

# KYUDEN GROUP INTEGRATED REPORT 2023





Group Philosophy

**Kyuden Group's Mission**

## Enlighten Our Future

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

This is the mission of the Kyuden Group.

We continue to take on the following four challenges in order to achieve  
this mission:

1. Steady and reliable, environment-friendly energy
2. Services that truly satisfy
3. As one with Kyushu, Asia, and the world
4. Discovering solutions, and putting them into practice

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# Editorial Policy

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

## Issue Date

October 2023  
(Next report: October 2024 (planned))

## Scope of Reporting

Kyushu Electric Power Company, Incorporated  
and Group Companies

## Reporting Period

April 1, 2022 to March 31, 2023  
(However, the report also contains some data from outside this period in the interest of providing timely information.)

## Guidelines Consulted

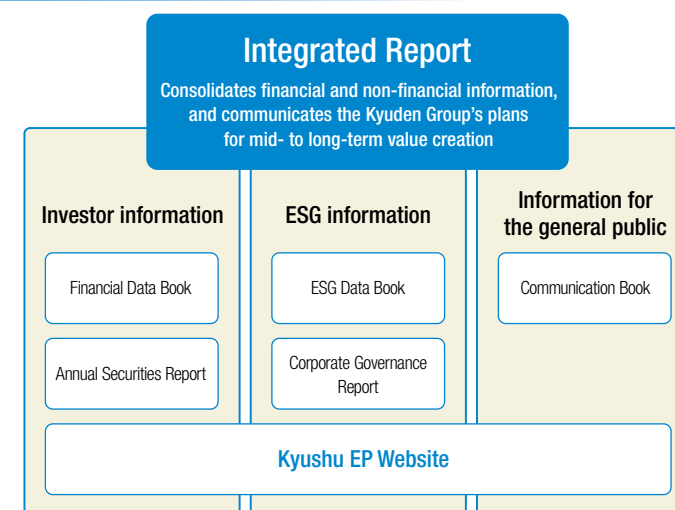
- International Integrated Reporting Framework
- Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation
- Task Force on Climate-related Financial Disclosures (TCFD) Recommendations
- Taskforce on Nature-related Financial Disclosures (TNFD) Recommendations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

## Website Information

〈IR Information (Shareholders and investors)〉  
[https://www.kyuden.co.jp/english\\_ir\\_index.html](https://www.kyuden.co.jp/english_ir_index.html)  
Please refer to our website for more detailed information.



## Information Disclosure System



The report concerns companies within the Kyuden Group. The companies Kyushu Electric Power Co., Inc., and Kyushu Transmission & Distribution Co., Inc., are abbreviated as Kyushu EP and Kyushu T&D, respectively.

## Responding to the SDGs

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

### Sustainable Development Goals (SDGs)

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



### Note Regarding Forward-looking Statements

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



# Chapter 1

## Overview of the Kyuden Group

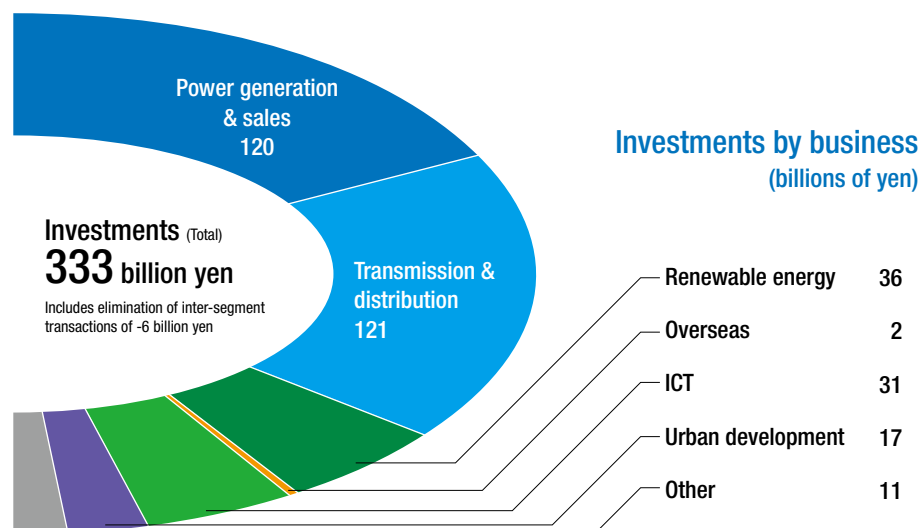
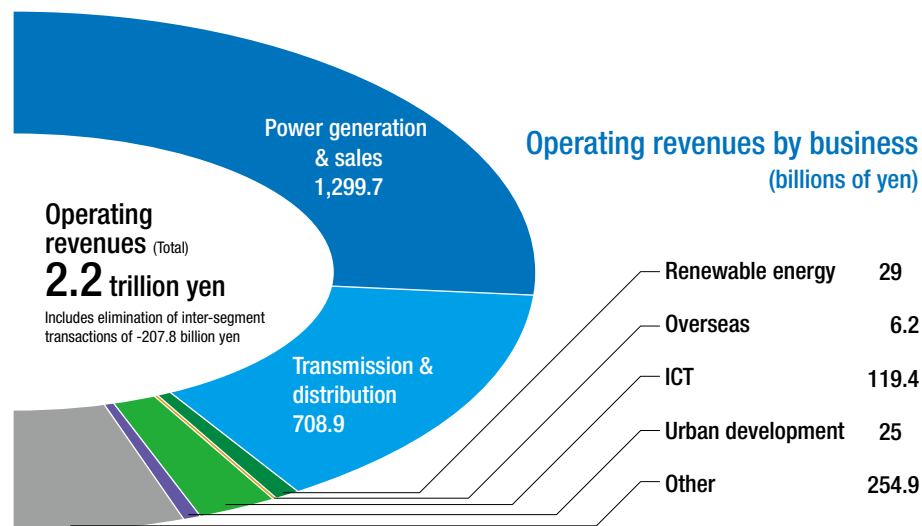
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# Business Snapshot of the Kyuden Group

In addition to the Domestic Electricity Business, the Kyuden Group has been promoting growth businesses as a united Group, including the renewable energy, overseas, ICT service, and urban development businesses.



Note: FY2022 results. In addition, the breakdowns and totals may not match due to rounding

## Domestic Electricity Business

## Growth Businesses (excl. domestic electricity business)

### Power Generation & Sales P27

Work on achieving the optimal energy mix from the viewpoint of S + 3E. Accelerate efforts to position renewable energy as a main power source and use nuclear power to its full potential toward achieving carbon negativity as soon as possible, along with offering rate plans based on customer needs.

Elec. generated and received: 100.8 billion kWh  
Electric power sales: 96.0 billion kWh  
Number of customers: 7.84 million  
Generation capacity: 15,980 MW  
Power generation facilities: 153 locations



### Renewable Energy Business P31

Expand our capacity to provide a one-stop solution for the development, management, and sale of five sources of renewable energy with Kyuden Mirai Energy at the center. Promote the development of renewable energy both domestically and overseas, including geothermal and hydro, which are our strengths, and offshore wind power, which has great future potential.

Renewable energy developed: 2,610 MW  
Installed capacity geothermal: 220 MW  
(approx. 40% of the entire country)



### ICT Service Business P35

Offer ICT services by making use of technologies accumulated through operating and maintaining highly reliable telecommunications networks and information communication systems to support a stable power supply. Promote initiatives to support the increase in demand as society digitalizes increasingly.

Optical internet service (BBIQ): 476,000 lines  
• Awarded 1st place for 7 consecutive years by J.D. Power customer satisfaction survey (Kyushu area)  
• 14% share in Kyushu  
Optical fiber cables: 131,562 km  
Data center rack capacity: 2,500 racks



(Data for which no date is specified are actual results for FY2022)

### Transmission & Distribution P29

Deliver a stable supply of energy generated at power plants to our customers. Work to reduce power outage incidents and improve the quality of our electricity through efficient facility formation and proper maintenance, as well as expanding the adoption of renewable energy.

Transmission lines: 11,223 km  
Distribution lines: 144,198 km  
Interconnected renewable energy: 15,820 MW  
Substations: 653 locations  
Power outages frequency: 0.15 times/household  
Power outages duration: 115 mins/household  
(when excluding typhoons and other disasters frequency is 0.04 times and duration is 3 mins per household)



### Overseas Business P33

Expand our energy-related businesses globally by leveraging knowledge and expertise accumulated through our Domestic Electricity Business. With Kyuden International at the center, promote the further expansion of areas and business domains with an eye on future market expansion.

Overseas equity output: 2,840 MW  
Overseas development areas: 15 countries/regions  
Refer to P05



### Urban Development Business P37

Expand the urban development, real estate, and social infrastructure businesses by leveraging knowledge and expertise accumulated through our business activities to date, including in the energy, real estate development, PFI, and ICT sectors. Promote initiatives while leveraging synergy with the electricity business.

#### Main projects

- Shopping Park LaLaport Fukuoka opened in April 2022
- Kumamoto Airport privatization: new passenger terminal building opened for public use in March 2023
- Development of ESG-friendly rental housing in the U.S. (joined in May 2022)
- Logistics distribution facility project in Kasuya, Fukuoka (operations scheduled to begin in August 2024)



### Other

Expand businesses that contribute to the stable supply of power, including the design, construction, maintenance, repair, and operation of various plants, along with businesses that respond to various energy-related needs, such as gas and LNG sales businesses. Moreover, work on businesses that support the lifestyles and economic activities of customers, including paid elderly nursing homes, outsourced administrative services, and temporary staffing businesses.

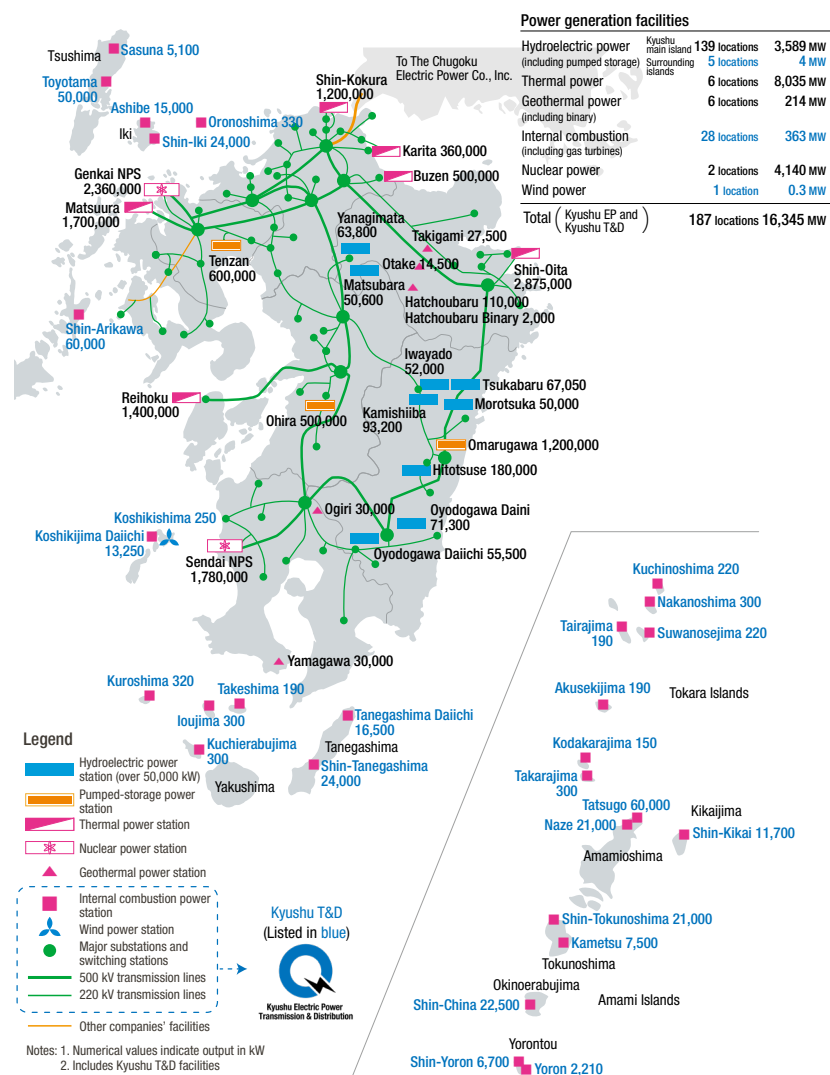


## Business Snapshot of the Kyuden Group

With our aim of “Kyuden Group: Creating the future, starting from Kyushu,” we are continually taking on the challenge of developing our business areas across Kyushu, Japan, and the world.

## Power supply facilities in Japan (Kyushu area)

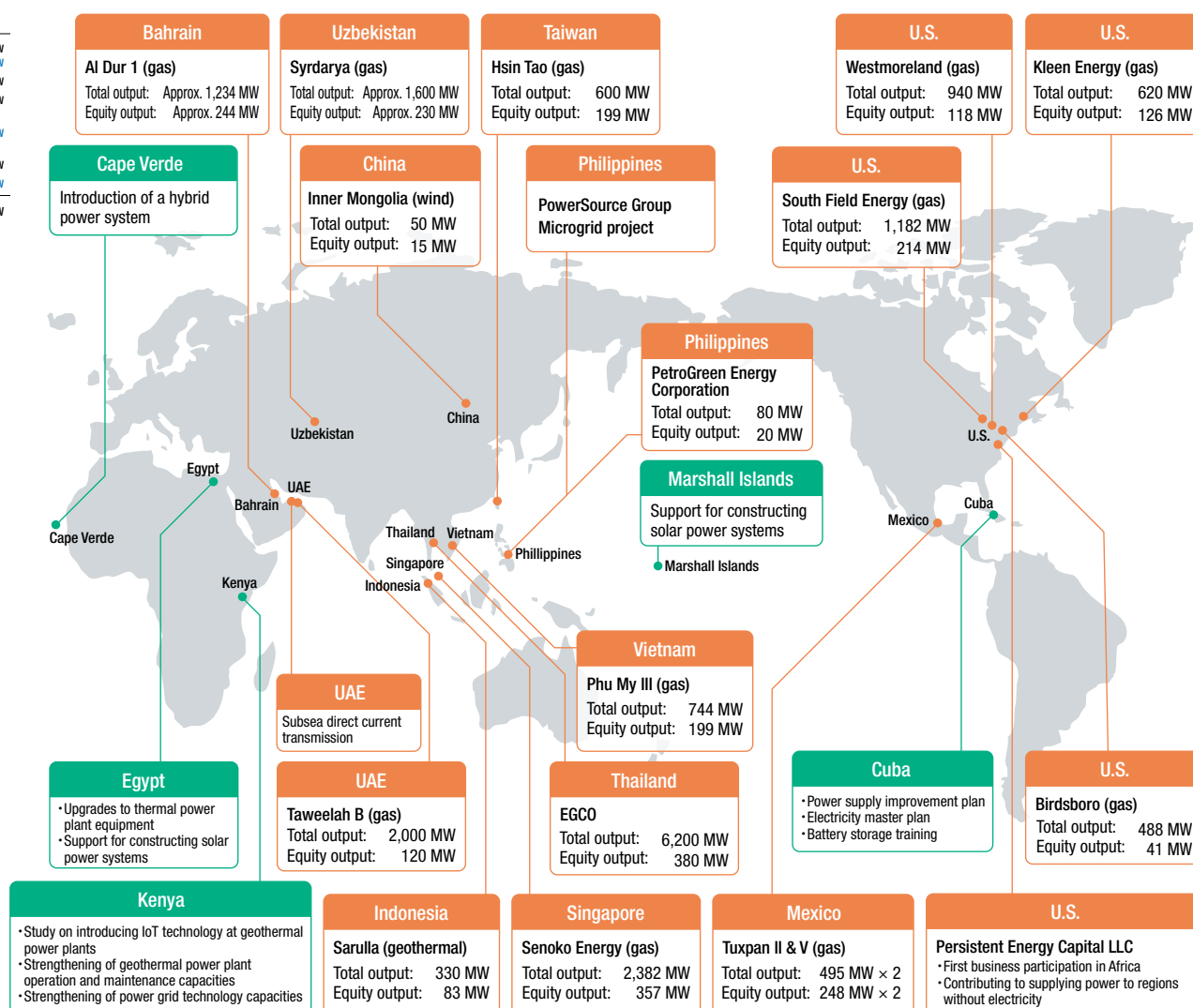
(As of March 31, 2023)



## Overseas development areas

IPP investment projects (as of the end of FY2022)

Consulting (last 1-2 years)

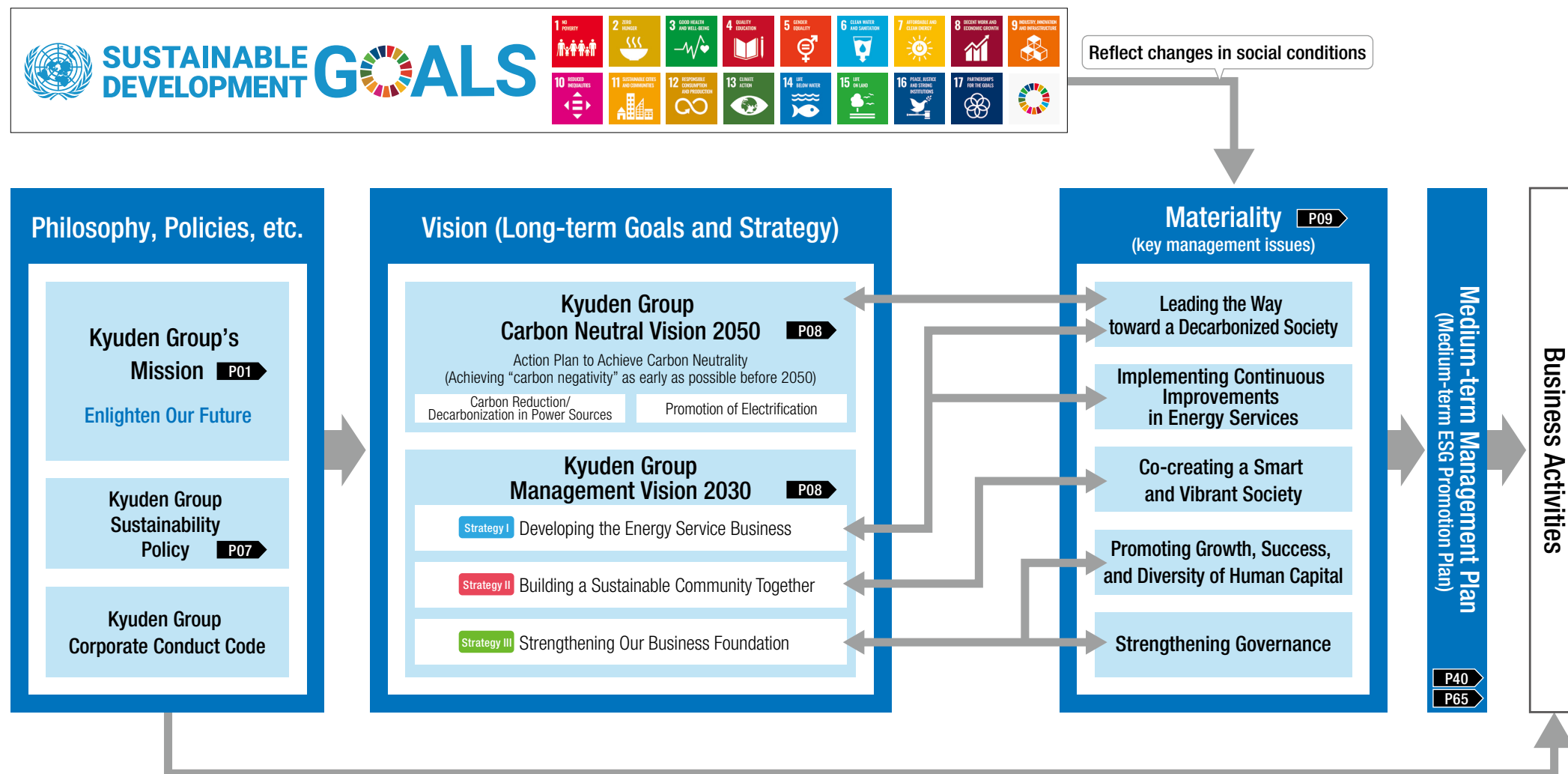




# Promotion of Sustainability Management

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

Furthermore, we have identified key management issues (materiality) to realize these goals, and have incorporated efforts to resolve these issues into a specific action plan as a medium-term ESG promotion plan to ensure the steady implementation of efforts.





## Sustainability Policy

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

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

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

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

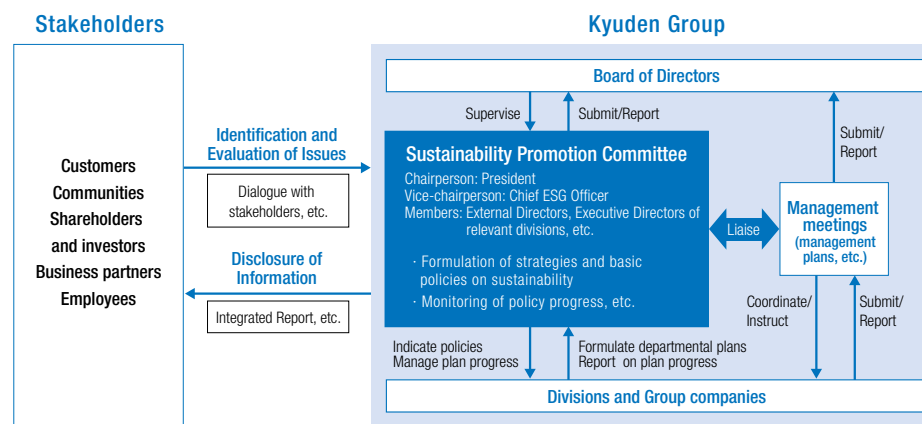
As a corporate group that creates the future from Kyushu, we will contribute to a sustainable society and enhance our corporate value, by creating both "social value" and "economic value" through our businesses.

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

## Promotion System

The Kyuden Group has established the Sustainability Promotion Committee to actively promote carbon neutrality and other environmental, social, and governance (ESG) initiatives. The Committee is chaired by the President, and its members include external directors and executive directors of relevant divisions. In addition to establishing strategies and policies concerning all aspects of sustainability, the Committee deliberates on and supervises the progress of implementing strategies and measures concerning key sustainability issues, such as climate change and human capital.

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

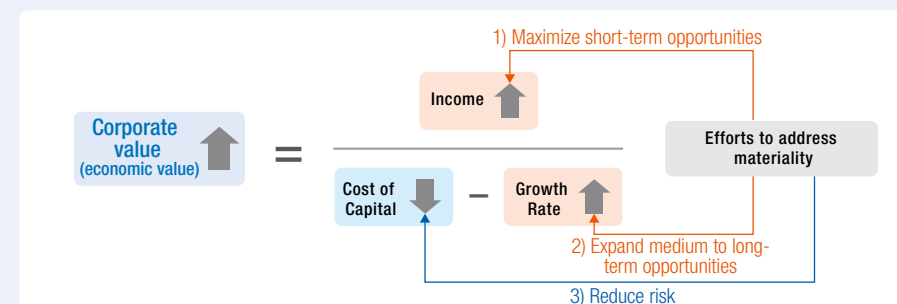


## Model for Enhancing Corporate Value through Sustainability Management

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

To this end, the Kyuden Group has broken down the elements that lead to corporate value (economic value) into the following three categories, and promotes efforts to resolve materiality from the perspective of each category. (Refer to **P27-38** for efforts aimed at improving the corporate value of each business)

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





## Management Vision 2030

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

We have established our ideal image for 2030, and to realize this vision, we have set three strategies, along with management targets. (Refer to **P21** for details on management targets)

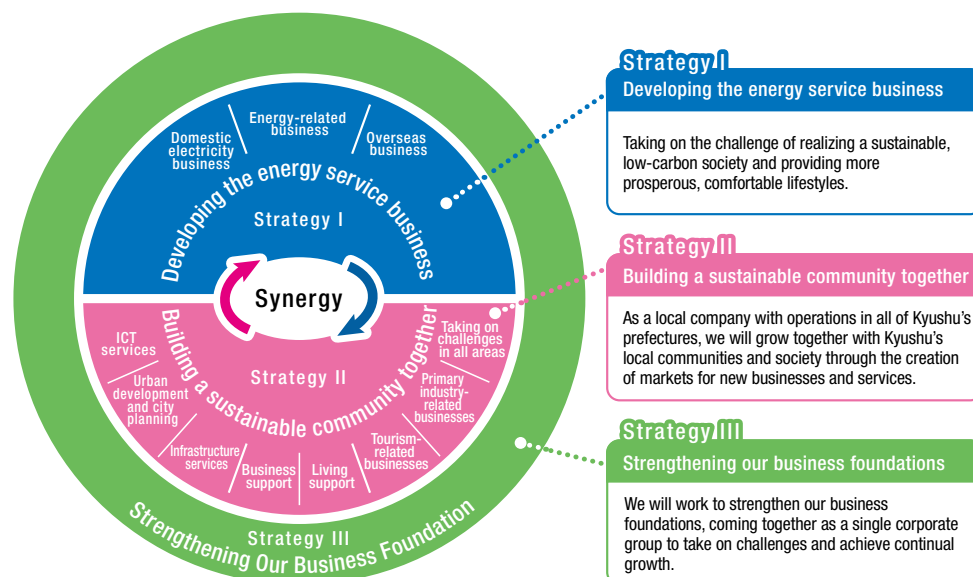
In line with this vision, the Group will work as one to promote a wide range of activities aimed at achieving sustainable growth together with the region and society, while at the same time delivering value to our stakeholders.

### Our 2030 Vision

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

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

### Three Strategies for Achieving Our Vision



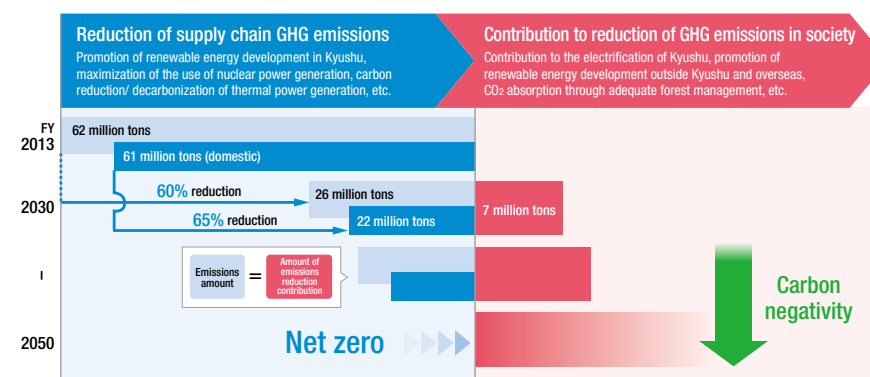
## Carbon Neutral Vision 2050

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

Furthermore, we have established policies for lowering the carbon intensity of and decarbonizing energy sources, alongside promoting electrification, in our action plan, which aims to realize these policies. The action plan shows the path to achieving carbon neutrality, including setting 2030 management targets (environmental targets), key performance indicators (KPIs), and the like.

We will take on the challenge of achieving net zero greenhouse gas (GHG) emissions in our supply chains by 2050 and make significant contributions to reducing GHG emissions across society by contributing to improving Kyushu's rate of electrification. In doing so, we aim to achieve carbon negativity in all of the Group's business activities as early as possible before 2050.

### The Kyuden Group's Vision to Achieve Carbon Neutrality in Society



### 2030 Management Targets (Environmental Targets) & KPIs (See **P58** for progress)

Supply	[Management Target (Environmental Target)] 60%* reduction in supply chain GHG emissions (compared to FY2013) * : 65% reduction for domestic business	
	KPI	Target
Demand	Positioning renewable energy as a main power source	Renewable energy developed: 5,000 MW (Japan and overseas)
	Decarbonization of thermal power	Achieve the benchmark index for the Energy Conservation Act Establish technology toward co-firing of 1% hydrogen / 20% ammonia
	Contribution to improving Kyushu's rate of electrification (household : 70%; commercial : 60%)	
Demand	Household	Incremental electricity: 1,500 GWh (2021-2030 total)
	Commercial	Incremental electricity: 1,600 GWh (2021-2030 total)
	Transportation	Conversion of company cars to 100% EVs (excluding special-purpose vehicles)

For details on the Carbon Neutral Vision 2050 (including action plan), please visit the following page:  
[https://www.kyuden.co.jp/english\\_index.html](https://www.kyuden.co.jp/english_index.html) Home > For investors > Information on our Sustainability initiatives > **Carbon Neutral Vision 2050**



# Materiality

In April 2022, the Kyuden Group identified key management issues for realizing sustainability management that simultaneously creates “social value” and “economic value” through its businesses as materiality. We are continually revising materiality in light of changes in social conditions and the business environment. In April 2023, we partially revised our ideal state and key issues pertaining to materiality.

For details on the process of identifying materiality, please visit the following page:

[https://www.kyuden.co.jp/english\\_index.html](https://www.kyuden.co.jp/english_index.html) Home > For investors > Information on our Sustainability initiatives > [Materiality](#)

## Materiality and key issues



## Revisions to ideal state and key issues (April 2023)

- Reorganized ideal state and related key issues of the Group's human capital strategy after multiple deliberations by senior management
  - Set key issues pertaining to DX as part of materiality for “Creating Value through Business” and “A Foundation for Creating Value” in light of the increasing importance of DX from both perspectives of transformation in society and manufacturing, and transformation of business composition and work processes
- (Specific revisions are listed in **blue** in the below table)

Materiality	Ideal State	Key Issues
Leading the Way toward a Decarbonized Society	Achieving Carbon Negativity by 2050	<ul style="list-style-type: none"> <li>Lowering the Carbon Intensity of and Decarbonizing Energy Sources (development of renewable energy as a primary power source, safe and stable nuclear power operation, overseas business, etc.)</li> <li>Promotion of Electrification</li> <li>Promotion of Energy Conservation</li> <li>Reduction of Environmental Impact</li> <li>Energy Policy Recommendations and Involvement</li> </ul>
Implementing Continuous Improvements in Energy Services	Contributing to a Sustainable and Comfortable Future for Our Customers	<ul style="list-style-type: none"> <li>Stable Supply of Energy</li> <li>Affordable Energy</li> <li>Solutions Based Around Energy Services</li> </ul>
Co-creating a Smart and Vibrant Society	Promoting Transformation in Society and Manufacturing Together with the Kyushu Region	<ul style="list-style-type: none"> <li><b>Realizing a Smart Society</b></li> <li>Regional Vitalization</li> <li>Creating Safe, Secure and Comfortable Spaces to Live</li> </ul>
Promoting Growth, Success, and Diversity of Human Capital	<b>Fostering an organizational culture that enables growth for each person and the organization, thereby creating future value</b>	<ul style="list-style-type: none"> <li>Respect for Human Rights</li> <li><b>Promotion of Value Co-Creation and Innovation</b></li> <li>Promotion of Diversity and Inclusion</li> <li>Prioritization of Health and Safety</li> <li><b>Securing and Developing Human Capital</b></li> <li><b>Promotion of (DX) Digital Transformation (business framework and process transformation, etc.)</b></li> </ul>
Strengthening Governance	Establishing Good Governance Practices to Support Our Growth	<ul style="list-style-type: none"> <li>Improving Effectiveness of Corporate Governance</li> <li>Strengthening Risk Management System</li> <li>Ensuring Compliance</li> <li>Strengthening Supply Chain Management</li> <li>Ensuring Information Security</li> <li>Enhancing Stakeholder Engagement (building trust with stakeholders, etc.)</li> <li>Improving and Strengthening our Financial Structure</li> </ul>



# Chapter 2

## Value Creation Story

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## Message from the President

Having all preparations for growth in place,  
we will make great strides toward achieving  
sustainable improvements to our corporate value  
as an industry leader in decarbonization.

池辺 和弘

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





## Where are we heading?

The Kyuden Group's top priority right now is achieving carbon neutrality. All of the Group's strategies are focused on becoming carbon neutral, and by executing these strategies, we will enhance our corporate value in financial and non-financial terms.

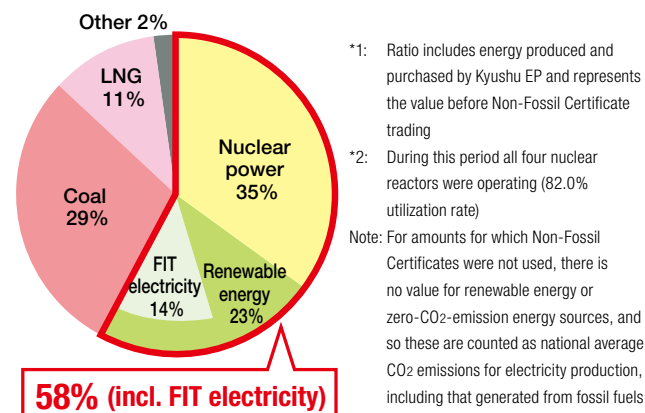
The Kyuden Group aims to achieve carbon neutrality by 2050 and plans to achieve "carbon negativity" as early as possible before 2050. The latter is realized by both reducing greenhouse gas (GHG) emissions from business activities across the entire supply chain to net zero, as well as by undertaking activities that help reduce GHG emissions across society, such as promoting electrification and other measures. **P08** This year we became the first major energy company in Japan to be certified under the Science Based Targets initiative (SBTi) for our GHG emission reduction targets, which were set based on the level of our environmental targets for FY2030. **P42** We intend to continue to lead Japan and the industry as a whole as an industry leader in low-carbon and carbon-free efforts.

In order to achieve carbon neutrality, we will do our utmost to advance the two pillars of **carbon reduction / decarbonization in power sources**, i.e., producing electricity with technology that does not emit CO<sub>2</sub>, and **promotion of electrification**, i.e., using energy in the form of electricity.

To promote power generation that does not emit CO<sub>2</sub>, we must first expand renewable energy and work steadily to ensure the safe and stable operation of nuclear power plants. Doing so will enable us to cover about 60% of our energy mix with power sources that do not emit CO<sub>2</sub>, such as nuclear power and hydro, geothermal, solar, and wind, including those

promoted under Japan's renewable energy feed-in tariff (FIT) scheme. Going forward, we will continue to proactively utilize power sources that do not emit CO<sub>2</sub>.

■ Kyushu EP's Ratio of Zero-Emission or FIT Energy Sources\*1 (FY2019\*2)



On the other hand, thermal power generation is essential to compensate for fluctuations in output from renewable energy sources such as solar power, which cannot be generated at night and is affected by weather conditions. At our company we are continuously working to maintain and improve overall thermal efficiency from the perspective of reducing CO<sub>2</sub> emissions and fuel consumption. In addition, we are exploring measures such as co-firing of hydrogen/ammonia and biomass, as well as carbon capture and storage (CCS) technologies. **P44**

In order to increase the use of electricity and advance electrification, Japan needs to push ahead with policies to promote electrification nationwide, and such policies are just beginning to take effect. Thanks to government subsidies, tax incentives for heat pumps and all-electric homes, and other measures, electrification is advancing rapidly

in all sectors of Japan. This transition is not only happening in the transportation sector, where we see a shift to electric vehicles, but also in the industrial, commercial, and household sectors.

Given this push for electrification and other factors, it is certain that the share of electricity in the final energy consumption will grow from its current level, which is now at around 25%. Regarding Japan's overall electric power demand, I personally believe that by 2050, it will be about double the current level, and in fact may well exceed it. Furthermore, as digitalization gains speed and the amount of electricity required to process this data grows exponentially, there may even be concerns about a shortage in the electricity supply. This is particularly relevant in Kyushu, as in the prefecture Kumamoto there will be a concentration of semiconductor fabrication plants along with business facilities and in the area of Kitakyushu one of Kyushu's largest data centers will be constructed. If demand for electricity outgrows supply, it is not as if power plants and power lines can be built overnight. The construction of a new power plant can take anywhere from several years to several decades. Yet another key factor in ensuring a stable supply of electricity is creating an attractive business environment for new entrants in the power generation sector. For this reason, I believe that it is critical for the government to present a vision for the next 20 years or so, based on how it plans to encourage Japan's future electrification through policy means.

I am confident that this path to carbon neutrality not only have a direct impact on the expansion of electricity demand but also lead to enhanced corporate value for the Kyuden Group, considering our extensive experience and expertise in the power supply sector.



## Toward Sustainable Enhancement of Corporate Value

We will continue to make management efforts by outlining our corporate value through sustainable growth and improvement of capital efficiency, while taking into Tokyo Stock Exchange's request for companies to take "action to implement management that is conscious of cost of capital and stock price" by analyzing their cost of capital and market valuation, and to disclose their targets and plans for improvement. Although the Kyuden Group's price-to-book ratio (PBR) is currently close to 1, we believe there is room for improvement.

PBR can be broken down into return on equity (ROE) and price earnings ratio (PER). We believe that improving ROE, an indicator of capital efficiency, and PER, an indicator of confidence in our performance and growth potential, is essential for our shareholders and investors to evaluate the Group's corporate value, and for us to achieve sustainable improvements to our corporate value (a PBR above 1) over the medium to long term. **P24**

First, with respect to improving capital efficiency, we will achieve a return on capital higher than the cost of capital by promoting management that is conscious of return on invested capital (ROIC). With respect to improving confidence in our performance and growth potential, we will use the current turnaround in business performance to improve financial stability and thoroughly return the profit to our shareholders. At the same time, we will communicate to our investors that we as a corporate group will do our utmost toward decarbonization while creating further growth over the long term. Making improvements in each of these areas will enable us to achieve sustainable improvements to our corporate value (a higher PBR).

## ROIC-Based Management

Last year we introduced ROIC as a new management indicator. In April 2023, we announced the Group-wide ROIC targets of 2.5% or higher for FY2025 and 3.0% or higher for FY2030 (consolidated basis). **P25**

As we work towards achieving our target of ¥150 billion in consolidated ordinary income by 2030 (as outlined in our *Management Vision 2030*), we are investing in expanding our Growth Businesses. However, reducing interest-bearing debt to restore and strengthen our damaged financial foundation is also a challenge. By implementing ROIC, we aim to enhance corporate value through capital-efficient management, meet the expectations of the capital market, and achieve a balance between expanding our Growth Businesses and strengthening our financial foundation.

In the short term, we are focusing on improving capital efficiency by ensuring that employees are aware of its importance and can incorporate it into their specific tasks. Each business department has created and analyzed ROIC trees, and investment decisions are made with a focus on ROIC for each project. I noticed that ROIC-based practices are starting to be implemented on the ground level.

From a medium to long term perspective, ROIC also serves as a decision criteria for making changes to our business portfolio. One of our management targets in our vision is to earn half of the ¥150 billion in consolidated ordinary income from Growth Businesses. We can focus on the more profitable business areas by promoting ROIC-based management. We would also like to explore building a business portfolio that goes beyond the framework of electricity, so that everyone will be able to recognize that our company is engaged in more than just the electricity business.



## Management Vision 2030 and Growth Businesses

In terms of progress towards the realization of the *Management Vision 2030* and the steady expansion of our Growth Businesses, we have set an interim target for FY2025 of achieving a consolidated ordinary income of ¥125 billion or more (Domestic Electricity Business: ¥75 billion; Growth Businesses: ¥50 billion). **P21** Regarding the Domestic Electricity Business, we have completed installation work of Specific Safety Facilities (SSFs) at nuclear power plants, and can expect to generate income from high utilization of nuclear power plants in the future. As for our Growth Businesses, we expect to achieve our targets through income from investment projects that we have already initiated in our Overseas Business and Renewable Energy Business. Therefore, I believe that it is very likely that we will achieve our financial objectives for FY2025, and then our management targets for FY2030, in terms of income.



More specifically, in our Renewable Energy Business, we are making steady progress toward reaching our target of developing 5,000 MW by FY2030. If we include projects we have already invested in, we have achieved close to 80% of our interim target (4,000 MW by FY2025). Furthermore, by integrating hydro and geothermal power generation into Kyuden Mirai Energy, the Group's renewable business arm, and strengthening our business operation structure, we aim to accelerate our efforts to make renewable energy our main source of power generation, as the only operator in Japan that owns all five renewable energy sources (solar, wind, hydro, geothermal, and biomass), and one of the top operators in terms of capacity owned domestically.

In our Overseas Business, more than 70% of our interim target (4,000 MW by FY2025) has already been secured, and we are moving forward with projects with the aim of reaching 5,000 MW in equity output by FY2030. We are actively working to lower the carbon intensity of and decarbonize the energy sources in the areas in which we operate through subsea transmission projects and collaboration with other renewable energy developers.

As for our ICT Service Business, in the rapid digitalization of society, we will reinforce services such as digital transformation (DX) proposals for enterprises and municipalities in addition to our core services in fiber optic broadband internet and data centers.

