Consolidated Eleven-year Financial Summary

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

	Millions of Yen					
	2008	2009	2010	2011	2012	2013
For the Year:						
Operating revenues:	¥1,482,351	¥1,524,193	¥1,444,941	¥1,486,083	¥1,508,084	¥1,545,919
Electric	1,363,423	1,398,577	1,310,085	1,354,204	1,367,610	1,406,218
Other	118,927	125,616	134,856	131,878	140,474	139,700
Operating expenses:	1,376,811	1,439,470	1,345,214	1,387,174	1,692,939	1,845,347
Electric	1,260,615	1,317,216	1,220,536	1,261,425	1,562,055	1,715,262
Other	116,195	122,254	124,677	125,748	130,883	130,085
Interest charges	36,937	35,770	35,292	34,025	34,025	37,407
Income (loss) before income taxes and minority interests	72,463	55,859	67,610	48,318	(214,750)	(334,298)
Income taxes	29,853	21,481	25,404	19,245	(48,760)	(2,195)
Net income (loss) attributable to owners of the parent	41,726	33,991	41,812	28,729	(166,390)	(332,470)

	Yen					
Per Share of Common Stock:						
Basic net income (loss)	¥88.19	¥71.84	¥88.38	¥60.73	¥(351.80)	¥(702.98)
Diluted net income (loss)	—	—	—	—	—	—
Cash dividends applicable to the year (common stock)	60.00	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	¥4,059,775	¥4,110,877	¥4,054,192	¥4,185,460	¥4,428,093	¥4,526,513
Net property	3,109,292	3,080,446	3,037,054	3,033,125	2,997,232	2,941,114
Long-term debt, less current portion	1,712,949	1,811,744	1,724,972	1,714,429	2,188,601	2,526,729
Total equity	1,084,212	1,072,374	1,089,066	1,079,679	888,131	557,799

(U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥106.27 = U.S.$1, the approximate rate of exchange at March 31, 2018.)
Note: Figures less than a million yen are rounded down. (Applies hereafter)

Summary of the Year Ended March 31, 2018

In the year ended March 31, 2018, Kyushu Electric Power recorded a 21.8% decrease in ordinary income year on year. While fuel costs fell thanks to an increase in the volume of electric power produced at our Sendai Nuclear Power Station, sales of electric power were also down due to increased competition, and expenses rose as a result of such factors as reforms of Japan’s electricity systems. At the same time, net income attributable to owners of the parent rose 9.3%, due to a drop in corporate income tax resulting from an increase in deferred tax assets. This increase reflects our judgment of the likelihood of recovery of deferred tax assets, based on such considerations as the status of the restart of Genkai Nuclear Power Station Unit 3.

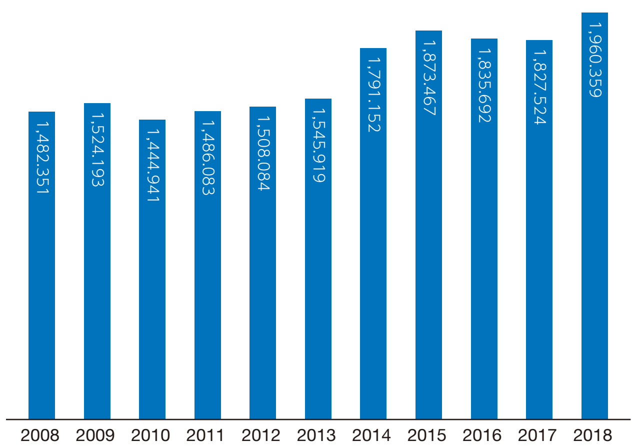
	Millions of Yen					Thousands of U.S. Dollars
	2014	2015	2016	2017	2018	2018
For the Year:						
Operating revenues:	¥1,791,152	¥1,873,467	¥1,835,692	¥1,827,524	¥1,960,359	$18,446,972
Electric	1,633,023	1,719,570	1,688,328	1,681,066	1,804,418	16,979,569
Other	158,129	153,897	147,364	146,458	155,940	1,467,402
Operating expenses:	1,886,974	1,916,782	1,715,435	1,704,883	1,857,235	17,476,577
Electric	1,746,890	1,779,711	1,584,556	1,574,890	1,713,322	16,122,353
Other	140,083	137,070	130,879	129,993	143,913	1,354,224
Interest charges	39,429	40,148	39,317	36,008	33,416	314,447
Income (loss) before income taxes and minority interests	(73,732)	(72,901)	92,499	82,840	73,558	692,185
Income taxes	20,786	40,324	17,359	2,230	(14,470)	(136,165)
Net income (loss) attributable to owners of the parent	(96,096)	(114,695)	73,499	79,270	86,657	815,448

	Yen					U.S. Dollars
Per Share of Common Stock:						
Basic net income (loss)	¥(203.19)	¥(242.38)	¥155.17	¥159.97	¥175.56	$1.65
Diluted net income (loss)	—	—	—	159.78	144.03	1.35
Cash dividends applicable to the year (common stock)*	—	—	—	15.00	20.00	0.18
Cash dividends applicable to the year (Class A preferred shares)*	—	—	—	3,500,000.00	3,500,000.00	32,934.97

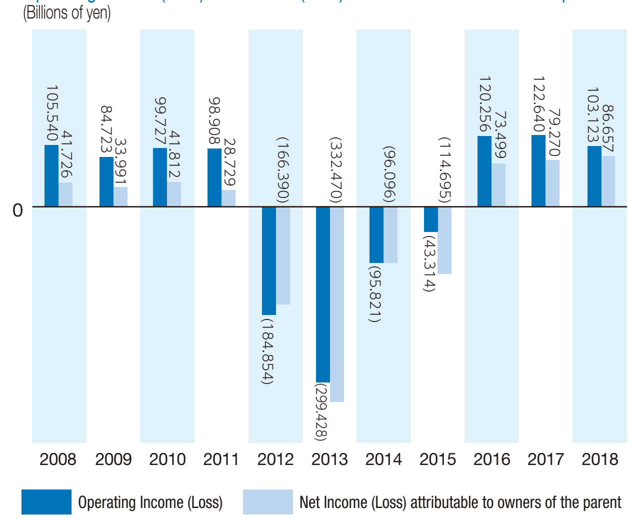
*The amounts of cash dividends per share are based on the recorded earnings for each fiscal year.

