

Kyuden Group Annual Report 2018

Make a brighter future for generations to come



Beppu City, Oita Prefecture

| Kyuden Group's Mission

Make a brighter future for generations to come

Our brand message,
“Make a brighter future for generations to come,”
expresses our desire amid changing times to remain unchanged in
delivering a stable supply of electricity and other forms of energy, and
contribute towards a comfortable and environment-friendly lifestyle today and
for generations to come.

The phrase “comfortable and environment-friendly lifestyle”
contains the cyclical concept of “enjoying a pleasant life being connected to
bettering the global environment, which, in turn, enriches human hearts and
provides us with comfort,” sustainable society that we want to contribute to.

Kyuden Group's Mission is to contribute toward
the realization of a comfortable and
environment-friendly lifestyle today and for generations to come.



Steady and reliable, environment-friendly energy.

In order for our customers to lead harmonious lives we will provide steady and reliable, environment-friendly energy, while anticipating global trends and making full use of our advanced technology and abundant experience with energy and the environment.



At one with Kyushu, Asia, and the world.

In company with the people of Kyushu, we will work together to take action while thinking of our children's future and of the prosperity of the region. And from there, we will look to Asia and the world.



Services that truly satisfy.

Customer trust is our top priority. We will listen to the various voices of our customers in order to respond to their needs with services that truly satisfy.



Discovering solutions, and putting them into practice.

We will discover and implement solutions that lead to a better tomorrow through open, active discussions, believing in people's potential and mutually respecting personalities.



Message from the Top



Michiaki Uriu

Member of the Board of Directors,
Chairperson

M. Uriu

Kazuhiro Ikebe

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

K. Ikebe

To our shareholders and investors,

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

In FY2017, the Kyuden Group's efforts to reduce costs, as well as the stable operation of the Sendai Nuclear Power Station, enabled us to record our third consecutive term of profitable operation.

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

We have also positioned independent and ongoing enhancement of nuclear power generation safety as a top management priority, and the Group is working in unison to that end.

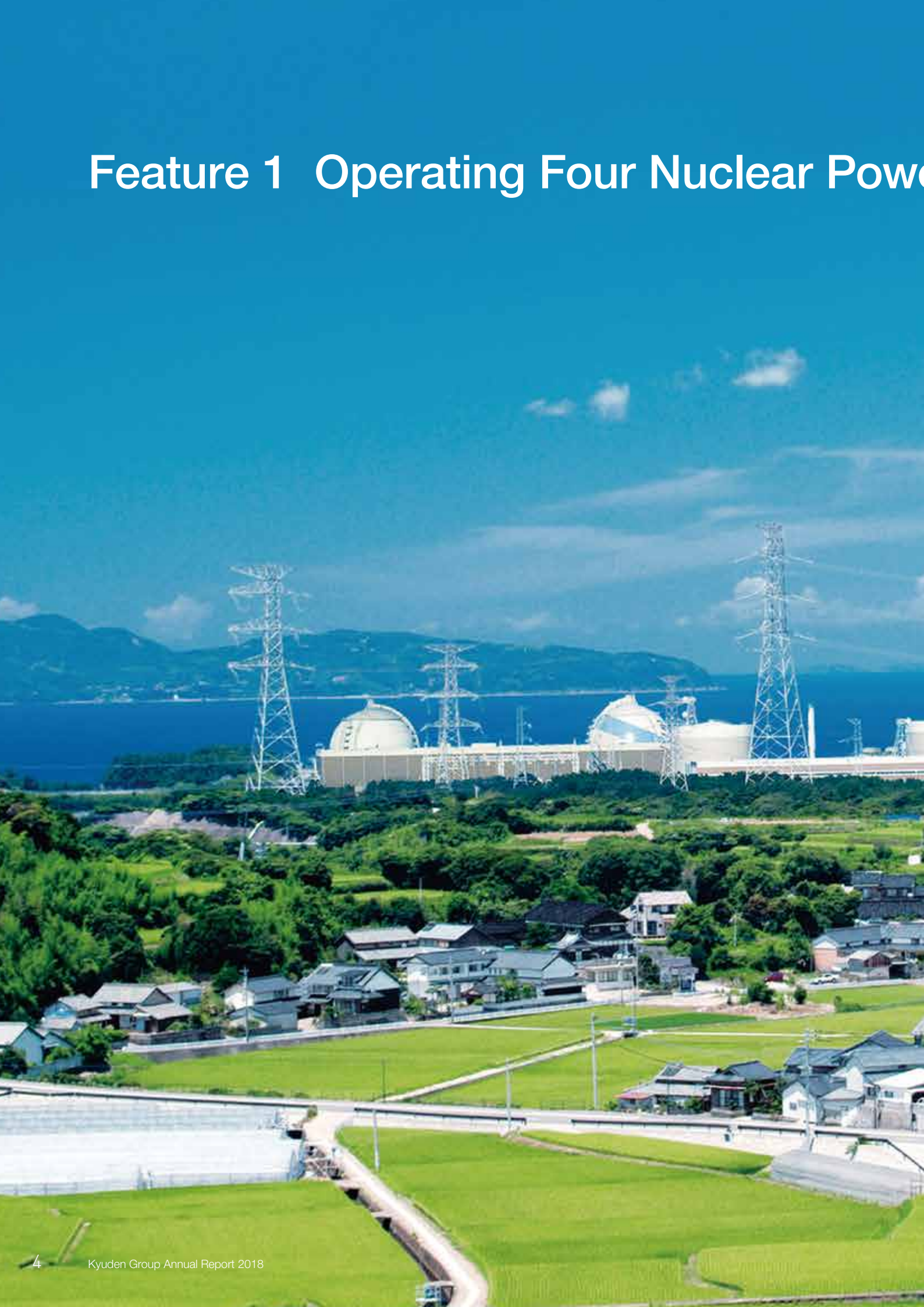
In FY2018, we will continue these efforts while promoting innovation across the entire Group; further accelerating our activities relating to future business, which will generate new businesses and services; and securing new revenue sources.

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

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

July 2018

Feature 1 Operating Four Nuclear Power



er Stations **P28**



Genkai Nuclear Power Station, Saga Prefecture

Feature 2 KYUDEN i-PROJECT A



A Push for Innovation

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Feature 3 Transition to an Audit and Sup



Supervisory Committee

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Editorial Policy

About Kyuden Group Annual Report 2018

Since 2016, the Kyuden Group Annual Report has been published with the objective of enabling shareholders and investors to gain an understanding of how Kyushu Electric Power will create corporate value on financial and non-financial information.

The International Integrated Reporting Framework released by the International Integrated Reporting Council has been used as a reference in editing this report.

Readers' opinions regarding this report will be used as a reference to create easily understandable reports in the future.

About This Report

This report is a compilation of information regarding the Kyuden Group's business intended for shareholders and investors.

Issue Date

July 2018 [Previous report: July 2017
Next report: July 2019]

Scope of Reporting

Kyushu Electric Power Company, Incorporated and Group Companies

Reporting Period

Reporting on financial information essentially covers FY2017 (April 2017 to March 2018). However, the report also contains some data from FY2018 in the interests of providing timely information.

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Website Information

IR website

For shareholders and investors

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

Please refer to our website for more detailed information.



SDGs



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

Note Regarding Forward-looking Statements

Statements made in this report regarding the Kyuden Group's strategies and forecasts and other statements that are not historical facts are forward-looking statements based on management's assumptions and beliefs in light of information currently available, and should not be interpreted as promises or guarantees. Owing to various uncertainties, actual results

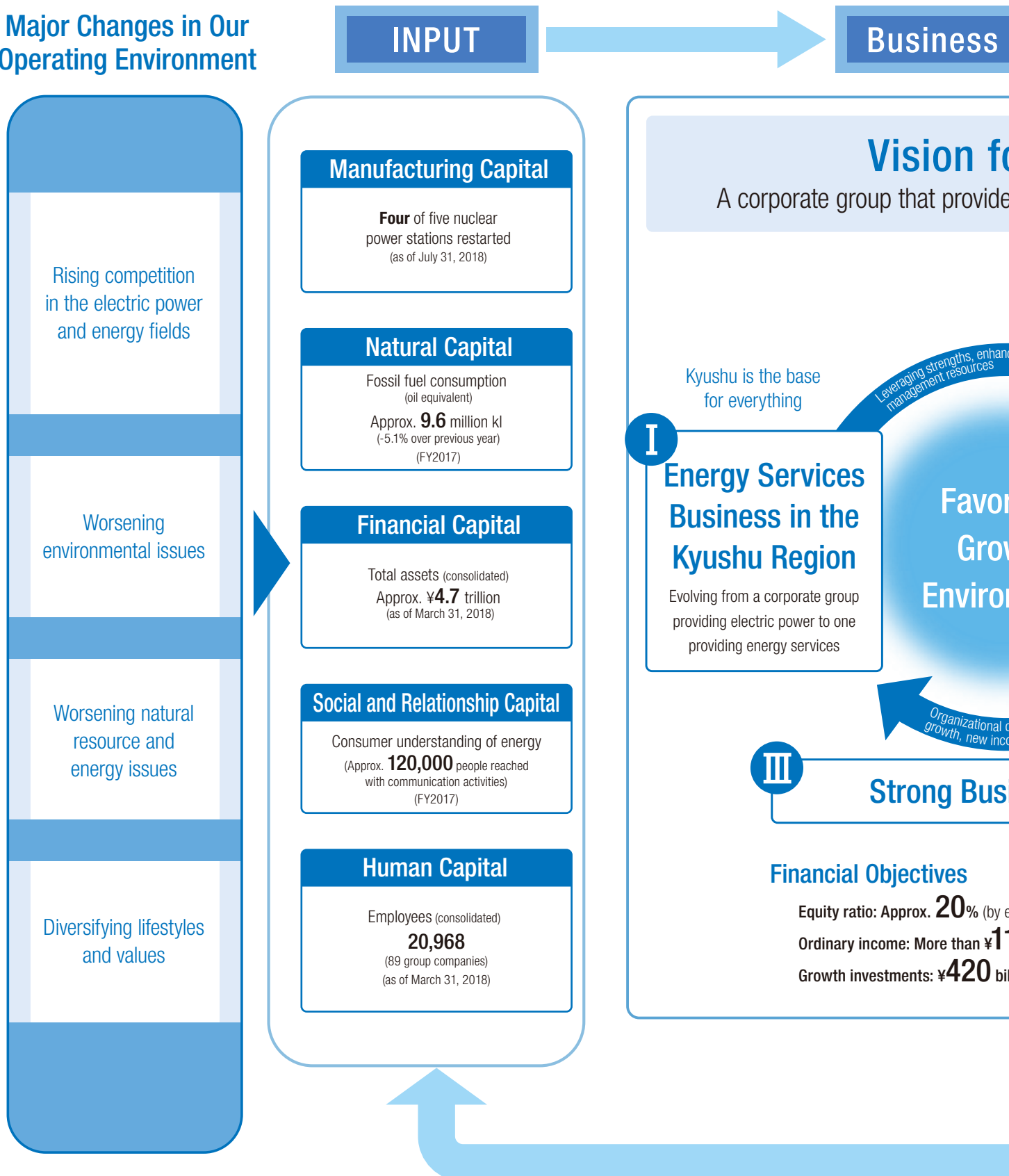
may differ materially from these statements. Shareholders and investors are hereby cautioned against making investment decisions solely on the basis of forward-looking statements contained herein.

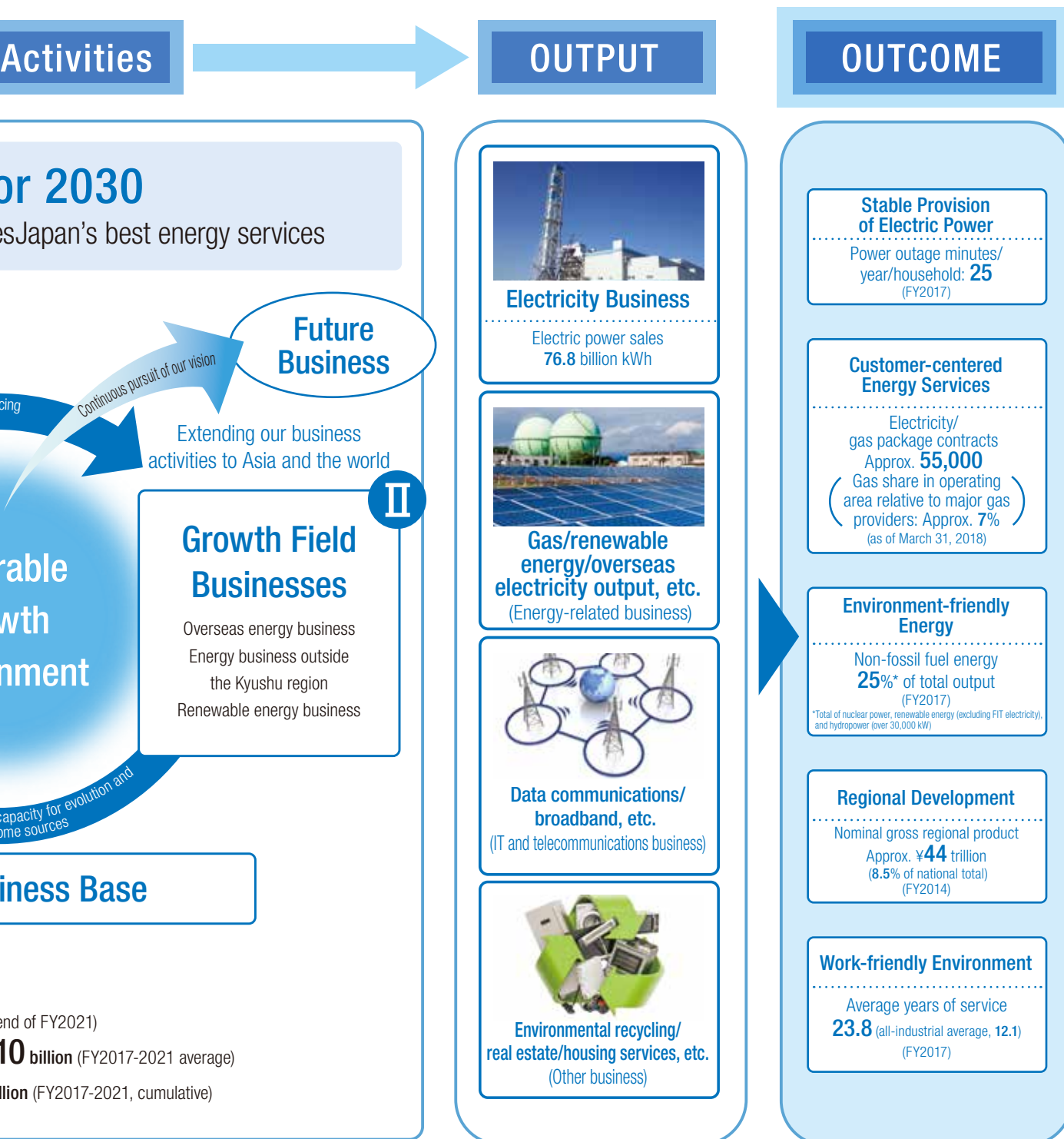
Value Creation Process

“Make a brighter future for generations to come.”

The Kyuden Group’s Mission is to contribute toward the realization of a comfortable and environment-friendly lifestyle today and for generations to come. Amid major changes in our operating environment, including major reforms of Japan’s electricity systems, the Kyuden Group will continue delivering stable supplies of electric power and other forms of energy. By helping customers realize comfortable, environment-friendly lifestyles, we are expanding and enhancing our corporate value.

Major Changes in Our Operating Environment

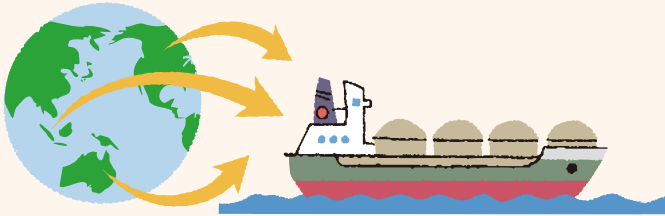




Value Creation Process

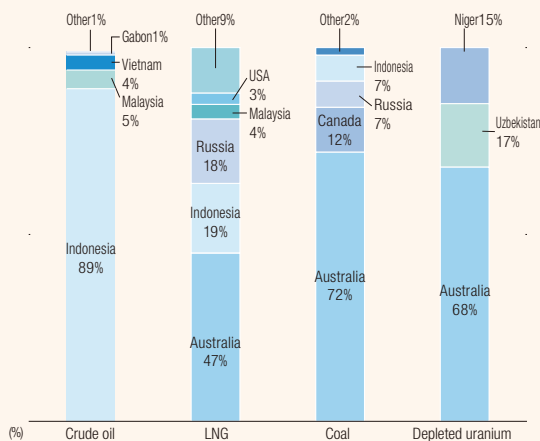
Supply Chain

Fuel procurement

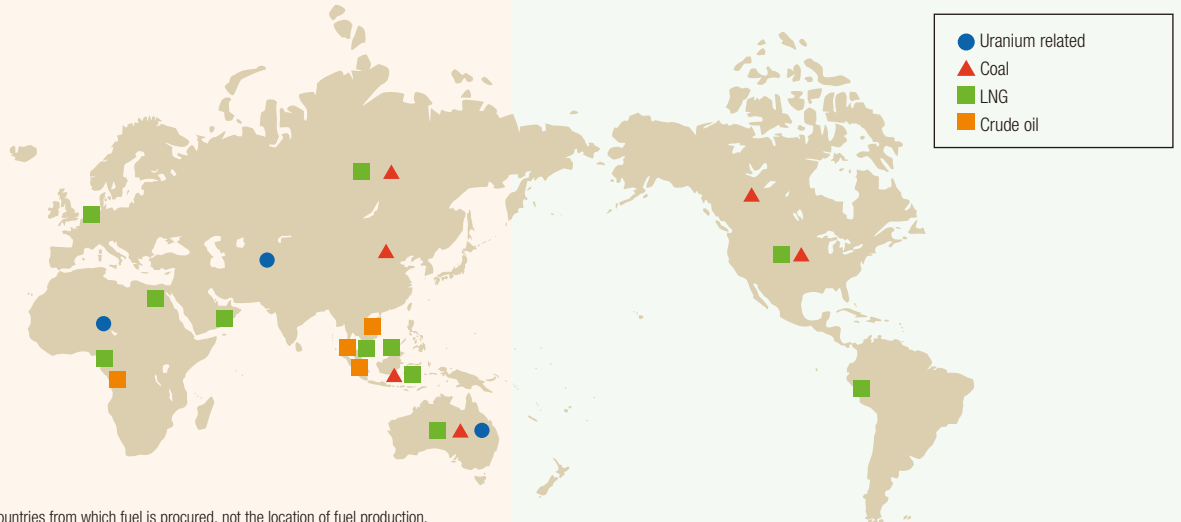


Kyushu Electric Power is strengthening its fuel procurement through such ways as diversification of fuel procurement, participation in resource development and production projects and introduction of fuel trading (adjustment of fuel volume and price management). We strive for cost reduction in fuel transportation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