As for our Urban Development Business, in addition to reinforcing our overseas operations, we will grow our earnings by developing high value-added urban development projects that leverage the Group's collective capabilities in decarbonization and digital technology. At the same time, we will help to sustainably develop local communities and society by creating vibrant communities and to increase their pull factor.

Meanwhile, with regard to our financial foundation, we issued ¥200

billion of Class B preferred shares in August 2023, and are currently in the process of building up capital. I believe we are within reach of achieving a 20% equity ratio, one of our financial objectives, as long as we maintain a high level of profit under our four nuclear power units and use our resources efficiently to reduce interest-bearing debt through ROIC-based management. Once we are on a clear path to reaching an equity ratio of around 20%, we intend to enhance returns to shareholders, including promptly resuming dividends of ¥50 per share.

## Enhancing Our Human Capital

The key players in achieving sustainable improvements to our corporate value is talent. In order to keep growing sustainably despite constant changes in the business environment, it is essential to maximize the potential of our talent and to improve our productivity and capabilities as an organization. **P67**

Our people are also the driving force that will lead the way in an era characterized by a drastically changing business environment that calls for disruptive innovation. A company in which each employee enthusiastically takes initiative to act autonomously in which the organization harnesses employees' energy to enhance productivity and generate innovation. I am determined to transform the Kyuden Group into such a company. To achieve this, under the strong leadership of our senior management, we are building an organization in which diverse talent can thrive and innovate continuously.

Organizational flexibility and flexible thinking, as well as the innovation that springs from it, will be key as we tackle carbon neutrality and other future challenging issues. The Kyuden Group has launched the KYUDEN i-PROJECT, a project led directly by the president, to provide employees with opportunities to consider new businesses and services inspired by flexible ideas that go beyond the framework of our existing organization and operations. **P69** In other words, part of the significance of this



Our rugby team Kyuden Voltex was promoted to Division 2 in the Japan Rugby League One



project is nurturing flexible mindsets. I believe that the employees who participated in this project will be able to apply what they learned through the project at their respective workplaces, leading to greater innovation throughout the organization. We are already seeing the results.

As competition for talent intensifies, we must manage our businesses with the assumption that there will be increased upward pressure on Japan's per-capita labor costs, which have been lagging behind other countries. It will therefore be essential to promote DX and leverage generative AI to fundamentally change the way we work and alter our business processes to achieve greater productivity.

The Kyuden Group has been working to develop frameworks to promote DX. In FY2022, we established the DX Promotion Division and announced the *Kyuden Group DX Vision*, with the aim of bringing about corporate transformation. Looking ahead, we will accelerate the development of digital talent and implement measures to improve labor productivity and value added per employee. **P71**

It is true that in order to ensure a stable supply of electricity, some departments require technology and skills that have been acquired over a long period of time. However, on the flip side, an organization that lacks diversity and fluidity becomes stagnant and will reach a dead end due to its rigid way of thinking. While we often refer to employees as “human capital,” I believe that rather than confining talent within a company and making them fixed “capital,” a better approach would be to increase the mobility of talent throughout society and allowing individuals with diverse experiences to circulate.

The fact that other companies want to hire people trained at our company is gratifying, and it is equally wonderful to have talented people who were trained at other companies join us and play an active role. Moreover, people who we have trained at our company are hired by other

companies, and then return to our company once again with additional experience. I believe this is the best scenario.

We need to actively recruit experienced personnel and acquire outside perspectives and knowledge. I think we should flip the term “human resources” into “resourceful humans”. My vision of human resources development is to nurture specialists with talents and abilities in their respective fields in order to boost the competitiveness of the organization as a whole.

## Review of the Past Fiscal Year and Management Vision 2030

FY2022 was a year marked by significant impacts from the external environment, such as rising fuel prices and the rapid depreciation of the yen. As there is a three-month lag between the increase in fuel prices and its reflection in electricity charges through the fuel cost adjustment system, we experienced a negative turn in profits for the fiscal year. In addition, external factors, such as an increase in the price of electricity purchased from other companies due to higher wholesale electricity market prices, have impacted us significantly. Another factor that contributed to the deterioration of our finances was the increase in fuel costs as we could not fully utilize nuclear power due to the installation work of SSFs at Genkai Nuclear Power Plant. For the first time in eight fiscal years, the company posted a net loss.

The installation of SSFs at Unit 4 of Genkai was completed in February 2023, marking the end of installation work at all of our nuclear power plants. Looking ahead, we expect stable operation of all four reactors, which allows us to secure profits on an ongoing basis. In addition, FY2023 will see a significant improvement and a V-shaped

recovery from the previous year's losses due to delayed gains from the fuel price adjustment system. I consider FY2022 to have been a year in which we have been setting the foundation for recovery, making all the preparations necessary to make the jump toward exponential growth in FY2023 and beyond.

On the other hand, Kyushu EP and Kyuden Mirai Energy received cease and desist orders and a surcharge payment order based on the Antimonopoly Act from the Japan Fair Trade Commission (Kyuden Mirai Energy received only a cease and desist order). After carefully reviewing and confirming the details of each order, we concluded that “there was no agreement regarding the cartel activities,” and filed a lawsuit seeking the revocation of the order. We will explain our position in the revocation lawsuit and seek a fair judgment from the court going forward. Nevertheless, we take these orders very seriously. We are steadily implementing measures to ensure compliance with the Antimonopoly Act so that we will never again invite such allegations in the future.

There was also an incident involving the improper handling of customer information. We regard this incident as a serious problem that could undermine fair competition, which is the basis of the liberalization of the electricity market. The fundamental cause was the lack of awareness on the part of senior management at the time of the spin-off, as they decided on business operations that had the potential to cause problems. In addition to establishing systems to prevent recurrence, it is critical that we create a workplace culture that refuses to overlook inappropriate behavior and enables whistleblowing. Senior management will take the lead in ensuring compliance with laws, regulations, and rules, and will work to create a workplace with an atmosphere of openness and trust. **P83-85**



Factors such as Russia-Ukraine conflict and the effects of a weak yen have caused fuel and wholesale electricity market prices to soar. This has had a significant impact on our income and expenditures, and the possibility of a power crunch has made securing a stable supply of energy a major priority for the entire country. Precisely because of these circumstances, we are reaffirming the Kyuden Group's Mission to *Enlighten Our Future*. We have long been committed to the electricity business as a social infrastructure company that supports people's lives and contributes to the local community by ensuring a stable supply of electricity. After WWII, we were the first company in Japan to achieve a stable demand-supply balance, and we have cultivated our strengths by helping to solve social issues while maintaining a stable supply. With these strengths at our core, I am confident that we can transform unprecedented changes in the business environment into opportunities that will lead to future growth. **P17-19**

Having said that, I would like to reiterate that we have been able to set forth a solid strategy that draws on our strengths our *Management Vision 2030*, providing a direction for our efforts toward growth. **P08**

Strategy I in this management vision is **Developing the Energy Service Business**, and there is no doubt that energy services will be a major driver of growth within the overall picture. Based on the strengths we have cultivated through our energy service business centered in Kyushu, namely stable supply technology and a high ratio of zero-emission energy sources, we are now making steady progress toward achieving the challenging goal of carbon negativity as soon as possible.

Strategy II, **Building a Sustainable Community Together**, is about working to resolve local community issues together with everyone in the community. I think that Strategy II will be the most important strategy

for the Kyuden Group for the future. Since our work is originally in the infrastructure business, we have strong networks and relationships of trust that we have fostered by supporting the lives and economies of local communities and developing together with them. For this reason, I believe that we are well positioned to work together with communities to solve local issues. For example, we are participating in airport management projects to increase the number of visitors, and we have concluded partnership agreements with local governments to cooperate in local carbon neutral initiatives. In this way, we hope to think together with the local community and contribute to solving social issues. I have always said, "Without the development of Kyushu, there can be no development of the Kyuden Group". Co-creation with the local community is at the heart of realizing our management vision.

## To Our Stakeholders

I would like to remind our shareholders and investors that although we recorded an ordinary loss for FY2022, our efforts to date have left us well prepared for growth in FY2023 and beyond. Regarding dividends, we will continue to strive to resume dividend payments of ¥50 as soon as possible within the financial objective period (ends in FY2025). Our senior management will also take the lead in actively engaging in dialogue with the market regarding our efforts to sustainably improve our corporate value, as outlined in this message. Through such dialogue, we hope you will come to appreciate how the Kyuden Group is transforming into a new format by expanding beyond the Domestic Electricity Business to include Growth Businesses such as renewable energy, overseas business, ICT services, and urban development.

We will contribute to the development of Kyushu and other regions by

working together with local communities to solve social issues, while maintaining a mutually beneficial relationship with our business partners through our Partnership Declaration.

In order to achieve our management vision and carbon neutrality, we will continue to meet the expectations of all of our stakeholders by promoting various initiatives together with our employees, the Group's important and closest stakeholders.

We look forward to your ongoing support as we move forward.





# History of the Kyuden Group

Becoming a corporate group that develops alongside and leads Japan's decarbonization from Kyushu, based on our unchanging mission to "provide a stable supply of low-cost, high-quality energy"

## 1950s–1960s

A period of Japan's rapid economic growth

### The challenge of a stable supply

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

## 1970s–1980s

Oil Crises to the end of the Bubble Economy

### The challenge of energy upheavals

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

## 1990s–2000s

Gradual deregulation for electric power

### Responding to deregulation

In the 1990s, gradual amendments of the Electricity Business Act were made to address the gap between domestic and overseas electricity prices. In the midst of increasing liberalization since 2000, the company strengthened its sales force by offering a range of new tariffs and promoting all-electric energy usage. After considering what we should do to be a company that customers continue to choose, we came up with the slogan "Enlighten Our Future," which encapsulates the promise we made to contribute to a stable energy supply and a more sustainable society for years to come.

## 2010s onward

From the Great East Japan Earthquake to today, and the future

### Leading Japan's decarbonization from Kyushu

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

### Action | Achieve a stable supply of electricity and the best energy mix

**1956–1959** Operations begin at Units 1 to 3 (total output: 387 MW) of Karita Power Plant, a state-of-the-art, high-capacity thermal power plant.

**1977** Units 1 and 2 of Shin-Kokura Power Plant are modified to burn only LNG to further move away from oil.  
**1980** 500 kV substations in the central and western Kyushu are constructed, and the voltage for the Saga trunk line is increased to 500 kV.  
**1986** Japan's first automatic control system for power distribution lines is fully implemented (Fukuoka Sales Office).

**1991** Operations begin at Unit 1 (690 MW) of Shin-Oita Power Plant, Kyushu EP's first combined-cycle gas turbine power plant.  
**1995** Operations begin at Unit 1 (700 MW) of Reiho Power Plant, a high-capacity power plant that uses imported coal as fuel.

**2016** Operations begin at Unit No. 3 x 4 of Shin-Oita Power Plant, a highly efficient combined-cycle gas turbine power plant.  
**2019** Operations begin at Unit 2 (1 GW) of Matsuura Power Plant, which uses ultra-supercritical (USC) technology.  
**2022** With the completion of the Hyuga trunk line, the 500 kV system becomes a looped trunk transmission power system.

### Action | Expand environmentally friendly business activities

**1955** Operations begin at Kamishiiba Power Plant (90 MW), Japan's first arch dam.  
**1967** Operations begin at Otake Power Plant (11 MW), Japan's first commercial geothermal power plant.  
**1968** The construction of Genkai Nuclear Power Plant is proposed to Saga Prefecture and Genkai Town.

**1975** Operations begin at Unit 1 (559 MW) of Genkai Nuclear Power Plant.  
**1977** Operations begin at Unit 1 (23 MW) of Hatchoubaru Power Plant, which would later become Japan's largest geothermal power plant.  
**1981** Operations begin at Unit 2 (559 MW) of Genkai Nuclear Power Plant.  
**1984** Operations begin at Unit 1 (890 MW) of Sendai Nuclear Power Plant.  
**1985** Operations begin at Unit 2 (890 MW) of Sendai Nuclear Power Plant.

**1994** Operations begin at Unit 3 (1.18 GW) of Genkai Nuclear Power Plant.  
**1997** Operations begin at Unit 4 (1.18 GW) of Genkai Nuclear Power Plant.  
**2005** Operations begin at Miyazaki Biomass Recycle Power Plant (11.4 MW).  
**2006** Operations begin at Hatchoubaru Binary Power Plant (2 MW), Japan's first geothermal binary power plant.  
**2008** Operations begin at Nagashima Wind Power Plant (50.4 MW) of Nagashima Wind Hill.

**2010** Operations begin at Omuta Mega Solar Power Plant (3 MW).  
**2014** The renewable energy businesses of Group companies are reorganized, and Kyuden Mirai Energy Co., Inc. is established.  
**2015** Operations restart at Units 1 and 2 of Sendai Nuclear Power Plant.  
**2017** Operations begin at the first unit of the Sarulla Geothermal IPP Project in Indonesia.  
**2018** Operations restart at Units 3 and 4 of Genkai Nuclear Power Plant.  
**2020** Operations begin at Specific Safety Facilities for Units 1 and 2 of Sendai Nuclear Power Plant.  
**2022** Operations begin at Specific Safety Facilities for Unit 3 of Genkai Nuclear Power Plant.  
**2023** The integration of the Group's renewable energy businesses into Kyuden Mirai Energy is decided.  
Operations begin at Specific Safety Facilities for Unit 4 of Genkai Nuclear Power Plant.

### Action | Contribute to society and co-create with the local community

**1960** A service center is established inside Tenjin Building in the city of Fukuoka to improve services. (Established at every branch thereafter)

**1978** Because of optical fiber cables, power-over-fiber becomes practical for the first time in Japan.  
**1987** Kyushu Telecommunication Network (QTnet) and two other telecommunications companies are established.

**1996** The implementation of automatic meter inspections for major customers begins.  
**2000** The liberalization of parts of the retail electricity sector begins.  
**2002** Our gas supply business begins.

**2016** The entire retail electricity sector undergoes liberalization.  
**2016** With the help of business partners, we tackle early reconstruction to fix large-scale damage caused by the Kumamoto Earthquakes.  
**2017** The KYUDEN i-PROJECT, an initiative to create new businesses and services to promote innovation, begins.  
**2020** The Transmission & Distribution Division spins off into a separate company.

### Action | Develop human capital to support the above

**1965** The company directive "Our Mindset" is established.  
\*: Let's do our utmost for society with integrity, build a bright workplace through trust and cooperation, and strive for the development of our abilities for the future.

**1988** The corporate philosophy and the Kyuden Group's Corporate Code of Conduct are established.

**1996** Our human resources training philosophy is established.  
**2001** The Job Challenge Program, is implemented.  
**2007** A new corporate philosophy, "Kyushu Electric Power's Mission," is established.  
**2007** Advancement Opportunities for Women Group is established.

**2011** "Our Vision of the Human Resources We Strive to Be" is established.  
**2016** "Management Leader Training" is implemented to train business management candidates.  
**2023** The QX Project, which fosters a corporate culture in which people and the organization grow together through the promotion of activities, begins.

### Acquired Strengths



### Stable Supply Technologies



### High Ratio of Zero-Emission Power Sources



### Strong Local Network



### Human Capital



# Value Creation Process

## Group philosophy Enlighten Our Future

P01

Carbon Neutral Vision 2050 P08

Management Vision 2030 P08

Collaborative Value Creation with Stakeholders

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

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

#### INPUT

##### Qualitative

- Energy mix that contributes to S+3E
- Power transmission facilities
- Telecommunications facilities

##### Quantitative

###### Manufacturing Capital

- Power generation facilities\*  
Total output: 17.45 GW  
No. of facilities: 229
- Length of transmission lines: 11,223 km  
Length of distribution lines: 144,198 km (Kyushu T&D)
- Telecommunications facilities  
Length of communication cables (optical fiber and metal cables): 20,234 km (Kyushu T&D)

\* Amount produced at power generation facilities belonging to Kyuden Group (equity investment projects are recorded as development capacity, not equity interest)

###### Human Capital

- Abundant human capital involved in energy services (engineers)
- Strong sense of mission to support Kyushu's infrastructure
- Group management framework
- Employees: 21,096 (consolidated)
- Percentage of personnel from technical divisions: 68% (Kyushu EP and Kyushu T&D)

###### Intellectual Capital

- Accomplishments and expertise related to the development and safe, stable operation of zero-emission power sources (nuclear, renewable energy, etc.)
- Knowledge and expertise in a wide range of other specialist fields
- R&D system
- No. of participants in the KYUDEN i-PROJECT (total): Approx. 1,200 (Kyuden Group)
- Patents held: 168 in Japan and 70 overseas (Kyushu EP and Kyushu T&D)
- No. of individuals who have acquired advanced\* qualifications: 1,101 (Kyushu EP and Kyushu T&D)

\* Hard-to-acquire public qualifications that are indispensable to the running of a power business (e.g., first-class chief electrical engineer, chief reactor engineer, etc.)

###### Social and Relational Capital

- Brand power in Kyushu
- Relationships of trust with the community
- Collaborative relationships with business partners, affiliated companies, etc.
- No. of customers: 7.84 million (Kyushu EP)
- No. of local governments with which we have comprehensive partnership agreements: 47 (Kyushu EP)
- Registered business partners (material procurement) (as of the end of July 2023): Approx. 3,070 (Kyushu EP and Kyushu T&D)

###### Financial Capital

- Capital
- Cash
- Interest-bearing debt
- Ability to procure capital
- Capital: ¥237.3 billion (consolidated)
- Cash: ¥295.4 billion (consolidated)
- Interest-bearing debt: ¥3,991.5 billion (consolidated) (of which ¥1,660.0 billion is corporate bonds (including ¥200.0 billion in hybrid bonds))

###### Natural Capital

(FY2022)

- Non-fossil fuels (nuclear power) and fossil fuels (thermal power)
- Renewable energy
- Water (for power generation and office use)
- Woodland
- Fossil fuel consumption (oil equivalent): Approx. 8.22 million kl (Kyushu EP and Kyushu T&D)
- Electricity from renewable and FIT energy sources\*: 18.0 billion kWh (Kyushu EP)
- Water used in power generation: 6.09 Mt (Kyushu EP and Kyushu T&D)
- Company-owned forests (end of FY2022): 4,447 ha (Kyushu EP)

\* Figures based on the amount of electricity generated and received by Kyushu EP

Note: Data for which no date is specified is taken from the results from the end of FY2022.

### Materiality at the Kyuden Group

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Management Vision 2030 (Strategy I):  
Developing the energy service business

Synergy based on our strengths

Management Vision 2030 (Strategy II):  
Building a sustainable community together

ICT Service Business  
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Using new insights gained in Kyushu to further develop our energy service business

#### Strengths



Stable Supply Technologies



High Ratio of Zero-Emission Power Sources



Strong Local Network



Human Capital

Management Vision 2030 (Strategy III):  
Strengthening our business foundations

Pursuit of safety, peace of mind, and a fulfilling workplace

Compliance

Corporate governance

Strong sense of mission and public interest

#### OUTPUT

##### Products/Services

- Ratio of non-fossil fuel power sources
- Renewable energy development and adoption
- Reasonable electricity prices (reduced cost of power generation)
- Stable supply of electricity
- Energy services that cater to customers' needs
- Businesses and services that contribute to solving local and social issues (ICT services, urban development and city planning, etc.)

##### Financial Results

- Operating revenues
- Ordinary income
- Equity ratio
- Free cash flow
- ROE
- Fair return to shareholders

##### Social and Environmental Impact

- Reduced impact on society and the environment (through responding to greenhouse gases and regulations, and zero-emission activities for waste)
- Steady progress of initiatives aimed at becoming carbon neutral
- Interaction and dialogue with the region
- Cyber-security countermeasures

\*1 Ratio includes energy produced by Kyushu EP and procured from other companies and represents the value before Non-Fossil Certificate trading. The portion of the above for which Non-Fossil Certificates were not used has no value as renewable energy or zero-CO<sub>2</sub>-emission energy sources, and so it is treated as electricity with national average CO<sub>2</sub> emissions, including that from thermal power generation.

\*2 Figures in parentheses exclude typhoons and other disasters

\*3 No. of accidents per million working hours

\*4 (No. of workers leaving for personal reasons ÷ total employees at start of period) × 100

\*5 Percentage of employees satisfied indicated in employee satisfaction survey (conducted in FY2022)

\*6 Supply chain GHG (Scopes 1 to 3, compared to FY2013) Calculated for Kyushu EP and its consolidated subsidiaries (excl. those with negligible emissions).

#### OUTCOME

##### Customers

- Total electric power sales (retail, wholesale, overseas): Approx. 110 TWh (Kyuden Group)
- Ratio of zero-emission or FIT energy sources\*: 43% (Kyushu EP)
- Stable supply of electricity
- Frequency of outages (per household)\*: 0.15 (0.04) times
- Average outage time (per household)\*: 115 (3) minutes (Kyushu T&D)
- Percentage of new-build homes using all-electric energy: 35.7% (Kyushu EP)
- Percentage of customers that trust Kyuden Group in the customer survey: 74.8%

##### Local Community

- Nominal gross regional product: Approx. 48 trillion yen (FY2021)
- Communication activities with around 30,000 local residents (Kyushu EP and Kyushu T&D)
- No. of employees who participated in local activities: 34,000 (Kyuden Group)
- Urban development and city planning projects in the Kyushu area participated in: 6 (Kyuden Group)

##### Shareholders and Investors

- Dividends paid (total): ¥10.5 billion (consolidated)
- Interest charges (paid to creditors): ¥27.9 billion (consolidated)

##### Employees

- Frequency rate of workplace accidents\*: 0.06 (Kyushu EP and Kyushu T&D)
- Employee turnover rate\*: 0.93% (Kyushu EP and Kyushu T&D)
- No. of new female managers: 16 (Kyushu EP and Kyushu T&D)
- Employee satisfaction\*: 80.4% (Kyushu EP and Kyushu T&D)

##### Global Environment

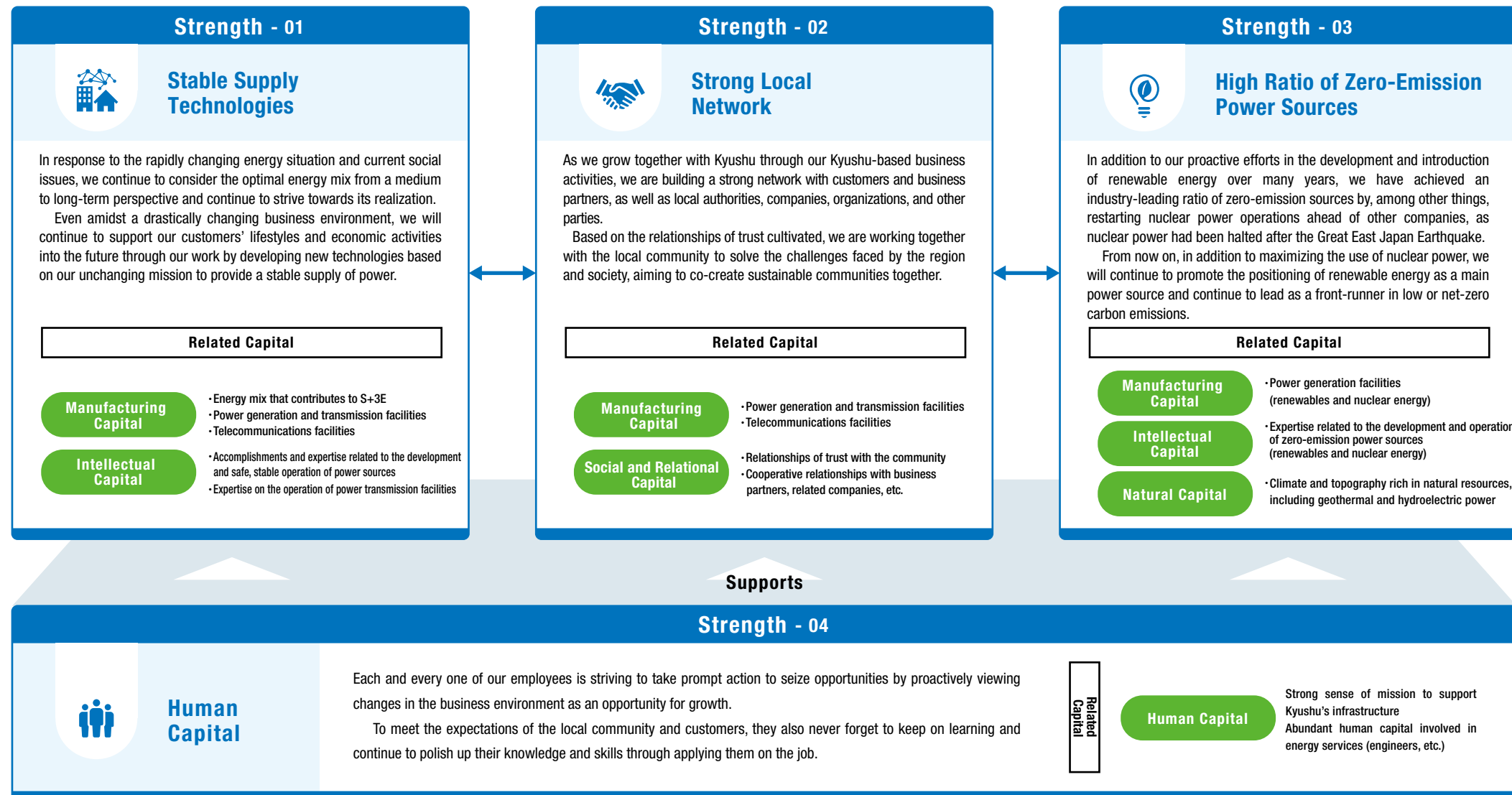
- GHG emission reduction rate\*: 26% (Kyuden Group)
- Industrial waste recycling rates: Approx. 100% (Kyushu EP and Kyushu T&D)

Note: Data for which no date is specified is taken from the results for FY2022.



# Strengths and Related Capital

We, the Kyuden Group, have been investing various capitals cultivated since our foundation to ensure future growth based on our four strengths: “Stable Supply Technologies,” “Strong Local Infrastructure,” “High Ratio of Zero-Emission Power Sources,” and “Human Capital.” In doing so, we aim to achieve the Kyuden Group’s Mission, “Enlighten Our Future.”





# Chapter 3

## Strategy and Performance

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# Working to Achieve Our Management Vision 2030

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

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

### Financial Objectives to Achieve Our Management Vision 2030

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

- ◆ Secure and expand income in the Domestic Electricity Business and growth businesses
- ◆ Prioritize balance between improving our financial position, enhancing shareholder returns, and investing for growth

Perspective	Financial Objectives (FY2025)
Profitability	Consolidated ordinary income: Over ¥125 billion · Domestic Electricity Business: ¥75 billion · Growth businesses: ¥50 billion
Financial soundness	Equity ratio: approx. 20%
Perspective	Reference Indices <sup>*1</sup> (FY2025)
Profitability	ROE: approx. 8% Total electric power sales: 105 billion kWh
Growth potential	Growth investments: ¥500 billion <sup>*2</sup> · Renewable energy (restated): ¥250 billion <sup>*2</sup> FCF: ¥70 billion (Secure five-year cumulative profitability) Power output · Renewable energy developed: 4,000 MW · Overseas equity output: 4,000 MW

\*1: Give a sense of where certain indicators prioritized by management will be when our financial objectives are achieved \*2: FY2021-FY2025 cumulative

### ROIC Targets Aimed at Further Enhancing Corporate Value of the Kyuden Group (Refer to P25)

From the viewpoint of aiming to further enhance corporate value through improving capital efficiency, we have introduced return on invested capital (ROIC) as a new management indicator and have set ROIC targets for FY2025 and FY2030

FY	Target
FY2025	Consolidated 2.5% or more
FY2030	Consolidated 3.0% or more

Note: ROIC=Ordinary income (earnings before interest after taxes (EBIAT)) / Invested capital (interest-bearing debt + shareholders' equity)

## Management Vision 2030 Management Targets (FY2030)

## Carbon Neutral Vision 2050 Achieve Carbon Negativity as Early as Possible Before 2050

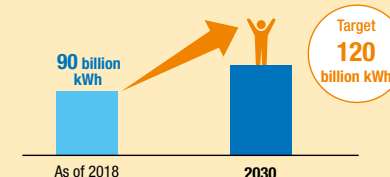
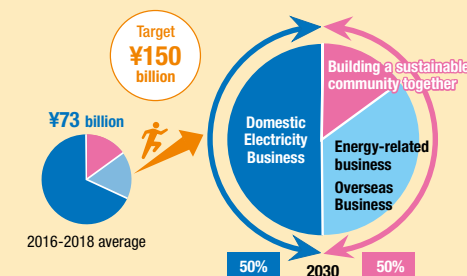
### Management Targets to Achieve Our 2030 Vision

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

#### Management Targets

Consolidated ordinary income	<b>¥150 billion</b> (50% from Domestic Electricity Business, 50% from other businesses)
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Total electric power sales (retail, wholesale, overseas)	<b>120 billion kWh</b>
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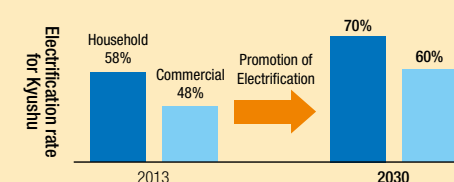
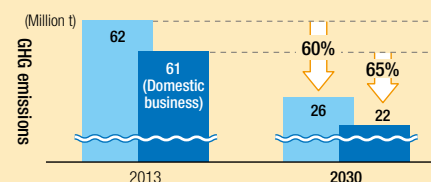


Permanent pursuit of a reasonable price for electricity

#### Management Targets (Environmental Targets)

<b>Supply</b>	Reduce supply chain GHG emissions by 60% (compared to FY2013) Reduce by 65% for domestic business (compared to FY2013)
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<b>Demand</b>	Contribute to the electrification of Kyushu (Household: 70%; Commercial: 60%)
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# Progress toward Our Financial Objectives and Management Targets (Environmental Targets)

Financial Objectives	Per-spective	Indicator	Target (FY2025) ★ Reference Indices <sup>*2</sup>	Performance			Progress & Future Issues
				FY2020	FY2021	FY2022	
	Profitability	Consolidated ordinary income <sup>*1</sup> Excluding delayed effects	Over ¥125 billion	¥55.1 billion	¥32.3 billion	-¥86.6 billion	The consolidated ordinary loss of ¥86.6 billion was due to not only external factors, such as higher fuel prices and the rapid depreciation of the yen, but also a decline in the nuclear power plant utilization rate as operation of the Genkai Nuclear Power Plant was suspended for an extended period in order to install SSFs <sup>*4</sup> . Four nuclear power plants are expected to begin operation starting in FY2023, which will make it possible to ensure stable income (FY2023 earnings forecast (as of August): ¥120 billion)
				[¥46.1 billion]	[¥101.3 billion]	[-¥25.6 billion]	
		Domestic Electricity Business	¥75 billion	¥30 billion	¥2.6 billion	-¥133.4 billion	Despite a transitory decline in FY2022, profitability is expected to dramatically improve starting in FY2023, when four nuclear power plants are on line
				[¥21 billion]	[¥71.5 billion]	[-¥72.4 billion]	
		Growth businesses	¥50 billion	¥27 billion	¥33.3 billion	¥47.4 billion	Strong progress was made toward the FY2025 ordinary income target of ¥50 billion. We will work to identify quality projects, including projects that are already underway, to further bolster our profits
	Total electric power sales	105 billion kWh★	95 billion kWh	110 billion kWh	110 billion kWh	We maintained strong sales in FY2022 through Group-wide efforts to expand sales	
	ROE	Approx. 8%★	5.0%	1.1%	-9.2%	Significant improvement expected from FY2023 onward due to more stable nuclear power operations and increased returns in growth businesses. Promoting ROE-conscious management as we work to improve our balance sheet	
	Financial Soundness	Equity ratio	Approx. 20%	14.7% <sup>*3</sup>	14.0% <sup>*3</sup>	12.2% <sup>*3</sup>	In the face of challenges such as fuel price increases and suspension of nuclear power generation, which led to a decline in earnings, along with investments aimed at maintaining and expanding non-fossil fuel sources (led to an increased interest-bearing debt) have resulted in a period of sluggish performance. However, starting from the fiscal year 2023, we anticipate securing high profits through the operation of four nuclear power units and accelerating capital expansion. Moreover, through efficient management of business resources utilizing Return on Invested Capital (ROIC), we will work towards reducing interest-bearing debt, and by doing so, further striving to achieve our goals.
Growth Potential		Growth investments	¥500 billion★ (FY2021-FY2025 cumulative)	¥74 billion	¥79 billion	¥86 billion	Making decisions that are based on a proper assessment of business profitability and risks with an eye toward achieving our income target while steadily promoting growth investments going forward through the use of project finance to limit interest-bearing debt
	Renewable energy (included above)	¥250 billion★	¥34 billion	¥30 billion	¥36 billion		
	FCF	¥70 billion★ (Secure five-year cumulative profitability)	-¥77.1 billion	-¥63 billion	-¥29.8 billion	Despite a recent negative cash flow due to capital expenditure for nuclear power SSFs <sup>*4</sup> at the Genkai Nuclear Power Plant, we will generate cash flows in the medium and long term through not only high utilization of nuclear power plants and greater return from growth investments starting in FY2023, but also allocation of business resources that take into consideration capital efficiency	
	Power output	4,000 MW★	2,300 MW	2,550 MW	2,610 MW	[Renewable Energy] As of the end of FY2022, the total amount of renewable energy has become more than 3,000 MW, including projects that we have already invested in or will start operation in the future. [Overseas] We have started new projects, and we will continue to promote group-wide development centered on the renewable energy business.	
Renewable energy Developed overseas equity output	4,000 MW★	2,430 MW	2,910 MW	2,840 MW			

ROIC Target	Per-spective	Indicator	Target	Performance			Future Issues
				FY2020	FY2021	FY2022	
	Profitability	ROIC	(FY2025) Over 2.5% (FY2030) Over 3.0%	1.5%	1.0%	-0.9%	For the Domestic Electricity Business, ensuring at least a stable 2%–3% overall while balancing such considerations as efficiency, stable supply of electricity, and efforts to achieve carbon neutrality, including lowering the carbon intensity of and decarbonizing energy sources. For growth businesses, aiming for a ROIC that ranges from 5%- 9% overall by selecting and concentrating businesses and investments and using benchmarks of other companies in the same industry
				(FY2019–FY2021 average of 1.3%)			

Environmental Targets	Per-spective	Indicator	Target (FY2030)	Performance			Progress & Assessment
				FY2020	FY2021	FY2022	
	Supply	Supply chain GHG emissions (Scopes 1, 2, and 3)	Globally: 60% reduction Domestically: 65% reduction (compared to FY2013 levels)	31% reduction 32% reduction	35% reduction 37% reduction	26% reduction 28% reduction	Steadily reducing GHG emissions across our supply chain through the active development of renewable energy projects and the continued safe and stable operation of our nuclear power stations
		(Reference) CO <sub>2</sub> emissions from electricity sales <sup>*6</sup>	— (compared to FY2013 levels)	51% reduction	57% reduction	43% reduction (provisional value)	
	Demand	Electrification rate for Kyushu	Household: 70% Commercial: 60%	61% <sup>*5</sup> 48% <sup>*5</sup>	— <sup>*5</sup>	— <sup>*5</sup>	Steadily implementing initiatives to promote electrification, including all-electric homes

\*1: After elimination of inter-segment transactions \*2: Reference indices: Give a sense of where certain indicators prioritized by management will be when our financial objectives are achieved \*3: Includes amount (approx. 2%) recognized as capital from hybrid corporate bonds (issued October 2020)

\*4: Specific Safety Facilities \*5: For FY2020, calculations are based on the energy consumption statistics by prefecture (provisional values) reported by the Agency for Natural Resources and Energy. For FY2021 and FY2022, the statistical figures that the various items are based on are not finalized figures.

\*6: CO<sub>2</sub> emissions (baseline emissions) from Kyushu EP's domestic retail sales as defined in the Act on Promotion of Global Warming Countermeasures



# Medium-term Management Plan

The Medium-term Management Plan is a summarized every year as a five-year rolling action plan to achieve the Kyuden Group Management Vision 2030, Financial Objectives (FY2025) as interim objectives of the Vision, and the Carbon Neutral Vision 2050.

In FY2023, despite harsh changes in the electricity business such as higher energy prices, we compiled measures to allow the Kyuden Group to continue expanding and appropriately respond to key management issues (materiality), such as carbon neutrality, into concrete plans, and the Group has now united to achieve those objectives.

Main relevant materiality

## Strategy I Developing the Energy Service Business

Leading the Way Toward  
a Decarbonized SocietyImplementing Continuous  
Improvements in Energy Services

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

- Promote lower carbon intensity and decarbonized sources of power alongside electrification to achieve carbon negativity as early as possible before 2050
- Develop technologies to achieve carbon neutrality, including those related to carbon recycling and battery storage
- Continue efforts related to nuclear power plants, such as safe, stable operation, higher utilization rate, and greater efficiency
- Improve maintenance efficiency and other objectives with an eye toward even lower power generation costs
- Develop a next-generation transmission and distribution network based on national energy policy and other factors
- Continue to examine and make use of green bonds and transition bonds and loans

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

- Maximize income in a harsh business environment and respond to the risk of earnings volatility
- Ensure the ability to provide a competitive supply through such efforts as shifting to low carbon intensity or decarbonized power sources and replacing old thermal power plants
- Make efforts to achieve both stable supply and cost reductions in the power transmission and distribution business, and to develop a next-generation transmission and distribution network
- Realigning the direction of initiatives for each business area in Overseas Business and clarifying priorities

## Strategy II Building a Sustainable Community Together

Co-creating a Smart and Vibrant Society

- Contribute to solving social issues and sustainable development in the Kyushu region
- Solve issues and expand Group-wide earnings through Kyuden Group products and services
- Develop our ICT services to provide customers with optimal solutions
- Expand the Urban Development Business, which provides high added value that only the Kyuden Group can offer, by making use of energy and digital technology
- Create new businesses and services that meet the needs of the region and society by leveraging the Kyuden Group's strengths

## Strategy III Strengthening our Business Foundations

Promoting Growth, Success, and  
Diversity of Human Capital

Strengthening Governance

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

- Promote health and productivity management based on the Kyushu Electric Power Health and Productivity Management Policy as well as safety through Group-wide efforts
- Transform the corporate culture into one in which individuals and the organization grow together and create value, and secure and develop the human capital necessary for our business strategies

### Endlessly pursue a rewarding workplace

- Implement digital transformation (DX) to improve productivity and reform businesses
- Achieve a highly productive and flexible work style that is not bound by time or place
- Raise motivation related to growth and challenges and offer treatment for personnel appropriate for diverse ways of self realization

### Work continuously to improve stakeholder trust

- Strengthen sustainability management that simultaneously pursues social and economic value and reinforce efforts to reflect market opinions in management and implement strategic engagement
- Promote efforts that contribute to greater awareness of the environment among the next generation
- Strengthen information security measures across the entire Kyuden Group
- Thoroughly implement not only an appropriate response to Japan Fair Trade Commission investigation results and the incident involving the improper access of customer information of other retail electricity providers, but also measures to prevent such incidents occurring again
- Promote efforts to improve management efficiency (run through PDCA-cycle based on ROIC targets)



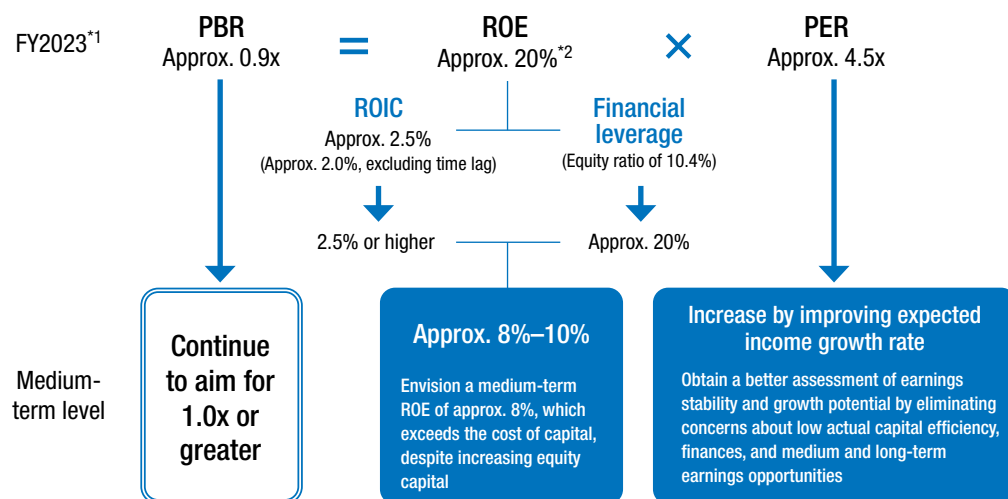
# Toward Sustainable Enhancement of Corporate Value

## Analysis of Current Situation and Future Direction

As for the Kyuden Group's corporate value, we conducted an analysis after breaking down price-to-book ratio (PBR) into capital profitability (return on equity (ROE)) and future growth expectations (price earnings ratio (PER)). The analysis revealed that the main factor for our low PBR is that the stock market expects weak income growth rate on account of "low actual earnings" and "concerns about finances and uncertainty about medium to long-term earnings opportunities."

