

# Interview with the President



**Michiaki Uriu**  
President

**Q1** How would you review fiscal 2016 overall?

**A1** It was a year of solid progress amid major changes in the business environment.

Kyushu Electric Power entered an era of all-out competition with the full deregulation of the retail electricity sector in April 2016.

Customers do not choose their electric power company based on the lowest price alone. We believe they also take into consideration service, contributions to the region, and reliability.

Headquartered in Kyushu, Kyushu Electric Power has been in the electric power business for more than 60 years, growing alongside everyone in the Kyushu region.

On the occasion of the full deregulation of the retail

electricity sector, we now offer rate plans that customers can choose based on their lifestyle, and launched the new service Kyuden Safety Support to deliver safety to customers' daily lifestyles.

We proactively engage in personable marketing through direct dialog and interactions with customers, with the aim of conveying to them information about these initiatives.

The Sendai Nuclear Power Station Units 1 and 2 resumed operations in autumn 2015, and we view this restart not as a goal, but a beginning. The units have

been safely and reliably generating electricity without any major issues, thanks to our daily efforts to manage their operation. We aim to restart the Genkai Nuclear Power Station Units 3 and 4 as early as possible, and have taken one solid step closer to their restart on receiving permission for a change in reactor installation.

Despite extraordinary losses related to the Kumamoto Earthquake, Kyushu Electric Power was able to remain profitable for a second fiscal year in a row, owing to

Group-wide efforts to reduce costs while waiting to restart the Genkai Nuclear Power Station Units 3 and 4, which are reflected in current electricity rates, as well as to a reduction in fuel costs from the stable operation of Sendai Nuclear Power Station Units 1 and 2.

In this way, in the fiscal year ended March 31, 2017, our concerted efforts as a Group allowed us to overcome obstacles one by one and take a solid step forward into a new era.

**Q2** In the fiscal year ending March 31, 2018, the full deregulation of the gas retail sector has begun. What are your thoughts and strategies for dealing with competition?

**A2** Kyushu Electric Power aims to prevent customers from leaving and bring back customers who have left by effectively bundling together sales of electricity and gas services.

Since the deregulation of the electricity sector began, we have engaged in personable marketing centered on our 50 sales offices in Kyushu. Nevertheless, customers have continued to leave us for other companies.

With the full deregulation of the gas retail sector in April 2017, Kyushu Electric Power began to bundle sales of electricity and gas services.

While working to stem declines in electricity demand, we will focus efforts on informing customers

about our bundling of electricity and gas services, and ask customers who left to consider coming back to Kyushu Electric Power.

As of June 30, 2017, Kyushu Electric Power has received over 30,000 gas contract applications. We will redouble efforts at personable marketing in a bid for the earliest possible achievement of our goal of 40,000 contracts in the fiscal year ending March 31, 2018.

**Q3** Please tell us about the progress towards the restart of operations at the Genkai Nuclear Power Station.

**A3** We will continually to handle the review and inspections diligently and carefully, with the aim of restarting operations at Genkai Nuclear Power Station Units 3 and 4 as quickly as possible.

Concerning Units 3 and 4 of the Genkai Nuclear Power Station, in January 2017, we received permission for a change in reactor installation license (basic design). In April, June and July 2017, we submitted revised materials related to the application for construction planning permission (detailed design) for Unit 3, and in April 2017, submitted an application for approval for changes to safety regulations (operations, management, framework).

