

Electricity Rate Reduction (Specific Retail Plans etc.)

February 2019

Kyushu Electric Power Co., Inc.

- Since the suspension of our Nuclear Power Plants in December 2011, four units have resumed operation.
Sendai Unit 1 and 2 restarted in September and November of 2015, whereas Genkai Unit 3 and 4 restarted in May and July of 2018.
The operation of the nuclear power units would not have been possible without the understanding and cooperation of the residents and local communities. We would like to express our sincerest gratitude again for their support.
- Following the resumption of commercial operation of the four units and overall improvement in management efficiency, we decided to reduce the electricity rate for retail customers from April 1st, 2019. Also we decided to reduce the electricity rate for corporate customers.
- We will strive to realize Kyuden group's mission "Make a Brighter Future for Generations to Come" by making further efforts to provide attractive rate plan and to continuously improve our customer service in order that customers will continue to choose us as their energy provider.

- o Based on the cost calculation period of three years for FY2019 to FY2021, the average rate reduction for specific retail customers decreases by 1.09 % for the following regulated plans: “Flat- Rate Lighting”, “Residential Lighting (A, B, C)”, “Low-Voltage Power” etc.

[Key Factors]

Cost Calculation Period	3 years (FY2019~FY2021)
Electricity Sales Volume (incl. Specific Retail Demand)	70.6 billion kWh (13.6 billion kWh)
Generated Electricity Volume by Nuclear Power	29.6 billion kWh (previous:25.2 billion kWh)

[Reduction Rate Ratio of Specific Retail Plans]

New Average Unit of rates	Previous Average Unit of rates	Reduction Rate Ratio
24.05 yen/kWh	24.32 yen/kWh	-1.09%

Note: Concerning retail as a whole (including unregulated rates), the rate on average decreases by about 1.3%.

- o Along with this price reduction, we revised “Benchmark Average Fuel Price” and “Benchmark Unit Price” for fuel cost adjustment due to changes in power generation composition and fuel prices.

o Benchmark Average Fuel Price

	Previous	New
Benchmark Average Fuel Price	33,500 yen/kl	27,400 yen/kl

Note: Benchmark Average Fuel Price is the weighted average of the fuel prices of crude oil, LNG, and coal, which is the premise of the rate setting, and is the benchmark of price fluctuation in fuel cost adjustment.

o Benchmark Unit Price (incl. tax)

	Previous	New
Low-voltage Users	0.176 yen/kWh	0.134 yen/kWh
High-voltage Users	0.166 yen/kWh	0.127 yen/kWh
Extra high-voltage Users	0.163 yen/kWh	0.125 yen/kWh

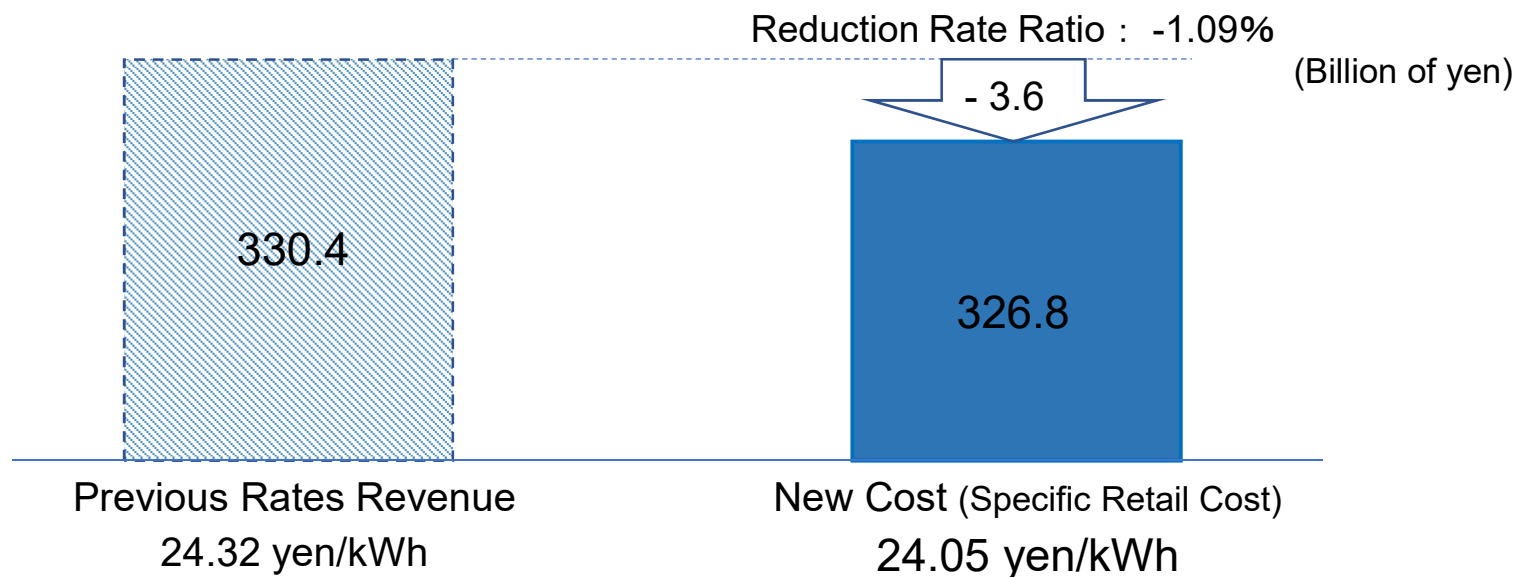
Note: Benchmark Unit Price is the adjustment unit price per kWh when the average fuel price fluctuates by 1,000 yen/kl.