	Millions of Yen					Thousands of U.S. Dollars
At Year-End:						
Total assets	¥4,549,852	¥4,784,735	¥4,748,237	¥4,587,541	¥4,710,158	$44,322,560
Net property	2,941,142	2,985,935	3,073,861	3,134,911	3,229,489	30,389,475
Long-term debt, less current portion	2,804,896	2,844,538	2,745,848	2,789,038	2,709,117	25,492,779
Total equity	494,232	450,990	499,903	574,577	653,963	6,153,789

Operating Revenues (Billions of yen)



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



Consolidated Eleven-year Financial Summary

Management Discussion and Analysis

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries

Operating Results

Consolidated operating revenues rose by 7.3% year on year during the term, to ¥1,960.3 billion. In the electricity business, despite a decrease in the volume of electric power sold, lighting and power revenue was up due to such factors as an adjustment in fuel costs, which caused unit charges to increase, and an increase in renewable energy-related subsidies.

At the same time, with regard to expenditures, the Kyuden Group continued its coordinated cost-cutting efforts. In our electricity business, the cost of purchased power from renewable sources increased, while fuel costs increased due to higher fuel prices and other factors. Other expenses also rose, and as a result of these factors, the operating expenses rose 8.9% year on year, to ¥1,857.2 billion.

As a result, operating income for the term under review fell 15.9% year on year, to ¥103.1 billion.

Other revenues fell 12.5% year on year, to ¥15.8 billion. An increase in dividend income was more than offset by other factors, including reduced interest income.

Other expenses decreased 2.7% year on year, to ¥45.2 billion, driven in part by lower interest expense.

Ordinary income was ¥1,976,2 billion, an increase of 7.1% over the previous fiscal year, while ordinary expenses reached ¥1,902.5 billion, up 8.6%. As a result, ordinary income was down 21.8% year on year, to ¥73.6 billion.

Corporate income tax was negative ¥14.4 billion, compared to positive ¥2.2 billion for the previous term, due to such factors as a revision in the recoverability outlook for deferred tax assets, based on such considerations as the status of the restart of Genkai Nuclear Power Station Unit 3, which resulted in higher deferred tax assets.

As a result of the foregoing factors, net income attributable to owners of the parent rose 9.3% over the previous fiscal year, to ¥86.6 billion. Basic net income per share of common stock totaled ¥175.56, an increase of ¥15.60.

Segment Information (Before Elimination of Internal Transactions)

(1) Electric Power

The volume of electric power sales fell to 76.8 billion kWh, down 2.3% year on year, due to such factors as a drop in the volume of contracted power sales.

Kyushu Electric Power maintained stable supplies of electric power through coordinated operation of its thermal power generation and pumped-storage facilities, including an increase in new energy sources and stable operation of its Sendai Nuclear Power Station Units 1 and 2.

Electric power segment sales were up 7.3% year on year, to ¥1,808.3 billion. While the volume of electric power sales fell, lighting and power revenue were nevertheless higher, in part due to higher unit charges resulting from adjusted fuel costs. Renewable energy-related subsidies also rose during the term.

Operating expenses increased 8.8%, to ¥1,726.8 billion. While the Kyuden Group continued its comprehensive efforts to reduce operating expenses, the impact of such factors as an increase in cost of purchased power from renewable sources, and an increase in fuel costs due in part to higher fuel prices, as well as increases in other expenses, resulted in higher operating expenses.

As a result, operating income fell 17.2%, to ¥81.4 billion.

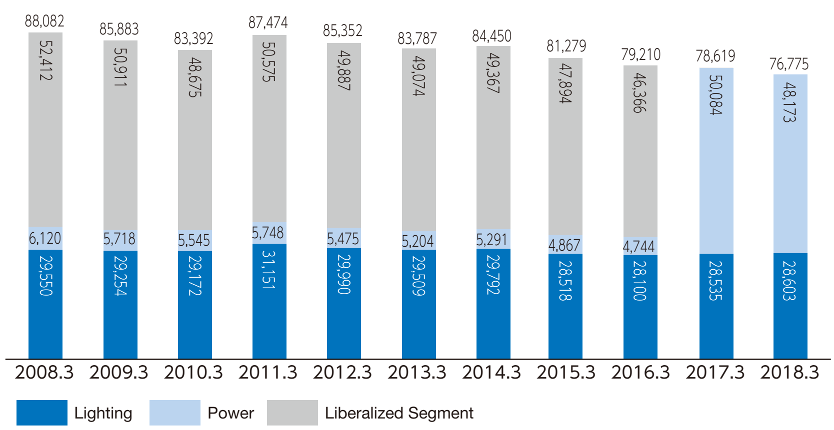
(2) Energy-related Business

Sales increased 3.4% year on year, to ¥191.4 billion. The negative influence of such factors as lower smart meter sales was more than offset by such factors as higher gas and LNG sales, as well as the start of production at one of our overseas LNG projects.

Operating income rose 16.3%, to ¥11.7 billion. Subcontracting fees for

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 system structuring rose, resulting from our entry into the retail gas business, but these were more than offset by the impact of such factors as the start of production at one of our overseas LNG projects, and income from overseas electric power generation.

(3) IT and Telecommunications

Sales rose 5.2% over the previous fiscal year, to ¥106.6 billion, thanks in part to an increase in commissioned information system development projects and sales of electronic communications equipment. Operating income fell 13.9%, to ¥7.3 billion, in part because of an increase in smartphone service selling expenses.

(4) Other Business

Sales in the category increased 2.7% over the previous fiscal year, to ¥25.5 billion, partially thanks to higher revenues from temporary staffing services and residential facilities for senior citizens. Operating income expanded 6.5%, to ¥4.8 billion, due to such factors as a reduction in depreciation expense for rental buildings.

Financial Position

(1) Assets, Liabilities and Equity

The total of current assets, including cash and deposits, declined. However, fixed assets increased due to multiple factors, including an increase in the temporary fixed asset account, attributable in part to construction to enhance the safety of our nuclear power stations; an increase in nuclear fuel costs; and an increase in deferred tax assets due to a revision in the recoverability outlook. As a result, total assets at the end of the term amounted to ¥4,710.1 billion, an increase of ¥122.6 billion over the previous fiscal year.

Despite a lower total of outstanding interest-bearing debt, taxes payable, notes payable, accounts payable, and other current liabilities all recorded higher totals. As a result, liabilities increased by ¥43.2 billion over the previous fiscal year, to ¥4,056.1 billion.

The total of interest-bearing debt fell by ¥70.1 billion year on year, to ¥3.243.8 billion.

Total equity rose ¥79.3 billion, to reach ¥653.9 billion at the close of the term, while the equity ratio was 13.4%. The reduction in total equity due to dividend payouts was more than offset by net income attributable to owners of the parent.