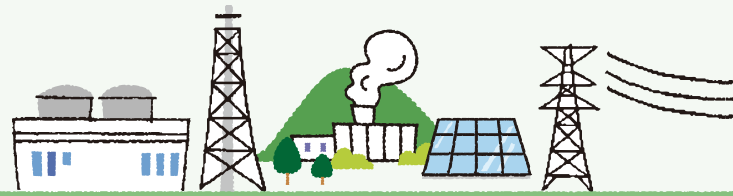
Fuel procurement status (FY2017)



Regional fuel procurement status (FY2017)

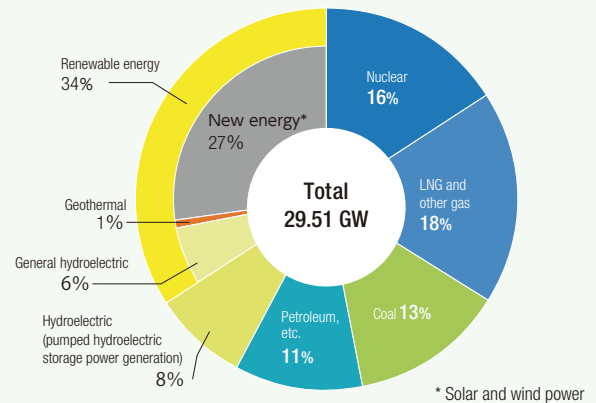


Power generation

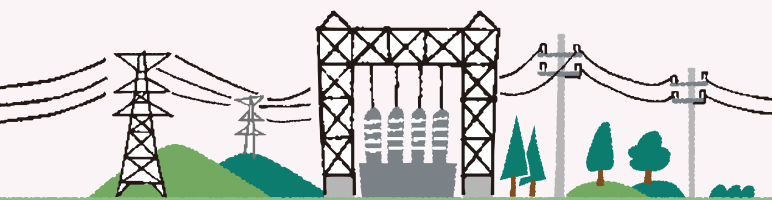


We generate power through a combination of a best balance from various types of power sources from the perspective of securing long-term, stable energy in such ways as taking countermeasures against global warming and economic power supply, promoting nuclear power on the assumption of safety and security,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

Composition of capacity for all facilities (GW) (Including power purchased from other companies) (as of March 31, 2018)



Power transmission and distribution

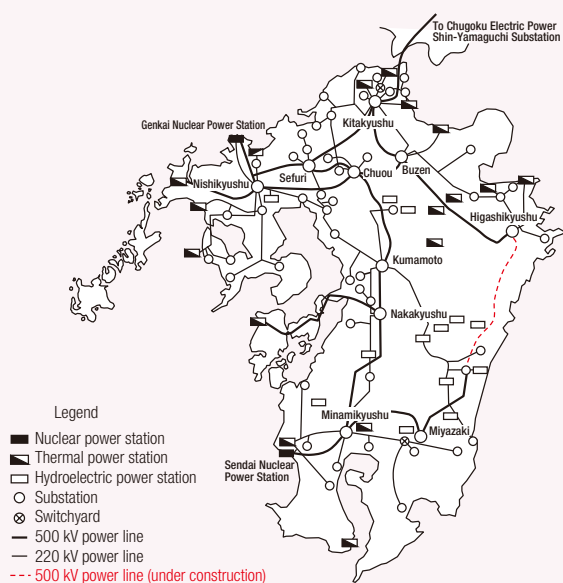


We deliver a stable supply of electricity, sending it along transmission lines from power stations to substations, and along distribution lines from substations to places such as homes and factories. To be able to deliver a low-cost, stable electricity supply to support Kyushu's industries and lifestyles,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

● Power transformation, transmission and distribution (as of March 31, 2018)

Transformation	Number of substations	596	
	Capacity	74,430,000 kVA	
Transmission	Length of transmission lines	10,773 km	
	Supporters	Steel towers	approx. 25,000
		Others (concrete poles, etc.)	approx. 40,000
Distribution	Length of distribution lines	141,730 km	
	Supporters	Concrete poles	approx. 2,411,000
		Others (steel towers, etc.)	approx. 42,000

● Power transformation, diagram (as of March 31, 2018)

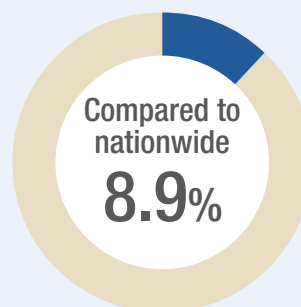


Energy services



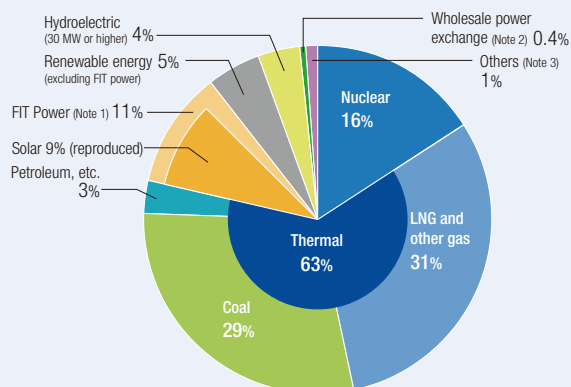
We provide various energy services that respond to the diverse needs of customers, including proposals for plans and services meeting the requirements of household customers and one-stop energy services for corporate customers.

● Sales as a ratio of the entire electricity business in FY2017



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

● Power sources (kWh) in FY2017



Note 1: Feed-in tariff (FIT) system for renewable energy
Kyushu Electric Power's electricity procurement costs are partially financed by a levy on all electricity users, including non-customers. As a result, these CO₂ emissions from electricity are regarded as the national average of CO₂ emissions from electricity, including that generated through sources such as thermal power.
*Subject to powers generated by solar, wind, hydroelectric (below 30 MW), geothermal, and biomass.

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

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

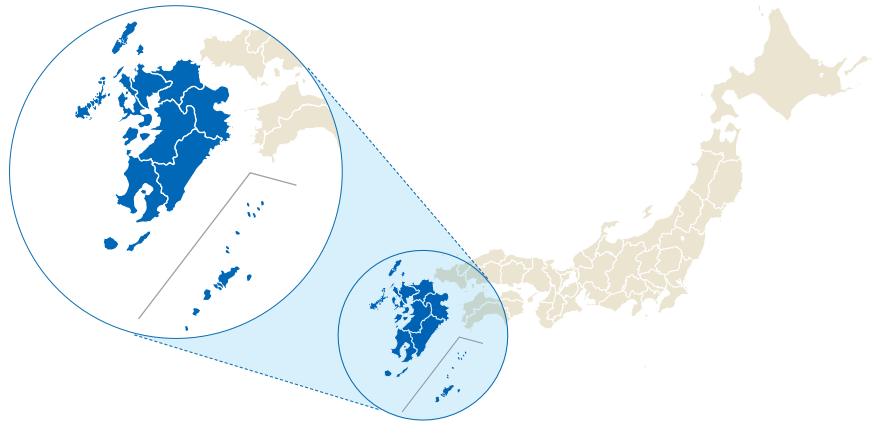
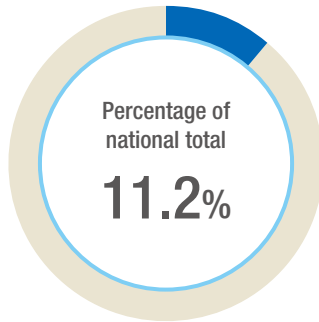
* Calculated and announced based on "Formulation of the Guidelines Concerning the Management of the Electricity Retail Business" by the Ministry of Economy, Trade and Industry

* Calculated on the basis of power generated by Kyushu Electric Power and volume of power purchased from other companies (excluding remote islands)

Snapshot of Kyushu

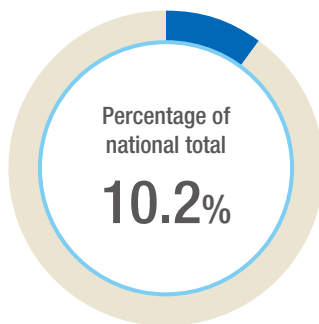
1. Area (As of October 1, 2017)

42,231 km²
(377,974 km²)



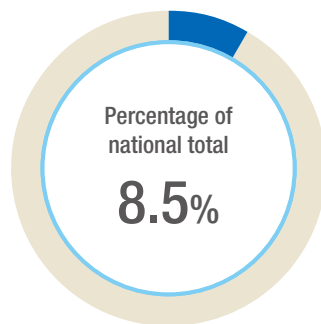
2. Population (As of October 1, 2017)

12,920,000
(126,710,000)



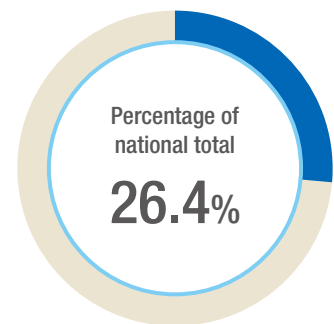
3. Nominal gross regional product (FY2014)

Approx. ¥44 trillion
(¥514 trillion)



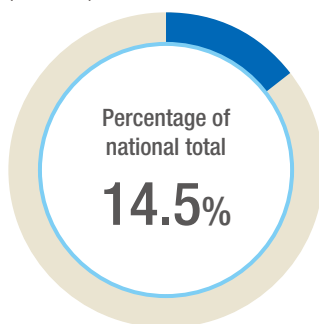
4. IC production value (FY2017)

¥727.1 billion
(¥2,753.2 billion)



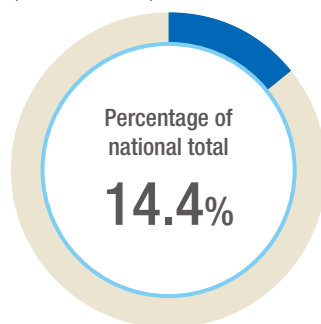
5. Automobile production (FY2017)

1,400,000
(9,680,000)



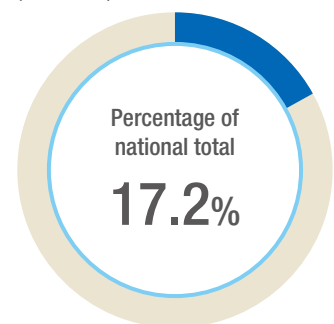
6. Crude steel production (FY2017)

15,130,000 tons
(104,840,000 tons)



7. Non-Japanese entrants (2017)

4,940,000
(28,690,000)



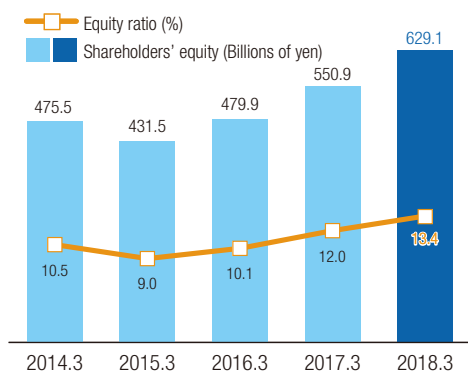
*National total figures are in parentheses

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

Financial and Non-Financial Highlights

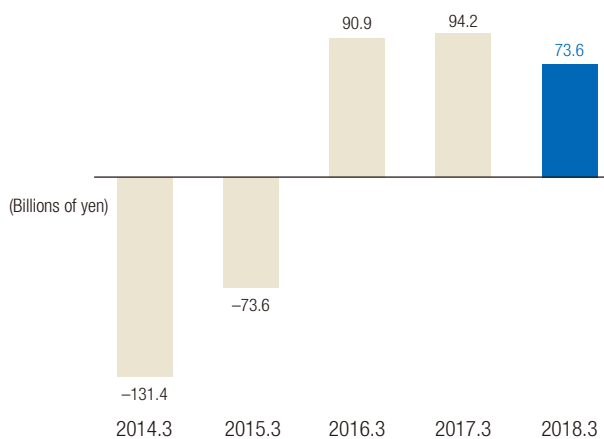
Equity ratio

13.4%



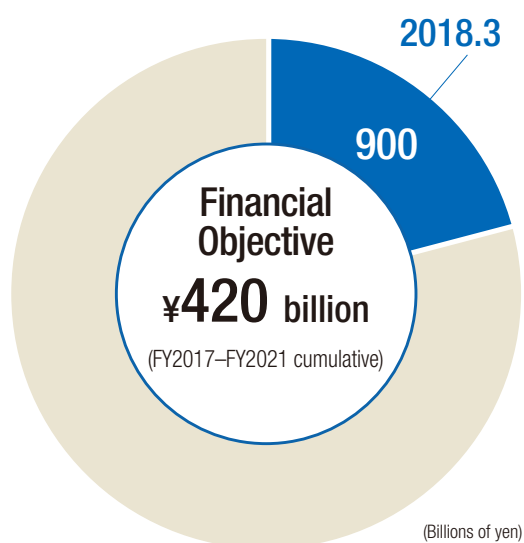
Ordinary income

¥73.6 billion



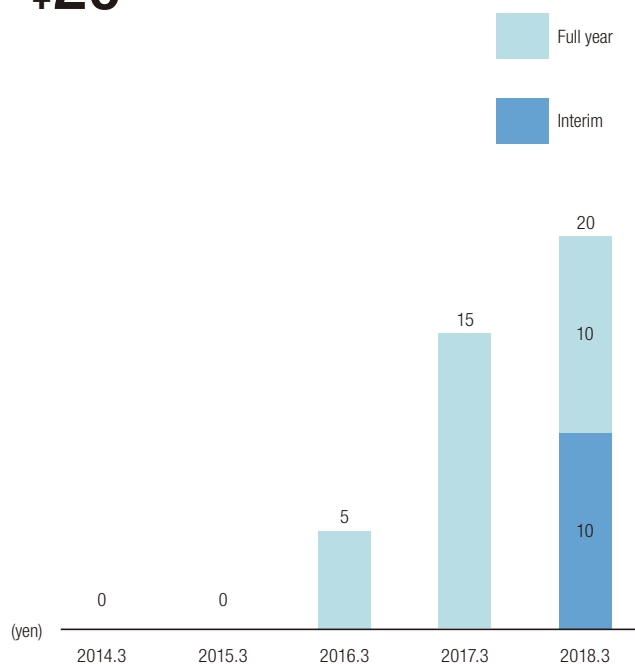
Growth investments

Approx. ¥90 billion



Dividends per share of common stock

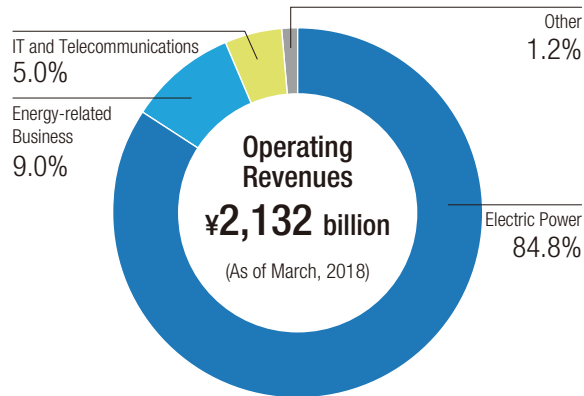
¥20



Ratio of electricity business in sales

(Includes intra-company transactions)

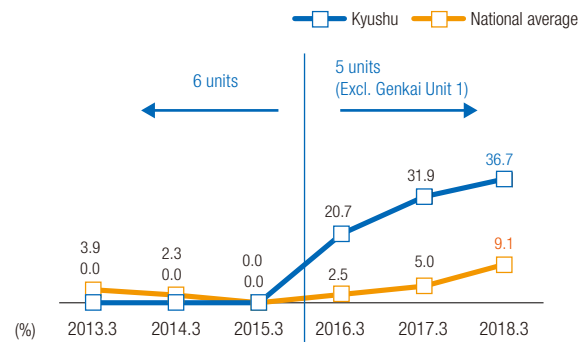
84.8%



The Kyuden Group consists of Kyushu Electric Power, 56 subsidiaries and 33 affiliated companies.

Nuclear power utilization rate

36.7%

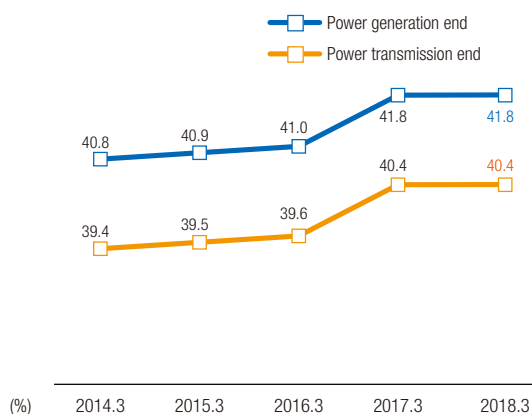


Following the increase in output at Sendai Nuclear Power Station Units 1 and 2, the utilization rate for FY2017 recovered to 36.7%.

We expect a dramatic increase in FY2018 due to the restart of Genkai Nuclear Power Station Units 3 and 4.

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

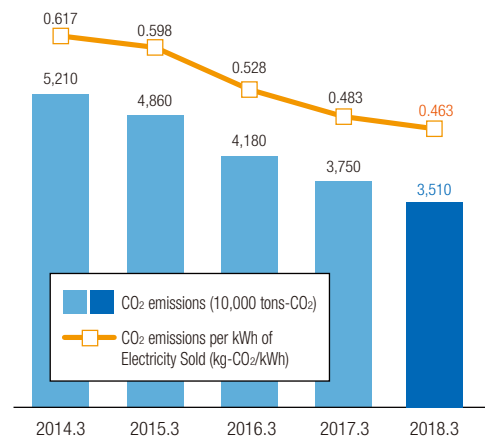
41.8%

 (Higher heating value)


In FY2017, we maintained a high level of thermal efficiency (41.8% at power generation end) due to the completion of gradual renewal work (began in 2009) for six highly efficient gas turbines at Shin-Oita Power Station Unit 1, and by keeping highly efficient thermal power plants operating at high levels.

CO₂ emissions per kWh of electricity sold

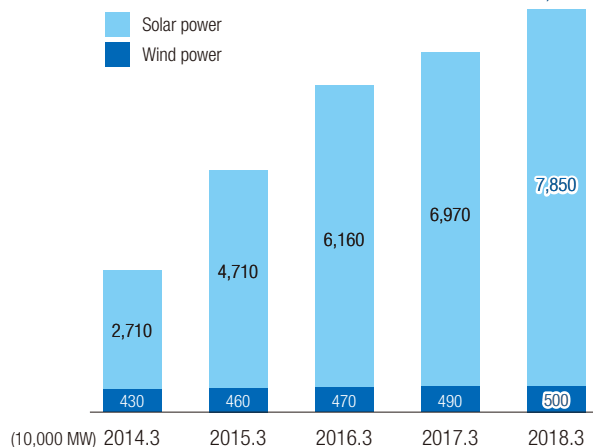
0.463 kg-CO₂/kWh

 (Provisional value)


The stable operation of Sendai Nuclear Power Station Units 1 and 2 throughout FY2017, and the increase in power generated by renewable energies, enabled a decrease of approximately 6% over FY2016 in CO₂ emissions.

