

Annual Report 2017

Make a brighter future for generations to come



Nagasaki City, Nagasaki Prefecture



**KYUSHU ELECTRIC
POWER CO., INC.**

Make a brighter future for generations to come

Kyushu Electric Power's brand message,
"Make a brighter future for generations to come,"
expresses our desire amid changing times to remain unchanged in
delivering a stable supply of energy, including electricity, and
contributing towards a comfortable and environment-friendly lifestyle today and
for generations to come.

The phrase "comfortable and environment-friendly lifestyle"
contains the meaning of "enjoying a pleasant life every day and
connecting that to a better global environment, which enriches human hearts and
connects to comfort so we want to contribute to a sustainable society."

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





**Steady and reliable,
Earth-friendly energy.**

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



**In company with Kyushu.
And to 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.



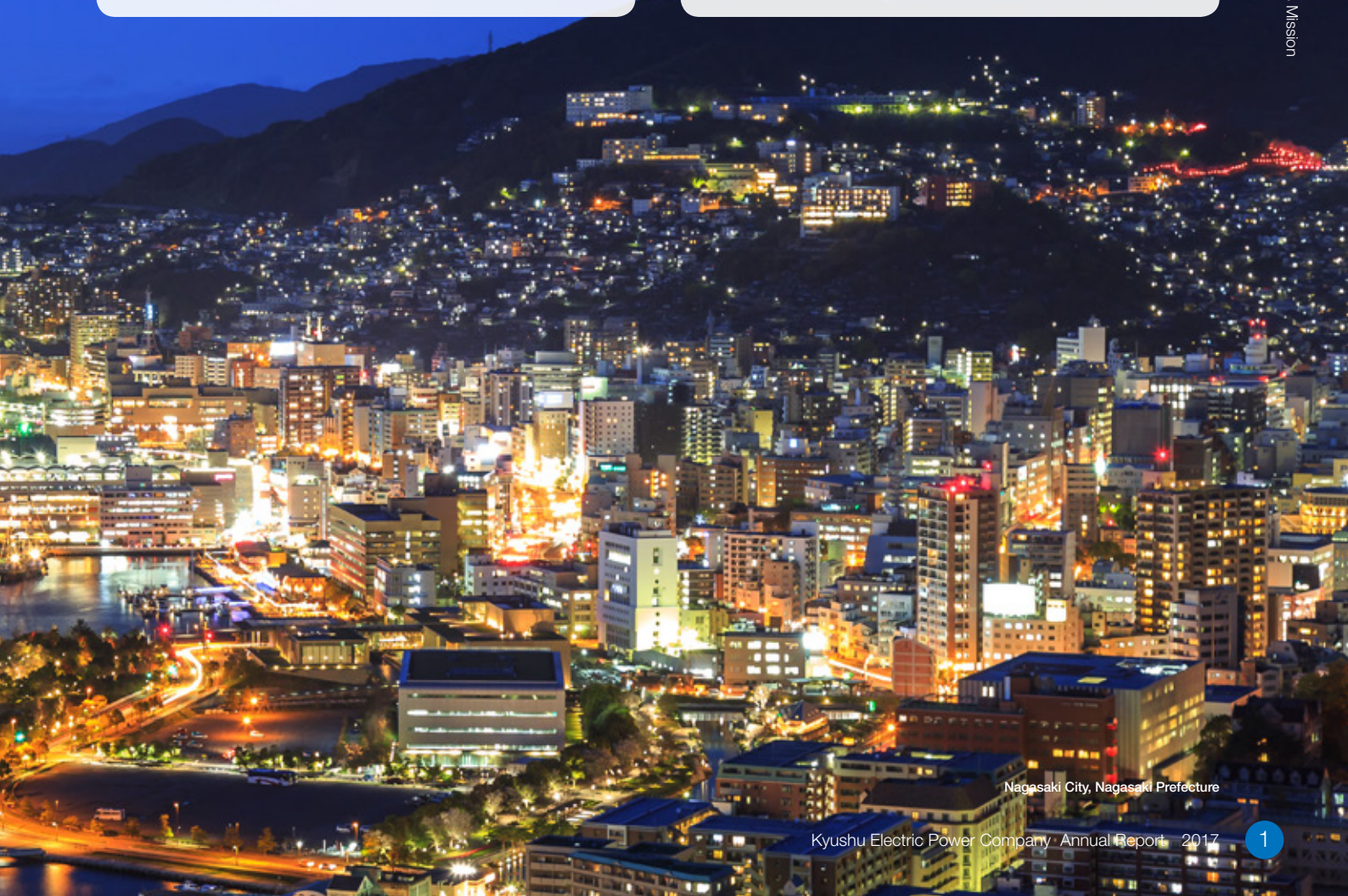
**Services that
truly satisfy**

We will offer services that place the gaining of trust from the customer as top priority. We would like to listen to the various voices of our customers in order to respond to their needs with services that truly satisfy.



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

We will discover solutions that lead to a better tomorrow through honest, sincere and active discussions, believing in people's potential and mutually respecting personalities, and we will put these solutions into practice.





Chairperson

M. Nuki

President

M. Urie

To our shareholders and investors,

First, we would like to express our gratitude to all of you for your loyal patronage and support of Kyushu Electric Power.

In FY2016 earnings had been in the black for two consecutive years due to group-wide cost reduction efforts and a decrease in fuel costs because of stable operation of the Sendai Nuclear Power Station, though extraordinary losses associated with the Earthquake in 2016 were recorded.

In FY2017, we will strive to improve our financial conditions and make every group-wide effort to promote initiatives for the early restart of Genkai Nuclear Power Station and thorough management efficiency throughout business activities, etc.

Aiming to become a corporate group that provides Japan's best energy services as we declared in Kyushu Electric Power Group's Medium-term Management Policy, we will make efforts to not only provide a stable supply of electric power but also provide diverse energy services, reinforcing the organization and developing human resources that are the foundation of business.

In realizing the medium-term management policy, we regard safe and stable operation of nuclear power stations of particular importance. We are aiming to instill the continuous drive to improve the safety and reliability of nuclear power stations into our "Kyuden DNA," our inherited mission sense to provide a stable supply of electric power.

We ask for the understanding and support of all our shareholders and investors as we move toward our goals.

July 2017

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Editorial Policy

About Annual Report 2017

Annual Report 2017 is published with the objective of enabling shareholders and investors to gain an understanding of how Kyushu Electric Power Company will create corporate value over the long term, and reports in an integrated style on financial and non-financial information.

The International Integrated Reporting Framework released by the International Integrated Reporting Council has been used as a reference in editing this report. Readers' opinions regarding this report will be used as a reference to create easily understandable reports in the future.

About This Report

This report is a compilation of information regarding the Kyushu Electric Power Group's business intended for shareholders and investors.

Issue date

July 2017

Previous report:	July 2016
Next report:	July 2018

Reporting Period

Reporting on financial information essentially covers fiscal 2016 (April 2016 to March 2017). However, the report also contains some data from fiscal 2017 in the interests of providing timely information.



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Website Information

<IR site>

For shareholders and investors

http://www.kyuden.co.jp/en_index.html

Please refer to our website for more detailed information.

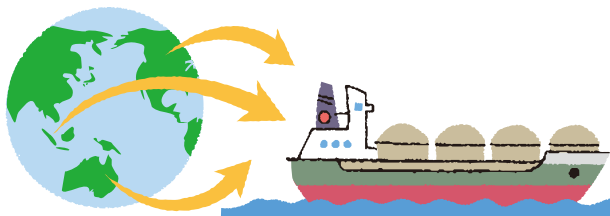


Note Regarding Forward-looking Statements

Statements made in this report regarding Kyushu Electric Power 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.

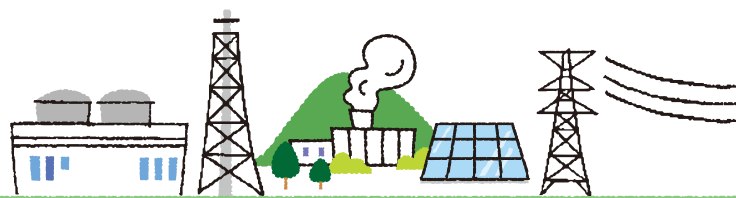
Kyushu Electric Power's Supply Chain

Fuel procurement



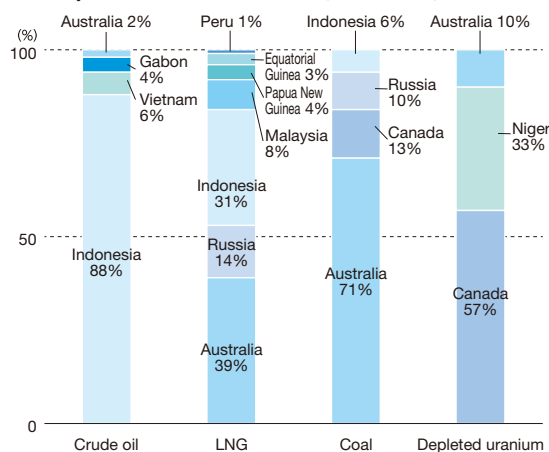
Kyushu Electric Power is strengthening its fuel procurement through such ways as diversification of fuel procurement, participation in resource development and production projects and introduction of fuel trading (adjustment of fuel volume and price management). We strive for cost reduction in fuel transportation by using our own LNG tanker and chartered ships for shipping.

Power generation



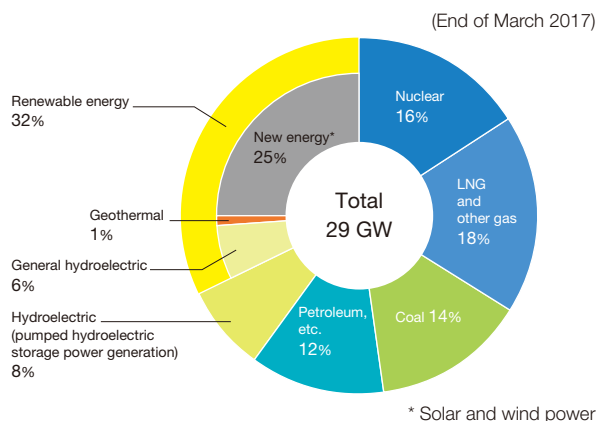
We generate power through a combination of a best balance from various types of power sources from the perspective of securing long-term, stable energy in such ways as taking countermeasures against global warming and economic power supply, promoting nuclear power on the assumption of safety and security, actively developing and installing renewable energies such as solar, wind and geothermal power and improving the efficiency of thermal power.

Fuel procurement status (fiscal 2016)

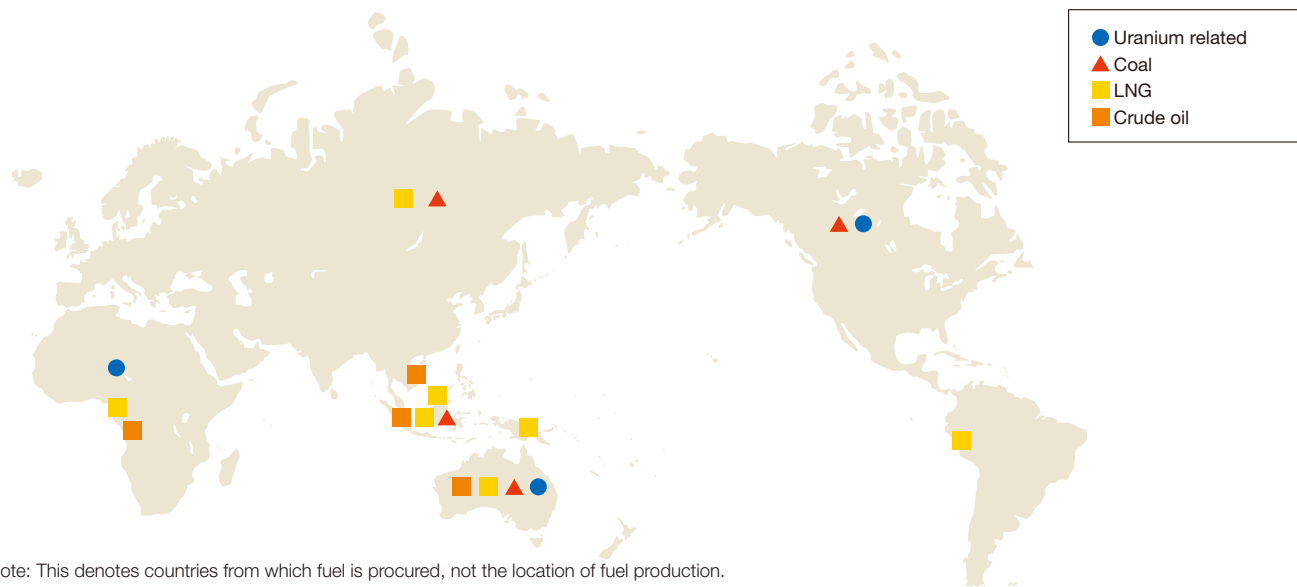


Composition of capacity for all facilities (GW)

(Including power purchased from other companies)

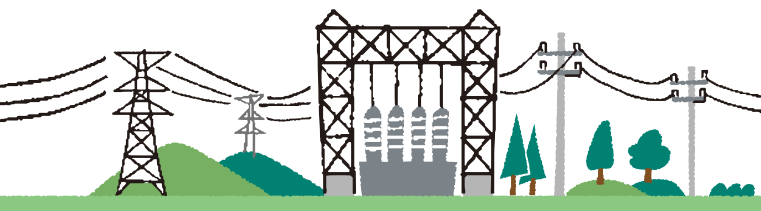


Regional fuel procurement status (fiscal 2016)



Note: This denotes countries from which fuel is procured, not the location of fuel production.

Power transmission and distribution



We deliver a stable supply of electricity, sending it along transmission lines from power stations to substations, and along distribution lines from substations to places such as homes and factories.

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

● Power transformation, transmission and distribution (as of March 31, 2017)

Transformation	Number of substations	595	
	Capacity	74,299,000 kVA	
Transmission	Length of transmission lines	10,793 km	
	Supporters	Steel towers	approx. 25,000
		Others (concrete poles, etc.)	approx. 40,000
Distribution	Length of distribution lines	141,090 km	
	Supporters	Concrete poles	approx. 2,396,000
		Others (steel towers, etc.)	approx. 42,000

● Power transformation, diagram (as of March 31, 2017)

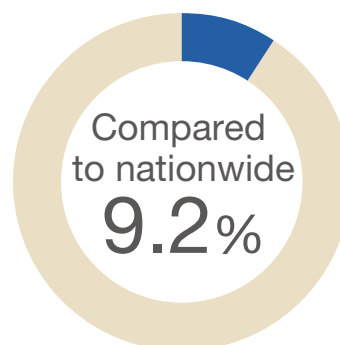


Energy services



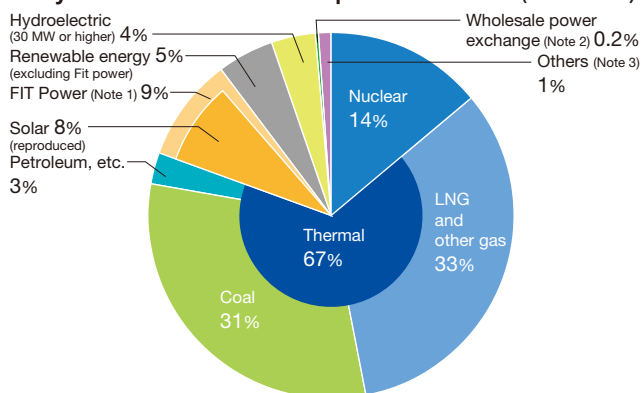
We provide various energy services that respond to the diverse needs of customers, including proposals for plans and services meeting the requirements of household customers and one-stop energy services for corporate customers.

● Kyushu Electric Power's sales as a ratio of the entire electricity business (fiscal 2016)



Reference: Report on Total Electric Power Demand for Fiscal 2016 (Agency for Natural Resources and Energy)

● Kyushu Electric Power's power sources (fiscal 2016)



Note 1: Feed-in tariff (FIT) system for renewable energy
Kyushu Electric Power's electricity procurement costs are partially financed by a levy on all electricity users, including non-customers. As a result, these CO₂ emissions from electricity are regarded as the national average of CO₂ emissions from electricity, including that generated through sources such as thermal power.

* Subject to powers generated by solar, wind, hydroelectric (below 30 MW), geothermal, and biomass.

Note 2: Power procured from wholesale power exchange
This electric power includes hydroelectric, thermal, nuclear, FIT, and renewable energy powers.

Note 3: Others
Includes power procured from other companies for which the power station cannot be specified.

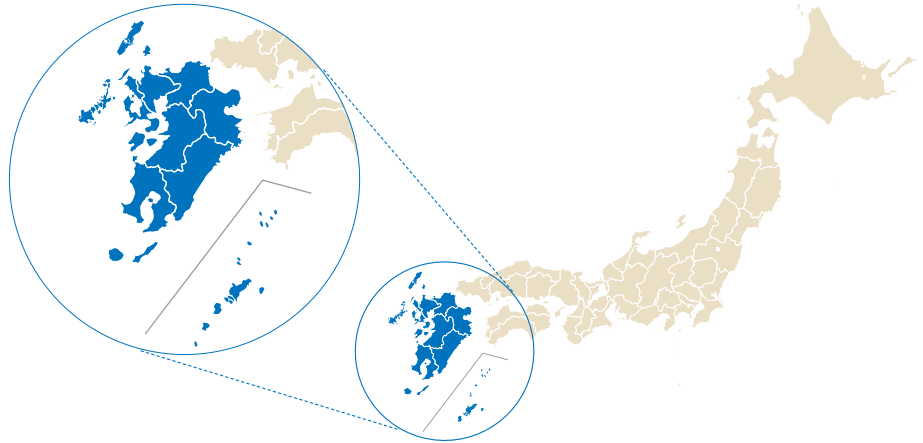
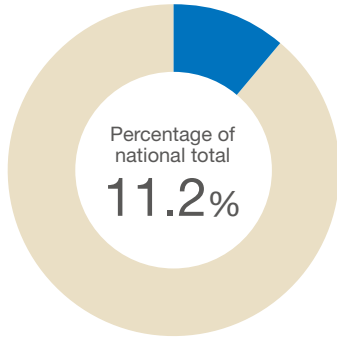
* Calculated and announced based on "Formulation of the Guidelines Concerning the Management of the Electricity Retail Business" by the Ministry of Economy, Trade and Industry

* Calculated on the basis of power generated by Kyushu Electric Power and volume of power purchased from other companies (includes remote islands)

Snapshot of Kyushu

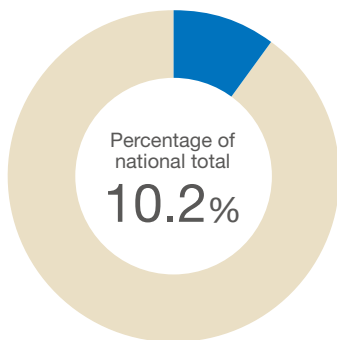
Area (As of October 1, 2016)

42,232 km²
(377,971 km²)



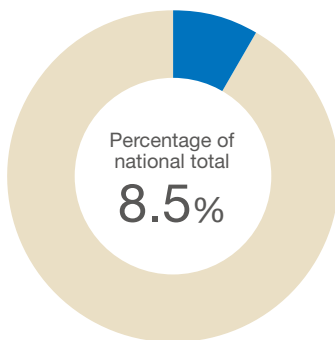
Population (As of October 1, 2016)

12,970,000
(126,930,000)



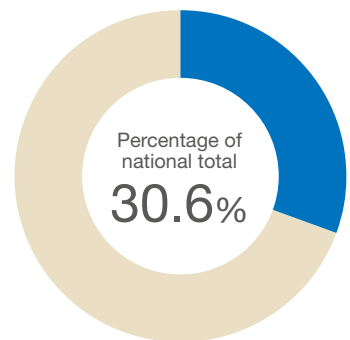
Nominal gross regional product (Fiscal 2014)

Approx. ¥44 trillion
(¥514 trillion)



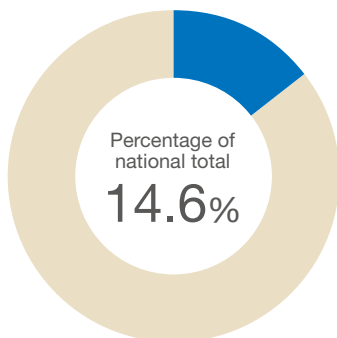
IC production value (Fiscal 2016)

¥719.6 billion
(¥2,352.7 billion)



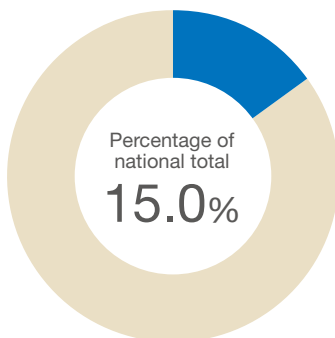
Automobile production (Fiscal 2016)

1,370,000
(9,360,000)



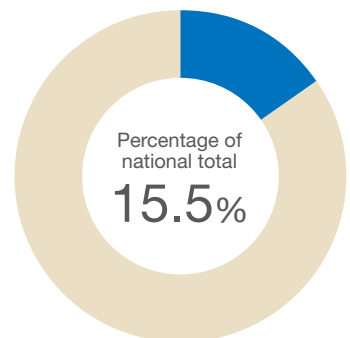
Crude steel production (Fiscal 2016)

15,790,000 tons
(105,170,000 tons)



Non-Japanese entrants (Fiscal 2016)

3,720,000
(24,040,000)



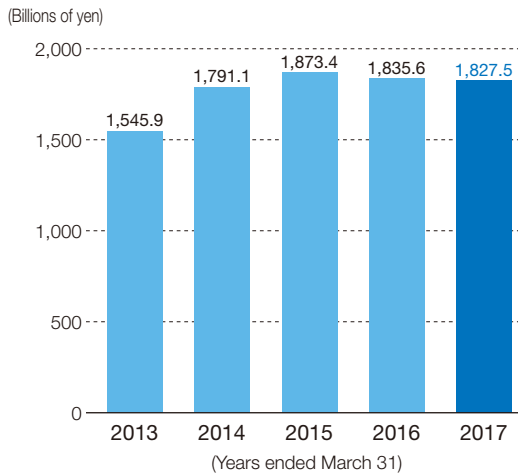
* National total figures are in parentheses

(Source) Geospatial Information Authority of Japan "Areas of prefectures and municipalities in Japan," Ministry of Internal Affairs and Communications "Population Census 2015," Cabinet Office "Report on Prefectural Accounts," Kyushu Bureau of Economy, Trade and Industry "Recent Economic Trends within the Jurisdiction" and Japan National Tourism Organization "Foreign Tourist Statistics"

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries

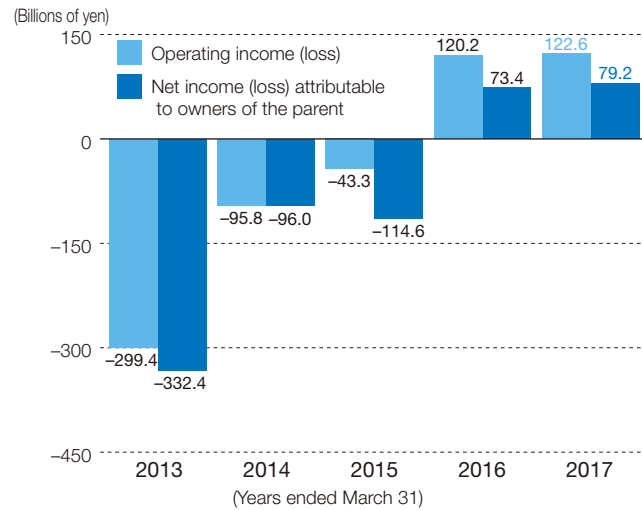
Sales (Operating revenues)

¥1,827.5 billion



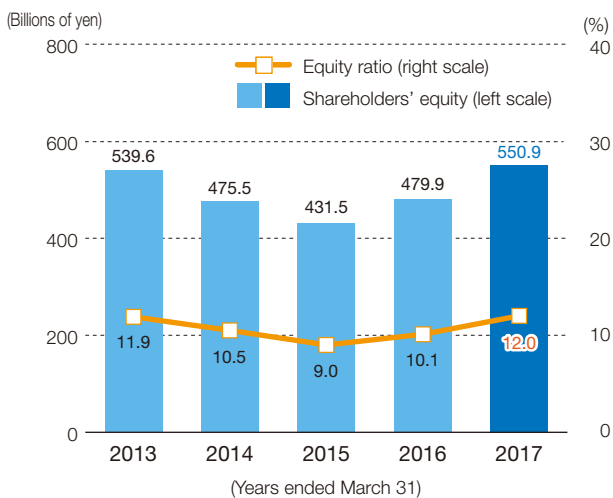
Net income (loss) attributable to owners of the parent

¥79.2 billion



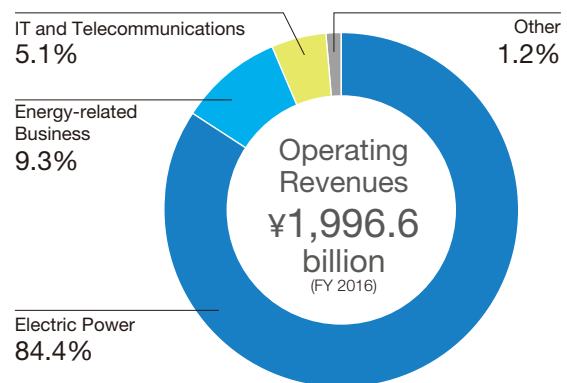
Equity ratio

12.0%



Ratio of Electricity Business in sales (includes intra-company transactions)

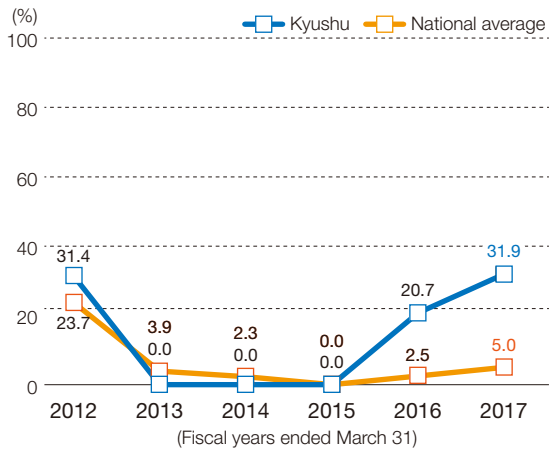
84.4%



▶ See the [Financial Section \(P.52-88\)](#) for detailed financial information

Nuclear power utilization rate

31.9%

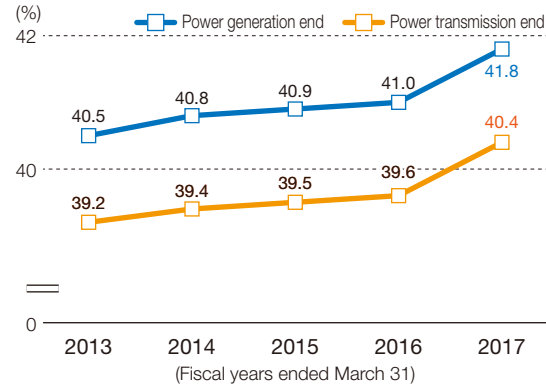


Following the resumption of normal operations at Sendai Nuclear Power Station Units 1 and 2 in 2015, the utilization rate returned to 31.9%. We are aiming for early resumption of operations at Genkai Nuclear Power Station to provide a stable supply of electric power and fundamental improvement in revenues.

▶ Please refer to the [ESG Section](#) regarding nuclear power generation safety measures (See pp. 44-45)

Total thermal efficiency for thermal power stations (power transmission end)

40.4% (Higher heating value)



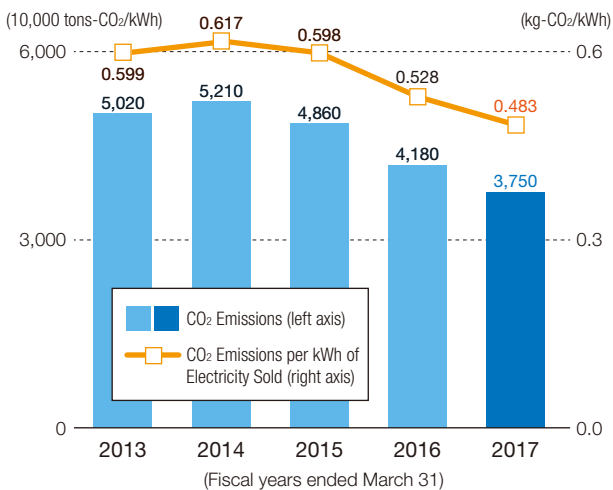
Note: Heating values are calculated on a higher heating value base

In fiscal 2016, we maintained a high level of thermal efficiency (40.4% at the power transmission end) by keeping highly efficient LNG-fired and coal-fired thermal power plants operating at high levels, in addition to commencing in June the commercial operation of Shin-Oita Power Station Unit 3 (Turbine 4), a combined cycle power generation system boasting the highest efficiency in the world.

Sustainability Highlights

CO₂ emissions per kWh of electricity sold

0.483 kg-CO₂/kWh (Provisional value)



The stable operation of the Sendai Nuclear Power Station Units 1 and 2 throughout the year (except for regular inspection periods) and the increase in power generated by renewable energies enabled a decrease of CO₂ emissions by about 10% compared to fiscal 2015.



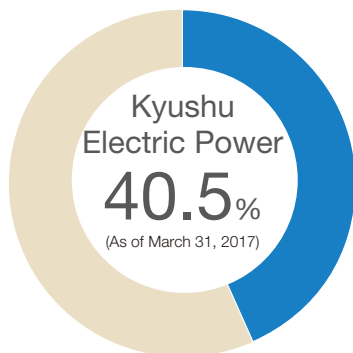
Sendai Nuclear Power Station

▶ Please refer to the [ESG Section](#) for main environmental initiatives (See pp. 46-47)

Capacity of geothermal power generation equipment

208 MW

Ratio of Kyushu Electric Power among all power businesses
(Excluding private power generation)



Kyushu Electric Power owns about 40% of all Japan's geothermal power generation facilities, including the Hatchoubaru Geothermal Power Station, Japan's largest, and total power accounts for more than 50% of all power generated nationally.



Hatchoubaru Geothermal Power Station



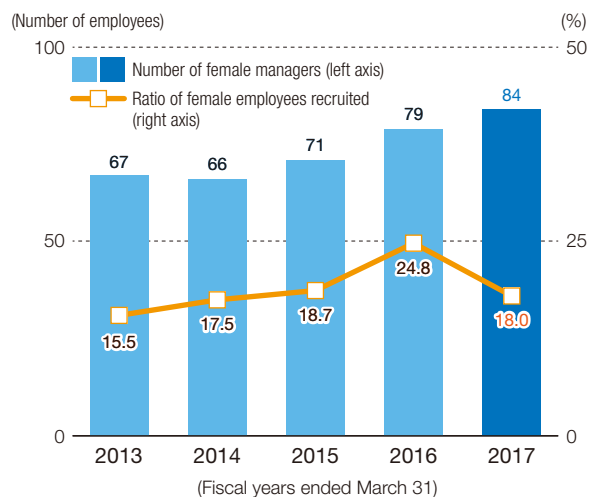
Takigami Geothermal Power Station



Ogiri Geothermal Power Station

Ratio of female employees recruited

18.0%

 (Administrative work only 45.3%)


In March 2016, we formulated the Action Plan to Promote an Active Role for Women to develop initiatives to nurture female employees.

We received "Eruboshi" certification based on the Act of Promotion of Women's Participation and Advancement in the Workplace.

