

Management Base Supporting Business/ Corporate Governance

Basic Stance on Corporate Governance

We aim to generate sustainable value for all shareholders in keeping with “Kyushu Electric Power’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 business properly.

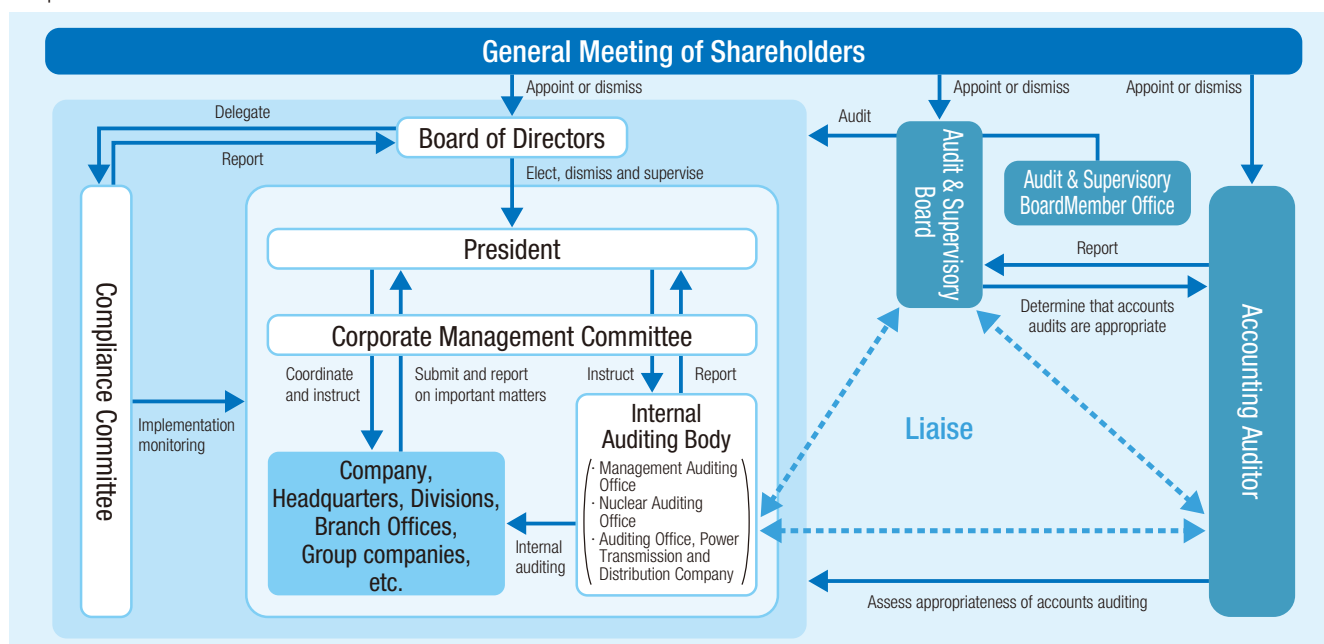
In concrete terms, we have a corporate governance structure centered on the Board of Directors and the Audit & Supervisory Board, and based on this we work to strengthen management oversight functions by appointing highly independent external members of

the Board of Directors, while heightening the effectiveness of audits by fostering close cooperation between the Audit & Supervisory Board Member and internal auditing bodies. Furthermore, we have clearly defined the oversight and executive roles of members of the Board of Directors and executive officers, while striving to rigorously enforce compliance management. At the same time, we have developed a basic policy on the formation of a system to ensure proper business operations (basic internal control policy), as we work to continuously improve the internal control system.

Overview of Internal Organizations

Organization	Role	Members (As of June 30, 2017)	Meeting Frequency
Board of Directors	<ul style="list-style-type: none"> Decides on important corporate management matters Supervises performance of duties 	15 members of the Board of Directors in total (including 2 external members of the Board of Directors)	Once a month in principle (20 times during fiscal 2016)
Corporate Management Committee	<ul style="list-style-type: none"> Considers matters requiring discussion before being decided by the Board of Directors Makes important decisions on business execution 	President, vice president, senior managing executive officers, managing executive officers, and others 16–27 members (11 members attended in response to agenda)	Once a week in principle (43 times during fiscal 2016)
Audit & Supervisory Board	<ul style="list-style-type: none"> Performs audits relating to general status of members of the Board of Directors’ performance of duties <ul style="list-style-type: none"> → Attends Board of Directors and other important meetings → Receives oral 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 	6 Audit & Supervisory BoardMembers in total (including 3 external Audit & Supervisory BoardMembers) * Audit & Supervisory BoardMember Office, which has 12 members, was established to assist the Audit & Supervisory BoardMembers as a specialist organizational body.	Once a month in principle (14 times during fiscal 2016)
Internal auditing body	<ul style="list-style-type: none"> Audit observance of laws, regulations, and so forth in divisions and business sites and status of business execution Audit quality assurance systems in place to monitor safety initiatives and the status of operations based on these 	Management Auditing Office (20) Nuclear Auditing Office (8) Auditing Office, Power Transmission and Distribution Company (7)	* Held constantly as part of duties.

