

October 30, 2020

**The 2nd Quarter of the Fiscal Year Ending March 31, 2021 Financial Results Overview [Japan GAAP] (Consolidated)
Kyushu Electric Power Co., Inc.**

Stock code: 9508 URL: https://www.kyuden.co.jp/english_index.html

Stock listed on: Tokyo SE, Fukuoka SE

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Quarterly financial report submission date (plan): November 11, 2020

Date to start dividend payments: November 27, 2020

Preparation of supplementary materials for quarterly financial results: Yes

Information meeting for quarterly financial results: Yes (for analysts and institutional investors)

(Rounded down to the nearest million yen)

1. Consolidated Financial Results for the Six Months (April 1, 2020 to September 30, 2020)

(1) Consolidated Operational Results

(% shows the changes from the same quarter period of the previous FY)

	Sales		Operating profit		Ordinary profit	
	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)
April 1, 2020 - September 30, 2020	1,060,512	3.9	91,038	202.1	82,521	382.8
April 1, 2019 - September 30, 2019	1,020,229	-1.1	30,131	-27.6	17,092	-42.1

(Note) Comprehensive income : FY2020 2Q 62,377 million yen (494.2%) FY2019 2Q 10,497 million yen (-52.9%)

	Profit attributable to owners of parent		EPS	Fully-diluted EPS
	(Unit: million yen)	(%)	(Unit: yen)	(Unit: yen)
April 1, 2020 - September 30, 2020	63,076	777.7	131.13	117.72
April 1, 2019 - September 30, 2019	7,186	-63.4	12.25	9.91

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	(Unit: million yen)	(Unit: million yen)	(%)
As of September 30, 2020	5,019,817	691,715	13.2
As of March 31, 2020	4,948,063	637,957	12.3

(Reference) Shareholders' equity : As of September 30, 2020 : 664,126 million yen As of March 31, 2020: 610,641 million yen

2. Dividends

	Annual dividends per share				
	1Q	2Q	3Q	Year-end	Total
	(Unit: yen)	(Unit: yen)	(Unit: yen)	(Unit: yen)	(Unit: yen)
FY2019 ended March 31, 2020	—	20.00	—	15.00	35.00
FY2020 ended March 31, 2021	—	17.50	—	—	—
FY2020 ending March 31, 2021 (forecast)	—	—	—	17.50	35.00

(Note) Revision of the dividend forecast : Yes

Please refer to "(2) Forecasts of Dividends" on page 3 of the Attachment for the revision of the dividend forecast.

Dividends mentioned the above are regarding common shares. See 'Dividends for Class Shares' regarding dividends for class shares which differ in shareholders' right from common shares.

3. Consolidated Financial Results Forecasts for FY2020 (April 1, 2020 to March 31, 2021)

	Sales		Operating income		Ordinary income		Profit attributable to owners of parent		EPS
	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: yen)
Full-year	2,060,000	2.3	70,000	9.7	45,000	12.4	30,000	—	58.99

(Note) Revision of financial results forecasts : Yes

Please refer to "(1) Forecasts of Financial Results" on page 2 of the Attachment for revision of the consolidated financial results forecasts.

※ Note

(1) Changes in significant subsidiaries : No

(changes in scope of specified subsidiaries)

Newly added: — Excluded: —

(2) Adoption of methods specific in preparing quarterly consolidated financial statements in accounting practice : No

(3) Changes in accounting principles, changes in accounting estimates, restatement

- ① Changes in accounting principles in line with revised accounting standards : No
- ② Changes in accounting principles other than ① : Yes
- ③ Changes in accounting estimates : Yes
- ④ Restatement : No

(Note) Applicable to cases when it is difficult to distinguish accounting policy changes from accounting estimate changes.
For details, see "(3) Notes on Quarterly Consolidated Financial Statements :Changes in accounting policies that are difficult to distinguish from changes in accounting estimates" on Page 8.

