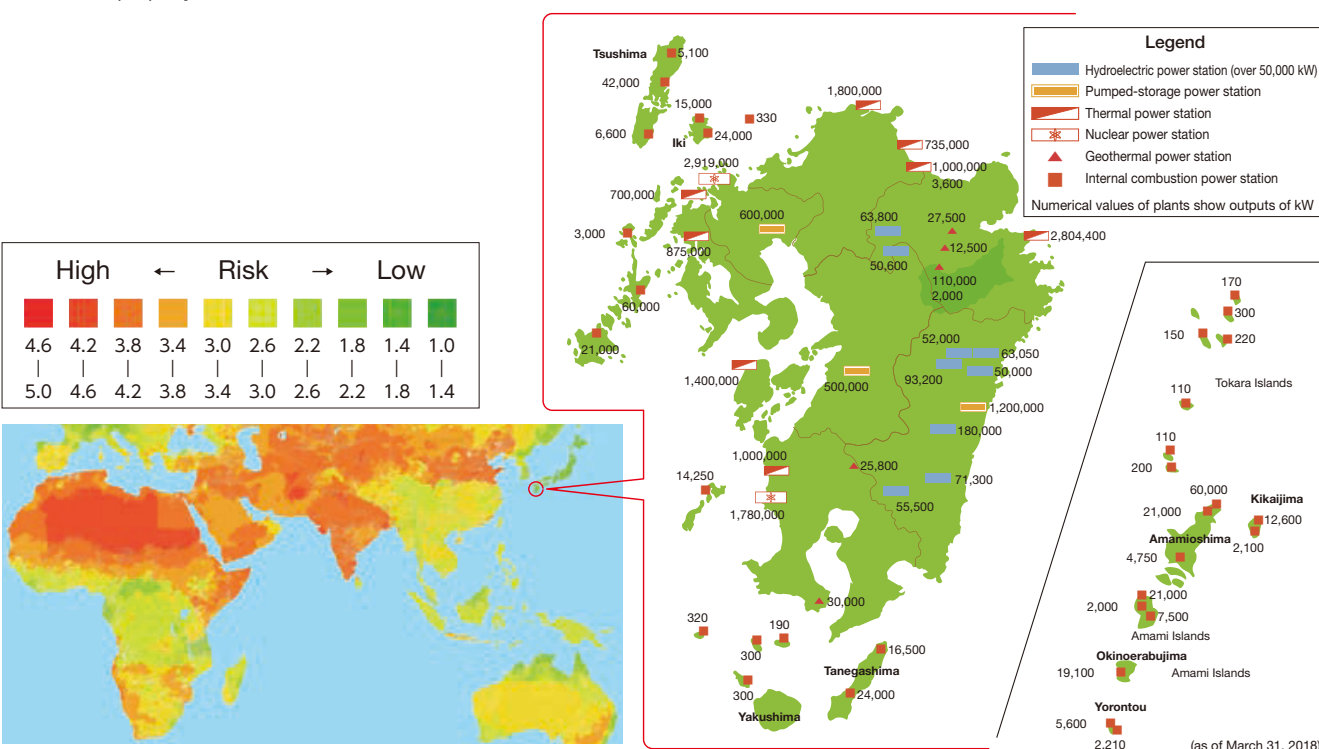
Utility	Water score
Kyushu Electric Power	B-
Domestic electric company A	B
Domestic electric company B	F (no response)
Domestic electric company C	F (no response)
Domestic electric company D	F (no response)
Domestic electric company E	F (no response)

● **Water usage for power generation and wastewater volume at thermal and nuclear power stations**



Water Risk Assessment

According to the Water Risk Filter of the World Wide Fund for Nature (WWF), in the Kyushu area where we have installed power plants that use freshwater or seawater, there is no danger of water shortage. We also endeavor to manage water used in power generation and wastewater properly.



Created internally, based on "The Water Risk Filter" from the World Wide Fund for Nature(WWF) website

Social



Respect for Human Rights

Efforts to Enhance Respect for Human Rights

We are making efforts to heighten awareness of human rights throughout the Kyuden Group to contribute to the creation of a comfortable, abundant society with respect for human rights. We designed and are implementing an educational program relating to human rights and integration in the belief that a correct understanding by employees of such issues, and correct conduct based on such understanding, will contribute to the creation of happy workplaces where human rights are respected.

●FY2018 education and training achievement

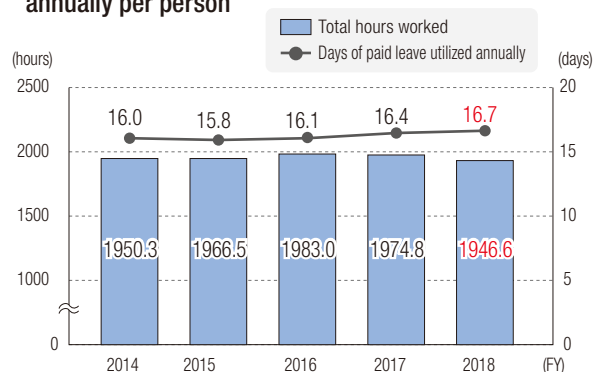
Training Type		Results
Kyushu Electric Power	In-house training	11,201 employees
	External training	1,025 employees
Rest of the Kyuden Group		44 companies, 6,561 employees

Enhancing Work-Life Balance

To enhance employee work-life balance, we are promoting the use of flex time and other flexible work schemes, making efforts to raise labor productivity through workstyle reform, implementing no overtime days and encouraging employees to use their annual paid leave. In these and other ways, we are working to reduce employees' total working hours.

In addition, we are strictly managing hours worked by monitoring employees' computer use, to promote their mental and physical health and ensure compliance with relevant labor laws.

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



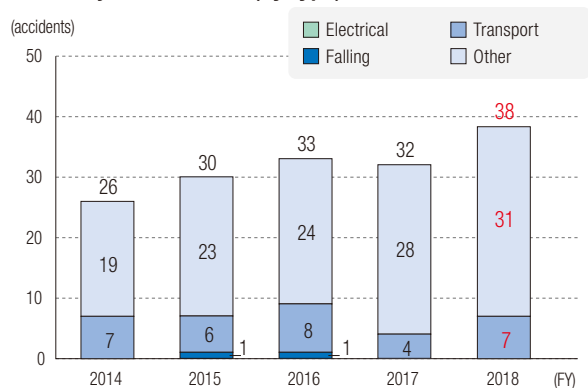
Industrial Safety and Hygiene

Our highest priority is safety and health. Based on this fundamental stance, we aim to reduce our accident rate to zero and promote mental and physical health, and are working on safety and hygiene measures at each worksite. In addition, to encourage safety activities throughout the company from the perspective of on-the-job accident prevention, we have upgraded our internal organization, established a Companywide Safety Promotion Committee, and formulated a Companywide Safety Promotion Basic Policy as a common initiative to be shared across all divisions.

Efforts to Reduce Accident Rates to Zero

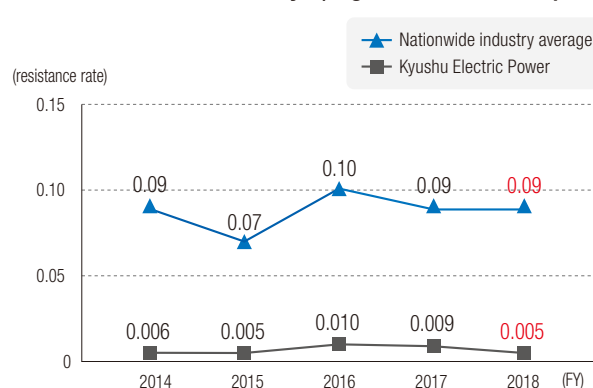
On-the-job accidents involving employees as well as subcontractors occur every year. To ensure worksite safety, we promote accident prevention practices that include risk assessment. Furthermore, we carefully investigate accidents to determine their fundamental causes, use these findings to formulate and implement measures to prevent recurrence, and monitor adherence to such measures. In addition, we educate employees regarding labor safety and hygiene regulations to promote compliance, and conduct safety training that helps employees recognize the presence of danger before accidents occur.

On-the-job accidents* (by type)



*Accidents involving tripping or falls due to missteps, involving tools, etc.

Labor accident severity* (degree of business impact)

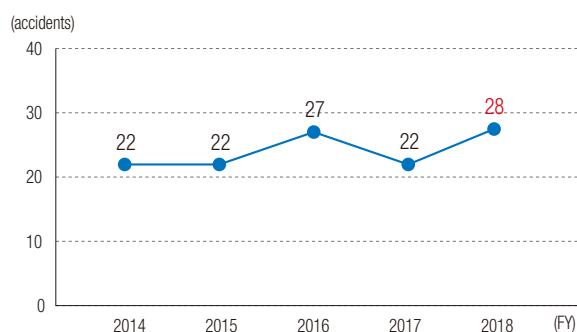


*Days of labor lost due to injury per 1,000 hours worked

Promoting Safety Activities with Subcontractors

We provide safety activity support to ensure safety for each of our subcontractors' employees. 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.

Subcontractor accidents*



*Business suspension of 4 days or more, but excluding accidents involving fees collectors and part-time workers on their way to or from work.

Identifying Major CSR Challenges Facing the Kyuden Group

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.

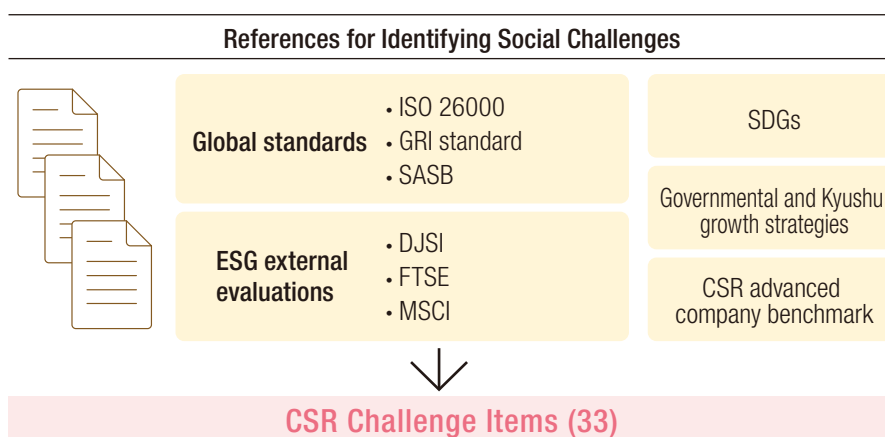
With awareness of this management environment, the Kyuden Group has identified 14 major CSR challenges for which stakeholder expectations are particularly high. Going forward, the Kyuden Group will work actively to address these major CSR challenges.

Kyuden Group Major CSR Challenges

Theme	Charting a Path to a Sustainable Society	Relevant SDGs	Major CSR Challenges
Realization of a sustainable society through energy services	Energy is essential for customers' lives and economic activities, and we will continue to deliver it in a stable, reliable way. We will also anticipate changes in our environment, including energy availability and the diversifying needs of our customers, and evolve our energy services accordingly.	  	Reduce CO ₂ emissions Develop/adopt renewable energy Provide energy reliably Operate nuclear power stations safely and reliably Meet customer needs and challenges with energy services
Sustained development of Kyushu leveraging local characteristics	A vigorous, growing Kyushu means more demand for electric power. The Kyuden Group is committed to earnestly addressing the challenges facing Kyushu and devising solutions that reflect the region's unique characteristics.	     	Promote local industry and create jobs Expand number of visitors to Kyushu Preserve biodiversity Help create a society that is equally welcoming for the elderly and children Create urban development for safe, strong neighborhoods
Ongoing personnel and organizational development	A pioneering spirit is part of the history of the Kyuden Group. We regard rapid change in our management environment as an opportunity, and will continue to break new ground.	  	Create innovation Develop personnel Create work-friendly environments Ensure effective corporate governance

STEP 1 Identifying Social Challenges (CSR Challenge Selection)

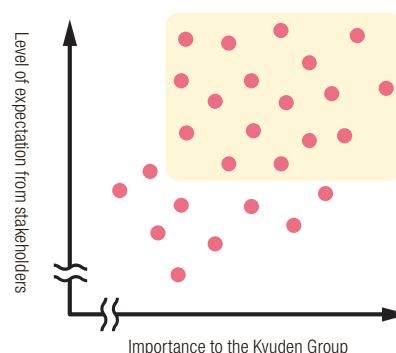
The process of identifying social challenges took items given importance by global CSR standards as its foundation and included reference to SDGs and ESG external evaluations as well as growth strategies formulated by the national government and Kyushu administrative entities. This yielded a list of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



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.

