

# 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 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.

Former Financial Objectives (FY2017-FY2021)

Medium-term Management Plan (Annual 5-year rolling plan)  
Financial Objectives (FY2021-FY2025)

Management Vision 2030  
Management Targets (FY2030)

Carbon Neutral Vision 2050  
Achieve Carbon Negativity as Early as Possible before 2050

### 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 • Domestic electricity business: ¥75 billion • Growth businesses: ¥50 billion
Financial soundness	Equity ratio: approx. 20%

Perspective	Reference Indices*1 (FY2025)
Profitability	ROE: approx. 8% Total electric power sales: 105 billion kWh
Growth potential	Growth investments: ¥500 billion*2 • Renewable energy (restated): ¥250 billion*2
	FCF: ¥70 billion (Secure five-year cumulative profitability)
Power output	• Renewable energy developed: 4,000 MW • 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	<p>¥150 billion</p> <p><small>(50% from domestic electricity business, 50% from other businesses)</small></p>	Total electricity sales volume (retail, wholesale, overseas)	<p>120 billion kWh</p>
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Building a sustainable community together

90 billion kWh As of 2018	<p>Target 120 billion kWh</p> <p>2030</p>
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Permanent pursuit of a reasonable price for electricity

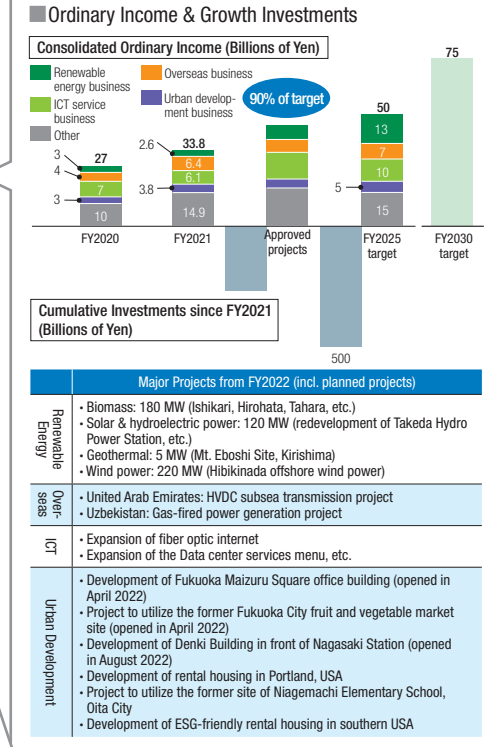
#### Management Targets (Environmental Targets)

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

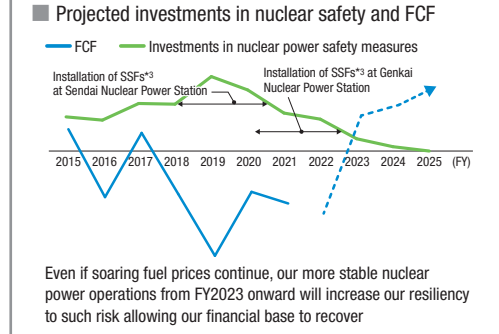
● Progress toward Our Financial Objectives and Management Targets (Environmental Targets) (→For more detailed information, please refer to the Financial and Non-financial Highlights section. P30-33)

Perspective	Indicator	Target (FY2025)	Performance		Progress & Future Issues
			FY2020	FY2021	
Profitability	Consolidated ordinary income <i>Excluding delayed effects</i>	Over ¥125 billion	¥55.1 billion*1 ¥46.1 billion*1	¥32.3 billion*1 ¥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 ¥21 billion	¥2.1 billion ¥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 Potential	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
	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
	Renewable Energy Developed	4,000 MW	2,430 MW	2,910 MW	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) 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).
	Overseas Equity Output				

Progress toward Financial Objectives in Growth Businesses



Outlook for Cash Flow to Strengthen Financial Base



\*1: After elimination of inter-segment transactions  
\*2: Includes amount (approx. 2%) recognized as capital from hybrid corporate bonds (issued October 2020). \*3: Specific Safety Facilities  
\*4: Calculations are based on the energy consumption statistics by prefecture reported by the Agency for Natural Resources and Energy  
\*5: CO2 emissions (baseline emissions) from Kyushu Electric Power's domestic retail sales as defined in the Act on Promotion of Global Warming Countermeasures

## ● 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.

#### Domestic Electricity Business

- Ensure ROIC greater than the cost of capital (COC) on a consistent basis, balancing efficiency and stable power supply

#### Growth Businesses Renewable Energy / Overseas / ICT / Urban Development, etc.

- Aim to achieve ROIC significantly greater than the COC over the medium- to long-term through the selection and concentration of projects/ investments



### Corporate Strategy Division

- To set ROIC targets by business segment and monitor progress
- To review the allocation of management resources and optimize the business portfolio

Securing and improving ROIC (consolidated basis) > COC

## 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