In order to achieve sustainable enhancement of corporate value (PBR constantly above 1), it is necessary to (1) achieve capital profitability that exceeds the cost of capital (increase ROE), and (2) obtain a better assessment of the recent recovery in earnings and future growth potential (increase PER).

### Current PBR, ROE, and PER levels and future direction



<sup>\*1</sup>: Share price: as of August 31, 2023; net income per share based on FY2023 earnings forecasts (as of August); net assets per share: as of end of FY2022 (excluding preferred shares)

<sup>\*2</sup>: FY2023, capital efficiency is expected to exceed the medium-term level because equity capital is recovering as earnings improve

As for the actual orientation of efforts, we are implementing the following.

### Increase ROE

Even when working to restore our financial base by increasing equity capital going forward, we want to achieve an ROE of approx. 8%, which exceeds the cost of capital, in the medium term, through the sustainable and stable generation of income that takes into consideration capital efficiency and by steadily expanding growth businesses through management based on ROIC, targets for which were announced in April 2023.

### Increase PER

In addition to moving forward with the aforementioned finance-related efforts and steadily generating income each fiscal year to achieve consolidated ordinary income of at least ¥125 billion as a financial objective, we want to work to strengthen our financial base, which supports the generation of stable income, and thus expand shareholder returns. Furthermore, for non-financial efforts, we will work to reach environmental targets, such as achieving carbon neutrality, which will increase medium and long-term growth expectations, reinforce human capital, the driving force for the sustainable enhancement of corporate value, and link this to lowering the cost of capital and a greater expected income growth rate.

In order to obtain a positive assessment of our future growth strategy from capital markets, we will also actively hold dialogues with investors through IR activities.

### Perspective of initiatives and direction of response

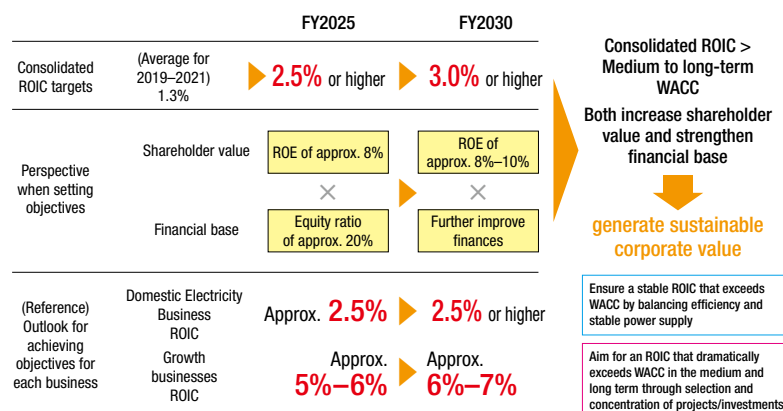
Ideal State	Perspective	Response	Targets, etc.
Sustainable enhancement of corporate value (PBR of 1x or greater)	1) Achieve capital profitability that exceeds the cost of capital (increase ROE)	Finance-related efforts Steadily implement management cycle to achieve ROIC target (announced April 2023)	FY2025 financial objectives and management indicators Consolidated ROIC of 2.5% or higher Consolidated ROE of approx. 8%
	2) Gain trust through recent recovery in earnings and shareholder return  Obtain positive assessment of future growth potential  (Improve PER) Lower cost of equity Improve expected income growth rate	Generate sustainable, stable income, strengthen financial base, and thus increase shareholder return	Consolidated ordinary income of ¥125 billion or more Equity ratio of approx. 20% Quickly resume dividend payments (¥50/share)
		Non-financial efforts Non-financial initiatives related to carbon neutrality, human capital, and other issues, which increase expectations of medium and long-term growth	FY2030 environmental objectives Reduce supply chain GHG emissions by 60% Electrification rate for Kyushu Household: 70% Commercial: 60% FY2030 employee engagement of 80% Increase per employee value added: 1.5x
		Capital market dialogue Promote understanding of the above efforts through active dialogue	



## Promoting ROIC-Based Management That Takes into Consideration Capital Profitability

In order to enhance corporate value in the medium and long term through management that is conscious of the cost of capital and share price, we introduced ROIC as a new management indicator in FY2022, and announced new Group-wide ROIC targets for the Group—2.5% or greater for FY2025 and 3.0% or greater for FY2030, both on a consolidated basis.

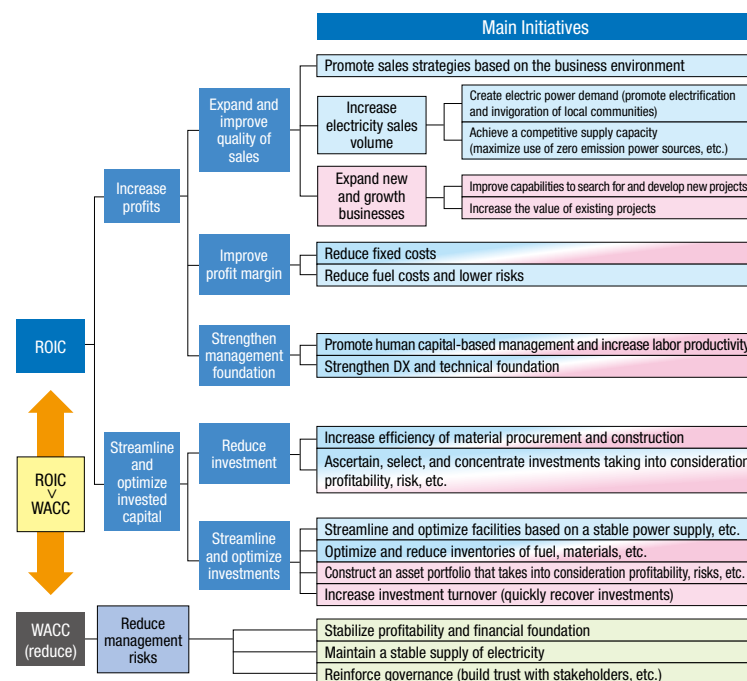
For the Domestic Electricity Business, we will ensure an ROIC that equals or exceeds the cost of capital on a stable basis while balancing efficiency and stable supply. On the other hand, for growth businesses, we aim for an ROIC that substantially exceeds the cost of capital.



## ROIC management cycle

In addition to each business division working independently to make improvements using ROIC for the individual business as a management indicator in order to accomplish the consolidated ROIC target, the Board of Directors and Corporate Strategy Division work to monitor progress and strive for an appropriate allocation of business resources to achieve consolidated objectives.

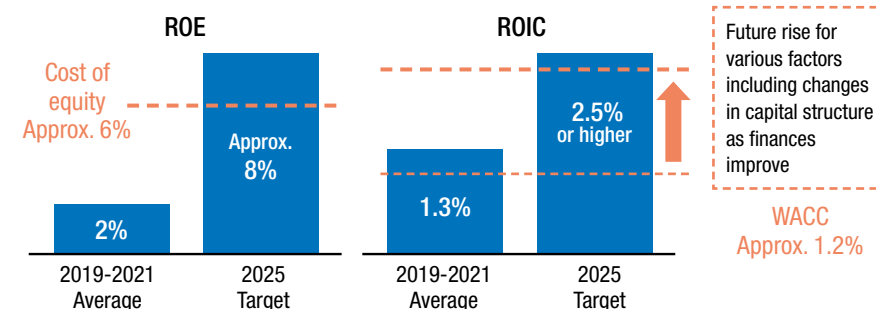
Efforts are also made to promote understanding throughout the Company using such items as an “ROIC tree” so that employees understand and are aware of the importance of capital efficiency and can incorporate that into their actual work.



## Our Cost of Capital

As for our current cost of capital, cost of equity is about 6% and WACC is about 1.2%. However, we expect that WACC will rise to a certain extent in the medium and long term considering various factors, including changes in our capital structure as our finances improve in the future, and will keep this level in mind when making management decisions.

■ ROE/ROIC and cost of capital



## Initiatives to Increase Expectations of Income Growth in the Medium and Long Term

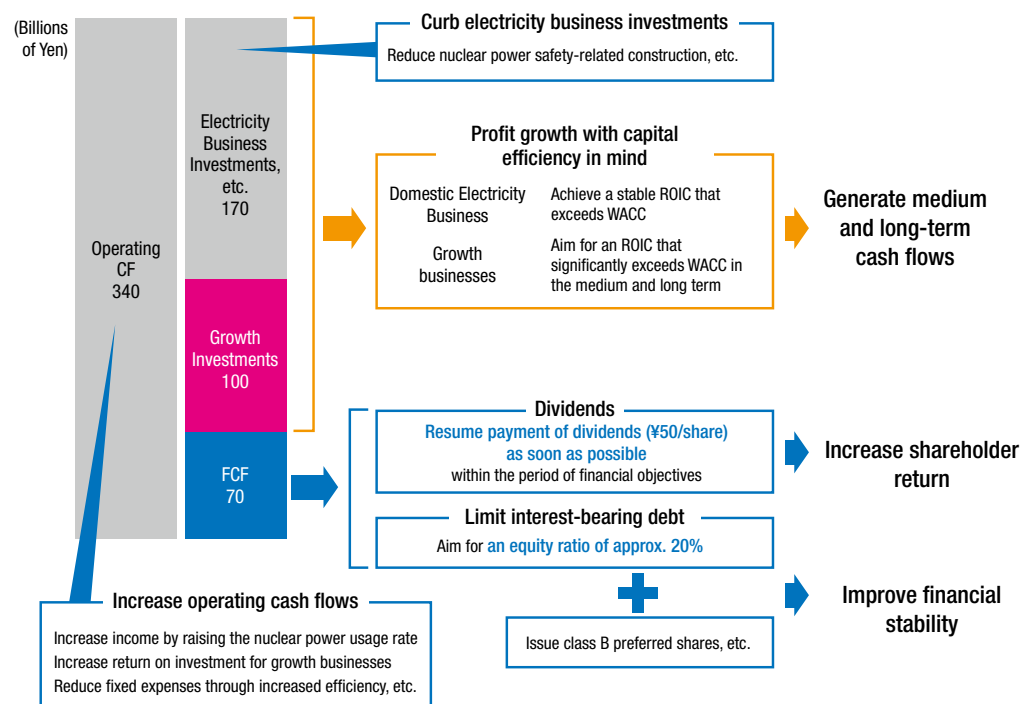
As for our medium and long-term growth, to obtain a positive assessment from investors, it is necessary to solidify our recent recovery in earnings and reinforce our financial foundation, generate stable, sustainable cash flows through those efforts, and thus pay a stable dividend to our shareholders, which will likely lead to an increase in PER.

Earnings are expected to trace a V-shaped recovery in FY2023 for various reasons, including the higher utilization of nuclear power. In order to achieve ordinary income of at least ¥125 billion in FY2025, which is one of our financial objectives, and ordinary income of at least ¥150 billion in FY2030, which is an element of our FY2030 Management Vision, we will generate steady income growth through the stable operation of nuclear power stations and a greater return from growth businesses that we have invested in.

We expect to record a positive free cash flow starting in FY2023 as cash flows from operating activities increase due to growth in income and one round of nuclear power safety-related construction is completed. In addition to using generated cash flows to establish a foundation for even greater cash flows through investments that take into consideration capital efficiency, we will tie those efforts to quickly resuming dividend payments of ¥50 per share and achieving an equity ratio of 20% as one of our financial objectives.



## ■ Cash flows image for FY2025



## Non-financial efforts

In addition to financial efforts, non-financial efforts are also important for the Company to generate growth in the medium and long term. Expanding non-financial capital through investment in human capital and working toward decarbonization will lead to improved assessment of our future growth potential, which will also contribute to an increase in PER.

Details regarding initiatives to further strengthen human capital management and growth through achieving carbon neutrality are provided on **P67** and **P42**, respectively.

## Confirming Progress with Future Efforts

As for enhancing corporate value, which includes improving our PBR, directors confirm progress in these efforts once a year, and if necessary, consider revisions.

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



Hiroto Kido  
Executive Director,  
Corporate Strategy Division

The Board of Directors also discussed sustainable enhancement of corporate value with breaking down PBR into ROE and PER.

Although capital efficiency is expected to significantly improve in FY2023 because of an increase in the nuclear power utilization rate, we believe it is necessary to achieve further growth. This can be done by both expanding growth businesses and controlling the balance sheet while achieving a stable, not transitory, improvement in capital efficiency. On account of this awareness of the problem, we introduced ROIC as a new management indicator.

In addition to this being incorporated into the management PDCA cycle, the Board of Directors and other internal bodies are considering the analysis of each business based on ROIC and the direction of improvements. In particular, for electricity businesses, it is necessary to take into consideration balancing this with a stable power supply. The Corporate Strategy Division is not only encouraging the operation of each business based on an awareness of ROIC but also working to link that to enhancements in corporate value by optimizing the business portfolio and further improving capital efficiency.

Efforts are being made to spread ROIC management throughout the Group, which includes top management providing explanations of ROIC when holding dialogues at business offices, and revising business plans for each office to incorporate an awareness of capital efficiency. Senior management will continue to communicate the importance of capital efficiency so that objectives and efforts do not become mere formalities.

As for finances, there was a dramatic deterioration in equity capital as a result of the decline in FY2022 earnings. I would like to apologize to all shareholders that in light of the state of finances and medium and long-term profitability, we were not able to pay dividends. Improving our finances is an urgent issue in order to generate sustainable growth going forward and thus provide shareholders with stable returns.

To improve our financial stability, we have issued ¥200 billion in nonconvertible class B preferred shares, a ¥100 billion increase from the traditional class A preferred shares, to raise financial stability to some extent. We will allocate funds to investments that improve cash flows and take into consideration ROIC, and steadily work to pay shareholder returns and reduce interest-bearing debt.

If the denominator of ROE increases due to an increase in equity capital, it will be necessary to further raise PER while improving ROIC to raise PBR. Our actual performance will show that we can generate stable income, and the whole Group will unite to ensure the enhancement of corporate value so that we can obtain a positive assessment of our medium to long-term growth potential from capital markets through shareholder returns (resuming dividend payment of ¥50/share) and non-financial efforts, including further strengthening human capital management and achieving carbon neutrality.



# Strategies by Business

## Domestic Electricity Business ~Power Generation & Sales~



Using changes in the business environment as an opportunity for greater growth through carbon neutrality

### Masaru Nishiyama

Executive Director,  
Energy Service Headquarters

The Kyuden Group is robustly moving forward with efforts centered on **Carbon reduction/decarbonization in power sources** and **Promotion of electrification** as movements toward achieving carbon neutrality accelerate both in Japan and overseas.

In March 2023, we were the first major Japanese energy company to obtain Science Based Targets (SBT) certification, confirming that our initiatives are in line with the standards of the Paris Agreement.

Regarding **Carbon reduction/decarbonization in power sources** we will make the greatest use of nuclear power as a price competitive base load power source, which includes positioning renewable energy as a primary power source, with safety as our highest priority and the understanding of local communities as a prerequisite.

In addition, since thermal power is an adjustable power source and necessary for the maximum introduction of renewable energy, we will work to not only reduce CO<sub>2</sub> emissions through high-efficiency operations but also move forward with introducing carbon-free fuels, such as hydrogen and ammonia.

Turning to **Promotion of electrification**, we will expand sales by providing energy services that meet customers' needs and changes in the social environment, including promoting all-electric homes, encouraging the use of EVs, and actively attracting companies using the strengths of our power mix.

We will also take on the challenge of achieving carbon neutrality. As a corporate group that leads the way in decarbonization, the Kyuden Group will not only achieve its 2030 earnings targets but also generate even greater growth through opportunities provided by changes in the business environment.

### Vision for the Future

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

#### FY2030 Management Targets

- Total electric power sales of 120 billion kWh (incl. overseas)
- Permanent pursuit of a reasonable price for electricity
- Reduce supply chain GHG emissions by 60% (Reduce by 65% for domestic business (compared to FY2013))
- Contribute to the electrification of Kyushu (Household: 70%; Commercial: 60%)

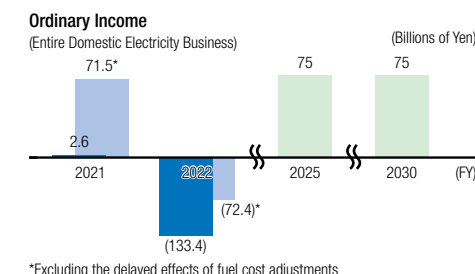
#### FY2025 Forecast

- Total electric power sales of 105 billion kWh (incl. overseas)

### FY2022 Assessment and Progress

• Despite posting an ordinary loss for FY2022 for several reasons, including the impact of a time lag from fuel cost adjustment due to an increase in the cost of fuel and a reduction in the utilization of nuclear power plants, we expect to see a dramatic improvement in profitability for FY2023 due to an increase in nuclear power station utilization and a favorable change in the impact of the time lag from fuel cost adjustment system

• Ensured maximum supply capacity through the coordinated operation of our nuclear, thermal, pumped-storage and other power generation facilities, achieving a stable supply of electricity throughout the year, including the summer and winter months when supply and demand is tight



### Strengths

#### Power Generation

- Top-level ratio of non-fossil fuel power sources among major Japanese power companies (obtained SBT initiative\* certification, the first for a major Japanese energy company)
- Both a cost competitive and stable supplier thanks to stable nuclear power operations and a well-balanced energy mix

#### Retail

- Offering rate plans and services that use non-fossil fuel source certificate
- A customer base built on close ties to the local community with 50 sales offices throughout Kyushu

#### Energy Trading & Supply-Demand Coordination

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

\*: (SBT: Science Based Targets)

International joint initiative to verify and certify that greenhouse gas emission reduction targets set by companies are based on science in order to achieve Paris Agreement targets



## Business Environment

### Opportunities

- Increasing expectations from society regarding the importance of stable power supply
- Advancement of electrification
- Growing customer needs for low carbon intensity or decarbonized electricity due to accelerating global efforts to become carbon neutral
- Increasingly large factories, such as in the semiconductor sector and other fields are locating in the Kyushu region

### Risks

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

## Business Strategies

By promoting the stable supply of electricity and the low-carbon or decarbonization of power sources, we aim to maximize the value of electricity itself and to promote electrification, ultimately working towards achieving our profit targets.

### · Stable power supply

Our Domestic Electricity Business has been providing a stable supply of electricity. However, considering recent fuel price hikes and the increasing prices in the wholesale electricity market, the importance of stable supply is further emphasized. We will do our utmost to ensure a stable power supply by taking an agile approach to procuring fuel in response to market movements, maximizing our use of nuclear power and its advantages in terms of energy security, and adjusting our thermal power plant maintenance schedule to ensure adequate supply capacity during periods of heavy load.

### · Promoting carbon neutrality

In response to society's need for decarbonized sources of power, we will strive to make renewable energy a primary power source by promoting its development Group-wide.

Thermal power generation plays an important role as an adjustable power source to maximize the adoption of renewable energy, and as such, we will push for greater efficiency and the use of carbon-free fuels. Alongside these efforts to provide lower carbon intensity and decarbonized sources of power, we will also trade the nonfossil value generated by our non-fossil power sources, promote electrification across all parts of society, engage in face-to-face sales to make the most of our direct contact with customers, and develop proposals for renewable energy rate plans based on the growing need for decarbonized electricity.

## Efforts to Create Corporate Value

Related pages **P43** **P44** **P46** **P47** **P59** **P61**

Main relevant materiality

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

- Optimize fuel and electricity procurement and sales operations based on market trends
- Maintain safe and stable thermal and nuclear power station operations by consistently carrying out daily inspections and periodic self-inspections
- Develop renewable energy Group-wide to make renewable energy a primary power source
- Provide rate plans and services that meet the growing needs for decarbonized electricity
- Promote electrification through the expansion of points of contact with customers and individual proposals to customers in all fields
- Develop a state-of-the-art low CO<sub>2</sub> emission LNG combined-cycle power station (Hibiki Power Station expected to begin operation in FY2025)

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

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

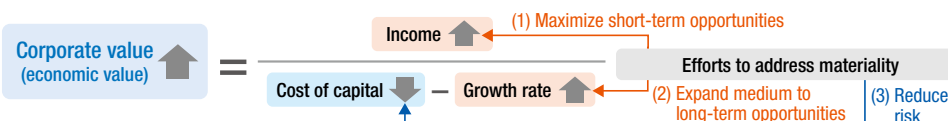
- Collaborate on the development of hydrogen and ammonia supply chains and establish co-firing technology (consider collaboration with Yara International, the world's largest ammonia chemical company)
  - Enter the aggregation business\* that leverages distributed energy resources, such as massive battery storage
- \*: Business that provides various services, including those necessary for the effective use of renewable energy, by bundling distributed energy resources, such as battery storage and EVs

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

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

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

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





## Domestic Electricity Business ~Transmission & Distribution~



Toward a rapid and radical organizational transformation through technological capabilities and DX

### Takeshi Hirowatari

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

Our business environment is undergoing major changes, and thus we must respond to such social problems as achieving carbon neutrality, reinforcing resilience, aging facilities, and introducing a new wheeling fee scheme (revenue cap system) based on these considerations, as well as expand our business domains to generate growth.

At this time of massive changes in the business environment, we newly formulated a Kyushu Electric Power Transmission and Distribution Management Philosophy in April 2023 as a foundation for undertaking autonomous and stable management.

This management philosophy incorporates the desire to expand business activities that emphasize the values of trust, evolution, and co-creation based on the purpose of “delivering power to Kyushu and revitalizing society” while aiming to become “Japan’s leading infrastructure company through our technological capabilities and digital transformation.”

We recognize the need for a quick launch of a fundamental organizational transformation to achieve the Vision in our management philosophy, and we will promote initiatives that combine our core technological capabilities (disaster recovery capabilities, technical capabilities for network infrastructure construction and maintenance, and technical capabilities related to supply/demand and system operation for greater use of renewable energy) and digital transformation (DX).

### Vision for the Future

#### Kyushu Electric Power Transmission and Distribution Management Philosophy

Purpose	We will deliver <b>power</b> to Kyushu and <b>revitalizing society</b> With a mission of providing a stable, efficient supply of electricity, we will contribute to customers' prosperity and solutions to social problems	
Value	Trust	We place the greatest value on the trust of stakeholders
	Evolution	We anticipate change and autonomously transform the organization
	Co-creation	We create greater value by leveraging diversity
Vision	We will become <b>Japan's leading infrastructure company through our technological capabilities and digital transformation</b>	

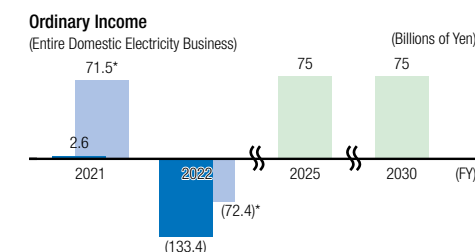
### FY2022 Assessment and Progress

- The transmission and distribution business accounted for ¥14.1 billion of the Domestic Electricity Business' ordinary income

Ordinary revenue rose 18.5% over the previous year to ¥711 billion on account of growth in wholesale electricity sales accompanying an increase in purchases from renewable energy sources, growth in imbalance-related revenue, higher unit prices of adjusting subsidies related to the supply-demand adjustment market, and growth in the final guarantee supply

Ordinary expenses increased 17.6% over the previous year to ¥696.9 billion due to an increase in imbalance and final guarantee supply-related expenses and an increase in purchases from renewable energy sources

- While aiming for carbon neutrality, we actively engage in activities to generate demand, leveraging all points of contract throughout our work, creating new services and businesses, as well as participating in overseas businesses, by utilizing technologies and assets cultivated by our company and group companies



\*Excluding the delayed effects of fuel cost adjustments

### Strengths

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

- Transmission lines: 11,223 km, distribution lines: 144,198 km
- Substations: 653
- Internal combustion power stations: 29
- Interconnected renewable energy: 15,820 MW

#### World-class Electricity Quality

- Power outage frequency: 0.15 times/household (0.04 times/household: excl. disasters such as typhoons)
- Power outage duration: 115 mins./household (3 mins./household: excl. disasters such as typhoons)



## Business Environment

### Opportunities

- Expansion of renewable energy and generation of demand to achieve carbon neutrality
- Introduction of a new wheeling fee scheme to secure capital for investments
- Advances in AI, IoT, and other digital technologies

### Risks

- Information leaks
- Gradual decline in demand for wheeling services
- Progressive aging of facilities
- Increasing severity of natural disasters

## Business Strategies

We are making the following efforts to achieve the Vision in the Kyushu Electric Power Transmission and Distribution Management Philosophy.

### · Efforts to prevent another information leak

Recognizing the seriousness of the loss of society's trust in us as a general transmission and distribution company, we are working to prevent this type of incident from ever occurring again and to regain the trust of society.

### · Achieve a balance between stable power supply and lower costs

We will steadily work to balance the provision of a stable power supply, which is our basic mission, with lower costs.

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

In order to achieve carbon neutrality, we will move forward with creating a next-generation network to maximize Kyushu's renewable energy potential.

### · Generate demand and increase earnings using our technological capabilities and assets

We will take on the challenge of generating demand and expanding business domains using the technologies and other assets accumulated by the transmission and distribution business and Group companies.

### · Strengthen our business foundation

We value the trust of our stakeholders above all else, and while autonomously transforming our organization, we will continue to create higher value.

## Efforts to Create Corporate Value

Related pages **P45** **P46** **P60**

Main relevant materiality

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

- Upgrade and improve the efficiency of maintenance and installation work by utilizing new technologies and promoting DX
- Secure a stable power supply through efficient facility formation and maintenance

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

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

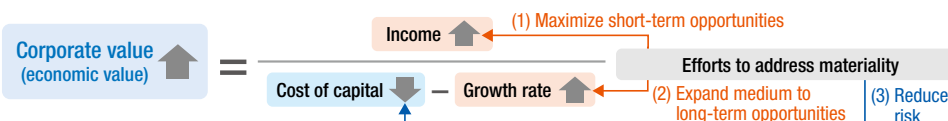
- Build a next-generation power transmission and distribution network to fully utilize the potential of renewable energy
- Develop demand generation activities (promoting electrification, attracting companies, etc.) utilizing all points of contact throughout our business operations to achieve carbon neutrality
- Create new businesses and promote the Overseas Business by utilizing our proprietary technologies and assets, and by strengthening cooperation amongst Group companies

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

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

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

Implementing Continuous Improvements in Energy Services  
Strengthening Governance





## Growth Businesses ~Renewable Energy Business~



Accelerating efforts to make renewable energy the main power source while advocating the renewable energy 3Cs

Main Group company engaged in the Renewable Energy business

**Yutaka Mizumachi**

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

We formulated the 2030 Management Vision last year. As our plan is to make renewable energy a primary power source, we are advocating the renewable energy 3Cs and are working on various fronts, including developing renewable energy, while gaining the understanding of local communities.

### [Renewable Energy 3Cs]

- 1) Further expand facilities capacity through proactive efforts to develop new renewable energy sources (kW) = **Creation**
- 2) Continue to make use of facilities by extending the life of or replacing existing facilities using our maintenance and inspection expertise, etc. (timeline) = **Continuation**
- 3) Coordinate supply and demand through such activities as the effective use of surplus electricity and commercialization of renewable energy value (kWh) = **Coordination**

Furthermore, in February 2023, it was decided to integrate the Kyuden Mirai's Renewable Energy Business and Kyushu EP's geothermal and hydroelectric power generation businesses, and that we will play a role in strengthening and expanding the Group's Renewable Energy Business. Through these efforts, our renewable energy output will be one of the greatest in Japan.

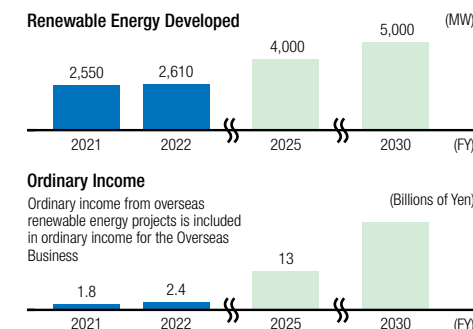
This integration offers a good opportunity to further increase the value of renewable energy, and we will link it to achieving the Group's 2030 renewable energy development target of 5,000 MW by working to provide services that meet diverse customer needs, and reinvesting some of the earned funds into developing other renewable energies, such as offshore wind power.

### Vision for the Future

We will utilize the technologies and expertise of the Kyuden Group to steadily advance the development of renewable energy in Japan and overseas and reach our management target of 5,000 MW by FY2030 (4,000 MW by FY2025) while also helping to achieve carbon neutrality. In addition, we aim to contribute to the FY2030 target of ¥75 billion in ordinary income from growth businesses by expanding revenue through renewable energy development.

### FY2022 Assessment and Progress

- We are making steady progress in power development towards the main source of renewable energy. This involves the start of operation of the Ishikari New Port Biomass (51.5 MW), as well as the commencement of construction for the Tahara Green Biomass (50 MW) and Hibikinada Offshore Wind Farm (220 MW). On the other hand, recurring profit has increased to ¥2.4 billion (+¥0.6 billion YoY) due to the increase in electricity generated
- Reached about 80% of the 2025 renewable energy development target of 4,000 MW based on confirmed projects as of the end of FY2022 that have an output of 3,020 MW (including 2,610 MW already in operation)



### Strengths

#### One-stop Approach for the Development and Operation of the Five Main Renewable Energy Sources

- Kyuden Group works as one to promote the five main renewable energy sources (solar, wind, hydro, geothermal, and biomass) across the full value chain, from initial surveying to development and operation based on the technologies and expertise we have accumulated through years of development experience as well as the relationships of trust we have built with local communities (Additionally, we are the only one among major domestic power companies that covers all aspects of geothermal development)

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

- Able to achieve high efficiency and high utilization by leveraging the abundant knowledge and expertise we have built up over many years of developing and operating power source facilities



## Business Environment

### Opportunities

- Growing customer needs for low carbon intensity or decarbonized electricity as efforts to achieve carbon neutrality accelerate globally
- National deregulation of geothermal power generation and the establishment of development processes for offshore wind power to expand the adoption of renewable energy
- Diversifying means of renewable energy adoption, such as solar PPAs

### Risks

- Changes to renewable energy schemes
- Decline in profitability due to fiercer competition
- Greater development expenses and risks as power generation projects grow larger

## Business Strategies

Kyushu EP and Kyuden Mirai Energy will accelerate their efforts to make renewable energy a primary power source while carefully communicating with local communities with an eye toward carbon neutrality by reinforcing the business operation system through consolidation of their renewable energy businesses. Furthermore, we will meet customers' and society's extensive need for renewable energy and make the Renewable Energy Business the Kyuden Group's core business by taking on the challenge of creating new value in the Renewable Energy Business.

### Efforts to make renewable energy a primary power source

We will become not only an integrated company that possesses all five of the main renewable energy sources (solar, wind, biomass, hydro, and geothermal), but also our renewable energy capacity is among the top in Japan. We will leverage the benefits of integration and our extensive development and operation know-how to actively pursue new development in expected future energy growth areas, accelerate development through the expansion of PPA business and business alliances. We will also maintain high efficiency and high utilization of existing power sources and increase the amount of electricity produced.

Regarding power source development, we will promote the development of offshore wind, onshore wind, and solar power, which have strong development potential. Specifically, for offshore wind power, we will actively promote development using the knowledge gained from the offshore wind power project in Hibiki-Nada, which started in March 2023 (output 220 MW, scheduled to start operation in 2025). We will also steadily move ahead with the development of geothermal sources, one of the Group's strengths, and hydro and biomass sources, where we have a rich track record in development.

### Taking on the challenge of new value creation for renewable energy

Utilizing the power storage and regulating functions of pumped-storage and batteries, we will deliver renewable electricity during hours that are highly profitable and pursue value enhancement. At the same time, we will challenge "new renewable energy business" such as tidal power generation, demand and supply management services, and utilizing data accumulated from past development and O&M results.

## Efforts to Create Corporate Value

Related pages **P42** **P43** **P46**

Main relevant materiality

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

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

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

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

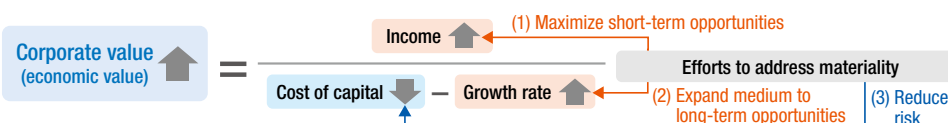
- Steadily promote the development of new geothermal power sites, hydropower projects and replacement facilities, and offshore wind power projects together with Group and partner companies
- Increase the number of renewable energy projects overseas in anticipation of a decline in suitable sites domestically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

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

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

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

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





## Growth Businesses ~Overseas Business~



Sharing the “Kyuden spirit” globally and expanding into new areas and business domains

### Ryotaro Yusu

President and Representative Director,  
Kyuden International Corporation

Since the late 1990s, we have been pioneering overseas projects with the “Kyuden spirit” and through sweat and tears, our Overseas Business has grown to the point where we operate 22 projects in 15 countries and regions as of March 31, 2023. I would like to express my heartfelt thanks to all the people who have been involved in this work over the years.

Our corporate slogan is “Let's connect.” We will develop businesses that link people with people through smiles, Kyushu with the world through technology, and the present and future through sustainable growth. While valuing the “network of people” that we have built and looking forward to encounters with business partners with whom we can share our passion, we will expand our energy business, which can contribute to both the development of a country and the building of a sustainable society from an ESG perspective.

In 2023, we opened our third overseas office, which is located in the Middle East, in the city Dubai. In addition to steadily expanding the areas we operate in, particularly in Asia, we will also actively take on the challenge of new business fields, such as innovation. Please look forward with us to the future and the “Kyuden spirit” of our overseas business, as we aim to create a “connected” business that will gain support and cooperation from everyone.

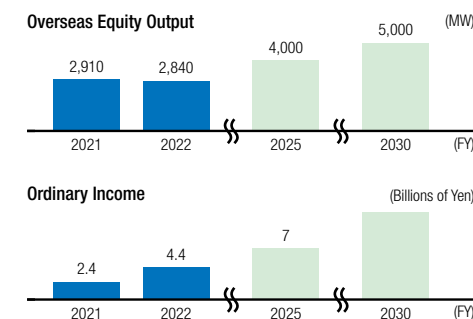
### Vision for the Future

We provide energy solutions that meet the needs of various regions outside Japan and the times by making the most of the technologies, expertise, and networks that the Kyuden Group has accumulated in the Electric Power Business and other businesses in Japan and overseas.

In addition to generating profits as the core of the Kyuden Group's growth field and contributing to the achievement of ¥75 billion in ordinary income from growth businesses in FY2030, we aim to expand the Overseas Business while contributing to society and giving consideration to the environment.

### FY2022 Assessment and Progress

- Expanded new efforts such as participating in the Group's first power supply projects in off-grid areas in Africa and renewable energy development projects in Southeast Asia (total overseas equity output of approx. 2,840 MW)
- Made steady progress with submarine power transmission project in the Middle East, which we joined in the previous fiscal year, and the development of highly efficient thermal power generation in Central Asia
- Ordinary income of ¥4.4 billion (up ¥2.0 billion YoY)
- Expanded Renewable Energy Business and contributed to reduction in greenhouse gas (GHG) emissions through efforts to lower the carbon intensity of and decarbonize power sources



### Strengths

#### More Than 70 Years of Experience with the Domestic Electricity Business

- Technologies and expertise in the power generation as well as transmission and distribution businesses possessed by the Kyuden Group

#### More Than 20 years of Experience with the Overseas Business (Have Participated in 22 Overseas Electricity Projects)

- Have expanded overseas, primarily in Asia, which boasts a market with strong growth potential, but also the USA and Middle East, and hold offices overseas in Thailand and the USA

#### Diversified Business Domains

- Expanded the thermal and renewable energy power generation business, power transmission and distribution business, and overseas consulting using the technology and expertise that the Group has accumulated through its various businesses, including the domestic and overseas electricity businesses

#### International Contributions through Human Capital Development over More Than Ten Years

- In addition to dispatching a total of about 80 engineers overseas, including those from Group companies, for technical instruction, in FY2022, we accepted about 50 engineers to Japan from several countries, including Kenya and Cuba, and conducted activities such as technical training using our facilities

#### Trust of and Positive Assessment from Business Partners and Other Entities

- Have built a strong bond of trust with local business partners, governments, and power companies through hands-on activities for businesses



## Business Environment

### Opportunities

- Increasing energy demand in Asia and other emerging countries
- Expansion of business opportunities due to the growing need to decarbonize and decentralize power sources

### Risks

- Increased global competition in terms of investing in renewable energy projects
- Unique country risk and market risk of various countries and regions
- Changes in the financing environment for thermal power plant construction due to the shift to ESG investment
- Changes to national policies on carbon neutrality
- Continued impacts of the crisis in Ukraine
- Changes in prices, interest rates, and exchange rates

## Business Strategies

In the overseas electricity business, business opportunities related to renewable energy and transmission and distribution are growing in number and diversifying, while gas-fired thermal projects with long-term power purchase agreements (PPAs) decline as the world moves toward decarbonization. Taking into account such market conditions and considering the needs of each region, we will promote decarbonization investments, primarily in renewable energy and transmission and distribution businesses, to contribute to the realization of a low-carbon and sustainable society. We will also promote high-efficiency gas-fired power generation and distributed energy resource operation business that contribute to decarbonization.

### · Make efforts to lower carbon intensity

While focusing on solar and wind power, we will also work on geothermal, hydro, and biomass power through such activities as collaboration with development companies, taking into consideration the market environment of the particular country or region. We will also expand the power transmission and distribution business, which contributes to lowering carbon intensity, as one revenue source.

### · Expand our business domains

In addition to traditional business domains, we will expand into new domains by investing in startup companies in the domains of power generation from waste, distributed energy resources, and innovation.

### · Expand our development areas

We will move forward with business development primarily in Asia, but also extending to the Americas, Middle East, as well as Europe and other regions that are leaders in renewable energy.

As for overseas bases, following bases in Thailand and the USA, we opened a new staffed office in Dubai in FY2023.

## Efforts to Create Corporate Value

Related pages **P05** **P46**

Main relevant materiality

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

- Maintain and improve the profitability of existing projects in cooperation with investee companies
- Maximize income by exchanging assets

Implementing Continuous Improvements in Energy Services

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

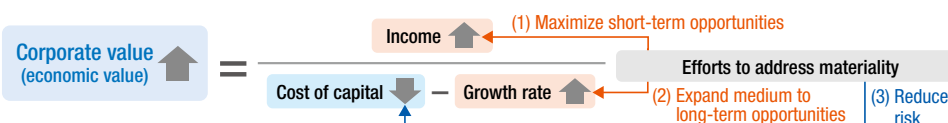
- Actively participate in power transmission and distribution projects
- Expand the Renewable Energy Business through such efforts as collaboration with development companies and strategic partners
- Participate in thermal power generation projects that help lower carbon intensity
- Work on business related to CO<sub>2</sub> free fuel (hydrogen and ammonia) and promote business with an eye toward a society with distributed energy resources
- Develop geothermal power projects by leveraging the expertise of Group companies (West Japan Engineering Consultants, Thermochem, etc.)

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

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

- Build a project management system and quickly ascertain risk through monitoring
- Conduct regular risk assessments

Strengthening Governance





## Growth Businesses ~ICT Service Business~



Strengthening earnings and leading the DX of local communities using changes in the business environment, including the adoption of digital technology, as a tail wind

### Yoshiharu Senda

Executive Director, Technical Solution  
Headquarters

The environment surrounding the ICT Service Business is undergoing major changes, including the rapid progress of digitalization brought about by the COVID-19 pandemic, high expectations for dramatic improvements in productivity through generative AI, and the promotion of measures such as the Vision for a Digital Garden City Nation\*, and the market size is expected to expand further.

Furthermore, ICT infrastructure, such as fiber optic broadband, 5G networks, and data centers, is growing more and more important as digital technology becomes indispensable to solve a growing number of social problems, including energy, carbon neutrality, a shrinking labor force, and the realization of a diverse society.