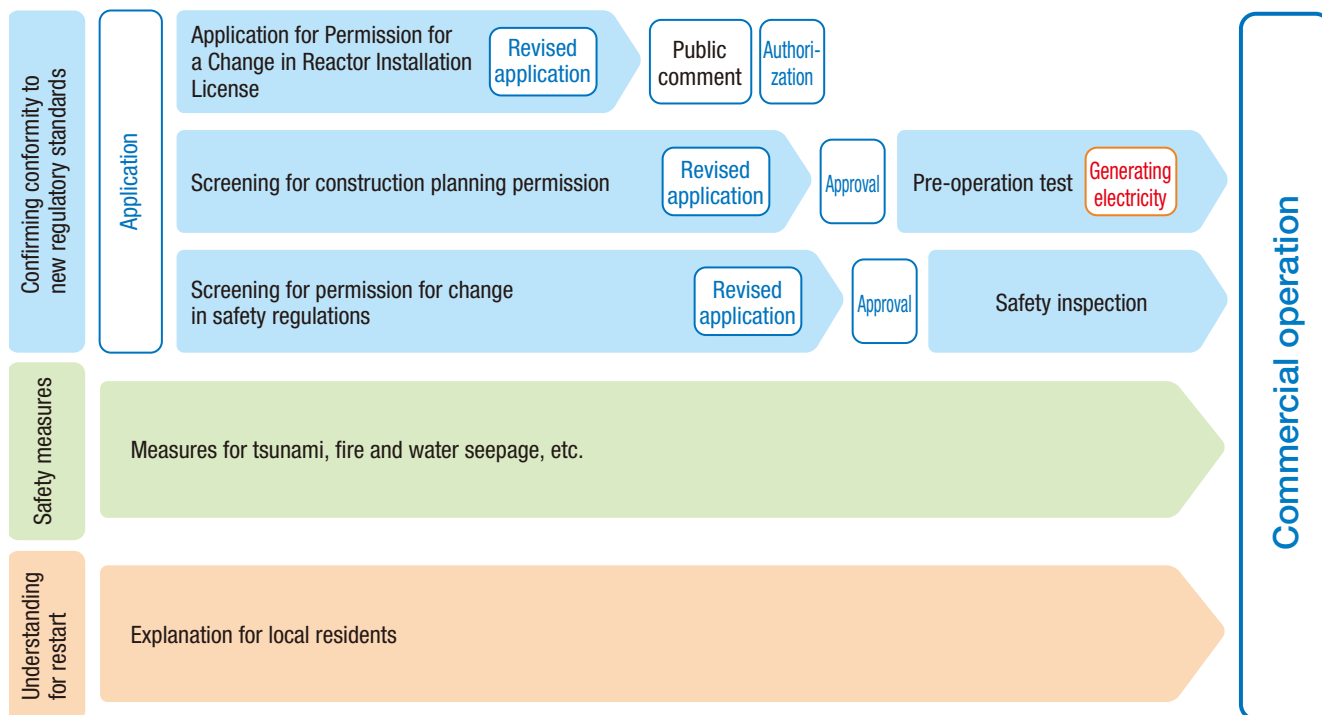
Currently, we are continuing to work with the

Nuclear Regulation Authority on their review of both the applications for construction planning permission and approval for changes to safety regulations, but we are unable to project exactly when operations will be restarted due to the fact that it is unknown how long the reviews and the subsequent pre-use inspection will take.

We will continually work as a unified Group to handle the review and inspections diligently and carefully, with the aim of restarting operations at Genkai Nuclear Power Station Units 3 and 4 as quickly as possible.

## Interview with the President

### Schedule until Restart



**Q4**

In June, the Kyushu Electric Power Group's Medium-term Management Policy's Financial Objectives were unveiled. How were these objectives drawn up, and how do you envision achieving these targets?

**A4**

Amid relentless changes in the business environment, we saw the need to further clarify the Group's management stance and accelerate initiatives for management reforms. With this in mind, we created financial objectives with a five-year outlook.

The Group's brand message is to "make a brighter future for generations to come." This is Kyushu Electric Power's mission. Our aim is to continue growing along with Kyushu, supporting the lifestyles of our customers and economic activity in the region by delivering a reliable supply of inexpensive and good-quality energy to our customers.