(4) Number of common stocks issued and outstanding

- ① Total stocks including treasury stocks at the end of period
FY2020 2Q 474,183,951 shares FY2019 474,183,951 shares
- ② Treasury stocks at the end of period
FY2020 2Q 1,153,370 shares FY2019 1,194,235 shares
- ③ Average number of stocks during the period (Quarter Total)
FY2020 2Q 473,002,501 shares FY2019 2Q 472,979,862 shares

(Note) The number of our shares regarding "Board Benefit Trust (BBT)" held by the Trust was included in the number of treasury stocks at the end of period (603,000 shares as of FY2020 2Q and 648,000 shares as of FY2019) . In addition, the number of our shares held by the Trust was included in the number of treasury stocks, which was to be deducted from the calculation of the average number of stocks during the period. (633,000 shares for FY2020 2Q and 667,000 shares for FY2019 2Q)

*Quarterly financial results is not the object of quarterly review.

*Notes on the proper use of the forecasts

Looking-forward statements are based on information available at the date of the release of this document. Due to various factors, the actual result may differ from these statements.

We will post supplementary materials for quarterly financial results on our website.

(Reference) Dividends for Class Shares

The breakdown of dividend for class shares which differ in shareholders' rights from common shares is as follows.

Class A preferred shares	Annual dividends per share				
	1Q	2Q	3Q	Year-end	Total
	(Unit: yen)	(Unit: yen)	(Unit: yen)	(Unit: yen)	(Unit: yen)
FY2019 ended March 31, 2020	—	546,575.00	—	1,052,877.00	1,599,452.00
FY2020 ended March 31, 2021	—	1,050,000.00			
FY2020 ending March 31, 2021 (forecast)			—	1,050,000.00	2,100,000.00

(Note1) Revision of the dividend forecast : Yes

(Note2) Please refer to "(2) Forecasts of Dividends" on page 3 of the Attachment for the revision of the dividend forecast.

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1. Explanation of the Forecast of Financial Results and Dividends

(1) Forecasts of Financial Results

The Forecasts of Financial Results for FY2020 had been undecided because it was not possible to estimate the impact of the spread of the corona virus infection on electricity sales volume and our businesses.

Taking into account the impact of the corona virus so far and factoring in the assumptions for future impact, we have calculated the forecast and will announce it.

Although the coronavirus's staggering economic impact seems to be subsiding and the economy is showing signs of improvement, it has not fully recovered yet.

Therefore, the electricity sales volume has been calculated on the assumption that this situation will continue until the end of the fiscal year.

The Forecasts of Financial Results for FY2020

Forecasts of Financial Results

	Sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	EPS
Forecast previously announced (A)	(Unit: million yen) —	(Unit: million yen) —	(Unit: million yen) —	(Unit: million yen) —	(Unit: yen) —
Revised forecast (B)	2,060,000	70,000	45,000	30,000	58.99
Difference (B-A)	—	—	—	—	—
Rate of Change (%)	—	—	—	—	—
Results for FY2019 (reference)	2,013,050	63,813	40,052	-419	-6.05

Main specifications table

	Forecast announced	Results for FY2019 (reference)
Retail electricity sales	75.1 billion kWh*	73.2 billion kWh
Wholesale electricity quantity	10.3 billion kWh	7.5 billion kWh
Total	85.4 billion kWh	80.7 billion kWh
Crude Oil CIF Price	42\$/b	68\$/b
Exchange Rate	106¥/\$	109¥/\$
Nuclear Power Utilization Rate (Transmission-end)	21.7 billion kWh (62.4%)	28.7 billion kWh (82.0%)

* The impact of the corona virus: -2.0 billion kWh

Note : Electricity sales volume represents our company and consolidated subsidiaries (Kyushu Electric Power Transmission and Distribution Co.,Inc and Kyuden Mirai Energy Co.,Inc.) (internal transactions have been eliminated).

The impact of the corona virus

	Retail	Ordinary profit
FY2020 ended March 31, 2021	-2.0 billion kWh	-21.0 billion yen
April 1, 2020 - September 30, 2020 (reference)	-1.5 billion kWh	-16.0 billion yen

(2) Forecasts of Dividends

Dividends are determined based on a comprehensive analysis of operating forecasts and medium to long-term balance situation and financial and other factors.

Based on a comprehensive analysis of operating forecasts and medium to long-term balance situation and financial and other factors, we regrettably have revised the forecasts of the year-end dividends for FY2019 and we plan to pay a dividend of ¥17.5 per common share.