We along with Group companies will provide high-quality, highly secure ICT infrastructure and ICT services, leveraging the strengths we have cultivated in the electric power business. We also view changing customer and societal needs, as well as rapid digitalization, as significant business opportunities. By combining digital technologies with innovative thinking, we will create new value and services, increase earnings and take the lead in regional and social DX.

\* A broad policy program introduced by the Japanese government and the basic concept of the vision is to use technology and digital infrastructure to "create a society where anyone can comfortably and conveniently live anywhere in the country."

### Vision for the Future

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

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

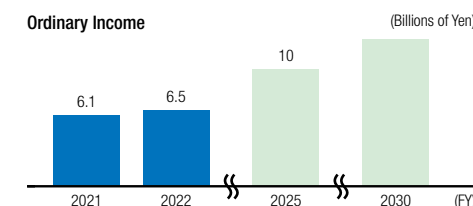
Develop and provide new services

- Advertising (digital ad production and planning, etc.)
- Finance & medicine (fintech, AI-based medical diagnosis etc.)
- Primary industries (IT sensors for agriculture, woodland management using drones, etc.)
- Daily life support (monitoring service, etc.)
- Infrastructure (airport ICT, factory production management system, etc.), etc.

### FY2022 Assessment and Progress

· Despite an increase in depreciation expenses in the fiber optic broadband business, we recorded ordinary income of ¥6.5 billion (up ¥0.4 billion YoY) for various reasons including an increase in contracts to develop local government's information systems

· Efforts in new services have made steady progress as can be seen from the increase in the earnings of the joint venture company Machi no Wa Co. Ltd. that works together with other companies to develop regional information platforms and the achievement of eliminating cumulative loss with Kyuden Drone Service.



### Strengths

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

Telecommunications Infrastructure Covering All Areas of Kyushu

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

- Optical fiber network communication infrastructure throughout Kyushu (household coverage: 60%-70%; corporate: 100%)
- Offices throughout Kyushu and provision of full support, from installation to maintenance and operation, 24 hours a day, 365 days a year
- Ability to propose and provide integrated ICT solutions
- Broad range of business domains, including new ones (drones, digital advertising, e-sports, etc.)



## Business Environment

### Opportunities

- Advances in such digital technologies as AI/IoT (generative AI, etc.), mobile technologies (5G/Beyond 5G), and drones
- Work style and operational reforms utilizing digital technologies (DX)
- Promotion of various policies (development and expansion of ICT infrastructure such as FTTH connections, 5G networks, and data centers (DCs) in line with the Vision for a Digital Garden City Nation)
- Growing environmental awareness (carbon neutrality, ESG)
- Construction of factories in Kyushu because of low-cost and stable electricity

### Risks

- Increasing frequency and severity of natural disasters, major earthquakes
- Growing security threats due to an increase in cyber-attacks
- Shortage of and increased difficulty in securing IT personnel

## Business Strategies

Rapid technological progress is being made in the ICT field, and on top of this, the convergence of different technologies is resulting in innovation that transcends business domains. We have set a Group-wide target of at least ¥15 billion in ordinary income by FY2030 for our ICT service business, one of our growth businesses.

As digitalization progresses throughout society, including the spread of remote work due to the COVID-19 pandemic and the growth of video streaming services, data traffic continues to increase and the importance of telecommunications networks is ever rising. For existing services, such as ICT infrastructure, we will work to further increase earnings by being sure to capture new demand, such as that related to handling the construction of 5G networks, strengthening DC business as cloud services expand, and the expansion of security services for corporate customers.

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

## Efforts to Create Corporate Value

Related pages **P04** **P62** **P71** **P88**

Main relevant materiality

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

- Strengthen existing services to respond to digitalization across society, including fiber optic broadband internet service BBIQ and our data center business
- Strengthen DX proposals for corporate/municipal customers and expand security-related services
- Introduce regional information platforms throughout Japan and develop new services
- Undertake commissioned information system development that complies with legal revisions and local government system standardization

Co-creating a Smart and Vibrant Society

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

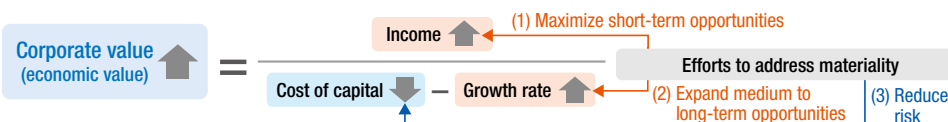
- Establish a new business model for the drone service business
- Gain experience in the digital advertising business and enter the mass media domain, including TV
- Conduct open innovation to create new businesses and aggressively invest in e-sports and AI
- Provide energy storage systems suitable for the proliferation of renewable energy to achieve CN
- Propose production management system for factories

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

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

- Construct a business portfolio that takes into consideration return on invested capital (ROIC)
- Strengthen our IT governance function and system development framework in cooperation with Group companies
- Actively recruit IT personnel and establish an education system within the Group
- Strengthen information security measures across our entire supply chain, including external business partners

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





## Growth Businesses ~Urban Development Business~



Invigorate society and ensure growth of the Group through high value added businesses

### Masanori Kozuma

Director, Urban Development Business Division

We aim to generate growth for the Kyuden Group and invigorate local communities and society through our urban development projects both in Japan, particularly in Kyushu and overseas. To do that, we must increase our earning power.

Optimizing assets and the business portfolio is indispensable for growing the business. In addition to leveraging energy and digital technology, it is also important to develop high value added businesses by strengthening branding.

Developing human capital and the organization is the most important to achieve that. We will not only strengthen the specialized skills and practical capabilities of each employee, but also focus on creating a lively workplace climate in which employees can feel both personal and organizational growth, as well as their contribution to society.

We will also continue to be thoroughly market-oriented, ascertain customer problems and needs and changes in society and the market, and quickly respond.

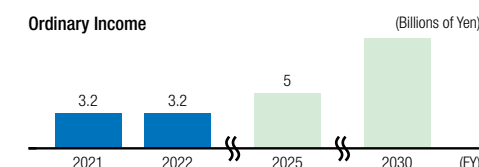
Finally, aligning with my own perspective on work, we will continue to take on the challenge of creating businesses that bring happiness to people by drawing out the knowledge that we and trusted partners possess.

### Vision for the Future

- We will increase earnings both in Japan and overseas by expanding the Urban Development Business in Kyuden Group's own unique way that makes use of energy and digital technology.
- Through our business, we will contribute to the sustainable development of local communities and society, which includes increasing the number of visitors to Kyushu, creating activity and employment, promoting decarbonization, adopting smart technology in society, and offering safe and peaceful lifestyles.

### FY2022 Assessment and Progress

- Posted ordinary income of ¥3.2 billion (unchanged YoY) for various reasons, including an increase in real estate leasing earnings
- Promoted investments in promising assets and areas such as the logistics facilities development business in the Kyushu region and overseas urban development business in addition to expanding our office leasing and condominium businesses



### Strengths

#### Relationships That Extend over a Broad Area

- Possess extensive relationships with companies, local governments, universities, economic organizations, and similar organizations, particularly those in Kyushu
- Boast a customer base that extends throughout Kyushu

#### Specialized Skills Related to Energy and ICT and the Collective Strength of the Kyuden Group

- Possess human capital with specialized skills related to promoting renewable energy and electrification, building smart infrastructure, and similar issues
- Can provide diverse products and services by marshaling the knowledge and expertise accumulated through the business activities of the Kyuden Group over the past seventy years

## Main Projects



Project to utilize the former Fukuoka City fruit and vegetable market site (LaLaport Fukuoka)  
(Began operation in April 2022)



Kumamoto Airport privatized operations business (new passenger terminal building)  
(Opened for public use in March 2023)



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



Fukuoka Kasuya-machi Logistics Center project  
(Plan to begin operation in August 2024)



## Business Environment

### Opportunities

- Growing need for environmentally friendly and efficient energy as the world shifts to decarbonization
- Population concentration in major cities and rebirth of regional cities
- Diverse needs for homes and lifestyles and acceleration of services that leverage digital technology
- Diversification of work styles, flexible work styles, and use of diverse human capital

### Risks

- Shrinking and aging population in Japan and decline of local communities
- Progressing global warming and risk of natural disasters
- Rising material prices

## Business Strategies

### Build a profitable, stable portfolio

- We will categorize businesses into one of three types depending on profitability (long-term businesses, quick turnover projects, and services) and build a portfolio that balances profitability and stability and complements the various distinguishing characteristics of the three types.
  - Long-term businesses provide a stable earnings base, and we will conduct development projects primarily in Kyushu.
  - Quick turnover projects contribute to faster growth, and we will strengthen and expand the overseas urban development business and condominium business, the core of these businesses.
  - For services, we will quickly launch an asset management business, establish a self-sustaining investment cycle based on such products as setting up a privately placed REIT fund, and acquire management fees.

### Expand businesses which provide high added value that only the Kyuden Group can offer by making use of energy and digital technology

- We will move forward with development that contributes to a decarbonized society, such as improving energy efficiency and lowering the carbon intensity of energy used.
- We will promote area management and urban development that leverage diverse smart services.
- We will ascertain changes over time and boldly take on challenges in new fields.

### Build a robust organization

- In addition to securing diverse human capital, we will increase the specialized skills of each employee through our businesses and build a community of Urban Development Business professionals.
- With a transformation-oriented mindset, including the use of digital technology, we will develop businesses that function quickly.
- We will create fulfilling workplaces in which employees can experience both personal and organizational growth, as well as their contributions to society.

## Efforts to Create Corporate Value

Related pages **P04** **P62**

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

- Strengthen and expand the overseas Urban Development Business and condominium business

Co-creating a Smart and Vibrant Society

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

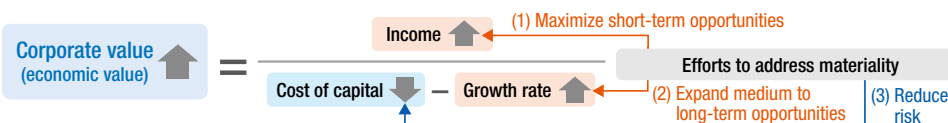
- High value added urban development through decarbonization and DX
- Establish asset management business
- Build a robust organization and develop professional human capital

Leading the Way toward a Decarbonized Society  
Co-creating a Smart and Vibrant Society  
Promoting Growth, Success, and Diversity of Human Capital

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

- Diversification of assets and areas from the perspective of spreading business risks
- Establish a cycle of asset sell-off and reinvestment through the promotion of asset management business

Co-creating a Smart and Vibrant Society  
Strengthening Governance





# Chapter 4

## Creating Value through Business

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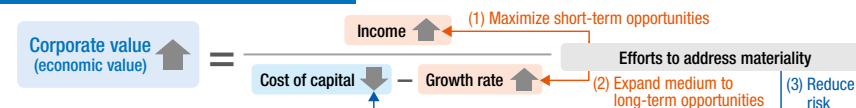
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# Creating Value through Business

The Kyuden Group has incorporated its materiality initiatives into its Medium-term ESG Promotion Plan as a concrete action plan it is steadily advancing. The Group will create social and economic value through its business under three of these challenges: “leading the way toward a decarbonized society,” “implementing continuous improvements in energy services,” and “co-creating a smart and vibrant society.”

## Corporate Value Enhancement Model



■ Medium-term ESG Promotion Plan <2050 target> Achievement of to net zero GHG emissions throughout the supply chain / contribution to reduction of GHG emissions in society: Help achieve a 100% electrification rate for the household and commercial sectors in Kyushu

Materiality	Key Issue	Issue	Medium-term Targets (Items for which no year is specified are FY2030 targets)	FY2023 Targets	Major Action Plans	Impact			FY2022 Results	Scope of Performance Aggregation
						(1)	(2)	(3)		
Leading the Way toward a Decarbonized Society	Lowering the Carbon Intensity of and Decarbonizing Energy Sources	Shifting our main power source to renewable energy	Steadily develop renewable energy —Development volume of renewable energy : 5 GW (Japan and overseas)	· New development volume: 136 MW · Finalized development projects: 3.16 GW	[Japan] · Ensure start to operation of ongoing projects · Examine development of solar power generation systems at the sites of old power plants [Overseas] · Consider investment in renewable energy development companies as development platforms · Promote joint development with Group companies	○	○	○	· New development volume: 58 MW · Finalized development projects: 3.02 GW	—
		Maximum utilization of nuclear power generation	Continuation of safe and stable operation of nuclear power plants — Zero unplanned outages	· Zero unplanned outages · Improvement of utilization rate —Shortened regular inspection periods, etc.	· Faithfully conduct daily inspections, periodic operator's inspections, etc. · Continuation of "polite dialogue" and "active dissemination of information" concerning nuclear power business	○	○	○	Zero unplanned outages	—
		Carbon reduction for thermal power generation	· Achieve the Act on Rationalizing Energy Use (Energy Conservation Act) benchmark indicators — Indicator A <sup>*3</sup> : 1.0 or more — Indicator B <sup>*4</sup> : 44.3% or more — Coal only indicator: 43.0% or higher · Development of hydrogen (1%) and ammonia (20%) co-firing technologies	· Indicator A: 0.95 or more · Indicator B: 41.44% or more · Coal only indicator: 41.15% or more · Investigate and examine hydrogen/ammonia co-firing technologies	· Implement performance management for units and systematic repair and improvement work at each power plant · Establish a system with power plants or manufacturers, identify issues and conduct feasibility studies and examinations	○	○	○	· Indicator A: 0.98 · Indicator B: 42.83% · Coal only indicator: 41.56%	*2
		Advancing transmission and distribution network	Technological research and development for more sophisticated network operation ahead of an increase in the adoption of renewable energy	Responding to difficulties in maintaining proper voltage and developing systems to maximize the use of facility capacity	· Verify optimal control of multiple voltage regulators on the same distribution line · Develop a grid congestion management system for early interconnection of renewable energy and maximum utilization of transmission capacity (basic design)	○	○	○	Start of operation of economic output control system	—
	Promotion of Electrification	Household and commercial	Contribute to the electrification rate of Kyushu — Household: 70% (incremental increase: 1.5 TWh) — Commercial: 60% (incremental increase: 1.6 TWh)	Steadily implement sales activities that promote electrification to increase the rate by 2030	· Expand mass PR using TV commercials and online advertisements · Expand and enhance physical contact points (holding events, etc.) and digital contact points (strengthening online presence) to expand customer contact points · Promote electrification through individualized proposals to medical, welfare, school lunch centers, etc. · Proactively introduce all-electrification in real estate development projects	○	○	○	Incremental increase in electricity volume — Household: 120 GWh — Commercial: 100 GWh (See P47 for the cumulative performance)	—
		Transportation	Replacement of company vehicles with EVs — Percentage: 100% replacement *Excluding vehicles that cannot be replaced with EVs	No. of EVs newly deployed: 200 Percentage of company vehicles replaced with EVs: 25% (544 of 2,185)	Replace steadily with EVs according to plans	○	○	○	No. of EVs newly deployed: 95	*1
		Regional energy	Early creation of regional energy system business model to ensure optimal management and control of energy	Steadily examine potential locations for demonstration	· Prepare for pilot tests and evaluation after system installation · Examine potential locations for demonstration	○	○	○	Undertook reviews and made proposals at candidate pilot test sites	—
	Energy Policy Recommendations and Involvement		Establish a system that contributes to both decreases in carbon intensity and decarbonization of power sources, and stable power supply	· Undertake review on the introduction of specific measures to meet necessary supply · Consider the direction of our future power supply portfolio	· Continue to appeal to the Japanese government regarding the design of the electricity trading market and other systems · Consider the direction of our power supply portfolio based on scenarios for the future	○	○	○	· Made steady appeals to the Japanese government · Calculated and evaluated the supply-demand balance in 2030	—
	Promotion of Energy Conservation		Promotion of energy-saving measures to achieve carbon neutrality	Promotion of energy-saving diagnoses to reduce CO <sub>2</sub> and save costs in line with customers' needs	· Propose detailed energy-saving measures through measurement of energy usage and surveys on facility usage · Introduce power saving/energy conservation methods on our website and through energy conservation workshops, etc.	○	○	○	No. of energy-saving measure proposals: 109	—

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

\*1: Kyushu EP and Kyushu T&D \*2: Kyushu EP alone

\*3: Achievement rate of power generation efficiency performance for each fuel type relative to target values

\*4: Total power generation efficiency of thermal power after ensuring consistency with the composition of power sources in the energy mix



## Creating Value through Business

## ■ Medium-term ESG Promotion Plan

Materiality	Key Issue	Issue	Medium-term Targets (Items for which no year is specified are FY2030 targets)	FY2023 Targets	Major Action Plans	Impact			FY2022 Results	Scope of Performance Aggregation
						(1)	(2)	(3)		
Leading the Way toward a Decarbonized Society	Reduction of Environmental Impact	Establishment of a circular society	<ul style="list-style-type: none"> <li>Recycling rate of waste other than coal ash: 98% or higher (waste plastic 100%)</li> <li>Green procurement rate: 99% or higher (office supplies)</li> </ul>	<ul style="list-style-type: none"> <li>Recycling rate of waste other than coal ash: 98% or higher (waste plastic 90%)</li> <li>Green procurement rate: 97% or higher (office supplies)</li> </ul>	<ul style="list-style-type: none"> <li>Improve operational efficiency and promote proper management through joint collection or utilization of electronic manifests</li> <li>Conduct pilot tests at model sites for advanced waste plastic recycling</li> <li>Conduct educational activities related to the promotion of green procurement</li> </ul>	○		○	<ul style="list-style-type: none"> <li>Waste other than coal ash: Expected to achieve</li> <li>Waste plastic: Expected to achieve</li> <li>Green procurement rate: Approx. 95%</li> </ul>	*
		Protection of regional environments	Water usage per employee: Less than the previous fiscal year every year	Water usage per employee: Less than the previous year (FY2022: 27 m³/person)	Ensure water-conservation-conscious behavior	○			Water usage per employee: 27 m³/employee	*
		Collaborating with society (biodiversity conservation)	Minimize the impact of our business activities on the ecosystem	Acquisition of certification of company-owned forests as places that contribute to biodiversity conservation	<ul style="list-style-type: none"> <li>Ensure implementation of conservation measures in development and execution (construction and service) stages</li> <li>Acquire certification of company-owned forests as places that contribute to biodiversity conservation as recognized by the Japanese government</li> <li>Review of information disclosure in line with the TNFD Framework</li> </ul>	○		○	Appropriate environmental surveys of existing power supply sites	—
		Promotion of environmental management	Violations of law and regulations: Zero	Violations of law and regulations: Zero	Disseminate and share information on revisions to environmental laws and regulations as appropriate	○			Violations of law and regulations: Zero	—
	Others	Promotion of environment-related business	Promotion of environment-related business	Establishment of a business model for the woodland J-credit business	<ul style="list-style-type: none"> <li>Provide support to Group companies for the self-sufficiency and expansion of the woodland J-credit business</li> <li>Provide ongoing coordination for the efficient and effective development and proposal of woodland-related services</li> <li>Gather a wide range of information on overseas woodland investment projects and undertake a cross-departmental review</li> </ul>		○		Provide support to Hisayama Town, Kusu Town, and Kumamoto Prefecture (6 municipalities) for the creation of J-credit	—
Implementing Continuous Improvements in Energy Services	Stable Supply of Energy	Stable Supply of Energy	<ul style="list-style-type: none"> <li>Continuous stable supply</li> <li>— Average duration of power outages per household: Keep at a world-class level</li> <li>— No. of public accidents involving electric shocks: Zero</li> <li>Expansion of development overseas</li> <li>— Overseas equity output: 5 GW</li> </ul>	<ul style="list-style-type: none"> <li>Power outages: 25.4 MWh or less (average of past 5 years)</li> <li>No. of public accidents involving electric shocks: Zero</li> <li>Overseas equity output: 2.88 GW</li> </ul>	<ul style="list-style-type: none"> <li>Ensure efficient patrols and inspections to reduce the amount of power outages, and maintenance through effective facility countermeasures, tree trimming, etc.</li> <li>Foster individual safety awareness and ensure safety behavior in cooperation with business partners to eliminate serious accidents</li> <li>Focus on the development of projects that can be expected to contribute to profits at an early stage</li> </ul>			○	<ul style="list-style-type: none"> <li>No. of public accidents involving electric shocks: Zero</li> <li>Overseas equity output: 2.84 GW</li> </ul>	—
		Affordable Energy	Industry-leading price competitiveness	Reduction of power generation costs	<ul style="list-style-type: none"> <li>Improve maintenance efficiency</li> <li>Expand procurement of low-quality coal and its procurement sources and examine blending businesses</li> </ul>	○	○		Reduction of power generation costs	—
		Solutions Based Around Energy Services	Total amount of electricity sold: 120 TWh	Increase in sales by maximizing supply capacity	<ul style="list-style-type: none"> <li>Non-discriminatory wholesale sales both domestically and internationally</li> <li>Conduct sales to maximize profits within the scope of supply capacity</li> </ul>	○	○	○	Total amount of electricity sold: 96 TWh (Domestic Electricity Business)	—
Co-creating a Smart and Vibrant Society	Realizing a Smart Society	Realizing a Smart Society	Business model reform, business creation, etc.	<ul style="list-style-type: none"> <li>Create new businesses</li> <li>— Consideration of new businesses, new services, and collaboration with other companies: 10</li> <li>— Creation of new businesses, new services, and collaboration with other companies: 2</li> </ul>	<ul style="list-style-type: none"> <li>Promote co-creation and collaboration with startups and other companies from different industries (e.g., Kyuden Open Innovation Program "Inspiration and Co-Creation")</li> <li>Create new businesses and services utilizing our strengths and resources (e.g., smart meter data analysis)</li> </ul>	○	○	○	—	—
		Regional Vitalization (regional and local development)	Sustainable development of the region and society	<ul style="list-style-type: none"> <li>Formulate a concrete business model</li> <li>— Set budget, area, collaborators, and other conditions</li> <li>Expand the scale and scope of business through collaboration with local communities</li> </ul>	<ul style="list-style-type: none"> <li>Identify areas for implementation and collaborating companies</li> <li>Expand and create new businesses and services through collaboration with local communities (contribution to the expansion of the Group's overall profits)</li> </ul>		○	○	<ul style="list-style-type: none"> <li>Establish a joint implementation system with the Kyushu Economic Federation and define business areas</li> <li>Expand the scale and scope of projects through collaboration with local communities</li> </ul>	—
		Creating Safe, Secure and Comfortable Spaces to Live	Sustainable development of the region and society	Participation in urban development projects in the Kyushu area: 1 or more projects	Develop projects that contribute to increasing the number of visitors to Kyushu, revitalize local communities, create jobs and make safe and secure communities (expansion of offices and residents, urban development, operation of airports, etc.)	○	○		Participation in urban development projects in the Kyushu area: 1	—

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

\*: Kyushu EP and Kyushu T&amp;D



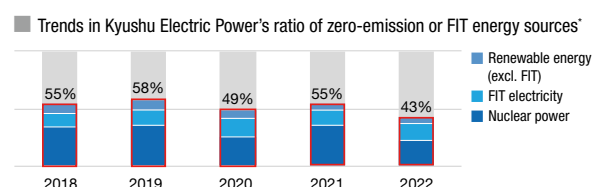
## Toward Sustainable Enhancement of Corporate Value

## Growth through Achieving Carbon Neutrality

The Kyuden Group boasts an industry leading ratio of zero-emission power sources due to the wider adoption of renewable energy and the safe and stable operation of nuclear power. Having set ambitious GHG emission reduction targets for the future, we are promoting information disclosure on strategies to achieve these targets, along with progress made toward achieving these targets. These initiatives have earned us high praise from external bodies, and we have been using our strength, that is, our high ratio of zero-emission power sources, in wholesale market non-fossil value trading. Furthermore, the Kyuden Group is promoting green transition finance to support its efforts towards carbon neutrality. **P46** Going forward, we will accelerate initiatives toward positioning renewable energy as a primary power source by integrating the Renewable Energy Business throughout the Kyuden Group. Taking into account the government's policy promotion regarding GX, the Kyuden Group will work on achieving carbon neutrality and growth concurrently.

### Industry Leading Ratio of Zero-emission Power Sources

Along with positioning renewable energy as a primary power source by promoting its development through a united effort across the Group, the Kyuden Group is proud to have an industry leading ratio of zero-emission power sources through maximizing the use of nuclear power with safety as a priority and the understanding of local communities as a prerequisite.






Ratio of zero-emission or FIT energy sources making up the amount of electricity generated and received by Kyushu EP\* is approximately 40 to 60% (FY2018-2022 performance)

\*Ratio includes energy produced and purchased by Kyushu EP and represents the value before Non-Fossil Certificate trading

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

### External assessments on low-carbon and decarbonization initiatives

Target setting	 SCIENCE BASED TARGETS DRIVING AMBITIOUS CORPORATE CLIMATE ACTION	We were the first major energy provider in Japan to be certified under the Science Based Targets (SBT) initiative for our GHG emissions reduction targets*, which take the reduction reference of the Kyuden Group's 2030 management (environmental) targets into account
Information disclosure	 TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES	Selected by two of the GPIF's domestic asset managers for the "Excellent TCFD Disclosure" survey [This year's disclosure contents are on <b>P55-58</b> ]
	 CDP DISCLOSURE INSIGHT ACTION	Received a leadership level of A- on climate change from the CDP for 2022 Selected for Supplier Engagement Leaderboard

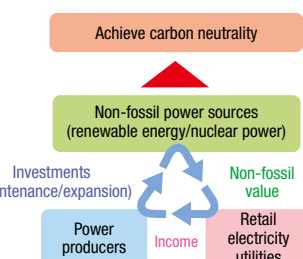
- \* The Kyuden Group will reduce Scope 1 & 2 related GHG emissions by 47% on the basis of electric power (kWh) between FY2020 and FY2030.
- The Kyuden Group will reduce Scope 1 & 3 GHG emissions attributed to sold electric power by 47% on the basis of electric power (kWh) in the same period.
- In respect of Scope 3, the Kyuden Group will reduce GHG emissions due to energy-related activities and usage of sold products from among GHG emissions not attributed to sold electric power by a total amount of 25% in the same period.

### Non-fossil value trading

Kyushu EP, which has a high ratio of zero-emission power sources, has seen favorable results from selling these on the market and through bilateral trade (to the tune of several billion to ten billion yen annually) while also backing other retail electricity utilities in achieving their goals set forth in the Act on Sophisticated Methods of Energy Supply Structures.

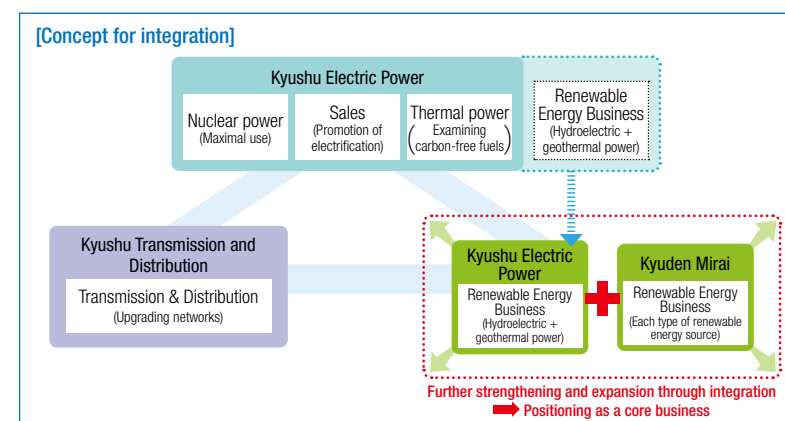
Income from selling Non-Fossil Certificates will be used for investments in the development (including initial surveys) and replacement of renewable energy (non-FIT power sources), facility renovation work, and the implementation of safety measures at nuclear power plants in order to maintain and expand zero-emission power sources.

### Trading scheme



### Integrating the Renewable Energy Business

By integrating the Renewable Energy Business of Kyushu EP, Kyuden Mirai Energy will become the only producer in Japan to possess all five main renewable energy sources, as well as a nationwide leader in capacity of held renewable energy facilities. Through this integration, we will make the renewable energy a core business of the Kyuden Group. We will achieve this by accelerating initiatives aimed at positioning renewable energy as a primary power source, while at the same time meeting customers' and society's extensive need for renewable energy and taking on the challenge of creating new value.



### Anticipated effects due to integration

- Speeding up decision making
- Acquiring management resources
- Strengthening our business foundations
- Enhancing corporate value

### Balancing the Achievement of Carbon Neutrality with Growth

#### Promotion of GX and growth of the Kyuden Group

Japan has been promoting GX policies aimed at achieving carbon neutrality by 2050, including the establishment of the GX Promotion Act, which stipulates matters such as issuing GX economy transition bonds on a scale of ¥20 trillion and introducing growth-oriented carbon pricing, and the GX Decarbonization Power Supply Act, which incorporates promoting the adoption of renewable energy as much as possible in harmony with local communities and using nuclear power with ensuring safety as a major prerequisite.

Through its participation in the GX League, Kyushu EP will work together with stakeholders, including participating companies, to contribute as much as possible to the formation of market rules and the creation of business opportunities aimed at reducing greenhouse gas emissions in Japan.

In addition, social interest in GX and low-carbon power supply needs are both rising. In the Kyushu region, which is well supplied with zero-emission energy sources, there have been efforts to make locations, such as data centers and semi-conductor plants, more active.

Considering the needs of our customers and society, the Group will contribute to the revitalization and decarbonization of Kyushu region, and will achieve sustainable growth of Kyuden Group by responding on two fronts: decarbonization of power sources and promotion of electrification.



[Leading the Way toward a Decarbonized Society]

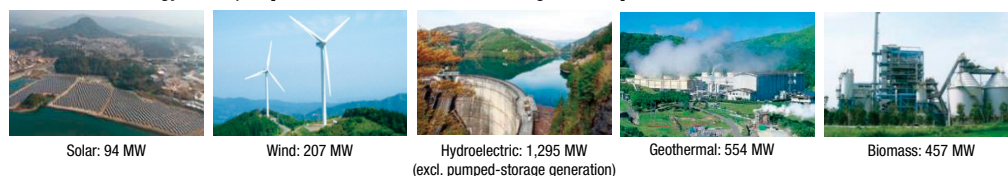
# Lowering the Carbon Intensity of and Decarbonizing Energy Sources

## Positioning Renewable Energy as a Primary Power Source

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

The Kyuden Group has developed approximately 2,610 MW of renewable energy to date. We will develop geothermal and hydroelectric power projects, which are where the Group's strengths lie, as well as expand offshore wind power, biomass, and other projects that have great potential for adoption, to position renewable energy as a primary power source.

■ Renewable energy developed [As of the end of FY2022, including overseas]



### Geothermal Power

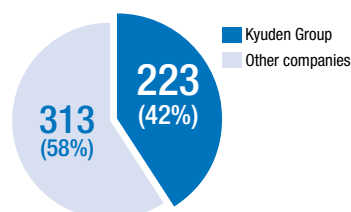
Geothermal power has been developed over many years. Domestic facilities owned by the Kyuden Group, have a capacity of approximately 220 MW, which makes up about 42% of the capacity of facilities nationwide. This includes one of the country's largest geothermal power plant Hatchoubaru. We are leveraging accumulated technologies to further new development not only in Kyushu, but also in Japan and overseas. Moreover, we are participating in the Sarulla Geothermal IPP\* project (approx. 330 MW) in Indonesia, which is of the largest geothermal projects in the world.

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

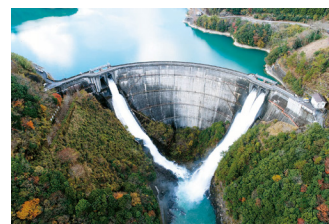
### Hydroelectric Power

We also have a long track record of developing hydroelectric power projects, including the Koyamada Power Plant (Kagoshima Prefecture), the oldest power plant in Kyushu, which was built in 1898, and Kamishiiba Power Plant (Miyazaki Prefecture), the first power plant in Japan to feature a full-scale arch dam, which was built in 1955. We are currently working to improve output and power generation capacity by developing new projects that make effective use of untapped energies, along with replacing (updating) existing facilities.

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



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

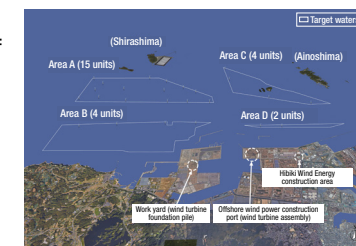


Kamishiiba Power Plant

### Wind Power

The Kyuden Group is proactively working to leverage its technologies and expertise accumulated to date in order to expand the adoption of not only onshore, but also offshore wind power generation.

Kyuden Mirai Energy has formed a consortium with Electric Power Development Co., Ltd. (J-POWER), Hokutaku Co., Ltd., Saibu Gas Co., Ltd., and Kyudenko Corporation. As a member of this consortium, we are making progress with Japan's first large-scale offshore wind power generation project, at Hibikinada, Kitakyushu City, Fukuoka Prefecture, aiming to begin commercial operation in FY2025 (construction commenced in March 2023).



Implementation area of Kitakyushu Hibikinada Offshore Wind Farm Project

### Biomass

After confirming that with biomass power generation, which generates fuel from unused wood and similar, fuel is produced in a sustainable manner, we have been working on developing biomass with Kyuden Mirai Energy at the center.

In March 2023, we began commercial operation of the Ishikari Bay New Port Biomass Power Plant, funded by Kyuden Mirai Energy and others. The power plant makes fuel from wood pellets and palm kernel shells (PKS), generating approx. 52 MW of electric power.

### Tidal

Kyuden Mirai Energy is working on a pilot project to demonstrate Japan's first 1MW-class large-scale tidal power generation facility off the coast of Goto, Nagasaki Prefecture.

The project utilizes the results of the 0.5MW-class pilot that Kyuden Mirai Energy conducted in the same area in FY2021, aiming to establish a business model that will lead to the technology's practical and commercial application by enhancing the efficiency of tidal stream turbines. Through this project, we are aiming for the early commercialization of tidal power generation in Japan.

In addition, Kyuden Mirai Energy and Kyuden International are participating in a pilot project to demonstrate small-scale tidal power generation facilities (7,000W × 4 bases) off the coast of Singapore. By switching the energy provided to Raffles Lighthouse from diesel to tidal power, we will not only contribute to decarbonization in the maritime and harbor sectors, but will also make use of the knowledge obtained through this pilot to expand the future distributed power business overseas.



Created based on Google Maps

Development site



## Maximizing Use of Nuclear Power Generation

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

### Nuclear power plants (as of March 31, 2023)

Station Name	Output	Start of Operation	Type
Genkai	Units 3 & 4, 1,180 MW each	Unit 3: Mar. 1994 Unit 4: Jul. 1997	Pressurized water reactor (PWR)
Sendai	Units 1 & 2 890 MW each	Unit 1: Jul. 1984 Unit 2: Nov. 1985	

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



Genkai Nuclear Power Plant  
(Saga Prefecture)

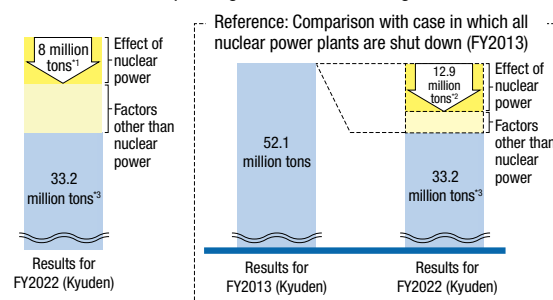


Sendai Nuclear Power Plant  
(Kagoshima Prefecture)

## Maintaining safe, stable, and highly utilized nuclear power operations

In light of ensuring the stable supply of energy over the long term and responding to issues facing the global environment, Kyushu EP makes the most of nuclear power, an energy source that does not emit CO<sub>2</sub> during power generation, with ensuring safety a major prerequisite. We will work on initiatives that improve the utilization rate that are assuredly safe.

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

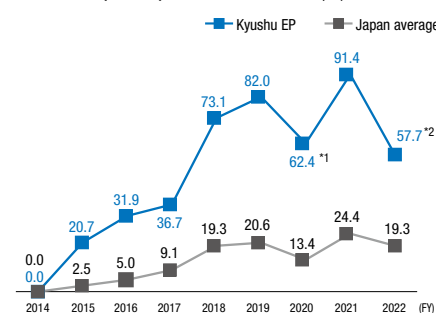


\*1: FY2021 CO<sub>2</sub> emissions coefficient (adjusted) used: 0.382kg-CO<sub>2</sub>/kWh

\*2: FY2013 CO<sub>2</sub> emissions coefficient (adjusted) used: 0.617kg-CO<sub>2</sub>/kWh

\*3: FY2022 results are provisional; the government is set to announce definitive figures in December

### Nuclear power plant utilization rate (%)



The drops in utilization rate are due to equipment shutdowns for regular inspections following works to install SSF

\*1: at Sendai Units 1 & 2

\*2: at Genkai Units 3 & 4

## Nuclear power's contribution to earnings

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

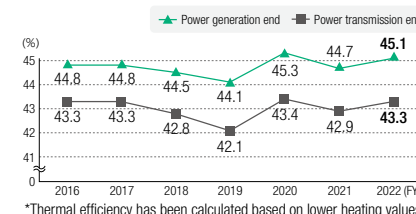
Even with safety measures and other costs taken into account, nuclear power is competitive from a medium to long-term perspective, and our investment decisions are made comprehensively based on such considerations.

## Lowering the Carbon Intensity of Thermal Power

Thermal power plays an important role in making up for fluctuations in output that come with the increased adoption of renewable energy. We are therefore continually working to maintain and improve the overall efficiency of thermal power generation as a means of curbing our fuel consumption and CO<sub>2</sub> emissions.

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

### Thermal efficiency trends



\*Thermal efficiency has been calculated based on lower heating values

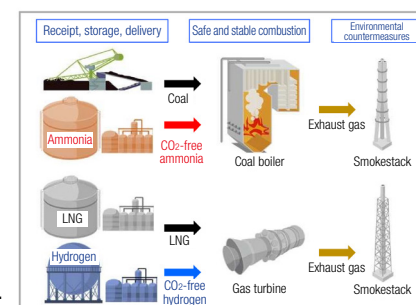
## Studying and establishing hydrogen/ammonia co-firing technologies

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

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

In April 2023, we began testing co-firing of ammonia at Reihoku Power Plant, which was a first for Kyushu EP. We will continue to proactively work toward establishing co-firing technologies in future.

### Hydrogen and ammonia co-firing processes



## Developing hydrogen and ammonia fuel supply chains

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

### VOICE Steadily advancing toward establishing ammonia co-firing technologies through continuous efforts

The ammonia co-firing testing at Reihoku Power Plant was a first for the Group. Since actual examples of such testing within Japan are limited, we have been examining each issue raised through repeated discussions with plant personnel. While it was very difficult to anticipate the potential impacts that co-firing could have on the environment and our facilities, I felt a sense of accomplishment and satisfaction when we began actually carrying out the co-firing and were able to confirm the condition of the flames and temperature changes using a thermal imaging camera.

Initiatives aimed at achieving carbon neutrality targets have only just begun, and there are many difficult issues in the way, however we will continue to take on the challenge of these initiatives so that we can help achieve carbon neutrality.



Mario Ishibashi  
Thermal Power Division  
Reihoku Power Plant  
Operation Group  
Kyushu Electric Power



## Upgrading the Transmission and Distribution Network

In order to fully tap Kyushu's renewable energy potential while at the same time balance the large-scale adoption of renewable energy with maintaining electricity quality, we are working to expand interconnections for renewable energy sources and improve our network utilization rate.

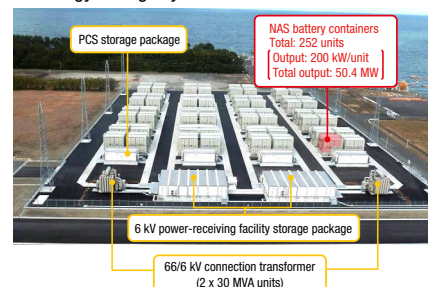
### Maximizing the introduction of renewable energy

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

As one such initiative, Kyushu T&D was commissioned for a government pilot project to install the Buzen Battery Storage and Transformer Station, which includes a large-capacity energy storage system.

We are working to improve the balance between supply and demand by leveraging the knowledge and technology acquired through this pilot project to effectively operate this large-capacity energy storage system in accordance with fluctuating solar and wind power generation.

■ Panoramic view of the Buzen Battery Storage and Transformer Station, equipped with a large capacity energy storage system



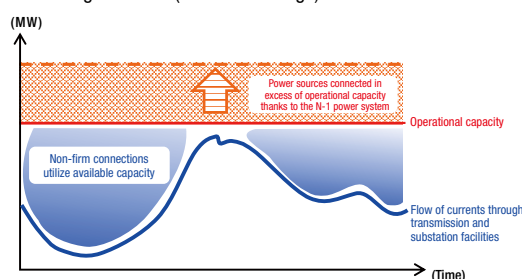
### Adopting the Connect and Manage scheme

Kyushu T&D has introduced the Connect and Manage scheme to make the most of the capacity of existing transmission and substation facilities, thereby enabling us to maximize the adoption of renewable energy.

