

KYUDEN GROUP  
**INTEGRATED  
REPORT 2022**



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# Editorial Policy

This report is published with the aim of introducing a uniform, integrated account of the Kyuden Group's mid- to long-term vision and strategies, as well as major policies. Readers' opinions regarding this report will be used as a reference to create easily understandable reports in the future.

## ● Issue Date

September 2022  
(Next report: September 2023 (planned))

## ● Scope of Reporting

Kyushu Electric Power Company, Incorporated and Group Companies

## ● Reporting Period

April 1, 2021 to March 31, 2022  
(However, the report also contains some data from outside this period in the interest of providing timely information.)

## ● Guidelines Consulted

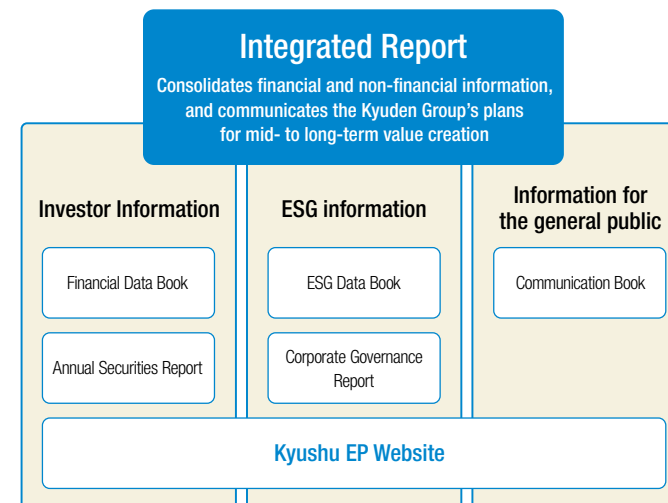
- International Integrated Reporting Framework
- Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation
- Task Force on Climate-related Financial Disclosures (TCFD) Recommendations
- Sustainability Accounting Standards Board (SASB)

## ● Website Information

IR Website  
[http://www.kyuden.co.jp/english\\_ir\\_index.html](http://www.kyuden.co.jp/english_ir_index.html)  
Please refer to our website for more detailed information.



## ● Information Disclosure System



\*In FY2021, we reorganized the Annual Report, Sustainability Report, and Environmental Report, which we had issued until FY2020, into our Integrated Report and ESG Data Book

## Inclusion in Socially Responsible Investing (SRI) indices

Of the indexes adopted by the Government Pension Investment Fund (GPIF), Kyushu Electric Power (Kyushu EP) has been incorporated into the following two.

- MSCI Japan ESG Select Leaders Index (as of June 2022)
- S&P/JPX Carbon Efficient Index (as of March 2022)

## Responding to the SDGs

The Kyuden Group will contribute to the achievement of the SDGs.

## Sustainable Development Goals (SDGs)

The Sustainable Development Goals for international society as a whole, adopted in 2015 at a United Nations summit, comprise 17 goals to be realized by 2030.



## Note Regarding Forward-looking Statements

Statements made in this report regarding the Kyuden Group's strategies and forecasts and other statements that are not historical facts are forward-looking statements based on management's assumptions and beliefs in light of information currently available, and should not be interpreted as promises or guarantees. Owing to various uncertainties, actual results may differ materially from these statements. Shareholders and investors are hereby cautioned against making investment decisions solely on the basis of forward-looking statements contained herein.



# Chapter 1

## Introduction

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## Kyuden Group's Mission

# Enlighten Our Future

Towards a comfortable and environment-friendly lifestyle today and for generations to come.

This is the mission of the Kyuden Group.

Our brand message, “Enlighten Our Future,” expresses our commitment amid changing times to remain unchanged in delivering a stable supply of electricity and other forms of energy, and contribute towards a comfortable and environment-friendly lifestyle today and for generations to come.

The phrase “comfortable and environment-friendly lifestyle” expresses our desire to contribute to a sustainable society in which people can enjoy comfortable lives while contributing to a better global environment, and in which what is good for the global environment enriches our hearts and provides us with comfort.

Kyuden Group's Mission is to contribute toward the realization of a comfortable and environment-friendly lifestyle today and for generations to come.



**Steady and reliable,  
environment-friendly energy**

In order for our customers to lead harmonious lives, we will provide steady and reliable, environment-friendly energy, while anticipating global trends and making full use of our advanced technology and abundant experience with energy and the environment.



**Services that  
truly satisfy**

Customer trust is our top priority. We will listen to the various voices of our customers in order to respond to their needs with services that truly satisfy.



**As one with Kyushu,  
Asia, and the world**

In company with the people of Kyushu, we will work together to take action while thinking of our children's future and of the prosperity of the region. And from there, we will look to Asia and the world.



**Discovering solutions,  
and putting them into practice**

We will discover and implement solutions that lead to a better tomorrow through open, active discussions, believing in people's potential and mutually respecting personalities.

# Snapshot of Kyushu

Located nearly at the center of East Asia, Kyushu serves as a hub for interaction with Asia.

Kyushu's economy is roughly 10% of Japan's total; it similarly accounts for about 10% of Japan's land area and population. Kyushu's regional GDP is on par with the GDP of Norway.

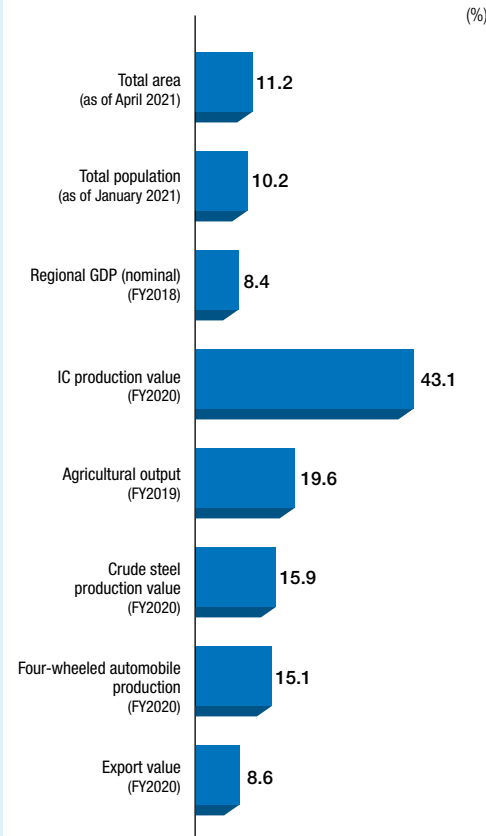
The output of Kyushu's key industries, such as integrated circuit (IC) production, agricultural production and crude steel production, account for a high percentage of the national total.

## Kyushu as a Part of Asia



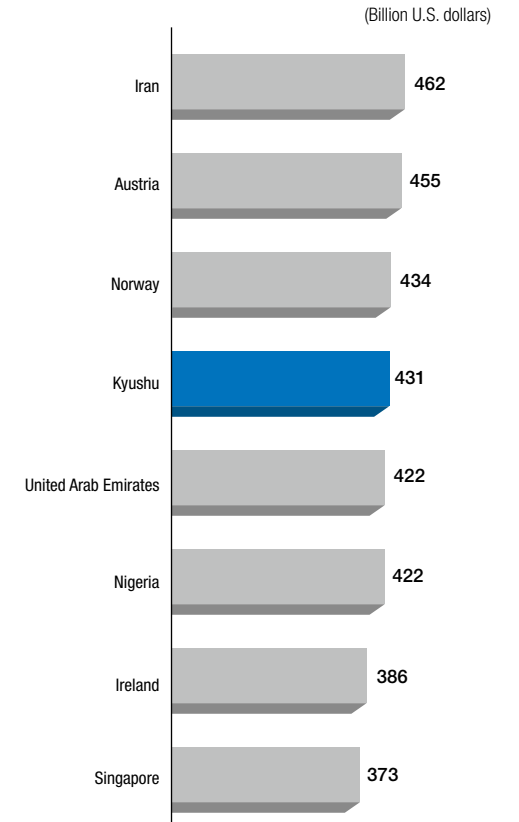
Source: Created based on "Profile of Kyushu 2022," Kyushu Economy International (KEI), Kyushu Bureau of Economy, Trade and Industry

## Kyushu's share compared to Japan overall



Source: Created based on "Profile of Kyushu 2022," Kyushu Economy International (KEI), Kyushu Bureau of Economy, Trade and Industry

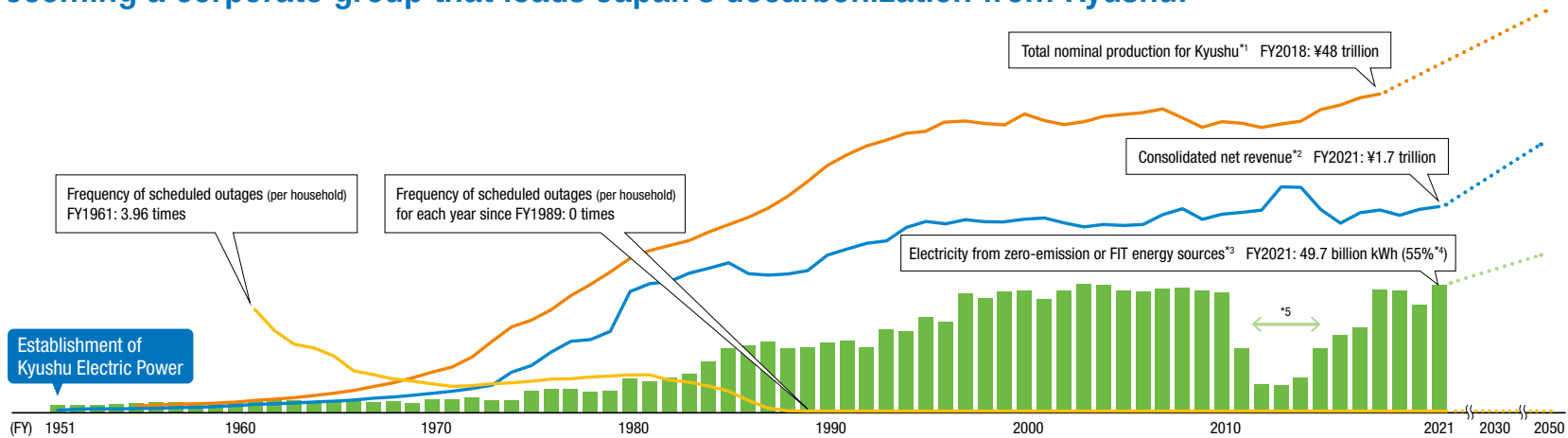
## International comparison of Regional GDP



Note: Figures from 2018  
Source: Created based on "Profile of Kyushu 2022," Kyushu Economy International (KEI), Kyushu Bureau of Economy, Trade and Industry

# History of the Kyuden Group

The Kyuden Group has contributed to the growth of the Kyushu region and developed alongside it. Becoming a corporate group that leads Japan's decarbonization from Kyushu.



\*1 FY1955–FY2018

\*2 FY1993 and before: Based on Kyushu Electric Power (Kyushu EP) only; FY1994 and after: Consolidated basis. For FY2011–FY2020, renewable-energy-related subsidies, etc., are deducted (FY2021's Electricity Business Accounting Regulations have been retroactively applied)

\*3 Electricity that Kyushu EP generates from zero-emission sources (nuclear, renewables) and FIT electricity. For amounts for which Non-Fossil Certificates were not used, there is no value for renewable energy or zero-CO<sub>2</sub>-emission energy sources, and so these are counted as national average CO<sub>2</sub> emissions for electricity production, including that generated from fossil fuels.

\*4 Ratio of energy generated by Kyushu EP and procured from other companies (before Non-Fossil Certificate trading)

\*5 In order to respond to new regulatory standards brought in to raise safety in light of 2011's Great East Japan Earthquake, all nuclear power plant operations in the country were suspended. Kyushu EP was the first to meet the new regulatory standards and restart operations in Japan.



## The challenge of a stable supply

The company was founded in 1951, as Japan took a big step from postwar turmoil toward rapid growth. Working hard to develop power sources such as Japan's first arch dam and state-of-the-art, high-capacity thermal power plants, we stabilized the supply and demand of electricity in Kyushu, ahead of the rest of the country. In the latter half of the 1960s, we began to place more emphasis on the environment, and as well as moving from coal-fired thermal generation to oil-fired, we focused on nuclear power as a priority as a semi-domestic energy source. In these ways, we advanced the diversification of our energy sources.

## The challenge of energy upheavals

After the 1973 Oil Crisis, in a bid to move away from oil and to stabilize earnings, we proactively pushed diversification for energy sources. In 1975, we started operations at Genkai Nuclear Power Station Unit 1. During the 1980s, we catered to the greater complexity and diversification of society's needs by expanding our services and by tackling new business areas, such as telecommunications. To aid in the fight against global warming, we actively strove to develop and introduce new types of energy, including wind power generation demonstration tests.

## Responding to deregulation of the retail electricity sector


In the 1990s, there were gradual amendments made to the Electricity Business Act to standardize the cost of electricity charges inside and outside Japan. In the midst of increasing liberalization since 2000, the company strengthened its sales force by offering a range of new tariffs and promoting all-electric energy usage. After considering what we should do to be a company that customers continue to choose, we came up with a slogan "Enlighten Our Future," which encapsulates the promise we made to contribute to a stable energy supply and a more sustainable society over the future.

## Leading Japan's decarbonization from Kyushu

Due to the damage caused by the Great East Japan Earthquake in 2011, all nuclear operations in Japan were suspended. In September 2015, Unit 1 at Sendai Nuclear Power Station met the strict regulatory standards and became the first in Japan to return to normal operation. Not only are we providing safe, stable nuclear power, by actively developing and introducing renewable energy, we have achieved an industry-leading ratio of zero-emission and FIT energy sources. We will continue to work together as a group to achieve carbon negativity.

Strengths of the Kyuden Group cultivated since our establishment

- Energy technologies
- Resilient regional infrastructure base
- Kyuden brand
- Human capital



# Chapter **2**

## Value Creation Story

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## Message from the President

# 当機立断

*Take the first opportunity*

We will use the changes happening in the environment around us as an opportunity to transform our business and take on the challenge of going beyond carbon neutrality to achieve sustainability both as a company and as a society.



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





## Reaffirming the Kyuden Group's Purpose Amidst Environmental Change

Instability and uncertainty have grown in the energy market significantly since last year, resulting from the conflict between Russia and Ukraine as a number of factors converged: progressing decarbonization, the post-COVID economic recovery, a decline in wind power capacity utilization in Europe, and more. As we consider what we as the Kyuden Group should do faced with this situation and how best to lead the Group, I would like to reaffirm the meaning of our commitment to our mission to “Enlighten Our Future.” Kyuden Group's Mission, established in 2007, signifies our determination to continue delivering environmentally-friendly energy to our customers and helping them lead comfortable, eco-friendly lives even as the times undergo drastic change. It represents the very purpose of the Kyuden Group, and this



ambition to support our customers and society through stable energy supply has remained the primary mission of the Kyuden Group since our founding.

Electricity businesses provide critical infrastructure that supports the people's lives and economy. We have done our utmost not only to provide a stable supply of electricity during normal times, but to maintain and restore it as quickly as possible during typhoons and other emergencies. These experiences have helped instill the underlying spirit of our mission to “Enlighten Our Future” in each and every one of our employees.

In today's increasingly unstable and uncertain energy market, continuing to provide a stable supply of low-cost, environmentally-friendly energy is an enormous challenge. However, with our abundant experiences and the strong aspirations we hold under Kyuden Group's Mission, we are committed to contributing to a sustainable future for our customers, local communities and other stakeholders. **P4**

## Progress Toward the Kyuden Group Management Vision 2030

Formulated in 2019, the Kyuden Group Management Vision 2030 sets forth our medium- to long-term strategy to continue fulfilling our mission to “Enlighten Our Future” and achieve our vision of where we want to be in 2030. In April of last year, we also set interim financial objectives to guide our path toward realizing that vision, targeting ¥125 billion or more in consolidated ordinary income (Domestic Electricity Business: ¥75 billion; Growth Businesses: ¥50 billion) and an equity ratio of approximately 20% by 2025.

We are advancing efforts together as one to achieve these targets

and our vision, and we have steadily seen results in numerous business areas. As a result, even though our consolidated ordinary income for FY2021 was down 41.3% from the previous year totaling ¥32.3 billion, it would have amounted to ¥97.3 billion if not for the delayed effects of fuel cost adjustments\*. Looking at our earnings potential excluding transitory factors, we see ourselves having come extremely close to the ¥100 billion mark I have communicated in the past. **P28**

\* The impact on income and expense balances for the fiscal year caused by a three-month delay before fuel price fluctuations are reflected in electricity rates under the “Fuel Cost Adjustment Scheme” (balance sheet losses increase when fuel prices rise)

## Domestic Electricity Business

All nuclear power stations in Japan were shut down following the Great East Japan Earthquake, and we were the first company to meet the new regulatory standards that heightened safety levels and restart operations. Of the ten reactors that have restarted as of today, four belong to the Company, representing a complete restart of the nuclear power stations in our portfolio. Our stable nuclear power operations and high ratio of renewable energy in FY2021 helped us achieve a significant increase in profit over the previous year when excluding the delayed effects of fuel cost adjustments, even as fuel prices have risen. In FY2022, amidst mounting uncertainty over fuel procurement and prices, our nuclear power utilization rate is slated to decline due to changes in the construction schedule for the Specific Safety Facilities (SSFs) being installed at the Genkai Nuclear Power Station, which may put downward pressure on our business performance. We are responding to the risk worsening income and expense balances while striving to maintain stable power supply by diversifying our fuel and power source procurement methods, upgrading our supply and demand operations, conducting sales based on the risk of market price hikes and our supply

capacity, and cutting costs group-wide to the greatest possible extent. From FY2023 onward, completion of the SSFs at Genkai in FY2022 will enable stable nuclear power operations, which we believe will further enhance our resilience against fuel price spikes and allow us to expand our business by better leveraging our high ratio of zero-emission or FIT energy sources, one of our key strengths. **P35–36** **P44**

### Growth Businesses

Ordinary income for our growth businesses came to ¥33.8 billion in FY2021. Of the ¥50 billion in ordinary income we are targeting for FY2025, about 90% is expected to come from projects we have already invested in or have decided to invest in, and we are making solid progress toward achieving this financial objective.

In our renewable energy business, we steadily promoted new development in FY2021, including the start of commercial operations at the Shimonoseki Biomass Power Station. We are also moving forward with considerations into establishing a consolidated company for our renewable energy business in order to further accelerate growth by integrating our renewable energy functions that are currently dispersed throughout the Group. **P37** **P45**

When it comes to our overseas business, our focus is not just on expanding our power generation business in Asia and other regions where we already have years of experience. We are working to expand both our areas of operation and our business fields, which include the United States and Middle East as well as the power generation and desalination business and transmission business. In FY2021, we participated in a subsea high-voltage, direct current (HVDC) transmission project in the United Arab Emirates, the Group's first power transmission project overseas. Likewise, we also participated in a gas-fired thermal

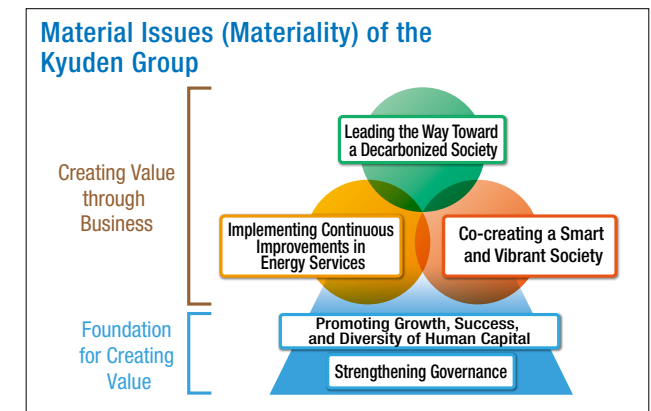
power generation project in Uzbekistan, the Group's first power generation project in Central Asia. Furthermore, in June 2022, the Group decided to participate in its first business venture in Africa. All of these projects will contribute to cutting greenhouse gas (GHG) emissions and will help achieve sustainable societies overseas. **P38** **P48**

In our ICT service business, the optical broadband services called BBIQ and data center business by QTnet have performed well in light of the rapid digital shift that has resulted from the COVID-19 pandemic. In addition to strengthening the services of these existing businesses based on the telecommunication needs during and post-COVID-19 era, we are also actively developing new businesses and services, including a drone business and the nationwide rollout of a premium gift certificate application that will help promote regional development and the revitalization of local economies. **P39** **P59–60**

Although we launched our urban development business much more recently than our other businesses, we can expect rapid returns while taking advantage of the Kyuden Group's collective capabilities across a wide range of fields. In April 2022, we not only saw the grand opening of the huge commercial complex called LaLaport Fukuoka on the site of the former Fukuoka City fruit and vegetable market, we also completed construction on the office complex Fukuoka Maizuru Square which is fully powered by 100% renewable energy. We are also stepping up efforts to increase revenue and diversify our sources of revenue with our new participation in the logistics facilities business and the development of rental housing complexes in the United States. **P40** **P60**

## The Kyuden Group's Key Issues (Materiality)

As I have just mentioned, we are making steady progress in our efforts to achieve our management vision. In order to ensure that we produce results without losing pace even in the midst of a drastically changing business environment, we identified five key management issues as materiality in April this year, taking both social issues as well as Kyuden Group-specific issues for achieving our vision into account. We must tackle these with priority in order to realize a sustainable Kyuden Group as well as a sustainable society. **P16,17**



### Leading the Way Toward a Decarbonized Society

**P45–55**

Responding to climate change is a universal task, and we feel that we have a significant role to play as a responsible energy provider. About 40% of Japan's CO<sub>2</sub> emissions come from power stations. Electricity is indispensable in leading prosperous lives and engaging in economic

activity, however, and we cannot afford to halt its supply in order to avoid emitting CO<sub>2</sub>. As such, it is extremely important to decarbonize power sources by adopting more renewable energy and operating nuclear power stations safely and stably. With our long history of developing renewable energy projects and as the first company to restart nuclear power operations after the Great East Japan Earthquake, we are one of Japan's electric power industry leaders in low-carbon and carbon-free efforts. In November last year, we formulated the Kyuden Group Action Plan to Achieve Carbon Neutrality to continue leading the way toward a decarbonized society as an industry leader while also tying these efforts into further growth as a company. **P19–20** The Action Plan sets the extremely ambitious goal of not only reducing our supply chain greenhouse gas (GHG) emissions to net zero by 2050, which is our basic responsibility as an energy company, but also achieving carbon negativity as early as possible before 2050 to help reduce emissions across society as a whole. We will not be content with merely achieving carbon neutrality for ourselves. Rather, we will take on the bold challenge of going beyond net zero and achieving carbon negativity by promoting electrification, creating renewable energy, and helping build high efficiency power stations in emerging countries to contribute to reducing GHG emissions while also pursuing carbon credits through forest management. We believe that our efforts will encourage companies seeking low-carbon and decarbonized electricity to enter the Kyushu market, which will also help improve the island's competitiveness against other regions. Last year, a major semiconductor manufacturer decided to expand into Kyushu, a move which will revitalize the region and have an economic ripple effect on the surrounding areas. The Kyuden Group will work to continue to provide a stable supply of low-carbon and decarbonized electricity to help enhance the pull factor of



Kyushu. It is also essential that we tie our efforts toward a decarbonized society not only into providing value to society, but also into expanding the Kyuden Group's earnings and achieving sustainable growth. We will do our utmost to harness this global trend toward decarbonization for our further growth as a company.

### Implementing Continuous Improvements in Energy Services **P56–58**

Instability and uncertainty surrounding the energy landscape has escalated drastically since last year, strongly reminding us of the importance of achieving S+3E (Safety + Energy Security, Economic Efficiency, and Environment) at the same time here in Japan, a country not well endowed with natural resources. Against this backdrop, nuclear power is vitally important not only from an environmental perspective

as a source of power that does not emit GHG during operation, but also from the perspective of the other two E's as well: energy security as a semi-domestic source of energy, and economic efficiency by keeping electricity prices down. While the same is true for other energy sources, ensuring safety is a fundamental prerequisite for nuclear power in particular. We will of course continue to conform to new regulatory standards in an appropriate fashion, but on top of this we will work to achieve an even higher level of safety, striving to ensure safe and stable operations without falling prey to the "safety myth" that everything will work within the scope of our assumptions.

With the stable supply of energy based on the S+3E perspective at our core, we will continue contributing to our customers' sustainable and comfortable futures by adding value for them through new solution services.

## Co-creating a Smart and Vibrant Society P59–60

We have always maintained that the Kyuden Group cannot develop without the development of Kyushu, and revitalizing local communities by creating value together with society is extremely important to us as a community-based company. In particular, we believe that DX (Digital Transformation) will be a major key to doing so moving forward.

In July 2022, the Kyuden Group established the Digital Transformation Promotion Division to assertively promote DX for internal transformation and for social transformation. Across the company, we will promote process reforms in our business operations, and throughout society, we will create new businesses through DX. As an example, we could incorporate our power station maintenance expertise into DX and customize it for use at various plants, or provide a package featuring our know-how in calculating supply chain GHG emissions and monitoring its emission reductions. We believe that we are in possession of technology and expertise that can be used to not only meet an array of customer needs, but can also be applied to urban development and city planning through DX. As a corporate group that supports local infrastructure and grows alongside the communities in which we work, we are committed to meeting the expectations of these local communities and thereby contributing to society and industrial transformation, through DX-based regional revitalization and others.

These three major challenges identified as materiality for value creation, **leading the way toward a decarbonized society**, **implementing continuous improvements in energy services**, and **co-creating a smart and vibrant society**, all overlap with one another. And I believe that our efforts to tackle them precisely represent Kyuden Group's Mission and our purpose as a company.

## Promoting Growth, Success, and Diversity of Human Capital P63–66

In these times of change, our ability to leverage that change to create new value lies in our human capital. When diverse human capital talent mutually influences and stimulates one another, it creates synergies that help the organization grow stronger. The Kyuden Group Management Vision 2030 has set a target of ¥150 billion in ordinary income for 2030, with 50% of that coming from our domestic electricity business and the other 50% from our growth businesses. To achieve this, it is important that we improve our energy service business by combining the knowledge and techniques we have cultivated thus far with new ideas and technologies, while also creating new sources of revenue through new businesses. We aim to stimulate talent that is open to taking on new challenges and leverages their existing knowledge and skills while steadily adopting that which is new to become part of our core human capital.

When it comes to incorporating diverse perspectives into management, it is important not only to ensure gender diversity but to secure human capital from diverse backgrounds, and it is vital that we create a working environment that is comfortable for all. Providing a workplace where employees juggling child or nursing care or dealing with other personal circumstances can continue working with a flexible schedule and fully demonstrate their abilities is more than just a form of “support” for employees. Experiences outside of the office like childcare and nursing care can lead to the creation of new services, enhancing our sources of value creation. Under the **promoting growth, success, and diversity of human capital** materiality, we will promote fundamental operational reforms and training for the next generation of human capital to form a highly creative, challenge-driven organization.





## Strengthening Governance **P67-75**

A failure of governance, including compliance, in the electricity business in particular, which supports social infrastructure, would impose a great burden on society. Through our materiality initiatives, we intend to enhance the effectiveness of our governance and fulfil our responsibilities as a unified management team in order to simultaneously create both social and corporate value as well. In identifying materialities, we clarified our goals (KGIs) for each, set KPIs to monitor our progress, and incorporated them into a concrete action plan. Under the leadership of our senior management, we are committed to achieving solid results.

In addition, we are introducing a new system of management this fiscal year that utilizes ROIC, an indicator of capital efficiency. By setting medium- and long-term ROIC targets that exceed the cost of capital, managing progress by business segment, and focusing our management resources on more profitable businesses, we intend to improve our capital efficiency and thereby increase our corporate value. **P29**

## To Our Stakeholders

It is imperative to promote carbon reduction and decarbonization in power sources and electrification in achieving carbon neutrality. In that sense, the electricity business is an extremely promising one. Keeping an eye to the future, the Kyuden Group has been making upfront investments in zero-emission power sources such as renewable energy and nuclear power, and we are confident that we are entering into an era in which these investments will come to fruition. In view of our strong management commitment to continue promoting initiatives aimed at achieving carbon negativity, we have adopted our management target of reducing greenhouse gas (GHG) emissions as a benchmark for our directors' performance-linked compensation. **P68**

Having been entrusted with helming the Kyuden Group, I intend to maintain a quick and decisive stance to ensure that we do not miss this opportunity to expand our business, and I will work firmly to improve the effectiveness of our corporate governance, which supervises the steering of our company's management. In addition to organizational bodies such as the Board of Directors, we have also instituted "Director Roundtables" to provide an opportunity for all of our directors to freely exchange opinions on the direction our management is taking. Carbon Neutral Vision and the Materiality were decided based upon free and open-minded discussion at such forums.

In FY2022, we are facing not only a temporary decline in our nuclear power utilization rate following delays to the construction schedule for the SSFs being installed at Genkai, but also extreme uncertainty in fuel price trends due to the conflict between Russia and Ukraine. However, the completion of Genkai's SSFs will allow for more stable

nuclear power operations from FY2023 onward. We expect this to further improve our resilience to the risk of fuel price hikes, while our investments in nuclear safety measures coming full circle will significantly improve our cash flow, bringing free cash flow back into the black. This will allow us to generate steady profits and work toward recovering our financial base even if fuel prices were to continue to rise.

When it comes to dividends, we make our determinations based on our basic policy of maintaining stable distributions, taking into comprehensive consideration not only our performance for the year but also our medium- and long-term income and expenditures, financial conditions, and other factors. We aim to restore dividends to their pre-Great East Japan Earthquake level of ¥50 per share as soon as possible by FY2025.

We are determined to meet the expectations of our shareholders and other stakeholders through a variety of initiatives aimed at achieving our 2025 financial objectives and reaching our 2030 management targets. We look forward to your ongoing support and cooperation along the way.





# Promotion of Sustainability Management

## ● Sustainability Policy

The Kyuden Group has long been promoting various initiatives to realize a sustainable society under the Kyuden Group's Mission of "Enlighten Our Future" which serves as our brand message.

In December 2021, we established the Kyuden Group Sustainability Policy to further clarify our stance of creating both "social value" and "economic value" through our businesses, contributing to a sustainable society, and enhancing the corporate value of the Kyuden Group.

Under this policy, we will contribute to solving social issues through our business, thereby realizing the Kyuden Group's Mission and developing together with local communities.

### Kyuden Group Sustainability Policy (Established in December 2021)

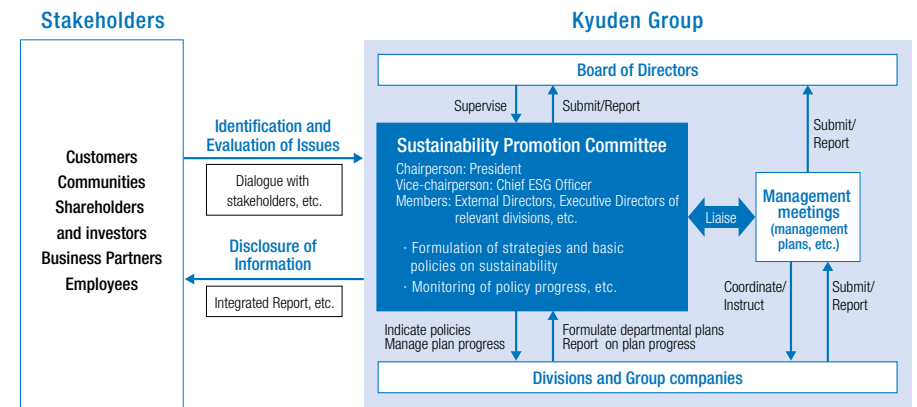
As a corporate group that creates the future from Kyushu, we will contribute to a sustainable society and enhance our corporate value, by creating both "social value" and "economic value" through our businesses.

- We remain unwavering in our mission to support people's lives and the economy by providing energy and we will continue to work together with local communities to solve social issues through our business activities.
- We will cultivate strong relationships of trust with our stakeholders through responsible engagement.
- We will take on the challenge of solving global social issues and contribute to the achievement of the SDGs.

## ● Promotion System

As climate change and other global social issues become increasingly serious, the Kyuden Group, as a responsible energy provider, believes that it is extremely important to actively contribute to solving these issues, and formulated the Kyuden Group Carbon Neutral Vision 2050 in April 2021. In order to be sure to realize the Vision and strengthen our efforts to address environmental, social, and governance (ESG) issues in general, we have also developed a system for sustainability management, including the establishment of the Sustainability Promotion Committee in July 2021.

Under this system, we will further accelerate our efforts to solve local and global social issues through our business activities, contribute to a sustainable society, and achieve medium- to long-term growth for the Kyuden Group.

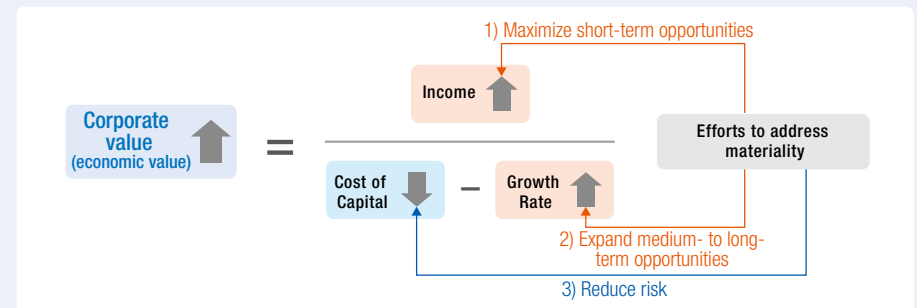


## Model for Enhancing Corporate Value through Sustainability Management

In order to sustainably enhance corporate value (economic value), it is extremely important to identify key management issues (materiality) that could become obstacles to future growth and strengthen efforts focused on these issues, with an eye on changes in social conditions and the business environment not only in the short term but also in the medium to long term.

To this end, the Kyuden Group breaks down the elements that lead to corporate value (economic value) into the following three categories, and promotes efforts to resolve materiality from the perspective of each category.

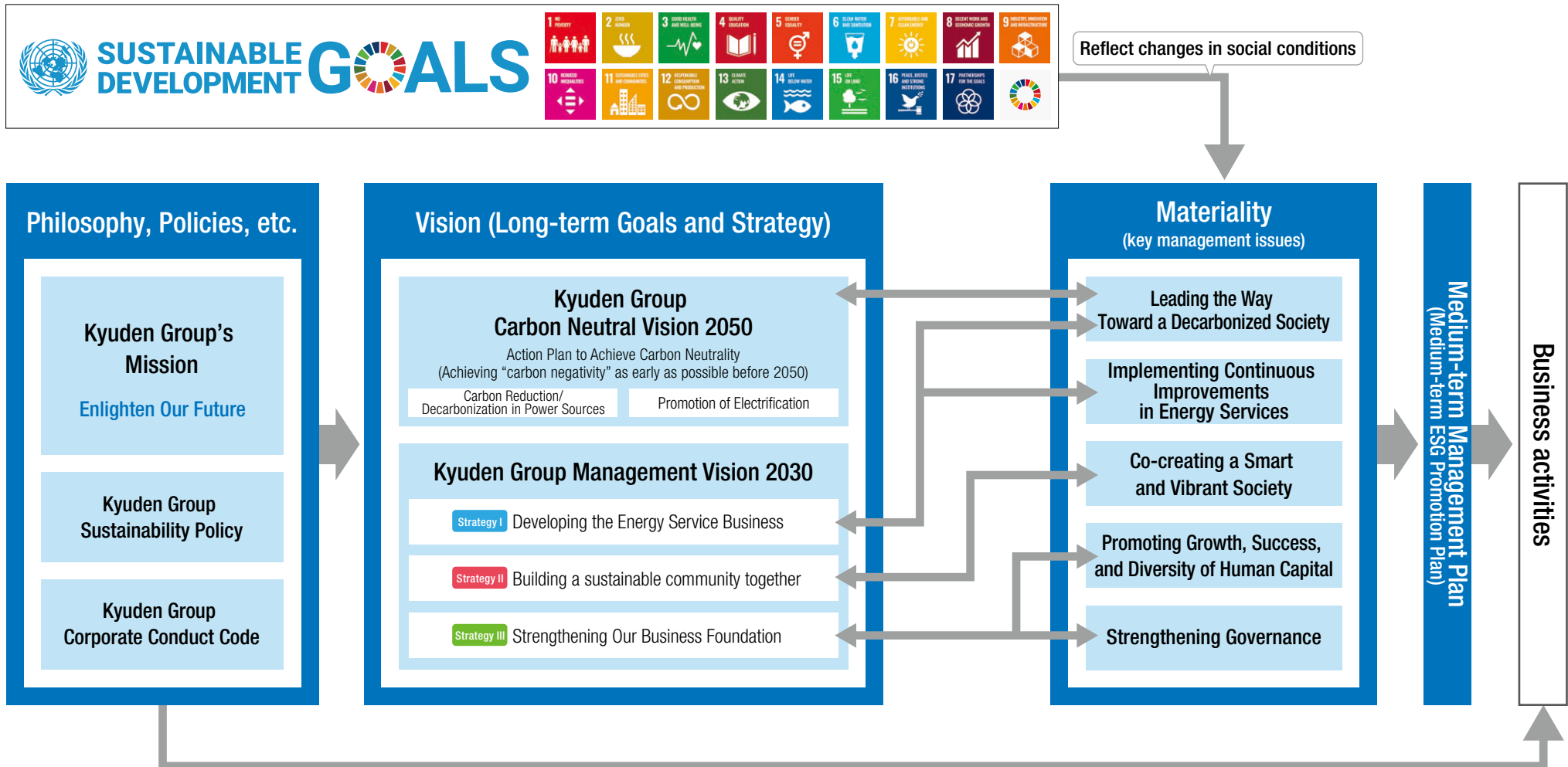
- 1) Maximize short-term opportunities (Increase profit)
- 2) Expand medium- to long-term opportunities (Increase growth rate (future growth expectations))
- 3) Reduce risk (Lower the cost of capital)



### ● System for Our Philosophy on Sustainability

Based on the Kyuden Group's Mission, the Group's Philosophy, and the Kyuden Group Sustainability Policy, we have established the "Management Vision 2030" and "Carbon Neutral Vision 2050" as our medium- to long-term goals and are promoting efforts to simultaneously create "social value" and "economic value."

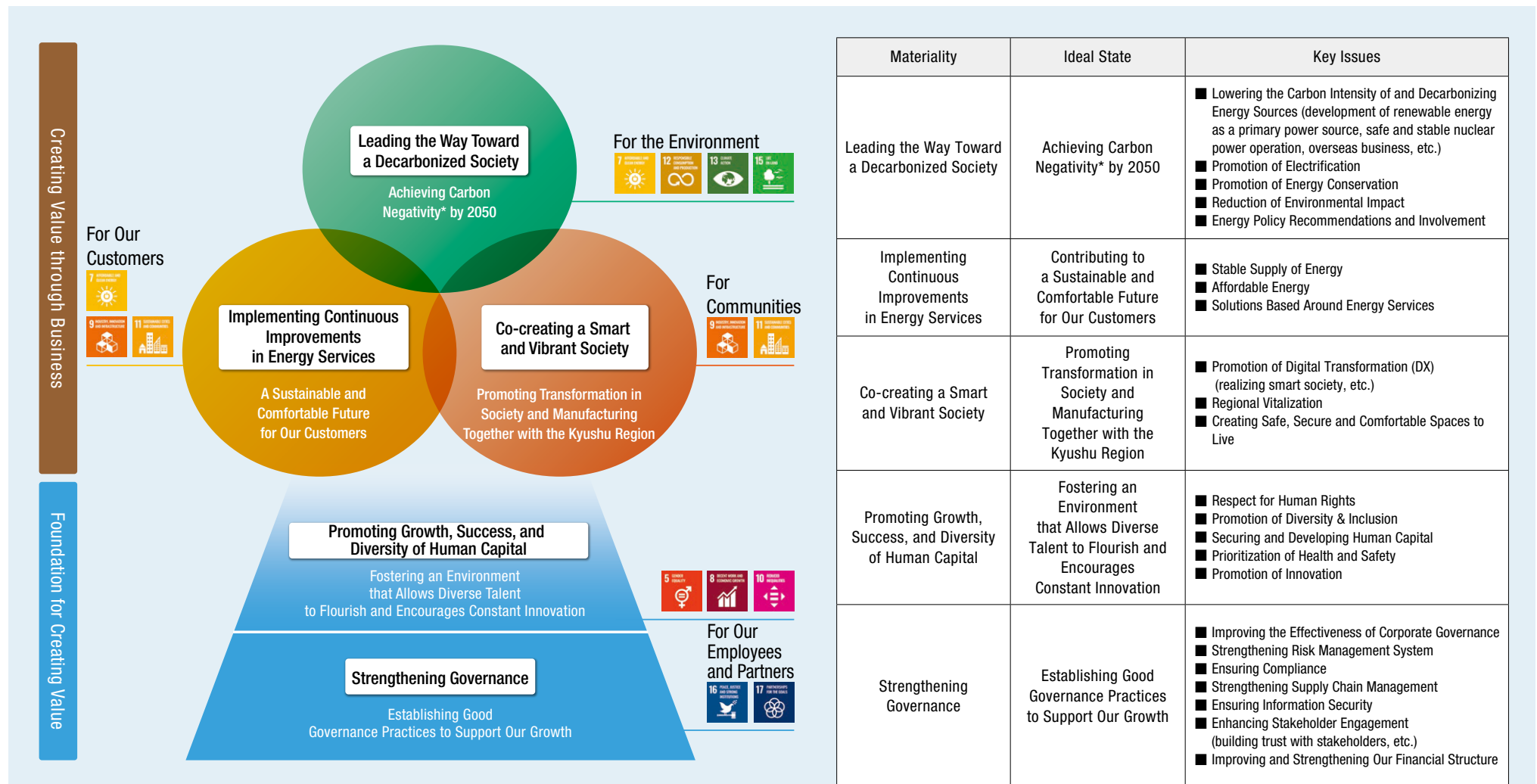
Furthermore, we identify key management issues (materiality) to realize these goals, and incorporate efforts to resolve these issues into a specific action plan as a medium-term ESG promotion plan ( **P42-43** **P62** ) to ensure steady implementation of efforts.



# Materiality

## Basic Concept

The Kyuden Group is promoting sustainability management that simultaneously creates “social value” and “economic value” through its business. In April 2022, we identified key management issues for achieving this goal as materiality. Through our efforts to resolve materiality, we will contribute to a sustainable society and realize the medium- to long-term growth of our Group. We will continuously review materiality in light of changes in social conditions and the business environment.



\*The Kyuden Group committed to become carbon negative as a company as early as possible before 2050 by contributing to reduce GHG emissions from society as a whole, which will be larger than the amount that the Group emits.

## ● Process of Materiality Identification

### Step 1. Identifying Key Issues

In order to identify key issues for achieving sustainability for both society and the company, we identified both “social issues” such as the SDGs and the growth strategies of the government and Kyushu, as well as “specific issues of the Kyuden Group” such as the realization of the Kyuden Group Management Vision.

**Social issues** SDGs, Global standards (GRI, SASB, ISO26000) Governmental and Kyushu growth strategies, etc.

**Specific issues of the Kyuden Group** Kyuden Group Management Vision 2030 Kyuden Group Carbon Neutral Vision 2050 Financial objectives (FY2025), etc.

### Step 2. Assessment of Issues

The issues identified in Step 1 were assessed on two axes: economic value (importance to the Kyuden Group) and social value (importance to society).

**Economic Value Assessment**

We broke down the drivers of economic value into the following three categories

- 1) Maximize short-term opportunities
- 2) Expand medium- to long-term opportunities
- 3) Minimize risk

Based on this, we assessed risks and opportunities from a short-, medium-, and long-term perspective, quantitatively calculated financial impact, and made a final judgment on the three levels: high, medium, or low.

We also took into account the probability of the three levels to assess their importance.

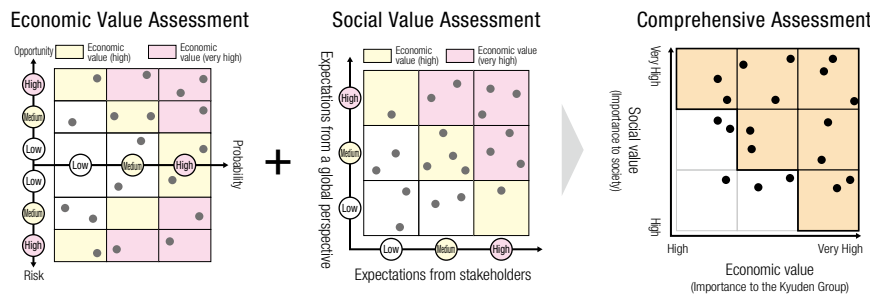
**Social Value Assessment**

In addition to “I: Expectations from a global perspective,” we also conducted assessment by including “II: Expectations from stakeholders,” which we collected from customers, local communities, investors, and others through our business activities, in order to take into account the perspective required of a market-oriented and community-rooted company.

After quantifying (scoring) each of them, we finally judged and rated their importance on three levels: high, medium, or low.

\* Initially, only I was assessed, but after going through the process of Step 4, II was added to the new assessment axis and re-assessed.

**Comprehensive Assessment: Issues with greater economic and social value are assessed as highly important**



### Step 3. Formulating Materiality Proposals

Issues assessed as highly important in Step 2 were identified as key issues, categorized as shown on the right, discussed by the Sustainability Promotion Committee, and organized into materiality proposals.

- Materiality Proposals**
- Leading the Way Toward a Decarbonized Society
  - Implementing Continuous Improvements in Energy Services
  - Co-creating a Smart and Vibrant Society
  - Promoting Diversity & Inclusion
  - Strengthening Governance

### Step 4. Validating materiality proposals and the process

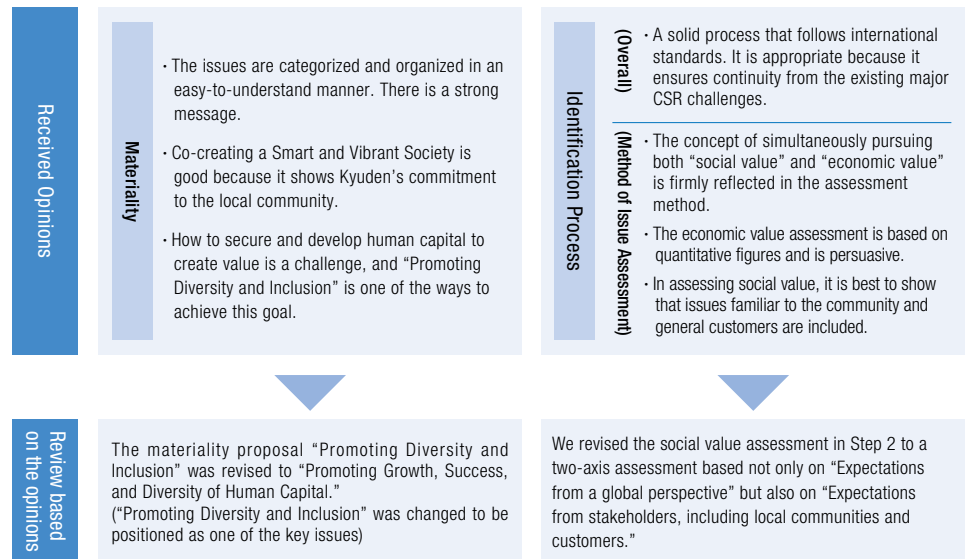
We exchanged views with our group companies and external experts familiar with stakeholder perspectives regarding the materiality proposals in Step 3 and identification process. Furthermore, based on the opinions we received, we improved the assessment method for the issues and had another discussion with all directors.

Based on these discussions, the materiality proposal “Promoting Diversity and Inclusion” was revised to “Promoting Growth, Success, and Diversity of Human Capital.”

■ Outside experts with whom we exchanged views

| Affiliation and position   | Name               |
|--|--------------------|
| Director of Business Development Division, Kyushu Economic Research Center                             | Hideyuki Okano     |
| Representative Director, Biznet Corporation  | Yuriko Hisadome    |
| Representative Director, Psy’s Learning  | Machiko Takami     |
| Executive Fellow & General Manager, Research Institute of Capital Formation, Development Bank of Japan | Keisuke Takegahara |
| Professor, Graduate School of Management, Tokyo University of Science                                  | Masayoshi Miyanaga |

Note: Affiliations and positions are as of the time of the exchange of views.



### Step 5. Identifying Materiality

Based on the results of Step 4, the Sustainability Promotion Committee discussed the final materiality proposals after re-evaluation of Step 2, and then the proposals were approved by the Board of Directors.

- Materiality**
- Leading the Way Toward a Decarbonized Society
  - Implementing Continuous Improvements in Energy Services
  - Co-creating a Smart and Vibrant Society
  - Promoting Growth, Success, and Diversity of Human Capital
  - Strengthening Governance

# Management Vision 2030

To continue contributing to the sustainable development of Kyushu, being our foundation, and to create a brighter future together with the region and society by our business activities, we formulated our management direction based on a long-term perspective in the Kyuden Group Management Vision 2030, which was published in June 2019.

We have described our ideal image for 2030 and for realizing this vision we have set three strategies, along with business performance targets.

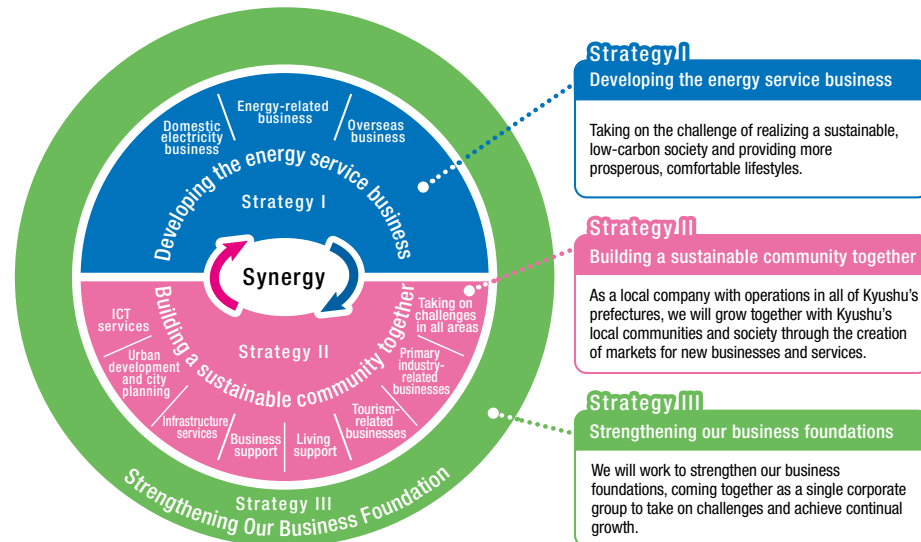
In line with this vision, the Group will work as one to promote a wide range of activities aimed at achieving sustainable growth for the region and society, and delivering value to our stakeholders.

## Our 2030 Vision

**Kyuden Group:  
Creating the future, starting from Kyushu**

Providing more prosperous, comfortable living to become our customers' No.1 choice

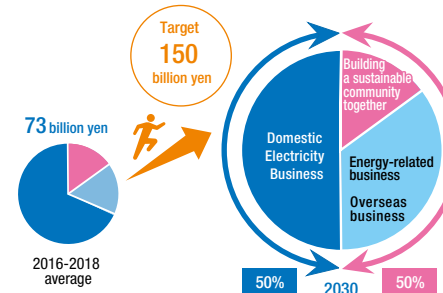
## Three Strategies for Achieving Our Vision



## Business Performance Targets

|                              |  |
|------------------------------|--|
| Consolidated ordinary income | <b>150 billion yen</b><br><small>(50% from domestic electricity business, 50% from other businesses)</small> |
|------------------------------|--|

We will come together as a group to pursue the strategies required to realize our vision, targeting ¥150 billion in consolidated ordinary income by 2030 (50% from the domestic electricity business, 50% from other businesses).

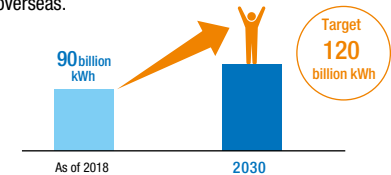


### About shareholder returns

We are currently aiming to achieve the same level of dividends as before the 2011 earthquake (around ¥50 per share). With a basic policy of maintaining a stable dividend, we will then work to provide even greater shareholder returns by adjusting our dividends in light of growth in other businesses.

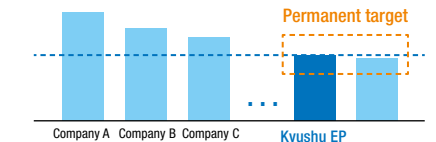
|                                |                        |
|--------------------------------|------------------------|
| Total electricity sales volume | <b>120 billion kWh</b> |
|--------------------------------|------------------------|

We will aim to achieve total electricity retail and wholesale electric power sales volume of 120 billion kWh in Japan and overseas.



Permanent pursuit of a reasonable price for electricity

By promoting the strategies required to achieve our vision, we will always seek to provide leading, reasonably priced electricity service\*, contributing to the vitality of the region as the Kyuden Group grows together with Kyushu.



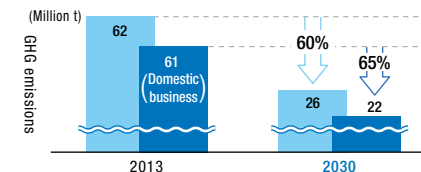
\*Excludes renewable energy surcharge, fuel adjustment charge, and consumption tax

## Management (Environmental) Targets

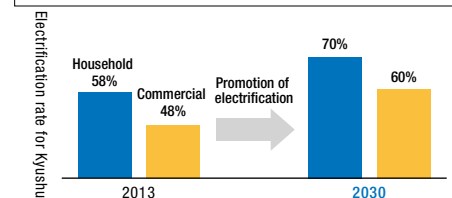
\*Revised in November 2021 (an upward revision of previous targets)

We continue to tackle the challenges of carbon reduction/decarbonization in power sources and the promotion of electrification and aim to achieve our energy supply and demand targets.

|               |  |
|---------------|--|
| <b>Supply</b> | Reduce supply chain GHG emissions by 60%<br>Reduce by 65% for domestic business (compared to FY2013) |
|---------------|--|



|               |   |
|---------------|---|
| <b>Demand</b> | Contribute to the electrification of Kyushu (Household: 70%; Commercial: 60%) |
|---------------|---|





# Carbon Neutral Vision 2050 / Action Plan

In April 2021, the Kyuden Group formulated the Kyuden Group Carbon Neutral Vision 2050, declaring its commitment to take on the challenge of achieving carbon neutrality and strive to become a corporate group that leads the way in Japan's decarbonization from Kyushu as an industry leader in low-carbon and carbon-free efforts.

Toward realizing this, we also formulated the Action Plan to Achieve Carbon Neutrality in November 2021. As our vision for 2050, in addition to achieving net-zero supply chain greenhouse gas (GHG) emissions, we also set the goal of achieving as early as possible before 2050 "carbon negativity," which will contribute significantly to reducing GHG emissions in society as a whole. Moreover, we have set challenging management targets for 2030 by backcasting from 2050, and formulated a specific action plan to achieve them with the pillars of "carbon reduction/decarbonization in power sources" and "promotion of electrification."

The Kyuden Group considers carbon neutrality and other changes in the business environment as an opportunity for transformation. We will take this opportunity to grow ourselves, and continue to aim to be a corporate group that leads the decarbonization of Japan from Kyushu.

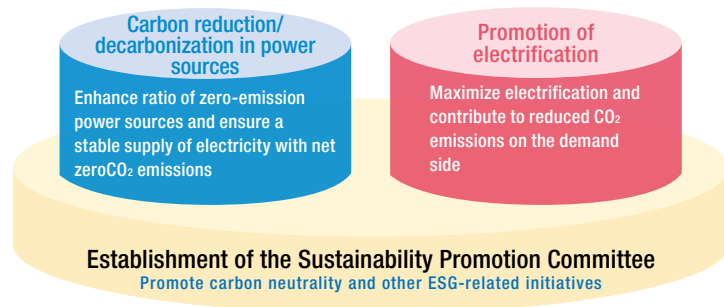
## Vision

### 2050 Carbon Neutrality Declaration

**The Kyuden Group will take on the challenge of achieving carbon neutrality by 2050.**

~Aiming to be a corporate group that leads Japan's decarbonization from Kyushu~

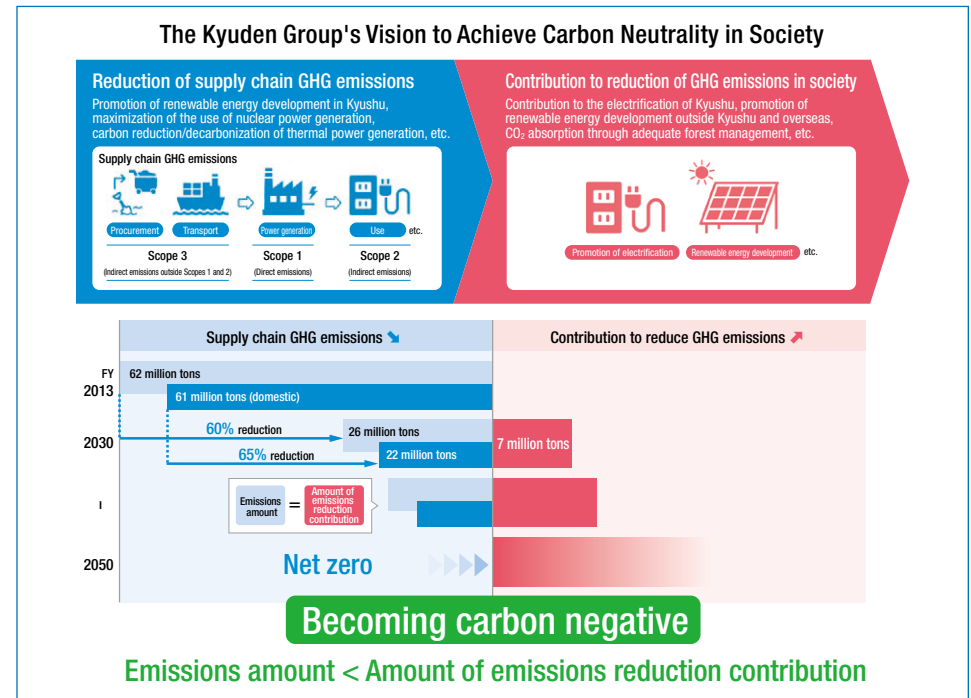
- The Kyuden Group believes that the fight against global warming presents an opportunity for businesses to grow. We plan to lead Japan's decarbonization from Kyushu as a leader in low-carbon and carbon-free projects.
- As two pillars of our efforts on the energy supply and demand sides, we continue to challenge ourselves on carbon reduction/decarbonization in power sources and promoting electrification.
- By establishing the Sustainability Promotion Committee, with the president as its chair, we are moving forward with ESG initiatives, including those aimed at carbon neutrality.



## Goals

### The Kyuden Group's Goals for 2050

- We will reduce greenhouse gas (GHG) emissions from the entire supply chain to net zero during business activities.
- We will contribute to the reduction of GHG emissions in society by promoting a shift to electricity-based energy consumption to the maximum extent possible, providing a stable supply of environmentally-friendly energy, etc.
- Through these efforts, the Kyuden Group will achieve "carbon negativity" as early as possible before 2050.



### 2030 Management (Environmental) Targets For details, please refer to Management Vision 2030. P18

- 60% reduction in supply chain GHG emissions (compared to FY2013)
  - 65% reduction in our domestic business (compared to FY2013)  
→Significantly higher than the Japanese government's GHG emission reduction target of 46% (compared to FY2013)
- Supply**
- Demand** Contribution to the electrification of Kyushu (Household: 70%; Commercial: 60%)

Action Plan

The Kyuden Group aims to achieve its 2050 goals and considers the period up to 2030 in particular to be extremely important. We have formulated a specific action plan to achieve our 2030 Management Targets, with the pillars of “carbon reduction/decarbonization in power sources” and “promotion of electrification.”

