
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.

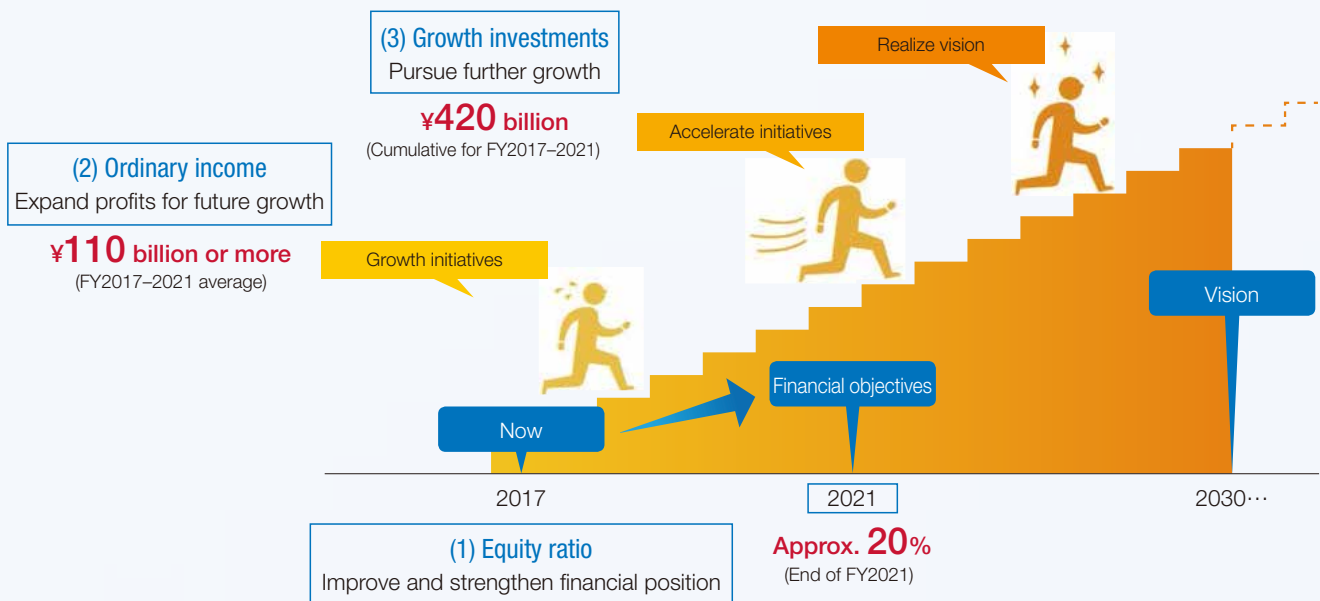
In FY2018, we began operating four nuclear power units, which enabled us to operate a nuclear power generation system upon which our current electricity pricing is based. In FY2019, Matsuura Power Station Unit 2, an environment-friendly, highly efficient coal-fired unit, will commence operation. We will 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.

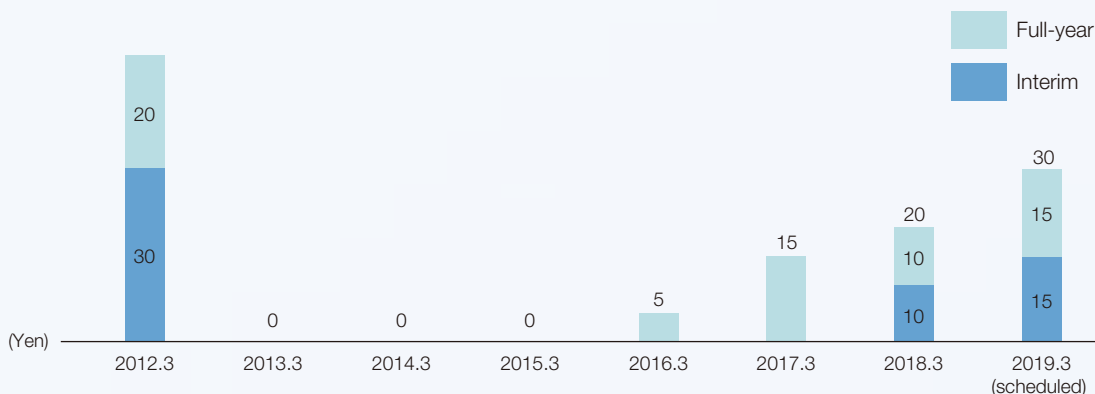
Regarding future dividend levels, although we must take into consideration the degree to which we achieve our financial targets, as well as our mid- to long-term revenue and financial status, we hope to return as quickly as possible to the ¥50 dividend set prior to the 2016 earthquakes.

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.