

## Interview with the President

**Our Group will work in unison  
towards achieving our Management Vision 2030**



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

K. Akebe

**Q1**

Looking back, how would you sum up the year?

**A1**

The Japanese electric power business is now at a major turning point under a challenging business environment. Despite this, we have taken steps aimed at boosting profits, such as the commercial operation of the competitive, coal-fired Matsuura Power Station Unit 2, alliances with other companies to expand electric power sales.

Following Japan's full deregulation of the retail electricity sector in April 2016, full liberalization of the retail gas sector in April 2017, and the spin-off of our transmission and distribution business (through legal separation) in April 2020, our business has come to a major turning point. While the business environment is a tough one, in terms of setting a foundation for the future, I believe we delivered steady results during the year by successfully having tackled a number of management issues.

First, we announced Kyuden Group Management Vision 2030 in June 2019. We created this vision to rally the Kyuden Group in transitioning our business from defense to offense under a changing business environment. We set a long-term strategy direction that allows us to contribute to the sustainable growth of Kyushu, the region that is our base, and to grow together with the local community and society through our business activities.

Our Management Vision for 2030 conveys the message "Kyuden Group: Creating the future, starting from Kyushu. Providing more prosperous, comfortable living to become our customers' No. 1 choice." This expresses our wish to become our customers' first choice by providing energy services and new value for a more prosperous and comfortable lifestyle. It also conveys our wish to make Kyushu a base from which we help resolve social issues and create a bright future together with the region and society, then extend this from Kyushu to the rest of the world. In line with this vision, we have set ordinary profit of 150 billion yen by 2030 as a goal, with 50% to be generated from the domestic electric power business and the remaining 50% from overseas and other businesses.

Looking at our financial results for fiscal 2019, ordinary income remained at 40 billion yen due to the market slump in wholesale power exchange caused by unseasonable weather in summer and a historic warm winter. At the same time, we were able to move forward with efforts that will lead to future expansion of profit.

First, in our domestic electric power business, we achieved operational status for four nuclear power stations, and lowered electricity rates in April 2019 to strengthen competitiveness. In December 2019, we began commercial operation of the coal-fired Matsuura Power Station

Unit 2, which uses the cutting-edge technology called ultra-supercritical generation. We also met the expectations of customers in the Kyushu region with compelling rate plans such as electricity/gas packages (approx. 120,000 customers as of March 31, 2020) and a heat stroke prevention plan (approx. 185,000 customers as of the same period). Our subsidiary Kyuden Mirai Energy is steadily growing its sales outside of Kyushu, and our overall retail electric power sales in FY2019 reached 73.2 billion kWh, an increase of 0.6% year-on-year despite unseasonable weather conditions. We are also actively forming alliances with other companies. In April 2020, we launched a partnership with ITOCHU ENEX Co., Ltd. to further expand electric power sales.

In our overseas business, we forged ahead with initiatives aimed at expanding business in Asia and North America, including our participation in the management of major Thai power generator EGCO and participation in the Westmoreland Gas-Fired Power Project, our fourth power generation project in the USA. We also joined the Taweelah B power generation and desalination project, the Kyuden Group's first project in the Middle East.

We engaged in a variety of businesses to diversify our sources of revenue. In the airport operation business, we acquired operation rights jointly with other companies, and began private operation at Fukuoka Airport in April 2019 and Kumamoto Airport in April 2020. In the urban development business, we are steadily moving ahead with redevelopment of the old market area in Fukuoka. We also joined a rental residential complex development project in a mixed-use development area in Atlanta, USA, our first overseas real estate development project. In addition, we have started the KYUDEN i-PROJECT to generate innovative businesses and services, as well as a number of promising commercialization projects including Kyuden Drone Services, the Qottaby service that uses location information to watch over children and the elderly, and the weev EV car sharing service exclusively for condominium residents. I feel that the Kyuden Group as a whole is building momentum in tackling innovation through these projects, which I expect will contribute to future profits.

Q2

What actions are you taking to continue to be a company that is trusted and chosen by customers?