Capacity of solar and wind power equipment

8,360 MW (Mainland Kyushu, excl. remote islands)



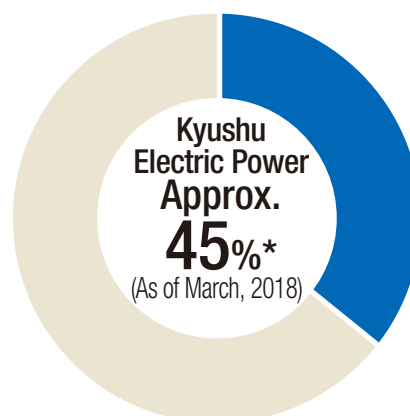
*Totals may not add up as figures are rounded off to the nearest unit.

As of the end of March 31, 2018, the capacity of solar and wind power equipment on mainland Kyushu stood at approximately 8,360 MW. As of the end of March 31, 2017, solar and wind power FIT equipment capacity on mainland Kyushu accounts for approximately 18% of the national capacity.

Capacity of geothermal power generation equipment

208 MW

Ratio of Kyushu Electric Power among all power businesses

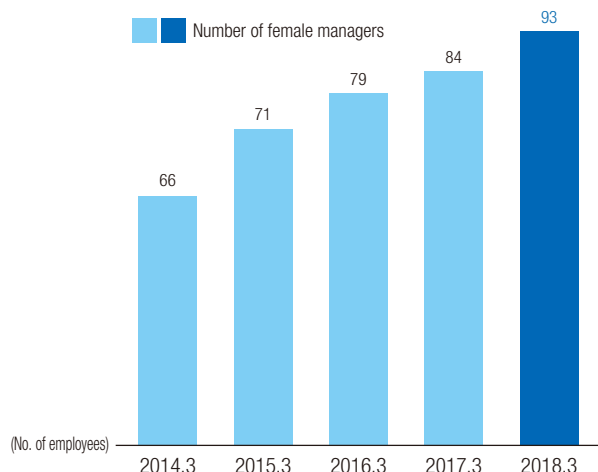


*Calculated in house based on the Agency for Natural Resources and Energy's "Electricity statistics survey."

The Kyuden Group owns about 45% of all Japan's geothermal power generation facilities, including Hatchoubaru Geothermal Power Station, Japan's largest.

Rate of target achieved for promoting women to management positions

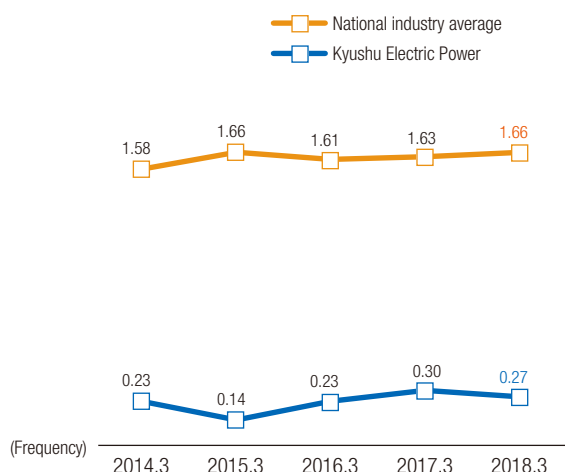
111%



In FY2017, we achieved our FY2014–FY2018 target to double the number of female employees promoted to management positions over FY2009–FY2013.

Frequency rate of workplace accidents*

0.27



*No. of accidents per one million working hours

In order to encourage safety activities throughout the company, we have implemented internal measures such as the establishment of a Companywide Safety Promotion Committee, as well as formulating the Action Plan for Companywide Safety Promotion as a common initiative to be shared among all divisions.

Interview with the President

Changes in the managing environment provide an opportunity for growth.



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

K. Ikebe

Interview with the President

Kazuhiro Ikebe was born in Oita Prefecture in 1958. He joined Kyushu Electric Power Company, Incorporated after graduating from the University of Tokyo Faculty of Law in 1981.

Following his role in frontline sales, Ikebe moved abroad to study at the Michael G. Foster School of Business at the University of Washington, Seattle. In his time at the Kyushu Electric Power, although predominantly in the corporate planning division, he has also been involved in the power generation division, the personnel division, as well as spending time as secretary to the president. He has also played a key role in spearheading the creation of medium-term management policies and financial objectives, and has laid the foundation for company innovations.

He assumed position as President & Chief Executive Officer in June 2018, following roles as Executive Officer and General Manager of the Corporate Planning Division; and Member of the Board of Directors and Executive Director of the Corporate Strategy Division.

With a bright, forward-looking personality, Ikebe sees the deregulation of the retail electricity market as a new opportunity for business, and is of the mind that, in order to strengthen the company's earning power, we must tackle each new challenge that comes our way.

His motto can be expressed in Japanese as *wajifudo*—the idea that cooperation should be prudent, and conclusions should be drawn from thorough discussion.

His hobbies include raising Japanese rice fish, and swimming—an activity he took up five years ago to improve his health. On his days off, he recuperates at one of the many hot spring districts of Kyushu.

Q1**How would you review FY2017 overall?****A1****We were successful in responding appropriately to immediate challenges, while steadily building a foundation for medium- to long-term growth.**

During FY2017, Kyushu Electric Power promoted important strategies, including measures toward restarting the Genkai Nuclear Power Station, responding to our competitive environment, and cultivating growth businesses. At the same time, we moved forward with the construction of a foundation for medium- to long-term growth.

With respect to restarting Genkai Nuclear Power Station, we received permission for a reactor installation change in January 2017. Since then, we have undergone inspections regarding permission for changes to construction plans and safety regulations, as well as pre-operation inspections. As a result, we successfully restored Unit 3 to commercial operation in May 2018, followed by Unit 4 in July. Going forward, we will work autonomously and continuously to enhance safety, and strive actively to practice disclosure and engage in detailed communication.

Next, as to our competitive environment, two years have passed since the full deregulation of the retail electricity sector. We are continuing to promote direct, face to face communication with customers, through initiatives such as one-day sales offices to conduct personable marketing in shopping malls. Full deregulation of the retail gas sector also commenced in April 2017, and we began offering electric and gas power to customers as a set, reaching our first fiscal-year goal of 40,000 households in just six months. Going forward, senior management, including myself, will take every opportunity to engage in marketing activities to communicate Kyushu Electric Power's initiatives to a broader public. Through these efforts, we will remain competitive with new electric power companies.

Regarding our cultivation of growth businesses for the future, the Kyuden Group is moving to full-scale innovation activities aimed at creating new businesses and services. Last year, we solicited Group employees for business ideas, and engaged in open innovation activities with other enterprises and

organizations. Several proposals, including monitoring services using IoT technology, are undergoing verification testing. These activities are opening up opportunities for Group entry into a variety of fields, and there has been a perceptible increase in the number of young employees with their sights set on the future.

To realize our goal of becoming a corporate group providing Japan's best energy services, as outlined in our vision for 2030, each Group entity is promoting independent initiatives, and we believe that these efforts are producing solid results.



Q2

Please comment on progress toward the Kyuden Group's financial objectives, as well as efforts to achieve those targets.

A2

The Kyuden Group will work in unison to implement income-expansion and cost-reduction measures to achieve its financial objectives.

Business results for FY2017, the first year of the term set for our financial objectives, included a decline in electric power sales amid increasing competition, while expenditures rose in the wake of electricity market reform. However, thanks to other factors, including a reduction in fuel costs relative to increased power generation at the Sendai Nuclear Power Station, we posted consolidated ordinary income of ¥73.6 billion.

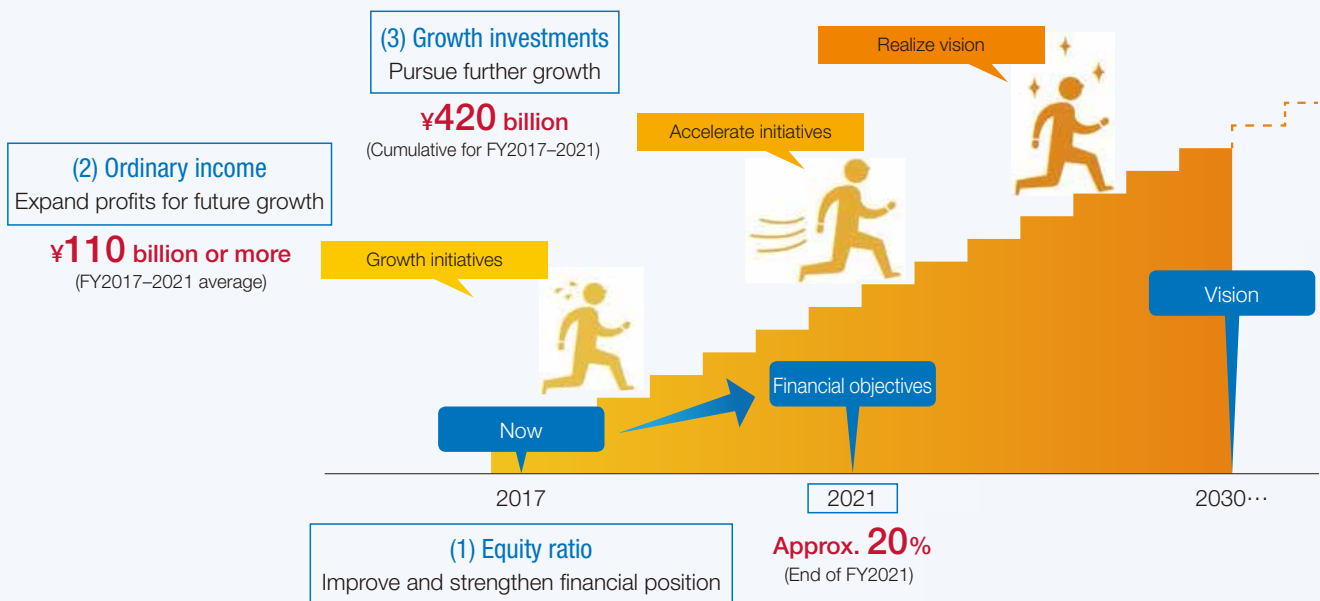
In FY2018, we began operating four nuclear power units, which enabled us to operate a nuclear power generation system upon which our current electricity pricing is based. In FY2019, Matsuura Power Station Unit 2, an environment-friendly, highly efficient coal-fired unit, will commence operation. We will make maximum use of our competitive generating capacity and undertake to further expand income from our electric power

generation business.

Costs are expected to rise temporarily due to costs associated with electricity market reform. However, reducing fuel fees through restart of nuclear power generation units and highly efficient thermal power generation, as well as implementing thoroughgoing efficiency measures throughout our business activities, we will strive to reduce overall operating costs.

Moving forward, we are looking to increase profitability through investments in growth businesses, including international and renewable energy businesses, as well as efforts such as promotion of innovation. We will therefore work to expand the Group's profitability from our existing electric power, energy-related, IT and telecommunications, and other businesses, and secure our targeted levels of income.

● Financial Objectives for Realizing Our Vision



Q3

Please characterize the risks associated with achieving the Kyuden Group's financial objectives.

A3

(1) Our electricity business is undergoing change, and while we see certain risks in both the short and medium term, we also see them as opportunities for further growth.

Two years have passed since the full deregulation of the retail electricity sector. In response, we are strengthening our marketing as cross-regional and cross-industry competition in the electricity market intensifies.

We are convinced that the fundamental criteria for customer choice of an electric power company, in addition to pricing, are provider service and comprehensive capabilities, including reliability and peace of mind.

In terms of pricing, our electric power rates for households are 7% lower than the average rate charged by conventional general electricity utilities. Compared to our competitors, our rates are at lower levels as of July 2018. We also offer eight service categories in such areas as household emergencies and child-rearing support. These services are part of our Kyuden Safety Support, and through this support, we are committed to

helping to provide our customers with daily peace of mind.

The reason the majority of customers contract with Kyushu Electric Power over new providers, is based on the reliability and peace of mind we can offer. Our activities in support of customers create value for them that goes beyond mere price, and we believe this is a source of power for our brand.

Going forward, we will promote personable marketing to familiarize more customers with our energy services, and will work to capture further demand by continuing to build reliability and peace of mind.

Deregulation is a risk in itself, but also affords new business opportunities. By extending sales efforts to new regions, maximizing income from the wholesale electricity market, and making other efforts, we will utilize every measure to expand income.

(2) Introduction of new electricity markets is a medium- to long-term risk.

Japan is undertaking electricity market reform at a speed unprecedented in other countries, aiming to ensure stable energy supplies, achieve the lowest possible pricing, give consumers the right to choose their energy provider, and expand business opportunities for enterprises.

In the short term, Japan's government is considering the establishment of a variety of markets, including base load and capacity markets, to achieve economic efficiency through promotion of further competition while meeting such public welfare challenges as the stable provision of power supplies. Up until now, one distinguishing feature of the public-centered electricity business was the ability to foresee investment return

through the FCD method, which determined electricity prices based on adding fair profit on top of necessary costs. However, the advancement of deregulation, and the increase in electricity transactions due to the introduction of new markets, will make management decisions relating to facilities investment even more difficult. And so, free of conventional business schemes, careful monitoring of each market to maximize their potential as sources of additional income will be critical.

We will respond flexibly to these major progressive changes in Japan's electricity market, and continue to secure the profitability of its electric power business as a source of cash flow.

Q4

For the fiscal year ended March 31, 2018, the company increased its dividend for the third consecutive term. How do you view the future dividend outlook?

A4

For the fiscal year ending March 31, 2019, we plan to raise the dividend to ¥30, an increase of ¥10 over the previous fiscal year, subject to a comprehensive review of a wide range of medium- to long-term factors, including income and expenses as well as our financial position. Going forward, we will continue to regard maintenance of stable dividend payments as a fundamental policy, and work to expand shareholder and investor income.

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

The dividend for the fiscal year ended March 31, 2018 was set at ¥20 (¥10 for the interim and full year) after a comprehensive review of our business performance and other factors.

For the fiscal year ending March 31, 2019, we plan to raise the dividend by ¥10 over the previous fiscal year to ¥30 (¥15 for the interim and full year), subject to a comprehensive review of this year's business outlook, as well as such medium- to long-term factors as our income and expenses as well as our financial position.

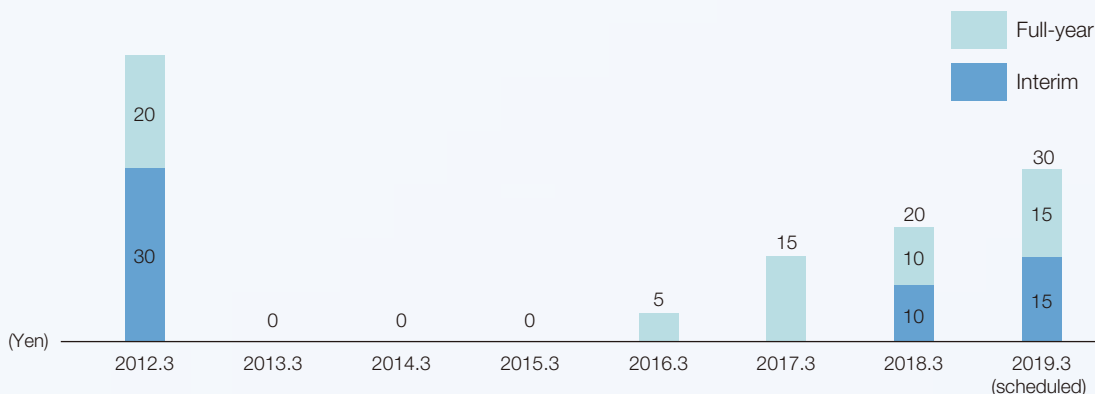
Regarding future dividend levels, although we must take into consideration the degree to which we achieve our financial targets, as well as our mid- to long-term revenue and financial status, we hope to return as quickly as possible to the ¥50 dividend set prior to the 2016 earthquakes.

Going forward, we will continue to regard maintenance of stable dividend payments as a fundamental policy, and work to expand shareholder and investor income.



Interview with the President

● Dividends per Share of Common Stock



Q5

What is your view of the importance of ESG efforts?

A5

We regard ESG efforts to be important as our management environment undergoes major change.

Recognition has been increasing of the importance of investment that takes into account the environment (E), society (S), and governance (G).

Our management environment is undergoing great change, including further intensification of competition as well as electricity market reform. Amid these changes, our goal is to continuously enhance our corporate value. To achieve this, we believe it will be important to build and reinforce our corporate governance structure, and create environments to enable our employees to achieve maximum performance.

As one example of these efforts, in June 2018 the company transitioned to an audit and supervisory committee model, and reviewed its director and executive officer system. These changes will enable us to respond more flexibly as well as dynamically to

the significant changes in our management environment.

The Kyuden Group is also developing and, to the degree possible, procuring energy from renewable energy sources such as geothermal power and hydropower. We are also collaborating actively with local residents in activities to preserve the environment. These efforts have drawn a positive response, and were recognized with the Minister of Economy, Trade and Industry Award at the 27th Global Environment Awards, sponsored by the Fujisankei Communications Group for enterprises and organizations contributing to the formation of a low-carbon society.

Going forward, we will continue to promote ESG efforts with the goal of continuously enhancing our corporate value and meeting the expectations of shareholders and investors.



Q6

Having assumed the post of president, please comment on your medium- to long-term aspirations for Kyushu Electric Power.

A6

I would like to accelerate our growth by achieving the ideal set out in our Medium-term Management Policy: to become a corporate group that provides Japan's best energy services.

Kyushu Electric Power's management environment has evolved with dizzying speed since the Great East Japan Earthquake. Competition is intensifying, and legal unbundling of our power transmission and distribution segments will begin two years from now in 2020. Nevertheless, our mission as an electric power company remains the same as it was: to provide customers with high-quality energy on a stable basis.

Furthermore, going forward we will make every use of opportunities for growth and innovation afforded by changes in our management environment. To achieve our goal of becoming a corporate group providing Japan's best energy services, outlined in our Medium-term Management Policy as our vision for 2030, we will carry out commercial activities with particular emphasis on the following three areas.

First, we will strive to capture demand in a competitive environment. Marketing activities do not bear fruit immediately, but we believe persistence pays off, and are working to convey the value of our energy services to customers.

Second, we will aggressively extend our efforts to growth markets and pursue growth through creation of new businesses.

In 2021, we are aiming to raise the share of ordinary income to approximately 30% from businesses other than our service area electric power business, and in the future we will aim to increase that share even further. We must therefore generate unprecedented profits from new businesses, including businesses we innovate. In July 2018, we launched Incubation Lab, a specialized entity dedicated to promoting innovation, which will accelerate the commercialization of new ideas while absorbing external views and expertise.

Moreover, to ensure that our employees can carry out these efforts smoothly and realize their maximum potential, we will promote workstyle reform. We believe it will be important to raise productivity, and we are receiving and adopting many proposals from employees for ways to achieve this. By incorporating these frontline recommendations for improvement, we will undertake to maximize the Group's organizational power by creating workplaces that all employees will find conducive to productive effort.

By working to promote these efforts, we will aim for continuous growth together with our stakeholders.