● 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 Director, BIZCOLI 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, Corporate Planning & Coordination Department, Development Bank of Japan	Keisuke Takegahara	Fellow, Chuo Graduate School of Strategic Management, Chuo University Supervising Lecturer, Japan Management Association	Etsuhiro Hosoda

Topic

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 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, which is chaired by the president and composed of senior management, 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 Kyuden Group's 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 2019.

Consolidated Eleven-year Financial Summary

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

	Millions of Yen					
	2009	2010	2011	2012	2013	2014
For the Year:						
Operating revenues:	¥1,524,193	¥1,444,941	¥1,486,083	¥1,508,084	¥1,545,919	¥1,791,152
Electric	1,398,577	1,310,085	1,354,204	1,367,610	1,406,218	1,633,023
Other	125,616	134,856	131,878	140,474	139,700	158,129
Operating expenses:	1,439,470	1,345,214	1,387,174	1,692,939	1,845,347	1,886,974
Electric	1,317,216	1,220,536	1,261,425	1,562,055	1,715,262	1,746,890
Other	122,254	124,677	125,748	130,883	130,085	140,083
Interest charges	35,770	35,292	34,025	34,025	37,407	39,429
Income (loss) before income taxes and minority interests	55,859	67,610	48,318	(214,750)	(334,298)	(73,732)
Income taxes	21,481	25,404	19,245	(48,760)	(2,195)	20,786
Net income (loss) attributable to owners of the parent	33,991	41,812	28,729	(166,390)	(332,470)	(96,096)

	Yen					
Per Share of Common Stock:						
Basic net income (loss)	¥71.84	¥88.38	¥60.73	¥(351.80)	¥(702.98)	¥(203.19)
Diluted net income (loss)	—	—	—	—	—	—
Cash dividends applicable to the year (common stock)	60.00	60.00	60.00	50.00	—	—
Cash dividends applicable to the year (Class A preferred shares)	—	—	—	—	—	—

	Millions of Yen					
At Year-End:						
Total assets	¥4,110,877	¥4,054,192	¥4,185,460	¥4,428,093	¥4,526,513	¥4,549,852
Net property	3,080,446	3,037,054	3,033,125	2,997,232	2,941,114	2,941,142
Long-term debt, less current portion	1,811,744	1,724,972	1,714,429	2,188,601	2,526,729	2,804,896
Total equity	1,072,374	1,089,066	1,079,679	888,131	557,799	494,232

(U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥111.01 = U.S.\$1, the approximate rate of exchange at March 31, 2019.)

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

Summary of the Year Ended March 31, 2019

While Genkai Nuclear Power Station restarted, sales of electric power were down due to a drop in the volume of contracted power sales and the effects of a relatively warm winter. Undertaking a periodic inspection of Units 1 and 2 at Sendai Nuclear Power Station combined with necessary maintenance work on power transmission and distribution equipment to ensure the stable supply of our electricity, along with other factors, led to an increase in expenses such as improvement and sundry expenses. Due to the above, and taking into account investment losses resulting from appraisal losses on investments in the overseas energy business under the equity method, the year ended March 31, 2019, saw Kyushu Electric Power's profits decrease in comparison to the previous fiscal year.

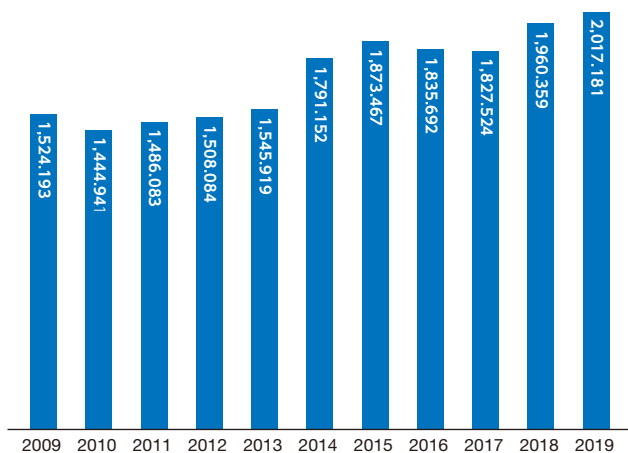
	Millions of Yen					Thousands of U.S. Dollars
	2015	2016	2017	2018	2019	2019
For the Year:						
Operating revenues:	¥1,873,467	¥1,835,692	¥1,827,524	¥1,960,359	¥2,017,181	\$18,171,171
Electric	1,719,570	1,688,328	1,681,066	1,804,418	1,844,850	16,618,777
Other	153,897	147,364	146,458	155,940	172,331	1,552,393
Operating expenses:	1,916,782	1,715,435	1,704,883	1,857,235	1,930,606	17,391,286
Electric	1,779,711	1,584,556	1,574,890	1,713,322	1,771,776	15,960,516
Other	137,070	130,879	129,993	143,913	158,829	1,430,769
Interest charges	40,148	39,317	36,008	33,416	31,397	282,832
Income (loss) before income taxes and minority interests	(72,901)	92,499	82,840	73,558	52,276	470,914
Income taxes	40,324	17,359	2,230	(14,470)	19,773	178,122
Net income (loss) attributable to owners of the parent	(114,695)	73,499	79,270	86,657	30,970	278,985

	Yen					U.S. Dollars
Per Share of Common Stock:						
Basic net income (loss)	¥(242.38)	¥155.17	¥159.97	¥175.56	¥58.05	\$0.52
Diluted net income (loss)	—	—	159.78	144.03	47.51	0.42
Cash dividends applicable to the year (common stock)*	—	—	15.00	20.00	30.00	0.27
Cash dividends applicable to the year (Class A preferred shares)*	—	—	3,500,000.00	3,500,000.00	3,500,000.00	31,528.69

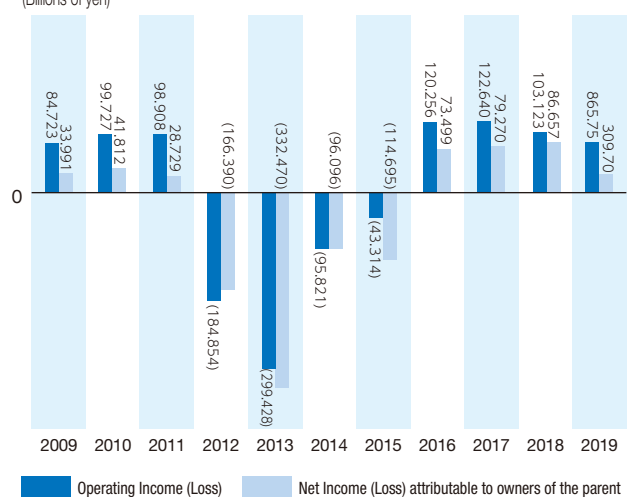
*The amounts of cash dividends per share are based on the recorded earnings for each fiscal year.

	Millions of Yen					Thousands of U.S. Dollars
At Year-End:						
Total assets	¥4,784,735	¥4,748,237	¥4,587,541	¥4,710,073	¥4,794,039	\$43,185,657
Net property	2,985,935	3,073,861	3,134,911	3,229,489	3,344,082	30,124,157
Long-term debt, less current portion	2,844,538	2,745,848	2,789,038	2,699,097	2,676,370	24,109,274
Total equity	450,990	499,903	574,577	653,963	665,250	5,992,704

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 in our electricity business for 2019, factors such as a decrease in the volume of electric power sold and reduced lighting and power revenue, but also due in part to an increase in renewable energy-related subsidies and delivered power revenue, there was a 2.9% increase in consolidated operating revenues over the previous fiscal year to ¥2,017.1 billion.

With regard to expenditures, the Kyuden Group continued coordinated cost-cutting efforts. In our electricity business, the cost of purchased power from renewable sources increased, and repair costs and other expenses rose for reasons such as periodic inspection of the Sendai Nuclear Power Station and maintenance work needed for stable supply in power transmission and distribution equipment. Therefore, operating expenses rose by 4.0% to ¥1,930.6 billion.

As a result, operating income for the term under review fell 16.0% year on year, to ¥86.5 billion.

Other revenues fell 34.2% year on year, to ¥10.4 billion. An increase in gains from the sale of fixed assets was more

than offset by other factors, including a drop in equity in earnings of affiliates.

Other expenses decreased 1.8% year on year to ¥44.4 billion, driven in part by lower interest expense, despite an increase in equity in losses of affiliates due to factors such as booking valuation losses related to overseas investments.

Ordinary revenue was ¥2,027.6 billion, an increase of 2.6% over the previous fiscal year, while ordinary expenses reached ¥1,975.0 billion, up 3.8%. As a result, ordinary income was down 28.7% year on year, to ¥52.5 billion.

Corporate income tax increased to ¥19.7 billion from negative ¥14.4 billion for the previous term, due to such factors as an increase in income taxes-deferred resulting from additional booking of deferred tax assets in the previous year.

As a result of the foregoing factors, net income attributable to owners of the parent declined by 64.3% over the previous fiscal year, to ¥30.9 billion. Basic net income per share of common stock totaled ¥58.05, a decrease of ¥117.51.

Segment Information (Before Elimination of Internal Transactions)

(1) Electric Power

The volume of electric power sales fell to 72.2 billion kWh, down 5.9% year on year, due to such factors as a drop in the volume of contracted power sales and the effects of a warm winter.

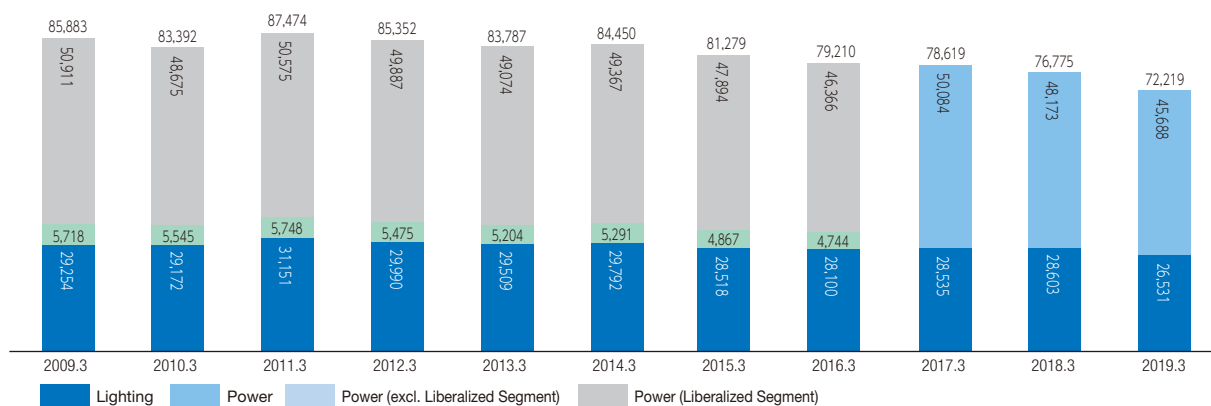
Kyushu Electric Power maintained stable supplies of electric power through stable operation of its four nuclear power stations, coordinated operation of its thermal power generation and pumped-storage facilities, and control of renewable energy output based on national rules.

Electric power segment sales were up 2.2% year on year, to ¥1,848.6 billion. Lighting and power revenue decreased due to factors such as a lower volume of electric power sales, but this was offset by a rise in renewable energy-related subsidies and delivered power revenue.

Operating expenses increased 3.5%, to ¥1,786.9 billion. While the Kyuden Group continued its comprehensive efforts to reduce operating expenses, the rise in expenses stemmed from such factors as an increase in cost of purchased power from renewable sources, and an increase in repair costs and other expenses for reasons such as periodic inspection of the Sendai Nuclear Power Station and maintenance

Electricity Sales Volume

(Millions of kWh)



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

Note 2: Display categories changed from fiscal 2017

work needed for stable supply in power transmission and distribution equipment.