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

On top of this, in January 2021, we began introducing "non-firm connections" on the bulk power system that generate electricity during the hours when transmission and substation facilities are available and curtail electricity generation when they are not sufficiently available. We have been expanding these to local power grids from April 2023.

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

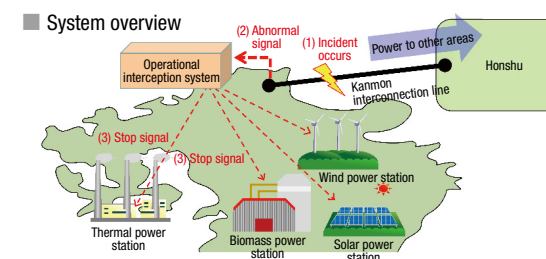


### Technological development business for reducing output control of renewable energy

Kyushu T&D has been commissioned as part of the government's Technological Development Project to Reduce Renewable Energy Output Control to construct a transfer interception system to immediately shut down multiple power stations should an incident occur on the Kanmon link line to maintain balance between supply and demand in the Kyushu area.

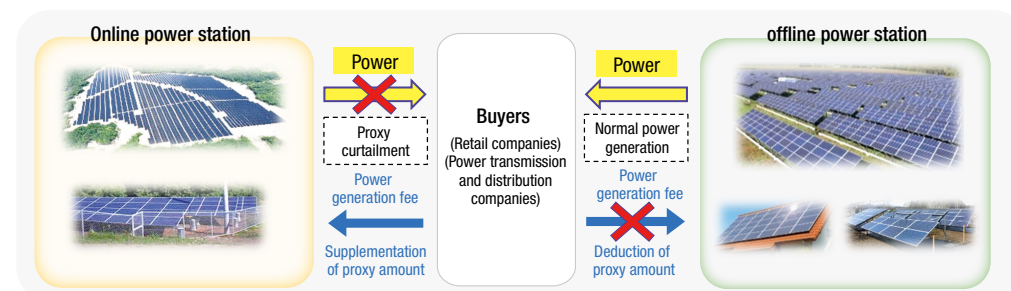
This system will make it possible to expand the transmission capacity of renewable energy along the Kanmon link line from Kyushu to other areas by up to approx. 300 MW, and it has been confirmed to be effective in reducing output control.

We will leverage the knowledge and technology acquired through this pilot project in working toward maximizing the adoption of renewable energy in future.



### Introduction of online proxy curtailment (economically efficient output curtailment)

In December 2022, Kyushu T&D revised its output control method for solar power stations in mainland Kyushu to the online proxy curtailment method. This new method uses online power stations that can make actual, fine output adjustments to further reduce output.



### Improving the accuracy of renewable energy output forecasts

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

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



## Promoting Green and Transition Finance

Kyushu EP has been promoting green and transition finance in an aim to diversify our capital procurement sources and better familiarize a wide range of stakeholders with the Kyuden Group's efforts to lower carbon intensity, decarbonize energy sources, and promote electrification to achieve carbon neutrality by 2050.

In FY2022, we became the first former general electric utility to issue a transition bond and implement a transition loan, which is the government's first interest subsidy program.

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

### Kyushu EP transition bonds

Issue order	Issue date	Issue amount	Term	Interest rate	Use of funds
First	May 24, 2022	¥30 billion	5 years	0.350%	New investments and refinancing of existing investments in the development of the Hibiki Power Plant (a state-of-the-art, high-efficiency LNG-fired power plant in Fukuoka Prefecture) and the shutdown and decommissioning of existing thermal power plants
Second		¥25 billion	10 years	0.644%	

### Transition loans (use of funds unspecified)

Month and year of loan	Amount of loan	Period of loan	Characteristics
November 2022	¥50 billion	10 years	<ul style="list-style-type: none"> <li>Uses the result-linked interest subsidy program based on the Act on Strengthening Industrial Competitiveness (first in Japan)</li> <li>Lowers the interest rate by up to 0.2% through government interest subsidies when achieving set environmental targets</li> </ul>

## Fund allocation and improvements to the environment (as of March 31, 2023)

### Transition bonds fund allocation

Issue amount	Amount allocated	(Portion allocated to refinancing)	Unallocated funds
¥55 billion	¥11.9 billion	¥7.4 billion	¥43 billion

\* Amounts are shown rounded down to the nearest 100 million

### Main environmental improvements including projects targeted for green and transition finance

Type of renewable energy	Geothermal	Hydroelectric	Wind	Biomass	Solar	Total
Renewable energy developed (Kyuden Group)	Approx. 554 MW	Approx. 1,295 MW	Approx. 207 MW	Approx. 457 MW	Approx. 94 MW	Approx. 2,610 MW
CO <sub>2</sub> emissions reduced in FY2022*	Approx. 460,000 tons	Approx. 1,130,000 tons	Approx. 50,000 tons	Approx. 280,000 tons	Approx. 30,000 tons	Approx. 1.95 million tons

\* FY2021 CO<sub>2</sub> emissions coefficient (adjusted) used: 0.382 kg-CO<sub>2</sub>/kWh

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

The Kyuden Group is working on renewable energy, thermal power generation, and transmission and distribution projects that will help lower the carbon intensity of electricity in countries and regions around the world according to their needs by utilizing the technologies and know-how in the electric power industry that the Kyuden Group has accumulated in Japan and overseas.

Refer to **P05** for overseas development areas [Overseas equity output target: 5,000 MW by 2030]

### IPPs and other investment projects

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

In FY2022, we expanded new initiatives such as participating in the Group's first power supply projects in off-grid areas in Africa and renewable energy development projects in Southeast Asia.



We invested in PetroGreen Energy Corporation, renewable energy development company, which owns the Nabas Wind Power Plant in the Philippines

### Overseas consulting business

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

In FY2022, we continued with several projects that had carried over from the previous year: a project in Cuba to create an electricity master plan aimed at improving electricity supply using storage batteries and EMS and introducing renewable energy, in addition to a project in Kenya to reinforce the technological capabilities of power transmission grids.

### Entering new business domains

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

## TOPICS

### The Subsea Transmission Project in the United Arab Emirates, implemented, among others, by the Kyuden Group, wins the PFI Award 2022

The Subsea Transmission Project, which will be constructed and operated in the emirate of Abu Dhabi, United Arab Emirates, and which includes Kyuden International and Kyushu T&D as participants, won the PFI Award 2022.

This award is given by the PFI magazine<sup>\*1</sup> for the most notable project finance<sup>\*2</sup> projects of the previous year in the global electricity sector. This project was selected as a target project for the Middle East region in 2022. The project was recognized for successfully structuring financing through large-scale project financing for a subsea transmission project, where there had been no previous project financing for such projects.

\*1: Project Finance International magazine. Dedicated to the product finance industry and is published by Thomson Reuters

\*2: Method of financing by which future cash flow generated by projects is used as a resource for repayment



# Promotion of Electrification

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

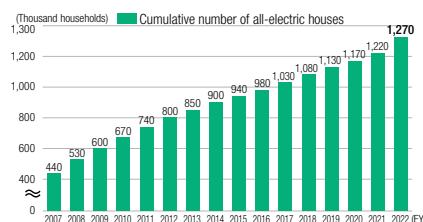
## Household and Commercial Sectors

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

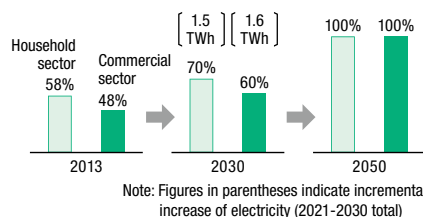
In terms of climate-control and hot water supply systems for the commercial sector, we offer high-efficiency heat pump systems optimized for use in our customers' facilities. We are also promoting the adoption of electric facilities in kitchens by extensively publicizing the advantages of electric kitchen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

Through these initiatives, we aim for a 100% electrification rate in Kyushu by 2050, and we will contribute to reaching 70% in the household sector and 60% in the commercial sector by 2030. In achieving this goal, we are aiming for total incremental increases in power consumption of 1.5 TWh in the household sector and 1.6 TWh in the commercial sector between 2021 and 2030.

■ Cumulative number of all-electric homes in Kyushu



■ Contributing to the electrification rate of Kyushu



Incremental Increase Performance	Sector	FY2022	Cumulative (from FY2021)
	Household	0.12 TWh	0.25 TWh
	Commercial	0.1 TWh	0.21 TWh

## Offering Kyuden Smart Lease, a service for leasing and selling electric water heaters, storage batteries, and more

In order to contribute to realizing an everyday for our customers that is safe, secure, comfortable, economic, and kind to the global environment, we have been offering Kyuden Smart Lease, a service where customers can use electric water heaters, IH cooking heaters, storage batteries, and other equipment safely over the long term with (1) no initial fees, (2) free repair and regular maintenance (within the contract period), and (3) high quality installation.

## Kyuden Smart Lease



## Industrial and Transportation Sectors

In the industrial sector, we are carrying out technical research into heat source conversion equipment such as heat pumps, while also taking on the challenge of electrification in response to heat demand across a wide range of temperature bands (hot water, steam, application of heat, etc.) in production processes. We also conduct on-site evaluations and reviews with our customers and provide energy conservation proposals to improve energy use efficiency.

In the transportation sector, we aim to replace 100% of our company vehicles with EVs by 2030. We also operate an array of businesses and services to promote the spread of EVs, including EV car sharing, charging infrastructure expansions, and energy management through EVs.

[No. of company EVs deployed (FY2022): 95 (cumulative:16%)]

## Expanding EV charging services

From January 2023, we began offering condominium residents in the Tokyo metropolitan area and Fukuoka City a dedicated EV charging device in each parking space. This service, called PRIEV, aims to provide customers with a more comfortable, convenient EV charging environment.

In June 2023, we concluded a business alliance agreement with Yanase & Co., Ltd., and we have been working in cooperation to introduce EVs at residences where the PRIEV service has already been introduced or will be in the near future.



## TOPICS

## Joint development of large-capacity charge-discharge equipment for EVs with the largest output in Japan

The three companies of Kyushu EP, Kyuden Technosystems, and KYUHEN jointly developed large-capacity charge-discharge equipment aimed at worksites, such as businesses and local governments, that are engaged in introducing and operating electric buses and other industrial and commercial EVs. Charge-discharge equipment for EVs currently popular within Japan is mostly equipment used to supply power to general households combined with passenger use EVs with an output of 10 kW or less. However, the charge-discharge equipment developed on this occasion has many advantages, including (1) a discharge output of 45 kW, one of the largest in Japan, (2) capable of supplying a three-phase power load used in plants and similar facilities, (3) capable of connecting to two EVs at the same time to mutually charge and discharge the two vehicles, and more. We will leverage these advantages to realize multipurpose uses for EVs, thereby contributing to expanding their adoption.



Large-capacity charge-discharge equipment



## Promoting Carbon Neutrality in the Region

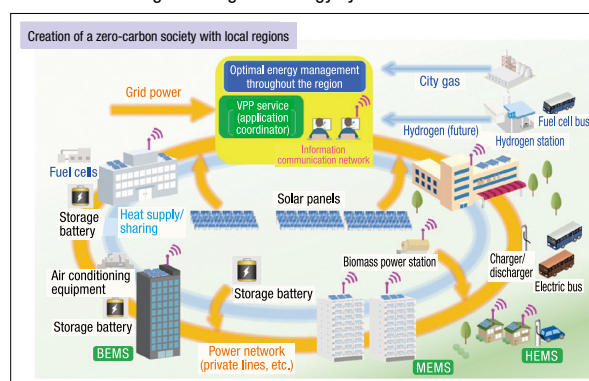
The Kyuden Group will contribute to solving local and social issues and co-create a zero-carbon society by providing solutions in response to the collaborative needs of local governments in promoting carbon neutrality in the region and strengthening its resilience.

### Creating a regional energy system

Regional energy systems have the potential to greatly change the business model for our electricity businesses. These energy systems are based in an area where the Kyuden Group can leverage its strengths, therefore we see this as a new opportunity and are coordinating with local governments and other bodies to gather information and select a proof-of-concept field site.

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

■ Illustrative image of a regional energy system



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

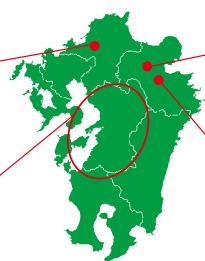
The Kyuden Group is engaged in a project through which it supports the creation of J-Credits\* using woodland owned by local governments and other organizations, while it also creates J-Credits from company-owned woodland.

We plan to use these J-Credits to offset CO<sub>2</sub> emissions from the Group's community relations activities and the production activities of local companies.

\* A scheme whereby the government certifies the amount of CO<sub>2</sub> absorbed by woodland and the amount of CO<sub>2</sub> emissions reduced through use of renewable energy or energy-saving measures as credit, and through which this credit is traded

Hisayama Town, Fukuoka Prefecture	
Creation period (scheduled)	8 years (FY2021–2028)
Expected amount (total)	Approx. 1,500 t-CO <sub>2</sub>
Of which already created	200 t-CO <sub>2</sub>

6 entities in Kumamoto Prefecture (4 local governments, 2 private entities) (outsourced to a company in Kumamoto Prefecture)	
Creation period (scheduled)	8 years (FY2022/2023 onwards)
Expected amount (total)	Approx. 75,000 t-CO <sub>2</sub>



Kusu Town, Oita Prefecture	
Creation period (scheduled)	Preparing for project registration (Scheduled to begin from FY2023 onwards)

Kyuden-owned woodland (Yufu City, Oita Prefecture, etc.)	
Creation period (scheduled)	16 years (FY2021–2036)
Expected amount (total)	Approx. 240,000 t-CO <sub>2</sub>
Of which already created	Approx. 10,000 t-CO <sub>2</sub>

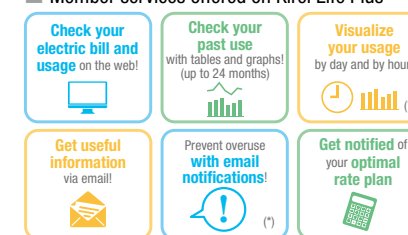
## Promotion of Energy Conservation

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

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

Kyushu EP offers a number of useful services on its "Kirei Life Plus" members' site. Not only can members receive email notifications on their monthly electricity costs and usage amounts, as well as check these from their PC or smartphone, but they can also access energy conservation rankings that compare a member's energy use with other households and receive overuse emails that send a notification when their usage has gone over a preset amount.

■ Member services offered on Kirei Life Plus



\* For customers with smart meters

### Demand Response (DR)\* Service for Households

Kyushu EP has been working on a DR service via its Kyuden eco/Kirei Life Plus smartphone application. The aim of the app is to create a system that helps customers to conserve energy and reduce their electricity bill, cuts Kyushu EP's supply costs, and enables renewable energy to be used more effectively by optimizing the supply-demand balance through DR.

\* A mechanism for balancing supply and demand of electricity by adjusting electric power demand, whereby customers (the demand side) who are signed up for one of Kyushu EP's household plans (and have a smart meter installed) either conserve electricity or create demand in accordance with guidance from the Company

Features of the Kyuden eco app



## Energy Policy Recommendations and Involvement

### Endorsement of the GX League Basic Concept

Through its participation in the GX League, Kyushu EP will demonstrate the League's concept of "leadership" as it works toward achieving carbon neutrality, and work together with stakeholders, including participating companies, to contribute as much as possible to the formation of market rules and the creation of business opportunities aimed at reducing greenhouse gas emissions in Japan.





## Reduction of Environmental Impact

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

For this reason, we are promoting environmental management that balances business activities with the environment across all such business activities, preserving biodiversity and establishing a circular society in order to contribute to achieving a sustainable society.

### Activities to Establish a Sustainable Society through Maintaining and Managing Company-Owned Forests

Kyushu EP maintains and manages 4,447 hectares of company-owned forests in cooperation with Group company Kyushu Rinsan.

Our efforts have been highly praised, and in 2005, we became the first electric power company to obtain FSC® (Forest Stewardship Council®) certification (FSC-C018956), which certifies that woodland is being managed in an environmentally friendly manner. Furthermore, by maintaining and managing these company-owned forests, we absorbed approximately 41,000 tons of CO<sub>2</sub> in one year in FY2022, with about 10,000 tons of that amount going toward creating J-Credits.

In future, we will continue striving to maintain and improve the public benefits of woodland, such as their functions as watersheds (woodlands conserve water and stabilize river water levels), as well as absorbers of CO<sub>2</sub>, through maintaining and managing company-owned forests.



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

### Contribution to the 30by30 Target through Certified Conserved Areas

Kyushu EP is participating in the Ministry of the Environment's 30by30 Alliance in order to contribute to achieving the 30by30 target<sup>\*1</sup>, a global biodiversity target.

In FY2022, our company-owned forests received an assessment of "equivalent to certification" as "Certified Conserved Areas"<sup>\*2</sup> as part of a trial scheme. In FY2023, we will continue to promote initiatives aimed at attaining certification.



<sup>\*1</sup> The 30by30 target is one of the main targets of the Kunming-Montreal Global Biodiversity Framework, which was established at the Conference of the Parties to the UN Convention on Biological Diversity held in December 2022. It is a worldwide initiative that aims to designate 30% of both land and ocean as protected areas by 2030.

<sup>\*2</sup> A system whereby the Ministry of Environment certifies areas where private-sector companies are engaged in biodiversity protection initiatives. Trials and studies of the system began in FY2022, with official certification of the system beginning in FY2023.

### Engaging in Environmental Activities with Local Communities

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

The foundation is engaged in environmental conservation activities to help protect ecosystems and landscapes, including controlled burning across the whole Bogatsuru Marshlands area (Taketa City, Oita Prefecture), registered as an important wetland site under the Ramsar Convention, in addition to offering hands-on environmental education programs to raise awareness of environmental conservation among children at Kyushu EP's company-owned Kuju Kyuden Forest (Yufu City, Oita Prefecture), as well as digital environmental education programs that utilize VR technology.

Moreover, with the aim of creating forests as bases for environmental education programs and interactions among residents, the foundation has decided to expand the Kyuden Future Forest Project across the Kyushu region. This project involves working toward carbon neutrality together with children and local residents. As the first stage of the project, the foundation began holding afforestation activities and environmental education programs at Isahaya Kyuden Future Forest (Isahaya City, Nagasaki Prefecture).



Controlled burning of the Kuju Bogatsuru Marshlands



Activities to protect rare plants at the Kuju Bogatsuru Marshlands



Environmental education programs

### TOPICS

#### Making the Circular Park Kyushu resource recycling center a reality —An effort to socially implement resource recycling at the former site of the Sendai Power Plant—

The Kyuden Group is making progress with initiatives to position the site of the Sendai Power Plant (Kagoshima Prefecture) as the base for the resource recycling center, Circular Park Kyushu, with the aim of building a sustainable society through the promotion of a circular economy and decarbonization.

On July 26, 2023, we established Circular Park Kyushu Co., Ltd. jointly with Nakadai Holdings Co., Ltd. Ahead of the launch of the business in April 2024, we will work on recycling commercial and residential waste into resources through our resourcing business and carry out joint research and proof-of-concept testing with the help of our network of industry partners, academic institutions, and government bodies through our solutions business.



Scene from location agreement signing ceremony<sup>\*</sup>

<sup>\*</sup> On July 31, 2023, we concluded a location agreement pertaining to the present project between Satsumasendai City, the location of the Sendai Power Plant, and Circular Park Kyushu Co., Ltd. in the presence of representatives from Kagoshima Prefecture.



# Disclosure Based on the TNFD Recommendations (Beta Version)



Taskforce on Nature-related  
Financial Disclosures

Kyuden Electric Power published the "Kyuden Group TNFD Report 2023" in September 2023. This report illustrates the Company's approach to natural capital and biodiversity in line with the TNFD beta v.0.4 information disclosure framework.

\*TNFD: Taskforce on Nature-related Financial Disclosures. An international initiative to build a framework for appropriately assessing and disclosing risks and opportunities related to natural capital and biodiversity.

In recent years, efforts concerning natural capital have been attracting global attention. These include the Kunming-Montreal Global Biodiversity Framework, which is a set of new global targets related to biodiversity adopted in Canada in December 2022.

The Kyuden Group has positioned "leading the way toward a decarbonized society" as an important management issue (materiality), and along with continuing scenario analysis and information disclosure based on TCFD recommendations from 2020 as a response to climate change, we are also promoting initiatives aimed at "reducing environmental impact," which include conserving biodiversity and recycling resources.

This year, we carried out a trial analysis of risks and opportunities related to natural capital in our business activities while referencing the Taskforce on Nature-related Financial Disclosures (TNFD) beta v.0.4 information disclosure framework and guidance aimed at electricity utilities. In September 2023, we were the first electric power company in Japan to carry out information disclosure based on TNFD beta v.0.4 (for details, please refer to the "Kyuden Group TNFD Report 2023 (detailed version)").

We will continue to evaluate impacts, dependencies, and risks related to natural capital and engage in business activities that contribute to the transition toward a "nature-positive economy." Additionally, we will continuously strive to enhance trust from our stakeholders.

The "Kyuden Group TNFD Report 2023 (detailed version)" is available on the Kyushu Electric Power website.

Homepage > IR information > Environment, society, and governance (ESG information) [https://www.kyuden.co.jp/english\\_company\\_esg\\_environmental.html](https://www.kyuden.co.jp/english_company_esg_environmental.html)

## Overview of evaluation results

In each business domain of power generation and transmission & distribution, we are managing projects strictly in compliance with laws and regulations, agreements with local bodies, and other rules, and while the impact on natural capital is mostly kept to a low level, the impact and dependency of fuel procurement sources related to natural capital were evaluated as relatively large. In respect of earthquakes, tsunamis, or other natural disasters, as a result of assuming an event that has a high likelihood of occurring, risk pertaining to nuclear power plants, which are few in number in Japan, was evaluated as being low as countermeasures are thoroughly implemented. On the other hand, thermal power plants, hydroelectric power plants, and power transmission facilities were evaluated as having a relatively large risk.

Financial impact arising from such risk was evaluated as large in the event that power transmission facilities, particularly in the Oita and Miyazaki areas, were damaged by a Nankai megathrust earthquake, or that regulations on coal-fired thermal power generation were tightened. Furthermore, we evaluated that there would be a certain level of financial impact in the event that risks associated with fuel procurement sources were to materialize, or that thermal power, hydroelectric power, or power transmission and distribution facilities were damaged.

## Scope and target of the present analysis

We evaluated risks and opportunities related to natural capital in reference to the TNFD beta v.0.4 information disclosure framework and guidance aimed at electricity utilities.

Included in the scope of evaluation from among those making up the Group's Domestic Electricity Business were thermal power (coal, LNG), nuclear power generation, hydroelectric power generation, geothermal power generation (Kyuden Electric Power), and the transmission and distribution business (Kyushu T&D).

In future, we plan to make further progress in enhancing information disclosure in line with the TNFD framework. This will involve revising contents based on the TNFD v.1.0 framework and evaluating items outside the scope of the current evaluation, including overseas electricity businesses and non-electricity businesses such as urban development and city planning.

## Message from the Director of the District Symbiosis Division

Kyushu's regional economy and the lifestyles of its residents are supported by the area's bountiful natural capital. Without developing this aspect of Kyushu, the Kyuden Group cannot evolve. Based on the Kyuden Group Environmental Charter, the Kyuden Group has established Environmental Action Policies as basic medium to long-term policies that steadily promote environmental management to balance business activities with the environment. Through these policies, we have been striving to reduce environmental burden and risks linked to our business activities while at the same time working to conserve biodiversity, in order to ensure that this abundant natural environment survives into the future.

We have come to possess company-owned forests (4,447 ha primarily in Oita Prefecture) as watershed forests that function to nurture ecosystems and hold water. We use these forests as a place to grow FSC® (Forest Stewardship Council®; headquartered in Germany)-certified timber and hold environmental education programs. In addition, we have been reviving the practice of controlled burning across the entire Kuju Bogatsuru Marshlands along with local people, with the aim of maintaining rare ecosystems still remaining at the marshlands. Along with this, we have been carrying out activities to remove non-native plant life threatening rare plant ecosystems, as well as activities to protect the Kyushu azalea (the Kuju Bogatsuru Marshlands have been registered as "Kuju Bogatsuru and Tadewara-shitsugen" under the Ramsar Convention).

Moreover, in order to accelerate resource recycling initiatives, we established Circular Park Kyushu Co., Ltd., based on the site of the Sendai Power Station, in July of this year. In future, we will work to build a sustainable society by promoting a circular economy and decarbonization. We will achieve this through liaising with local governments and companies to recycle commercial and residential waste (resourcing business) and carry out joint research and proof-of-concept testing with the help of our network of industry partners, academic institutions, and government bodies (solutions business).



Yoshiro Uchimura  
Director of the District  
Symbiosis Division

By carrying out analysis from the viewpoint of the TNFD, such activities and other initiatives rooted in local communities have once again been recognized as being valuable. For this disclosure, we will continue to work toward creating a nature-positive economic society by developing better business activities through trial and error, while at the same time, listening to all of our stakeholders' opinions.





## Natural Capital Governance (Including Risk Impact Management)

### Response system related to various environmental issues (Assessing risks and opportunities, management process)

In July 2021, we established the Sustainability Promotion Committee, chaired by the President and supervised by the Board of Directors, to actively promote ESG initiatives.

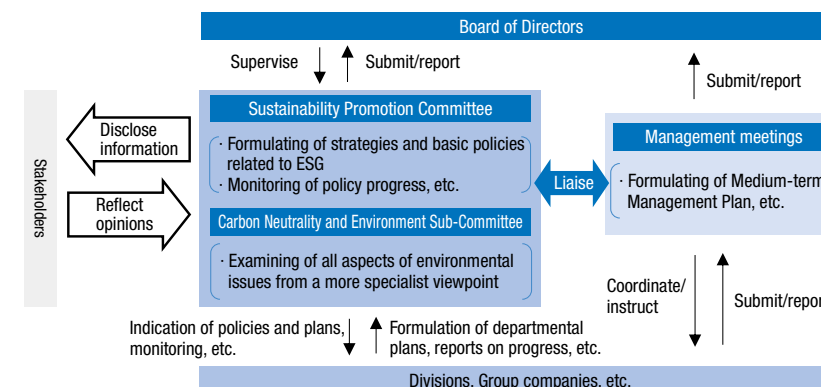
In addition to establishing strategies and policies concerning all aspects of ESG (specifying materiality), as well as deliberating on specific measures and managing the progress of their implementation, the Committee deliberates on and supervises strategies and risks related to climate change. The Carbon Neutrality and Environment Sub-Committee, chaired by the Chief ESG officer, was additionally established under the Sustainability Promotion Committee, and its members deliberate on all aspects of environmental issues from a more specialist viewpoint.

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

### Natural capital-related targets

	Subject	Target
Climate change (Carbon Neutral Vision 2050 p. 1, ESG Data Book 2023 p. 8)	Carbon neutral	· Achieving carbon neutrality by 2050
	Supply chain greenhouse gas emissions (Scopes 1, 2, and 3)	· 60% reduction in greenhouse gas emissions by 2030 compared to FY2013, and 65% reduction in domestic businesses
Promotion of environmental management (ESG Data Book 2023 p. 5)	Promoting environmental management	· Violations of law and regulations: Zero
Establishment of a circular society (ESG Data Book 2023 p. 5)	Appropriate management and disposal of industrial waste	· Recycling rate (excl. coal ash): 98% or higher (plastic waste: 90%) (FY2023)
	Promoting green procurement	· Green procurement rate of office supplies :97% (FY2023)
Strengthening supply chain management (ESG Data Book 2023 p. 7)	Raising awareness of ESG in the supply chain	· Response rate to questionnaire survey on sustainability improvement initiatives for major business partners: 90% or higher (FY2023)
Enhancing stakeholder engagement (ESG Data Book 2023 p. 7)	Raising the level of stakeholder satisfaction (enhancing environmental education programs)	· Percentage of people who answered in the questionnaire that they had an increased awareness of environmental conservation: 90% or higher (FY2023)

### Kyuden Group Environmental Management and Promotion Framework



#### Sustainability Promotion Committee

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

#### Carbon Neutrality and Environment Sub-Committee

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





## Natural Capital-related Impacts and Dependencies

An important step on the way to creating a positive outcome for biodiversity and other natural capital is understanding the impacts that a company's business activities (including fuel procurement) have on natural capital and the ecosystem services on which these activities depend. We evaluated the impacts and dependencies on natural capital in our business activities using a five-level scale (Very High, High, Middle, Low, and Very Low). This evaluation took into consideration factors such as power plant locations, facilities essential to our operations, and agreements with local governments, while referring to the guidelines provided by TNFD beta version 0.4 LEAP approach and utilizing ENCORE (an evaluation tool based on global data) as a reference.

### List of evaluations on natural capital-related impacts and dependencies in our businesses (Heatmap of natural capital-related factors)

		Natural capital-related																				Other factors
		Impact												Dependence								
		Land modification			Direct collection		Climate change	Pollution				Other	Supply service		Adjustment service					Foundation service		
Power generation types	Process	Land areas	Fresh water areas	Marine areas	Water	Other than water	Greenhouse gas	Air	Water areas	Soil	Waste	Noise/ Light pollution	Surface water supply	Ground water supply	Making contaminants less harmful	Climate adjustment	Filtering contaminants	Flood prevention	Corrosion prevention	Maintaining water flow	Maintaining water quality	Earthquake/ Tsunami
Thermal Power (coal)	Fuel procurement	Very High	High	-	Very High	-	High	High	High	High	High	High	High	High	-	Very Low	-	-	Middle	High	-	Very Low
	Power generation	-	Low	Low	Low	-	Very High	Low	Low	Low	Low	Low	Low	-	Very Low	Very Low	Low	Low	Low	Low	Low	High
Thermal Power (LNG)	Fuel procurement	High	High	Very High	Very High	-	High	High	High	High	High	High	Very Low	Very Low	Very Low	Very Low	Very Low	Very Low	Low	Very Low	-	High
	Power generation	-	Low	Low	Low	-	Middle	Low	Low	Low	Low	Low	Low	-	Very Low	Very Low	Low	Low	Low	Low	Low	High
Nuclear Power	Fuel procurement	Very High	High	-	Very High	-	High	High	High	High	High	High	High	High	-	Very Low	-	-	Middle	High	-	Very Low
	Power generation	-	Low	Low	Low	-	Very Low	Low	Low	Low	Low	Low	Low	-	Very Low	Very Low	Low	Very Low	Low	Low	Low	Very Low
Conventional Hydropower	Power generation	Middle	Low	-	Low	-	Very Low	-	Low	Low	-	-	High	-	Very Low	Very Low	Very Low	High	High	High	Low	High
Pumped Storage Hydropower	Power generation	Low	Low	-	Low	-	Very Low	-	Low	Low	-	-	Low	-	Very Low	Very Low	Very Low	High	High	Low	Low	High
Geothermal Power	Power generation	-	-	-	Low	-	Very Low	-	Low	Low	-	Low	Low	-	Very Low	Very Low	Very Low	Low	Low	Low	Low	Low
Transmission & Distribution		Low	-	-	-	-	Very Low	-	Low	-	-	-	-	-	-	High	-	Low	Low	-	-	High

#### Legend

Very High

High

Middle

Low

Very Low

\*In the production of heatmaps, for natural disasters, we assumed an event that had occurred in the past 30 years or so, or a case where an event having a high chance of occurring in the next 30 years occurred.





## Reasons for evaluating natural capital-related heatmaps

### [Natural capital-related]

Power Generation Category	Process	Reasons for Evaluation
Thermal Power	Coal	Fuel procurement Since land modification in land and fresh water areas, direct collection of water, greenhouse gas emissions, and pollution are highly likely to impact natural capital, this was evaluated as “High / Very High.” Further, the level of dependency on ecosystem services related to supplying groundwater and surface water and supplying water for maintaining water flow was evaluated as “High.”
		Power generation While seawater and fresh water are used as cooling water, seawater makes up a large proportion; very little fresh water is used. Furthermore, since fresh water is taken from Kyushu, an area with little water-related risk (ESG Data Book 2023 p. 23), the impact on regional natural capital was evaluated as “Low.” In addition, since we ensure thorough management of power plants based on agreements such as those concluded with local governments of sites where plants are located and can no longer operate plants at a stage prior to them not clearing standards, the impact on regional natural capital due to air pollution, waste, and noise/light pollution was evaluated as “Low.” However, impact from greenhouse gas emissions was evaluated as “Very High.”
	LNG	Fuel procurement The impact of land modification in land, fresh water, and marine areas, direct collection of water, greenhouse gas emissions, and pollution on natural capital was evaluated as “High / Very High.” On the other hand, when compared to coal, LNG is mined using a different method, therefore its dependency on ecosystem services had a result of “Low / Very Low.”
		Power generation While seawater and fresh water are used as cooling water, seawater makes up a large proportion; very little fresh water is used. Furthermore, since fresh water is taken from Kyushu, an area with little water-related risk (ESG Data Book 2023 p. 23), the impact on regional natural capital was evaluated as “Low.” In addition, since we ensure thorough management of power plants based on agreements such as those concluded with local governments of sites where plants are located and can no longer operate plants at a stage prior to them not clearing standards, the impact on regional natural capital due to air pollution, waste, and noise/light pollution was evaluated as “Low.”
Nuclear Power	Fuel procurement	Since land modification in land and fresh water areas, direct collection of water, greenhouse gas emissions, and pollution are highly likely to impact natural capital, this was evaluated as “High / Very High.” Further, the level of dependency on ecosystem services related to supplying groundwater and surface water and supplying water for maintaining water flow was evaluated as “High.”
	Power generation	While seawater and fresh water are used as cooling water, seawater makes up a large proportion; very little fresh water is used. Furthermore, since fresh water is taken from Kyushu, an area with little water-related risk (ESG Data Book 2023 p. 23), the impact on regional natural capital was evaluated as “Low.” In addition, since we ensure thorough management of power plants based on agreements such as those concluded with local governments of sites where plants are located and operate plants on a scale that does not impact regional natural capital, the impact on natural capital due to air pollution, waste, and noise/light pollution was evaluated as “Low.”
Hydroelectric Power	Power generation	Since some conventional hydroelectric power plants are built in key biodiversity areas (KBAs), impact of land modification in land areas was evaluated as “Middle.” However, in light of the fact that power plants and other facilities that greatly impact ecosystems are no longer being newly built in recent years, that we are operating plants appropriately and in strict compliance with all related laws and regulations, including the River Act, and that we are carrying out various ecosystem-friendly initiatives in harmony with regions where power plants are located, other impacts on natural capital were evaluated as “Low” to “Very Low.” In addition, some of our hydroelectric power generation facilities are located in mountainous areas and along rivers, and since these are environments likely to be impacted by flooding, earthquakes, and similar, the level of dependency on flooding and corrosion prevention functions and earthquakes were evaluated as “High.” Since a certain level of water is required for operating conventional hydroelectric power plant facilities, the level of dependency on surface water supply and water flow maintenance functions was evaluated as “High.” On the other hand, since with pumped storage, the water is basically cycled between an upper and lower reservoir, the level of dependency on surface water supply and water flow maintenance functions was evaluated as “Low.”
Geothermal Power	Power generation	Condensed water from water vapor taken from under the ground is mainly used as cooling water; very little river water is used. Furthermore, river water is taken from Kyushu, an area with little water-related risk (ESG Data Book 2023 p. 23). In addition, since we ensure thorough management of power plants based on agreements such as those concluded with local governments of sites where plants are located and operate plants on a scale that does not impact regional natural capital, the impact on natural capital due to water and soil contamination, and noise/light pollution was evaluated as “Low.” *Procurement was not included in the scope of this evaluation.
Transmission & Distribution		Since falling trees and similar caused by strong winds during a typhoon can damage or bring down utility poles and snap power lines, potentially leading to power outages, the dependency of transmission facilities on climate adjustment functions was evaluated as “High.” When selecting locations to install steel towers, unstable locations where landslides, flooding, and similar are expected are not chosen, therefore dependency on flooding and corrosion prevention functions was evaluated as “Low.”

### [Other causes]

	Reasons for Evaluation
Earthquakes/ tsunamis	Kyushu is home to the Fukuchiyaama, Kego, and Hinagu fault zones, and the Unzen fault group. These faults lie directly under the Kyushu region and are predicted to have a 3% or higher chance of generating an earthquake within the next thirty years. Along the coast, there is also a risk of earthquakes and subsequent tsunamis in places including Hyuga Nada (approx. 80% chance of a magnitude 7.0-7.5 earthquake), the Nankai Trough (approx. 70-80% chance of a magnitude 8-9 earthquake), and the Akinada Sea-Iyonada Sea-Bungosuido Strait (approx. 40% chance of a magnitude 6.7-7.4 earthquake). There is also a risk of earthquakes and subsequent tsunamis occurring overseas. While the risk to LNG fuel procurement, thermal power generation, conventional hydropower and transmission has been evaluated as “High,” works have been carried out at nuclear power plants as countermeasures against such risk, so this risk has been evaluated as “Very Low.”

## Impact and dependency indicators (TNFD beta v.0.4 core indicators)

Category	Indicator	References, etc.
Climate change	Amount of Scope 1, 2, and 3 greenhouse gas (GHG) emissions	Supply Chain GHG Emissions (Scopes 1, 2, and 3) (ESG Data Book 2023 p. 71)
Changes in land/fresh water/sea usage	Degree of change in land/fresh water/sea usage by ecosystem and business activity	Land: land area of power generation and switching facilities (Annual Securities Report FY2022 pp. 43-47)
		Fresh water: Usage amounts of tap water and water for power generation (ESG Data Book 2023 p. 77) Sea: Used as cooling water at power plants; no data available on usage amounts
Pollution/removing pollution	Total amount of contaminants released into the soil by type	Essentially, no contaminants are released into the soil from our facilities
	Wastewater amount and concentration of major contaminants in wastewater by type	Wastewater amount (ESG Data Book 2023 p. 77) Appropriate disposal of wastewater carried out at wastewater disposal facilities located at each power plant
	Total amount of toxic waste generated by type	PCB disposal amount (ESG Data Book 2023 p. 75)
	Total amount of toxic substances excluding carbon dioxide by type	(ESG Data Book 2023 p. 72, 73)
Using/complementing resources	Total collection and consumption amounts of water from water-stressed regions	Usage amount of water for power generation (ESG Data Book 2023 p. 77) * Kyushu has been recognized as a region with a relatively low level of water risks by using the Aqueduct tool
	Trends in number of high-risk natural products procured from the land/sea/fresh water by category	Procurement sources and procured amounts of fuel (coal, LNG, uranium) (ESG Data Book 2023 p. 26)
	Amount of natural products procured from priority ecosystems by category and ratio thereof	(Future examination)





## Natural Capital-related Risks and Opportunities

The natural capital-related risks and opportunities in our businesses were organized (it is recommended to create a TNFD framework core global matrix with indicators set for financial capital, assets, and operating revenues, along with risk and opportunity, however in light of the availability of comprehensive data, this was excluded this time).

### Natural capital-related risks

Items for which the natural capital-related impacts or dependencies in our businesses were evaluated as being at a large degree ("High," "Very High") were evaluated in respect of their financial impact after being classified into risk categories. Fuel procurement was evaluated as being at risk of rising costs due to an increase in fuel prices. When operating power plants, we are in compliance with laws and regulations, agreements with local bodies, and other rules and are capable of reducing risks that damage natural capital. At the same time, however, Kyushu is geographically likely to be heavily impacted by natural disasters caused by climate change\*, and is at risk of flood damage due to typhoons or linear rainbands. In the event that regulations on coal-fired thermal power generation are tightened, there is a risk that fuel costs will rise or similar. Furthermore, Kyushu and its surrounding areas lie on troughs and faults predicted to have a 3% or higher chance of generating an earthquake within the next thirty years, therefore the risk of damage from an earthquake and tsunami is expected.

\* The island of Kyushu sits directly in the path of westerlies from the East China Sea that can generate linear rainbands and cause damage through heavy rain and flooding. Also, the frequency of typhoons landing on shore is rising in Kyushu compared to other parts of Japan.