**Specific Action Plan Through 2030** For details of each plan, please refer to Chapter 4. Creating Value through Business (Leading the Way Toward a Decarbonized Society). **P44–55**

|   |  |  |  |
|---|--|--|--|
| Carbon reduction/decarbonization in power sources | Positioning renewable energy as a main power source    | Solar power  | Promotion of development, and more effective use of existing resources, such as purchasing power from post-FIT power sources   |
|   |  | Battery/pumped storage   | Establishment of integrated control technologies for distributed energy resources/development of aggregation business  |
|   |  | Wind power   | Promotion of development mainly for offshore wind power generation at promising sites  |
|   |  | Hydroelectric power  | Updating of existing power stations and promotion of new development using FIT and FIP systems   |
|   |  | Geothermal power   | Promotion of new development based on geothermal power resource surveys both in and outside Kyushu   |
|   |  | Biomass  | Promotion of development and sustainable resource cycle of woody biomass   |
|   | Active development of overseas business                | Initiatives for renewable energy, low-carbon thermal power generation, transmission and distribution projects, etc., tailored to the needs of each region  |  |
|   | Maximum use of nuclear power                           | Continuation of safe and stable operation for maximum utilization<br>Perform full-scale reviews at an early stage to enhance the capacity factor   |  |
|   | Lowering the carbon intensity of thermal power         | Phase-out of inefficient coal-fired thermal power<br>Review/establish technology for co-firing of 1% hydrogen and 20% ammonia (Hydrogen co-firing with LNG combined thermal power, ammonia/ biomass co-firing with coal-fired thermal power, etc.) |  |
|   |  | Review the possibility of collaboration toward building a supply chain for carbon-free fuel (hydrogen/ammonia)   |  |
|   | Upgrading of the transmission and distribution network | Expand interconnection of renewable energy, etc., through new system connections/enhance network utilization rate  |  |
| Promotion of electrification                      | Contribution to electrification of Kyushu              | Household sector   | Widespread use of all-electric housing through enhanced cooperation with housing-related businesses  |
|   |  | Commercial sector  | Enhancement of individual proposals (propose economic efficiency, eco-friendliness, and operability by estimating equipment expenses and utility costs)                  |
|   |  | Industrial sector  | Technical research on heat source conversion equipment such as heat pumps, and proposing electrification across wide-ranging temperature zones in the production process |
|   |  | Transportation sector  | Conversion of 100% of company cars to EVs, and review a new business model using EVs   |
|   | Promotion of carbon neutrality in the region           | Contribution to solving local and social issues by providing the Kyuden Group's solutions toward the collaborative needs of municipalities, etc., for promoting carbon neutrality in the region and enhancing resilience                           |  |
|   |  | CO <sub>2</sub> absorption through adequate forest management, creation/utilization of J-credit through the use of forest resources  |  |

2030 KPIs

Positioning renewable energy as a main power source

Amount of renewable energy to be developed

**5,000 MW**

(Domestic and international)

Lowering the carbon intensity of thermal power

Achieve the benchmark index for the Energy Conservation Act

Establish technology toward co-firing of

hydrogen **1%** / ammonia **20%**

Contribution to electrification of Kyushu

Household sector

Incremental electricity **1,500 GWh** (2021-2030 total)

Commercial sector

Incremental electricity **1,600 GWh** (2021-2030 total)

Transportation sector

Conversion of company cars to **100% EVs\***

\*Excl. special purpose vehicles

# Value Creation Process

## Kyuden Group's Mission Enlighten Our Future P04

### External Environment (Societal Issues and Changes to the Business Environment)

- Climate change
- Economy and government policies
- Technology
- Exhaustion of resources
- Demographic changes
- Geopolitical risks

| INPUT  |  |
|--|--|
| Qualitative  | Quantitative   |
| <b>Manufacturing Capital</b>   |  |
| <ul style="list-style-type: none"> <li>Energy mix that contributes to S+3E</li> <li>Power transmission facilities</li> <li>Telecommunications facilities</li> </ul>  | <ul style="list-style-type: none"> <li>Power generation facilities*<br/>Total output: 18.39 GW<br/>No. of facilities: 226</li> <li>Length of transmission lines: 11,061 km<br/>Length of distribution lines: 143,685 km (Kyushu T&amp;D)</li> <li>Length of communication cables (optical fiber and metal cables): 20,239 km (Kyushu T&amp;D)</li> </ul> <p>*Amount produced at power generation facilities belonging to Kyuden Group (equity investment projects are recorded as development capacity, not equity interest)</p> |
| <b>Human Capital</b>   |  |
| <ul style="list-style-type: none"> <li>Highly capable human capital (engineers)</li> <li>Strong sense of mission to support Kyushu's infrastructure</li> <li>Group management framework</li> </ul>   | <ul style="list-style-type: none"> <li>Employees: 21,226 (consolidated)</li> <li>Percentage of personnel from technical divisions: 68% (Kyushu EP and Kyushu T&amp;D)</li> </ul>   |
| <b>Intellectual Capital</b>  |  |
| <ul style="list-style-type: none"> <li>Accomplishments and expertise related to the development and safe, stable operation of zero-emission power sources (nuclear, renewable energy, etc.)</li> <li>Knowledge and expertise in a wide range of other specialist fields</li> <li>R&amp;D system</li> </ul> | <ul style="list-style-type: none"> <li>No. of participants in the KYUDEN i-PROJECT (total): Approx. 1,030 (Kyuden Group)</li> <li>Patents held: Japan: 170; Overseas: 71 (Kyushu EP and Kyushu T&amp;D)</li> <li>No. of individuals who have acquired advanced* qualifications: 1,100 (Kyushu EP and Kyushu T&amp;D)</li> </ul> <p>*Hard-to-acquire public qualifications that are indispensable to the running of a power business (e.g., chief electrical engineer (first-class), chief reactor engineer, etc.)</p>            |
| <b>Social and Relational Capital</b>   |  |
| <ul style="list-style-type: none"> <li>Brand power in Kyushu</li> <li>Relationships of trust with the community</li> <li>Collaborative relationships with business partners, affiliated companies, etc.</li> </ul>   | <ul style="list-style-type: none"> <li>No. of customers: 7.84 million (Kyushu Electric Power)</li> <li>No. of local governments with which we have comprehensive partnership agreements: 30 (Kyushu EP)</li> <li>Registered business partners (material procurement) (as of the end of July 2022): Approx. 3,080 (Kyushu EP and Kyushu T&amp;D)</li> </ul>   |
| <b>Financial Capital (FY2021)</b>  |  |
| <ul style="list-style-type: none"> <li>Capital</li> <li>Cash</li> <li>Interest-bearing debt</li> <li>Ability to procure capital</li> </ul>   | <ul style="list-style-type: none"> <li>Capital: ¥237.3 billion (consolidated)</li> <li>Cash: ¥261.6 billion (consolidated)</li> <li>Interest-bearing debt: ¥3.6380 trillion (consolidated) (of which ¥1.5600 trillion is corporate bonds (including ¥200.0 billion in hybrid bonds))</li> </ul>  |
| <b>Natural Capital (FY2021)</b>  |  |
| <ul style="list-style-type: none"> <li>Non-fossil fuels (nuclear power) and fossil fuels (thermal power)</li> <li>Renewable energy</li> <li>Water (for power generation and office use)</li> <li>Woodlands</li> </ul>  | <ul style="list-style-type: none"> <li>Fossil fuel consumption (oil equivalent): Approx. 6.12 million kl (Kyushu EP and Kyushu T&amp;D)</li> <li>Electricity from renewable and FIT energy sources*: 17.8 billion kWh (Kyushu EP)</li> <li>Water used in power generation: 5.24 Mt (Kyushu EP and Kyushu T&amp;D)</li> <li>Company-owned forests (end of FY2021): 4,447 ha (Kyushu EP)</li> </ul> <p>*Figures based on the amount of electricity generated and received by Kyushu EP</p>   |

### Materiality at the Kyuden Group P16-17

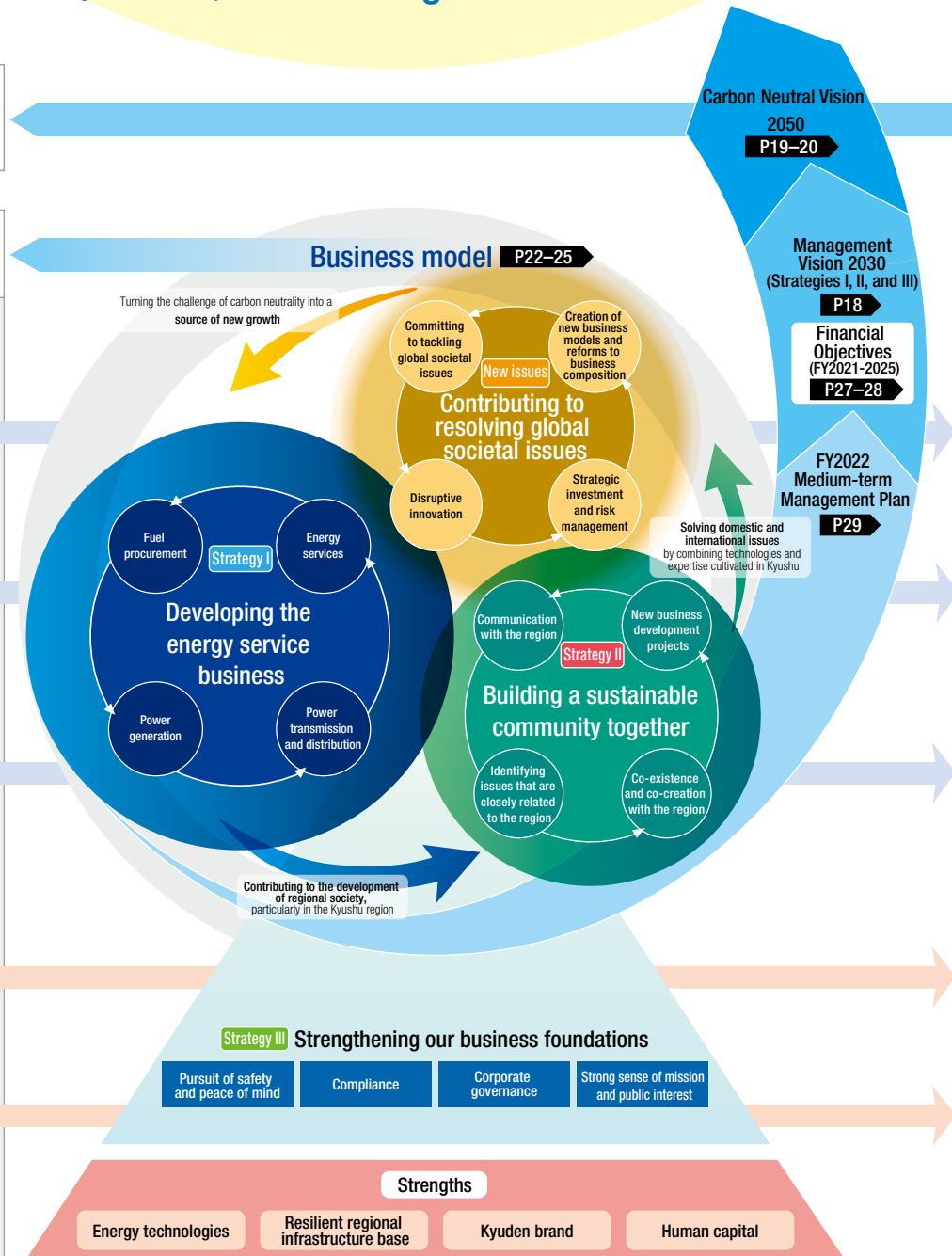
### Leading the Way Toward a Decarbonized Society P44-55

### Implementing Continuous Improvements in Energy Services P56-58

### Co-creating a Smart and Vibrant Society P59-60

### Promoting Growth, Success, and Diversity of Human Capital P63-66

### Strengthening Governance P67-75



### Collaborative Value Creation with Stakeholders

| OUTPUT  |   | OUTCOME  |   |
|---|---|--|---|
| Products/Services   | Financial Results   | Customers  | Local Community   |
| <ul style="list-style-type: none"> <li>Ratio of non-fossil fuel power sources</li> <li>Renewable energy development and adoption</li> <li>Reasonable electricity prices (reduced cost of power generation)</li> <li>Stable supply of electricity</li> <li>Energy services that cater to customers' needs</li> <li>Business and services that help to resolve community and societal issues (ICT services, urban development and city planning, etc.)</li> </ul> | <ul style="list-style-type: none"> <li>Operating revenues</li> <li>Ordinary income</li> <li>Equity ratio</li> <li>Free cash flow</li> <li>ROE</li> <li>Fair return to shareholders</li> </ul> | <ul style="list-style-type: none"> <li>Total electric power sales (retail, wholesale, overseas): Approx. 110 TWh (Kyuden Group)</li> <li>Percentage of energy from zero-emission or FIT energy sources*: 55% (Kyushu EP)</li> <li>Stable supply of electricity</li> <li>Frequency of outages (per household)*: 0.07 (0.05) times</li> <li>Average outage time*: 3 (2) minutes (Kyushu T&amp;D)</li> <li>Percentage of new-build homes using all-electric energy: 36.7% (Kyushu EP)</li> <li>Percentage of customers that trust Kyuden Group in the customer survey: 59.1%</li> </ul> | <ul style="list-style-type: none"> <li>Nominal gross regional product: Approx. 48 trillion yen (FY2018)</li> <li>Communication activities with around 30,000 local residents (Kyushu EP and Kyushu T&amp;D)</li> <li>No. of employees who participated in local activities: 22,755 (Kyuden Group)</li> <li>Urban development and city planning projects in the Kyushu area participated in: 5 (Kyuden Group)</li> </ul> |
| <b>Impact on society and the environment</b>  |   | <b>Shareholders and Investors</b>  |   |
| <ul style="list-style-type: none"> <li>Reduced impact on society and the environment (through responding to greenhouse gases and regulations, and zero-emission activities for waste)</li> <li>Steady progress of initiatives aimed at becoming carbon neutral</li> <li>Interaction and dialogue with the region</li> <li>Cyber-security countermeasures</li> </ul>   |   | <ul style="list-style-type: none"> <li>Dividends paid (total): ¥19.8 billion (consolidated)</li> <li>Dividend payout ratio: 396.4% (consolidated)</li> <li>Interest charges (paid to creditors): ¥25.0 billion (consolidated)</li> </ul>   |   |
|   |   | <b>Employees</b>   |   |
|   |   | <ul style="list-style-type: none"> <li>Frequency rate of workplace accidents*: 0.03 (Kyushu EP and Kyushu T&amp;D)</li> <li>Employee turnover rate*: 1.00% (Kyushu EP and Kyushu T&amp;D)</li> <li>No. of new female managers: 15 (Kyushu EP and Kyushu T&amp;D)</li> <li>Employee satisfaction*: 78.5% (Kyushu EP and Kyushu T&amp;D)</li> </ul>  |   |
|   |   | <b>Global Environment</b>  |   |
|   |   | <ul style="list-style-type: none"> <li>GHG emission reduction rate*: 35% (Kyuden Group)</li> <li>Industrial waste recycling rates: Approx. 100% (Kyushu Electric Power and Kyushu T&amp;D)</li> </ul>  |   |

Note: Data for which no date is specified is taken from the results for FY2021.

Note: Data for which no date is specified is taken from the results from the end of FY2021.

Note1: Kyushu Electric Power is abbreviated as Kyushu EP.  
Note2: Kyushu Transmission and Distribution is abbreviated as Kyushu T&D.

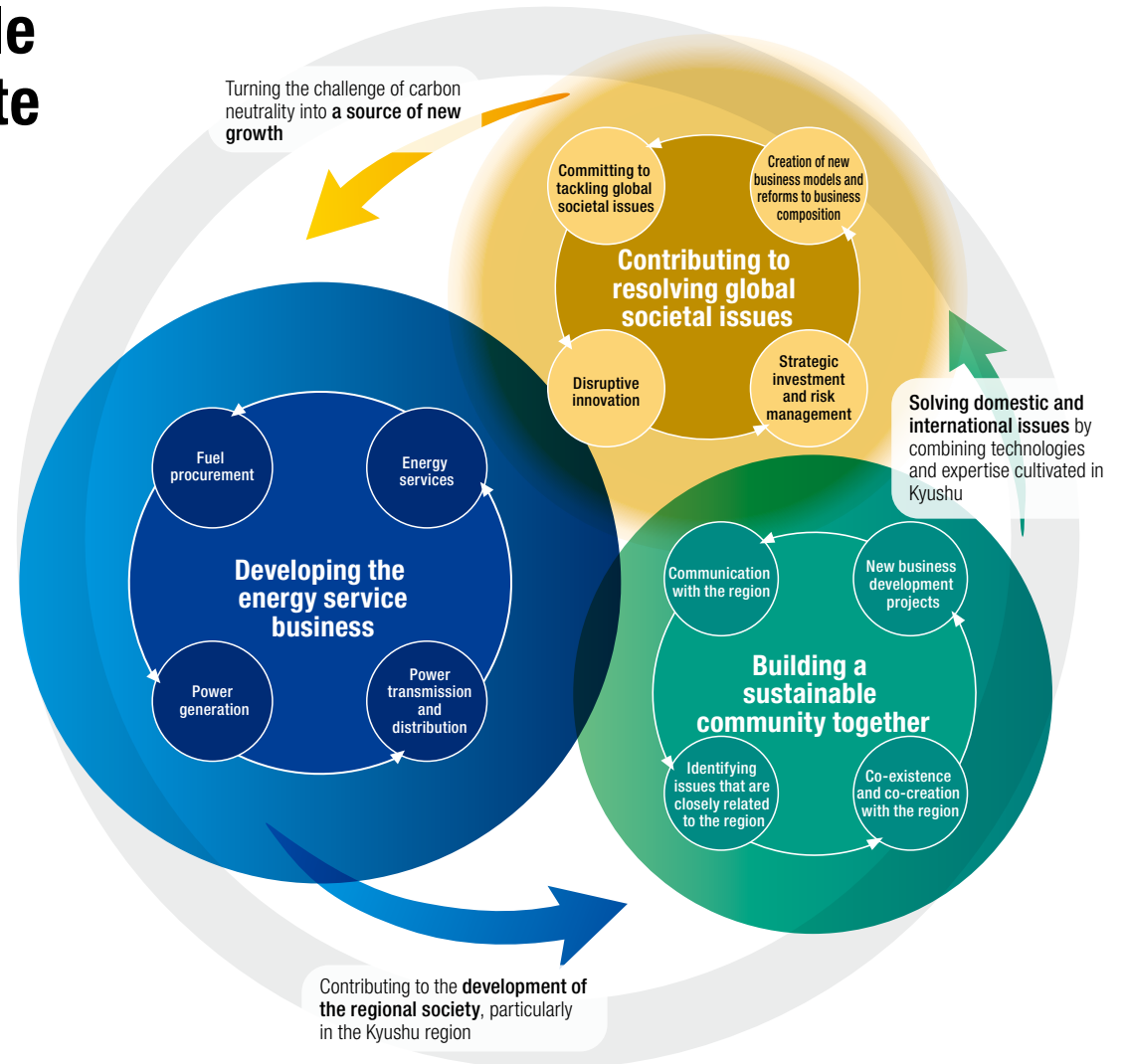
## Business Model

**By seamlessly integrating the three drivers and maximizing synergies, we will contribute to a sustainable society and enhance the corporate value of the Kyuden Group.**

In addition to working on its main driver of growth—**developing the energy service business**—the Kyuden Group is also **building a sustainable community together** with the region and **contributing to the resolution of global societal issues** so as to expand its business.

By effectively utilizing the tangible and intangible management resources nurtured in the **energy service business**, which is focused on Kyushu, the Group will continue to create a series of new businesses that can help with **building a sustainable community together**. The wealth of expertise accumulated in Kyushu will be expanded to other areas and overseas and by so doing, the Kyuden Group will allow it to continue **contributing to the resolution of global societal issues**, such as the challenge of becoming carbon neutral.

By achieving maximum synergy between these three drivers, we will contribute to resolving societal issues in Japan and overseas but it will also lead to medium- to long-term growth for the entire Kyuden Group. That, in turn, will result in sustainable development for both the Group and society.



**Developing the Energy Service Business**

**Major related businesses:** Domestic electricity business (power generation & sales, transmission & distribution), Renewable energy business

# Taking on the challenge of realizing a sustainable, low-carbon society and providing more prosperous, comfortable lifestyles.

• **Fuel procurement**

We are moving forward with an array of measures to strengthen our ability to procure fuel, including diversifying the partners from whom we procure, participating in resource development and production projects, and introducing fuel trading to adjust amounts and control prices. In terms of transporting fuels, our ships, whether our own LNG ships or dedicated contracted ships, help us to keep costs down. At the same time, by integrating this operation with our electricity transactions, we are optimizing management of supply and demand and working to maximize profitability for the Group.

▶ **Specific Initiatives**

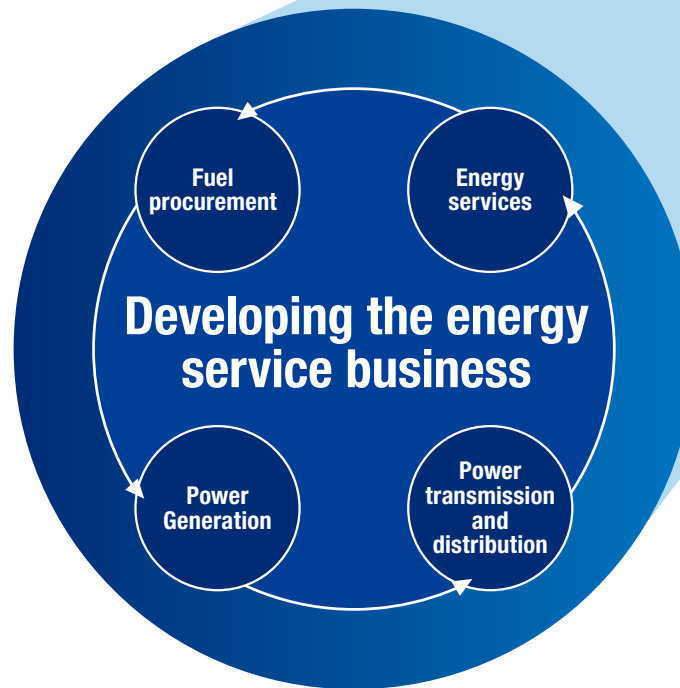
- Strengthening fuel procurement capabilities **P57**
- Affordable energy **P58**

• **Power Generation**

Our aims are to ensure long-term, stable energy supplies, to combat global warming, and to supply affordable electricity. By promoting nuclear power—predicated on safety and peace of mind—proactively developing and introducing renewable energy, raising the efficiency levels of thermal power, and through other means, we are able to generate power from a well-balanced range of sources. As a result of these efforts, the percentage of energy from zero-emission or FIT energy sources that we offer is the highest in the industry.

▶ **Specific Initiatives**

- Top-class ratio of zero-emission or FIT energy sources in Japan **P44**
- Maximum utilization of nuclear power generation **P46**
- Initiatives to improve the safety and reliability of nuclear power **P56**
- Making renewable energy the main power source **P45**
- Carbon reduction for thermal power generation **P46**



• **Energy services**

We provide various energy services that meet the diverse needs of customers, including proposals for plans and services meeting the requirements of household customers and one-stop energy services for corporate customers. Through retail electricity sales outside Kyushu and other initiatives, we are continuing to expand our energy service business inside and outside the region.

▶ **Specific Initiatives**

- Promotion of electrification **P49**
- Promotion of energy conservation **P50**
- Solutions based Around energy services **P58**

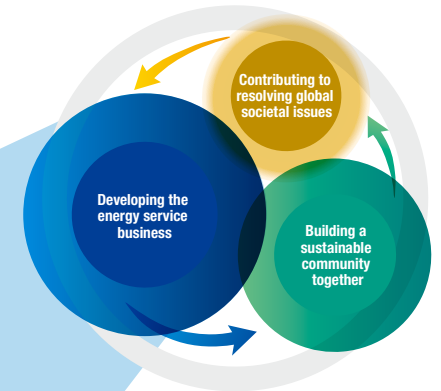
• **Power transmission and distribution**

We reliably deliver electricity from thermal power stations as well as from renewable energy sources such as solar and hydro power to our customers' homes and factories, connected through transmission and distribution lines.

To be able to deliver low-cost, stable electricity to support Kyushu's industries and lifestyles, we operate a stable electricity system preserving steady power transmission facilities.

▶ **Specific Initiatives**

- Advancing transmission and distribution network **P47**
- Maintaining and improving the reliability of supply **P57**
- Improvement of disaster response capabilities **P57**



Contributing to the development of regional society, particularly in the Kyushu region



**Building sustainable communities together**

**Major related businesses:**  
ICT service business, Urban development business

# As a local company with operations in all of Kyushu's prefectures, we will grow together with Kyushu's local communities and society through the creation of markets for new businesses and services.

• **Communication with the region**

Over the years, the Kyuden Group has developed alongside Kyushu, the base of our business operations. During that time, we have established strong network with customers as well as local authorities, companies, and organizations. That relationship of trust that we have nurtured is one of the Group's most prized assets. As part of that relationship, we are actively promoting communication to help with building a sustainable community together.

• **Identification of issues that are closely related to the region**

The Kyuden Group will strive alongside the people of Kyushu, using sweat and wisdom to exchange opinions between community and corporation, and actively take on the challenge of resolving a variety of issues. We sincerely take on board the feedback we receive as part of our communication with our customers and local residents and share this information within the Group. We also analyze that feedback to identify the issues that face the region and society, and apply what we learn to our business operations.

▶ **Specific Initiatives**

- Promotion of digital transformation (DX) **P59**
- Promotion of innovation **P66**

- Regional vitalization **P59**
- Enhancing stakeholder engagement **P75**

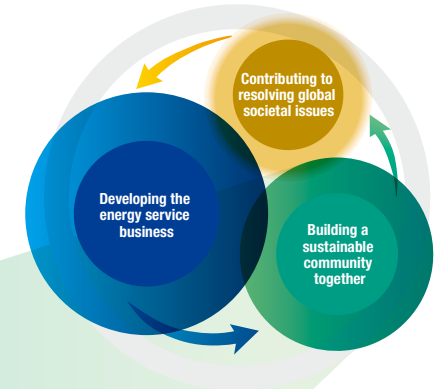
- Creating safe, secure and comfortable spaces to live **P60**

• **New business development projects**

We use the wealth of technical capabilities and expertise at our disposal, along with human capital who possess diverse backgrounds—regardless of nationality, gender, or age—to drive innovation throughout the Group. We are developing the KYUDEN i-PROJECT as a means of creating new businesses and services. Further, by actively participating in projects where we can utilize the Group's strengths, in areas such as social infrastructure, urban development or real estate, we are both helping to develop regional communities and resolve issues as well as securing new sources of revenue.

• **Co-existence and co-creation with the region**

We are building a sustainable community together with the people and government of the region, as well as with academic research institutions and local companies. Through this collaboration between industry, academia, and government, we are promoting urban development by creating safe and secure, but also vibrant and lively spaces. We are also working with local residents and moving forward with initiatives such as the Q-Den Nigiwai Startup Project, which aims to construct a sustainable business model and thus help resolve local issues.



**Solving domestic and international issues by combining technologies and expertise cultivated in Kyushu**

Contributing to resolving global social issues

Major related businesses:  
Overseas business, Renewable energy business

# From Kyushu, the center of East Asia, we will continue to take on the challenge of trying to resolve global societal issues.

• **Committing to tackling global societal issues**

As the problem of climate change worsens, expectations are rising around the world for companies to implement decarbonization efforts or promote sustainability management. As a leader in low-carbon and carbon-free efforts, we will use the knowledge and expertise we have cultivated in Kyushu to the best of our abilities in other areas and countries and contribute to the fight against this global societal issue.

• **Disruptive innovation**

To become carbon neutral, maximal use of existing technologies and energy reform through revolutionary innovation will be absolutely necessary. We will not merely rely on our existing investments in low- and carbon-free technologies; we will aim to create that revolutionary innovation. To get there, we will pioneer cutting-edge research in multidiscipline laboratories, and spur interaction with partner companies inside and outside Japan through an alliance.

► **Specific Initiatives**

- Carbon Neutral Vision 2050 / Action Plan **P19**
- Energy policy recommendations and involvement **P50**
- Promotion of innovation **P66**

Committing to tackling global societal issues

Creation of new business models and reforms to business composition

## Contributing to resolving global societal issues

Disruptive innovation

Strategic investment and risk management

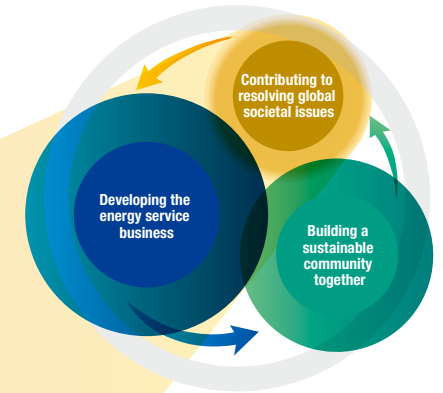
- Active development of overseas business **P48**
- Initiatives based on the TCFD recommendations **P52**

• **Creation of new business models and reforms to business composition**

We gave deep consideration to what we could do for our customers, society, and the global environment and as a result, alongside making optimal use of the Group's strengths, we will work ceaselessly to create new business models, such as through the KYUDEN i-PROJECT, and to reform our business portfolio. We will continue to challenge ourselves to always evolve, so as to help resolve issues that face global society.

• **Strategic investment and risk management**

In addition to using our technologies, expertise, and networks to the maximum effect and steadily promoting our overseas electric power business, we are investing in revenue expansion, such as in particularly promising renewable energy projects. Our goal is to achieve a total power output of 5,000 MW from the overseas projects in which we hold equity by 2030. As such, we are expanding our renewable energy business by developing geothermal power and participating in projects linked to offshore wind power and hydroelectric power. We will develop businesses in new fields that contribute to the stable supply of electric power, environmental protection, and energy saving in each country, such as microgrid businesses, consulting on renewable energy projects and power transmission & distribution business. As we do so, we will aim for an optimum asset portfolio as we monitor each project and take their individual characteristics into consideration





# Chapter 3

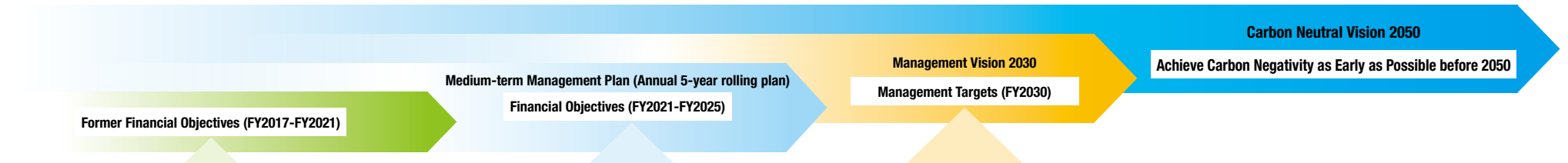
## Strategy and Performance

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# Working to Achieve Our Management Vision 2030

The Kyuden Group has set financial objectives for FY2021-FY2025 and put together a concrete action plan in the form of an annual rolling Medium-term Management Plan to help us achieve the Kyuden Group Management Vision 2030 as well as the Kyuden Group Carbon Neutral Vision 2050. We are moving forward with steadfast efforts based on this plan.



## Review of Former Financial Objectives (FY2017-FY2021)

We set three financial targets from the following perspectives:

- ◆ Recover and strengthen our financial base, crucial for business continuity and development (consolidated ordinary income, equity ratio)
- ◆ Proactively invest in achieving the growth strategy set forth in the medium-term management policy (growth investments)

Although we made solid progress in growth investments, the following factors prevented us from achieving our equity ratio and consolidated ordinary income targets:

- Lower profit margin due to increased competition
- Reduced nuclear power operations
- Decreased power sales due to unseasonable weather and COVID-19
- Losses in LNG resales

| Financial Objective  | Results       |
|--|---------------|
| Consolidated ordinary income: ¥110 billion (Average for FY2017-FY2021) | ¥50.7 billion |
| Equity ratio: 20% (End of FY2021)                                      | 14.0%*        |
| Growth investments: ¥420 billion (Cumulative FY2017-FY2021)            | ¥495 billion  |

In light of the above factors, we will aim to achieve our new financial objectives by further promoting electrification, proactively investing in diversifying our power sales and in our growth businesses, and through a wide range of other initiatives.

\*Includes amount (approx. 2%) recognized as capital from hybrid corporate bonds (issued October 2020)

## Financial Objectives to Achieve Our Management Vision 2030

We have set interim financial objectives for FY2025 to guide us as we work toward achieving our management vision from the following perspectives:

- ◆ Secure and expand income in the domestic electricity business and growth businesses
- ◆ Prioritize balance between improving our financial position, enhancing shareholder returns, and investing for growth

We will aim to steadily achieve these objectives by ascertaining risks and raising our ability to weather such risks, taking into account factors that prevented us from achieving some of our former financial objectives.

| Perspective         | Financial Objective (FY2025)  |
|---------------------|---|
| Profitability       | Consolidated ordinary income: Over ¥125 billion<br>• Domestic electricity business: ¥75 billion<br>• Growth businesses: ¥50 billion |
| Financial soundness | Equity ratio: approx. 20%   |

| Perspective      | Reference Indices*1 (FY2025)  |
|------------------|---|
| Profitability    | ROE: approx. 8%<br>Total electric power sales: 105 billion kWh                      |
| Growth potential | Growth investments: ¥500 billion*2<br>• Renewable energy (restated): ¥250 billion*2 |
|                  | FCF: ¥70 billion (Secure five-year cumulative profitability)                        |
| Power output     | • Renewable energy developed: 4,000 MW<br>• Overseas equity output: 4,000 MW        |

\*1: Reference indices: Give a sense of where certain indicators prioritized by management will be when our financial objectives are achieved

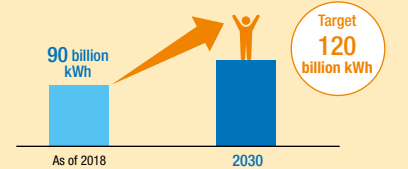
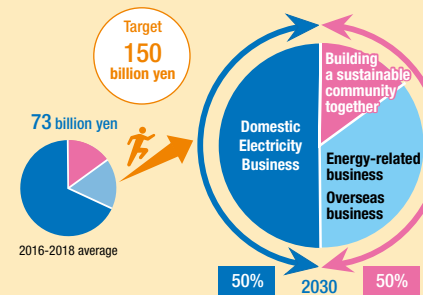
\*2: FY2021-FY2025 cumulative

## Management Targets to Achieve Our 2030 Vision

We have set the following management targets to guide us in steadily promoting strategies to achieve our 2030 management vision of “Creating the future, starting from Kyushu. Providing more prosperous, comfortable living to become our customers’ No. 1 choice”.

### Management Targets

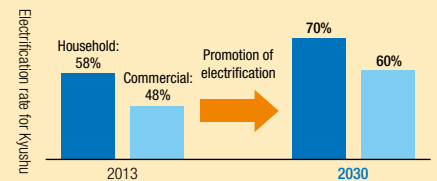
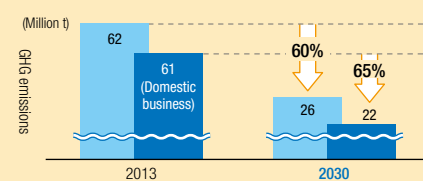
|                              |   |  |                 |
|------------------------------|---|--|-----------------|
| Consolidated ordinary income | ¥150 billion<br>(50% from domestic electricity business, 50% from other businesses) | Total electricity sales volume (retail, wholesale, overseas) | 120 billion kWh |
|------------------------------|---|--|-----------------|



Permanent pursuit of a reasonable price for electricity

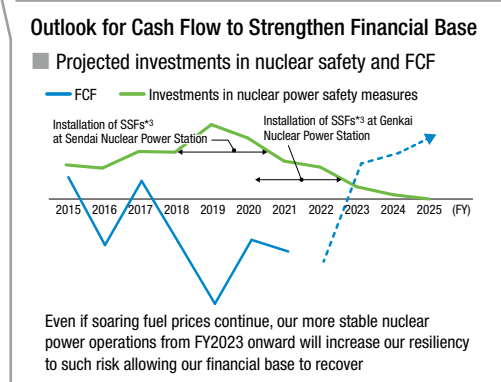
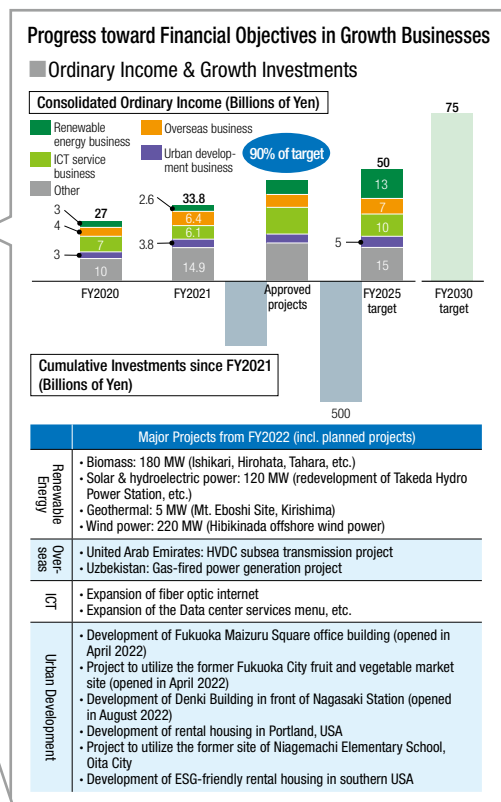
### Management Targets (Environmental Targets)

|               |  |               |   |
|---------------|--|---------------|---|
| <b>Supply</b> | Reduce supply chain GHG emissions by 60%<br>Reduce by 65% for domestic business (compared to FY2013) | <b>Demand</b> | Contribute to the electrification of Kyushu (Household: 70%; Commercial: 60%) |
|---------------|--|---------------|---|



● Progress toward Our Financial Objectives and Management Targets (Environmental Targets) (→For more detailed information, please refer to the Financial and Non-financial Highlights section. P30-33)

| Perspective         | Indicator  | Target (FY2025)   | Performance                        |                                    | Progress & Future Issues   |
|---------------------|--|---|------------------------------------|------------------------------------|--|
|                     |  |   | FY2020                             | FY2021                             |  |
| Profitability       | Consolidated ordinary income<br><i>Excluding delayed effects</i> | Over ¥125 billion                                       | ¥55.1 billion*1<br>¥46.1 billion*1 | ¥32.3 billion*1<br>¥97.3 billion*1 | Came to ¥97.3 billion in FY2021 (a year-on-year increase) when excluding the delayed effects of fuel cost adjustments  |
|                     | Domestic Electricity Business                                    | ¥75 billion   | ¥30 billion<br>¥21 billion         | ¥2.1 billion<br>¥67.1 billion      | Came to ¥67.1 billion in FY2021 when excluding the delayed effects of fuel cost adjustments due to an increase in total electric power sales and an upswing in nuclear power station operations  |
|                     | Growth Businesses  | ¥50 billion   | ¥27 billion                        | ¥33.8 billion                      | Making steady progress toward achieving target with about 90% of the ¥50 billion target expected to come from projects already invested in or approved   |
|                     | Total Electric Power Sales (retail, wholesale, overseas)         | 105 billion kWh   | 95 billion kWh                     | 110 billion kWh                    | Surpassed FY2025 target in FY2021 through Group-wide efforts to expand sales   |
|                     | ROE  | Approx. 8%  | 5.0%                               | 1.1%                               | Significant improvement expected from FY2023 onward due to more stable nuclear power operations and increased returns in growth businesses. Promoting ROE-conscious management as we work to improve our balance sheet   |
| Financial Soundness | Equity Ratio   | Approx. 20%   | 14.7%*2                            | 14.0%*2                            | Flat due to a decline in profits caused by soaring fuel prices and prior investments in maintaining and expanding non-fossil fuel power sources (increased interest-bearing debt). Expected to significantly improve from FY2023 onward both in terms of reduced interest-bearing debt and improved profits thanks to lower investments needed in safety measures and more stable nuclear power operations following the completed installation of nuclear power SSFs*3, as well as greater returns from growth businesses |
|                     | Growth Investments   | ¥500 billion (FY2021-FY2025 cumulative)                 | ¥74 billion                        | ¥79 billion                        | Making decisions that are based on a proper assessment of business profitability and risk while steadily devising ways to keep interest-bearing debt down, such as through the use of project finance, to achieve our financial objectives   |
| Growth Potential    | Renewable Energy (included above)                                | ¥250 billion  | ¥34 billion                        | ¥30 billion                        |  |
|                     | FCF  | ¥70 billion (Secure five-year cumulative profitability) | -¥77.1 billion                     | -¥63 billion                       | Although capital expenditures have increased recently due to the SSFs*3 being installed at Genkai Nuclear Power Station, FCF is expected to move into the black from FY2023 onward thanks to lower investments needed in safety measures and improved nuclear power utilization rates following the completed construction of the SSFs, as well as greater returns from growth businesses  |
|                     | Power Output   | 4,000 MW  | 2,300 MW                           | 2,550 MW                           | Steady progress toward achieving targets<br>Renewable energy: Promoting geothermal, hydro, offshore wind, and biomass power generation on a group-wide basis both in Japan and overseas (approx. 80% of FY2025 target already approved as of the end of FY2021)  |
|                     | Renewable Energy Developed Overseas Equity Output                | 4,000 MW  | 2,430 MW                           | 2,910 MW                           | Overseas: Actively developing projects that contribute to lower carbon intensity and decarbonized power, such as high-efficiency thermal power generation and transmission and distribution projects (as of the end of FY2021, approx. 80% of FY2025 target output already covered by decided projects).   |



\*1: After elimination of inter-segment transactions

\*4: Calculations are based on the energy consumption statistics by prefecture reported by the Agency for Natural Resources and Energy

\*2: Includes amount (approx. 2%) recognized as capital from hybrid corporate bonds (issued October 2020). \*5: CO2 emissions (baseline emissions) from Kyushu Electric Power's domestic retail sales as defined in the Act on Promotion of Global Warming Countermeasures

\*3: Specific Safety Facilities



## ● Initiatives to Achieve Our Financial Objectives (FY2022 Medium-term Management Plan)

Each year, the Kyuden Group compiles a Medium-term Management Plan as a concrete action plan to achieve the Kyuden Group Management Vision 2030 and our FY2025 financial objectives.

In FY2022, we will strive to respond appropriately to the changes in the business environment, such as the recent rise in fuel prices, while also further promoting ESG management under the following three strategies aimed at achieving our management vision.

Main relevant materiality

### Strategy I Developing the Energy Service Business Leading the Way Toward a Decarbonized Society Implementing Continuous Improvements in Energy Services

#### Continue to deliver environmentally friendly stable energy at low cost

- Promote lower carbon intensity and decarbonized sources of power alongside electrification to achieve carbon negativity as early as possible before 2050
- Promote the development of renewable energy in Japan and overseas in an aim to make it a primary power source while taking into consideration co-existence with the region and profitability (geothermal, hydro, offshore wind power, biomass, etc.)
- Continue the safe and stable operation of our nuclear power stations, improve utilization rates, and maintain close communication with local communities
- Utilize thermal power generation while pursuing a balance between environmental concerns, cost competitiveness, and supply stability
- Ensure supply capacity and rigorous fuel procurement for a stable supply of electricity, taking into account the risk of fluctuations in the supply and demand of electricity, fuel price volatility, etc.
- Take efforts aimed at using hydrogen and ammonia as sources of fuel for power generation as they do not emit CO<sub>2</sub> when burned
- Develop technologies to achieve carbon neutrality, including those that utilize hydrogen and help electrify the industrial and transport sectors
- Issue the Transition Bond and continue issuing green bonds
- Strengthen efforts to quickly restore power and share information after outages in light of increasingly severe natural disasters in recent years

#### Develop our energy services by anticipating changes in the market environment, including the energy landscape and diversifying customer needs

- Provide rate plans and services that meet customer needs, including renewable energy and CO<sub>2</sub>-free plans
- Promote innovation aimed at providing new value to customers
- Take efforts to achieve both stable supply and cost reductions in the power transmission and distribution business, and to develop a next-generation transmission and distribution network
- Promote initiatives to create electric power demand in the Kyushu area
- Strengthen the risk management function in our overseas business and further expand earnings by leveraging the expertise and networks of the entire Group

### Strategy II Building a Sustainable Community Together Co-creating a Smart and Vibrant Society

- Contribute to solving social issues and sustainable development in the Kyushu region
- Solve issues and expand Group-wide earnings through Kyuden Group products and services
- Develop our ICT services to provide customers with optimal solutions
- Contribute to the development and vitality of the region through our urban development business by expanding earnings in Japan and overseas and increasing the number of visitors to the region
- Create new businesses and services that meet the needs of the region and society by leveraging the Kyuden Group's strengths

### Strategy III Strengthening Our Business Foundations Promoting Growth, Success, and Diversity of Human Capital Strengthening Governance

#### Create a corporate culture that prioritizes safety, health, and diversity

- Promote health and productivity management based on the Kyushu Electric Power Health and Productivity Management Policy as well as safety through Group-wide efforts
- Secure and develop human capital to drive transformation and new business development, and foster an organizational culture that allows diverse talent to succeed

#### Endlessly pursue a rewarding workplace

- Engage in DX (digital transformation) initiatives to improve productivity and profitability
- Achieve a highly productive and flexible work style that is not bound by time or place

#### Work continuously to improve stakeholder trust

- Promote sustainability management that captures the broad needs of capital markets and investors, and strengthen strategic information sharing
- Strengthen environmental education activities to build the environmental awareness of the next generation
- Strengthen information security measures for the entire Kyuden Group
- Promote Group-wide efforts to ensure thorough compliance in our management
- Promote initiatives to improve management efficiency (create a competitive advantage by transforming the cost structure, etc.)

## ● Introduction of Return on Invested Capital (ROIC)-based Management

The Kyuden Group is introducing a new system of management this fiscal year that utilizes ROIC (Return on Invested Capital) in an aim to be more conscious of capital efficiency than ever before.

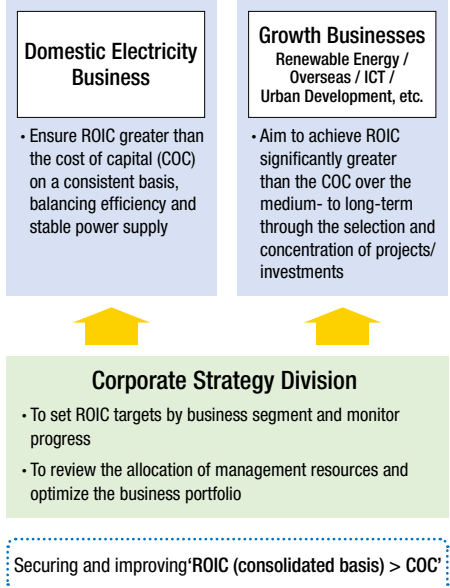
Moving forward, we will strive to efficiently manage our power facilities and other assets as well as strengthen and optimize the management of our business portfolio with ROIC as our basis, thereby expanding profits while controlling our balance sheet, achieving our financial objectives and management targets, and enhancing our capital efficiency and corporate value in a sustainable manner.

### (1) Self-Directed and Independent Improvements to ROIC by Business Division

We have set ROIC targets by business segment based on the characteristics and lifecycle of each and using other companies in the industry as a benchmark, with each business division to drive improvements in a self-directed and independent manner.

### (2) Stronger Portfolio Management

The Corporate Strategy Division will work to optimize our business portfolio by monitoring the progress of each business segment toward reaching its ROIC target, determining its “earning power,” and allocating management resources based on ROIC targets (consolidated basis), each business’ progress, and changes in the business environment.



## Message from the Executive Director of the Corporate Strategy Division

Our aim in introducing an ROIC-based system of management is to not only enhance our corporate value through focused on capital efficiency and cost of capital management, but also more directly to both grow our profits and manage our balance sheet.

The Kyuden Group has been investing in our renewable energy, overseas, and other growth businesses in order to achieve the ordinary income target set forth in our financial objectives and management vision. At the same time, however, we recognize the importance of maintaining proper control over our balance sheet which has been on expanding trend.

In order to achieve balance between these two goals, making the most efficient possible use of our limited management resources is key, and we believe that utilizing ROIC is an effective means of doing so.

Using ROIC as a performance metric will encourage each business to operate with not only profit but also its balance sheet in mind as we aim for more efficient income generation. Under this new system, we will seek a more stable ROIC from our domestic electricity business and a higher ROIC from our growth businesses in light of the cost of capital and the characteristics of each.

ROIC also allows us to assess our business' side-by-side based on the capital efficiency of each rather than the size of its profits. This will help us identify the businesses with true “earning power” that the Kyuden Group should focus on so that we can work to optimize the allocation of management resources and our business portfolio as a whole.

This system of ROIC-based management will help us reach our financial objects and management targets by promoting efficient income generation while also achieving medium- to long-term and sustainable improvements to our corporate value.

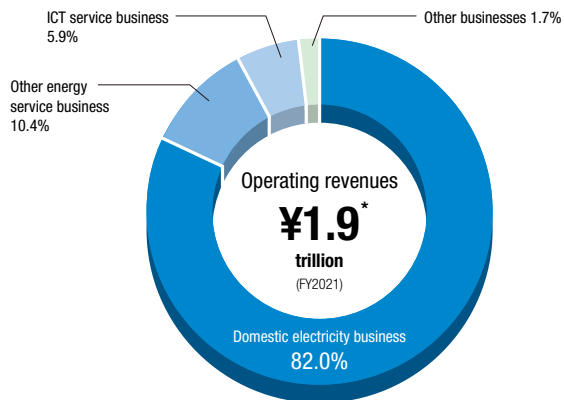


**Masaru Nishiyama**  
Executive Director,  
Corporate Strategy Division

# Financial and Non-financial Highlights

**Ratio of Sales from Domestic Electricity Business (Incl. inter-segment transactions)\***

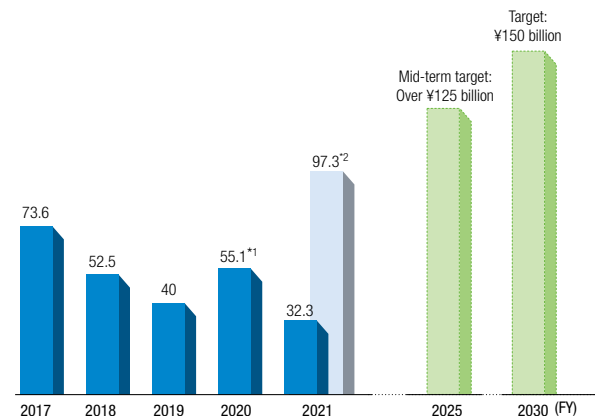
**82.0%**  
(FY2021)



\* Before elimination of inter-segment transactions

**Ordinary Income (Consolidated)**

**¥32.3 billion**  
(¥97.3 billion (Excluding the delayed effects of fuel cost adjustments))  
(FY2021)

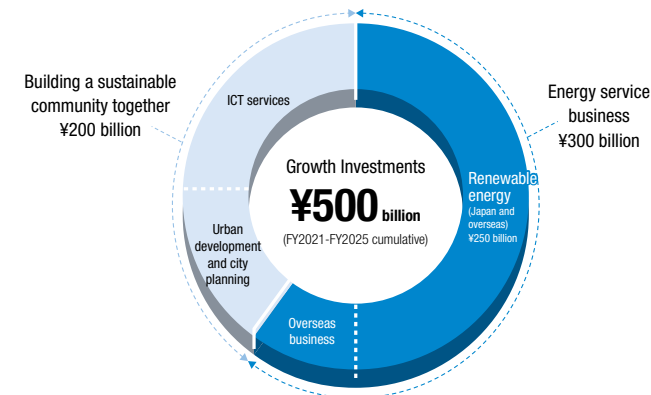


\*1: The Revised Accounting Standard for Revenue Recognition, etc. and the revised Electricity Business Accounting Regulations have been applied from the beginning of Fiscal 2021, and the figures for Fiscal 2020 represent those after having retroactively applied said accounting standards.

\*2: Figure excluding the delayed effects of fuel cost adjustments.

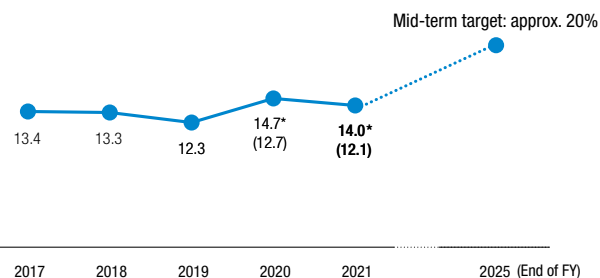
**Growth Investments (Consolidated)**

**Approx. ¥79 billion**  
(FY2021)



**Equity Ratio (Consolidated)**

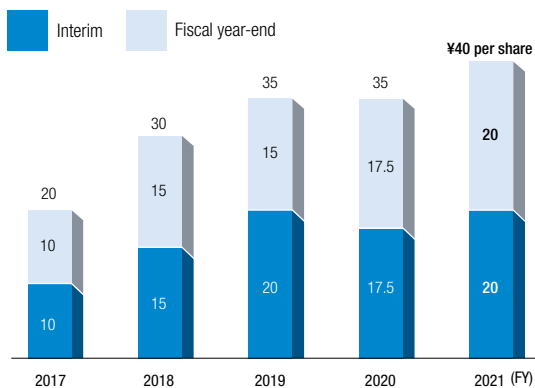
**14.0%\***  
(End of FY2021)



\*Includes amount (approx. 2%) recognized as capital from hybrid corporate bonds (issued October 2020). Figures in parentheses do not include this amount.

**Dividends (per share of common stock) (Kyushu EP)**

**¥40 per share**  
(FY2021)

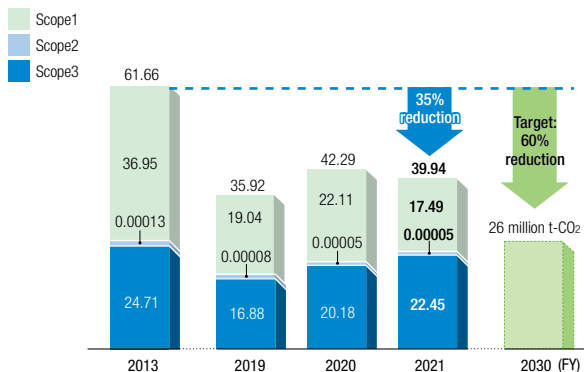


Note1: Kyushu Electric Power is abbreviated as Kyushu EP.

Note2: Kyushu Transmission and Distribution is abbreviated as Kyushu T&D.

Supply Chain GHG Emissions Reduction Rate\*<sup>1</sup> (Scopes 1-3) (Kyuden Group\*<sup>2</sup>)

**35%**  
(FY2021)

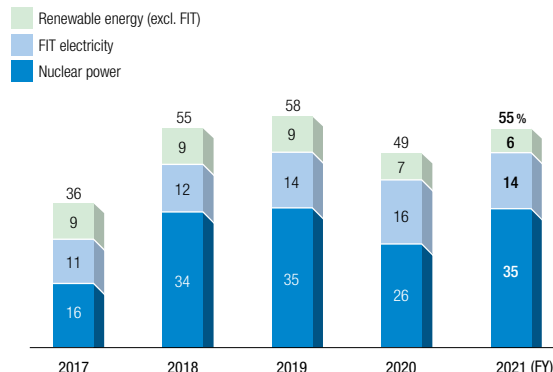


\*1: Compared to FY2013

\*2: Calculated for Kyushu EP and its consolidated subsidiaries (excl. those with negligible emissions)

Ratio of Zero-emission or FIT Electricity\* in the Domestic Electricity Business (Kyushu EP)

**55%**  
(FY2021)

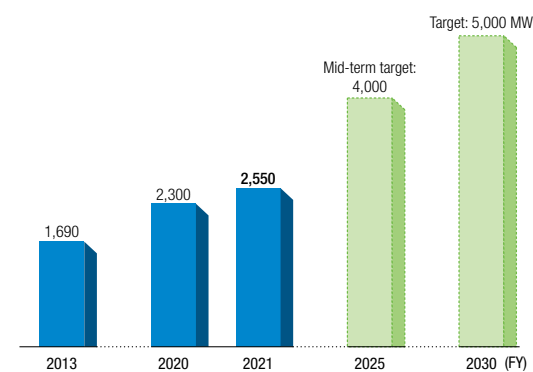


\*Figures represent the ratio of electricity produced by Kyushu EP and procured from other companies, and before the trading of Non-Fossil Certificates.

Note: For amounts for which Non-Fossil Certificates were not used, there is no value for renewable energy or zero-CO<sub>2</sub>-emission energy sources, and so these are counted as national average CO<sub>2</sub> emissions for electricity production, including that generated from fossil fuels.

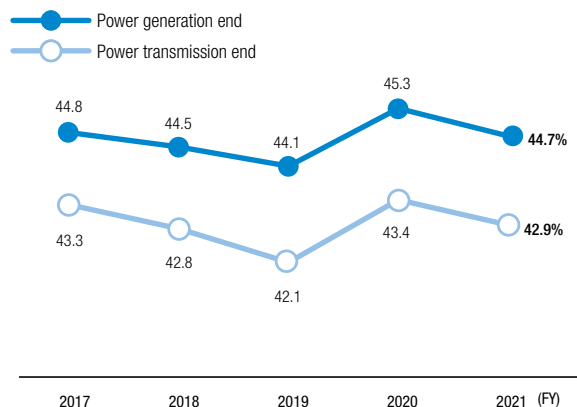
Renewable Energy Developed (Japan and overseas) (Kyuden Group)

**2,550 MW**  
(FY2021)



Overall Thermal Efficiency for Thermal Power Stations (Power generation end) (Kyushu EP)

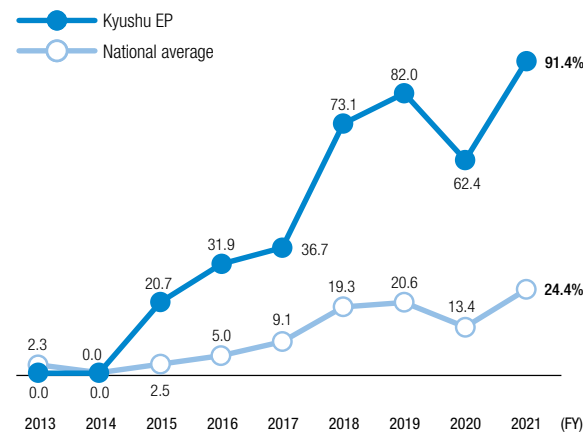
**44.7%**  
(FY2021 (Lower heating value\*base))



\* Amount of heat produced when burning fuel (excl. heat from steam produced)

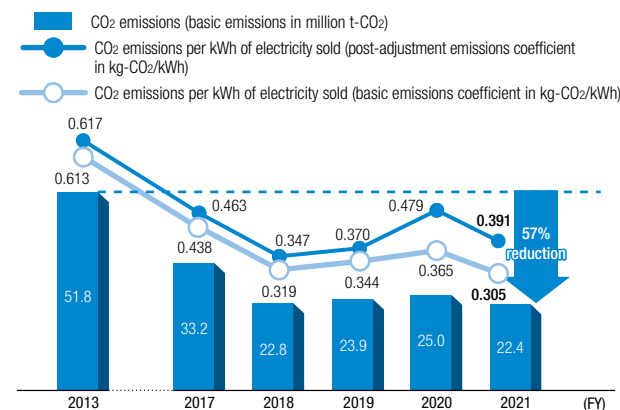
Nuclear Power Station Utilization Rate (Kyushu EP)

**91.4%**  
(FY2021)



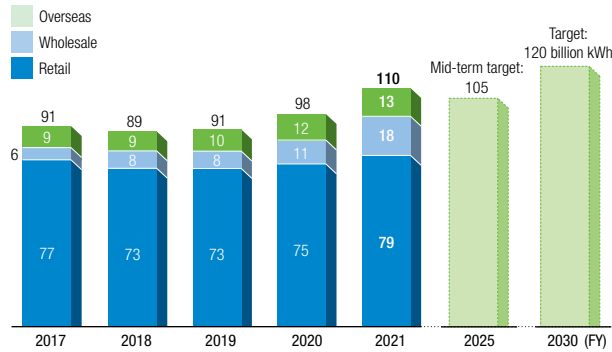
CO<sub>2</sub> Emissions per kWh of Electricity Sold (Kyushu EP)

**0.391** (Post-adjustment emissions coefficient) kg-CO<sub>2</sub>/kWh  
**0.305** (Basic emissions coefficient) kg-CO<sub>2</sub>/kWh (FY2021)



Note: Post-adjustment values reflect CO<sub>2</sub> emission credits and adjustments associated with the renewable energy feed-in-tariff (FIT) system (Tentative figures for FY2021. Finalized figures are expected to be released by the government in December.)

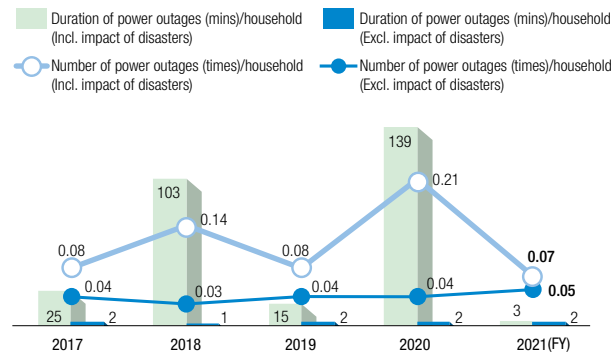
**Total Electricity Sales Volume (Retail, wholesale, overseas) (Kyuden Group)**  
**Approx. 110 billion kWh**  
(FY2021)



Note 1: Retail Electricity sales volume represents those for Kyushu EP for FY2017, and those for Kyushu EP as well as its consolidated subsidiaries (Kyushu T&D, Kyuden Mirai Energy) for FY2018 onward

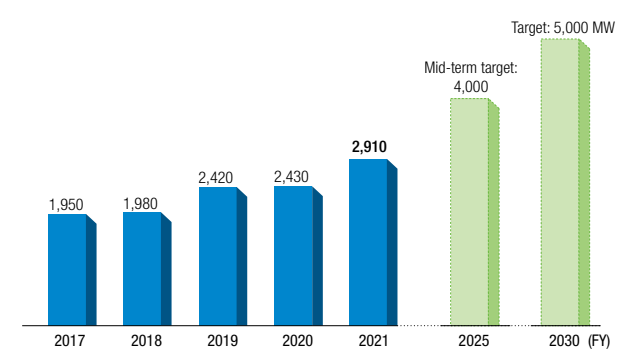
Note 2: The breakdowns and totals may not match due to rounding

**Annual Duration and Frequency of Power Outages per Household (Kyushu T&D)**  
**2 Mins / 0.05 Outages**  
(Excl. disasters such as typhoons) (FY2021)



Note: Figures for Kyushu EP shown for FY2019 and before

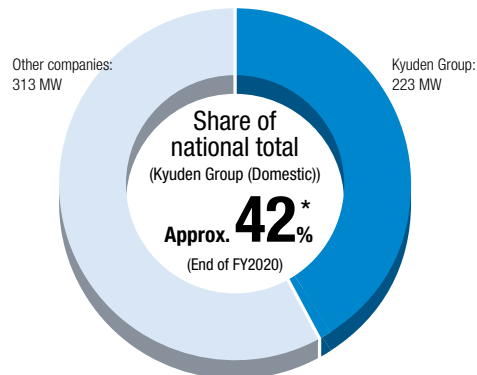
**Overseas Equity Output (Kyuden Group)**  
**2,910 MW**  
(FY2021)



\* Figures include projects joined prior to commercial operation

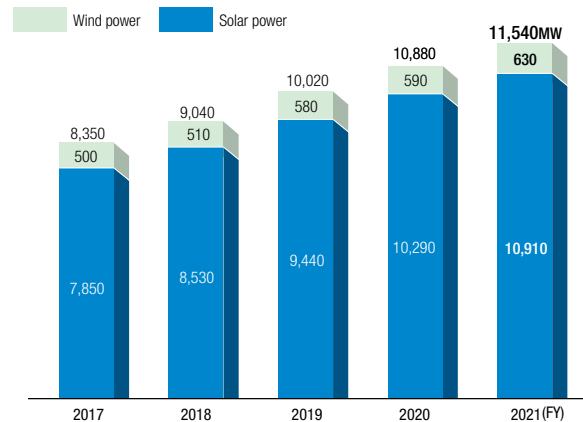
**Geothermal Power Installed Capacity (Kyuden Group)**  
**553 MW**  
(End of FY2020 (Domestic and overseas))

Kyuden Group's percentage in Japan



\* Taken from "The Current State and Trends of Geothermal Power Generation," published by the Thermal and Nuclear Power Engineering Society

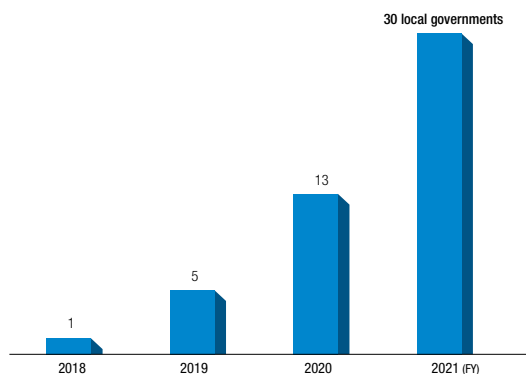
**Grid-connected Solar and Wind Power Generation (Kyushu T&D)**  
**11,540 MW**  
(End of FY2021)  
(Excl. remote islands)



Note: Figures for Kyushu EP shown for FY2019 and before

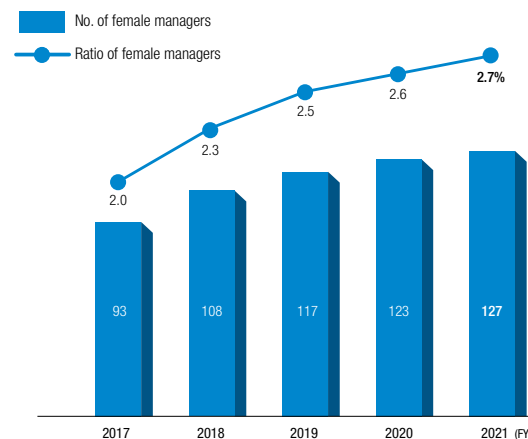
No. of Local Governments Comprehensive Partnership Agreements Concluded With (Cumulative) (Kyushu EP)

**30 local governments**  
(FY2018-FY2021)



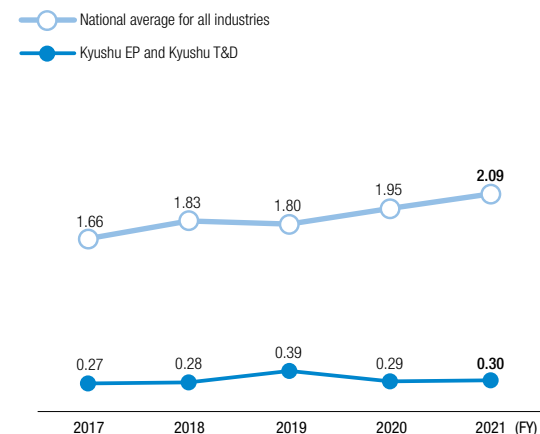
No. & Ratio of Female Managers (Kyushu EP and Kyushu T&D)

**127 / 2.7%**  
(FY2021)



Frequency Rate of Workplace Accidents\* (Kyushu EP and Kyushu T&D)

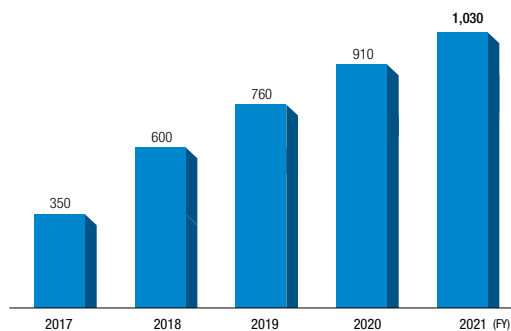
**0.30**  
(FY2021)



\*No. of accidents per 1 million working hours

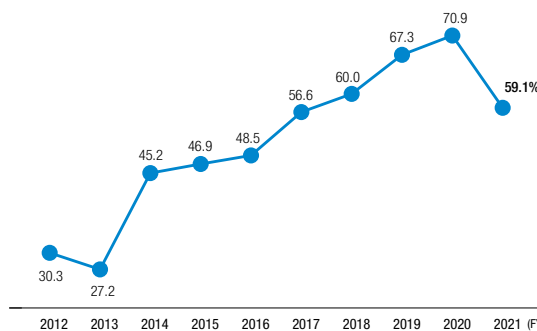
Total Number of KYUDEN i-PROJECT\* Participants (Kyuden Group)

**Approx. 1,030**  
(FY2017-FY2021)



Level of Customer Trust\* (Kyuden Group)

**59.1%**  
(FY2021)



\*A project to promote innovation throughout the Kyuden Group and thereby create new businesses and services

\*Based on a survey of residents in the Kyushu region (FY2021: 2,400 respondents) about their level of trust in the Kyuden Group

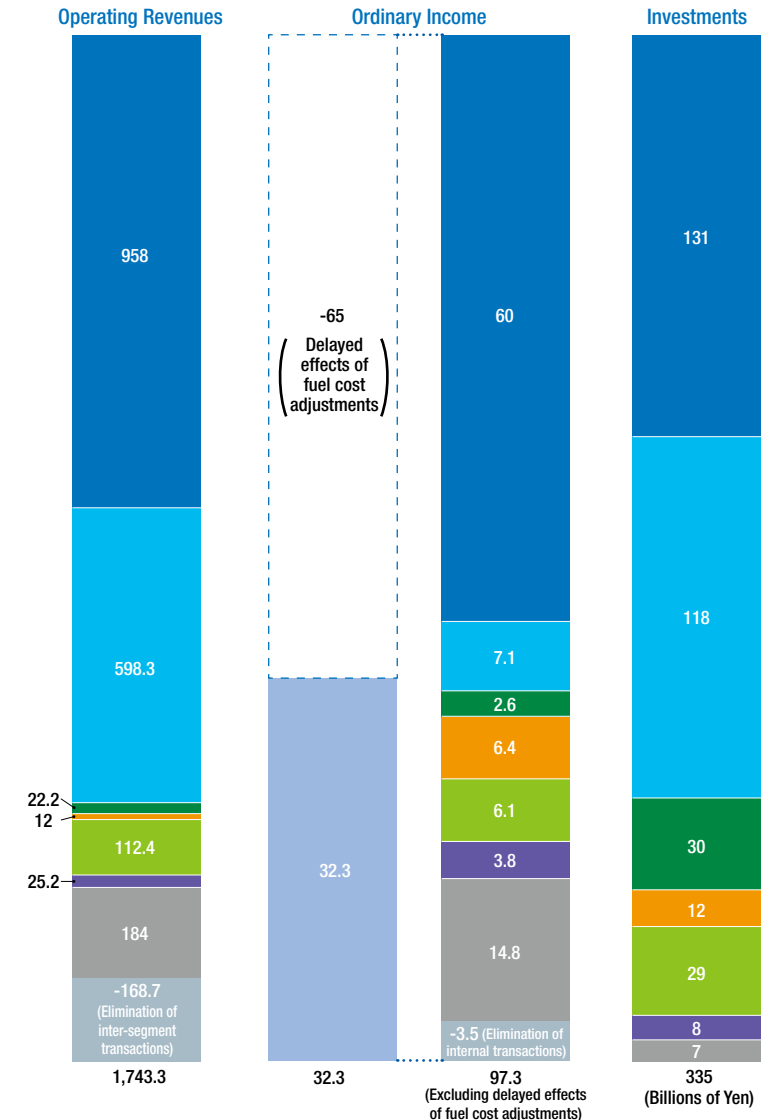


# Strategies by Business

## Business Snapshot

|   |  |   |
|---|--|---|
| Domestic Electricity Business                           | <b>Power Generation &amp; Sales</b>    | <p>We are pursuing an optimal energy mix for our power generation based on the S+3E perspective while also developing projects and operating our power stations in a way that will help us achieve carbon negativity as early as possible before 2050, working to make renewable energy a primary power source and maximizing the use of nuclear power.</p> <p>We are also strengthening our fuel procurement capabilities through active involvement in the fuel value chain to reduce fuel prices and improve flexibility in fuel procurement.</p> <p>In terms of sales, we have been developing proposals for renewable energy rate plans in response to growing demand for decarbonized electricity.</p>  |
|   | <b>Transmission &amp; Distribution</b> | <p>We reliably deliver electricity from thermal and other power stations as well as from renewable energy sources such as solar and hydro power to our customers' homes and factories, connected through transmission and distribution lines. Through efficient facility formation and proper inspection and repair work, we are working to reduce power outage incidents and improve the quality of our electricity, as well as to expand the further introduction of renewable energy.</p>  |
| Growth Businesses (excl. domestic electricity business) | <b>Renewable Energy Business</b>       | <p>The Kyuden Group, led by Kyuden Mirai Energy Co., Inc. established in 2014, develops and operates all five main renewable energy sources: solar, wind, hydro, geothermal, and biomass.</p> <p>The renewable energy business is an area where we can utilize the development and operational know-how we have accumulated over the years, and in which societal expectations are high in terms of achieving carbon neutrality. As such, we have positioned it as one of our growth businesses and are actively promoting the development of projects both in Japan and overseas, including geothermal and hydroelectric power projects where our strengths lie, as well as offshore wind power projects which have great development potential.</p> |
|   | <b>Overseas Business</b>               | <p>We are developing energy-related businesses in countries around the world by utilizing the technologies and know-how in the electric power industry the Kyuden Group has accumulated in Japan and overseas. With an eye on future market expansion, we have positioned these businesses as some of our most promising growth businesses, and are actively promoting the expansion of the areas and business domains in which we operate.</p>   |
|   | <b>ICT Service Business</b>            | <p>We provide ICT services by leveraging upon the strengths the Kyuden Group has accumulated through its electric power business, having developed technologies and expertise by operating and maintaining highly reliable telecommunications networks and information communication systems to support the stable supply of electricity.</p> <p>As demand is expected to grow alongside the push for digital transformation of society, the Kyuden Group has positioned the ICT service business as one of our growth businesses and is moving forward with Group-wide initiatives in this area.</p>   |
|   | <b>Urban Development Business</b>      | <p>We engage in urban development, real estate, and social infrastructure businesses by leveraging the knowledge and experience we have accumulated through our business activities to date, including in the energy, civil engineering and construction, real estate management, and ICT sectors. As these businesses are expected to generate synergies with our electric power business, such as increased electric power demand through regional development, we have positioned urban development as one of our growth businesses and are promoting relevant initiatives.</p>  |
|   | <b>Other Businesses</b>                | <p>We offer other energy services to meet our customers' various energy-related needs, including plant design, construction, maintenance, and operations to help provide a stable supply of electricity, as well as gas and LNG sales.</p> <p>We are also involved in the paid elderly nursing home business, the administrative services outsourcing business, and the temporary staffing business.</p>  |

## Breakdown of Key Metrics by Business Segment (FY2021)



Note: The breakdown figures and totals may not match due to rounding.