Feature 1 Operating Four Nuclear Power Stations

In 2018, Kyushu Electric Power restarted Genkai Nuclear Power Station Units 3 and 4, which had been in a state of long-term suspension to enable government inspection under the new regulatory standards.

This brought the number of operating units to four, following the 2015 restart of Sendai Nuclear Power Station Units 1 and 2. Two representatives of our senior management, Naoyuki Toyoshima and Makoto Toyoma, responded to questions regarding the impact of the restart and efforts to achieve stable operation.



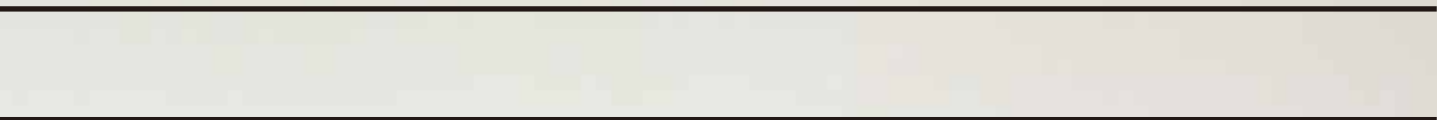
Naoyuki Toyoshima

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



Makoto Toyoma

Member of the Board of Directors,
Senior Managing Executive Officer
Executive Director, Corporate Strategy Division



Feature 1 Operating Four Nuclear Power Stations

Q1

Four of the nine nuclear power stations in Japan (Sendai Nuclear Power Station Units 1 and 2, Takahama Nuclear Power Station Units 3 and 4, Oi Nuclear Power Station Units 3 and 4, Genkai Nuclear Power Station Units 3 and 4, and Ikata Unit 3) that have resumed operation in the wake of the Great East Japan Earthquake are operated by Kyushu Electric Power. What enabled the company to achieve restart comparatively earlier than others?

A1

Toyoshima

After the new regulatory standards were put into place in 2013, Kyushu Electric Power moved quickly to obtain all required permits for the restart of Sendai Nuclear Power Station Units 1 and 2 and Genkai Nuclear Power Station Units 3 and 4.

In 2014, Sendai Nuclear Power Station Units 1 and 2 were selected by the Nuclear Regulation Authority for early inspection, and the entire company worked diligently to accommodate all relevant government inspection requirements. We also worked closely with manufacturers and partners to implement safety measures, and proceeded carefully step by step with safety as our utmost priority.

Thanks to these efforts, the two units at Sendai

Nuclear Power Station were restarted in 2015. We applied the experience gained from this process to the government inspection and testing of Genkai Units 3 and 4, and by carefully implementing safety measures, we were able to restart these units in 2018.

With regard to our restart efforts, we also strived to gain understanding from everyone in the local community about our safety measures. Because we believe that peace of mind on the part of residents is of the utmost importance, we engaged in a broad range of face-to-face communication activities.

We believe that these “tangible” and “intangible” efforts were behind our success in achieving a relatively early restart.

Overview of Nuclear Power Stations

Power plant	Genkai Nuclear Power Station				Sendai Nuclear Power Station	
	Unit 1	Unit 2	Unit 3	Unit 4	Unit 1	Unit 2
Operation commencement	Oct. 1975	Mar. 1981	Mar. 1994	Jul. 1997	Jul. 1984	Nov. 1985
Output	559 MW	559 MW	1,180 MW	1,180 MW	890 MW	890 MW
System	Pressurized water reactor (PWR)					
Operational status	Suspended December 2011 Decommissioned April 2015	Suspended January 2011	Suspended December 2010 Restarted March 2018	Suspended December 2011 Restarted June 2018	Suspended May 2011 Restarted August 2015	Suspended September 2011 Restarted October 2015

(Of 39 nuclear power plants in Japan, as of July 2018, nine are in operation.)



Q2

What management advantages does Kyushu Electric Power expect to derive from the restart of these nuclear power stations?

A2

Toyoma

We see three principal advantages.

First is a supply advantage. While power station operation was suspended, we adopted such measures as utilization of older thermal power facilities to secure energy supplies. With the restart of the nuclear power units, we no longer need to rely on these older thermal power facilities, and can supply power on a more stable basis.

Second is a revenue advantage. The restart will enable us to reduce the power output at our thermal power facilities, and the reduction in fuel and other costs will boost revenue. The improvements will vary with power output, fuel costs, and other changing factors, but we are projecting a monthly positive impact of approximately ¥9 billion for Sendai Nuclear Power

Station Units 1 and 2, and ¥11 billion for Genkai Nuclear Power Station Units 3 and 4.

The third advantage is environmental. We expect a CO₂ emission reduction of approximately 14 million tons through the restart of the four units. This represents a roughly 30% emission reduction from the FY2014 total of around 48.6 million tons, when operation of all four units was suspended. As a source of power that does not emit carbon dioxide, nuclear power is essential to the international trend away from carbon as reflected, for example, in the Paris Agreement. Kyushu Electric Power is eager to do its part in contributing to carbon emission reductions through stable operation of our nuclear power stations.

Q3

Safety measures required for restart have been completed, but what is the status of other measures necessary under the new regulatory standards? Also, what is the approximate cost impact of implementing such measures?

A3

Toyoshima

Currently we are progressing with construction of specific safety facilities, such as to prevent damage to the reactor containment vessel from, for example, an intentional large aircraft collision.

In 2015 we submitted an application for permission for a change in reactor installation to the government for Sendai Nuclear Power Station Units 1 and 2, and received approval in 2017. Subsequently, we submitted our application for construction planning permission in three stages, to enable us to carry out construction efficiently, and are now progressing steadily with government inspections and construction activities for which we have already received approval. We submitted an application for permission for a change in reactor installation for Genkai Nuclear Power Station Units 3 and

4 to the government in 2017, and are now undergoing inspections.

Under the new regulatory standards, safety upgrade construction must be completed within five years of receipt of construction planning permission for the main reactor building. We are therefore working diligently and meticulously with respect to government inspections and construction, so that the latter may be completed within the specified period.

Including safety measures implemented to date in connection with the restart of operation, Kyushu Electric Power's total investment in safety upgrades at the Sendai and Genkai Nuclear Power Stations totals more than ¥900 billion.

Q4

Kyushu Electric Power is making significant investments in safety measures. How effective do you believe these investments will be? Will the company be able to maintain its cost competitiveness in nuclear power generation?

A4

Toyoma

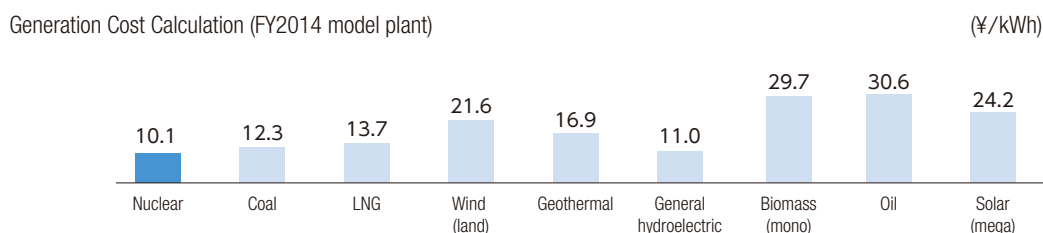
The scale of investment is indeed large, but in view of the anticipated revenue advantage mentioned earlier, we believe the investments will prove to be fully cost-effective.

In 2015, the Japanese government's Power Generation Cost Verification Working Group estimated the unit cost for nuclear power generation at ¥10.1/kWh, compared to ¥12.3 for coal-fired power generation and ¥13.7 for LNG-fired power generation.

The calculation for nuclear power generation below

does not include all costs associated with newly-mandated safety measures. When these are also taken into account, the cost of nuclear power is on par with both coal-fired and LNG-fired power generation.

Going forward, by maintaining safe, stable operation of our nuclear power generating capacity and a high utilization rate, Kyushu Electric Power will restrict its power generation unit cost and remain competitive in nuclear power generation over the medium and long term.



Source: Materials released by the Power Generation Cost Verification Working Group.

Q5

What future challenges do you expect in maintaining stable operation of the nuclear power stations, and what preparations are you making to meet those challenges?

A5

Toyoshima

Spent fuel storage is one of the issues we face going forward in maintaining safe, stable operation of our nuclear power.

Kyushu Electric Power's policy is to send spent fuel to Rokkasho Low Level Radioactive Waste Disposal Center. We are currently conducting a thorough review of our spent fuel storage policies, with consideration of such factors as reserve storage capacity for spent fuel pits.

To speak to this in more detail, we have already reracked the spent fuel rods for Sendai Nuclear Power Station Units 1 and 2. Reracking involves reducing the spacing between fuel assemblies to gain additional storage capacity. The application for government

approval for Genkai Nuclear Power Station Unit 3 was halted after the accident at the Fukushima Daiichi Nuclear Power Station, but we are working to restart that process as soon as possible.

In addition to pool storage, we are exploring ways to diversify our storage strategies, such as storing spent fuel rods in air-cooled dry casks after a fixed period. In this and other ways, we are undertaking to further enhance safety at our nuclear power stations, and are evaluating our technical options.

We will continue working to improve the safety and stability of our nuclear power stations through storage measures for spent fuel.



Toyoma

Lawsuits are an additional challenge. Kyushu Electric Power has prevailed in lawsuits to date, but in some instances, other electric power providers have been forced to halt power station operation due to provisional dispositions. For example, a disposition handed down by the Hiroshima High Court in December 2017 ordered the electric power company concerned to suspend operation of a nuclear power station due to the risk of a catastrophic volcanic eruption.

In accordance with the volcano threat evaluation guide issued by Japan's Nuclear Regulation Authority, Kyushu Electric Power has evaluated factors such as eruption history characteristics and magma accumulation status at Kyushu's caldera volcanos. The

results of this evaluation suggest an extremely low likelihood of a catastrophic eruption at any of Kyushu's caldera volcanos during the period of operation of our nuclear power stations. Nevertheless, in recognition of the unpredictability of nature, we are continuing to monitor these volcanos closely for possible changes, and consulting volcanologists and other experts to further enhance the safety and reliability of our operations.

With respect to pending lawsuits, we will continue to act with sincerity, complying with court instructions and making every effort to present our case thoroughly, to obtain understanding concerning the safety of our nuclear power stations.

Q6

In closing, what are your hopes for the future utilization of nuclear power?

A6

Toyoshima

With the successful restart of Genkai Nuclear Power Station Units 3 and 4, together with Sendai Nuclear Power Station Units 1 and 2, we now have four nuclear power stations in operation.

Going forward, we will cooperate with government inspections and carry out construction sincerely and meticulously to achieve autonomous and ongoing enhancement of the safety and reliability of our nuclear power stations, including installation of facilities to address specific large-scale disasters, and measures to deal with spent fuel storage.

Restart of our power generation units is indeed a start, not an end goal. We are keenly aware that enhancing nuclear power safety will always be an ongoing effort. Into the future, safe, reliable operation will be our highest priority.

Toyoma

The government's Strategic Energy Plan, revised in July 2018, positions nuclear energy as an important base load power source.

In view of such factors as Japan's energy self-sufficiency ratio, which is only 7%, and the global trend away from carbon-based energy sources, we believe that the importance of nuclear energy will only increase into the future. We will therefore continue our efforts with diligence, and with safety as our utmost priority.

Feature 2

KYUDEN i-PROJECT: A Push for Innovation

Amid a changing management environment, the Kyuden Group must work to create new value demanded by customers and society, if it is to continue to be customers' choice.

In response, we are promoting group-wide innovation and the creation of new businesses and services with KYUDEN i-PROJECT.

What is KYUDEN i-PROJECT?

KYUDEN i-PROJECT is an initiative to create future businesses through innovation. We aim to generate approximately 30% of revenue from businesses other than regional electric power generation by FY2021, and our goal is to create businesses in new areas and reengineer existing business models.

GOAL

Create Future Businesses

Create businesses in new areas and reengineer existing business models

Areas
Under
Consideration

Energy services

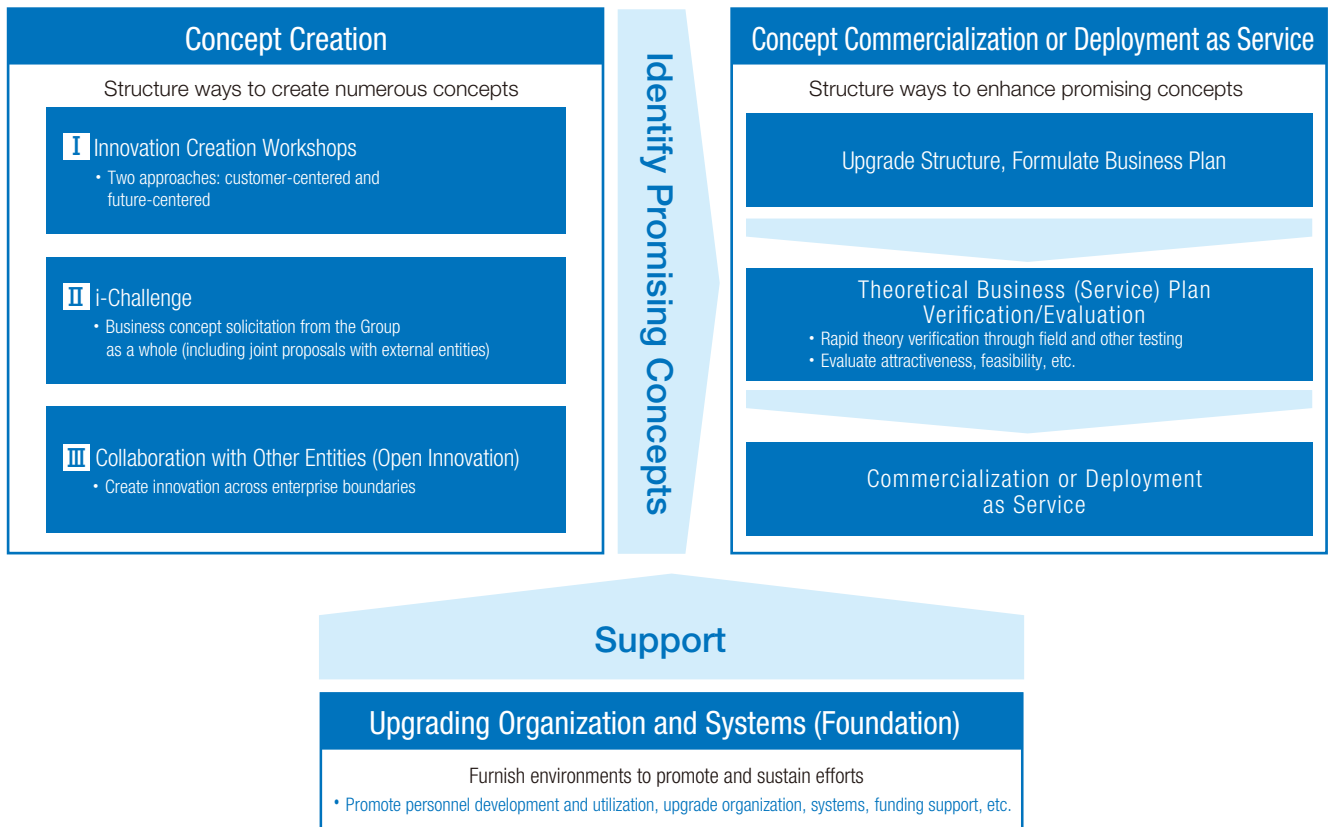
Potential areas of synergy with energy service businesses

Customer and social problem-solving by mobilizing the Kyuden Group's resources

Project Overview

The Kyuden Group will pursue innovation through concept creation, concept commercialization or deployment as service, and by upgrading its organization and systems.

To realize concept creation, we will adopt three systematic actions.



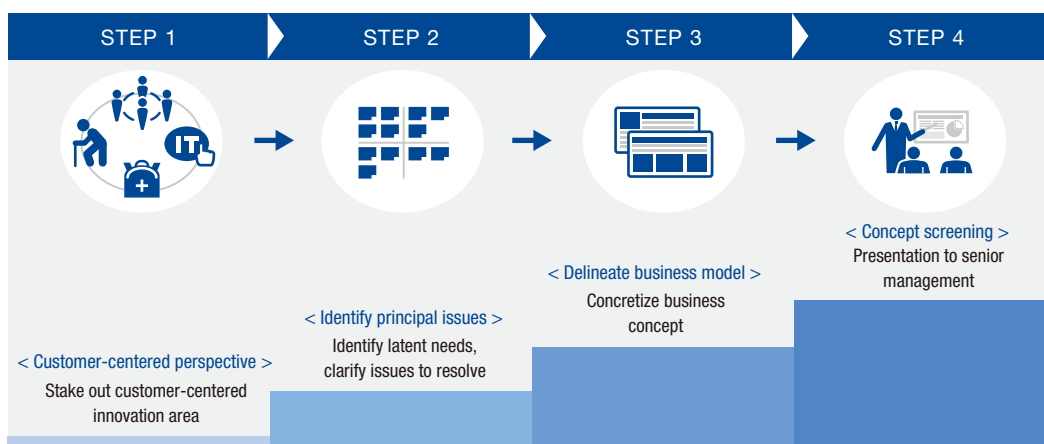
ACTION 1 > Innovation Creation Workshops

Cross-organization workshops to consider new businesses and services, promoted through two approaches.

Commercialization pending **Two Concepts** (as of July 2018)

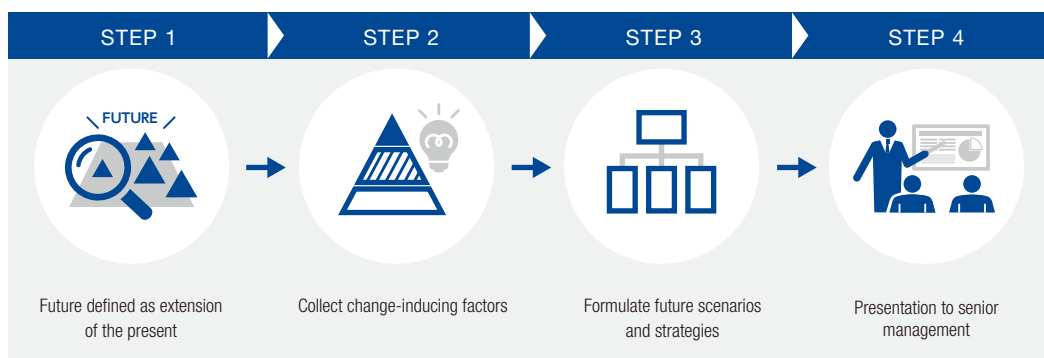
> Approach ① : Customer-Centered

We will conceive new businesses and services by identifying latent needs from a customer-centered perspective.



> Approach ② : Future-Centered

Using social issues and needs 15 years from now as a departure point, we will conceive strategies for new business areas.



