

Management Discussion and Analysis

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries

Operating Results

In terms of income, in the domestic electricity business, retail electric power sales increased but the impact of fuel cost adjustments in light of a drop in fuel prices, among other factors, meant that retail electric power sales income decreased. On the other hand, increased income from wholesale electric power sales and renewable energy-related subsidies meant that sales (operating revenues) totaled ¥2.1317 trillion, a 5.9% increase year on year.

Operating expenses in the domestic electricity business were affected by a decrease in depreciation costs but there was also an increase in the cost of power purchased from other companies due to an increase in amounts purchased from renewable electricity generators and the jump in prices in the wholesale power exchange markets last winter. Operating expenses were ¥2.0544 trillion, a 5.4% increase year on year.

As a result, operating income for the term under review rose 21.3% year on year, to ¥77.3 billion.

Other revenues decreased 1.9% year on year, to ¥16.6 billion.

Other expenses decreased 5.8% from the previous fiscal year to ¥38.3 billion, partly due to a decrease in interest charges.

Ordinary income was ¥2.1484 trillion, an increase of 5.8% over the previous fiscal year, while ordinary expenses reached ¥2.0927 trillion, up 5.2%. As a result, ordinary income increased 39.0% year on year, to ¥55.6 billion.

Also, net income attributable to owners of the parent rose by ¥32.5 billion over the previous fiscal year, to ¥32.1 billion. The basic net income per share of common stock increased by ¥69.62, resulting in ¥63.57 per share.

Segment Information

(Before Elimination of Internal Transactions)

(1) Domestic Electricity Business

Power generation and sales business, power transmission and distribution business

Group total retail electric power sales increased 2.7% over the previous fiscal year to 75.2 TWh. While there was a negative impact from COVID-19, the group company Kyuden Mirai Energy Company, Incorporated saw an increase in electricity sales outside the Kyushu region and a rebound after the mild summer and warm winter in the previous fiscal year. Total group wholesale electric power sales increased 41.9% year on year to 10.7 TWh. As a result, the total electricity sales volume sold by the Group increased by 6.3% over the previous fiscal year to 85.8 TWh.

We maintained stable supplies of retail and wholesale electric power through coordinated operation of our nuclear, thermal, and pumped-storage and other facilities. In terms of supply and demand in the region, the stable supply there was due to operating power sources with adjustment capabilities and by implementing renewable energy output controls based on national rules.

Last winter, the intermittent waves of cold weather led to significant uptakes in demand for electricity, alongside which factors such as a national shortage of LNG meant that electric supply was hard-pressed. We put in place every measure possible, such as increasing thermal power generation, as well as electricity supplied by or purchased from other companies, and thereby managed to ensure a stable supply.

In terms of operating results, sales increased in retail electric power sales but retail electric power sales income actually decreased as a result of the drop of fuel prices due to fuel cost adjustments, and other factors. The increase in income from wholesale electric power sales and renewable energy-related

subsidies meant, though, that sales increased 6.7% from the previous fiscal year to ¥1.9725 trillion. The jump in prices in the wholesale power exchange markets resulting from pressure on supply last winter, alongside the pandemic, had an effect, as did the halt to operations at Sendai Nuclear Power Station due to work to install Specific Safety Facilities. However, alongside the increase in operating revenues was a decrease in depreciation costs due to changes to the depreciation calculation method, and so ordinary income rose 72.0% to ¥28.5 billion year on year.

In the constituent parts of the domestic electricity business—power generation and sales business, and power transmission and distribution business—operating results were as detailed below. Creating segment results for previous fiscal years is difficult and so only operating results for the period under review are given.

Power generation and sales business

Due to the recording of income from retail electric power sales income and renewable energy-related subsidies, sales were ¥1.8908 trillion, while ordinary loss was ¥500 million, due to recording of the cost of purchased power, wheeling charges, fuel expenses, and contributions associated with the Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities.

Power transmission and distribution business

Due to the recording of wheeling revenue, sales were ¥599.2 billion, while ordinary income was ¥29.1 billion, due to the recording of the cost of purchased power, repair expenses, contracting expenses, and depreciation costs.