A2

We intend to solidly address our ESG (Environment, Society, Governance) issues while making our management vision a reality. We will also enhance our disclosure of ESG-related information so that we can be accountable to our stakeholders.

In recent years, there have been growing expectations toward efforts to bring about a sustainable society on a global scale. These include efforts to achieve the United Nations' sustainable development goals (SDGs) for the international community, and ESG investment that evaluates companies' consideration of factors such as the environment. We recognize the importance of meeting these expectations.

That is why our group strategy and ESG initiatives are inseparable. To name an example, our management vision includes a business performance target of contributing to the reduction of Kyushu's CO<sub>2</sub> emissions by 70%. This is consistent with Japan's plan to combat global warming (a 26% reduction from 2013 levels in 2030) under the Paris Agreement. We have set three strategies for achieving our vision: Strategy I tied to E (Environment), Strategy II tied to S (Society), and Strategy III tied to G (Governance). Our entire management vision is linked to ESG.

Looking back on Governance in the past year, the gift-giving scandal of another electric power industry company was revealed, which seriously harmed trust in the industry. Our company has been working hard to enforce compliance management, and we confirmed that we have no involvement in such incidents. We will continue our efforts to instill a compliance mindset within the company, and will conduct our business on a foundation of high ethical standards.

We will also actively disclose information. In this Annual Report, we are performing disclosure in accordance with the TCFD (Task Force on Climate-related Financial Disclosures). By enhancing the disclosure

of ESG-related information alongside the Kyuden Group Sustainability Report, we will meet our responsibility to be accountable to our stakeholders.

By steadily addressing ESG under the strategies in our management vision, we will continue to be a company that is trusted and selected and will achieve sustainable growth and greater corporate value.



○ The relationship between ESG and our Strategies I, II, and III

Environment

Strategy I

We will contribute to a sustainable low-carbon society by improving our ratio of non-fossil fuel power sources through the use of renewable and nuclear energy, and by promoting electricity usage in many fields.

Social

Strategy II

We will contribute to the resolution of various issues affecting communities and wider society by creating markets through new businesses and services.

Governance

Strategy III

We will strengthen the business foundations that support the growth of the Kyuden Group.

Q3

How will you specifically work toward the business performance target of contributing to the reduction of Kyushu's CO<sub>2</sub> emissions by 70%? (Fiscal 2030)

A3

I believe that initiatives on both the demand and supply sides are important, including promoting EV proliferation, all-electric energy usage, and other electrification of energy consumption, as well as promoting greater utilization of nuclear power, renewable energy, and other low-carbon power sources. Our target for renewable energy development volume is 5,000 MW in 2030.

Preventing global warming calls for promoting all-electric energy and increased proliferation of EVs, and increasing the percentage of electricity in energy consumption (demand side). At the same time, we must avoid generating CO<sub>2</sub> when creating electricity (supply side).

To promote electrification, we plan to further expand all-electric energy in homes and in commercial kitchens. We will also tackle all-electric energy in transport, by promoting EV sharing and installation of charging infrastructure in condominiums and workplaces.

On the supply side, we will make use of non-fossil fuel power sources such as nuclear power and renewable energy.

Genkai Nuclear Power Station Unit 4 resumed normal operation in July 2018, bringing our total number of nuclear power units in operation to four. As of July 2020, four of the nine nuclear power plants that were restarted in Japan after the earthquake disaster are our plants, giving us high operational performance.

Sendai Nuclear Power Station Units 1 and 2 began periodic inspections in March and May 2020, respectively, to install Specific Safety Facilities. The units are scheduled to resume power generation in December 2020 and January 2021, respectively. At Genkai Nuclear Power Station Units 3 and 4, we will use what we have learned at the Sendai Nuclear Power Station Units to complete installation of the facilities within the deadline while ensuring safety during construction.

In the area of renewable energy, our Group will drive development in the Kyushu region and elsewhere in Japan and overseas, to achieve the 5,000 MW renewable energy generation development target set out in our management vision.