## Domestic Electricity Business ~Power Generation & Sales~

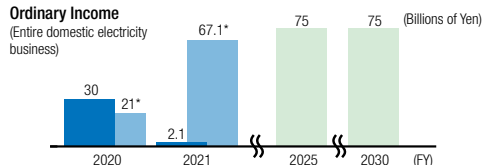


Executive Director,  
Energy Service  
Headquarters  
**Yasuji Akiyama**

We will take on the challenge of developing our energy services to contribute to the sustainable and prosperous growth of society.

### Vision for the Future

We aim to achieve our management vision of “providing more prosperous, comfortable living to become our customers’ No. 1 choice” and ¥75 billion in ordinary income (50% of the ¥150 billion consolidated ordinary income target for 2030) by providing a stable supply of environmentally-friendly energy and energy services that meet the needs of our customers.



\*Excluding the delayed effects of fuel cost adjustments

### FY2030 Management Targets

- Total electric power sales of 120 billion kWh (incl. overseas)
- Permanent pursuit of a reasonable price for electricity
- Reduce supply chain GHG emissions by 60% (Reduce by 60% for domestic business (compared to FY2013))
- Contribute to the electrification of Kyushu (Household: 70%; Commercial: 60%)

### FY2025 Forecast

- Total electric power sales of 105 billion kWh

### FY2021 Assessment

- Ordinary income decreased from the previous fiscal year due to the delayed effects of fuel cost adjustments caused by higher fuel prices, but rose to ¥67.1 billion when excluding these effects thanks to an increase in total electric power sales (retail and wholesale) and high utilization of nuclear power generation
- Ensured maximum supply capacity through the coordinated operation of our nuclear, thermal, pumped-storage and other power generation facilities, achieving a stable supply of electricity to meet our sales throughout the year, including the summer and winter months when supply and demand is tight

### Strengths

- Power Generation**
  - Top-level ratio of non-fossil fuel power sources among major Japanese electric power companies
  - Both a cost competitive and stable supplier thanks to stable nuclear power operations and a well-balanced energy mix
- Retail**
  - A customer base built on close ties to the local community with 50 sales offices throughout Kyushu

### Energy Trading & Supply-Demand Coordination

- Optimized procurement and sales operations in both fuel and electricity markets based on demand trends for retail and wholesale electricity

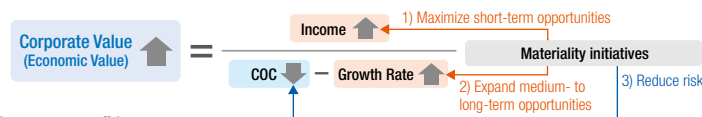
### Business Environment

- Opportunities**
  - Increased importance of stable power supply
  - Growing interest in carbon neutrality in Japan and overseas
- Risks**
  - Volatility in the fuel, wholesale electricity, and foreign exchange markets
  - Increased investment expenditures and costs related to lower carbon intensity and decarbonized power sources
  - Decrease in opportunities for thermal power generation due to expanded adoption of renewable energy
  - Unplanned power supply outages
  - Changes in regulations related to electric utilities

### Business Strategy

- **Stable power supply**  
Our domestic electricity business has provided a stable supply of low-cost electricity thus far, but in light of recent fuel cost spikes and price hikes in the wholesale electricity market, the importance of stable supply is becoming even more critical. Our power generation, retail, energy trading, and supply-demand coordination divisions will work in unison and we will do our utmost to ensure a stable supply by taking an agile approach to procuring fuel in response to market movements, maximizing our use of nuclear power and its advantages in terms of energy security, and reviewing our thermal power station repair schedule to secure adequate supply capacity during periods of heavy load.
- **Promoting carbon neutrality**  
In response to society’s need for decarbonized sources of power, we will strive to make renewable energy a primary power source by promoting its development Group-wide. Thermal power generation plays an important role as an adjustable resource that can complement the fluctuating output of renewable energy, and as such we will push for greater efficiency and the use of carbon-free fuels. Alongside these efforts to provide lower carbon intensity and decarbonized sources of power, we will also trade the non-fossil value generated by our non-fossil power sources, promote electrification across all parts of society, engage in face-to-face sales to make the most of our direct contact with customers, and develop proposals for renewable energy rate plans based on the growing need for decarbonized electricity.

### Efforts to Create Corporate Value



#### 1) Maximize short-term opportunities (Increase profit)

- Optimize fuel and electricity procurement and sales operations based on market trends
- Continue safe and stable thermal and nuclear power station operations by consistently carrying out daily inspections and periodic operator inspections
- Develop renewable energy Group-wide to make renewable energy a primary power source
- Provide rate plans and services that meet growing customer needs for decarbonized electricity

Leading the Way Toward a Decarbonized Society  
Implementing Continuous Improvements in Energy Services

#### 2) Expand medium- to long-term opportunities (Increase growth rate (future growth expectations))

- Develop a state-of-the-art low CO<sub>2</sub> emission LNG combined-cycle power plant (to begin operations in FY2025)
- Collaborate on the development of hydrogen and ammonia supply chains and establish co-combustion technology
- Promote electrification across all areas in collaboration with partner companies
- Participate in the aggregation business, utilizing distributed resources such as large-scale battery storage

Leading the Way Toward a Decarbonized Society  
Implementing Continuous Improvements in Energy Services  
Strengthening Governance

#### 3) Reduce risk (Lower the cost of capital)

- Hedge against the risk of market volatility in fuel prices and exchange rates by trading derivatives
- Use transition finance to achieve carbon neutrality by introducing high-efficiency LNG-fired thermal power stations
- Develop a response to multiple energy mix scenarios, taking into account national energy policies and other factors

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Implementing Continuous Improvements in Energy Services  
Strengthening Governance

## Domestic Electricity Business ~Transmission & Distribution~



President and Chief Executive Officer,  
Kyushu Electric Power Transmission and Distribution Co., Inc.

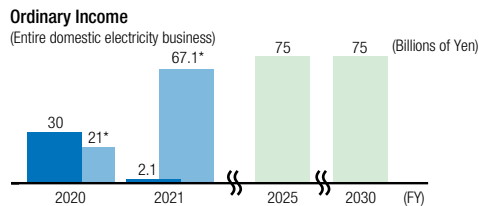
Takeshi Hirowatari

We will take on new challenges such as building the next-generation power transmission network.

### Vision for the Future

Connecting Kyushu toward the Future

We will stably deliver low-cost, high-quality electricity that will satisfy all customers using our network, ensuring fairness, transparency, and neutrality in our business operations.



\*Excluding the delayed effects of fuel cost adjustments

### FY2021 Assessment

- The transmission and distribution business accounted for ¥7.1 billion of the domestic electricity business' ordinary income

Ordinary revenue increased 7.1% over the previous year to ¥599.8 billion, mainly due to higher wholesale electricity sales resulting from an upswing in purchases of renewable energy. Ordinary expenses increased 11.6% over the previous year to ¥592.7 billion, mainly due to upswings in purchases of renewable energy and the procurement of adjustable power from the supply-demand adjustment market.

- To increase Group-wide earnings, we will work to generate demand by utilizing all points of contact throughout our work, create new businesses, and promote our overseas operations

### Strengths

#### Reliable operation of Transmission & Distribution Facilities Supporting Kyushu's Power Supply

- Transmission lines: 11,061 km; Distribution lines: 143,685 km
- Substations: 652
- Internal combustion power stations: 29
- Interconnected renewable energy: 15,180 MW

#### World-Class Electricity Quality

- Power outage frequency: 0.07/household (0.05/household: excl. disasters such as typhoons)
- Power outage duration: 3 mins/household (2 mins/household: excl. disasters such as typhoons)

### Business Environment

- | Opportunities   |
|---|
| <ul style="list-style-type: none"> <li>Expansion of renewable energy and promotion of electrification to achieve carbon neutrality</li> <li>Introduction of a new wheeling fee scheme to secure capital for investments</li> <li>Advances in AI, IoT, and other digital technologies</li> </ul> |
| Risks   |
| <ul style="list-style-type: none"> <li>Slowing growth in demand for wheeling services</li> <li>Progressive aging of facilities</li> <li>Increasing severity of natural disasters</li> </ul>   |

### Business Strategy

We will promote the following initiatives to contribute to the sustainable enhancement of the Kyuden Group's corporate value, as well as the development and growth of the Kyushu region.

#### Achieve both stable supply and lower costs

We will further cement the sense of assurance and trust our customers and local communities have in us by continuing to provide a stable supply of low-cost, high-quality electricity.

#### Build a next-generation power transmission and distribution network to achieve carbon neutrality

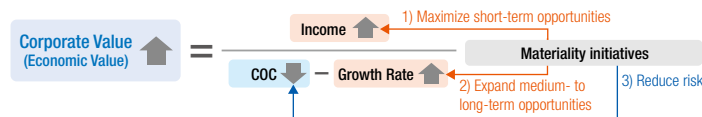
We will work to operate our power transmission and distribution network over a wide area and upgrade our supply and demand operation and grid stabilization technologies in response to a diverse array of needs, including for the greatest possible adoption of renewable energy, in order to meet the expectations of our customers and local communities.

#### Expand earnings by leveraging the Group's technological capabilities and assets

We will contribute to our customers' more prosperous lives as we expand our earnings by creating both demand as well as new businesses and services.

#### Promote initiatives that will help strengthen our business foundation

We will work to develop our human capital, improve productivity, and earn the trust of our local communities through harmonious co-existence while making employee health and safety our top priority, which is crucial for business continuity.



### Efforts to Create Corporate Value

#### 1) Maximize short-term opportunities (Increase profit)

- Upgrade and improve the efficiency of our maintenance and installation work by utilizing new technologies and promoting DX
- Develop demand generation programs (promoting electrification, attracting companies, etc.) utilizing all points of contact throughout our work

#### Main relevant materiality

Leading the Way Toward a Decarbonized Society  
Implementing Continuous Improvements in Energy Services

#### 2) Expand medium- to long-term opportunities (Increase growth rate (future growth expectations))

- Build a next-generation power transmission and distribution network to fully utilize the potential of renewable energy
- Creation of new businesses and promotion of overseas businesses by utilizing our proprietary technologies and assets, and by strengthening cooperation amongst Group companies

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Implementing Continuous Improvements in Energy Services

#### 3) Reduce risk (Lower the cost of capital)

- Aim for efficient facility formation through streamlining, etc. in light of slowing demand growth
- Maintain and update supply facilities in an efficient and appropriate manner, including measures to prevent aging
- Strengthen internal and external collaboration aimed at quickly restoring power and sharing information after outages

Implementing Continuous Improvements in Energy Services  
Strengthening Governance

### Introducing a New Wheeling Fee Scheme (Revenue Cap System)

Starting in FY2023 a revenue cap (RC) system will be introduced in order to both secure the capital needed for investments in transmission & distribution and achieve cost efficiency, and promote renewable energy as a primary power source and strengthen grid resilience. We are committed to making steady investments and improving our efficiencies in line with the main objectives of the RC system.

## Growth Businesses ~Renewable Energy Business~



Main Group company engaged in the renewable energy business

President and Chief Executive Officer, Kyuden Mirai Energy Co., Inc.

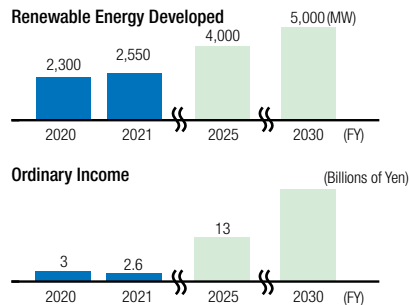
Yutaka Mizumachi

Toward the realization of carbon neutrality, we will bravely take on the challenge of making renewable energy the primary power source.

### Vision for the Future

We will utilize the technologies and expertise of the Kyuden Group to steadily advance the development of renewable energy in Japan and overseas to reach our management target of 5,000 MW by 2030 (4,000 MW by 2025) while also helping to achieve carbon neutrality.

In addition, we aim to contribute to the FY2030 target of ¥75 billion in ordinary income from growth businesses by expanding revenue through renewable energy development.



### FY2021 Assessment

• We steadily promoted the development of renewable energy in an aim to make it a primary power source, starting operations at the Shimonoseki Biomass Power Station and Karatsu/Chinzei Wind Farm (total capacity of 250 MW) and securing ¥2.6 billion in ordinary income. Approved projects as of the end of FY2021 totaled 3,010 MW in capacity, making up roughly 80% of the 4,000 MW target for 2025.

### Strengths

#### One-Stop Approach for the Development, Operation & Sales of the 5 Main Renewable Energy Sources

- The Kyuden Group works as one to promote the five main renewable energy sources (solar, wind, hydro, geothermal, and biomass) across the full value chain, from initial surveying through to development, operations and sales based on the technologies and expertise we have cultivated through years of development experience as well as the relationships of trust we have built with local communities.

#### Technical Capabilities Enabling High Capacity and Efficiency Renewable Energy Operations

- We are able to achieve high-efficiency and high-availability operations by leveraging the abundant knowledge and expertise we have built up over long years of experience in developing and operating energy resources

### Business Environment

- | Opportunities  | Risks   |
|--|---|
| <ul style="list-style-type: none"> <li>• Growing need for renewable energy sources in the transition to a decarbonized society</li> <li>• National deregulation of geothermal power generation and the establishment of development processes for offshore wind power to expand introduction of renewable energy</li> <li>• Diversifying means of renewable energy adoption, such as solar PPAs</li> </ul> | <ul style="list-style-type: none"> <li>• Changes to renewable energy schemes (lower FIT prices, etc.)</li> <li>• Competition from other developers (bid prices, development locations)</li> </ul> |

### Business Strategy

#### Strengthen development system

The renewable energy business is an area that society greatly expects to help achieve carbon neutrality. We are currently looking into consolidating the renewable energy businesses dispersed throughout the Kyuden Group in an aim to strengthen them both at home and abroad, develop them from growth businesses into core businesses, and provide an array of related services in a format that is easy for customers to understand.

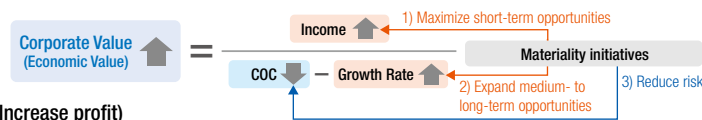
#### Maximize use of national programs and development knowledge

The Kyuden Group has begun development on the Hibikinada offshore wind power project (220 MW), set to begin operations in 2025. Offshore wind power offers considerable potential in terms of making renewable energy a primary source of power, and we will utilize the knowledge gained through this project to strengthen our offshore wind power development in general sea areas. When it comes to solar power, we will utilize new PPAs as a means of meeting customer needs for renewable energy.

#### Take efforts to further grow the renewable energy business

As the Kyushu region has already adopted renewable energy at a high rate, we are investigating the potential to produce hydrogen using surplus electricity from renewable sources as well as for a supply-demand adjustment business using battery storage. Utilizing surplus electricity in this way will help encourage the further adoption of renewable energy and contribute to carbon neutrality in industrial sectors that are hard to electrify. We will also continue our studies into new tidal power generation technology, utilizing the insights we have gained from the first ever large-scale pilot project in Japan as we aim for the practical application and future commercialization of the technology.

### Efforts to Create Corporate Value



#### 1) Maximize short-term opportunities (Increase profit)

- Look into consolidating our renewable energy businesses in an aim to strengthen them and improve our customer service
- Take efforts to establish diverse business models that take advantage of FIP schemes and PPAs
- Promote the development of renewable energy by utilizing subsidy programs as well as idle assets such as the sites of former power stations
- Look into how to use energy sources once FITs expire
- Maintain high-efficiency and high-availability operations at our renewable energy power stations by leveraging the technical capabilities we have built up over long years of experience in developing and operating energy resources

#### Main relevant materiality

Leading the Way Toward a Decarbonized Society  
Implementing Continuous Improvements in Energy Services

#### 2) Expand medium- to long-term opportunities (Increase growth rate (future growth expectations))

- Steadily promote the development of new geothermal power sites, hydro power projects and replacement facilities, and offshore wind power projects together with Group and partner companies
- Increase the number of renewable energy projects overseas in anticipation of a decline in suitable sites domestically
- Take on the challenge of developing an adjustable power supply (battery storage and hydrogen production) business to help make renewable energy a primary power source

Leading the Way Toward a Decarbonized Society  
Implementing Continuous Improvements in Energy Services

#### 3) Reduce risk (Lower the cost of capital)

- Reduce the cost of initial surveying and operating costs by leveraging the technical capabilities we have built up over long years of experience in developing and operating energy resources
- Diversify against various risks by developing energy sources through joint projects with business partners who have extensive expertise

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Implementing Continuous Improvements in Energy Services  
Strengthening Governance



## Growth Businesses ~Overseas Business~



President and Representative Director, Kyuden International Corporation

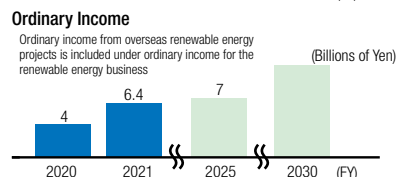
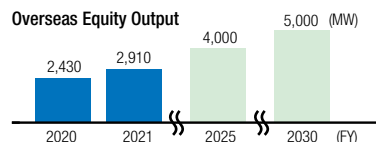
Ryotaro Yusu

Connecting all the Kyushu's passions and spirits, we take on the challenge of building a brighter future in the world.

### Vision for the Future

We provide energy solutions based on the needs of each region and its specific circumstances by making the most of the technologies, know-how, and networks that the Kyuden Group has cultivated thus far in the electric power business and other businesses in Japan and overseas.

In addition to achieving an overseas equity output of 5,000 MW by 2030, we will generate profits as the core of the Kyuden Group's growth fields, and aim to contribute to the achievement of ¥75 billion in ordinary income from growth businesses in FY2030.



### FY2021 Assessment

- We achieved ordinary income of ¥6.4 billion (up ¥2.4 billion YoY) thanks to aggressive project development in the Middle East, the Americas, and Central Asia, as well as higher gas and LNG sale prices.
- On top of expanding renewable energy, the Kyuden Group also contributed to reducing greenhouse gas (GHG) emissions through its first overseas transmission project, the development of high-efficiency thermal power, and other initiatives to help lower the carbon intensity of and decarbonize sources of power.

Note: We have revised our reportable segments effective FY2022. Ordinary income for the "Overseas Business" includes overseas power generation, transmission and distribution projects, etc., but excludes fuel.

### Strengths

#### 70 Years' Experience in the Domestic Electricity Business and Over 20 Overseas

- The Kyuden Group possesses technologies and expertise in the power generation as well as transmission and distribution businesses

#### Participation in 20 Overseas Power Projects with approx. 2,910 MW in Equity Output\*

\*As of March 31, 2022

- We have expanded into the Americas and the Middle East while focusing on Asia, a market with high growth potential

#### Diversified Business Domains

- We provide energy solutions through our consulting, microgrid, and other businesses

### Business Environment

- | Opportunities   |
|---|
| <ul style="list-style-type: none"> <li>• Increased energy demand in Asia and other emerging countries</li> <li>• Expanded business opportunities due to the growing need to decarbonize and decentralize power sources</li> </ul>   |
| Risks   |
| <ul style="list-style-type: none"> <li>• Increased global competition to invest in renewable energy projects</li> <li>• The existence of country and market risks specific to each country and region</li> <li>• Changes in the financing environment for thermal power plant construction due to the shift to ESG investment</li> <li>• Changes to national policies on carbon neutrality</li> <li>• Continued impacts of the crisis in Ukraine</li> </ul> |

### Business Strategy

Although opportunities are increasing and diversifying in the overseas power business with the global transition toward a decarbonized society, competition is intensifying when it comes to participating in renewable energy projects.

In light of this, we focus on not only renewable energy projects, but also lower carbon intensity thermal power as well as transmission and distribution projects based on each region's needs.

#### Take efforts to lower carbon intensity

We will work to participate in projects from the first stage of development and to collaborate with and invest in renewable energy developers, leveraging our strengths in terms of experience and technical capabilities.

In cooperation with other Kyuden Group companies, we will promote the further development of geothermal power with our world-class technologies.

We will also focus on expanding renewable energy resources we have expertise in through our past experience in Japan, such as offshore wind and hydro power, while also growing our transmission and distribution business as one of our revenue sources, which contributes to lowering carbon intensity.

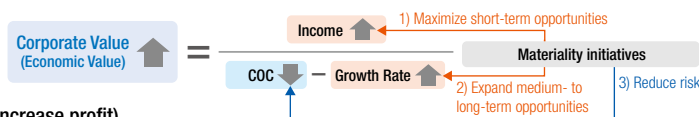
#### Expand our business domains

We will take full advantage of the technologies and expertise we have cultivated in Kyushu on the construction and operation of facilities as well as grid management, as exemplified by our approach to the large-scale introduction of renewable energy in this region.

#### Expand our development areas

Leveraging our track record in Asia, the Americas, and the Middle East, we will also promote business development in Europe, an advanced renewable energy region, as well as in Africa, where future economic growth is expected.

### Efforts to Create Corporate Value



#### 1) Maximize short-term opportunities (Increase profit)

- Maintain and improve the profitability of existing projects in cooperation with investee companies

Main relevant materiality  
Implementing Continuous Improvements in Energy Services

#### 2) Expand medium- to long-term opportunities (Increase growth rate (future growth expectations))

- Strengthen our investment in and collaboration with renewable energy developers as a platform for development
- Participate in thermal power generation projects that help lower carbon intensity
- Develop our transmission and distribution business and take on the carbon-free fuel (hydrogen and ammonia) business in collaboration with Kyushu Transmission and Distribution and partner companies
- Develop geothermal power projects by leveraging the expertise of Group companies (West Japan Engineering Consultants, Thermochem, etc.)

Leading the Way Toward a Decarbonized Society  
Implementing Continuous Improvements in Energy Services  
Strengthening Governance

#### 3) Reduce risk (Lower the cost of capital)

- Improve our investment risk management by reviewing our risk quantification methods
- Refine our portfolio asset risk management, taking into consideration the transition to a decarbonized society

Leading the Way Toward a Decarbonized Society  
Strengthening Governance



## Growth Businesses ~ICT Service Business~



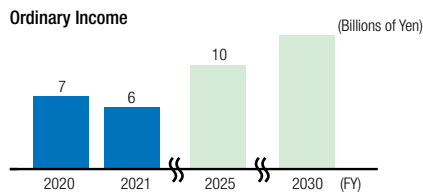
Executive Director,  
Technical Solution  
Headquarters

Yoshiharu Senda

We will create new value by combining cutting-edge ICT technology with innovative thinking.

### Vision for the Future

We aim to contribute to the achievement of ¥75 billion in ordinary income from growth businesses in FY2030, and contribute to the sustainable development of local communities and society through our businesses by expanding profits in existing services such as telecommunications infrastructure and by providing ICT services targeting new business domains that meet the various needs of customers and society.



Improve the operating margin of existing services (+50% or more over FY2020 in FY2025)

Develop and provide new services

- Advertising (digital ad production and planning, etc.)
- Finance & medicine (fintech, AI-based medical diagnosis etc.)
- Primary industry (IT sensors for agriculture, etc.)

### FY2021 Assessment

- Despite an increase in the number of telecommunication network contracts, an increase in depreciation and amortization led to ordinary income of ¥6 billion (down ¥1 billion YoY)
- Our efforts in new services have made steady progress as can be seen from the establishment of Machi no Wa Co. Ltd., as a joint venture with another company to develop a regional information platform and the achievement of single-year profitability for Kyuden Drone Service

### Strengths

Over 70 Years' Experience and Expertise in Supporting Stable Power Supply

Telecommunications Infrastructure Covering All Areas of Kyushu

One-Stop Service from Construction & Installation to Maintenance & Operations

- We have developed technologies and expertise by operating and maintaining highly reliable telecommunications networks and information communication systems to support the stable supply of electricity
- We have installed optical fiber telecommunications infrastructure across the entire Kyushu region (Household coverage: 60-70%; Corporate: 100%)
- We have sites in all areas of Kyushu, providing a full range of support from installation to maintenance and operations 24 hours a day, 365 days a year
- We are able to propose and provide integrated ICT solutions
- We possess a portfolio of business assets, including in new business domains

### Business Environment

- Opportunities**
- Advances in digital technologies such as AI/IoT, mobile technologies (5G/Beyond5G), drones, virtual space and the metaverse (xR), etc.
  - Work style and operational reforms utilizing digital technologies (DX: digital transformation)
  - Development and expansion of digital infrastructure such as FTTH connections, 5G networks, and data centers (DCs) in line with the Vision for a Digital Garden City Nation
  - Growing interest in carbon neutrality (CN) and disaster prevention

- Risks**
- Increasing frequency and severity of natural disasters; major earthquakes
  - Growing security threats due to increases in cyber-attacks
  - Shortage of and increased difficulty in securing IT personnel

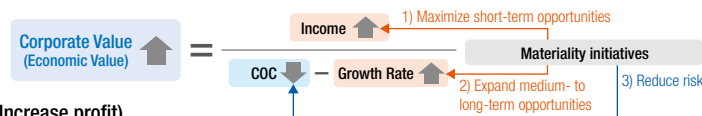
### Business Strategy

Rapid technological progress is being made in the ICT field, and on top of this, the convergence of different technologies is resulting in innovation that transcends business domains.

We have set a Group-wide target of at least ¥15 billion in ordinary income by FY2030 for our ICT service business, one of our growth businesses. With the proliferation of remote work and online classes caused by the COVID-19 pandemic and the growth of video streaming services, data traffic continues to increase and the importance of telecommunications networks is ever rising. We will make the necessary investments into our telecommunications infrastructure and other existing services to further strengthen them as a source of revenue and meet societal needs, supporting the build-out of 5G networks and setting up new data centers to accommodate growing demand.

In addition to investing in existing services, we will also step up our efforts in new, higher-layer areas such as applications and content to reach our targets, aiming to expand our range of services and thereby increase revenue. On top of expanding our sales channels by leveraging the respective strengths of the Company and Group companies, we will work to find new partners through M&As and open innovation, produce technologies in-house in collaboration with other companies, and create new businesses out of them. Moreover, we will bolster our product and service development by delving deep into customer needs from their perspective, such as promoting DX among local governments and engaging in comprehensive industry-academia collaboration.

### Efforts to Create Corporate Value



#### 1) Maximize short-term opportunities (Increase profit)

- Strengthen existing services for the post-COVID/with-COVID age, such as our fiber optic broadband internet service BBIQ and our data center business
- Strengthen DX proposals for corporate/municipal customers and expand security-related services
- Establish a new business model for our drone service business, roll out our regional information platform nationwide, and develop new services

Main relevant materiality

Co-creating a Smart and Vibrant Society

#### 2) Expand medium- to long-term opportunities (Increase growth rate (future growth expectations))

- Accumulate experience in the digital advertising business and secure large-scale contracts in the mass media domain, including television
- Proactively invest into R&D at Qsol-Lab, eSports, AI, and the metaverse (xR) aiming to create new businesses
- Provide energy storage systems in line with the proliferation of renewable energy to achieve CN

Leading the Way Toward a Decarbonized Society  
Implementing Continuous Improvements in Energy Services  
Co-creating a Smart and Vibrant Society

#### 3) Reduce risk (Lower the cost of capital)

- Strengthen our IT governance function and system development framework in cooperation with Group companies
- Actively recruit IT personnel and establish an education system within the Group
- Strengthen information security measures across our entire supply chain, including external business partners

Strengthening Governance  
Promoting Growth, Success, and Diversity of Human Capital

## Growth Businesses ~Urban Development Business~



Director,  
Urban Development  
Business Division

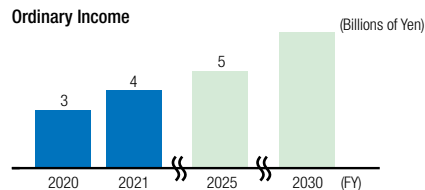
Noboru Hashimoto

We will roll out urban development projects by our unique expertise as an energy provider and make them a pillar of the Group's business.

### Vision for the Future

We will expand earnings in Japan and overseas by utilizing our corporate network to acquire prime projects and by promoting development that leverages upon synergies with our electric power business and other energy-related businesses.

Through our business, we will also contribute to the sustainable development of communities and society.



- Expansion of business domains and areas
- Urban development and mixed-use development
  - Industrial real estate (logistics facilities, data centers, etc.)
  - Fee-based businesses
  - Overseas real estate development, etc.

### FY2021 Assessment

- Achieved ¥4 billion in ordinary income (up ¥1 billion YoY) thanks to strong performance from our condominium business and overseas real estate development
- Promoted investment into promising assets and areas such as logistics facilities businesses outside of the Kyushu region and the development of rental housing in the USA in addition to expanding our office and housing businesses

### Strengths

#### Collective Strength of the Kyuden Group (Combining Our Knowledge and Expertise)

- We are able to provide a diverse range of services based on the knowledge and expertise we have accumulated through our business activities to date, including in the energy, civil engineering and construction, real estate management, and ICT sectors.

#### Extensive Network

- We possess an extensive network that includes companies throughout Kyushu, Tokyo-based corporations, financial institutions, and economic organizations

### Business Environment

- | Opportunities   |
|---|
| <ul style="list-style-type: none"> <li>• Increase in redevelopment projects due to aging urban infrastructure and the push to utilize private-sector funds and expertise</li> <li>• Growing need for environmentally friendly and efficient energy amidst the trend toward decarbonization</li> <li>• Demand for new development of logistics facilities, data centers, etc. driven by diversified lifestyles and advances in ICT technology</li> </ul> |
| Risks   |
| <ul style="list-style-type: none"> <li>• Decrease in movement of people resulting from changes in life and work styles</li> <li>• Surges in material prices, declining domestic population</li> </ul>   |

### Business Strategy

#### • Diversify sources of revenue and expand earnings

We will work on urban development projects in not only the Kyushu region, but the rest of Japan and overseas, leveraging upon the Kyuden Group's corporate network and other resources. In addition to expanding our office, housing, airport, and other businesses, we will step up our initiatives in new sectors such as area development, including urban development and mixed-use development, industrial real estate including logistics facilities, and fee-based businesses.

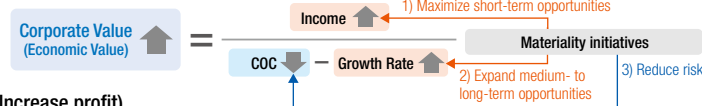
#### • Contribute to the sustainable development of communities and society as an energy provider

We will contribute to realizing a decarbonized society by promoting environmentally friendly development through improved energy efficiency and low-carbon energy use. As a corporate group developing and providing platforms to support urban infrastructure, we will provide energy, ICT, area management, and an array of other services.

#### Main Areas of Activity

| Sector               | Business Operations   |
|----------------------|---|
| Offices & Housing    | Promoting high value-added development in response to technological innovation and changing societal needs<br>• Development of Fukuoka Maizuru Square office building, development of Denki Building in front of Nagasaki Station, project to utilize the site of the former Fukuoka City Hall North Annex, Island City condominium project (Fukuoka Prefecture)                            |
| Airports             | Participating in the airport operations business which is progressively being outsourced to the private sector in order to contribute to community development and revitalization by increasing the number of visitors to the region<br>• Fukuoka Airport privatized operations business, Kumamoto Airport privatized operations business, Hiroshima Airport privatized operations business |
| Mixed-Use Facilities | Carrying out urban and mixed-use development to contribute to community development and generate activity<br>• Project to utilize the former Fukuoka City fruit and vegetable market site (LaLaport Fukuoka); project to utilize the former site of Niagemachi Elementary School, Oita City; project to utilize the site of the former Nagasaki Broadcasting Company headquarters           |
| Logistics            | Promoting the acquisition and development of income-producing properties as logistics is growing alongside increasing e-commerce demand<br>• Higashi-Ogishima logistics business (Kanagawa Prefecture), Fukuyama City logistics business (Hiroshima Prefecture)   |
| Overseas             | Expanding primarily in the U.S. where stable growth can be expected from population growth<br>• Development of rental housing in Portland, USA, development of ESG-friendly rental housing in southern USA  |

### Efforts to Create Corporate Value



#### 1) Maximize short-term opportunities (Increase profit)

- Proactively invest in and develop promising assets and areas such as logistics facilities and overseas real estate

Main relevant materiality  
Co-creating a Smart and Vibrant Society

#### 2) Expand medium- to long-term opportunities (Increase growth rate (future growth expectations))

- Commercialize large-scale projects that can be expected to generate stable, long-term revenue
- Promote development that contributes to the realization of a decarbonized society by promoting electrification, improving energy efficiency, and introducing renewable energy
- Increase added value through the use of digital transformation, etc.

Leading the Way Toward a Decarbonized Society  
Co-creating a Smart and Vibrant Society

#### 3) Reduce risk (Lower the cost of capital)

- Diversify our assets and business areas to disperse risks
- Strengthen information gathering functions to acquire prime projects

Co-creating a Smart and Vibrant Society  
Strengthening Governance

# Chapter 4

## Creating Value through Business

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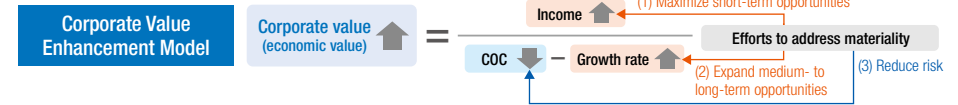
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# Creating Value through Business

The Kyuden Group has incorporated its efforts to resolve the challenges identified as materiality into its Medium-term ESG Promoting Plan as a concrete action plan it is steadily advancing.

The Group will create social and economic value through its business under three of these challenges: “leading the way toward a decarbonized society,” “implementing continuous improvements in energy services,” and “co-creating a smart and vibrant society.”



## Medium-term ESG Promoting Plan

| Materiality                                   | Key Issue   | Issue  | Medium-term Targets (FY2030 target unless otherwise stated)  | FY2022 Targets  | Major Action Plans  | Impact |     |                                   | Reference: FY2021 Results   |
|---|---|--|--|---|---|--------|-----|-----------------------------------|---|
|   |   |  |  |   |   | (1)    | (2) | (3)                               |   |
| Leading the Way Toward a Decarbonized Society | Lowering the carbon intensity of and decarbonizing energy sources | Making renewable energy the main power source  | Steadily develop renewable energy<br>– Renewable energy developed: 5,000 MW (Japan and overseas)   | · New development: 114 MW<br>· Approved projects: 3,230 MW  | (Japan)<br>· Ensure that projects under construction start operations<br>· Consider former power stations, etc. as sites for solar power development (Overseas)<br>(Overseas)<br>· Consider investing in renewable energy developers themselves as a platform for development<br>· Develop projects in collaboration with Group companies | ○      | ○   | ○                                 | · New development: 250 MW<br>· Approved projects: 2,790 MW  |
|   |   | Maximum utilization of nuclear power generation  | Maintain safe and stable nuclear power operations<br>– Zero unplanned outages  | · Zero unplanned outages<br>· Improve facility utilization rate<br>– Shorten downtime during regular inspections, etc.  | · Consistently carry out daily inspections and periodic operator inspections<br>· Install specific safety facilities at the Genkai Nuclear Power Station, steadily implement spent fuel storage measures  | ○      | ○   |                                   | Zero unplanned outages  |
|   |   | Carbon reduction for thermal power generation  | · Achieve the Act on Rationalizing Energy Use (Energy Conservation Act) benchmark indices<br>– Index A: 1.0 or more<br>– Index B: 44.3% or more<br>– Coal-only Index: 43.0% or more<br>· Establish co-combustion technologies that use 1% hydrogen and 20% ammonia | · Index A: 0.99 or more<br>· Index B: 43.7% or more<br>· Coal-only Index: 42.3% or more<br>· Investigate and examine hydrogen/ammonia co-combustion technologies  | · Manage the performance of and carry out scheduled repair and improvement work for each power station unit<br>· Establish a system with power stations and manufacturers to identify issues and investigate and examine the feasibility  | ○      | ○   | ○                                 | · Index A: 0.968<br>· Index B: 42.41%   |
|   |   | Advancing transmission and distribution network  | Research and develop technologies that will help upgrade our network facility operations for expanded renewable energy adoption  | Develop a renewable energy output control system capable of economic output control   | · Modify and develop systems to support a wider range of output controls<br>· Establish a system to promote understanding among power producers   |        | ○   | ○                                 | —   |
|   | Promotion of electrification                                      | Household and commercial   | Contribute to improved electrification rates in Kyushu<br>– Household: 70% (incremental increase: 1.5 TWh)<br>– Commercial: 60% (incremental increase: 1.6 TWh)  | Steadily implement sales activities that promote electrification to increase the rate by 2030   | · Promote the popularization of all-electric homes by strengthening cooperation with housing-related businesses<br>· Offer individualized optimal energy system proposals for corporate customers to promote electrification  | ○      |     | ○                                 | Incremental increase<br>– Household: 0.13 TWh<br>– Commercial: 0.11 TWh   |
|   |   | Transportation   | Replace company cars with EVs<br>– EV replacement rate: 100%<br>* Excl. special purpose vehicles   | No. of EVs deployed: 85<br>Percentage of fleet: 16% (344 EVs/2,185 eligible vehicles)   | · Steadily replace vehicles with EVs according to plan<br>· Consider measures to popularize EVs by utilizing favorably located company housing and dormitory sites  | ○      | ○   |                                   | No. of EVs deployed: 61   |
|   |   | Regional energy  | Establish a business model for a regional energy system that allows for the optimal management and control of energy as soon as possible   | · Conduct needs assessment interviews with local governments<br>· Steadily conduct studies at prospective pilot sites   | · Gather information from local governments on their carbon neutrality initiatives, examined proposed systems, etc.<br>· Consider prospective pilot sites   |        | ○   | ○                                 | —   |
|   | Promotion of energy conservation                                  | Promote energy conservation to achieve carbon neutrality   | Promote energy conservation audits that lead to CO <sub>2</sub> emissions reductions and cost savings based on customer needs  | · Provide detailed energy conservation proposals based on energy consumption data and surveys into the operating status of facilities<br>· Introduce power saving/energy conservation methods on our website and through energy conservation workshops, etc.  | ○   |        | ○   | Energy conservation proposals: 48 |   |
|   | Reduction of environmental impact                                 | Establishment of a circular society  | · Recycling rate (excl. coal ash): 98% or higher (plastic waste: 100%)<br>· Green procurement rate: 99% or more (office supplies)  | · Recycling rate (excl. coal ash): 98% or higher (plastic waste: 90%)<br>· Green procurement rate: 95% or more (office supplies)  | · Promote operational efficiency and proper management through collaborative waste collection and the use of electronic manifest system for industrial waste<br>· Consider ways to enhance our plastic waste recycling<br>· Promote green procurement   |        | ○   | ○                                 | · Industrial waste recycling rate: Approx. 100%<br>– Coal ash: Approx. 100%<br>– Other: 98% (plastic waste: 67%)<br>· Green procurement rate: 95% |
|   |   | Preservation of the local environment  | Water consumption per employee: Less than the previous fiscal year every year  | Water consumption per employee: Less than the previous fiscal year  | Ensure behavior thoroughly conscious of saving water  | ○      |     |                                   | Water consumption per employee: 30.0m <sup>3</sup>  |
|   |   | Collaboration with society   | Minimize the impact of our business activities on the ecosystem  | Minimize the impact of our business activities on the ecosystem   | Ensure the implementation of conservation measures during the execution stage of development (construction and in-service use)  |        | ○   |                                   | —   |
|   |   | Promotion of environmental management  | Violations of law and regulations: Zero  | Same as left  | Disseminate and share information on revisions to environmental laws and regulations as appropriate   | ○      |     |                                   | Violations of law and regulations: Zero   |
|   | Energy policy recommendations and involvement                     | Establish a system that contributes to both the decarbonization of power sources and stable power supply | · Introduce specific measures to meet necessary supply<br>· Establish a direction for our mid 2030s power source portfolio   | · Advocate for an institutional approach in response to government discussions on securing supply capacity (measures to help recover the fixed costs associated with power sources, the value of pumped storage, etc.)<br>· Develop scenarios for the future of the electricity market and consider the direction of our power supply portfolio |   | ○      | ○   | —                                 |   |
|   | Other   | Establish a credit-related business model  | Same as left   | · Propose Woodland management-based J-credit projects to local governments<br>· Establish an efficient system of implementation   |   | ○      | ○   | —                                 |   |

Impact: (1) Maximize short-term opportunities (Increase profit); (2) Expand medium- to long-term opportunities (Increase growth rate (future growth expectations)); (3) Reduce risk (Lower the cost of capital)

■ Medium-term ESG Promotion Plan

| Materiality   | Key Issue   | Medium-term Targets<br>(FY2030 target unless otherwise stated)   | FY2022 Targets  | Major Action Plans  | Impact      |        |        | Reference: FY2021 Results   |
|---|---|--|---|---|-------------|--------|--------|---|
|   |   |  |   |   | (1)         | (2)    | (3)    |   |
| Implementing Continuous Improvements in Energy Services | Stable supply of energy   | <ul style="list-style-type: none"> <li>Maintain a stable power supply                             <ul style="list-style-type: none"> <li>Average power outage duration per household: Maintain our world-class standard</li> <li>No. of public electric shock incidents: Zero</li> </ul> </li> <li>Expand our operations overseas</li> <li>Overseas equity output: 5,000 MW</li> </ul> | <ul style="list-style-type: none"> <li>Average frequency/duration of power outages per household: Below the previous 3-year average</li> <li>No. of public electric shock incidents: Zero</li> <li>Overseas equity output: 3,130 MW</li> </ul>                                  | <ul style="list-style-type: none"> <li>Form and maintain our facilities for sustainable stable supply</li> <li>Strengthen internal and external collaboration to quickly restore power and share information after outages in light of the recent tendency for more severe natural disasters</li> <li>Strengthen our initiatives by selectively seeking out prime projects and leveraging the Group's technologies and expertise</li> </ul> |             |        | ○<br>○ | <ul style="list-style-type: none"> <li>Average No. of power outages per household: 0.07</li> <li>Average duration of power outages per household: 3 mins</li> <li>No. of public electric shock incidents: Zero</li> <li>Overseas equity output: Approx. 2,910 MW</li> </ul> |
|   | Affordable Energy   | Industry-leading cost competitiveness  | Reduce the cost of power generation   | <ul style="list-style-type: none"> <li>Improve maintenance efficiency</li> <li>Promote efforts to maximize the use of nuclear power generation (which can contribute to achieving both a decarbonized society and stable energy supply)</li> <li>Consider procuring low-grade coal, expanding our procurement sources, and entering the blending business</li> </ul>  | ○<br>○<br>○ |        |        | Reduced the cost of power generation  |
|   | Solutions Based Around Energy Services                                | Total Electricity Sales Volume: 120 billion kWh  | Promote sales by making maximum use of our supply capacity  | Expand sales areas in Kyushu, outside Kyushu, and abroad after having secured supply capacity   | ○           |        |        | Total Electricity Sales Volume: 110 billion kWh   |
| Co-creating a Smart and Vibrant Society                 | Promotion of digital transformation (DX) (to realize a smart society) | <ul style="list-style-type: none"> <li>Transform our business model and create businesses through DX</li> <li>Cost effectiveness of operational reforms and structural reforms to ICT infrastructure: ¥30 billion (cumulative total through FY2030)</li> </ul>   | Step up and enhance DX initiatives by developing a system to promote DX (established the Digital Transformation Promotion Division in July 2022)  | <ul style="list-style-type: none"> <li>Take initiatives to improve operational productivity, reform the business, and create businesses using digital technology and data</li> <li>Promote operational reforms and structural reforms to ICT infrastructure using digital technology</li> </ul>   | ○           | ○      | ○      | <ul style="list-style-type: none"> <li>Formulated a DX roadmap</li> <li>Developed a system to promote DX: Approved the establishment of the Digital Transformation Promotion Division</li> </ul>  |
|   | Regional Vitalization   | Sustainably develop local communities and society<br>– Create new industries and markets in Kyushu   | <ul style="list-style-type: none"> <li>Establish a system of industry-academia-government collaboration and review/implement an action plan</li> <li>Expand the scale and scope of "co-creation with the region"</li> <li>Create and package individualized services</li> </ul> | <ul style="list-style-type: none"> <li>Take efforts to create new industries that will attract companies to Kyushu by leveraging its strengths and digital technology</li> <li>Co-create new businesses and services with the region</li> </ul>   |             | ○<br>○ |        | New projects commercialized: 2  |
|   | Creating Safe, Secure and Comfortable Spaces to Live                  | Sustainably develop local communities and society<br>– Urban development projects in the Kyushu area participated in: 10 or more (1 or more annually; cumulative total through FY2030)   | Urban development projects in the Kyushu area participated in: 1 or more  | Develop projects that increase the number of people who interact with one another, enliven the community, create jobs, and contribute to safe and secure communities (offices, housing, urban development, airport operations, etc.)  | ○           | ○      |        | Urban development projects in the Kyushu area participated in: 5  |

Impact: (1) Maximize short-term opportunities (Increase profit); (2) Expand medium- to long-term opportunities (Increase growth rate (future growth expectations)); (3) Reduce risk (Lower the cost of capital)



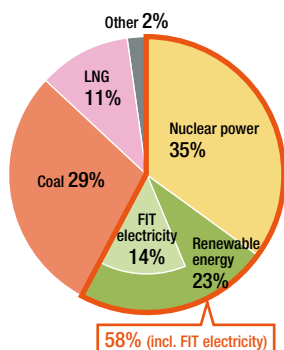
Materiality: Leading the Way Toward a Decarbonized Society

# Lowering the Carbon Intensity of and Decarbonizing Energy Sources

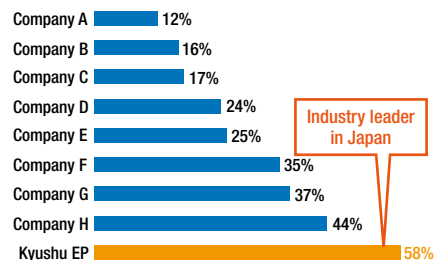
Kyushu Electric Power (Kyushu EP) has achieved a roughly 60% ratio of zero-emission or FIT energy sources, making it one of Japan's leaders thanks to our expanded adoption of renewable energy as well as our safe and stable nuclear power operations. We aim to continue maintaining and expanding our non-fossil power sources to achieve carbon neutrality while also leveraging the non-fossil value our high ratio of such power sources generates to increase revenue, providing renewable energy rate plans to household and corporate customers (see P58) and selling Non-Fossil Certificates through a new market.

## Top-Class Ratio of Zero-Emission or FIT Energy Sources in Japan

Kyushu EP's ratio\* (kWh) (FY2019)



Ratio by company



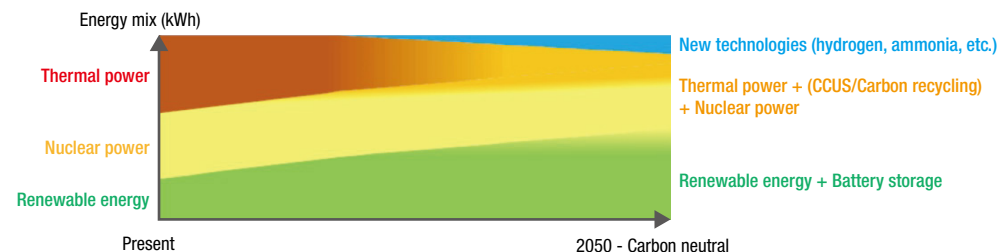
Source: Compiled based on data from each company's website  
 \* Comparison with 8 major domestic electric power companies  
 \* FY2019 Performance

\*FIT electricity possesses no value as a renewable energy or zero-CO<sub>2</sub>-emission energy source if Non-Fossil Certificates are not used, instead considered to bear the same CO<sub>2</sub> emissions as the national average for electricity, including thermal power sources. Approximately 8% of the non-fossil value derived from FIT power sources (based on the achievement plans submitted and reported under the Act on Sophisticated Methods of Energy Supply Structures) is attributable to Kyushu EP. This figure has been calculated based on the amount of power generated by Kyushu EP and the amount procured from other companies, but does not include that from remote islands.

As an industry leader in low-carbon and carbon-free efforts, we will push to make renewable energy a primary power source by promoting its development Group-wide. Meanwhile, we will continue to maximize the use of nuclear power with the understanding of local communities and safety as our top priority, make thermal power generation even more efficient, and adopt new technologies (utilizing hydrogen, ammonia, etc.) as we simultaneously pursue low-carbon and decarbonized power sources and economic efficiency.

**Total investments for FY2021-FY2025: Approx. ¥500 billion**  
 (Reference) FY2016-FY2020: Approx. ¥800 billion

Projected low-carbon/decarbonized scenario



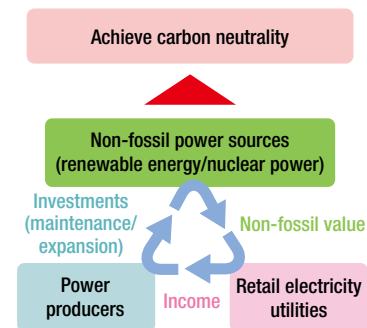
## Leveraging Non-Fossil Value to Expand Earnings

### Trading non-fossil value on a new market

The trading of Non-Fossil Certificates derived from nuclear power and non-FIT renewable energy sources began in 2020. Kyushu EP, which has a high ratio of non-fossil fuel power sources, has seen favorable results from selling these on the market and through bilateral trades (to the tune of several billion to ten billion yen annually) while also backing other retail electricity utilities in achieving their goals set forth under the Act on Sophisticated Methods of Energy Supply Structures.

Income from the sale of these certificates is used to maintain and expand our non-fossil power sources by investing in surveying, developing, and replacing renewable energy (non-FIT power sources), facility refurbishments, and installing safety measures at nuclear power stations. Moving forward, we will continue promoting this cycle of providing non-fossil value and investing in non-fossil power sources in an aim to achieve carbon neutrality.

Trading scheme



Major investments made from selling Non-Fossil Certificates



Resource surveys for new geothermal power development sites (Left: drilling to confirm resources; Right: testing to confirm steam capacity)



Replacement work at the Tsukabaru Hydroelectric Power Station

## TOPICS Maximizing profits through the effective utilization of new markets

In recent years, new markets such as the capacity market, the baseload (BL) market, and the supply-demand adjustment market have been developed. These markets are diversifying the ways we can recover our investments into power sources, and we intend to make effective use of them to maximize profits.

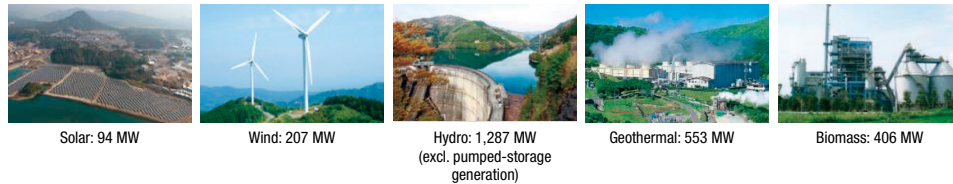
|                                 |  |
|---------------------------------|--|
| Capacity market                 | <ul style="list-style-type: none"> <li>The capacity market was introduced to secure future supply capacity for the entire nation ahead of time by increasing the predictability of investment recovery for power producers.</li> <li>Retail electricity utilities compensate power producers based on the value of the capacity (kW) they provide. Transactions began for FY2024 capacity.</li> </ul>  |
| Baseload (BL) market            | <ul style="list-style-type: none"> <li>This market was introduced to facilitate new electric power companies' access to BL power sources (nuclear, geothermal, large hydro, and coal-fired).</li> <li>In the BL market, former general electric utilities and other operators sell electricity from BL sources at a fixed annual price, which helps stabilize their income. Transactions began in FY2020.</li> </ul>                                   |
| Supply-demand adjustment market | <ul style="list-style-type: none"> <li>This market was introduced so that general transmission and distribution companies are able to secure low-cost and stable adjustable power as the need for it rises with the expanded adoption of renewable energy.</li> <li>The market makes it possible for power producers to secure a fixed level of income for their adjustable capacity. Transactions began in FY2021 for adjustable capacity.</li> </ul> |

## ● Positioning Renewable Energy as a Main Power Source

(Target for renewable energy developed in Japan and overseas: 4,000 MW by 2025, 5,000 MW by 2030)

The Kyuden Group has developed approximately 2,550 MW of renewable energy to date. We will continue to develop geothermal and hydroelectric power projects where our strengths lie, as well as expand offshore wind power, biomass and other projects which have great potential for adoption to make renewable energy a primary source of power.

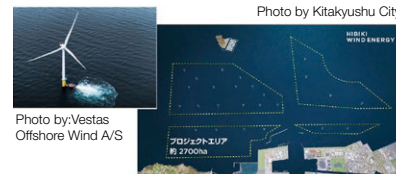
■ Renewable energy developed (as of March 31, 2022; including overseas)



### Offshore Wind Power

Kyuden Mirai Energy has formed a consortium with Electric Power Development Co., Ltd. (J-POWER), Saibu Gas Co., Ltd., and others with which it is developing an offshore wind power project in the Hibikinada area of Kitakyushu City, Fukuoka Prefecture. In April 2017, Hibiki Wind Energy Co., Ltd. was established as a special-purpose company to serve as the project's operating entity. It plans to construct an offshore wind farm with a maximum capacity of 220 MW over an area of approximately 2,700 ha, aiming to begin commercial operations in FY2025.

■ Hibikinada offshore wind project (development concept)



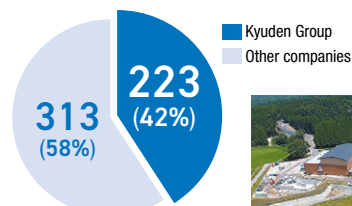
### Geothermal and Hydroelectric Power

In the field of geothermal power, the Kyuden Group has approximately 220 MW of installed capacity in Japan, which accounts for about 42% of the country's total installed capacity. This includes the Otake Power Station (Oita Prefecture), Japan's first commercial power plant that started operations in 1967. We are currently promoting the development of new projects, conducting geothermal resource surveys both in and outside of the Kyushu region.

Overseas, we are participating in the Sarulla Geothermal IPP\* project (approx. 330 MW) in Indonesia, one of the largest geothermal projects in the world.

We also have a long track record of developing hydroelectric power projects, including the Koyamada Power Station (Kagoshima Prefecture), the oldest power plant in Kyushu, which was built in 1898. Currently, we are working to increase our output and the volume of our power generation by developing new projects that make effective use of untapped energy and replacing (updating) existing facilities.

■ Geothermal power stations in Japan (MW output as of March 31, 2021)



Otake Power Station

Source: Compiled based on "The Current State and Trends of Geothermal Power Generation" published by the Thermal and Nuclear Power Engineering Society

\*Independent Power Producer. Independent operators that solely generate electricity for wholesale to electric utilities

### Biomass

Led by Kyuden Mirai Energy, we are actively developing biomass power generation, which uses unused wood and other materials as fuel.

In February 2022, the Shimonoseki Biomass Power Station (approx. 75 MW; Yamaguchi Prefecture) began operations, constructed in a joint effort between three Group companies (Kyuden Mirai Energy, Nishinippon Plant Engineering and Construction, and Kyuden Sangyo). In addition, three more plants (approx. 180 MW) are scheduled to be in operation by FY2025.



Shimonoseki Biomass Power Station (exterior view)

### Tidal

In March 2022, Kyuden Mirai Energy's proposal for Japan's first 1 MW-class tidal power generation pilot project off the coast of Goto City in Nagasaki Prefecture was selected as a "FY2022 Regional Decarbonization Model Project by Tidal Power Generation" by the Ministry of the Environment.

The project utilizes the results of the 500 kW-class pilot Kyuden Mirai Energy conducted in the same area in FY2021, aiming to establish a business model that will lead to the technology's practical and commercial application by enhancing the efficiency of tidal stream turbines. It is scheduled to be implemented from FY2022 to FY2025.



Tidal turbine (illustrative image)

In the project, a 500 kW tidal turbine manufactured by SIMEC Atlantis Energy (SAE), a UK-based tidal stream power generation company, will be converted into a 1 MW-class turbine and connected to the actual power grid and run for verification purposes. In doing so, we aim to firmly establish tidal power technology that conforms to Japan's environmental and technological standards with the goal of commercializing it as soon as possible.

## TOPICS

### Kyuden Group receives the Minister of Economy, Trade and Industry Award at the Global Environment Awards

The Kyuden Group received the Minister of Economy, Trade and Industry Award at the 30th Global Environment Awards hosted by Fujisankei Communications Group. This is the second time for the Kyuden Group to receive this award, following the 27th awards ceremony in 2018.

The METI Minister's Award was established with cooperation from the World Wildlife Fund (WWF) Japan and is a prize meant to recognize companies and organizations engaged in environmental activities.

The award was given in recognition of the Kyuden Group's wide-ranging track record of activity, including our proactive development and introduction of renewable energy, our utilization and promotion of EVs, as well as our efforts to preserve biodiversity, such as our controlled burning activities at the Bogatsuru Marshlands.



Chairperson Uriu receiving a certificate of commendation from Parliamentary Vice-Minister of Economy, Trade and Industry Kazuchika Iwata (Their Imperial Highnesses Crown Prince and Crown Princess Akishino also in attendance) Photo by Sankei Shimbun

## ● Maximizing Use of Nuclear Power Generation

As a comprehensively advantageous power source in terms of curbing CO<sub>2</sub> emissions and energy security, we continue to make maximum use of nuclear power based on the fundamental prerequisite that safety is ensured.

### ■ Nuclear power stations (as of March 31, 2022)

| Station name | Output                       | Start of operation                     | Type                            |
|--------------|------------------------------|--|---------------------------------|
| Genkai       | Units 3 & 4<br>1,180 MW each | Unit 3: Mar. 1994<br>Unit 4: Jul. 1997 | Pressurized water reactor (PWR) |
| Sendai       | Units 1 & 2<br>890 MW each   | Unit 1: Jul. 1984<br>Unit 2: Nov. 1985 |                                 |

Note: Operations at Genkai Units 1 & 2 ended in April 2015 and April 2019



Genkai Nuclear Power Station (Saga Prefecture)

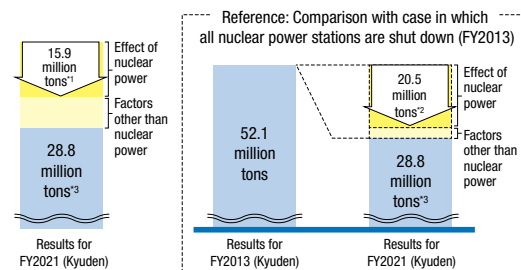


Sendai Nuclear Power Station (Kagoshima Prefecture)

### Maintaining safe, stable, and high-utilization nuclear power operations

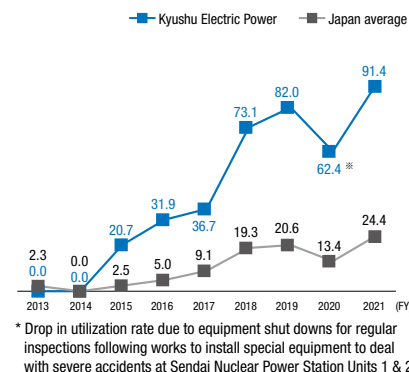
We aim to maximize the utilization of our nuclear power stations currently in operation by maintaining safe and stable operations through continued efforts to improve their safety and reliability. We will also continue to consider ways to improve the utilization rates and operability of our nuclear power stations that are assuredly safe.

### ■ Effect of nuclear power generation on reducing CO<sub>2</sub> emissions



\*1: FY2020 CO<sub>2</sub> emissions coefficient (adjusted) used: 0.479kg-CO<sub>2</sub>/kWh  
 \*2: FY2013 CO<sub>2</sub> emissions coefficient (adjusted) used: 0.617kg-CO<sub>2</sub>/kWh  
 \*3: FY2021 results are provisional. The final figures will be announced by the government in December 2022

### ■ Nuclear power station utilization rate (%)



\* Drop in utilization rate due to equipment shut downs for regular inspections following works to install special equipment to deal with severe accidents at Sendai Nuclear Power Station Units 1 & 2

### Nuclear power's contribution to earnings

Nuclear power is a power source that can generate electricity at any time of day, regardless of weather. This not only helps secure stable revenue, but can also generate income from the non-fossil value trading market because as with renewable energy, it does not emit CO<sub>2</sub> during operation.

Even with safety measures and other costs taken into account, nuclear power is competitive from a medium- to long-term perspective, and our investment decisions are made comprehensively based on such considerations.

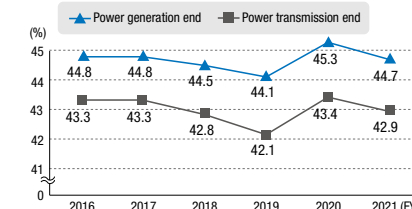
Please see "Stable Supply of Energy" for more information on our efforts to improve the safety and reliability of nuclear power generation. **P56**

## ● Lowering the Carbon Intensity of Thermal Power

The increased adoption of renewable energy comes with fluctuations in output, and thermal power plays a role in compensating for this. We are continuously working to maintain and improve the overall efficiency of our thermal power generation as a means of curbing our fuel consumption and CO<sub>2</sub> emissions.

Going forward, we will continue to take steps to reduce our environmental impact, decommissioning or scheduling shutdowns of our aging thermal power plants, aiming to fade out inefficient coal-fired thermal power plants by 2030, and studying the use of hydrogen and ammonia as fuels for power generation given they do not produce CO<sub>2</sub> during combustion.

### ■ Thermal efficiency trends (Kyushu Electric Power)



\* Thermal efficiency is calculated on a lower heating value basis.

### Co-combustion of biomass at thermal power stations

At Kyushu Electric Power's coal-fired power stations, we are working to lower our carbon emissions by utilizing unused, domestically produced, carbon neutral biomass energy.

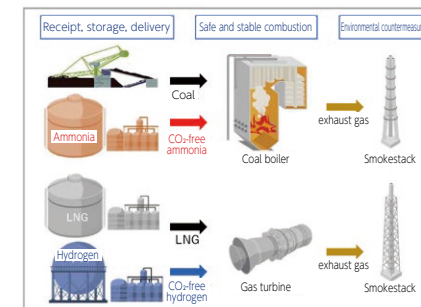
In FY2014, we completed a pilot project at the Reihoku Power Station (Kumamoto Prefecture) that began in FY2010 co-combusting woody biomass using unused domestic woodland resources (timber scraps, etc.), and operations have continued since FY2015.

We are also participating in the Sewage Sludge Solid Fuel Conversion Project publicly tendered by Kumamoto City together with J-POWER and others, which began production in FY2013. The fuel produced is being co-combusted alongside coal at our Matsuura Power Station and J-POWER's Matsuura Thermal Power Plant (Nagasaki Prefecture).

### Studying and establishing hydrogen/ammonia co-combustion technologies

We are making the following efforts to establish co-combustion technologies that use 1% hydrogen and 20% ammonia by FY2030.

- Investigating the receiving, storage, and delivery facilities needed for the fuels based on their properties
- Conducting tests for safe and stable combustion
- Reviewing environmental measures to accompany fuel changes



Hydrogen and ammonia co-combustion processes

### Developing hydrogen and ammonia fuel supply chains

In preparation for the full-scale adoption of hydrogen and ammonia as CO<sub>2</sub>-free fuels, we are building collaborative relationships and conducting joint studies together with companies across an array of fields both in Japan and overseas in an aim to develop a stable and economical supply chain, upstream to downstream, as soon as possible.



## ● Upgrading the Transmission and Distribution Network

In order to fully tap Kyushu's renewable energy potential, we are working to expand interconnections for renewable energy sources and improve our network utilization rate.

### Maximizing the introduction of renewable energy

Renewable energy power generation facilities, solar power in particular, are being introduced on mainland Kyushu at a rapid pace. Against this backdrop, Kyushu Transmission and Distribution (Kyushu T&D) is working to maintain stable supply and maximize the amount of renewable energy it receives on its network through flexible thermal power operations, the use of pumped-storage hydroelectric power plants and large-capacity battery storage, and more effective use of the existing grid (by adopting the Japanese version of the Connect and Manage transmission access scheme).

### Adopting the Connect and Manage scheme

Kyushu T&D has adopted the Connect and Manage scheme to maximize the existing capacity of its transmission and electrical substation facilities. This approach allows more renewable energy to be connected to the grid faster, without augmenting said facilities.