(2) Cash Flows

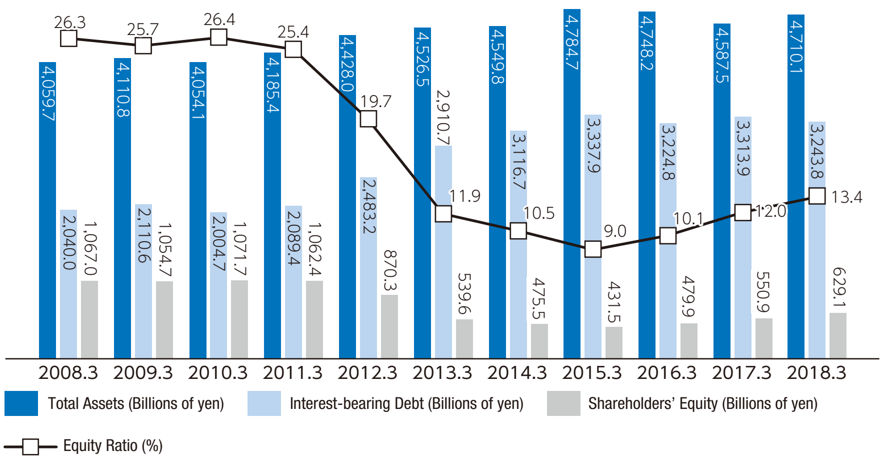
Cash flows provided by operating activities rose by ¥167.9 billion over the previous fiscal year to ¥355.9 billion. This result was due to such factors as a drop in payments for consumption tax and corporate income tax, as well as in payments of accrued contributions for reprocessing of irradiated nuclear fuel in accordance with the enforcement of the Act for Partial Amendment to the Act for Deposit and Management of the Reserve Funds for Reprocessing of Spent Fuel from Nuclear Power Generation.

Net cash used in investment activities ended ¥46.7 billion higher than at the close of the previous fiscal year, at ¥321.7 billion. The total of proceeds from sales of investment securities and collections of advances exceeded that of the previous term, but was more than offset by an increase in capital investments.

Net cash used in financing activities amounted to ¥90.3 billion, a drop of ¥168.7 billion from previous fiscal year. While interest-bearing debt increased during the previous term, due in part to issuance of convertible bonds with subscription rights to shares, the total of such debt fell during the term just ended, partly because the net redemption value of corporate bonds exceeded their issue value.

As a result, the balance of cash and cash equivalents at the end of the term was ¥365.8 billion, ¥53.9 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, revisions to the government's Strategic Energy Plan 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 and 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 Environment 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 and the 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. 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, 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 2018 was ¥3,243.8 billion, which accounts for 69% 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, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
ASSETS			
PROPERTY (Note 3):			
Plant and equipment	¥10,187,825	¥10,072,426	$95,867,372
Construction in progress	561,296	467,401	5,281,793
Total	10,749,121	10,539,827	101,149,165
Less-			
Contributions in aid of construction	209,621	204,943	1,972,532
Accumulated depreciation	7,310,011	7,199,973	68,787,157
Total	7,519,632	7,404,916	70,759,689
Net property	3,229,489	3,134,911	30,389,475
NUCLEAR FUEL	271,742	252,138	2,557,092
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 15)	75,152	74,499	707,186
Investments in and advances to nonconsolidated subsidiaries and affiliated companies (Note 15)	117,251	112,671	1,103,337
Assets for retirement benefits (Note 7)	15,760	11,041	148,310
Deferred tax assets (Note 11)	151,970	129,562	1,430,039
Special account related to nuclear power decommissioning (Note 2.g)	19,226	20,048	180,924
Special account related to reprocessing of spent nuclear fuel (Note 2.n)	15,297		143,945
Other	86,717	83,037	816,010
Total investments and other assets	481,377	430,860	4,529,754
CURRENT ASSETS:			
Cash and cash equivalents (Note 15)	365,875	419,831	3,442,885
Receivables (Note 15)	226,334	226,601	2,129,806
Allowance for doubtful accounts	(853)	(959)	(8,034)
Inventories, principally fuel	70,039	64,344	659,073
Deferred tax assets (Note 11)	43,828	39,437	412,428
Prepaid expenses and other	22,325	20,375	210,078
Total current assets	727,549	769,630	6,846,238
TOTAL	¥4,710,158	¥4,587,541	$44,322,560

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
LIABILITIES AND EQUITY			
LONG-TERM LIABILITIES:			
Long-term debt, less current portion (Notes 6 and 15)	¥2,709,117	¥2,798,999	$25,492,779
Liability for retirement benefits (Note 7)	95,605	99,526	899,645
Asset retirement obligations (Note 9)	221,372	217,278	2,083,115
Other	52,126	49,951	490,510
Total long-term liabilities	3,078,222	3,165,756	28,966,051
CURRENT LIABILITIES:			
Current portion of long-term debt (Notes 6 and 15)	430,738	409,726	4,053,245
Short-term borrowings (Notes 10 and 15)	117,371	118,572	1,104,467
Notes and accounts payable (Notes 14 and 15)	156,831	122,903	1,475,786
Accrued income taxes (Note 15)	11,789	2,634	110,941
Other	252,550	184,799	2,376,501
Total current liabilities	969,282	838,636	9,120,942
RESERVE FOR FLUCTUATIONS IN WATER LEVEL	8,690	8,570	81,777
COMMITMENTS AND CONTINGENCIES (Note 17)			
EQUITY (Note 12):			
Common stock, authorized, 1,000,000,000 shares; issued, 474,183,951 shares Preferred stock, authorized, 1,000 shares; issued, 1,000 shares	237,304	237,304	2,233,037
Capital surplus	120,825	120,844	1,136,968
Retained earnings	282,504	212,945	2,658,365
Treasury stock-at cost,			
520,059 shares in 2018 and 522,731 shares in 2017	(668)	(685)	(6,292)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	4,369	3,597	41,120
Deferred loss on derivatives under hedge accounting	(1,412)	(1,389)	(13,295)
Foreign currency translation adjustments	(1,905)	(3,590)	(17,932)
Defined retirement benefit plans	(11,876)	(18,062)	(111,761)
Total	629,140	550,965	5,920,210
Noncontrolling interests	24,822	23,611	233,579
Total equity	653,963	574,577	6,153,789
TOTAL	¥4,710,158	¥4,587,541	$44,322,560

See notes to consolidated financial statements.