As a result, operating income fell 24.2%, to ¥61.7 billion.

(2) Energy-related Business

Sales increased 13.7% year on year, to ¥217.6 billion, and operating income rose 25.8% to ¥14.7 billion. This was due to an increase in power station construction and repair work, higher power sales outside the Kyushu region, a rise in income relating to LNG sales, and other factors.

An investment valuation loss relating to overseas energy projects has also been booked for the year as a non-operating expense.

(3) IT and Telecommunications

Sales fell 1.2% from the previous fiscal year, to ¥105.4 billion, due in part to a decrease in commissioned information system development projects. Operating income fell 33.6%, to ¥4.8 billion, in part because of an increase in advertising and other expense due to the launch of IoT services.

(4) Other Business

Sales increased 15.4% over the previous fiscal year, to ¥29.5 billion, partially thanks

to higher revenues relating to real estate sales. Operating income expanded 24.9%, to ¥6.0 billion.

Financial Position

(1) Assets, Liabilities and Equity

Total current assets, including cash and deposits, declined. However, fixed assets increased due to multiple factors, such as capital investment. As a result, total assets at the end of the term amounted to ¥4,794.0 billion, an increase of ¥83.9 billion over the previous fiscal year.

Despite a lower total of taxes payable, accrued contribution expenses for reprocessing of spent fuel, other current liabilities, and asset retirement obligations recorded higher totals. As a result, liabilities increased by ¥72.6 billion over the previous fiscal year, to ¥4,128.7 billion. The total of interest-bearing debt fell by ¥20.6 billion year on year, to ¥3,223.1 billion.

Total equity rose ¥11.2 billion, to reach ¥665.2 billion at the close of the term, while the equity ratio was 13.3%. The total equity due to dividend payouts was more than offset by net income attributable to owners of the parent.

(2) Cash Flows

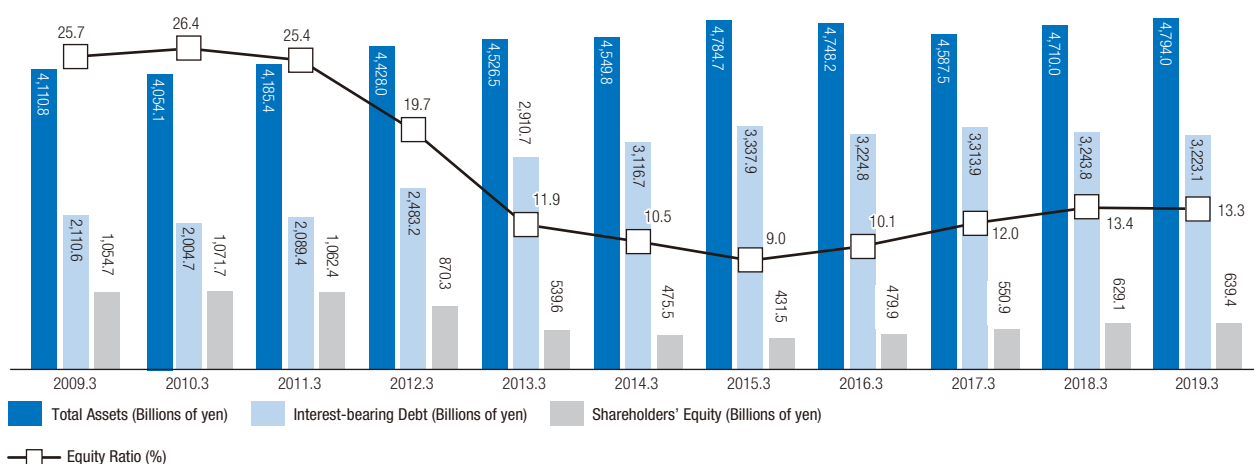
Cash flows provided by operating activities fell by ¥72.9 billion from the previous fiscal year to ¥283.0 billion. This decline occurred, despite a decrease in fuel expenses in our electricity business, due to such factors as a drop in lighting and power revenue, increases in the costs of purchased power and repair expenses, and increased payments of consumption tax and corporate income tax.

Net cash used in investment activities ended ¥42.5 billion higher than at the close of the previous fiscal year, at ¥364.3 billion. This was due, in part, to increased expenditures for capital investments, other investment, and lending.

Net cash used in financing activities amounted to ¥40.7 billion, due to a drop of ¥49.6 billion in expenditures from the previous fiscal year. This resulted, in part, from an increase in income due to long-term borrowing.

As a result, the balance of cash and cash equivalents at the end of the term was ¥245.2 billion, ¥120.6 billion down from the close of the previous fiscal year.

Consolidated Interest-bearing Debt and Equity Ratio



Business Risks Factors

The following is a list of some significant risk factors that may have an effect on the operating results, financial position, and other aspects of the Kyuden Group (consolidated).

Forward-looking statements in this report reflect judgment as of the end of the current consolidated fiscal year.

1

Changes in Systems Affecting the Electricity Business

With regard to energy policy, we have taken onboard 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. With regard to the matter of electricity system reforms, legal unbundling of the transmission/distribution sector will start in April 2020.

Moreover, we are also considering specific priorities from the standpoint of addressing issues affecting the public interest amid further intensification of competition and liberalization in the electricity market. We are considering the creation of a base load power source market and a capacity market, as well as the expansion of the already established non-fossil value trading market.

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

2

Status of the Situation Surrounding 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. In conjunction with this, we are also vigorously implementing activities to allay the concerns of local residents. However, the Group's performance could be affected by any long-term suspension of our nuclear power stations or increase in capital investments, depending on the new regulatory requirements such as on facilities or equipment deemed necessary to address specific large-scale disasters, and on results of lawsuits regarding their operations.

3

Fluctuations in Electricity Sales Volume

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

4

Fuel Price Fluctuations

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

However, fluctuations in fuel prices are reflected in electric rates through the fuel cost adjustment system, which helps to ease the impact of fuel price volatility on the Group's performance.

5

Costs for the Back-end of Nuclear Operations

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

6

Cost of Measures to Combat Global Warming

In response to global warming, the Group aims for more efficient power generation that uses less carbon, and to this end, the Group conducts a variety of measures, such as safe and stable nuclear power station operations, active development and introduction of renewable energy, and maintenance and improvement of total thermal efficiency for thermal power stations. Future changes in policies related to global warming could have an impact on the Group's performance.

7	Businesses Other than Electricity	The Group is enhancing its revenue basis by utilizing its management resources and steadily developing new business areas beyond the electricity business (including our overseas business). In business operations, we put emphasis on profitability and work to improve efficiency while pursuing growth. If the planned profits cannot be achieved due to worsening business conditions inside or outside Japan, the Group's performance may be affected.
8	Deferred Tax Assets	The recoverability of deferred tax assets reported in the consolidated balance sheet is determined based on estimated future taxable income. Therefore, if estimated future taxable income falls due to factors such as changes in the business environment, we will have to break into deferred tax assets, and this may affect the business performance of the Kyuden Group.
9	Interest Rate Fluctuations	The Group's balance of interest-bearing debt as of the end of March 2019 was ¥3,223.1 billion, which accounts for 67% of the Group's total assets. Future changes in interest rates have the potential to affect the Group's financial condition. However, 96% of outstanding interest-bearing debt comprises corporate bonds and long-term debt, and most of this bears interest at fixed rates. The impact of fluctuating interest rates on the Group's performance is therefore viewed as limited.
10	Leakage of Information	The Group has established strict internal frameworks to manage in-house information and personal information which Group companies hold, to ensure information security. Additionally, we have implemented thorough information management by establishing internal policies and guidelines on handling information as well as familiarizing employees with the handling procedures. However, in case of leaks of in-house information or personal information caused by computer viruses or cyber attacks, the Group's performance may be affected.
11	Natural Disasters	To ensure a stable supply of electricity to our customers, the Group implements inspections and maintenance of facilities systematically to prevent any trouble from occurring. However, large-scale natural disasters, such as typhoons, torrential rains, earthquakes and tsunami, as well as unexpected accidents and illicit acts have the potential to affect the Group's performance. We are also developing a risk management system and are preparing for numerous risks that may have a material impact on business operations. Failing to respond appropriately to a risk may adversely affect the Group's performance.
12	Compliance	To be worthy of the trust of all its stakeholders, the Group conducts its business activities from the perspective of its customers and the local people in the regions in which it operates by working together to fully instill an awareness of compliance and complying with laws and regulations. However, if problems such as compliance violations were to cause the Group's social credibility to decline, this could have an impact on the Group's performance. The Group will continue to work to build trust-based relationships with all its stakeholders.

Consolidated Balance Sheet

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
ASSETS			
PROPERTY (Note 3):			
Plant and equipment	¥10,368,906	¥10,187,825	\$93,405,153
Construction in progress	587,629	561,296	5,293,480
Total	10,956,535	10,749,121	98,698,633
Less-			
Contributions in aid of construction	216,366	209,621	1,949,069
Accumulated depreciation	7,396,086	7,310,011	66,625,406
Total	7,612,452	7,519,632	68,574,476
Net property	3,344,082	3,229,489	30,124,157
NUCLEAR FUEL	267,824	271,742	2,412,614
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 14)	75,551	75,152	680,581
Investments in and advances to nonconsolidated subsidiaries and affiliated companies (Note 14)	131,441	117,251	1,184,047
Assets for retirement benefits (Note 7)	14,099	15,760	127,008
Deferred tax assets (Note 10)	189,892	195,713	1,710,588
Special account related to nuclear power decommissioning (Note 2.g)	45,592	19,226	410,708
Special account related to reprocessing of spent nuclear fuel (Note 2.n)	32,400	15,297	291,868
Other	87,608	86,717	789,195
Total investments and other assets	576,585	525,120	5,193,998
CURRENT ASSETS:			
Cash and cash equivalents (Note 14)	245,273	365,875	2,209,467
Receivables (Note 14)	237,236	226,334	2,137,068
Allowance for doubtful accounts	(769)	(853)	(6,934)
Inventories, principally fuel	91,827	70,039	827,202
Prepaid expenses and other	31,980	22,325	288,083
Total current assets	605,547	683,720	5,454,887
TOTAL	¥4,794,039	¥4,710,073	\$43,185,657

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
LIABILITIES AND EQUITY			
LONG-TERM LIABILITIES:			
Long-term debt, less current portion (Notes 6 and 14)	¥2,676,370	¥2,709,117	\$24,109,274
Liability for retirement benefits (Note 7)	99,600	95,605	897,224
Asset retirement obligations (Note 8)	264,166	221,372	2,379,664
Other	64,961	52,041	585,186
Total long-term liabilities	3,105,099	3,078,137	27,971,348
CURRENT LIABILITIES:			
Current portion of long-term debt (Notes 6 and 14)	445,466	430,738	4,012,848
Short-term borrowings (Notes 9 and 14)	115,063	117,371	1,036,515
Notes and accounts payable (Notes 13 and 14)	135,648	156,831	1,221,945
Accrued income taxes (Note 14)	2,324	11,789	20,939
Other	316,228	252,550	2,848,651
Total current liabilities	1,014,731	969,282	9,140,901
RESERVE FOR FLUCTUATIONS IN WATER LEVEL	8,958	8,690	80,702
COMMITMENTS AND CONTINGENCIES (Note 16)			
EQUITY (Note 11):			
Common stock, authorized, 1,000,000,000 shares; issued, 474,183,951 shares	237,304	237,304	2,137,689
Preferred stock, authorized, 1,000 shares; issued, 1,000 shares			
Capital surplus	120,831	120,825	1,088,470
Retained earnings	300,551	282,504	2,707,423
Treasury stock-at cost, 1,209,576 shares in 2019 and 520,059 shares in 2018	(1,524)	(668)	(13,736)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	4,090	4,369	36,851
Deferred loss on derivatives under hedge accounting	(4,306)	(1,412)	(38,790)
Foreign currency translation adjustments	(3,582)	(1,905)	(32,275)
Defined retirement benefit plans	(13,928)	(11,876)	(125,466)
Total	639,435	629,140	5,760,165
Noncontrolling interests	25,814	24,822	232,538
Total equity	665,250	653,963	5,992,704
TOTAL	¥4,794,039	¥4,710,073	\$43,185,657

See notes to consolidated financial statements.