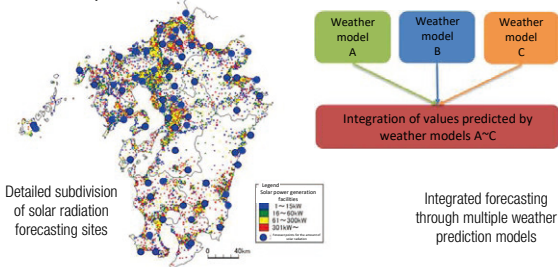
Specifically, it employs an "N-1 power system" that instantly curbs power generation in the event of single equipment failure (N-1 failure) upon having secured enough capacity to ensure stable transmission even in such an event. By doing so, power sources can be connected to the network in excess of its operational capacity.

On top of this, we have begun introducing "non-firm connections" on the bulk power system that generate electricity during the hours when transmission and substation facilities are available and are curtailed when they are not (from January 2021).

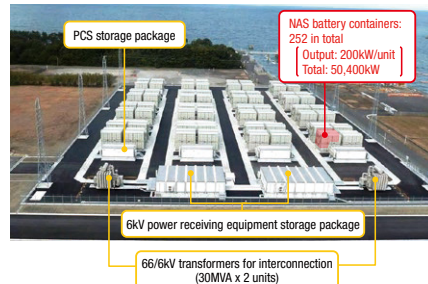
### Improving the accuracy of renewable energy output forecasts

Kyushu T&D is working to enhance the accuracy of its renewable energy output forecasts in order to maximize the use of renewables.

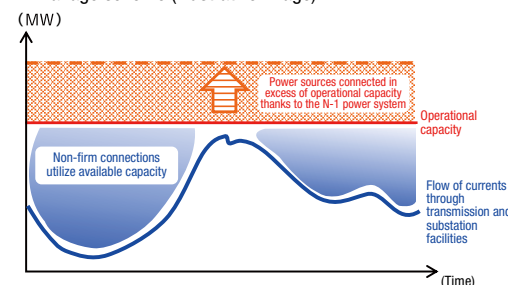
Solar radiation estimates are needed for such forecasts, and we are working to improve our precision by subdividing our forecasting sites across Kyushu for more detailed estimates and by using integrated forecasts that incorporate multiple weather prediction models.



■ Panoramic view of the Buzen Battery Storage and Transformer Station, equipped with one of Japan's largest capacity energy storage systems



■ Utilizing available capacity through the Connect and Manage scheme (illustrative image)



## ● Promoting Green and Transition Finance

### Issuing the "Kyushu Electric Power Transition Bond"

In May 2022, Kyushu Electric Power became the first former general electric utility to issue a "Kyushu Electric Power Transition Bond" in an aim to diversify our capital procurement sources and better familiarize a wide range of stakeholders with the Kyuden Group's efforts to lower carbon intensity, decarbonize energy sources, and promote electrification to achieve carbon neutrality by 2050.

Moving forward, we will also take steps to achieve carbon neutrality from financial angles as well.

■ Overview of the Kyushu Electric Power Transition Bond

| Bond name     | 1st Kyushu Electric Power Transition Bond  | 2nd Kyushu Electric Power Transition Bond |
|---------------|--|---|
| Issue amount  | ¥30 billion  | ¥25 billion                               |
| Term          | 5 years  | 10 years                                  |
| Interest rate | 0.350%   | 0.644%                                    |
| Issue date    | May 24, 2022   |   |
| Use of funds  | New investments and refinancing of existing investments in the development of the Hibiki Power Station (a state-of-the-art, high-efficiency LNG-fired power plant in Fukuoka Prefecture) and the shutdown and decommissioning of existing thermal power plants |   |

### Fund allocation and improvements to the environment (as of March 31, 2022)

■ Fund allocation

| Bond name              | 1st Kyushu Electric Power Green Bond   |
|------------------------|--|
| Issue amount           | ¥15 billion  |
| Amount allocated       | ¥15 billion  |
| Amount for refinancing | ¥13.1 billion  |
| Unallocated funds      | ¥0 (fully allocated)   |
| Use of funds           | New investments and refinancing of existing investments in the Shin-Takeda Hydro Power Station (Oita Prefecture), the Jikumaru Hydro Power Station (Oita Prefecture), and the Otake Geothermal Power Station (Oita Prefecture) |

■ Environmental improvements

| Type of renewable energy | Renewable energy developed (Kyuden Group) | CO <sub>2</sub> emissions reduced in FY2021* |
|--------------------------|---|--|
| Solar                    | Approx. 94 MW                             | Approx. 30,000 tons                          |
| Wind                     | Approx. 207 MW                            | Approx. 70,000 tons                          |
| Hydro                    | Approx. 1,287 MW                          | Approx. 1.45 million tons                    |
| Geothermal               | Approx. 553 MW                            | Approx. 580,000 tons                         |
| Biomass                  | Approx. 406 MW                            | Approx. 230,000 tons                         |
| Total                    | Approx. 2,550 MW                          | Approx. 2.36 million tons                    |

\* Calculated using the FY2020 CO<sub>2</sub> emissions coefficient (adjusted) of 0.479kg-CO<sub>2</sub>/kWh

## ● Active Development of Overseas Business - Helping Build Sustainable Societies -

We are working on renewable energy, thermal power generation, and transmission and distribution projects that will help lower the carbon intensity of electricity in countries and regions around the world according to their needs by utilizing the technologies and know-how in the electric power industry the Kyuden Group has accumulated in Japan and overseas. (Overseas equity output target: 5,000 MW by 2030)

### IPPs and other investment projects

We are expanding into the Americas and the Middle East while focusing on Asia, a market with high growth potential, and are working to identify business opportunities in Europe and Africa.

### Overseas consulting business

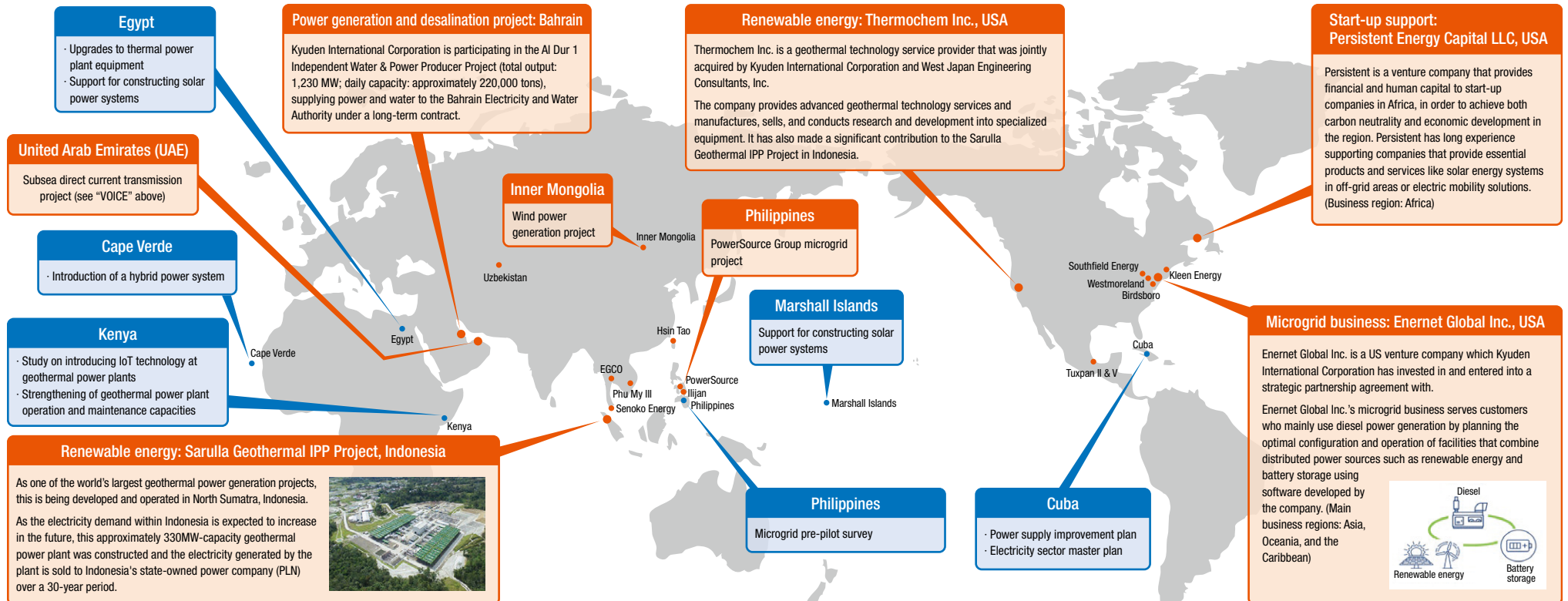
In cooperation with our own Group companies and other highly specialized partners, we conduct surveys on the introduction of renewables and support the formulation of electricity master plans.

### Entering new business domains

We have been expanding our business domains in recent years, taking on microgrid projects in an island nation and a transmission and distribution project in the Middle East.

## Highlight Main Initiatives

● IPPs and other investment projects (as of the end of July 2022) ● Consulting projects (last 1-2 years)



## VOICE

### Contributing to lower carbon intensity and decarbonized energy sources through the Kyuden Group's first subsea direct current transmission project



Yu Iwashita  
Business Development Group,  
Planning Division,  
Kyushu Electric Power  
Transmission and Distribution

The project involves constructing ultra-high-voltage direct current transmission facilities that will power offshore oil and gas production facilities in the Persian Gulf from the United Arab Emirates (UAE) mainland for 35 years. By transmitting clean energy being developed on the mainland, the project will contribute to a significant reduction in CO<sub>2</sub> emissions from these oil and gas operations. I'm in charge of designing and managing the construction of the subsea cables, and even though I struggle discussing and coordinating things in English everyday as I'm not used to it, I find it rewarding that I can use the experience I gained from transmission and distribution projects in Japan to help build sustainable societies across borders.



# Promotion of Electrification

Combining environmentally friendly energy with the resources of the Kyuden Group, we will take on the challenge of maximizing electrification, especially in the Kyushu area where the potential for electrification is great, helping reduce greenhouse gas (GHG) emissions throughout society.

## Household and Commercial Sectors

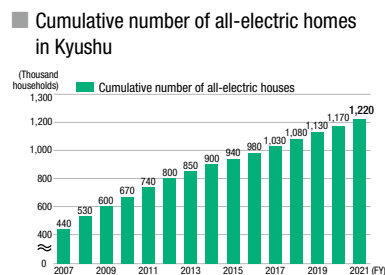
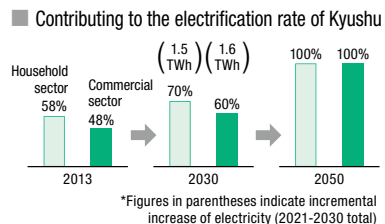
In the household sector, we are promoting the transition to all-electric homes through more events and mass marketing that convey the advantages of going fully electric, and engaging in sales activities that seize upon various opportunities.

In terms of climate-control and hot water supply systems for the commercial sector, we offer high-efficiency heat pump systems optimized for use in our customers' facilities. We also promote the adoption of electric kitchen systems by extensively publicizing their advantages in terms of ease of use, hygiene, and economy.

By promoting these initiatives, we will contribute to the realization of 100% electrification rate in Kyushu by 2050, reaching 70% in the household sector and 60% in the commercial sector by 2030.

In achieving this goal, we are aiming for total incremental increases in power consumption of 1.5 TWh in the household sector and 1.6 TWh in the commercial sector between 2021 and 2030.

|  |   |
|--|---|
| <b>Contribution to Kyushu's electrification rate</b> | Incremental increase (FY2021 performance)   |
|  | Household: 0.13 TWh<br>Commercial: 0.11 TWh |



## Industrial and Transportation Sectors

In the industrial sector, we are conducting technological research on heat pumps and other heat conversion devices and taking on the challenge of electrifying heat demand across a wide range of temperature bands in production processes (hot water, steam, application of heat, etc.). We also conduct on-site assessments and reviews with our customers and provide energy conservation proposals to improve energy use efficiency.

In the transportation sector, we aim to replace 100% of our company vehicles with EVs by 2030. We also operate an array of businesses and services to promote the spread of EVs, including EV car sharing, charging infrastructure expansions, and energy management through EVs. (No. of company EVs deployed (FY2021): 61 (12%))

### TOPICS Efforts to spread the use of EV taxis

In a joint collaboration with Daiichi Koutsu Sangyo Co., Ltd. and the Sumitomo Corporation Group, Kyushu Electric Power has been testing the deployment of EV taxis and chargers at Daichi Kotsu's Island City sales office since January 2022. We are analyzing the economic efficiency, durability, and environmental impact of taxis that run for long hours across long distances to verify how to charge and run EV taxis in an optimal way to promote their spread.



EV taxi

## Promoting Carbon Neutrality in the Region

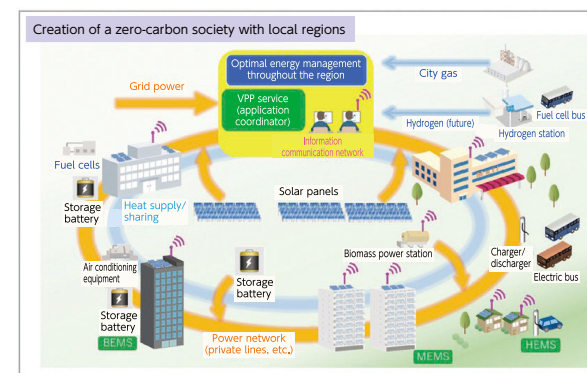
The Kyuden Group will contribute to solving local and social issues and co-create a zero-carbon society by providing solutions in response to the collaborative needs of local governments in promoting carbon neutrality in the region and strengthening its resilience.

### Creating a regional energy system

Regional energy systems have the potential to greatly change the business models in our electricity business. As these energy systems are an area where the Kyuden Group can leverage its strengths. We see this as a new business opportunity and are coordinating with local governments and other bodies to gather information and select a proof-of-concept field site.

Specifically, we are considering field sites and planning to conduct proof-of-concept testing to acquire the technical expertise needed to create a regional energy system and build a business model.

### Illustrative image of a regional energy system

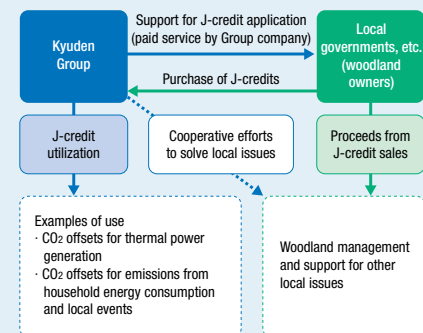


## TOPICS Project to create and utilize J-credits through the utilization of forest resources

The Kyuden Group is working on a project to support the creation of J-credits\* from woodlands owned by local governments, etc., and purchase the credits created.

Based on the results of a pilot project in Hisayama Town, Fukuoka Prefecture, we are preparing to start operations in Kusu Town, Oita Prefecture as part of our full-scale roll-out of the project across the entire Kyushu region.

\*A scheme in which the national government awards credits (with tradable environmental value) by certifying (1) the amount of CO<sub>2</sub> emissions reduced through the introduction of energy-saving equipment and the use of renewable energy, and (2) increases in CO<sub>2</sub> absorption achieved through proper forest management



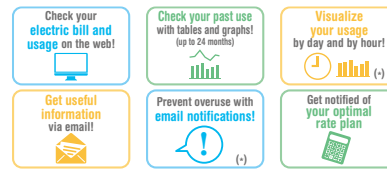
## Promotion of Energy Conservation

The Kyuden Group offers a wide variety of services to support the prosperous and comfortable lives of its customers, and we are working to help reduce not only our own greenhouse gas (GHG) emissions, but those of society as a whole.

### ● Kirei Life Plus, a Members' Site Offering Useful Information

Kyushu Electric Power (Kyushu EP) offers a number of useful services through its "Kirei Life Plus" members' site, including energy conservation rankings that compare members' energy use with other households, optimal rate plan notifications that inform members of recommended rate plans and their benefits, and overage emails that notify members when their usage has gone over a pre-set amount.

#### ■ Member services offered on Kirei Life Plus



\* For customers with smart meters

### ● Collaborating on a Demand Response (DR)\* Service for Households

Since February 2021, Kyushu EP has been offering a demand response service via its Kyuden eco/Kirei Life Plus smartphone application in collaboration with SB Power Corp. The aim of the app is to create a system that helps customers conserve energy and reduce their electricity bill, cuts Kyushu EP's supply costs, and enables renewable energy to be used more effectively by optimizing the supply-demand balance through demand response.

\*A mechanism for balancing the supply and demand of electricity by having customers (the demand side) who are signed up for one of Kyushu EP's household plans (and have a smart meter installed) either save electricity or create demand based on guidance from the Company



### ● Zero Carbon Challenge Declarations by Kyuden Group Employees

In an aim to achieve carbon neutrality in the Kyushu area, employees of Federation of Electric Power Related Industry Worker's Unions of Kyushu and the Kyuden Group have made "Zero Carbon Challenge Declarations," pledging to take efforts to conserve energy and go electric at home and elsewhere. Since June 2022, both labor and management have been working together to implement specific initiatives based on these.

By spreading and sharing these declarations broadly with local communities and society on our website and social media, we will help foster momentum toward achieving carbon neutrality.



## Energy Policy Recommendations and Involvement

### ● Endorsement of the GX League Basic Concept

In March 2022, Kyushu EP endorsed the "GX League Basic Concept" announced by the Ministry of Economy, Trade and Industry. The Kyuden Group will take carbon neutrality and other changes in the business environment as an opportunity for transformation, have this lead to further corporate growth, and continue to aim to be a corporate group that leads the decarbonization of Japan from Kyushu.



## Reduction of Environmental Impact

The Kyuden Group recognizes that as a corporate group whose operations impact the environment, we have a responsibility to be diligent in our efforts to conserve the environment.

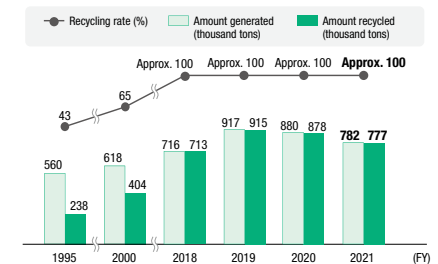
That is why we promote environmental management that balances both our business activities and the environment across all of our operations, striving to reduce the environmental impacts and risks associated with them. At the same time, we roll out our environmental programs with full consideration of biodiversity, helping realize a sustainable society.

### ● Efforts to Establish a Circular Society

#### Zero-emission waste activities

Industrial waste generated by the Kyuden Group includes byproducts from its thermal power operations (coal ash, gypsum) and materials removed from construction sites. In addition to properly managing and disposing of this industrial waste, we also practice the 3Rs: Reduce, Reuse, and Recycle.

#### ■ Industrial waste generated and recycling rate



#### Promoting green procurement

The Kyuden Group introduced its Green Procurement System in FY2002, which stipulates that "the Company is to procure environmentally friendly products" when making purchases, and we are working together with our suppliers as we strive to do so.

## TOPICS

### Making the Circular Park Kyushu resource recycling center a reality

#### —An effort to socially implement resource recycling at the former site of the Sendai Power Station—

One global challenge in building a sustainable society today is the transition to a circular economy that recycles the finite resources we possess. Against this backdrop, Kyushu EP has designated the site of the former Sendai Power Station (Kagoshima Prefecture) as "Circular Park Kyushu" as a resource recycling site in an aim to build a sustainable society by promoting a circular economy and decarbonization. Specific considerations for the site are currently underway.\*

Moving forward, we will work to socially implement solutions to issues related to resource recycling by recovering resources from waste, utilizing the relevant technologies and expertise companies and universities possess, and by conducting a pilot project in cooperation with Satsumasendai City.

\*Kyushu EP has concluded a collaborative agreement with Satsumasendai City, Waseda University Educational Corporation, The Kagoshima Bank, Ltd., and Nakadai Holdings Co., Ltd. to make Circular Park Kyushu a reality, through which the partners will move forward with joint studies in industrial, governmental, and academic fields to reach decisions regarding the park's commercialization.



A shot from the signing of the collaborative agreement

## Water Resources

Water resources are fundamental to the Kyuden Group's business activities. We use large amounts of water at not only our hydroelectric power plants but also at our thermal and nuclear power plants as a coolant and for other uses. As such, limitations being placed on the supply of water caused by droughts or other issues would have huge impacts on the Group's businesses.

As a business that uses water resources, we will continue to comply with the permitted amounts of water intake based on relevant laws and regulations, and are working to reduce the amount of water we consume by, for example, recirculating water at our power plants.

Further, all our business sites and Group companies are making efforts to conserve water in the office and reduce the amount of water we consume.

### Water risk assessments

To identify water risks, WRI Aqueduct 3.0 tools are being used to determine the current and future level of water stress in areas where facilities are located.

According to the Baseline Water Stress tool, maximum water stress is low-medium in the Kyushu region where Kyushu Electric Power (Kyushu EP) has installed power plants that use fresh water or seawater, and water-related risks such as droughts are assumed to occur less frequently there. Although water-related risks are low, Kyushu EP and Kyushu Transmission and Distribution manage the following risks regarding the use of water resources, which are essential for the power generation business.

### Hydroelectric power generation business

We discharge the necessary amount of water to maintain the river environment downstream from the dams and weirs of our hydroelectric power plants. In addition, when drawing water from rivers for our power generation, we ensure strict compliance with permitted amounts of water intake based on relevant laws and ordinances.

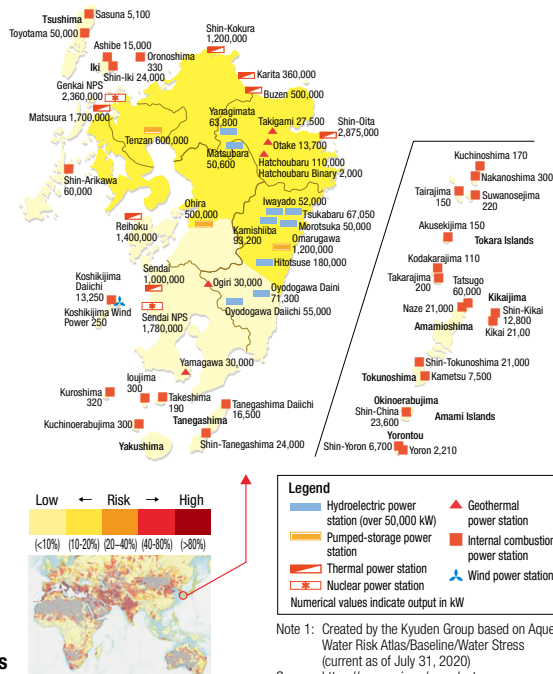
Where river levels are predicted to rise due to heavy rainfall, we release water from our dams in advance based on water governance agreements with the national government or other authorities. We also cooperate to the fullest extent possible in local disaster prevention.

### Thermal power generation business

Thermal power plants require a certain amount of external water intake to maintain the water quality needed for power generation. On top of properly managing this intake on a daily basis, we also strive to reduce the level of our intake by recovering and reusing the water used in power generation. In the event that restrictions are placed on the amount of water we can receive due to drought or other circumstances, we will work to maintain our thermal power operations by utilizing the water stored inside our plants effectively and considering other water-saving measures or ways to receive water.

### Thermal and nuclear power generation businesses

We use seawater as indirect cooling water for power generation facilities, and monitor the temperature difference between intake water and discharged water.



Note 1: Created by the Kyuden Group based on Aqueduct Water Risk Atlas/Baseline/Water Stress (current as of July 31, 2020)  
Source: <https://www.wri.org/aqueduct>  
Note 2: Kyuden Group facilities shown on the map are current as of March 2022

## Preserving Biodiversity

The Kyuden Group will help achieve a sustainable society by rolling out environmental programs with full consideration given to biodiversity and preventing deforestation in line with our Environmental Action Policies<sup>1</sup>.

We will also continue our efforts to preserve biodiversity based on the Electric Utility Industry's Action Guidelines for Biodiversity formulated by the Federation of Electric Power Companies of Japan.

<sup>1</sup>: A basic policy for the medium- to long-term based on the Kyuden Group Environmental Charter, a guideline for steadily promoting environmental business management that balances business operations and the environment. The policy is comprised of five pillars: initiatives to address environmental issues, initiatives to establish a circular society, preserving the local environment, collaboration with society, and promoting effective management of the environment.

### Engaging in environmental activities with local communities

The Kyuden Mirai Foundation, established by Kyushu EP, aims to continue defending the abundance of nature and providing a bright future for children.

It engaged in environmental conservation activities to help protect ecosystems and landscapes, including controlled burning at the Bogatsuru Marshlands in Taketa City, Oita Prefecture, registered as an important wetland site under the Ramsar Convention. It also offers hands-on environmental education programs to raise awareness of environmental conservation among children at Kyushu EP's company-owned Kuju Kyuden Forest in Yufu City, Oita Prefecture.

In FY2021, it also launched the "Kyuden Future Forest Project" which aims to build a forest that will serve as base for environmental education and exchange among residents. The first phase of the project involves planting trees in Isahaya City, Nagasaki Prefecture together with local residents in an effort to become carbon neutral.



Controlled burning at the Bogatsuru Marshlands



Environmental education (tree planting) underway at the Isahaya Kyuden Future Forest

## TOPICS

### Joining the 30by30 Alliance for Biodiversity

Kyushu EP has applied to join the Ministry of the Environment's 30by30 Alliance to lend our hand in achieving the 30by30 target, a global biodiversity target<sup>2</sup>.

Moving forward, we will hold discussions with the Ministry in an aim to have our company-owned forests certified as Other Effective area-based Conservation Measures (OECMs) that contribute to preserving biodiversity.

<sup>2</sup>: A target in which countries around the world aim to conserve at least 30% of their land and marine areas respectively by 2030. It is being considered as a major goal of the Post-2020 Global Biodiversity Framework, a global biodiversity target to be agreed upon at the 15th Conference of the Parties (COP15) to the Convention of Biological Diversity (CBD) this year.



A company-owned forest (by Lake Yamashita in Yufu City, Oita Prefecture)

### Company-owned forests

Kyushu EP maintains 4,447 hectares of company-owned forests (in a cycle of planting, cutting, and planting) primarily in Oita Prefecture in cooperation with the Group company Kyushu Rinsan.

Our efforts have been highly praised, becoming the first electric power company to obtain FSC® certification (FSC-C018956) (Forest Stewardship Council®; headquartered in Germany) in 2005, which certifies that forests are being managed in an environmentally friendly manner. We estimate the amount of carbon fixed throughout our company-owned forests as a whole to be approximately 1,308,000 tons of CO<sub>2</sub> equivalent (as of March 31, 2022).



# Initiatives Based on the TCFD Recommendations



Kyushu Electric Power expressed its support for TCFD\* recommendations in July 2019.  
 \*: Task Force on Climate-related Financial Disclosures (TCFD) is a task force established by the Financial Stability Board (FSB) in response to the request from the G20 Finance Ministers and Central Bank Governors Meeting. In June 2017, the task force announced recommendations encouraging the disclosure of information on the financial impact of the risks and opportunities of climate change.

The Kyuden Group has designated addressing climate change as a key management issues (materiality). By utilizing the TCFD recommendations to formulate our strategies and enriching our information disclosure based on this framework, we will achieve our goal of “leading the way toward a decarbonized society” and fulfill our responsibility to our stakeholders.

## ● Governance and Risk Management

### Response system for climate change (risk and opportunity assessment and management process)

In July 2021, we established the Sustainability Promotion Committee chaired by the President and under the supervision of the Board of Directors to actively promote carbon neutrality and other ESG initiatives.

In addition to formulating strategies and basic policies related to ESG issues in general (identifying key management issues as materiality), deliberating specific measures, and managing the progress of their implementation, the Committee is also tasked with deliberating and supervising strategies and risks related to climate change. The Carbon Neutrality and Environment Sub-Committee chaired by the Chief ESG officer has also been established under the Sustainability Promotion Committee. It discusses environmental issues, including carbon neutrality, from a more specialized standpoint.

The Committee meets at least twice yearly, and the results of their discussions are reported without delay to the Board of Directors, which supervises all ESG-related activities.

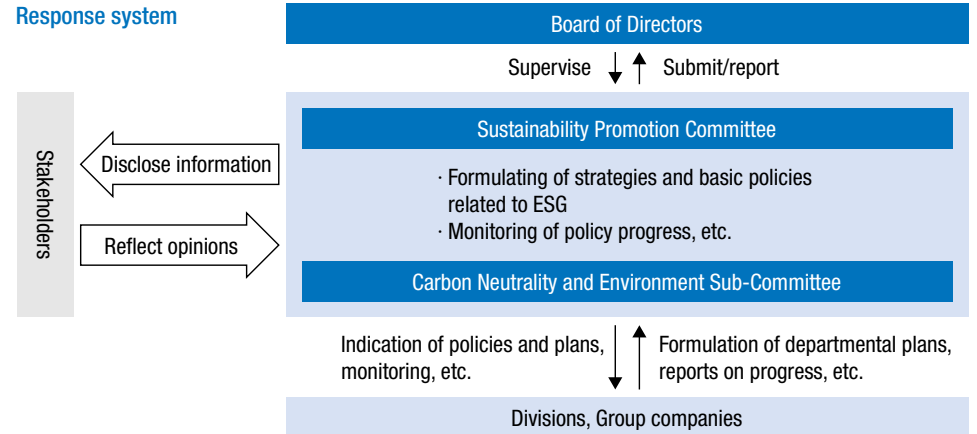
Our Action Plan to Achieve Carbon Neutrality announced in November 2021, which includes our goals for 2050 and the upward revision to our management (environmental) targets for 2030, was approved by the Board of Directors following deliberation by the Carbon Neutrality and Environment Sub-Committee and the Sustainability Promotion Committee.

We will continue to further enhance and strengthen the process of assessing and managing climate change risks and opportunities to enhance corporate value for the Kyuden Group. (See **P72** for details on our risk management system)

### Climate change-related agenda items discussed by the Sustainability Promotion Committee

|           |  |
|-----------|--|
| Oct. 2021 | <ul style="list-style-type: none"> <li>Our 2050 vision for carbon neutrality and review of the 2030 CO<sub>2</sub> reduction targets (management targets), and the basic direction of specific initiatives</li> <li>Basic concept of our Sustainability Policy and the status of considerations for materiality</li> </ul> |
| Nov. 2021 | <ul style="list-style-type: none"> <li>Materiality proposals</li> <li>Review of our 2030 CO<sub>2</sub> reduction targets and specific initiatives for carbon neutrality</li> <li>Direction for formulating the Medium-term ESG Promotion Plan</li> </ul>  |
| Apr. 2022 | <ul style="list-style-type: none"> <li>Identification of materiality</li> <li>Medium-term ESG Promotion Plan</li> </ul>  |

### Response system



#### ■ Sustainability Promotion Committee

**Structure** Chairperson: Member of the Board of Directors, President & Chief Executive Officer  
 Vice-chairperson: Chief ESG officer (Member of the Board of Directors, Vice-Presidential Executive Officer)  
 Committee members: External directors, executive directors of relevant divisions, etc.  
**Frequency** Twice yearly in principle, and additionally as necessary

#### ■ Carbon Neutrality and Environment Sub-Committee

**Structure** Chairperson: Chief ESG officer (Member of the Board of Directors, Vice-Presidential Executive Officer)  
 Vice-chairperson: Executive Director of the Corporate Strategy Division and Director of the District Symbiosis Division  
 Committee members: Directors of relevant divisions, etc.  
**Frequency** Twice yearly in principle, and additionally as necessary

### Linking climate change response to executive compensation

Kyushu Electric Power offers its Directors (excluding Directors who are Audit & Supervisory Committee members and external directors) performance-based compensation, and has adopted GHG reductions aimed at carbon neutrality as one of its performance indicators (See **P68** for details on executive compensation)



## ● Strategies (Risks, Opportunities, and Measures) - Climate Change Countermeasures based on Scenario Analysis -

We have analyzed a number of scenarios based on the Intergovernmental Panel of Climate Change (IPCC)'s 6th Assessment Report, an IEA report, and Japan's 6th Strategic Energy Plan among others to assess the impact of climate change on the Kyuden Group.

The results of this analysis have been properly reflected in our Action Plan to Achieve Carbon Neutrality, the Kyuden Group's low carbon transition plan, and we have formulated our Medium-term ESG Promotion Plan to steadily implement it. The Sustainability Promotion Committee and the Carbon Neutrality and Environment Sub-Committee are to review and discuss our progress on the Action Plan, and revise it as appropriate based on the social trends and movements in terms of technical innovation.

In addition to the risks, opportunities, and financial impacts related to our electricity businesses (domestic, overseas, and renewable energy businesses), we have recently conducted a scenario analysis for ICT service business and urban development business, two of our growth businesses.

### Scenario Analysis (1.5°C Case)

| Scenario              | Scenario Drivers   |   |   | Risk or Opportunity  | Timeframe  | Likelihood                              | Financial Impact (P&L basis) | Response Strategy  |  |   |
|-----------------------|--|---|---|--|--|---|------------------------------|--|--|---|
|                       | Major Theme  | Topic   | Driver  |  |  |   |                              |  |  |   |
| 1.5°C Case            | Electricity businesses (including renewable energy and overseas) | Policy and Regulation   | Costs and investments accompanying tighter GHG emission regulations   | Carbon pricing (taxes, emission rights, etc.)  | Transition risk (policy and regulation)  | Medium- to long-term                    | Mid                          | Costs would increase by ¥10 billion to ¥15 billion if GHG emissions were not reduced (assuming a carbon price of ¥2,000-¥3,000/t-CO <sub>2</sub> )                               | <ul style="list-style-type: none"> <li>Reduce GHG emissions</li> <li>Make recommendations on and get involved in energy policy</li> </ul>  |   |
|                       |  |   |   | Phase-out of inefficient coal-fired power and improvements of thermal efficiency                         |  | Short-, medium-, long-term              | High                         | Tens of billions of yen (the amount of increase in our fuel costs if we were to mix in 20% ammonia at our coal-fired power plants and 1% hydrogen at our LNG-fired power plants) | <ul style="list-style-type: none"> <li>Establish co-firing technologies at our existing thermal power plants</li> <li>Develop hydrogen and ammonia supply chains</li> <li>Produce carbon-free fuel using renewable energy and nuclear power</li> <li>Switch from coal-fired to LNG combined cycle thermal power</li> </ul> |   |
|                       |  | Technology  | Making renewable energy a primary source of power   | Expanded earnings by promoting the development of renewable energy (including overseas)                  | Opportunity (source of energy)   | Short-, medium-, long-term              | High                         | ¥13 billion in ordinary income from the renewable energy business (FY2025)   | <ul style="list-style-type: none"> <li>Develop geothermal and hydroelectric power projects where our strengths lie</li> <li>Develop offshore wind power and biomass projects which have great potential for adoption</li> <li>Utilize battery and pumped storage</li> </ul>  |   |
|                       |  |   |   | Decreased grid stability   | Transition risk (technology)   | Medium- to long-term                    | Low                          | Minor to medium  | Upgrade supply and demand operation and grid stabilization technologies through the use of digital technology  |   |
|                       |  | Market  | Maximizing the use of nuclear power   | Improvements of nuclear power station utilization rate   | Opportunity (source of energy)   | Medium- to long-term                    | Mid                          | A 1% increase in the utilization rate would reduce fuel costs by about ¥3 billion  | Shorten inspection periods, operate on long-term cycles, improve electricity output  |   |
|                       |  |   |   | Unplanned outages of nuclear power   | Transition risk (policy and regulation, technology)  | Short-, medium-, long-term              | Low                          | Approx. ¥5 billion per reactor for a one-month outage  | Allocate appropriate budgets for repairs and improvement costs in line with the state of the facilities  |   |
|                       |  | Market  | Electric power demand   | Increased electricity sales as a result of progress in electrification                                   | Opportunity (products and services)  | Short-, medium-, long-term              | High                         | Sales will increase by approx. ¥50 billion if electrification target is reached (increase in sales if 2030 target KPI is achieved)   | Contribute to the electrification of Kyushu – Household: Strengthen cooperation with housing-related businesses, etc.  |   |
|                       |  |   |   | Decreased electricity sales due to the spread of distributed energy systems, increased competition, etc. | Transition risk (market)   | Medium- to long-term                    | High                         | A 1% decrease in retail electricity sales would reduce sales by approx. ¥12 billion  | Establish distributed energy resource (DER) control technologies and develop an aggregation business using battery storage   |   |
|                       |  | Market  | Fuel prices   | Higher fuel prices   | Transition risk (market)   | Short-, medium-, long-term              | High                         | Certain financial impact, but mitigated by stable nuclear power supply   | <ul style="list-style-type: none"> <li>Diversify supply sources</li> <li>Curb price hikes through contractual fixed price options, etc. (coal)</li> <li>Consider diversifying pricing methods by using new indices with higher price stability (LNG)</li> </ul>  |   |
|                       |  |   |   | Credibility  | Higher financing costs due to investors deeming our efforts toward carbon neutrality as insufficient | Transition risk (reputation)            | Medium- to long-term         | Mid  | Approx. ¥0.7 billion (the impact of a 0.1% change in the interest rate on approx. ¥700 billion in actual funding from FY2021)  | <ul style="list-style-type: none"> <li>Steadily implement the Action Plan</li> <li>Promote proper information disclosure, including on the progress toward our KPIs</li> </ul>  |
|                       |  | Products and Services   | Changing customer needs   | Sales of non-fossil value  | Opportunity (products and services)  | Short-, medium-, long-term              | High                         | ¥20 billion to ¥40 billion (potential sales if all non-fossil value was sold)  | <ul style="list-style-type: none"> <li>Maximize the use of zero-emission power sources</li> <li>Expand renewable energy and CO<sub>2</sub>-free rate plans</li> </ul>  |   |
|                       |  |   |   | Increased carbon neutrality needs in the region  |  | Medium- to long-term                    | High                         | Approx. several hundred million yen (increased sales from distributed energy systems, EV services, etc.)   | <ul style="list-style-type: none"> <li>Establish distributed energy resource (DER) control technologies and develop an aggregation business using battery storage</li> <li>Consider new business models using EVs</li> </ul>   |   |
|                       |  | ICT Service / Urban Development Businesses  | Policy and Regulation   | Costs and investments accompanying tighter GHG emission regulations                                      | Carbon pricing (taxes, emission rights, etc.)  | Transition risk (policy and regulation) | Medium- to long-term         | Mid  | Minor  | <ul style="list-style-type: none"> <li>Maintain and improve profitability by differentiating ourselves and adding higher value by improving energy-saving performance, creating self-sufficient zero energy buildings (ZEBs) and houses (ZEHs), introducing renewable energy-based electricity, and promoting the use of digital transformation. Also, reduce the impact of carbon pricing</li> <li>Provide an accurate response to disaster response needs of local governments and enter into agreements with them</li> <li>Collaborate with other companies on related products and services to differentiate us from competitors, including drone services and uninterruptible power supplies</li> <li>Minimize impacts by constructing disaster-resistant facilities, selecting development sites and implementing disaster prevention measures based on hazard maps, and hedging risk with insurance coverage</li> <li>Build a decentralized and disaster-resilient telecommunication network</li> <li>Prepare disaster response manuals, etc.</li> </ul> |
|                       |  |   |   |  | Increased costs following a tightening of the Energy Conservation Act                                |   | Medium- to long-term         | High   | Minor  |   |
| Products and Services | Changing customer needs  |   | Increased need to promote electrification and for energy management in response to growing demand for decarbonization and energy conservation | Opportunity (products and services)  | Short-, medium-, long-term   | High                                    | Medium                       |  |  |   |
|                       |  |   | Increased demand for products/services tied to ensuring resiliency  |  | Medium- to long-term   | Mid                                     | Minor                        |  |  |   |
| Physical              | Facility damage  | Losses incurred due to typhoons, floods, torrential rain and other natural disasters (increased costs to restore damaged facilities and reduced earnings due to suspended operations) | Physical risk (acute)   | Short-, medium-, long-term   | Low  | Minor                                   |                              |  |  |   |
|                       |  | Operational costs   |   | Increased electricity costs for air conditioning due to higher average temperatures                      | Physical risk (chronic)  | Medium- to long-term                    | High                         | Minor  |  |   |

Timeframe Short-term: Now through FY2025; Mid-term: FY2026-FY2030; Long-term: FY2031-FY2050

Financial Impact Minor: Less than ¥1 billion; Medium: ¥1 to 10 billion; Large: ¥10 billion or more \*FY2021 figures used to determine financial impact unless otherwise stated

Presumptions 1.5°C Case: Intergovernmental Panel of Climate Change (IPCC)'s 6th Assessment Report (SSP1-1.9 scenario), IEA WEO 2021 (Net Zero Emissions by 2050 (NZE) scenario), Japan's 6th Strategic Energy Plan, etc.

4°C Case: Intergovernmental Panel of Climate Change (IPCC)'s 6th Assessment Report (SSP5-8.5 scenario), etc.



Scenario Analysis (4°C Case)

| Scenario   | Scenario Drivers   |   |  | Risk or Opportunity   | Timeframe   | Likelihood                  | Financial Impact (P&L basis)  | Response Strategy  |   |
|--|--|---|--|---|---|-----------------------------|---|--|---|
|  | Major Theme  | Topic   | Driver   |   |   |                             |   |  |   |
| <p>4°C Case</p> <p>There is a wide gap between the efforts different countries and regions have taken to address climate change, and GHG emission reductions have not progressed when viewed on a global basis.</p> <p>Temperatures have risen across the world, causing abnormal weather including changes in the flow rate of water to increase also in Kyushu, the Kyuden Group's main area of business. The impacts of this have grown apparent, with some resource development sites overseas have becoming inoperable.</p> <p>In Japan, the adoption of zero-emission power sources has progressed, maximizing the use of renewable energy and nuclear power. Moreover, the growing need for decarbonized power sources is advancing the debate on new types of nuclear reactors.</p> <p>Customers are highly environmentally conscious, and with ambitious energy conservation measures being promoted, electrification has made headway in all sectors, including the widespread use of EVs.</p> <p>As total global GHG emission reductions have been insufficient, stricter carbon pricing schemes and other regulations are about to be imposed on power producers in developed countries.</p> | Electricity businesses (including renewable energy and overseas) | Policy and Regulation   | Costs and investments accompanying tighter GHG emission regulations              | Carbon pricing (taxes, emission rights, etc.)   | Transition risk (policy and regulation)             | Medium- to long-term        | Mid   | Costs would increase by ¥20 billion to ¥30 billion if GHG emissions were not reduced (assuming a carbon price of ¥4,000-¥6,000/t-CO <sub>2</sub> )   | <ul style="list-style-type: none"> <li>Reduce GHG emissions</li> <li>Make recommendations on and get involved in energy policy</li> </ul>   |
|  |  |   | Phase-out of inefficient coal-fired power and improvements of thermal efficiency | Short-, medium-, long-term  |   | High                        | Greater than the 1.5°C case   | <ul style="list-style-type: none"> <li>Establish co-firing technologies at our existing thermal power plants</li> <li>Develop hydrogen and ammonia supply chains</li> <li>Produce carbon-free fuel using renewable energy and nuclear power</li> <li>Switch from coal-fired to LNG combined cycle thermal power</li> </ul> |   |
|  |  | Technology  | Maximizing the use of nuclear power  | Unplanned outages of nuclear power  | Transition risk (policy and regulation, technology) | Short-, medium-, long-term  | Low   | Approx. ¥5 billion per reactor for a one-month outage  | Allocate appropriate budgets for repairs and improvement costs in line with the state of the facilities   |
|  |  | Market  | Electric power demand  | Increased electricity sales as a result of progress in electrification  | Opportunity (products and services)                 | Short-, medium-, long-term  | High  | Not as prominent as the 1.5°C case   | Contribute to the electrification of Kyushu – Household: Strengthen cooperation with housing-related businesses, etc.   |
|  |  |   |  | Decreased electricity sales due to the spread of distributed energy systems, increased competition, etc.                                      | Transition risk (market)                            | Medium- to long-term        | High  | A 1% decrease in retail electricity sales would reduce sales by approx. ¥12 billion  | Establish distributed energy resource (DER) control technologies and develop an aggregation business using battery storage  |
|  |  | Reputation  | Credibility  | Higher financing costs due to investors deeming our efforts toward carbon neutrality as insufficient  | Transition risk (reputation)                        | Medium- to long-term        | Low   | Approx. ¥0.7 billion (the impact of a 0.1% change in the interest rate on approx. ¥700 billion in actual funding from FY2021)  | <ul style="list-style-type: none"> <li>Upgrade the strategies in the Action Plan</li> <li>Promote proper information disclosure, including on the progress toward our KPIs</li> </ul>   |
|  |  | Products and Services   | Changing customer needs  | Increased carbon neutrality needs   | Opportunity (products and services)                 | Medium- to long-term        | Low   | Not as prominent as the 1.5°C case   | Maximize the use of zero-emission power sources   |
|  |  | Physical  | Fuel   | Reduced hydroelectric power generation  | Physical risk (chronic)                             | Medium- to long-term        | Low   | Approx. several hundred million yen/% (sensitivity of income and expenditures to a 1% change in the flow rate)   | Update our existing power stations and promote new development using FIT and FIP systems  |
|  | Inability to operate resource development sites                  |   |  | Physical risk (acute)   | Medium- to long-term                                | Low                         | Fuel costs would increase by about ¥15 billion due to higher fuel prices (sensitivity to price increases of \$10/t for coal and \$1/MMBtu for LNG)  | <ul style="list-style-type: none"> <li>Diversify supply sources</li> <li>Curb price hikes through contractual fixed price options, etc. (coal)</li> <li>Consider diversifying pricing methods by using new indices with higher price stability (LNG)</li> </ul>  |   |
|  | Facilities   |   | Facility damage  |   | Medium- to long-term                                | High                        | ¥6 billion to recover from disasters (actual cost for FY2020)   | <ul style="list-style-type: none"> <li>Promote the shift away from utility poles</li> <li>Improve disaster response capabilities (through training, etc.)</li> </ul>   |   |
|  | ICT Service / Urban Development Businesses                       | Policy and Regulation   | Costs and investments accompanying tighter GHG emission regulations              | Carbon pricing (taxes, emission rights, etc.)   | Transition risk (policy and regulation)             | Medium- to long-term        | Mid   | Minor  | Maintain and improve profitability by differentiating ourselves and adding higher value by improving energy-saving performance, creating self-sufficient zero energy buildings (ZEBs) and houses (ZEHs), introducing renewable energy-based electricity, and promoting the use of digital transformation. Also, reduce the impact of carbon pricing |
|  |  |   |  | Increased costs following a tightening of the Energy Conservation Act   |   | Medium- to long-term        | High  | Not as prominent as the 1.5°C case   |   |
|  |  | Products and Services   | Changing customer needs  | Increased need to promote electrification and for energy management in response to growing demand for decarbonization and energy conservation | Opportunity (products and services)                 | Short-, medium-, long-term  | High  | Not as prominent as the 1.5°C case   | <ul style="list-style-type: none"> <li>Provide an accurate response to disaster response needs of local governments and enter into agreements with them</li> <li>Collaborate with other companies on related products and services to differentiate us from competitors, including drone services and uninterruptible power supplies</li> </ul>     |
|  |  |   |  | Increased demand for products/services tied to ensuring resiliency  |   | Medium- to long-term        | Mid   | Greater than the 1.5°C case  |   |
| Physical   | Facility damage  | Losses incurred due to typhoons, floods, torrential rain and other natural disasters (increased costs to restore damaged facilities and reduced earnings due to suspended operations) | Physical risk (acute)  | Short-, medium-, long-term  | Mid   | Greater than the 1.5°C case | <ul style="list-style-type: none"> <li>Minimize impacts by constructing disaster-resistant facilities, selecting development sites and implementing disaster prevention measures based on hazard maps, and hedging risk with insurance coverage</li> <li>Build a decentralized and disaster-resilient telecommunication network</li> <li>Prepare disaster response manuals, etc.</li> </ul> |  |   |
|  |  | Operational costs   |  | Increased electricity costs for air conditioning due to higher average temperatures   | Physical risk (chronic)                             | Medium- to long-term        | High  | Greater than the 1.5°C case  | Improve the energy efficiency of the air conditioning at our data centers, etc.   |

Timeframe Short-term: Now through FY2025; Mid-term: FY2026-FY2030; Long-term: FY2031-FY2050

Financial Impact Minor: Less than ¥1 billion; Medium: ¥1 to 10 billion; Large: ¥10 billion or more \*FY2021 figures used to determine financial impact unless otherwise stated

Presumptions 1.5°C Case: Intergovernmental Panel of Climate Change (IPCC)'s 6th Assessment Report (SSP1-1.9 scenario), IEA WEO 2021 (Net Zero Emissions by 2050 (NZE) scenario), Japan's 6th Strategic Energy Plan, etc.

4°C Case: Intergovernmental Panel of Climate Change (IPCC)'s 6th Assessment Report (SSP5-8.5 scenario), etc.

## ● Indicators and Targets - Setting Climate-related Targets -

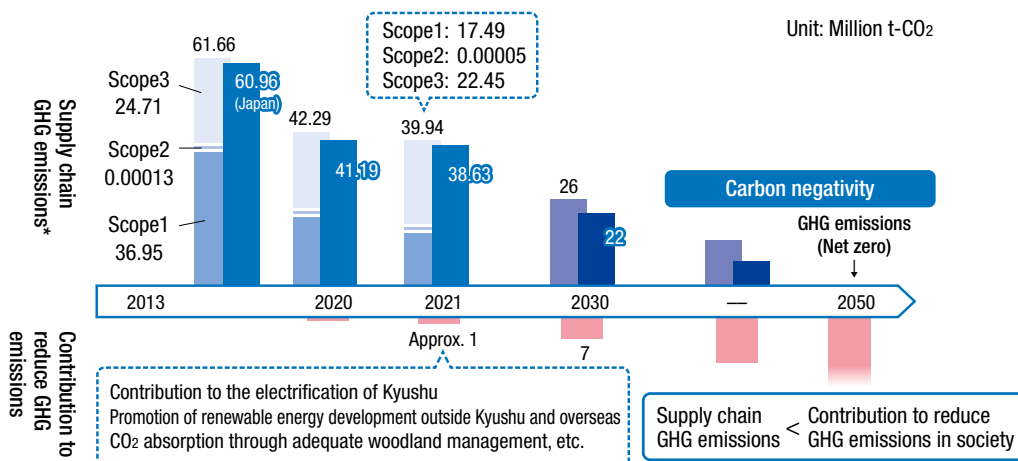
As an industry leader in low-carbon and carbon-free efforts, we will take on the challenge of achieving net zero greenhouse gas (GHG) emissions in our supply chains by 2050 and make significant contributions to reducing emissions across society by helping improve Kyushu's rate of electrification. In doing so, we aim to achieve carbon negativity for all of the Kyuden Group's business activities as early as possible before 2050.

We have also set interim management targets (environmental targets) for 2030 on our way toward carbon neutrality by 2050. These have been set at a level that goes far beyond those announced by the Japanese government, and we have formulated a concrete action plan to achieve them.

|        | Long-term Vision and KGI (2050)  | Indicator   | Interim Targets and KPIs (2030)  | FY2021 Performance   |
|--------|--|---|--|--|
| Supply | Net zero supply chain GHG emissions  | Supply chain GHG emissions                          | 60% reduction of supply chain GHG emissions (compared to FY2013) (65% for domestic business (compared to FY2013))  | 35% reduction (37% for domestic business)  |
|        |  | Positioning renewable energy as a Main Power Source | Renewable energy developed: 5,000 MW (Japan and overseas)  | 2,790 MW (Japan and overseas, approved projects <sup>1)</sup> )  |
|        |  | Lowering the carbon intensity of thermal power      | Achieve the benchmark index for the Energy Conservation Act (Index A: 1.0 or more; Index B: 44.3% or more; Coal-only Index: 43.0% or more)<br>Establish technology toward co-firing of 1% hydrogen / 20% ammonia | Benchmark index for the Energy Conservation Act (Index A: 0.968; Index B: 42.41%)<br>Investigate and examine hydrogen/ammonia co-firing technologies   |
| Demand | Contribute to reducing GHG emissions in society<br>- Help achieve a 100% electrification rate for the household and commercial sectors | Promotion of electrification                        | Contribute to the electrification of Kyushu (Household: 70%; Commercial: 60%)<br>Societal GHG emissions reductions: 7 million t-CO <sub>2</sub>  | Kyushu's electrification rate (Household: 60%; Commercial: 49%) <sup>2</sup><br>Societal GHG emissions reductions: approx. 1 million t-CO <sub>2</sub> |
|        |  | Household sector                                    | Incremental electricity: 1,500GWh (2021-2030 total)  | Incremental electricity: 130GWh  |
|        |  | Commercial sector                                   | Incremental electricity: 1,500GWh (2021-2030 total)  | Incremental electricity: 110GWh  |
|        |  | Transportation sector                               | Conversion of company cars to 100% EVs (excluding special-purpose vehicles)  | Percentage of fleet replaced: 12% (61 EVs deployed)  |

\*1: The total of projects expected to be developed by 2030 at the present stage \*2: FY2018 actuals

### Supply chain GHG emissions (management targets)



\* GHG emissions data have received an Independent Practitioner's Assurance from Deloitte Tohmatsu Sustainability Co., Ltd in our ESG Data Book 2022.

### Internal carbon pricing

The Kyuden Group has set an internal carbon price based on trading conditions in the non-fossil value market and other factors to use in making investment decisions to promote our renewable energy business in an aim to achieve carbon neutrality by 2050.

Our internal carbon price has been set at around ¥1,300 to ¥2,800/t-CO<sub>2</sub> based on the trading price of non-fossil value on the market (¥0.6 to ¥1.3/kWh).

We will also consider further utilizing internal carbon price to accelerate our efforts toward decarbonization (expanding the scope of its application, reviewing the price level, etc.), taking into account social trends and other factors.

### Total investments in lower carbon and decarbonized energy sources

Total investments for FY2016-FY2020:  
Approx. ¥800 billion  
(of which renewable energy-related:  
approx. ¥150 billion)

Total investments for FY2021-FY2025:  
Approx. ¥500 billion  
(of which renewable energy-related:  
approx. ¥250 billion)

(See P47 for details on our promotion of green and transition finance)

Materiality: Implementing Continuous Improvements in Energy Services

# Stable Supply of Energy

At the Kyuden Group, we have made it our fundamental mission to continuously deliver environmentally friendly energy at a low cost and in a reliable manner with safety as our top priority, which we see as our greatest social responsibility.

To that end, we will continue to maintain the high level of supply dependability we have achieved to date by accurately responding to trends in electric power demand, efficiently forming our facilities, taking steps to reduce power outages, upgrading the operation and management of our facilities, and working to restore power as soon as possible after outages caused by major disasters.

## Initiatives to Improve Nuclear Safety and Reliability

Kyushu Electric Power has been ahead of its competitors in complying with the government's new regulatory standards following the accident at the Fukushima Daiichi Nuclear Power Station, and has restarted its nuclear reactors.

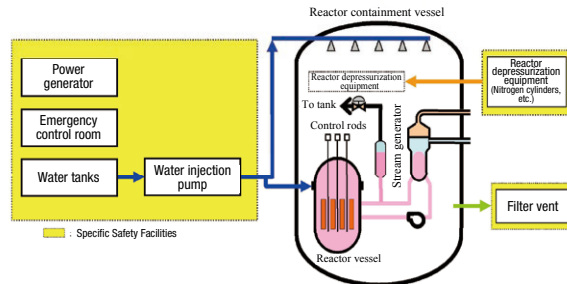
Moving forward, we will continue our efforts to continuously improve the safety and reliability of our nuclear power operations, not only within the regulatory framework, but also by doing due diligence in collecting the latest technical insights and data and applying it to operations.

### Status of Specific Safety Facilities

Under the new regulatory standards set by the Nuclear Regulation Authority, it is mandatory to install Specific Safety Facilities<sup>1</sup> (SSFs) that are capable of handling terrorist and other threats.

The Sendai Nuclear Power Station was the first in Japan to pass government inspection under the new regulatory standards, and its SSFs have begun operation (Unit 1: Nov. 2020, Unit 2: Dec. 2020).

By utilizing the insights gained from Sendai Nuclear Power Station, we have completed the government inspections at the Genkai Nuclear Power Station. Installation work on its SSFs is currently underway (scheduled completion dates (as of the end of May 2022) - Unit 3: mid-Jan. 2023; Unit 4: mid-Feb. 2023).



\*1: A facility with functions to prevent damage to the reactor containment vessel in the event that the reactor's core is severely damaged due to the loss of the reactor's cooling ability caused by the deliberate collision of a large aircraft with the reactor's auxiliary building or any other act of terrorism.

### Special inspections at Sendai Nuclear Power Station Units 1 & 2

In order to operate a nuclear power station beyond the 40-year limit, an application for extension must be submitted to the Nuclear Regulation Authority alongside the results of a special inspection<sup>2</sup> and permission granted.

We began the special inspections needed to apply for an extension to our operations at the Sendai Nuclear Power Station under the Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors on October 18, 2021 for Unit 1 and February 21, 2022 for Unit 2.

We plan to make a decision regarding our application for extension based on the results of the special inspection.

\*2: A detailed verification and assessment of data collected after 35 years of operation in order to understand the state of degradation caused by regular operations at subject facilities such as the reactor vessel and the containment vessel

### Deadline for applying for extended operations

|        | Commencement date | 40-year limit     | Application deadline |
|--------|-------------------|-------------------|----------------------|
| Unit 1 | July 4, 1984      | July 3, 2024      | July 4, 2023         |
| Unit 2 | November 28, 1985 | November 27, 2025 | November 28, 2024    |

### Efforts to prevent nuclear accidents

We are working to maintain and improve our response capabilities by developing emergency systems and conducting repeated drills in preparation for a nuclear accident so that we will be able to promptly respond to any type of incident at our nuclear power stations. In addition, we are stepping up our cooperation with related organizations and businesses by participating in the comprehensive disaster drills offered by the national and local governments, as well as the joint drills performed by nuclear power operators.



An internal nuclear disaster prevention drill simulating a major accident at the Genkai Nuclear Power Station (Oct. 2021)

### Management and disposal of radioactive waste

Waste from nuclear power stations that contains radioactive substances is classified and managed as "low-level radioactive waste." After the waste is treated, the drums in which it is stored in the power station are transported to the Japan Nuclear Fuel Limited (JNFL) Low-Level Radioactive Waste Disposal Center (Rokkasho Village, Aomori Prefecture) for burial and management to ensure that the waste has zero impact on the environments in which people live.

High-level radioactive waste, which is vitrified high-level radioactive liquid waste generated in the reprocessing process of spent fuel, is stored for 30-50 years for cooling at facilities such as JNFL's High-Level Radioactive Waste Disposal Center (Rokkasho Village, Aomori Prefecture), and then finally disposed of safely in a stable geological layer at least 300 meters underground. The final disposal of the waste is carried out by the Nuclear Waste Management Organization of Japan (NUMO), an organization authorized by the Ministry of Economy, Trade and Industry.

### Cumulative total volume of stored radioactive solid waste (as of the end of FY2021)

Unit: Drums (200-liter drum equivalent)

|                              | Amount stored in power plant | Amount transported out* |
|------------------------------|------------------------------|-------------------------|
| Genkai Nuclear Power Station | 38,310<br>(38,148)           | 15,816<br>(14,432)      |
| Sendai Nuclear Power Station | 27,767<br>(27,873)           | 640<br>(640)            |
| Total                        | 66,077<br>(66,021)           | 16,456<br>(15,072)      |

Note: Figures in parentheses indicate those as of the end of FY2020  
\* Amount transported out to the Low-Level Radioactive Waste Disposal Center

### Enhancing communication with local residents regarding nuclear power

In order to make local residents feel assured about nuclear power generation, we make sure to disseminate easy-to-understand information about our initiatives to improve the safety and reliability of our power stations. We are committed to making use of visits, plant tours and other opportunities to engaged in interactive communication activities Company-wide.



Dialogue with local residents

## ● Maintaining and Improving Supply Reliability (Kyushu Transmission and Distribution)

In order to deliver stable, high quality electricity to our customers that they can use with peace of mind, we are constantly working to patrol, inspect, and repair our facilities, operate them safely and efficiently, and develop and improve upon our construction methods.

### Preventing power outages

In order to prevent power outages along our transmission and distribution lines, we are working to identify points of hazard ahead of time by stepping up patrols of our facilities, implementing countermeasures, and stopping birds and animals from building nests. We also continuously survey the distance between trees and our power lines and fell them as necessary with the understanding and cooperation of all parties concerned to prevent power outages and equipment damage caused by trees.

Other efforts include reinforcing our facilities to reduce power outages caused by lightning, typhoons, and other natural disasters, and maintaining them meticulously based on their condition.

### Steady construction on the bulk power system and systematic facility updates

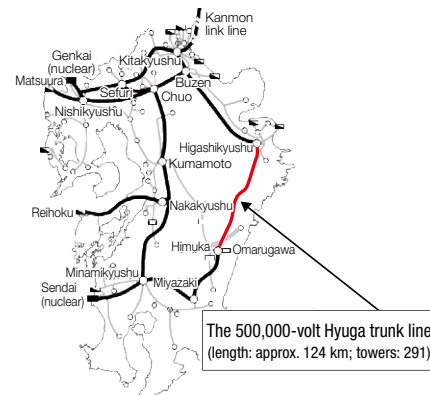
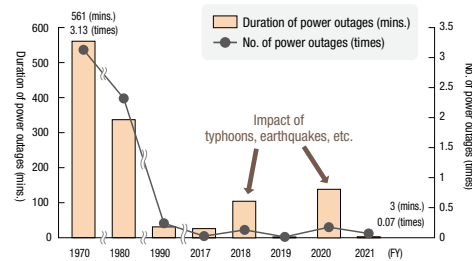
We strive to build our electric power distribution facilities in an effective formation from a long-term perspective, taking into account trends in demand, supply reliability, facility safety and operations, as well as cost and other factors.

In June 2022, we completed construction on the 500,000-volt Hyuga trunk line (between Oita and Miyazaki Prefectures) which began in 2014 in order to prevent widespread power outages during planned updates to aging 500,000-volt infrastructure.

Because the facilities built to meet the rise in electric power demand alongside economic growth are progressively aging, we are working to carry out focused inspections and repairs on and systematic updates to our aged transmission facilities (towers, cables, etc.), substations (transformers, circuit breakers, etc.), and distribution facilities (poles, cables, pole-mounted transformers, etc.).

We are also actively working to improve the accuracy of our equipment lifespan estimates based on the results of data analysis on equipment failures and degradation, which is reflected in our plans to update aging facilities.

■ Annual duration and frequency of power outages per customer household



The 500,000-volt Hyuga trunk line

## VOICE



**Daichi Kojou**  
Transmission Group,  
Electric Power Department,  
Miyazaki Branch,  
Kyushu Electric Power  
Transmission and Distribution

### Using the experience gained through arduous construction of the 500,000-volt Hyuga trunk line to train the next generation

The Hyuga trunk line is made up of large steel towers constructed across a wide area, so it was a very tough job to supervise. During the post-installation inspections in particular, we had to ascend and descend these steel towers that are over 100 meters tall countless times, which was physically demanding. But the view of the completed facilities from the top was truly spectacular, and it gave me a sense of pride and satisfaction in building a piece of infrastructure that will live on the map.

We'll apply the techniques and experience we gained by building the 500,000-volt-scale Hyuga trunk line on top of our previous experience in our work moving forward to help us provide a stable supply of electricity and train the next generation.

## ● Improving Disaster Response Capabilities

Kyushu Electric Power and Kyushu Transmission and Distribution have developed a joint disaster response system and will work together with partner companies and government agencies to quickly disseminate information and resolve power outages as soon as possible in the event of a typhoon, torrential rain, or other large-scale disaster.



Restoration work underway

We have also been strengthening cooperation with relevant authorities to rapidly restore power during disasters. We have entered into cooperative agreements with not only the Ground and Maritime Self-Defense Forces, but also the 7th and 10th Regional Coast Guard Headquarters and all local governments in the Kyushu area (7 prefectures, 233 municipalities) in the event of a disaster. Moving forward, we will continue to work to further strengthen our cooperation through joint trainings and other opportunities to improve our capacity to respond to large-scale disasters.



High-voltage generator airlift training with the Self-Defense Forces



A shot from the signing of a collaborative agreement

## ● Strengthening Fuel Procurement Capabilities

With the increased risk of fluctuations in our electric power sales following the liberalization of the energy market and the expanded adoption of renewable energy, there is a need for us to strengthen our competitiveness in procuring fuel and update our supply-demand adjustment capabilities.

To that end, Kyushu Electric Power is actively involved in the entire fuel value chain, from the development and production of fuel resources (upstream equity interest) to its procurement, transport, trading, receipt, storage, consumption, and sale to not only reduce our procurement cost but also further enhance our flexibility. Meanwhile, we also enter into alliances with other companies in the field of fuel project development.

It was under these such circumstances that we established an LNG trading subsidiary in April 2022 to utilize our carriers, storage terminals, and other assets as well as our trading expertise. Global demand for LNG is expected to increase as the world aims to achieve carbon neutrality. By supplying LNG to meet this new demand through our subsidiary moving forward, we will contribute to achieving a decarbonized society. We will also work to optimize the coordination between supply and demand in the way we allocate our vessels and through volume adjustments.



## Affordable Energy

Kyushu Electric Power (Kyushu EP) is working to lower the cost of generating power by diversifying its procurement methods to reduce fuel expenditures, improving the efficiency of facility maintenance utilizing digital transformation, and reviewing its inspection cycles.

■ Efforts to reduce fuel costs

| Initiative  | Overview   |
|---|--|
| Expand procurement through competitive quotations | <ul style="list-style-type: none"> <li>Procure with more competitive quotes to reduce fuel prices, transportation costs, import agent fees, etc.</li> </ul>  |
| Diversify supply sources                          | <ul style="list-style-type: none"> <li>Expand the use of sub-bituminous coal and standard-grade coal, which are less expensive than high-grade coal, and introduce high-ash coal, which is expected to be more economical</li> <li>Diversify our supply sources by introducing South American and Central Asian coals that had previously been shipped to Europe</li> </ul>  |
| Cooperate with other companies                    | <ul style="list-style-type: none"> <li>Respond to fluctuating requirements flexibly in cooperation with other operators to optimize supply and demand operations</li> </ul>  |
| Diversify pricing methods                         | <ul style="list-style-type: none"> <li>Reduce the risk of price fluctuations and fuel procurement costs by diversifying and optimizing our pricing methods, including fixed-price and market-price-linked methods</li> <li>Adopt LNG pricing methods that use new indices to curb procurement price fluctuations and improve economic efficiency</li> </ul>  |
| Pursue economic efficiency based on market trends | <ul style="list-style-type: none"> <li>Reduce procurement costs through an appropriate combination of and negotiations on long-term, short-term, and spot contracts based on market conditions</li> </ul>  |
| Strengthen participation in the fuel value chain  | <ul style="list-style-type: none"> <li>Acquire upstream equity interest (contributes to stable fuel procurement, flexibility, and enhanced procurement capabilities by acquiring information from producers)</li> <li>Reduce transportation costs by thoroughly managing and maximizing the use of our own vessels</li> <li>Balance supply and demand internally with contracts for the use of LNG terminals overseas that can receive and dispense LNG</li> </ul> |

### TOPICS

#### Advanced and efficient dam wall inspection work using drones and AI-based analytical technology

- Abnormalities detected with a high degree of accuracy and costs cut by about 40% -

Together with OPTIM Corp., Kyushu EP has improved the efficiency and sophistication of its dam wall inspection work by using drones and AI-based analytical technology, detecting equipment abnormalities at the centimeter level with a high degree of accuracy and achieving significant cost reductions.