Consolidated Statement of Income

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Year Ended March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
OPERATING REVENUES:			
Electric	¥1,804,418	¥1,681,066	$16,979,569
Other	155,940	146,458	1,467,402
Total operating revenues	1,960,359	1,827,524	18,446,972
OPERATING EXPENSES (Note 13):			
Electric	1,713,322	1,574,890	16,122,353
Other	143,913	129,993	1,354,224
Total operating expenses	1,857,235	1,704,883	17,476,577
OPERATING INCOME	103,123	122,640	970,394
OTHER EXPENSES (INCOME)			
Interest charges	33,416	36,008	314,447
Loss on disaster (Note 8)		10,450	
Other-net	(3,970)	(7,602)	(37,366)
Total other expenses-net	29,445	38,856	277,081
INCOME BEFORE INCOME TAXES AND PROVISION FOR RESERVE FOR FLUCTUATIONS IN WATER LEVEL	73,678	83,784	693,312
PROVISION FOR RESERVE FOR FLUCTUATIONS IN WATER LEVEL	119	943	1,127
INCOME BEFORE INCOME TAXES	73,558	82,840	692,185
INCOME TAXES (Note 11):			
Current	15,170	5,745	142,752
Deferred	(29,640)	(3,515)	(278,917)
Total income taxes	(14,470)	2,230	(136,165)
NET INCOME	88,028	80,610	828,350
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	1,371	1,339	12,901
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 86,657	¥ 79,270	$ 815,448

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.s):			
Basic net income	¥175.56	¥159.97	$1.65
Diluted net income	144.03	159.78	1.35
Cash dividends applicable to the year			
Common share	20.00	15.00	0.18
Class A preferred share	3,500,000.00	3,500,000.00	32,934.97

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Year Ended March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
NET INCOME	¥88,028	¥80,610	$828,350
OTHER COMPREHENSIVE INCOME (Note 18):			
Unrealized gain on available-for-sale securities	462	585	4,355
Deferred loss on derivatives under hedge accounting	(178)	(158)	(1,681)
Foreign currency translation adjustments	1,448	(731)	13,630
Defined retirement benefit plans	6,598	1,807	62,092
Share of other comprehensive income in nonconsolidated subsidiaries and affiliated companies	231	(75)	2,181
Total other comprehensive income	8,562	1,427	80,577
COMPREHENSIVE INCOME	¥96,591	¥82,037	$908,927
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥95,276	¥80,560	$896,553
Noncontrolling interests	1,314	1,477	12,374

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Year Ended March 31, 2018

Thousands of Shares/Millions of Yen

	Common Stock		Preferred Stock				Treasury Stock		Accumulated Other Comprehensive Income						
	Shares	Amount	Shares	Amount	Capital Surplus	Retained Earnings	Shares	Amount	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling interests	Total Equity
BALANCE AT APRIL 1, 2016	474,183	¥237,304	1		¥130,368	¥133,675	523	¥(684)	¥2,839	¥(1,255)	¥(2,280)	¥(20,037)	¥479,929	¥19,973	¥499,903
Net income attributable to owners of the parent						79,270							79,270		79,270
Cash dividends, ¥5 per common share					(2,369)								(2,369)		(2,369)
Cash dividends, ¥7,153,763 per class A preferred share					(7,153)								(7,153)		(7,153)
Change in the parent's ownership interest due to transactions with noncontrolling interests					0								0		0
Purchase of treasury stock							15	(3)					(3)		(3)
Disposal of treasury stock					(0)		(15)	2					2		2
Net change in the year									757	(133)	(1,309)	1,974	1,289	3,638	4,927
BALANCE AT MARCH 31, 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
Net income attributable to owners of the parent						86,657							86,657		86,657
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)
Change in the parent's ownership interest due to transactions with noncontrolling interests					0								0		0
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

Thousands of U.S. Dollars (Note 1)

						Accumulated Other Comprehensive Income						
	Common Stock	Preferred Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling interests	Total Equity
BALANCE AT MARCH 31, 2017	$2,233,037		$1,137,148	$2,003,819	$(6,449)	$33,852	$(13,075)	$(33,783)	$(169,968)	$5,184,580	$222,186	$5,406,766
Net income attributable to owners of the parent				815,448						815,448		815,448
Cash dividends, $0.23 per common share				(111,499)						(111,499)		(111,499)
Cash dividends, $49,402.46 per class A preferred share				(49,402)						(49,402)		(49,402)
Change in the parent's ownership interest due to transactions with noncontrolling interests			0							0		0
Purchase of treasury stock					(185)					(185)		(185)
Disposal of treasury stock			(200)		341					141		141
Changes by share exchange			21		0					21		21
Net change in the year						7,267	(219)	15,850	58,206	81,105	11,392	92,498
BALANCE AT MARCH 31, 2018	$2,233,037		$1,136,968	$2,658,365	$(6,292)	$41,120	$(13,295)	$(17,932)	$(111,761)	$5,920,210	$233,579	$6,153,789

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Year Ended March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes	¥ 73,558	¥ 82,840	$ 692,185
Adjustments for:			
Income taxes paid	(5,932)	(9,679)	(55,828)
Depreciation and amortization	210,455	215,342	1,980,387
Decommissioning costs of nuclear power units	4,603	4,589	43,314
Amortization of special account related to nuclear power decommissioning	821	821	7,733
Reversal of reserve for reprocessing of irradiated nuclear fuel		(5,271)	
Loss on disposal of plant and equipment	7,999	7,261	75,279
Provision for reserve for fluctuation in water level	119	943	1,127
Payments of accrued contributions for reprocessing of irradiated nuclear fuel		(36,123)	
Changes in assets and liabilities:			
Decrease in reserve funds for reprocessing of irradiated nuclear fuel		15,409	
Increase in trade receivables	(25,108)	(20,521)	(236,272)
Increase in inventories, principally fuel	(5,693)	(4,366)	(53,578)
Increase (decrease) in trade payables	22,983	(27,701)	216,270
Increase in liability for retirement benefits	3,559	2,943	33,492
Other-net	68,629	(38,470)	645,804
Total adjustments	282,436	105,176	2,657,730
Net cash provided by operating activities	355,995	188,016	3,349,915
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures including nuclear fuel	(352,763)	(304,688)	(3,319,506)
Proceeds from contribution in aid of construction	24,905	27,006	234,357
Payments for investments and advances	(6,518)	(5,542)	(61,336)
Proceeds from sales of investment securities and collections of advances	12,340	5,645	116,123
Other-net	284	2,531	2,679
Net cash used in investing activities	(321,751)	(275,047)	(3,027,682)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of bonds	189,396	299,365	1,782,215
Repayments of bonds	(190,000)	(130,000)	(1,787,898)
Proceeds from long-term loans	150,414	161,130	1,415,398
Repayments of long-term loans	(217,915)	(241,235)	(2,050,582)
Net (decrease) increase in short-term borrowings	(1,200)	210	(11,300)
Cash dividends paid	(17,065)	(9,583)	(160,590)
Other-net	(3,962)	(1,507)	(37,285)
Net cash (used in) provided by financing activities	(90,334)	78,380	(850,043)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	2,134	(1,276)	20,086
NET DECREASE IN CASH AND CASH EQUIVALENTS	(53,955)	(9,926)	(507,724)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	419,831	429,757	3,950,609
CASH AND CASH EQUIVALENTS AT END OF YEAR	¥ 365,875	¥ 419,831	$ 3,442,885

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Year Ended March 31, 2018

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, 2017, to conform to the classifications used in the consolidated financial statements for the year ended March 31, 2018.

