

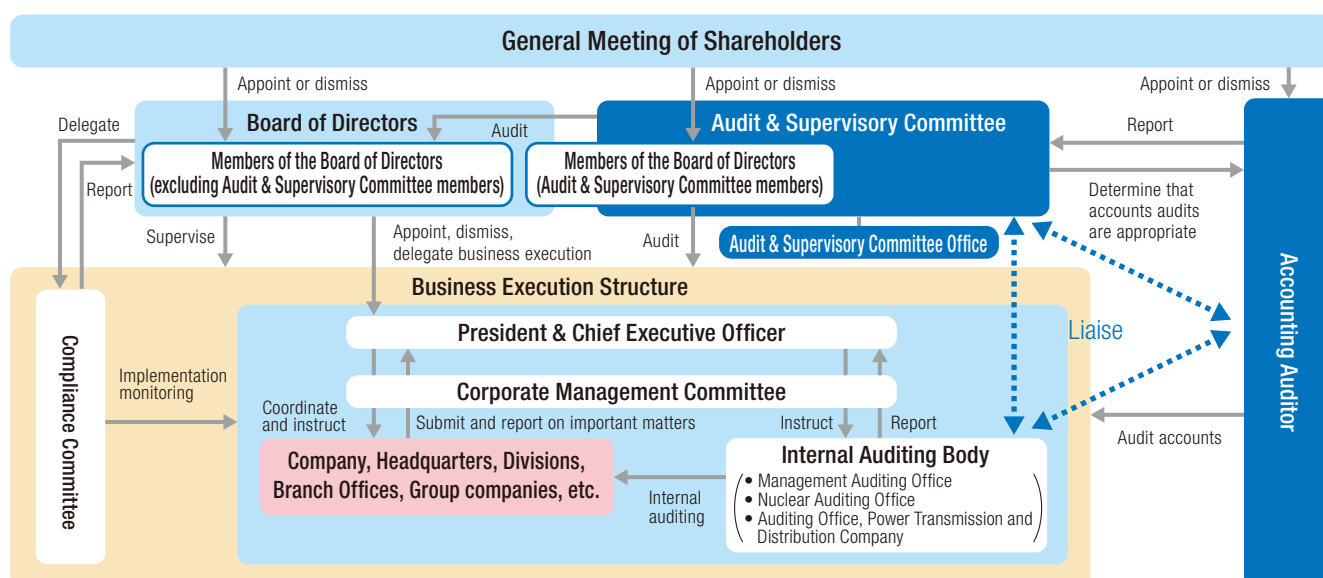
Governance Initiatives

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

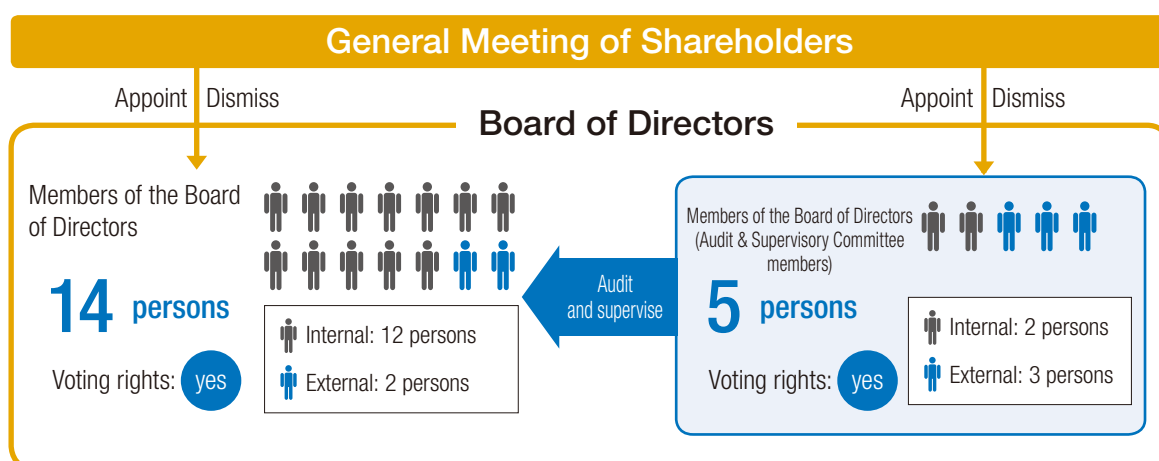
Organization	Role	Members (As of March 31, 2018)	Meeting Frequency, etc.
Board of Directors	<ul style="list-style-type: none"> Decides on important corporate management matters Supervises performance of duties 	<ul style="list-style-type: none"> 15 members of the Board of Directors in total (including 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