The combination of Kyushu EP's proprietary autopilot program (patent no. 6902763) used in drone surveying and OPTIM's AI image analysis technology has made it possible to shorten inspection times and make the criteria used to determine deterioration more uniform. Moreover, the ability to visually confirm the state of age-related deterioration prevents damage from being overlooked, making inspection work more advanced and efficient and reducing the associated costs by about 40%.

Moving forward, we aim to develop technology to predict future age-related deterioration by collecting inspection data and comparing it with past data, as well as implement an AI-based schedule management function to create an optimal maintenance schedule with a view to rolling out services externally.



Drone footage of a dam wall

## Solutions Based Around Energy Services

The Kyuden Group works as one to provide products and services that precisely address the diverse needs and concerns of our customers, lead to more prosperous, comfortable lives for them, and generate economic activity.

We will keep working to enhance our services based on customer feedback so that customers continue to trust and choose us.

### ● The Kyuden Group's Diverse Products and Services Helping Solve Local and Social Issues

Starting from February 2019, the Kyuden Group has been marketing the Group's various products and services to local governments and corporations under the name 'with Q'.

In 2021, we packaged together Group products and services related to electrification, renewable energy, and energy conservation to offer customers based around the theme of decarbonization (carbon neutrality), which is of growing societal concern.

The 'with Q' lineup also offers products related to not just decarbonization but also disaster prevention measures, heat extreme countermeasures, information security, and LEDs, which are of high interest to local communities and society. We also have a lineup of related products for each customer, such as medical institutions, offices, and manufacturing sites to provide optimal solutions to each customer's issues.

### ● Providing Rate Plans that Meet Customer Needs for Decarbonized Electricity

(For households)

Kyushu EP offers the 'Marugoto Saiene (100% renewable energy) Plan' to meet the needs of households wanting to use electricity derived from renewable sources, and the 'Let's Grow Future Forest Plan' through which a fixed monthly donation of ¥300 goes to environmental conservation activities by the Kyuden Mirai Foundation.

(For corporate customers)

Kyushu EP has been providing its Renewable Energy ECO Plan to corporate customers since 2018, and in November 2021 expanded its offerings to three renewable energy and CO<sub>2</sub>-free plans in light of growing and diversifying needs.

|                                |   |
|--------------------------------|---|
| Renewable Energy ECO Kiwami    | <ul style="list-style-type: none"> <li>Offers not only renewable electricity (hydroelectric, geothermal, etc.) and its renewable energy value, but provides added value by identifying the type of power, etc.</li> <li>Helps maintain and expand renewable energy sources</li> </ul> |
| Renewable Energy ECO Plus      | <ul style="list-style-type: none"> <li>Applies renewable energy value to a customer's current electricity</li> <li>A more accessible renewable energy plan</li> </ul>   |
| CO <sub>2</sub> Reduction Plan | <ul style="list-style-type: none"> <li>Applies CO<sub>2</sub>-free value to a customer's current electricity</li> <li>Specialized in CO<sub>2</sub> emission-free value</li> </ul>  |



## Materiality: Co-creating a Smart and Vibrant Society

## Promotion of Digital Transformation (DX)

The Kyuden Group views the essence of DX as corporate transformation, and is taking on the challenge of improving productivity and generating new sources of revenue through new business development by making full use of advanced, state-of-the-art digital technology to drastically reform our business operations.

Our basic policy is to establish data-driven corporate activities at the Kyuden Group to improve the quality of our operations and decision-making, leveraging the power of data. Based on this, we are moving forward with efforts to transform our business in two main ways: operational reforms utilizing digital technology, and structural reforms to our ICT infrastructure.

## Promotion framework

On July 1, 2022, we established the role of Chief DX Officer and the Digital Transformation Promotion Division to further accelerate our drastic operational reforms and new business development.

## Specific efforts

## ■ Operation reforms

We are promoting initiatives to achieve operational reforms utilizing digital technology based around certain themes we have selected, including “automation and centralization of field operations,” “reformation of shared operations,” and “data-based decision-making.”

The Digital Transformation Promotion Division has appointed directors and other key personnel from each business division as “operational reformers” to encourage each division to take the lead while also overseeing and steering the promotion of DX throughout the Group.

We are also working toward corporate reform, which includes our services, operations, people and organizations, with digital technology as our starting point.

## ■ Structural reforms to our ICT infrastructure

In order to implement structural reforms to our ICT infrastructure, a prerequisite for promoting DX, we are moving forward with initiatives based on the themes of “establishing simplified development frameworks to bring system development in-house,” “building a platform for utilizing data,” and “expanding our virtual infrastructure and external cloud services.”

## ■ New business development

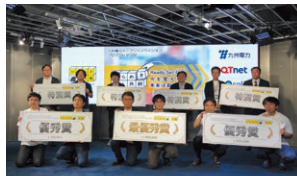
We are exploring the use of digital technology to improve the value of our products and services, fundamentally reform our customer contact points, and radically reform our business model. We will take on the challenge of creating an array of new businesses that will generate new value and lead to solutions for social issues, such as by building a platform to analyze and utilize data from smart meters and offering services based on it.

We are also taking steps to collaborate with other companies, including by hosting the Open Innovation Program: Innovation and Co-Creation (January to June 2022), which combines the digital technologies and business ideas of start-up companies with resources of Group companies.

## ■ Promotion of data utilization

In order to facilitate and embed the use of data both within and across our organizations, which is needed to improve productivity and drive business reforms throughout the Kyuden Group, we are promoting efforts across three areas we have defined: data use support and awareness raising, data management, and data governance.

Moving forward, we will provide the functionality needed to experience the benefits of using data as soon as possible, increase awareness of using data by exposing all of our employees to it, and firmly establish the processes and controls required based on the extent to which data is being utilized.



The Open Innovation Program award ceremony

## Regional Vitalization

The Kyuden Group is rolling out a number of initiatives aimed at the sustainable development of communities and society, the creation of new industries, and the growth of industries that will lead the future.

## Promotion of initiatives to solve local issues

Kyushu Electric Power has entered into partnership agreements with local governments across Kyushu to promote solutions to local issues as well as sustainable community development.

Utilizing the Kyuden Group’s management resources, products, and services, we are working to develop systems to restore power as soon as possible in the event of a disaster, distribute needed equipment and supplies to evacuation centers, stimulate industry by taking advantage of local tourism resources, and promote electrification for a zero carbon world.

## ■ Comprehensive partnership agreements concluded (local governments)

| Year   | Local government partner   |
|--------|--|
| FY2018 | Hisayama Town  |
| FY2019 | Kumamoto Pref., Aira City (Kagoshima Pref.), Kasuya Town, Asakura City   |
| FY2020 | Ukiha City, Yame City, Yanagawa City, Dazaifu City, Shime Town, Tsushima City (Nagasaki Pref.), Nakagawa Town, Kurate Town   |
| FY2021 | Togitsu Town (Nagasaki Pref.), Higashisonogi Town (Nagasaki Pref.), Satsumasendai City (Kagoshima Pref.), Minamiaso Village (Kumamoto Pref.), Ogori City, Sasaguri Town, Nagomi Town (Kumamoto Pref.), Kamimine Town (Saga Pref.), Fukutsu City, Chikugo City, Munakata City, Chikuzen Town, Okawa City, Shingu Town, Omuta City, Miyazaki Pref., Saga City (Saga Pref.) |

Note: Those without the name of a prefecture listed are located in Fukuoka Prefecture

## Q-Den Nigiwai Startup Project

Kyushu Electric Power launched the Q-Den Nigiwai Startup Project in July 2019, which aims to help solve local issues by building sustainable business models in collaboration with local communities. This project will focus on the themes of “increasing the number of visitors to the area,” “creating a population of people who relate to and settle in the region,” and “promoting local industry.” We will work together with local residents to plan and jointly undertake sustainable businesses that solve local issues.

We are currently working on the project in two locations in Fukuoka and Nagasaki, and in October 2020, we established the Kyuden Nigiwai Startup Company, a general incorporated association that will serve as the business entity for the project. In Higashisonogi Town, Nagasaki Prefecture, we have been collaborating with the Higashisonogi Hitokotomono Foundation to sell products to increase the number of visitors to the area, open a community hub where visitors and locals can interact, share information on the region and support those moving to or starting a business in the town.

On Ainoshiba Island in Shingu Town, Fukuoka Prefecture, we will work in cooperation with the Ainoshiba Regeneration Council to develop a processed fish food business with the aim of creating a connected and settled population in light of the shortage of people to work in the local community.

## Support for the introduction of electronic gift certificates and local currency platforms

Since FY2019, we have been collaborating with SBI Holdings and The Chikuho Bank\* to provide an information platform for digitizing premium gift certificates with the aim of revitalizing local economies and communities by circulating currency within the region.

To date, we have provided services to numerous municipalities and associations of commerce and industry in and outside of Kyushu.

\* In May 2021, a new joint venture company (Machi no Wa Co., Ltd.) was established with the aim of further strengthening collaboration between the three companies and vigorously promoting regional development and revitalization while utilizing knowledge gained from past initiatives.

## VOICE



## Realizing change in the community through efforts to revitalize the local economy using ICT

Saori Enmoto  
ICT Business  
Promotion Group,  
Information &  
Communications  
Division,  
Kyushu Electric Power

We’re working together with communities to solve local issues and promote DX by utilizing electronic gift certificates and local currency platforms.

I’ve felt firsthand the major changes the platforms have brought to the communities after being introduced.

I’d like to continue our community-based efforts so that the platforms will become an indispensable part of the community in the future.

# Creating Safe, Secure and Comfortable Spaces to Live

The Kyuden Group is promoting initiatives to increase the number of visitors to the region, enliven the community, create jobs, and contribute to safe and secure communities for the sustainable development of local communities and society.

## ● Contributing to the Sustainable Development of Communities and Society through Our Urban Development Business

We are working on a wide range of urban development projects in not only the Kyushu region, but the rest of Japan and overseas, leveraging upon the Kyuden Group's corporate network and other resources.

In addition to expanding our office, housing, airport, and other businesses, we will step up our initiatives in new sectors such as area development, including urban development and mixed-use development, industrial real estate including logistics facilities, and fee-based businesses.

Further, as an energy provider, we will strive to decarbonize society by promoting environmentally friendly development through improved energy efficiency and low-carbon energy use.

### Project to utilize the former Fukuoka City fruit and vegetable market site

The LaLaport Fukuoka shopping center opened in April 2022 on the site of the former Fukuoka City fruit and vegetable market. Taking advantage of its location near the airport, major train stations, and main roads, the facility will serve as a new hub in Fukuoka City that aims to increase the number of visitors and improving the flow of people throughout the city.

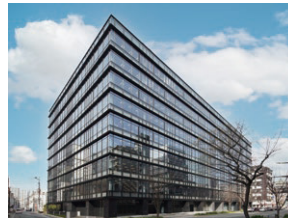


LaLaport Fukuoka (Fukuoka Prefecture)

### Development of the Fukuoka Maizuru Square office building

In April 2022, the Fukuoka Maizuru Square office building opened in Fukuoka City's Chuo Ward.

The complex uses renewable energy-based electricity and has EV chargers installed, helping achieve a decarbonized society. Its spacious pedestrian walkways and other amenities also help generate bustling urban activity.



Fukuoka Maizuru Square (Fukuoka Prefecture)

### Major Projects



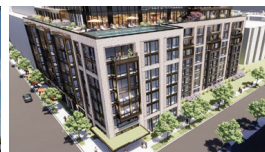
Project to utilize the former site of Niagemachi Elementary School, Oita City (Oita Prefecture; construction started July 2022)



Fukuyama City logistics business (Hiroshima Prefecture; acquired March 2021)



Kumamoto Airport privatized operations business (New terminal building to be in service in March 2023)



Development of ESG-friendly rental housing in southern USA (Joined May 2022)

## ● Attracting Businesses to Kyushu

The Kyuden Group is actively working to attract companies from outside the Kyushu region by utilizing its network spanning throughout Kyushu.

Kyushu Electric Power branches located in each prefecture of Kyushu work with municipalities to match them with companies, and provide support and other services to meet the needs of companies and other entities entering the Kyushu area. We also introduce products and services suitable for new factory and office construction and relocation by utilizing the Kyuden Group's products.

While adhering to regulations on business conduct, Kyushu Transmission and Distribution works closely with local governments to gather information on industrial parks and idle land, early supply of electricity reviews outlines of measures for expedited supply, and proposes sites where supply can be quickly provided.

## ● Offering Services to Support the Safety and Security of Communities and Society

At the Kyuden Group, we offer services that support the safety and security of local communities and society. These include labor-saving drone services that enable more advanced on-site work and a monitoring service for children and the elderly.

### Aerial photography, inspection, and surveying services by drones

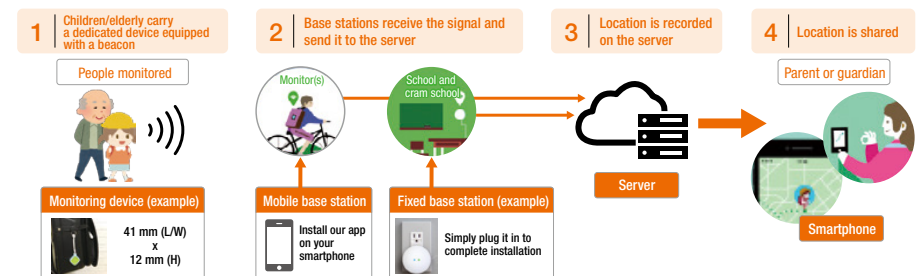
Kyushu Electric Power offers the Kyuden Drone Service (QDS), which uses drones for aerial photography, inspections, surveying, and video editing throughout Kyushu. A lineup of other problem-solving services is also available, including a drone-based pesticide spraying service that helps save labor, and a forest resource management support service that combines drone-based laser surveying with AI for high-precision image analysis.



### IoT-based monitoring service for children and the elderly

Kyushu Transmission and Distribution offers the new Qottaby monitoring service developed through the Group's KYUDEN i-PROJECT for innovation in Fukuoka City, Kasuya Town, and Hisayama Town.

The service allows parents and guardians to check the location of their elementary school children or elderly relatives carrying special monitoring devices equipped with beacons (radio wave transmitters) via smartphone.



# Chapter 5

## A Foundation for Creating Value

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#### Promoting Growth, Success, and Diversity of Human Capital

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# A Foundation for Creating Value

The Kyuden Group has incorporated its materiality initiatives into its Medium-term ESG Promotion Plan as a concrete action plan it is steadily advancing.

Based on the two ideas of “promoting growth, success, and diversity of human capital” and “strengthening governance,” we will create a firm foundation for creating value.



## Medium-term ESG Promotion Plan

| Materiality   | Key Issue   | Mid-term Targets<br>(FY2030 target unless otherwise stated)  | FY2022 Targets  | Major Action Plan   | Impact |     |     | Reference: FY2021 Results  |  |
|---|---|--|---|---|--------|-----|-----|--|--|
|   |   |  |   |   | (1)    | (2) | (3) |  |  |
| Promoting Growth, Success, and Diversity of Human Capital | Respect for human rights  | Reduce the risk of serious human rights violations, including throughout the supply chain  | Formulate sustainable procurement guidelines  | <ul style="list-style-type: none"> <li>Examine responses to human rights violations in corporate activities in line with international trends</li> <li>Formulate guidelines that summarize items business partners should adhere to in order to achieve sustainable procurement</li> </ul>  |        |     | ○   | —  |  |
|   | Promotion of diversity and inclusion                                | Become a corporation at which diverse human capital can work with vigor<br>— Increase the number of women newly appointed as managers or to top management positions in the organization (FY2019–2023): More than 3 times FY2009–2013 levels   | Same as left  | <ul style="list-style-type: none"> <li>Establish the environment where diverse or motivated employees can work with vitality</li> <li>Promote improvements in productivity and work-life balance through work style reforms, including business and awareness reform</li> </ul>   | ○      | ○   | ○   | <ul style="list-style-type: none"> <li>No. of new female managers appointed: 15 (cumulative 33 (1.83 times))</li> <li>No. of women appointed to top positions in the organization: 7 (cumulative 22 (3.14 times))</li> </ul> |  |
|   | Securing and developing human capital                               | <ul style="list-style-type: none"> <li>Secure and develop advanced specialists and digital experts</li> <li>Improve employee engagement</li> <li>Employee turnover rate: less than 1%</li> </ul>   | Same as left  | <ul style="list-style-type: none"> <li>Secure and develop diverse human capital (including digital experts) who can drive transformation or deploy new businesses</li> <li>Realize personal treatment system stimulating enthusiasm and encourages growth</li> </ul>  |        | ○   | ○   | Employee turnover rate: 1%   |  |
|   | Prioritization of health and safety                                 | <ul style="list-style-type: none"> <li>Zero serious occupational accidents including subcontractors and outsourcers</li> <li>Continuous approval under the Certified Health &amp; Productivity Management Outstanding Organizations Recognition Program</li> </ul>   | <ul style="list-style-type: none"> <li>No. of serious accidents (employees): 0</li> <li>Same as left</li> </ul>   | <ul style="list-style-type: none"> <li>Thoroughly implement preventive measures that focus on serious accidents</li> <li>Implement initiatives to raise employee motivation to maintain and improve their physical and mental health, and to encourage certain behavior</li> </ul>  |        |     | ○   | <ul style="list-style-type: none"> <li>No. of serious accidents (employees): 3</li> <li>Implemented under the Certified Health &amp; Productivity Management Outstanding Organizations Recognition Program</li> </ul>        |  |
|   | Promotion of innovation   | Create new business model and reform business structures<br>— Commercialize 30 or more projects (cumulative through FY2030)  | <ul style="list-style-type: none"> <li>No. of Participants in KYUDEN I-PROJECT: 100 participants/year</li> <li>No. of individual projects leading to commercialization, services, and final proposals: 3 or more projects/year</li> </ul>   | <ul style="list-style-type: none"> <li>Strengthen functions to create business ideas and develop projects</li> <li>Strengthen functions to accelerate growth of potential projects</li> <li>Build a foundation</li> </ul>   |        | ○   | ○   | ○  | <ul style="list-style-type: none"> <li>No. of Participants in KYUDEN I-PROJECT: 117 participants/year</li> <li>No. of individual projects leading to commercialization, services, and final proposals: 3 projects/year</li> </ul>  |
| Strengthening Governance                                  | Improving the effectiveness of corporate governance                 | <ul style="list-style-type: none"> <li>Ensure diversity and appropriate scale of the Board of Directors (percentage of external directors, etc.)</li> <li>Ensure transparency and objectivity of nominations and remuneration</li> <li>Enhance monitoring system</li> </ul>  | Enhance the information we disclose relevant to corporate governance  | <ul style="list-style-type: none"> <li>Improve the effectiveness of the Board of Directors</li> <li>— Ensure the transparency and objectivity of nomination and remuneration for directors</li> <li>— Enhance the Board of Directors' monitoring function</li> <li>— Invigorate discussions via Board of Directors roundtable meetings, etc.</li> </ul>   |        |     | ○   | ○  | —  |
|   | Strengthening risk management system                                | Improve the accuracy of risk management  | Same as left  | Clarify major risks, share risk awareness among senior management and executive officers reflect risk countermeasures in the Medium-term Management Plan, and implement proper monitoring   |        |     | ○   | Held the Board of Directors roundtable meeting to review basic risk countermeasures (October)  |  |
|   | Ensuring compliance   | No. of serious compliance violations: 0  | Same as left  | Continue Group-wide initiatives to prevent compliance violations and harassments and eradicate drunk driving  |        |     | ○   | No. of serious compliance violations: 0  |  |
|   | Strengthening supply chain management                               | Raise supply chain awareness of ESG  | Establish guidelines for sustainable procurement  | Establish guidelines that summarize the items to be observed by business partners for sustainable procurement   |        | ○   |     | —  |  |
|   | Ensuring information security                                       | <ul style="list-style-type: none"> <li>No. of personal information leaks: 0</li> <li>No. of serious information security incidences by cyber-attacks: 0</li> <li>No. of system failures that have a big impact on customers: 0</li> </ul>  | Same as left  | <ul style="list-style-type: none"> <li>Raise awareness of personal information handling and ensure preventive measures</li> <li>Strengthen the response toward security incidents further</li> <li>Strengthen security response throughout the supply chain</li> <li>Shift the responsibilities and roles of the operation division and IT division gradually in line with the future vision to strengthen the system development function</li> </ul>   |        | ○   | ○   | ○  | <ul style="list-style-type: none"> <li>No. of personal information leaks: 0</li> <li>No. of serious information security incidences by cyber-attacks: 0</li> <li>No. of system failures that have a big impact on customers: 0</li> <li>Cases reported to the Personal Information Protection Committee in line with guidelines, rules and regulations from the regulatory</li> </ul>                        |
|   | Enhancing stakeholder engagement (building trust with stakeholders) | Raise the level of stakeholder satisfaction<br>— Improvement of trust in the Group<br>— Improvement of customer satisfaction<br>— Improvement of employee satisfaction   | <ul style="list-style-type: none"> <li>Level of trust and satisfaction with the Group in the questionnaire: More than the previous fiscal year</li> <li>Increase in awareness of environmental conservation in the questionnaire: 90% or more</li> <li>Percentage of satisfied employees in employee satisfaction survey: No target criteria</li> </ul> | <ul style="list-style-type: none"> <li>Further strengthen relationships of trust with stakeholders through dialogue and reflection of their opinions</li> <li>Enhance information dissemination to stakeholders to improve corporate value</li> <li>Raise environmental awareness among the next generation through face-to-face and digital environmental education and expand communication points with them (integrate with sales activities)</li> <li>Support efforts by each site aimed at improving management quality, by conducting employee satisfaction surveys and analyzing the findings</li> </ul>   |        | ○   | ○   | ○  | <ul style="list-style-type: none"> <li>Level of trust in and satisfaction with the Group indicated in the questionnaire: 59.1% and 55.6% respectively</li> <li>Percentage of employees satisfied indicated in employee satisfaction survey: 78.5% (FY2020)</li> </ul>  |
|   | Improvement and strengthening of financial structure                | <ul style="list-style-type: none"> <li>Achieve financial objectives</li> <li>— Consolidated ordinary income ¥125.0 billion or more (FY2025)</li> <li>— Electric power business in Japan ¥75.0 billion (FY2025)</li> <li>— Growth Businesses ¥50.0 billion (FY2025)</li> <li>— Equity ratio around 20% (end of FY2025)</li> <li>Introduce management controls and targets, etc., to improve capital efficiency</li> </ul> | <ul style="list-style-type: none"> <li>Same as left</li> <li>Examine use ROIC</li> </ul>  | <ul style="list-style-type: none"> <li>Monitor the progress of the plan, identify downside risks, and consider countermeasures to achieve the financial targets</li> <li>Grasp the impact on income and expenditures in light of geopolitical risks, fluctuations in fuel and electricity market prices, and regulatory changes, and consider and implement countermeasures (e.g., emergency management measures)</li> <li>Continue to improve the efficiency of electric utility investments and steadily invest in growth by identifying profitable projects</li> <li>Consider the introduction of management controls and targets to improve capital efficiency</li> </ul> |        | ○   | ○   | ○  | <ul style="list-style-type: none"> <li>Consolidated ordinary income: ¥32.3 billion (¥7.3 billion yen when impact of time lag is excluded)</li> <li>— Domestic Electricity Business: ¥2.1 billion</li> <li>— Electric power business in Japan: ¥33.8 billion (consolidated eliminations: -¥3.5 billion)</li> <li>Equity ratio: 14.0% (12.1% when the hybrid bonds assigned equity credit excluded)</li> </ul> |

Impact: (1) Maximize short-term opportunities (Increase income), (2) Expand medium- to long-term opportunities (Increase growth rate (future growth expectations)), (3) Reduce risk (Lower the cost of capital)



Materiality: Promoting Growth, Success, and Diversity of Human Capital

# Promotion of Diversity and Inclusion

At the Kyuden Group, we are building a workplace culture that emphasizes diversity and inclusion in order to strengthen our business foundation.

We will strive to maximize the strengths, individuality, and abilities of each employee, regardless of gender, age, nationality, beliefs, or other traits, as much as possible and enhance corporate value, we aim to realize “Kyuden Group: creating the future, starting from Kyushu” by having diverse employees work in a comfortable, growing, and rewarding work environment.

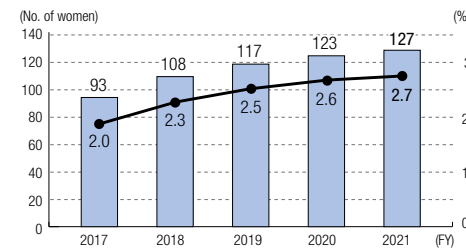
### Main initiatives to promote diversity

| Subject   | Main initiatives  |
|---|---|
| Support for active participation regardless of gender | <ul style="list-style-type: none"> <li>Provide individual consultations and information to support career development for women</li> <li>Hold seminars for men and women on how to balance work and home life</li> </ul>  |
| Promotion of employment of people with disabilities   | <ul style="list-style-type: none"> <li>Expand subtitling and business-support business at Q-CAP, a special subsidiary</li> <li>Achieve an employment rate of 2.46%, which exceeds the legally mandated minimum employment rate of 2.30% (as of June 2022)</li> </ul>  |
| Support for active participation of senior employees  | <ul style="list-style-type: none"> <li>Improve environment for continued employment through reemployment after retirement under the Career Employee Program</li> <li>Establish work environment in the form of outsourced work through Career Bank Program</li> </ul> |

### Targets and results of new female managers (Kyushu EP and Kyushu T&D)

| Subject  | Target   | Results   |
|--|--|---|
| No. of women newly appointed as managers                               | More than three-fold increase (54) between FY2009 and FY2013 (FY2019–FY2023) based on the above number of appointments, women hold at least 2.8% of managers | 33 (FY2019–FY2021) currently women account for 2.7% of managers |
| No. of women appointed as top management positions in the organization | More than three-fold increase (cumulative 21) between FY2009 and FY2013 (FY2019–FY2023)  | 22 (FY2019–FY2021)  |

### Number and percentage of female managers (Kyushu EP and Kyushu T&D)



Note1: Kyushu Electric Power is abbreviated as Kyushu EP.  
Note2: Kyushu Transmission and Distribution is abbreviated as Kyushu T&D.

### Acquiring Eruboshi and Kurumin certification

- We have been certified by the Minister of Health, Labour and Welfare as an “Eruboshi” company, which certifies that the company has implemented excellent measures to promote the advancement of women.
- We have acquired “Kurumin” certification, which is granted by the Minister of Health, Labor and Welfare based on the Next Generation Nurturing Support Measures Law to companies that meet certain standards.



## VOICE Kyushu EP workplace climate that I see



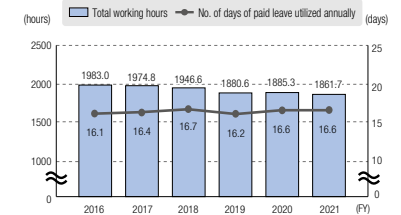
Leonie Habraken  
Corporate Strategy Division,  
ESG Promotion Group,  
Kyushu Electric Power

I have been working at Kyushu Electric Power (Kyushu EP) now for almost four years in overseas business, fuel procurement, IR and ESG. When starting at the company I noticed that the reporting lines were a bit more rigid than I experienced in Europe. This being the case, communications within the teams are very open and I feel that suggestions can easily be raised. This flexible mindset, I think is fundamental to the strengthening of diversity within the company, as it is not just an agenda by corporate management but driven by the individuals themselves.

## Promotion of Work Style Reforms

Kyushu EP and Kyushu T&D are uniting to implement work style reforms to create an environment in which employees can energetically work, increase labor productivity by raising the efficiency of fundamental operations, and transforming the corporate culture into one in which challenges can be taken.

### Total hours worked and days of paid leave utilized annually per person



### Main initiatives related to work style reforms

|  |  |
|--|--|
| Work reforms   | <ul style="list-style-type: none"> <li>Streamline work by fundamentally revising existing operations, and eliminate overtime work</li> <li>Reform operations by spreading company-wide rules on and sharing good examples of conducting work</li> <li>Promote operational reforms through DX</li> </ul>  |
| Promotion of remote work and improvement of work systems | <ul style="list-style-type: none"> <li>Conduct hybrid work that effectively combines remote and office work</li> <li>Realize flexible work styles regardless of time and place by further promoting and establishing remote work, introducing super-flex system*, expanding satellite offices, and undertaking other initiatives</li> </ul> <p>*: Flexible work time without core time (plan to introduce in the future)</p> |
| Attitude and corporate culture reforms                   | <ul style="list-style-type: none"> <li>Raise awareness of and effectively improve management skills to increase productivity through manager training, etc.</li> <li>Raise awareness of such issues as preventing remote harassment through training for all employees</li> </ul>  |

## Promotion of Men's Participation in Childcare

Kyushu EP and Kyushu T&D encourage male employees to take at least 2 weeks off to focus on childcare, with the aim of strengthening family ties and improving personal growth, time management skills, and new ideas through the experience of childcare. We aim to achieve a 100% male employee utilization rate for childcare leave in FY2023 by implementing various initiatives to promote the use of childcare leave, such as making part of the leave paid and issuing our own father-child record book (PAPANOTE) that contains information on such issues as mentally preparing oneself to be a good father.



Father-child record book PAPANOTE



# Securing and Developing Human Capital

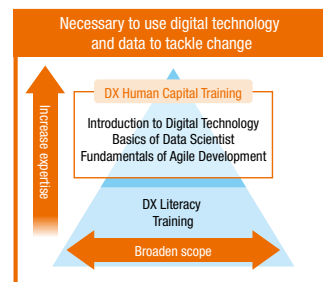
Kyushu Electric Power (Kyushu EP) and Kyushu Transmission and Distribution (Kyushu T&D) have formulated educational policies and plans based on the Kyushu EP Education Charter, which serves as a guideline for employee education. The aim is to promote employee growth toward the human resource model to which we aspire, and we work to develop human capital through various education and training. For the achievement of the Kyuden Group Management Vision 2030, we have defined actions that conscious particular attention to engaging in as “Actions Required of Each Individual to Realize the Management Vision.” We are promoting efforts to encourage employees to put such actions into practice, by presenting awards for their outstanding efforts. In addition to supporting employee-driven challenges and growth, we introduced, in FY2021, several systems, including one for side jobs and concurrent jobs in order to create an environment in which human capital with diverse experience can flourish and accelerate the growth of both employees and the organization.

## ■ Initiatives to secure and develop human capital who can contribute to the realization of the Management Vision

|   |  |
|---|--|
| Support for employees who autonomously take on challenges     | <ul style="list-style-type: none"> <li>• In-house recruitment and Job Challenge Program</li> <li>• Human capital bank systems</li> <li>• Introduction of side jobs outside the company and concurrent jobs within the company</li> <li>• Leave of absence for privately funded study abroad, etc.</li> </ul>   |
| Onboarding and use of human resources with diverse experience | <ul style="list-style-type: none"> <li>• Mid-career hiring (recruitment of highly-skilled and expert human capital, and people with experience at other companies)</li> <li>• Side jobs and concurrent jobs (introduction of side jobs outside the company and concurrent jobs within the company, and use of outside human resources)</li> <li>• Job return recruitment (rehiring of former employees who had switched to a different employer) and comeback recruitment (rehiring of employees who retired due to reasons such as childcare or nursing care)</li> <li>• Personnel exchanges with local governments and other entities</li> </ul> |

## ● Development of Human Capital to Promote DX

In addition to expanding and reinforcing employee training for acquiring DX-related knowledge and skills and conducting literacy education for all employees since April 2022 as one of our efforts to strengthen the system for promoting DX, we will offer around 3,500 employees specialized education to develop DX experts through the end of FY2026. At the same time, we will actively work to hire and collaborate with outside parties who possess specialized knowledge.



## ● Group-wide Human Capital Development

At Kyushu EP, we aim to achieve integrated growth of the Kyuden Group and hold an annual Kyuden Group Education Roundtable to expand effective training that increases the overall strength of the Group. In FY2021, 31 training staff from 31 Group companies took part in the roundtable and discussed on such issues as the orientation of human capital development and problems. While grasping the needs of each company, in FY2022, we will systematically conduct joint training through Kyuden Group Mirai School.

## VOICE

### Making use of the experience of working with Dazaifu City to confront the COVID-19 pandemic

I worked at Dazaifu City for two years as part of the personnel exchange program. Having been appointed the Tourism and Economy Department manager and director, I was involved in various activities through the Plum Project\*, including revitalizing the local souvenir industry and economic measures to rebuild Dazaifu's tourism and economy which were negatively impacted by the COVID-19 pandemic. With the support of everyone in the city, I was able to fulfill my duties over two years. Applying that experience to employee education, including that for young employees, will help foster an open mindset required to achieve the Management Vision.

\* Dazaifu Plum Project Promotion Business: A project possible because of deregulation related to historical sites that aims to increase the value of Dazaifu plums, promote them as a new local souvenir industry, and substantially increase tax revenue through hometown tax donation program and economic impact.



Masafumi Higashidani  
Human Resource Vitalization Division, Education & Training Center  
Education Plan Group, Kyushu Electric Power

# Respect for Human Rights

Touting “respect for human rights\* and the creation of fulfilling workplaces” in The Kyuden Group Corporate Code of Conduct, we not only work as a unified group to raise awareness of respect for human rights but have also expanded human rights due diligence-related initiatives in order to contribute to the creation of a pleasant, abundant society with respect for human rights.

\* Internationally recognized human rights, such as items listed in the four fields (freedom of association, recognition of the right of collective bargaining, prohibition on forced labor, prohibition on child labor, and elimination of discrimination) and eight articles of core labor standards given in the Universal Declaration of Human Rights, International Bill of Human Rights, and the ILO Declaration on Fundamental Principles and Rights at Work defined as standards that should naturally be adhered to.

## ■ Main initiatives taken to address human rights issues (human rights due diligence)

| Stakeholders      | Main initiatives  |
|-------------------|---|
| Employees         | <ul style="list-style-type: none"> <li>• Provide consultation services through the Harassment Advice Counter</li> <li>• Hold seminars for executives and general managers of head office on the roles expected of management</li> <li>• Implement various education and training programs that contribute to raising awareness of and respect for human rights</li> <li>• Provide Group companies with training materials about human rights</li> </ul> |
| Business partners | <ul style="list-style-type: none"> <li>• Understand the status of efforts to address human rights issues through questionnaires to business partners, and share instances of good practices.</li> </ul>   |

## ● Conduct Human Rights Education

To contribute to the creation of a secure and comfortable society with respect for human rights, the Kyuden Group has united to heighten awareness of human rights.

We have formulated the implementation policy for human rights education and undertake education and awareness raising activities based on the idea that a correct understanding by employees of human rights and inclusion issues and correct conduct based on such understanding contributes to the creation of pleasant workplaces where human rights are respected.

### ■ FY2021 Results of human rights education and awareness-raising activities

| Type of training         | Results                                |
|--------------------------|--|
| Kyushu EP and Kyushu T&D | In-house training: 12,215 participants |
|                          | External training: 210 participants    |
| Group companies          | 6,073 participants (from 43 companies) |

# Prioritization of Health and Safety

Based on a recognition that safety takes precedence over all else, the Kyuden Group is promoting initiatives related to “safety as the foundation of our management,” using the Kyuden Group Safety Conduct Charter, which enunciates the basic policy, as the basis for awareness and action.

As for health, we have formulated the Kyushu Electric Power (Kyushu EP) Health and Productivity Management Policy and promote initiatives so that employees can work with vigor.

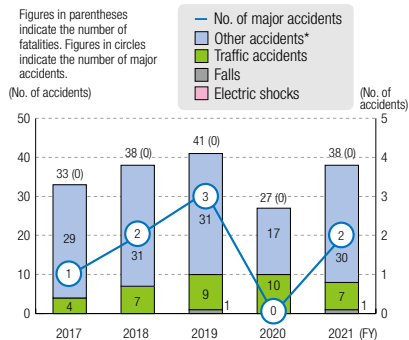
## Promotion of Initiatives to Eliminate All Major Accidents

To thoroughly enact safe practices onsite as we work toward the goal of “zero serious accidents,” we are promoting proactive prevention measures such as risk assessment, implementing measures to prevent the recurrence of accidents by digging deeper into the root causes after the occurrence of an accident, and monitoring the status of implementation of these initiatives.

Furthermore, we offer various types of education, including education related to work safety and health laws and regulations from a compliance perspective, level-specific safety education, and safety education to prevent work accidents among seniors.

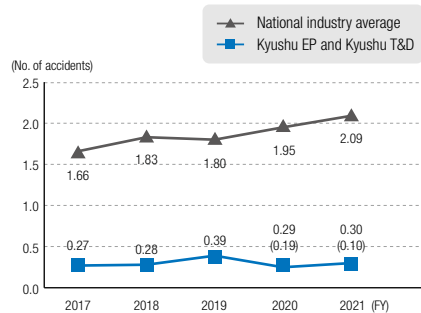
In April 2023, we will establish the Kyuden Group Safety Education Center (tentative name) to further improve safety awareness of each and every employee, including those of Group companies.

### Work-related accidents at Kyushu EP and Kyushu T&D (by type of accident)



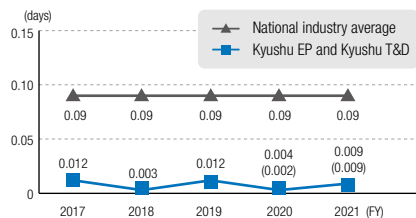
\* Accidents caused by careless falls, trips, handling of tools, etc.

### On-the-job accident rate\*



\* No. of accidents per million working hours  
Note: For FY2020 and after, figures in parentheses are for Kyushu EP only.

### Labor accident severity\* (degree of business impact)



\* Days of labor lost due to accidents per 1,000 hours worked.  
Note: For FY2020 and after, figures in parentheses are for Kyushu EP only.

### Safety education record (Kyushu EP, Kyushu T&D, and some Group companies)

| Education subject       |                                       | Number of attendees (FY2021) |
|-------------------------|---------------------------------------|------------------------------|
| Statutory training      | When hired (new employees)            | 290                          |
|                         | Foremen                               | 1,196                        |
|                         | Safety managers                       | 52                           |
|                         | total                                 | 1,538                        |
| Level-specific training | Safety training for regular employees | 2,098                        |
|                         | Safety training for management        | 461                          |
|                         | total                                 | 2,559                        |

## Safety Management for Radiation Workers

In order to minimize possible radiation doses for those who work in radioactive environments, Kyushu EP has installed shielding equipment at its nuclear power stations or made changes such as enabling automation or remote operation. The actual exposure received by radiation workers was 0.3 millisieverts on average in FY2021, which was far below the legal dose limit.\*

\* Annual limit for workers at power stations and other facilities: 100 millisieverts per 5 years and not exceeding 50 millisieverts per year

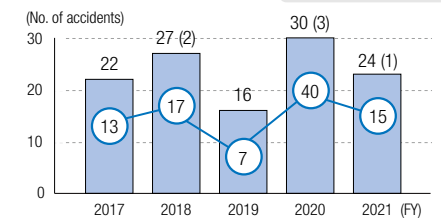
## Promoting Safety Activities with Contractors and Subcontractors

To ensure safe work practices, we are working with contractors and subcontractors to promote safety activities that focus on the most frequently occurring accidents. Specifically, we share basic items to eliminate the four types of serious accidents (electric shocks, falls, crushes, and heavy machinery-related accidents), check the state of safety management at worksites based on patrols, and diagnosis by consultations.

Specifically, we share basic items to eliminate the four types of serious accidents (electric shocks, falls, crushes, and heavy machinery-related accidents), check the state of safety management at worksites based on patrols, and diagnosis by consultations.

### Contractor and subcontractor accidents\* at Kyushu EP and Kyushu T&D

Figures in parentheses indicate the number of fatalities. Figures in circles indicate the number of serious accidents.



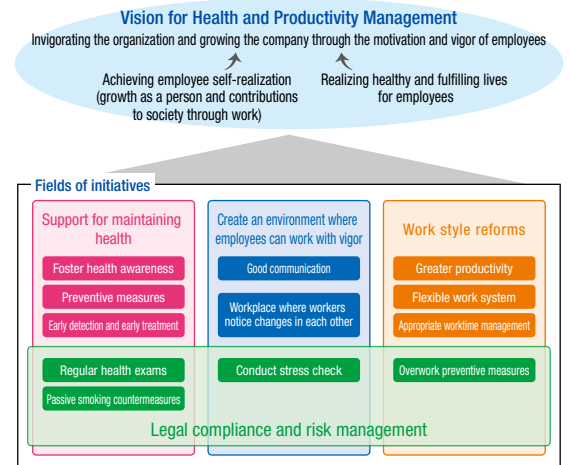
\* Number of work absences of 4 days or more (including accidents involving free collection)  
Note: For FY2019 and before, figures are for Kyushu EP only.

## Health and Productivity Management®\*

Kyushu EP and Kyushu Transmission & Distribution (Kyushu T&D) are enhancing health and productivity management. As our employee are the very foundation of business activities, we aim to increase their motivation and vitality and utilize their power to activate and permanently develop the company.

In recognition of our efforts such as support for the health of our employees, in March 2022, Kyushu EP and Kyushu T&D were certified as an excellent corporation under the Certified Health & Productivity Management Outstanding Organization for the fifth consecutive year.

\* Health and Productivity Management® is a registered trademark of NPO Kenkokeiei



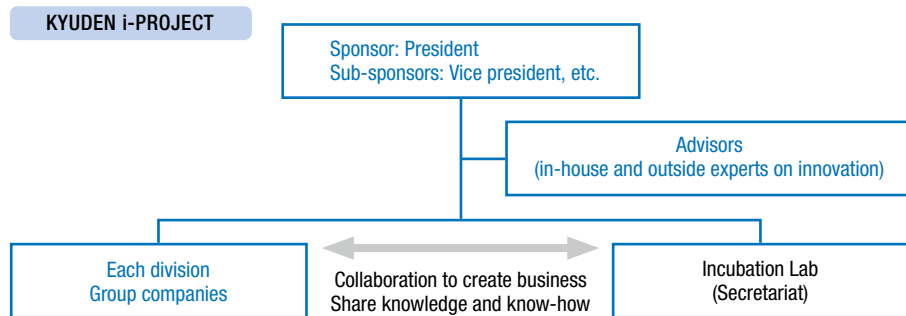
# Promotion of Innovation

In Kyushu, the very foundation of the Kyuden Group, we aim to contribute to more comfortable and environmentally friendly lives of our customers through our efforts to generate innovation and to change the world through creation of world-class business and services in Kyushu. In order to realize this goal, we have launched the KYUDEN i-PROJECT in January 2017 and are working together to promote innovation.

## KYUDEN i-PROJECT

The KYUDEN i-PROJECT is a project directly under the president in order to achieve prompt and flexible decision making without being bound by traditional organization and operation conduct.

When examining the commercialization of businesses and services, we make use of venture capitalists, university professors, and other parties as advisors so that we can incorporate the opinions of outside experts.



## Main initiatives to create innovation

|   |  |
|---|--|
| <p><b>Project to create business ideas: i-Challenge</b></p>                                   | <p>This is a project to create promising business ideas by recruiting people and teams with an interest in and passion for innovation from throughout the Kyuden Group, and combining a "nurturing phase" involving workshops and mentoring by outside experts, and a "selection phase" involving presentations. This has been held annually since FY2017, and there are more than 100 participants each year.</p>   |
| <p><b>Kyushu Electric Power Open Innovation Program 2022: Inspiration and Co-Creation</b></p> | <p>This is an open innovation program to create new businesses by combining creative, innovative ideas of start-up companies and the management resources of the Kyuden Group. In January 2022, we launched Inspiration and Co-Creation, a program to create businesses by melding Kyuden Group information and telecommunications assets based on submitted themes for "business ideas that employs ICT." After receiving 100 ideas from start-up companies, major corporations, and individuals throughout Japan, the final selection was made in June, and there were seven winning projects. We will continue to work with the winning companies to create new businesses.</p> |

## Main commercialization projects born from KYUDEN i-PROJECT

### weev

An EV sharing service for condominium residents. Provide residents with a safe, convenient, and comfortable EV life.



### PriEV

An EV charging service for condominiums. Install EV charging facilities for individuals in parking lots and provide a pleasant EV charging environment.



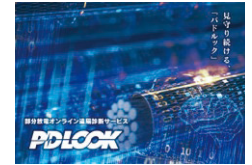
### Production and sales of lithium-ion battery packs business

A business that manufactures and sells battery packs for industrial machinery using EV lithium-ion batteries, utilizing the battery control and monitoring technology, etc. owned by Kyushu Electric Power.



### PDLOOK

A service that measures and diagnoses the soundness of the private-use on-site cables of special high-voltage and high-voltage operators without interruption and without stopping their business activities, and monitors and diagnoses trends for signs of abnormalities that are useful for maintenance management.



### Mirai salmon

An onshore salmon farm constructed on the site of the Buzen Power Station (Buzen City, Fukuoka Prefecture). The farm contributes to a stable supply of marine products in Japan with a target production capacity of 3,000 tons annually.



### Okeiko Town

A learning-matching platform that links people who want to teach with people who want to learn.



## VOICE

### "Improve the lives of customers" through innovation

I am in charge of developing new services for households. Formerly, I was involved in power transmission and distribution business operations related to operating systems in an environment with well-developed rules to provide a safe and reliable power supply. While developing new businesses, because I am creating something from scratch for which there is no correct answer, I am always confronting issues and difficulties and repeatedly doing things on a trial-and-error basis. I will continue to deeply think about customers' lives and take on this challenge of contributing to better daily lives for them.



Sae Kubota  
Corporate Strategy Division,  
Incubation Lab,  
Smart Life Project Group,  
Kyushu Electric Power

Materiality: Strengthening Governance

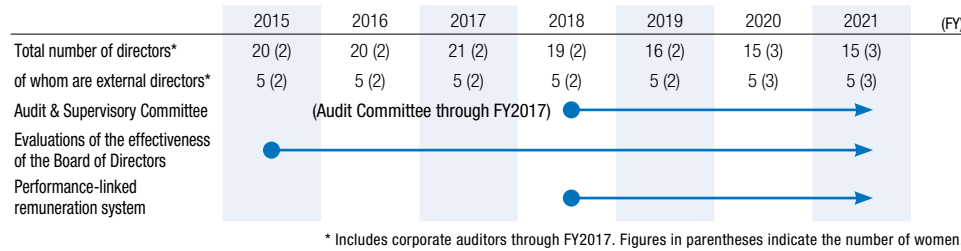
# Improving the Effectiveness of Corporate Governance

At Kyushu Electric Power (Kyushu EP), we believe that engaging in operations that are socially meaningful from a long-term perspective based on the Kyuden Group's Mission leads to sustainable value for all stakeholders. In order to properly carry out these business activities, we strive to strengthen our corporate governance system as an important management issue.

The business environment is changing rapidly, and we believe that strengthening governance and accelerating decision-making are essential to responding flexibly and dynamically to these changes. To that end, Kyushu EP has been a Company with Audit & Supervisory Committee since FY2018.

In addition to the system design, we are working to further improve operational effectiveness through such initiatives as having external directors attend Corporate Management Committee meetings and instituting "Director Roundtables" for all directors to freely exchange opinions.

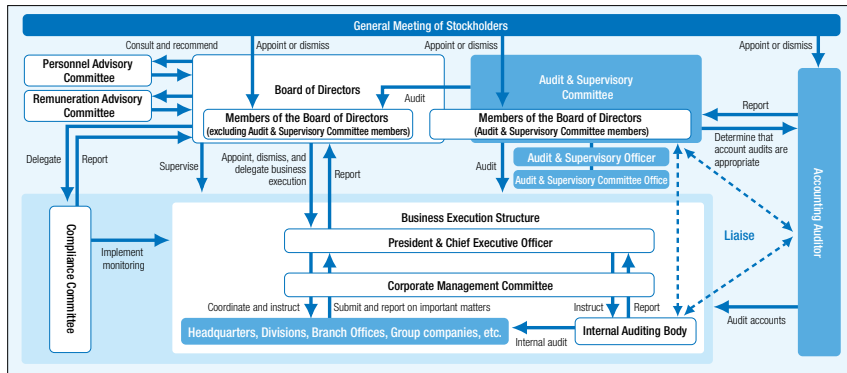
■ Changes in governance



## Promotion Framework

With governance based on the Board of Directors and Audit & Supervisory Committee as its foundation, Kyushu EP strengthens the supervision of management by appointing highly independent external directors and has the Audit & Supervisory Committee and Internal Auditing Body collaborate to increase the effectiveness of audits. In addition to undertaking such initiatives as clarifying the role of directors and executive officers in supervision and execution and thoroughly implementing compliance management, we continually work to enhance the system by establishing the Basic Internal Control Policy.

■ Corporate Governance Structure (as of July 2022)

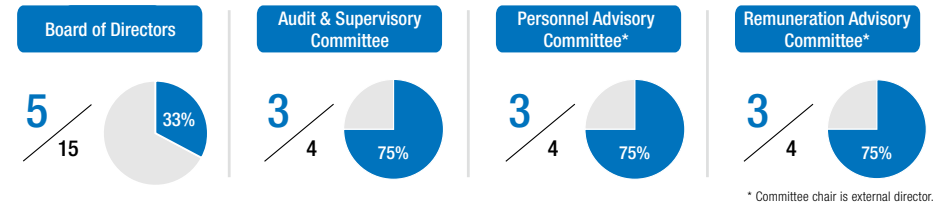


## Board of Directors and Policy on Appointing Directors

The Articles of Incorporation stipulate that the Board of Directors is to consist of up to 19 directors (of which up to five are to be directors who are Audit & Supervisory Committee members), from the perspective of achieving active deliberations and strengthening the supervisory function.

Based on the perspective of balancing diversity in terms of gender, internationality, work experience, age, etc., and appropriate size, directors appointed from within the company are selected by comprehensively taking into account their personal character, insight, ethics, career background, and capabilities. For external directors, who account for at least one-third of directors, we select candidates who meet the decision criteria for the independence and have abundant experience and insight in corporate management and specialized fields. In addition, the Board of Directors on the whole is configured in a manner that takes overall fields of business into account while striking a balance between diversity and appropriate size with, for instance, three women among its directors.

■ Percentage of directors who are external directors (as of July 2022)



■ Attendance at Board of Directors meetings, etc. (number of times attended/number of times held, FY2021)

|          | Name                            | Board of Directors meeting | Audit & Supervisory Committee | Personnel Advisory Committee | Remuneration Advisory Committee |
|----------|---------------------------------|----------------------------|-------------------------------|------------------------------|---------------------------------|
| Internal | Michiaki Uriu                   | 15/15                      | —                             | —                            | —                               |
|          | Kazuhiro Ikebe                  | 15/15                      | —                             | 5/5                          | 6/6                             |
|          | Ichirou Fujii                   | 15/15                      | —                             | —                            | —                               |
|          | Makoto Toyoma                   | 15/15                      | —                             | —                            | —                               |
|          | Naoyuki Toyoshima               | 14/15                      | —                             | —                            | —                               |
|          | Yoshio Ogura <sup>1</sup>       | 15/15                      | —                             | —                            | —                               |
|          | Yasuji Akiyama                  | 15/15                      | —                             | —                            | —                               |
|          | Junichi Fujimoto <sup>2</sup>   | 10/10                      | —                             | —                            | —                               |
|          | Yoshifumi Kuriyama <sup>2</sup> | 10/10                      | —                             | —                            | —                               |
| External | Yasuaki Endo <sup>2</sup>       | 10/10                      | 11/11                         | —                            | —                               |
|          | Sakie Tachibana Fukushima       | 15/15                      | —                             | 5/5                          | 6/6                             |
|          | Junji Tsuda <sup>2</sup>        | 10/10                      | —                             | 5/5                          | 6/6                             |
|          | Kazutaka Koga <sup>1</sup>      | 15/15                      | 16/16                         | 5/5                          | 6/6                             |
|          | Kazuko Fujita                   | 15/15                      | 16/16                         | —                            | —                               |
|          | Hiroko Tani <sup>1</sup>        | 15/15                      | 16/16                         | —                            | —                               |

<sup>1</sup>: Resigned in June 2022  
<sup>2</sup>: Member since June 2021



## Evaluation of the Effectiveness of the Board of Directors

The Kyushu EP Board of Directors has conducted an evaluation of the effectiveness of the board since FY2015. In FY2021, to further “reinforce monitoring function” and “improve deliberations on management strategy and policies taking into consideration changes in the environment,” which were opinions from the previous fiscal year’s evaluation, we expanded the scope of reports related to business execution, established Director Roundtables as a venue for deliberations by all directors, and discussed such issues as response to carbon neutrality and company-wide risks.

Furthermore, in conducting the FY2021 evaluation, we not only made use of an external organization for conducting, compiling, and analyzing the questionnaire but also substantially revised questions to better reflect the corporate governance code in order to further improve the quality and objectivity of evaluations.

### Survey Subject

(1) composition and operation of Board of Directors, (2) management strategy and business strategy, (3) corporate ethics and risk management, (4) performance monitoring and management team evaluation and compensation, (5) dialogue with shareholders, etc.

In the above questionnaire, each item was highly rated. The results were discussed by all directors, who evaluated the board as generally functioning effectively. Furthermore, during deliberations by the directors, there was the opinion that it would be desirable if efforts were made to further improve the following.

- Delegation of authority from the Board of Directors to the executive officers to speed up decision making
- Expansion of deliberations on management strategy and issues related to overall Group material issues (continuation of director Roundtable)

In addition to improvements based on these opinions, we are working to continue to improve the effectiveness of the Board of Directors.

## Remuneration System

Remuneration for individual directors (excluding directors who are Audit & Supervisory Committee members) consists of basic remuneration and performance-linked remuneration. Since FY2021, performance-linked remuneration has been based not only on consolidated ordinary income given in financial objectives of the Management Vision but also other performance metrics, such as reduction in greenhouse gas (GHG) emissions in order to become carbon neutral and dividends paid to shareholders. Remuneration for external directors, based on their duties, consists only of basic remuneration and does not include performance-linked remuneration.

The Remuneration Advisory Committee, chaired by an external director and a majority of whose members are external directors, deliberates on the amount of remuneration, which may not exceed the total amount of remuneration and upper limit on the number of shares approved at the General Meeting of Shareholders, and then the Board of Directors decides on the amount.

In addition, Audit & Supervisory Committee members attend Remuneration Advisory Committee meetings and confirm the appropriateness of deliberations by the committee.

### Director remuneration result (FY2021)

■ Basic remuneration (monetary remuneration, monthly remuneration)

|   |   |  |
|---|---|--|
| Directors (excluding Audit & Supervisory Committee members) | 14  | ¥372 million   |
| Directors (Audit & Supervisory Committee members)           | 5   | ¥77 million  |
| <b>Total</b>  | <b>19 (of which 6 are external directors)</b> | <b>¥450 million (of which ¥60 million is for external directors)</b> |

■ Performance-linked remuneration (monetary remuneration, bonus (short-term performance-linked remuneration))

|  |   |             |
|--|---|-------------|
| Directors (excluding Audit & Supervisory Committee members and external directors) | 9 | ¥43 million |
|--|---|-------------|

■ Performance-linked remuneration (non-monetary remuneration, share remuneration (medium- to long-term performance-linked remuneration))

|  |   |             |
|--|---|-------------|
| Directors (excluding Audit & Supervisory Committee members and external directors) | 9 | ¥53 million |
|--|---|-------------|

## Director Skill Matrix

To generate sustainable growth and increases in Kyuden Group’s corporate value at a time of drastic changes in the business environment, we identified the advanced knowledge that the Company’s Board of Directors should possess and skills that it should possess in order to indicate the direction of management from various perspectives, implement quick management decision making, and appropriately fulfil its management supervision function.

| Name                      | Position within the Kyushu EP          | Personnel Advisory Committee     | Remuneration Advisory Committee | Fields with particularly high expectations <sup>*1</sup> |                             |                                       |                   |  |   |  |                         |                     |
|---------------------------|--|----------------------------------|---------------------------------|--|-----------------------------|---------------------------------------|-------------------|--|---|--|-------------------------|---------------------|
|                           |  |                                  |                                 | (1) Corporate management                                 | (2) Finances and accounting | (3) Legal affairs and risk management | (4) Human capital | (5) ESG and sustainability <sup>*2</sup> | (6) Innovation and digital transformation | (7) Technology and R&D (including ICT) | (8) Sales and marketing | (9) Global business |
| Michiaki Uriu             | Chairperson                            |                                  |                                 | ○  |                             |                                       |                   | ○  | ○   | ○                                      |                         | ○                   |
| Kazuhiro Ikebe            | President & Chief Executive Officer    | Member                           | Member                          | ○  | ○                           |                                       | ○                 | ○  |   |  |                         | ○                   |
| Ichirou Fujii             | Vice-Presidential Executive Officer    |                                  |                                 | ○  |                             | ○                                     | ○                 | ○  |   |  |                         |                     |
| Makoto Toyoma             | Vice-Presidential Executive Officer    |                                  |                                 | ○  | ○                           | ○                                     |                   | ○  | ○   | ○                                      |                         |                     |
| Naoyuki Toyoshima         | Vice-Presidential Executive Officer    |                                  |                                 | ○  |                             |                                       |                   |  |   | ○                                      |                         |                     |
| Yasuji Akiyama            | Senior Managing Executive Officer      |                                  |                                 | ○  |                             |                                       |                   |  |   | ○                                      | ○                       | ○                   |
| Junichi Fujimoto          | Senior Managing Executive Officer      |                                  |                                 | ○  |                             | ○                                     | ○                 |  |   |  |                         |                     |
| Yoshifumi Kuriyama        | Senior Managing Executive Officer      |                                  |                                 | ○  |                             |                                       |                   |  |   |  | ○                       |                     |
| Yoshiharu Senda           | Senior Managing Executive Officer      |                                  |                                 |  |                             | ○                                     |                   | ○  | ○   | ○                                      |                         |                     |
| Sakie Tachibana Fukushima | Director                               | External<br>Independent<br>Woman | Member                          | Member   | ○                           |                                       | ○                 |  |   | ○                                      |                         | ○                   |
| Junji Tsuda               | Director                               | External<br>Independent          | Chairperson                     | Chairperson  | ○                           |                                       |                   |  |   |  | ○                       | ○                   |
| Yasuaki Endo              | Audit and Supervisory Committee Member |                                  |                                 |  | ○                           |                                       | ○                 | ○  | ○   |  |                         |                     |
| Kazuko Fujita             | Audit and Supervisory Committee Member | External<br>Independent<br>Woman |                                 |  |                             | ○                                     |                   |  |   |  |                         |                     |
| Yuji Oie                  | Audit and Supervisory Committee Member | External<br>Independent          |                                 |  |                             |                                       |                   | ○  |   | ○                                      | ○                       |                     |
| Tomoka Sughara            | Audit and Supervisory Committee Member | External<br>Independent<br>Woman | Member                          | Member   |                             |                                       | ○                 | ○  |   |  |                         |                     |

\*1: This does not indicate all the knowledge and experience possessed by the director.

\*2: ESG and sustainability are indicated as “○” if the person possesses extensive knowledge of overall ESG management or knowledge and experience related to environmental management.



# Overview of the Dialogue Between External Director and Investors

We conducted dialogue with external director and investors during the December 2021 ESG small meeting in order to ascertain market needs and engage in constructive dialogue with investors.



**Sakie Tachibana Fukushima**  
External Director

**Profile** Since 2010, President and Representative Director of G&S Global Advisors (current position). In June 2020, Ms. Tachibana Fukushima became an external director at Kyushu Electric Power. Formerly a director at Korn Ferry International's headquarters in the U.S., and since 2002 she has acted as an external director at more than ten Japanese companies. She possesses many years of experience and broad knowledge of globalization of human capital and corporate governance.

## Q1. Basic role of external directors (Kyushu EP's expectations)

I think that Kyushu Electric Power (Kyushu EP) has three expectations of me as an external director, which are (1) ensure that what is common sense within Kyushu EP when supervising execution delegated by shareholders, does not become something that is perceived by others as lacking sound reasoning, (2) serve as a role model for women employees in the Company in regard to diversity of human capital, and (3) offer reference knowledge from outside the Company on such issues as innovation.

I try to take into consideration various points and fulfill those roles, which involves attending Corporate Management Committee meetings and other meetings, participating remotely in exchanges of opinions with frontline workers to directly listen to their opinions.

## Q2. What is your evaluation of Kyushu EP, when compared to other companies and your own experience, what would you like to change?

Kyushu EP's strengths are that the whole organization truly tries to fulfill its public mission of providing a stable supply of electric power and that it properly conducts such activities as uncovering and analyzing risks when making investments. Furthermore, the Board of Directors does not simply handle questions between external directors and internal directors but also undertakes lively discussions among internal directors, which I think makes it possible to obtain sufficient information necessary for management

decisions. It is my experience that the position of an external director in a company with an Audit & Supervisory Committee is a difficult one, but when it comes to governance, not only the institutional design but also the operational aspects are extremely important. I think that Kyushu EP should aim to create the optimal system considering the unique aspects of the industry, climate, and CEO, while incorporating the good aspects of various examples.

On the other hand, Kyushu EP's weaknesses are, which are partly due to its strengths, that it is very cautious about such issues as developing new ideas and changing how things are done now.

From my experience as a HR consultant and with global management, I think that when one considers diversity, it is important to look at each individual, who possesses numerous unique traits, in their totality as human capital, not to excessively stress individual aspects such as nationality or gender. On the other hand, Japan lags behind other countries in terms of promoting women, and it is important to support women as one category for a temporary measure. Unfortunately, various metrics for Kyushu EP, such as the percentage of managers who are women, are lower than those of other power companies. I hope that my presence as a woman will have a positive impact on Kyushu EP and its employees.

## Q3. What do you stress when making decisions and what do you take into consideration in order to reflect stock market needs?

In any strategy, I look at its consistency: does it deliver on its promise to the shareholders who invested in it, and is it consistent with the company's philosophy? In particular, the infrastructure industry is a leader in creating a carbon-free society, and I look at whether we have an appropriate strategy to do that. A company alone cannot fully control its stock price, but I want to look at things from the perspective of whether we have a persuasive strategy for the stock market.

## Q4. What is your understanding of Kyushu EP's revenue and expenditures and financial problems?

As I mentioned previously, I think the point is consistency between principles and the strategy in the Medium-term Management Plan. The plan is significant in that it indicates the direction the Company is moving. The Medium-term Management Plan includes an appropriate strategy for an infrastructure company in terms of ESG and SDGs and with an eye toward solving social problems, and I highly rate it as being in line with the principle of "Enlighten Our Future."

However, what is important is implementing the strategy. As for achieving our KPIs, it is important to firmly monitor whether the strategy is reflected in



ESG Small meeting

figures. A point of concern is our low equity ratio, and it is my opinion that we must fully examine how we can achieve the target of 20%. Furthermore, I compared to other companies in the same industry, there are points that need to be worked on, such as the introduction of ROIC management, and I would like to provide suggestions on these points in the future.

## Q5. Risk of nuclear power


Following the Great East Japan Earthquake, I felt that Japan would reduce nuclear power at some point in time, but now as an external director of Kyushu EP, I have once again become aware that nuclear power is indispensable for stable supply of electricity at the present time. Nuclear power is not only cost competitive but is also a stable no-carbon power source. Through dialogue with employees, I confirmed the strong safety awareness and pride among frontline employees. While giving the greatest priority to safety, it is important to make effective use of nuclear power until alternate power sources, such as renewable energy, are fully functioning in order to fulfil our mission to offer a stable supply. Therefore, it is important to continue to develop renewable energy technologies, which are currently easily damaged by natural disasters. I hope that Kyushu EP takes responsibility for that innovation and becomes a leading decarbonization company.

### Post-dialogue opinion of investors

- Kyushu EP is one of the first companies in the electric power sector to conduct dialogue with external director which is praiseworthy. I hope that they continue to implement such measures.
- It was possible to confirm that external directors have similar values as investors, making the exchange of opinions meaningful.
- I was able to confirm that the board is highly effective because of members such as Ms. Tachibana Fukushima.

# Members of the Board of Directors (Kyushu Electric Power) (As of July 1, 2022)

**Common stock in the company held 30,600 shares**




**Overview of career, positions, and responsibilities**  
 1975 Joined Kyushu EP  
 2009 Member of the Board of Directors, Senior Managing Executive Officer, Director of Thermal Power Division  
 2011 Member of the Board of Directors, Vice-Presidential Executive Officer, Director of Thermal Power Division  
 2012 Member of the Board of Directors, Vice-Presidential Executive Officer  
 2012 Member of the Board of Directors, President & Chief Executive Officer  
 2018 Member of the Board of Directors, Chairperson (current position)

**Important concurrent positions**  
 External Director, Audit & Supervisory Committee Member, The Nishi-Nippon City Bank, Ltd.  
 External Audit & Supervisory Board Member, Kyushu Railway Company  
 External Director, RKB Mainichi Holdings Corporation

**Michiaki Uriu**  
**Member of the Board of Directors, Chairperson**

**Common stock in the company held 29,300 shares**



**Overview of career, positions, and responsibilities**  
 1981 Joined Kyushu EP  
 2017 Member of the Board of Directors, Senior Managing Executive Officer, Executive Director of Corporate Strategy Division  
 2018 Member of the Board of Directors, President & Chief Executive Officer (current position)

**Important concurrent positions**  
 Chairperson, The Federation of Electric Power Companies of Japan

**Kazuhiro Ikebe**  
**Member of the Board of Directors, President & Chief Executive Officer**

**Common stock in the company held 23,890 shares**



**Overview of career, positions, and responsibilities**  
 1979 Joined Kyushu EP  
 2017 Managing Executive Officer, Director of the Human Resource Vitalization Division, Business Solution Headquarters  
 2018 Member of the Board of Directors, Senior Managing Executive Officer, Director of the Human Resource Vitalization Division, Business Solution Headquarters, Matters relating to the President's Office  
 2020 Member of the Board of Directors, Vice-Presidential Executive Officer, Executive Director of Business Solution Headquarters, Matters relating to CSR  
 2021 Member of the Board of Directors, Vice-Presidential Executive Officer, Executive Director of Business Solution Headquarters (current position)

**Important concurrent positions**  
 External Director, Audit & Supervisory Committee Member, Nishi-Nippon Railroad Co., Ltd.