Note: The new unit price is lower than the previous unit price, and the new one is less susceptible to the influence of fuel price fluctuations compared to the previous one.

- o Cost of Specific Retail Plans* came to ¥326.8 billion, decreased by ¥3.6 billion (decreased by 1.09%) compared to the revenue from current rates, based on Ordinance of Ministry of Economy, Trade and Industry for “the rules of rate calculation concerning the general provisions for specific retail plans of a deemed electricity retailer”.

* Regulated plans for “Flat-Rate Lighting”, “Residential Lighting (A, B, C)”, “Low-Voltage Power” etc.

- o Comparison of new cost(specific retail cost) and previous rates revenue

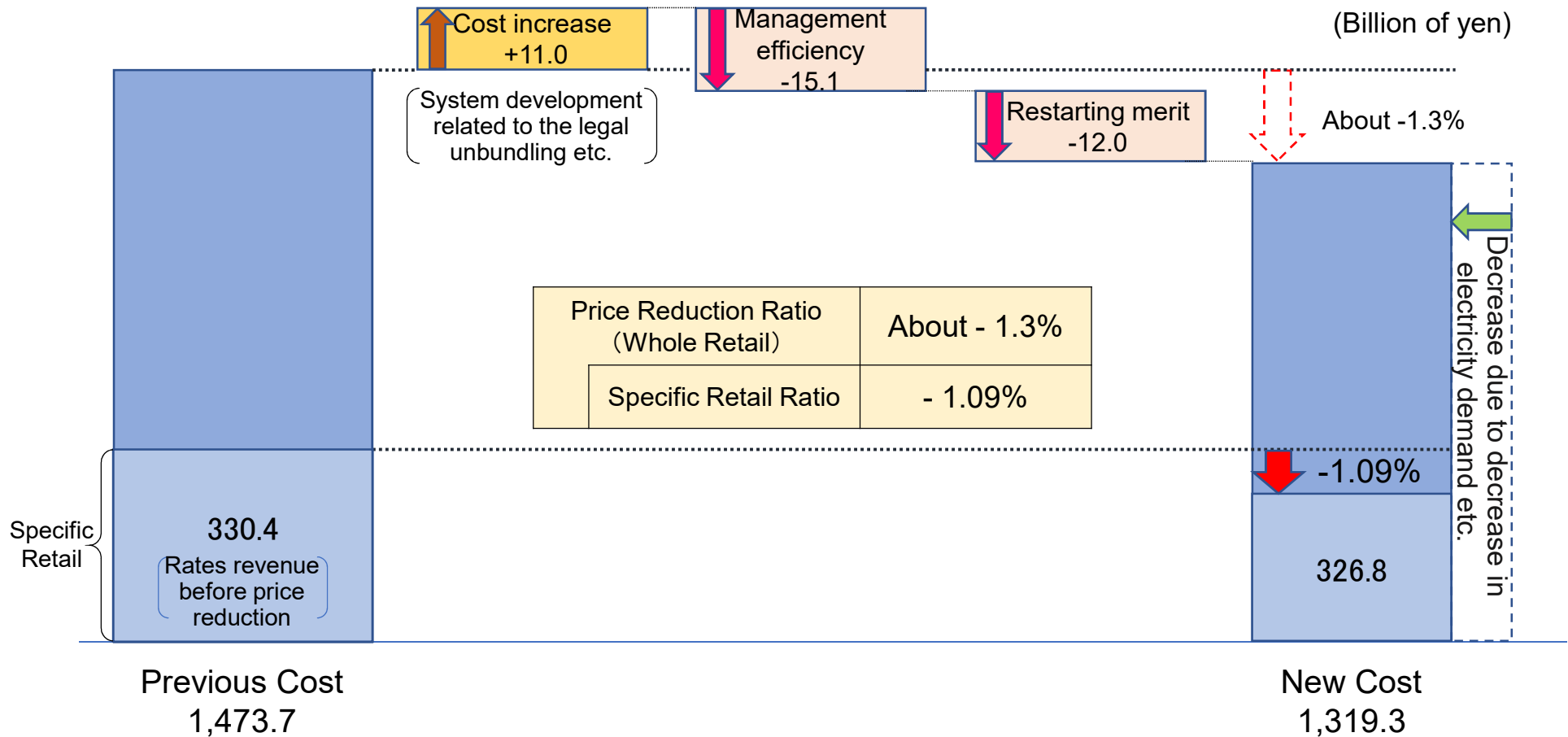


[Unchanged wheeling service rate]

- o For this price reduction, we considered reviewing the current wheel service rate by reflecting the management efficiency to the utmost. In addition to a decline in electricity demand, an increase in expenses related to legal unbundling, etc. is expected. Thus the rate level is expected to increase, but on the premise that we will continue to work on thorough efficiency, we decided to keep the current rate unchanged.

- o Although legal unbundling will be accompanied with a rise in costs, the specific retail reduction of 1.09 % is due to reflecting in the further management efficiency(¥ -15.1 billion) and the restarting merit of nuclear power station (¥ -12.0 billion)*.

* expenses required for maintaining nuclear power safety - thermal power fuel reduction effect



Note: As the cost includes the amount equivalent to the wheel service rate from customers who receive retail supply from other companies, the return amount and the electricity price reduction ratio do not match.