### Risks based on categories indicated in TNFD Beta v.0.4

		Risk Category	Risk Type	Risk Overview	Impacts on Finances	Financial Impact
Thermal Power	Coal	Physical risk	Acute risk	Landfalls, land subsidence, and fires occur due to the modification of land areas caused by mining operations.	Worsening finances due to rising global costs of coal.	Level II
			Chronic risk	Degradation and division of terrestrial ecosystems, invasions by non-native species, and adverse effects on local plant life and plant environments due to the modification of land areas caused by mining operations. Exhaustion of aquifers due to excessive water use during mining. Hindering mining operations due to increased severity and frequency of droughts. Greenhouse gas emissions due to mining operations, toxic emissions in the atmosphere, adverse impacts on plant life and soil, and changing ecosystems due to species migration.		
		Transition risk	Legal and regulatory risk	Burden arising from countermeasure costs for each chronic risk associated with mining.		
				Burden arising from carbon costs with respect to indirect greenhouse gas emissions, including the process of coal mining.		
	Power generation	Physical risk	Acute risk	Damage to thermal power plant facilities and shutting down of power plants due to an earthquake or tsunami.	Restoration costs and costs related to securing alternative power sources.	Level II
			Chronic risk	Greenhouse gas emissions due to operation.	Rising unit costs for coal-fired thermal power generation in the case that surcharges and taxes are introduced, and increased fuel costs due to switching using LNG thermal power.	Level III
	Transition risk	Legal and regulatory risk	Cost burden in respect of greenhouse gases emitted during operation in the case that surcharges and taxes are introduced in order to regulate the operation of coal-fired thermal power plants. The operation of coal-fired thermal power plants is regulated.			
		LNG	Physical risk	Acute risk	Operation of gas fields is stopped due to exhausting water. Negative environmental impact due to accidental spillage of toxic substances. Negative impact on rare organisms in surrounding areas due to accidental contamination. Earthquake or tsunami damage to LNG shipping facilities, thereby making shipping not possible.	Worsening finances due to rising global costs of LNG.
	Chronic risk			Adverse impacts on land, fresh water, and marine ecosystems. Plant life living at the bottom of bodies of water and fresh water plants die due to contamination. Negative impact on rare organisms in surrounding areas due to accidental contamination. Polluting the surrounding environment without appropriately disposing of waste.	Note that we have been procuring LNG through long-term contracts from multiple projects to suppress any impact to a certain degree.	
	Transition risk		Legal and regulatory risk	Local government order to shut down operations to procurement sources of the Company due to toxic emissions.		
			Physical risk	Acute risk	Damage to thermal power plant facilities and shutting down of power plants due to an earthquake or tsunami.	Restoration costs.
	Nuclear Power	Fuel procurement	Physical risk	Acute risk	Landfalls, land subsidence, and fires occur due to the modification of land areas caused by uranium mining.	Worsening finances due to rising global costs of uranium.
Chronic risk				Degradation and division of terrestrial ecosystems, invasions by non-native species, and adverse effects on local plant life and plant environments due to the modification of land areas caused by mining operations. Exhaustion of aquifers due to excessive water use during mining. Hindering mining operations due to increased severity and frequency of droughts. Greenhouse gas emissions due to mining operations, toxic emissions in the atmosphere, adverse impacts on plant life and soil, and changing ecosystems due to species migration.		
Transition risk			Legal and regulatory risk	Burden arising from carbon costs with respect to indirect greenhouse gas emissions, including the process of uranium mining.		
Hydroelectric Power	Physical risk	Acute risk	Damage to hydroelectric power plant facilities and shutting down of power plants due to flooding or earthquakes.	Restoration costs and costs related to securing alternative power sources.	Level II	
Transmission & Distribution	Physical risk	Acute risk	Falling trees and similar caused by strong winds during a typhoon damaging or bringing down utility poles and snapping power lines, leading to power outages.	Restoration costs.	Level II	
			Damage to facilities, particularly in the Oita and Miyazaki areas, due to a Nankai megathrust earthquake, causing wide-scale power outages.	Restoration costs.	Level III	

[Financial impact evaluation criteria] Level I: Less than ¥1 billion; Level II: ¥1 billion to ¥10 billion; Level III: ¥10 billion or more

### Natural capital-related opportunities

The Kyuden Group is aware of the following business opportunities. We are committed to working towards each of the 2030 global targets of the Kunming-Montreal Biodiversity Framework, a new set of worldwide goals for biodiversity.

Biodiversity Framework Targets		Kyuden Group Initiatives
Target 3	Conservation	Joining the 30by30 alliance / Application for Natural symbiosis site accredited by the Ministry of the Environment (ESG Data Book 2023 p. 20)
Target 4	Extinction risk	Implementation of environmental assessment (ESG Data Book 2023 pp. 17, 18)
Target 7	Waste	Appropriate waste disposal (ESG Data Book 2023 p. 22) Commercialization of Circular Park Kyushu (ESG Data Book 2023 p. 22)
Target 8	Climate change	Promotion of renewable energy (ESG Data Book 2023 pp. 9-11) Maximum use of nuclear power based on the fundamental prerequisite that safety is ensured Maximise the use of highly efficient thermal power plants (ESG Data Book 2023 p. 13)
Target 9	Managing wild species	Implementation of environmental assessment (ESG Data Book 2023 pp. 17, 18) Implementation of the Kyuden Future Forest Project (ESG Data Book 2023 p. 19)

Biodiversity Framework Targets		Kyuden Group Initiatives
Target 10	Building a production system	Creating J-Credits through Use of Woodland Resources (ESG Data Book 2023 p. 16) Growing FSC® (Forest Stewardship Council®; headquartered in Germany)-certified timber (ESG Data Book 2023 p. 20) Salmon farming business (ESG Data Book 2023 p. 49)
Target 11	Recovering, maintaining, and strengthening contributions from nature (NCP*)	Environmental conservation activities across the entire Kuju Bogatsuru Marshlands (ESG Data Book 2023 p. 19)
Target 15	Evaluation and disclosure of dependency and impact	Information disclosure conforming to the TNFD Framework
Target 21	Provision of data and information	Publication of Kyuden Group ESG Data Book
Target 22	Participation in decision making	Implementing human rights due diligence (ESG Data Book 2023 pp. 60-62)
Target 23	Gender equality	

\*NCP: Nature Contributions to People



# Initiatives Based on the TCFD Recommendations



Kyushu Electric Power expressed its support for the TCFD\* recommendations in July 2019.

\* Task Force on Climate-related Financial Disclosures (TCFD) is a task force established by the Financial Stability Board (FSB) in response to a request from the G20 Finance Ministers and Central Bank Governors Meeting. In June 2017, we published recommendations for promoting information disclosure on financial impacts brought about by climate-related risks and opportunities.

The Kyuden Group has positioned its response to climate change as an important management issue (materiality), and from 2020, we have been continually carrying out scenario analysis and information disclosure based on the TCFD recommendations.

In addition, the Group was the first energy provider in Japan to receive recognition from the international Science Based Targets (SBT) initiative for its targets to reduce greenhouse gas (GHG) emissions, which have been certified as science-based targets.

In future, we will realize our goal of “leading the way toward a decarbonized society” and fulfill our responsibility to provide our stakeholders with information through formulating strategies using the TCFD recommendations and enhancing our information disclosure based on these recommendations.

## Governance & Risk Management

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

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

In addition to establishing strategies and policies concerning all aspects of ESG (specifying materiality), as well as deliberating on specific measures and managing the progress of their implementation, the Committee deliberates on and supervises strategies and risks related to climate change. The Carbon Neutrality and Environment Sub-Committee, chaired by the Chief ESG officer, was additionally established under the Sustainability Promotion Committee, and its members deliberate on all aspects of environmental issues, including carbon neutrality, from a more specialist viewpoint.

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

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

We will continue to further enhance and strengthen the process of evaluating and managing climate change risks and opportunities to enhance the corporate value of the Kyuden Group.

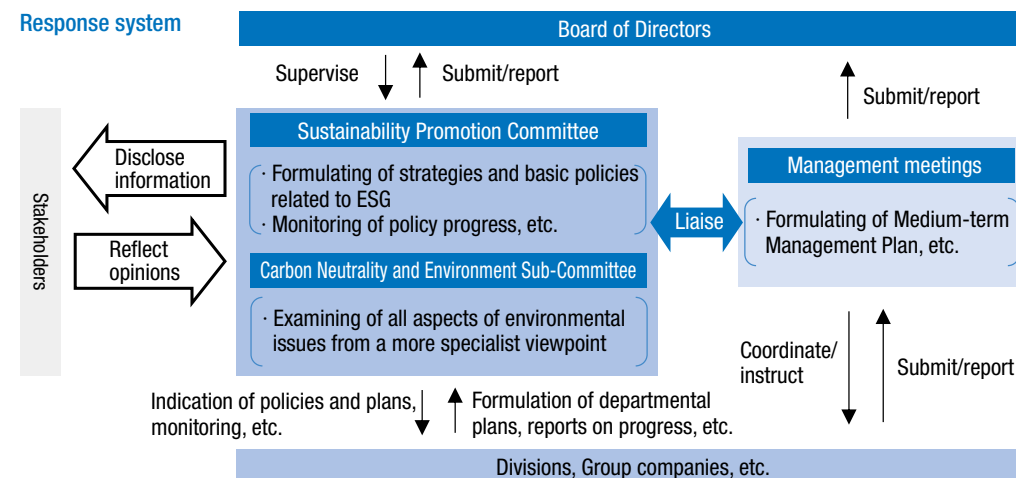
Refer to **P86** for details on the risk management system

Refer to **P78** for the Director Skill Matrix

### Main climate change-related agenda items discussed by the Board of Directors, Sustainability Promotion Committee, etc. (from July 2022)

Supervise	Board of Directors	<ul style="list-style-type: none"> <li>Reviewing materiality (including examining necessity)</li> <li>Direction for formulating the Medium-term ESG Promotion Plan and progress on its implementation</li> <li>Policies aimed at reducing GHG emissions</li> <li>Policy for issuing the Integrated Report and disclosure contents (including contents of TNFD/TCFD disclosure)</li> </ul>
Execute	Sustainability Promotion Committee	<ul style="list-style-type: none"> <li>Details of dialogues with the capital market (including initiatives toward enhancing external ESG assessments)</li> <li>Acquiring SBT certification</li> <li>GX League-related</li> </ul>

### Response system



#### Sustainability Promotion Committee

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

#### Carbon Neutrality and Environment Sub-Committee

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

### Linking climate change response to executive compensation

Kyushu EP offers its directors (excluding directors who are Audit & Supervisory Committee members and external directors) and other executives performance-based compensation, and has adopted GHG reductions aimed at carbon neutrality as one of its performance indicators (refer to **P79** for details on executive compensation).



## Strategies (Risks, Opportunities, and Measures) - Climate Change Countermeasures based on Scenario Analysis - [Detailed contents of response strategies are listed on P42-49]

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

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

Furthermore, from last year, in addition to conducting scenario analyses on the risks, opportunities, and financial impacts related to our electricity businesses (Domestic, Overseas, and Renewable Energy businesses), we have also been doing the same for the ICT Service and Urban Development businesses, which are two of our growth businesses.

### Scenario analysis (1.5°C case)

	Scenario	Scenario Drivers			Risk or Opportunity	Timeframe	Likelihood	Financial Impact (P&L basis)	Response Strategy	
		Major Theme	Topic	Driver						
1.5°C Case	Across the globe, carbon pricing schemes and other regulations have been strengthened and efforts to address climate change have been underway. As a result, GHG reductions have steadily progressed. With the rise in temperature kept under control, there are no significant increases in abnormal weather or events, including changes in the flow rate of water also in Kyushu, the Kyuden Group's main area of business. In Japan, the adoption of zero-emission power sources has progressed, maximizing the use of renewable energy and nuclear power. Customers are highly environmentally conscious, and with progress made toward ambitious energy conservation measures, electrification has made headway in all sectors, including the widespread use of EVs.	Electricity businesses (including Renewable Energy and Overseas)	Policy and Regulation	Costs and investments accompanying tighter GHG emission regulations	Carbon pricing (taxes, emission rights, etc.)	Transition risk (policy and regulation)	Medium to long-term	Medium	Costs would increase by ¥10 billion to ¥15 billion if GHG emissions were not reduced (assuming a carbon price of ¥2,000–¥3,000/t-CO <sub>2</sub> )	<ul style="list-style-type: none"><li>Reduce GHG emissions</li><li>Make recommendations on and get involved in energy policies</li></ul>
					Phase-out of inefficient coal-fired power and improvements to thermal efficiency			Short, medium, long-term	High	Several tens of billions of yen (amount of increased fuel costs in a case where Kyuden LNG thermal power is co-fired with 1% hydrogen and coal-fired thermal power is co-fired with 20% ammonia)
			Technology	Making renewable energy a primary source of power	Expanded earnings by promoting the development of renewable energy (including overseas)	Opportunity (source of energy)	Short, medium, long-term	High	¥13 billion in ordinary income from the renewable energy business (FY2025)	<ul style="list-style-type: none"><li>Develop geothermal and hydroelectric power projects, which our where our strengths lie</li><li>Develop offshore wind power and biomass projects that have great potential for adoption</li><li>Utilize battery and pumped storage</li></ul>
					Decreased grid stability	Transition risk (technology)	Medium to long-term	Low	Small to medium	Upgrade supply and demand operation and grid stabilization technologies through the use of digital technology
				Maximizing the use of nuclear power	Improving nuclear power plant utilization rate	Opportunity (source of energy)	Medium to long-term	Medium	A 1% increase in the utilization rate would reduce fuel costs by about ¥5 billion	Shorten inspection periods, operate on long-term cycles, improve electricity output
					Unplanned outages of nuclear power	Transition risk (policy and regulation, technology)	Short, medium, long-term	Low	Approx. ¥10 billion per reactor for a one-month outage	Allocate appropriate budgets for repairs and improvement costs in line with the state of facilities
			Market	Electric power demand	Increased electricity sales as a result of progress in electrification	Opportunity (products and services)	Short, medium, long-term	High	Sales will increase by approx. ¥60 billion if electrification target is reached (increase in sales if 2030 target KPI is achieved)	Contribute to the electrification of Kyushu —Household: Strengthen liaisons with housing-related businesses —Commercial: Suggest highly efficient heat pump systems, etc.
					Decreased electricity sales due to the spread of distributed energy systems, increased competition, etc.	Transition risk (market)	Medium to long-term	High	A 1% decrease in retail electricity sales would reduce sales by approx. ¥15 billion	Establish distributed energy resource (DER) control technologies and develop an aggregation business using battery storage
				Fuel prices	Higher fuel prices		Short, medium, long-term	High	Certain financial impact, but mitigated by a stable nuclear power supply	<ul style="list-style-type: none"><li>Diversify supply sources</li><li>Curb price hikes through contractual fixed price options, etc. (coal)</li><li>Consider diversifying pricing methods by using new indicators with higher price stability (LNG)</li></ul>
			Reputation	Credibility	Higher financing costs due to investors deeming our efforts toward carbon neutrality as insufficient	Transition risk (reputation)	Medium to long-term	Medium	Approx. ¥0.8 billion (the impact of a 0.1% change in the interest rate on approx. ¥700 billion in actual funding from FY2022)	<ul style="list-style-type: none"><li>Steadily implement the Action Plan</li><li>Promote proper information disclosure, including on the progress toward our KPIs</li></ul>
			Products and Services	Changing customer needs	Sales of non-fossil value	Opportunity (products and services)	Short, medium, long-term	High	¥20 billion to ¥40 billion (potential sales if all non-fossil value was sold)	<ul style="list-style-type: none"><li>Maximize the use of zero-emission power sources</li><li>Expand renewable energy and CO<sub>2</sub>-free rate plans</li></ul>
					Increased carbon neutrality needs in the region	Opportunity (products and services)	Medium to long-term	High	Approx. several hundred million yen (increased sales from distributed energy systems, EV services, etc.)	<ul style="list-style-type: none"><li>Establish distributed energy resource (DER) control technologies and develop an aggregation business using battery storage</li><li>Consider new business models using EVs</li></ul>
		ICT Service / Urban Development businesses	Policy and Regulation	Costs and investments accompanying tighter GHG emission regulations	Carbon pricing (taxes, emission rights, etc.)	Transition risk (policy and regulation)	Medium to long-term	Medium	Small	Maintain and improve profitability by differentiating ourselves and adding higher value by improving energy saving performance, creating self-sufficient zero energy buildings (ZEBs) and houses (ZEHs), introducing renewable energy-based electricity, and promoting the use of digital transformation. Also, reduce the impact of carbon pricing
					Increased costs following a tightening of the Energy Conservation Act	Transition risk (policy and regulation)	Medium to long-term	High	Small	
			Products and Services	Changing customer needs	Increased need to promote electrification and for energy management in response to growing demand for decarbonization and energy conservation	Opportunity (products and services)	Short, medium, long-term	High	Medium	
					Increased demand for products/services tied to ensuring resiliency		Medium to long-term	Medium	Small	<ul style="list-style-type: none"><li>Provide an accurate response to disaster response needs of local governments and enter into agreements with them</li><li>Collaborate with other companies on related products and services to differentiate us from competitors, including drone services and uninterruptible power supplies</li></ul>
			Physical	Facility damage	Losses incurred due to typhoons, floods, torrential rain, and other natural disasters (increased costs to restore damaged facilities and reduced earnings due to suspended operations)	Physical risk (acute)	Short, medium, long-term	Low	Small	<ul style="list-style-type: none"><li>Minimize impacts by constructing disaster-resistant facilities, selecting development sites and implementing disaster prevention measures based on hazard maps, and hedging risk with insurance coverage</li><li>Build a decentralized and disaster-resilient telecommunication network</li><li>Prepare disaster response manuals, etc.</li></ul>
				Operational costs	Increased electricity costs for air conditioning due to higher average temperatures	Physical risk (chronic)	Medium to long-term	High	Small	<ul style="list-style-type: none"><li>Improve the energy efficiency of air conditioning at our data centers, etc.</li></ul>

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

[Financial Impact] Small: Less than ¥1 billion; Medium: ¥1 to 10 billion; Large: ¥10 billion or more \*FY2022 figures used to determine financial impact unless otherwise stated

[Presumptions] 1.5°C case: Intergovernmental Panel of Climate Change (IPCC)'s 6th Assessment Report (SSP1-1.9 scenario), IEA WEO 2022 (Net Zero Emissions by 2050 (NZE) scenario), Japan's 6th Strategic Energy Plan, etc.

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



## Scenario analysis (4°C case)

		Scenario		Scenario Drivers			Risk or Opportunity	Timeframe	Likelihood	Financial Impact (P&L basis)	Response Strategy
				Major Theme	Topic	Driver					
4.0°C Case	There is a wide gap between the efforts different countries and regions have taken to address climate change, and GHG emission reductions have not progressed when viewed on a global basis. Temperatures have risen across the world, causing abnormal weather, including changes in the flow rate of water to increase also in Kyushu, the Kyuden Group's main area of business. The impacts of this have grown apparent, with some resource development sites overseas becoming inoperable. In Japan, the adoption of zero-emission power sources has progressed, maximizing the use of renewable energy and nuclear power. Moreover, the growing need for decarbonized power sources is advancing the debate on new types of nuclear reactors. Customers are highly environmentally conscious, and with progress made toward ambitious energy conservation measures, electrification has made headway in all sectors, including the widespread use of EVs. As total global GHG emission reductions have been insufficient, stricter carbon pricing schemes and other regulations are about to be imposed on power producers in developed countries.	Electricity businesses (including Renewable Energy and Overseas)	Policy and Regulation	Costs and investments accompanying tighter GHG emission regulations	Carbon pricing (taxes, emission rights, etc.)	Transition risk (policy and regulation)	Medium to long-term	Medium	Costs would increase by ¥20 billion to ¥30 billion if GHG emissions were not reduced (assuming a carbon price of ¥4,000–¥6,000/t-CO <sub>2</sub> )	<ul style="list-style-type: none"><li>· Reduce GHG emissions</li><li>· Make recommendations on and get involved in energy policies</li></ul>	
					Phase-out of inefficient coal-fired power and improvements to thermal efficiency			Short, medium, long-term	High	Greater than the 1.5°C case	<ul style="list-style-type: none"><li>· Establish co-firing technologies at our existing thermal power plants</li><li>· Develop hydrogen and ammonia supply chains</li><li>· Produce carbon-free fuel using renewable energy and nuclear power</li><li>· Switch from coal-fired to LNG combined cycle thermal power</li></ul>
			Technology	Maximizing the use of nuclear power	Unplanned outages of nuclear power	Transition risk (policy and regulation, technology)	Short, medium, long-term	Low	Approx. ¥10 billion per reactor for a one-month outage	Allocate appropriate budgets for repairs and improvement costs in line with the state of facilities	
			Market	Electric power demand	Increased electricity sales as a result of progress in electrification	Opportunity (products and services)	Short, medium, long-term	High	Not as prominent as the 1.5°C case	Contribute to the electrification of Kyushu —Household: Strengthen liaisons with housing-related businesses —Commercial: Suggest highly efficient heat pump systems, etc.	
					Decreased electricity sales due to the spread of distributed energy systems, increased competition, etc.	Transition risk (market)	Medium to long-term	High	A 1% decrease in retail electricity sales would reduce sales by approx. ¥15 billion	Establish distributed energy resource (DER) control technologies and develop an aggregation business using battery storage	
			Reputation	Credibility	Higher financing costs due to investors deeming our efforts toward carbon neutrality as insufficient	Transition risk (reputation)	Medium to long-term	Medium	Approx. ¥0.8 billion (the impact of a 0.1% change in the interest rate on approx. ¥700 billion in actual funding from FY2022)	<ul style="list-style-type: none"><li>· Steadily implement the Action Plan</li><li>· Promote proper information disclosure, including on the progress toward our KPIs</li></ul>	
			Products and Services	Changing customer needs	Increased carbon neutrality needs	Opportunity (products and services)	Medium to long-term	Low	Not as prominent as the 1.5°C case	<ul style="list-style-type: none"><li>· Maximize the use of zero-emission power sources</li></ul>	
				Physical		Reduced hydroelectric power generation	Physical risk (chronic)	Medium to long-term	Low	Approx. several hundred million yen/% (sensitivity of income and expenditures to a 1% change in flow rate)	Update our existing power plants and promote new development using FIT and FIP systems
					Fuel	Inability to operate resource development sites	Physical risk (acute)	Medium to long-term	Low	Fuel costs would increase by about ¥30 billion due to higher fuel prices (sensitivity to price increases of \$10/t for coal and \$1/MMBtu for LNG)	<ul style="list-style-type: none"><li>· Diversify supply sources</li><li>· Curb price hikes through contractual fixed price options, etc. (coal)</li><li>· Consider diversifying pricing methods by using new indicators with higher price stability (LNG)</li></ul>
						Facilities		Facility damage	Medium to long-term	High	¥7.1 billion to recover from disasters (actual cost of Typhoon Nanmadol in 2022)
		ICT Service / Urban Development businesses	Policy and Regulation	Costs and investments accompanying tighter GHG emission regulations	Carbon pricing (taxes, emission rights, etc.)	Transition risk (policy and regulation)	Medium to long-term	Medium	Small	Maintain and improve profitability by differentiating ourselves and adding higher value by improving energy saving performance, creating self-sufficient zero energy buildings (ZEBs) and houses (ZEHs), introducing renewable energy-based electricity, and promoting the use of digital transformation. Also, reduce the impact of carbon pricing	
					Increased costs following a tightening of the Energy Conservation Act		Medium to long-term	High	Not as prominent as the 1.5°C case		
			Products and Services	Changing customer needs	Increased need to promote electrification and for energy management in response to growing demand for decarbonization and energy conservation	Opportunity (products and services)	Short, medium, long-term	High	Not as prominent as the 1.5°C case	<ul style="list-style-type: none"><li>· Provide an accurate response to disaster response needs of local governments and enter into agreements with them</li><li>· Collaborate with other companies on related products and services to differentiate us from competitors, including drone services and uninterruptible power supplies</li></ul>	
					Increased demand for products/services tied to ensuring resiliency		Medium to long-term	Medium	Greater than the 1.5°C case		
			Physical	Facility damage	Losses incurred due to typhoons, floods, torrential rain and other natural disasters (increased costs to restore damaged facilities and reduced earnings due to suspended operations)	Physical risk (acute)	Short, medium, long-term	Medium	Greater than the 1.5°C case	<ul style="list-style-type: none"><li>· Minimize impacts by constructing disaster-resistant facilities, selecting development sites and implementing disaster prevention measures based on hazard maps, and hedging risk with insurance coverage</li><li>· Build a decentralized and disaster-resilient telecommunication network</li><li>· Prepare disaster response manuals, etc.</li></ul>	
				Operational costs	Increased electricity costs for air conditioning due to higher average temperatures	Physical risk (chronic)	Medium to long-term	High	Greater than the 1.5°C case	Improve the energy efficiency of air conditioning at our data centers, etc.	

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

[Financial Impact] Small: Less than ¥1 billion; Medium: ¥1 to 10 billion; Large: ¥10 billion or more \*FY2022 figures used to determine financial impact unless otherwise stated

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

For details on the Carbon Neutral Vision 2050 (including the Action Plan), please visit the following page:

[https://www.kyuden.co.jp/english\\_index.html](https://www.kyuden.co.jp/english_index.html)Home > For investors > Information on our Sustainability initiatives> **Carbon Neutral Vision 2050**



## Indicators and Targets - Setting Climate-related Targets and their Progress -

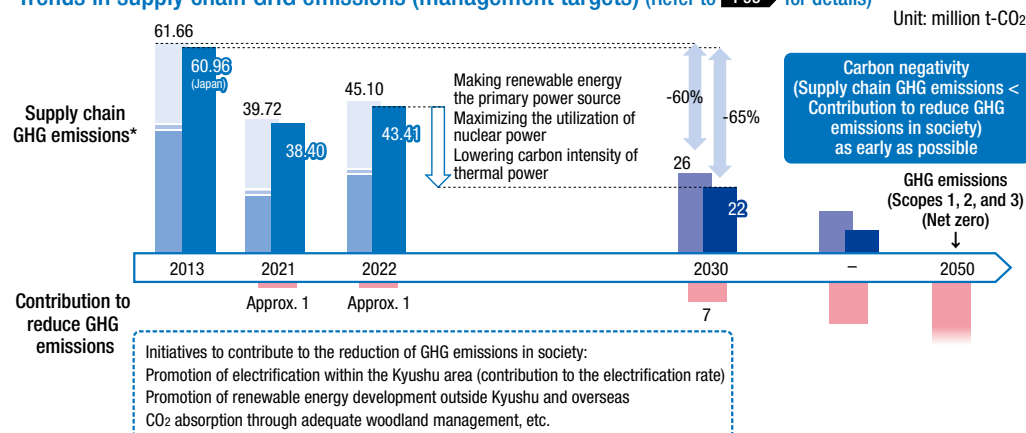
As an industry leader in low-carbon and carbon-free efforts, we will take on the challenge of achieving net zero greenhouse gas (GHG) emissions in our supply chains by 2050 and make significant contributions to reducing emissions across society by helping improve Kyushu's rate of electrification. In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

We have also set interim management targets (environmental targets) for 2030 on our way toward carbon neutrality by 2050. These have been set at a level that goes far beyond the targets for reducing GHG emissions announced by the Japanese government, and we have formulated a concrete action plan (refer to **P40-41** for details on progress) to achieve them.

	KGI (2050)	Indicator	Interim Targets and KPIs (2030)	FY2022 Performance
Supply	Net zero supply chain GHG emissions	Supply chain GHG emissions	60% reduction of supply chain GHG emissions (65% for domestic business) (compared to FY2013)	26% reduction (28% for domestic business)
		Positioning renewable energy as a primary power source	Renewable energy developed: 5,000 MW (Japan and overseas)	3,020 MW (Japan and overseas, approved projects *1)
		Lowering the carbon intensity of thermal power	Achieve the benchmark indicators in the Energy Conservation Act (Indicator A: 1.0 or more; Indicator B: 44.3% or more; Coal only indicator: 43.0% or more)	Indicator A: 0.98; Indicator B: 43.02%; Coal only Indicator: 41.66
			Establish technology toward co-firing of 1% hydrogen / 20% ammonia	Investigated and examined hydrogen/ammonia co-firing technologies (tested co-firing of ammonia at Unit 1 of the Reihoku Power Plant from April 2023)
Demand	Contribution to reduction of GHG emissions in society – Help achieve a 100% electrification rate for the household and commercial sectors in Kyushu	Promotion of electrification	Contribute to the electrification of Kyushu (Household: 70%; Commercial: 60%)	Household: 61%; Commercial: 48% *2
		Household sector	Incremental electricity: 1,500 GWh (2021-2030 total)	Incremental electricity: 120 GWh
		Commercial sector	Incremental electricity: 1,600 GWh (2021-2030 total)	Incremental electricity: 110 GWh
		Transportation sector	100% replacement of company vehicles with EVs (excluding special-purpose vehicles)	Percentage of company vehicles replaced with EVs: 16% (95 EVs deployed)
Contribution to reduction of GHG emissions in society			Contribution to reduce GHG emissions: 7 million t-CO2	Approx. 1 million t-CO2

\*1: Total of projects for which development is expected by 2030 at the present stage \*2: Calculations are based on the FY2020 figures (provisional figures) in the "Energy Consumption Statistics by Prefecture" reported by the Agency for Natural Resources and Energy

### Trends in supply chain GHG emissions (management targets) (Refer to **P95** for details)



\* GHG emissions data have received an Independent Practitioner's Assurance from Deloitte Tohmatsu Sustainability Co., Ltd in our ESG Data Book 2023.

### Internal carbon pricing

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

Our internal carbon price has been set at around ¥1,400 to ¥2,900/t-CO<sub>2</sub> based on the trading price (¥0.6 to ¥1.3/kWh), etc. of non-fossil value on the market (market for achieving the target mandated by the Sophisticated Methods Act).

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

### Total investments in low-carbon and decarbonized energy sources

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

In FY2022, we became the first former general electric utility in Japan to issue a transition bond and implement a transition loan, which is the government's first interest subsidy program.

(For details related to promoting green and transition financing, refer to **P46**)



## [Implementing Continuous Improvements in Energy Services]

## Stable Supply of Energy

In our electricity businesses, we have made it our fundamental mission to continuously deliver environmentally friendly energy at a low cost and in a reliable manner with safety as our top priority, which we see as our greatest social responsibility. To that end, we will continue to maintain the high level of supply dependability we have achieved to date by accurately responding to trends in electric power demand, efficiently forming our facilities, taking steps to reduce power outages, upgrading the operation and management of our facilities, and working to restore power as soon as possible after outages caused by major disasters.

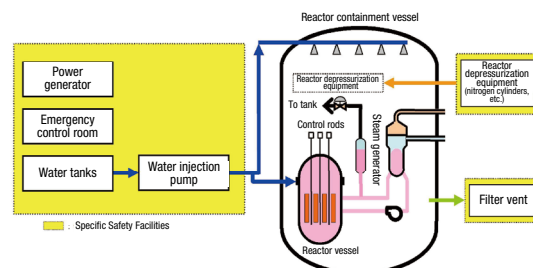
### Initiatives to Improve the Safety and Reliability of Nuclear Power

Kyushu EP has been ahead of its competitors in complying with the government's new regulatory standards following the accident at the Fukushima Daiichi Nuclear Power Plant, and has restarted its nuclear reactors. Moving forward, we will continue our efforts to continuously improve the safety and reliability of our nuclear power operations, not only within the regulatory framework, but also by doing due diligence in collecting the latest technical insights and data and applying it to operations.

#### Installation of Specific Safety Facilities

Under the new regulatory standards set by the government, it is mandatory to install Specific Safety Facilities (SSFs)\* that are capable of handling terrorist and other threats.

Sendai Nuclear Power Plant was the first in Japan to pass government inspection under the new regulatory standards, and it began operation in 2020. In addition, installation works were also completed for Genkai Nuclear Power Plant, which is currently in operation (Unit 3: December 2022, Unit 4: February 2023).



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

#### Application for extension of the operation period of Sendai Nuclear Power Plant Units 1 & 2

In order to operate a nuclear power plant beyond the 40-year limit, an application for extension must be submitted to the Nuclear Regulation Authority and permission must be granted.

We submitted an application for extension for Sendai Nuclear Power Plant Units 1 & 2 in October 2022, and will take measures as appropriate toward getting permission.

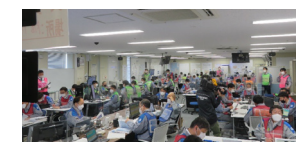
■ Period of extension

	Start date of extension	End date of extension	Extension period
Unit 1	July 4, 2024	July 3, 2044	20 years
Unit 2	November 28, 2025	November 27, 2045	20 years

#### Efforts to prevent nuclear accidents

We are working to improve our response capabilities by developing emergency systems and conducting repeated drills in preparation of a nuclear accident so that we will be able to promptly respond to any type of situation at our nuclear power plants.

In addition, we are stepping up our cooperation with related organizations and businesses by participating in nuclear power disaster drills offered by the national and local governments, as well as joint drills carried out by nuclear power operators.



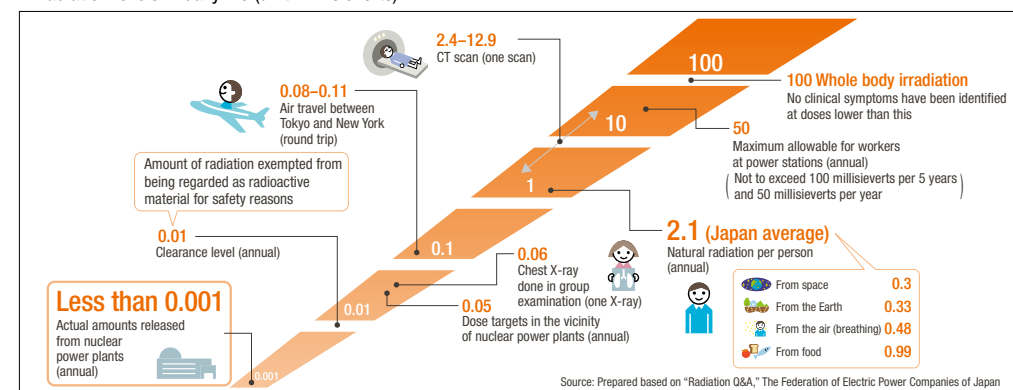
In-house nuclear emergency drill simulating a major accident at Genkai Nuclear Power Plant (February 2023)

#### Environmental radiation control around nuclear power plants

We continuously monitor and measure radiation levels in the vicinity of nuclear power plants, and disclose that data in real time on the website of Kyushu EP. In addition, we regularly measure the radioactivity contained in environmental samples such as soil, seawater, crops, and marine products, and to date, there has been no identification of any environmental impact due to the operation of our nuclear power plants.

The radiation dose received by people in the vicinity of the nuclear power plant is less than 0.001 millisieverts per year, which is far below the legal dose limit of 1 millisievert per year and the target value of 0.05 millisieverts per year set by the former Japanese Nuclear Safety Commission.

#### ■ Radiation levels in daily life (unit: millisieverts)



#### Enhancing communication with local residents regarding nuclear power

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



Dialogue with local residents



## Maintaining and Improving the Reliability of Supply

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

### Preventing power outages

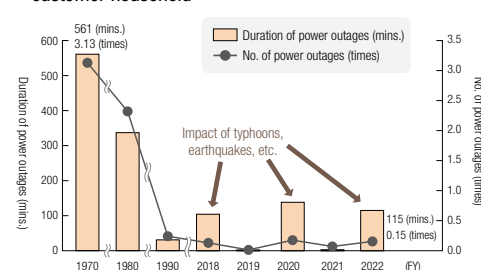
In order to prevent power outages along our transmission and distribution lines, we are working to identify points of hazard ahead of time by patrolling facilities, in addition to implementing countermeasures and preventing birds and other animals from building nests. We also continuously survey the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

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

### Planned updates to aging facilities

In preparation for the aging of facilities built to meet an increase in electric power demand following economic growth, we are making progress in inspections and repairs focused on aging facilities and planned updates to facilities in order to stably maintain facility functions over the long term. We are also working to improve the accuracy of equipment life estimates through analysis of equipment deterioration data, etc., which is reflected in plans for the renewal of older equipment.

■ Annual duration and frequency of power outages per customer household



## Promotion of Safe and Disaster-resistant Urban Development

### Prevention of public electric shock incidents

Kyushu T&D has been regularly carrying out PR activities and requests for cooperation to civil engineering, construction, and crane companies, elementary and junior high schools and boards of education, local governments, police and fire stations, and other organizations in order to prevent incidences of electric shock among the general public.

In addition, we are strengthening our safety measures by implementing equipment-related measures to prevent public electric shock incidents that are caused by contact with power equipment.

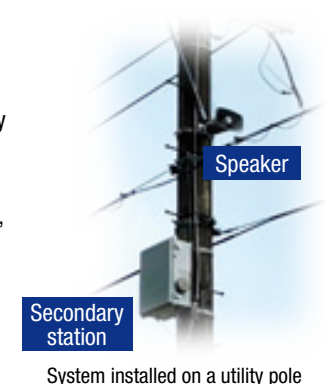
■ Number of public electric shock incidents (number of deaths and hospitalizations)

FY	2018	2019	2020	2021	2022
No. of incidents	1	1	0	0	0

### Disaster emergency information transmission system that utilizes utility poles

In order to address the issue of the current emergency broadcast system not fully reaching all areas, Kyushu T&D is working on a disaster emergency information transmission system that uses speakers attached to utility poles to deliver disaster preparedness information with clarity to residents.

Pilot testing of the system conducted from January 2020 in Toho Village, Asakuragun, Fukuoka Prefecture obtained positive results. As such, we began full-scale introduction of the system in this same village in March 2022. We are now actively visiting many municipalities in Kyushu to propose introduction of the system.



## Improvement of Disaster Response Capabilities

### Strengthening the disaster response system

We have been strengthening cooperation with relevant authorities to rapidly restore power during disasters. We have entered into cooperative agreements with not only the Ground and Maritime Self-Defense Forces, but also the 7th and 10th Regional Coast Guard Headquarters and all local governments in the Kyushu area (7 prefectures, 233 municipalities) in the event of a disaster.

Based on these cooperative agreements, we strive to maintain a joint cooperation system, carrying out drills and other activities in preparation for large-scale disasters with related organizations.

In addition, we are also working to strengthen cooperation with other companies, including entering into agreements for joint cooperation with West Nippon Expressway Company Limited, Lawson, Inc., and AEON Co., Ltd. with the goals of facilitating the passage of emergency and other vehicles, diversifying the means of procuring relief supplies, and securing sites that can serve as a base for recovery efforts.



Agreement finalization ceremony with the 7th Regional Coast Guard



Personnel and equipment loading training with the Japan Coast Guard Headquarters

### Responding to large-scale disasters

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

In September 2022, Typhoon Nanmadol caused power outages in up to 350,000 households, mainly in southern Kyushu. We mobilized up to 5,900 employees, including those from northern Kyushu, which suffered relatively little damage, to dispatch support to the south, and worked closely with local governments to restore power as soon as possible.



## Affordable Energy

Kyushu EP is working to improve management efficiency by reducing fuel costs through diversifying fuel procurement methods and reducing equipment procurement costs, thereby aiming to lower power generation costs.

### ■ Efforts to reduce fuel costs

Initiative	Overview
Expand procurement through competitive quotations	· Procure with more competitive quotes to reduce fuel prices, transportation costs, import agent fees, etc.
Diversify supply sources	· Expand the use of sub-bituminous coal and standard-grade coal, which are less expensive than high-grade coal, and introduce high-ash coal, which is expected to be more economical · Diversify our supply sources by introducing South American and Central Asian coals that had previously been shipped to Europe
Cooperate with other companies	· Respond to fluctuating requirements flexibly in cooperation with other operators to optimize supply and demand operations
Diversify pricing methods	· Reduce the risk of price fluctuations and fuel procurement costs by diversifying and optimizing our pricing methods, including fixed-price and market-price-linked methods · Adopt LNG pricing methods that use new indicators to curb procurement price fluctuations and improve economic efficiency
Pursue economic efficiency based on market trends	· Reduce procurement costs through an appropriate combination of and negotiations on long-term, short-term, and spot contracts based on market conditions
Strengthen participation in the fuel value chain	· Acquire upstream equity interest (contributes to stable fuel procurement, flexibility, and enhanced procurement capabilities by acquiring information from producers) · Reduce transportation costs by thoroughly managing and maximizing the use of our own vessels · Balance supply and demand internally with contracts for the use of LNG terminals overseas that can receive and dispense LNG

### ■ Efforts to reduce equipment procurement costs

Measures	Overview
Make use of the competition principle	· Expand and enhance competitive effect by improving motivation toward placing orders, including introducing new suppliers, separating orders, and ranked allocation, etc.
Assess overall advantages	· Pursue overall economic efficiency through a multifaceted assessment of factors other than initial costs, such as running costs and other maintenance costs, efficiency, durability, and reliability, etc.
Contrive ordering methods	· Pursue economies of scale by joint procurement with other companies and combining and ordering multiple projects · Apply optimal ordering methods to balance stable procurement with reduced costs, etc.
Work with suppliers and make use of their knowledge	· Proactively make use of supplier knowledge, including value engineering (VE) and technological proposals, etc. · Unit cost reduction activities such as cooperating with suppliers to revise specifications and improving work efficiency on-site, etc.
Revise specifications and techniques	· Ease required specifications, improve efficiency by contriving better techniques, etc.