Corporate Governance Structure



External Directors and External Audit & Supervisory BoardMembers

We have appointed two highly independent external members of the Board of Directors. They draw on their knowledge and experience to provide necessary input and advice in the discussion of proposals at Board of Directors meetings, as well as participate and advise appropriately on nomination, remuneration, and other matters regarding member of the Board of Directors candidates.

We have six Audit & Supervisory BoardMembers. One of them has considerable knowledge regarding finance and accounting, having experience as general manager of the Company's Accounting Department. Three are external Audit & Supervisory BoardMembers. Audit & Supervisory BoardMembers attend important gatherings, including those of the Board of Directors. They conduct hearings for all divisions, consolidated subsidiaries, and other business units, and otherwise conduct overall audits of the work of members of the

Board of Directors and executive officers.

When appointing external members of the Board of Directors or external Audit & Supervisory BoardMembers, the Company refers to its own independence evaluation standards. These are based on criteria for independent external members of the Board of Directors and external Audit & Supervisory BoardMembers stipulated by the Companies Act and the Tokyo Stock Exchange's evaluation standards regarding the independence of members of the Board of Directors and Audit & Supervisory BoardMembers.

Moreover, the Company has designated all of its external members of the Board of Directors and external Audit & Supervisory BoardMembers as independent members of the Board of Directors and independent Audit & Supervisory BoardMembers, respectively, judging that these individuals will offer objective and neutral opinions about the Company's business based on their experience and insight.

Reason for Appointment of External Members of the Board of Directors

External Director	Reason for Appointment
Akiyoshi Watanabe	Mr. Watanabe has a wealth of experience and insight due to his many years serving as a business manager, as well as the appropriate character, insight, and professional background for an external member of the Board of Directors of the Company. We consider him a most appropriate person to provide useful opinions about the Company's business from an objective standpoint, and to perform a supervisory function.
Ritsuko Kikukawa	Ms. Kikukawa has a wealth of experience and insight due to her many years serving in national and regional government, mainly in the education field, as well as the appropriate character, insight, and professional background for an external member of the Board of Directors of the Company. We consider her a most appropriate person to provide useful opinions about the Company's business from an objective standpoint, and to perform a supervisory function.

Reasons for Appointment of External Audit & Supervisory BoardMembers

External Corporate Auditor	Reason for Appointment
Fumiko Furusho	Ms. Furusho has a wealth of experience and insight due to her many years serving as a business manager, as well as the appropriate character, insight, and professional background for an external Audit & Supervisory Boardmember of the Company. We consider her a most appropriate person to provide useful opinions about the Company's business from an objective standpoint, and to perform audit and supervisory functions.
Yusuke Inoue	Mr. Inoue has a wealth of experience and insight due to his many years serving as a business manager, as well as the appropriate character, insight, and professional background for an external Audit & Supervisory Boardmember of the Company. We consider him a most appropriate person to provide useful opinions about the Company's business from an objective standpoint, and to perform audit and supervisory functions.
Kazutaka Koga	Mr. Koga has a wealth of experience and insight due to his many years serving as an attorney, as well as the appropriate character, insight, and professional background for an external Audit & Supervisory Boardmember of the Company. We consider him a most appropriate person to provide useful opinions about the Company's business from an objective standpoint, and to perform audit and supervisory functions.

Policy Regarding Determination of Remuneration for Members of the Board of Directors and Audit & Supervisory BoardMembers

Our policy on remuneration is to set it at a level commensurate with the capabilities and responsibilities required of the Company's members of the Board of Directors and Audit & Supervisory BoardMembers, giving due consideration to factors such as the Company's management environment, remuneration levels at other companies, primarily listed companies, and the level of treatment of the Company's employees.

Specifically, remuneration for members of the Board

of Directors and Audit & Supervisory BoardMembers comprises a monthly basic remuneration and bonuses. To ensure objectivity and transparency, the level of remuneration is determined by the Board of Directors and the Audit & Supervisory Board based on the deliberations of the Remuneration Discussion Committee, which is chaired by an external member of the Board of Directors.

Members of the Board of Directors' bonuses are paid in correspondence with the Company's performance within a limited amount to clarify members of the Board of Directors' responsibility for performance and provide them with an incentive to improve it.