The U.S. dollar amounts included herein are provided solely for the convenience of readers outside Japan and are stated at the rate of ¥106.27 = U.S. $1, the approximate exchange rate prevailing on March 31, 2018. 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, 2018, include the accounts of the Company and its 43 (41 for 2017) subsidiaries (together, the "Companies"). All significant intercompany transactions and balances have been eliminated in consolidation. Investments in 13 nonconsolidated subsidiaries and 14 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 6 (5 for 2017) consolidated subsidiaries and several nonconsolidated subsidiaries and affiliated companies is December 31. The Company consolidates such consolidated subsidiaries' financial statements and accounts for investments in such nonconsolidated subsidiaries and affiliated companies by the equity method using their financial results for the year ended December 31. The effects of any significant transactions during the period between the subsidiaries' and affiliated companies' fiscal year-end and the Company's fiscal year-end are reflected in the consolidated financial statements.

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

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

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

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

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

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

f. Investment Securities— Investment securities are classified and accounted for, depending on management's intent, as follows:
(a) Held-to-maturity debt securities are stated at cost with discounts or premiums amortized throughout the holding periods; (b) Available-for-sale securities, which are not classified as the aforementioned securities and investment securities in nonconsolidated subsidiaries and affiliated companies, are stated at market value; and nonmarketable securities are stated at cost.

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

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

g. Special Account Related to Nuclear Power Decommissioning— On March 13, 2015, the Japanese government, i.e. , the Ministry of Economy, Trade and Industry ("METI"), revised the accounting regulation applicable to electric utility providers. Under the revised accounting regulation effective on March 13, 2015, in case the Company decides to decommission nuclear power units due to factors such as a change of the government's energy policy, the Company is permitted to transfer the carrying amounts related to nuclear power units and costs related to nuclear power decommissioning to "special account related to nuclear power decommissioning" when the Company decides to decommission nuclear power units and applies to the Minister of METI for adopting the above special account, because they are expected to be collected through regulated electricity fees. The special account is amortized in proportion to the amounts of future regulated electricity fees collected, after approval of the Minister of METI.

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

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

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

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

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

l. Derivatives and Hedging Activities— Derivative financial instruments are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of 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 ($ 71,341thousand)) 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%.

The asset retirement costs are allocated to expense through depreciation based on the straight-line method over a period totaling the remaining useful life and expected safe storage period in accordance with the accounting regulations applicable to electric utility providers.

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.

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. 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.

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.

t. Research and Development Costs— Research and development costs are charged to income as incurred.

u. 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 have not decided the date of application and the impact of adoption has not been evaluated at this time.

3. PROPERTY

The breakdown of property at March 31, 2018 and 2017, was as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Costs:			
Electric power production facilities:			
Hydroelectric power	¥ 819,664	¥ 811,253	$ 7,713,040
Thermal power	1,534,601	1,545,885	14,440,585
Nuclear power	1,729,872	1,718,756	16,278,087
Internal-combustion engine power	130,382	130,128	1,226,900
Renewable power	115,622	113,147	1,088,006
Total	4,330,143	4,319,171	40,746,621
Transmission facilities	1,860,214	1,850,932	17,504,603
Transformation facilities	1,039,480	1,035,283	9,781,505
Distribution facilities	1,450,114	1,427,445	13,645,563
General facilities	400,008	400,019	3,764,075
Other electricity-related facilities	6,646	6,646	62,539
Other plant and equipment	1,101,218	1,032,927	10,362,463
Construction in progress	561,296	467,401	5,281,793
Total	10,749,121	10,539,827	101,149,165
Less-			
Contributions in aid of construction	209,621	204,943	1,972,532
Accumulated depreciation	7,310,011	7,199,973	68,787,157
Carrying amount	¥ 3,229,489	¥ 3,134,911	$ 30,389,475

4. INVESTMENT SECURITIES

The costs and aggregate fair values of investment securities at March 31, 2018 and 2017, were as follows:

	Millions of Yen			
March 31, 2018	Cost	Unrealized Gains	Unrealized Losses	Fair Value
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

	Millions of Yen			
March 31, 2017	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥3,242	¥3,557	¥75	¥6,723
Debt securities	280		20	260
Other securities	368	56	0	424
Held-to-maturity	355	1	12	345

March 31, 2018	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$ 30,731	$ 39,873	$ 111	$ 70,493
Debt securities	2,451		285	2,165
Other securities	3,480	808	40	4,248
Held-to-maturity	2,361	3	118	2,247

5. PLEDGED ASSETS

All of the Company's assets amounting to ¥4,230,935 million ($39,813,070 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 ¥53,415 million ($502,642 thousand), are pledged as collateral for a portion of their long-term debt at March 31, 2018.

Investments in affiliated companies held by consolidated subsidiaries, amounting to ¥8,995 million ($84,644 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, 2018.

6. LONG-TERM DEBT

Long-term debt at March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Yen bonds, 0.14% to 2.85%, due serially to 2038	¥ 1,144,296	¥ 1,144,293	$ 10,767,825
Yen-denominated zero coupon convertible bonds due 2020 and 2022	150,000	150,000	1,411,499
Loans from the Development Bank of Japan Inc.,0.37% to 3.15%, due serially to 2038	298,471	311,023	2,808,613
Loans, principally from banks and insurance companies, 0.126% to 5.016%, due serially to 2038			
Collateralized	55,972	56,127	526,701
Unsecured	1,477,701	1,533,934	13,905,165
Obligations under finance leases	13,413	13,348	126,218
Total	3,139,856	3,208,726	29,546,024
Less current portion	430,738	409,726	4,053,245
Long-term debt, less current portion	¥ 2,709,117	¥ 2,798,999	$ 25,492,779

The annual maturities of long-term debt outstanding at March 31, 2018, were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2019	¥ 430,738	$ 4,053,245
2020	442,364	4,162,646
2021	406,492	3,825,087
2022	352,042	3,312,721
2023	301,049	2,832,874
Thereafter	1,207,168	11,359,449
Total	¥ 3,139,856	$ 29,546,024

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, 2018, 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	¥1,428.2 ($13.43)	¥1,465.1 ($13.78)
Amount of zero coupon convertible bonds	¥75,000 million ($705,749 thousand)	¥75,000 million ($705,749 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.