Consolidated Statement of Income

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Year Ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
OPERATING REVENUES:			
Electric	¥ 1,844,850	¥ 1,804,418	\$ 16,618,777
Other	172,331	155,940	1,552,393
Total operating revenues	2,017,181	1,960,359	18,171,171
OPERATING EXPENSES (Note 12):			
Electric	1,771,776	1,713,322	15,960,516
Other	158,829	143,913	1,430,769
Total operating expenses	1,930,606	1,857,235	17,391,286
OPERATING INCOME	86,575	103,123	779,885
OTHER EXPENSES (INCOME)			
Interest charges	31,397	33,416	282,832
Share of loss (profit) of entities accounted for using the equity method (Note 13)	2,822	(7,257)	25,427
Other-net	(189)	3,286	(1,706)
Total other expenses-net	34,030	29,445	306,553
INCOME BEFORE INCOME TAXES AND PROVISION FOR RESERVE FOR FLUCTUATIONS IN WATER LEVEL	52,544	73,678	473,331
PROVISION FOR RESERVE FOR FLUCTUATIONS IN WATER LEVEL	268	119	2,416
INCOME BEFORE INCOME TAXES	52,276	73,558	470,914
INCOME TAXES (Note 10):			
Current	9,905	15,170	89,227
Deferred	9,868	(29,640)	88,894
Total income taxes	19,773	(14,470)	178,122
NET INCOME	32,502	88,028	292,792
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	1,532	1,371	13,807
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 30,970	¥ 86,657	\$ 278,985

	Yen	U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.t):		
Basic net income	¥58.05	\$0.52
Diluted net income	47.51	0.42
Cash dividends applicable to the year		
Common share	30.00	0.27
Class A preferred share	3,500,000.00	31,528.69

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Year Ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
NET INCOME	¥32,502	¥88,028	\$292,792
OTHER COMPREHENSIVE (loss) INCOME (Note 17):			
Unrealized (loss) gain on available-for-sale securities	(113)	462	(1,018)
Deferred loss on derivatives under hedge accounting	(3,155)	(178)	(28,423)
Foreign currency translation adjustments	(3,536)	1,448	(31,859)
Defined retirement benefit plans	(1,954)	6,598	(17,605)
Share of other comprehensive (loss) income in nonconsolidated subsidiaries and affiliated companies	(1,146)	231	(10,326)
Total other comprehensive (loss) income	(9,905)	8,562	(89,233)
COMPREHENSIVE INCOME	¥22,597	¥96,591	\$203,559
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥21,257	¥95,276	\$191,493
Noncontrolling interests	1,339	1,314	12,066

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Year Ended March 31, 2019

	Thousands of Shares/Millions of Yen														
	Common Stock		Preferred Stock		Capital Surplus	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Income				Total	Noncontrolling interests	Total Equity
	Shares	Amount	Shares	Amount			Shares	Amount	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans			
BALANCE AT APRIL 1, 2017	474,183	¥237,304	1		¥120,844	¥212,945	522	¥(685)	¥3,597	¥(1,389)	¥(3,590)	¥(18,062)	¥550,965	¥23,611	¥574,577
Change in the parent's ownership interest due to transactions with noncontrolling interests					0								0		0
Cash dividends, ¥25 per common share						(11,849)							(11,849)		(11,849)
Cash dividends, ¥5,250,000 per class A preferred share						(5,250)							(5,250)		(5,250)
Net income attributable to owners of the parent						86,657							86,657		86,657
Purchase of treasury stock							18	(19)					(19)		(19)
Disposal of treasury stock					(21)		(20)	36					15		15
Changes by share exchange					2			0					2		2
Net change in the year									772	(23)	1,684	6,185	8,619	1,210	9,829
BALANCE AT MARCH 31, 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

	Thousands of U.S. Dollars (Note 1)											
	Common Stock	Preferred Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income				Total	Noncontrolling interests	Total Equity
						Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans			
BALANCE AT MARCH 31, 2018	\$2,137,689		\$1,088,421	\$2,544,856	\$(6,023)	\$39,364	\$(12,727)	\$(17,166)	\$(106,989)	\$5,667,424	\$223,605	\$5,891,029
Change in the parent's ownership interest due to transactions with noncontrolling interests			52							52		52
Cash dividends, \$0.22 per common share				(106,738)						(106,738)		(106,738)
Cash dividends, \$31,528.69 per class A preferred share				(31,528)						(31,528)		(31,528)
Net income attributable to owners of the parent				278,985						278,985		278,985
Purchase of treasury stock					(7,723)					(7,723)		(7,723)
Disposal of treasury stock			(3)		10					6		6
Adjustment of retained earnings for inclusion of companies accounted for by the equity method				21,848						21,848		21,848
Net change in the year						(2,513)	(26,062)	(15,109)	(18,476)	(62,161)	8,933	(53,228)
BALANCE AT MARCH 31, 2019	\$2,137,689		\$1,088,470	\$2,707,423	\$(13,736)	\$36,851	\$(38,790)	\$(32,275)	\$(125,466)	\$5,760,165	\$232,538	\$5,992,704

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Year Ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes	¥ 52,276	¥ 73,558	\$ 470,914
Adjustments for:			
Income taxes paid	(19,367)	(5,932)	(174,463)
Depreciation and amortization	238,189	210,455	2,145,658
Decommissioning costs of nuclear power units	10,557	4,603	95,104
Amortization of special account related to nuclear power decommissioning	873	821	7,865
Loss on disposal of plant and equipment	5,843	7,999	52,635
Provision for reserve for fluctuation in water level	268	119	2,416
Share of loss (profit) of entities accounted for using the equity method	2,822	(7,257)	25,427
Changes in assets and liabilities:			
Increase in trade receivables	(12,546)	(25,108)	(113,024)
Increase in inventories, principally fuel	(20,508)	(5,693)	(184,747)
(Decrease) increase in trade payables	(12,493)	22,983	(112,541)
Increase in liability for retirement benefits	988	3,559	8,903
Other-net	36,117	75,887	325,351
Total adjustments	230,743	282,436	2,078,585
Net cash provided by operating activities	283,020	355,995	2,549,500
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures including nuclear fuel	(377,408)	(352,763)	(3,399,769)
Proceeds from contribution in aid of construction	40,751	24,905	367,098
Payments for investments and advances	(27,318)	(6,518)	(246,093)
Proceeds from sales of investment securities and collections of advances	9,996	12,340	90,052
Other-net	(10,362)	284	(93,348)
Net cash used in investing activities	(364,341)	(321,751)	(3,282,060)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of bonds	209,288	189,396	1,885,309
Repayments of bonds	(219,800)	(190,000)	(1,980,001)
Proceeds from long-term loans	200,514	150,414	1,806,276
Repayments of long-term loans	(207,582)	(217,915)	(1,869,941)
Net decrease in short-term borrowings	(2,311)	(1,200)	(20,825)
Cash dividends paid	(15,300)	(17,065)	(137,830)
Other-net	(5,525)	(3,962)	(49,771)
Net cash used in by financing activities	(40,716)	(90,334)	(366,783)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	1,426	2,134	12,850
NET DECREASE IN CASH AND CASH EQUIVALENTS	(120,611)	(53,955)	(1,086,492)
CASH AND CASH EQUIVALENTS OF A NONCONSOLIDATED SUBSIDIARY MERGED WITH A CONSOLIDATED SUBSIDIARY	9	—	82
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	365,875	419,831	3,295,878
CASH AND CASH EQUIVALENTS AT END OF YEAR	¥ 245,273	¥ 365,875	\$ 2,209,467

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows
Consolidated Statement of Changes in Equity

Notes to Consolidated Financial Statements

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Year Ended March 31, 2019

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, 2018, to conform to the classifications used in the consolidated financial statements for the year ended March 31, 2019.

The U.S. dollar amounts included herein are provided solely for the convenience of readers outside Japan and are stated at the rate of ¥111.01 = U.S. \$1, the approximate exchange rate prevailing on March 31, 2019. 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, 2019, include the accounts of the Company and its 45 (43 for 2018) subsidiaries (together, the "Companies"). All significant intercompany transactions and balances have been eliminated in consolidation. Investments in 12 (13 for 2018) nonconsolidated subsidiaries and 16 (14 for 2018) 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 8 (6 for 2018) 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.

On February 13, 2019, the Company decided to decommission unit No. 2 of Genkai nuclear power station. In accordance with the accounting regulation, with respect to unit No. 2 of Genkai nuclear power station, the Company transferred carrying amounts related to nuclear power units of ¥12,174 million (\$109,665 thousand) and costs related to nuclear power decommissioning (reprocessing costs of irradiated nuclear fuel and costs of separating the components of nuclear fuel) of ¥15,064 million (\$135,707 thousand) to a special account related to nuclear power decommissioning presented in investments and other assets. On February 27, 2019, the Minister of METI approved the adaption of the special accounting treatment which the Company submitted on February 13, 2019.

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.

Notes to Consolidated Financial Statements

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

l. Derivatives and Hedging Activities—Derivative financial instruments are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income and (b) for such derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Liabilities denominated in foreign currencies for which foreign exchange forward contracts 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. However, the Company recalculated the estimate in accordance with a specific law. As a result, the unrecognized prior costs as of April 1, 2008 were changed from ¥104,397 million to ¥90,977 million, and these costs are amortized over 12 years, beginning on April 1, 2008. The balance of unrecognized past costs as of March 31, 2016 was ¥30,325 million. 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 (\$68,295 thousand)) 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%.

Prior to April 1, 2018, the asset retirement costs were allocated to expense through depreciation based on the straight-line method over a period totaling the remaining useful life and expected safe storage period of nuclear power units. However, when the Company decided to decommission nuclear power units due to factors such as a change of the government’s energy policy, in accordance with the accounting regulation applicable to electric utility providers, the asset retirement costs were allocated to expense over 10 years from the month that included the date of decommissioning of the nuclear power unit on condition of approval by the Minister of METI.

On April 1, 2018, METI revised the accounting regulations applicable to electric utility providers. Effective April 1, 2018, 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. As a result, operating income and income before income taxes decreased by ¥4,268 million (\$38,447 thousand) for the year ended March 31, 2019.

With the revision of such regulations, the expected period used to calculate discounted value of asset retirement

obligations of nuclear power units was changed from the total remaining useful life and expected safe storage period to the remaining useful life. As a result, the amount of asset retirement obligations and asset retirement costs increased by ¥26,082 million (\$234,954 thousand) for the year ended March 31, 2019.

On February 13, 2019, the Company decided to decommission unit No. 2 of its Genkai nuclear power station. The Company submitted the application for extension of an accumulation period for the required reserve amounts, after recalculation of the estimated total costs of decommissioning the nuclear power plants, and on April 3, 2019, the Minister of METI approved it.

Consequently, in accordance with the accounting regulation, undepreciated carrying amounts of the asset retirement costs related to unit No. 2 of Genkai nuclear power station are allocated to expenses 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 income. 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.

On February 16, 2018, the ASBJ issued ASBJ Statement No. 28, “Partial Amendments to Accounting Standard for Tax Effect Accounting,” which requires deferred tax assets and deferred tax liabilities to be classified as investments and other assets and long-term liabilities, respectively. Deferred tax assets were previously classified as current assets and investments and other assets, and deferred tax liabilities were previously classified as current liabilities and long-term liabilities under the previous accounting standard. The revised accounting standard is effective for annual periods beginning on or after April 1, 2018. The Company retrospectively applied the revised accounting standard effective April 1, 2018, and deferred tax assets of ¥43,828 million (\$394,818 thousand) and deferred tax liabilities of ¥85 million (\$766 thousand) which were previously classified as current assets and long-term liabilities, respectively, as of March 31, 2018, have been reclassified as investments and other assets of ¥195,713 (\$1,763,030 thousand), and the amount of deferred tax liabilities classified as long-term liabilities were changed to ¥1,597 million (\$14,389 thousand) in the accompanying

Notes to Consolidated Financial Statements

consolidated balance sheet.