In July 2016, we were certified by the Minister for Health, Labour and Welfare as a company with an outstanding record of initiatives to promote an active role for women. (Second company in Kyushu to be so certified)



Eruboshi certification logo

▶ Please refer to the [ESG Section](#) for initiatives for promoting an active role for women (See p. 51)

Interview with the President



Michiaki Uriu
President

Q1 How would you review fiscal 2016 overall?

A1 It was a year of solid progress amid major changes in the business environment.

Kyushu Electric Power entered an era of all-out competition with the full deregulation of the retail electricity sector in April 2016.

Customers do not choose their electric power company based on the lowest price alone. We believe they also take into consideration service, contributions to the region, and reliability.

Headquartered in Kyushu, Kyushu Electric Power has been in the electric power business for more than 60 years, growing alongside everyone in the Kyushu region.

On the occasion of the full deregulation of the retail

electricity sector, we now offer rate plans that customers can choose based on their lifestyle, and launched the new service Kyuden Safety Support to deliver safety to customers' daily lifestyles.

We proactively engage in personable marketing through direct dialog and interactions with customers, with the aim of conveying to them information about these initiatives.

The Sendai Nuclear Power Station Units 1 and 2 resumed operations in autumn 2015, and we view this restart not as a goal, but a beginning. The units have

been safely and reliably generating electricity without any major issues, thanks to our daily efforts to manage their operation. We aim to restart the Genkai Nuclear Power Station Units 3 and 4 as early as possible, and have taken one solid step closer to their restart on receiving permission for a change in reactor installation.

Despite extraordinary losses related to the Kumamoto Earthquake, Kyushu Electric Power was able to remain profitable for a second fiscal year in a row, owing to

Group-wide efforts to reduce costs while waiting to restart the Genkai Nuclear Power Station Units 3 and 4, which are reflected in current electricity rates, as well as to a reduction in fuel costs from the stable operation of Sendai Nuclear Power Station Units 1 and 2.

In this way, in the fiscal year ended March 31, 2017, our concerted efforts as a Group allowed us to overcome obstacles one by one and take a solid step forward into a new era.

Q2 In the fiscal year ending March 31, 2018, the full deregulation of the gas retail sector has begun. What are your thoughts and strategies for dealing with competition?

A2 Kyushu Electric Power aims to prevent customers from leaving and bring back customers who have left by effectively bundling together sales of electricity and gas services.

Since the deregulation of the electricity sector began, we have engaged in personable marketing centered on our 50 sales offices in Kyushu. Nevertheless, customers have continued to leave us for other companies.

With the full deregulation of the gas retail sector in April 2017, Kyushu Electric Power began to bundle sales of electricity and gas services.

While working to stem declines in electricity demand, we will focus efforts on informing customers

about our bundling of electricity and gas services, and ask customers who left to consider coming back to Kyushu Electric Power.

As of June 30, 2017, Kyushu Electric Power has received over 30,000 gas contract applications. We will redouble efforts at personable marketing in a bid for the earliest possible achievement of our goal of 40,000 contracts in the fiscal year ending March 31, 2018.

Q3 Please tell us about the progress towards the restart of operations at the Genkai Nuclear Power Station.

A3 We will continually to handle the review and inspections diligently and carefully, with the aim of restarting operations at Genkai Nuclear Power Station Units 3 and 4 as quickly as possible.

Concerning Units 3 and 4 of the Genkai Nuclear Power Station, in January 2017, we received permission for a change in reactor installation license (basic design). In April, June and July 2017, we submitted revised materials related to the application for construction planning permission (detailed design) for Unit 3, and in April 2017, submitted an application for approval for changes to safety regulations (operations, management, framework).

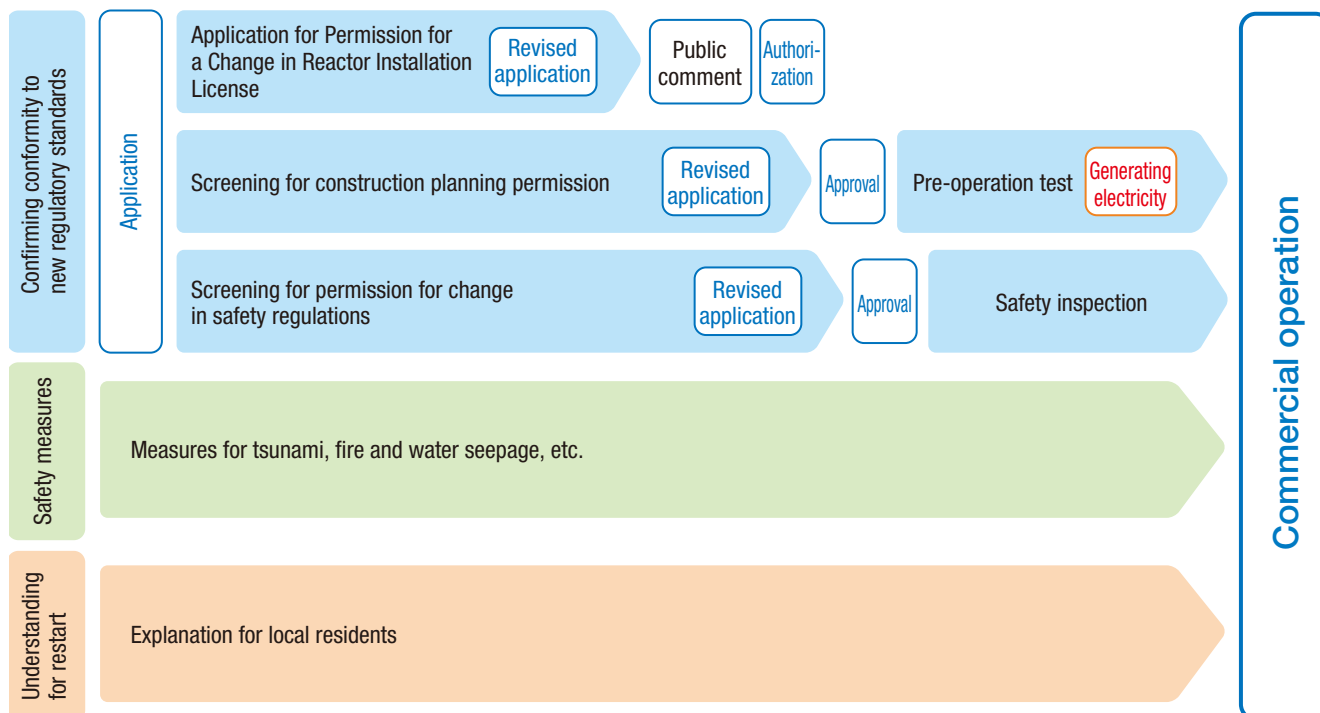
Currently, we are continuing to work with the

Nuclear Regulation Authority on their review of both the applications for construction planning permission and approval for changes to safety regulations, but we are unable to project exactly when operations will be restarted due to the fact that it is unknown how long the reviews and the subsequent pre-use inspection will take.

We will continually work as a unified Group to handle the review and inspections diligently and carefully, with the aim of restarting operations at Genkai Nuclear Power Station Units 3 and 4 as quickly as possible.

Interview with the President

Schedule until Restart



Q4

In June, the Kyushu Electric Power Group's Medium-term Management Policy's Financial Objectives were unveiled. How were these objectives drawn up, and how do you envision achieving these targets?

A4

Amid relentless changes in the business environment, we saw the need to further clarify the Group's management stance and accelerate initiatives for management reforms. With this in mind, we created financial objectives with a five-year outlook.

The Group's brand message is to "make a brighter future for generations to come." This is Kyushu Electric Power's mission. Our aim is to continue growing along with Kyushu, supporting the lifestyles of our customers and economic activity in the region by delivering a reliable supply of inexpensive and good-quality energy to our customers.

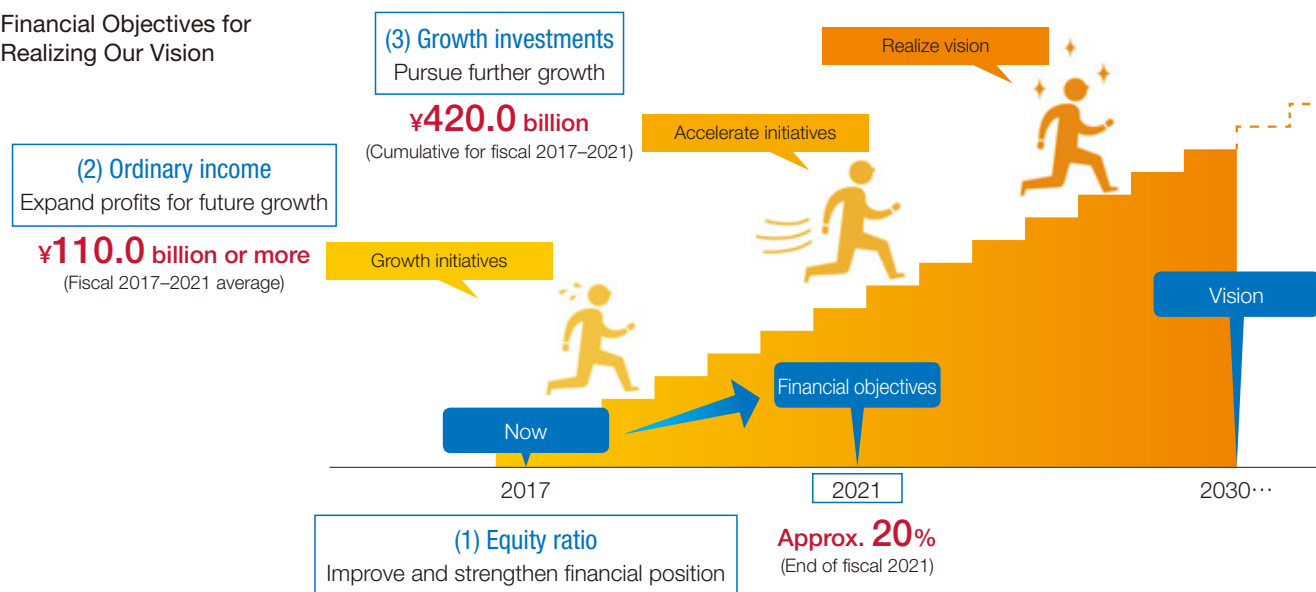
In April 2015, we created the Kyushu Electric Power Group's Medium-term Management Policy as a business vision for remaining the trusted and preferred choice of our customers. We are concentrating all of our efforts on measures to restart nuclear power stations as quickly as possible, improve income, and prosper amid the full deregulation of the electricity and gas retail sectors.

As conditions change fluidly in the energy business, we believe it is necessary to further clarify the Group's management stance for our customers and investors and accelerate efforts at management reform. To this end, we have set the three following five-year financial indicators of progress for realizing the Vision for 2030 in our Medium-term Management Policy:

- Equity ratio, for improving and strengthening our financial position
- Ordinary income, for expanding profits as a well-spring for growth
- Growth investments, for pursuing further growth



Financial Objectives for Realizing Our Vision



Kyushu Electric Power's equity ratio was around 25% before the Great East Japan Earthquake (as of March 31, 2011), but it then declined to about 9% as of March 31, 2015, owing to the prolonged suspension of operations at nuclear power stations.

The equity ratio has gradually improved since the Sendai Nuclear Power Station Units 1 and 2 were restarted. In an increasingly challenging business environment, with tougher competition in the electricity and gas markets, our foremost priority is repairing the damage to our financial position in order to ensure stable Group management. With pre-earthquake levels on our mind, we are for now targeting an equity ratio of approximately 20% by the fiscal year ending March 31, 2022.

Next, management has set a target for ordinary income of at least ¥110 billion on average from the fiscal year ending March 31, 2018 through the fiscal year ending March 31, 2022, based on the understanding that ordinary income of around ¥110 billion is necessary to achieve our equity ratio target of 20% and secure resources for further growth.

Finally, Kyushu Electric Power targets ¥420 billion in

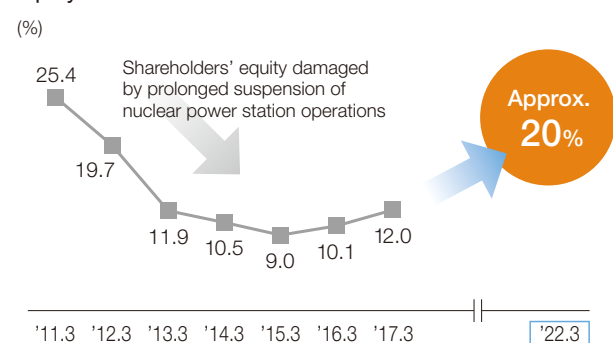
growth investments from the fiscal year ending March 31, 2018 through the fiscal year ending March 31, 2022, to sustain profit generation and aim for further growth.

For the overseas electricity business, the Group aims to generate ordinary income of ¥7 billion by the fiscal year ending March 31, 2022, and ¥10 billion by the fiscal year ending March 31, 2031, on future investments in light of its early venture overseas, relationships with business partners based on trust, and strong technological capabilities.

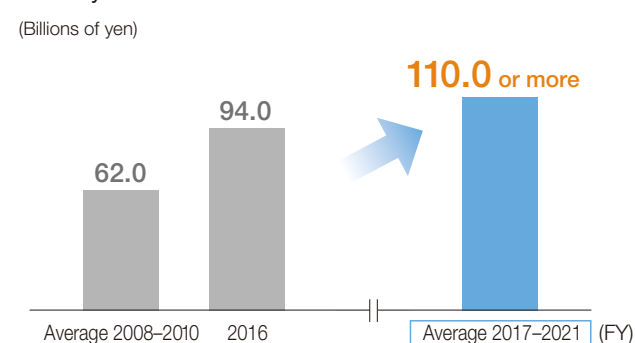
In the renewable energy business, we aim to reach ordinary income of ¥2 billion by the fiscal year ending March 31, 2022, and ¥9 billion by the fiscal year ending March 31, 2031, as Group companies Kyuden Mirai Energy and West Japan Engineering Consultants continue to invest in the business.

By continuing to invest aggressively beyond the fiscal year ending March 31, 2022, Kyushu Electric Power seeks to expand profits in these growth businesses. We aim to increase the contribution of growth businesses to ordinary income from about 20% now to 30% in the future.

Equity Ratio



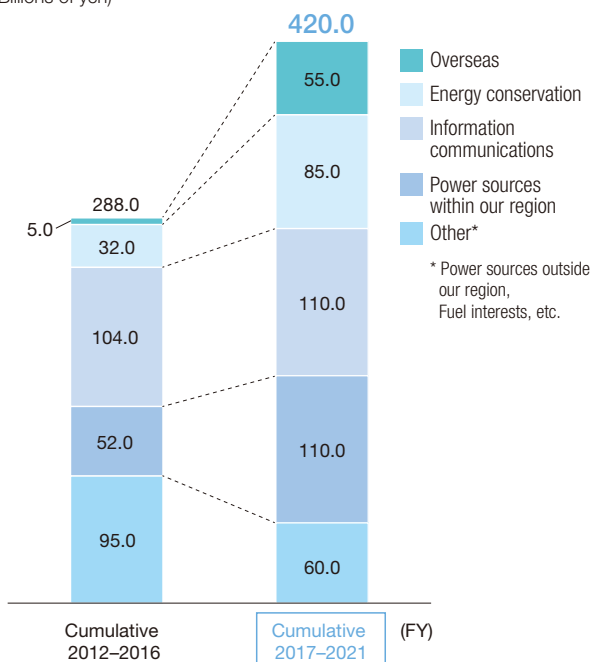
Ordinary Income



Interview with the President

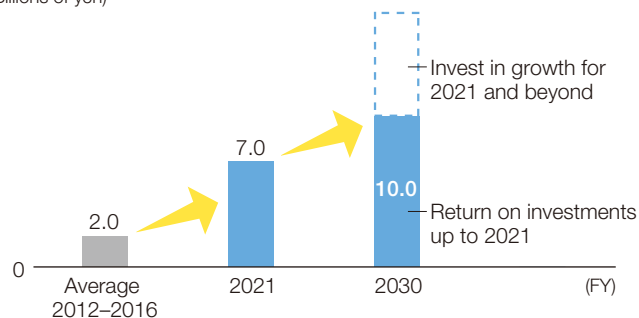
Growth Investments

(Billions of yen)



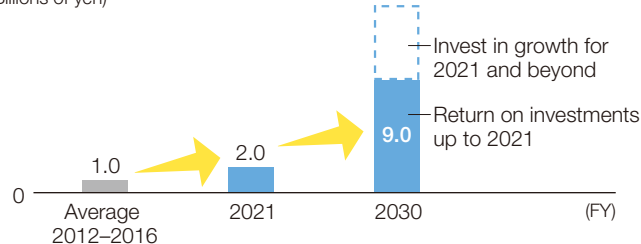
Outlook for Ordinary Income in Overseas Electricity Business

(Billions of yen)



Outlook for Ordinary Income in Renewable Energy Business

(Billions of yen)



Q5

Kyushu Electric Power raised dividends for the fiscal year ended March 31, 2017. What is the Company's dividend policy?

A5

We will continue our efforts toward an early restart of Units 3 and 4 at the Genkai Nuclear Power Station, and toward further streamlining of overall operations so that we can offer at least some level of dividend.

Kyushu Electric Power's dividend policy is to maintain a stable dividend, with amounts determined based on a comprehensive analysis of performance and other factors.

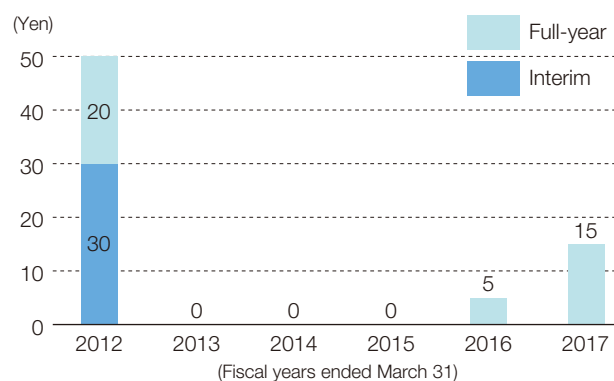
For the fiscal year ended March 31, 2017, management decided to pay a dividend of ¥15 per share, an increase of ¥10 from ¥5 per share in the previous fiscal year. This decision was based on a comprehensive evaluation of performance during the fiscal year and the medium- to long-term income and financial conditions, with the dual aims of improving our financial position and returning profits to shareholders.

We intend to restore dividends to pre-quake levels as soon as possible, though it depends on the pace of improvement in shareholders' equity and the medium- to long-term outlook for income and financial conditions.

Kyushu Electric Power has not decided on a dividend for the fiscal year ending March 31, 2018,

because a specific timetable has not been set for restarting the Genkai Nuclear Power Station Units 3 and 4. However, we positively consider continuing to offer some level of dividend.

Dividends per Share of Common Stock



Q6 Finally, what are your aspirations for 2017?

A6 This year is the midpoint of our five-year Medium-term Management Policy, and we have designated it as the year to lay an unmovable foundation for further growth and progress.

Management has designated 2017 as the year for building a solid foundation for further growth and progress. The main issues we plan to address are “improving the safety and reliability of nuclear power, and restarting the Genkai Nuclear Power Station,” “quickly taking specific measures to fend off competition,” and “changing people and organizations.”

With regard to nuclear power generation, Kyushu Electric Power will take measures to improve the safety and reliability of nuclear power as its highest management priority on an independent and ongoing basis. The entire Group is working in unison toward the early resumption of operations of Genkai Nuclear Power Station Units 3 and 4 on the assumption that current electricity rates will persist.

The electricity retail business is being buffeted by tough competitive conditions as a result of the full deregulation of the electricity retail market. In response, we are making even greater efforts than last year to prevent customers from leaving by engaging in personable marketing through our network of sales bases in the Kyushu region. With the gas retail market becoming fully deregulated in April 2017, we have begun to

market “Kyuden Gas” to households. Looking ahead, we will develop a variety of energy services bundled with gas service in tune with customer needs, in addition to promoting all-electric appliances in households.

Amid rapid changes in the business environment, in April 2017, Kyushu Electric Power newly established a general headquarters to integrate the previous headquarters and other functions and promote autonomous business management based on optimal business strategies tailored to the characteristics of each business field. In the electricity transmission and distribution business, we have undertaken a large-scale review of the organization and business management systems, deciding to establish an in-house electricity transmission and distribution company that is highly independent and neutral within the organization. Viewing this reorganization as an excellent opportunity to effect more change, we aim to reinforce our growth potential and management capabilities as a corporate group.

Advancing these initiatives as a unified Group, we are aiming to achieve sustained growth and to provide value to our stakeholders.



Turning Change into Opportunity

Since its establishment in 1951, the mission of the Kyushu Electric Power Company has been to assure quality and comfort in life for customers and their local communities by providing a stable supply of electricity. We have taken on challenges during ages of many changes, including post-war reconstruction and subsequent high economic growth, the oil shocks of the 1970s and the recent deregulation of the electricity and gas industries.

Rather than resist future electricity system reforms and many other changes and challenges in the management environment, Kyushu Electric Power will continue to proactively take on such changes as challenges and strive to further increase corporate value.

Major changes

Efforts to further increase corporate value

Additional electricity and gas system reforms

Create diverse business schemes

Up until now, we have been engaged in sales of electricity through an integrated platform including power generation, transmission and distribution, and retail. The management environment will change significantly due to the electricity and gas system reforms. We will take such changes as an opportunity, and aim to further expand our earnings base.

Increase in electricity demand in overseas markets

Apply the strengths cultivated over the years to overseas markets

We leverage technologies and expertise that we have until now accumulated within and outside of Japan, centering on the high growth markets of Asia with the IPP* business at the core of development.

* Independent Power Producer

Growing expectations for renewable energy

Develop and advance renewable energy

Leveraging the technologies and know-how we have accumulated over the years both in Japan and overseas, centering on geothermal and hydroelectric, we are also working on offshore wind power, which has latent potential, based on the advances technology teams while considering stable supply and the environment.

Unchanging mission and desires

Stable supply



Our first LNG-only power plant [Shin Kokura Power Station]



Restoration work following Kumamoto Earthquake

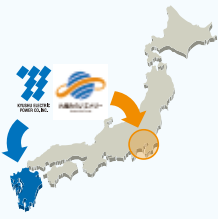
Safety and security efforts



Cooling water supply drills at Genkai Nuclear Power Station



Kyuden Gas, launched in April 2017



Retail electricity sales in the Kanto region started in April 2016 by wholly-owned subsidiary Kyuden Mirai Energy Company, Inc.

▶ Feature 1 (P.20)
Policies Amid Full Liberalization of the Retail Markets for Electricity and Gas



Vietnam's first foreign capital IPP project [Phu My III (Vietnam)]



One of the world's largest geothermal power plants [Sarulla Geothermal Power Station (Indonesia)]

▶ Feature 2 (P.24)
Overseas Energy Business Initiatives



Japan's first arch-type dam [Kamishiiba Power Station]



Japan's largest geothermal power station [Hatchobaru Geothermal Power Station]

▶ Feature 3 (P.28)
Renewable Energy Business Efforts



Resident evacuation support drills at Sendai Nuclear Power Station

Co-existing with local communities



Interacting with local residents [open-office day]



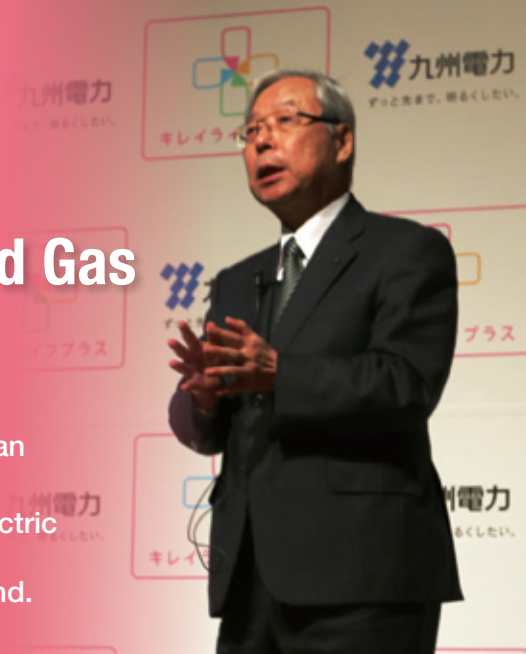
Environmental education activities in the Kuju Kyuden Forest

▶ P.42
CSR Key Issues

Turning Change into Opportunity

Feature 1

Policies Amid Full Liberalization of the Retail Markets for Electricity and Gas



- Full liberalization of the retail markets for electricity and gas began in April 2016 and April 2017, respectively.
- In addition to providing attractive rates and services, Kyushu Electric Group will answer the wishes of individual customers through its comprehensive capabilities, including reliability and peace of mind.

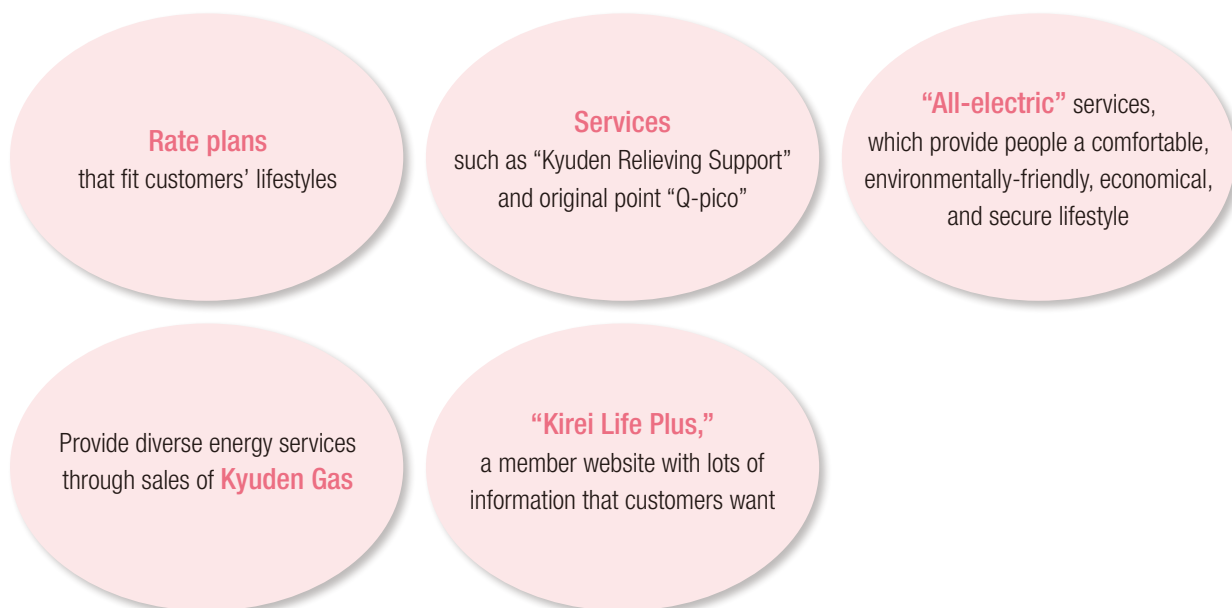
Electricity and Gas Market Status and Policies

Progress with Competition in Conjunction with Full Liberalization of the Retail Markets for Electricity and Gas

- The full liberalization of the retail market for electricity began in April 2016. As of the end of June 2017, 4,250,000 customers nationwide have switched providers (changed electric power companies).
- In the Kyushu area, approximately 280,000 customers have switched (as of the end of June 2017), which comprises about 7% of the number nationwide (the number of low-voltage accounts comprises 11% of the national total).
- Meanwhile, the city gas sales count stood at approximately 30,000 as of the end of June 2017, which is about 75% of the target (40,000 per year).

Policy Response to the Full Liberalization of the Retail Markets for Electricity and Gas

- Respond with comprehensive capabilities of rates + services + brand strength (reliability)



- Thorough promotion of services to customers by personable marketing through one-day sales offices and other initiatives
- Furthermore, we began retail electricity sales in the Kanto area from April 2016

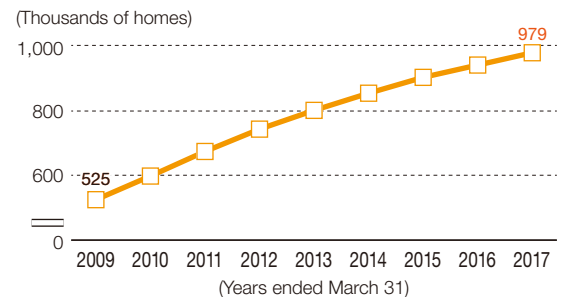


Providing Comfortable, Environmentally-Friendly, Economical and Secure Lifestyles

Promote Marketing of All-Electric Service

- Deliver all-electric service to customers that allow them to live comfortably, economically, and in an environmentally-friendly manner with a sense of security
- In the Kyushu area, the cumulative total number of all-electric households is about 980,000 (as of March 31, 2017)
- Kyuden home advisors meet directly with customers to promote our all-electric service, taking the views of customers especially women

Number of homes (cumulative) using all-electric service



Offering New Services

Offer Kyuden Relieving Support

- Offer seven types of support as Kyuden Safety Support, to help customers lead worry-free lives

電気のことなら何でも **あんしん**
でんきサポート

An electricity professional provides one-stop service for each electricity-related problem that suddenly occurs.

離れていても **あんしん**
親孝行サポート

We regularly check on customers' elderly parents living far away and provide reports on them.

いつでも **あんしん**
みまもりサポート

We send a text alert if the electricity use by an elderly parent living alone becomes irregular.

ママもパパも **あんしん**
子育てサポート

We support moms, dads and healthy upbringing for children.

まさか!のときでも **あんしん**
生活トラブルサポート

We provide emergency response 24 hours a day, 365 days a year to resolve emergency problems such as issues with keys, plumbing, or broken windows.

手を借りたいときも **あんしん**
くらしサポート

We help find solutions to daily life issues, such as help with taking care of children and housework.

遠くのお家も **あんしん**
空き家サポート

We check the status of vacant homes owned by customers as well as vacant parents' homes, and report on these homes with texts containing photos.

ご先祖さまも **あんしん**
お墓サポート

We check on graves that are too far away for family members to visit, and report on these graves with texts containing photos.

Efforts to Satisfy Customers' Wishes

Carry out Personable Marketing

- We will proactively engage in initiatives to meet directly with customers. In one effort, employees will go out from our 50 sales offices in Kyushu and open “One-day shops” in shopping malls and large home appliance stores. We will also dispatch home advisors to hold seminars, such as “IH Cooking Classes,” for small groups of people, such as groups of housewives and seniors.
- Also, turning sales offices into showrooms encourages customers to come in, making them attractive sales bases. At these sites, our people proactively recommend all-electric as well as other new services.



One-day shop



Parent-child cooking class



Christmas illuminations

Initiatives Towards Opening Up Sales Offices

We are beginning the Kyushu Electric Power × LAWSON “Town Lights Project”

- In May 2017, we launched the “Town Brightening Project” with LAWSON to brighten up towns in Kyushu
- Under this project, the Kyushu Electric Power Group will operate LAWSON stores with community space sales offices. In addition to the accessibility offered by convenience stores, this initiative will aim to make these stores more open to people in communities as places for people to interact. This will include providing helpful information on living, health, interests, and other information, as well as holding events that will enrich customers' lives.