- o As for the total cost (¥1,319.3billion), it decrease by ¥154.5 billion compared to the previous cost due to a decrease in fuel cost associated with a decrease in electricity demand.
- o As for the key factors, we expect that electricity sales volume come to 70.6 billion kWh, decrease by 14.6 billion kWh compared to previous, and generated electricity volume by nuclear power come to 29.6 billion kWh, increase by 4.4 billion kWh compared to previous.

○ Breakdown of Cost

(Billion of yen)

		Previous	New	Difference
Operating expense	Labor	108.4	109.5	1.1
	Fuel / Power Purchase	608.0	461.0	-147.0
	Maintenance	191.1	179.3	-11.8
	Depreciation	176.2	215.6	39.4
	Tax and Public Dues	100.6	100.9	0.3
	Other Expenditure	228.7	291.4	62.7
	Business Reward	88.0	88.5	0.5
Deducted Revenue	-27.4	-127.0	-99.6	
Total Cost		1,473.7	1,319.3	-154.5

○ Key Factors

		Previous	New	Difference
Cost Calculation Period	—	2013~2015	2019~2021	—
Electricity Sales Volume (incl. Regulated Field)	billion kWh	85.3 (35.0)*	70.6 (13.6)	-14.6 (-21.4)
Generated Electricity Volume by Nuclear	billion kWh	25.2	29.6	4.4
Crude Price	\$/b	105.9	77.4	-28.5
Exchange Rate	¥/\$	79	113	34
Business Reward Ratio	%	2.9	2.6	-0.3

*As the last time was before the electricity retail market liberalization, the scope of the regulated field is different.

○ Generated and received electricity volume (Billion of kWh)

	Previous	New	Difference
Hydro	3.8	2.8	-1.0
Thermal	45.8	30.2	-15.6
Nuclear	25.2	29.6	4.4
New Energy etc.	1.4	1.4	0
From other companies & Interchange	16.7	13.0	-3.7
Total	93.0	77.1	-15.9

- o We had reflected the management efficiency of 143.7 billion yen in 2013's electricity rate increase, and we continued to make strict cost reduction efforts.
- o For this rate reduction, we reflect further efficiency improvements of 15.1 billion yen as future efforts.

(Billion of yen)