The Company resolved at the general shareholder's meeting held on June 27, 2018, to pay a ¥10 cash dividend per share, and the accumulated cash dividend for the year ended March 31, 2018 is ¥20 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 ¥1,428.2 to ¥1,416.2, and the issue price of stock of Yen-denominated zero coupon convertible bonds due 2022 has been changed from ¥1,465.1 to ¥1,452.8, with an effective date on April 1, 2018.

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, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Balance at beginning of year	¥ 421,572	¥ 422,888	$3,966,992
Current service cost	13,657	13,344	128,518
Interest cost	3,401	3,467	32,005
Actuarial (gains) losses	(164)	5,038	(1,546)
Benefits paid	(22,693)	(23,166)	(213,547)
Prior service cost	(77)		(727)
Other	(0)	0	(1)
Balance at end of year	¥ 415,695	¥ 421,572	$3,911,693

(2) The changes in plan assets for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Balance at beginning of year	¥ 336,106	¥ 333,361	$ 3,162,763
Expected return on plan assets	7,034	8,255	66,194
Actuarial gains	6,149	5,424	57,862
Contributions from the employer	6,825	6,935	64,229
Benefits paid	(17,365)	(17,870)	(163,410)
Balance at end of year	¥ 338,750	¥ 336,106	$ 3,187,639

(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, 2018 and 2017, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Funded defined benefit obligation	¥409,190	¥415,260	$ 3,850,475
Plan assets	(338,750)	(336,106)	(3,187,639)
	70,439	79,153	662,835
Unfunded defined benefit obligation	6,505	6,311	61,218
Net liability for defined benefit obligation	¥ 76,945	¥ 85,465	$ 724,053

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Liability for retirement benefits	¥ 92,010	¥ 95,940	$865,816
Assets for retirement benefits	(15,065)	(10,475)	(141,762)
Net liability for defined benefit obligation	¥ 76,945	¥ 85,465	$ 724,053

(4) The components of net periodic benefit costs for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Current service cost	¥ 13,657	¥ 13,344	$ 128,518
Interest cost	3,401	3,467	32,005
Expected return on plan assets	(7,034)	(8,255)	(66,194)
Recognized actuarial losses	4,804	4,557	45,210
Amortization of prior service cost	(1,980)	(2,409)	(18,636)
Others	160	95	1,514
Net periodic benefit costs	¥ 13,009	¥ 10,800	$ 122,416

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Prior service cost	¥ (1,903)	¥ (2,409)	$ (17,909)
Actuarial gains	11,118	4,944	104,628
Total	¥ 9,215	¥ 2,535	$ 86,719

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Unrecognized prior service cost	¥ (1,108)	¥ 794	$ (10,428)
Unrecognized actuarial losses	(13,208)	(24,327)	(124,294)
Total	¥ (14,317)	¥ (23,532)	$(134,722)

(7) Plan assets as of March 31, 2018 and 2017
a. Components of plan assets
Plan assets consisted of the following:

	2018	2017
Debt investments	42%	44%
Equity investments	27	26
General account of life insurance companies	18	18
Others	13	12
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, 2018 and 2017, were set forth as follows:

	2018	2017
Discount rate	Mainly 1.0%	Mainly 1.0%
Expected rate of return on plan assets	Mainly 2.0%	Mainly 2.5%

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, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Balance at beginning of year	¥3,019	¥3,029	$ 28,416
Periodic benefit costs	443	500	4,176
Benefits paid	(246)	(186)	(2,318)
Contributions from the employer	(318)	(323)	(2,992)
Balance at end of year	¥2,899	¥3,019	$ 27,281

(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, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Funded defined benefit obligation	¥5,894	¥5,882	$ 55,464
Plan assets	(5,446)	(5,261)	(51,252)
	447	621	4,211
Unfunded defined benefit obligation	2,451	2,398	23,070
Net carrying amount of liabilities and assets	2,889	3,019	27,281
Liabilities for retirement benefits	3,595	3,585	33,829
Assets for retirement benefits	(695)	(565)	(6,547)
Net carrying amount of liabilities and assets	¥2,899	¥3,019	$ 27,281

(3) Periodic benefit costs

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Periodic benefit costs calculated under the simplified method	¥ 443	¥ 500	$4,176

Defined contribution plans

The required contribution to defined contribution plans by the Company and its certain consolidated subsidiaries for the years ended March 31, 2018 and 2017 was ¥2,200 million ($20,709 thousand) and ¥2,187 million, respectively.

8. LOSS ON DISASTER

Loss on disaster represents the amount of assets impaired and post-disaster recovery expenses attributable to the 2016 Kumamoto Earthquake. It consists of loss on assets impaired of ¥297 million, repair expenses of facilities of ¥7,165 million and other expenses related to the earthquake of ¥2,987 million.

9. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Balance at beginning of year	¥ 217,278	¥ 213,006	$2,044,591
Net change in the year	4,093	4,272	38,523
Balance at end of year	¥ 221,372	¥ 217,278	$2,083,115

10. SHORT-TERM BORROWINGS

Short-term borrowings were generally represented by bank loans, bearing interest at rates ranging from 0.15% to 0.46% and from 0.13% to 1.88% for the years ended March 31, 2018 and 2017, respectively.