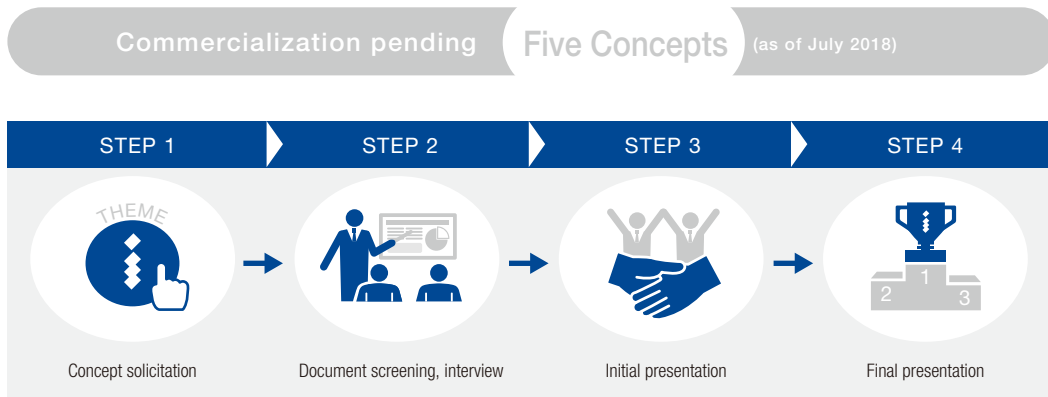
Feature 2 KYUDEN i-PROJECT: A Push for Innovation

Workshops



ACTION 2 > i-Challenge (Business Concept Solicitation)

We are proposing and incubating business and service innovation proposals by soliciting business concepts. We are considering commercialization, or deployment as a service, of promising proposals from a group of 143 business concepts received.



✓ i-Challenge presentation



ACTION 3 > Collaboration with Other Entities (Open Innovation)

The Kyuden Group will not rely solely on its own management resources and technology. By collaborating with external entities, we will share technology, expertise, and concepts to jointly create new businesses and services. Our aim in creating new businesses is to generate new value that will help solve social issues.



In 2017, we collaborated with Creww Inc. to implement Kyushu Electric Power Accelerator 2017, a program to foster joint business creation through open innovation with startup companies.

> Principal Resources of the Kyuden Group



Concept in Action

➤ QUUN: IoT Service with Original Voice-Capable AI

- QUUN offers a wide range of useful services for enriched daily lives via a proprietary, voice-capable AI engine. For example, users can receive news and weather reports delivered by popular voice actors. Through simple voice activation, QUUN can also operate home appliances, manage home security systems, and more.
- Service launch: July 2018



High-quality voice interface with user-selectable human/character voices.



Control home appliances such as air conditioners and TVs with a single word.



24-hour home security both when user is present and absent.



Control power usage and monitor costs.



Monitor power usage by senior family members remotely to gauge day's activity.

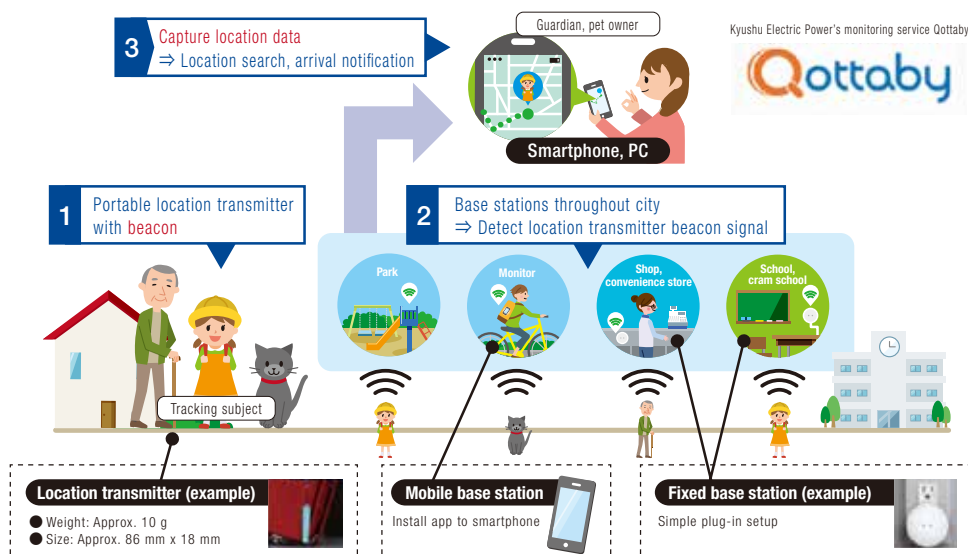


Kyushu Electric Power's voice interface device (AI speaker)

Concept in Action

➤ Qottaby: IoT Monitoring Service

- Monitors and guardians can use a smartphone or PC to track the location of children, seniors, or pets with a beacon-equipped transmitter.
- Selected for full field testing support by Fukuoka municipal government; testing started March 2018.



Energy Service Business in the Kyushu Region

Basic Strategy

In our core region of Kyushu, we have evolved from a corporate group supplying electric power to one providing energy services. We are responding to customer energy-related needs in diverse ways, and will grow along with local communities and society.

Principal Initiatives

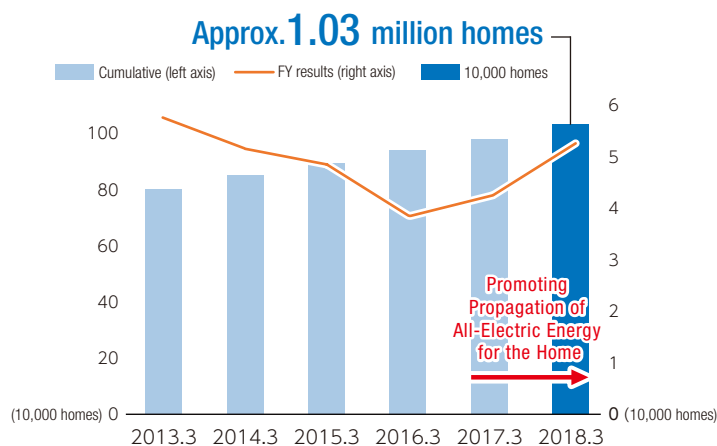
- 1 Expand the Kyuden's fan base with diversified energy services
- 2 Reinforce electric power source competitiveness and fuel procurement capabilities
- 3 Upgrade/deploy power transmission network technology

Individual Strategies

Promoting Propagation of All-Electric Energy for the Home

To meet expanding demand for electric power, we are actively promoting household conversion to all-electric energy.

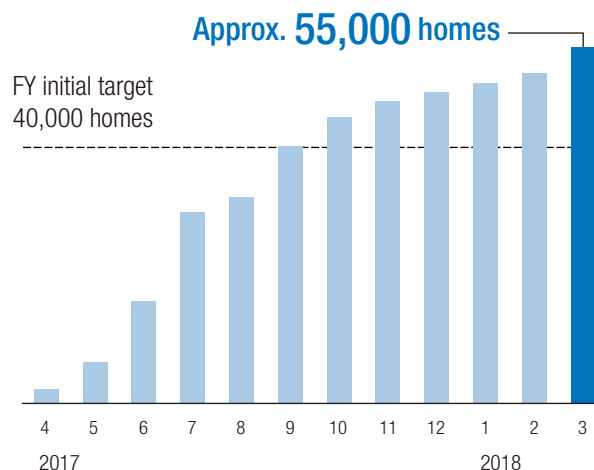
As of the end of FY2017, the number of all-electric homes topped one million.



Full-scale Entry into the Retail Gas Business

With the complete deregulation of retail gas pricing in April 2017, we embarked on city gas sales in the Fukuoka and Kitakyushu areas.

By leveraging our strong customer base cultivated through our electric power business, as well as our ability to stably procure, low-priced LNG, we are offering gas to customers at attractive prices.



Competitive, Reliable Power Sources

To enhance the competitiveness and reliability of our electric power sources, we are constructing cutting-edge coal-fired thermal power plants. Our policy is to successively decommission older, economically inefficient facilities.

The new Matsuura Power Station Unit 2 employs highly efficient ultra-supercritical (USC) power generation technology, which delivers lower fuel costs and reduces impact on the environment.

Principal Energy Source Development Plan

New construction:	Matsuura Unit 2	Coal:	1,000 MW	Operation commencement December 2019
Suspended or decommissioned:	Ainoura Units 1 & 2	Heavy oil:	875 MW	Decommission April 2019
	Buzen Unit 1		500 MW	Decommission FY2019
	Buzen Unit 2		500 MW	Planned suspension FY2018 onwards
	Sendai Units 1 & 2		1,000 MW	Planned suspension FY2018 onwards
	Shin Kokura Unit 4	LNG	600 MW	Planned suspension FY2020 onwards

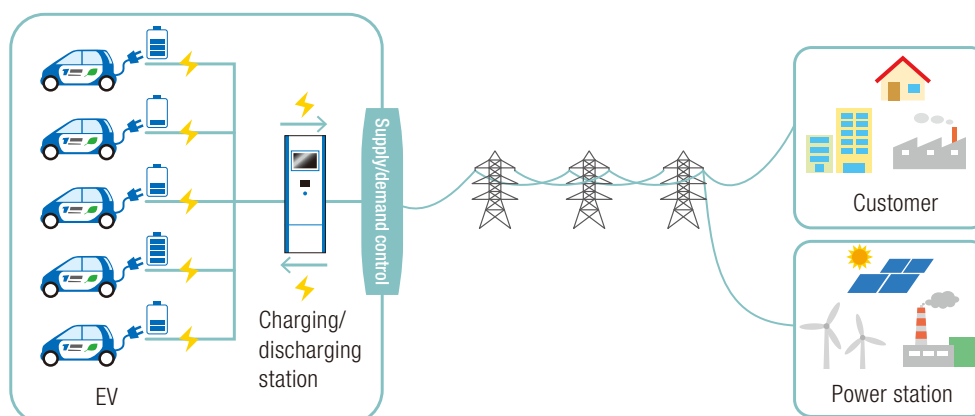
V2G Technology Field Testing

Since June 2018, we have begun field testing of Vehicle to Grid (V2G)* technology in collaboration with other companies. V2G supplies power from electric vehicles (EV) to the power grid, allowing utilization of EVs in adjusting supply and demand.

As part of this proof-of-concept initiative, we have received funding from the Agency for Natural Resources and Energy as part of their “Demonstration experiment of virtual power plant construction leveraging energy resources on the demand side.”

*V2G: Discharging energy stored in EVs to the power grid.

■ Concept



Growth Businesses

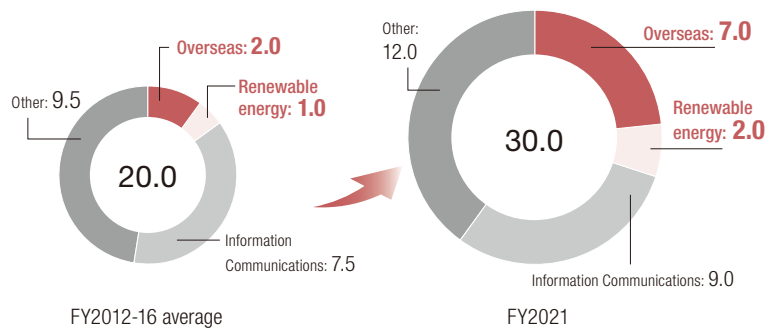
Basic Strategy

By leveraging the accumulated strengths of the Kyuden Group, we will expand our energy business outside the Kyushu region, in overseas markets, and in the field of renewable energy.

Principal Initiatives

- 1 Reinforce overseas electric power business
- 2 Extend domestic electric power business outside the Kyushu region
- 3 Expand renewable energy business

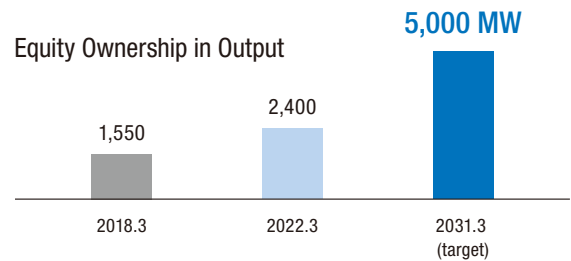
■ Ordinary income target, excluding electric power business in the Kyushu region (Billions of yen)



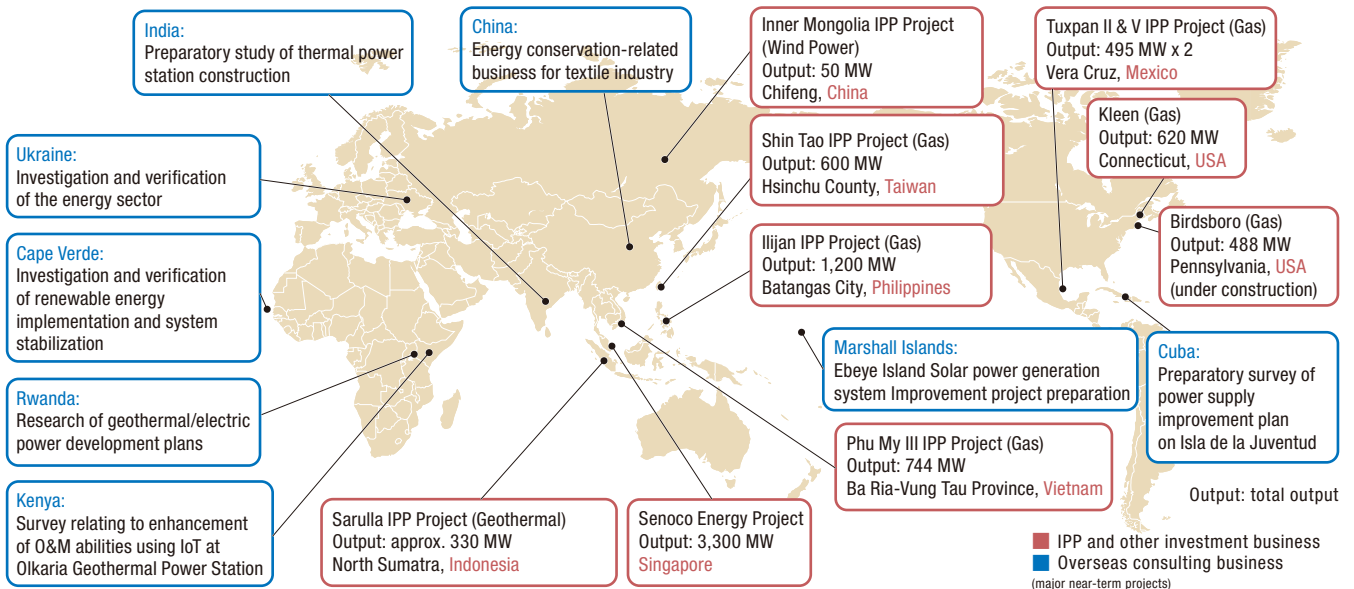
Individual Strategies

Reinforce Overseas Electric Power Business

We will utilize technologies and expertise accumulated in Japan and abroad to develop our Independent Power Producer (IPP) business, centering on the high-growth Asian market. We are also engaging in activities in the US and Europe to expand our overseas electric power business.



Overseas Energy Business Initiatives (as of June 30, 2018)



All Sarulla Geothermal Power Units Commence Operation

Total output **approx. 330 MW (3-unit system)** Equity share **25%**

Unit 3, the final unit of Indonesia's Sarulla Geothermal IPP Project, commenced operation in May 2018. With this milestone, the project's total geothermal power output (three units) is the largest in the world.

The electricity generated at the Sarulla Geothermal Power Station is slated to supply a national electric power company over a 30-year period and is expected to be a stable source of income.



Unit 1: Operation commenced March 2017
 Unit 2: Operation commenced October 2017
 Unit 3: Operation commenced May 2018

Participation in Birdsboro Gas-fired Thermal Power Plant

Total output **488 MW** Equity share **11.1%**

In December 2017, Kyushu Electric Power acquired 11.1% of the equity of the Birdsboro gas-fired thermal power plant under construction in Pennsylvania, USA. This was our first equity participation in an American power generation business. Ahead of the start of operation in 2019, we continue to appropriately monitor construction progress and other aspects on the project.

Once the operation commences, it is expected to supply power to the northeastern US through PJM, one of the country's wholesale power markets.



Participation in Kleen Energy Gas-fired Thermal Power Plant

Total output **620 MW** Equity share **20.25%**

In May 2018, Kyushu Electric Power acquired a 20.25% equity share in the Kleen Energy Gas-fired Thermal Power Plant involved in the power generation business, located in Middletown, Connecticut.

The combined-cycle plant in Middletown generates power using a highly efficient gas turbine, and is an important source of stable power for the northeastern US through ISO-NE.

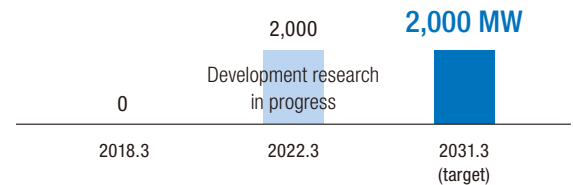


Electric Power Business Outside the Kyushu Region

Through partner alliances and other measures, we are working to develop energy sources for other regions.

In the interval before these sources come online, we are using other approaches, such as market procurement, to engage in electric power sales.

Output Development



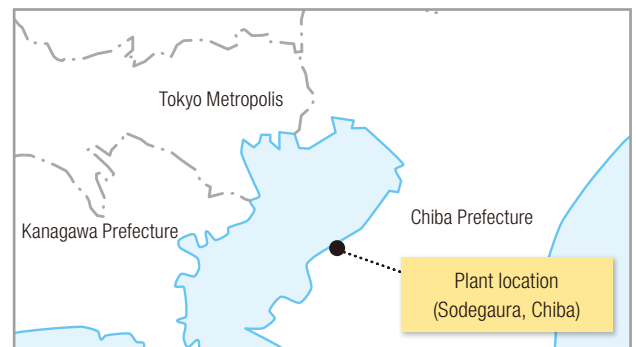
Development of Own Power Sources Outside the Kyushu Region Through Partner Alliances

Total output → **2,000 MW**

Chiba-Sodegaura Energy Co., Ltd, which we established in partnership with Idemitsu Kosan Co., Ltd. and Tokyo Gas Co., Ltd., is continuing the process of investigating, and evaluating the environmental impact of, opening a coal-fired thermal power plant.

With full liberalization of the retail market for electric power, the partners are leveraging their respective value chain strengths to deliver safer, more reliable, and more affordable electric power.

We will do our utmost to address environmental impact and will also contribute to the local economy.



Unit 1: Operating commencement FY2025 (planned)
Unit 2: Operation commencement FY2026 (planned)

Extending Retail Electric Power Sales Outside the Kyushu Region

Accounts acquired → **approx. 6,700**
(as of March 31, 2018)

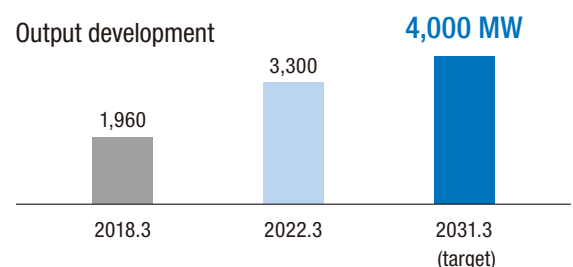
Since April 2016, the Kyuden Group's wholly-owned subsidiary Kyuden Mirai Energy Company, Inc. has been engaged in retail electric power sales in the Kanto region. Starting in January 2017, the company extended its sales efforts to customers in the high-voltage bracket and above.