· In FY2022, we achieved a cost reduction of ¥20.8 billion through efforts to reduce equipment procurement costs.

## Solutions Based Around Energy Services

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

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

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

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

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

Along with offering products in the four categories of disaster prevention measures, countermeasures against extreme heat, information security, and switching to LEDs, which are of high interest to local communities and society, we also provide a lineup of related products that take a separate approach for each customer, including medical institutions, offices, and manufacturing sites, proposing optimal solutions for each individual customer's issues.

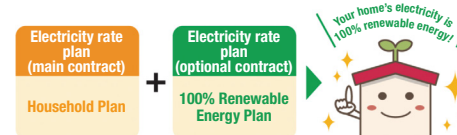


### Providing Rate Plans that Meet Customer Needs for Decarbonized Electricity

(For households)

Kyushu EP offers the "Marugoto Saiene (100% renewable energy) Plan" for a fixed monthly fee of ¥500 to meet the needs of households wanting to use electricity derived from renewable sources, and the "Let's Grow Future Forest Plan" through which a fixed monthly donation of ¥300 goes to environmental conservation activities undertaken by the Kyuden Mirai Foundation.

#### 100% Renewable Energy Plan



(For corporate customers)

Based on the growing and diversifying renewable energy needs of customers, as well as changes in the environment such as revisions to the non-fossil value market, Kyushu EP offers three renewable energy and CO<sub>2</sub>-free plans for corporate customers to meet customer needs with great care.

#### Let's Grow Future Forest Plan

Your support will help preserve Kyushu's natural environment.



Renewable Energy ECO Kiwami	再エネCO2フリー	<ul style="list-style-type: none"> <li>Provides electricity from renewable energy sources (hydroelectric, geothermal, etc.) and renewable energy value, as well as further value by specifying the type of power source, etc.</li> <li>Contributes to the maintenance and expansion of renewable energy sources</li> </ul>
Renewable Energy ECO Plus	再エネCO2フリー	<ul style="list-style-type: none"> <li>Provides additional renewable energy value to the electricity you are currently using</li> <li>Makes the introduction of renewable energy plans more accessible</li> </ul>
CO <sub>2</sub> Reduction Plan	CO <sub>2</sub> 削減プラン	<ul style="list-style-type: none"> <li>Provides CO<sub>2</sub>-free value added to your current electricity</li> <li>Specialized in the value of zero-carbon emissions</li> </ul>



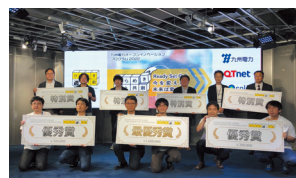
[Co-creating a Smart and Vibrant Society]

## Realizing a Smart Society

To create new businesses and increase earnings as part of our “new business development” strategy, the Kyuden Group is collaborating and co-creating with companies in other industries (startups, etc.) and creating new businesses and services by leveraging Group strengths and resources across all Group companies.

### Open Innovation Program: Inspiration and Co-creation

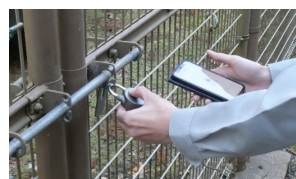
We hold an open innovation program to create new businesses by combining the creative, innovative business ideas of outside companies and the like with the management resources of the Kyuden Group. Among the ideas submitted through the program, we are making progress in materializing those awarded through the selection process and working on pilot projects toward their commercialization.



The Open Innovation Program award ceremony

#### Development of the Smart Padlock

We are promoting the joint development of KEYes INC.'s Smart Padlock, which was awarded the excellence prize in FY2022. The Smart Padlock is a smart lock mechanism that allows the padlock to be unlocked and usage history to be checked via a smartphone. Due to not needing to manage physical keys, the Smart Padlock creates a system for reducing moving time for transferring keys and managing entry/exit, as well as preventing trouble, such as the loss or duplication of keys.



Smart Padlock

### Creating New Services and Solutions Across Divisions

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

#### Development of Q-ie Monitoring

Kyushu EP has developed Q-ie Monitoring, a service aimed at real estate companies that uses data on electric power used in 30-minute intervals and measured using a smart meter and proprietary analysis technology to notify relatives of tenants who live alone in rental properties when there has been a change in that person's activities. The service was born through a collaboration between the Marketing Division and Digital Transformation Promotion Division while working to promote DX internally. The aging of society is causing a social issue whereby rental properties drop in value when elderly tenants die alone at home, and consequently, the elderly end up being refused as tenants. We will strive to create an environment where people who live alone can move into rental properties through this service with peace of mind.

## Creating Safe, Secure and Comfortable Spaces to Live

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

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

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

In addition to expanding our office, housing, airport, and other businesses, we will step up our initiatives in new sectors such as area development, including urban development and mixed-use development, industrial real estate including logistics facilities, and fee-based businesses. Further, as an energy provider, we will strive to decarbonize society by promoting environmentally friendly development through improved energy efficiency and low-carbon energy use.

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

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

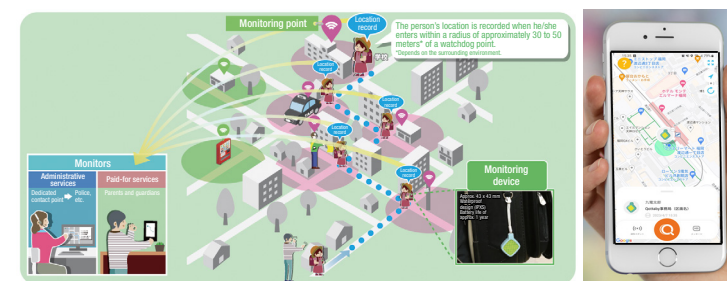
#### Aerial photography, inspection, and surveying services by drones

Kyushu EP provides the Kyuden Drone Service (QDS), which uses a wide selection of drones to carry out aerial shooting, inspection, and surveying across Kyushu and other regions. We offer a variety of services that contribute to solving issues, including internal inspections of smokestacks using special drones and visualizing woodland resources by high-precision image analysis that combines laser surveying with AI.



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

Kyushu T&D offers the monitoring service Qottaby in Fukuoka City and the towns of Kasuya and Hisayama. Parents and guardians, or police officer can check the location information of children or the elderly by a monitoring device carried with them. Recently, with crime prevention volunteers getting older and a rise in the number of households where both adults are working, less people are taking part in neighborhood watch activities. In response to this decrease, we are using ICT to create safe and secure places to live.





# Regional Vitalization

The Kyuden Group is working to create new businesses and services together with local communities aimed at the sustainable development of local communities and society.

## Promoting Initiatives for Solving Regional Issues

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

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

## Q-Den Nigiwai Startup Project

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

In 2020, we established the Kyuden Nigiwai Startup Company, a general incorporated association to serve as the business entity for the project, and currently, the company is promoting initiatives at two sites in Nagasaki and Fukuoka prefectures.

In Higashisonogi Town, Nagasaki Prefecture, we have been collaborating with the Higashisonogi Hitokotomono Foundation to sell products aimed at increasing the number of visitors in the area, as well as operate a community hub with the aim of creating a connected and settled population. At umino Wa (opened in February 2022), a community hub for interaction between local residents and tourists featuring a café where people can enjoy the local specialty, Sonogi Tea, and other facilities, we share information on the region and support those moving to or starting a business in the town.

Furthermore, on Ainosima Island (a remote island that is part of Shingu Town, Fukuoka Prefecture), we are working as one with our business partner, Ainosima Regeneration Council, and Shingu Town, on the three measures of industry creation, living, and new residents in light of the shortage of people available to work in the local community. To develop the fishing industry, a key industry on the island, we have been developing a processed seafood business, and since January 2023, we have been working to create industry by manufacturing and selling *bouzushi*, a sushi dish prepared by pressing a whole fish on top of a sushi roll, using seasonal fish from the Genkai Sea.



umino Wa (Higashisonogi Town, Nagasaki Prefecture)



*Bouzushi*  
(Ainosima Island, Shingu Town, Fukuoka Prefecture)

## Attracting Businesses

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

Kyushu EP branches located in each of Kyushu's prefectures liaise with local governments to match them with companies, and provide support and other services to meet the needs of companies and other entities expanding to the Kyushu area. We also introduce products and services suitable for new plant and office construction and relocation by utilizing the Kyuden Group's products.

To contribute to regional revitalization, Kyushu T&D liaises closely with local governments to gather information on industrial parks and idle land, and reviews measures on supplying electricity for expedited supply.

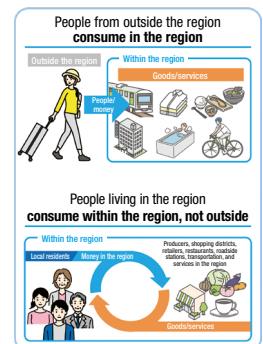
## Supporting Regional Economic Revitalization by Providing a Local Information Platform

In May 2021, Kyushu EP established Machi no Wa Co., Ltd. with SBI Holdings, Inc. and The Chikuho Bank, Ltd. for the purpose of vigorously promoting regional development and community revitalization. This company provides electronic services for premium gift certificates to local governments and organizations.

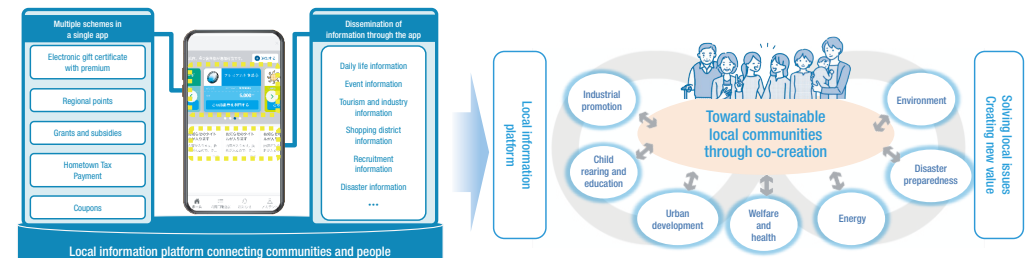
Based on this service, the company aims to serve as a regional platform that not only circulates local currency within the region but also brings in people and money from outside the region by issuing childcare benefits, tourism promotion coupons, and other digital local currencies according to the policies of each community.

In February 2023, Machi no Wa was selected for the Green Life Point project promoted by the Ministry of the Environment, and will contribute to the realization of carbon neutrality through such measures as awarding points via a local currency application for environmentally conscious behavior.

In the future, the company will work to build a sustainable ecosystem that contributes to solving regional issues and creating new value through co-creation with various parties.



The kind of local community that Machi no Wa is aspiring to





# Chapter 5

## Foundation for Creating Value

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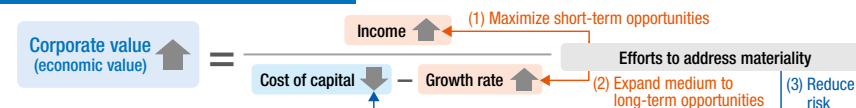
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# Foundation for Creating Value

The Kyuden Group has incorporated its materiality initiatives into its Medium-term ESG Promotion Plan as a concrete action plan it is steadily advancing. Based on the two ideas of “promoting growth, success, and diversity of human capital” and “strengthening governance,” we will create a firm foundation for creating value.

## Corporate Value Enhancement Model



■ Medium-term ESG Promotion Plan < 2030 Target > Improve employee engagement - Employee satisfaction score: 80% [Overall and focused (challenge, fulfillment, sense of accomplishment, etc.)] / Increase added value\*1 per employee – 1.5x compared to FY2021

Materiality	Key Issue	Medium-term Targets (FY2030 target unless otherwise stated)	FY2023 Targets	Major Action Plans	Impact			FY2022 Results	Scope of Performance Aggregation
					(1)	(2)	(3)		
Promoting Growth, Success, and Diversity of Human Capital	Respect for Human Rights	Reduce the risk of serious human rights violations, including throughout the supply chain	Introduction of new and expanded initiatives (12 items) related to human rights due diligence and remedial measures	<ul style="list-style-type: none"> <li>Steadily promote human rights due diligence and remedial measures</li> <li>Implement systematic and effective inner branding in cooperation with related departments</li> </ul>			○	<ul style="list-style-type: none"> <li>Identification of significant human rights risks</li> <li>Establishment of Supplier Code of Conduct</li> </ul>	—
	Promotion of Value Co-Creation and Innovation	Create new value by leveraging individual will — Number of commercialized projects: more than 30 (cumulative total to FY2030) — Number of proposals and entries: 10,000	<ul style="list-style-type: none"> <li>No. of participants in KYUDEN i-PROJECT: 100 participants/year</li> <li>No. of individual projects leading to commercialization, services, and final proposals: 3 or more projects/year</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen functions to create business ideas and develop projects</li> <li>Strengthen functions to accelerate growth of potential projects</li> <li>Create a foundation and culture that fosters innovation</li> </ul>		○	○	<ul style="list-style-type: none"> <li>No. of participants in KYUDEN i-PROJECT: 169 participants/year</li> <li>No. of individual projects leading to commercialization, services, and final proposals: 2</li> </ul>	—
	Promotion of Diversity and Inclusion	Organization that makes the most of diversity of knowledge and experience — Female manager appointments: 30% or more (percentage of women appointed to section chief level or higher (excluding executives)) — Management transformation training: All heads of organizations to attend (FY2025)	<ul style="list-style-type: none"> <li>No. of women newly appointed as managers or to top management positions in the organization (FY2019–2023): More than three times that of FY2009–2013</li> <li>Percentage of male employees who took childcare leave: 100%</li> <li>Eruboshi certification</li> </ul>	<ul style="list-style-type: none"> <li>Create an organizational culture that leverages and co-creates diversity of knowledge and experience</li> <li>Create a system that allows for flexible work styles</li> </ul>		○	○	<ul style="list-style-type: none"> <li>No. of new female managers appointed: 2.72 times increase (16 (49 cumulatively))</li> <li>No. of women appointed to top management positions in the organization: 4 times increase (6 (28 cumulatively))</li> <li>Percentage of male employees who took childcare leave: 80.6%</li> <li>Eruboshi certification</li> </ul>	*2
	Prioritization of Health and Safety	<ul style="list-style-type: none"> <li>Zero serious occupational accidents including contractors and subcontractors</li> <li>Continuous approval under the Certified Health &amp; Productivity Management Outstanding Organizations Recognition Program</li> <li>Overall health risk in stress check: 80 or less</li> </ul>	<ul style="list-style-type: none"> <li>No. of serious accidents (employees): 0</li> <li>Continuous approval under the Certified Health &amp; Productivity Management Outstanding Organizations Recognition Program</li> <li>Overall health risk in stress check: 80 or less</li> </ul>	<ul style="list-style-type: none"> <li>Thoroughly implement preventive measures that focus on serious accidents</li> <li>Promote health management based on the Kyushu EP Health Declaration</li> </ul>		○	○	<ul style="list-style-type: none"> <li>No. of serious accidents (employees): 0</li> <li>Continuous approval under the Certified Health &amp; Productivity Management Outstanding Organizations Recognition Program</li> <li>Overall health risk in stress check: 76</li> </ul>	*2
	Securing and Developing Human Capital	<ul style="list-style-type: none"> <li>DX follower training: All employees to participate (FY2025) (training to acquire basic knowledge and skills in digital transformation)</li> <li>DX specialist training: Approx. 240 participants (FY2025)</li> </ul>	<ul style="list-style-type: none"> <li>DX specialist human resources training: 200 participants (to be developed intensively in FY2023)</li> </ul>	<ul style="list-style-type: none"> <li>Secure and develop human resources with diverse knowledge and experience, including highly specialized human capital and DX human capital</li> <li>Create a system that stimulates employee autonomy and makes the most of it</li> <li>Create an organizational culture that leverages and co-creates diversity of knowledge and experience</li> </ul>		○	○	<ul style="list-style-type: none"> <li>DX specialist training participants: 36</li> <li>DX literacy training participants: Approx. 9,000</li> </ul>	*2
	Promotion of (DX) Digital Transformation (business framework and process transformation, etc.)	Profit generation effect of digital transformation: Approx. 40 billion yen (cumulative total to FY2030)	<ul style="list-style-type: none"> <li>Promotion of individual digital transformation plans: 50 cases</li> <li>Self-BI (Tableau) implementation and deployment: 50 cases</li> </ul>	<ul style="list-style-type: none"> <li>Check the progress of the digital transformation plan of each department in charge, and provide appropriate advice and support for its implementation</li> <li>Provide support for further promotion of data utilization based on business unit needs</li> </ul>		○	○	<ul style="list-style-type: none"> <li>Promotion of individual digital transformation plans: 50 cases</li> <li>Self-BI (Tableau) implementation and deployment: 30 cases</li> </ul>	—
Strengthening Governance	Improving Effectiveness of Corporate Governance	<ul style="list-style-type: none"> <li>Ensure diversity and appropriate scale of the Board of Directors (percentage of external directors, etc.)</li> <li>Ensure transparency and objectivity of nominations and remuneration</li> <li>Enhance monitoring system</li> </ul>	<ul style="list-style-type: none"> <li>Enhance the information we disclose relevant to corporate governance</li> <li>Improvement of the functioning of the Board of Directors</li> </ul>	<ul style="list-style-type: none"> <li>Further delegate authority to persons responsible for business execution to accelerate decision-making</li> <li>Further invigorate discussions on management strategies and important issues for the entire group, etc.</li> <li>Verify the significance of policy shareholdings and take action to reduce the number of shares held</li> </ul>			○	<ul style="list-style-type: none"> <li>Enhance the information we disclose relevant to corporate governance</li> <li>Revision of standards for Board of Directors meetings</li> </ul>	*3
	Strengthening Risk Management System	Improve the accuracy of risk management	Improve the accuracy of risk management	Clarify major risks, share risk awareness among senior management and executive officers, reflect risk countermeasures in the Medium-term Management Plan, and implement proper monitoring			○	Conduct company-wide risk analysis, share awareness with senior management, and reflect risk countermeasures in the Medium-term Management Plan	—
	Ensuring Compliance	<ul style="list-style-type: none"> <li>No. of serious compliance violations: 0</li> <li>Creation of an organizational culture conducive to consultations</li> </ul>	<ul style="list-style-type: none"> <li>No. of serious compliance violations: 0</li> <li>Monitoring of the number of whistle-blowing and consultation cases</li> </ul>	<ul style="list-style-type: none"> <li>Take appropriate measures to address the results of the Japan Fair Trade Commission investigation and inappropriate handling of customer information of new energy providers, etc., and take thorough measures to prevent recurrence</li> <li>Prevent compliance violations that could have a significant impact on management</li> <li>Establish a contact person in charge of regulating conduct</li> <li>Communicate messages from senior management and enhance dialogue</li> </ul>			○	<ul style="list-style-type: none"> <li>No. of serious compliance violations: 3</li> <li>No. of whistle-blowing and consultation cases: 30 (No. of consultations through compliance consultation desks and the Harassment Advice Counter of Kyushu EP and Kyushu T&amp;D)</li> </ul>	*2

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

\*1: Added value = operating revenues minus value of external purchases (such as fuel expenses, outsourcings costs) and depreciation. I.e. ordinary income + personnel expenses + rent + finance expenses + taxes and dues.

\*2: Kyushu EP and Kyushu T&D \*3: Kyushu EP



## ■ Medium-term ESG Promotion Plan

Materiality	Key Issue	Medium-term Targets (FY2030 target unless otherwise stated)	FY2023 Targets	Major Action Plans	Impact			FY2022 Results	Scope of Performance Aggregation
					(1)	(2)	(3)		
Strengthening Governance	Strengthening Supply Chain Management	Raise supply chain awareness of ESG	Response rate to questionnaire survey on sustainability improvement initiatives for major business partners: 90% or higher	Promote initiatives to improve sustainability in the supply chain, including carbon neutrality and human rights considerations, based on the Sustainable Procurement Guidelines		○		Establishment of Supplier Code of Conduct	*1
	Ensuring Information Security	<ul style="list-style-type: none"> <li>No. of personal information leaks: 0</li> <li>No. of serious information security incidences due to cyber-attacks: 0</li> <li>No. of system failures that have a significant impact on customers: 0</li> </ul>	<ul style="list-style-type: none"> <li>No. of personal information leaks: 0</li> <li>No. of serious information security incidences due to cyber-attacks: 0</li> <li>No. of system failures that have a significant impact on customers: 0</li> </ul>	<ul style="list-style-type: none"> <li>Thoroughly implement measures to prevent recurrence in terms of awareness, education, systems, and business operations based on the cause of the information leakage incident</li> <li>Strengthen the response toward security incidents further</li> <li>Strengthen information security measures across our entire supply chain, including external business partners</li> <li>Promote steady system development and operation in accordance with the division of responsibilities and roles between the business and IT departments</li> </ul>		○	○	<ul style="list-style-type: none"> <li>No. of personal information leaks: 1</li> <li>* Guidance from and reports to the Personal Information Protection Committee based on laws and regulations</li> <li>No. of serious information security incidences due to cyber-attacks: 0</li> <li>No. of system failures that had a significant impact on customers: 0</li> </ul>	*1
	Enhancing Stakeholder Engagement (Building Trust with Stakeholders, etc.)	Raise the level of stakeholder satisfaction — Improvement of trust in the Group — Improvement of customer satisfaction	<ul style="list-style-type: none"> <li>Level of trust in and satisfaction with the Kyuden Group               <ul style="list-style-type: none"> <li>Trust: 59.1% or higher (over FY2021 results)</li> <li>Satisfaction: 63.4% or higher (over FY2022 results)</li> </ul> </li> <li>Improvement ratio in the questionnaire survey               <ul style="list-style-type: none"> <li>Image of the Kyuden Group: 90% or more</li> <li>Environmental conservation awareness: 90% or more</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Develop public relations and public hearing activities to enhance trust in the Kyuden Group               <ul style="list-style-type: none"> <li>Promote dialogue with customers and other activities to regain their trust</li> </ul> </li> <li>Enhance information dissemination to stakeholders to improve corporate value</li> <li>Promote collaborative activities in communities in line with the needs of each branch area and raise environmental awareness among the next generation through face-to-face and digital environmental education</li> </ul>		○	○	<ul style="list-style-type: none"> <li>Level of trust in and satisfaction with the Kyuden Group               <ul style="list-style-type: none"> <li>Trust: 74.8%</li> <li>Satisfaction: 63.4%</li> </ul> </li> <li>Improvement ratio in the questionnaire survey               <ul style="list-style-type: none"> <li>Environmental conservation awareness: 90.6% or more</li> </ul> </li> </ul>	—
	Improving and Strengthening our Financial Structure	Achieve financial objectives — Consolidated ordinary revenue: ¥125 billion or more (FY2025) Domestic Electricity Business: ¥75 billion (FY2025) Growth businesses: ¥50 billion (FY2025) — Equity ratio: Approx. 20% (end of FY2025) • Consolidated ROIC: 2.5% or more (FY2025)	Achieve financial objectives — Consolidated ordinary revenue: ¥125 billion or more (FY2025) Domestic Electricity Business: ¥75 billion (FY2025) Growth businesses: ¥50 billion (FY2025) — Equity ratio: Approx. 20% (end of FY2025) • Consolidated ROIC: 2.5% or more (FY2025)	<ul style="list-style-type: none"> <li>Monitor the progress of plans, identify downside risks and examine their countermeasures to achieve financial targets and quickly restore the damaged financial base (reflect in the medium-term management plan)</li> <li>Improve profitability of growth investments by continuing to ensure thorough efficient electric business investment and steadily finding profitable projects</li> <li>Set and publish ROIC targets</li> <li>Implement PDCA based on ROIC targets (management through medium-term management plan and divisional overview reports)</li> <li>Conduct activities to promote understanding of capital efficiency and ROIC</li> </ul>		○	○	<ul style="list-style-type: none"> <li>Consolidated ordinary revenue: -¥86.6 billion (-¥25.6 billion when the impact of time lag is excluded)</li> <li>Domestic electricity business: -¥133.4 billion</li> <li>Growth businesses: ¥47.4 billion (consolidated elimination: -¥0.7 billion)</li> <li>Equity ratio: 12.2% (10.4% when the hybrid bonds assigned equity credit excluded)</li> </ul>	—

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

\*1: Kyushu EP and Kyushu T&D

\*2: Kyushu EP



## Toward Sustainable Enhancement of Corporate Value

# Further Strengthening Human Capital Management

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

As the business environment surrounding the Kyuden Group undergoes profound changes, our human capital will be the driving force in realizing the Management Vision 2030 and Carbon Neutral Vision 2050. For this reason, we will further strengthen human capital management based on the following concept, with the aim of “creating future value by fostering an organizational culture where people and the organization can continually grow.” We have set “Improve employee engagement” and “Increase added value per employee” as KGIs and quantitative indicators to accurately grasp our progress in achieving our Vision for the Future.

Furthermore, in order to foster a corporate culture where both people and the organization can grow together, we have launched the Qden Transformation (QX) project and are rolling out various initiatives.

## Basic Concept

- In order to respond to changes in the business environment and achieve organizational targets, even as individual values diversify, we will make “linking individual passions with the vision of the organization to create value while people and the organization grow together” the core of human capital management
- To achieve this, under the strong leadership of senior management, we will work to create a framework for fostering a corporate culture in which people and the organization grow together transforming the behavioral patterns of the entire company

## Group Philosophy: “Enlighten Our Future”

### Management Vision 2030

### Carbon Neutral Vision 2050

#### [Vision for the Future]

Creating Future Value by Fostering an Organizational Culture Where People and the Organization Can Continually Grow

Experience a sense of fulfillment and purpose in working for the Kyuden Group

[KGI] Improve employee engagement:  
Employee satisfaction score of 80%

Create value sustainably through the realization of management strategies

[KGI] Increase in added value\* per employee:  
1.5x compared to FY2021

#### [Key Issues]

### Co-creating Value & Promoting Innovation

Creating value sustainably through human and organizational growth

### Securing & Developing Strategic Human Capital

Systematically developing managerial human capital and the knowledge and skills necessary to realize our management strategies

### Promotion of Digital Transformation (DX)

Creating value and improving productivity and job fulfillment through reforms to our business structure and processes

### Promotion of Diversity and Inclusion

Creating systems and environments that promote the participation of diverse human capital and harness their abilities

### Respect for Human Rights

Promoting initiatives in all business activities, including the supply chain

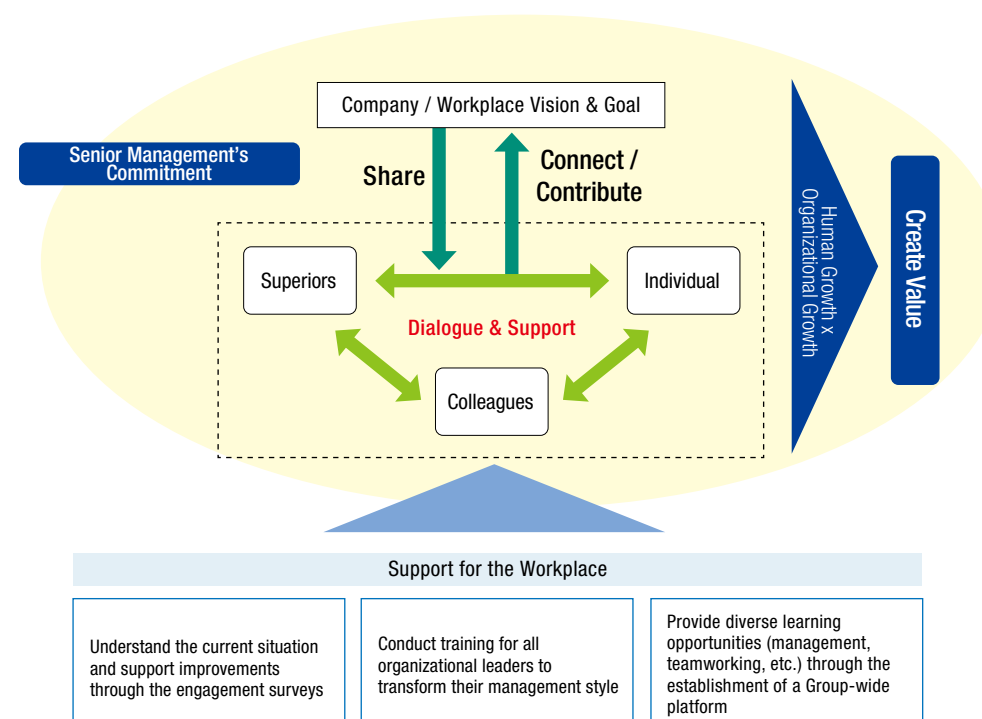
### Prioritization of Health and Safety

Promoting business and health management practices that prioritize safety

## Qden Transformation (QX) Project

To further strengthen human capital management, we will accelerate efforts for “human and organizational growth” and the “creation of added value,” in which each employee enthusiastically takes the initiative to act on their own toward a shared vision and builds organizational strength through co-creation.

We launched the QX Project in FY2023 to embed this concept in our corporate culture. Through this project, the entire company will join forces to promote efforts under the strong leadership of senior management, with the president personally communicating messages to employees.



\* Added value = operating revenues minus value of external purchases (such as fuel expenses, outsourcings costs) and depreciation.  
I.e. ordinary income + personnel expenses + rent + finance expenses + taxes and dues.



[Promoting Growth, Success, and Diversity of Human Capital]

## Promotion of Value Co-Creation and Innovation – Creating Value Sustainably Through Individual Growth and Organizational Growth –

We are working on “individual growth,” in which employees share the vision of the Group and workplace and take on challenges autonomously, and “organizational growth,” in which we leverage the strengths of diverse human capital. Through these efforts, we will fully leverage the strengths of human capital with diverse knowledge and experience and work together to realize value co-creation and innovation.

### Implementing “Core Actions”

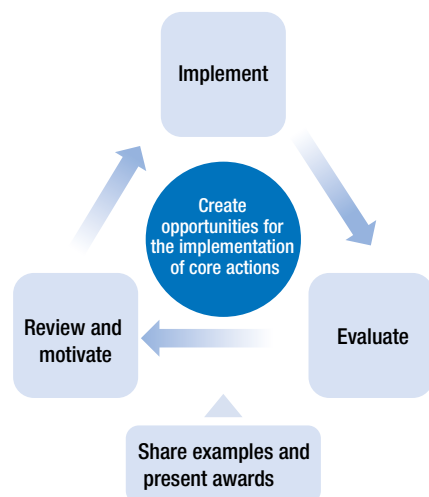
We have established “core actions of each individual to realize our management vision,” and encourage employees to implement them, leading to “individual growth.”

Concrete examples of employees practicing essential activities are appropriately evaluated from perspectives such as embracing challenges and efforts made. We also share excellent initiatives throughout the Group and commend them to encourage further practice. On top of that, we will motivate each employee to implement those actions by reviewing their progress in supervisor meetings and confirming their next initiative's goals.

#### Core actions of each individual to realize our management vision

- Open: Open your mind to new worlds
- Speed & Challenge: Quickly, eagerly, and constantly challenge yourself
- Learning: Enjoy learning and growing indefinitely

#### Cycle to build momentum for implementation



#### Example-sharing and Commendation related Initiatives

- **Share and roll out** examples of implementation across the entire Kyuden Group by posting on our information-sharing platform (Tsunagaru Site)



- Commend outstanding initiatives by employee vote (**employee participation** system)

**Take ownership** of the “core actions”  
**Foster a workplace culture of proactive implementation**

### Support for Self-directed Efforts to Challenge Oneself

By supporting each employee in self-directed learning and gaining diverse experiences inside and outside the company, we will help them achieve their individual career goals and create value for the Kyuden Group.

#### Support for self-directed efforts to challenge oneself

Career Realization	Human resource bank (matching skills of individuals with departments)	System-based personnel changes (FY2022) • Job Challenge: 34 people • Internal recruitment: 31 people
	Career realization through applications	
Diverse Experiences	Job Challenge (applications for divisions)	No. of people utilizing the program (cumulative) • Concurrent jobs inside the company: 105 people (29 subjects) • Side jobs outside the company: 15 people (16 subjects)
	In-house recruitment (applications for specific work)	
	Idea proposals	
	Side jobs and concurrent jobs	
Learning	Endeavors inside the company	KYUDEN i-PROJECT (startup proposals) Concurrent jobs inside the company (ideas and plan proposals for divisions) Side jobs outside the company (endeavors toward work outside the company)
	Endeavors outside the company	
	Privately funded graduate (or post-graduate) studies and study abroad (leave of absence for studies)	
	Company-funded study abroad	• Voluntary training participants (FY2022): 1,630
	Various training sessions (voluntary) and self-development support	

### Supporting Workplace Transformation Through Engagement Surveys

In order to transform into workplaces that increase employee engagement (“enthusiasm” to take on challenges autonomously based on alignment with the Group’s direction) we will gradually introduce engagement surveys in all workplaces starting in FY2023. This will enable us to monitor the status of employee engagement across the Group, evolve Group-wide measures, visualize workplace conditions, and promote initiatives aimed at workplace reform, with a focus on the improvement items relevant to each workplace.

We will also accelerate the transformation of workplace culture by conducting Management Transformation Training for all organizational heads to cultivate management skills and attitudes that will enhance employee engagement.

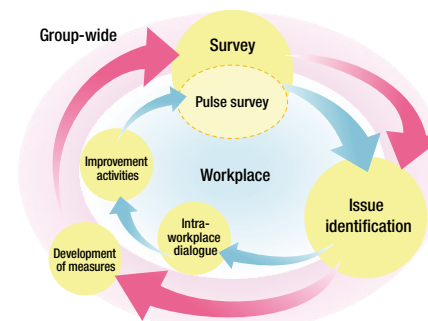
#### Group-wide improvement cycle

[KGI: Improve employee engagement]

- Monitor employee engagement through surveys
- Evolve Group-wide measures, leading to improvements in engagement

#### Workplace-specific improvement cycle

- Visualize workplace conditions through surveys and identify issues
  - Facilitate dialogue within the workplace and discuss and implement initiatives to improve workplace culture
  - Measure the effectiveness of initiatives through pulse surveys focused on improvement items
- Continue/review activities, change improvement items





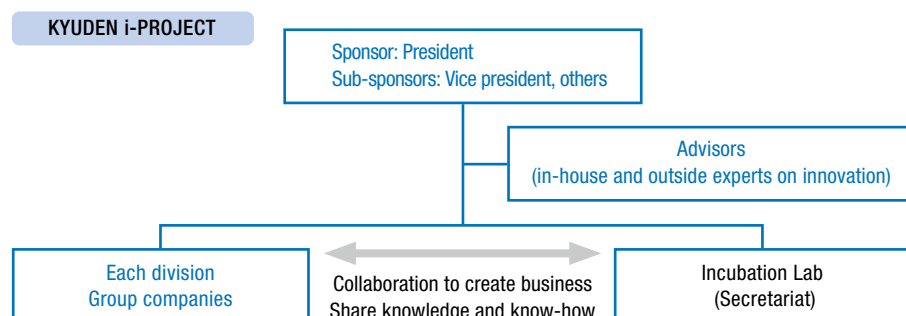
## Co-creation of New Businesses and Services – KYUDEN i-PROJECT –

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

### Initiative promotion framework

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

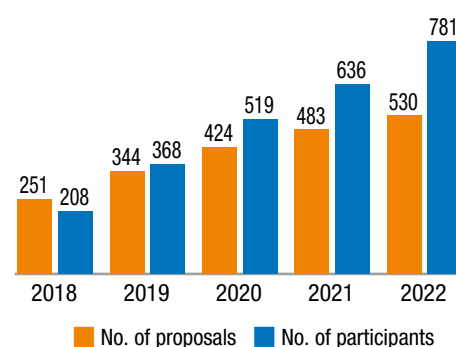
When considering the commercialization of businesses and services, we appoint venture capitalists, university professors, and other parties as advisors so that we can incorporate the opinions of outside experts.



### Project to create business ideas: i-Challenge

We are working to create promising business ideas by recruiting people and teams from across the entire Kyuden Group with an interest in and passion for innovation, and combining a “nurturing phase” involving workshops and mentoring by outside experts with a “selection phase” involving presentations. i-Challenge has been held annually since FY2017, and it will be held for the seventh time this year. About 500 business ideas have been proposed, and about 800 members have participated to date.

■ No. of i-Challenge proposals and participants (total)



### Main commercialization projects born from KYUDEN i-PROJECT

#### weev

An EV sharing service for condominium residents. Provides residents with a safe, convenient, and comfortable EV experience



#### PriEV

An EV charging service for condominiums. Dedicated EV charging facilities are installed in individual parking lots to provide a pleasant EV charging environment



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

Manufacturing and sales of battery packs for industrial machinery using EV lithium-ion batteries, utilizing battery control and monitoring technology, etc., owned by Kyushu EP



#### PDL00K

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



#### Mirai salmon

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



#### Okeiko Town

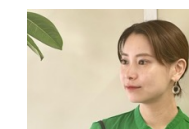
A learning-matching platform that links people who want to teach with people who want to learn



### VOICE

#### Leveraging my experience in tasks that do not have a set ‘form’ to contribute to the creation and growth of new businesses.

I am responsible for supporting new business ventures. So far, I have been involved in the new business projects themselves, experiencing tasks such as designing evaluation metrics and developing new services that don’t have a set ‘form’. Particularly in the development of new services, I repeatedly considered what value we could provide to our customers while building a specific service. While leveraging this experience, I would like to continue to extend my radar across various fields, and strive to contribute to the creation and growth of innovative businesses.

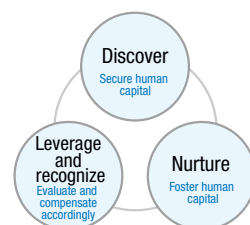


Ayumi Takata  
Acceleration Group  
Incubation Lab  
Corporate Strategy Division  
Kyushu Electric Power



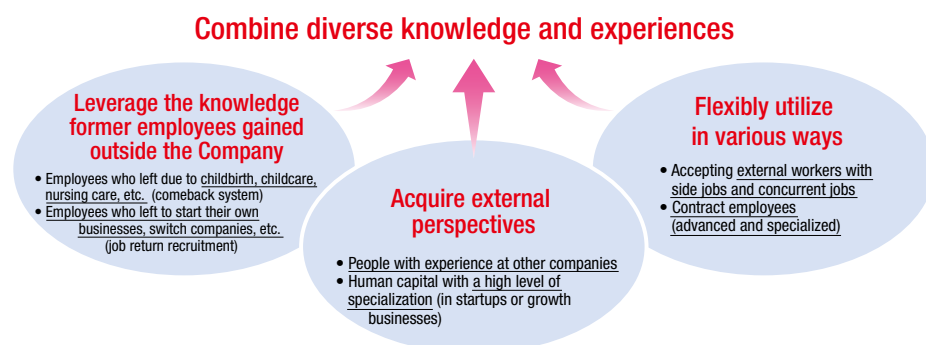
# Securing and Developing Human Capital

We are working to secure human capital with the knowledge and skills necessary to realize our management strategies, both by fostering internal talent and acquiring external talent. In addition, we will further accelerate the acquisition of human capital and their autonomous growth through an evaluation and compensation system that leverages and recognizes diverse knowledge and experience.



## Discover: Secure Human Capital with Diverse Knowledge and Experience

We are working to acquire diverse perspectives by hiring people with experience at other companies, hiring highly specialized human capital targeted at new businesses and growth businesses, and rehiring employees who have previously left the Company due to childbirth, childcare, family care, or other reasons. From May 2021, we have been flexibly utilizing external personnel, such as accepting outside workers with side jobs and concurrent jobs.



## Leverage and Recognize: Evaluate and Reward Diverse Human Capital

To enable diverse human capital to demonstrate their fullest potential, we conduct highly objective and well-reasoned personnel evaluations that recognize multiple career paths and encourage insights and further growth.