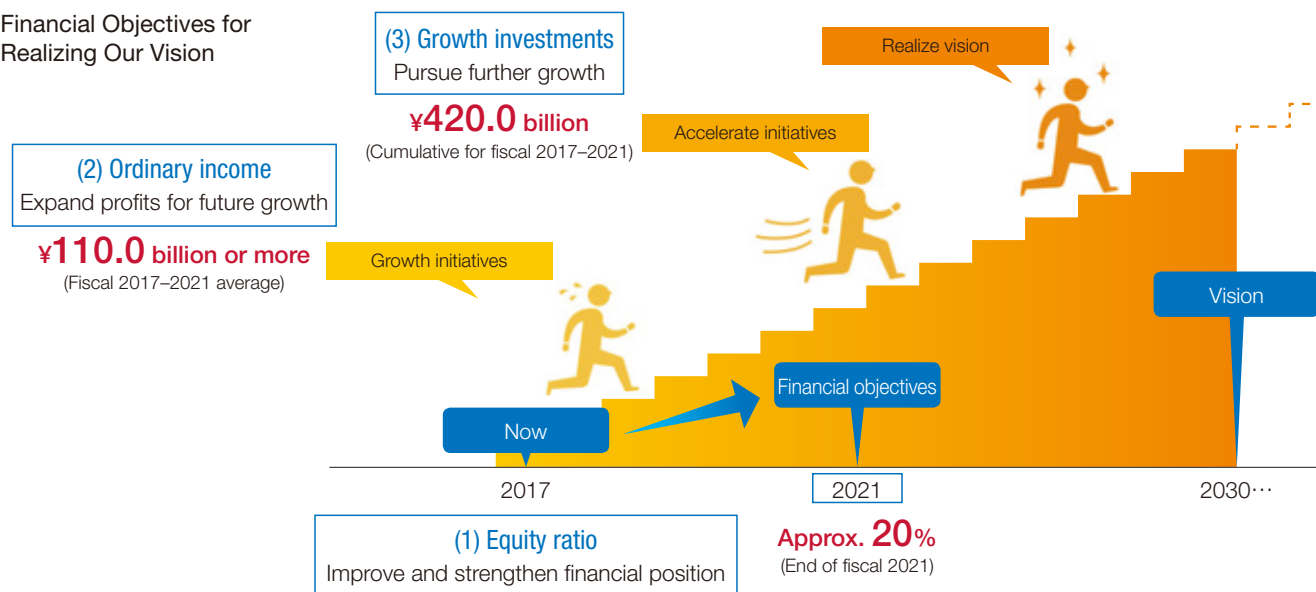
In April 2015, we created the Kyushu Electric Power Group's Medium-term Management Policy as a business vision for remaining the trusted and preferred choice of our customers. We are concentrating all of our efforts on measures to restart nuclear power stations as quickly as possible, improve income, and prosper amid the full deregulation of the electricity and gas retail sectors.

As conditions change fluidly in the energy business, we believe it is necessary to further clarify the Group's management stance for our customers and investors and accelerate efforts at management reform. To this end, we have set the three following five-year financial indicators of progress for realizing the Vision for 2030 in our Medium-term Management Policy:

- Equity ratio, for improving and strengthening our financial position
- Ordinary income, for expanding profits as a well-spring for growth
- Growth investments, for pursuing further growth



Financial Objectives for Realizing Our Vision



Kyushu Electric Power's equity ratio was around 25% before the Great East Japan Earthquake (as of March 31, 2011), but it then declined to about 9% as of March 31, 2015, owing to the prolonged suspension of operations at nuclear power stations.

The equity ratio has gradually improved since the Sendai Nuclear Power Station Units 1 and 2 were restarted. In an increasingly challenging business environment, with tougher competition in the electricity and gas markets, our foremost priority is repairing the damage to our financial position in order to ensure stable Group management. With pre-earthquake levels on our mind, we are for now targeting an equity ratio of approximately 20% by the fiscal year ending March 31, 2022.

Next, management has set a target for ordinary income of at least ¥110 billion on average from the fiscal year ending March 31, 2018 through the fiscal year ending March 31, 2022, based on the understanding that ordinary income of around ¥110 billion is necessary to achieve our equity ratio target of 20% and secure resources for further growth.

Finally, Kyushu Electric Power targets ¥420 billion in

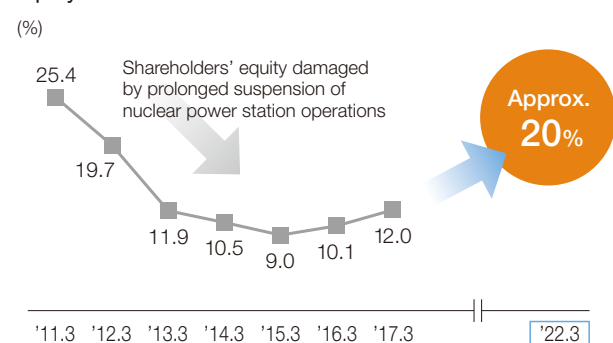
growth investments from the fiscal year ending March 31, 2018 through the fiscal year ending March 31, 2022, to sustain profit generation and aim for further growth.