11. INCOME TAXES

The Companies are subject to national and local income taxes. The aggregate normal statutory tax rates for the Company approximated 28.1% for the years ended March 31, 2018 and 2017.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Deferred Tax Assets:			
Tax loss carryforwards	¥174,745	¥185,668	$1,644,357
Depreciation	41,867	38,048	393,976
Liability for retirement benefits	36,251	37,407	341,123
Asset retirement obligations	19,696	19,508	185,346
Other	79,098	74,618	744,320
Less valuation allowance	(132,038)	(165,317)	(1,242,477)
Deferred tax assets	219,622	189,934	2,066,647
Deferred Tax Liabilities:			
Gain on contributions of securities to retirement benefit trust	5,375	5,375	50,580
Assets for retirement benefits	4,418	3,109	41,578
Accrued income of foreign subsidiary	3,246	1,697	30,553
Amortization in foreign subsidiary	2,493	2,270	23,465
Unrealized gain on available-for-sale securities	1,628	1,323	15,320
Capitalized assets retirement costs	1,485	1,457	13,982
Other	6,857	6,054	64,530
Deferred tax liabilities	25,506	21,288	240,011
Net deferred tax assets	¥194,116	¥168,645	$1,826,636

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, 2018 and 2017, was as follows:

	2018	2017
Normal effective statutory tax rate	28.1%	28.1%
Valuation allowance	(45.4)	(21.8)
Equity in earnings of nonconsolidated subsidiaries and affiliated companies	(2.8)	(2.4)
Other - net	0.4	(1.2)
Actual effective tax rate	(19.7)%	2.7%

At March 31, 2018, the Company and certain subsidiaries have tax loss carryforwards aggregating ¥624,889 million ($5,880,205 thousand), most of which are available to be offset against taxable income of the Company and these subsidiaries and will expire in 9 years. At March 31, 2018, the tax loss carryforwards for the Company amounting to ¥87,830 million ($826,481 thousand), ¥114,354 million ($1,076,074 thousand), ¥310,653 million ($2,923,243 thousand), and ¥82,933 million ($780,401 thousand) will expire in the years ending March 31, 2024, 2023, 2022, and 2021, respectively.

12. 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 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.

13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥5,651 million ($53,183 thousand) and ¥5,817 million for the years ended March 31, 2018 and 2017, respectively.

14. RELATED PARTY DISCLOSURES

Significant transactions of the Company with an affiliated company for the years ended March 31, 2018 and 2017 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
KYUDENKO CORPORATION			
Transactions:			
Purchase of construction works on distribution facilities and other	¥38,751	¥36,526	$364,647
Balances at year end:			
Payables for construction works	5,016	4,531	47,204

15. 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, 2018 and 2017 were as follows:

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, 2017	Millions of Yen Carrying Amount	Fair Value	Unrecognized Gain (Loss)
Investment securities:			
Held-to-maturity debt securities	¥ 355	¥ 345	¥ (10)
Available-for-sale securities	7,408	7,408	
Investments in and advances to nonconsolidated subsidiaries and affiliated companies	24,288	48,864	24,576
Cash and cash equivalents	419,831	419,831	
Receivables	226,601	226,601	
Total	¥ 678,485	¥ 703,051	¥ 24,566
Long-term debt:			
Bonds	¥ 1,294,293	¥ 1,330,404	¥ 36,111
Loans	1,901,085	1,961,217	60,132
Short-term borrowings	118,572	118,572	
Notes and accounts payable	122,903	122,903	
Accrued income taxes	2,634	2,634	
Total	¥ 3,439,488	¥ 3,535,732	¥ 96,243
Derivatives	¥ (2,023)	¥ (2,023)	

	Thousands of U.S. Dollars		
March 31, 2018	Carrying Amount	Fair Value	Unrecognized Gain (Loss)
Investment securities:			
Held-to-maturity debt securities	$ 2,361	$ 2,247	$ (114)
Available-for-sale securities	76,908	76,908	
Investments in and advances to nonconsolidated subsidiaries and affiliated companies	267,249	792,373	525,123
Cash and cash equivalents	3,442,885	3,442,885	
Receivables	2,129,806	2,129,806	
Total	$ 5,919,207	$ 6,444,216	$ 525,008
Long-term debt:			
Bonds	$ 12,179,324	$ 12,456,875	$ 277,550
Loans	17,240,480	17,736,562	496,081
Short-term borrowings	1,104,467	1,104,467	
Notes and accounts payable	1,475,786	1,475,786	
Accrued income taxes	110,941	110,941	
Total	$ 32,111,001	$ 32,884,633	$ 773,631
Derivatives	$ (19,809)	$ (19,809)	

The securities whose fair value cannot be reliably determined are excluded from investment securities and investments in and advances to nonconsolidated subsidiaries and affiliated companies (see (b) below).

Advances are excluded from investments in and advances to nonconsolidated subsidiaries and affiliated companies because they are immaterial.

Long-term debt contains its current portion, and obligations under finance leases are excluded because they are immaterial.

Derivatives are stated at the net amount.

(a) Methods used to calculate fair values of financial instruments

Investment securities and investments in and advances to nonconsolidated subsidiaries and affiliated companies

The fair values of investment securities and investments in and advances to nonconsolidated subsidiaries and affiliated companies are measured at the quoted market price of the exchanges for the equity securities some of the debt securities are measured, principally at the quoted price obtained from financial institutions for other securities. Fair value information for investment securities by classification is included in Note 4.

Cash and cash equivalent, and receivables

The carrying amounts of cash and cash equivalents, and receivables approximate fair values because of their short maturities.

Bonds

The fair values of bonds are based on market price.

Long-term loans

The fair values of long-term loans at fixed interest rates are determined by discounting the cash flows related to the loans at the Company's assumed corporate borrowing rate. Because loans at variable interest rates reflect short-term movements in market interest rates and there has been no substantial change in the Company's credit position since the loans were implemented, the carrying amounts approximate fair values. A part of loans is subjected to interest rate swaps, which qualify for hedge accounting and meet specific matching criteria (see Note 16), 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 16.

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

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Investment securities:			
Available-for-sale:			
Equity securities	¥ 63,885	¥ 63,906	$ 601,159
Other securities	2,843	2,827	26,756
Investments in and advances to nonconsolidated subsidiaries and affiliated companies:			
Equity securities	74,006	73,361	696,397
Other securities	10,780	11,590	101,446
Total	¥151,515	¥151,686	$1,425,760

Maturity analysis for financial assets and securities with contractual maturities

	Millions of Yen			
March 31, 2018	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Investment securities:				
Held-to-maturity debt securities	¥ 100	¥ 5	¥10	¥136
Available-for-sale securities with contractual maturities	22	20		230
Cash and cash equivalents	365,875			
Receivables	226,334			
Total	¥ 592,331	¥25	¥10	¥366

	Thousands of U.S. Dollars			
March 31, 2018	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Investment securities:				
Held-to-maturity debt securities	$ 940	$ 47	$ 94	$ 1,279
Available-for-sale securities with contractual maturities	210	194		2,165
Cash and cash equivalents	3,442,885			
Receivables	2,129,806			
Total	$5,573,839	$ 241	$ 94	$ 3,445

Please see Note 6 for annual maturities of long-term debt.

16. 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.

A consolidated subsidiary of the Company enters into interest rate swaps to manage exposure 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 the specific sections, and the administrative section monitors them based on internal policies.