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 introduced a performance-based stock compensation plan called "Board Benefit Trust (BBT)," (the "Plan") for directors (excluding outside directors) and executive officers (together, the "Directors") by the resolution approved at the general shareholders meeting held on June 27, 2018.

(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 granted 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, 2019, the corresponding carrying amount of such treasury stock was ¥839 million (\$7,558 thousand), and the number of shares was 676 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 (450 thousand shares for the year ended March 31, 2019).

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.

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—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 are in the process of determining the period from when they will adopt the accounting standard and guidance, and the effect of adoption has not been evaluated when the consolidated financial statements were published.

3. PROPERTY

The breakdown of property at March 31, 2019 and 2018, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Costs:			
Electric power production facilities:			
Hydroelectric power	¥ 823,163	¥ 819,664	\$ 7,415,221
Thermal power	1,422,363	1,534,601	12,812,931
Nuclear power	1,859,676	1,729,872	16,752,331
Internal-combustion engine power	132,202	130,382	1,190,902
Renewable power	114,138	115,622	1,028,185
Total	4,351,544	4,330,143	39,199,572
Transmission facilities	1,875,081	1,860,214	16,891,107
Transformation facilities	1,050,236	1,039,480	9,460,740
Distribution facilities	1,471,235	1,450,114	13,253,178
General facilities	406,650	400,008	3,663,184
Other electricity-related facilities	123,326	6,646	1,110,950
Other plant and equipment	1,090,830	1,101,218	9,826,419
Construction in progress	587,629	561,296	5,293,480
Total	10,956,535	10,749,121	98,698,633
Less-			
Contributions in aid of construction	216,366	209,621	1,949,069
Accumulated depreciation	7,396,086	7,310,011	66,625,406
Carrying amount	¥ 3,344,082	¥ 3,229,489	\$ 30,124,157

4. INVESTMENT SECURITIES

The costs and aggregate fair values of investment securities at March 31, 2019 and 2018, were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
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
March 31, 2018				
Securities classified as:				
Available-for-sale:				
Equity securities	¥3,265	¥4,237	¥11	¥7,491
Debt securities	260		30	230
Other securities	369	85	4	451
Held-to-maturity	251	0	12	238

Notes to Consolidated Financial Statements

March 31, 2019	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	\$ 29,709	\$ 36,247	\$ 302	\$ 65,653
Debt securities	2,073	182		2,255
Other securities	2,891	639	35	3,495
Held-to-maturity	1,270	1	58	1,212

5. PLEDGED ASSETS

All of the Company's assets amounting to ¥4,278,837 million (\$38,544,614 thousand) are subject to certain statutory preferential rights established to secure bonds and loans borrowed from the Development Bank of Japan Inc.

Certain assets of the consolidated subsidiaries, amounting to ¥52,667 million (\$474,435 thousand), are pledged as collateral for a portion of their long-term debt at March 31, 2019.

Investments in affiliated companies held by consolidated subsidiaries, amounting to ¥9,523 million (\$85,787 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, 2019.

6. LONG-TERM DEBT

Long-term debt at March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Yen bonds, 0.14% to 2.825%, due serially to 2039	¥ 1,134,497	¥ 1,144,296	\$ 10,219,777
Yen-denominated zero coupon convertible bonds due 2020 and 2022	150,000	150,000	1,351,229
Loans from the Development Bank of Japan Inc., 0.34% to 3.15%, due serially to 2038	285,450	298,471	2,571,393
Loans, principally from banks and insurance companies, 0.126% to 4.945%, due serially to 2038			
Collateralized	65,114	55,972	586,564
Unsecured	1,473,038	1,477,701	13,269,419
Obligations under finance leases	13,736	13,413	123,738
Total	3,121,836	3,139,856	28,122,123
Less current portion	445,466	430,738	4,012,848
Long-term debt, less current portion	¥ 2,676,370	¥ 2,709,117	\$ 24,109,274

The annual maturities of long-term debt outstanding at March 31, 2019, were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2020	¥ 445,466	\$ 4,012,848
2021	408,307	3,678,116
2022	386,262	3,479,530
2023	308,353	2,777,705
2024	289,487	2,607,764
Thereafter	1,283,959	11,566,156
Total	¥ 3,121,836	\$ 28,122,123

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, 2019, were as follows:

Stock name	Yen-denominated zero coupon convertible bonds due 2020	Yen-denominated zero coupon convertible bonds due 2022
Stock will be converted	Common stock	Common stock
Issue price of stock acquisition rights (yen)	Gratis free	Gratis free
Issue price of stock	¥1,410.5 (\$12.70)	¥1,446.9 (\$13.03)
Amount of zero coupon convertible bonds	¥75,000 million (\$675,614 thousand)	¥75,000 million (\$675,614 thousand)
Amount of stock price issued by exercising stock acquisition rights	—	—
Application rate of stock acquisition rights (%)	100	100
Period of exercise stock acquisition rights	From April 13, 2017 to March 17, 2020	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 26, 2019, 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 2020 has been changed from ¥1,410.5 to ¥1,394.6, and the issue price of stock of Yen-denominated zero coupon convertible bonds due 2022 has been changed from ¥1,446.9 to ¥1,430.6, with an effective date on April 1, 2019.

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, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of year	¥ 415,695	¥ 421,572	\$ 3,744,668
Current service cost	13,554	13,657	122,106
Interest cost	3,302	3,401	29,749
Actuarial losses (gains)	530	(164)	4,776
Benefits paid	(24,159)	(22,693)	(217,631)
Prior service cost	69	(77)	623
Other	(0)	(0)	(5)
Balance at end of year	¥ 408,992	¥ 415,695	\$ 3,684,287

Notes to Consolidated Financial Statements

(2) The changes in plan assets for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of year	¥ 338,750	¥ 336,106	\$ 3,051,531
Expected return on plan assets	7,276	7,034	65,544
Actuarial (losses) gains	(8,861)	6,149	(79,828)
Contributions from the employer	6,756	6,825	60,867
Benefits paid	(17,409)	(17,365)	(156,827)
Balance at end of year	¥ 326,512	¥ 338,750	\$ 2,941,286

(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, 2019 and 2018, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Funded defined benefit obligation	¥402,204	¥409,190	\$ 3,623,137
Plan assets	(326,512)	(338,750)	(2,941,286)
	75,692	70,439	681,850
Unfunded defined benefit obligation	6,788	6,505	61,150
Net liability for defined benefit obligation	¥ 82,480	¥ 76,945	\$ 743,000

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Liability for retirement benefits	¥ 95,845	¥ 92,010	\$863,392
Assets for retirement benefits	(13,364)	(15,065)	(120,391)
Net liability for defined benefit obligation	¥ 82,480	¥ 76,945	\$ 743,000

(4) The components of net periodic benefit costs for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Current service cost	¥ 13,554	¥ 13,657	\$ 122,106
Interest cost	3,302	3,401	29,749
Expected return on plan assets	(7,276)	(7,034)	(65,544)
Recognized actuarial losses	6,105	4,804	55,000
Amortization of prior service cost	658	(1,980)	5,930
Others	240	160	2,164
Net periodic benefit costs	¥ 16,585	¥ 13,009	\$ 149,406

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Prior service cost	¥ 589	¥ (1,903)	\$ 5,306
Actuarial (losses) gains	(3,287)	11,118	(29,616)
Total	¥ (2,698)	¥ 9,215	\$ (24,310)

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Unrecognized prior service cost	¥ (519)	¥ (1,108)	\$ (4,676)
Unrecognized actuarial losses	(16,496)	(13,208)	(148,603)
Total	¥ (17,015)	¥ (14,317)	\$(153,280)

(7) Plan assets as of March 31, 2019 and 2018

a. Components of plan assets

Plan assets consisted of the following:

	2019	2018
Debt investments	42%	42%
Equity investments	26	27
General account of life insurance companies	19	18
Others	13	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, 2019 and 2018, were set forth as follows:

	2019	2018
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, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of year	¥ 2,899	¥ 3,019	\$ 26,117
Periodic benefit costs	574	443	5,174
Benefits paid	(144)	(246)	(1,306)
Contributions from the employer	(307)	(318)	(2,770)
Balance at end of year	¥ 3,021	¥ 2,899	\$ 27,214

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, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Funded defined benefit obligation	¥6,078	¥5,894	\$ 54,758
Plan assets	(5,653)	(5,446)	(50,927)
	425	447	3,831
Unfunded defined benefit obligation	2,595	2,451	23,383
Net carrying amount of liabilities and assets	3,021	2,889	27,214
Liabilities for retirement benefits	3,755	3,595	33,831
Assets for retirement benefits	(734)	(695)	(6,616)
Net carrying amount of liabilities and assets	¥3,021	¥2,899	\$ 27,214

(3) Periodic benefit costs

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Periodic benefit costs calculated under the simplified method	¥ 574	¥ 443	\$5,174

Defined contribution plans

The required contribution to defined contribution plans by the Company and its certain consolidated subsidiaries for the years ended March 31, 2019 and 2018 was ¥2,251 million (\$20,277 thousand) and ¥2,200 million, respectively.

8. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of year	¥ 221,372	¥ 217,278	\$ 1,994,168
Net change in the year	42,793	4,093	385,495
Balance at end of year	¥ 264,166	¥ 221,372	\$ 2,379,664

With the revision of the accounting regulations applicable to electric utility providers on April 1, 2018, the expected period used to calculate discounted value of asset retirement obligations of nuclear power units was changed from the total remaining useful life and expected safe storage period to the remaining useful life. As a result, the amount of asset retirement obligations increased for the year ended March 31, 2019.

9. SHORT-TERM BORROWINGS

Short-term borrowings were generally represented by bank loans, bearing interest at rates ranging from 0.16% to 0.46% and from 0.15% to 0.46% for the years ended March 31, 2019 and 2018, 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% and 28.1% for the years ended March 31, 2019 and 2018 respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Deferred Tax Assets:			
Tax loss carryforwards	¥168,314	¥174,745	\$1,516,208
Depreciation	46,269	41,867	416,801
Liability for retirement benefits	37,401	36,251	336,916
Asset retirement obligations	30,097	19,696	271,121
Other	79,670	79,098	717,683
Total of tax loss carryforwards and temporary differences	361,751	351,660	3,258,732
Less valuation allowance for tax loss carryforwards	(95,868)	-	(863,600)
Less valuation allowance for temporary differences	(42,242)	-	(380,524)
Total valuation allowance	(138,110)	(132,038)	(1,244,125)
Deferred tax assets	223,641	219,622	2,014,606
Deferred Tax Liabilities:			
Capitalized assets retirement costs	11,216	1,485	101,037
Gain on contributions of securities to retirement benefit trust	5,375	5,375	48,420
Accrued income of foreign subsidiary	4,267	3,246	38,445
Assets for retirement benefits	3,981	4,418	35,867
Amortization in foreign subsidiary	2,505	2,493	22,573
Unrealized gain on available-for-sale securities	1,494	1,628	13,462
Other	8,590	6,857	77,380
Deferred tax liabilities	37,431	25,506	337,187
Net deferred tax assets	¥186,210	¥194,116	\$1,677,419

The expiration of tax loss carryforwards, the related valuation allowance and the resulting net deferred tax assets as of March 31, 2019 were as follows:

March 31, 2019	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)	¥ 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 (Note b)

Notes to Consolidated Financial Statements

March 31, 2019	Thousands of U.S. Dollars						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)	\$ 5,457	\$ 158,105	\$ 783,124	\$ 289,836	\$ 227,246	\$ 52,437	\$ 1,516,208
Less valuation allowances for tax loss carryforwards	4,553	1,607	544,736	205,717	96,379	10,607	863,600
Net deferred tax assets relating to tax loss carryforwards	904	156,497	238,388	84,119	130,866	41,830	652,607 (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 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, 2019 and 2018, was as follows:

	2019	2018
Normal effective statutory tax rate	27.9%	28.1%
Valuation allowance	11.1	(45.4)
Other - net	(1.2)	(2.4)
Actual effective tax rate	37.8%	(19.7)%

Chapter 7 of ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting", permitted the Company not to disclose the following information retrospectively:

- the amounts of valuation allowances for tax loss carryforwards and for temporary differences
- main reason for changes in valuation allowance if there is a significant change in valuation allowance compared to the amount in the prior year
- the amounts of the expiration of tax loss carryforwards, the related valuation allowance and the resulting net deferred tax assets in future years
- The main reason why the Company judged that deferred tax assets related to tax loss carryforwards were recoverable if the Company recognized material amounts of deferred tax assets related to tax loss carryforwards

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.