Electric Power Sales in the Kanto Area

- In April 2016, wholly-owned subsidiary Kyushu Mirai Energy launched retail electricity sales in the Kanto area
- Win contracts through initiatives such as the JAL Mileage Plan, which allows customers to accrue JAL miles based on their electric bills
- We also provide services including “Filial Support” and “Monitoring Support” as Kyushu Filial Support in the Kanto area
- Furthermore, in January 2017 we began sales to factories and other large commercial facilities

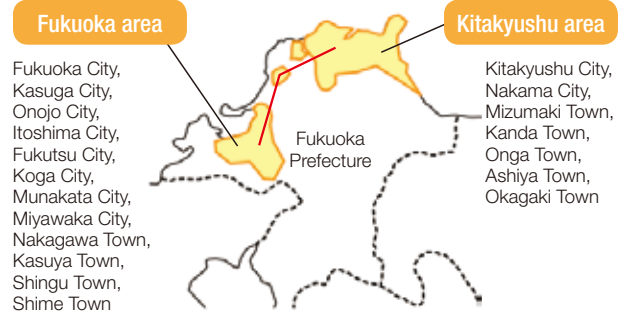


Launch of Gas Service

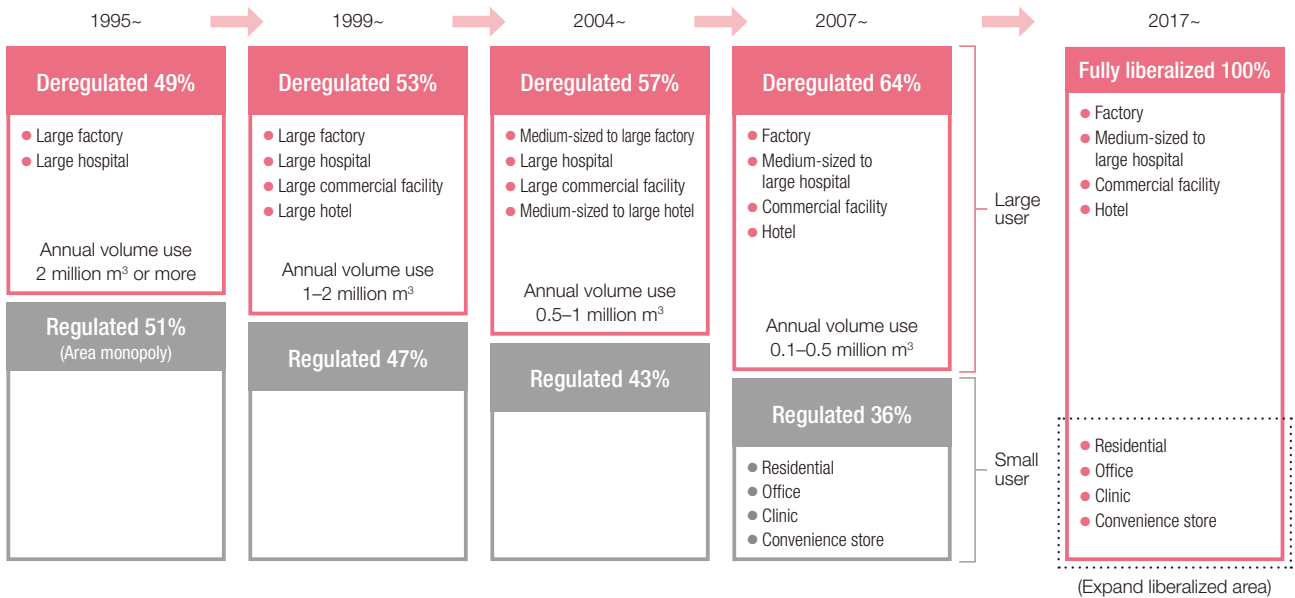
Initiatives in Conjunction with the Full Liberalization of the Retail Market for Gas

- In conjunction with the full liberalization of the retail market for gas, which began in April 2017, we started residential gas sales in northern Kyushu (Fukuoka and Kitakyushu districts)
- By proposing electricity and gas sales as a set, we aim to win gas contracts as well as prevent the loss of electricity demand and bring back customers we previously lost

Kyushu Electric Power's Residential Gas Sales Area

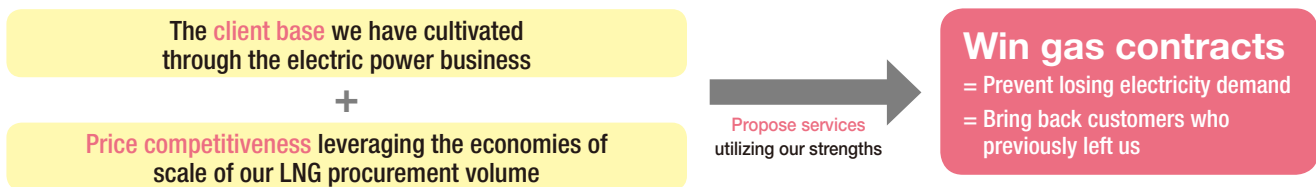


Full liberalization of the gas retail market



Feature 1 Policies Amid Full Liberalization of the Retail Markets for Electricity and Gas

Our Strength in Residential Gas Sales



Gas Marketing Activities

- Centered on sales offices in the Fukuoka and Kitakyushu areas, we will carry out promotion activities for sales of electricity and gas as a set
- We will pursue rate plans that are cheaper than the large gas companies, and carry out sales activities aiming to achieve our target number of contracts



Feature 2 Overseas Energy Business Initiatives

With the vision to “Make a brighter future for generations to come” from Kyushu to the world, the Kyushu Electric Power Group aims to grow together with everyone through the overseas energy business.

Track Record of the Overseas Energy Business

IPP and Investment Business

Equity ownership in overseas electricity output

Output: **1,530 MW**

(total output: 6,690 MW)

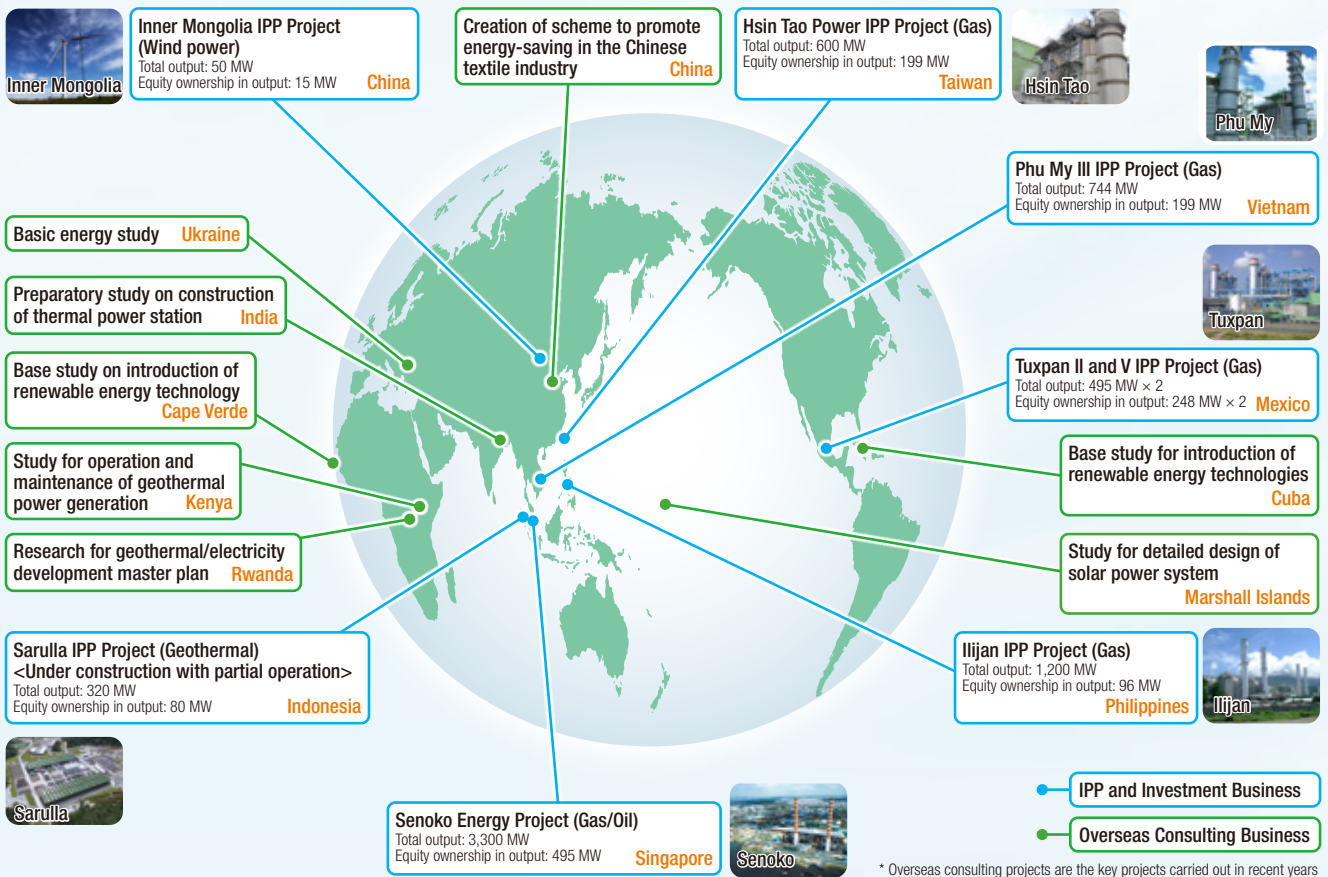
2030 Target

5,000 MW

Overseas Consulting Business

19 countries or territories
68 projects

(as of June 2017)



Interview with Senior Managing Executive Officer Makoto Kakebayashi

We spoke with Senior Managing Executive Officer Makoto Kakebayashi, who serves concurrently as Kyuden International Corporation’s President & Representative Director, about the Kyushu Electric Power Group’s initiatives in the overseas energy business.

Senior Managing Executive Officer of Kyushu Electric, President & Representative Director of Kyuden International Corporation

Makoto Kakebayashi



Please discuss your vision and strategies for achieving the targets (bottom-right graph) for the overseas energy business set forth in the Kyushu Electric Power Group's Medium-term Management Policy (released in April 2015) and the financial targets in the Medium-term Management Policy (announced in June 2017).

Kyushu Electric's current equity ownership in electricity output of 1,530 MW is the result of roughly 20 years of effort. Over the upcoming five years, we must add 900 MW of new output, which is roughly 60% of the current total output.

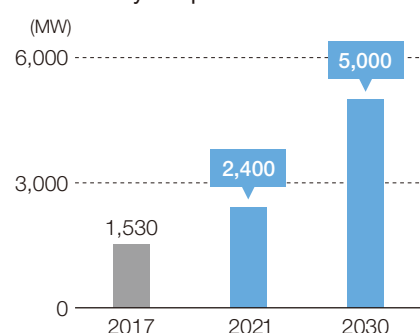
Furthermore, to achieve our goal of 5,000 MW in 2030, we must acquire 2,600 MW over the nine-year period beginning fiscal 2022, so **we will have to boost the speed of development by two or three times going forward.**

I think it is clear that this is a challenging goal. To be honest, it is a figure that I find almost overwhelming.

However, there are many countries and regions in the world where the electrification rate is still low. For example, according to the OECD's *World Energy Outlook 2016*, global electricity demand will continue to grow, centered on Asia, Africa, and Latin America. **Capacity in 2040 is expected to increase to 11.2 billion kW, nearly twice the level in 2015.**

Therefore, we must view the world's current robust electric power demand as an opportunity, and do our best as a professional power and energy provider, and race towards our goals. I also find it rewarding to be involved in businesses that make full use of personnel and technologies, and challenge you to struggle with unprecedented difficulties while making a contribution to the world. As a person from Kyushu, I feel a sense of excitement.

Target Overseas Equity Ownership in Electricity Output



In March 2017, the first unit of the Sarulla Geothermal Power Station in North Sumatra, Indonesia, started commercial operation. Please discuss the significance and outlook for the Sarulla geothermal IPP project, the Kyushu Electric Power Group's first overseas geothermal power generation project.

When all of the units come online, the Sarulla geothermal IPP project will be one of the world's largest geothermal power stations (320 MW).

About 10 years have passed since we joined this project, and during this time there was a period when we had to hold off on overseas investment projects. However, as an exception this was the only project that we continued to look at as an in-progress project, and we have freely invested the Group's geothermal power generation technology and know-how.

This project is a symbol of the resurgence of the Group's overseas investment business, and the insights gained will be utilized in the development of upcoming geothermal projects in Japan and overseas.

Moreover, among renewable energy sources, geothermal power is excellent in terms of providing a stable supply of power. As a result, global needs for geothermal power will continue to grow in the future.

Although the Kyushu Electric Power Group has a substantial track record with the development and operation of geothermal power stations in Japan, I think that international recognition will come in the future. We believe that properly completing the Sarulla IPP project and establishing a path for long-term stable operation will provide **the opportunity for us to make a name for ourselves in the international geothermal IPP market.**

Furthermore, last year we were commissioned to conduct a survey (for the Japan International Cooperation Agency (JICA)) about the operation and maintenance of Kenya's Olkaria Geothermal Power Station, as an overseas consulting project. In the geothermal field, it is the first project that only we and Group companies West Japan Engineering Consultants, Inc. and Nishinippon Plant Engineering and Construction Co., Ltd. have worked on. In this way, **our efforts to advance IPP projects and consulting projects in parallel in the geothermal field have given us a lot of confidence,** and have prepared us for upcoming opportunities.



In March 2017, the first unit of the Sarulla Geothermal Power Station commenced commercial operation

Moving on, please tell us about the status of the eight IPP projects that are currently operating commercially, including the Sarulla IPP Project, as well as talk about the role of IPP projects in the overseas energy business going forward.

The eight IPP projects (of which the Singapore Senoko Energy project is a power generation and retail project, making it different from power generation-only IPP projects) are important and will be the foundation for our development of the overseas energy business going forward.

We have valued taking a hands-on approach, from the construction stage through to the operation stage.

For example, in Vietnam and Mexico, we have focused on nurturing local employees, transferring operation technologies and raising the overall level of people on the front line. **As a utility, we have otherwise followed through overseas on our commitment to firmly develop personnel under the mission of stably supplying electric power.**

In addition, relationships of trust with consortium partner companies, banks participating in project finance lending, and many other related parties have been major assets as the foundation of our overseas business in the IPP project field. I believe that amassing such relationships can lead to the next new project.

Based on this trend, **rather than viewing existing projects as legacies from the past, I view them as a launching pad for the future**, and we plan to value them going forward.

The overseas consulting business is not as well known in the Company as the IPP business. What is the role of the consulting business?

The Kyushu Electric Power Group has been engaging in overseas consulting for many years, and has been commissioned to work on 68 projects in 19 countries and territories from 2000 to the end of June 2017. However, we only began to engage in the overseas business on a full-fledged basis in around 2012, and are **now moving twice as fast as before, both in terms of the number of projects and the monetary amount of projects.**

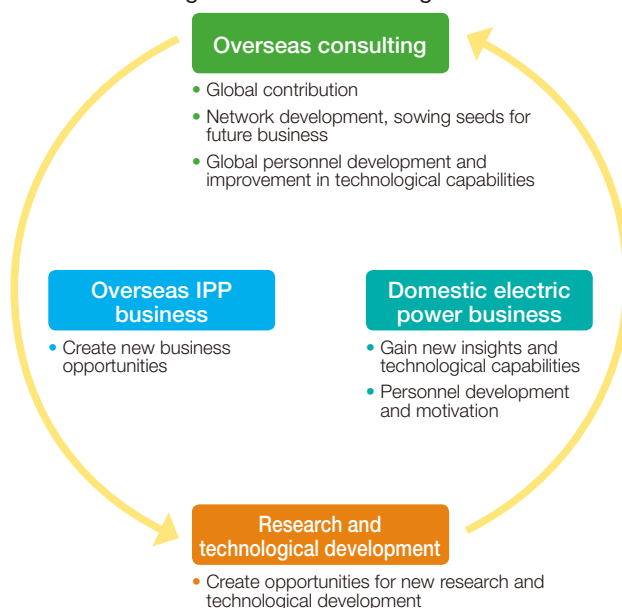
Competitive bidding is the norm in the overseas consulting business, which means that clients have a high opinion of us, including our past track record, personnel, execution platform, and proposal quality.

Initially, it was a process of trial and error, and we repeatedly failed to win projects, but in the past few years our efforts have paid off, and we have received a wide range of projects such as geothermal, remote island supply, electric power basic plans, and coal-fired thermal power. This has allowed us to fully display the Kyushu Electric Power Group's strengths.

Electric power and energy facilities are important social infrastructure assets directly connected to the economy, industry and people's everyday lives. Once basic plans for power plants and electric power grids are made, it is not easy to change direction. Therefore, in consulting, you must firmly understand the issues and needs of the client country from the planning stage, and pursue and propose optimal solutions. Meanwhile, consulting also allows us to obtain some hints for thinking about our overseas business strategies. That is why consulting is said to be "sowing seeds for the future."

I think that the key point of consulting is not looking at things through one's own eyes, but seeing the issue through the eyes of the client. Simply pushing the technologies of advanced countries on client countries does not work well. The most important thing is for the client to be convinced, and be able to continue with the project. In that respect, our consulting team works with clients in a straightforward manner with a pure sense of curiosity, striving to provide solutions. I feel that the team has really gotten stronger.

Diagram of positive cycle of technology and know-how through overseas consulting



What kind of benefits will the organizational changes made this April have on the overseas energy business going forward?

This April, the International Business Division was dissolved, and the overseas business department was divided into the International Business Office and Kyuden International Corporation.

Based on a medium- to long-term perspective, the International Office functions as Kyushu Electric Power's platform for information gathering, international cooperation, and linking the Company with the outside based on the key theme of overseas energy business. Meanwhile, Kyuden International is the core driving force for our overseas business, handling asset management of the overseas investment business, new project development, overseas consulting and other functions.

Keeping the overseas electricity business as its core field, Kyuden International is also aiming to expand its scope into other energy businesses. Kyuden International is a small and nimble organization, which I think will allow it to dauntlessly take on challenges and foster an organizational culture that is action-oriented and intent on transformation. Still, the current organizational framework is insufficient, so we will gradually strengthen our financial base and make more improvements, including recruiting outside talent to join us.

The International Office and Kyuden International will move forward as **a hybrid vehicle for investment, development and management of our overseas businesses** appropriate in these fast-changing times.



“Comprehensive Energy Solutions” oriented by global utility group’s competency

Rwanda – Geothermal and Energy Sector Master Plan Support Project

(Article by Chief Manager Katsumi Yoshida, International Solution Group, International Business Office)

The geothermal and energy sector master plan support project in Rwanda was Kyushu Electric's first full-fledged consultation project in Africa.

Rwanda's problem was that it had scarce energy resources and was unable to effectively develop geothermal energy.

JICA planned a project to support the formulation of a master plan for both the geothermal and the electric sector, and Kyushu Electric and group company West Japan Engineering Consultants, Inc. were commissioned to work on the project together. Kyushu Electric was responsible for power demand forecasts, and the master plan for power supply and the grid, while West Japan Engineering Consultants handled the geothermal master plan.

For example, to make it possible for Rwanda to update the demand forecast on its own, we used general-purpose spreadsheet software for analysis, and taught the local engineers through written procedures and workshops. In this way, the project included capacity-building elements to ensure that not only knowledge, but also skills became deeply rooted among the local staff. The “handmade” report prepared in accordance with Rwanda's current situation was rated highly by both Rwanda and JICA, and this became an unforgettable first consulting experience for me.

Going forward, I would like to utilize my experience in Rwanda to tap the integrated capabilities of the Group to provide new solutions in new places.



Rwanda Project Team of Kyushu Electric Group
(The writer is at the far left)

Feature 3 Renewable Energy Business Efforts

The renewable energy business is a growing market worldwide. The Kyushu Electric Power Group is working as one to proactively develop this business both domestically and internationally, taking into consideration factors such as stable supply and environmental-friendliness. We are aiming to develop 2,500 MW of new capacity on a global level by 2030, which will bring our total capacity to 4,000 MW.

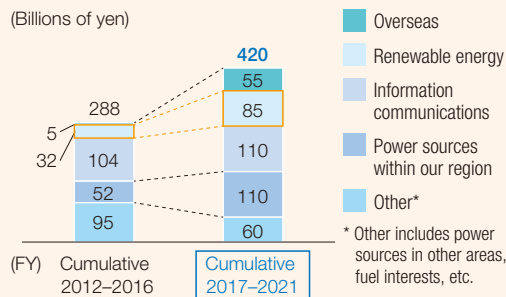
In addition, the financial target of the Kyushu Electric Power Group in the Medium-term Management Policy is to aim for cumulative growth investment of ¥85 billion in the renewable energy business between FY2017 and 2021.

Targets in Growth Fields under the Kyushu Electric Power Group's Medium-term Management Policy (FY2015-2019)

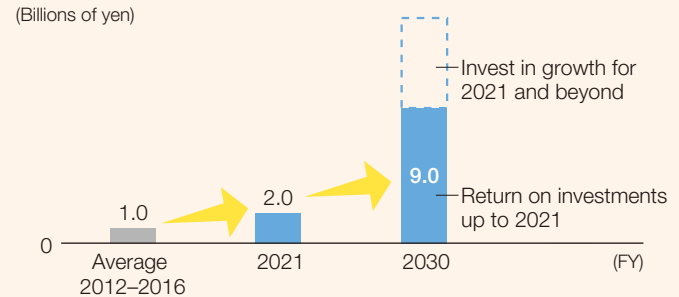
Goals for Growth Businesses



Financial Targets in Growth Fields



Renewable Energy Business Ordinary Income Outlook



Renewable Energy Provided by the Kyushu Electric Power Group (as of June 30, 2017)

Amount of renewable energy developed

(June 30, 2017)

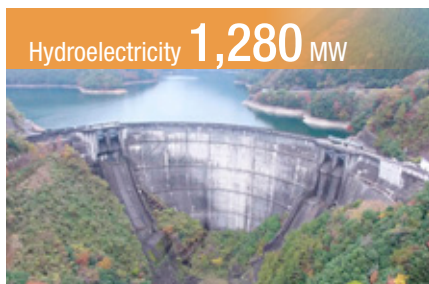
Approx.
1,850 MW



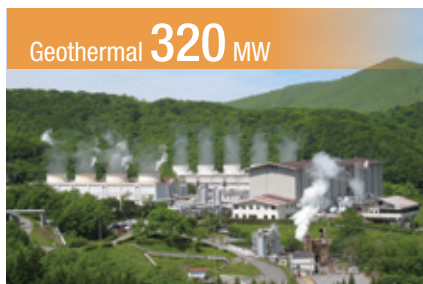
Solar energy 90 MW
Mega Solar Omura Power Station Units 1-4
Location: Nagasaki Prefecture
Capacity: 17.48 MW (panel capacity: 20.35 MW)
Start of operations: March 2013



Wind power 120 MW
Nagashima Wind Power Station
Location: Kagoshima Prefecture
Capacity: 50.4 MW
Start of operations: October 2008



Hydroelectricity 1,280 MW
Kamishiiba Power Station
Location: Miyazaki Prefecture
Capacity: 93.2 MW
Start of operations: May 1955



Geothermal 320 MW
Hatchoubaru Geothermal Power Station
Location: Oita Prefecture
Capacity: 110 MW (55 MW × 2)
Start of operations: June 1977



Biomass 40 MW
Miyazaki Biomass Recycle Power Station
Location: Miyazaki Prefecture
Capacity: 11.35 MW
Start of operations: May 2005

Kyuden Mirai Energy Company, Inc., the Driver of Kyushu Electric Power Group's Renewable Energy Business



To provide a one-stop service to address the broad needs of local communities, Kyuden Mirai Energy Company, Inc., was established in July 2014, as a new company engaging in the development of all types of renewable energy sources.

Kyushu Mirai Energy, based on collaboration with Kyushu Electric Power, operates a power generation business for the local community as a responsible business operator leveraging its technologies and expertise from inspecting and planning for a variety of renewable energy sources through to construction and operations management. It also provides customers with services related to this business.

● Kyuden Mirai Energy's Strengths

Comprehensive Proposal Capabilities

Kyuden Mirai Energy is one of only a few companies that can develop all types of renewable energy. In addition to creating new value that comes from combining different types of renewable energy, we make flexible proposals tailored to meet clients' specific needs.

Technological Capabilities

The Kyushu Electric Power Group has been developing renewable energy for many years. Utilizing the extensive insights and know-how cultivated over this time, we offer a high level of construction quality and maintenance operations that will sustain stable power generation.

Operational Capabilities

We support long-term business operations, as we provide a full range of service from development to operation. The business is multi-faceted, including acquiring and taking over facilities.

Recently, on top of solar and wind power, Kyuden Mirai Energy has also been studying the commercialization of various other projects, including one of Japan's largest woody biomass power generation projects in Buzen, Fukuoka Prefecture, a geothermal binary power station inside the Yamagawa Power Station, and an offshore wind power station in Hibikinada in Kitakyushu.

● Kyuden Mirai Energy's Future Power Generation Facility Installation Plans

	Location	Start of operation	Capacity
Wind Power Generation			
⊞ Karatsu-Chinzei Wind Farm (tentative name)	Saga Pref.	Planned for 2022	Approx. 28 MW
⊙ Kushima Wind Power Station	Miyazaki Pref.	Planned for October 2020	64.8 MW
Geothermal Power Generation			
⊞ Yamagawa Binary Cycle Power Station	Kagoshima Pref.	Planned for February 2018	4.99 MW
Biomass Power Generation			
◇ Buzen Biomass Power Station	Fukuoka Pref.	Planned for January 2020	74.95 MW
◇ Nanatusjima Biomass Power Station	Kagoshima Pref.	Planned for 2018	49 MW
Hydroelectric Power Generation			
⊞ Kamoshishi Hydroelectric Power Station	Kumamoto Pref.	Planned for July 2018	1.99 MW

⊙ Power generation business by subsidiary

◇ Power generation business based on tie-up with business partner

The Kyushu Electric Group's ESG (E: Environment S: Social G: Governance)

This section will introduce the Corporate Governance structure forming the premise of initiatives for Kyushu Electric Power's ESG, and initiatives for the seven main CSR key issues.

▶P.32 Management Base Supporting Business



Strengthening governance to achieve sustainable growth and enhance corporate value over the medium- to long-term.

Photo: External Member of the Board of Directors Ritsuko Kikukawa (left), and External Member of the Board of Directors Akiyoshi Watanabe (right)

▶P.43 CSR Key Issues 1 Creating Customer Satisfaction



We provide products and services with value that respond to customers' needs and challenges.

Photo: Temporary transmission tower construction work after the Kumamoto Earthquake

▶P.44 CSR Key Issues 2 Ensuring Safety and Security



We are meticulous about safety measures for equipment and securing the safety of workers and conduct business prioritizing safety and ease of mind above all.

Photo: Cooling water supply drills at Genkai Nuclear Power Station

▶P.46 CSR Key Issues 3 Environmentally Friendly Business



We are advancing with initiatives toward the preservation of the environment, and co-existence with it.

Photo: Commercial operations commence at Unit No. 3 x 4 at the Shin-Oita Power Station where the world's highest standard of efficiency contributes to suppressing CO₂ emissions

▶P.48 CSR Key Issues 4
Fair and Just Business Operation



We conduct business operations in a fair and just manner with individual employees possessing a strong awareness of compliance.

Photo: Compliance research using close vicinity examples for study

▶P.49 CSR Key Issues 5
Sincere Communication with the Community



We disclose information in a timely manner and actively advance communication with communities.

Photo: Open-office day (Kagoshima branch)

▶P.50 CSR Key Issues 6
Co-Existing with Communities and Society



Kyushu Electric Power prioritizes resolving community and social issues, environmental activities and support for raising future generations.

Photo: Burning off fields to protect the ecosystem in the Bogatsuru Wetlands (Oita Prefecture)

▶P.51 CSR Key Issues 7
Respect for Human Rights and Creation of Worker Friendly Workplaces



We respect human rights and strive to create workplace environments that enable diverse human resources to maximize their talents.

Photo: Management take the lead at a seminar to promote diversity

Management Base Supporting Business/ Board of Directors and Auditors

Members of the Board of Directors



Members of the Board of Directors

Masayoshi Nuki

Member of the Board of Directors, Chairperson
1968 Joined Kyushu Electric
2012 Member of the Board of Directors,
Chairperson (current position)

Michiaki Uriu

Member of the Board of Directors, President
1975 Joined Kyushu Electric
2012 Member of the Board of Directors, President
(current position)

Naofumi Satou

Member of the Board of Directors, Executive Vice President
Executive Director of Business Solution
Headquarters, CSR
1976 Joined Kyushu Electric
2014 Member of the Board of Directors,
Executive Vice President (current position)

Tomoyuki Aramaki

Member of the Board of Directors, Executive Vice President
Secretary Office, Crisis Management
1975 Joined Kyushu Electric
2015 Member of the Board of Directors,
Executive Vice President (current position)

Kazuhiro Izaki

Member of the Board of Directors, Executive Vice President
Executive Director of Energy Service Headquarters
1978 Joined Kyushu Electric
2015 Member of the Board of Directors,
Executive Vice President (current position)

Yuuzou Sasaki

Member of the Board of Directors, Executive Vice President
Executive Director of Technical Solution Headquarters
1978 Joined Kyushu Electric
2016 Member of the Board of Directors,
Executive Vice President (current position)

Haruyoshi Yamamoto

Member of the Board of Directors
1972 Joined Kyushu Electric
2015 Member of the Board of Directors
(current position)

Hideomi Yakushinji

Member of the Board of Directors,
Senior Managing Executive Officer
Director of District Symbiosis Division,
Business Solution Headquarters
1976 Joined Kyushu Electric
2013 Member of the Board of Directors, Senior
Managing Executive Officer (current position)

Akira Nakamura

Member of the Board of Directors,
Senior Managing Executive Officer
Director of Nuclear Power Division
1977 Joined Kyushu Electric
2015 Member of the Board of Directors, Senior
Managing Executive Officer (current position)

Yoshiro Watanabe

Member of the Board of Directors,
Senior Managing Executive Officer
Deputy Executive Director of
Energy Service Headquarters,
Director of Marketing Division
1977 Joined Kyushu Electric
2015 Member of the Board of Directors, Senior
Managing Executive Officer (current position)

Takashi Yamasaki

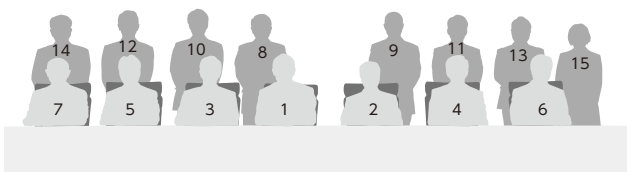
Member of the Board of Directors,
Senior Managing Executive Officer
President of Power Transmission and
Distribution Company
1976 Joined Kyushu Electric
2016 Member of the Board of Directors, Senior
Managing Executive Officer (current position)

Masahiko Inuzuka

Member of the Board of Directors,
Senior Managing Executive Officer
Director of Operation Division,
Business Solution Headquarters
1978 Joined Kyushu Electric
2017 Member of the Board of Directors, Senior
Managing Executive Officer (current position)

Kazuhiro Ikebe

Member of the Board of Directors,
Senior Managing Executive Officer
Executive Director of Corporate Strategy Division
1981 Joined Kyushu Electric
2017 Member of the Board of Directors, Senior
Managing Executive Officer (current position)



- 1 Masayoshi Nuki 2 Michiaki Uriu 3 Naofumi Satou
 4 Tomoyuki Aramaki 5 Kazuhiro Izaki 6 Yuuzou Sasaki
 7 Haruyoshi Yamamoto 8 Hideomi Yakushinji 9 Akira Nakamura
 10 Yoshiro Watanabe 11 Takashi Yamasaki 12 Masahiko Inuzuka
 13 Kazuhiro Ikebe 14 Akiyoshi Watanabe 15 Ritsuko Kikukawa

External Members of the Board of Directors

Akiyoshi Watanabe

External Member of the Board of Directors

1966 Joined Toyota Motor Co., Ltd. (now Toyota Motor Corporation)
 1996 Director
 1998 Director (part-time), Toyota Motor Kyushu, Inc.
 2001 Managing Director, Toyota Motor Corporation
 2002 Retired from Toyota Motor Corporation
 2002 President, Toyota Motor Kyushu, Inc.
 2007 Vice-Chairman, Kyushu Economic Federation
 2008 Chairman, Toyota Motor Kyushu, Inc.
 2009 Member of the Board of Directors, Kyushu Electric (current position)
 2011 Advisor, Toyota Motor Kyushu, Inc.
 2011 Director, Kyudenko Corporation (current position)
 2015 Retired as Vice-Chairman of Kyushu Economic Federation
 2015 Retired from Toyota Motor Kyushu, Inc.