**Ichirou Fujii**  
**Member of the Board of Directors, Vice-Presidential Executive Officer**


**Common stock in the company held 22,478 shares**



**Overview of career, positions, and responsibilities**  
 1981 Joined Kyushu EP  
 2016 Executive Officer, General Manager of Fukuoka Branch Office  
 2018 Member of the Board of Directors, Senior Managing Executive Officer, Executive Director of Corporate Strategy Division  
 2020 Member of the Board of Directors, Senior Managing Executive Officer, Executive Director of Corporate Strategy Division, Matters relating to Internal Audit Office  
 2020 Member of the Board of Directors, Vice-Presidential Executive Officer, Executive Director of Corporate Strategy Division  
 2021 Member of the Board of Directors, Vice-Presidential Executive Officer, Crisis Management Officer, Matters relating to ESG (current position)

**Makoto Toyoma**  
**Member of the Board of Directors, Vice-Presidential Executive Officer**

**Common stock in the company held 23,249 shares**



**Overview of career, positions, and responsibilities**  
 1982 Joined Kyushu EP  
 2017 Managing Executive Officer, Deputy Director of Nuclear Power Division  
 2018 Member of the Board of Directors, Senior Managing Executive Officer, Director of Nuclear Power Division  
 2022 Member of the Board of Directors, Vice-Presidential Executive Officer, Executive Director of Nuclear Power Division (current position)

**Naoyuki Toyoshima**  
**Member of the Board of Directors, Vice-Presidential Executive Officer**

**Common stock in the company held 17,614 shares**




**Overview of career, positions, and responsibilities**  
 1979 Joined Kyushu EP  
 2014 President of Kyuden Ecosol Co., Ltd. (now Kyuden Mirai Energy Company, Incorporated)  
 2014 Trustee, seconded to Kyuden Ecosol Co., Ltd.  
 2018 Executive Officer, seconded to Kyuden Mirai Energy Company, Incorporated  
 2019 Retired as President of Kyuden Mirai Energy Company, Incorporated  
 2019 Senior Managing Executive Officer, Deputy Executive Director of Energy Service Headquarters, Director of Planning and Balance Optimization Division  
 2020 Member of the Board of Directors, Senior Managing Executive Officer, Executive Director of Energy Service Headquarters (current position)

**Important concurrent positions**  
 External Director, Nippon Tungsten Co., Ltd.

**Yasuji Akiyama**  
**Member of the Board of Directors, Senior Managing Executive Officer**


**Common stock in the company held 19,973 shares**



**Overview of career, positions, and responsibilities**  
 1980 Joined Kyushu EP  
 2017 Managing Executive Officer, Deputy Director of Nuclear Power Division and Deputy Director of Siting Affairs & Communication Division  
 2018 Managing Executive Officer, Director of Siting Affairs & Communication Division  
 2019 Senior Managing Executive Officer, Director of Siting Affairs & Communication Division  
 2021 Member of the Board of Directors, Senior Managing Executive Officer, Director of Siting Affairs & Communication Division (current position)

**Junichi Fujimoto**  
**Member of the Board of Directors, Senior Managing Executive Officer**

**Common stock in the company held 13,783 shares**



**Overview of career, positions, and responsibilities**  
 1981 Joined Kyushu EP  
 2016 Executive Officer, General Manager of Oita Branch Office  
 2018 Managing Executive Officer, Deputy Director of Marketing Division, Energy Service Headquarters  
 2019 Managing Executive Officer, Director of Marketing Division, Energy Service Headquarters  
 2020 Senior Managing Executive Officer, Deputy Executive Director of Energy Service Headquarters, Director of Marketing Division  
 2021 Member of the Board of Directors, Senior Managing Executive Officer, Deputy Executive Director of Energy Service Headquarters, Director of Marketing Division (current position)

**Yoshifumi Kuriyama**  
**Member of the Board of Directors, Senior Managing Executive Officer**

**Common stock in the company held 14,692 shares**



**Overview of career, positions, and responsibilities**  
 1984 Joined Kyushu EP  
 2017 Executive Officer, Deputy Director of District Symbiosis Division, Business Solution Headquarters  
 2018 Executive Officer, Director of Civil & Architectural Engineering Division, Technical Solution Headquarters  
 2019 Managing Executive Officer, Director of Civil & Architectural Engineering Division, Technical Solution Headquarters  
 2020 Senior Managing Executive Officer, Executive Director of Technical Solution Headquarters  
 2022 Member of the Board of Directors, Senior Managing Executive Officer, Executive Director of Technical Solution Headquarters (current position)

**Important concurrent positions**  
 External Director, FUJI P.S CORPORATION

**Yoshiharu Senda**  
**Member of the Board of Directors, Senior Managing Executive Officer**

Note: Common stock in the company held as of March 31, 2022.



**Sakie Tachibana**  
**Fukushima**

**Member of the Board of Directors (External)**

Common stock in the company held 2,700 shares

**Overview of career, positions, and responsibilities**

- 1980 Joined Blackstone International, Ltd.
- 1984 Left Blackstone International, Ltd.
- 1987 Joined Bain & Company, Inc.
- 1990 Left Bain & Company, Inc.
- 1991 Joined Korn Ferry International-Japan (now Korn Ferry Japan)
- 1995 Member of the Board of Directors, Korn Ferry International U.S. Headquarters
- 2000 President, Korn Ferry International-Japan
- 2001 President and Representative Director, Korn Ferry International-Japan
- 2007 Retired as Member of the Board of Directors, Korn Ferry International U.S. Headquarters
- 2009 Chairperson and Representative Director, Korn Ferry International-Japan
- 2010 Retired as Chairperson and Representative Director
- 2010 President and Representative Director, G&S Global Advisors, Inc. (current position)
- 2011 Vice Chairperson, Japan Association of Corporate Executives (through 2015)
- 2016 Member of the Board of Directors, Ushio, Inc. (part-time, current position)
- 2019 Member of the Board of Directors, Konica Minolta, Inc. (part-time, current position)
- 2020 Member of the Board of Directors, Kyushu EP (current position)
- 2022 Outside Director, Aozora Bank, Ltd. (part-time, current position)

**Important concurrent positions**

President and Representative Director, G&S Global Advisors, Inc.  
External Director, Ushio, Inc.  
External Director, Konica Minolta, Inc.  
Outside Director, Aozora Bank, Ltd.



**Junji Tsuda**

**Member of the Board of Directors (External)**

Common stock in the company held 5,100 shares

**Overview of career, positions, and responsibilities**

- 1976 Joined Yaskawa Electric Mfg. Co. Ltd. (now Yaskawa Electric Corporation)
- 1998 Vice President, Yaskawa America, Inc.
- 2003 Retired as Vice President, Yaskawa America, Inc.
- 2005 Member of the Board of Directors, Yaskawa Electric Corporation
- 2009 Managing Director of the Board, Yaskawa Electric Corporation
- 2010 President (Representative Director), Yaskawa Electric Corporation
- 2013 Representative Director, Chairman of the Board, and President, Yaskawa Electric Corporation
- 2016 Representative Director, Chairman of the Board (current position), Yaskawa Electric Corporation
- 2017 Chairman, board of directors, the University of Kitakyushu (current position)
- 2018 Outside Director, TOTO Ltd. (part-time, current position)
- 2021 Member of the Board of Directors, Kyushu EP (current position)
- 2022 Member of the Board of Directors, Yaskawa Electric Corporation
- 2022 Special Advisor, Yaskawa Electric Corporation (current position)
- 2022 Outside Director, NSK Ltd. (part-time, current position)

**Important concurrent positions**

Special Advisor, Yaskawa Electric Corporation  
Chairman, board of directors, the University of Kitakyushu  
Outside Director, TOTO Ltd.  
Outside Director, NSK Ltd.



**Yasuaki Endo**

**Member of the Board of Directors, Audit & Supervisory Committee Member**

Common stock in the company held 20,669 shares

**Overview of career, positions, and responsibilities**

- 1980 Joined Kyushu EP
- 2015 Executive Officer, General Manager of Saga Branch Office
- 2018 Managing Executive Officer, Director of District Symbiosis Division, Business Solution Headquarters
- 2019 Senior Managing Executive Officer, Director of District Symbiosis Division, Business Solution Headquarters
- 2021 Member of the Board of Directors, Audit & Supervisory Committee Member, Kyushu EP (current position)



**Kazuko Fujita**

**Member of the Board of Directors, Audit & Supervisory Committee Member (External)**

Common stock in the company held 2,100 shares

**Overview of career, positions, and responsibilities**

- 1971 Joined Chuo Accounting Office (Auditing Corporation, subsequently Misuzu Audit Corporation)
- 1975 Registered Certified Public Accountant (to present)
- 1983 Member, Chuo Accounting Office
- 1989 Representative Member, Chuo Shinko Audit Corporation (Subsequently Misuzu Audit Corporation)
- 2007 Left Misuzu Audit Corporation
- 2007 Partner, Tohmatsu Auditing (now Deloitte Touche Tohmatsu LLC)
- 2009 Retired as Partner
- 2009 Established Fujita Certified Public Accountants (to present)
- 2010 Registered Tax Accountant (to present)
- 2017 Controller, Fukuoka Gakuen (part-time, current position)
- 2020 Member of the Board of Directors, Audit & Supervisory Committee Member, Kyushu EP (current position)

**Important concurrent positions**

Certified Public Accountant  
Tax Accountant (Fujita Certified Public Accountants)



**Yuji Oie**

**Member of the Board of Directors, Audit & Supervisory Committee Member (External)**

Common stock in the company held None

**Overview of career, positions, and responsibilities**

- 1990 Associate Professor, School of Computer Science and Systems Engineering, Kyushu Institute of Technology
- 1995 Professor, Information Initiative Center, Nara Institute of Science and Technology
- 1997 Professor, School of Computer Science and Systems Engineering, Kyushu
- 2008 Research Professor, Graduate School of Computer Science and Systems Engineering, Kyushu Institute of Technology
- 2009 President, Graduate School of Computer Science and Systems Engineering, Kyushu Institute of Technology
- 2010 Director, Vice President, Kyushu Institute of Technology
- 2016 President, Kyushu Institute of Technology
- 2022 Resigned from Kyushu Institute of Technology
- 2022 Member of the Board of Directors, Audit & Supervisory Committee Member, Kyushu EP (current position)



**Tomoka Sugihara**

**Member of the Board of Directors, Audit & Supervisory Committee Member (External)**

Common stock in the company held None

**Overview of career, positions, and responsibilities**

- 1999 Registered as an attorney (current position)  
Joined Miura Okuda Iwamoto Law Office (now Miura Okuda Sugihara Law Office)
- 2007 Partner, Miura Okuda Sugihara Law Office (current position)
- 2019 Director, City Ascom Co., Ltd. (part-time)
- 2020 Director, Audit & Supervisory Committee Member, City Ascom Co., Ltd. (part-time, current position)
- 2020 Director, Audit & Supervisory Committee Member, Nippon Tungsten Co., Ltd. (part-time, current position)
- 20220 Member of the Board of Directors, Audit & Supervisory Committee Member, Kyushu EP (current position)

**Important concurrent positions**

Attorney (Partner, Miura Okuda Sugihara Law Office)  
Outside Director, Audit & Supervisory Committee Member, City Ascom Co., Ltd.  
Outside Director, Audit & Supervisory Committee Member, Nippon Tungsten Co., Ltd.

Note: Common stock in the company held as of March 31, 2022.

# Strengthening Risk Management System

To manage risk, Kyushu Electric Power (Kyushu EP) regularly identifies, categorizes and assesses risks based on its risk management rules, clarifying Company-wide and division-specific threats that could affect Kyuden Group management.

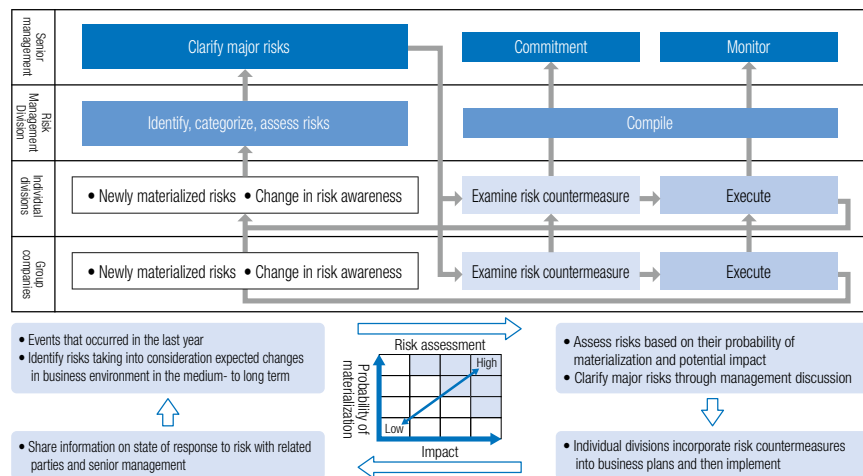
Individual divisions and business offices incorporates measures to address significant risks into business plan and manages them appropriately.

With regard to risks that relate to multiple departments and risks for which concerns of manifestation 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 reduce the risks thoroughly and on an ongoing basis.

In addition, to respond rapidly and appropriately to emergencies and disasters, we have established rules, in advance, covering response structures and procedures, and we conduct regular drills.

## Risk Management Process (Framework)



## Creating a crisis management system

As the risks that the Company faces grow more diverse and complex to an unprecedented scale and at an unprecedented speed, we have created a crisis management system and strive to minimize the impact if they materialize.

Specifically, having installed not only an officer in charge of crisis management (Vice-Presidential Executive Officer, Kyushu EP) and manager of the department responsible for crisis management but also crisis management staff at such locations as the head office of Kyushu EP and Kyushu T&D, we share information and collaborate in the case of a crisis.

In addition to having established a Risk/Crisis Management Policy Conference, we have built a support system based on outside experts with specialized and advanced knowledge to continually improve and strengthen crisis management functions.

## Business risks announced by Kyushu EP (as of June 2022)

The main risks that have the potential to affect the Kyuden Group's business performance, financial situation, etc., include, but are not limited to, the following.

| Risks  | Details  | Countermeasures  | Related pages<br>Integrated Report<br>ESG Data Book |
|--|--|--|---|
| <b>Changes in the competitive environment</b>            |  |  |   |
| Domestic Electricity Business                            | Impact of temperature rises, economic trends, etc.<br>Fiercer competition due to full deregulation of retail electricity sector<br>Trends in wholesale electricity transactions  | Provide competitive products and services<br>Expand sales<br>Create electric power demand in the region  | P35-36, 49-50, 58<br>P15, 16, 38, 39                |
| Other businesses (Overseas business, etc.)               | Country risk<br>Fiercer competition<br>Changes in systems  | Assess potential profitability and risks<br>Establish a risk management framework<br>Optimize our business portfolio<br>Reduce costs<br>Implement initiatives related to new technology  | P37-40, 48<br>P16, 44, 51, 52                       |
| <b>Status of the situation surrounding nuclear power</b> |  |  |   |
| Stable operation of nuclear power                        | Cessation of operations due to new regulatory standards<br>Successful litigation against nuclear power   | Respond to new regulatory standards (bolster safety)<br>Implement appropriate countermeasures to such litigation   | P46, 56   |
| Atomic fuel cyclic and back-end of nuclear operations    | Uncertainly accompanying extremely long-term projects  | Alleviate impact through government measures   | P29-35  |
| <b>Fluctuations in market prices</b>                     |  |  |   |
| Fluctuations in fuel costs                               | Changing conditions in international fuel markets and fluctuations in foreign currency rates<br>Changes in procurement conditions (difficulties meeting demand)  | Diversify procurement sources and ensure we remain flexible<br>Make use of foreign exchange forwards and fuel price swaps  | P58<br>P29  |
| Interest rate fluctuations                               | Outstanding interest-bearing liabilities   | Raise long-term capital with fixed interest  | P26   |
| Wholesale electricity market prices                      | Dramatic price increase due to changes in supply and demand<br>Greater cost of avoidance, which is linked to the market  | Optimize our energy source portfolio<br>Use derivatives  | P44   |
| <b>Changes in systems related to the power industry</b>  |  |  |   |
| Basic Energy Plan<br>Electricity system reforms          | System change and amendments to the Basic Energy Plan<br>Development of electricity markets and rules  | Gather information on system design and respond appropriately  | P44, 50   |
| <b>Climate change</b>                                    |  |  |   |
| Climate change   | Increase in capital expenditures due to regulatory review for low-carbon and decarbonization<br>Changes in actions by investors concerning ESG<br>Loss of reputation due to insufficient efforts or information disclosure | Promote electrification and low- or zero-carbon energy sources<br>Establish an ESG promotion framework<br>Disclosure of information on low-carbon and decarbonization initiatives (e.g., information disclosure and communication based on TCFD recommendations)   | P44-55<br>P9-17                                     |
| <b>Facility accidents/failures and system failures</b>   |  |  |   |
| Natural disasters<br>System failures, etc.               | Large-scale natural disasters<br>Aging and breakdown of equipment<br>System failures<br>Cyber-attacks  | Formulate business continuity plans (BCP)<br>Cooperate with relevant organizations and local governments<br>Carry out priority inspections and repairs, improve maintenance efforts, etc.<br>Constantly monitor system operations and update systematically<br>Maintain and raise our information security level | P57, 74<br>P40, 67                                  |
| <b>Operational risks</b>                                 |  |  |   |
| Professional negligence (employee accidents, etc.)       | Personal injury such as electric shock<br>Large-scale or long-term blackouts<br>Loss of trust from customers or society<br>Expenses relating to post-incident response   | Establish detailed plans in advance and put in place a work task management framework<br>Conduct job training and drills<br>Put in place an in-house safety promotion framework  | P65<br>P36, 60, 61, 63                              |
| Violation of laws and regulations                        | Violations resulting from insufficient understanding of laws and regulations<br>Compliance violations  | Thoroughly implement compliance with laws and regulations<br>Establish a compliance promotion framework  | P73<br>P68-70                                       |
| Infectious disease outbreaks                             | Impediments to business continuity<br>Difficulties maintaining supply chains   | Formulate business continuity plans (BCP)<br>Create a better working environment   | P62   |
| Lack of human capital and skills                         | Inability to secure and train human capital or exodus of existing personnel  | Systematically hire human capital<br>Educate and train personnel so as to develop human capital<br>Put in place a better working environment   | P63-65<br>P53-62                                    |

Note: More information on the Kyuden Group's business risks can be found in the FY2021 Securities Report (the 98th term).



# Ensuring Compliance

**Major compliance breaches\*: 0 (FY2017–FY2021)**

\* Violations of laws or regulations deemed to have a major impact on society (incl. bribery or other corruption)

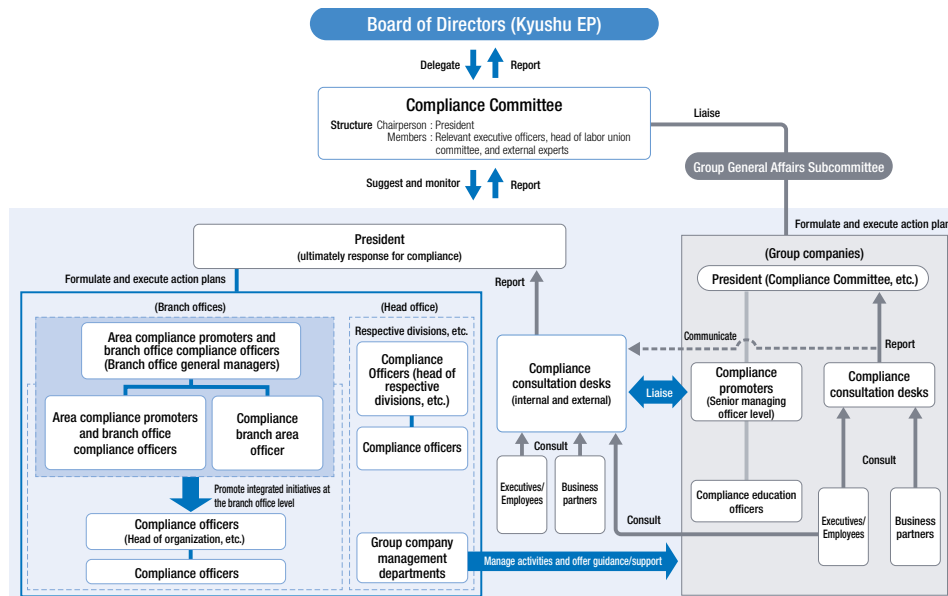
We believe the trust of society is the very foundation of our business activities and that it is vital that business operations are highly transparent, honest, and fair. This has led us to work to ensure that every employee is well aware of compliance, and to endeavor to prioritize compliance, including efforts to prevent bribery or other corruption, in our business activities, in all situations.

## Promotion Framework

At Kyushu Electric Power (Kyushu EP), under the Compliance Committee, which handles issues delegated by and is monitored by the Board of Directors, we have designated the heads of different business execution units as compliance officers who formulate and implement action plans. We have also created a framework, which included establishing consultation desks both within and outside the company. In these ways, we are promoting compliance, including corruption prevention.

For Group companies, we have a Group General Affairs Subcommittee, which includes members from each company. The subcommittee shares information relating to compliance and acts as a forum where members can exchange ideas. As well as promoting a Group-wide, unified approach, the subcommittee clearly defines the roles of the management departments that guide and support the Group companies, and strengthens the Kyuden Group's compliance promotion framework.

### Compliance Promotion Framework



## Compliance Committee

We have established a Compliance Committee chaired by the president, regularly provide advice and monitor compliance, and obtain suggestions and other forms of support from outside experts in the case a scandal that has a major impact on society occurs.

Advice provided by the Compliance Committee are also shared with Group companies and reflected in initiatives throughout the Group.

### Compliance Committee Framework

|                      |  |   |
|----------------------|--|---|
| Compliance Committee | Roles  | Structure   |
|                      | <ul style="list-style-type: none"> <li>○ Regarding compliance:                             <ul style="list-style-type: none"> <li>● Proposes and deliberates policies, measures etc.</li> <li>● Monitors implementation</li> </ul> </li> <li>○ Receives suggestions from its external experts should a scandal occur that has a major social impact</li> </ul> | Chairperson: President<br>Members: External experts (3)<br>Head of Labor Union Committee<br>Relevant executive officers |
|                      |  | Frequency   |
|                      |  | ○ Twice a year, in principle  |

### Major items for deliberation/reporting by the Compliance Committee (FY2021)

- Issues and future initiatives related to compliance promotion
- Operational status of the compliance consultation desks



Compliance Committee

## Initiatives to Raise Compliance Awareness

To further raise compliance awareness among employees and thoroughly prevent corruption, we implement various initiatives, including holding compliance training.

### Compliance Action Guidelines

We inform all officers and employees of the Compliance Action Guidelines, which cover specific points that should be kept in mind regarding relationship with stakeholders, including customers and shareholders/investors.

In addition, all employees carry a Compliance Card, which features the standards of behavior outlined in the Compliance Action Guidelines and forms a foundation for decisions when employees are not sure how to act.

### Raising employees' awareness through education and training

We also conduct workplace training, in which all employees independently think about compliance and includes activities such as exchanges of opinions on familiar examples, which links compliance to everyday behavior. Furthermore, we have appointed compliance officer at each branch office to promote education and training. During level-specific training, such as training for new employees and training for newly appointed managers, we raise compliance awareness among employees through such activities as educational ones so that employees gain a knowledge of compliance demanded for their particular age and position.

Even for Group companies, we undertake employee education by providing training material and other initiatives.



# Ensuring Information Security

**Information security incidents resulting from cyber-attacks\*: 0 (FY2019–FY2021)**

\* Information security incidences caused by cyber-attacks that have a major impact on society or the company, such as a cessation in electricity supply or leak of large amounts of personal information.

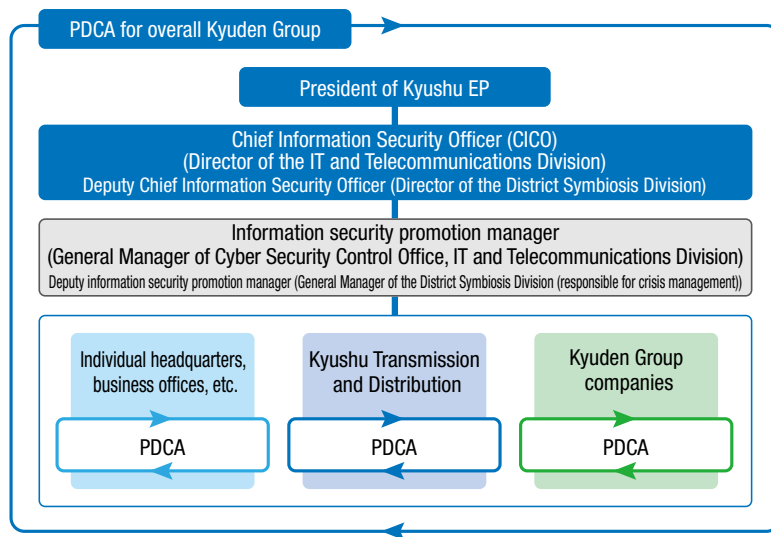
We are working to ensure appropriate information security and protect personal information by setting a fundamental approach to information security and the protection of personal information and ensuring officers and employees are well aware of the approach.

## ● Promotion Framework

Kyushu Electric Power (Kyushu EP) has created a framework under which the president is ultimately responsible and where the director of the IT and Telecommunications Division acts as the Chief Information Security Officer (CICO).

The Cyber Security Control Office, which is part of the framework, is the heart of group-wide efforts to promote the security PDCA cycle and works to guarantee information security.

### ■ Information Security Promotion Framework



## ● Information Security Measures

To prevent information security incidents, we implement multi-faceted initiatives that include organizational, human resource, physical, and technical measures. These efforts are centered on the Cyber Security Control Office, and involve cooperation among those responsible for information security at each of our sites, including Group companies.

### Organizational measures

Under the framework detailed above, we promote the use of the PDCA cycle throughout the entire group, check on progress in implementing information security efforts at each workplace, and make continuous improvements.

### Human resources measures

All employees undergo information security training and take part in drills related to targeted cyber-attacks via email. Through this and other types of training, we raise the awareness and understanding of information security and improving employees' ability to respond.

### Physical measures

As well as introducing security gates and electronic locks, we implement necessary measures at facilities to control who can enter our buildings and offices.

### Technical measures

In preparation for cyber-attacks, which are growing more sophisticated and ingenious, we are strengthening our security countermeasures by utilizing antivirus software and introducing security firewalls.

## ● Protecting Personal Information

We have put in place various internal regulations, and use and manage personal information appropriately within the scope of specific usage purposes. In addition, we properly respond to the revised Act on the Protection of Personal Information, which came into effect in April 2022.

In FY2021, there were no personal information leaks that needed to be reported to the Personal Information Protection Commission in line with guidance by the regulatory authorities and laws and regulations. We will continue to properly and strictly manage personal information in line with laws, regulations, our Personal Information Policy, etc.

## ● Individual Number (My Number) System

In accordance with the purposes and requirements of relevant laws and regulations, we make sure to confirm individuals' identities when we are required to submit their personal individual number. When it is no longer necessary, we handle the information appropriately by promptly disposing of or deleting it or taking other steps. Moreover, when a customer contracts with us for electricity, we do not require them to provide their personal individual number.

# Strengthening Supply Chain Management

To provide products and services that are valuable to customers, it is necessary to procure safe, quality materials and parts in an economic and safe manner. In the process of procurement, we are aware that it is necessary to fulfill our social responsibilities, which includes not only adhering to laws and regulations (including prohibitions on child and forced labor) but also giving consideration to the environment throughout the supply chain (from purchasing raw materials to production, shipping, maintenance, operation, and disposal).

Taking this into consideration, Kyushu Electric Power (Kyushu EP) and Kyushu Transmission and Distribution (Kyushu T&D) formulated the Basic Policy for Procuring Materials and Basic Policy for Fuel Procurement based on Kyuden Group Corporate Code of Conduct. Based on the idea that “the understanding and cooperation of business partners is indispensable to thoroughly undertake procurement based on these policies,” we also work to build strong partnerships with business partners through such activities as promoting understanding of the policies.

## Request to Business Partners

Kyushu EP and Kyushu T&D request cooperation regarding the following ten items from business partners and related parties in the entire supply chain (suppliers, contractors, subcontractors, etc.) so that we can conduct fair procurement activities based on a mutual trust with parties related to the transaction.

- |  |  |
|--|--|
| <p><b>1 Adhering to laws, regulations, and social norms</b></p> <ul style="list-style-type: none"> <li>Adhere to the letter and spirit of Japanese and overseas laws and ordinances and social norms</li> <li><small>Note: Laws, regulations, and social norms are not limited to items such as the Civil Code, Commercial Code, Antimonopoly Act, and intellectual property related laws and regulations but include law, regulations, social norms, and other items related to labor and basic human rights that should be adhered to fulfill our social responsibility.</small></li> </ul> <p><b>2 Rejection of all relations with antisocial forces</b></p> <ul style="list-style-type: none"> <li>Break off relations with antisocial forces that threaten order and safety of civic life</li> </ul> <p><b>3 Adhering to and faithfully executing contracts</b></p> <ul style="list-style-type: none"> <li>Adhere to and faithfully execute contracts</li> </ul> <p><b>4 Taking into consideration the environment</b></p> <ul style="list-style-type: none"> <li>Adhere to environment-related laws and regulations (Waste Management and Public Cleansing Act, Construction Material Recycling Act, etc.)</li> <li>Work to increase the environmental performance of products (energy saving, recycling, long life, waste reduction, etc.)</li> <li>Work to promote environmentally friendly business activities (green procurement, etc.)</li> </ul> <p><b>5 Ensuring safety</b></p> <ul style="list-style-type: none"> <li>Adhere to safety-related laws and regulations</li> <li>Ensure public safety</li> <li>Ensure work procedures and an environment that gives the greatest priority to safety</li> </ul> | <p><b>6 Thoroughly implementing information security</b></p> <ul style="list-style-type: none"> <li>Adhere to the Act on the Protection of Personal Information</li> <li>Strictly manage and protect operation and technical information and other items acquired through business</li> </ul> <p><b>7 Ensuring stable delivery</b></p> <ul style="list-style-type: none"> <li>Establish a system for stable delivery and execution</li> </ul> <p><b>8 Offering quality after-sales service</b></p> <ul style="list-style-type: none"> <li>Cooperate with maintenance</li> <li>Appropriately respond to defects and provide guarantees</li> <li>Ensure response capabilities and quickly respond in the case of emergencies</li> </ul> <p><b>9 Pursing proper prices and maintaining and improving quality and technical capabilities</b></p> <ul style="list-style-type: none"> <li>Undertake additional initiatives to achieve proper prices</li> <li>Continue initiatives to maintain and improve quality and technological capabilities</li> </ul> <p><b>10 Promoting good communication</b></p> <ul style="list-style-type: none"> <li>Submit opinions, requests, proposals, etc.</li> </ul> |
|--|--|

## Conducting Questionnaire Targeting Business Partners

(CSR Questionnaire (FY2021): conducted once)

With an eye toward raising awareness and deepening understanding of our Basic Policy for Procuring Materials, Request to Business Partners, and Basic Policy for Fuel Procurement, we use opportunities provided by such activities as communicating information to and visiting business partners, requesting their kind cooperation.

In addition, we conduct a questionnaire survey on CSR among our major business partners every year, and provide them with information and proposals to solve their needs and problems.

In addition to these initiatives, in FY2021, we surveyed all business partners (about 3,000 companies) on the state of their response to social issues, such as SDGs and carbon neutrality, as one part of our sustainability management within the supply chain.

# Enhancing Stakeholder Engagement

The Kyuden Group has relations with a wide range of stakeholders through its business activities.

We undertake various communication activities in order to gain the understanding and learn the opinions of all stakeholders regarding business activities and build better relations.

## Promoting Two-way Communication with Stakeholders

To explain our corporate activities and learn the opinions and requests of customers, Kyushu EP and Kyushu T&D promote face-to-face dialogues that leverage various communication opportunities with people such as local residents, which include visits and dialogue meetings.

Furthermore, we actively undertake various initiatives, such as by preparing original explanatory materials for local customers and creating dialogue promotion teams in order to further promote activities.

(FY2021: communicated with about 30,000 people)



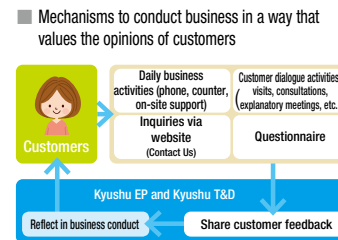
Home Visit for local residents

## Business Operation That Respects Customers' Opinions

In FY2021, Kyushu EP and Kyushu T&D received about 2,000 items of feedback from customers through day-to-day business activities, dialogues with customers, and other activities.

The comments of customers are not only shared throughout the company, including with top management, but also reflected in business operations, initiating inter-divisional discussions on measures for improvement.

While continuing to be sure to listen to the opinion of customers, we will strive to respond promptly to their needs.



## Local Community and Social Activities

In addition to fulfilling its roles as a member of local communities, the Kyuden Group participates in various local community activities to deepen communication with local residents. These activities include Korabora-Q-den, which aims to solve local problems through cooperation with NPOs and local residents, food drives\* to create a society better for children and the elderly, and local events. In FY2021, a total of about 23,000 employees participated in community and social activities, and in FY2022, actively efforts will continue to be made.

\* Activity in which unused food products and daily goods are brought to the workplace and then donated to the local Children Cafeterias.


### TOPICS

#### “Ashita Project”: activities to broaden the ring of mutual help with local residents

To solve various local problems, we work with local residents, conduct the Ashita Project—Helping each other in the spirit of tomorrow, which expands the circle of mutual help, and provide support for businesses struggling to cope in the COVID-19 pandemic.



Supporting producers by purchasing flowers (Saga City, Saga)



# Chapter 6

## Data Section

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# Consolidated Eleven-year Financial Summary

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries  
Years Ended March 31

|  | Millions of Yen |            |            |            |            |              |              |              |              |              |              | Thousands of U.S. Dollars |
|--|-----------------|------------|------------|------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------------------|
| For the Year:  | 2011            | 2012       | 2013       | 2014       | 2015       | 2016         | 2017         | 2018         | 2019         | 2020         | 2021         | 2021                      |
| Operating revenues:  | ¥1,508,084      | ¥1,545,919 | ¥1,791,152 | ¥1,873,467 | ¥1,835,692 | ¥1,827,524   | ¥1,960,359   | ¥2,017,181   | ¥2,013,050   | ¥1,521,977   | ¥1,743,310   | \$14,241,568              |
| Electric   | 1,367,610       | 1,406,218  | 1,633,023  | 1,719,570  | 1,688,328  | 1,681,066    | 1,804,418    | 1,844,850    | 1,800,189    | 1,284,207    | 1,486,155    | 12,140,804                |
| Other  | 140,474         | 139,700    | 158,129    | 153,897    | 147,364    | 146,458      | 155,940      | 172,331      | 212,860      | 237,770      | 257,154      | 2,100,764                 |
| Operating expenses:  | 1,692,939       | 1,845,347  | 1,886,974  | 1,916,782  | 1,715,435  | 1,704,883    | 1,857,235    | 1,930,606    | 1,949,236    | 1,445,083    | 1,694,685    | 13,844,341                |
| Electric   | 1,562,055       | 1,715,262  | 1,746,890  | 1,779,711  | 1,584,556  | 1,574,890    | 1,713,322    | 1,771,776    | 1,751,766    | 1,197,247    | 1,452,544    | 11,866,226                |
| Other  | 130,883         | 130,085    | 140,083    | 137,070    | 130,879    | 129,993      | 143,913      | 158,829      | 197,469      | 247,836      | 242,141      | 1,978,114                 |
| Interest charges   | 34,025          | 37,407     | 39,429     | 40,148     | 39,317     | 36,008       | 33,416       | 31,397       | 28,990       | 26,258       | 25,043       | 204,588                   |
| Income (loss) before income taxes<br>and minority interests                      | (214,750)       | (334,298)  | (73,732)   | (72,901)   | 92,499     | 82,840       | 73,558       | 52,276       | 40,170       | 55,752       | 25,546       | 208,700                   |
| Income taxes   | (48,760)        | (2,195)    | 20,786     | 40,324     | 17,359     | 2,230        | (14,470)     | 19,773       | 38,594       | 22,012       | 16,778       | 137,066                   |
| Net income (loss) attributable to<br>owners of the parent                        | (166,390)       | (332,470)  | (96,096)   | (114,695)  | 73,499     | 79,270       | 86,657       | 30,970       | (419)        | 31,835       | 6,873        | 56,149                    |
|  | Yen             |            |            |            |            |              |              |              |              |              |              | U.S. Dollars              |
| Per Share:   |                 |            |            |            |            |              |              |              |              |              |              |                           |
| Basic net income (loss)  | ¥(351.80)       | ¥(702.98)  | ¥(203.19)  | ¥(242.38)  | ¥155.17    | ¥159.97      | ¥175.56      | ¥58.05       | ¥(6.05)      | ¥62.86       | ¥10.09       | \$0.08                    |
| Diluted net income   | —               | —          | —          | —          | —          | 159.78       | 144.03       | 47.51        | —            | 56.39        | —            | —                         |
| Cash dividends applicable to the year<br>(common share) <sup>1)</sup>            | 50.00           | —          | —          | —          | —          | 15.00        | 20.00        | 30.00        | 35.00        | 35.00        | 40.00        | 0.32                      |
| Cash dividends applicable to the year<br>(class A preferred share) <sup>1)</sup> | —               | —          | —          | —          | —          | 3,500,000.00 | 3,500,000.00 | 3,500,000.00 | 1,599,452.00 | 2,100,000.00 | 2,100,000.00 | 17,155.46                 |
|  | Millions of Yen |            |            |            |            |              |              |              |              |              |              | Thousands of U.S. Dollars |
| Total assets   | ¥4,428,093      | ¥4,526,513 | ¥4,549,852 | ¥4,784,735 | ¥4,748,237 | ¥4,587,541   | ¥4,710,073   | ¥4,794,039   | ¥4,948,063   | ¥5,128,563   | ¥5,342,350   | \$43,643,086              |
| Net property   | 2,997,232       | 2,941,114  | 2,941,142  | 2,985,935  | 3,073,861  | 3,134,911    | 3,229,489    | 3,344,082    | 3,483,659    | 3,589,225    | 3,647,872    | 29,800,444                |
| Long-term debt   | 2,188,601       | 2,526,729  | 2,804,896  | 2,844,538  | 2,745,848  | 2,789,038    | 2,699,097    | 2,666,177    | 2,795,794    | 2,944,963    | 3,137,264    | 25,629,153                |
| Total equity   | 888,131         | 557,799    | 494,232    | 450,990    | 499,903    | 574,577      | 653,963      | 665,250      | 637,957      | 681,470      | 676,337      | 5,525,185                 |

\*1 The cash dividends per share listed are the amounts attributable to recorded earnings for each fiscal year. In addition, the following appropriation funded from other capital surplus as of March 31, 2016 was approved at the General Meeting of Shareholders on June 28, 2016.

Dividends per share: Common stock: ¥5.00; Class A preferred shares: ¥7,153,703.00<sup>2)</sup>

\*2 Including cumulative unpaid Class A preferred shares, each single share equates to ¥7,153,763.00.

Note: The Revised Accounting Standard for Revenue Recognition, etc. and the revised Electricity Business Accounting Regulations have been applied from the beginning of Fiscal 2021, and the figures for Fiscal 2020 have been retroactively adjusted to reflect the said accounting standards.

| At Year-End:   | Millions of Yen |            |            |            |            |            |            |            |            |            |            | Thousands of U.S. Dollars |
|----------------|-----------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|---------------------------|
| Total assets   | ¥4,428,093      | ¥4,526,513 | ¥4,549,852 | ¥4,784,735 | ¥4,748,237 | ¥4,587,541 | ¥4,710,073 | ¥4,794,039 | ¥4,948,063 | ¥5,128,563 | ¥5,342,350 | \$43,643,086              |
| Net property   | 2,997,232       | 2,941,114  | 2,941,142  | 2,985,935  | 3,073,861  | 3,134,911  | 3,229,489  | 3,344,082  | 3,483,659  | 3,589,225  | 3,647,872  | 29,800,444                |
| Long-term debt | 2,188,601       | 2,526,729  | 2,804,896  | 2,844,538  | 2,745,848  | 2,789,038  | 2,699,097  | 2,666,177  | 2,795,794  | 2,944,963  | 3,137,264  | 25,629,153                |
| Total equity   | 888,131         | 557,799    | 494,232    | 450,990    | 499,903    | 574,577    | 653,963    | 665,250    | 637,957    | 681,470    | 676,337    | 5,525,185                 |

Note 1: U.S. dollar amounts have been converted from yen for the reader's convenience at the rate of ¥122.41 = U.S.\$1, the prevailing rate of exchange as of March 31, 2022.

Note 2: Yen figures have been rounded down to the nearest million.

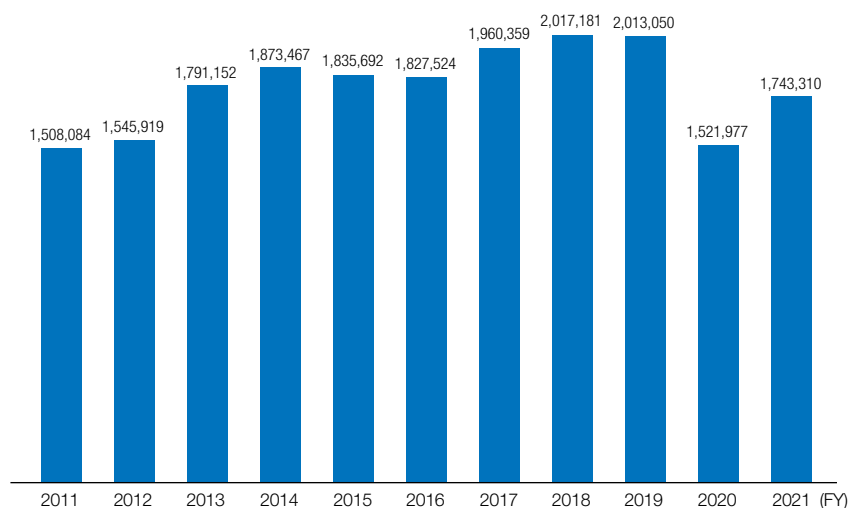
Note 3: The Revised Accounting Standard for Revenue Recognition, etc. and the revised Electricity Business Accounting Regulations have been applied from the beginning of Fiscal 2021, and the figures for Fiscal 2020 have been retroactively adjusted to reflect the said accounting standards.



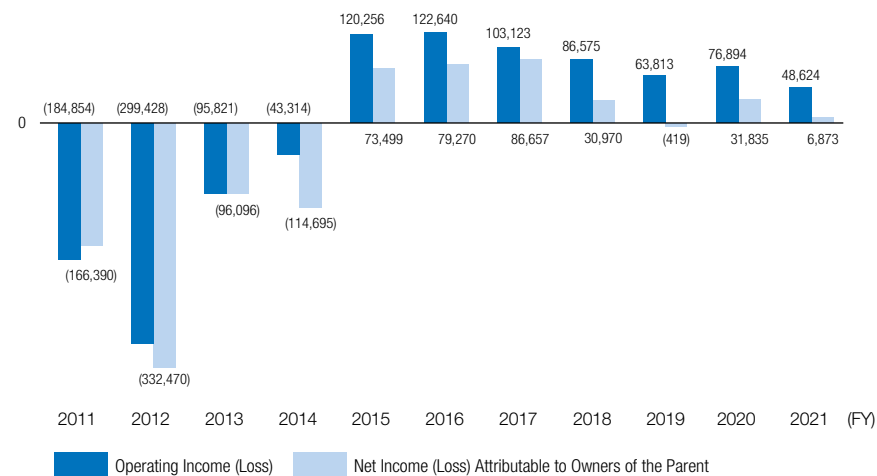
## ● Summary of FY2021

For FY2021, despite an increase in total amount of electricity sales volume and the operation of nuclear power plants, ordinary income decreased compared with FY2020 due to a negative turn in the effect of the time lag from the fuel cost adjustment system, which was caused by higher fuel prices. Ordinary income was ¥32.3 billion, and net income attributable to owners of the parent was ¥6.8 billion.

## ● Operating Revenues (Millions of Yen)



## ● Operating Income (Loss)/ Net Income (Loss) Attributable to Owners of the Parent (Millions of Yen)



\* The Revised Accounting Standard for Revenue Recognition, etc. and the revised Electricity Business Accounting Regulations have been applied from the beginning of Fiscal 2021, and the figures for Fiscal 2020 have been retroactively adjusted to reflect the said accounting standards. (Reference) Primary impact of retroactive application: Fiscal 2020 sales prior to retroactive application: ¥2,131,799 million / Impact of retroactive application: ¥(609,821) million

For more information on the Group's financial conditions, please refer to the Annual Securities Report.

# Consolidated Financial Statements

## Consolidated Balance Sheet

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries  
Year Ended March 31, 2022

| ASSETS  | Millions of Yen    |                    | Thousands of U.S.<br>Dollars (Note 1) |
|---|--------------------|--------------------|---------------------------------------|
|   | 2022               | 2021               | 2022                                  |
| PROPERTY (Note 5):  |                    |                    |                                       |
| Plant and equipment   | ¥ 11,118,905       | ¥ 10,975,903       | \$ 90,833,309                         |
| Construction in progress  | 538,837            | 504,045            | 4,401,910                             |
| Total   | 11,657,743         | 11,479,949         | 95,235,219                            |
| Less:   |                    |                    |                                       |
| Contributions in aid of construction  | 238,967            | 235,049            | 1,952,185                             |
| Accumulated depreciation  | 7,770,903          | 7,655,674          | 63,482,589                            |
| Total   | 8,009,870          | 7,890,723          | 65,434,775                            |
| Net property  | 3,647,872          | 3,589,225          | 29,800,444                            |
| NUCLEAR FUEL  | 222,399            | 229,765            | 1,816,841                             |
| INVESTMENTS AND OTHER ASSETS:   |                    |                    |                                       |
| Investment securities (Notes 3, 6 and 20)   | 103,802            | 94,868             | 847,991                               |
| Investments in and advances to nonconsolidated subsidiaries and affiliated companies (Notes 3 and 20) | 184,479            | 172,739            | 1,507,060                             |
| Assets for retirement benefits (Note 9)   | 26,623             | 22,493             | 217,495                               |
| Deferred tax assets (Notes 3 and 12)  | 140,727            | 144,062            | 1,149,638                             |
| Special account related to nuclear power decommissioning (Note 2.h)                                   | 39,544             | 41,926             | 323,053                               |
| Special account related to reprocessing of spent nuclear fuel (Note 2.o)                              | 94,874             | 75,470             | 775,053                               |
| Other   | 149,837            | 127,398            | 1,224,058                             |
| Total investments and other assets  | 739,889            | 678,959            | 6,044,351                             |
| CURRENT ASSETS:   |                    |                    |                                       |
| Cash and cash equivalents (Note 20)   | 241,756            | 223,901            | 1,974,969                             |
| Receivables (Notes 14 and 20)   | 331,089            | 293,752            | 2,704,755                             |
| Allowance for doubtful accounts   | (4,977)            | (3,734)            | (40,661)                              |
| Inventories, principally fuel   | 101,699            | 70,426             | 830,811                               |
| Prepaid expenses and other  | 62,621             | 46,266             | 511,574                               |
| Total current assets  | 732,189            | 630,612            | 5,981,449                             |
| <b>TOTAL</b>  | <b>¥ 5,342,350</b> | <b>¥ 5,128,563</b> | <b>\$ 43,643,086</b>                  |

See notes to consolidated financial statements.

| LIABILITIES AND EQUITY  | Millions of Yen    |                    | Thousands of U.S.<br>Dollars (Note 1) |
|---|--------------------|--------------------|---------------------------------------|
|   | 2022               | 2021               | 2022                                  |
| LONG-TERM LIABILITIES:  |                    |                    |                                       |
| Long-term debt, less current portion (Notes 8 and 20)                         | ¥ 3,149,232        | ¥ 2,958,147        | \$ 25,726,921                         |
| Liability for retirement benefits (Note 9)                                    | 85,946             | 88,107             | 702,121                               |
| Asset retirement obligations (Note 10)  | 289,103            | 278,031            | 2,361,761                             |
| Other   | 58,690             | 66,039             | 479,455                               |
| Total long-term liabilities   | 3,582,972          | 3,390,325          | 29,270,260                            |
| CURRENT LIABILITIES:  |                    |                    |                                       |
| Current portion of long-term debt (Notes 8 and 20)                            | 384,285            | 418,763            | 3,139,332                             |
| Short-term borrowings (Notes 11 and 20)                                       | 120,810            | 123,108            | 986,934                               |
| Commercial paper (Note 20)  |                    | 40,000             |                                       |
| Notes and accounts payable (Notes 18 and 20)                                  | 224,255            | 146,172            | 1,831,999                             |
| Accrued income taxes  | 3,274              | 9,537              | 26,749                                |
| Other   | 342,800            | 310,917            | 2,800,426                             |
| Total current liabilities   | 1,075,425          | 1,048,499          | 8,785,441                             |
| RESERVE FOR FLUCTUATIONS IN WATER LEVEL (Note 2.s)                            | 7,613              | 8,268              | 62,198                                |
| COMMITMENTS AND CONTINGENCIES (Note 22)                                       |                    |                    |                                       |
| EQUITY (Note 13):   |                    |                    |                                       |
| Common stock—authorized, 1,000,000,000 shares; issued, 474,183,951 shares     | 237,304            | 237,304            | 1,938,606                             |
| Preferred stock—authorized, 1,000 shares; issued, 1,000 shares                |                    |                    |                                       |
| Capital surplus   | 120,006            | 120,007            | 980,368                               |
| Retained earnings   | 277,382            | 290,381            | 2,266,008                             |
| Treasury stock—at cost, 1,463,267 shares in 2022 and 1,158,956 shares in 2021 | (1,706)            | (1,454)            | (13,941)                              |
| Accumulated other comprehensive income:                                       |                    |                    |                                       |
| Unrealized gain on available-for-sale securities                              | 4,104              | 3,704              | 33,530                                |
| Deferred gain on derivatives under hedge accounting                           | 4,723              | 3,495              | 38,584                                |
| Foreign currency translation adjustments                                      | (1,383)            | (5,169)            | (11,305)                              |
| Defined retirement benefit plans  | 5,066              | 4,037              | 41,385                                |
| Total   | 645,497            | 652,307            | 5,273,238                             |
| Noncontrolling interests  | 30,840             | 29,162             | 251,946                               |
| Total equity  | 676,337            | 681,470            | 5,525,185                             |
| <b>TOTAL</b>  | <b>¥ 5,342,350</b> | <b>¥ 5,128,563</b> | <b>\$ 43,643,086</b>                  |

## Consolidated Statement of Income

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries  
Year Ended March 31, 2022

|  | Millions of Yen |              | Thousands of U.S.<br>Dollars (Note 1) |
|--|-----------------|--------------|---------------------------------------|
|  | 2022            | 2021         | 2022                                  |
| OPERATING REVENUES (Note 14):  |                 |              |                                       |
| Electric   | ¥ 1,486,155     | ¥ 1,284,207  | \$ 12,140,804                         |
| Other  | 257,154         | 237,770      | 2,100,764                             |
| Total operating revenues   | 1,743,310       | 1,521,977    | 14,241,568                            |
| OPERATING EXPENSES (Note 15):  |                 |              |                                       |
| Electric   | 1,452,544       | 1,197,247    | 11,866,226                            |
| Other  | 242,141         | 247,836      | 1,978,114                             |
| Total operating expenses   | 1,694,685       | 1,445,083    | 13,844,341                            |
| OPERATING INCOME   | 48,624          | 76,894       | 397,227                               |
| OTHER EXPENSES (INCOME):   |                 |              |                                       |
| Interest charges   | 25,043          | 26,258       | 204,588                               |
| Loss on impairment of fixed assets (Note 16)                                       | 3,536           |              | 28,892                                |
| Loss on reimbursement of electric imbalance revenues (Note 17)                     | 3,955           |              | 32,310                                |
| Share of profit of entities accounted for using the equity method (Note 18)        | (7,617)         | (9,884)      | (62,229)                              |
| Other —net   | (1,186)         | 5,340        | (9,690)                               |
| Other expenses—net   | 23,731          | 21,714       | 193,872                               |
| INCOME BEFORE INCOME TAXES AND REVERSAL OF RESERVE FOR FLUCTUATIONS IN WATER LEVEL | 24,892          | 55,179       | 203,354                               |
| REVERSAL OF RESERVE FOR FLUCTUATIONS IN WATER LEVEL                                | 654             | 572          | 5,345                                 |
| INCOME BEFORE INCOME TAXES   | 25,546          | 55,752       | 208,700                               |
| INCOME TAXES (Note 12):  |                 |              |                                       |
| Current  | 8,842           | 13,322       | 72,237                                |
| Deferred   | 7,935           | 8,690        | 64,828                                |
| Total income taxes   | 16,778          | 22,012       | 137,066                               |
| NET INCOME   | 8,768           | 33,739       | 71,633                                |
| NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS                                | 1,895           | 1,903        | 15,483                                |
| NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT                                    | ¥ 6,873         | ¥ 31,835     | \$ 56,149                             |
|  |                 |              |                                       |
|  | Yen             |              | U.S. Dollars                          |
|  | 2022            | 2021         | 2022                                  |
| PER SHARE OF COMMON STOCK (Note 2.v):  |                 |              |                                       |
| Basic net income   | ¥ 10.09         | ¥ 62.86      | \$ 0.08                               |
| Diluted net income   |                 | 56.39        |                                       |
| Cash dividends applicable to the year:   |                 |              |                                       |
| Common share   | 40.00           | 35.00        | 0.32                                  |
| Class A preferred share  | 2,100,000.00    | 2,100,000.00 | 17,155.46                             |

See notes to consolidated financial statements.

## Consolidated Statement of Comprehensive Income

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries  
Year Ended March 31, 2022

|   | Millions of Yen |          | Thousands of U.S.<br>Dollars (Note 1) |
|---|-----------------|----------|---------------------------------------|
|   | 2022            | 2021     | 2022                                  |
| NET INCOME  | ¥ 8,768         | ¥ 33,739 | \$ 71,633                             |
| OTHER COMPREHENSIVE INCOME (LOSS) (Note 23):  |                 |          |                                       |
| Unrealized gain on available-for-sale securities  | 1,145           | 1,064    | 9,356                                 |
| Deferred gain on derivatives under hedge accounting   | 264             | 3,470    | 2,164                                 |
| Foreign currency translation adjustments  | 3,109           | 302      | 25,402                                |
| Defined retirement benefit plans  | 533             | 23,889   | 4,355                                 |
| Share of other comprehensive income (loss) in nonconsolidated subsidiaries and affiliated companies | 1,584           | (35)     | 12,942                                |
| Total other comprehensive income  | 6,637           | 28,691   | 54,221                                |
| COMPREHENSIVE INCOME  | ¥ 15,405        | ¥ 62,430 | \$ 125,855                            |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:   |                 |          |                                       |
| Owners of the parent  | ¥ 13,314        | ¥ 60,070 | \$ 108,769                            |
| Noncontrolling interests  | 2,091           | 2,359    | 17,085                                |

See notes to consolidated financial statements.

## Consolidated Statement of Changes in Equity

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries  
Year Ended March 31, 2022

|  | Thousands of Shares / Millions of Yen |          |                 |        |                   |                   |                |           |  |   |  |                                  |          |          |                          |              |
|--|---------------------------------------|----------|-----------------|--------|-------------------|-------------------|----------------|-----------|--|---|--|----------------------------------|----------|----------|--------------------------|--------------|
|  | Common Stock                          |          | Preferred Stock |        | Retained Earnings |                   | Treasury Stock |           | Accumulated Other Comprehensive Income           |   |  |                                  |          | Total    | Noncontrolling Interests | Total Equity |
|  | Shares                                | Amount   | Shares          | Amount | Capital Surplus   | Retained Earnings | Shares         | Amount    | Unrealized Gain on Available-for-Sale Securities | Deferred Gain on Derivatives under Hedge Accounting | Foreign Currency Translation Adjustments | Defined Retirement Benefit Plans |          |          |                          |              |
| BALANCE AT APRIL 1, 2020                               | 474,183                               | ¥237,304 | 1               |        | ¥120,008          | ¥276,997          | 1,194          | ¥(1,501)  | ¥2,115   | ¥713  | ¥(4,697)                                 | ¥(20,298)                        | ¥610,641 | ¥27,316  | ¥637,957                 |              |
| Cumulative effects of accounting change (Note 4)       |                                       |          |                 |        |                   | (945)             |                |           |  |   |  |                                  | (945)    | (3)      | (949)                    |              |
| RESTATED BALANCE                                       | 474,183                               | 237,304  | 1               |        | 120,008           | 276,051           | 1,194          | (1,501)   | 2,115  | 713   | (4,697)                                  | (20,298)                         | 609,695  | 27,312   | 637,008                  |              |
| Cash dividends, ¥32.5 per common share                 |                                       |          |                 |        |                   | (15,402)          |                |           |  |   |  |                                  | (15,402) |          | (15,402)                 |              |
| Cash dividends, ¥2,102,877 per class A preferred share |                                       |          |                 |        |                   | (2,102)           |                |           |  |   |  |                                  | (2,102)  |          | (2,102)                  |              |
| Net income attributable to owners of the parent        |                                       |          |                 |        |                   | 31,835            |                |           |  |   |  |                                  | 31,835   |          | 31,835                   |              |
| Purchase of treasury stock                             |                                       |          |                 |        |                   |                   | 10             | (9)       |  |   |  |                                  | (9)      |          | (9)                      |              |
| Disposal of treasury stock                             |                                       |          |                 |        |                   | (0)               | (45)           | 56        |  |   |  |                                  | 56       |          | 56                       |              |
| Net change in the year                                 |                                       |          |                 |        |                   |                   |                |           | 1,588  | 2,781   | (471)                                    | 24,336                           | 28,235   | 1,849    | 30,085                   |              |
| BALANCE AT MARCH 31, 2021                              | 474,183                               | 237,304  | 1               |        | 120,007           | 290,381           | 1,158          | (1,454)   | 3,704  | 3,495   | (5,169)                                  | 4,037                            | 652,307  | 29,162   | 681,470                  |              |
| Cash dividends, ¥37.5 per common share                 |                                       |          |                 |        |                   | (17,772)          |                |           |  |   |  |                                  | (17,772) |          | (17,772)                 |              |
| Cash dividends, ¥2,100,000 per class A preferred share |                                       |          |                 |        |                   | (2,100)           |                |           |  |   |  |                                  | (2,100)  |          | (2,100)                  |              |
| Net income attributable to owners of the parent        |                                       |          |                 |        |                   | 6,873             |                |           |  |   |  |                                  | 6,873    |          | 6,873                    |              |
| Purchase of treasury stock                             |                                       |          |                 |        |                   |                   | 342            | (299)     |  |   |  |                                  | (299)    |          | (299)                    |              |
| Disposal of treasury stock                             |                                       |          |                 |        |                   | (0)               | (37)           | 47        |  |   |  |                                  | 46       |          | 46                       |              |
| Net change in the year                                 |                                       |          |                 |        |                   |                   |                |           | 400  | 1,227   | 3,785                                    | 1,028                            | 6,441    | 1,677    | 8,119                    |              |
| BALANCE AT MARCH 31, 2022                              | 474,183                               | ¥237,304 | 1               |        | ¥120,006          | ¥277,382          | 1,463          | ¥ (1,706) | ¥ 4,104  | ¥ 4,723   | ¥ (1,383)                                | ¥ 5,066                          | ¥645,497 | ¥ 30,840 | ¥676,337                 |              |

(Continued)



## ● Consolidated Statement of Changes in Equity

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries  
Year Ended March 31, 2022

|   | Thousands of U.S. Dollars (Note 1) |                    |                    |                      |                    |   |   |   |   |                    |                             |                    |
|---|------------------------------------|--------------------|--------------------|----------------------|--------------------|---|---|---|---|--------------------|-----------------------------|--------------------|
|   | Common<br>Stock                    | Preferred<br>Stock | Capital<br>Surplus | Retained<br>Earnings | Treasury<br>Stock  | Accumulated Other Comprehensive Income                        |   |   |   | Total              | Noncontrolling<br>Interests | Total<br>Equity    |
|   |                                    |                    |                    |                      |                    | Unrealized<br>Gain on<br>Available-<br>for-Sale<br>Securities | Deferred<br>Gain on<br>Derivatives<br>under Hedge<br>Accounting | Foreign<br>Currency<br>Translation<br>Adjustments | Defined<br>Retirement<br>Benefit<br>Plans |                    |                             |                    |
| BALANCE AT MARCH 31, 2021                               | \$1,938,606                        |                    | \$ 980,375         | \$2,372,201          | \$ (11,883)        | \$ 30,262   | \$ 28,554   | \$ (42,228)                                       | \$ 32,987                                 | \$5,328,874        | \$ 238,239                  | \$5,567,114        |
| Cash dividends, \$0.30 per common share                 |                                    |                    |                    | (145,186)            |                    |   |   |   |   | (145,186)          |                             | (145,186)          |
| Cash dividends, \$17,155.46 per class A preferred share |                                    |                    |                    | (17,155)             |                    |   |   |   |   | (17,155)           |                             | (17,155)           |
| Net income attributable to owners of the parent         |                                    |                    |                    | 56,149               |                    |   |   |   |   | 56,149             |                             | 56,149             |
| Purchase of treasury stock                              |                                    |                    |                    |                      | (2,444)            |   |   |   |   | (2,444)            |                             | (2,444)            |
| Disposal of treasury stock                              |                                    |                    | (6)                |                      | 386                |   |   |   |   | 380                |                             | 380                |
| Net change in the year                                  |                                    |                    |                    |                      |                    | 3,267   | 10,030  | 30,923  | 8,398                                     | 52,620             | 13,706                      | 66,327             |
| <b>BALANCE AT MARCH 31, 2022</b>                        | <b>\$1,938,606</b>                 |                    | <b>\$ 980,368</b>  | <b>\$2,266,008</b>   | <b>\$ (13,941)</b> | <b>\$ 33,530</b>  | <b>\$ 38,584</b>  | <b>\$ (11,305)</b>                                | <b>\$ 41,385</b>                          | <b>\$5,273,238</b> | <b>\$ 251,946</b>           | <b>\$5,525,185</b> |

See notes to consolidated financial statements.

## Consolidated Statement of Cash Flows

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries  
Year Ended March 31, 2022

|  | Millions of Yen |          | Thousands of U.S.<br>Dollars (Note 1) |
|--|-----------------|----------|---------------------------------------|
|  | 2022            | 2021     | 2022                                  |
| CASH FLOWS FROM OPERATING ACTIVITIES:                                    |                 |          |                                       |
| Income before income taxes   | ¥ 25,546        | ¥ 55,752 | \$ 208,700                            |
| Adjustments for:   |                 |          |                                       |
| Income taxes paid  | (15,131)        | (7,315)  | (123,614)                             |
| Depreciation and amortization  | 225,293         | 205,749  | 1,840,485                             |
| Loss on impairment of fixed assets                                       | 3,536           |          | 28,892                                |
| Decommissioning costs of nuclear power units                             | 11,431          | 10,737   | 93,389                                |
| Amortization of special account related to nuclear power decommissioning | 2,381           | 1,609    | 19,452                                |
| Loss on disposal of plant and equipment                                  | 7,188           | 6,106    | 58,723                                |
| Reversal of reserve for fluctuation in water level                       | (654)           | (572)    | (5,345)                               |
| Share of profit of entities accounted for using the equity method        | (7,617)         | (9,884)  | (62,229)                              |
| Loss on reimbursement of electric imbalance revenues                     | 3,955           |          | 32,310                                |
| Changes in assets and liabilities:                                       |                 |          |                                       |
| Increase in trade receivables  | (30,070)        | (9,938)  | (245,651)                             |
| (Increase) decrease in inventories, principally fuel                     | (31,252)        | 12,626   | (255,312)                             |
| Increase in trade payables   | 66,058          | 12,889   | 539,652                               |
| (Decrease) increase in liability for retirement benefits                 | (3,002)         | 650      | (24,527)                              |
| Increase in other receivables  | (20,080)        | (3,804)  | (164,039)                             |
| Increase or decrease in consumption taxes payables or receivables        | (703)           | (9,569)  | (5,745)                               |
| Increase in accrued expenses   | 14,695          | 6,561    | 120,050                               |
| Other—net  | 6,235           | (18,139) | 50,940                                |
| Total adjustments  | 232,264         | 197,707  | 1,897,430                             |
| Net cash provided by operating activities                                | 257,811         | 253,459  | 2,106,130                             |

|   | Millions of Yen |           | Thousands of U.S.<br>Dollars (Note 1) |
|---|-----------------|-----------|---------------------------------------|
|   | 2022            | 2021      | 2022                                  |
| CASH FLOWS FROM INVESTING ACTIVITIES:   |                 |           |                                       |
| Capital expenditures including nuclear fuel   | (318,067)       | (351,764) | (2,598,378)                           |
| Proceeds from contribution in aid of construction   | 28,128          | 31,638    | 229,787                               |
| Payments for investments and advances   | (26,816)        | (27,461)  | (219,069)                             |
| Proceeds from sales of investment securities and collections of advances                        | 5,258           | 15,391    | 42,956                                |
| Other—net   | (9,382)         | 1,608     | (76,648)                              |
| Net cash used in investing activities   | (320,879)       | (330,587) | (2,621,351)                           |
| CASH FLOWS FROM FINANCING ACTIVITIES:   |                 |           |                                       |
| Proceeds from issuance of bonds   | 259,162         | 288,619   | 2,117,165                             |
| Repayments of bonds   | (145,000)       | (195,000) | (1,184,543)                           |
| Proceeds from long-term loans   | 280,196         | 277,009   | 2,289,003                             |
| Repayments of long-term loans   | (246,547)       | (205,384) | (2,014,116)                           |
| Net (decrease) increase in short-term borrowings  | (2,298)         | 5,096     | (18,774)                              |
| Net decrease in commercial paper  | (40,000)        | (52,000)  | (326,770)                             |
| Cash dividends paid   | (19,821)        | (17,450)  | (161,925)                             |
| Other—net   | (6,263)         | (5,340)   | (51,165)                              |
| Net cash provided by financing activities   | 79,428          | 95,549    | 648,872                               |
| FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS                           | 1,430           | (72)      | 11,685                                |
| NET INCREASE IN CASH AND CASH EQUIVALENTS   | 17,790          | 18,350    | 145,336                               |
| CASH AND CASH EQUIVALENTS OF A NEWLY CONSOLIDATED SUBSIDIARY, BEGINNING OF YEAR                 | 63              |           | 522                                   |
| CASH AND CASH EQUIVALENTS OF A NONCONSOLIDATED SUBSIDIARY MERGED WITH A CONSOLIDATED SUBSIDIARY |                 | 65        |                                       |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR  | 223,901         | 205,485   | 1,829,110                             |
| CASH AND CASH EQUIVALENTS AT END OF YEAR  | ¥ 241,756       | ¥ 223,901 | \$ 1,974,969                          |

See notes to consolidated financial statements.