As for the class A preferred share, there is no change to the previous forecast. We plan to pay a dividend of a total amount of ¥1.05 billion (annual: ¥2.1 billion).

▪ Common shares

	Annual dividends per share		
	Interim	Year-end	Total
Previously forecast	¥17.50	—	—
Revised forecast	—	¥17.50	¥35.00
Results for FY2020	¥17.50	—	—
Results for FY2019	¥20.00	¥15.00	¥35.00

▪ Class A preferred shares

	Annual dividends per share		
	Interim	Year-end	Total
Previously forecast	¥1,050,000.00	—	—
Revised forecast	—	¥1,050,000.00	¥2,100,000.00
Results for FY2020	¥1,050,000.00	—	—
Results for FY2019	¥546,575.00	¥1,052,877.00	¥1,599,452.00

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

	(Unit: million yen)	
	As of March 31, 2020	As of September 30, 2020
Assets		
Non-current assets	4,368,942	4,387,763
Electric utility plant and equipment	2,476,991	2,475,277
Hydroelectric power production facilities	258,623	259,269
Thermal power production facilities	302,336	288,502
Nuclear power production facilities	329,498	316,232
Internal combustion engine power production facilities	21,409	20,907
Renewable power production facilities	14,351	14,103
Transmission facilities	575,042	579,162
Transformation facilities	211,969	217,820
Distribution facilities	633,541	639,676
General facilities	114,288	125,734
Other electric utility plant and equipment	15,931	13,866
Other non-current assets	364,850	358,273
Construction in progress	740,130	778,551
Construction and retirement in progress	641,816	674,894
Special account related to nuclear power decommissioning	43,535	42,465
Special account related to reprocessing of spent nuclear fuel	54,777	61,192
Nuclear fuel	240,942	231,809
Loaded nuclear fuel	44,517	35,041
Nuclear fuel in processing	196,424	196,767
Investments and other assets	546,027	543,851
Long-term investments	202,483	208,662
Retirement benefit asset	6,210	6,997
Deferred tax assets	164,272	156,613
Other	174,787	172,862
Allowance for doubtful accounts	△1,725	△1,285
Current assets	579,121	632,054
Cash and deposits	204,040	191,078
Notes and accounts receivable - trade	235,706	306,615
Inventories	83,059	91,479
Other	57,087	44,049
Allowance for doubtful accounts	△773	△1,167
Total assets	4,948,063	5,019,817

	(Unit: million yen)	
	As of March 31, 2020	As of September 30, 2020
Liabilities		
Non-current liabilities	3,242,680	3,315,181
Bonds payable	1,154,898	1,209,898
Long-term borrowings	1,640,896	1,658,702
Retirement benefit liability	102,265	100,603
Asset retirement obligations	268,332	271,481
Deferred tax liabilities	7,534	7,264
Other	68,753	67,231
Current liabilities	1,058,585	1,004,170
Current portion of non-current liabilities	415,119	376,507
Short-term borrowings	118,012	125,332
Commercial papers	92,000	98,000
Notes and accounts payable - trade	65,753	66,268
Accrued taxes	19,403	31,814
Other	348,297	306,247
Reserves under special laws	8,840	8,750
Reserve for water shortage	8,840	8,750
Total liabilities	4,310,105	4,328,102
Net assets		
Shareholders' equity	632,808	687,774
Share capital	237,304	237,304
Capital surplus	120,008	120,007
Retained earnings	276,997	331,911
Treasury shares	△1,501	△1,449
Accumulated other comprehensive income	△22,166	△23,648
Valuation difference on available-for-sale securities	2,115	2,337
Deferred gains or losses on hedges	713	△938
Foreign currency translation adjustment	△4,697	△7,559
Remeasurements of defined benefit plans	△20,298	△17,488
Non-controlling interests	27,316	27,588
Total net assets	637,957	691,715
Total liabilities and net assets	4,948,063	5,019,817

(2) Quarterly Consolidated Income Statements and Quarterly Consolidated Comprehensive Income Statements
(Quarterly Consolidated Income Statements)