Ritsuko Kikukawa

External Member of the Board of Directors

1974 Joined Fukuoka Prefectural Government
 2005 Director, Fukuoka Prefectural General Social Education Center
 2007 Director, Fukuoka Prefectural Library
 2008 Retired from Fukuoka Prefectural Government
 2008 Senior Officer, National Institution for Youth Education
 2011 Retired from the National Institution for Youth Education
 2012 Executive Vice President, Kyushu University
 2014 Retired from Kyushu University
 2014 Director of Fukuoka Study Center, Open University of Japan
 (current position)
 2015 Member of the Board of Directors, Kyushu Electric (current position)

Audit & Supervisory Board Members



Audit & Supervisory Board Members

Toshiaki Hirano

Senior Audit & Supervisory Board Member

2005 Joined Kyushu Electric

2014 Audit & Supervisory Board Member
(current position)

Nobuya Osa

Senior Audit & Supervisory Board Member

1977 Joined Kyushu Electric

2015 Audit & Supervisory Board Member
(current position)

Eiji Kamei

Senior Audit & Supervisory Board Member

1979 Joined Kyushu Electric

2016 Audit & Supervisory Board Member
(current position)

External Audit & Supervisory Board Members

Fumiko Furusho

External Audit & Supervisory Board Member

1982 Joined Furusho Tochi, Ltd.

1982 Director

1998 President, Special Olympics Japan
(now Special Olympics Japan Foundation)

2000 Bureau Chief

2004 Retired from position as Bureau Chief

2006 Member, Kumamoto Prefectural Board of Education

2008 Retired from Special Olympics Japan
(now Special Olympics Japan Foundation)

2009 Committee Chairman, Kumamoto Prefectural Board of Education

2011 President, Furusho Tochi, Ltd. (current position)

2012 Retired as Committee Chairman,
Kumamoto Prefectural Board of Education

2013 Audit & Supervisory Board Member, Kyushu Electric (current position)

2014 Retired from Kumamoto Prefectural Board of Education

Yusuke Inoue

External Audit & Supervisory Board Member

1973 Joined Bank of Japan

1985 Retired from Bank of Japan

1985 Joined Fukuoka Sogo Bank, Ltd.

1986 Director

1989 Director, Fukuoka City Bank, Ltd.

(Name changed from Fukuoka Sogo Bank, Ltd.)

1990 Managing Director

1993 Senior Managing Director

1997 Deputy President

2003 Retired as Deputy President, Fukuoka City Bank, Ltd.

2003 Chairman, The Kyushu Card Co., Ltd.

2005 Retired as Chairman, The Kyushu Card Co., Ltd.

2005 Chairman, Kyusyu Servicer (current position)

2016 Audit & Supervisory Board Member, Kyushu Electric (current position)

Kazutaka Koga

External Audit & Supervisory Board Member

1986 Registered as attorney (current position)

1989 Established Koga Kazutaka Law Office
(now Koga Hanashima Law Office)

2007 Auditor, MAXVALU KYUSHU CO., Ltd. (current position)

2012 Vice President, Kyushu Federation of Bar Associations

2012 Chairman, Fukuoka Bar Association

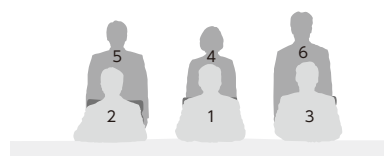
2013 Vice President, Kyushu Federation of Bar Associations

2013 Retired as Chairman, Fukuoka Bar Association

2014 Vice President, Japan Federation of Bar Associations

2015 Retired as Vice President, Japan Federation of Bar Associations

2016 Audit & Supervisory Board Member, Kyushu Electric (current position)



1 Toshiaki Hirano 2 Nobuya Osa 3 Eiji Kamei
4 Fumiko Furusho 5 Yusuke Inoue 6 Kazutaka Koga



In 2015, Japan announced a Corporate Governance Code that now applies to all listed companies. Upon application of the Code, moves to appoint external members of the Board of Directors accelerated at all companies with an Audit & Supervisory Board. We asked external members of the Board of Directors Akiyoshi Watanabe and Ritsuko Kikukawa to share their thoughts regarding such matters as the roles of external members of the Board of Directors and advice for Kyushu Electric Power.

Q1

What are you mindful of during discussions at the Board of Directors and how do you view your own role?

External Director Watanabe The main responsibility of an external director is to frankly state their opinions about management from the perspective of an outsider.

As external directors, we must proactively advise the Board of Directors, which supervises business execution, with the intention of enhancing its supervisory functions.

I attend meetings of the Board of Directors and Corporate Management Committee to share internal information, and I fall back on my extensive experience at an automaker when making a conscious effort to express my opinions about matters.

External Director Kikukawa I believe one responsibility of an external director is to facilitate logical decision-making by properly expressing opinions at the right time with the intention of enhancing the effectiveness of the Board. I believe external directors also stand on the borderline defining the inside and outside of a company, and have a duty to express their opinion when management's thoughts are out of sync with broader society outside the company.



Q2

How has Kyushu Electric Power changed, and what strengths have not changed, amid reforms to the electricity system in Japan, including the full liberalization of the electricity and gas markets?

External Director Watanabe When I was appointed an external director eight years ago, selling prices were determined using the fully distributed cost method, a formula that added a certain profit on top of necessary basic costs. For this reason, compared with other private-sector companies, I had the impression that Kyushu Electric Power had less incentive to improve productivity and lower basic costs. With reforms to the electricity system underway, including the full liberalization of the electricity and gas markets, however, I can see how Kyushu Electric Power has transformed itself with initiatives to more proactively engage in marketing and cut equipment procurement costs.

I believe the Company's unchanging strengths are its mission to reliably supply electricity and technologies, strengths that it must not lose amid reforms to the electricity system.

External Director Kikukawa I was appointed as an external director two years ago, when the Sendai Nuclear Power Station had not been restarted yet. The business environment was uncertain with the full liberalization of the electricity market coming the following year. Nevertheless, Kyushu Electric Power made steady progress forward as each and every employee worked hard and efficiently to overcome obstacles.

Today, Kyushu Electric Power has responded to the full deregulation of the retail electricity and gas sectors by creating new rate plans and services that reflect the lifestyles of its customers. By empowering women in the workplace and constructively taking on board advice from the perspective of a consumer, I believe Kyushu Electric Power has the potential to provide even higher levels of service.





Q3

What advice do you have for Kyushu Electric Power on future growth?

External Director Watanabe Among the former general electricity utilities, Kyushu Electric Power is able to provide electricity at inexpensive rates thanks to solid gains in business efficiency. The Company also has the technologies and expertise to reliably supply electricity, having been in the business for more than 60 years. Leveraging this experience and technological skill, I believe Kyushu Electric Power should expand growth opportunities by aggressively developing the electricity business in Kyushu, outside the Kyushu region, and overseas. To accomplish this, I think the Company needs to view changes in the business environment as opportunities and focus on training human resources able to positively take on new challenges.

External Director Kikukawa Based on my many years of experience in the educational field, I know it is possible to improve the skills of people no matter how old they are as long as they have the willingness to learn and grow. Putting in place an environment that respects employees' self-initiative and allows them to fully apply their skills is essential for riding out changes like the planned legal separation of business divisions.

I also believe it is important to have a shared awareness from top management down to the employee in the workplace. From this standpoint, I think President Michiaki Uriu's weekly televised address to all employees about conditions and issues at the company is an excellent way to raise this shared awareness.

I look forward to watching Kyushu Electric Power grow as the skills and creativity of each employee are leveraged and aligned with the top-down vector.

Basic Stance on Corporate Governance

We aim to generate sustainable value for all shareholders in keeping with “Kyushu Electric Power’s mission” by engaging in operations that are socially meaningful from a long-term perspective. It is a top management priority to strengthen corporate governance to ensure that we do business properly.

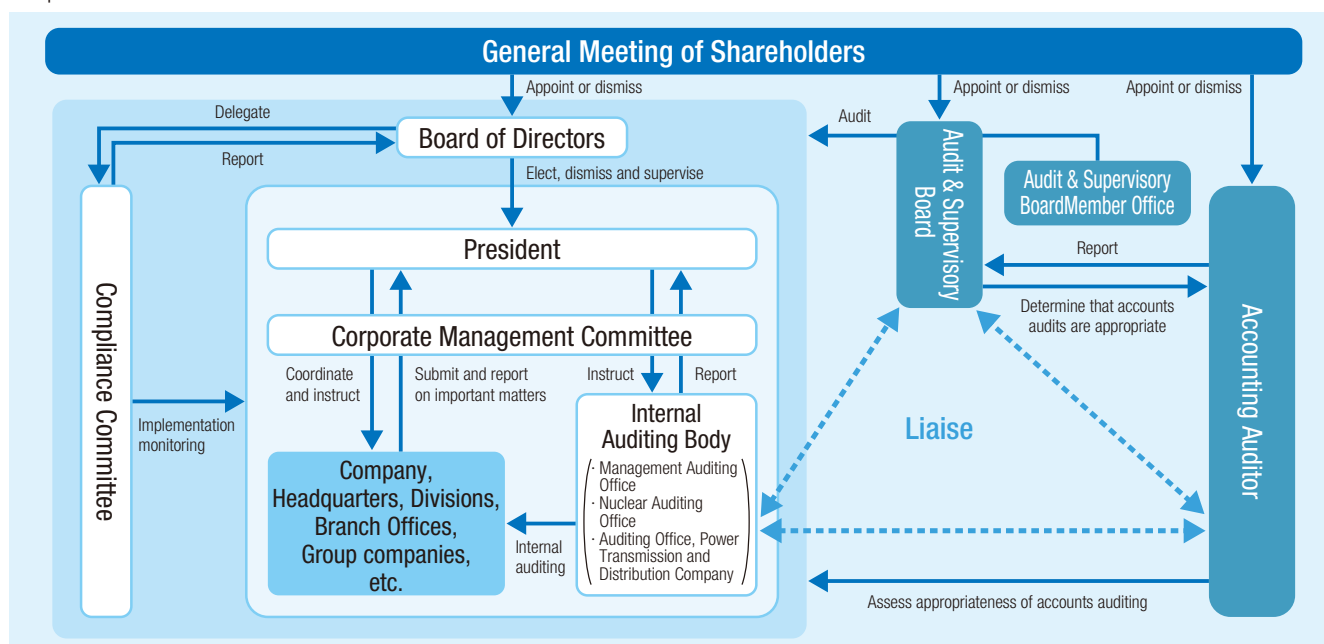
In concrete terms, we have a corporate governance structure centered on the Board of Directors and the Audit & Supervisory Board, and based on this we work to strengthen management oversight functions by appointing highly independent external members of

the Board of Directors, while heightening the effectiveness of audits by fostering close cooperation between the Audit & Supervisory Board Member and internal auditing bodies. Furthermore, we have clearly defined the oversight and executive roles of members of the Board of Directors and executive officers, while striving to rigorously enforce compliance management. At the same time, we have developed a basic policy on the formation of a system to ensure proper business operations (basic internal control policy), as we work to continuously improve the internal control system.

Overview of Internal Organizations

Organization	Role	Members (As of June 30, 2017)	Meeting Frequency
Board of Directors	<ul style="list-style-type: none"> Decides on important corporate management matters Supervises performance of duties 	15 members of the Board of Directors in total (including 2 external members of the Board of Directors)	Once a month in principle (20 times during fiscal 2016)
Corporate Management Committee	<ul style="list-style-type: none"> Considers matters requiring discussion before being decided by the Board of Directors Makes important decisions on business execution 	President, vice president, senior managing executive officers, managing executive officers, and others 16–27 members (11 members attended in response to agenda)	Once a week in principle (43 times during fiscal 2016)
Audit & Supervisory Board	<ul style="list-style-type: none"> Performs audits relating to general status of members of the Board of Directors’ performance of duties <ul style="list-style-type: none"> → Attends Board of Directors and other important meetings → Receives oral reports from executive divisions, consolidated subsidiaries, and others → Performs business site inspections → Deliberates and decides on important matters related to audits stipulated by laws and regulations and the articles of incorporation 	6 Audit & Supervisory BoardMembers in total (including 3 external Audit & Supervisory BoardMembers) * Audit & Supervisory BoardMember Office, which has 12 members, was established to assist the Audit & Supervisory BoardMembers as a specialist organizational body.	Once a month in principle (14 times during fiscal 2016)
Internal auditing body	<ul style="list-style-type: none"> Audit observance of laws, regulations, and so forth in divisions and business sites and status of business execution Audit quality assurance systems in place to monitor safety initiatives and the status of operations based on these 	Management Auditing Office (20) Nuclear Auditing Office (8) Auditing Office, Power Transmission and Distribution Company (7)	* Held constantly as part of duties.

Corporate Governance Structure



External Directors and External Audit & Supervisory BoardMembers

We have appointed two highly independent external members of the Board of Directors. They draw on their knowledge and experience to provide necessary input and advice in the discussion of proposals at Board of Directors meetings, as well as participate and advise appropriately on nomination, remuneration, and other matters regarding member of the Board of Directors candidates.

We have six Audit & Supervisory BoardMembers. One of them has considerable knowledge regarding finance and accounting, having experience as general manager of the Company's Accounting Department. Three are external Audit & Supervisory BoardMembers. Audit & Supervisory BoardMembers attend important gatherings, including those of the Board of Directors. They conduct hearings for all divisions, consolidated subsidiaries, and other business units, and otherwise conduct overall audits of the work of members of the

Board of Directors and executive officers.

When appointing external members of the Board of Directors or external Audit & Supervisory BoardMembers, the Company refers to its own independence evaluation standards. These are based on criteria for independent external members of the Board of Directors and external Audit & Supervisory BoardMembers stipulated by the Companies Act and the Tokyo Stock Exchange's evaluation standards regarding the independence of members of the Board of Directors and Audit & Supervisory BoardMembers.

Moreover, the Company has designated all of its external members of the Board of Directors and external Audit & Supervisory BoardMembers as independent members of the Board of Directors and independent Audit & Supervisory BoardMembers, respectively, judging that these individuals will offer objective and neutral opinions about the Company's business based on their experience and insight.

Reason for Appointment of External Members of the Board of Directors

External Director	Reason for Appointment
Akiyoshi Watanabe	Mr. Watanabe has a wealth of experience and insight due to his many years serving as a business manager, as well as the appropriate character, insight, and professional background for an external member of the Board of Directors of the Company. We consider him a most appropriate person to provide useful opinions about the Company's business from an objective standpoint, and to perform a supervisory function.
Ritsuko Kikukawa	Ms. Kikukawa has a wealth of experience and insight due to her many years serving in national and regional government, mainly in the education field, as well as the appropriate character, insight, and professional background for an external member of the Board of Directors of the Company. We consider her a most appropriate person to provide useful opinions about the Company's business from an objective standpoint, and to perform a supervisory function.

Reasons for Appointment of External Audit & Supervisory BoardMembers

External Corporate Auditor	Reason for Appointment
Fumiko Furusho	Ms. Furusho has a wealth of experience and insight due to her many years serving as a business manager, as well as the appropriate character, insight, and professional background for an external Audit & Supervisory Boardmember of the Company. We consider her a most appropriate person to provide useful opinions about the Company's business from an objective standpoint, and to perform audit and supervisory functions.
Yusuke Inoue	Mr. Inoue has a wealth of experience and insight due to his many years serving as a business manager, as well as the appropriate character, insight, and professional background for an external Audit & Supervisory Boardmember of the Company. We consider him a most appropriate person to provide useful opinions about the Company's business from an objective standpoint, and to perform audit and supervisory functions.
Kazutaka Koga	Mr. Koga has a wealth of experience and insight due to his many years serving as an attorney, as well as the appropriate character, insight, and professional background for an external Audit & Supervisory Boardmember of the Company. We consider him a most appropriate person to provide useful opinions about the Company's business from an objective standpoint, and to perform audit and supervisory functions.

Policy Regarding Determination of Remuneration for Members of the Board of Directors and Audit & Supervisory BoardMembers

Our policy on remuneration is to set it at a level commensurate with the capabilities and responsibilities required of the Company's members of the Board of Directors and Audit & Supervisory BoardMembers, giving due consideration to factors such as the Company's management environment, remuneration levels at other companies, primarily listed companies, and the level of treatment of the Company's employees.

Specifically, remuneration for members of the Board

of Directors and Audit & Supervisory BoardMembers comprises a monthly basic remuneration and bonuses. To ensure objectivity and transparency, the level of remuneration is determined by the Board of Directors and the Audit & Supervisory Board based on the deliberations of the Remuneration Discussion Committee, which is chaired by an external member of the Board of Directors.

Members of the Board of Directors' bonuses are paid in correspondence with the Company's performance within a limited amount to clarify members of the Board of Directors' responsibility for performance and provide them with an incentive to improve it.

Total Amount of Remuneration by Director Category and Type and Number of Directors (Fiscal 2016)

Classification	Members of the Board of Directors (excluding external members of the Board of Directors)		Audit & Supervisory BoardMembers (excluding external Audit & Supervisory BoardMembers)		External members of the Board of Directors and Audit & Supervisory BoardMembers	
	Number of people	Amount (Millions of yen)	Number of people	Amount (Millions of yen)	Number of people	Amount (Millions of yen)
Basic remuneration	13	399	4	81	7	38
Bonuses	—	—	—	—	—	—
Total	—	399	—	81	—	38

(Note) The number of people listed above as recipients for basic remuneration includes one member of the Board of Directors (excluding external members of the Board of Directors), one Audit & Supervisory BoardMember (excluding external Audit & Supervisory BoardMember) and two external officers (external Audit & Supervisory BoardMembers) who retired at the end of the 92nd Annual General Meeting of Shareholders, held on June 28, 2016.

Disclosure of Important Concurrent Positions Held by Members of the Board of Directors and Audit & Supervisory BoardMembers

Important concurrent positions held by the Company's members of the Board of Directors and Audit & Supervisory BoardMembers are as follows.

Member of the Board of Directors	Important Concurrent Position
Masayoshi Nuki	Outside director, Kyushu Railway Company
Michiaki Uriu	Outside director (audit and supervisory committee member), THE NISHI-NIPPON CITY BANK, LTD.
Naofumi Satou	Outside director (audit and supervisory committee member), Nishi-Nippon Railroad Co., Ltd. Outside director, RKB MAINICHI HOLDINGS CORPORATION
Kazuhiro Izaki	Outside director, Nippon Tungsten Co., Ltd.
Yuuzou Sasaki	Outside director, FUJI P.S CORPORATION Outside audit & supervisory member, Kyudenko Corporation
Takashi Yamasaki	Outside director, Seiko Electric Co., Ltd.
Akiyoshi Watanabe	Outside director, Kyudenko Corporation
Ritsuko Kikukawa	Director of Fukuoka Study Center, The Open University of Japan

Audit & Supervisory BoardMembers	Important Concurrent Position
Fumiko Furusho	President, Furusho Tochi, Ltd.
Yusuke Inoue	Chairman, Kyusyu Servicer
Kazutaka Koga	Attorney (Koga Hanashima Law Office) Outside auditor, MAXVALU KYUSHU CO., Ltd.

Analysis and Evaluation of Overall Effectiveness of the Board of Directors

The Company conducts questionnaires and interviews with members of the Board of Directors and Audit & Supervisory BoardMembers, and the results are confirmed by the Board of Directors.

(1) Regarding the function and composition of the Board of Directors

- Appropriateness of the decision-making process
- Formulation and external disclosure of management strategies and policies
- Appropriateness of supervision of business execution
- Appropriateness of composition (diversity, scale)

(2) Operation of the Board of Directors

- Appropriateness of determination of matters for resolution and reporting and matters for deliberation
- Clarity of materials and explanations
- Appropriateness of frequency and time allocation for deliberation

Promoting Compliance

To promote compliance, the Compliance Committee has been established to ensure compliance with corporate ethics, laws and regulations, internal rules, and so forth. The committee is chaired by the president and includes external experts and promotes fair business practices. In addition, compliance officers have been established for every division. The officers promote compliance with corporate ethics, laws and regulations, and so forth, in accordance with the basic policies and recommendations set forth by the Compliance Committee, as well as the specific measures it has deliberated.

Accounting Auditor

The Company's accounting audits are carried out by certified public auditors Masanori Motono, Kei Nozawa, and Ken Miyazaki, of Deloitte Touche Tohmatsu LLC. The Company's accounting audit was assisted by 10 certified public accountants and another 19 personnel.

The internal auditing body, Audit & Supervisory Board Members and accounting auditor work to improve and enhance audit functions through close cooperation on formulating audit plans and reporting audit results.

Financial Reporting

The Company properly operates internal controls governing financial reporting and establishes systems to make corrections as necessary. At the same time, the Company's Financial Reporting Disclosure Committee, which is chaired by the president and consists of management executives, works to ensure the appropriateness of financial reporting.

Information Management

With regard to information management, the Company properly stores and manages documents stipulated by laws and regulations such as minutes of Board of Directors meetings, as well as other documents concerning important decision-making matters. To this end, the Company assigns responsibility for document management to appropriate departments based on internal rules. At the same time, the Company works to ensure the security of information concerning the execution of duties as necessary, based on basic policies and rules concerning information security.

Risk Management/Contingency Management

To manage risk, we regularly identify, categorize and assess risks based on our risk management rules, clarifying Company-wide and division-specific threats that could affect management.

Each division and business office produces contingency plans to appropriately manage clear general and specific risks.

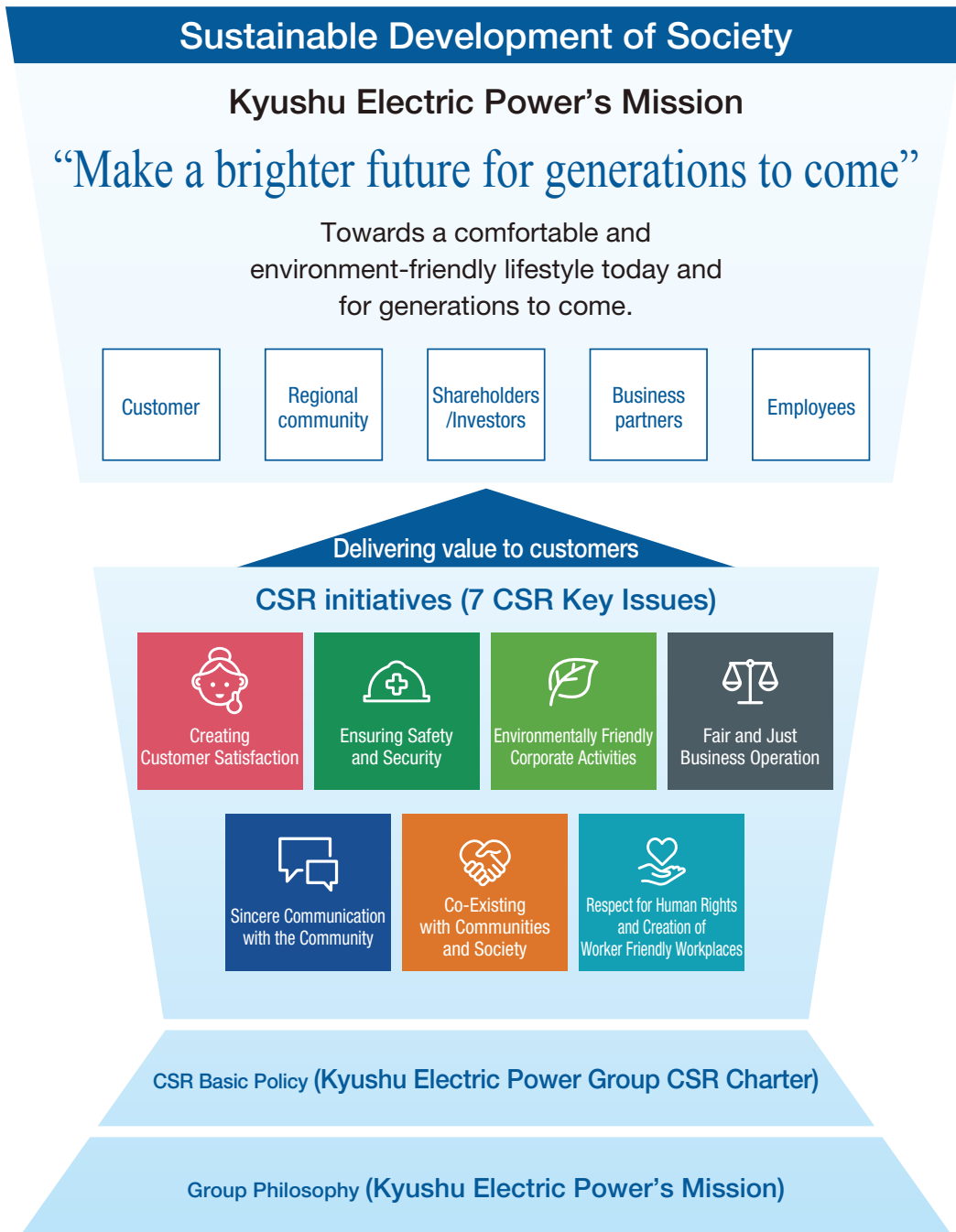
With regard to risks that relate to multiple departments and risks for which concerns of materializing are high, we share information among related departments, clarify response structures and address these risks appropriately.

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 address the risks thoroughly and on an ongoing basis.

Furthermore, we have established rules for a response structure and procedures to quickly and properly address situations where the materialization of a risk may lead to an emergency, loss of public trust, or other situations that could have a significant impact on Company operations and society. This includes enhancing and strengthening our crisis management system to minimize the impact on the Company and society. We also regularly conduct drills.

The Kyushu Electric Power Group's CSR Promotion System

The Kyushu Electric Group continuously evaluates its CSR initiatives based on CSR guidelines (such as Keidanren's Charter for Corporate Behavior), as well as the expectations and demands of customers and local communities, and we have built a management cycle to improve and enhance our CSR activities.



CSR Management

We are building a CSR management cycle that reflects feedback from shareholders and investors, in our management and business operations.

CSR Promotion Committee:

Our CSR promotion efforts include bolstering and improving our CSR initiatives through the appointment of a director to oversee our CSR management structure and the establishment of the CSR Promotion Committee, which is chaired by the president and deliberates on our CSR Action Plan to advance CSR.

Group CSR Promotion Subcommittee:

We have established the Group CSR Promotion Subcommittee comprising the department heads in charge of CSR at Group companies. The Group CSR Promotion Subcommittee promotes Group companies' initiatives related to compliance and other matters.

We provide valuable products and services that meet customer needs and address their issues.

Major Risk Scenario

If we do not quickly and accurately address customer needs and issues in a competitive environment, it could result in a decrease in electricity sales volume and have an impact on financial performance.

Main Initiatives in Fiscal 2017

- Responding to major disasters
- Providing energy services based on customer needs and issues
- Developing electrical power businesses outside Kyushu
- Incorporating customer feedback in business operations

Number of Comments from Customers

(Fiscal 2016 data)

About **19,000** comments

We received about 19,000 items of feedback from customers in fiscal 2016 through daily business activities, dialogue with customers and other interactions. Comments received from customers are shared with senior management and more broadly throughout the entire Company, and are used to improve business operations.

Examples of Specific Initiatives

■ Developing and Delivering Services Matching Customers' Needs

Systematic Introduction of Smart Meters (Unit Meters)

We have started to introduce smart meters with communication capabilities, with the aim of increasing the efficiency of operations and improving the level of customer service. In conjunction with the increasingly widespread use of smart meters, we are working to increase efficiency through such initiatives as remote meter reading and setting up remote instruments when contracts are renewed.

We will also continue to work to provide electricity consumption volume and other data to customers, offer energy-saving consulting, and quickly restore electric power service by ascertaining the scope of low voltage power outages.

Plan for Introducing Smart Meters

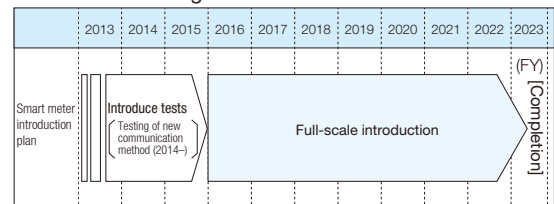
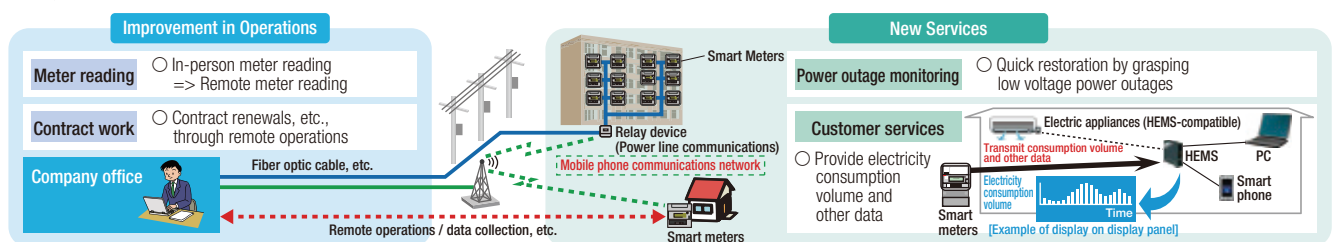


Image of Situation after Smart Meters Become Widespread



Reference New Services for Residential Customers Utilizing IoT Technology

Going forward, we aim to provide new lifestyle experiences by installing new devices in homes and utilizing IoT (Internet of Things) technologies and AI.

- Use the latest interface for integrated operations of various home appliances and entertainment equipment on the IoT service infrastructure (platform) built by Kyushu Electric Power
- Use AI to study data accumulated on the IoT service platform and sensor data, and automatically control home appliances and equipment to match the customers' preferences, as well as provide lifestyle advice
- Consider controlling home solar power generation, Eco Cute, etc., using the strengths of electric power companies, and introducing of a wide variety of new services in cooperation with other companies

Ensuring Safety and Security

We will rigorously implement safety measures for facilities, ensure the safety of workers and conduct business activities with safety and security as the highest priority.

Major Risk Scenario

Depending on the response to new regulatory standards and the outcome of lawsuits related to nuclear power, and other factors, there could be an impact on our financial performance if the shutdown of nuclear power stations remains for the long term or capital investment increases, among other possibilities.

Main Initiatives in Fiscal 2017

- Promote thorough safety initiatives
- Ensuring the safety of nuclear power stations
- Handle complex disasters
- Initiatives to ensure the safety of customers
- Initiatives to ensure the security of facilities
- Initiatives for occupational safety and health

Number of Equipment Accidents that Have a Serious Impact on Society

(Zero accidents in fiscal 2016) **0**

In addition to making sure we have thorough safety measures in place for facilities, and carefully providing explanations to local residents, we ensure a high level of worker occupational safety, and carry out business activities prioritizing safety and security.