For the overseas electricity business, the Group aims to generate ordinary income of ¥7 billion by the fiscal year ending March 31, 2022, and ¥10 billion by the fiscal year ending March 31, 2031, on future investments in light of its early venture overseas, relationships with business partners based on trust, and strong technological capabilities.

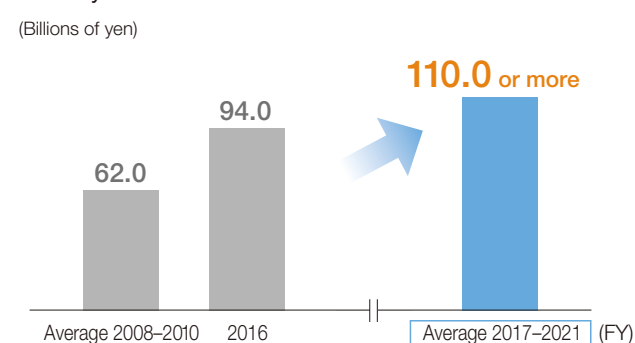
In the renewable energy business, we aim to reach ordinary income of ¥2 billion by the fiscal year ending March 31, 2022, and ¥9 billion by the fiscal year ending March 31, 2031, as Group companies Kyuden Mirai Energy and West Japan Engineering Consultants continue to invest in the business.

By continuing to invest aggressively beyond the fiscal year ending March 31, 2022, Kyushu Electric Power seeks to expand profits in these growth businesses. We aim to increase the contribution of growth businesses to ordinary income from about 20% now to 30% in the future.

Equity Ratio



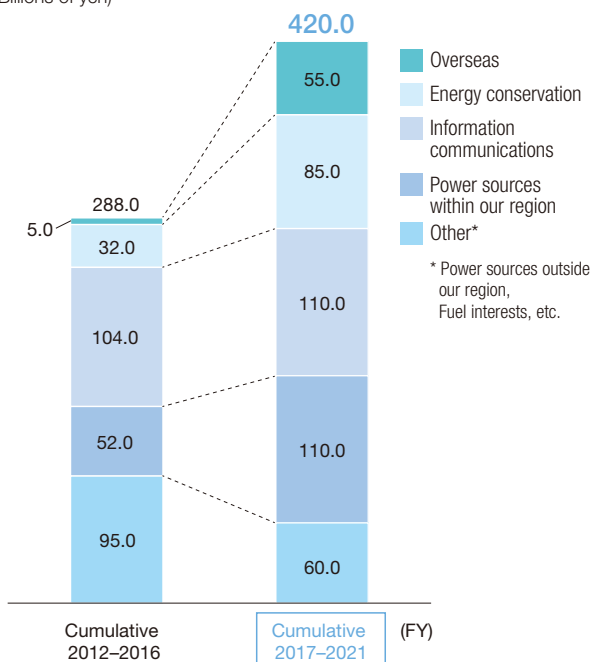
Ordinary Income



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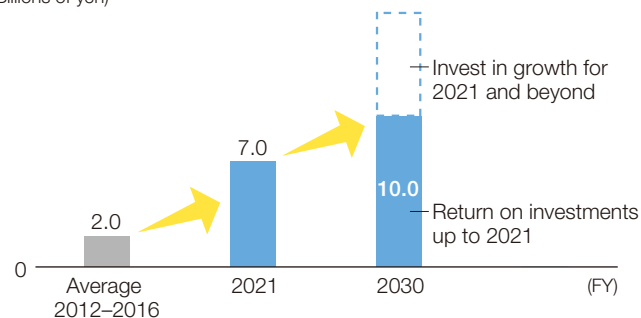
Growth Investments

(Billions of yen)



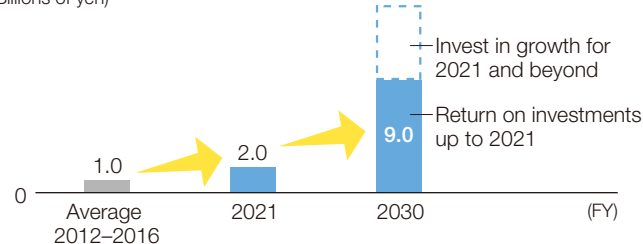
Outlook for Ordinary Income in Overseas Electricity Business

(Billions of yen)



Outlook for Ordinary Income in Renewable Energy Business

(Billions of yen)



Q5

Kyushu Electric Power raised dividends for the fiscal year ended March 31, 2017. What is the Company's dividend policy?