Issuance of Preferred Stock

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

(1) Way of offering

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

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

1,000 shares of Class A Preferred Stock

(3) Issue price

¥100 million per share

(4) Total amount of the issue price

¥100,000 million

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

Amount of preferred stock to be increased: ¥50,000 million
(¥50 million per share)

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

(6) Issue date

August 1, 2014

(7) Uses of proceeds

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

(8) Characteristics of the Preferred Stock

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

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

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

Notes to Consolidated Financial Statements

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥5,459 million (\$49,177 thousand) and ¥5,651 million for the years ended March 31, 2019 and 2018, respectively.

13. RELATED PARTY DISCLOSURES

(a) Significant transactions of the Company with an affiliated company for the years ended March 31, 2019 and 2018 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
KYUDENKO CORPORATION			
Transactions:			
Purchase of construction works on distribution facilities and other	¥37,794	¥38,751	\$340,459
Balances at year end:			
Payables for construction works	3,539	5,016	31,883

(b) Notes concerning the parent company or important affiliates

Important affiliates' financial summary

For the years 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:

	Millions of Yen	Thousands of U.S. Dollars
	2019	2019
Total current assets	¥186,053	\$1,676,002
Total noncurrent assets	166,330	1,498,338
Total current liabilities	148,614	1,338,750
Total noncurrent liabilities	13,802	124,334
Total equity	189,966	1,711,255
Operating revenues	352,007	3,170,949
Loss before income taxes	(22,931)	(206,570)
Net loss	(33,763)	(304,145)

Notes:

Kyudenko Corporation and Lion Power (2008) Pte. Ltd. have been regarded as important affiliates since importance of equity in earnings or losses of them in net income was increased for the year ended March 31, 2019.

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, 2019 and 2018 were as follows:

	Millions of Yen		
	Carrying Amount	Fair Value	Unrecognized Gain (Loss)
March 31, 2019			
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)	

Notes to Consolidated Financial Statements

March 31, 2018	Millions of Yen		
	Carrying Amount	Fair Value	Unrecognized Gain (Loss)
Investment securities:			
Held-to-maturity debt securities	¥ 251	¥ 238	¥ (12)
Available-for-sale securities	8,173	8,173	
Investments in and advances to nonconsolidated subsidiaries and affiliated companies	28,400	84,205	55,804
Cash and cash equivalents	365,875	365,875	
Receivables	226,334	226,334	
Total	¥ 629,034	¥ 684,826	¥ 55,792
Long-term debt:			
Bonds	¥ 1,294,296	¥ 1,323,792	¥ 29,495
Loans	1,832,145	1,884,864	52,718
Short-term borrowings	117,371	117,371	
Notes and accounts payable	156,831	156,831	
Accrued income taxes	11,789	11,789	
Total	¥ 3,412,436	¥ 3,494,650	¥ 82,213
Derivatives	¥ (2,105)	¥ (2,105)	

March 31, 2019	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrecognized Gain (Loss)
Investment securities:			
Held-to-maturity debt securities	\$ 1,270	\$ 1,212	\$ (57)
Available-for-sale securities	71,404	71,404	
Investments in and advances to nonconsolidated subsidiaries and affiliated companies	287,438	503,275	215,836
Cash and cash equivalents	2,209,467	2,209,467	
Receivables	2,137,068	2,137,068	
Total	\$ 4,706,650	\$ 4,922,430	\$ 215,779
Long-term debt:			
Bonds	\$ 11,571,006	\$ 11,808,816	\$ 237,809
Loans	16,427,377	16,814,293	386,915
Short-term borrowings	1,036,515	1,036,515	
Notes and accounts payable	1,221,945	1,221,945	
Accrued income taxes	20,939	20,939	
Total	\$ 30,277,785	\$ 30,902,510	\$ 624,725
Derivatives	\$ (45,061)	\$ (45,061)	

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.

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Investment securities:			
Available-for-sale:			
Equity securities	¥ 64,564	¥63,885	\$ 581,609
Other securities	2,919	2,843	26,296
Investments in and advances to nonconsolidated subsidiaries and affiliated companies:			
Equity securities	69,085	74,006	622,340
Other securities	23,691	10,780	213,413
Total	¥160,260	¥151,515	\$ 1,443,660

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, 2019				
Investment securities:				
Held-to-maturity debt securities		¥ 5		¥136
Available-for-sale securities with contractual maturities		20		250
Cash and cash equivalents	¥ 245,273			
Receivables	237,236			
Total	¥ 482,509	¥ 25		¥386

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, notes and accounts payable, and accrued income taxes

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

Derivatives

Fair value information for derivatives is included in Note 15.

Notes to Consolidated Financial Statements

	Thousands of U.S. Dollars			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
March 31, 2019				
Investment securities:				
Held-to-maturity debt securities		\$ 45		\$ 1,225
Available-for-sale securities with contractual maturities		186		2,255
Cash and cash equivalents	\$ 2,209,467			
Receivables	2,137,068			
Total	\$ 4,346,536	\$ 231		\$ 3,480

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

	Hedged Item	Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
March 31, 2019				
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)	Long-term loans	35,752	34,384	(1,650)
Pay fixed /				
Receive floating				
Special treatment (Note c)	Long-term loans	2,323	2,106	
Pay fixed /				
Receive floating				
Total				¥ (5,002)

March 31, 2018	Millions of Yen			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps:				
Principle treatment (Note b)				
Pay fixed /Receive floating	Long-term loans	¥31,804	¥28,241	¥(2,105)
Special treatment (Note c)				
Pay fixed / Receive floating	Long-term loans	2,540	2,323	
Total				¥(2,105)

March 31, 2019	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	\$ 502,934	\$ 502,934	\$ (18,165)
Buying Canadian dollar (Note a)		208,105	208,105	(12,029)
Interest rate swaps:				
Principle treatment (Note b)				
Pay fixed / Receive floating	Long-term loans	322,063	309,743	(14,867)
Special treatment (Note c)				
Pay fixed / Receive floating	Long-term loans	20,926	18,972	
Total				\$ (45,061)

Notes:

- a) The fair value of derivative transactions is measured at the forward foreign exchange rate.
b) The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.
c) 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.
d) 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, 2019, the Companies had a number of fuel purchase commitments, most of which specify quantities and dates for fuel deliveries. However, most of purchase prices are contingent upon fluctuations in market prices.

Contingent liabilities at March 31, 2019 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Co-guarantees of loans, mainly in connection with procurement of fuel	¥86,875	\$782,590
Guarantees of employees' loans	54,730	493,021
Other	10,053	90,565

Notes to Consolidated Financial Statements

17. COMPREHENSIVE INCOME

The components of other comprehensive (loss) income for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Other comprehensive (loss) income:			
Unrealized (loss) gain on available-for-sale securities:			
(Losses) gains arising during the year	¥ (183)	¥ 676	\$ (1,649)
Reclassification adjustments to profit or loss	2	7	26
Amount before income tax effect	(180)	683	(1,623)
Income tax effect	67	(220)	604
Total	¥ (113)	¥ 462	\$ (1,018)
Deferred loss on derivatives under hedge accounting:			
Losses arising during the year	¥ (2,569)	¥ (617)	\$ (23,149)
Reclassification adjustments to profit or loss	(327)	535	(2,948)
Amount before income tax effect	(2,897)	(82)	(26,098)
Income tax effect	(258)	(96)	(2,325)
Total	¥ (3,155)	¥ (178)	\$ (28,423)
Foreign currency translation adjustments:			
(Losses) gains arising during the year	¥ (5,006)	¥ 2,570	\$ (45,098)
Amount before income tax effect	(5,006)	2,570	(45,098)
Income tax effect	1,469	(1,122)	13,239
Total	¥ (3,536)	¥ 1,448	\$ (31,859)
Defined retirement benefit plans:			
(Losses) gains arising during the year	¥ (9,462)	¥ 6,385	\$ (85,240)
Reclassification adjustments to profit or loss	6,763	2,830	60,930
Amount before income tax effect	(2,698)	9,215	(24,310)
Income tax effect	744	(2,617)	6,704
Total	¥ (1,954)	¥ 6,598	\$ (17,605)
Share of other comprehensive (loss) income in nonconsolidated subsidiaries and affiliated companies:			
(Losses) gains arising during the year	¥ (1,121)	¥ 265	\$ (10,105)
Reclassification adjustments to profit or loss	(24)	(33)	(221)
Total	¥ (1,146)	¥ 231	\$ (10,326)
Total other comprehensive (loss) income	¥ (9,905)	¥ 8,562	\$ (89,233)

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 segments consist of electric power, energy related business, information technology (IT) and telecommunications and other.

- **Electric Power segment:** this segment is engaged in the business of power supply mainly with the Kyushu region as the basis of its operational development.
- **Energy related Business segment:** this segment is engaged in the wholesale supply of electricity; obtaining; storing; gasifying; supplying and selling gas and LNG; a renewable energy business; and other businesses related to energy.
- **IT and Telecommunications segment:** this segment is engaged in the provision of telecommunications services.
- **Other segment:** this segment is engaged in the provision of environment and recycling services, lifestyle-oriented services and others.

(2) Methods of measurement for the amounts of sales, profit, assets and other items for each reportable segment

The accounting policies of each reportable segment are consistent to those disclosed in Note 2, "Summary of Significant Accounting Policies."

The revision of the accounting regulations applicable to electric utility providers

METI revised the accounting regulations which became effective on April 1, 2018. Prior to April 1, 2018, the asset retirement costs were allocated to expense through depreciation based on the straight-line method over a period totaling the remaining useful life and expected safe storage period of nuclear power units. Effective April 1, 2018, these costs are allocated to expense through depreciation based on the straight-line method over the remaining useful life of nuclear power units. As a result, segment profit of Electric Power for the year ended March 31, 2019, decreased by ¥4,268 million (\$38,447 thousand).

(3) Information about sales, profit, assets and other items at March 31, 2019 and 2018, was as follows:

	Millions of Yen						
	2019						
	Reportable segment						
	Electric Power	Energy-related Business	IT and Telecommu- nications	Other	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	¥ 1,844,850	¥ 82,989	¥ 73,330	¥ 16,011	¥ 2,017,181		¥ 2,017,181
Intersegment sales or transfers	3,845	134,655	32,117	13,499	184,116	¥ (184,116)	
Total	¥ 1,848,695	¥ 217,644	¥ 105,447	¥ 29,510	¥ 2,201,298	¥ (184,116)	¥ 2,017,181
Segment profit	¥ 61,728	¥ 14,764	¥ 4,860	¥ 6,025	¥ 87,378	¥ (803)	¥ 86,575
Segment assets	4,075,845	506,199	188,273	171,603	4,941,921	(147,882)	4,794,039
Other:							
Depreciation	204,040	10,740	22,667	3,703	241,152	(2,962)	238,189
Increase in property and nuclear fuel	323,938	26,445	21,743	2,569	374,697	(4,881)	369,816

Notes to Consolidated Financial Statements

Millions of Yen							
2018							
Reportable segment							
	Electric Power	Energy-related Business	IT and Telecommunications	Other	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	¥ 1,804,418	¥ 73,134	¥ 70,512	¥ 12,293	¥ 1,960,359		¥ 1,960,359
Intersegment sales or transfers	3,892	118,335	36,175	13,288	171,691	¥ (171,691)	
Total	¥ 1,808,311	¥ 191,470	¥ 106,687	¥ 25,581	¥ 2,132,051	¥ (171,691)	¥ 1,960,359
Segment profit	¥ 81,422	¥ 11,732	¥ 7,321	¥ 4,824	¥ 105,301	¥ (2,177)	¥ 103,123
Segment assets	4,038,218	487,956	185,515	149,497	4,861,188	(151,029)	4,710,158
Other:							
Depreciation	180,179	8,044	21,408	3,795	213,428	(2,972)	210,455
Increase in property and nuclear fuel	318,488	20,094	22,837	2,417	363,838	(4,885)	358,953

Thousands of U.S. Dollars							
2019							
Reportable segment							
	Electric Power	Energy-related Business	IT and Telecommunications	Other	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	\$ 16,618,777	\$ 747,586	\$ 660,572	\$ 144,233	\$ 18,171,171		\$ 18,171,171
Intersegment sales or transfers	34,638	1,212,998	289,317	121,605	1,658,560	\$(1,658,560)	
Total	\$ 16,653,415	\$ 1,960,585	\$ 949,890	\$ 265,839	\$ 19,829,732	\$(1,658,560)	\$ 18,171,171
Segment profit	\$ 556,063	\$ 132,998	\$ 43,785	\$ 54,278	\$ 787,126	\$ (7,241)	\$ 779,885
Segment assets	36,716,025	4,559,943	1,696,004	1,545,835	44,517,808	(1,332,150)	43,185,657
Other:							
Depreciation	1,838,041	96,755	204,190	33,362	2,172,349	(26,690)	2,145,658
Increase in property and nuclear fuel	2,918,101	238,228	195,870	23,146	3,375,347	(43,969)	3,331,378

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 income.