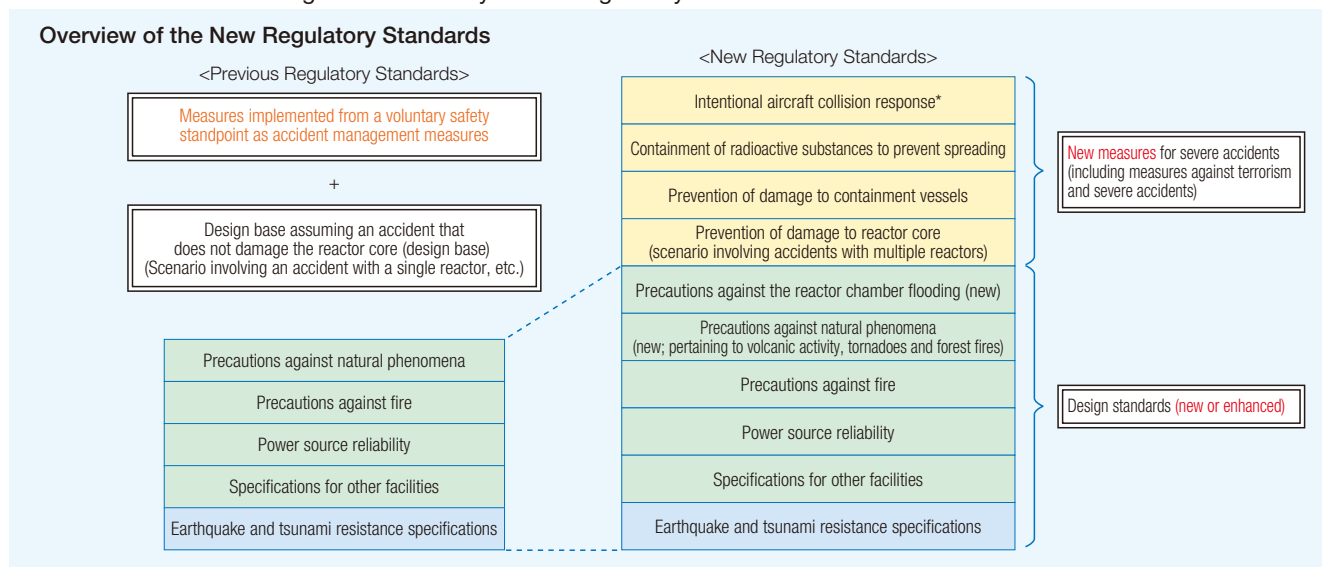
Examples of Specific Initiatives

■ Initiatives to Further Raise the Safety and Reliability of Nuclear Power Stations

Kyushu Electric Power has learned from the accident that occurred at Fukushima Daiichi Nuclear Power Station and based on the national government's new regulatory standards, we are further strengthening measures to prevent major accidents and respond appropriately in the event an accident does occur as we make every effort possible to ensure the safe operation of our nuclear power stations.

Furthermore, we are fully aware that there is no end to initiatives for improving safety and so will willingly and continually work to raise levels of safety and reliability while striving to earn the confidence and trust of local residents.

Overview of the Nuclear Regulation Authority's New Regulatory Standards



[Prepared from materials announced on July 3, 2013 by the Nuclear Regulation Authority]

* A five-year period, calculated from the approval date for projects related to conformance with the new standards, has been set as an interim measure for facilities to address specific large-scale disasters (measures for restricting abnormal emissions of radioactive materials caused by a large aircraft collision or other act of terrorism).

■ Initiatives Aimed at Further Increasing the Safety and Reliability of the Genkai Nuclear Power Station Units 3 and 4 (Serious Accident Countermeasures)

	Main content of new regulatory standards	Main content of application for permission for reactor installation changes
(1) Measures to prevent reactor core damage	<ul style="list-style-type: none"> Establish measures to ensure there is no damage to the reactor core even if all safety functions are lost at once 	<ul style="list-style-type: none"> Diversification of electric power supply means <ul style="list-style-type: none"> Install large-capacity air-cooled generators in preparation for the event of a loss of external power supply and permanent emergency power supply Diversification of means to cool nuclear reactors <ul style="list-style-type: none"> In addition to permanent pump, additional deployment of portable pumps, etc. <ol style="list-style-type: none"> Inject water into nuclear reactor and steam generator using portable diesel injection pump (new) Inject water into nuclear reactor using permanent electric injection pump (new) Inject water into nuclear reactor using containment vessel spray pump (additional function) Supply seawater to nuclear reactor auxiliary cooling equipment using mobile, large-capacity pump truck (new)
(2) Prevention of damage to containment vessels	<ul style="list-style-type: none"> Establishment of measures to ensure there is no damage to containment vessels even if the reactor core is damaged 	<ul style="list-style-type: none"> Diversification of means to cool containment vessels <ol style="list-style-type: none"> Containment vessel spray using permanent electric injection pump (new) Containment vessel spray using portable diesel injection pump (new) Supply seawater to containment vessel recirculation unit*1 using mobile, large-capacity pump truck Measures to reduce hydrogen concentration <ul style="list-style-type: none"> To prevent a hydrogen explosion, be able to reduce the hydrogen concentration even if hydrogen materializes inside the containment vessel Passive autocatalytic recombiner (PAR)*2 Install electrical hydrogen igniter*3
(3) Containment of radioactive substances to prevent spreading	<ul style="list-style-type: none"> Establishment of measures to suppress radioactive substances on site, even if the containment vessel is damaged 	<ul style="list-style-type: none"> Deployment of water cannons that spray water on damaged parts of containment vessel, etc., and installation of a silt fence (in-sea curtain) that prevents radioactive substances from spreading into the ocean
(4) Command center to handle serious accidents	<ul style="list-style-type: none"> Establishment of an emergency response office as a base facility from which to take command during a serious accident 	<ul style="list-style-type: none"> Establishment of an emergency response office <ul style="list-style-type: none"> Establish an alternative emergency response office that satisfies the demands of the new regulatory standards, including earthquake resistance, communications equipment, etc. In the future, establish an emergency response office within an earthquake-resistant emergency response building that has a higher level of functionality

*1 A device that cools air inside a containment vessel with heat exchange using cooling water

*2 A device that uses a catalyst to cause hydrogen and oxygen to react and form water

*3 A device that uses an electric heater to force hydrogen to combust and form water

■ Promoting Thorough Safety Initiatives

Understanding that the pursuit of safety has no endpoint, in April 2017, we established the Companywide Safety Promotion Committee chaired by the President to promote initiatives based on strong leadership from top management.

The committee promotes safety initiatives aimed at ensuring safety and reliability for people in local communities, and fosters an organizational culture in which employees place the highest priority on safety.

Group Safety Promotion Framework



We are advancing with initiatives toward the preservation of the environment, and co-existence with local communities.

Major Risk Scenario

It is the responsibility of companies with substantial emissions of greenhouse gases to take measures to reduce them, and if these measures are delayed, it may erode the confidence of the public in the Group, increase environmental costs, such as CO₂ credits, and have an impact on financial performance.

Main Initiatives in Fiscal 2017

- Environmental initiatives
- Helping create a recycling oriented society
- Environmental protection
- Harmonizing with society
- Pursuing environmental management

CO₂ Emissions per kWh of Electricity Sold

0.483 kg-CO₂/kWh

[provisional value]

In fiscal 2016, CO₂ emissions were 37.5 million tons, and CO₂ emissions per kWh of electricity sold were 0.483 kg-CO₂. This represented a decrease of about 10% compared to fiscal 2015. The decrease was due to factors including the stable operation of the Sendai Nuclear Power Station Units 1 and 2 throughout the year (except for regular inspection periods) and the increase in power generated by renewable energies.

Examples of Specific Initiatives

■ Main Environmental Targets and Achievements

	Item	Unit	Fiscal 2016 target	Fiscal 2016 results	Fiscal 2017 target	
Environmental initiatives	CO ₂ emissions per kWh of electricity sales volume	kg-CO ₂ /kWh	Maximum possible reduction* ¹	0.483	Maximum possible reduction* ¹	
	Total thermal efficiency for thermal power stations on transmission end (higher heating value basis)	%	—* ²	40.4	—* ²	
	Office power usage	Million kWh	54 or less	57	54 or less	
Efforts to create a recycling society	Industrial waste recycling rate	%	99 or more	About 100	99 or more	
	Paper recycling rate	%	100	100	100	
	Green procurement rate	%	Maximum possible procurement* ³	About 100	Maximum possible procurement* ³	
Environmental protection	SO _x emissions per unit of thermal power generation	g/kWh	Maximum possible reduction* ⁴	0.19	Maximum possible reduction* ⁴	
	NO _x emissions per unit of thermal power generation	g/kWh	Maximum possible reduction* ⁴	0.17	Maximum possible reduction* ⁴	
	Dose evaluation for the public around the nuclear power station (per year)	Millisieverts	Under 0.001	Under 0.001	Under 0.001	
Harmonizing with society	Energy/ Environmental education	Play Forest Activities	No. of times held	—	8	12 or more
		Kuju Kyuden Forest Environmental Education Activities	No. of times held	—	19	20 or more
		Eco Mothers Activities	No. of times held	250 or more	253	200 or more
		Lectures	No. of times held	Held proactively	479	Held proactively

*1 Maximum effort will be made to achieve the target set for all electricity providers (approx. 0.37 kg-CO₂/kWh on the usage end in fiscal 2030).

*2 Revisions, etc., to nuclear power in supply plans are unclear, so setting this target has been postponed.

*3 A qualitative target has been set based on the fact that activities are nearly fully established, and other factors.

*4 A qualitative target has been set because it fluctuates greatly depending on the usage rate of oil-fired thermal power stations.

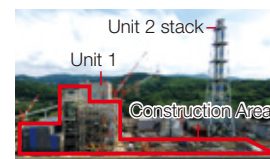
■ Environmental Initiatives

Increasing Efficiency of Thermal Power Generation

Kyushu Electric Power aims to maintain and improve overall thermal efficiency with the intention of reducing fuel consumption and curbing CO₂ emissions. In fiscal 2016, we maintained a high level of thermal efficiency (40.4% at the power transmission end) by keeping highly efficient LNG-fired and coal-fired thermal power plants operating at high levels, in addition to commencing in June the commercial operation of Shin-Oita Power Station Unit 3 (Turbine 4), a combined cycle power generation system boasting the highest efficiency in the world.

Work to upgrade the Shin-Oita Power Station Unit 1 to high-efficiency gas turbines has been completed for five of the six turbines as of February 2017. The final turbine is scheduled to be completed during fiscal 2017.

Moreover, construction work on Matsuura Power Station Unit 2, a high-efficiency pulverized coal-fired unit, is on schedule for the commencement of commercial operations in December 2019. Kyushu Electric Power will continue to improve the efficiency of its thermal power plants.



State of construction at Unit 2 at Matsuura Power Station (as of July 2017)

Proactive Development and Introduction of Renewable Energy Sources

Kyushu Electric Power is proactively developing renewable energy sources, including geothermal power, hydroelectric power, biomass, wind power and solar power. The entire Group worked on development and together with local communities to promote renewable energy, as it is an excellent power source for combating global warming and encourages the effective use of domestically produced energy.

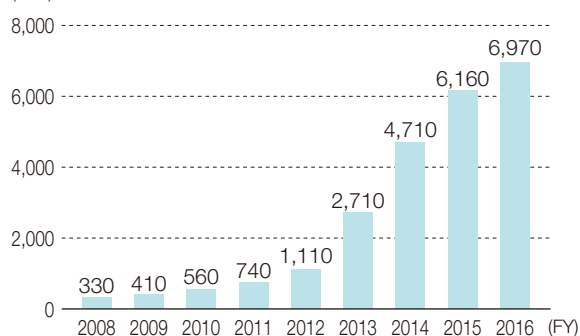
The introduction of the renewable energy feed-in tariff (FIT) system accelerated the proliferation of solar power generation, but it also created problems, such as the unbalanced installation of solar power facilities with other power sources, and burden placed on Japanese citizens. This led to the enactment of revised FIT legislation on April 1, 2017, with changes to the facility certification system and measures to enhance cost efficiency.

In light of these changes to the legal system, Kyushu Electric Power plans to maximize the use of renewable energy, as long as it does not destabilize the supply of electric power. Along with Group companies, Kyushu Electric Power is proactively developing renewable energy while leveraging the characteristics of each type of renewable energy, even outside the Kyushu region and overseas.

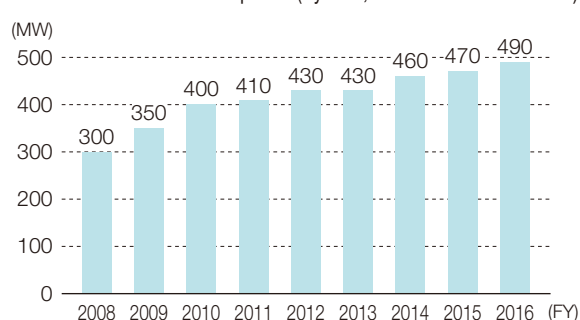
In the renewable energy business, a global growth market, the Company is leveraging the technologies and know-how we have accumulated over the years both in Japan and overseas. We are also working on offshore wind power, which has latent potential, based on advances in technology and development.

[2030 Development Goal: 4,000 MW (+2,200 MW)]

Amount of connected solar power (Kyushu, excludes remote islands) (MW)



Amount of connected wind power (Kyushu, excludes remote islands) (MW)

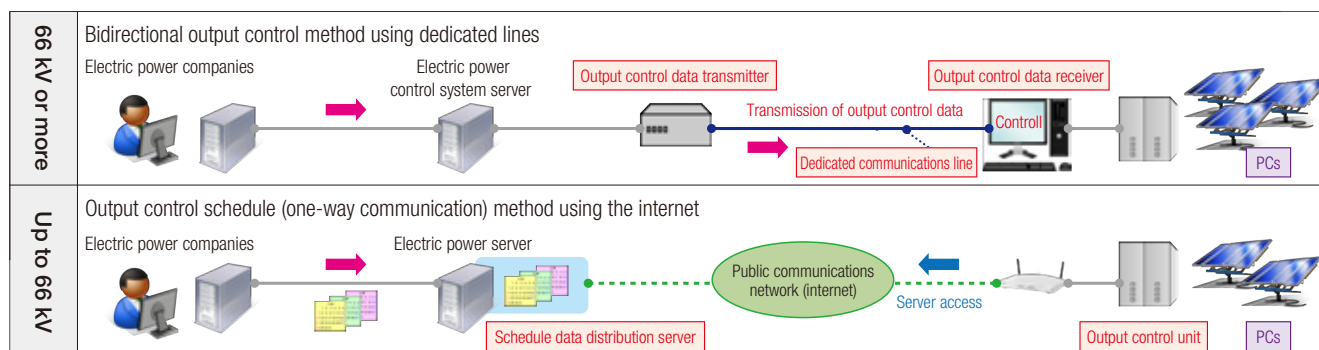


▶ For more details about the development and deployment of renewable energy, please refer to page 28 "Renewable Energy Business Efforts"

Expanding the Use of Renewable Energy R&D Project for Power Grid Output Variation Technologies

In fiscal 2016, Kyushu Electric Power was chosen by the New Energy and Industrial Technology Development Organization (NEDO) to participate in its R&D project for technologies to deal with output variation on power grids, with the aim of advancing measures to expand the inclusion of renewable energy on power grid systems. A number of R&D projects and field tests are underway with the goal of establishing output control technologies so that a maximum amount of renewable energy can be tied into power grids. (Project timeline: fiscal 2016–2018)

In the current fiscal year as well, we are continuing work on establishing finely tuned output control technologies for solar power generation that include demand forecasting and power generation prediction systems.



Fair and Just Business Operation

We conduct business operations in a fair and just manner with individual employees possessing a strong awareness of compliance.

Major Risk Scenario

If company information or personal information is divulged as a result of a non-compliant action or cyber attack, etc., it could diminish the public's confidence in the Group and have a negative impact on financial performance.

Main Initiatives in Fiscal 2017

- Promoting Compliance Management
- Initiatives to raise compliance awareness
- Rigorous practice of fair business operations
- Rigorous information security and personal information protection and management

Compliance Training (Worksite-base/ Rank-base) No. of Participants (Fiscal 2016)

11,605 in total

Kyushu Electric holds training for different levels and ranks, including new employee training and new manager training, and these programs include curriculum to provide the compliance knowledge needed by each age group and rank.

In addition, training is conducted at each worksite in which participants independently consider ways of preventing compliance violations, through group discussions on typical examples that could potentially occur at the Company and other exercises, and connect these considerations to their day-to-day activities.

Examples of Specific Initiatives

■ Promoting Compliance Management

Kyushu Electric Power has established a Compliance Committee chaired by the president. Under the Committee there are implementation bodies led by compliance officers. The Compliance Committee formulates and executes policies, and has established structures which include internal and external consultation desks, and promotes compliance management.

Integrated initiatives at the Group level are also being promoted, led by the Group CSR Subcommittee, where information on compliance is shared.

■ Ensuring Fair and Transparent Use of Power Transmission and Distribution Networks

To ensure the fair use of power transmission and distribution networks and transparency in consignment operations, Kyushu Electric Power strictly adheres to behavior guidelines and rules for network utilization.

The Company will continue to adhere to these rules and regulations, ensure fairness and transparency, and properly manage information.

■ Information Security Management System

Kyushu Electric Power has built an information security management system with the president, information security project managers and information security administrators as key personnel.

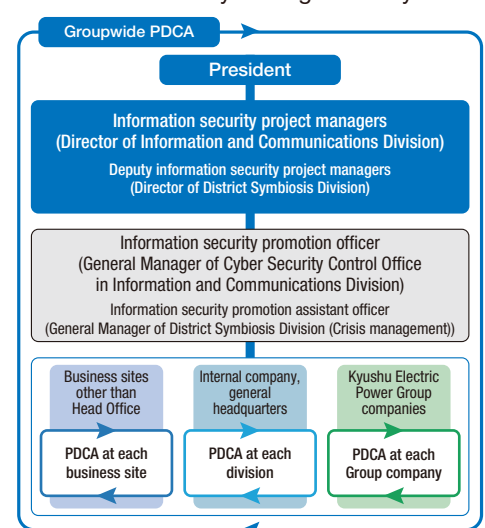
Under this management system, we will promote PDCA across the Group to enhance information security and protect the personal information of individuals.

■ Information Security Measures

Centered on the Cyber Security Control Office, the director of information security and information security managers (all chief group manager and chief manager) work together to implement information security measures from organizational, human, physical and technological standpoints.

Various types of assistance are provided to Group companies to enhance their information security measures, in a bid to maintain and improve the overall level of information security across the entire Group.

Information Security Management System



We disclose information in a timely manner and actively advance communication with communities.

Major Risk Scenario

- ◆ If communication with customers or people in the community is inadequate, it could prevent us from obtaining understanding for company projects and thus delay business activities, which could have an impact on financial performance.
- ◆ If communication with shareholders and investors is inadequate, it could diminish trust and have an impact on the ability of capital markets to make appropriate evaluations.

Main Initiatives in Fiscal 2017

- Promote better communications
- More thorough information disclosure
- Proactively disseminate information
- Disclosure and dissemination of nuclear power related information and communication activities
- IR activities based on shareholder and investor needs

Customer and Community Contact through Dialogue (Fiscal 2016)

About **164,000** people

We facilitate face-to-face communication by creating various opportunities to engage with local residents and customers, such as by visiting their homes, holding discussion events and giving local lectures to explain our corporate activities and listen to the opinions and requests of customers.

Examples of Specific Initiatives

■ **Disclosure and Dissemination of Information about Nuclear Power**
Kyushu Electric Power rapidly and accurately discloses and disseminates information on its website and through press releases regarding measures to ensure safety at nuclear power stations and the status of operations at its power stations.

■ Activities to Communicate Information about Safety Measures at Nuclear Power Stations

In light of the accident at the Fukushima Daiichi Nuclear Power Station, we take steps to explain:

- Our response to new regulatory standards created by the Nuclear Regulation Authority, and
- Our measures to improve the safety and reliability of nuclear power.

In these and other ways, we engage in face-to-face communication, such as visiting homes in Kyushu and offering tours of power stations, with our customers and local residents to further their understanding of the safety measures we have undertaken at our nuclear power stations.

We will endeavor to gain the understanding and trust of our customers and local residents by taking advantage of opportunities to communicate with them.

TOPICS Visits to All Homes in Areas Near the Genkai Nuclear Power Station

On January 18, 2017, the Nuclear Regulation Authority approved changes to nuclear reactor installations to comply with new regulatory standards for Genkai Nuclear Power Station Units 3 and 4.

In a face-to-face setting, we courteously explain the outcome of safety inspections for compliance with new regulatory standards and our safety measures for the Genkai Nuclear Power Station. With the aim of hearing the opinions of local residents, over a period of 12 days from February 8–19, 2017, employees visited all of the homes (about 7,500 residences) of people residing in Genkai Town and neighboring Chinzei Town near Karatsu City, as well as Hizen Town and Yobuko Town. While there, employees explained the safety measures in place at the Genkai Nuclear Power Station.



■ Disclosure of information about nuclear power (fiscal 2016)

○ No. of press releases about nuclear power in fiscal 2016: 53

Topic of press release	Number
Periodic inspection of nuclear power stations	6
Confirmation of conformity to new regulatory standards at nuclear power stations	10
New fuel for nuclear power stations and exports of radioactive waste	1
Lawsuits	21
Other topics (special inspections at Sendai, plans to decommission Genkai Unit 1)	15

○ Information on Kyushu Electric Power's website

- Overview of nuclear power stations
- Operating status and periodic inspections of nuclear power stations
- Information about problems at nuclear power stations
- Real-time data (power generator output, radiation data)
- Initiatives to ensure safety of nuclear power stations
- Information about nuclear power (notifications)

○ Nuclear power information booths

At the nuclear power information booths set up at the Genkai Energy Park and the Sendai Nuclear Power Station Museum, a variety of information is made available about the Company's nuclear power stations.

[Examples of disclosed materials]

- Publications about the Company's nuclear power stations
- Safety agreements
- Applications for permission for changes to reactor installments
- Reports about problems

Co-Existing with Communities and Society

Kyushu Electric Power prioritizes resolving community and social issues through environmental activities and support for raising future generations.

Basic Policy on Activities for Co-Existence with Communities and Society

As a good corporate citizen, Kyushu Electric Power actively promotes activities for co-existing with communities and society with a view to realizing pleasant and enriching communities and society and contributing to their sustained development.

Main Initiatives in Fiscal 2017

- Initiatives to further enhance activities for co-existence with communities and society
- Activities to support the development of the next generation
- Environmental activities
- Initiatives to solve local issues

Number of Participants of Community Co-Existence Activity (Fiscal 2016)

About **60,000**

To meet the expectations of local residents and enhance activities for co-existence with communities and society, the entire Group engages in environmental activities, such as environmental preservation and education activities, activities to support the development of the next generation that assist with the raising of healthy children, Korabora Q-den volunteer activities with local residents, and other activities to solve issues facing each region.

Examples of Specific Initiatives

■ Establishment of Kyuden Mirai Foundation

Kyuden Mirai Foundation was established in May 2016 to meet the expectations of community members and further enhance activities for contributing to solutions to community issues by conducting environmental activities and activities to support raising future generations.

The foundation will enhance environmental protection activities in the Kuju Bogatsuru Wetlands in Oita Prefecture, which have been conducted together with community members, and our environmental education program that utilizes watershed forestland, and will also provide grants for activities to support the development of future generations that are conducted by local organizations.

■ Activities

○ Environmental activities

- Environmental preservation activities at the Bogatsuru Wetlands (Taketa, Oita Prefecture)
- Environmental education activities at Lake Yamashita (Yufu, Oita Prefecture)

○ Activities to support the development of the next generation

- Grants for activities such as support for children's education and support for childcare conducted by local organizations

■ Initiatives to Assist with Reconstruction after Kumamoto Earthquake

We are engaged in various activities to help with reconstruction after the Kumamoto earthquake.

Through March 2017, a total of 689 employees helped clean up individual homes damaged by earthquake and removed waste.

Group company Kyuden Sangyo Co., Inc. planned the Triple Volunteer Tour for Group employees to help areas affected by the disaster in three ways, through volunteer work, tourism and information dissemination. A total of 120 employees participated in four events.

In November, we held an event featuring souvenirs for tourists at commercial facilities within the JR Hakata Station, and put on display an Aso Reconstruction Support Booth in Tenjin, Fukuoka City. Business owners affected by the earthquake sold their goods produced in Kumamoto Prefecture to the many customers who came out to support them.

In February 2017, we created a catalog of goods made in Kumamoto Prefecture and widely promoted sales by using our network. We donated a portion of the proceeds to Kumamoto Prefecture.

Looking ahead, we will continue to help with reconstruction efforts after the Kumamoto earthquake by working closely with affected areas.



Removing broken roofing tiles



Kumamoto reconstruction support catalog



Unloading relief materials



Exhibition of souvenirs for tourists to support reconstruction (JR Hakata Station)

We respect human rights and strive to create workplace environments that enable diverse human resources to maximize their talents.

Empowering Workplaces for Diverse Human Resources

We strive to create workplaces that let each and every employee, including women and the elderly, use their skills to the fullest.

Main Initiatives in Fiscal 2017

- Respect human rights
- Create energetic, worker-friendly workplaces
- Create conditions that empower diverse human resources
- Enhance employee skills and maintain and pass down technological capabilities

Percent of Target Achieved for Promoting Women to Management Positions

78%

Target for Promoting Women to Management Positions

In our Action Plan to Promote an Active Role for Women, we aim to double the number of women newly promoted to management positions by fiscal 2018 (2014–2018) compared with the previous five years (2009–2013).

In the past three years (fiscal 2014–2016), we have already achieved 78% of this five-year target.

Examples of Specific Initiatives

■ Create Conditions that Empower Diverse Human Resources

Initiatives to Promote Women’s Empowerment

We undertake comprehensive initiatives to motivate our workforce and create a dynamic corporate culture for all employees, regardless of gender or age. Efforts include career-building seminars for women and taking comprehensive steps to raise awareness and nurture a spirit that backs these endeavors.

In March 2016, Kyushu Electric Power created the Action Plan to Promote an Active Role for Women, introduced a system for rehiring employees who quit to get married and raise children, created a training system for women, and took other measures to empower women in the workplace.

■ Action Plan to Promote an Active Role for Women

○ Plan Timeline

April 1, 2016 to March 31, 2019

○ Main Initiatives

- Conduct work assignments, transfers and job assignments from a long-term, career development perspective
- Further enhance conditions that allow women to continue working after marriage or while raising children
- Hold career-building seminars for female employees based on their career stage
- Provide information such as role model profiles on a dedicated internal site

TOPICS Held Career-Building Seminar for Female Employees

As a part of our efforts to help women advance their careers, we created career-building seminars for female employees, targeting mid-ranked female employees.

In fiscal 2016, 30 female employees from the head office, branch offices, sales offices, and power distribution business sites participated in the seminar. The participants identified issues while reflecting on their positions and responsibilities, learned about types of leadership and helpful points on communicating as a leader. The seminar served to deepen their awareness of the type of leader they envision becoming and the steps that need to be taken to achieve their goals.



Enhancing the Employment Environment for Seniors

Employees age 60 and above are seen as valuable human resources with extensive experience and advanced knowledge and skills, and in fiscal 2015 we instituted the career employee program as a system for more fully utilizing motivated senior employees to further enhance our reemployment program.

In addition, we are conducting broad-ranging support for senior employees through a career bank program in which work assignments are made based on the wishes of retiring employees, as well as through a re-employment support course and transfer preparation leave program to support work by seniors outside the Company.

Going forward, we will continue to consider measures to enhance senior employment, including expanding the scope of activities, and conduct initiatives for raising employment awareness.

Consolidated Eleven-year Financial Summary

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Years Ended March 31

	Millions of Yen					
	2007	2008	2009	2010	2011	2012
For the Year:						
Operating revenues:	¥1,408,327	¥1,482,351	¥1,524,193	¥1,444,941	¥1,486,083	¥1,508,084
Electric	1,307,737	1,363,423	1,398,577	1,310,085	1,354,204	1,367,610
Other	100,590	118,927	125,616	134,856	131,878	140,474
Operating expenses:	1,253,154	1,376,811	1,439,470	1,345,214	1,387,174	1,692,939
Electric	1,155,413	1,260,615	1,317,216	1,220,536	1,261,425	1,562,055
Other	97,741	116,195	122,254	124,677	125,748	130,883
Interest charges	38,354	36,937	35,770	35,292	34,025	34,025
Income (loss) before income taxes and minority interests	112,887	72,463	55,859	67,610	48,318	(214,750)
Income taxes	46,075	29,853	21,481	25,404	19,245	(48,760)
Net income (loss) attributable to owners of the parent	65,967	41,726	33,991	41,812	28,729	(166,390)

	Yen					
	2007	2008	2009	2010	2011	2012
Per Share of Common Stock:						
Basic net income (loss)	¥139.37	¥88.19	¥71.84	¥88.38	¥60.73	¥(351.80)
Diluted net income (loss)	—	—	—	—	—	—
Cash dividends applicable to the year (common stock)	60.00	60.00	60.00	60.00	60.00	50.00
Cash dividends applicable to the year (Class A preferred shares)	—	—	—	—	—	—

	Millions of Yen					
	2007	2008	2009	2010	2011	2012
At Year-End:						
Total assets	¥4,038,838	¥4,059,775	¥4,110,877	¥4,054,192	¥4,185,460	¥4,428,093
Net property	3,140,200	3,109,292	3,080,446	3,037,054	3,033,125	2,997,232
Long-term debt, less current portion	1,689,106	1,712,949	1,811,744	1,724,972	1,714,429	2,188,601
Total equity	1,092,600	1,084,212	1,072,374	1,089,066	1,079,679	888,131

(U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥112.20 = U.S.\$1, the approximate rate of exchange at March 31, 2017.)

Note: Figures less than a million yen are rounded down. (Applies hereafter)

Summary of the Year Ended March 31, 2017

Kyushu Electric Power was profitable for a second consecutive year, owing to Group-wide efforts to cut costs and lower fuel costs from the stable operation of the Sendai Nuclear Power Station, despite the posting of extraordinary losses following the Kumamoto Earthquake.

Content from pages 52 to 57 and from pages 85 to 88 is based on Kyushu Electric Power's Securities Report.

	Millions of Yen					Thousands of U.S. Dollars
	2013	2014	2015	2016	2017	2017
For the Year:						
Operating revenues:	¥1,545,919	¥1,791,152	¥1,873,467	¥1,835,692	¥1,827,524	\$16,288,097
Electric	1,406,218	1,633,023	1,719,570	1,688,328	1,681,066	14,982,765
Other	139,700	158,129	153,897	147,364	146,458	1,305,332
Operating expenses:	1,845,347	1,886,974	1,916,782	1,715,435	1,704,883	15,195,044
Electric	1,715,262	1,746,890	1,779,711	1,584,556	1,574,890	14,036,456
Other	130,085	140,083	137,070	130,879	129,993	1,158,588
Interest charges	37,407	39,429	40,148	39,317	36,008	320,934
Income (loss) before income taxes and minority interests	(334,298)	(73,732)	(72,901)	92,499	82,840	738,327
Income taxes	(2,195)	20,786	40,324	17,359	2,230	19,877
Net income (loss) attributable to owners of the parent	(332,470)	(96,096)	(114,695)	73,499	79,270	706,513

	Yen				U.S. Dollars	
Per Share of Common Stock:						
Basic net income (loss)	¥(702.98)	¥(203.19)	¥(242.38)	¥155.17	¥159.97	\$1.42
Diluted net income (loss)	—	—	—	—	159.78	1.42
Cash dividends applicable to the year (common stock)	—	—	—	—	15.00	0.13
Cash dividends applicable to the year (Class A preferred shares)	—	—	—	—	3,500,000.00	31,194.29

*1 The amounts of cash dividends per share are based on the recorded earnings for each fiscal year.