Expanding Our Renewable Energy Business

The Kyuden Group is working as one to expand its renewable energy business in Japan and abroad, emphasizing stable energy procurement and environmental benefits.

We are utilizing our accumulated technology and pushing forward with new technology development with a focus on geothermal and hydropower, as well as offshore wind power, which offers hidden potential.

Output development



Yamagawa Binary Cycle Power Station Commences Operation Total output **4.99 MW**

In February 2018, Kyuden Mirai Energy Company, Inc. began managing Yamagawa Binary Cycle Power Station, located at our Yamagawa geothermal power station.

The new binary cycle facility makes effective use of geothermal water not used for power generation in the main facility using a geothermal binary method, which generates power by utilizing a medium with a lower boiling point than water.



Megasolar Power Generation Outside the Kyushu Region Total output **43.50 MW**

An LLC corporation established by five partners, including Kyuden Mirai Energy Company, Inc., Kyudenko Corporation, and ORIX Corporation, created Renatosu Soma Solar Park to make effective use of agricultural and other land in Soma, Fukushima that suffered tsunami-related salt damage after the Great East Japan Earthquake. The facility commenced operation in June 2017.



Toward Practical Use of Tidal Power Total output **2.00 MW**

A four-company consortium that includes Kyuden Mirai Energy Company, Inc. and Nippon Steel & Sumikin Engineering Co., Ltd. is working on Japan's first large-scale proof-of-concept facility for tidal power generation in the ocean off Goto City, Nagasaki Prefecture. Test operation is planned to begin in FY2019, after further research into tidal currents at the site, design and construction of power generating units, and other preparations are complete.



Biomass Power Generation Total output **74.98 MW**

Kyuden Mirai Energy Company, Inc., Nishinippon Plant Engineering and Construction Co., Ltd., and Kyuden Sangyo Co., Inc. established Shimonoseki Biomass Energy LLC in December 2017. The new entity, based in Shimonoseki, Yamaguchi, will carry out research, construction, operation, and management of what is set to become one of Japan's largest biomass power generation facility using wood combustion.



ESG Initiatives

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

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





Members of the Board of Directors



1 **Michiaki Uriu**
Member of the Board of Directors,
Chairperson

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

7 **Akira Nakamura**
Member of the Board of Directors,
Senior Managing Executive Officer

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

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

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

8 **Takashi Yamasaki**
Member of the Board of Directors,
Senior Managing Executive Officer

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

3 **Kazuhiro Izaki**
Member of the Board of Directors,
Vice-Presidential Executive Officer

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

9 **Masahiko Inuzuka**
Member of the Board of Directors,
Senior Managing Executive Officer

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



Members of the Board of Directors

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

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

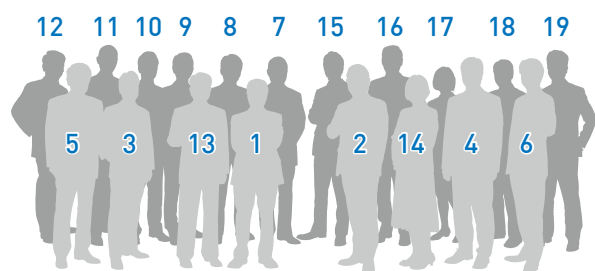
15 Nobuya Osa
Member of the Board of Directors,
Audit & Supervisory Committee
Member

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

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

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

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



Members of the Board of Directors

Career Highlights

1



Michiaki Uriu

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

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

7



Akira Nakamura

Member of the Board of Directors,
Senior Managing Executive Officer,
Special Assignment Officer for Nuclear Power
Promotion

1977 Joined Kyushu Electric Power
2015 Member of the Board of Directors,
Senior Managing Executive Officer (current position)

2



Kazuhiro Ikebe

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

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

8



Takashi Yamasaki

Member of the Board of Directors,
Senior Managing Executive Officer,
President of Power Transmission and
Distribution Company
Important Concurrent Positions: 1

1976 Joined Kyushu Electric Power
2016 Member of the Board of Directors,
Senior Managing Executive Officer (current position)

3



Kazuhiro Izaki

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

1978 Joined Kyushu Electric Power
2015 Member of the Board of Directors,
Vice-Presidential Executive Officer (current position)

9



Masahiko Inuzuka

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

1978 Joined Kyushu Electric Power
2017 Member of the Board of Directors,
Senior Managing Executive Officer (current position)

4



Yuuzou Sasaki

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

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

10



Ichirou Fujii

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

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

5



Hideomi Yakushinji

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

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

11



Naoyuki Toyoshima

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

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

6



Yoshiro Watanabe

Member of the Board of Directors,
Vice-Presidential Executive Officer,
Deputy Executive Director & Director of Marketing
Division of Energy Service Headquarters

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

12



Makoto Toyoma

Member of the Board of Directors,
Senior Managing Executive Officer,
Executive Director of Corporate Strategy Division

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



Akiyoshi Watanabe

Member of the Board of Directors
(External)

1966 Joined Toyota Motor Co., Ltd. (now Toyota Motor Corporation)
1996 Director
1998 Director (part-time), Toyota Motor Kyushu, Inc.
2001 Managing Officer, Toyota Motor Corporation
2002 Retired as a Managing Officer from Toyota Motor Corporation
2002 President, Toyota Motor Kyushu, Inc.
2007 Vice-Chairman, Kyushu Economic Federation (a general incorporated association)
2008 Chairman, Toyota Motor Kyushu, Inc.
2009 Member of the Board of Directors, Kyushu Electric Power (current position)
2011 Advisor, Toyota Motor Kyushu, Inc.
2011 Director, Kyudenko Corporation (current position)
2015 Retired as Vice-Chairman of Kyushu Economic Federation
2015 Retired as an Advisor from Toyota Motor Kyushu, Inc.

13



Ritsuko Kikukawa

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

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

14



Nobuya Osa

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

1977 Joined Kyushu Electric Power
2018 Member of the Board of Directors,
Audit & Supervisory Committee Member (current position)

15



Eiji Kamei

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

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

16



Fumiko Furusho

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

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

17



Yusuke Inoue

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

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

18



Kazutaka Koga

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

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

19

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

Feature 3 Transition to an Audit and Supervisory Committee

In June 2018, Kyushu Electric Power transitioned to an Audit and Supervisory Committee.

Chairperson Uriu discussed the advantages of the new approach as well as the ongoing roles of external directors Ritsuko Kikukawa and Akiyoshi Watanabe.



Michiaki Uriu

Member of the Board of Directors,
Chairperson

Ritsuko Kikukawa

Member of the Board of Directors
(External)

Akiyoshi Watanabe

Member of the Board of Directors
(External)

tee



Feature 3 Transition to an Audit and Supervisory Committee

Q1

Kyushu Electric Power has transitioned to an Audit and Supervisory Committee. What advantages do you anticipate from this move?

A1

Uriu

We expect two main advantages: strengthened corporate governance and accelerated decision making.

Under the new structure, the Audit and Supervisory Committee will assume the duties formerly executed by the Board of Corporate Auditors. Since Audit and Supervisory Committee members also sit on the Board of Directors, they will have the authority to make recommendations and give input in such areas as assignments and compensation for directors, as well as the right to vote at Board of Directors meetings.

As such, compared to the former Board of Corporate Auditors approach, their oversight function with respect to the Board of Directors will be strengthened.

In addition, with the exception of issues covered by laws and regulations and the articles of incorporation, the Board of Directors can now delegate important operational decisions to board members. This will accelerate decision making and be extremely beneficial in a rapidly changing operating environment, especially in promoting growth businesses and other initiatives.





Q2

As a corporation with an Audit and Supervisory Committee, how will the role of external directors who are not members of that committee change?

A2

Uriu

Both Mr. Watanabe and Ms. Kikukawa are external directors who do not sit on the Audit and Supervisory Committee, and we look forward to their continued participation in management from an independent, outside standpoint.

With the establishment of the Audit and Supervisory Committee, issues delegated for decision to directors are to be discussed by the Corporate Management Committee, and this makes the management committee even more important than before. From the perspective of maintaining and strengthening oversight of the Board of Directors, I believe it will be increasingly important for both of them to continue providing input, not only to the board but also to the Corporate Management Committee, concerning all manner of management issues.

Kikukawa

As external directors, our role is to offer frank, objective input from an outside perspective and to oversee the conduct of management. Delegating decision-making authority to board members has the merit of enabling more nimble management. However, it brings with it the risk of management errors that could negatively impact corporate value. We attend meetings of the

Board of Directors as well as Corporate Management Committee meetings and strive to offer input based on our respective experience. I look forward to helping to speed up the pace of management decision making on the part of the board members while occasionally acting as a brake from a risk control perspective, in order to provide appropriate management oversight.

Watanabe

I agree with Ms. Kikukawa. From a management oversight perspective, our participation as external directors in Corporate Management Committee meetings is even more important than before. The Corporate Governance Code stipulates that the company shall have at least two external directors. I understand that in some cases, companies have fulfilled this requirement by placing their external auditors on the Audit and Supervisory Committee. I am fully aware of my role as an external director who does not sit on the Audit and Supervisory Committee, and I look forward to representing the opinions of shareholders to the Board of Directors appropriately and contributing to enhancing corporate value over the medium to long term.

Q3

What do you anticipate from this new structure under President Ikebe?

A3

Uriu

During my six years as president, I believe I was able to lay out a path to such medium to long term goals as restarting our nuclear power generation units, responding to competition brought by industry deregulation, and fostering innovation, and I decided it was time to place the charting of our management course in new hands as we move toward a major growth stage.

In addition to knowledge, ability, and experience, President Ikebe has outstanding comprehensive capacity, including broad vision, a talent for resolute action, and extensive management expertise. To date we have spent much time discussing a broad range of management challenges, and I am confident he is capable of making rapid, appropriate decisions in response to our rapidly changing business environment,

as well as further enhancing our corporate value. I will continue to support the president so that he can fully leverage his capabilities and demonstrate leadership, and as chairman of the Board of Directors, I will work to further strengthen its oversight functions.

Watanabe

To date, President Ikebe has been involved in formulating the Medium-term Management Policy, financial objectives, and innovation efforts, and has helped plot Kyushu Electric Power's strategic direction. As chairperson of the Personnel Committee, I believe he was the right choice to assume position as president.

Moreover, a performance-based stock remuneration system for directors was adopted this fiscal year under the new structure. I participated in designing



this system as chairperson of the Compensation Committee; the system links stock remuneration to the degree of achievement of the ¥110 billion financial objective in consolidated ordinary income. I believe this system will promote sharing of our corporate value with shareholders, and will further incentivize the management team to enhance corporate value and boost the stock price.

As the incentive to generate profits increases, I will execute my oversight role as an external director meticulously, to ensure that the conduct of management does not stray outside legal or other appropriate limits.

Kikukawa

The future of the electric power industry is facing uncertainty from numerous directions, including new market entry. The difficult challenges that lie ahead

cannot be met by relying on past experiences of success. To overcome them will require the company to understand stakeholder opinion and the needs of a new era, and to move forward with fresh vision. Kyushu Electric Power has a mechanism for communicating investor opinions gathered through IR activities to the Board of Directors on a regular basis, and this information is shared with all board members.

As we strive under the new structure to become a corporate group that provides Japan's best energy services while taking into account investor input, I will do my best to provide the kind of useful advice that my external perspective makes possible.



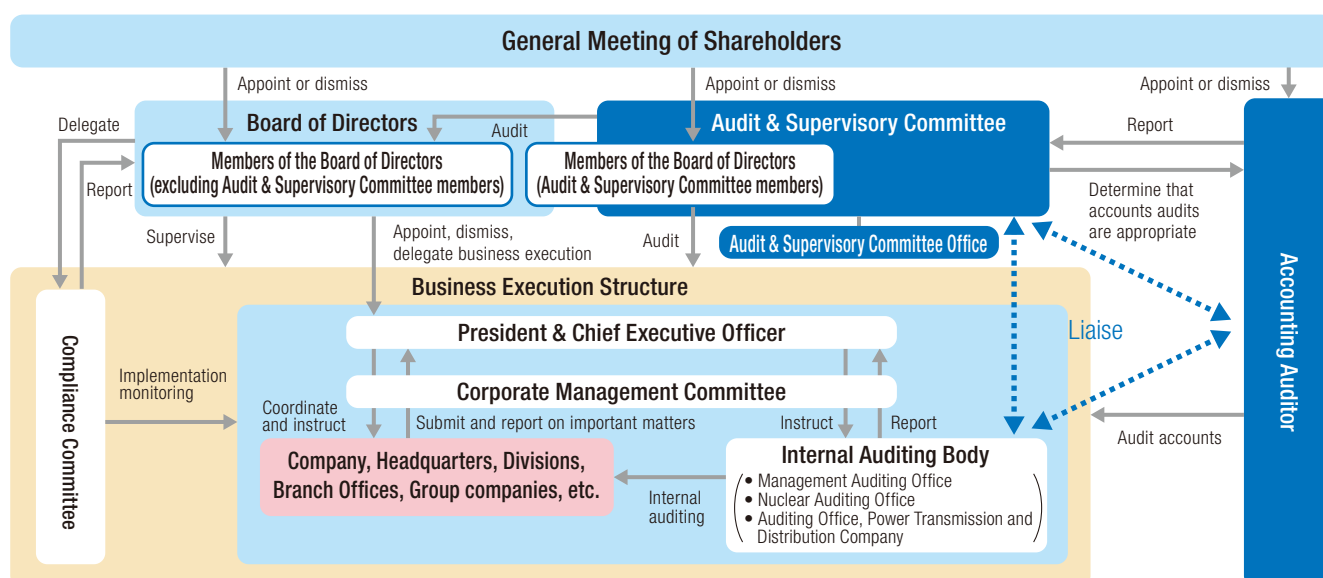
Governance Initiatives

Corporate Governance

Basic Stance

We aim to generate sustainable value for all shareholders in keeping with Kyuden Group's Mission by engaging in operations that are socially meaningful from a long-term perspective. It is a top management priority to strengthen corporate governance to ensure that we do business properly.

Corporate Governance Structure



Overview of Internal Organizations

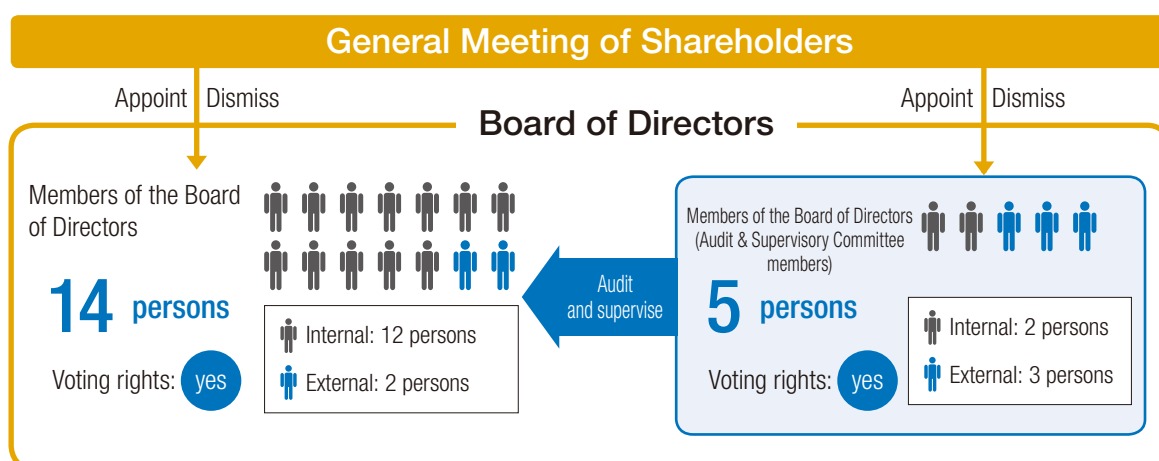
Organization	Role	Members (As of March 31, 2018)	Meeting Frequency, etc.
Board of Directors	<ul style="list-style-type: none"> Decides on important corporate management matters Supervises performance of duties 	<ul style="list-style-type: none"> 15 members of the Board of Directors in total (including 2 external members of the Board of Directors) 	Once a month in principle (18 times during FY2017)
Corporate Management Committee	<ul style="list-style-type: none"> Considers matters that were decided by the Board of Directors in advance Makes important decisions on business execution 	<ul style="list-style-type: none"> President, vice president, senior managing executive officers, managing executive officers, and others 16–27 members (11 members attended in response to agenda) *In addition to the above, two external directors attended 	Once a week in principle (41 times during FY2017)
Audit & Supervisory Committee	<ul style="list-style-type: none"> Performs audits relating to general status of members of the Board of Directors' performance of duties Attends Corporate Management Committee and other important meetings Receives oral reports from executive divisions, consolidated subsidiaries, and others Performs business site inspections Deliberates and decides on important matters related to audits stipulated by laws and regulations and the articles of incorporation 	<ul style="list-style-type: none"> 6 Audit & Supervisory Committee members in total (including 3 external Audit & Supervisory Committee members) *The Audit & Supervisory Committee Member Office, which has 12 members, was established to assist the Audit & Supervisory Committee members as a specialist organizational body *Information from Board of Corporate Auditors 	Once a month in principle (15 times during FY2017) *Board of Corporate Auditors actual result
Internal auditing body	<ul style="list-style-type: none"> Audits observance of laws, regulations, and so forth in divisions and business sites and status of business execution Audits quality assurance systems in place to monitor safety initiatives and the status of operations based on these 	<ul style="list-style-type: none"> Management Auditing Office (19) Nuclear Auditing Office (8) Auditing Office, Power Transmission and Distribution Company (8) 	*Held constantly as part of duties

Transition to a Company with an Audit and Supervisory Committee

We believe that strengthening governance and accelerating decision-making is critical to respond to our changing operating environment more flexibly and dynamically. Consequently, in June 2018, we transitioned from an Audit and Supervisory Board model to an Audit and Supervisory Committee model.

Objectives

- Strengthen auditing supervision of the Board of Directors by giving audit personnel board voting rights
- Accelerate decision-making by delegating decisions from the Board of Directors to directors



Governance Initiatives

Analysis and Evaluation of Overall Effectiveness of Board of Directors

The Company conducted questionnaires and interviews with members of the Board of Directors, and the results were submitted for discussion to the Board of Directors.

It was determined that Board of Directors decision-making with respect to important matters, and oversight of operational execution, are being performed appropriately, and that meetings are being conducted with the goal of active, high-quality deliberations.

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

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

(2) Operation of the Board of Directors

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

Nomination Policies and Procedures

Candidates for Board membership are selected based on consideration of their character, judgment, and background, and after Board of Director deliberations with the participation of external directors. Candidates who are members of the Audit and Supervisory Committee must gain approval from that board before becoming Board of Directors candidates.

In addition, the election of director candidates by the Board is preceded by a meeting of the Personnel Committee, which is chaired by an external director, to obtain appropriate involvement and advice from external directors and ensure transparency and objectivity in candidate selection.