A5

We will continue our efforts toward an early restart of Units 3 and 4 at the Genkai Nuclear Power Station, and toward further streamlining of overall operations so that we can offer at least some level of dividend.

Kyushu Electric Power's dividend policy is to maintain a stable dividend, with amounts determined based on a comprehensive analysis of performance and other factors.

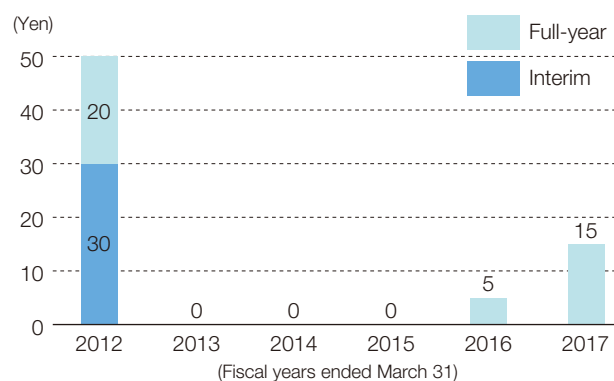
For the fiscal year ended March 31, 2017, management decided to pay a dividend of ¥15 per share, an increase of ¥10 from ¥5 per share in the previous fiscal year. This decision was based on a comprehensive evaluation of performance during the fiscal year and the medium- to long-term income and financial conditions, with the dual aims of improving our financial position and returning profits to shareholders.

We intend to restore dividends to pre-quake levels as soon as possible, though it depends on the pace of improvement in shareholders' equity and the medium- to long-term outlook for income and financial conditions.

Kyushu Electric Power has not decided on a dividend for the fiscal year ending March 31, 2018,

because a specific timetable has not been set for restarting the Genkai Nuclear Power Station Units 3 and 4. However, we positively consider continuing to offer some level of dividend.

Dividends per Share of Common Stock





**Q6** Finally, what are your aspirations for 2017?

**A6** This year is the midpoint of our five-year Medium-term Management Policy, and we have designated it as the year to lay an unmovable foundation for further growth and progress.

Management has designated 2017 as the year for building a solid foundation for further growth and progress. The main issues we plan to address are “improving the safety and reliability of nuclear power, and restarting the Genkai Nuclear Power Station,” “quickly taking specific measures to fend off competition,” and “changing people and organizations.”

With regard to nuclear power generation, Kyushu Electric Power will take measures to improve the safety and reliability of nuclear power as its highest management priority on an independent and ongoing basis. The entire Group is working in unison toward the early resumption of operations of Genkai Nuclear Power Station Units 3 and 4 on the assumption that current electricity rates will persist.

The electricity retail business is being buffeted by tough competitive conditions as a result of the full deregulation of the electricity retail market. In response, we are making even greater efforts than last year to prevent customers from leaving by engaging in personable marketing through our network of sales bases in the Kyushu region. With the gas retail market becoming fully deregulated in April 2017, we have begun to

market “Kyuden Gas” to households. Looking ahead, we will develop a variety of energy services bundled with gas service in tune with customer needs, in addition to promoting all-electric appliances in households.

Amid rapid changes in the business environment, in April 2017, Kyushu Electric Power newly established a general headquarters to integrate the previous headquarters and other functions and promote autonomous business management based on optimal business strategies tailored to the characteristics of each business field. In the electricity transmission and distribution business, we have undertaken a large-scale review of the organization and business management systems, deciding to establish an in-house electricity transmission and distribution company that is highly independent and neutral within the organization. Viewing this reorganization as an excellent opportunity to effect more change, we aim to reinforce our growth potential and management capabilities as a corporate group.

Advancing these initiatives as a unified Group, we are aiming to achieve sustained growth and to provide value to our stakeholders.