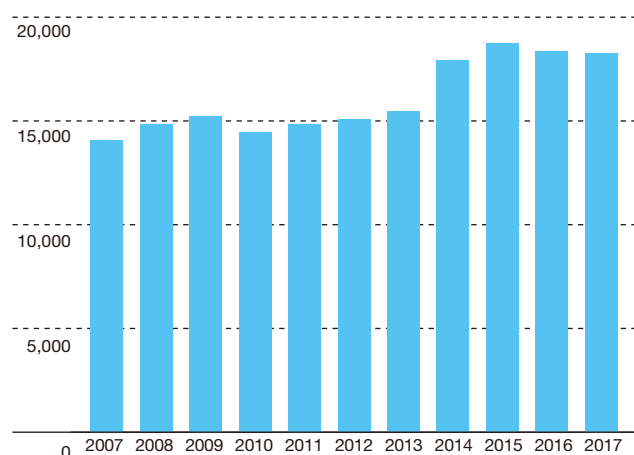
At the General Meeting of Shareholders held on June 28, 2017, a resolution was passed to use capital surplus as of March 31, 2017 to fund the following appropriation.

Cash dividends per share: Common stock ¥15.00; Class A preferred shares ¥3,500,000.00

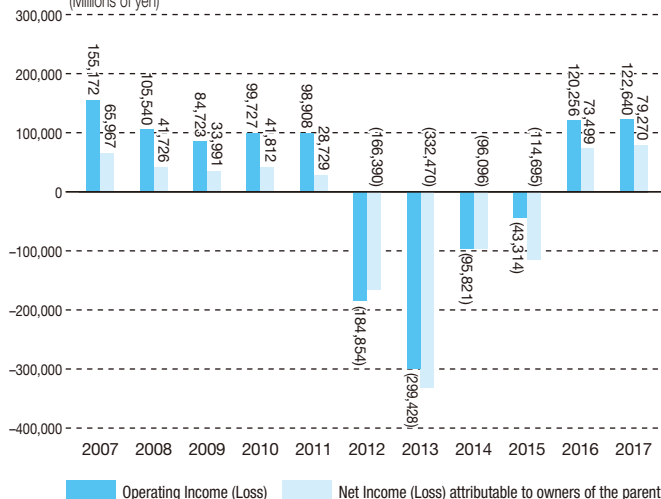
*2 A dividend of ¥7,153,763 per preferred share will be paid out for class A preferred shares, including the accumulated unpaid class A preferred share dividends.

	Millions of Yen					Thousands of U.S. Dollars
At Year-End:						
Total assets	¥4,526,513	¥4,549,852	¥4,784,735	¥4,748,237	¥4,587,541	\$40,887,176
Net property	2,941,114	2,941,142	2,985,935	3,073,861	3,134,911	27,940,386
Long-term debt, less current portion	2,526,729	2,804,896	2,844,538	2,745,848	2,789,038	24,857,738
Total equity	557,799	494,232	450,990	499,903	574,577	5,121,007

Operating Revenues (Billions of yen)



Operating Income (Loss)/Net Income (Loss) attributable to owners of the parent



Management Discussion and Analysis

Kyushu Electric Power Company, Incorporated, and Consolidated Subsidiaries
Year Ended March 31, 2017

Operating Results

In the year ended March 31, 2017, Kyushu Electric Power recorded a 0.4% year-on-year decrease in operating revenues, to ¥1,827.5 billion. In the electricity business, although subsidies related to renewable energy and electricity sales for other companies increased, lighting and power revenue declined as the impact of an adjustment in fuel costs caused unit charges to decrease, and the volume of sales declined.

With regard to expenditures, operating expenses decreased 0.6% to ¥1,704.8 billion. In the electricity business, although the cost of purchased power from renewable sources increased, Kyushu Electric Power mounted a groupwide effort to cut costs, and the stable operation of the Sendai Nuclear Power Station and a fall in fuel prices, among other factors, reduced fuel costs.

As a result of these factors, operating income was ¥122.6 billion, up 2.0% from the previous fiscal year.

Other revenues increased 11.3% to ¥18.1 billion, mainly due to an increase in dividend income in the energy-related business.

Other expenses increased 2.0% to ¥46.5 billion, mainly owing to an increase in loss on valuation of securities.

Ordinary income was ¥94.2 billion, an increase of 3.6% from the previous fiscal year. This result stemmed from a 0.3% decrease in ordinary revenues to ¥1,845.6 billion, coupled with a 0.5% decrease in ordinary expenses to ¥1,751.4 billion.

The water flow rate rose to 15.0% above average (100%) during the year under review. For this reason, Kyushu Electric Power posted a provision

for fluctuations in water level of ¥0.9 billion in preparation for increased expenses associated with future water shortages.

In the year ended March 31, 2017, Kyushu Electric Power recorded extraordinary losses, including a loss on disaster of ¥10.4 billion, in connection with the 2016 Kumamoto Earthquake.

Total income taxes decreased 87.2% to ¥2.2 billion. This decrease was mainly due to a decline in current income taxes in line with lower taxable income in the year ended March 31, 2017 and the adoption of the consolidated tax return filing system, as well as a decrease in deferred income taxes.

Due to these factors, net income attributable to owners of the parent was ¥79.2 billion, an increase of 7.9% from the previous fiscal year. Basic net income per share of common stock was ¥159.97, an increase of ¥4.8 from the previous fiscal year.

Segment Information (Before Elimination of Internal Transactions)

(1) Electric Power

Looking at the total volume of electricity sales, lighting demand rose 1.5% compared to the previous fiscal year, mainly due to an increase in air conditioning demand driven by higher temperatures from June to October compared to the same period in the previous year. In addition, power demand was down by 2.0%, mainly due to a decrease in production at certain factories.

As a result, the total volume of electricity sales decreased 0.7% to 78.62 billion kWh.

On the supply side, Kyushu Electric Power was able to maintain a stable electricity supply by comprehensively managing the operation of

power generation systems such as thermal power and pumping, in line with the increase in power from new energy and other sources, along with the stable operation of Sendai Nuclear Power Station Units 1 and 2.

Electric power segment sales decreased 0.4% to ¥1,685.0 billion. Although subsidies related to renewable energy and electricity sales for other companies increased, lighting and power revenue declined as the impact of an adjustment in fuel costs caused unit charges to decrease, and the volume of sales declined. Meanwhile, operating expenses decreased 0.6% to ¥1,586.7 billion. Although the cost of purchased power from renewable sources increased, Kyushu Electric Power mounted a groupwide effort to cut costs, and fuel costs declined due to the stable operation of the Sendai Nuclear Power Station and a fall in fuel prices. Consequently, operating income was ¥98.3 billion, an increase of 2.3% from the previous fiscal year.

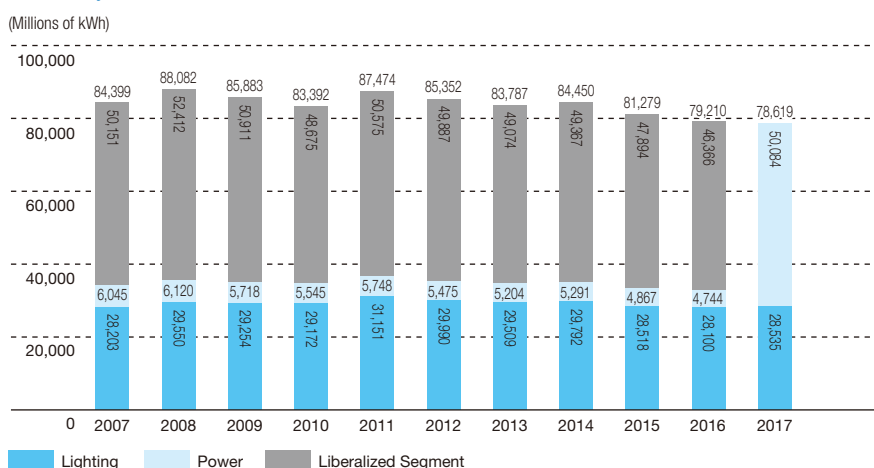
(2) Energy Related Business

Sales increased 0.3% to ¥185.2 billion, mainly due to an increase in power plant maintenance work, despite a decline in commissioned maintenance of conventional power meters in step with the installation of smart meters. Operating income declined by 7.0% to ¥10.0 billion, mainly due to the aforementioned decline in commissioned maintenance of conventional power meters in step with the installation of smart meters.

(3) IT and Telecommunications

Sales decreased 2.0% to ¥101.4 billion, mainly

Electricity Sales Volume



Note 1: Specified-Scale Demand is 6,000 V or higher at standard voltage and 50 kW or higher of contracted power
Note 2: Display categories changed from fiscal 2016

due to a decline in commissioned information system development projects, despite an increase in revenue from optical broadband services. Operating income decreased by 17.3% to ¥8.4 billion, mainly owing to increases in taxes and dues, and depreciation, associated with the expansion of optical broadband services.

(4) Other Business

Sales were ¥24.9 billion, down 7.0% year on year, mainly due to lower revenue stemming from the sale of real estate. Operating income increased by 4.6% to ¥4.5 billion mainly due to a decrease in depreciation of rental buildings.

Financial Position

(1) Cash Flows

Net cash provided by operating activities was ¥188.0 billion, a decrease of 42.9% from the previous fiscal year. In the electricity business, although fuel costs decreased, cash flows were reduced by a decrease in lighting and power revenue and an increase in the cost of purchased power from other companies, along with payments of accrued contributions for reprocessing of irradiated nuclear fuel in accordance with the enforcement of "The Act for Partial Amendment to the Act for Deposit and Management of the Reserve Funds for Reprocessing of Spent Fuel from Nuclear Power Generation" (hereinafter, the "Amended Act").

Net cash used in investing activities decreased 4.6% to ¥275.0 billion, mainly owing to a decrease in investment in plant and equipment.

Net cash provided by financing activities was

¥78.3 billion, compared with net cash used of ¥126.1 billion in the previous fiscal year. This change mainly reflected an increase in proceeds from issuance of bonds.

As a result, cash and cash equivalents as of March 31, 2017 stood at ¥419.8 billion, down ¥9.9 billion from a year earlier.

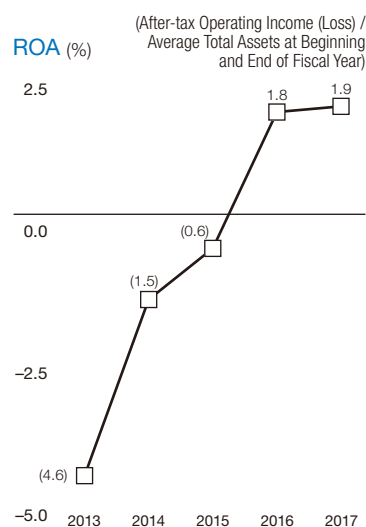
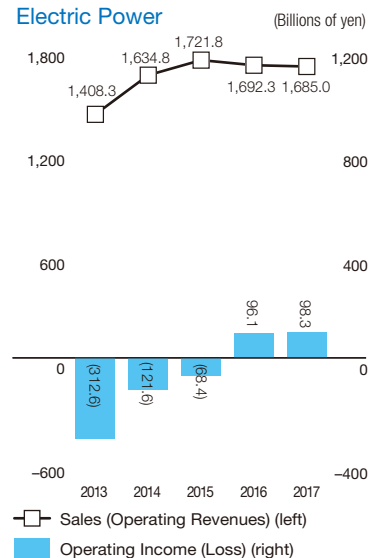
(2) Assets, Liabilities and Equity

Total assets were ¥4,587.5 billion, down 3.4% from the previous fiscal year-end. This mainly reflected a decline in fixed assets due to the reversal of reserve funds for reprocessing of irradiated nuclear fuel in accordance with the enforcement of the Amended Act, despite increases in construction in progress in connection with construction work related to nuclear power station safety enhancement measures.

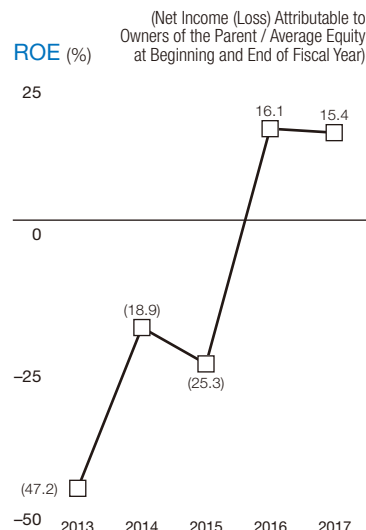
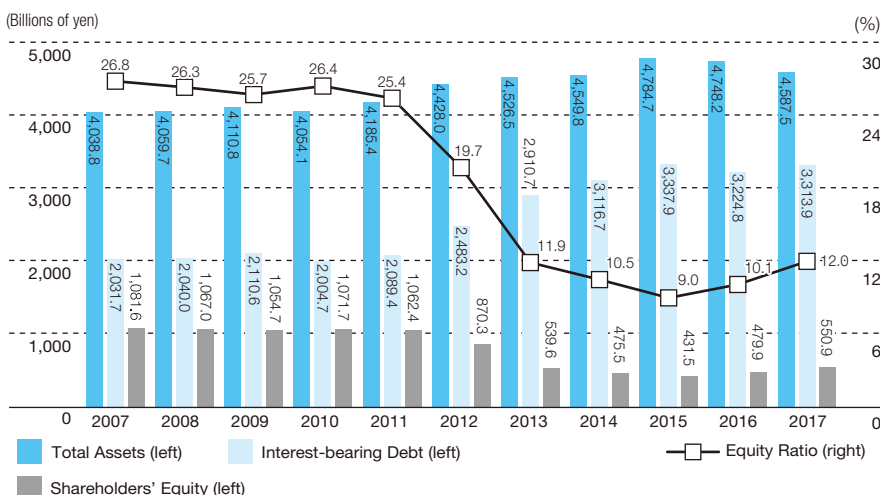
Total liabilities were ¥4,012.9 billion, a decrease of 5.5% from the previous fiscal year-end. This was mainly due to the reversal of the reserve for reprocessing of irradiated nuclear fuel and the reserve for preparation of reprocessing of irradiated nuclear fuel in accordance with the enforcement of the Amended Act, despite an increase due to the issuance of convertible bond-type bonds with subscription rights to shares. Outstanding interest-bearing debt increased 2.8% from the previous fiscal year-end to ¥3,313.9 billion.

Total equity was ¥574.5 billion, up 14.9% from a year earlier, mainly reflecting the recording of net income attributable to owners of the parent, which was partly offset by the payment of dividends. The equity ratio was 12.0%.

Electric Power



Consolidated Interest-bearing Debt and Equity Ratio



Business Risks Factors

The following is a list of some significant risk factors that may have an effect on the operating results, financial position, and other aspects of the Group (consolidated).

Forward-looking statements in this report reflect the judgment of the Company as of the end of current consolidated fiscal year.

1 Changes in Systems Affecting the Electricity Business

With regard to energy policy, the government has formulated the Long-term Energy Supply and Demand Outlook based on the Strategic Energy Plan, which established the nation's basic orientation in relation to energy supply and demand. Discussions have been ongoing. With regard to the matter of electricity system reforms, legal unbundling of the transmission/distribution sector will start in April 2020. We have been steadily putting in place the new internal systems required by these changes and have been working to achieve greater operational efficiency. For example, we introduced an in-house company to handle the electricity transmission and distribution business in April 2017. Moreover, we are also considering priorities such as the creation of a base load power market and a capacity mechanism, from the standpoint of addressing issues affecting the public interest amid further intensification of competition and liberalization in the electricity market. Changes such as these to the systems affecting the electricity business could have an impact on the Group's performance.

2 Status of the Environment Surrounding Nuclear Power

We still believe that nuclear power generation is important in terms of energy security and global warming concerns. We will comply with the New Nuclear Regulatory Requirements enforced by the government based on the lessons learned from the accident at the Fukushima Daiichi Nuclear Power Station and continue our voluntary efforts to improve safety and reliability. In conjunction with this, we are also vigorously implementing activities to allay the concerns of local residents. However, the Group's performance could be affected by any long-term suspension of our nuclear power stations or increase in capital investments, depending on new regulatory standards and the results of lawsuits regarding their operations.

3 Fluctuations in Electricity Sales Volume

Electricity sales volume in the electricity business fluctuates according to factors such as economic trends, temperature changes, the spread of residential solar power systems, the development of energy conservation, and competition in the electricity market. As a result, changes in these factors could have an impact on the Group's performance. Supply and demand operations could be affected by an increase in solar power systems.

4 Fuel Price Fluctuations

Fuel expenses in the electricity business fluctuate as a result of trends in CIF prices and in the foreign exchange markets because we procure sources of fuel for thermal power generation including liquefied natural gas (LNG) and coal from overseas.

However, fluctuations in fuel prices are reflected in electric rates through the fuel cost adjustment system, which helps to ease the impact of fuel price volatility on the Group's performance.

5 Costs for the Back-end of Nuclear Operations

The decommissioning of nuclear facilities and the back-end of nuclear operations such as the storage, reprocessing, and disposal of spent nuclear fuel require long-term projects that involve uncertainties. However, risks to operators have been reduced to a certain extent due to the government's institutional measures and other factors. Since the costs for the back-end of nuclear operations and so forth vary in accordance with factors such as future reviews of systems, changes to estimated future expenses, and the storage conditions of spent nuclear fuel, they may affect the business performance of the Kyushu Electric Power Group.

6 Cost of Measures to Combat Global Warming

In response to global warming, the Group aims for more efficient power generation that uses less carbon, and to this end, the Group conducts a variety of measures, such as safe and stable nuclear power station operations, active development and introduction of renewable energy, and maintenance and improvement of total thermal efficiency for thermal power stations. Future changes in policies related to global warming could have an impact on the Group's performance.

7 Businesses Other than Electricity

The Group is enhancing its revenue basis by utilizing its management resources and steadily developing new business areas beyond the electricity business. In business operations, we put emphasis on profitability and work to improve efficiency while pursuing growth. If the planned profits cannot be achieved due to worsening business conditions, the Group's performance may be affected.

8 Deferred Tax Assets

The recoverability of deferred tax assets reported in the consolidated balance sheet is determined based on estimated future taxable income. Therefore, if estimated future taxable income falls due to factors such as changes in the business environment, we will have to break into deferred tax assets, and this may affect the business performance of the Kyushu Electric Power Group.

9 Interest Rate Fluctuations

The Group's balance of interest-bearing debt as of the end of March 2017 was ¥3,313.9 billion, which accounts for 72% of the Group's total assets. Future changes in interest rates have the potential to affect the Group's financial condition. However, 96% of outstanding interest-bearing debt comprises long-term debt, and most of this bears interest at fixed rates. The impact of fluctuating interest rates on the Group's performance is therefore viewed as limited.

10 Leakage of Information

The Group has established strict internal frameworks to manage in-house information and personal information which Group companies hold, to ensure information security. Additionally, we have implemented thorough information management by establishing internal policies and guidelines on handling information as well as familiarizing employees with the handling procedures. However, in case of leaks of in-house information or personal information caused by computer viruses or cyber attacks, the Group's performance may be affected.

11 Natural Disasters

To ensure a stable supply of electricity to our customers, the Group implements inspections and maintenance of facilities systematically to prevent any trouble from occurring. However, large-scale natural disasters, such as typhoons, torrential rains, earthquakes and tsunami, as well as unexpected accidents and illicit acts have the potential to affect the Group's performance.

We are also developing a risk management system and are preparing for numerous risks that may have a material impact on business operations. Failing to respond appropriately to a risk may adversely affect the Group's performance.

12 Compliance

To be worthy of the trust of all its stakeholders, the Group conducts its business activities from the perspective of its customers and the local people in the regions in which it operates by working together to fully instill an awareness of compliance and complying with laws and regulations. However, if problems such as compliance violations were to cause the Group's social credibility to decline, this could have an impact on the Group's performance.

The Group will continue to work to build trust-based relationships with all its stakeholders.

Consolidated Balance Sheet

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
ASSETS			
PROPERTY (Note 3):			
Plant and equipment	¥10,072,426	¥ 9,934,583	\$89,772,070
Construction in progress	467,401	417,187	4,165,789
Total	10,539,827	10,351,771	93,937,859
Less-			
Contributions in aid of construction	204,943	200,387	1,826,587
Accumulated depreciation	7,199,973	7,077,522	64,170,885
Total	7,404,916	7,277,910	65,997,472
Net property	3,134,911	3,073,861	27,940,386
NUCLEAR FUEL	252,138	283,227	2,247,228
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 15)	74,499	75,647	663,986
Investments in and advances to nonconsolidated subsidiaries and affiliated companies (Note 15)	112,671	105,848	1,004,202
Reserve funds for reprocessing of irradiated nuclear fuel (Note 2.n)		270,095	
Assets for retirement benefits (Note 7)	11,041	9,403	98,404
Deferred tax assets (Note 11)	129,562	136,691	1,154,745
Special account related to nuclear power decommissioning (Note 2.g)	20,048	20,870	178,687
Other	83,037	43,791	740,084
Total investments and other assets	430,860	662,348	3,840,111
CURRENT ASSETS:			
Cash and cash equivalents (Note 15)	419,831	429,757	3,741,811
Receivables (Note 15)	226,601	183,110	2,019,617
Allowance for doubtful accounts	(959)	(813)	(8,548)
Inventories, principally fuel	64,344	59,827	573,481
Deferred tax assets (Note 11)	39,437	29,425	351,491
Prepaid expenses and other	20,375	27,491	181,597
Total current assets	769,630	728,799	6,859,450
TOTAL	¥ 4,587,541	¥ 4,748,237	\$40,887,176

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
LIABILITIES AND EQUITY			
LONG-TERM LIABILITIES:			
Long-term debt, less current portion (Notes 6 and 15)	¥2,798,999	¥2,745,848	\$24,946,523
Liability for retirement benefits (Note 7)	99,526	101,961	887,043
Reserve for reprocessing of irradiated nuclear fuel (Note 2.n)		309,595	
Asset retirement obligations (Note 9)	217,278	213,006	1,936,530
Other	49,951	37,919	445,200
Total long-term liabilities	3,165,756	3,408,330	28,215,298
CURRENT LIABILITIES:			
Current portion of long-term debt (Notes 6 and 15)	409,726	373,566	3,651,754
Short-term borrowings (Notes 10 and 15)	118,572	118,362	1,056,797
Notes and accounts payable (Notes 14 and 15)	122,903	156,808	1,095,395
Accrued income taxes (Note 15)	2,634	6,536	23,476
Other	184,799	177,102	1,647,058
Total current liabilities	838,636	832,376	7,474,482
RESERVE FOR FLUCTUATIONS IN WATER LEVEL	8,570	7,627	76,387
COMMITMENTS AND CONTINGENCIES (Note 17)			
EQUITY (Note 12):			
Common stock, authorized, 1,000,000,000 shares; issued, 474,183,951 shares	237,304	237,304	2,115,016
Preferred stock, authorized, 1,000 shares; issued, 1,000 shares			
Capital surplus	120,844	130,368	1,077,047
Retained earnings	212,945	133,675	1,897,913
Treasury stock—at cost, 522,731 shares in 2017 and 523,345 shares in 2016	(685)	(684)	(6,108)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	3,597	2,839	32,063
Deferred loss on derivatives under hedge accounting	(1,389)	(1,255)	(12,384)
Foreign currency translation adjustments	(3,590)	(2,280)	(31,997)
Defined retirement benefit plans	(18,062)	(20,037)	(160,985)
Total	550,965	479,929	4,910,564
Noncontrolling interests	23,611	19,973	210,443
Total equity	574,577	499,903	5,121,007
TOTAL	¥4,587,541	¥4,748,237	\$40,887,176

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Year Ended March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
NET INCOME	¥80,610	¥ 75,140	\$718,450
OTHER COMPREHENSIVE INCOME (LOSS) (Note 18):			
Unrealized gain (loss) on available-for-sale securities	585	(865)	5,220
Deferred loss on derivatives under hedge accounting	(158)	(1,843)	(1,411)
Foreign currency translation adjustments	(731)	(2,106)	(6,519)
Defined retirement benefit plans	1,807	(19,173)	16,111
Share of other comprehensive loss in nonconsolidated subsidiaries and affiliated companies	(75)	(1,700)	(676)
Total other comprehensive income (loss)	1,427	(25,689)	12,724
COMPREHENSIVE INCOME	¥82,037	¥ 49,450	\$731,174
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥80,560	¥ 48,394	\$718,008
Noncontrolling interests	1,477	1,056	13,166

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Year Ended March 31, 2017

	Thousands of Shares/Millions of Yen												Total	Noncontrolling interests	Total Equity
	Common Stock		Preferred Stock		Treasury Stock		Accumulated Other Comprehensive Income								
	Shares	Amount	Shares	Amount	Capital Surplus	Retained Earnings	Shares	Amount	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans			
BALANCE AT APRIL 1, 2015	474,183	¥237,304	1		¥130,344	¥ 60,175	509	¥(666)	¥ 4,097	¥ 596	¥ (18)	¥ (305)	¥431,528	¥19,462	¥450,990
Net income attributable to owners of the parent						73,499							73,499		73,499
Change in the parent's ownership interest due to transactions with noncontrolling interests					24								24		24
Purchase of treasury stock							14	(18)					(18)		(18)
Disposal of treasury stock					(0)		(0)	0					0		0
Net change in the year									(1,257)	(1,852)	(2,262)	(19,732)	(25,105)	511	(24,593)
BALANCE AT MARCH 31, 2016	474,183	¥237,304	1		¥130,368	¥133,675	523	¥(684)	¥ 2,839	¥(1,255)	¥(2,280)	¥(20,037)	¥479,929	¥19,973	¥499,903
Net income attributable to owners of the parent						79,270							79,270		79,270
Cash dividends, ¥5 per common share					(2,369)								(2,369)		(2,369)
Cash dividends, ¥7,153,763 per class A preferred share					(7,153)								(7,153)		(7,153)
Change in the parent's ownership interest due to transactions with noncontrolling interests					0								0		0
Purchase of treasury stock							15	(3)					(3)		(3)
Disposal of treasury stock					(0)		(15)	2					2		2
Net change in the year									757	(133)	(1,309)	1,974	1,289	3,638	4,927
BALANCE AT MARCH 31, 2017	474,183	¥237,304	1		¥120,844	¥212,945	522	¥(685)	¥ 3,597	¥(1,389)	¥(3,590)	¥(18,062)	¥550,965	¥23,611	¥574,577

	Thousands of U.S. Dollars (Note 1)												Total	Noncontrolling interests	Total Equity
	Common Stock		Preferred Stock		Treasury Stock		Accumulated Other Comprehensive Income								
	Common Stock	Preferred Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total					
BALANCE AT MARCH 31, 2016	\$2,115,016		\$1,161,933	\$1,191,399	\$(6,104)	\$25,309	\$(11,192)	\$(20,328)	\$(178,587)		\$4,277,446	\$178,018	\$4,455,464		
Net income attributable to owners of the parent				706,513							706,513		706,513		
Cash dividends, \$0.04 per common share			(21,122)								(21,122)		(21,122)		
Cash dividends, \$63,759.02 per class A preferred share			(63,759)								(63,759)		(63,759)		
Change in the parent's ownership interest due to transactions with noncontrolling interests			0								0		0		
Purchase of treasury stock					(28)						(28)		(28)		
Disposal of treasury stock				(5)	24						19		19		
Net change in the year							6,753	(1,192)	(11,668)	17,601	11,494	32,425	43,919		
BALANCE AT MARCH 31, 2017	\$2,115,016		\$1,077,047	\$1,897,913	\$(6,108)	\$32,063	\$(12,384)	\$(31,997)	\$(160,985)		\$4,910,564	\$210,443	\$5,121,007		

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Year Ended March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes	¥ 82,840	¥ 92,499	\$ 738,327
Adjustments for:			
Income taxes paid	(9,679)	(10,001)	(86,272)
Depreciation and amortization	215,342	203,060	1,919,269
Decommissioning costs of nuclear power units	4,589	4,640	40,904
Amortization of special account related to nuclear power decommissioning	821	821	7,325
Reversal of reserve for reprocessing of irradiated nuclear fuel	(5,271)	(13,071)	(46,981)
Loss on disposal of plant and equipment	7,261	6,833	64,720
Provision for reserve for fluctuation in water level	943	5,934	8,411
Gain on sales of fixed assets		(1,683)	
Gain on sales of investment securities		(2,935)	
Gain on revision of retirement benefit plans		(2,899)	
Payments of accrued contributions for reprocessing of irradiated nuclear fuel	(36,123)		(321,955)
Changes in assets and liabilities:			
Decrease in reserve funds for reprocessing of irradiated nuclear fuel	15,409	11,975	137,335
(Increase) decrease in trade receivables	(20,521)	8,209	(182,904)
(Increase) decrease in inventories, principally fuel	(4,366)	21,606	(38,918)
Decrease in trade payables	(27,701)	(12,796)	(246,897)
Increase in liability for retirement benefits	2,943	440	26,237
Other—net	(38,470)	16,855	(342,871)
Total adjustments	105,176	236,991	937,401
Net cash provided by operating activities	188,016	329,491	1,675,729
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures including nuclear fuel	(304,688)	(318,495)	(2,715,582)
Proceeds from contribution in aid of construction	27,006	17,859	240,696
Payments for investments and advances	(5,542)	(2,314)	(49,398)
Proceeds from sales of investment securities and collections of advances	5,645	12,506	50,318
Other—net	2,531	2,121	22,564
Net cash used in investing activities	(275,047)	(288,321)	(2,451,402)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of bonds	299,365	59,821	2,668,142
Repayments of bonds	(130,000)	(219,360)	(1,158,645)
Proceeds from long-term loans	161,130	200,167	1,436,099
Repayments of long-term loans	(241,235)	(161,299)	(2,150,046)
Net Increase (decrease) in short-term borrowings	210	(1,538)	1,873
Cash dividends paid	(9,583)	(76)	(85,411)
Other—net	(1,507)	(3,898)	(13,432)
Net cash provided by (used in) financing activities	78,380	(126,184)	698,580
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(1,276)	(2,327)	(11,380)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(9,926)	(87,342)	(88,472)
CASH AND CASH EQUIVALENTS OF A NEWLY CONSOLIDATED SUBSIDIARY, BEGINNING OF YEAR		620	
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	429,757	516,480	3,830,284
CASH AND CASH EQUIVALENTS AT END OF YEAR	¥ 419,831	¥ 429,757	\$ 3,741,811

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Year Ended March 31, 2017

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 their 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 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, 2016, to conform to the classifications used in the consolidated financial statements for the year ended March 31, 2017.

The U.S. dollar amounts included herein are provided solely for the convenience of readers outside Japan and are stated at the rate of ¥112.20 = U.S. \$1, the approximate exchange rate prevailing on March 31, 2017. 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, 2017, include the accounts of the Company and its 41 subsidiaries (together, the "Companies"). All significant intercompany transactions and balances have been eliminated in consolidation. Investments in 13 nonconsolidated subsidiaries and 14 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 Companies have 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 5 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 declining-balance 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, 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. Impairment of Fixed Assets—The Companies review their 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.

e. 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.

f. 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; (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 Companies record 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.

g. Special account related to nuclear power decommissioning—On March 13, 2015, the Japanese government, i.e., the Ministry of Economy, Trade and Industry ("METI"), revised the accounting regulation applicable to electric utility providers. Under the revised accounting regulation, on and after March 13, 2015 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 METI for adopting the above special account, because they are expected to be collected through regulated electricity fees. The special account is amortized in proportion to the amounts of future regulated electricity fees collected, after approval of the Minister of METI.

h. 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.

i. Inventories—Inventories are stated at the lower of cost, principally determined by the average method, or net selling value.

j. 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.

k. 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.

l. 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 are recognized and included in interest charges.