Discretionary committee status, member composition, chairperson affiliation

	Committee	Total members (persons)	Statutory members (persons)	Internal directors (persons)	External directors (persons)	External experts (persons)	Other (persons)	Chairperson
Nominating discretionary committee	Personnel Committee	4	0	2	2	0	0	External director

Remuneration Policies and Procedures

Director remuneration is set at levels appropriate to the individual's capabilities and responsibilities, taking into account such factors as our operating environment, compensation at other enterprises, principally listed companies, and Kyushu Electric Power employee compensation as a whole.

Specifically, remuneration breaks down into monthly remuneration, bonuses, and stock compensation, which was adopted this fiscal year. To ensure objectivity and transparency, the Compensation Committee, which is chaired by an external director, reviews all aspects of director compensation for review and decision by the Board of Directors and the Audit and Supervisory Committee.

Bonuses for directors (excluding external directors and Audit and Supervisory Committee members) are linked to the company's business performance, with an upper limit, to clarify directors' responsibility for business results and as an incentive to better business performance.

Adoption of Performance-based Stock Compensation

A performance-based stock compensation system was adopted for directors (excluding external directors and Audit and Supervisory Committee members) beginning this fiscal year. The system awards company stock to directors, proportionate to their degree of fulfillment of business performance targets. The goal of the system is for directors to share corporate value with stockholders, and further incentivize directors to contribute to enhancing corporate value and raising the company's stock price through achievement of management objectives.

Discretionary committee status, member composition, chairperson affiliation

	Committee	Total members (persons)	Statutory members (persons)	Internal directors (persons)	External directors (persons)	External experts (persons)	Other (persons)	Chairperson
Compensation discretionary committee	Compensation Committee	6	0	4	2	0	0	External director

Risk Management

To manage risk, we regularly identify, categorize and assess risks based on our risk management rules, clarifying Company-wide and division-specific threats that could affect management.

Each division and business office produces contingency plans to appropriately manage clear general and specific risks.

With regard to risks that relate to multiple departments and risks for which concerns of materializing are high, we share information among related departments, clarify response structures and address these risks appropriately.

For nuclear power in particular, we take external knowledge and opinions into consideration as we work to identify a broad range of risks, share this information with members of the Board of Directors and executive officers and address the risks thoroughly and on an ongoing basis.

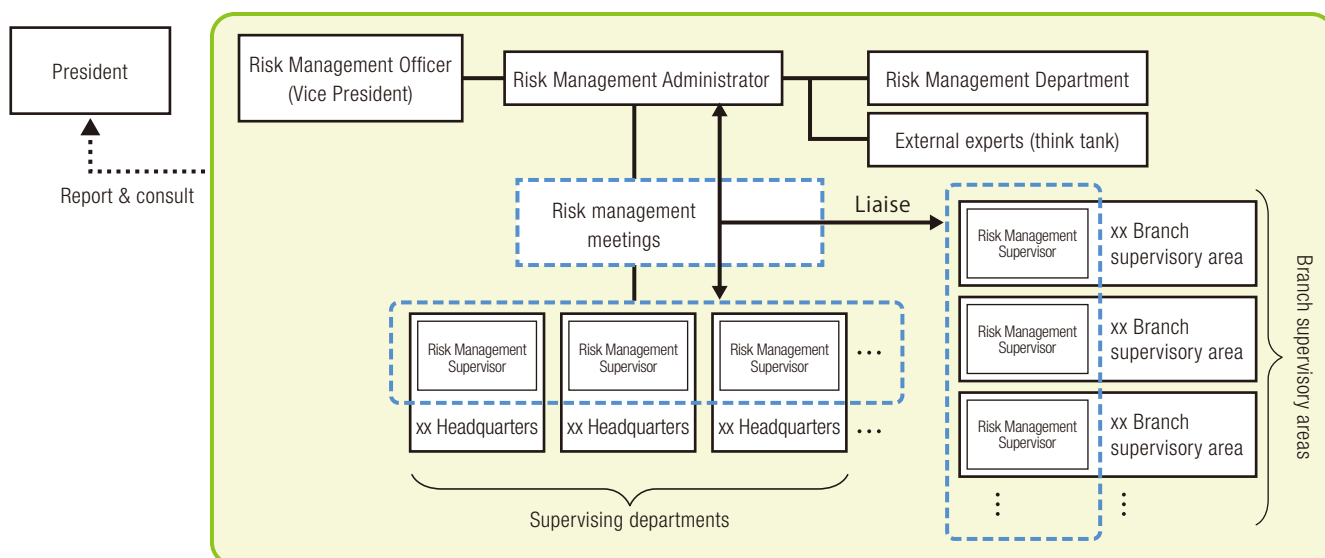
Principal Risks

- Changes in systems affecting the electric power business, etc.
- Status of the environment surrounding nuclear power generation
- Fluctuations of electric power sales volume, etc.
- Fluctuations of fuel price
- Costs related to nuclear power backend costs, etc.
- Costs related to climate change

For details, see Business and Other Risks (page 68)

When these risks arise, and events occur including emergency disasters involving loss of public trust or major adverse operational or social effects, rapid and appropriate response is critical. To this end, we have codified our risk response structures and procedures, and carry out regular drills.

Risk Management System



Environmental Initiatives

Climate Change

The Kyuden Group is engaged in major efforts to meet CO₂ reduction targets across its entire electric power business through the use of nuclear as well as renewable forms of power generation, and by raising the efficiency of its thermal power stations.

In particular, with respect to enhanced thermal efficiency and adoption of zero-CO₂ emission power sources, we are working to reach the 2030 targets set forth in the Energy Conservation Law and the Energy Supply Structural Enhancement Law, which were issued by the government to ensure effectiveness and transparency, and will take appropriate steps to that end.

Energy Conservation Law

Rationalization of energy use by energy consumers (business sites, etc.)

- ➔ Regulation of power producers
- ➔ Rationalization of fossil fuel energy use when establishing and operating power generation facilities

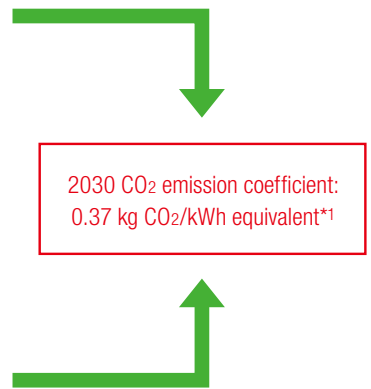
➔ Enhancing efficiency of thermal power generation (USC standard, etc.)

Energy Supply Structural Enhancement Law

Choice of retail energy provider

- ➔ Regulation of retail electricity businesses
- ➔ Expanded procurement from non-fossil power sources

➔ Non-fossil power generation: 44%



*1: Target value of Action Plan for Achieving a Low-carbon Society*2 through electricity business

*2: Medium- to Long-term plan for independent action by the electric power industry to mitigate climate change, formulated in 2015 by 12 Federation of Electric Power Companies and proposed new entrants

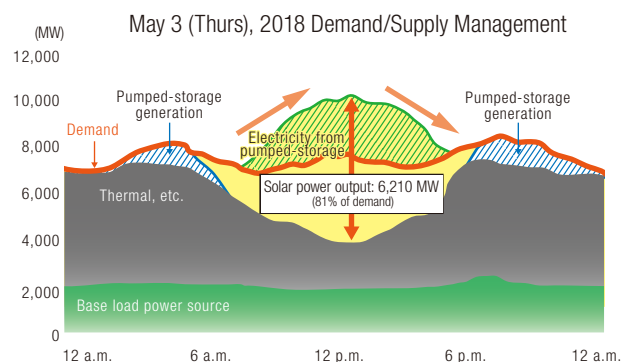
Enhancing Thermal Power Efficiency

In addition to completing work that began in 2009 to upgrade the six turbines at Shin-Oita Power Station Unit 1 to high-efficiency gas units, we kept our other high-efficiency thermal power stations operating at high levels. Thanks to these efforts, total thermal efficiency for thermal power stations in FY2017 was maintained at a high 41.8% (power transmission end).

Maximizing Adoption Renewable Energy

Power output from renewable energy, such as solar and wind energy, varies significantly depending on weather conditions and time of day. By combining power from these sources in an optimal way with our thermal power and hydropower generation, we are working to maximize utilization.

In FY2017, renewable energy amounted to approximately 20% of all energy generated and purchased by Kyushu Electric Power.



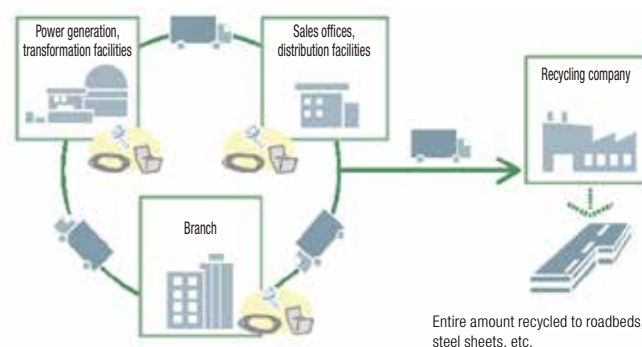
Resource Use

Near-100% Recycling of Industrial Waste

Kyushu Electric Power is working to make efficient use of resources, and we recycled nearly all of the 870,000 tons of industrial waste we produced in FY2017.

After segregating industrial waste by category and prepositioning it at selected operating locations, nearly the entire amount was recycled jointly.

We added concrete rubble to the list of recyclable waste in FY2018, and are working to further reduce the burden on the environment in terms of logistics.



Water usage

Management of Water Used in Power Generation

Industrial water used in power generation is drawn from rivers and other sources consistent with usage limitations. We are working to reduce the amount of water we use through such measures as water recirculation when power generation facilities are shut down or in normal operation.

Biodiversity

Biodiversity Survey in Company Forest

To ensure stable supplies of water for hydropower generation, Kyushu Electric Power manages 4,447 hectares of company-owned forest land. Through headwater conservation, CO₂ uptake, and other means, we are working to maintain and enhance the public functions of our forest holdings.

To enhance the biodiversity of our forest land, group company Kyushu Rinsan Co. has begun a local biodiversity survey.



Company forest (Yufu City, Oita Prefecture)



Eurema laeta



Osprey

Near-threatened and threatened species confirmed in company forest

Social Initiatives

Labor Standards

Promoting a Workstyle Reform

Kyushu Electric Power is promoting a workstyle reform aimed at creation of environments where employees can actively engage in their jobs; enhancement of labor efficiency through thoroughgoing increases in operational efficiency; and a corporate culture that encourages employees to take on new challenges.

To further these efforts, in May 2018, we held Kyuden Workstyle Reform Festa 2018, which featured panel discussions with senior management and sharing of instructive cases from various business sites.

Principal Activities

1. Enhancing operational efficiency and revamping our organizational culture
 - Management workshops
 - Establishing uniform companywide workflow rules
2. Designing systems that encourage flexible workstyles
 - Application/expansion of flextime system
 - Promotion of telework



Kyuden Workstyle Reform Festa 2018

Promoting Active Roles for Women

Percent of Target Achieved for Promoting Women to Management Positions

111% (as of March 31, 2018)

In 2016, Kyushu Electric Power formulated its Action Plan to Promote an Active Role for Women. The plan included measures to further promote enhanced participation of women in the company, including a system for rehiring female employees who had quit to marry or care for children, and career development training.

The plan also aims to double the number of women newly promoted to management positions during FY2014-2018, compared to the preceding five-year period (FY2009-2013). This goal was reached in FY2017.

Enhancing the Employment Environment for Seniors

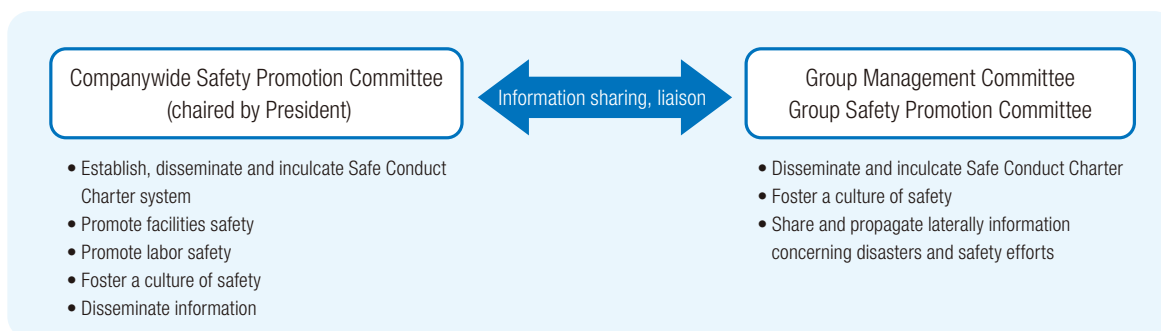
Employees aged 60 and above are valuable human resources with extensive experience and advanced knowledge and skills. Our career employee program was adopted in FY2015 to more fully utilize motivated senior employees. Going forward, we will work to further enhance our reemployment program.

Health and Safety

Groupwide Activities to Promote Safety

In FY2017, we established the Companywide Safety Promotion Committee, chaired by the President, and the Group Safety Promotion Committee, with participation from directors responsible for safety and other individuals from 42 group companies.

These two bodies will share information and liaise with each other, formulate the Kyuden Group Safe Conduct Charter, and work to disseminate and inculcate its provisions, undertaking to foster a uniform, groupwide culture of safety.



Radiation Emissions Management for Employees Engaged in Radiation Work

To minimize worker exposure at our nuclear power stations, we provide radiation shielding and promote measures such as remote and automated operation.

Average actual exposure by nuclear power station workers in FY2017 amounted to 0.1 millisieverts, far below the legally mandated limit.*

* No more than 100 millisieverts in a five-year period or 50 millisieverts in a single year

Co-Existing with Communities and Society

Efforts to Promote Next-generation Educational Support Activities

Kyuden Mirai Foundation was established to engage in activities to support the environment and the cultivation of future generations. To promote healthy child development, the foundation provides support to NPOs and other organizations engaged in next-generation educational support activities.

In FY2017, the foundation assisted 20 organizations with a total of approximately ¥14 million in support.



Crafts Festival
Children learn about the fun of manufacturing by experiencing traditional craftsmanship

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					
	2008	2009	2010	2011	2012	2013
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					
	2008	2009	2010	2011	2012	2013
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.

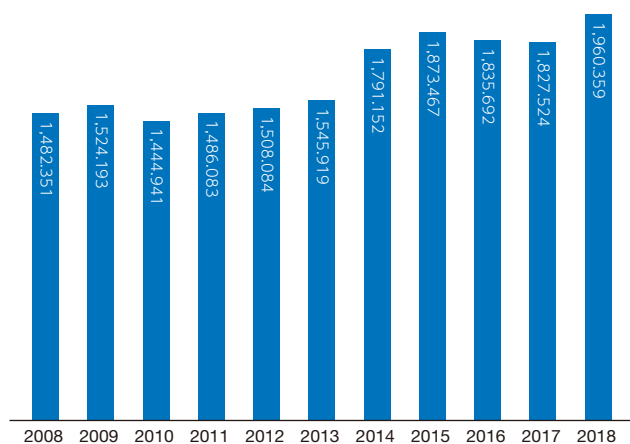
	Millions of Yen					Thousands of U.S. Dollars
	2014	2015	2016	2017	2018	2018
For the Year:						
Operating revenues:	¥1,791,152	¥1,873,467	¥1,835,692	¥1,827,524	¥1,960,359	\$18,446,972
Electric	1,633,023	1,719,570	1,688,328	1,681,066	1,804,418	16,979,569
Other	158,129	153,897	147,364	146,458	155,940	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

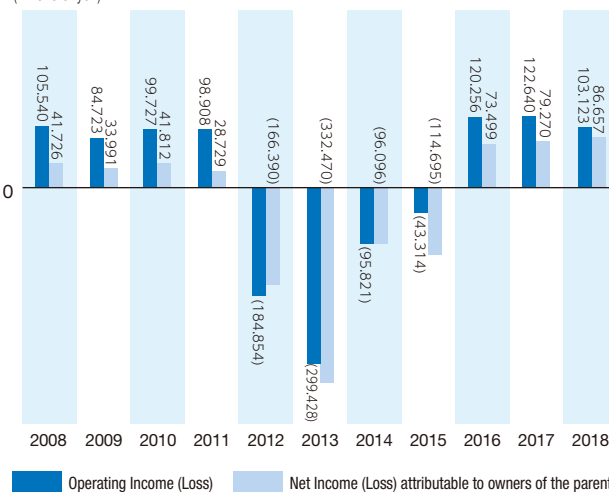
*The amounts of cash dividends per share are based on the recorded earnings for each fiscal year.

	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)



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.

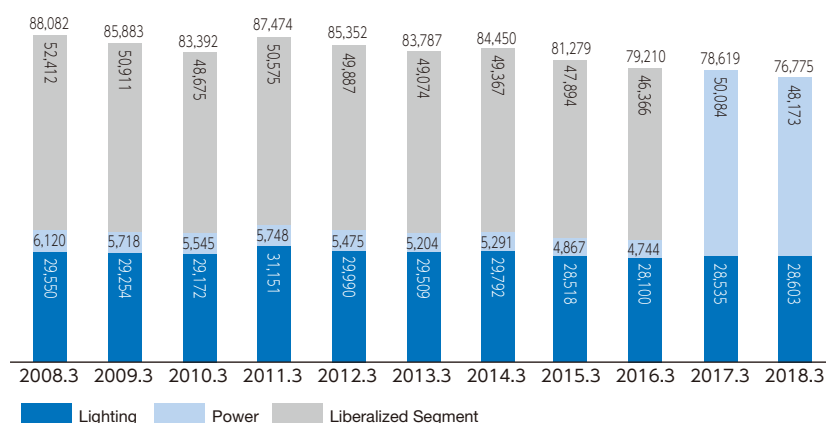
(2) Energy-related Business

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

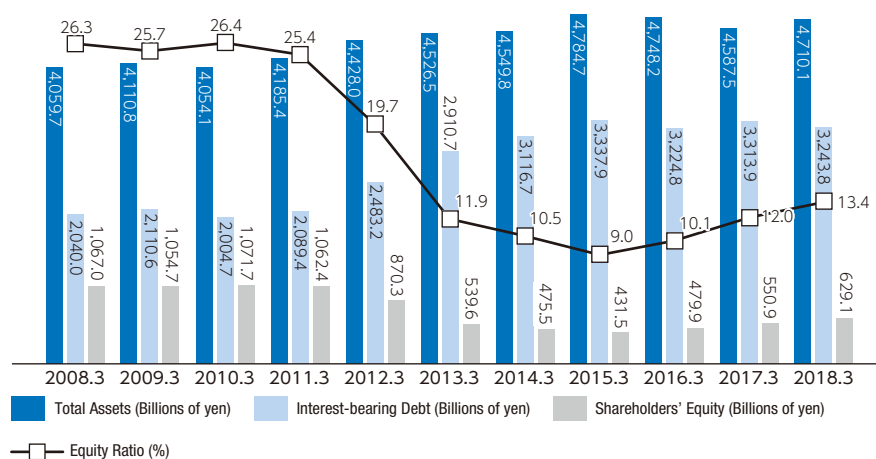
and corporate income tax, as well as in payments of accrued contributions for reprocessing of irradiated nuclear fuel in accordance with the enforcement of the Act for Partial Amendment to the Act for Deposit and Management of the Reserve Funds for Reprocessing of Spent Fuel from Nuclear Power Generation.