## ● Notes to Consolidated Financial Statements

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries  
Year Ended March 31, 2022

### 1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

Kyushu Electric Power Company, Incorporated (the "Company") has prepared the accompanying consolidated financial statements in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act, the Electricity Business Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. Especially, the accounting related to the nuclear power generation is regulated by the above accounting regulations, which are dependent on a governmental long-term nuclear energy policy.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made to the consolidated financial statements for the year ended March 31, 2021, to conform to the classifications used in the consolidated financial statements for the year ended March 31, 2022.

The U.S. dollar amounts included herein are provided solely for the convenience of readers outside Japan and are stated at the rate of ¥122.41 = U.S.\$1, the approximate exchange rate prevailing on March 31, 2022. The translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Japanese yen figures less than a million yen are rounded down to the nearest million yen, except for per share data. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**a. Consolidation and Application of the Equity Method**—The consolidated financial statements as of March 31, 2022, include the accounts of the Company and its 48 (46 for 2021) subsidiaries (together, the "Group"). All significant intercompany transactions and balances have been eliminated in consolidation. Investments in 19 (18 for 2021) nonconsolidated subsidiaries and 26 (22 for 2021) affiliated companies are accounted for by the equity method.

The Company adopts the control and influence concepts. Under these concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are treated as

subsidiaries and those companies over which the Group has the ability to exercise significant influence are treated as affiliated companies.

Consolidation of the remaining subsidiaries and the application of the equity method to the remaining affiliated companies would not have a material effect on the accompanying consolidated financial statements.

The fiscal year-end of 11 (10 for 2021) consolidated subsidiaries and several nonconsolidated subsidiaries and affiliated companies is December 31. The Company consolidates such consolidated subsidiaries' financial statements and accounts for investments in such nonconsolidated subsidiaries and affiliated companies by the equity method using their financial results for the year ended December 31. The effects of any significant transactions during the period between the subsidiaries' and affiliated companies' fiscal year-end and the Company's fiscal year-end are reflected in the consolidated financial statements.

**b. Business Combination**—Business combinations are accounted for using the purchase method. Acquisition related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

**c. Property and Depreciation**—Property is stated at cost. Contributions in aid of construction including those made by customers are deducted from the cost of the related assets.

Depreciation is principally computed using the straight-line method based on the estimated useful lives of the assets. Depreciation of easements related to transmission lines is computed using the straight-line method based on the estimated useful lives of the transmission lines.

Under the accounting regulations applicable to electric utility providers in Japan, properties, which are required for decommissioning of nuclear power units or which need maintenance and management even after nuclear power units have been in the process of decommissioning, are to be included in "Plant and equipment."

**d. Leases**—Finance lease transactions are capitalized to recognize lease assets and lease obligations in the balance sheet. All other leases are accounted for as operating leases.

**e. Impairment of Fixed Assets**—The Group reviews its fixed assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

**f. Amortization of Nuclear Fuel**—Amortization of nuclear fuel is computed based on the proportion of current heat produced to the estimated total potential heat production over the estimated useful life of the nuclear fuel.

**g. Investment Securities**—Investment securities are classified and accounted for, depending on management's intent, as follows: (a) held-to-maturity debt securities are stated at cost with discounts or premiums amortized throughout the holding periods; and (b) available-for-sale securities, which are not classified as the aforementioned securities and investment securities in nonconsolidated subsidiaries and affiliated companies, are stated at market value; and nonmarketable securities are stated at cost.

The Group records unrealized gains or losses on available-for-sale securities, net of deferred taxes, in equity presented as "Unrealized gain on available-for-sale securities."

For other-than-temporary declines in fair value, investment securities are written down to net realizable value by a charge to income.

**h. Special Account Related to Nuclear Power Decommissioning**—Under the accounting regulation applicable to electric utility providers in Japan, in case the Company decides to decommission nuclear power units due to factors such as a change of the government's energy policy, the Company is permitted to transfer the carrying

amounts related to nuclear power units and costs related to nuclear power decommissioning to "special account related to nuclear power decommissioning" when the Company decides to decommission nuclear power units and applies to the Minister of Ministry of Economy, Trade and Industry ("METI") for adopting the above special account. Because the carrying amount of special account related to nuclear power decommissioning are supposed to be collected through regulated wheeling fees, the special account is amortized in proportion to the amounts of future regulated wheeling fees collected, after approval of the Minister of METI.

**i. Cash Equivalents**—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and mutual fund investments in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

**j. Inventories**—Inventories are stated at the lower of cost, principally determined by the average method, or net selling value.

**k. Foreign Currency Transactions**—Receivables and payables denominated in foreign currencies are translated into Japanese yen at the rates in effect as of each balance sheet date.

**l. Foreign Currency Financial Statements**—The balance sheet accounts of the consolidated foreign subsidiaries, and nonconsolidated foreign subsidiaries and foreign affiliated companies which are accounted for by the equity method, are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

**m. Derivatives and Hedging Activities**—Derivative financial instruments are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income and (b) for such derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Liabilities denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations are translated at the contracted rate if the forward contracts qualify for hedge accounting. Forward contracts applied for committed transactions are measured at fair value and the unrealized

gains/losses are deferred until the underlying transactions are completed.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest charges.

**n. Severance Payments and Pension Plans**—The Group has unfunded retirement plans for most of its employees and the Company and most of the consolidated subsidiaries also have contributory funded defined benefit pension plans covering substantially all of their employees.

Under the Accounting Standards Board of Japan ("ASBJ") Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," the Group accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over five years, which is no longer than the expected average remaining service period of the employees.

**o. Accounting for Contributions Concerning Reprocessing of Spent Nuclear Fuel and Concerning Processing of Nuclear Fuel Material Separated in Reprocessing**—The Act for Partial Revision of the Spent Nuclear Fuel Reprocessing Implementation Act was enforced on October 1, 2016. The act aims to secure the funds stably for reprocessing costs without being influenced by the financial position of nuclear operators under the competitive environment on April 1, 2016, when full liberalization of participation in retail electricity sales began.

The Nuclear Reprocessing Organization of Japan (the "NuRO") was established on October 3, 2016, under the act. Nuclear operators including the Company are obliged to contribute the funds for reprocessing nuclear fuel to the NuRO every year. Nuclear operators fulfill the obligation to bear the reprocessing costs when they pay contributions to the NuRO, and the funds belong to the NuRO.

Contributions to NuRO consist of two parts. One is concerning reprocessing of spent nuclear fuel (part "A"), the other is concerning processing of nuclear fuel material separated in reprocessing (part "B").

In accordance with the accounting regulations applicable to electric utility providers in Japan, the Company records the part A of contributions to the NuRO, the amount of which is calculated based on quantities of irradiated nuclear fuel resulting from operation of nuclear power stations, as operating expenses. On the other hand, the Company

records part B of the contributions to the NuRO as assets and presents them as "Special account related to reprocessing of spent nuclear fuel" in the consolidated balance sheet.

**p. Accounting for Contributions Concerning Final Disposal of High-Level Radioactive Waste**—The Designated Radioactive Waste Final Disposal Act was enforced on June 7, 2000. The act aims to disposal of high-level radioactive wastes, which are unavoidably generated through nuclear power generation, in stable geological strata at a depth of 300 meters or greater. Under the act, the Nuclear Waste Management Organization of Japan (the "NUMO") was established in December 2000 which is responsible for the disposal of high-level radioactive wastes. Nuclear operators including the Company are obliged to contribute the fund to NUMO for disposal of high-level radioactive wastes every year. Nuclear operators fulfill the obligation to bear the disposal costs when they pay contributions to the NUMO, and the funds belong to the NUMO.

The Company records the disposal costs of high-level radioactive wastes, the amount of which is calculated based on quantities of irradiated nuclear fuel resulting from the operation of nuclear power station, as operating expenses.

**q. Asset Retirement Obligations**—Under ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations," an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement. The Company recognizes the asset retirement obligation as the sum of the future decommissioning costs of nuclear power station which is calculated based on a formula using the quantities by type of waste generated from decommissioning of nuclear power station in accordance with the ordinance set forth by the METI, discounted at 2.3%.

In accordance with the accounting regulations applicable to electric utility providers in Japan, asset retirement costs are allocated to expense over the remaining useful lives of nuclear power units through depreciation based on the straight-line method, except for asset retirement costs of nuclear power units decommissioned due to factors such as a change of a government energy policy which are continuously allocated to expense over 10 years from the month that includes the date of decommissioning of the nuclear power unit.

**r. Income Taxes**—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The Company and its wholly owned domestic subsidiaries adopted the consolidated taxation system.

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.



*s. Reserve for Fluctuations in Water Level*—This reserve is provided to stabilize the Company's income level based on the Electricity Business Act and related accounting regulations. This reserve is recorded when the volume of water for generating hydroelectric power is abundant and available for future power generation, and reversed in years when there is an insufficient volume of water. Also, this reserve must be shown as a liability under the act and regulations.

*t. Treasury Stock*—The accounting standard for treasury stock requires that where an affiliated company holds a parent company's stock, a portion which is equivalent to the parent company's interest in such stock should be presented as treasury stock as a separate component of equity and the carrying value of the investment in the affiliated company should be reduced by the same amount.

*u. Board Benefit Trust (BBT)*—The Company has a performance-based stock compensation plan called "Board Benefit Trust (BBT)," (the "Plan") for directors (excluding outside directors) and executive officers (together, the "Directors").

*(a) Overview of the Plan*

The Plan is a stock compensation plan under which shares of the Company will be acquired through a trust (the "Trust" refers to a trust established based on the Plan) using funds contributed by the Company. The shares of the Company and cash equivalent to the value of the Company's shares converted at market value (the "Company's Shares, etc.") will be provided to the Directors through the Trust, pursuant to the "Rules on Provision of Shares to Officers" set forth by the Company. The Company's Shares, etc. will be provided to the Directors at the time of retirement of the Directors, in principle.

*(b) Shares of the Company held by the Trust*

The Company records shares of the Company in the Trust as treasury stock at cost (excluding acquisition-related costs). As of March 31, 2022, the number of shares was 897 thousand.

*v. Net Income and Cash Dividends per Share*—Basic earnings per share ("EPS") are computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding during the year, and diluted EPS reflects the potential dilution that could occur if securities were exercised or converted into common stock.

The weighted-average number of common stock used in the computation of basic EPS and diluted EPS during the year excludes treasury stock held by the Trust established based on BBT (772 thousand shares and 618 thousand shares for the years ended March 31, 2022 and 2021, respectively).

Diluted EPS at year ended reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted EPS of common stock assumes full conversion of the outstanding convertible bonds at the time of issuance with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Diluted EPS for the year ended March 31, 2022, is not presented as the effect of including potential common shares is anti-dilutive.

Cash dividends per share represent actual amounts applicable to earnings of the respective years.

*w. Revenue Recognition*—Among the business of energy services which is the Group's main business, for the business of power generation and sale, the performance obligation of the Company is to supply electricity. Also, for the business of electricity transmission and distribution, the performance obligation of Kyushu Electric Power Transmission and Distribution Co., Inc. a subsidiary of the Company is to deliver electricity by its transmission and distribution network. Revenues related to these performance obligations are both recognized on the day of meter reading in accordance with the accounting regulations applicable to electric utility providers in Japan. Revenues do not include sales of electricity supply and delivery of electricity between the date of last meter reading and the year-end.

*x. Research and Development Costs*—Research and development costs are charged to income as incurred.

*y. New Accounting Pronouncements*

*Implementation Guidance on Accounting Standard for Fair Value Measurement*

On June 17, 2021, the ASBJ issued the revised ASBJ Guidance No. 31 (revised 2021), "Implementation Guidance on Accounting Standard for Fair Value Measurement." The revised guidance defines the treatment related to the fair value measurements and notes for investments trust and investments in partnership and others.

The revised guidance is effective for the annual periods beginning on or after April 1, 2022. Earlier application is permitted for annual periods beginning on or after April 1, 2021, or annual periods ending on or after March 31, 2022. The revised guidance shall be applied prospectively.

The Group expects to apply the revised guidance for annual periods beginning on or after April 1, 2022, and is in the process of measuring the effects of applying the revised guidance in future applicable periods.

**3. SIGNIFICANT ACCOUNTING ESTIMATE***Deferred Tax Assets*

|  | Millions of Yen |           | Thousands of U.S.<br>Dollars |
|--|-----------------|-----------|------------------------------|
|  | 2022            | 2021      | 2022                         |
| (1) <i>Carrying amounts</i>  |                 |           |                              |
| Deferred tax assets  | ¥ 140,727       | ¥ 144,062 | \$ 1,149,638                 |
| Deferred tax assets relating to tax loss carryforwards included in above | 25,321          | 34,476    | 206,859                      |

(2) *Information on the significant accounting estimate*

## (a) The calculation method of the carrying amount

The deferred tax assets were calculated by estimating the future taxable income based on the business plan approved by the Board of Directors of the Company.

## (b) The primary assumption used for the calculation

The Group made the best estimation based on available information at preparation of the consolidated financial statements, such as outlooks of electricity sales volume and unit price and projections regarding nuclear power plant operation.

## (c) The possible effects within the next financial year

The Group's financial performance may be affected when deferred tax assets were reversed by decreasing the future taxable income. Decreasing the future taxable income will occur by such as decline of electricity sales volume and unit price which are influenced by external environment, such as changes in temperature, climate and economic trend, and unscheduled shutdown of nuclear power plants.

*Investments in the Overseas Power Generation Business*

|   | Millions of Yen |          | Thousands of U.S.<br>Dollars |
|---|-----------------|----------|------------------------------|
|   | 2022            | 2021     | 2022                         |
| (1) <i>Carrying amounts</i>                                   |                 |          |                              |
| Investments in the overseas power generation business         | ¥ 100,041       | ¥ 86,945 | \$ 817,261                   |
| (2) <i>Information on the significant accounting estimate</i> |                 |          |                              |

## (a) The calculation method of the carrying amount

For the investments in the overseas power generation business, the equity method is applied to investments in nonconsolidated subsidiaries and affiliated companies. Others are nonmarketable equity securities. These securities are classified as available-for-sale securities and are stated at cost. If the realizable value of these securities declines significantly, these securities are written down to net realizable value, unless the recoverability of the securities is supported by sufficient evidence.

For the investments in nonconsolidated subsidiaries and affiliated companies, if the carrying amount of the investees' power generation facilities exceeds its recoverable amount which is the sum of the future cash flows based on the investees' business plan, the power generation facilities are written down to the recoverable amount. Thereafter, the equity method is applied to the investees' financial statements.

On the other hand, for nonmarketable equity securities, the Group evaluates whether securities need to be written down to net realizable value based on the recoverable amount of the power generation facilities.

## (b) The primary assumption used for the calculation

For estimation of the future cash flows, the Group made the best estimation based on available information at preparation of the consolidated financial statements, such as outlooks of electricity sales volume and unit price, operational projections for the investees' power generation facilities, and projections for international fuel market prices.

(c) The possible effects within the next financial year

When decreasing the future cash flows occurs by a change of external environments such as the realization of investees' country risk and energy and environment policy related to the rapid transition to decarbonization in countries investees operate, the Group's financial performance may be affected as the share of loss of entities accounted for using the equity method is recorded or nonmarketable equity securities are written down to net realizable value.

#### 4. ACCOUNTING CHANGE

##### *Accounting Standard for Revenue Recognition and Revised Accounting Regulations Applicable to Electric Utility Providers in Japan*

Effective April 1, 2021, the Group adopted ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition," issued on March 31, 2020 ("ASBJ Statement No. 29") and recognizes revenue at the amount expected to be received in exchange for promised goods or services when control of the goods or services is transferred to customers.

The accounting regulations applicable to electric utility providers in Japan were revised due to the issuance of the ASBJ Statement No. 29, and effective on April 1, 2021. Accordingly, the Group changed the accounting treatment of surcharges and subsidies for purchasing renewable energy under the feed in tariff (FIT) scheme, which is based on the Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities.

Prior to April 1, 2021, the Group recorded those as operating revenues. However, effective April 1, 2021, the Group do not recognize surcharges as revenue because they are amounts collected on behalf of a third party. Also prior to April 1, 2021, the Group recorded those subsidies for purchasing renewable energy as revenues. However effective April 1, 2021, the Group deduct subsidies for purchasing renewable energy from expenses for purchase of electricity.

Under the accounting regulation in Japan, the accounting regulation applicable to electric utility providers in Japan has priority over the ASBJ Statement No. 29. Therefore electricity revenue of the Company and Kyushu Electric Power Transmission and Distribution Co., Inc., a wholly owned subsidiary of the Company is recognized on the day of meter reading in accordance with the accounting regulations applicable to electric utility providers in Japan. Electricity revenue does not include sales of electricity supplied to customer between the date of last meter reading and the year-end. This accounting treatment in the regulations was not changed in this revision of the regulation due to the issuance of the ASBJ Statement No. 29.

The Group retrospectively applied the ASBJ Statement No. 29 and the revised accounting regulations applicable to electric utility providers in Japan. The cumulative effect of retroactively applying the new accounting standard was added to retained earnings at April 1, 2020.

The effects of this accounting change for 2021 were as follows: Inventories, principally fuel and retained earnings as of March 31, 2021, decreased by ¥107 million and by ¥1,277 million, respectively. Receivables, prepaid expenses and other, other of long-term liabilities and other of current liabilities as of March 31, 2021, increased by ¥945 million, by ¥741 million, by ¥1,231 million and by ¥1,791 million, respectively. In addition, operating revenues and income before income taxes for the year ended March 31, 2021, decreased by ¥609,821 million and by ¥503 million, respectively.

The cumulative effect of retroactively applying the new accounting standard was that retained earnings and noncontrolling interests as of April 1, 2020, decreased by ¥945 million and by ¥3 million, respectively. The effect on the segment information and the net income per share for the year ended March 31, 2021, were described in Notes 24 and 26, respectively.

##### *Accounting Standard for Fair Value Measurement and Others*

Effective April 1, 2021, the Group adopted ASBJ Statement No. 30, "Accounting Standard for Fair Value Measurement," ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement," and revised ASBJ Statement No. 10, "Accounting Standard for Financial Instruments."

The Group adopted new accounting policies prescribed in these accounting standards and guidance prospectively in accordance with the article 19 of ASBJ Statement No. 30 and the article 44-2 of ASBJ Statement No. 10. There was no effect from these accounting changes on the consolidated financial statements.

In addition, as describe in Note 20, financial instruments categorized by fair value hierarchy were described as of March 31, 2022. Such information as of March 31, 2021, was not disclosed in accordance with the article 7-4 of ASBJ Guidance No. 19, "Guidance on Disclosures about Fair Value of Financial Instruments."

**5. PROPERTY**

The breakdown of property at March 31, 2022 and 2021, was as follows:

|                                       | Millions of Yen |             | Thousands of<br>U.S. Dollars |
|---------------------------------------|-----------------|-------------|------------------------------|
|                                       | 2022            | 2021        | 2022                         |
| Costs:                                |                 |             |                              |
| Electric power production facilities: |                 |             |                              |
| Hydroelectric power                   | ¥ 827,794       | ¥ 816,202   | \$ 6,762,475                 |
| Thermal power                         | 1,438,046       | 1,468,618   | 11,747,784                   |
| Nuclear power                         | 2,128,022       | 2,097,891   | 17,384,382                   |
| Internal-combustion engine power      | 132,661         | 135,925     | 1,083,748                    |
| Renewable power                       | 124,024         | 124,060     | 1,013,188                    |
| Total                                 | 4,650,549       | 4,642,698   | 37,991,578                   |
| Transmission facilities               | 1,941,510       | 1,924,558   | 15,860,720                   |
| Transformation facilities             | 1,120,957       | 1,115,806   | 9,157,403                    |
| Distribution facilities               | 1,526,937       | 1,508,705   | 12,473,961                   |
| General facilities                    | 429,325         | 423,533     | 3,507,272                    |
| Other electricity-related facilities  | 57,863          | 138,796     | 472,705                      |
| Other plant and equipment             | 1,391,760       | 1,221,804   | 11,369,666                   |
| Construction in progress              | 538,837         | 504,045     | 4,401,910                    |
| Total                                 | 11,657,743      | 11,479,949  | 95,235,219                   |
| Less:                                 |                 |             |                              |
| Contributions in aid of construction  | 238,967         | 235,049     | 1,952,185                    |
| Accumulated depreciation              | 7,770,903       | 7,655,674   | 63,482,589                   |
| Carrying amount                       | ¥ 3,647,872     | ¥ 3,589,225 | \$ 29,800,444                |

**6. INVESTMENT SECURITIES**

The costs and aggregate fair values of investment securities at March 31, 2022 and 2021, were as follows:

|                           | Millions of Yen           |                     |                      |            |
|---------------------------|---------------------------|---------------------|----------------------|------------|
|                           | Cost                      | Unrealized<br>Gains | Unrealized<br>Losses | Fair Value |
| March 31, 2022            |                           |                     |                      |            |
| Securities classified as: |                           |                     |                      |            |
| Available-for-sale:       |                           |                     |                      |            |
| Equity securities         | ¥ 1,719                   | ¥ 3,895             | ¥ 123                | ¥ 5,491    |
| Debt securities           | 309                       | 41                  |                      | 351        |
| Other securities          | 635                       | 103                 | 4                    | 734        |
| Held-to-maturity          | 235                       |                     | 10                   | 224        |
| March 31, 2021            |                           |                     |                      |            |
| Securities classified as: |                           |                     |                      |            |
| Available-for-sale:       |                           |                     |                      |            |
| Equity securities         | ¥ 1,683                   | ¥ 2,875             | ¥ 25                 | ¥ 4,533    |
| Debt securities           | 281                       | 27                  |                      | 309        |
| Other securities          | 312                       | 108                 | 1                    | 418        |
| Held-to-maturity          | 141                       |                     | 6                    | 134        |
|                           |                           |                     |                      |            |
|                           | Thousands of U.S. Dollars |                     |                      |            |
| March 31, 2022            | Cost                      | Unrealized<br>Gains | Unrealized<br>Losses | Fair Value |
| Securities classified as: |                           |                     |                      |            |
| Available-for-sale:       |                           |                     |                      |            |
| Equity securities         | \$ 14,049                 | \$ 31,823           | \$ 1,010             | \$ 44,862  |
| Debt securities           | 2,529                     | 338                 |                      | 2,868      |
| Other securities          | 5,194                     | 846                 | 40                   | 5,999      |
| Held-to-maturity          | 1,919                     |                     | 85                   | 1,834      |

## 7. PLEDGED ASSETS

All of the Company's assets amounting to ¥4,631,319 million (\$37,834,484 thousand) are subject to certain statutory preferential rights established to secure a portion of bonds and a portion of loans borrowed from the Development Bank of Japan Inc. The carrying amount of bonds and loans borrowed from the Development Bank of Japan Inc. secured by the assets for the year ended March 31, 2022, were ¥1,359,900 million (\$11,109,386 thousand) and ¥154,649 million (\$1,263,370 thousand), respectively.

Certain assets of the consolidated subsidiaries, amounting to ¥58,100 million (\$474,635 thousand), are pledged as collateral for a portion of their long-term debt at March 31, 2022.

Investments in affiliated companies held by consolidated subsidiaries, amounting to ¥11,079 million (\$90,513 thousand), are pledged as collateral for bank loans and derivatives, mainly interest rate swaps of the affiliated companies and the subsidiary of the affiliated companies at March 31, 2022.

## 8. LONG-TERM DEBT

Long-term debt at March 31, 2022 and 2021, consisted of the following:

|  | Millions of Yen    |                    | Thousands of<br>U.S. Dollars |
|--|--------------------|--------------------|------------------------------|
|  | 2022               | 2021               | 2022                         |
| Yen bonds, 0.01% to 1.766%, due serially to 2051   | ¥ 1,359,899        | ¥ 1,169,898        | \$ 11,109,380                |
| First series of subordinated unsecured yen bonds with interest deferral option and early redemption option, 0.99%, due serially to 2080 (Notes a and d)  | 70,000             | 70,000             | 571,848                      |
| Second series of subordinated unsecured yen bonds with interest deferral option and early redemption option, 1.09%, due serially to 2080 (Notes b and e) | 30,000             | 30,000             | 245,078                      |
| Third series of subordinated unsecured yen bonds with interest deferral option and early redemption option, 1.30%, due serially to 2080 (Notes c and f)  | 100,000            | 100,000            | 816,926                      |
| Yen-denominated zero coupon convertible bonds due 2022 (Notes g and h)   |                    | 75,000             |                              |
| Loans from the Development Bank of Japan Inc., 0.32% to 2.80%, due serially to 2040  | 246,974            | 267,269            | 2,017,598                    |
| Loans, principally from banks and insurance companies, 0.03% to 2.713%, due serially to 2042:  |                    |                    |                              |
| Collateralized   | 73,375             | 65,637             | 599,422                      |
| Unsecured  | 1,637,024          | 1,581,734          | 13,373,287                   |
| Obligations under finance leases   | 16,245             | 17,371             | 132,711                      |
| <b>Total</b>   | <b>3,533,518</b>   | <b>3,376,911</b>   | <b>28,866,254</b>            |
| Less current portion   | 384,285            | 418,763            | 3,139,332                    |
| <b>Long-term debt, less current portion</b>  | <b>¥ 3,149,232</b> | <b>¥ 2,958,147</b> | <b>\$ 25,726,921</b>         |



The annual maturities of long-term debt outstanding at March 31, 2022, were as follows:

| Year ending March 31 | Millions of Yen    | Thousands of U.S. Dollars |
|----------------------|--------------------|---------------------------|
| 2023                 | ¥ 384,285          | \$ 3,139,332              |
| 2024                 | 377,737            | 3,085,838                 |
| 2025                 | 394,986            | 3,226,749                 |
| 2026                 | 245,781            | 2,007,857                 |
| 2027                 | 299,757            | 2,448,797                 |
| 2028 and thereafter  | 1,830,969          | 14,957,678                |
| <b>Total</b>         | <b>¥ 3,533,518</b> | <b>\$ 28,866,254</b>      |

## Notes:

- a. The fixed interest rate has been applied since the day after October 15, 2020, and will be applied until October 15, 2025, and a variable interest rate will be applied from the day after October 15, 2025 ("Step-up interest rates" will be applied from the day after October 15, 2030, and the day after October 15, 2045.)
- b. The fixed interest rate has been applied since the day after October 15, 2020, and will be applied until October 15, 2027, and a variable interest rate will be applied from the day after October 15, 2027 ("Step-up interest rates" will be applied from the day after October 15, 2030, and the day after October 15, 2047.)
- c. The fixed interest rate has been applied since the day after October 15, 2020, and will be applied until October 15, 2030, and a variable interest rate will be applied from the day after October 15, 2030 ("Step-up interest rates" will be applied from the day after October 15, 2030, and the day after October 15, 2050.)
- d. The Company may redeem the hybrid corporate bonds at its discretion on each interest payment date from and including October 15, 2025.
- e. The Company may redeem the hybrid corporate bonds at its discretion on each interest payment date from and including October 15, 2027.
- f. The Company may redeem the hybrid corporate bonds at its discretion on each interest payment date from and including October 15, 2030.
- g. The offer price of yen-denominated zero coupon convertible bonds is ¥102.0, and issue price ¥100.0 has been paid to the Company.
- h. The contents regarding yen-denominated zero coupon convertible bonds at March 31, 2021, were as follows:

| Stock Name  | Yen-denominated Zero Coupon Convertible Bonds due 2022 |
|---|--|
| Stock will be converted   | Common stock   |
| Issue price of stock acquisition rights (yen)                       | Gratis free  |
| Issue price of stock  | ¥1,379.9   |
| Amount of zero coupon convertible bonds                             | ¥75,000 million  |
| Amount of stock price issued by exercising stock acquisition rights | —  |
| Application rate of stock acquisition rights (%)                    | 100  |
| Period of exercise stock acquisition rights                         | From April 13, 2017 to March 17, 2022                  |

## 9. SEVERANCE PAYMENTS AND PENSION PLANS

Employees terminating their employment with the Group, either voluntarily or upon reaching mandatory retirement age, are entitled, under most circumstances, to severance payments based on credits earned in each year of service, length of service and certain other factors. As for the Company and a part of the consolidated subsidiaries, if the termination is made voluntarily at one of a number of specified ages, the employee is entitled to certain additional payments.

Additionally, the Company and most of the consolidated subsidiaries have contributory funded defined benefit pension plans covering substantially all of their employees. In general, eligible employees retiring at the mandatory retirement age receive pension payments for the fixed term selected by them. As for the Company and one of the consolidated subsidiaries, Kyushu Electric Power Transmission and Distribution Co., Inc., eligible employees retiring after at least 20 years of service but before the mandatory retirement age, receive a lump-sum payment upon retirement and an annuity. The Company and Kyushu Electric Power Transmission and Distribution Co., Inc. have established retirement benefit trusts for their defined retirement benefit plan.

Certain consolidated subsidiaries calculate liability for retirement benefits and periodic benefit costs related to defined retirement benefit plans by the simplified method. Under the simplified method, projected benefit obligations are principally stated at the necessary payment amounts for voluntary retirement as of the end of the fiscal year. The simplified method for accounting for defined retirement benefit plans is allowed for a specified small-sized entity under accounting principles generally accepted in Japan.

**Defined Retirement Benefit Plans (excluding Plans Applying the Simplified Method)**

(1) The changes in defined benefit obligation for the years ended March 31, 2022 and 2021, were as follows:

|  | Millions of Yen |           | Thousands of<br>U.S. Dollars |
|--|-----------------|-----------|------------------------------|
|  | 2022            | 2021      | 2022                         |
| Balance at beginning of year   | ¥ 397,653       | ¥ 400,955 | \$ 3,248,535                 |
| Current service cost   | 13,364          | 13,483    | 109,176                      |
| Interest cost  | 3,024           | 3,095     | 24,708                       |
| Actuarial losses   | 416             | 2,430     | 3,400                        |
| Benefits paid  | (22,925)        | (23,726)  | (187,288)                    |
| Prior service cost   | (233)           |           | (1,906)                      |
| Effect of change from the simplified method<br>to the principle method |                 | 1,415     |                              |
| Other  | 0               | (0)       | 6                            |
| Balance at end of year   | ¥ 391,299       | ¥ 397,653 | \$ 3,196,631                 |

(2) The changes in plan assets for the years ended March 31, 2022 and 2021, were as follows:

|  | Millions of Yen |           | Thousands of<br>U.S. Dollars |
|--|-----------------|-----------|------------------------------|
|  | 2022            | 2021      | 2022                         |
| Balance at beginning of year   | ¥ 334,642       | ¥ 308,016 | \$ 2,733,782                 |
| Expected return on plan assets   | 7,139           | 6,605     | 58,322                       |
| Actuarial gains  | 2,039           | 28,283    | 16,665                       |
| Contributions from the employer  | 6,737           | 6,811     | 55,040                       |
| Benefits paid  | (15,988)        | (16,170)  | (130,613)                    |
| Effect of change from the simplified method<br>to the principle method |                 | 1,097     |                              |
| Balance at end of year   | ¥ 334,570       | ¥ 334,642 | \$ 2,733,197                 |

(3) Reconciliation between the liability and asset recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2022 and 2021, was as follows:

|  | Millions of Yen |           | Thousands of<br>U.S. Dollars |
|--|-----------------|-----------|------------------------------|
|  | 2022            | 2021      | 2022                         |
| Funded defined benefit obligation            | ¥ 383,351       | ¥ 390,207 | \$ 3,131,703                 |
| Plan assets                                  | (334,570)       | (334,642) | (2,733,197)                  |
| Unfunded defined benefit obligation          | 48,781          | 55,565    | 398,506                      |
|  | 7,947           | 7,445     | 64,928                       |
| Net liability for defined benefit obligation | ¥ 56,729        | ¥ 63,010  | \$ 463,434                   |

|  | Millions of Yen |          | Thousands of<br>U.S. Dollars |
|--|-----------------|----------|------------------------------|
|  | 2022            | 2021     | 2022                         |
| Liability for retirement benefits            | ¥ 82,653        | ¥ 84,795 | \$ 675,216                   |
| Assets for retirement benefits               | (25,924)        | (21,784) | (211,781)                    |
| Net liability for defined benefit obligation | ¥ 56,729        | ¥ 63,010 | \$ 463,434                   |

(4) The components of net periodic benefit costs for the years ended March 31, 2022 and 2021, were as follows:

|                                     | Millions of Yen |          | Thousands of<br>U.S. Dollars |
|-------------------------------------|-----------------|----------|------------------------------|
|                                     | 2022            | 2021     | 2022                         |
| Current service cost                | ¥ 13,364        | ¥ 13,483 | \$ 109,176                   |
| Interest cost                       | 3,024           | 3,095    | 24,708                       |
| Expected return on plan assets      | (7,139)         | (6,605)  | (58,322)                     |
| Recognized actuarial (gains) losses | (1,068)         | 7,463    | (8,731)                      |
| Amortization of prior service cost  | (40)            | (1)      | (328)                        |
| Others                              | 355             | 423      | 2,907                        |
| Net periodic benefit costs          | ¥ 8,496         | ¥ 17,858 | \$ 69,409                    |

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2022 and 2021, were as follows:

|                    | Millions of Yen |          | Thousands of<br>U.S. Dollars |
|--------------------|-----------------|----------|------------------------------|
|                    | 2022            | 2021     | 2022                         |
| Prior service cost | ¥ 193           | ¥ (1)    | \$ 1,577                     |
| Actuarial gains    | 554             | 33,316   | 4,532                        |
| Total              | ¥ 747           | ¥ 33,315 | \$ 6,110                     |

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2022 and 2021, were as follows:

|                                 | Millions of Yen |         | Thousands of<br>U.S. Dollars |
|---------------------------------|-----------------|---------|------------------------------|
|                                 | 2022            | 2021    | 2022                         |
| Unrecognized prior service cost | ¥ 176           | ¥ (16)  | \$ 1,441                     |
| Unrecognized actuarial gains    | 7,982           | 7,428   | 65,214                       |
| Total                           | ¥ 8,159         | ¥ 7,411 | \$ 66,656                    |

(7) Plan assets as of March 31, 2022 and 2021

a. Components of plan assets

Plan assets consisted of the following:

|   | 2022 | 2021 |
|---|------|------|
| Debt investments                            | 40%  | 38%  |
| Equity investments                          | 28   | 30   |
| General account of life insurance companies | 20   | 20   |
| Others                                      | 12   | 12   |
| Total                                       | 100% | 100% |

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering distribution of plan assets currently and in the future and the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2022 and 2021, were set forth as follows:

|   | 2022        | 2021        |
|---|-------------|-------------|
| Discount rates                          | Mainly 1.0% | Mainly 1.0% |
| Expected rates of return on plan assets | Mainly 2.0% | Mainly 2.0% |

*Defined Retirement Benefit Plans Applying the Simplified Method*

(1) The changes in the net carrying amount of liabilities and assets for the years ended March 31, 2022 and 2021, were as follows:

|   | Millions of Yen |         | Thousands of<br>U.S. Dollars |
|---|-----------------|---------|------------------------------|
|   | 2022            | 2021    | 2022                         |
| Balance at beginning of year  | ¥ 2,603         | ¥ 3,115 | \$ 21,266                    |
| Periodic benefit costs  | 488             | 215     | 3,990                        |
| Benefits paid   | (246)           | (251)   | (2,014)                      |
| Contributions from the employer                                     | (251)           | (248)   | (2,050)                      |
| Effect of change from the simplified method to the principle method |                 | (227)   |                              |
| Balance at end of year  | ¥ 2,594         | ¥ 2,603 | \$ 21,191                    |

(2) Reconciliation between the liability and asset recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2022 and 2021, were as follows:

|   | Millions of Yen |         | Thousands of<br>U.S. Dollars |
|---|-----------------|---------|------------------------------|
|   | 2022            | 2021    | 2022                         |
| Funded defined benefit obligation             | ¥ ¥5,235        | ¥ 5,210 | \$ 42,770                    |
| Plan assets                                   | (4,907)         | (4,842) | (40,091)                     |
|   | 327             | 367     | 2,679                        |
| Unfunded defined benefit obligation           | 2,266           | 2,235   | 18,512                       |
| Net carrying amount of liabilities and assets | ¥ 2,594         | ¥ 2,603 | \$ 21,191                    |
| Liability for retirement benefits             | ¥ 3,293         | ¥ 3,311 | \$ 26,905                    |
| Asset for retirement benefits                 | (699)           | (708)   | (5,714)                      |
| Net carrying amount of liabilities and assets | ¥ 2,594         | ¥ 2,603 | \$ 21,191                    |

## (3) Periodic benefit costs

|   | Millions of Yen |       | Thousands of<br>U.S. Dollars |
|---|-----------------|-------|------------------------------|
|   | 2022            | 2021  | 2022                         |
| Periodic benefit costs calculated under the simplified method | ¥ 488           | ¥ 215 | \$ 3,990                     |

**Defined Contribution Plans**

The required contribution to defined contribution plans by the Company and its certain consolidated subsidiaries for the years ended March 31, 2022 and 2021, was ¥2,114 million (\$17,274 thousand) and ¥2,147 million, respectively.

**10. ASSET RETIREMENT OBLIGATIONS**

The changes in asset retirement obligations for the years ended March 31, 2022 and 2021, were as follows:

|                              | Millions of Yen |           | Thousands of<br>U.S. Dollars |
|------------------------------|-----------------|-----------|------------------------------|
|                              | 2022            | 2021      | 2022                         |
| Balance at beginning of year | ¥ 278,031       | ¥ 268,432 | \$ 2,271,309                 |
| Net change in the year       | 11,159          | 9,598     | 91,161                       |
| Balance at end of year       | ¥ 289,190       | ¥ 278,031 | \$ 2,362,471                 |

**11. SHORT-TERM BORROWINGS**

Short-term borrowings were generally represented by bank loans, bearing interest at rates ranging from 0.17% to 0.49% for the years ended March 31, 2022 and 2021.

**12. INCOME TAXES**

The Group is subject to national and local income taxes. The aggregate normal statutory tax rates for the Company approximated 27.9% for the years ended March 31, 2022 and 2021.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2022 and 2021, were as follows:

|   | Millions of Yen |           | Thousands of<br>U.S. Dollars |
|---|-----------------|-----------|------------------------------|
|   | 2022            | 2021      | 2022                         |
| Deferred tax assets:  |                 |           |                              |
| Tax loss carryforwards  | ¥ 68,927        | ¥ 155,044 | \$ 563,086                   |
| Depreciation  | 53,632          | 51,828    | 438,140                      |
| Liability for retirement benefits                               | 34,093          | 34,793    | 278,515                      |
| Asset retirement obligations                                    | 30,248          | 29,450    | 247,107                      |
| Contributions concerning reprocessing of spent nuclear fuel     | 12,750          | 9,149     | 104,163                      |
| Other (Note)  | 80,546          | 72,974    | 658,007                      |
| Total of tax loss carryforwards and temporary differences       | 280,199         | 353,240   | 2,289,022                    |
| Less valuation allowance for tax loss carryforwards             | (43,605)        | (120,568) | (356,226)                    |
| Less valuation allowance for temporary differences              | (56,344)        | (50,962)  | (460,289)                    |
| Total valuation allowance                                       | (99,949)        | (171,531) | (816,516)                    |
| Deferred tax assets   | 180,249         | 181,709   | 1,472,506                    |
| Deferred tax liabilities:                                       |                 |           |                              |
| Capitalized assets retirement costs                             | 9,715           | 9,611     | 79,369                       |
| Accrued income of foreign subsidiary                            | 7,869           | 6,078     | 64,287                       |
| Assets for retirement benefits                                  | 7,414           | 6,343     | 60,573                       |
| Gain on contributions of securities to retirement benefit trust | 5,599           | 5,619     | 45,744                       |
| Deferred gain on derivatives under hedge accounting             | 5,455           | 3,026     | 44,563                       |
| Amortization in foreign subsidiary                              | 4,151           | 3,864     | 33,913                       |
| Other   | 12,215          | 11,382    | 99,792                       |
| Deferred tax liabilities  | 52,421          | 45,926    | 428,245                      |
| Net deferred tax assets   | ¥ 127,827       | ¥ 135,782 | \$ 1,044,260                 |

Note: The Group adopted the ASBJ Statement No. 29 from the annual periods beginning on April 1, 2021 (see Note 4). As a result, the amount of deferred tax assets as of March 31, 2021, was adjusted retrospectively and increased by ¥161 million.

The expiration of tax loss carryforwards, the related valuation allowance and the resulting net deferred tax assets as of March 31, 2022 and 2021, were as follows:

|   | Millions of Yen           |                                 |                                  |                                  |                                  |               |                     | Total |
|---|---------------------------|---------------------------------|----------------------------------|----------------------------------|----------------------------------|---------------|---------------------|-------|
|   | 1 Year or Less            | After 1 Year<br>through 2 Years | After 2 Years<br>through 3 Years | After 3 Years<br>through 4 Years | After 4 Years<br>through 5 Years | After 5 Years |                     |       |
| <b>March 31, 2022</b>   |                           |                                 |                                  |                                  |                                  |               |                     |       |
| Deferred tax assets relating to tax loss carryforwards (Note a) | ¥ 32,682                  | ¥ 25,043                        | ¥ 916                            | ¥ 389                            | ¥ 196                            | ¥ 9,698       | ¥ 68,927            |       |
| Less valuation allowances for tax loss carryforwards            | 32,682                    | 10,233                          | 249                              | 22                               | 54                               | 364           | 43,605              |       |
| Net deferred tax assets relating to tax loss carryforwards      |                           | 14,809                          | 667                              | 367                              | 142                              | 9,334         | 25,321<br>(Note b)  |       |
| <b>March 31, 2021</b>   |                           |                                 |                                  |                                  |                                  |               |                     |       |
| Deferred tax assets relating to tax loss carryforwards (Note a) | ¥ 86,967                  | ¥ 32,608                        | ¥ 24,996                         | ¥ 897                            | ¥ 352                            | ¥ 9,220       | ¥ 155,044           |       |
| Less valuation allowances for tax loss carryforwards            | 77,330                    | 28,593                          | 13,836                           | 275                              | 20                               | 511           | 120,568             |       |
| Net deferred tax assets relating to tax loss carryforwards      | 9,636                     | 4,015                           | 11,160                           | 622                              | 331                              | 8,709         | 34,476<br>(Note b)  |       |
|   | Thousands of U.S. Dollars |                                 |                                  |                                  |                                  |               |                     | Total |
|   | 1 Year or Less            | After 1 Year<br>through 2 Years | After 2 Years<br>through 3 Years | After 3 Years<br>through 4 Years | After 4 Years<br>through 5 Years | After 5 Years |                     |       |
| <b>March 31, 2022</b>   |                           |                                 |                                  |                                  |                                  |               |                     |       |
| Deferred tax assets relating to tax loss carryforwards (Note a) | \$ 266,990                | \$ 204,584                      | \$ 7,488                         | \$ 3,185                         | \$ 1,608                         | \$ 79,227     | \$ 563,086          |       |
| Less valuation allowances for tax loss carryforwards            | 266,990                   | 83,601                          | 2,035                            | 181                              | 443                              | 2,974         | 356,226             |       |
| Net deferred tax assets relating to tax loss carryforwards      |                           | 120,983                         | 5,452                            | 3,004                            | 1,164                            | 76,253        | 206,859<br>(Note b) |       |

Notes: a. The tax loss carryforwards were the amount multiplied by the normal effective statutory tax rate.

b. Tax loss carryforwards mainly resulted from the long-term shutdown of nuclear power plants of the Company in past years. Deferred tax assets relating to tax loss carryforwards were recognized at amounts the Company judged those were recoverable from expectations of future taxable income based on the business plan approved by the Board of Directors.



A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2022 and 2021, was as follows:

|                                     | 2022  | 2021  |
|-------------------------------------|-------|-------|
| Normal effective statutory tax rate | 27.9% | 27.9% |
| Valuation allowance                 | 38.2  | 14.0  |
| Other—net                           | (0.4) | (2.5) |
| Actual effective tax rate           | 65.7% | 39.4% |

### 13. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

#### a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the general shareholders' meeting. For companies that meet certain criteria, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the Company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the criteria.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

#### b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus)

depending on the equity account that was charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

#### c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

### Acquisition and Disposal of Class A Preferred Stock

The Company acquired the previous Class A preferred stock based on the articles of incorporation and has issued the new Class A preferred stock. The information of the new Class A preferred stock is as follows:

#### (1) Way of offering

Third-party allotment to the Mizuho Bank, Ltd., Development Bank of Japan Inc. and MUFG Bank, Ltd.

#### (2) Class and number of new shares to be issued

1,000 shares of Class A preferred stock

#### (3) Issue price

¥100 million per share

#### (4) Total amount of the issue price

¥100,000 million

#### (5) Issue date

June 28, 2019

#### (6) Uses of proceeds

The proceeds from the issuance of new Class A preferred stock will be used to repay a part of a bank loan the Company borrowed for the acquisition of current Class A preferred stock.

#### (7) Characteristics of the preferred stock

The preferred stock provides no provision for acquisition or right to request acquisition using common stock as consideration that will not dilute common stock. These stocks also do not provide any voting rights at the general shareholders' meeting.

The preferred stock has a provision for acquisition allowing the Company to acquire this preferred stock

in exchange for cash the day after the payment date or thereafter. Furthermore, the preferred stock will provide the preferred shareholders with the right to request acquisition of this preferred stock in exchange for cash of the Company the day after the payment date or thereafter if the preferred shareholders follow the prescribed procedures, but the exercise of this right by the preferred shareholders is limited by the agreement to underwriting of the preferred stock.

Annual preferred dividend for the preferred stock is ¥2,100,000 per share. (Annual preferred dividend as of the record date of March 31, 2020, is ¥1,599,452 per share.)

## 14. REVENUE

### (1) Disaggregation of Revenue

Disaggregation of revenue from contracts with customers is presented in "Information about sales, profit, assets and other items" in Note 24.

### (2) Contract Balances

Receivables from contract with customers, contract assets and contract liabilities at the beginning and end of the year were as follows:

|  | Millions of Yen | Thousands of U.S. Dollars |
|--|-----------------|---------------------------|
|  | 2022            | 2022                      |
| Receivables from contracts with customers: |                 |                           |
| Balance at beginning of year               | ¥ 143,321       | \$ 1,170,835              |
| Balance at end of year                     | 178,177         | 1,455,579                 |
| Contract assets:                           |                 |                           |
| Balance at beginning of year               | 5,262           | 42,987                    |
| Balance at end of year                     | 8,896           | 72,678                    |
| Contract liabilities:                      |                 |                           |
| Balance at beginning of year               | 4,453           | 36,380                    |
| Balance at end of year                     | 5,062           | 41,359                    |

*(3) Transaction Prices Allocated Remaining Performance Obligations*

The Group has applied the simplified method as a practical expedient, and has not included information related to either of the following:

- (a) the performance obligation is part of a contract that has an original expected duration of one year or less; or
- (b) the Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer.

For significant transactions in the contracts that have an original expected durations of more than one year, the following table shows the summary of the transaction prices allocated to remaining performance obligations that are unsatisfied as of March 31, 2022:

|                          | Thousands of U.S. Dollars |              |
|--------------------------|---------------------------|--------------|
|                          | Millions of Yen           | 2022         |
|                          | 2022                      | 2022         |
| Within one year          | ¥ 88,979                  | \$ 726,894   |
| After one to two years   | 15,517                    | 126,767      |
| After two to three years | 126,368                   | 1,032,334    |
| After three years        | 91,215                    | 745,166      |
| Total                    | ¥ 322,080                 | \$ 2,631,163 |

**15. RESEARCH AND DEVELOPMENT COSTS**

Research and development costs charged to income were ¥4,823 million (\$39,406 thousand) and ¥5,101 million for the years ended March 31, 2022 and 2021, respectively.

**16. LOSS ON IMPAIRMENT OF FIXED ASSETS**

As the Group decided to decommission No. 1 and No. 2 units of Sendai thermal power station and No. 4 unit of Shin Kokura thermal power station and others for the year ended March 31, 2022, the carrying amount of these assets was written down to the recoverable amount. As a result, the Group recognized an impairment loss of ¥3,536 million (\$28,892 thousand) for these assets as other expenses.

The recoverable amount of these assets was mainly measured by the respective net selling prices which were based on appraisal valuation and assessed value of fixed assets.

**17. LOSS ON REIMBURSEMENT OF ELECTRIC IMBALANCE REVENUES**

In January 2021, the imbalance revenue of general electricity transmission and distribution business providers, including Kyushu Electric Power Transmission and Distribution Co., Inc., increased significantly because of the price hikes in the wholesale electricity market caused by the tight supply and demand of electricity in Japan. Relating to the situation, on December 27, 2021, the Electricity and Gas Industry Committee of the Advisory Committee for Natural Resources and Energy has decided that a part of the imbalance revenue paid by retail electricity providers would be reimbursed by deducting from their future wheeling fees. Under this decision, the Group recorded the estimated amount of reimbursement as liabilities and other expenses for the year ended March 31, 2022.

**18. RELATED PARTY DISCLOSURES**

- a. Significant transactions of the Company with its related parties for the years ended March 31, 2022 and 2021

No matters to report

- b. Significant transactions of a consolidated subsidiary with an affiliated company for the years ended March 31, 2022 and 2021, were as follows:

|   | Millions of Yen |          | Thousands of U.S. Dollars |
|---|-----------------|----------|---------------------------|
|   | 2022            | 2021     | 2022                      |
| Kyudenko Corporation:   |                 |          |                           |
| Transactions—   |                 |          |                           |
| purchase of construction works on distribution facilities and other | ¥ 39,462        | ¥ 43,321 | \$ 322,381                |
| Balances at year-end—   |                 |          |                           |
| payables for construction works                                     | 4,085           | 4,900    | 33,373                    |

**Notes Concerning the Parent Company or Important Affiliates***Important affiliates' financial summary*

For the years ended March 31, 2022 and 2021, Kyudenko Corporation was an important affiliate. The financial summary of its financial statements was as follows:

|                              | Millions of Yen |           | Thousands of<br>U.S. Dollars |
|------------------------------|-----------------|-----------|------------------------------|
|                              | 2022            | 2021      | 2022                         |
| Total current assets         | ¥ 181,419       | ¥ 182,828 | \$ 1,482,061                 |
| Total noncurrent assets      | 155,533         | 149,629   | 1,270,592                    |
| Total current liabilities    | 132,724         | 132,584   | 1,084,260                    |
| Total noncurrent liabilities | 5,051           | 12,195    | 41,267                       |
| Total equity                 | 199,176         | 187,678   | 1,627,124                    |
| Operating revenues           | 322,568         | 337,432   | 2,635,145                    |
| Income before income taxes   | 28,712          | 29,528    | 234,557                      |
| Net income                   | 20,690          | 20,393    | 169,026                      |

**19. LEASES**

The minimum rental commitments under noncancelable operating leases at March 31, 2022 and 2021, were as follows:

*(1) Lessee*

|                     | Millions of Yen |          | Thousands of<br>U.S. Dollars |
|---------------------|-----------------|----------|------------------------------|
|                     | 2022            | 2021     | 2022                         |
| Due within one year | ¥ 1,484         | ¥ 1,070  | \$ 12,123                    |
| Due after one year  | 18,784          | 10,655   | 153,459                      |
| Total               | ¥ 20,268        | ¥ 11,725 | \$ 165,582                   |

*(2) Lessor*

|                     | Millions of Yen |         | Thousands of<br>U.S. Dollars |
|---------------------|-----------------|---------|------------------------------|
|                     | 2022            | 2021    | 2022                         |
| Due within one year | ¥ 522           | ¥ 122   | \$ 4,271                     |
| Due after one year  | 3,887           | 2,099   | 31,756                       |
| Total               | ¥ 4,410         | ¥ 2,222 | \$ 36,027                    |

## 20. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### *Items Pertaining to Financial Instruments*

#### *(a) The Group's policy for financial instruments*

The Group uses mainly long-term debt, including bonds and loans, to raise funds required for investments in electric utility plant and equipment and repayments of bonds and loans. Cash surpluses, if any, are invested in low-risk financial assets. Derivatives are used not for speculative purposes, but to manage exposure to financial risks as described in (b) below.

#### *(b) Nature and extent of risks arising from financial instruments and risk control system*

Investment securities, mainly held-to-maturity debt securities and equity securities issued by companies related through business, and investments in and advances to nonconsolidated subsidiaries and affiliated companies which have a quoted market price in an active market are exposed to the risk of market price fluctuations. Such market risk is managed by monitoring market values and financial position of the issuers on a regular basis. Investment securities and investments in and advances to nonconsolidated subsidiaries and affiliated companies which do not have a quoted market price in an active market are managed by monitoring financial position of the issuers on a regular basis. In addition, the Company requires its nonconsolidated subsidiaries and affiliated companies to submit business plans and performance reports, and to consult in advance on any items that could have a significant impact on the Group's business activities.

Receivables are exposed to customer credit risk. Payment terms are set forth in specific retail electricity power supply provisions and so on. The Group manages its credit risk from receivables by monitoring payment terms and balances of each customer and identifying and reducing the default risk of customers at an early stage. Receivables from wholesale electric power sales outside of the Kyushu area are exposed to the risk of electricity price area differentials. Such risk is mitigated by using the financial transmission rights as necessary.

Bonds and loans are mainly used to raise funds for investments in plant and equipment. Foreign currency denominated debt is exposed to the market risk of fluctuations in foreign exchange. Such risk is mitigated by using currency swaps. Financial liabilities with variable interest rate are exposed to interest rate fluctuation risk. Such risk is mitigated by using interest rate swaps as necessary.

Payment terms of notes and accounts payable are less than one year. Accounts payable to purchase fuel in foreign currencies is exposed to the market risk of fluctuations in foreign exchange and fuel price. Such

risks are mitigated by using foreign exchange forward contracts and financial energy swaps as necessary.

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates. The Group manages its liquidity risk by holding an adequate volume of liquid assets based on monthly financial planning and diversifying sources of its financing.



### Fair Values of Financial Instruments

The carrying amounts and aggregate fair values of financial instruments at March 31, 2022 and 2021, were as follows: Investments in equity instruments that do not have a quoted market price in an active market and investments in partnerships and others are not included in the following table. The fair values of cash and cash equivalents, receivables, short-term borrowings, commercial paper, notes and accounts payable, and accrued income taxes are not disclosed because their maturities are short and the carrying values approximate fair value.

|  | Millions of Yen    |                    |                          |
|--|--------------------|--------------------|--------------------------|
|  | Carrying Amount    | Fair Value         | Unrecognized Gain (Loss) |
| <b>March 31, 2022</b>  |                    |                    |                          |
| Investment securities:   |                    |                    |                          |
| Held-to-maturity debt securities   | ¥ 235              | ¥ 224              | ¥ (10)                   |
| Available-for-sale securities  | 6,577              | 6,577              |                          |
| Investments in and advances to nonconsolidated subsidiaries and affiliated companies | 47,022             | 46,143             | (878)                    |
| <b>Total</b>   | <b>¥ 53,834</b>    | <b>¥ 52,945</b>    | <b>(889)</b>             |
| Long-term debt:  |                    |                    |                          |
| Bonds  | ¥ 1,559,899        | ¥ 1,556,795        | ¥ (3,103)                |
| Loans  | 1,957,373          | 1,973,856          | 16,482                   |
| <b>Total</b>   | <b>¥ 3,517,273</b> | <b>¥ 3,530,651</b> | <b>¥ 13,378</b>          |
| Derivatives  | ¥ 6,037            | ¥ 6,037            |                          |
| <b>March 31, 2021</b>  |                    |                    |                          |
| Investment securities:   |                    |                    |                          |
| Held-to-maturity debt securities   | ¥ 141              | ¥ 134              | ¥ (6)                    |
| Available-for-sale securities  | 5,261              | 5,261              |                          |
| Investments in and advances to nonconsolidated subsidiaries and affiliated companies | 43,884             | 68,105             | 24,220                   |
| <b>Total</b>   | <b>¥ 49,287</b>    | <b>¥ 73,501</b>    | <b>¥ 24,214</b>          |
| Long-term debt:  |                    |                    |                          |
| Bonds  | ¥ 1,444,898        | ¥ 1,463,907        | ¥ 19,008                 |
| Loans  | 1,914,641          | 1,948,290          | 33,649                   |
| <b>Total</b>   | <b>¥ 3,359,539</b> | <b>¥ 3,412,198</b> | <b>¥ 52,658</b>          |
| Derivatives  | ¥ 5,873            | ¥ 5,873            |                          |

|  | Thousands of U.S. Dollars |                      |                          |
|--|---------------------------|----------------------|--------------------------|
|  | Carrying Amount           | Fair Value           | Unrecognized Gain (Loss) |
| <b>March 31, 2022</b>  |                           |                      |                          |
| Investment securities:   |                           |                      |                          |
| Held-to-maturity debt securities   | \$ 1,919                  | \$ 1,834             | \$ (85)                  |
| Available-for-sale securities  | 53,730                    | 53,730               |                          |
| Investments in and advances to nonconsolidated subsidiaries and affiliated companies | 384,141                   | 376,962              | (7,178)                  |
| <b>Total</b>   | <b>\$ 439,791</b>         | <b>\$ 432,527</b>    | <b>\$ (7,264)</b>        |
| Long-term debt:  |                           |                      |                          |
| Bonds  | \$ 12,743,233             | \$ 12,717,877        | \$ (25,355)              |
| Loans  | 15,990,309                | 16,124,959           | 134,649                  |
| <b>Total</b>   | <b>\$ 28,733,543</b>      | <b>\$ 28,842,837</b> | <b>\$ 109,293</b>        |
| Derivatives  | \$ 49,320                 | \$ 49,320            |                          |

Advances are excluded from investments in and advances to nonconsolidated subsidiaries and affiliated companies because they are immaterial.

Long-term debt contains its current portion, and obligations under finance leases are excluded because they are immaterial.

Derivatives are stated at the net amount.

*Carrying amount of investments in equity instruments that do not have a quoted market price in an active market and investments in partnerships and others*

|   | Millions of Yen  |                  | Thousands of U.S. Dollars |
|---|------------------|------------------|---------------------------|
|   | 2022             | 2021             | 2022                      |
| Investment securities—Available-for-sale:   |                  |                  |                           |
| Equity securities   | ¥ 67,449         | ¥ 67,103         | \$ 551,010                |
| Investments in partnership and others   | 7,641            |                  | 62,427                    |
| Other securities  | 21,894           | 22,362           | 178,862                   |
| Investments in and advances to nonconsolidated subsidiaries and affiliated companies: |                  |                  |                           |
| Equity securities   | 98,835           | 89,876           | 807,410                   |
| Other securities  | 28,220           | 29,115           | 230,543                   |
| <b>Total</b>  | <b>¥ 224,041</b> | <b>¥ 208,457</b> | <b>\$ 1,830,254</b>       |

### Maturity Analysis for Financial Assets and Securities with Contractual Maturities

|  | Millions of Yen          |                                     |                                       |                       |
|--|--------------------------|-------------------------------------|---------------------------------------|-----------------------|
|  | Due in 1 Year<br>or Less | Due after 1 Year<br>through 5 Years | Due after 5 Years<br>through 10 Years | Due after<br>10 Years |
| <b>March 31, 2022</b>  |                          |                                     |                                       |                       |
| Investment securities:                                       |                          |                                     |                                       |                       |
| Held-to-maturity debt securities                             |                          |                                     | ¥ 36                                  | ¥ 199                 |
| Available-for-sale securities with<br>contractual maturities |                          | ¥ 14                                |                                       | 351                   |
| Cash and cash equivalents                                    | ¥ 241,756                |                                     |                                       |                       |
| Receivables  | 331,089                  |                                     |                                       |                       |
| <b>Total</b>   | <b>¥ 572,845</b>         | <b>¥ 14</b>                         | <b>¥ 36</b>                           | <b>¥ 550</b>          |

|  | Thousands of U.S. Dollars |                                     |                                       |                       |
|--|---------------------------|-------------------------------------|---------------------------------------|-----------------------|
|  | Due in 1 Year<br>or Less  | Due after 1 Year<br>through 5 Years | Due after 5 Years<br>through 10 Years | Due after<br>10 Years |
| <b>March 31, 2022</b>  |                           |                                     |                                       |                       |
| Investment securities:                                       |                           |                                     |                                       |                       |
| Held-to-maturity debt securities                             |                           |                                     | \$ 294                                | \$ 1,625              |
| Available-for-sale securities with<br>contractual maturities |                           | \$ 119                              |                                       | 2,868                 |
| Cash and cash equivalents                                    | \$ 1,974,969              |                                     |                                       |                       |
| Receivables  | 2,704,755                 |                                     |                                       |                       |
| <b>Total</b>   | <b>\$ 4,679,724</b>       | <b>\$ 119</b>                       | <b>\$ 294</b>                         | <b>\$ 4,494</b>       |

Please see Note 8 for annual maturities of long-term debt.

### Financial Instruments Categorized by Fair Value Hierarchy

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Fair values measured by using unobservable inputs for the assets or liabilities.

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is classified at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

#### (a) Financial instruments recorded at fair value in the consolidated balance sheet

|                                | Millions of Yen |         |         |         |
|--------------------------------|-----------------|---------|---------|---------|
|                                | Fair Value      |         |         |         |
| <b>March 31, 2022</b>          | Level 1         | Level 2 | Level 3 | Total   |
| Investment securities—         |                 |         |         |         |
| Available-for-sale securities: |                 |         |         |         |
| Equity securities              | ¥ 5,491         |         |         | ¥ 5,491 |
| Debt securities                |                 | ¥ 351   |         | 351     |
| Derivatives                    |                 | 6,037   |         | 6,037   |

|                                | Thousands of U.S. Dollars |          |         |           |
|--------------------------------|---------------------------|----------|---------|-----------|
|                                | Fair Value                |          |         |           |
| <b>March 31, 2022</b>          | Level 1                   | Level 2  | Level 3 | Total     |
| Investment securities—         |                           |          |         |           |
| Available-for-sale securities: |                           |          |         |           |
| Equity securities              | \$ 44,862                 |          |         | \$ 44,862 |
| Debt securities                |                           | \$ 2,868 |         | 2,868     |
| Derivatives                    |                           | 49,320   |         | 49,320    |

Note: Investments trusts are not included in above table in accordance with the article 26 of ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement." The carrying amount of the investments trusts in the consolidated balance sheet is ¥734 million (\$5,999 thousand).

(b) *Financial instruments other than financial instruments recorded at fair value in the consolidated balance sheet*

|  | Millions of Yen |           |         |           |
|--|-----------------|-----------|---------|-----------|
|  | Fair Value      |           |         |           |
|  | Level 1         | Level 2   | Level 3 | Total     |
| <b>March 31, 2022</b>  |                 |           |         |           |
| Investment securities—   |                 |           |         |           |
| Held-to-maturity debt securities:  |                 |           |         |           |
| Local government bonds   |                 | ¥ 35      |         | ¥ 35      |
| Corporate bonds  |                 | 95        | ¥ 93    | 188       |
| Investments in and advances to<br>nonconsolidated subsidiaries and<br>affiliated companies | ¥ 46,143        |           |         | 46,143    |
| Long-term debt:  |                 |           |         |           |
| Bonds  |                 | 1,556,795 |         | 1,556,795 |
| Loans  |                 | 1,973,856 |         | 1,973,856 |

|  | Thousands of U.S. Dollars |            |         |            |
|--|---------------------------|------------|---------|------------|
|  | Fair Value                |            |         |            |
|  | Level 1                   | Level 2    | Level 3 | Total      |
| <b>March 31, 2022</b>  |                           |            |         |            |
| Investment securities—   |                           |            |         |            |
| Held-to-maturity debt securities:  |                           |            |         |            |
| Local government bonds   |                           | \$ 290     |         | \$ 290     |
| Corporate bonds  |                           | 777        | \$ 766  | 1,543      |
| Investments in and advances to<br>nonconsolidated subsidiaries and<br>affiliated companies | \$ 376,962                |            |         | 376,962    |
| Long-term debt:  |                           |            |         |            |
| Bonds  |                           | 12,717,877 |         | 12,717,877 |
| Loans  |                           | 16,124,959 |         | 16,124,959 |

The following is a description of valuation methodologies and inputs used for measurement of the fair value of assets and liabilities:

#### Investment Securities and Investments in and Advances to Nonconsolidated Subsidiaries and Affiliated Companies

The fair values of listed equity securities are measured at the quoted market price. Since listed equity securities are traded in active markets, the fair values of listed equity securities are categorized as Level 1. As the fair values of the debt securities (include local government bonds, exclude private placement bonds) are measured principally at the quoted price obtained from financial institutions, the fair values of the debt securities are categorized as Level 2. The fair values of private placement bonds are measured by discounting the total amount of principal and interest at interest rates based on the discount rate reflecting credit risk factors and others, and are categorized as Level 3 since the discount rate is unobservable. The fair values of investment trusts are measured at the disclosed net asset value and others. Those are not categorized into Levels in accordance with the article 26 of ASBJ Guidance No. 31.

#### Derivatives

The fair values of derivatives are measured principally at the quoted price obtained from financial institutions and are categorized as Level 2 based on the level of inputs of the derivatives. The interest rate swaps, which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest charges. As a result, the fair values of interest rate swaps are included in those of hedged items (i.e., long-term loans).

#### Bonds

The fair values of bonds are based on market price and are categorized as Level 2.

#### Long-Term Loans

The fair values of long-term loans at fixed interest rates are determined by discounting the cash flows related to the loans at the Company's assumed corporate borrowing rate, and are categorized as Level 2. Because loans at variable interest rates reflect short-term movements in market interest rates and there has been no substantial change in the Company's credit position since the loans were implemented, the carrying amounts approximate fair values. A part of loans is subjected to interest rate swaps, which qualify for hedge accounting and meet specific matching criteria, and the fair values are determined by discounting the cash flows related to the loans with the interest rate swaps at the Company's assumed corporate borrowing rate, and are categorized as Level 2.