Our Group has the capability to conduct in an integrated manner (from development to operation) the generation of all five renewable energy sources: solar, wind, geothermal, biomass, and hydro. We recognize that we are the only corporate group that can address all aspects of geothermal power generation that spans resource exploration, engineering, procurement, construction, operation, and maintenance, an ability that has earned us a high reputation overseas as well. The Hatchobaru Geothermal Power Station in Kokonoe, Oita Prefecture, is the largest geothermal facility in Japan; its capacity of approximately

110 MW accounts for over 20% of the country's total geothermal power output. We are also taking part in the management of one of the world's largest geothermal power stations (with output of 330 MW) in Sarulla on the Indonesian island of Sumatra. In May 2020, we acquired USA-based advanced geothermal technology services provider Thermochem, Inc., a move designed to dramatically enhance our presence in the geothermal industry.

In the area of offshore wind power, we are performing commercialization studies aimed at starting construction of fixed bottom wind turbines in FY2022 in the Hibikinada district of Kitakyushu, Fukuoka Prefecture. We are also taking part in a floating wind turbine demonstration project in Goto, Nagasaki Prefecture.

As renewable energy expands, it is becoming more important to ensure adjustment capabilities. Our Group has the Buzen Battery Electrical Substation (output: 50 MW), which is equipped with one of the world's highest-capacity storage battery systems. Due to cost and other issues, however, thermal power stations are essential in ensuring adjustment capabilities. By using thermal power sources with high efficiency and excellent load following, such as LNG thermal power and the cutting-edge coal-fired thermal power of Matsuura Power Station Unit 2, we plan to expand the adoption of renewable energy while securing stable supply and economic efficiency.

The strengths of our company include a high ratio of non-fossil fuel power sources (44% in FY2019, excluding FIT renewable electricity), an excellent CO<sub>2</sub> emission coefficient (0.370kg-CO<sub>2</sub>/kWh in fiscal 2019), and the low price levels essential for promoting electrification. We will continue making solid contributions to preventing global warming, a matter of growing importance.

Q4

What progress are you making toward mid-term financial goals? Also, what are your thoughts on returns to shareholders?

A4

A4: Achieving our current mid-term targets will be challenging. I would like to summarize our achievements, and present new financial targets at the appropriate time. We have grown dividends for five consecutive years, and will continue working to return to our pre-earthquake dividend of 50 yen as quickly as possible, while also increasing our equity ratio.

In 2017, we set financial targets of an equity ratio of approximately 20% (end of fiscal 2021) and consolidated ordinary income of 110 billion yen or more (average for fiscal 2017 to 2021). Based on performance in fiscal 2017 to 2019, we recognize that achieving these targets will be difficult. Over the three-year period since we set the targets in June 2017, the restart of operations at the Genkai Nuclear Power Station was delayed for about half a year, electric power sales declined under strengthening competition and unseasonable weather, and our LNG resale loss grew. As a result, average annual ordinary income from fiscal 2017 to 2019 was 55.4 billion yen, and our equity ratio at the end of fiscal 2019 was 12.3%. We were unfortunately unable to achieve the goals that we had committed to.

I would like to summarize our achievements and then set new financial goals, but we have not yet been able to announce a financial results forecast for fiscal 2020 because of the COVID-19 pandemic. At the appropriate time, I hope to present our interim goals toward achieving Kyuden Group Management Vision 2030.

On the topic of dividends, we will determine our dividend under a basic policy of stable dividends, based on a comprehensive review of business performance for the current fiscal year and our medium- to long-term revenues/expenditures and financial situation.