Notes to Consolidated Financial Statements

m. Severance Payments and Pension Plans—The Companies have unfunded retirement plans for most of their 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 ASBJ Statement No. 26, “Accounting Standard for Retirement Benefits” and ASBJ Guidance No. 25, “Guidance on Accounting Standard for Retirement Benefits,” the Companies 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 5 years, no longer than the expected average remaining service period of the employees.

n. Accounting for Reprocessing cost of Irradiated Nuclear Fuel—Prior to October 1, 2016, reserve for reprocessing of irradiated nuclear fuel was provided for reprocessing costs of irradiated nuclear fuel. The annual provision was calculated in accordance with the accounting regulations set by the Japanese Government applicable to electric utility providers in Japan.

As of April 1, 2005, unrecognized prior costs of ¥130,495 million, which had not been recognized in the past as liability, were incurred because new accounting regulations to estimate the reprocessing costs for irradiated nuclear fuel were applicable on or after April 1, 2005. These costs were amortized on a straight-line basis over 15 years. The Company recalculated an estimate in accordance with a specific law. As a result, the unrecognized prior costs as of April 1, 2008 were changed from ¥104,397 million to ¥90,977 million, and these costs are amortized over 12 years, beginning on April 1, 2008. The balance of unrecognized past costs as of March 31, 2016 was ¥30,325 million. The Company was permitted to recover these reprocessing costs by including them in the admitted cost elements for electric rate.

In addition, if any changes were made in the assumptions for the calculations of the reserve, such as expected future cash flows and the discount rate, unrecognized difference might be incurred.

The balance of unrecognized difference as of March 31, 2016 was ¥129,245 million.

In accordance with the accounting regulations, the difference was amortized on a straight-line basis beginning the following year the change was made, over the period in which the irradiated nuclear fuel was produced. The annual amortization was treated as operating expenses.

The Company was obliged to reserve funds which were owned by the Company and managed by an independent fund managing body set

up based on the Spent Nuclear Fuel Reprocessing Implementation Act. The reserve funds belonged to the nuclear operator and were presented as “Reserve funds for reprocessing of irradiated nuclear fuel” in the consolidated balance sheet.

The Act for Partial Revision of the Spent Nuclear Fuel Reprocessing Implementation Act (the “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 or after 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 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 contribute the funds to the NuRO, and the funds belong to the NuRO. The Reserve funds for reprocessing of irradiated nuclear fuel which were funded by nuclear operators until September 30, 2016 were transferred to the NuRO.

To reflect such revision of the funding system for reprocessing costs of nuclear fuel, accounting regulations applicable to electric providers were revised, and the revised regulations became effective on October 1, 2016. In accordance with the revised regulations, the Company records the 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.

As a result, in the third quarterly period, the Company reversed reserve funds for reprocessing of irradiated nuclear fuel and reserve for reprocessing of irradiated nuclear fuel by ¥254,686 million (\$2,269,933 thousand) and ¥304,324 million (\$2,712,336 thousand), respectively. On the other hand, the Company recognized other liabilities of ¥9,723 million (\$86,662 thousand), and recorded it in “Other” in noncurrent liabilities. The Company contributed net amounts of them of ¥39,914 million (\$355,740 thousand) to NuRO in the fourth quarterly period.

The Company is required to contribute equally divided amounts (¥7,581 million (\$67,570 thousand)) of unrecognized past costs due to revision of accounting regulations applicable on or after April 1, 2005, until 2020 and record them as operating expenses.

Unrecognized difference arising from changes in the assumptions for calculations of the reserve, which was ¥129,245 million as of March 31, 2016, disappeared due to the enforcement of the Act.

o. 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 unit imposed by the “Law on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors,” discounted at 2.3%.

The asset retirement costs are allocated to expense through depreciation based on the straight-line method over a period totaling the remaining useful life and expected safe storage period in accordance with the accounting regulations applicable to electric utility providers.

p. 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 consolidated taxation system from the fiscal year ending March 31, 2017.

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.

q. 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.

r. 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.

s. 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.

Diluted EPS at the year ended March 31, 2017 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 is not disclosed for the year ended March 31, 2016, because potentially dilutive securities were not outstanding.

Cash dividends per share represent actual amounts applicable to earnings of the respective years.

t. Research and Development Costs—Research and development costs are charged to income as incurred.

Notes to Consolidated Financial Statements

3. PROPERTY

The breakdown of property at March 31, 2017 and 2016, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Costs:			
Electric power production facilities:			
Hydroelectric power	¥ 811,253	¥ 803,858	\$ 7,230,422
Thermal power	1,545,885	1,475,830	13,777,944
Nuclear power	1,718,756	1,705,902	15,318,681
Internal-combustion engine power	130,128	130,794	1,159,790
Renewable power	113,147	112,022	1,008,446
Total	4,319,171	4,228,409	38,495,285
Transmission facilities	1,850,932	1,829,638	16,496,724
Transformation facilities	1,035,283	1,026,284	9,227,128
Distribution facilities	1,427,445	1,430,830	12,722,332
General facilities	400,019	398,605	3,565,236
Other electricity-related facilities	6,646	5,782	59,234
Other plant and equipment	1,032,927	1,015,034	9,206,128
Construction in progress	467,401	417,187	4,165,789
Total	10,539,827	10,351,771	93,937,859
Less-			
Contributions in aid of construction	204,943	200,387	1,826,587
Accumulated depreciation	7,199,973	7,077,522	64,170,885
Carrying amount	¥ 3,134,911	¥ 3,073,861	\$27,940,386

4. INVESTMENT SECURITIES

The costs and aggregate fair values of investment securities at March 31, 2017 and 2016, were as follows:

March 31, 2017	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥3,242	¥3,557	¥75	¥6,723
Debt securities	280		20	260
Other securities	368	56	0	424
Held-to-maturity	355	1	12	345

March 31, 2016	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥2,714	¥2,970	¥100	¥5,585
Debt securities	323		42	280
Other securities	366	53	0	419
Held-to-maturity	455	5	7	453

March 31, 2017	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	\$28,900	\$31,703	\$676	\$59,927
Debt securities	2,501		179	2,321
Other securities	3,280	505	2	3,783
Held-to-maturity	3,172	17	110	3,080

The information for available-for-sale securities which were sold during the year ended March 31, 2017, is not disclosed because realized gains and losses on sales of available-for-sale securities for the fiscal year are immaterial.

Such information for the year ended March 31, 2016, was as follows:

March 31, 2016	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥5,171	¥2,935	
Other securities	15	0	
Total	¥5,186	¥2,935	

5. PLEDGED ASSETS

All of the Company's assets amounting to ¥4,141,556 million (\$36,912,270 thousand) are subject to certain statutory preferential rights established to secure bonds and loans borrowed from the Development Bank of Japan Inc. and bonds transferred to bank under debt assumption agreements (see Note 17).

Certain assets of the consolidated subsidiaries, amounting to

¥54,899 million (\$489,298 thousand), are pledged as collateral for a portion of their long-term debt at March 31, 2017.

Investments in affiliated companies and time deposits held by a consolidated subsidiaries, amounting to ¥11,714 million (\$104,411 thousand), are pledged as collateral for bank loans of the affiliated companies and the subsidiary of the affiliated company at March 31, 2017.

6. LONG-TERM DEBT

Long-term debt at March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Yen bonds, 0.15% to 2.85%, due serially to 2037	¥1,144,293	¥1,124,284	\$10,198,692
Yen-denominated zero coupon convertible bonds due 2020 and 2022	150,000		1,336,898
Loans from the Development Bank of Japan Inc., 0.37% to 3.15%, due serially to 2037	311,023	320,671	2,772,042
Loans, principally from banks and insurance companies, 0.106% to 5.0%, due serially to 2034:			
Collateralized	56,127	51,708	500,247
Unsecured	1,533,934	1,609,846	13,671,427
Obligations under finance leases	13,348	12,904	118,971
Total	3,208,726	3,119,414	28,598,278
Less current portion	409,726	373,566	3,651,754
Long-term debt, less current portion	¥2,798,999	¥2,745,848	\$24,946,523

The annual maturities of long-term debt outstanding at March 31, 2017, were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2018	¥ 409,726	\$ 3,651,754
2019	428,094	3,815,462
2020	438,544	3,908,595
2021	382,674	3,410,646
2022	343,487	3,061,389
Thereafter	1,206,198	10,750,430
Total	¥3,208,726	\$28,598,278

The offer price of Yen-denominated zero coupon convertible bonds is ¥102.0, and issue price ¥100.0 has been paid to Kyushu Electric Power Company, Incorporated.

Notes to Consolidated Financial Statements

The contents regarding Yen-denominated zero coupon convertible bonds at March 31, 2017, were as follows:

Stock name	Yen-denominated zero coupon convertible bonds due 2020	Yen-denominated zero coupon convertible bonds due 2022
Stock will be converted	Common stock	Common stock
Issue price of stock acquisition rights (yen)	Gratis free	Gratis free
Issue price of stock	¥1,434 (\$12.78)	¥1,471 (\$13.11)
Amount of zero coupon convertible bonds	¥75,000 million (\$668,449 thousand)	¥75,000 million (\$668,449 thousand)
Amount of stock price issued by exercising stock acquisition rights	—	—
Application rate of stock acquisition rights (%)	100	100
Period of exercise stock acquisition rights	From April 13, 2017 to March 17,2020	From April 13, 2017 to March 17,2022

In the case of exercising stock acquisition rights, Yen-denominated zero coupon convertible bonds shall be deemed to be acquired by the Company as a capital contribution in kind by such bond holder at the price equal to the principal amount of the bond.

The Company resolved at the general shareholder's meeting held on June 28, 2017, to pay ¥15 year-end cash dividend per share, and the accumulated cash dividend for the year ended 31 March, 2017 is ¥15 per share. As a result, under the constriction rules of convertible bonds, the issue price of stock of Yen-denominated zero coupon convertible bonds due 2020 has been changed from ¥1,434.0 to ¥1,428.2, and the issue price of stock of Yen-denominated zero coupon convertible bonds due 2020 has been changed from ¥1,471.0 to ¥1,465.1, with effective date on April 1, 2017.

7. SEVERANCE PAYMENTS AND PENSION PLANS

Employees terminating their employment with the Companies, 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, 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 several fixed terms selected by them. As for the Company, eligible employees retiring after at least 20 years of service but before

the mandatory retirement age, receive a lump-sum payment upon retirement and annuities. The Company has established retirement benefit trusts for the Company's defined retirement benefit plan.

In March 2016, the Company transferred a part of its defined benefit retirement plans to its defined contribution pension plans.

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, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Balance at beginning of year	¥422,888	¥489,701	\$3,769,062
Current service cost	13,344	13,046	118,934
Interest cost	3,467	4,926	30,905
Actuarial losses	5,038	5,600	44,902
Benefits paid	(23,166)	(21,963)	(206,477)
Decrease on transition to a defined contribution pension plan		(68,424)	
Other	0	1	1
Balance at end of year	¥421,572	¥422,888	\$3,757,328

(2) The changes in plan assets for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Balance at beginning of year	¥333,361	¥416,841	\$2,971,135
Expected return on plan assets	8,255	10,562	73,581
Actuarial gains (losses)	5,424	(19,335)	48,350
Contributions from the employer	6,935	6,563	61,809
Benefits paid	(17,870)	(17,579)	(159,271)
Decrease on transition to a defined contribution pension plan		(63,690)	
Balance at end of year	¥336,106	¥333,361	\$2,995,604

(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, 2017 and 2016, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Funded defined benefit obligation	¥ 415,260	¥ 416,813	\$ 3,701,074
Plan assets	(336,106)	(333,361)	(2,995,604)
	79,153	83,451	705,469
Unfunded defined benefit obligation	6,311	6,075	56,254
Net liability for defined benefit obligation	¥ 85,465	¥ 89,527	\$ 761,723

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Liability for retirement benefits	¥ 95,940	¥98,396	\$855,088
Assets for retirement benefits	(10,475)	(8,869)	(93,364)
Net liability for defined benefit obligation	¥ 85,465	¥89,527	\$761,723

(4) The components of net periodic benefit costs and related gain for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Current service cost	¥13,344	¥ 13,046	\$118,934
Interest cost	3,467	4,926	30,905
Expected return on plan assets	(8,255)	(10,562)	(73,581)
Recognized actuarial losses (gains)	4,557	(496)	40,621
Amortization of prior service cost	(2,409)	(3,446)	(21,472)
Others	95	77	852
Net periodic benefit costs	¥10,800	¥ 3,546	\$ 96,260
Gain on revision of retirement benefit plans		¥ (2,899)	

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Prior service cost	¥(2,409)	¥ (5,068)	\$(21,472)
Actuarial gains (losses)	4,944	(21,976)	44,069
Total	¥ 2,535	¥(27,044)	\$ 22,596

The amount of recycled prior service cost and actuarial losses, caused by transition from a defined retirement benefit plan to a defined contribution pension plan which occurred in March 2016, were ¥1,662 million and ¥(3,456) million, respectively. These amounts are included in prior service cost and actuarial losses which were recognized in other comprehensive income for the year ended March 31, 2016.

Notes to Consolidated Financial Statements

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Unrecognized prior service cost	¥ 794	¥ 3,204	\$ 7,085
Unrecognized actuarial losses	(24,327)	(29,272)	(216,824)
Total	¥(23,532)	¥(26,068)	\$(209,738)

(7) Plan assets as of March 31, 2017 and 2016

a. Components of plan assets

Plan assets consisted of the following:

	2017	2016
Debt investments	44%	45%
Equity investments	26	23
General account of life insurance companies	18	18
Others	12	14
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, 2017 and 2016, were set forth as follows:

	2017	2016
Discount rate	Mainly 1.0%	Mainly 1.0%
Expected rate of return on plan assets	Mainly 2.5%	Mainly 2.5%

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, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Balance at beginning of year	¥3,029	¥2,762	\$27,000
Periodic benefit costs	500	850	4,457
Benefits paid	(186)	(246)	(1,660)
Contributions from the employer	(323)	(336)	(2,883)
Balance at end of year	¥3,019	¥3,029	\$26,914

(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, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Funded defined benefit obligation	¥ 5,882	¥ 5,994	\$ 52,431
Plan assets	(5,261)	(4,983)	(46,894)
	621	1,010	5,537
Unfunded defined benefit obligation	2,398	2,018	21,377
Net carrying amount of liabilities and assets	3,019	3,029	26,914
Liabilities for retirement benefits	3,585	3,564	31,955
Assets for retirement benefits	(565)	(534)	(5,040)
Net carrying amount of liabilities and assets	¥ 3,019	¥ 3,029	\$ 26,914

(3) Periodic benefit costs

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Periodic benefit costs calculated under the simplified method	¥500	¥850	\$4,457

Defined contribution plans

The required contribution to defined contribution plans by the Company and its certain consolidated subsidiaries for the years ended March 31, 2017 and 2016 was ¥2,187 million (\$19,496 thousand) and ¥2,177 million, respectively.

8. LOSS ON DISASTER

Loss on disaster represents the amount of assets impaired and post-disaster recovery expenses attributable to the 2016 Kumamoto Earthquake. It consists of loss on assets impaired of ¥297 million (\$2,650 thousand), repair expenses of facilities of ¥7,165 million (\$63,865 thousand) and other expenses related to the earthquake of ¥2,987 million (\$26,625 thousand).

9. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Balance at beginning of year	¥213,006	¥207,459	\$1,898,449
Net change in the year	4,272	5,546	38,080
Balance at end of year	¥217,278	¥213,006	\$1,936,530

10. SHORT-TERM BORROWINGS

Short-term borrowings were generally represented by bank loans, bearing interest at rates ranging from 0.13% to 1.88% and from 0.17% to 1.88% for the years ended March 31, 2017 and 2016, respectively.

Notes to Consolidated Financial Statements

11. INCOME TAXES

The Companies are subject to national and local income taxes. The aggregate normal statutory tax rates for the Company approximated 28.1% and 28.7% for the years ended March 31, 2017 and 2016 respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Deferred Tax Assets:			
Tax loss carryforwards	¥ 185,668	¥ 187,751	\$ 1,654,803
Depreciation	38,048	35,871	339,113
Liability for retirement benefits	37,407	38,149	333,399
Asset retirement obligations	19,508	19,455	173,868
Reserve for reprocessing of irradiated nuclear fuel		21,232	
Other	74,618	65,954	665,048
Less valuation allowance	(165,317)	(183,293)	(1,473,416)
Deferred tax assets	189,934	185,120	1,692,816
Deferred Tax Liabilities:			
Gain on contributions of securities to retirement benefit trust	5,375	5,375	47,906
Assets for retirement benefits	3,109	2,654	27,716
Amortization in foreign subsidiary	2,270	2,013	20,238
Capitalized assets retirement costs	1,457	1,554	12,991
Unrealized gain on available-for-sale securities	1,323	1,158	11,797
Other	7,751	6,404	69,089
Deferred tax liabilities	21,288	19,160	189,740
Net deferred tax assets	¥ 168,645	¥ 165,959	\$ 1,503,076

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2017 and 2016, was as follows:

	2017	2016
Normal effective statutory tax rate	28.1%	28.7%
Valuation allowance	(21.8)	(12.1)
Equity in earnings of nonconsolidated subsidiaries and affiliated companies	(2.4)	(1.9)
Other—net	(1.2)	4.1
Actual effective tax rate	2.7%	18.8%

At March 31, 2017, the Company and certain subsidiaries have tax loss carryforwards aggregating ¥667,985 million (\$5,953,520 thousand), most of which are available to be offset against taxable income of the Company and these subsidiaries and will expire in 9 years. At March 31, 2017, the tax loss carryforwards for the Company amounting to ¥87,858 million (\$783,055 thousand), ¥114,354 million (\$1,019,202 thousand), ¥310,653 million (\$2,768,743 thousand), and ¥135,308 million (\$1,205,953 thousand) will expire in the years ending March 31, 2024, 2023, 2022, and 2021, respectively.

12. 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 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 total of 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.

Issuance of Preferred Stock

The Company issued 1,000 shares of Class A Preferred Stock for ¥100,000 million by way of third-party allotment to the Development Bank of Japan Inc.

- (1) Way of offering
Third-party allotment to the Development Bank of Japan Inc.
- (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) Amount of preferred stock and additional paid-in capital to be increased
Amount of preferred stock to be increased: ¥50,000 million (¥50 million per share)
Amount of additional paid-in capital to be increased: ¥50,000 million (¥50 million per share)
- (6) Issue date
August 1, 2014
- (7) Uses of proceeds
The proceeds from issuance of the Preferred Stock are planned to be used entirely for construction to enhance the safety of the Company's nuclear power plants to meet new regulations for safety of nuclear power plants.
- (8) Characteristics of the Preferred Stock
The Preferred Stock provides no provision for acquisition or right to request acquisition using the 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 ¥3,500 thousand per share.

13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥5,817 million (\$51,848 thousand) and ¥6,499 million for the years ended March 31, 2017 and 2016, respectively.

Notes to Consolidated Financial Statements

14. RELATED PARTY DISCLOSURES

Significant transactions of the Company with an affiliated company for the years ended March 31, 2017 and 2016 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
KYUDENKO CORPORATION			
Transactions:			
Purchase of construction works on distribution facilities and other	¥36,526	¥35,474	\$325,544
Balances at year end:			
Payables for construction works	4,531	3,866	40,389

15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Items Pertaining to Financial Instruments

(a) The Companies' policy for financial instruments

The Companies use 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 avoid 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 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 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 Companies' 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 Companies manage their credit risk from receivables by monitoring payment terms and balances of each customer and identifying and reducing the default risk of customers in early stage.

Bonds and loans are mainly used to raise funds for investments in electric utility plant and equipment. Although a part of loans is exposed to market risk from changes in variable interest rates, a consolidated subsidiary of the Company mitigates such risk from long-term loans by using interest rate swaps.

Payment terms of notes and accounts payable are less than one year. Although a part of accounts payable to purchase fuel in foreign currencies is exposed to the market risk of fluctuations in foreign exchange, such risk is mitigated by using foreign exchange forward contracts. Please see Note 16 for more details about derivatives.

Liquidity risk comprises the risk that the Companies cannot meet their contractual obligations in full on maturity dates. The Companies manage their liquidity risk by holding adequate volumes of liquid assets based on monthly financial planning and diversifying sources of their financing.

Fair values of financial instruments

The carrying amounts and aggregate fair values of financial instruments at March 31, 2017 and 2016 were as follows:

	Millions of Yen		
	Carrying Amount	Fair Value	Unrecognized Gain (Loss)
March 31, 2017			
Investment securities:			
Held-to-maturity debt securities	¥ 355	¥ 345	¥ (10)
Available-for-sale securities	7,408	7,408	
Investments in and advances to nonconsolidated subsidiaries and affiliated companies	24,288	48,864	24,576
Cash and cash equivalents	419,831	419,831	
Receivables	226,601	226,601	
Total	¥ 678,485	¥ 703,051	¥24,566
Long-term debt:			
Bonds	¥1,294,293	¥1,330,404	¥36,111
Loans	1,901,085	1,961,217	60,132
Short-term borrowings	118,572	118,572	
Notes and accounts payable	122,903	122,903	
Accrued income taxes	2,634	2,634	
Total	¥3,439,488	¥3,535,732	¥96,243
Derivatives	¥ (2,023)	¥ (2,023)	
	Millions of Yen		
	Carrying Amount	Fair Value	Unrecognized Gain (Loss)
March 31, 2016			
Investment securities:			
Held-to-maturity debt securities	¥ 455	¥ 453	¥ (2)
Available-for-sale securities	6,285	6,285	
Investments in and advances to nonconsolidated subsidiaries and affiliated companies	19,227	43,133	23,906
Reserve funds for reprocessing of irradiated nuclear fuel	270,095	270,095	
Cash and cash equivalents	429,757	429,757	
Receivables	183,110	183,110	
Total	¥ 908,931	¥ 932,835	¥ 23,903
Long-term debt:			
Bonds	¥1,124,284	¥1,167,027	¥ 42,743
Loans	1,982,225	2,051,528	69,302
Short-term borrowings	118,362	118,362	
Notes and accounts payable	156,808	156,808	
Accrued income taxes	6,536	6,536	
Total	¥3,388,217	¥3,500,263	¥112,045
Derivatives	¥ (1,843)	¥ (1,843)	

Notes to Consolidated Financial Statements

March 31, 2017	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrecognized Gain (Loss)
Investment securities:			
Held-to-maturity debt securities	\$ 3,172	\$ 3,080	\$ (92)
Available-for-sale securities	66,032	66,032	
Investments in and advances to nonconsolidated subsidiaries and affiliated companies	216,473	435,516	219,042
Cash and cash equivalents	3,741,811	3,741,811	
Receivables	2,019,617	2,019,617	
Total	\$ 6,047,108	\$ 6,266,058	\$218,950
Long-term debt:			
Bonds	\$11,535,590	\$11,857,441	\$321,851
Loans	16,943,716	17,479,655	535,938
Short-term borrowings	1,056,797	1,056,797	
Notes and accounts payable	1,095,395	1,095,395	
Accrued income taxes	23,476	23,476	
Total	\$30,654,977	\$31,512,766	\$857,789
Derivatives	\$ (18,037)	\$ (18,037)	

The securities whose fair value cannot be reliably determined are excluded from investment securities and investments in and advances to nonconsolidated subsidiaries and affiliated companies (see (b) below).

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.

(a) Methods used to calculate fair values of financial instruments
Investment securities and investments in and advances to nonconsolidated subsidiaries and affiliated companies

The fair values of investment securities and investments in and advances to nonconsolidated subsidiaries and affiliated companies are measured at the quoted market price of the exchanges for the equity securities and some of debt securities, principally at the quoted price obtained from the financial institution for other debt securities. Fair value information for investment securities by classification is included in Note 4.

Reserve funds for reprocessing of irradiated nuclear fuel

Prior to October 1, 2016, reserve funds for reprocessing of irradiated nuclear fuel were provided in accordance with a specific law to ensure the appropriate reprocessing of irradiated nuclear fuel resulting from operation of nuclear power production facilities.

The funds had to be used in accordance with a plan approved by the Japanese Government. The fair value for the year ended March 31, 2016, was based on the carrying amount determined by discounting the cash flows related to the using plan.

Cash and cash equivalent, and receivables

The carrying amounts of cash and cash equivalents, and receivables approximate fair values because of their short maturities.

Bonds

The fair values of bonds are based on market price.

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. 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 (see Note 16), 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.

Short-term borrowings, notes and accounts payable, and accrued income taxes

The carrying amounts of short-term borrowings, notes and accounts payable and accrued income taxes approximate fair values because of their short maturities.

Derivatives

Fair value information for derivatives is included in Note 16.

(b) Financial instruments whose fair value cannot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Investment securities:			
Available-for-sale:			
Equity securities	¥ 63,906	¥ 66,384	\$ 569,576
Other securities	2,827	2,521	25,203
Investments in and advances to nonconsolidated subsidiaries and affiliated companies:			
Equity securities	73,361	72,283	653,849
Other securities	11,590	10,969	103,300
Total	¥151,686	¥152,158	\$1,351,930

Maturity analysis for financial assets and securities with contractual maturities

	Millions of Yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
March 31, 2017				
Investment securities:				
Held-to-maturity debt securities	¥ 100	¥105	¥15	¥136
Available-for-sale securities with contractual maturities	23	20		260
Cash and cash equivalents	419,831			
Receivables	226,601			
Total	¥646,556	¥125	¥15	¥396

	Thousands of U.S. Dollars			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
March 31, 2017				
Investment securities:				
Held-to-maturity debt securities	\$ 891	\$ 935	\$133	\$1,212
Available-for-sale securities with contractual maturities	210	184		2,321
Cash and cash equivalents	3,741,811			
Receivables	2,019,617			
Total	\$5,762,531	\$1,120	\$133	\$3,533

Please see Note 6 for annual maturities of long-term debt.

Notes to Consolidated Financial Statements

16. DERIVATIVES

The Company enters into foreign exchange forward contracts and interest rate swaps to manage its exposures to fluctuations in foreign exchanges and interest rates, respectively.

A consolidated subsidiary of the Company enters into interest rate swaps to manage exposure to fluctuations in interest rates.

The Companies do not enter into derivatives for trading or speculative purposes.

Foreign exchange forward contracts and interest rate swaps are not subject to any market risk except for abandoning potential income by market fluctuations in hedged items.

The Companies do 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 the specific sections, and the administrative section monitors them based on internal policies.

Derivative transactions to which hedge accounting is applied

March 31, 2017	Millions of Yen			Fair Value
	Hedged Item	Contract Amount	Contract Amount due after One Year	
Interest rate swaps:				
Principle treatment (Note a)				
Pay fixed/Receive floating	Long-term loans	¥25,483	¥25,483	¥(2,023)
Special treatment (Note b)				
Pay fixed/Receive floating	Long-term loans	2,680	2,540	
Total				¥(2,023)

March 31, 2016	Millions of Yen			Fair Value
	Hedged Item	Contract Amount	Contract Amount due after One Year	
Currency swaps:				
Buying USD (Note a)	Accounts payable	¥ 1,317		¥ 669
Interest rate swaps:				
Principle treatment (Note a)				
Pay fixed /Receive floating	Long-term loans	17,205	¥17,205	(2,512)
Special treatment (Note b)				
Pay fixed /Receive floating	Long-term loans	3,198	2,680	
Total				¥(1,843)

March 31, 2017	Thousands of U.S. Dollars			Fair Value
	Hedged Item	Contract Amount	Contract Amount due after One Year	
Interest rate swaps:				
Principle treatment (Note a)				
Pay fixed/Receive floating	Long-term loans	\$227,122	\$227,122	\$(18,037)
Special treatment (Note b)				
Pay fixed/Receive floating	Long-term loans	23,885	22,638	
Total				\$(18,037)

Notes:

a) The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

b) 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 15.

c) 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 Companies' exposure to market risk.

17. COMMITMENTS AND CONTINGENCIES

At March 31, 2017, the Companies 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.

Contingent liabilities at March 31, 2017 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Co-guarantees of loans, mainly in connection with procurement of fuel	¥98,173	\$874,989
Guarantees of employees' loans	63,336	564,494
Guarantees under debt assumption agreements	40,000	356,506
Other	11,121	99,122

Under the debt assumption agreements, the Company was contingently liable for the redemption of the domestic bonds transferred to banks.

18. COMPREHENSIVE INCOME

The components of other comprehensive income (loss) for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Other comprehensive income (loss):			
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	¥ 810	¥ (1,200)	\$ 7,226
Reclassification adjustments to profit or loss	304	(479)	2,714
Amount before income tax effect	1,115	(1,679)	9,940
Income tax effect	(529)	814	(4,720)
Total	¥ 585	¥ (865)	\$ 5,220
Deferred loss on derivatives under hedge accounting:			
Losses arising during the year	¥ (687)	¥ (2,906)	\$ (6,128)
Reclassification adjustments to profit or loss	507	341	4,523
Amount before income tax effect	(180)	(2,564)	(1,604)
Income tax effect	21	720	193
Total	¥ (158)	¥ (1,843)	\$ (1,411)
Foreign currency translation adjustments:			
Losses arising during the year	¥ (832)	¥ (4,378)	\$ (7,424)
Amount before income tax effect	(832)	(4,378)	(7,424)
Income tax effect	101	2,272	904
Total	¥ (731)	¥ (2,106)	\$ (6,519)
Defined retirement benefit plans:			
Gains (losses) arising during the year	¥ 386	¥(24,936)	\$ 3,447
Reclassification adjustments to profit or loss	2,148	(2,108)	19,148
Amount before income tax effect	2,535	(27,044)	22,596
Income tax effect	(727)	7,871	(6,484)
Total	¥1,807	¥(19,173)	\$16,111
Share of other comprehensive loss in nonconsolidated subsidiaries and affiliated companies:			
Losses arising during the year	¥ (301)	¥ (1,842)	\$ (2,690)
Reclassification adjustments to profit or loss	225	141	2,013
Total	¥ (75)	¥ (1,700)	\$ (676)
Total other comprehensive income (loss)	¥1,427	¥(25,689)	\$12,724

Notes to Consolidated Financial Statements

19. SEGMENT INFORMATION

(1) Description of reportable segments

The Companies' 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 Companies. Therefore, the Companies consist of electric power, energy related business, information technology (IT) and telecommunications and other.

The energy related business consists of obtaining, storing, gasifying, supplying and selling LNG, renewable energy business and other businesses related to energy.

IT and telecommunications consists of provision of telecommunications.

Other consists of environment and recycling, lifestyle-oriented services and others.

(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."