Total Amount of Remuneration by Director Category and Type and Number of Directors (Fiscal 2016)

Classification	Members of the Board of Directors (excluding external members of the Board of Directors)		Audit & Supervisory BoardMembers (excluding external Audit & Supervisory BoardMembers)		External members of the Board of Directors and Audit & Supervisory BoardMembers	
	Number of people	Amount (Millions of yen)	Number of people	Amount (Millions of yen)	Number of people	Amount (Millions of yen)
Basic remuneration	13	399	4	81	7	38
Bonuses	—	—	—	—	—	—
Total	—	399	—	81	—	38

(Note) The number of people listed above as recipients for basic remuneration includes one member of the Board of Directors (excluding external members of the Board of Directors), one Audit & Supervisory BoardMember (excluding external Audit & Supervisory BoardMember) and two external officers (external Audit & Supervisory BoardMembers) who retired at the end of the 92nd Annual General Meeting of Shareholders, held on June 28, 2016.

Disclosure of Important Concurrent Positions Held by Members of the Board of Directors and Audit & Supervisory BoardMembers

Important concurrent positions held by the Company's members of the Board of Directors and Audit & Supervisory BoardMembers are as follows.

Member of the Board of Directors	Important Concurrent Position
Masayoshi Nuki	Outside director, Kyushu Railway Company
Michiaki Uriu	Outside director (audit and supervisory committee member), THE NISHI-NIPPON CITY BANK, LTD.
Naofumi Satou	Outside director (audit and supervisory committee member), Nishi-Nippon Railroad Co., Ltd. Outside director, RKB MAINICHI HOLDINGS CORPORATION
Kazuhiro Izaki	Outside director, Nippon Tungsten Co., Ltd.
Yuuzou Sasaki	Outside director, FUJI P.S CORPORATION Outside audit & supervisory member, Kyudenko Corporation
Takashi Yamasaki	Outside director, Seiko Electric Co., Ltd.
Akiyoshi Watanabe	Outside director, Kyudenko Corporation
Ritsuko Kikukawa	Director of Fukuoka Study Center, The Open University of Japan

Audit & Supervisory BoardMembers	Important Concurrent Position
Fumiko Furusho	President, Furusho Tochi, Ltd.
Yusuke Inoue	Chairman, Kyusyu Servicer
Kazutaka Koga	Attorney (Koga Hanashima Law Office) Outside auditor, MAXVALU KYUSHU CO., Ltd.

Analysis and Evaluation of Overall Effectiveness of the Board of Directors

The Company conducts questionnaires and interviews with members of the Board of Directors and Audit & Supervisory BoardMembers, and the results are confirmed by the Board of Directors.

(1) Regarding the function and composition of the Board of Directors

- Appropriateness of the decision-making process
- Formulation and external disclosure of management strategies and policies
- Appropriateness of supervision of business execution
- Appropriateness of composition (diversity, scale)

(2) Operation of the Board of Directors

- Appropriateness of determination of matters for resolution and reporting and matters for deliberation
- Clarity of materials and explanations
- Appropriateness of frequency and time allocation for deliberation

Promoting Compliance

To promote compliance, the Compliance Committee has been established to ensure compliance with corporate ethics, laws and regulations, internal rules, and so forth. The committee is chaired by the president and includes external experts and promotes fair business practices. In addition, compliance officers have been established for every division. The officers promote compliance with corporate ethics, laws and regulations, and so forth, in accordance with the basic policies and recommendations set forth by the Compliance Committee, as well as the specific measures it has deliberated.

Accounting Auditor

The Company's accounting audits are carried out by certified public auditors Masanori Motono, Kei Nozawa, and Ken Miyazaki, of Deloitte Touche Tohmatsu LLC. The Company's accounting audit was assisted by 10 certified public accountants and another 19 personnel.

The internal auditing body, Audit & Supervisory Board Members and accounting auditor work to improve and enhance audit functions through close cooperation on formulating audit plans and reporting audit results.

Financial Reporting

The Company properly operates internal controls governing financial reporting and establishes systems to make corrections as necessary. At the same time, the Company's Financial Reporting Disclosure Committee, which is chaired by the president and consists of management executives, works to ensure the appropriateness of financial reporting.

Information Management

With regard to information management, the Company properly stores and manages documents stipulated by laws and regulations such as minutes of Board of Directors meetings, as well as other documents concerning important decision-making matters. To this end, the Company assigns responsibility for document management to appropriate departments based on internal rules. At the same time, the Company works to ensure the security of information concerning the execution of duties as necessary, based on basic policies and rules concerning information security.

Risk Management/Contingency 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 general and specific 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.

Furthermore, we have established rules for a response structure and procedures to quickly and properly address situations where the materialization of a risk may lead to an emergency, loss of public trust, or other situations that could have a significant impact on Company operations and society. This includes enhancing and strengthening our crisis management system to minimize the impact on the Company and society. We also regularly conduct drills.