**21. DERIVATIVES**

The Company enters into foreign exchange forward contracts, currency swaps, interest rate swaps, financial energy swaps and financial transmission rights to manage its exposures to fluctuations in foreign exchanges, interest rates, fuel price, and electricity market price area differentials, respectively.

Consolidated subsidiaries of the Company enter into foreign exchange forward contracts, interest rate swaps and financial transmission rights to manage their exposures to fluctuations in foreign exchanges, interest rates, and electricity market price area differentials, respectively.

The Group does not enter into derivatives for trading or speculative purposes.

Foreign exchange forward contracts, currency swaps, interest rate swaps, financial energy swaps and financial transmission rights are not subject to any market risk except for abandoning potential income by market fluctuations in hedged items.

The Group does not anticipate any losses arising from credit risk, which is the possibility that a loss may result from counterparties' failure to perform according to the terms and conditions of the contract, because the counterparties to those derivatives have high credit ratings.

The derivative transactions are executed by specific sections, and the administrative section monitors them based on internal policies.

**Derivative Transactions to Which Hedge Accounting Is Applied**

| March 31, 2022  | Hedged Item      | Millions of Yen |                                    |            |
|---|------------------|-----------------|------------------------------------|------------|
|   |                  | Contract Amount | Contract Amount Due after One Year | Fair Value |
| Foreign currency forward contracts:                     |                  |                 |                                    |            |
| Buying U.S. dollar                                      | Accounts payable | ¥ 54,412        | ¥ 50,913                           | ¥ 9,371    |
| Buying Canadian dollar                                  | Accounts payable | 22,818          | 21,472                             | 3,354      |
| Interest rate swaps:                                    |                  |                 |                                    |            |
| Principle treatment—pay fixed / receive floating        | Long-term loans  | 57,565          | 53,213                             | (2,815)    |
| Special treatment (Note a)—pay fixed / receive floating | Long-term loans  | 1,672           | 1,455                              |            |
| Financial energy swaps—Principle treatment:             |                  |                 |                                    |            |
| Receive fixed / pay floating                            | Receivables      | 7,619           |                                    | (9,852)    |
| Pay fixed / receive floating                            | Accounts payable | 14,739          |                                    | 5,979      |
| Total   |                  |                 |                                    | ¥ 6,037    |

| March 31, 2022  | Hedged Item      | Millions of Yen |                                    |            |
|---|------------------|-----------------|------------------------------------|------------|
|   |                  | Contract Amount | Contract Amount Due after One Year | Fair Value |
| Foreign currency forward contracts:                     |                  |                 |                                    |            |
| Buying U.S. dollar                                      | Accounts payable | ¥ 55,830        | ¥ 54,274                           | ¥ 4,706    |
| Buying Canadian dollar                                  | Accounts payable | 23,101          | 22,767                             | 1,492      |
| Interest rate swaps:                                    |                  |                 |                                    |            |
| Principle treatment—pay fixed / receive floating        | Long-term loans  | 57,829          | 55,607                             | (4,229)    |
| Special treatment (Note a)—pay fixed / receive floating | Long-term loans  | 1,889           | 1,672                              |            |
| Financial energy swaps—Principle treatment:             |                  |                 |                                    |            |
| Pay fixed / receive floating                            | Accounts payable | 9,406           |                                    | 3,904      |
| Total   |                  |                 |                                    | ¥ 5,873    |

| March 31, 2022  | Thousands of U.S. Dollars |                 |                                    |                  |
|---|---------------------------|-----------------|------------------------------------|------------------|
|   | Hedged Item               | Contract Amount | Contract Amount Due after One Year | Fair Value       |
| Foreign currency forward contracts:                         |                           |                 |                                    |                  |
| Buying U.S. dollar  | Accounts payable          | \$444,514       | \$415,924                          | \$ 76,554        |
| Buying Canadian dollar                                      | Accounts payable          | 186,409         | 175,416                            | 27,404           |
| Interest rate swaps:  |                           |                 |                                    |                  |
| Principle treatment—<br>pay fixed / receive floating        | Long-term loans           | 470,264         | 434,718                            | (22,999)         |
| Special treatment (Note a)—<br>pay fixed / receive floating | Long-term loans           | 13,661          | 11,889                             |                  |
| Financial energy swaps—<br>Principle treatment:             |                           |                 |                                    |                  |
| Receive fixed / pay floating                                | Receivables               | 62,248          |                                    | (80,485)         |
| Pay fixed / receive floating                                | Accounts payable          | 120,408         |                                    | 48,846           |
| <b>Total</b>  |                           |                 |                                    | <b>\$ 49,320</b> |

Notes: a. The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest charges. As a result, the fair values of interest rate swaps are included in those of hedged items (i.e., long-term loans) in Note 20.

b. The contract or notional amounts of derivatives, which are shown in the above table, do not represent the amounts exchanged by the parties and do not measure the Group's exposure to market risk.

## 22. COMMITMENTS AND CONTINGENCIES

At March 31, 2022, the Group had a number of fuel purchase commitments, most of which specify quantities and dates for fuel deliveries. However, most of purchase prices are contingent upon fluctuations in market prices.

### a. Contingent Liabilities

Contingent liabilities at March 31, 2022, were as follows:

|   | Millions of Yen | Thousands of U.S. Dollars |
|---|-----------------|---------------------------|
| Co-guarantees of loans, mainly in connection with procurement of fuel | ¥ 78,061        | \$ 637,702                |
| Guarantees of employees' loans  | 41,098          | 335,742                   |
| Other   | 21,945          | 179,279                   |

### b. Investigation by the Japan Fair Trade Commission

On July 13, 2021, the Company and one of the consolidated subsidiaries, Kyuden Mirai Energy Company, Incorporated were investigated by the Japan Fair Trade Commission (the "JFTC") under Article 47 of the Antimonopoly Act of Japan. The allegation is that "some of the former General Electricity Utilities are suspected of jointly restricting the acquisition of customers of each other in Chubu, Kansai, Chugoku and Kyushu areas, regarding services of supplying extra-high voltage power and high voltage power." The investigation is currently ongoing; therefore, it is difficult to evaluate the effect on the financial performance and position among others of the Group as of the date of preparation of the consolidated financial statements for the year ended March 31, 2022. The Group will continue to cooperate fully with the investigation by the JFTC.

### c. Loan Commitments

Kyuden International Corporation, a consolidated subsidiary of the Company, has entered into the Shareholder Loan Agreement with Senoko Energy Pte Ltd. The unexercised portion of loan commitments under the agreement as of March 31, 2022, was as follows:

|   | Millions of Yen | Thousands of U.S. Dollars |
|---|-----------------|---------------------------|
| Total loan limits                       | ¥ 1,899         | \$ 15,520                 |
| Loan executed                           |                 |                           |
| Unexercised portion of loan commitments | 1,899           | 15,520                    |



**23. OTHER COMPREHENSIVE INCOME**

The components of other comprehensive income for the years ended March 31, 2022 and 2021, were as follows:

|   | Millions of Yen |         | Thousands of U.S.<br>Dollars |
|---|-----------------|---------|------------------------------|
|   | 2022            | 2021    | 2022                         |
| Other comprehensive income:   |                 |         |                              |
| Unrealized gain on available-for-sale securities:                                   |                 |         |                              |
| Gains arising during the year   | ¥ 1,669         | ¥ 1,503 | \$ 13,635                    |
| Reclassification adjustments to profit or loss                                      | (88)            | 0       | (724)                        |
| Amount before income tax effect   | 1,580           | 1,503   | 12,911                       |
| Income tax effect   | (435)           | (439)   | (3,555)                      |
| Total   | ¥ 1,145         | ¥ 1,064 | \$ 9,356                     |
| Deferred gain on derivatives under hedge accounting:                                |                 |         |                              |
| (Losses) gains arising during the year  | ¥ (1,885)       | ¥ 3,601 | \$ (15,403)                  |
| Reclassification adjustments to profit or loss                                      | 4,887           | 1,083   | 39,930                       |
| Adjustments for amounts transferred to the initial carrying amounts of hedged items | (2,838)         |         | (23,189)                     |
| Amount before income tax effect   | 163             | 4,684   | 1,337                        |
| Income tax effect   | 101             | (1,213) | 826                          |
| Total   | ¥ 264           | ¥ 3,470 | \$ 2,164                     |
| Foreign currency translation adjustments:   |                 |         |                              |
| Gains arising during the year   | ¥ 2,381         | ¥ 1,421 | \$ 19,454                    |
| Amount before income tax effect   | 2,381           | 1,421   | 19,454                       |
| Income tax effect   | 728             | (1,119) | 5,947                        |
| Total   | ¥ 3,109         | ¥ 302   | \$ 25,402                    |

|  | Millions of Yen |          | Thousands of U.S.<br>Dollars |
|--|-----------------|----------|------------------------------|
|  | 2022            | 2021     | 2022                         |
| Defined retirement benefit plans:  |                 |          |                              |
| Gains arising during the year  | ¥ 1,780         | ¥ 25,811 | \$ 14,541                    |
| Reclassification adjustments to profit or loss   | (1,032)         | 7,504    | (8,431)                      |
| Amount before income tax effect  | 747             | 33,315   | 6,110                        |
| Income tax effect  | (214)           | (9,425)  | (1,754)                      |
| Total  | ¥ 533           | ¥ 23,889 | \$ 4,355                     |
| Share of other comprehensive income (loss) in nonconsolidated subsidiaries and affiliated companies: |                 |          |                              |
| Gains (losses) arising during the year   | ¥ 713           | ¥ (507)  | \$ 5,825                     |
| Reclassification adjustments to profit or loss   | 871             | 472      | 7,117                        |
| Total  | ¥ 1,584         | ¥ (35)   | \$ 12,942                    |
| Total other comprehensive income   | ¥ 6,637         | ¥ 28,691 | \$ 54,221                    |

## 24. SEGMENT INFORMATION

### (1) Description of reportable segments

The Group's reportable segments are those for which financial information is available separately and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group's reportable segments consist of power generation and sale, electricity transmission and distribution, other energy services, information and communication technology ("ICT") services and other.

- Power Generation and Sale segment: This segment is engaged in the business of power generation and retail electricity in Japan.
- Electricity Transmission and Distribution segment: This segment is engaged in the business of general transmission and distribution in Kyushu region.
- Other Energy Services segment: This segment is engaged in the business that provides a stable supply of electric power, such as construction and maintenance of electricity-related facilities, selling gas and LNG, a renewable energy business, and overseas business.
- ICT Services segment: This segment is engaged in the data communication business, optical broadband business, construction and maintenance of telecommunications facilities, information system development business, and data center business.
- Other segment: This segment is engaged in the real estate business, back office outsourcing business, staffing business and other business.

### (2) Methods of measurement for the amounts of sales, profit, assets and other items for each reportable segment

The accounting policies of each reportable segment are consistent to those disclosed in Note 2, "Summary of Significant Accounting Policies."

### *Adoption of Accounting Standard for Revenue Recognition and Revised Accounting Regulations Applicable to Electric Utility Providers in Japan*

As described in Note 4, the Group adopted the ASBJ Statement No. 29 for annual periods beginning on or after April 1, 2021. The accounting regulations applicable to electric utility providers in Japan were revised due to the issuance of the ASBJ Statement No. 29, and effective on April 1, 2021. The Group retrospectively applied the ASBJ Statement No. 29 and the revised accounting regulations applicable to electric utility providers in Japan. In accordance with this adoption, the Group has changed the calculation method for sales, profits or losses, assets and other items of reportable segments in the same way, and the segment information for the year ended March 31, 2021, is adjusted retroactively. As a result, sales for the year ended March 31, 2021, decreased by ¥568,683 million in the "power generation and sale segment," ¥40,014 million in the "electricity transmission and distribution segment," ¥4,853 million in the "other energy services segment," and ¥2,038 million in the "ICT services segment," and increased by ¥27 million in the "other segment" and ¥5,740 million in the "reconciliations." Segment profit for the year ended March 31, 2021, decreased by ¥544 million in the "ICT services segment," and increased by ¥12 million in the "other energy services segment," and ¥27 million in the "other segment." Furthermore, segment assets as of March 31, 2021, increased by ¥22 million in the "other energy services segment," ¥1,627 million in the "ICT services segment," and ¥91 million in the "other segment."



|   | Thousands of U.S. Dollars    |  |                          |                   |                   |                      |                       |                      |  |
|---|------------------------------|--|--------------------------|-------------------|-------------------|----------------------|-----------------------|----------------------|--|
|   | 2022                         |  |                          |                   |                   |                      |                       |                      |  |
|   | Reportable segment           |  |                          |                   |                   |                      |                       |                      |  |
|   | Energy Services              |  |                          |                   |                   |                      |                       |                      |  |
|   | Domestic Electric Power      |  |                          |                   |                   |                      |                       |                      |  |
|   | Power Generation<br>and Sale | Electricity Transmission<br>and Distribution | Other Energy<br>Services | ICT<br>Services   | Other             | Total                | Reconciliations       | Consolidated         |  |
| Sales:  |                              |  |                          |                   |                   |                      |                       |                      |  |
| Revenues from contracts with customers                            | \$ 11,296,542                | \$ 1,402,892                                 | \$ 640,311               | \$ 657,949        | \$ 98,534         | \$ 14,096,229        |                       | \$ 14,096,229        |  |
| Other revenue   | 6,921                        | 62,511                                       | 25,784                   | 4,623             | 45,498            | 145,338              |                       | 145,338              |  |
| Sales to external customers                                       | 11,303,464                   | 1,465,404                                    | 666,095                  | 662,572           | 144,032           | 14,241,568           |                       | 14,241,568           |  |
| Intersegment sales or transfers                                   | 1,079,554                    | 3,422,625                                    | 956,437                  | 256,226           | 128,181           | 5,843,025            | \$ (5,843,025)        |                      |  |
| <b>Total</b>  | <b>\$ 12,383,018</b>         | <b>\$ 4,888,030</b>                          | <b>\$ 1,622,532</b>      | <b>\$ 918,798</b> | <b>\$ 272,213</b> | <b>\$ 20,084,594</b> | <b>\$ (5,843,025)</b> | <b>\$ 14,241,568</b> |  |
| Segment profit (loss)   | \$ (48,489)                  | \$ 58,685                                    | \$ 183,422               | \$ 49,879         | \$ 49,863         | \$ 293,361           | \$ (28,803)           | \$ 264,557           |  |
| Segment assets  | 34,785,457                   | 15,722,843                                   | 4,997,750                | 1,686,369         | 1,228,650         | 58,421,071           | (14,777,985)          | 43,643,086           |  |
| Other:  |                              |  |                          |                   |                   |                      |                       |                      |  |
| Depreciation  | 939,531                      | 586,539                                      | 100,506                  | 196,709           | 27,735            | 1,851,022            | (10,537)              | 1,840,485            |  |
| Interest income   | 79,451                       | 184  | 5,600                    | 29                | 216               | 85,482               | (78,704)              | 6,778                |  |
| Interest charges  | 178,372                      | 75,236                                       | 26,740                   | 1,386             | 1,556             | 283,293              | (78,704)              | 204,588              |  |
| Share of profit of entities accounted for using the equity method |                              |  | 64,502                   | 324               | 180               | 65,008               | (2,779)               | 62,229               |  |
| Loss on impairment of fixed assets                                | 27,815                       | 1,077  |                          |                   |                   | 28,892               |                       | 28,892               |  |
| Increase in property and nuclear fuel                             | 1,269,690                    | 963,436                                      | 93,641                   | 222,756           | 47,496            | 2,597,021            | (47,079)              | 2,549,942            |  |

Notes: a. Reconciliations of segment profit (loss) and segment assets are intersegment transaction eliminations.

b. Segment profit (loss) is adjusted to reflect ordinary income.

Ordinary income is calculated by adding interest income, dividends, share of profit of entities accounted for using the equity method and other income to, and deducting interest charges and other expenses from operating income.

Geographic segment information is not disclosed because the Group's overseas operations are immaterial.

Information for overseas sales is not disclosed due to overseas sales being immaterial compared with consolidated net sales.

**25. SUBSEQUENT EVENTS****a. Year-End Cash Dividends**

At the general shareholders' meeting held on June 28, 2022, the Company's shareholders approved the following appropriation of retained earnings as of March 31, 2022:

|  | Millions of Yen | Thousands of U.S. Dollars |
|--|-----------------|---------------------------|
| Yea-end cash dividends, ¥20.00 (\$0.16) per common share                       | ¥ 9,478         | \$ 77,431                 |
| Yea-end cash dividends, ¥1,050,000.00 (\$8,577.73) per Class A preferred share | 1,050           | 8,577                     |

**b. Reduction of Legal Retained Earnings**

The resolution of the proposal on the reduction of legal retained earnings at the general shareholders' meeting on June 28, 2022, was made at the Board of Directors meeting held on April 28, 2022. The proposal was subsequently approved at that general shareholders' meeting on June 28, 2022.

**(1) Purpose of the reduction of legal retained earnings**

In order to ensure flexible implementation of capital policy in response to future changes in the business environment, the amount of legal retained earnings was reduced, and transferred to retained earnings brought forward, pursuant to the provisions of Article 448, Paragraph 1 of the Companies Act.

**(2) Details of the reduction of legal retained earnings**

Amount of the reduction: ¥59,326 million (\$484,651 thousand) (entire amount)

Method of the reduction: The entire amount of the reduction of the legal retained earnings was transferred to retained earnings brought forward.

**(3) Schedule of the reduction of legal retained earnings**

|                           |  |
|---------------------------|--|
| April 28, 2022            | Date of resolution by the Board of Directors meeting           |
| June 28, 2022             | Date of resolution by the general shareholders' meeting        |
| June 29, 2022             | Initial date of public notice for creditors to make objections |
| July 29, 2022 (scheduled) | Final due date for creditors to make objections                |
| July 30, 2022 (scheduled) | Effective date   |



**26. NET INCOME PER SHARE**

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2022 and 2021, was as follows:

|  | Millions of Yen                                 | Thousands of Shares     | Yen     | U.S. Dollars |
|--|---|-------------------------|---------|--------------|
|  | Net Income Attributable to Owners of the Parent | Weighted-Average Shares | EPS     |              |
| <b>Year Ended March 31, 2022</b>                                 |   |                         |         |              |
| Net income attributable to owners of the parent                  | ¥ 6,873   |                         |         |              |
| Amount not attributable to common shareholder—Preferred dividend | (2,100)   |                         |         |              |
| Basic EPS—Net income available to common shareholders            | ¥ 4,773   | 472,851                 | ¥ 10.09 | \$ 0.08      |
| Effect of dilutive securities—Convertible bonds                  |   |                         |         |              |
| Diluted EPS—Net income for computation                           |   |                         |         |              |
| <b>Year Ended March 31, 2021</b>                                 |   |                         |         |              |
| Net income attributable to owners of the parent                  | ¥ 31,835  |                         |         |              |
| Amount not attributable to common shareholder—Preferred dividend | (2,100)   |                         |         |              |
| Basic EPS—Net income available to common shareholders            | ¥ 29,735  | 473,015                 | ¥62.86  |              |
| Effect of dilutive securities—Convertible bonds                  |   | 54,352                  |         |              |
| Diluted EPS—Net income for computation                           | ¥ 29,735  | ¥ 527,367               | ¥ 56.39 |              |

Note: The Group adopted the ASBJ Statement No. 29 from the annual periods beginning on April 1, 2021 (see Note 4). As a result, basic EPS and diluted EPS for the year ended March 31, 2021, were adjusted retrospectively and decreased by ¥0.71 and ¥0.62, respectively.

# Overview of Power Generation Facilities

(Kyushu Electric Power and Kyushu Transmission and Distribution, as of March 31, 2022)

## Kyushu Electric Power

### Nuclear Power (2 facilities/maximum output 4,140,000 kW)

| Station name | Maximum output (kW)     | Operation commencement date | System                    | Location  |
|--------------|-------------------------|-----------------------------|---------------------------|---|
| Genkai       | 2,360,000 (1,180,000×2) | Mar. 1994                   | Pressurized water reactor | Genkai-cho, Higashi Matsuura-gun, Saga Prefecture |
| Sendai       | 1,780,000 (890,000×2)   | Jul. 1984                   | Pressurized water reactor | Satsumasendai-shi, Kagoshima Prefecture           |

### Thermal Power\* (6 facilities/maximum output 8,035,000 kW)

| Station name | Maximum output (kW)                                 | Operation commencement date | System              | Location   |
|--------------|---|-----------------------------|---------------------|--|
| Shin-Kokura  | 1,200,000 (600,000×2)                               | Sep. 1978                   | LNG                 | Kokura Kita-ku, Kitakyushu-shi, Fukuoka Prefecture |
| Karita       | 360,000 (360,000×1)                                 | Jul. 2001                   | Coal                | Kanda-machi, Miyako-gun, Fukuoka Prefecture        |
| Buzen        | 500,000 (500,000×1)                                 | Jun. 1980                   | Heavy oil/crude oil | Buzen-shi, Fukuoka Prefecture                      |
| Matsuura     | 1,700,000 (700,000×1 1,000,000×1)                   | Jun. 1989                   | Coal                | Matsuura-shi, Nagasaki Prefecture                  |
| Shin-Oita    | 2,875,000 (120,000×6 230,000×4 245,000×3 500,000×1) | Jun. 1991                   | LNG                 | Oita-shi, Oita Prefecture                          |
| Reihoku      | 1,400,000 (700,000×2)                               | Dec. 1995                   | Coal                | Reihoku-machi, Amakusa-gun, Kumamoto Prefecture    |

### Hydroelectric Power (138 locations/maximum output 3,580,328 kW)

| Station name      | Maximum output (kW)   | Operation commencement date | System                                       | Location  |
|-------------------|-----------------------|-----------------------------|--|---|
| Tenzan            | 600,000 (300,000×2)   | Dec. 1986                   | Dam and conduit system (pure pumped-storage) | Karatsu-shi, Saga Prefecture                          |
| Matsubara         | 50,600                | Aug. 1971                   | Dam system                                   | Hita-shi, Oita Prefecture                             |
| Yanagimata        | 63,800                | Jun. 1973                   | Dam and conduit system                       | Hita-shi, Oita Prefecture                             |
| Ohira             | 500,000 (250,000×2)   | Dec. 1975                   | Dam and conduit system (pure pumped-storage) | Yatsushiro-shi, Kumamoto Prefecture                   |
| Kamishiiba        | 93,200                | May. 1955                   | Dam and conduit system                       | Shiiba-son, Higashi Usuki-gun, Miyazaki Prefecture    |
| Iwayado           | 52,000                | Jan. 1942                   | Dam and conduit system                       | Shiiba-son, Higashi Usuki-gun, Miyazaki Prefecture    |
| Tsukabaru         | 67,050                | Oct. 1938                   | Dam and conduit system                       | Morotsuka-son, Higashi Usuki-gun, Miyazaki Prefecture |
| Morotsuka         | 50,000                | Feb. 1961                   | Dam and conduit system                       | Morotsuka-son, Higashi Usuki-gun, Miyazaki Prefecture |
| Hitotsuse         | 180,000               | Jun. 1963                   | Dam and conduit system                       | Saito-shi, Miyazaki Prefecture                        |
| Oyodogawa Daiichi | 55,500                | Jan. 1926                   | Dam system                                   | Miyakonjo-shi, Miyazaki Prefecture                    |
| Oyodogawa Daini   | 71,300                | Mar. 1932                   | Dam and conduit system                       | Miyazaki-shi, Miyazaki Prefecture                     |
| Omarugawa         | 1,200,000 (300,000×4) | Jul. 2007                   | Dam and conduit system (pure pumped-storage) | Kijo-cho, Koyu-gun, Miyazaki Prefecture               |

### Geothermal Power (6 facilities/maximum output 213,200 kW)

| Station name       | Maximum output (kW) | Operation commencement date | Location  |
|--------------------|---------------------|-----------------------------|---|
| Hatchoubaru        | 110,000 (55,000×2)  | Jun. 1977                   | Kokonoe-machi, Kusu-gun, Oita Prefecture                                    |
| Hatchoubaru Binary | 2,000               | Apr. 2006                   | Kokonoe-machi, Kusu-gun, Oita Prefecture                                    |
| Takigami           | 27,500              | Nov. 1996                   | Kokonoe-machi, Kusu-gun, Oita Prefecture                                    |
| Otake              | 13,700              | Aug. 1967                   | Kokonoe-machi, Kusu-gun, Oita Prefecture                                    |
| Yamagawa           | 30,000              | Mar. 1995                   | Ibusuki-shi, Kagoshima Prefecture   |
| Ogiri              | 30,000              | Mar. 1996                   | Makizono-cho, Kirishima-shi and Yusui-cho, Aira-gun in Kagoshima Prefecture |

## Kyushu Transmission and Distribution

### Internal Combustion Power (29 facilities/maximum output 366,610 kW) (including gas turbines on remote islands)

| Station name | Maximum output (kW) | Operation commencement date | Location  |
|--------------|---------------------|-----------------------------|---|
| Shin-Arikawa | 60,000              | Jun. 1982                   | Shinkamigotou-cho, Minami Matsuura-gun, Nagasaki Prefecture |
| Toyotama     | 50,000              | Jun. 1978                   | Tsushima-shi, Nagasaki Prefecture                           |
| Tatsugo      | 60,000              | Jun. 1980                   | Tatsugo-cho, Oshima-gun, Kagoshima Prefecture               |

### Wind Power (1 facility/maximum output 250 kW)

| Station name           | Maximum output (kW) | Operation commencement date | Location                                |
|------------------------|---------------------|-----------------------------|---|
| Koshikijima wind power | 250                 | Mar. 2003                   | Satsumasendai-shi, Kagoshima Prefecture |

### Hydroelectric Power (5 locations/maximum output 3,723 kW)

| Station name | Maximum output (kW) | Operation commencement date | Location |
|--------------|---------------------|-----------------------------|----------|
|              |                     |                             |          |
|              |                     |                             |          |
|              |                     |                             |          |
|              |                     |                             |          |

\* Sendai Power Station Units 1 & 2 are not listed as we decided in March 2022 to decommission them in April 2022

Note 1: The operation commencement date given is that of the oldest unit still in operation.

Note 2: Hydroelectric and internal combustion power plants with output of 50,000 kW or more are listed.

# Subsidiaries and Affiliated Companies

(As of March 31, 2022)

## Consolidated Subsidiaries (48)

| Company Name  | Capital<br>(Millions of yen) | Equity<br>Ownership<br>(%) | Business  |
|---|------------------------------|----------------------------|---|
| <b>Domestic Power Business</b>                                |                              |                            |   |
| Kyushu Electric Power Transmission and Distribution Co., Inc. | 20,000                       | 100.0                      | General power transmission and distribution business  |
| Kyuden Mirai Energy Company, Incorporated                     | 7,770                        | 100.0                      | Renewable energy business and energy supply   |
| <b>Other Energy Service Business</b>                          |                              |                            |   |
| Kyuden International Corporation                              | 38,447                       | 100.0                      | Acquisition and holding of securities of overseas companies operating electricity, gas, and other energy businesses               |
| Oita Liquefied Natural Gas Co., Inc.                          | 7,500                        | 98.0                       | Receipt, storage, regasification, delivery and sale of LNG  |
| Kitakyushu Liquefied Natural Gas Co., Inc.                    | 4,000                        | 75.0                       | Receipt, storage, regasification, delivery and sale of LNG  |
| Kushima Wind Hill Co., Ltd.                                   | 2,821                        | 51.0                       | Sale of electric power from wind generation   |
| Nishinippon Environment Energy Co., Inc.                      | 1,068                        | 100.0                      | Distributed power business and effective energy usage consulting  |
| Kyushu Rinsan Co., Inc.                                       | 490                          | 100.0                      | Greening of power stations and other facilities   |
| Nagashima Wind Hill Co., Ltd.                                 | 490                          | 86.0                       | Sale of electric power from wind generation   |
| Fukuoka Energy Service Co., Inc.                              | 490                          | 80.0                       | Heat supply business  |
| Kyuden Technosystems Corporation                              | 327                          | 85.2                       | Manufacture and sale of electric machinery; installation, maintenance and management of electrical measurement equipment          |
| Kyuden High Tech Corporation                                  | 200                          | 100.0                      | Maintenance and repair of electricity facilities  |
| Kyuden T&D Service Co., Inc.                                  | 200                          | 100.0                      | Survey and design of electricity facilities; wheeling service support   |
| Nishi Nippon Airlines Co., Ltd.                               | 360                          | 54.7                       | Air cargo transportation  |
| Nishinippon Plant Engineering and Construction Co., Ltd.      | 150                          | 85.0                       | Construction, maintenance and repair of power generation facilities   |
| Kyushu Kouatsu Concrete Industries Co., Ltd.                  | 240                          | 51.3                       | Manufacture and sale of concrete poles  |
| Kyuden Sangyo Co., Inc.                                       | 117                          | 100.0                      | Environmental preservation work at power stations   |
| Miyazaki Biomass Recycle Co., Inc.                            | 100                          | 42.0                       | Power generation activities using poultry dung fuel   |
| West Japan Engineering Consultants, Inc.                      | 40                           | 100.0                      | Consultation and planning of civil engineering and construction projects  |
| Koyo Denki Kogyo Co., Ltd.                                    | 20                           | 97.3                       | Manufacture and sale of HV and LV insulators and other items  |
| Nishigi Kogyo, Co., Inc.                                      | 20                           | 74.0                       | Civil engineering and other construction and maintenance projects; manufacture, installation, and maintenance of steel structures |
| Shimonoseki Biomass Energy Co., Ltd.                          | 1                            | 100.0                      | Sale of electricity generated by biomass  |

| Company Name                                  | Capital<br>(Millions of yen)            | Equity<br>Ownership<br>(%) | Business  |
|---|---|----------------------------|---|
| <b>Other Energy Service Business</b>          |   |                            |   |
| Kyushu Electric Australia Pty Ltd.            | 214,721<br>Thousand U.S. dollars        | 100.0                      | Share ownership and management (funding, tax, accounting, etc.) of Kyushu Electric Wheatstone Pty Ltd |
| Kyushu Electric Wheatstone Pty Ltd.           | 201,317<br>Thousand U.S. dollars        | 100.0                      | Ownership of mining interests and assets, trading and sale of output in Wheatstone LNG project        |
| KYUDEN SARULLA PTE. LTD.                      | 166,221<br>Thousand Singapore dollars   | 100.0                      | Geothermal power generation   |
| Kyuden International Netherlands B.V.         | 6,545                                   | 100.0                      | Acquisition and holding of securities of overseas electric companies                                  |
| Kyuden Hsin Tao Power Holdings                | 2,400,000<br>Thousand Taiwanese dollars | 100.0                      | Investment in Hsin Tao IPP business company   |
| Pacific Hope Shipping Limited                 | 4,071                                   | 60.0                       | Purchase, ownership, operation, and chartering (leasing) of LNG carriers                              |
| Kyuden International Americas Inc.            | 1<br>U.S. dollar                        | 100.0                      | Investment in, and acquisition and holding of securities of, overseas electric companies              |
| Kyuden International Europe B.V.              | 1<br>U.S. dollar                        | 100.0                      | Acquisition and holding of securities of overseas electric companies                                  |
| Kyuden International Kleen, LLC               | —                                       | 100.0                      | Investment in overseas electric companies   |
| Kyuden International South Field Energy, LLC  | —                                       | 100.0                      | Investment in overseas electric companies   |
| Kyuden International Westmoreland, LLC        | —                                       | 100.0                      | Investment in overseas electric companies   |
| <b>ICT Service Business</b>                   |   |                            |   |
| QTnet Co., Ltd.                               | 22,020                                  | 100.0                      | Fiber-optic cable and broadband services  |
| Nishimu Electronics Industries, Co., Ltd.     | 300                                     | 100.0                      | Manufacture, sale, installation and maintenance of telecommunication devices                          |
| Kyuden Business Solutions Co., Inc.           | 100                                     | 100.0                      | Development, operation and maintenance of information systems   |
| RKKCS Inc.                                    | 100                                     | 61.3                       | Development and sale of computer software   |
| <b>Other</b>                                  |   |                            |   |
| DENKI BLDG. CO., Ltd.                         | 3,395                                   | 91.9                       | Leasing and management of real estate   |
| Kyuden Business Front Inc.                    | 100                                     | 100.0                      | Temporary staffing and job placement services   |
| Kyuden Good Life Company, Inc.                | 100                                     | 100.0                      | Paid elderly nursing home management and nursing services   |
| Kyuden Good Life Higashifukuoka Company, Inc. | 100                                     | 70.0                       | Paid elderly nursing home management and nursing services   |
| Kyuden Good Life Fukuoka Josui Company, Inc.  | 100                                     | 100.0                      | Paid elderly nursing home management and nursing services   |
| Kyuden Good Life Kumamoto Company, Inc.       | 200                                     | 100.0                      | Paid elderly nursing home management and nursing services   |
| Kyuden Good Life Kagoshima Company, Inc.      | 100                                     | 90.0                       | Paid elderly nursing home management and nursing services   |
| Kyuden Fudousan Co., Ltd.                     | 32                                      | 99.0                       | Buying, selling, and leasing of real estate   |
| Kyuden Business Partner Co., Inc.             | 30                                      | 100.0                      | Outsourced administrative services and consulting   |
| Kyushu Maintenance Co., Ltd.                  | 10                                      | 82.0                       | Cleaning and maintenance of real estate   |
| Kyuden Urban Development America, LLC         | —                                       | 100.0                      | Investment in U.S. real estate business   |

## Non-consolidated Subsidiaries and Affiliated Companies Accounted for under Equity Method (45)

| Company Name                                      | Capital<br>(Millions of yen)            | Equity<br>Ownership<br>(%) | Business  |
|---|---|----------------------------|---|
| <b>Other Energy Service Business</b>              |   |                            |   |
| Washiodake Wind Power Co., Ltd.                   | 10                                      | 100.0                      | Sale of electric power from wind generation   |
| NISHIGI SURVEYING AND DESIGN CO., LTD.            | 10                                      | 100.0                      | Survey, measurement, design, drafting and care of civil engineering/construction projects                             |
| Munakataasty Solar Power Co., Ltd.                | 10                                      | 100.0                      | Sale of electricity generated by solar power  |
| QE1 Flexibility Services LLC                      | 10                                      | 100.0                      | Provision of ancillary services utilizing rechargeable battery systems  |
| Amami Oshima Wind Power Co., Ltd.                 | 10                                      | 75.0                       | Sale of electric power from wind generation   |
| Kyuden T&D Global Co., Inc.                       | 2                                       | 100.0                      | Acquisition and holding of securities of companies operating overseas electric businesses                             |
| Kyuden Innovatech Vietnam Co., Ltd.               | 4,200<br>Thousand U.S. dollars          | 100.0                      | System sales and consulting for dam and power generation operations   |
| KYUDEN ILIJAN HOLDING CORPORATION                 | 3,050<br>Thousand U.S. dollars          | 100.0                      | Investment in Ilijan IPP business company   |
| PT. Thermochem Indonesia                          | 11,050<br>Million Indonesian rupiah     | 95.0                       | Geothermal technical services and consulting  |
| Thermochem Inc.                                   | 17<br>Thousand U.S. dollars             | 100.0                      | Geothermal technical services; research, development, manufacturing, and sale of specialist equipment; and consulting |
| Tobata Co-operative Thermal Power Co., Inc.       | 9,000                                   | 50.0                       | Thermal power generation business   |
| Kyudenko Corporation                              | 12,561                                  | 22.7                       | Electric work   |
| Fukuoka Clean Energy Co., Ltd.                    | 5,000                                   | 49.0                       | Waste incineration and power generation business  |
| Oita Co-operative Thermal Power Co., Inc.         | 4,000                                   | 50.0                       | Thermal power generation business   |
| Kyushu Cryogenics Co., Ltd.                       | 450                                     | 50.0                       | Manufacture and sale of liquid oxygen, liquid nitrogen and liquid argon   |
| Kyuhon Co., Ltd.                                  | 225                                     | 35.9                       | Manufacture and sale of electrical equipment  |
| Seishin Corporation                               | 100                                     | 27.3                       | Sale of electrical equipment  |
| Nishikyushu Kyodo Kowan Co., Ltd.                 | 50                                      | 50.0                       | Operation and maintenance of coal handling equipment  |
| KEYS Bunkering West Japan Co., Ltd.               | 50                                      | 40.0                       | Sale of LNG fuel; ownership of vessels  |
| Kyukon Corporation                                | 100                                     | 15.2                       | Construction and repair of transmission lines   |
| Nishi Nihon Denki Tekkou Co., Ltd.                | 30                                      | 33.5                       | Design, production and sale of steel towers and steel conduits  |
| Tahara Green Biomass LLC                          | 5                                       | 40.0                       | Sale of electricity generated by biomass  |
| Lion Power (2008) Pte. Ltd.                       | 1,161,994<br>Thousand Singapore dollars | 21.4                       | Investment in overseas electric companies   |
| Electricidad Aguila de Tuxpan, S. de R.L. de C.V. | 641,743<br>Thousand Mexican pesos       | 50.0                       | Power generation activities using natural gas fuel  |



| Company Name  | Capital<br>(Millions of yen)            | Equity<br>Ownership<br>(%) | Business   |
|---|---|----------------------------|--|
| <b>Other Energy Service Business</b>                              |   |                            |  |
| Electricidad Sol de Tuxpan, S. de R.L. de C.V.                    | 493,407<br>Thousand Mexican pesos       | 50.0                       | Power generation activities using natural gas fuel   |
| Hsin Tao Power Corporation  | 5,000,000<br>Thousand Taiwanese dollars | 33.2                       | Power generation activities using natural gas fuel   |
| Kyushu Tohoku Enrichment Investing SAS                            | 62,583<br>Thousand Euros                | 50.0                       | Investment in uranium enrichment business  |
| TEPDIA Generating B.V.  | 18<br>Thousand Euros                    | 25.0                       | Acquisition and holding of securities of overseas electric companies                               |
| International Offshore Power Transmission Holding Company Limited | 4,000<br>U.S. dollars                   | 35.0                       | Investment in overseas electric companies  |
| Al Dur Holding Company Limited                                    | 10<br>Thousand UAE dirhams              | 20.0                       | Investment in overseas power generation and desalination companies                                 |
| Sojitz Birdsboro LLC  | 0.1<br>U.S. dollars                     | 25.0                       | Investment in overseas electric companies  |
| AEIF Kleen Investor, LLC  | –                                       | 25.0                       | Investment in overseas electric companies  |
| DGC Westmoreland, LLC   | –                                       | 25.0                       | Investment in overseas electric companies  |
| <b>ICT Service Business</b>                                       |   |                            |  |
| Network Application Engineering Laboratories Ltd.                 | 45                                      | 99.9                       | Development and sale of information and communication systems                                      |
| QTmedia, Inc.   | 40                                      | 99.9                       | Internet website planning, development, and management   |
| RKKCS Software  | 10                                      | 100.0                      | Development and sale of computer software  |
| <b>Other</b>  |   |                            |  |
| Records & Intelligence Management Co., Ltd                        | 80                                      | 98.1                       | Recycling of confidential documents  |
| Q-CAP Co., Ltd.   | 60                                      | 78.3                       | Planning, production and information services for audiovisual data, including subtitles            |
| Sengoku Co., Ltd.   | 61                                      | 67.3                       | Planning and operation of e-sports business  |
| Kyushu Highlands Development Co., Ltd.                            | 10                                      | 100.0                      | Management of lodging facilities   |
| Fish Farm Mirai LLC   | 10                                      | 60.0                       | Farming, processing and sale of fish and shellfish; related consulting services                    |
| Oak Partners Co., Ltd.  | 3                                       | 100.0                      | Real estate management on trust  |
| Hakata Naka6 Kaihatsu Tokutei Mokuteki Kaisha                     | 10,501                                  | 25.0                       | Asset management related to utilization of the former Fukuoka City fruit and vegetable market site |
| Kyushu Housing Guarantee Corporation                              | 272                                     | 33.3                       | Housing and building reviews, assessments and guarantees   |
| Fukuoka Airport Holdings Co., Ltd.                                | 100                                     | 26.7                       | Investment in the airport operations business  |

# SASB INDEX

The table below summarizes the Kyuden Group's results based on the SASB Electric Utilities & Power Generators Standard provided by the International Sustainability Standards Board (ISSB), an arm of the International Financial Reporting Standards (IFRS) Foundation.

The SASB Standards are primarily designed for U.S. companies and markets and therefore include items that are not applicable to the Kyuden Group, but we strive to disclose as much information as possible according to the Standards.

| Disclosure topics                                   | Accounting metrics  | Category                | Unit                  | Code         | Information disclosed   |
|---|---|-------------------------|-----------------------|--------------|---|
| <b>Environment</b>                                  |   |                         |                       |              |   |
| Greenhouse Gas Emissions & Energy Resource Planning | (1) Gross global Scope 1 emissions, percentage covered under<br>(2) emissions-limiting regulations, and<br>(3) emissions-reporting regulations  | Quantitative            | t-CO <sub>2</sub> · % | IF-EU-110a.1 | (1)17,490,000[t-CO <sub>2</sub> ]<br>(2) 0 [%] (no regulated markets in Japan)<br>(3)100[%]<br>Note 1: Scope 1 emissions include direct emissions of greenhouse gases as defined in the Act on Promotion of Global Warming Countermeasures (CO <sub>2</sub> , N <sub>2</sub> O, SF <sub>6</sub> and HFC)  |
|   | Greenhouse gas (GHG) emissions associated with power deliveries   | Quantitative            | t-CO <sub>2</sub>     | IF-EU-110a.2 | 22,400,000[t-CO <sub>2</sub> ](28,800,000[t-CO <sub>2</sub> ])<br>Note 2: Provisional value<br>Note 3: Value in parentheses represent CO <sub>2</sub> emissions generated by Kyushu Electric Power after adjustments made in accordance with the FIT system for renewable energy per the Act on Promotion of Global Warming Countermeasures.  |
|   | Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targetsDiscussion and Analysis | Discussion and Analysis | —                     | IF-EU-110a.3 | In order to make a significant contribution to the realization of a carbon-neutral society as one of Japan's industry leaders in low-carbon and carbon-free efforts, the Kyuden Group has clarified its goals for 2050, revised its management objectives (environmental objectives) for 2030 upward by backcasting, and formulated an Action Plan containing specific strategies for achieving these targets.<br>○ Reduction plan for emissions<br>• Amount of renewable energy developed: 5,000 MW (2030)<br>• Maximum use of nuclear power with safety as a top priority<br>• Lowering the carbon intensity of thermal power<br>• Conversion of all company cars to 100% EVs <sup>*1</sup> (2030)<br>*1: Excl. special purpose vehicles<br>○ Emissions reduction targets<br>2050 goals:<br>• We will reduce greenhouse gas (GHG) emissions from our business activities across the entire supply chain to net zero.<br>• We will contribute to the reduction of GHG emissions in society by promoting a shift to electricity-based energy consumption to the maximum extent possible, providing a stable supply of environmentally-friendly energy, etc.<br>Through these efforts, the Kyuden Group will achieve "carbon negativity" as early as possible before 2050.<br>2030 management (environmental) targets:<br>• We will reduce supply chain GHG emissions <sup>*2</sup> by 60% (compared to FY2013 levels); and by 65% for our domestic business (compared to FY2013 levels).<br>*2: Total for Scopes 1, 2, and 3<br>• We will contribute to the electrification of Kyushu (Household: 70%; Commercial: 60%).<br>○ Analysis of achievement level<br>Reduction of supply chain GHG emissions for FY2021 was 39.94 million tons -CO <sub>2</sub> , about a 35% reduction from FY2013 levels.<br>This result is due to our active development and introduction of renewable energy and stable nuclear power operations. |
|   | (1) Number of customers served in markets subject to renewable portfolio standards (RPS) and<br>(2) percentage fulfillment of RPS target by market  | Quantitative            | Number, %             | IF-EU-110a.4 | The RPS Act, which defined RPS regulations in Japan, was abolished in 2012 and replaced with a FIT system.<br>Note 4: We purchase electricity generated by renewable energy systems at a fixed price.<br>Note 5: The Kyushu region makes up around 10% of Japan's electricity demand, yet the introduction of renewable energy equipment through the FIT system is approximately 20% of the national total.   |

Note: Quantitative data without a time point are actual results for FY2021.

| Disclosure topics   | Accounting metrics  | Category                | Unit                   | Code         | Information disclosed  |
|---------------------|---|-------------------------|------------------------|--------------|--|
| <b>Environment</b>  |   |                         |                        |              |  |
| Air Quality         | Air emissions of the following pollutants: (1) NO <sub>x</sub> (excluding N <sub>2</sub> O), (2) SO <sub>x</sub> , percentage of each in or near areas of dense population                  | Quantitative            | t • %                  | IF-EU-120a.1 | (1)5,358[t], 100[%]<br>(2)3,747[t], 100[%]<br>Note 1: Figures are based on results excluding island-based combustion power plants.   |
| Water Management    | (1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress  | Quantitative            | 1000m <sup>3</sup> • % | IF-EU-140a.1 | (1)5,590[1,000m <sup>3</sup> ], 0[%]<br>Note 2: Main applications: Water for thermal power generation and nuclear power generation (fresh water)<br>Note 3: The above does not include hydroelectric power water (fresh water) or indirect cooling water (seawater) for thermal power generation.<br>(2)2,090[1,000m <sup>3</sup> ], 0[%]  |
|                     | Number of incidents of non-compliance associated with water quantity and/or quality permits, standards, and regulations   | Quantitative            | Number                 | IF-EU-140a.2 | 0  |
|                     | Description of water management risks and discussion of strategies and practices to mitigate those risks  | Discussion and Analysis | —                      | IF-EU-140a.3 | The Kyuden Group manages the following risks regarding the use of water resources, which are essential for the power generation business. To identify water risks, WRI Aqueduct 3.0 tools were used to verify water stress (current and future) in areas where Kyuden Group facilities are located. The results are as follows:<br>• According to the Baseline Water Stress tool, maximum water stress is low-medium in the Kyushu region where the Kyuden Group has installed power plants that use fresh water or seawater, and water-related risks such as droughts are assumed to occur less frequently there. Water-related risks are low, in the hydroelectric power business, we use hydroelectric power station dams and diversion weirs to release the water needed to maintain our rivers. In addition we abide by the set amounts of water that we have permission to take from rivers to produce electricity based on laws and regulations. Where river levels are predicted to rise due to heavy rainfall, we release water from our dams in advance based on water governance agreements with the national government or other authorities. We also cooperate to the fullest extent possible in local disaster prevention. Thermal power operations require a certain amount of external water intake to maintain the water quality needed for power generation. On top of properly managing this intake on a daily basis, we also strive to reduce the level of our intake by recovering and reusing the water using in power generation. In the event that restrictions are placed on the amount of water we can receive due to drought or other circumstances, we will work to maintain our thermal power operations by utilizing the water stored inside our plants effectively and considering other water-saving measures or ways to receive water. Further, as our thermal power generation business and nuclear power generation business use seawater as indirect cooling water for power generation facilities, we monitor the temperature difference between intake water and discharged water. In addition, based on environmental conservation agreements we have entered into, we report on the status of the marine areas around our power plants (water intake and discharge, etc.) to local governments and officials from fishery cooperatives, and exchange opinions with them. |
| Coal Ash Management | Amount of coal combustion residuals (CCR) generated, percentage recycled  | Quantitative            | t • %                  | IF-EU-150a.1 | 631,000[t], 100.0[%]<br>Note 4: Amount of coal ash (fly ash and bottom ash)  |
|                     | Total number of coal combustion residual (CCR) impoundments, broken down by hazard potential classification and structural integrity assessment by the U.S. Environmental Protection Agency | Quantitative            | Number                 | IF-EU-150a.2 | Recycled approximately 100% of coal ash produced at thermal power stations   |

Note: Quantitative data without a time point are actual results for FY2021.

| Disclosure topics                      | Accounting metrics  | Category                | Unit      | Code         | Information disclosed   |
|--|---|-------------------------|-----------|--------------|---|
| <b>Social Capital</b>                  |   |                         |           |              |   |
| Energy Affordability                   | Average retail electric rate for (1) residential, (2) commercial, and (3) industrial customers (per kWh)  | Quantitative            | JPY/kWh   | IF-EU-240a.1 | (1) 20.72 [Yen/kWh]<br>(2) (3) 13.04 [JPY/kWh]<br>Note 1: (1) is the average cost of lighting. (2) and (3) are the average cost of electric power.  |
|  | Typical monthly electric bill for residential customers for (1) 500 kWh and (2) 1,000 kWh of electricity delivered per month  | Quantitative            | JPY       | IF-EU-240a.2 | (1) 14,151 [Yen]<br>(2) 29,480 [Yen]  |
|  | (1) Number of residential customer electric disconnections for nonpayment and (2) percentage reconnected within 30 days   | Quantitative            | Number, % | IF-EU-240a.3 | (1) 151,946<br>Note 2: Service stops resulting from non-payment of electricity fees based on the Specified Retail Supply Agreement<br>(2) 83 [%]<br>Note 3: Percentage of resumptions of service within 7 days of service stop (unable to provide percentage for resumptions within 30 days)  |
|  | Discussion of impact of external factors on customer affordability of electricity, including the economic conditions of the service territory   | Discussion and Analysis | —         | IF-EU-240a.4 | The Electricity Business Act in Japan stipulates that general transmission and distribution operators shall not refuse wheeling service in their supply areas without justifiable grounds. When we accept an application to supply electricity in areas handled by Kyushu Transmission and Distribution, in principle, we supply to the designated area. We believe that there is no difference in the opportunities for consumers to obtain low-cost energy. With that, we recognize that the factors affecting electricity prices include levies for renewable energy generation based on the national system and fuel cost adjustments due to price fluctuations of thermal fuel that affect electricity prices. |
| <b>Human Capital</b>                   |   |                         |           |              |   |
| Workforce Health & Safety              | (1) Total recordable incident rate (TRIR)(no. of accidents per 200,000 working hours)<br>(2) fatality rate, and<br>(3) near miss frequency rate (NMFR) (no. of accidents per 200,000 working hours) | Quantitative            | %         | IF-EU-320a.1 | (1) <b>Employees</b> 0.06, <b>Contractors</b> outside management purview<br>(2) <b>Employees</b> 0, <b>Contractors</b> 1<br>Note 4: We report the number of deaths as SASB standards do not provide a specific calculation formula for the percentage of deaths.<br>(3) Outside management purview<br>Note 5: This information cannot be disclosed because it was not obtained using the measurement method recommended by SASB standards.  |
| <b>Business Model &amp; Innovation</b> |   |                         |           |              |   |
| End-Use Efficiency & Demand            | Percentage of electric utility revenues from rate structures that (1) are decoupled and (2) contain a lost revenue adjustment mechanism (LRAM)  | Quantitative            | %         | IF-FU-420a.1 | Decoupling and LRAM systems have not been introduced in Japan<br>Note 6: Sales increases will come from promoting electrification and offering various services that meet customer needs.   |
|  | Percentage of electric load served by smart grid technology (MWh)   | Quantitative            | %         | IF-EU-420a.2 | Penetration of smart meters: 81 [%]   |
|  | Customer electricity savings from efficiency measures, by market  | Quantitative            | MWh       | IF-EU-420a.3 | We disclose the following quantitative data in lieu of electricity savings.<br>○ Number of electrification and energy-saving solution proposals: Approx. 2,700 (for the 5 years from FY2017 to FY2021)<br>Note 7: Kyushu Electric Power provides a variety of solutions to customers for electrification and energy conservation to achieve carbon neutrality by 2050.<br>(URL: <a href="http://www.kyuden.co.jp/service_index/">http://www.kyuden.co.jp/service_index/</a> )   |

Note: Quantitative data without a time point are actual results for FY2021.

| Disclosure topics                     | Accounting metrics   | Category                | Unit             | Code         | Information disclosed   |
|---------------------------------------|--|-------------------------|------------------|--------------|---|
| <b>Leadership &amp; Governance</b>    |  |                         |                  |              |   |
| Nuclear Safety & Emergency Management | Total number of nuclear power units, broken down by U.S. Nuclear Regulatory Commission (NRC) Action Matrix Column  | Quantitative            | Number           | IF-EU-540a.1 | 6 units (breakdown: 4 units at the Genkai Nuclear Power Station, 2 units at the Sendai Nuclear Power Station)<br>Note 1: Genkai Nuclear Power Station Units 1 and 2 are currently being decommissioned<br>Note 2: Sendai Nuclear Power Station Units 1 and 2 passed inspection under the Nuclear Regulation Authority new regulatory standards and restarted in 2015<br>Genkai Nuclear Power Station Units 3 and 4 passed inspection under the Nuclear Regulation Authority new regulatory standards and restarted in 2018  |
|                                       | Description of efforts to manage nuclear safety and emergency preparedness   | Discussion and Analysis | —                | IF-EU-540a.2 | Kyushu Electric Power is working to maintain and improve the safety and reliability of nuclear power stations by accurately implementing safety activities based on the quality management system for nuclear safety headed by the President and steadily making continuous improvements, including risk management to prevent abnormalities.<br>In addition, we are continuously working to foster and maintain a corporate culture in which each employee can raise their awareness of the various risks of nuclear power, ask what can be done to improve safety, and demonstrate leadership to improve performance. We have also established the Nuclear Safety and Reliability Improvement Committee comprised of outside experts as a mechanism to receive opinions on our efforts to improve the safety and reliability of nuclear power from a third-party perspective, providing us with objective and specialist assessments and recommendations. |
| Grid Resiliency                       | Number of incidents of non-compliance with physical and/or cybersecurity standards or regulations  | Quantitative            | Number           | IF-EU-550a.1 | 0 (number of non-compliance issues with cybersecurity regulations)  |
|                                       | (1) System Average Interruption Duration Index (SAIDI), (2) System Average Interruption Frequency Index (SAIFI), and (3) Customer Average Interruption Duration Index (CAIDI), inclusive of major event days | Quantitative            | Minutes, Outages | IF-EU-550a.2 | (1) 3 [minutes] (excl. disasters such as typhoons: 2 mins.)<br>(2) 0.07 [outages] (excl. disasters such as typhoons: 0.05 outages)<br>(3) 42.9 [mins/outage] (excl. disasters such as typhoons: 40 mins./outage)  |

Note: Quantitative data without a time point are actual results for FY2021.

**Activity Metrics**

| Activity Metric  | Unit   | Code        | Information disclosed   |
|--|--------|-------------|---|
| Number of: (1) residential, (2) commercial, and (3) industrial customers served  | Number | IF-EU-000.A | (1) 7,120,000<br>(2) (3) 720,000<br>Note 2: (1) is the number for lighting. (2) and (3) are the number for electric power. Note 3: Non-consolidated results for Kyushu Electric Power.  |
| Total electricity delivered to: (1) residential, (2) commercial, (3) industrial, (4) all other retail customers, and (5) wholesale customers | MWh    | IF-EU-000.B | The total for (1) to (4) is 79,445,000 [MWh] (retail electric power sales)<br>(5) 17,830,000 [MWh] (wholesale electric power sales)   |
| Length of transmission and distribution lines  | km     | IF-EU-000.C | • Transmission lines: Overhead 16,762 [km], underground 1,430 [km] (line extensions)<br>• Distribution lines: Overhead 141,519 [km], underground 2,166 [km] (span)  |
| • Total electricity generated<br>• Percentage by major energy source<br>• Percentage in regulated markets                                    | MWh, % | IF-EU-000.D | • Total electricity generated: 62,551,122 [MWh]<br>• Percentage by major energy source: Hydroelectric power: 7.23 [%], Coal: 23.18 [%], LNG: 16.86 [%], Thermal power (other): 0 [%], Nuclear: 50.92 [%], Geothermal: 1.81 [%], Biomass: 0.01 [%]<br>• Percentage in regulated markets: Not applicable (as no regulated markets in Japan) |
| Total wholesale electricity purchased  | MWh    | IF-EU-000.E | 41,730,000 [MWh] (Total for electricity supplied by or purchased from other companies)  |

Note: Quantitative data without a time point are actual results for FY2021.



## Frequently Asked Questions (IR FAQ)

### Q1 What overall impact will the trend toward carbon neutrality have on Kyushu Electric Power's future performance?

In order to achieve carbon neutrality, it is crucial to promote both lower carbon intensity and decarbonization on the supply side and electrification on the demand side. In terms of supply, we have been working to reduce the carbon intensity of our energy sources by making use of renewable energy and nuclear power generation in an aim to achieve a low-carbon and sustainable society. As a result, we have achieved the industry's highest ratio of zero-emission and FIT energy sources.\* (\*FY2019 58% (incl. FIT energy sources))

Nuclear power is both an environmentally friendly and economical source of power, and with significant growth expected in our renewable energy business, we anticipate increased earnings in both areas. We believe that maximizing the use of nuclear power and making renewables our primary source of power in an aim to achieve carbon neutrality will have a strong positive impact on our business performance.

On the demand side, Kyushu's rate of electrification stood at about 23% as of FY2018. This is lower than the national average of 26%, and we believe that this represents ample potential for further electrification. The shift to electric vehicles (EVs) is also expected to continue, and we see these business opportunities favorably contributing to our future performance.

### Q2 What is your vision for the future of your nuclear power business?

We consider nuclear power to be an important source of baseload power needed to achieve both carbon neutrality and a stable supply of electricity, and one that will continue to play a key role. In addition to being a stable power source unaffected by weather or climate, it is notable for the fact that it emits no CO<sub>2</sub> during operation.

It also boasts lower and more stable fuel costs than thermal power and we can expect to generate revenue from the non-fossil value trading market, making it an adequately competitive source of power from a medium- to long-term perspective.

Moving forward, we will continue to make maximum use of our nuclear power stations currently in operation as we continuously work to improve their safety and reliability, based on the basic premise of prioritizing the safety and understanding of local communities.

### Q3 How are you progressing toward your goal of ¥50 billion in ordinary income for your growth businesses by 2025?

Our ¥50 billion ordinary income target for our growth businesses by 2025 is comprised of a ¥35 billion goal for our energy Service Business, namely our renewable energy business and overseas business, as well as a ¥15 billion goal for our ICT service and urban development businesses. About 90% of this ¥50 billion target is expected to come from projects we have already invested in or have decided to invest in, and we are therefore confident that we will reach this target. We will work to identify quality projects, including projects that are already underway, to further bolster our profits.

### Q4 What is Kyushu Electric Power's basic policy when it comes to shareholder returns?

Our basic policy on shareholder returns has historically been to maintain stable dividends, making decisions based on a comprehensive review of our recent business performance, income and expenditures, and financial condition. Moving forward, we will first continue our efforts to restore our dividends to their pre-Great East Japan Earthquake level of ¥50 per share as soon as possible during the current financial objective period (~FY2025). Once accomplished, we will consider profit sharing based on our growth in areas other than our domestic electric power business as we strive to further enhance shareholder returns while maintaining stable dividend payments.

### Q5 What is the outlook for your future business performance?

With our nuclear power utilization rate slated to decline as a result of the prolonged construction schedule for the SSFs being installed at Genkai, we are facing a temporary downside to our FY2022 business performance. On top of this, we are faced with extreme uncertainty over fuel price trends stemming from the state of affairs between Russia and Ukraine. However, we are working to mitigate the negative impacts these may have through Group-wide cost cutting efforts and other measures. From FY2023 onward, the completion of the SSFs at Genkai during FY2022 is expected to improve our nuclear operation rate and help make us less susceptible to fuel price fluctuations, thereby ensuring more stable profits.

We will continue working to steadily increase earnings to achieve our FY2025 financial objective of reaching ¥125 billion in consolidated ordinary income.

# Corporate Data (As of March 31, 2022)

## Company Overview

|                       |  |  |
|-----------------------|--|--|
| Trade Name            | Kyushu Electric Power Company, Incorporated  |  |
| Head Office           | 1-82, Watanabe-dori 2-chome, Chuo-ku, Fukuoka<br>810-8720, Japan Phone +81-92-761-3031 |  |
| Tokyo Branch Office   | 7-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo<br>100-0006, Japan Phone +81-3-3281-4931     |  |
| Date of Establishment | May 1, 1951  |  |
| Paid-in Capital       | ¥237,300 million   |  |
| Number of Employees   | 5,235  |  |

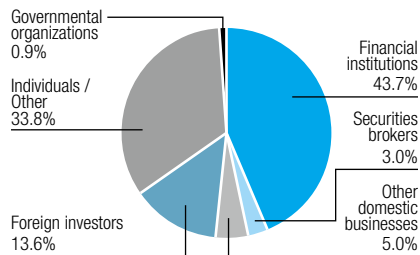
Note: No. of employees denotes employees working for the parent company. The no. of employees for the entire Group (parent and consolidated subsidiaries) is 21,226.

## Stock Information

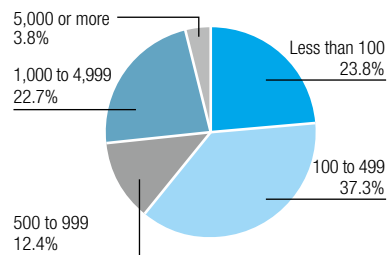
|   |  |               |
|---|--|---------------|
| Total Number of Shares Authorized       | 1,000,000,000 shares   |               |
|   | Common stock:  | 1,000,000,000 |
|   | Class A preferred shares:  | 1,000         |
| Number of Shares Issued and Outstanding | Common stock:  | 474,183,951   |
|   | Class A preferred shares:  | 1,000         |
| Number of Shareholders                  | Common stock:  | 159,789       |
|   | Class A preferred shares:  | 3             |
| General Meeting of Stockholders         | June   |               |
| Fiscal Year                             | From April 1 to March 31   |               |
| Stock Listings                          | Tokyo Stock Exchange, Fukuoka Stock Exchange<br>(Code: 9508)                             |               |
| Transfer Agent and Registrar            | Sumitomo Mitsui Trust Bank, Limited<br>4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan |               |
| Accounting Auditor                      | Deloitte Touche Tohmatsu LLC   |               |

## Common stock

Share Ownership Composition (By Shareholder Type)



Shareholder Composition (By Number of Shares Held)



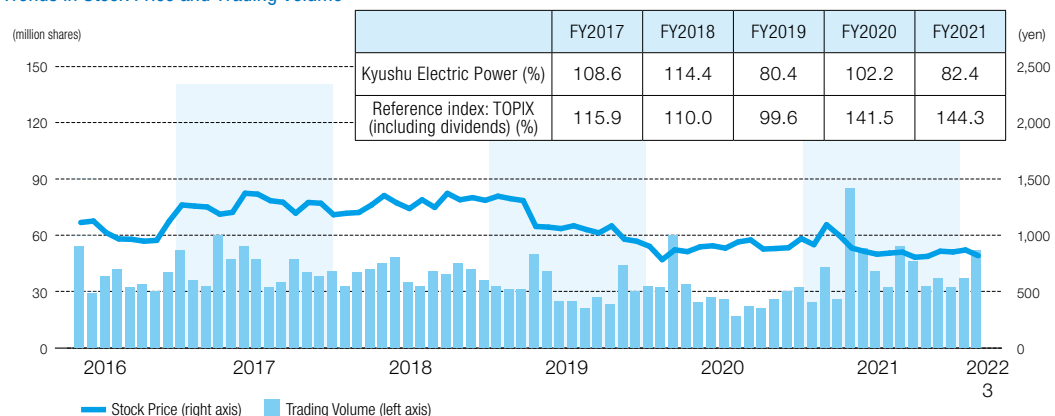
## Major Shareholders

| Name  | Number of Shares Held (thousand shares) | Shareholding Ratio (%) |
|---|---|------------------------|
| The Master Trust Bank of Japan, Ltd. (trust unit)                   | 71,811                                  | 15.2                   |
| Meiji Yasuda Life Insurance   | 22,882                                  | 4.8                    |
| Custody Bank of Japan, Ltd. (trust unit)                            | 21,791                                  | 4.6                    |
| Kyushu Electric Power Co., Inc. Employees' Shareholding Association | 11,882                                  | 2.5                    |
| Nippon Life Insurance Company                                       | 11,810                                  | 2.5                    |
| The Bank of Fukuoka, Ltd.   | 8,669                                   | 1.8                    |
| Mizuho Bank, Ltd.   | 7,252                                   | 1.5                    |
| JP MORGAN CHASE BANK 385781   | 5,951                                   | 1.3                    |
| Sumitomo Mitsui Banking Corporation                                 | 5,931                                   | 1.3                    |
| STATE STREET BANK WEST CLIENT - TREATY 505234                       | 4,672                                   | 1.0                    |

## Class A preferred shares

| Name                           | Number of Shares Held (shares) | Shareholding Ratio (%) |
|--------------------------------|--------------------------------|------------------------|
| Mizuho Bank, Ltd.              | 400                            | 40.00                  |
| Development Bank of Japan Inc. | 400                            | 40.00                  |
| MUFG Bank, Ltd.                | 200                            | 20.00                  |

## Trends in Stock Price and Trading Volume



## On the Publication of the Kyuden Group Integrated Report 2022

The Kyuden Group has been publishing an integrated report since fiscal 2021, in order to disclose a uniform account that weaves together our medium- to long-term vision, strategies, major policies, and other information.

The Kyuden Group is promoting sustainability management that simultaneously creates social value and corporate value through its business activities. In April 2022, we identified Materiality (key management issues) to realize this goal.

Since last year, there is growing uncertainty over the energy market due to a combination of factors, including decarbonization, post-COVID-19 transition, and the Russia-Ukraine crisis. Even under these circumstances, the Kyuden Group will steadily advance these materiality initiatives to contribute to a sustainable society and create medium- to long-term growth for our company.

In the Kyuden Group Integrated Report 2022, we based our value creation process around materiality, i.e., how our concrete initiatives will lead to increasing corporate value in the medium-to long-term. Specifically, the report elaborates on the progress on our financial objectives and business performance targets for achieving the Management Vision 2030, the in-depth scenario analysis based on TCFD recommendations and expanded quantification of financial impact, as well as governance information (e.g., officer compensation system, efficiency assessment of the Board of Directors).

This report is prepared under the editorial leadership of the Corporate Strategy Division and in collaboration with a range of company departments. As the Chief ESG Officer responsible for the creation of this report, I would like to state that the report preparation process was appropriate and that close attention was given to accuracy.

We hope that this report—one of the communication tools to engage with stakeholders—will help to further deepen understanding of the Group. We will continue to actively engage in dialogue with stakeholders in order to enrich the report and would be delighted to receive your frank views and feedback on this report.



Makoto Toyoma

*Makoto Toyoma*

Member of the Board of Directors,  
Vice-Presidential Executive Officer,  
Chief ESG Officer

### Created by, and inquiries to:

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