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

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

19. SUBSEQUENT EVENT

a. Year-end cash dividends

At the general shareholders meeting held on June 26, 2019, the Company's shareholders approved the following appropriation of retained earnings as of March 31, 2019:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥15.00 (\$0.13) per common share	¥7,109	\$64,041
Year-end cash dividends, ¥1,750,000.00 (\$15,764.34) per Class A preferred share	¥1,750	\$15,764

b. Acquisition and disposal of Class A preferred stock

At the Board of Directors meeting of the Company, it was resolved to acquire the current Class A preferred stock based on the articles of incorporation and to issue the new Class A preferred stock to Mizuho Bank, Ltd., Development Bank of Japan Inc. and MUFG Bank, Ltd. by third-party allocation. Partial revision of the articles of incorporation with regard to changing contents of current Class A preferred stock and allocation of new Class A preferred stock were approved at the general shareholders meeting held on June 26, 2019. They were also approved at the meeting of ordinary shareholders and preferred shareholders.

(1) Reasons for acquisition and disposal of the Class A preferred stock

The Company will acquire the current Class A preferred stock and issue the new Class A preferred stock to secure stability of equity and reduce the burden of preferred dividends.

(2) Contents of the matters concerning acquisition

- | | |
|------------------------------|------------------------------------|
| a) Class of the target stock | Current Class A preferred stock |
| b) Number of shares acquired | 1,000 shares |
| c) Acquisition price | ¥100,843,836 (\$908,421) per share |

Standard acquisition price formula

The amount to be paid per Class A share by cash = ¥100,000,000 (\$900,819) + The amount of accumulated unpaid dividends for the Class A preferred stock until the year prior to the previous fiscal year + The amount of unpaid dividends for the Class A preferred stock in the previous fiscal year + The amount of unpaid dividends for the Class A preferred stock in the fiscal year.

The amounts of accumulated unpaid dividends for the Class A preferred stock until the year prior to the previous fiscal year and the amount of unpaid dividends for the Class A preferred stock in the previous fiscal year are zero since there are no accumulated unpaid dividends until the year prior to the previous fiscal year and unpaid dividends in the previous fiscal year for the Class A preferred stock.

- | | |
|----------------------------|----------------------------------|
| d) Total acquisition price | ¥100,843,836,000 (\$908,421,187) |
| e) Acquisition from | Development Bank of Japan Inc. |
| f) Date of acquisition | June 27, 2019 |

(3) Contents of the matters concerning issue

- | | |
|------------------------------|---|
| a) Date of payment | June 28, 2019 |
| b) Number of shares issue | New Class A preferred stock 1,000 shares |
| c) Payment price | ¥100,000,000 (\$900,819) per share |
| d) Total payment price | ¥100,000,000,000 (\$900,819,745) |
| e) Annual preferred dividend | ¥2,100,000 (\$18,917) per share
(Annual preferred dividend as of the record date of March 31, 2020 is ¥1,599,452 (\$14,408) per share.) |
| f) Method of allocation | Third-party allocation |
| g) Allottee | Mizuho Bank, Ltd. 400 shares
Development Bank of Japan Inc. 400 shares
MUFG Bank, Ltd. 200 shares |
| h) 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 |

(4) Other important points

Shareholders of new Class A preferred stock are able to receive dividends in preference to common shareholders. However, Shareholders of new Class A preferred stock do not have any voting rights at the general shareholders' meetings.

The new Class A 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.

c. Execution of the Absorption-type Split Agreement

At the Board of Directors meeting of the Company held on April 26, 2019, the Company resolved to execute an absorption-type corporate split agreement ("the Absorption-type Split Agreement") with Kyushu Electric Power Transmission and Distribution Co., Inc. (the succeeding company), which succeeds the Company's general electricity transmission and distribution business and power generation business in remote islands by way of the corporate split. The Absorption-type Split is subject to the approval of government authorities related to the general electricity transmission and distribution business.

Notes to Consolidated Financial Statements

(1) Background and purpose of Split

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 will carry out an absorption-type split in which the general transmission and distribution business will be transferred to the succeeding company, a wholly owned subsidiary of the Company. The business split aims not only to respond to Legal Unbundling appropriately but also to improve value of the entire group and build a competitive business management system.

After the business split, the Company will provide energy services for abundant and comfortable life for customers and improve further profitability through enhancing competitiveness as a business holding company which operates power generation and retail electricity businesses. On the other hand, the succeeding company will enhance fairness, transparency and neutrality and aim to improve trust of customers by providing a stable supply of electric power and economic efficiency as a result of streamlining and advancing operations.

The Company and the succeeding company will fulfill their responsibilities as energy business operators and aim to sustainably improve the value of the entire group.

(2) Outline of the absorption-type split

a) The schedule of the absorption-type split

The Board of Directors approved the Absorption-type Split

Agreement (the Company):	April 26, 2019
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Resolution of directors to approve the Absorption-type Split

Agreement (the succeeding company):	April 26, 2019
-------------------------------------	----------------

Conclusion of the Absorption-type Split Agreement:	April 26, 2019
--	----------------

Ordinary general shareholders' meeting to approve

the Absorption-type Split Agreement (the Company):	June 26, 2019
--	---------------

Extraordinary shareholders' meeting to approve

the Absorption-type Split Agreement (the succeeding company):	June 26, 2019
---	---------------

Effective date of the absorption-type split:	April 1, 2020 (plan)
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b) Method of the absorption-type split

This is an absorption-type split where in the Company will be the splitting company and the subsidiary wholly owned by the Company will be the succeeding Company.

c) Details of allotment related to the absorption-type split

The succeeding company, at the time of the absorption-type split, will newly issue 33,600,000 shares of common stock, which will all be allocated to the Company.

d) Treatment of stock acquisition rights and corporate bonds with stock acquisition rights following the absorption-type split

The Company's corporate bonds with share options will not be changed. The Company has not issued stock acquisition rights.

e) Common stock to be changed due to the absorption-type split

There will be no change in common stock of the Company.

f) Rights and obligations succeeded by the succeeding company

The succeeding company will succeed the rights and obligations held with respect to the general electricity transmission and distribution business and any business incidental thereto on the effective day in accordance with the provisions of the Absorption-type Split Agreement with the Company on April 26, 2019. With respect to the assumption of obligations by the succeeding company through the split, the Company will be released from such obligations. The succeeding company will not assume obligations, etc., associated with existing public bonds of the Company.

g) Prospects for default

The management of the Company and succeeding company determined that there is no problem regarding the prospect for default after the absorption-type split, because the amounts of respective assets of the Company and the succeeding company are expected to exceed the amounts of their respective liabilities after the absorption-type split and there is no estimation of default of the Company and the succeeding company after the absorption-type split.

(3) Outline of business unit to be split

a) Business contents

Succeeding company	Description of business
Kyushu Electric Power Transmission and Distribution Co., Inc.	General electricity transmission and distribution business, Power generation business in remote islands and any business incidental thereto

b) Operating results of business unit to be split [For the year ended March 31, 2019]

Description of business	Sales of businesses unit to be split (a)	Sales of the Company (b)	Ratio (a/b)
General electricity transmission and distribution business, Power generation business in remote islands and any business incidental thereto	¥114,441 million (\$1,030,915 thousand)	¥1,867,152 million (\$16,819,680 thousand)	6.1%

c) Items and amounts of assets and liabilities to be split [As of March 31, 2019]

Assets		Liabilities	
Item	Carrying amount	Item	Carrying amount
Non-current assets	¥1,729,924 million (\$15,583,499 thousand)	Long-term liabilities	¥38,599 million (\$347,707 thousand)
Current assets	¥ 115,192 million (\$1,037,675 thousand)	Current liabilities	¥124,548 million (\$1,121,958 thousand)
Total	¥1,845,116 million (\$16,621,174 thousand)	Total	¥163,147 million (\$1,469,666 thousand)

Notes:

The amounts of assets and liabilities to be divided shown above are the estimates of March 31, 2019. The amounts that will actually be transferred will reflect any increases or decreases made to the above amounts up to the effective date of the Split.

(4) State of the Company after the absorption-type split [As of April 1, 2020 (plan)]

	Splitting company
Company name	Kyushu Electric Power Co., Inc.
Location	1-82 Watanabe-dori 2-chome, Chuo-ku, Fukuoka
Title and name of authorized representative	Kazuhiro Ikebe, President and Chief Executive Officer
Description of business	Electricity business, etc.
Capital	¥237,304 million (\$2,137,689 thousand)
Fiscal year-end	March 31

(5) State of the succeeding company after the absorption-type split [As of April 1, 2020 (plan)]

	Succeeding company
Company name	Kyushu Electric Power Transmission and Distribution Co., Inc.
Location	1-82 Watanabe-dori 2-chome, Chuo-ku, Fukuoka
Title and name of authorized representative	Takeshi Hirowatari, President and Chief Executive Officer
Description of business	General electricity transmission and distribution business, Power generation business in remote islands and any business incidental thereto
Capital	¥20,000 million (\$180,163 thousand)
Fiscal year-end	March 31

(6) 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 will be accounted for as business combinations under common control.

Notes to Consolidated Financial Statements

20. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the year ended March 31, 2019 and 2018, was as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Year Ended March 31, 2019				
Net income attributable to owners of the parent	¥30,970			
Amount not attributable to common shareholder:				
Preferred dividend	(3,500)			
Basic EPS-Net income available to common shareholders	¥27,470	473,206	¥58.05	\$0.52
Effect of dilutive securities:				
Convertible bonds		105,008		
Diluted EPS-Net income for computation	¥27,470	578,214	¥47.51	\$0.42
	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Year Ended March 31, 2018				
Net income attributable to owners of the parent	¥86,657			
Amount not attributable to common shareholder:				
Preferred dividend	(3,500)			
Basic EPS-Net income available to common shareholders	¥83,157	473,662	¥175.56	
Effect of dilutive securities:				
Convertible bonds		103,705		
Diluted EPS-Net income for computation	¥83,157	577,367	¥144.03	



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
 Kyushu Electric Power Company, Incorporated:

We have audited the accompanying consolidated balance sheet of Kyushu Electric Power Company, Incorporated and its consolidated subsidiaries as of March 31, 2019, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kyushu Electric Power Company, Incorporated and its consolidated subsidiaries as of March 31, 2019, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

June 26, 2019

Member of
 Deloitte Touche Tohmatsu Limited

Overview of Power Generation Facilities

(As of March 31, 2019)

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

Station name	Maximum output (kW)	Operation commencement date	System	Location
Genkai	2,919,000 (559,000×1 1,180,000×2)	Mar. 1981	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 (8 facilities/maximum output 9,960,000 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	1,000,000 (500,000×2)	Dec. 1977	Heavy oil/crude oil	Buzen-shi, Fukuoka Prefecture
Matsuura	700,000 (700,000×1)	Jun. 1989	Coal	Matsuura-shi, Nagasaki Prefecture
Ainoura	875,000 (375,000×1 500,000×1)	Apr. 1973	Heavy oil/crude oil	Sasebo-shi, Nagasaki Prefecture
Shin Oita	2,825,000 (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 facilities/maximum output 3,579,851 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
Omurugawa	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
Takigami	27,500	Nov. 1996	Kokonoe-machi, Kusu-gun, Oita Prefecture
Otake	12,500	Aug. 1967	Kokonoe-machi, Kusu-gun, Oita Prefecture
Hatchoubaru	110,000	Jun. 1977	Kokonoe-machi, Kusu-gun, Oita Prefecture
Hatchoubaru Binary	2,000	Apr. 2006	Kokonoe-machi, Kusu-gun, Oita Prefecture
Ogiri	25,800	Mar. 1996	Kirishima-shi, Kagoshima Prefecture
Yamagawa	30,000	Mar. 1995	Ibusuki-shi, Kagoshima Prefecture

Internal Combustion Power (33 facilities/maximum output 395,050 kW) *including gas turbines on isolated 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 50,000 kW or higher

Wind Power (2 facilities/maximum output total 3,250 kW)

Station name	Maximum output (kW)	Operation commencement date	Location
Koshikijima wind power	250	Mar. 2003	Satsumasendai-shi, Kagoshima Prefecture
Noma-misaki wind park	3,000	Mar. 2003	Minamisatsuma-shi, Kagoshima Prefecture

*Only Kyushu Electric Power facilities are shown.