(2) Other Energy Service Business

Sales decreased 4.5% from the previous fiscal year to ¥185.3 billion due to a decrease in work to replace electric meters and a decline in LNG sales prices in overseas LNG projects. Ordinary income increased 3.3% year on year to ¥17.6 billion due to the increase in equity method investment profits and other factors.

(3) ICT Service Business

Sales increased 2.1% over the previous fiscal year to ¥115 billion due to an expansion in sales of fiber-optic broadband and smartphone services. Ordinary income increased 72.5% to ¥6.8 billion due to a decrease in expenses resulting from the end of IoT services using voice terminals, etc.

(4) Other Business

Sales increased 2.2% over the previous fiscal year to ¥29.4 billion partly due to an increase in administration contracting. Ordinary income decreased 7.5% to ¥4.2 billion due to an increase in expenses relating to real estate sales and property leasing.

Financial Position

(1) Assets, Liabilities and Equity

Assets increased by ¥178.7 billion year on year to ¥5.1268 trillion mainly due to an increase in fixed assets from capital investments as well as an increase in current assets such as cash and cash equivalents, and receivables.

Liabilities increased by ¥133.9 billion over the end of the previous fiscal year to ¥4.444 trillion due to an increase in interest-bearing debt and other factors. The balance of interest-bearing debt increased by 116.3 billion year on year to ¥3.5226 trillion.

Total equity increased by ¥44.7 billion over the end of the previous fiscal year to ¥682.7 billion, and the equity ratio was 12.7%.

While equity decreased due to dividend payments, there were increases in the amount recorded as net income attributable to owners of the parent and defined retirement benefit plans. The latter was the result of a difference that occurred in calculations due to investment earnings from the defined benefit pension fund exceeding forecasts, etc.

(2) Cash Flows

Cash flows provided by operating activities rose by ¥26.6 billion from the previous fiscal year to ¥253.4 billion, despite an increase in expenditures for cost of purchased power, because of such factors as increases in renewable energy-related subsidies and income from wholesale electric power sales, as well as a decrease in fuel expenses.

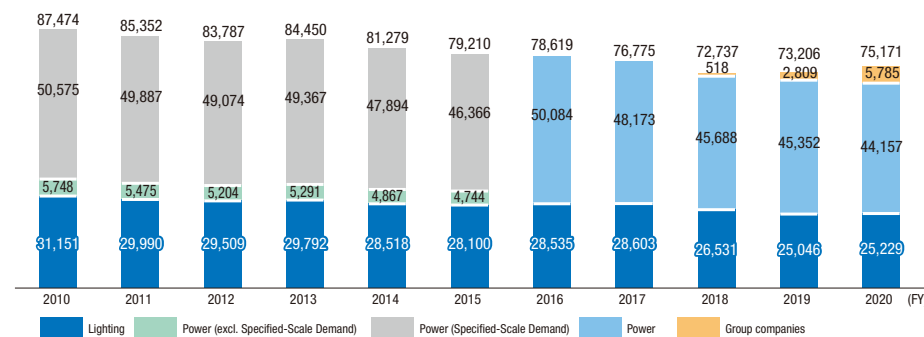
Net cash used in investment activities ended ¥94.0 billion lower than at the close of the previous fiscal year, at ¥330.5 billion. This was due, in part, to decreased expenditures for capital investments.

Net cash provided by financing activities amounted to ¥95.5 billion, a decrease of ¥62.4 billion from the previous fiscal year, mainly due to an increase in expenditures for the issuance and redemption of commercial paper, despite a decrease in repayments of long-term debt.

As a result, the balance of cash and cash equivalents at the end of the term was ¥223.9 billion, ¥18.4 billion up from the close of the previous fiscal year.

Retail Electric Power Sales

(Millions of kWh)



Note 1: Specified-Scale Demand is 6 kV or higher at standard voltage and 50 kW or higher of contracted power

Note 2: Display categories changed from FY2016

Note 3: Values before FY2017 describe the amount of electricity sold separately by the Company. Values from FY2018 onward describe the amount of electricity sold including group companies.

Note 4: Group companies include Kyuden Mirai Energy Company, Incorporated

Consolidated Interest-bearing Debt and Equity Ratio