(3) Information about sales, profit, assets and other items at March 31, 2017 and 2016, was as follows:

	Millions of Yen						
	2017						
	Reportable segment				Total	Reconciliations	Consolidated
Electric Power	Energy related Business	IT and Telecommunications	Other				
Sales:							
Sales to external customers	¥1,681,066	¥ 64,559	¥ 70,181	¥ 11,716	¥1,827,524		¥1,827,524
Intersegment sales or transfers	4,016	120,660	31,259	13,200	169,136	¥(169,136)	
Total	¥1,685,082	¥185,220	¥101,440	¥ 24,917	¥1,996,661	¥(169,136)	¥1,827,524
Segment profit	¥ 98,365	¥ 10,088	¥ 8,499	¥ 4,528	¥ 121,481	¥ 1,159	¥ 122,640
Segment assets	3,972,388	453,092	183,795	142,460	4,751,737	(164,196)	4,587,541
Other:							
Depreciation	184,993	8,405	20,848	4,112	218,359	(3,017)	215,342
Increase in property and nuclear fuel	271,967	18,039	23,312	1,147	314,466	(4,369)	310,096
	Millions of Yen						
	2016						
	Reportable segment				Total	Reconciliations	Consolidated
Electric Power	Energy related Business	IT and Telecommunications	Other				
Sales:							
Sales to external customers	¥1,688,328	¥ 64,196	¥ 69,348	¥ 13,819	¥1,835,692		¥1,835,692
Intersegment sales or transfers	3,988	120,453	34,208	12,984	171,634	¥(171,634)	
Total	¥1,692,316	¥184,649	¥103,557	¥ 26,804	¥2,007,327	¥(171,634)	¥1,835,692
Segment profit	¥ 96,183	¥ 10,852	¥ 10,277	¥ 4,327	¥ 121,641	¥ (1,384)	¥ 120,256
Segment assets	4,155,999	419,465	186,791	142,522	4,904,778	(156,541)	4,748,237
Other:							
Depreciation	172,806	8,433	20,051	4,473	205,764	(2,703)	203,060
Increase in property and nuclear fuel	284,090	18,130	25,583	1,091	328,897	(5,039)	323,858

Thousands of U.S. Dollars							
2017							
	Reportable segment				Total	Reconciliations	Consolidated
	Electric Power	Energy related Business	IT and Telecommu- nications	Other			
Sales:							
Sales to external customers	\$14,982,765	\$ 575,400	\$ 625,507	\$ 104,424	\$16,288,097		\$16,288,097
Intersegment sales or transfers	35,797	1,075,402	278,600	117,654	1,507,455	\$(1,507,455)	
Total	\$15,018,563	\$1,650,802	\$ 904,108	\$ 222,078	\$17,795,553	\$(1,507,455)	\$16,288,097
Segment profit	\$ 876,698	\$ 89,914	\$ 75,749	\$ 40,357	\$ 1,082,719	\$ 10,333	\$ 1,093,053
Segment assets	35,404,536	4,038,256	1,638,105	1,269,701	42,350,600	(1,463,423)	40,887,176
Other:							
Depreciation	1,648,781	74,915	185,815	36,653	1,946,165	(26,896)	1,919,269
Increase in property and nuclear fuel	2,423,949	160,780	207,773	10,225	2,802,728	(38,941)	2,763,786

Notes:

- (a) Reconciliations of segment profit and segment assets are intersegment transaction eliminations.
(b) Segment profit is adjusted to reflect operating income in the consolidated statement of income.

Geographic segment information is not disclosed because the Companies' overseas operations are immaterial.

Information for overseas sales is not disclosed due to overseas sales being immaterial compared with consolidated net sales.

20. SUBSEQUENT EVENT

At the general shareholders meeting held on June 28, 2017, the Company's shareholders approved the following appropriation of retained earnings as of March 31, 2017:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥15.00 (\$0.13) per common share	¥7,109	\$63,364
Year-end cash dividends, ¥3,500,000.00 (\$31,194.29) per Class A preferred share	¥3,500	\$31,194

21. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the year ended March 31, 2017 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Year Ended March 31, 2017				
Net income attributable to owners of the parent	¥79,270			
Amount not attributable to common shareholders:				
Preferred dividend	(3,500)			
Basic EPS-Net income available to common shareholders	¥75,770	473,662	¥159.97	\$1.42
Effect of dilutive securities:				
Convertible bonds		566		
Diluted EPS-Net income for computation	¥75,770	474,228	¥159.78	\$1.42



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Kyushu Electric Power Company, Incorporated:

We have audited the accompanying consolidated balance sheet of Kyushu Electric Power Company, Incorporated and its consolidated subsidiaries as of March 31, 2017, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kyushu Electric Power Company, Incorporated and its consolidated subsidiaries as of March 31, 2017, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

As discussed in Note 2.n to the consolidated financial statements, on October 1, 2016, The Act for Partial Revision of the Spent Nuclear Fuel Reprocessing Implementation Act was enforced. As a result, the Company reversed reserve funds for reprocessing of irradiated nuclear fuel and reserve for reprocessing of irradiated nuclear fuel. Our opinion is not modified in respect of this matter.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

Member of
Deloitte Touche Tohmatsu Limited

June 28, 2017

Nonconsolidated Five-year Financial Summary

Financial Section

Kyushu Electric Power Company, Incorporated
Years Ended March 31

	Millions of Yen					Thousands of U.S. Dollars
	2013	2014	2015	2016	2017	2017
For the Year:						
Operating revenues:	¥1,448,876	¥1,682,994	¥1,761,275	¥1,705,485	¥1,696,731	\$15,122,380
Electric	1,408,339	1,634,829	1,721,869	1,692,316	1,685,082	15,018,563
Other	40,536	48,165	39,405	13,169	11,648	103,817
Operating expenses:	1,721,006	1,756,444	1,790,350	1,596,132	1,586,717	14,141,865
Personnel	151,844	113,781	113,103	131,038	132,672	1,182,461
Fuel	679,722	754,442	678,486	364,741	263,536	2,348,809
Purchased power	269,582	314,961	372,437	386,826	409,885	3,653,171
Depreciation	180,180	172,333	164,721	167,024	176,393	1,572,132
Maintenance	147,924	103,155	126,641	144,494	152,705	1,361,009
Reprocessing costs of contribution funds for nuclear fuel					19,321	172,208
Reprocessing costs of irradiated nuclear fuel	17,352	16,502	17,111	16,043		
Decommissioning costs of nuclear power units	2,627	1,978	4,293	4,640	4,589	40,904
Depreciation of special account related to nuclear power decommissioning				821	821	7,325
Disposal cost of high-level radioactive waste	3,247	3,861		1,032	4,315	38,463
Disposition of property	14,501	10,600	11,491	14,255	15,162	135,139
Taxes other than income taxes	82,265	84,339	84,397	83,610	84,070	749,292
Subcontract fee	64,485	62,182	74,332	82,371	76,555	682,316
Rent	29,298	26,920	25,741	26,237	25,797	229,920
Other	77,974	91,384	117,591	172,992	220,889	1,968,709
Interest charges	35,581	38,009	38,693	37,056	33,427	297,930
Income (loss) before income taxes	(343,051)	(75,619)	(84,905)	75,812	58,340	519,972
Net income (loss)	(338,050)	(90,939)	(119,010)	65,328	61,057	544,186

	Yen					U.S. Dollars
Per share of common stock:						
Basic net income (loss)	¥(714.33)	¥(192.17)	¥(251.32)	¥137.83	¥121.44	\$1.08
Cash dividends applicable to the year						

	Millions of Yen					Thousands of U.S. Dollars
At year-end:						
Total assets	¥4,201,704	¥4,218,037	¥4,390,912	¥4,321,442	¥4,141,556	\$36,912,270
Net property	2,704,014	2,687,936	2,664,541	2,743,423	2,799,670	24,952,503
Long-term debt, less current portion	2,425,739	2,692,319	2,712,193	2,563,858	2,604,248	23,210,769
Total equity	429,287	341,405	322,299	385,190	436,464	3,890,062

Nonconsolidated Balance Sheet

Kyushu Electric Power Company, Incorporated
March 31, 2017 (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
ASSETS			
PROPERTY:			
Plant and equipment	¥9,252,736	¥9,136,297	\$82,466,459
Construction in progress	415,512	377,132	3,703,322
Total	9,668,249	9,513,430	86,169,781
Less-			
Contributions in aid of construction	197,102	192,509	1,756,707
Accumulated depreciation	6,671,476	6,577,497	59,460,570
Total	6,868,578	6,770,006	61,217,277
Net property	2,799,670	2,743,423	24,952,503
NUCLEAR FUEL	252,138	283,227	2,247,228
INVESTMENTS AND OTHER ASSETS:			
Investment securities	67,885	69,719	605,037
Investments in and advances to subsidiaries and affiliated companies	188,399	188,572	1,679,137
Reserve funds for reprocessing of irradiated nuclear fuel		270,095	
Deferred tax assets	100,037	107,183	891,604
Special account related to nuclear power decommissioning	20,048	20,870	178,687
Other	65,152	35,317	580,681
Total investments and other assets	441,523	691,758	3,935,147
CURRENT ASSETS:			
Cash and cash equivalents	361,338	371,424	3,220,487
Receivables	197,716	151,194	1,762,179
Allowance for doubtful accounts	(565)	(547)	(5,044)
Fuel and supplies	47,420	42,284	422,638
Deferred tax assets	35,161	25,743	313,385
Prepaid expenses and other	7,152	12,933	63,743
Total current assets	648,223	603,033	5,777,390
TOTAL	¥4,141,556	¥4,321,442	\$36,912,270

Note: U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥112.20 = U.S. \$1, the approximate rate of exchange at March 31, 2017.

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
LIABILITIES AND EQUITY			
LONG-TERM LIABILITIES:			
Long-term debt, less current portion	¥2,607,076	¥2,563,858	\$23,235,979
Liability for retirement benefits	69,117	66,556	616,022
Reserve for reprocessing of irradiated nuclear fuel		309,595	
Asset retirement obligations	215,118	211,447	1,917,274
Other	31,047	18,416	276,718
Total long-term liabilities	2,922,360	3,169,875	26,045,995
CURRENT LIABILITIES:			
Current portion of long-term debt	383,756	346,991	3,420,289
Short-term borrowings	114,000	114,000	1,016,042
Accounts payable	99,556	126,985	887,316
Accrued income taxes		2,433	
Accrued expenses	127,743	123,751	1,138,530
Other	49,103	44,587	437,645
Total current liabilities	774,160	758,749	6,899,825
RESERVE FOR FLUCTUATIONS IN WATER LEVEL	8,570	7,627	76,387
EQUITY:			
Common stock, authorized, 1,000,000,000 shares; issued, 474,183,951 shares	237,304	237,304	2,115,016
Preferred stock, authorized, 1,000 shares; issued, 1,000 shares			
Capital surplus:			
Additional paid-in capital	31,087	31,087	277,073
Other capital surplus	89,784	99,309	800,221
Retained earnings:			
Legal reserve	59,326	59,326	528,754
Retained earnings—carryforward	18,454	(42,602)	164,481
Unrealized gain on available-for-sale securities	961	724	8,565
Deferred gain on derivatives under hedge accounting		481	
Treasury stock—at cost 219,403 shares in 2017 and 205,318 shares in 2016	(454)	(439)	(4,050)
Total equity	436,464	385,190	3,890,062
TOTAL	¥4,141,556	¥4,321,442	\$36,912,270

Note: U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥112.20 = U.S. \$1, the approximate rate of exchange at March 31, 2017.

Nonconsolidated Statement of Income

Kyushu Electric Power Company, Incorporated
Year Ended March 31, 2017 (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
OPERATING REVENUES:			
Electric	¥1,685,082	¥1,692,316	\$15,018,563
Other	11,648	13,169	103,817
Total operating revenues	1,696,731	1,705,485	15,122,380
OPERATING EXPENSES:			
Electric:			
Personnel	132,672	131,038	1,182,461
Fuel	263,536	364,741	2,348,809
Purchased power	409,885	386,826	3,653,171
Depreciation	176,393	167,024	1,572,132
Maintenance	152,705	144,494	1,361,009
Reprocessing costs of contribution funds for nuclear fuel	19,321		172,208
Reprocessing costs of irradiated nuclear fuel		16,043	
Decommissioning costs of nuclear power units	4,589	4,640	40,904
Depreciation of special account related to nuclear power decommissioning	821	821	7,325
Disposal cost of high-level radioactive waste	4,315	1,032	38,463
Disposition of property	15,162	14,255	135,139
Taxes other than income taxes	84,070	83,610	749,292
Subcontract fee	76,555	82,371	682,316
Rent	25,797	26,237	229,920
Other	220,889	172,992	1,968,709
Total	1,586,717	1,596,132	14,141,865
Other	10,478	11,506	93,387
Total operating expenses	1,597,195	1,607,639	14,235,252
OPERATING INCOME	99,535	97,846	887,127
OTHER EXPENSES (INCOME):			
Interest charges	33,427	37,056	297,930
Gain on sales of fixed assets		(2,054)	
Gain on sales of investment securities		(2,455)	
Gain on revision of retirement benefit plans		(2,899)	
Loss on disaster	9,598		85,551
Other-net	(2,775)	(13,549)	(24,737)
Total other expenses-net	40,251	16,098	358,744
INCOME BEFORE INCOME TAXES AND PROVISION FOR RESERVE FOR FLUCTUATIONS IN WATER LEVEL	59,284	81,747	528,383
PROVISION FOR RESERVE FOR FLUCTUATIONS IN WATER LEVEL	943	5,934	8,411
INCOME BEFORE INCOME TAXES	58,340	75,812	519,972
INCOME TAXES:			
Current	(624)	4,909	(5,565)
Deferred	(2,092)	5,574	(18,648)
Total income taxes	(2,716)	10,484	(24,213)
NET INCOME	¥ 61,057	¥ 65,328	\$ 544,186
PER SHARE OF COMMON STOCK:			
	Yen		U.S. Dollars
Basic net income	¥ 121.44	¥137.83	\$ 1.08
Diluted net income	121.29		1.08
Cash dividends applicable to the year:			
Common share	15.00		0.13
Class A preferred share	3,500,000.00		31,194.29

Note: U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥112.20 = U.S. \$1, the approximate rate of exchange at March 31, 2017.

Overview of Power Generation Facilities

(As of March 31, 2017)

Nuclear Power (2 facilities/maximum output 4,699,000 kW)

Station name	Maximum output (kW)	Operation commencement date	System	Location
Genkai	2,919,000 (559,000×1 1,180,000×2)	Oct. 1975	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 (9 facilities/maximum output 10,314,400 kW) * excluding internal-combustion engines at the Buzen Power Station

Station name	Maximum output (kW)	Operation commencement date	System	Location
Shin Kokura	1,800,000 (600,000×3)	Sep. 1978	LNG	Kokura Kita-ku, Kitakyushu-shi, Fukuoka Prefecture
Karita	735,000 (360,000×1 375,000×1)	Apr. 1972	Coal/heavy oil/crude oil	Kanda-machi, Miyako-gun, Fukuoka Prefecture
Buzen	1,000,000 (500,000×2)	Dec. 1977	Heavy oil/crude oil	Buzen-shi, Fukuoka Prefecture
Matsuura	700,000 (700,000×1)	Jun. 1989	Coal	Matsuura-shi, Nagasaki Prefecture
Ainoura	875,000 (375,000×1 500,000×1)	Apr. 1973	Heavy oil/crude oil	Sasebo-shi, Nagasaki Prefecture
Shin Oita*	2,804,400 (115,000×6 230,000×4 245,000×3 459,400×1)	Jun. 1991	LNG	Oita-shi, Oita Prefecture
Reihoku	1,400,000 (700,000×2)	Dec. 1995	Coal	Reihoku-machi, Amakusa-gun, Kumamoto Prefecture
Sendai	1,000,000 (500,000×2)	Jul. 1974	Heavy oil/crude oil	Satsumasendai-shi, Kagoshima Prefecture

* Shin-Oita Power Station Unit 3-4 started operations (June 2016) and Unit 2 rated output was revised. (October 2016)

Hydroelectric Power (143 facilities/maximum output 3,580,151 kW)

Station name	Maximum output (kW)	Operation commencement date	System	Location
Tenzan	600,000	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	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	63,050	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
Omarugawa	1,200,000	Jul. 2007	Dam and conduit system (pure pumped-storage)	Kijo-cho, Koyu-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
Oyodogawa Daini	71,300	Mar. 1932	Dam and conduit system	Miyazaki-shi, Miyazaki Prefecture

* With outputs of 50,000 kW or higher

Geothermal Power (6 facilities/maximum output 207,960 kW)

Station name	Maximum output (kW)	Operation commencement date	Location
Takigami	27,500	Nov. 1996	Kokonoe-machi, Kusu-gun, Oita Prefecture
Otake	12,500	Aug. 1967	Kokonoe-machi, Kusu-gun, Oita Prefecture
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
Ogiri	30,000	Mar. 1996	Kirishima-shi, Kagoshima Prefecture
Yamagawa	25,960	Mar. 1995	Ibusuki-shi, Kagoshima Prefecture

Internal Combustion Power (34 facilities/maximum output 395,610 kW) *including gas turbines on isolated islands and internal-combustion engines at the Buzen Power Station

Station name	Maximum output (kW)	Operation commencement date	Location
Shinarikawa	60,000 (10,000×6)	Jun. 1982	Shinkamigotou-chou, Minami matsuura-gun, Nagasaki Prefecture
Tatsugo	60,000 (10,000×6)	Jun. 1980	Tatsugo-chou, Oshima-gun, Kagoshima Prefecture

* With outputs of 50,000 kW or higher

Wind Power (2 facilities/maximum output total 3,250 kW)

Station name	Maximum output (kW)	Operation commencement date	Location
Koshikijima wind power	250	Mar. 2003	Satsumasendai-shi, Kagoshima Prefecture
Noma-misaki wind park	3,000	Mar. 2003	Minamisatsuma-shi, Kagoshima Prefecture

Photovoltaic Power (1 facility/maximum output total 3,000 kW)

Station name	Maximum output (kW)	Operation commencement date	Location
Mega Solar Omuta	3,000	Nov. 2010	Omuta-shi, Fukuoka Prefecture

Subsidiaries and Affiliated Companies

(As of March 31, 2017)

Consolidated Subsidiaries (41)

Company Name	Capital (Millions of yen)	Equity Ownership (%)	Business
Energy Business in Kyushu			
Oita Liquefied Natural Gas Co., Inc.	7,500	98.0	Receipt, storage, vaporization and delivery and sales of LNG
Kitakyushu Liquefied Natural Gas Co., Inc.	4,000	75.0	Receipt, storage, vaporization and delivery and sales of LNG
Pacific Hope Shipping Limited	4,071	60.0	Purchasing, operating, chartering and renting of LNG carriers
Kushima Wind Hill Co., Ltd.	2,821	51.0	Sales of electricity generated by wind power
Nishinippon Environmental Energy Co., Inc.	1,016	100.0	Distributed power system business and consultation about energy efficiency
Kyuden Mirai Energy Company, Incorporated	669	100.0	Renewable energy business
Kyushu Rinsan Co., Inc.	490	100.0	Greening construction at power stations and other facilities
Nagashima Wind Hill Co., Ltd.	490	86.0	Sales of electricity generated by wind power
Fukuoka Energy Service Co., Inc.	490	80.0	Heat supply business
Kyuden Technosystems Corporation	327	85.2	Manufacture and sales of electric machinery; installation, maintenance and management of electrical measurement equipment
Kyuden High Tech Corporation	200	100.0	Maintenance and repair of electricity facilities
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 sales 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
Koyo Denki Kogyo Co., Ltd.	20	97.3	Manufacture and sales of HV and LV insulators and other items
Nishigi Kogyo, Co., Inc.	20	74.0	Conduit maintenance for hydroelectric power stations
Energy Business Overseas			
Kyuden International Corporation	23,150	100.0	Acquisition and holding of securities of overseas companies operating electricity, gas and other energy business
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 (Millions of Taiwan dollars)	100.0	Investment in Hsin Tao IPP business company
Kyushu Electric Australia Pty Ltd.	181 (Millions of U.S. dollars)	100.0	Share ownership and management (funding, tax, accounting, etc.) of Kyushu Electric Wheatstone Pty Ltd
Kyushu Electric Wheatstone Pty Ltd.	171 (Millions of U.S. dollars)	100.0	Ownership of mining interests and assets, trading and sales of output in Wheatstone LNG project
KYUDEN SARULLA PTE. LTD.	72 (Thousands of Singapore dollars)	100.0	Geothermal power generation
IT and Telecommunications			
Kyushu Telecommunication Network Co., Inc.	22,020	100.0	Fiber-optic cable and broadband services
Kyuden Infocom Company, Inc.	480	100.0	IT-related planning and consultation, and data center business
Nishimu Electronics Industries, Co., Ltd.	300	100.0	Manufacture, sales, installation and maintenance of telecommunication devices
Kyuden Business Solutions Co., Inc.	100	100.0	Development, operation and maintenance of information systems
RKK Computer Service Co., Inc.	100	61.3	Development and sales of computer software
Lifestyle-oriented Services			
DENKI BLDG. CO., Ltd.	3,395	91.9	Leasing and management of real estate
Kyuden Good Life Company, Inc.	300	100.0	Paid elderly nursing home management and nursing services
Capital Kyuden Corporation	285	100.0	Acquiring and owning of securities, loans to group companies
Kyuden Good Life Kumamoto Company, Inc.	200	100.0	Paid elderly nursing home management and nursing services
Kyuden Business Front Inc.	100	100.0	Temporary staffing and job-placement services
Kyuden Good Life Fukuoka Josui Company, Inc.	100	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 Good Life Higashifukuoka Company, Inc.	100	70.0	Paid elderly nursing home management and nursing services
Kyuden Fudousan Co., Ltd.	32	98.1	Leasing of real estate and site management
Kyuden Office Partner Co., Inc.	30	100.0	Clerical work acceptance on trust and consulting business
Kyushu Maintenance Co., Ltd.	10	82.0	Cleaning and maintenance of real estate

Non-consolidated Subsidiaries and Affiliated Companies Accounted for under Equity Method (27)

Company Name	Capital (Millions of yen)	Equity Ownership (%)	Business
Energy Business in Kyushu			
Tobata Co-operative Thermal Power Co., Inc.	9,000	50.0	Thermal power generation business
Kyudenko Corporation	11,632	23.0	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	Wholesale electricity supply
KYUSYU CRYOGENICS CO., LTD.	450	50.0	Manufacture and sales of liquid oxygen, liquid nitrogen and liquid argon
Kyuhon Co., Ltd.	225	35.9	Manufacture and sales of electrical equipment
Seishin Corporation	200	27.3	Sale of electrical equipment
Plazwire Co., Ltd.	50	100.0	Flame spray coating (painting) business
Nishikyushu Kyodo Kowan Co., Ltd.	50	50.0	Operation and maintenance of coal handling equipment
Kyuden Corporation	100	15.2	Construction and repair of transmission lines
Nishi Nihon Denki Tekkou Co., Ltd.	30	33.5	Design, production and sales of steel towers and steel conduits
Washiodake Wind Power Co., Ltd.	10	100.0	Sales of generated electric power
NISHIGI SURVEYING AND DESIGN CO., LTD.	10	100.0	Investigation, measurement, design, drafting and care of civil engineering/ construction projects
Munakataasty Solar Power Co., Ltd.	10	100.0	Sales of electricity generated by solar power
Amami Oshima Wind Power Co., Ltd.	10	75.0	Sales of electric power from wind generation
Energy Business Overseas			
KYUDEN ILIJAN HOLDING CORPORATION	3 (Millions of U.S. dollars)	100.0	Investment in Ilijan IPP business company
Kyushu Tohoku Enrichment Investing SAS	104 (Millions of Euro)	50.0	Investment in uranium enrichment business
Electricidad Aguila de Tuxpan, S. de R.L. de C.V.	641 (Millions of Mexico Pesos)	50.0	Power-generation activities using natural gas fuel
Electricidad Sol de Tuxpan, S. de R.L. de C.V.	493 (Millions of Mexico Pesos)	50.0	Power-generation activities using natural gas fuel
IT and Telecommunications			
RKKCS Software	10	100.0	Developments and sales of computer software
Environment and Recycling Business			
J-Re-Lights Co., Ltd.	275	100.0	Recycling of used fluorescent bulbs
Records & Intelligence Management Co., Ltd	80	98.1	Recycling of confidential documents
Lifestyle-oriented Services			
Kyushu Highlands Development Co., Ltd.	300	100.0	Management of golf courses
Kyushu Housing Guarantee Corporation	272	33.3	Housing and building assessments, security services affairs
Kyuden Shared Business Co., Ltd.	80	100.0	Accounting and personnel services
Kyushu Captioning Co-Production Center Inc.	60	78.3	Subtitle production for broadcasting
Oak Partners Co., Ltd.	3	100.0	Real estate management

Outline of Kyushu Electric Power's History

Fiscal Year	Noteworthy events
1951	•Kyushu Electric Power is established.
1955	•The Kamishiiba Power Station, the first in Japan with an arch dam, becomes operational.
1956	•Unit 1 at the Karita Power Station (coal, 75,000 kW) becomes operational.
1957	•Kyushu Electric Power's Central Line (220,000V), its first super-high-voltage transmission line, becomes operational. •Thermal generation capacity exceeds hydroelectric capacity. •Unit 1 at the Omura Power Station (coal, 66,000 kW) becomes operational.
1960	•Frequency unification is completed. •Unit 1 at the Minato Power Station (coal, 156,000 kW) becomes operational.
1961	•Unit 1 at the Shin Kokura Power Station (coal, 156,000 kW) becomes operational.
1967	•The Otake Power Station (geothermal, 11,000 kW), Japan's first commercial geothermal generation facility, becomes operational. •Unit 1 at the Karatsu Power Station (coal, 156,000 kW) becomes operational, becoming Kyushu Electric Power's first generation facility with a control computer.
1969	•Unit 1 at the Oita Power Station (oil, 250,000 kW), Kyushu Electric Power's first facility designed to run exclusively on heavy fuel oil, becomes operational.
1973	•Unit 1 at the Ainoura Power Plant (coal, 375,000 kW) becomes operational.
1974	•Unit 1 at the Sendai Power Plant (coal, 500,000 kW) becomes operational.
1975	•Unit 1 at the Genkai Nuclear Power Plant (559,000 kW) becomes operational. •The Ohira Power Station, then Kyushu Electric Power's first pumped storage facility (500,000 kW), becomes operational.
1977	•Unit 1 at the Hatchoubaru Power Station (geothermal, 23,000 kW) becomes operational. •Unit 1 at the Buzen Power Station (coal, 500,000 kW) becomes operational.
1980	•Kyushu Electric Power builds the Central and West Kyushu Substations (500,000 V) and raises the voltage on its Saga Line to 500,000 V. •The Electric Power Development Co., Ltd., begins operating the Trans-Kanmon Line (500,000 V).
1981	•Unit 1 at the Genkai Nuclear Power Plant (559,000 kW) becomes operational.
1982	•The Kyushu Energy Center is opened.
1984	•Unit 1 at the Sendai Nuclear Power Station (890,000 kW) becomes operational.
1985	•Unit 2 at the Sendai Nuclear Power Station (890,000 kW) becomes operational.
1986	•Unit 1 at the Tenzan Power Station (300,000 kW), a large-capacity pumped-storage facility, becomes operational. •Kyushu Electric Power begins to use automatic control systems on its distribution lines.
1989	•Unit 1 at the Matsuura Power Station (coal, 700,000 kW) becomes operational.
1990	•Kyushu Electric Power achieves a zero outage record for work on high-and low-voltage facilities for the first time in Japan.
1991	•The No. 1 system at the Shin Oita Power Station (LNG, 690,000) becomes operational as Kyushu Electric Power's first combined-cycle power station.
1994	•Unit 3 at the Genkai Nuclear Power Plant (1,180,000 kW) becomes operational.
1995	•The Yamagawa Power Station (geothermal, 30,000 kW) becomes operational. •Unit 1 at the Reihoku Power Station (coal, 700,000 kW) becomes operational.
1996	•The Ogiri Power Station (geothermal, 30,000 kW) becomes operational. •The Takigami Power Station (geothermal, 27,500 kW) becomes operational.
1997	•Unit 4 at the Genkai Nuclear Power Plant (1,180,000 kW) becomes operational.
1998	•Kyushu Electric Power begins to operate a superconducting storage system as an electric power facility. It is the first of its type in Japan and one of the largest in the world.
2001	•A loan agreement is signed for the Tuxpan II IPP project in Mexico. •The Kyushu Homeland Forestation Program becomes operational. •Unit 1 at the Karita Power Station (coal, 360,000 kW) becomes operational, Kyushu Electric Power's first pressurized fluidized bed combustion (PFBC) station.
2002	•Dedicated account managers are assigned to corporate customers.
2003	•The Koshikijima Wind Power Station (250 kW) becomes operational. •The Noma-Misaki Wind Park Station (3,000 kW) becomes operational.
2004	•The Omura Power Station is decommissioned. •The Minato Power Station is decommissioned.
2005	•The Goto Archipelago Link, Japan's longest sea-bed cable (53 km), becomes operational.
2006	•The Hatchoubaru Binary Power Station (2,000 kW), Japan's first commercial geothermal binary power station, becomes operational.
2007	•"Kyushu Electric Power's Mission" and brand message "Enlighten Our Future" are adopted. •Unit 4 at the Omarugawa Power Station (300,000 kW) becomes operational.
2009	•Unit 3 at the Genkai Nuclear Power Plant, Japan's first pluthermal facility, becomes operational.
2010	•The Mega Solar Omuta, our first large-scale solar power generation station (3,000 kW), becomes operational.
2013	•The Kyushu Energy Center is closed. •The Oita Power Station is decommissioned.
2015	•Operations are halted at Unit 1 of the Genkai Nuclear Power Plant •The Karatsu Power Station is decommissioned.
2016	•Large-scale power outage occurs due to the Kumamoto Earthquakes. Electric power companies dispatch supporters. •Operations started at Buzen Storage Battery Substation equipped with one of the world's largest storage battery capacity systems. •Established Kyuden Mirai Foundation.

(As of March 31, 2017)

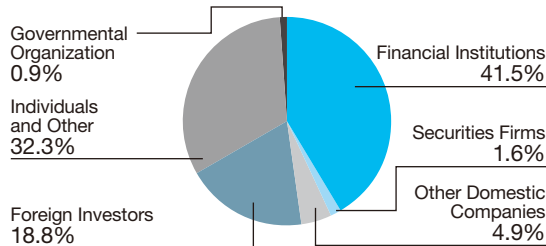
Company Overview

Trade Name	Kyushu Electric Power Company, Incorporated	Date of Establishment	May 1, 1951
Head Office	1-82, Watanabe-dori 2-chome, Chuo-ku, Fukuoka 810-8720, Japan Phone +81-92-761-3031	Paid-in Capital	¥237,304,863,699
Tokyo Branch Office	7-1, Yurakuchō 1-chome, Chiyoda-ku, Tokyo 100-0006, Japan Phone +81-3-3281-4931	Number of Employees	13,053

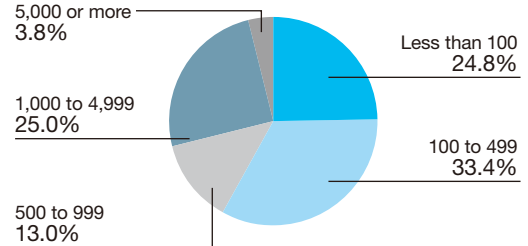
Stock Information

Total Number of Shares Authorized	1,000,000,000 Common stock 1,000,000,000 Class A preferred shares 1,000	Shareholders' Meeting	June
Number of Shares Issued and Outstanding	Common stock 474,183,951 Class A preferred shares 1,000	Fiscal Year	From April 1 to March 31
Number of Shareholders	Common stock 151,075 Class A preferred shares 1	Stock Listings	Tokyo Stock Exchange, Fukuoka Stock Exchange (Code: 9508)
		Transfer Agent and Registrar	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan
		Accounting Auditor	Deloitte Touche Tohmatsu LLC

•Common stock Composition of Shareholders (By Type of Shareholder)



Composition of Shareholders (By Number of Shares Held)



Major Shareholders

Name	Number of Shares Held (Thousands of Shares)	Shareholding Ratio (%)
Meiji Yasuda Life Insurance	2,288	4.83
The Master Trust Bank of Japan, Ltd. (trust unit)	2,107	4.44
Nippon Life Insurance Company	1,476	3.11
Kochi Shinkin Bank	1,308	2.76
Japan Trustee Services Bank, Ltd. (trust unit)	1,211	2.55
Japan Trustee Services Bank, Ltd. (trust unit9)	1,152	2.43
Kyushu Electric Power Co., Inc. Employees' Shareholding Association	1,049	2.21
Mizuho Bank, Ltd.	967	2.04
The Bank of Fukuoka, Ltd.	867	1.83
Sumitomo Mitsui Banking Corporation	847	1.79

•Class A preferred shares

Name	Number of Shares Held (Thousands of Shares)	Shareholding Ratio (%)
The Development Bank of Japan	1	100.0

Trends of Stock Price and Trading Volume