*The operation commencement date given is that of the oldest unit still in operation.

*In line with Article 27 of the Electricity Business Act, a notification was given that Genkai Nuclear Power Station Unit 1 (559 MW) would be decommissioned and this was carried out on April 9, 2019.

*In line with Article 27 of the Electricity Business Act, a notification was given that Buzen Power Station Unit 1 (500 MW) would be decommissioned and this was carried out on June 30, 2019.

*In line with Article 27 of the Electricity Business Act, notifications were given that Ainoura Power Station Units 1 (375 MW) and 2 (500 MW) would be decommissioned and this was carried out on April 30, 2019.

*In line with Article 27 of the Electricity Business Act, a notification was given that Noma-misaki Wind Park (3 MW) would be decommissioned and this was carried out on April 1, 2019.

Subsidiaries and Affiliated Companies

(As of March 31, 2019)

Consolidated Subsidiaries (45)

Company Name	Capital (Millions of yen)	Equity Ownership (%)	Business
Energy Business in Kyushu			
Oita Liquefied Natural Gas Co., Inc.	7,500	98.0	Receipt, storage, vaporization and delivery and sales of LNG
Kyuden Mirai Energy Company, Incorporated	3,004	100.0	Renewable energy service and energy supply
Kitakyushu Liquefied Natural Gas Co., Inc.	4,000	75.0	Receipt, storage, vaporization and delivery and sales of LNG
Pacific Hope Shipping Limited	4,071	60.0	Purchasing, operating, chartering and renting of LNG carriers
Kushima Wind Hill Co., Ltd.	2,821	51.0	Sales of electricity generated by wind power
Nishinippon Environmental Energy Co., Inc.	1,054	100.0	Consultation about energy efficiency and surveys and research into environmental conservation
Kyushu Rinsan Co., Inc.	490	100.0	Greening construction at power stations and other facilities
Nagashima Wind Hill Co., Ltd.	490	86.0	Sales of electricity generated by wind power
Fukuoka Energy Service Co., Inc.	490	80.0	Heat supply business
Kyuden Technosystems Corporation	327	85.2	Manufacture and sales of electric machinery; installation, maintenance and management of electrical measurement equipment
Kyuden High Tech Corporation	200	100.0	Maintenance and repair of electricity facilities
Nishi Nippon Airlines Co., Ltd.	360	54.7	Air cargo transportation
Nishinippon Plant Engineering and Construction Co., Ltd.	150	85.0	Construction, maintenance and repair of power generation facilities
Kyushu Kouatsu Concrete Industries Co., Ltd.	240	51.3	Manufacture and sales of concrete poles
Kyuden Sangyo Co., Inc.	117	100.0	Environmental preservation work at power stations
Miyazaki Biomass Recycle Co., Inc.	100	42.0	Power-generation activities using poultry dung fuel
West Japan Engineering Consultants, Inc.	40	100.0	Consultation and planning of civil engineering and construction
Koyo Denki Kogyo Co., Ltd.	20	97.3	Manufacture and sales of HV and LV insulators and other items
Nishigi Kogyo, Co., Inc.	20	74.0	Conduit maintenance for hydroelectric power stations
Shimonoseki Biomass Energy Co., Ltd.	1	100.0	Sales of electricity generated by biomass
Energy Business Overseas			
Kyuden International Corporation	23,150	100.0	Acquisition and holding of securities of overseas companies operating electricity
Kyushu Electric Australia Pty Ltd.	214 (Millions of U.S. dollars)	100.0	Share ownership and management (funding, tax, accounting, etc.) of Kyushu Electric Wheatstone Pty Ltd
Kyushu Electric Wheatstone Pty Ltd.	201 (Millions of U.S. dollars)	100.0	Ownership of mining interests and assets, trading and sales of output in Wheatstone LNG project
KYUDEN SARULLA PTE. LTD.	166 (Millions of 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 (Millions of Taiwan dollars)	100.0	Investment in Hsin Tao IPP business company
Kyuden Birdsboro Inc.	1 (U.S. dollars)	100.0	Investment in, and 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
IT and Telecommunications			
QTN Net Co., Ltd.	22,020	100.0	Fiber-optic cable and broadband services
Kyuden Infocom Company, Inc.	480	100.0	IT-related planning and consultation, and data center business
Nishimu Electronics Industries, Co., Ltd.	300	100.0	Manufacture, sales, installation and maintenance of telecommunication devices
Kyuden Business Solutions Co., Inc.	100	100.0	Development, operation and maintenance of information systems
RKK Computer Service Co., Inc.	100	61.3	Development and sales of computer software
Lifestyle-oriented Services			
DENKI BLDG. CO., Ltd.	3,395	91.9	Leasing and management of real estate
Kyuden Good Life Company, Inc.	300	100.0	Paid elderly nursing home management and nursing services
Capital Kyuden Corporation	285	100.0	Acquiring and owning of securities, loans to group companies
Kyuden Good Life Kumamoto Company, Inc.	200	100.0	Paid elderly nursing home management and nursing services
Kyuden Business Front Inc.	100	100.0	Temporary staffing and job-placement services
Kyuden Good Life Fukuoka Josui Company, Inc.	100	100.0	Paid elderly nursing home management and nursing services
Kyuden Good Life Kagoshima Company, Inc.	100	90.0	Paid elderly nursing home management and nursing services
Kyuden Good Life Higashifukuoka Company, Inc.	100	70.0	Paid elderly nursing home management and nursing services
Kyuden Fudousan Co., Ltd.	32	98.4	Leasing of real estate and site management
Kyuden Office Partner Co., Inc.	30	100.0	Clerical work acceptance on trust and consulting business
Kyushu Maintenance Co., Ltd.	10	82.0	Cleaning and maintenance of real estate

Non-consolidated Subsidiaries and Affiliated Companies Accounted for under Equity Method (28)

Company Name	Capital (Millions of yen)	Equity Ownership (%)	Business
Energy Business in Kyushu			
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
Plazwire Co., Ltd.	50	100.0	Flame spray coating (painting) business
Nishikyushu Kyodo Kowan Co., Ltd.	50	50.0	Operation and maintenance of coal handling equipment
Kyuden Corporation	100	15.2	Construction and repair of transmission lines
Nishi Nihon Denki Tekkou Co., Ltd.	30	33.5	Design, production and sales of steel towers and steel conduits
Washiodake Wind Power Co., Ltd.	10	100.0	Sales of 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
Amami Oshima Wind Power Co., Ltd.	10	75.0	Sales of electric power from wind generation
Energy Business Overseas			
KYUDEN ILIJAN HOLDING CORPORATION	3 (Millions of U.S. dollars)	100.0	Investment in Ilijan IPP business company
Lion Power (2008) Pte. Ltd.	1,161 (Millions of Singapore dollars)	21.4	Investment in overseas electric companies
Electricidad Aguila de Tuxpan, S. de R.L. de C.V.	641 (Millions of Mexico Pesos)	50.0	Power-generation activities using natural gas fuel
Kyushu Tohoku Enrichment Investing SAS	62 (Millions of Euro)	50.0	Investment in uranium enrichment business
Electricidad Sol de Tuxpan, S. de R.L. de C.V.	493 (Millions of Mexico Pesos)	50.0	Power-generation activities using natural gas fuel
IT and Telecommunications			
RKKCS Software	10	100.0	Developments and sales of computer software
Environment and Recycling Business			
J-Re-Lights Co., Ltd.	100	100.0	Recycling of used fluorescent bulbs
Records & Intelligence Management Co., Ltd	80	98.1	Recycling of confidential documents
Lifestyle-oriented Services			
Kyushu Highlands Development Co., Ltd.	300	100.0	Management of golf courses
Kyushu Housing Guarantee Corporation	272	33.3	Housing and building assessments, security services affairs
Kyushu Captioning Co-Production Center Inc.	60	78.3	Subtitle production for broadcasting
Fukuoka Airport Holdings Co., Ltd.	100	27.7	Investment in the airport operations business
Oak Partners Co., Ltd.	3	100.0	Real estate management

Corporate Data

(As of March 31, 2019)

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 12,947

Stock Information

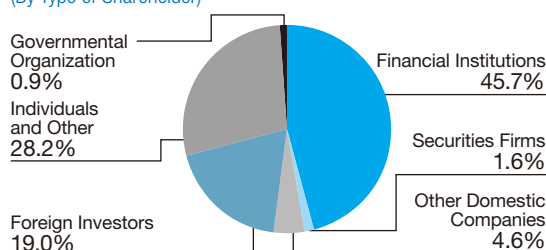
Total Number of Shares Authorized 1,000,000,000
 Common stock: 1,000,000,000
 Class A preferred shares: 1,000

Number of Shares Issued and Outstanding Common stock: 474,183,951
 Class A preferred shares: 1,000

Number of Shareholders Common stock: 136,683
 Class A preferred shares: 1

• Common stock

Composition of Shareholders
 (By Type of Shareholder)



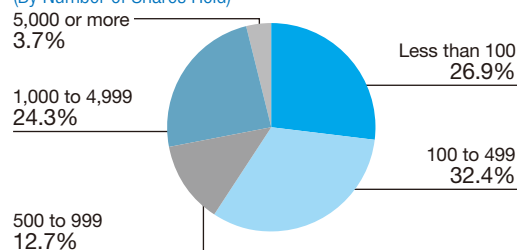
Shareholders' Meeting June
 Fiscal Year From April 1 to March 31
 Stock Listings Tokyo Stock Exchange, Fukuoka Stock Exchange (Code: 9508)

Transfer Agent and Registrar Sumitomo Mitsui Trust Bank, Limited

4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan

Accounting Auditor Deloitte Touche Tohmatsu LLC

Composition of Shareholders
 (By Number of Shares Held)



Major Shareholders

Name	Number of Shares Held (Thousands of Shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust unit)	31,439	6.63
Meiji Yasuda Life Insurance	22,882	4.83
Japan Trustee Services Bank, Ltd. (trust unit)	18,988	4.01
Japan Trustee Services Bank, Ltd. (trust unit9)	13,106	2.77
Nippon Life Insurance Company	11,810	2.49
Kyushu Electric Power Co., Inc. Employees' Shareholding Association	10,677	2.25
Mizuho Bank, Ltd.	9,669	2.04
The Bank of Fukuoka, Ltd.	8,669	1.83
Sumitomo Mitsui Banking Corporation	8,474	1.79
Kochi Shinkin Bank	8,282	1.75

• Class A preferred shares

Name	Number of Shares Held	Shareholding Ratio (%)
The Development Bank of Japan	1,000	100.00

*The contents of this category were reviewed on June 28, 2019, as detailed below.

Name	Number of Shares Held	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