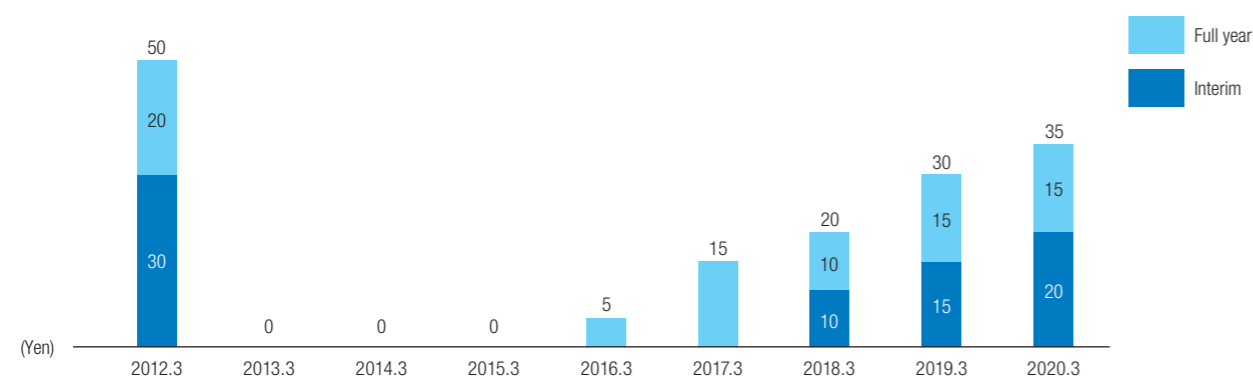
Our dividend for fiscal 2019 was 35 yen per share, marking the fifth consecutive year of dividend growth.

The dividend forecast for fiscal 2020 remains undetermined, as we need to confirm the impacts of the pandemic on our operating results. We are making utmost efforts to at least maintain the level of the fiscal 2019 dividend.

We continue working to restore our dividend of 50 yen per share, which was our pre-earthquake level. We will restore it when we are confident that our equity ratio will recover to around 20%.

After restoring the dividend to 50 yen, we will work to enhance returns even more in accordance with a basic policy of stable dividends, taking into account the profits of the domestic electric power business and other businesses.

#### ● Dividends per share of common stock



Q5

In closing, please tell us about your aspirations for the future.

A5

With a commitment to our Management Vision for 2030, we will increase profitability in the energy service business and create new businesses and services that contribute to resolving community and societal issues.

We expect impacts from the suspension of the Sendai Nuclear Power Station and from COVID-19 in fiscal 2020, and find ourselves in a difficult business situation. However, I believe that the situation also provides us an opportunity to become a more resilient company. We will work to increase efficiency without any sacred cows and to increase profits in a variety of fields for the Group, aiming for sustainable growth and enhancement of our corporate value.

To do this, we will first use all the resources of the Kyuden Group to strengthen the earnings capabilities of the energy service business under Strategy I. We will work to expand electric power sales while improving profitability, will leverage our relationships of trust with customers to keep from competing on the basis of price alone, and will provide better service to differentiate ourselves from the competition. In wholesale, we will actively expand relative transactions that are less affected by market conditions, and will maximize profits in the capacity market and the non-fossil value trading market.

In the capacity market, we expect that maintenance and other costs for power generation facilities are reasonably recoverable. In the non-fossil value trading market, we expect to leverage our high ratio of non-fossil fuel power sources, as all of our nuclear power capacity is back on line.

To create electricity demand, we will push initiatives to promote electrification in every field and to attract companies.

We will also promote participation in promising projects overseas, to expand our total electric power sales in Japan and overseas and to achieve the total electric power sales of 120 billion kWh in 2030 that we set out in our management vision.

Following that, we will take on building sustainable communities together, as stated in Strategy II. Specifically, we will focus on "ICT services" such as the optical broadband business and data center business; "urban development and city planning" such as the urban development business and real estate business; and "infrastructure services" such as the airport operating business. By doing so, we hope to

create new businesses and services that find opportunities in resolving community and societal issues.

In July 2020, we strengthened our sales capabilities by reforming branch offices, integrating our branches (responsible for the execution of regional strategies) with our sales centers (responsible for providing customer services). The new branch offices will find new opportunities while contributing to the solution of regional issues. In the fields of urban development/city planning and infrastructure services, we integrated functions to create stronger cooperation between these businesses, and established the Urban Development Business Division. Under this new structure, we plan to work with the local community and use our knowledge to actively work on resolving issues, grounded in the belief that "the Kyuden Group cannot develop without the development of Kyushu."

Through these efforts, we will make steady progress toward our Management Vision for 2030.