	(Unit: million yen)	
	April 1,2019- September 30, 2019)	April 1,2020- September 30, 2020)
Operating revenue	1,020,229	1,060,512
Electric utility operating revenue	920,246	936,805
Other business operating revenue	99,982	123,707
Operating expenses	990,097	969,473
Electric utility operating expenses	898,790	855,672
Other business operating expenses	91,307	113,801
Operating profit	30,131	91,038
Non-operating income	8,497	7,406
Dividend income	375	959
Interest income	418	441
Share of profit of entities accounted for using equity method	5,042	4,135
Other	2,662	1,869
Non-operating expenses	21,536	15,922
Interest expenses	14,424	12,867
Other	7,111	3,054
Total ordinary revenue	1,028,726	1,067,918
Total ordinary expenses	1,011,633	985,396
Ordinary profit	17,092	82,521
Provision or reversal of reserve for water shortage	△199	△89
Reversal of reserve for water shortage	△199	△89
Profit before income taxes	17,291	82,611
Income taxes - current	3,194	12,087
Income taxes - deferred	5,888	6,710
Total income taxes	9,082	18,797
Profit	8,208	63,814
Profit attributable to non-controlling interests	1,022	737
Profit attributable to owners of parent	7,186	63,076

(Quarterly Consolidated Comprehensive Income Statements)

	(Unit: million yen)	
	April 1,2019- September 30, 2019	April 1,2020- September 30, 2020
Profit	8,208	63,814
Other comprehensive income		
Valuation difference on available-for-sale securities	△185	126
Deferred gains or losses on hedges	1,015	△589
Foreign currency translation adjustment	△1,017	△1,194
Remeasurements of defined benefit plans, net of tax	3,042	2,769
Share of other comprehensive income of entities accounted for using equity method	△566	△2,547
Total other comprehensive income	2,288	△1,436
Comprehensive income	10,497	62,377
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,554	61,594
Comprehensive income attributable to non-controlling interests	943	782

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on the premise of going concern)

N/A

(Notes in case of drastic changes in the amount of equity)

N/A

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

Change in depreciation method for property, plant and equipment

The Company and its consolidated subsidiaries traditionally used the declining-balance method for calculating depreciation of property, plant and equipment. From the first quarter of the fiscal year 2020, however, the company has resolved to adopt the straight-line method of depreciation as a general rule.

For the Kyushu region, which is the main supply area of the Kyuden Group, it is expected that electricity demand in the future will not increase dramatically, due to population decline and improving energy conservation and electricity efficiency.

As a result of ongoing liberalization as part of the Electricity System Reform, achieving efficient and stable operations becomes essential for our power generation and retail electricity business, as it faces an increasing competitive environment. Similarly, our transmission and distribution company, which was created after the legal separation in 2020, will steadily work on efficient and stable operations to provide stable electricity supply, while ensuring neutrality.

When looking at the power generation business, Matsuura Power Station Unit 2 started commercial operation in December 2019, which was the realization of a major power source development milestone. In addition, the installation work for Specific Safety Facilities at Sendai Nuclear Power Station Unit 1 and 2 is scheduled to be completed in FY2020. Therefore when looking forward, it is expected that the majority of future investments will consist of maintenance and management of existing power sources to ensure stable operation. Regarding the power transmission and distribution business, in which the stable operation of the equipment is expected in consideration of demand trends, supply reliability, safety and operation of the equipment, and cost.

In light of these changes, within the company and its surrounding environment, the Group's medium-term management plan, beginning from fiscal 2020, positions efficient and stable operation of its facilities as one of its key-priority initiatives.

Building on this foundation, it is expected that the stable use of facilities will take a prominent part in the electric power business in the future, so changing the depreciation method for property, plant and equipment to the straight-line method will better reflect the consumption pattern of future economic benefits.

As a result of this change, Ordinary profit and Profit before income taxes for FY2020 2Q increased by ¥26,536 million, respectively, compared to what they otherwise would have been had the previous method been applied.

(Subsequent Events)

Issuance of Hybrid Corporate Bonds (No Collateral and Subordinated Corporate Bonds)

https://www.kyuden.co.jp/english_company_news_2020_h201009-1.html