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 tsunamis, 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	237,304	237,304	2,233,037
Preferred stock, authorized, 1,000 shares; issued, 1,000 shares			
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
	2018	2017	2018
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					Total	Noncontrolling interests	Total Equity	
	Shares	Amount	Shares	Amount	Shares	Amount	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans					
BALANCE AT APRIL 1, 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)												
	Common Stock	Preferred Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income					Total	Noncontrolling interests	Total Equity
						Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans				
BALANCE AT MARCH 31, 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.

Consolidated Statement of Cash Flows
Consolidated Statement of Changes in Equity

Notes to Consolidated Financial Statements

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

Notes to Consolidated Financial Statements

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 (\$ 71,341 thousand)) of unrecognized past costs due to the revision of accounting regulations effective on April 1, 2005, until 2020 and record them as operating expenses.

o. Asset Retirement Obligations—Under ASBJ Statement No. 18, “Accounting Standard for Asset Retirement Obligations,”

an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement. The Company recognizes the asset retirement obligation as the sum of the future decommissioning costs of nuclear power unit imposed by the “Law on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors,” discounted at 2.3%.

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.

Notes to Consolidated Financial Statements

3. PROPERTY

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
The breakdown of property at March 31, 2018 and 2017, was as follows:			
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			
Transformation facilities	1,860,214	1,850,932	17,504,603
Distribution facilities	1,039,480	1,035,283	9,781,505
General facilities	1,450,114	1,427,445	13,645,563
Other electricity-related facilities	400,008	400,019	3,764,075
Other plant and equipment	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:

March 31, 2018	Millions of Yen			
	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

March 31, 2017	Millions of Yen			
	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.

Notes to Consolidated Financial Statements

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

Notes to Consolidated Financial Statements

(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.

Notes to Consolidated Financial Statements

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.

Notes to Consolidated Financial Statements

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			
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)	

Notes to Consolidated Financial Statements

March 31, 2018	Thousands of U.S. Dollars		
	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			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
March 31, 2018				
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			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
March 31, 2018				
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.

Notes to Consolidated Financial Statements

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

March 31, 2018	Millions of Yen			
	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)

March 31, 2017	Millions of Yen			
	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)

March 31, 2018	Thousands of U.S. Dollars			
	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

Notes to Consolidated Financial Statements

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

		Millions of Yen						
		2017						
		Reportable segment						
		Electric Power	Energy-related Business	IT and Telecommunications	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			
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	¥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
Year Ended March 31, 2017				
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.

June 27, 2018

Member of
 Deloitte Touche Tohmatsu Limited

Overview of Power Generation Facilities

(As of March 31, 2017)

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

Station name	Maximum output (kW)	Operation commencement date	System	Location
Genkai	2,919,000 (559,000×1 1,180,000×2)	Oct. 1975	Pressurized water reactor	Genkai-cho, Higashi Matsuura-gun, Saga Prefecture
Sendai	1,780,000 (890,000×2)	Jul. 1984	Pressurized water reactor	Satsumasendai-shi, Kagoshima Prefecture

Thermal Power (8 facilities/maximum output 9,939,400 kW)

Station name	Maximum output (kW)	Operation commencement date	System	Location
Shin Kokura	1,800,000 (600,000×3)	Sep. 1978	LNG	Kokura Kita-ku, Kitakyushu-shi, Fukuoka Prefecture
Karita	360,000 (360,000×1)	Jul. 2001	Coal	Kanda-machi, Miyako-gun, Fukuoka Prefecture
Buzen	1,000,000 (500,000×2)	Dec. 1977	Heavy oil/crude oil	Buzen-shi, Fukuoka Prefecture
Matsuura	700,000 (700,000×1)	Jun. 1989	Coal	Matsuura-shi, Nagasaki Prefecture
Ainoura	875,000 (375,000×1 500,000×1)	Apr. 1973	Heavy oil/crude oil	Sasebo-shi, Nagasaki Prefecture
Shin Oita	2,804,400 (115,000×6 230,000×4 245,000×3 459,400×1)	Jun. 1991	LNG	Oita-shi, Oita Prefecture
Reihoku	1,400,000 (700,000×2)	Dec. 1995	Coal	Reihoku-machi, Amakusa-gun, Kumamoto Prefecture
Sendai	1,000,000 (500,000×2)	Jul. 1974	Heavy oil/crude oil	Satsumasendai-shi, Kagoshima Prefecture

Hydroelectric Power (143 facilities/maximum output 3,579,851 kW)

Station name	Maximum output (kW)	Operation commencement date	System	Location
Tenzan	600,000	Dec. 1986	Dam and conduit system (pure pumped-storage)	Karatsu-shi, Saga Prefecture
Matsubara	50,600	Aug. 1971	Dam system	Hita-shi, Oita Prefecture
Yanagimata	63,800	Jun. 1973	Dam and conduit system	Hita-shi, Oita Prefecture
Ohira	500,000	Dec. 1975	Dam and conduit system (pure pumped-storage)	Yatsushiro-shi, Kumamoto Prefecture
Kamishiiba	93,200	May 1955	Dam and conduit system	Shiiba-son, Higashi Usuki-gun, Miyazaki Prefecture
Iwayado	52,000	Jan. 1942	Dam and conduit system	Shiiba-son, Higashi Usuki-gun, Miyazaki Prefecture
Tsukabaru	63,050	Oct. 1938	Dam and conduit system	Morotsuka-son, Higashi Usuki-gun, Miyazaki Prefecture
Morotsuka	50,000	Feb. 1961	Dam and conduit system	Morotsuka-son, Higashi Usuki-gun, Miyazaki Prefecture
Omarugawa	1,200,000	Jul. 2007	Dam and conduit system (pure pumped-storage)	Kijo-cho, Koyu-gun, Miyazaki Prefecture
Hitotsuse	180,000	Jun. 1963	Dam and conduit system	Saito-shi, Miyazaki Prefecture
Oyodogawa Daiichi	55,500	Jan. 1926	Dam system	Miyakonojo-shi, Miyazaki Prefecture
Oyodogawa Daini	71,300	Mar. 1932	Dam and conduit system	Miyazaki-shi, Miyazaki Prefecture

* With outputs of 50,000 kW or higher

Geothermal Power (6 facilities/maximum output 207,800 kW)

Station name	Maximum output (kW)	Operation commencement date	Location
Takigami	27,500	Nov. 1996	Kokonoe-machi, Kusu-gun, Oita Prefecture
Otake	12,500	Aug. 1967	Kokonoe-machi, Kusu-gun, Oita Prefecture
Hatchoubaru	110,000 (55,000×2)	Jun. 1977	Kokonoe-machi, Kusu-gun, Oita Prefecture
Hatchoubaru Binary	2,000	Apr. 2006	Kokonoe-machi, Kusu-gun, Oita Prefecture
Ogiri	25,800	Mar. 1996	Kirishima-shi, Kagoshima Prefecture
Yamagawa	30,000	Mar. 1995	Ibusuki-shi, Kagoshima Prefecture

Internal Combustion Power (34 facilities/maximum output 395,610 kW) *including gas turbines on isolated islands and internal-combustion engines at the Buzen Power Station

Station name	Maximum output (kW)	Operation commencement date	Location
Shinarikawa	60,000 (10,000×6)	Jun. 1982	Shinkamigotou-cho, Minami matsuura-gun, Nagasaki Prefecture
Tatsugo	60,000 (10,000×6)	Jun. 1980	Tatsugo-cho, Oshima-gun, Kagoshima Prefecture

* With outputs of 50,000 kW or higher

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

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

Photovoltaic Power (1 facility/maximum output total 3,000 kW)

Station name	Maximum output (kW)	Operation commencement date	Location
Mega Solar Omuta	3,000	Nov. 2010	Omuta-shi, Fukuoka Prefecture

Subsidiaries and Affiliated Companies

(As of March 31, 2017)

Consolidated Subsidiaries (43)

Company Name	Capital (Millions of yen)	Equity Ownership (%)	Business
Energy Business in Kyushu			
Oita Liquefied Natural Gas Co., Inc.	7,500	98.0	Receipt, storage, vaporization and delivery and sales of LNG
Kitakyushu Liquefied Natural Gas Co., Inc.	4,000	75.0	Receipt, storage, vaporization and delivery and sales of LNG
Pacific Hope Shipping Limited	4,071	60.0	Purchasing, operating, chartering and renting of LNG carriers
Kushima Wind Hill Co., Ltd.	2,821	51.0	Sales of electricity generated by wind power
Nishinippon Environmental Energy Co., Inc.	1,016	100.0	Distributed power system business and consultation about energy efficiency
Kyuden Mirai Energy Company, Incorporated	2,069	100.0	Renewable energy business
Kyushu Rinsan Co., Inc.	490	100.0	Greening construction at power stations and other facilities
Nagashima Wind Hill Co., Ltd.	490	86.0	Sales of electricity generated by wind power
Fukuoka Energy Service Co., Inc.	490	80.0	Heat supply business
Kyuden Technosystems Corporation	327	85.2	Manufacture and sales of electric machinery; installation, maintenance and management of electrical measurement equipment
Kyuden High Tech Corporation	200	100.0	Maintenance and repair of electricity facilities
Nishi Nippon Airlines Co., Ltd.	360	54.7	Air cargo transportation
Nishinippon Plant Engineering and Construction Co., Ltd.	150	85.0	Construction, maintenance and repair of power generation facilities
Kyushu Kouatsu Concrete Industries Co., Ltd.	240	51.3	Manufacture and sales of concrete poles
Kyuden Sangyo Co., Inc.	117	100.0	Environmental preservation work at power stations
Miyazaki Biomass Recycle Co., Inc.	100	42.0	Power-generation activities using poultry dung fuel
West Japan Engineering Consultants, Inc.	40	100.0	Consultation and planning of civil engineering and construction
Koyo Denki Kogyo Co., Ltd.	20	97.3	Manufacture and sales of HV and LV insulators and other items
Nishigi Kogyo, Co., Inc.	20	74.0	Conduit maintenance for hydroelectric power stations
Shimonoseki Biomass Energy Co., Ltd	1	100.0	Sales of electricity generated by biomass
Energy Business Overseas			
Kyuden International Corporation	23,150	100.0	Acquisition and holding of securities of overseas companies operating electricity
KYUDEN SARULLA PTE. LTD.	159 (Millions of Singapore dollars)	100.0	Geothermal power generation
Kyuden International Netherlands B.V.	6,545	100.0	Acquisition and holding of securities of overseas electric companies
Kyuden Hsin Tao Power Holdings	2,400 (Millions of Taiwan dollars)	100.0	Investment in Hsin Tao IPP business company
Kyuden Birdsboro Inc.	1 (U.S. dollars)	100.0	Acquisition and holding of securities of overseas electric companies
Kyushu Electric Australia Pty Ltd.	210 (Millions of U.S. dollars)	100.0	Share ownership and management (funding, tax, accounting, etc.) of Kyushu Electric Wheatstone Pty Ltd
Kyushu Electric Wheatstone Pty Ltd.	198 (Millions of U.S. dollars)	100.0	Ownership of mining interests and assets, trading and sales of output in Wheatstone LNG project
IT and Telecommunications			
QTN Net Co., Ltd.	22,020	100.0	Fiber-optic cable and broadband services
Kyuden Infocom Company, Inc.	480	100.0	IT-related planning and consultation, and data center business
Nishimu Electronics Industries, Co., Ltd.	300	100.0	Manufacture, sales, installation and maintenance of telecommunication devices
Kyuden Business Solutions Co., Inc.	100	100.0	Development, operation and maintenance of information systems
RKK Computer Service Co., Inc.	100	61.3	Development and sales of computer software
Lifestyle-oriented Services			
DENKI BLDG. CO., Ltd.	3,395	91.9	Leasing and management of real estate
Kyuden Good Life Company, Inc.	300	100.0	Paid elderly nursing home management and nursing services
Capital Kyuden Corporation	285	100.0	Acquiring and owning of securities, loans to group companies
Kyuden Good Life Kumamoto Company, Inc.	200	100.0	Paid elderly nursing home management and nursing services
Kyuden Business Front Inc.	100	100.0	Temporary staffing and job-placement services
Kyuden Good Life Fukuoka Josui Company, Inc.	100	100.0	Paid elderly nursing home management and nursing services
Kyuden Good Life Kagoshima Company, Inc.	100	90.0	Paid elderly nursing home management and nursing services
Kyuden Good Life Higashifukuoka Company, Inc.	100	70.0	Paid elderly nursing home management and nursing services
Kyuden Fudousan Co., Ltd.	32	98.1	Leasing of real estate and site management
Kyuden Office Partner Co., Inc.	30	100.0	Clerical work acceptance on trust and consulting business
Kyushu Maintenance Co., Ltd.	10	82.0	Cleaning and maintenance of real estate

Non-consolidated Subsidiaries and Affiliated Companies Accounted for under Equity Method (27)

Company Name	Capital (Millions of yen)	Equity Ownership (%)	Business
Energy Business in Kyushu			
Tobata Co-operative Thermal Power Co., Inc.	9,000	50.0	Thermal power generation business
Kyudenko Corporation	12,555	22.7	Electric work
Fukuoka Clean Energy Co., Ltd.	5,000	49.0	Waste incineration and power generation business
Oita Co-operative Thermal Power Co., Inc.	4,000	50.0	Thermal power generation business
KYUSYU CRYOGENICS CO., LTD.	450	50.0	Manufacture and sales of liquid oxygen, liquid nitrogen and liquid argon
Kyuhon Co., Ltd.	225	35.9	Manufacture and sales of electrical equipment
Seishin Corporation	200	27.3	Sale of electrical equipment
Plazwire Co., Ltd.	50	100.0	Flame spray coating (painting) business
Nishikyushu Kyodo Kowan Co., Ltd.	50	50.0	Operation and maintenance of coal handling equipment
Kyuden Corporation	100	15.2	Construction and repair of transmission lines
Nishi Nihon Denki Tekkou Co., Ltd.	30	33.5	Design, production and sales of steel towers and steel conduits
Washiodake Wind Power Co., Ltd.	10	100.0	Sales of electric power from wind generation
NISHIGI SURVEYING AND DESIGN CO., LTD.	10	100.0	Investigation, measurement, design, drafting and care of civil engineering/construction projects
Munakataasty Solar Power Co., Ltd.	10	100.0	Sales of electricity generated by solar power
Amami Oshima Wind Power Co., Ltd.	10	75.0	Sales of electric power from wind generation
Energy Business Overseas			
KYUDEN ILIJAN HOLDING CORPORATION	3 (Millions of U.S. dollars)	100.0	Investment in Ilijan IPP business company
Kyushu Tohoku Enrichment Investing SAS	62 (Millions of Euro)	50.0	Investment in uranium enrichment business
Electricidad Aguila de Tuxpan, S. de R.L. de C.V.	641 (Millions of Mexico Pesos)	50.0	Power-generation activities using natural gas fuel
Electricidad Sol de Tuxpan, S. de R.L. de C.V.	493 (Millions of Mexico Pesos)	50.0	Power-generation activities using natural gas fuel
IT and Telecommunications			
RKKCS Software	10	100.0	Developments and sales of computer software
Environment and Recycling Business			
J-Re-Lights Co., Ltd.	100	100.0	Recycling of used fluorescent bulbs
Records & Intelligence Management Co., Ltd	80	98.1	Recycling of confidential documents
Lifestyle-oriented Services			
Kyushu Highlands Development Co., Ltd.	300	100.0	Management of golf courses
Kyushu Housing Guarantee Corporation	272	33.3	Housing and building assessments, security services affairs
Kyuden Shared Business Co., Ltd.	80	100.0	Accounting and personnel services
Kyushu Captioning Co-Production Center Inc.	60	78.3	Subtitle production for broadcasting
Oak Partners Co., Ltd.	3	100.0	Real estate management

Corporate Data

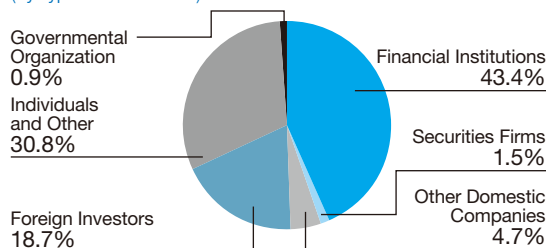
Company Overview

Trade Name	Kyushu Electric Power Company, Incorporated	Date of Establishment	May 1, 1951
Head Office	1-82, Watanabe-dori 2-chome, Chuo-ku, Fukuoka 810-8720, Japan Phone +81-92-761-3031	Paid-in Capital	¥237,300 million
Tokyo Branch Office	7-1, Yurakuchō 1-chome, Chiyoda-ku, Tokyo 100-0006, Japan Phone +81-3-3281-4931	Number of Employees	13,022

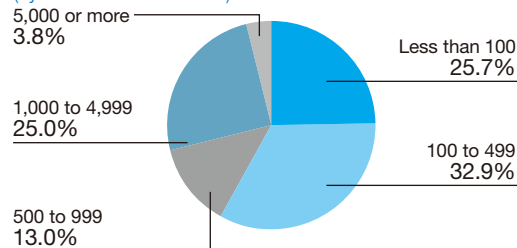
Stock Information

Total Number of Shares Authorized	1,000,000,000 Common stock: 1,000,000,000 Class A preferred shares: 1,000	Shareholders' Meeting	June
Number of Shares Issued and Outstanding	Common stock: 474,183,951 Class A preferred shares: 1,000	Fiscal Year	From April 1 to March 31
Number of Shareholders	Common stock: 144,222 Class A preferred shares: 1	Stock Listings	Tokyo Stock Exchange, Fukuoka Stock Exchange (Code: 9508)
		Transfer Agent and Registrar	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan
		Accounting Auditor	Deloitte Touche Tohmatsu LLC

• Common stock Composition of Shareholders (By Type of Shareholder)



Composition of Shareholders (By Number of Shares Held)



Major Shareholders

Name	Number of Shares Held (Thousands of Shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust unit)	2,508	5.29
Meiji Yasuda Life Insurance	2,288	4.83
Japan Trustee Services Bank, Ltd. (trust unit)	1,707	3.60
Nippon Life Insurance Company	1,329	2.80
Japan Trustee Services Bank, Ltd. (trust unit9)	1,221	2.58
Kochi Shinkin Bank	1,103	2.33
Kyushu Electric Power Co., Inc. Employees' Shareholding Association	1,067	2.25
Mizuho Bank, Ltd.	967	2.04
The Bank of Fukuoka, Ltd.	867	1.83
Sumitomo Mitsui Banking Corporation	847	1.79

• Class A preferred shares

Name	Number of Shares Held (Thousands of Shares)	Shareholding Ratio (%)
The Development Bank of Japan	1	100.0

Trends of Stock Price and Trading Volume