Derivative transactions to which hedge accounting is applied

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

	Millions of Yen			
March 31, 2017	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Interest rate swaps:				
Principle treatment (Note a)				
Pay fixed / Receive floating	Long-term loans	¥25,483	¥25,483	¥(2,023)
Special treatment (Note b)				
Pay fixed / Receive floating	Long-term loans	2,680	2,540	
Total				¥(2,023)

	Thousands of U.S. Dollars			
March 31, 2018	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Interest rate swaps:				
Principle treatment (Note a)				
Pay fixed /Receive floating	Long-term loans	$299,276	$265,754	$(19,809)
Special treatment (Note b)				
Pay fixed / Receive floating	Long-term loans	23,901	21,860	
Total				$(19,809)

Notes:
a) The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.
b) 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 15.
c) 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.

17. COMMITMENTS AND CONTINGENCIES

At March 31, 2018, 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, 2018 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Co-guarantees of loans, mainly in connection with procurement of fuel	¥91,965	$865,390
Guarantees of employees' loans	58,944	554,664
Other	10,896	102,533

18. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Other comprehensive income:			
Unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ 676	¥ 810	$ 6,362
Reclassification adjustments to profit or loss	7	304	67
Amount before income tax effect	683	1,115	6,429
Income tax effect	(220)	(529)	(2,074)
Total	¥ 462	¥ 585	$ 4,355
Deferred loss on derivatives under hedge accounting:			
Losses arising during the year	¥ (617)	¥ (687)	$ (5,812)
Reclassification adjustments to profit or loss	535	507	5,038
Amount before income tax effect	(82)	(180)	(773)
Income tax effect	(96)	21	(907)
Total	¥ (178)	¥ (158)	$ (1,681)
Foreign currency translation adjustments:			
Gains (losses) arising during the year	¥ 2,570	¥ (832)	$ 24,190
Amount before income tax effect	2,570	(832)	24,190
Income tax effect	(1,122)	101	(10,559)
Total	¥ 1,448	¥ (731)	$ 13,630
Defined retirement benefit plans:			
Gains arising during the year	¥ 6,385	¥ 386	$ 60,083
Reclassification adjustments to profit or loss	2,830	2,148	26,636
Amount before income tax effect	9,215	2,535	86,719
Income tax effect	(2,617)	(727)	(24,627)
Total	¥ 6,598	¥ 1,807	$ 62,092
Share of other comprehensive income in nonconsolidated subsidiaries and affiliated companies:			
Gains (losses) arising during the year	¥ 265	¥ (301)	$ 2,494
Reclassification adjustments to profit or loss	(33)	225	(313)
Total	¥ 231	¥ (75)	$ 2,181
Total other comprehensive income	¥ 8,562	¥ 1,427	$ 80,577

19. 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."

(3) Information about sales, profit, assets and other items at March 31, 2018 and 2017, was as follows:

	Millions of Yen						
	2018						
	Reportable segment						
	Electric Power	Energy-related Business	IT and Telecommu-nications	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

	Millions of Yen						
	2017						
	Reportable segment						
	Electric Power	Energy-related Business	IT and Telecommu-nications	Other	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	¥ 1,681,066	¥ 64,559	¥ 70,181	¥ 11,716	¥ 1,827,524		¥ 1,827,524
Intersegment sales or transfers	4,016	120,660	31,259	13,200	169,136	¥ (169,136)	
Total	¥ 1,685,082	¥185,220	¥101,440	¥ 24,917	¥ 1,996,661	¥ (169,136)	¥ 1,827,524
Segment profit	¥ 98,365	¥ 10,088	¥ 8,499	¥ 4,528	¥ 121,481	¥ 1,159	¥ 122,640
Segment assets	3,972,388	453,092	183,795	142,460	4,751,737	(164,196)	4,587,541
Other:							
Depreciation	184,993	8,405	20,848	4,112	218,359	(3,017)	215,342
Increase in property and nuclear fuel	271,967	18,039	23,312	1,147	314,466	(4,369)	310,096

	Thousands of U.S. Dollars						
	2018						
	Electric Power	Energy-related Business	IT and Telecommunications	Other	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	$16,979,569	$ 688,198	$ 663,522	$ 115,681	$18,446,972		$18,446,972
Intersegment sales or transfers	36,626	1,113,539	340,406	125,042	1,615,615	$(1,615,615)	
Total	$17,016,196	$1,801,737	$1,003,929	$ 240,723	$20,062,587	$(1,615,615)	$18,446,972
Segment profit	$ 766,185	$ 110,403	$ 68,897	$ 45,399	$ 990,885	$ (20,491)	$ 970,394
Segment assets	37,999,610	4,591,671	1,745,697	1,406,768	45,743,748	(1,421,187)	44,322,560
Other:							
Depreciation	1,695,484	75,703	201,454	35,719	2,008,361	(27,974)	1,980,387
Increase in property and nuclear fuel	2,996,975	189,089	214,901	22,748	3,423,715	(45,968)	3,377,746

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.

20. SUBSEQUENT EVENT

At the general shareholders meeting held on June 27, 2018, the Company's shareholders approved the following appropriation of retained earnings as of March 31, 2018:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥10.00 ($0.09) per common share	¥4,739	$44,599
Year-end cash dividends, ¥1,750,000.00 ($16,467.48) per Class A preferred share	¥1,750	$16,467

21. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the year ended March 31, 2018 and 2017, was as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2018	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
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	$1.65
Effect of dilutive securities:				
Convertible bonds		103,705		
Diluted EPS-Net income for computation	¥83,157	577,367	¥144.03	$1.35

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2017	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Net income attributable to owners of the parent	¥79,270			
Amount not attributable to common shareholder:				
Preferred dividend	(3,500)			
Basic EPS-Net income available to common shareholders	¥75,770	473,662	¥159.97	
Effect of dilutive securities:				
Convertible bonds		566		
Diluted EPS-Net income for computation	¥75,770	474,228	¥159.78	

22. ADDITIONAL INFORMATION

The revision of the accounting regulations applicable to electric utility providers

The METI revises the accounting regulations which became effective on April 1, 2018. They change the period over which asset retirement costs of nuclear power units are to be allocated to expense.

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.

However, in case the Company decides to decommission nuclear power units due to factors such as a change of the government's energy policy, the asset retirement costs are allocated to expense over 10 years from the month that includes the date of decommissioning of the nuclear power unit that is defined by the "Law on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors".

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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, 2018, 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, 2018, 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.

Deloitte Touche Tohmatsu LLC

June 27, 2018

Member of
Deloitte Touche Tohmatsu Limited