### Multiple career paths

Professional path	Demonstrate rare knowledge, skills, experience, and expertise with high market value (compensation based on market value)
Expert path	Demonstrate expertise developed in-house in specific fields

### Initiatives in respect of personnel evaluations

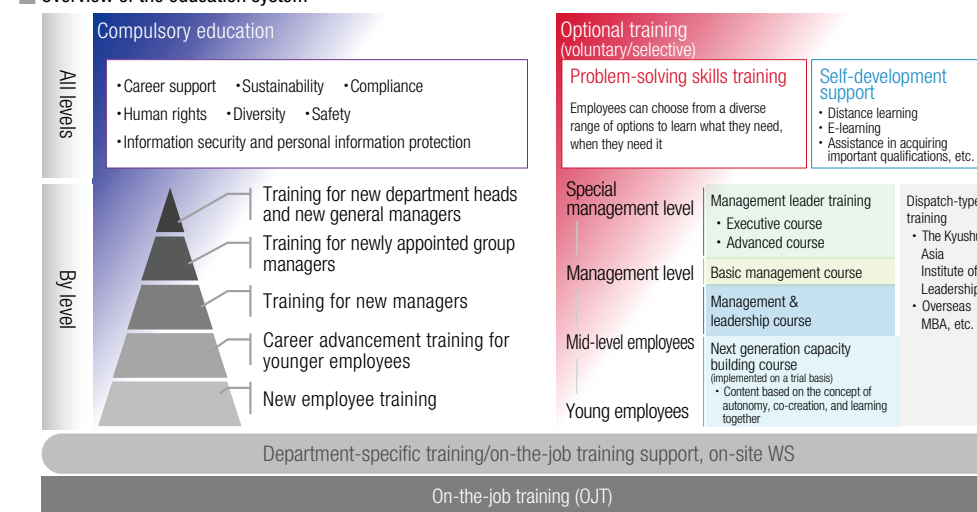
360-degree evaluation	Collect facts and other information about the evaluatee's behavior to supplement a supervisor's evaluation
Feedback on evaluation results	Make it a rule to notify evaluatees of their performance evaluation results in order to improve their understanding of the results and further motivate them

## Nurture: Foster Human Capital

In addition to supporting character-building and the development of common skills through compulsory education for all job levels, we provide level-specific education to help employees acquire and improve the skills required at each level, such as basic skills development training for young to mid-level employees and leadership development training for mid-level to management-level employees.

We also offer a wide menu of training options to meet the needs of each individual, which sparks the desire for autonomous learning. In addition to the above, we cultivate the expertise we need for our businesses through on-the-job training and division-specific training.

### Overview of the education system



## Securing and developing human capital in DX

DX leads to improvements in productivity and the creation of new businesses by fundamentally transforming business operations, and it is essential to the realization of the Kyuden Group Management Vision 2030. For these reasons, we are systematically developing human capital with the knowledge and skills necessary to promote DX based on our DX Roadmap.

For details, refer to "Promotion of Digital Transformation (DX)." **P71**

## Developing managerial human capital

We select human capital with future management potential at an early stage and implement an educational program (Management Leader Training) to progressively cultivate the mindset, perspective, and judgment required of managers. Participants are managed in a human capital pool and systematically developed through personnel rotations that allow them to gain experience in multiple areas and on-the-job assignments to key positions in Group companies.

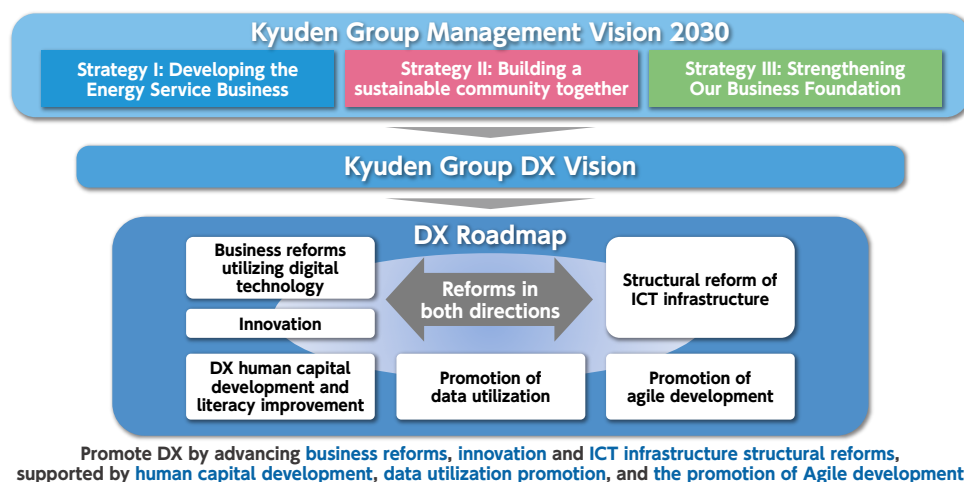


# Promotion of (DX) Digital Transformation (business framework and process transformation, etc.)

The Kyuden Group views DX as being essentially about “corporate transformation.” By utilizing digital technology and data to fundamentally transform our services, business model, and business processes, we aim to not only increase revenue, create new businesses, and reinforce our operational foundation, but also contribute to improving operational productivity and the sense of fulfillment felt by each and every employee by transforming our people, organizational climate, and culture.

## DX Vision & DX Roadmap

In order to realize “corporate transformation,” which is the essence of DX, it is important for each and every employee to have a sense of ownership and promote a transformation in awareness. Based on this concept, the Kyuden Group has defined the DX Vision, which outlines our ideal future through DX, and the DX Roadmap, which is a basic plan related to the promotion of DX. By clarifying and sharing the basic concept and other information, we aim to ensure that the Group is on the same page in terms of its awareness and intent. We will contribute to the realization of the Kyuden Group Management Vision 2030 by promoting Group-wide efforts based on the DX Vision and DX Roadmap.



## Promotion Framework

On July 1, 2022, we established the role of Chief DX Officer and the Digital Transformation Promotion Division to further accelerate our drastic operational reforms and new business development. The Digital Transformation Promotion Division will cooperate with the Information & Communications Division and each business division and Group companies to create new businesses and transform operations through the use of digital technology, thereby enhancing the corporate value of the Kyuden Group and leading to sustainable growth.

## Efforts to Transform Business Structures and Processes, etc.

### Transforming operations with digital technology

We are working to transform operations using digital technology based around eight themes we have defined, including “automation and centralization of field operations,” “advancement and streamlining of supply-demand operations,” and “data-based decision-making,” as well as 18 measures. Executive directors and other leaders from each business division serve as “Operational Reform Leaders,” and under their leadership, the business divisions cooperate with the Digital Transformation Promotion Division and Information & Communications Division to promote these transformation efforts. In addition, we are actively promoting the use of generative AI by making it available to all employees with the aim of improving work processes and increasing productivity (introduced in July 2023).

### Promotion of data utilization

To facilitate data-driven corporate activities, we are working to enable and establish data utilization within and across the organization, which will drive productivity improvements and business reforms. First, in order to focus on making data utilization more widespread and prolific, we will promote the use of self-service BI (visualization and simple analysis) and advanced analysis (forecasting and optimization), and develop a data utilization environment that balances security with high convenience to encourage each employee to utilize the data on their own.

### Structural reforms to ICT infrastructure

We are moving forward with initiatives based on eight themes, including “establishing simplified development frameworks to bring system development in-house,” “building a platform for utilizing data,” and “expanding our virtual infrastructure and external cloud services,” as well as 23 measures.

Structural reforms to ICT infrastructure are key in supporting DX, which is why we will take prompt action to address it.

### Developing and securing human capital in DX

We will develop human capital with skills related to digital technology and data who can lead the fundamental transformation of our business models and work processes. We will develop “digital transformation experts” who have a high level of specialized knowledge and can take the lead in implementing DX throughout the Group and in each division. In addition, we will conduct training for all employees aimed at equipping them with basic DX knowledge and skills, and develop “DX followers” who can independently and actively tackle DX in the workplace (all employees will be trained by FY2025). Finally, senior management will adopt a “reverse mentoring” approach in which younger employees will serve as their mentors to promote a better understanding of digital technology.





# Promotion of Diversity and Inclusion

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

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

## Promoting Diversity of Human Capital

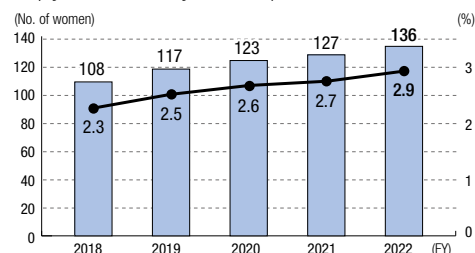
### Promoting participation regardless of gender

Our aim is to create a workplace where people can work with a sense of fulfillment and purpose regardless of gender, and a corporate culture brimming with vitality. To this end, we are promoting initiatives focused on “supporting women’s career development,” “transforming awareness and fostering our culture,” and “supporting a healthy balance between work and family life.” We are also working to increase the ratio of female managers through a series of initiatives aimed at utilizing diverse knowledge and experience in our business activities, including in management decision-making.

#### Initiatives by Kyushu EP and Kyushu T&D

Supporting women’s career development	<ul style="list-style-type: none"> <li>Expanding women’s job opportunities</li> <li>Roundtables for female employees, career development seminars</li> <li>Publishing career development support materials, holding one-on-one consultations, etc.</li> </ul>
Transforming awareness and fostering our culture	<ul style="list-style-type: none"> <li>Sharing messages from the President</li> <li>Communicating information through in-house newsletters, the Intranet, etc.</li> <li>Encouraging managers (training, exchange opinions, etc.)</li> </ul>
Supporting a healthy balance between work and family life	<ul style="list-style-type: none"> <li>Holding work-life balance seminars, “fatherhood classes”</li> <li>Creating and disseminating guidebooks to support the balancing of work with childcare/nursing care, etc.</li> </ul>

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



The number of women appointed to management positions is steadily increasing due to our efforts to promote women’s advancement. The results, as shown in the table below, indicate that we are making good progress toward our female manager-related targets for FY2023. In addition, two female employees who joined Kyushu EP as new graduates have been appointed as directors (as of June 2023).

FY2023 Targets	FY2022 Performance
No. of women newly appointed as managers or to top management positions in the organization (FY2019–2023): More than 3x that of FY2009–2013	No. of female managers newly appointed: 2.72x increase No. of women appointed to top positions in the organization: 4x increase

### Support for active participation of senior employees

As a mechanism to motivate employees aged 60 and older, who are “valuable human capital with a wealth of experience and advanced knowledge and skills,” we have introduced a system for rehiring retirees and the Career Bank Program, in which duties are assigned based on the retiree’s wishes.

#### Creation of an environment to promote the participation of senior workers

##### Career Employee Program

Target: Employees up to 65 years of age who have reached retirement age  
Objective: To create an environment for continued employment through post-retirement reemployment

##### Career Bank Program

Target: Retirees, voluntary retirees over 50 years of age, etc.  
Objective: To improve the working environment in the form of outsourcing

##### Side Job System

Target: Employees 57 years of age and older; career employees 62 years of age and younger  
Objective: To support employees in pursuing a second career by allowing them to work for other companies or start their own businesses while working for the Company

#### Career awareness initiatives

##### Career design training

Target: Employees aged 53 to 55  
Objective: Create opportunities for becoming more concretely aware of one’s own future, enhancing one’s future work life and thinking about post-retirement paths

##### Preparation training for post-career-track employees

Target: Employees aged 59 (employees wishing to utilize the program)  
Objective: Become prepared, mentally and otherwise, to change one’s awareness with the change in role that comes with being a career employee and to willingly work in harmony with regular, pre-retirement employees

##### Career development consultation

Target: Employees  
Objective: To confer with a career consultant to clarify the individual’s perspective on career planning by becoming cognizant of their own aptitude, abilities and interests

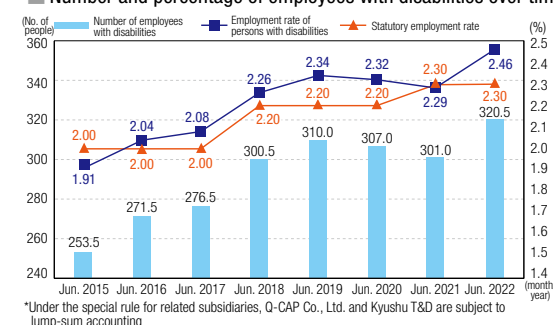
### Promotion of employment of people with disabilities

At the Kyuden Group, the entire Group strives to promote the employment of people with disabilities in order to contribute to the creation of a society in which people with disabilities can play an active role in their community and society at large. In particular, Q-CAP Co., Ltd., a special subsidiary company, is working to expand job opportunities for people with disabilities by developing a business support service, in addition to its existing subtitling service.

### LGBTQ+ initiatives

To promote understanding of LGBTQ+ issues among our employees, we conduct level-specific training. We are also creating booklets (Harassment Prevention Booklet, Diversity Booklet). Moreover, we offer consultations regarding LGBTQ+ issues at the Harassment Advice Counter.

#### Number and percentage of employees with disabilities over time





## Promotion of Men's Participation in Childcare

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

[FY2022 results: 80.6% (Kyushu EP and Kyushu T&D)]



Father-child record book  
PAPANOTE

## Acquiring Eruboshi and Kurumin certification

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



Eruboshi certification mark



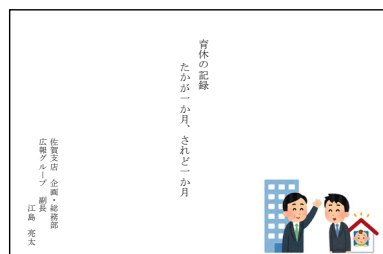
Kurumin certification mark

## VOICE Sharing my own experience with the company to support the use of childcare leave

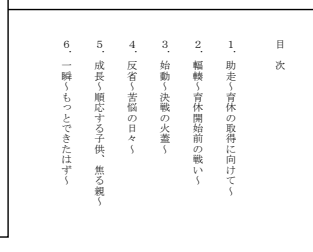
Because we are a dual-income household, I took childcare leave to coincide with my wife returning to work and my child starting daycare. While I was on leave, the childcare and housework did not go as I had envisioned. Looking back on it now, however, I think it was an invaluable experience to have been able to watch my child grow up, and it was something I could only see at that time. First of all, to convey what this experience was like to prospective leave-takers and workplaces promoting the use of leave, I kept a journal of my own actions and reflections while on childcare leave and shared it internally. I would like to keep encouraging others to take leave from the standpoint of someone who has done it.



Ryota Eshima  
PR Group  
Saga Branch  
Planning Dept.  
Kyushu Electric Power



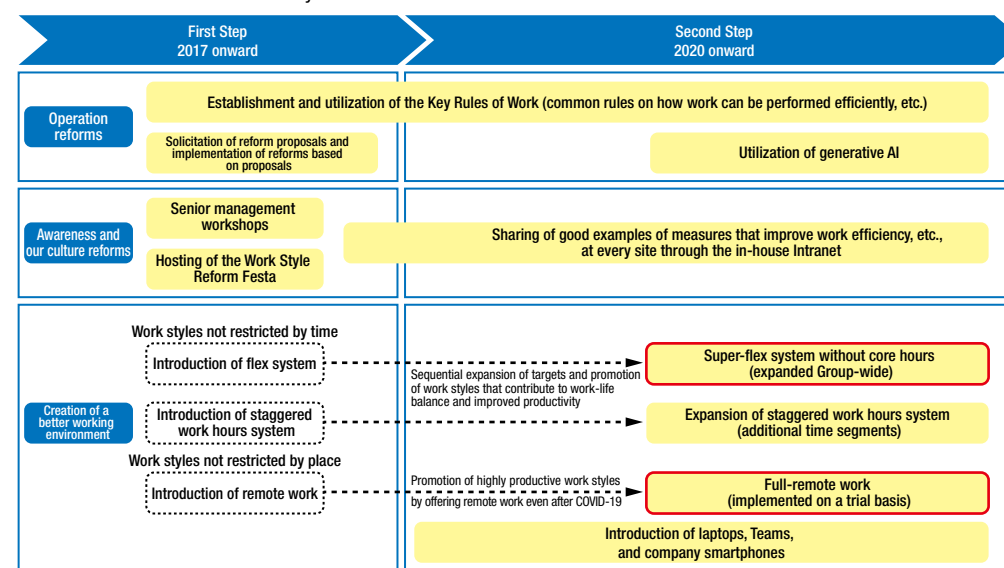
The childcare leave journal he shared within the company



## Promotion of Work Style Reforms

We are promoting a three-part initiative to improve productivity and work-life synergy that consists of operational reforms, awareness and climate reforms, and the creation of a better working environment. In Step 1, we implemented initiatives to build our momentum and improve operational efficiency based on on-site recommendations, which included having senior management declare their commitment through workshops. In Step 2 and beyond, we are promoting work styles that are not restricted by “time” or “place,” such as introducing a super-flextime system with no core hours that allows for more flexible work styles, and a fully remote work system (on a trial basis) that does not require employees to come to the office. This also contributes to the acquisition of diverse human capital and the utilization of human capital with various life circumstances.

### Main initiatives related to work style reforms



### Initiatives for work styles not restricted by time or place (repeated)

Initiative	Implementation Aims
Super-flex system without core hours	Improved productivity through an autonomous work style and the ability to do meaningful work whenever in limited amounts of time, such as in situations where you have to interrupt your work for childcare, nursing care, etc.
Full-remote work (implemented on a trial basis)	Ability to work wherever, even in situations where commuting is difficult, such as when a spouse is transferred to a far-off location outside of Kyushu, etc., or when you have to be readily available for childcare, nursing care, etc. (total no. of people utilizing the program: 14)



# Respect for Human Rights

In order to sustainably improve our corporate value, we recognize the importance of respecting the human rights of our employees so as to maximize the power of our human capital and taking responsible actions concerning human rights in local communities and in our supply chain. The Kyuden Group respects international norms such as the UN Guiding Principles on Business and Human Rights, and is committed to respecting the human rights of all stakeholders concerned with the Group's business activities.

## Kyuden Group Human Rights Policy

Under the Kyuden Group Human Rights Policy formulated in April 2023, we are promoting business activities that respect human rights through initiatives such as human rights due diligence\* (human rights DD).

\* A series of actions taken by a company to identify, prevent, and mitigate negative impacts on human rights through its business activities and explain what it has done to address such impacts

### Kyuden Group Human Rights Policy

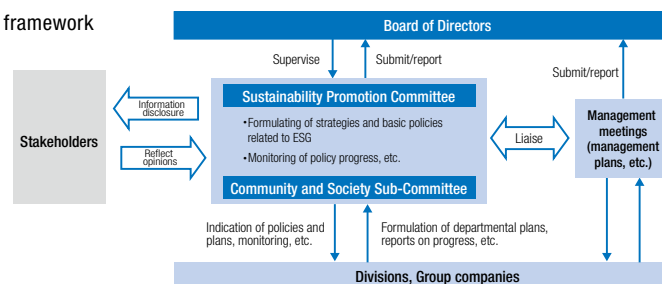
- |   |   |
|---|---|
| 1. Commitment to Respect for Human Rights                       | 5. Dialogues and Discussions with Stakeholders          |
| 2. Scope of Application   | 6. Education and Awareness among Officers and Employees |
| 3. Human Rights Due Diligence                                   | 7. Disclosure of Information                            |
| 4. Corrective and Remedial Measures for Human Rights Violations |   |
- (The details of each section are provided in the ESG Data Book 2023 (p. 60))

## Promotion Framework

The human rights policy, policy-based measures, and status of implementation are deliberated on by the Sustainability Promotion Committee, which is chaired by the President and supervised by the Board of Directors. Under this committee, we have established the Community and Society Sub-Committee, chaired by the Executive Director of the Business Solution Headquarters, to conduct deliberations from a more specialized standpoint.

Respective divisions and Group companies implement initiatives based on the discussions by this committee and the Board of Directors.

### Promotion framework



### Sustainability Promotion Committee

**Structure**  
Chairperson: President  
Vice-chairperson: Chief ESG officer  
Committee members:  
External directors, executive directors of relevant divisions, etc.

**Frequency**  
Twice yearly in principle, and additionally as necessary

### Community and Society Sub-Committee

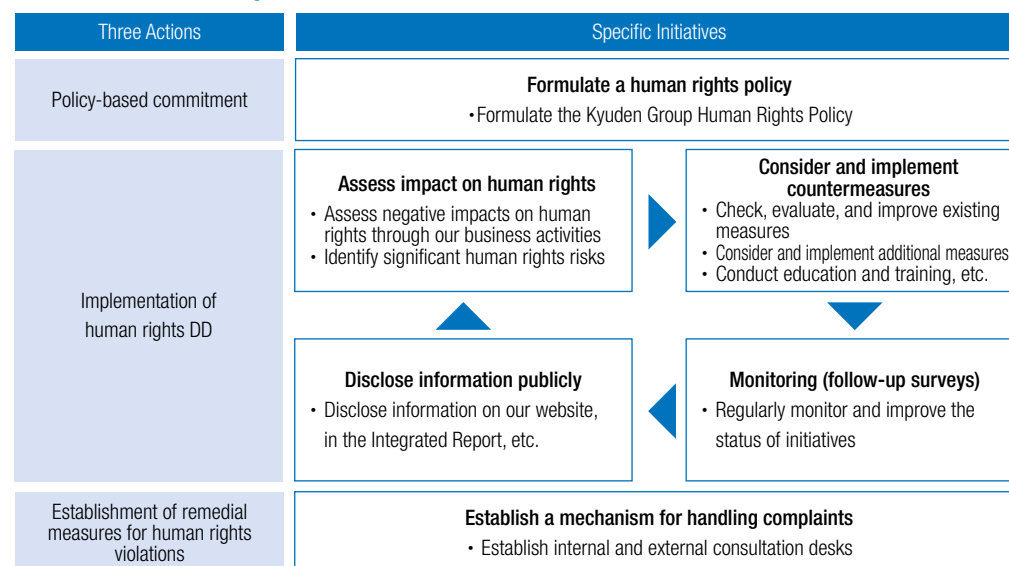
**Structure**  
Chairperson: Executive Director of Business Solution Headquarters  
Vice-chairperson: Director of District Symbiosis Division  
Committee members:  
Directors of relevant divisions, etc.

**Frequency**  
Twice yearly in principle, and additionally as necessary

## Human Rights Due Diligence

The Kyuden Group has established a human rights due diligence framework under which it implements initiatives related to human rights, and is continuously improving these initiatives.

### Overview of our human rights initiatives



### Identification of “significant human rights risks”

By singling out and assessing human rights risks that could occur through the Kyuden Group's business activities, we have identified the following five human rights risks as “significant human rights risks” that should be addressed as priorities.

### Significant human rights risks

- Discrimination (including gender gap)
- Inappropriate restrictions on the rights of local communities
- Accidents caused by products/services (e.g., deaths resulting from public accidents involving electric shocks)
- Environmental pollution and destruction
- Harassment

We are working to prevent and mitigate risks by developing internal infrastructure and systems, providing education and training for executives and employees, and managing our supply chain, with a particular focus on significant human rights risks.

### Remedial measures

At the Kyuden Group, we have established internal and external consultation desks to receive reports and consultations from all our stakeholders, including reports and consultations concerning human rights issues. If it becomes clear that the Kyuden Group's business activities are causing or contributing to negative impacts on human rights, we will work to correct and remedy the situation.



# Prioritization of Health and Safety

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

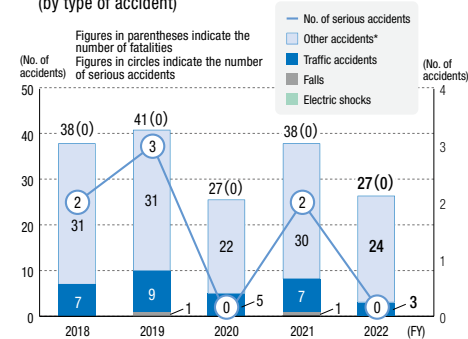
As for health, we promote initiatives based on the Kyushu Electric Power Health Declaration and the Kyushu Electric Power Health and Productivity Management Policy so that employees can work with vigor.

## Promotion of Initiatives to Eliminate All Major Accidents

To thoroughly enact safe practices on-site with the goal of “zero serious accidents,” we promote proactive prevention measures such as risk assessment, implement measures to prevent the recurrence of accidents by digging deeper into the root causes after the occurrence of an accident, and monitor the status of implementation of these initiatives.

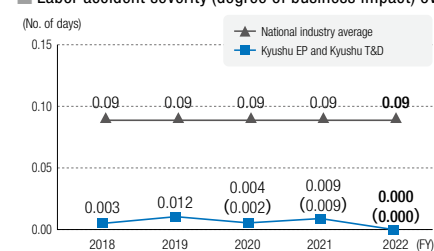
Furthermore, we offer various types of education, including education related to work safety and health laws and regulations from a compliance perspective, level-specific safety education, and safety education to prevent work accidents among older people.

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



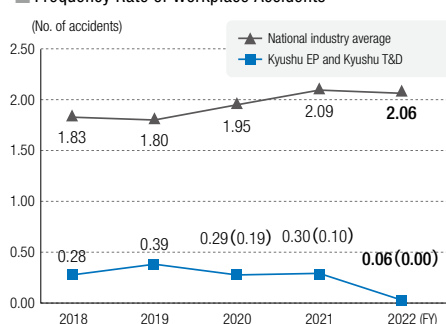
\* Accidents caused by careless falls, trips, handling of tools, etc.

■ Labor accident severity\* (degree of business impact) over time



\*No. of working days lost due to labor accidents in 1,000 total working hours  
Note: For FY2020 and after, figures in parentheses are for Kyushu EP only

■ Frequency Rate of Workplace Accidents\*



\*No. of accidents per 1 million working hours

Note: For FY2020 and after, figures in parentheses are for Kyushu EP only

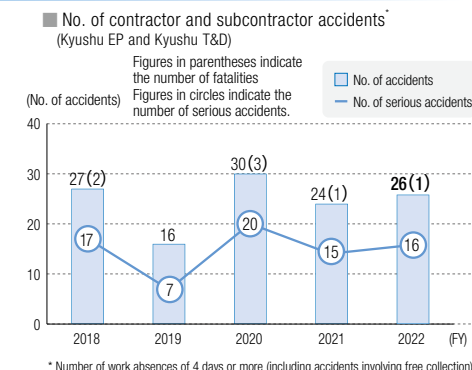
■ Safety education record (FY2022)  
(Kyushu EP, Kyushu T&D, and some Group companies)

Education Subject		No. of Attendees
Statutory training	When hired (new employees)	252
	Foremen	1,233
	Safety managers	57
	Total	1,542
Level-specific training	Safety training for regular employees	794
	Safety training for management	466
	Total	1,260

## Promoting Safety Activities with Contractors and Subcontractors

We are working together with contractors and subcontractors to ensure safe work practices by promoting safety activities that focus on the most frequently occurring accidents.

Specifically, we share basic items to eliminate the four types of serious accidents (electric shocks, falls, crushes, and heavy machinery-related accidents), check the state of safety management at worksites based on safety patrols and assessments by safety consultants, and improve safety awareness through direct dialogue with onsite workers.



\* Number of work absences of 4 days or more (including accidents involving free collection)

## Efforts to Foster a Culture of Safety

At the Kyuden Group Safety Convention, lectures are offered by outside experts to encourage strong determination on the part of top management and front-line managers, who are the key players in promoting safety, and provide an opportunity to drive further safety efforts. In addition, activities to foster a culture of safety, such as encouraging autonomous safety activities at each workplace through the Kyuden Group Safety Initiative Commendation Program, are promoted.

## Radiation Management for Radiation Workers

In order to minimize possible radiation doses for those who work in radioactive environments, Kyushu EP has installed shielding equipment at its nuclear power plants or made changes such as enabling automation or remote operation. The actual exposure received by radiation workers was 0.3 millisieverts on average in FY2022, which is far below the legal dose limit\*.

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

## TOPICS

### Opened the Anzen Mirai Kan, a Safety Education Facility for the Kyuden Group

In April 2023, we opened the Anzen Mirai Kan, a new educational facility specializing in safety, to serve as a place to learn the value of safety and inspire pride and determination to pursue safety in the Kyuden Group, as well as create a culture of safety across the entire Group.

In the future, we will make effective use of video and virtual reality (VR) equipment at the facility to develop training for all employees of the Kyuden Group that will further improve safety.





## Promotion of Health and Productivity Management®

Kyushu EP and Kyushu T&D aim to increase the motivation and vitality of our employees, who are the very foundation of our business activities, and utilize their power for enduring company development.

In March 2023, both companies were recognized as Certified Health & Productivity Management Outstanding Organizations (“White 500” enterprises) in recognition of their efforts to support employees’ physical and mental health.

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

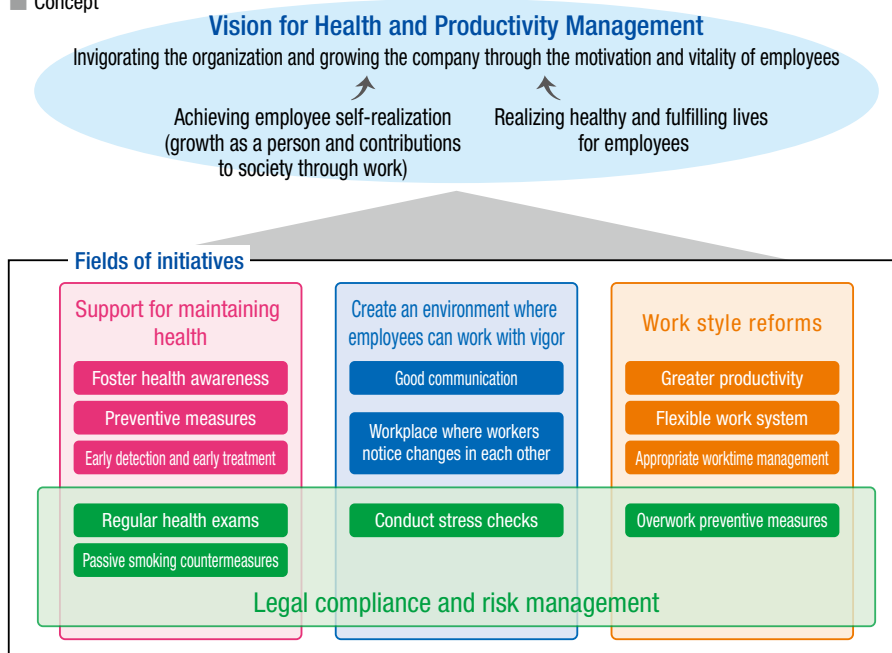


### Promotion Framework

The Human Resource Vitalization Division, workplaces, and the Kyushu Electric Power Health Insurance Society cooperate with occupational health staff (occupational physicians and public health nurses) to implement various health management initiatives.

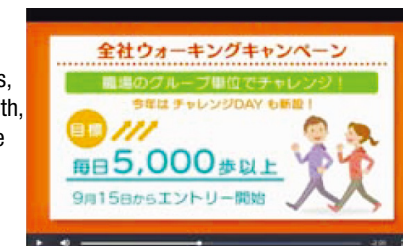
In addition, they regularly report to senior management on the status of employees’ physical and mental health in order to promote better health management.

#### ■ Concept



### Physical health

- (1) Efforts to raise awareness and lead to concrete actions to improve lifestyle and exercise habits
  - Top management drives health management through measures such as internal broadcasts of messages from the President
  - In-house newsletters disseminate information that can lead to better health awareness, including topics such as quitting smoking and women’s health
  - We conduct physical fitness tests and various health classes, and have public health nurses provide advice to promote health, etc., with the aim of raising awareness of improving lifestyle habits
  - We implement initiatives such as the Group-wide Walking Campaign, in which employees can participate with their workplace colleagues, to encourage the development of exercise habits
- (2) Measures to prevent passive smoking and ban smoking
  - As a rule, smoking is prohibited indoors, and we have eliminated smoking rooms that do not meet legal standards
  - Support for those quitting smoking is provided by public health nurses, etc.

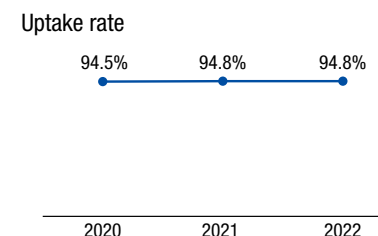


Initiative to encourage the development of exercise habits  
(Group-wide Walking Campaign)

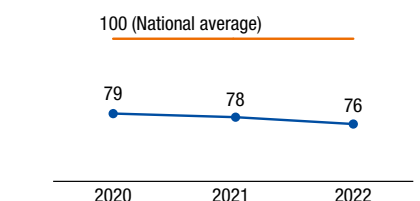
### Mental health

- (1) Group-wide simultaneous stress checks
  - Stress checks are conducted simultaneously Group-wide to assess employee and workplace stress
- (2) Stress reduction activities based on stress check results
  - Enforce self-care based on stress check results
  - Based on the results of the stress check at each workplace, employees participate in discussions on the strengths and weaknesses of their own workplace, and measures are implemented to improve the workplace environment with the participation of all employees

#### ■ Stress check implementation



#### Overall health risk\*



\*Good condition is below 100 (better than national average)



## [Strengthening Governance]


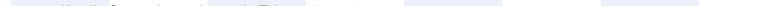

# Improving Effectiveness of Corporate Governance

At Kyushu EP, we believe that engaging in operations that are socially meaningful from a long-term perspective leads to sustainable value for all stakeholders. In order to properly carry out these business activities, we are striving to strengthen our corporate governance system.

In FY2018, we transitioned to a company with an Audit & Supervisory Committee based on our belief in the importance of strengthening governance and accelerating decision-making in order to respond to the rapidly changing business environment with greater flexibility and speed than before.

In addition to implementing an organizational design system, we believe it is important to improve the effectiveness of actual operations, and are working to further improve operational effectiveness through such initiatives as having external directors attend Corporate Management Committee meetings and instituting Director Roundtables, a forum for all directors to freely exchange opinions.

## Changes in governance

	2015	2016	2017	2018	2019	2020	2021	2022	(FY)
Total number of directors*	20 (2)	20 (2)	21 (2)	19 (2)	16 (2)	15 (3)	15 (3)	15 (3)	
of whom are external directors*	5 (2)	5 (2)	5 (2)	5 (2)	5 (2)	5 (3)	5 (3)	5 (3)	
Audit & Supervisory Committee	(Audit Committee through FY2017)								
Evaluations of the effectiveness of the Board of Directors									
Director Roundtables									

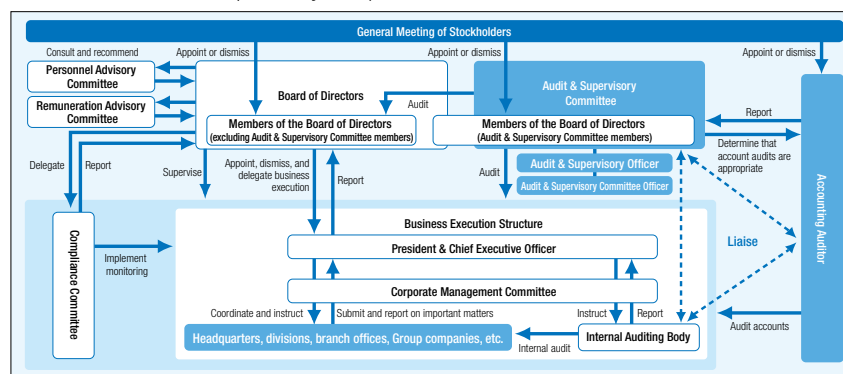
\* Includes corporate auditors through FY2017. Figures in parentheses indicate the number of women

\* Includes corporate auditors through FY2017. Figures in parentheses indicate the number of women

## Promotion Framework

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

## Corporate Governance Structure (as of July 2023)



## Characteristics and Activities of the Board of Directors, Etc.

As a rule, Kyushu EP's Board of Directors meet once a month or as needed to make decisions on important matters related to corporate management and supervise the execution of those decisions. In order to properly fulfill their roles and responsibilities, all directors are required, in principle, to attend at least 75% of the Board of Directors' meetings. In addition, five highly independent external directors (including three external directors who are Audit & Supervisory Committee members), comprising at least one-third of the total number of directors, provide necessary advice during Board of Directors' meetings based on their insight and experience. They are also appropriately involved in and provide advice regarding the nomination of candidates for the Board of Directors and their remuneration.

## Overview of meeting bodies at Kyushu EP

Framework	Members (as of June 30, 2023)	Meetings held in FY2022	Attendance rate of all directors
Board of Directors	14 (of which 5 are external directors)	23	97.1 %
Audit & Supervisory Committee	4 (of which 3 are external committee members)	22	100 %
Personnel Advisory Committee	4 (of which 3 are external directors)	2	100 %
Remuneration Advisory Committee	4 (of which 3 are external directors)	2	100 %

In addition, since FY2021, we have been holding Director Roundtables for all directors to discuss material issues impacting the entire Group during the policy and strategy-building stages in an effort to further improve the effectiveness of the Board of Directors.

## Main discussion topics at Board of Directors' meetings and Director Roundtables in FY2022

### Board of Directors

- Basic policies on sustainability management
- FY2023 Medium-term Management Plan
- Integration of the renewable energy business
- Basic Internal Control Policy
- Delegation of authority to a part of the Board of Directors

### Director Roundtables

- Direction of initiatives for the utilization of ROIC
- Direction of initiatives for enhancing human capital
- Group-wide risk analysis
- Issues related to strengthening governance and the direction of actions
- Evaluation of the effectiveness of the Board of Directors



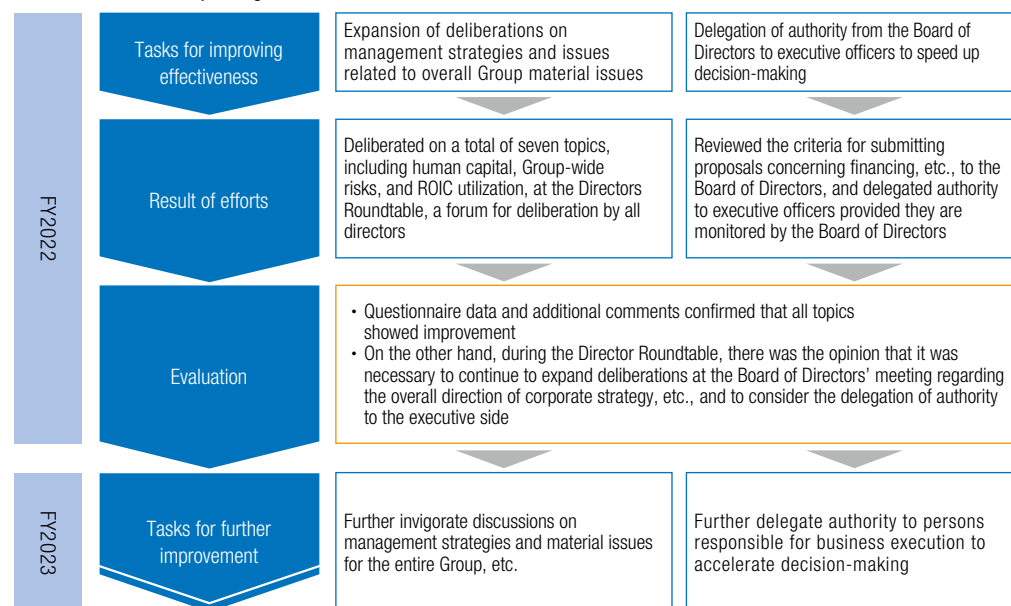
## Evaluation of the Effectiveness of the Board of Directors

The Kyushu EP Board of Directors has evaluated the effectiveness of the Board since FY2015. In FY2022, we carried out a survey using a questionnaire on the following topics targeted at all directors. The results of the questionnaire were analyzed and evaluated at the Directors Roundtable, a forum for deliberation by all directors.

### ■ Questionnaire topics

- (1) Composition and operation of the Board of Directors (2) Management and business strategies  
(3) Corporate ethics and risks (4) Performance monitoring and evaluation/remuneration of management  
(5) Dialogue with shareholders, etc.

### ■ Efforts aimed at improving the effectiveness of the Board of Directors



## Policy on Appointing Candidates for the Board of Directors

The Articles of Incorporation stipulate that Kyushu EP's Board of Directors is to consist of up to 19 directors (of which up to five are to be directors who are Audit & Supervisory Committee members) from the perspective of achieving active deliberations and strengthening the supervisory function. Candidates for internal directors are selected by comprehensively taking into account their personal character, insight, ethics, career background, and capabilities. For external directors, who account for at least one-third of the directors, we select candidates who meet the decision criteria for independence and have abundant experience and insight in corporate management and specialized fields.

In addition, the composition of the entire Board of Directors takes overall fields of business into account while ensuring diversity in terms of gender, international experience, professional background, and age, as well as an appropriate ratio of Board members, with, for instance, three women among the directors.

## Director Skill Matrix

To generate sustainable growth and enhance the Kyuden Group's corporate value at a time of drastic changes in the business environment, we identified the skills that Kyushu EP's Board of Directors should possess in order to indicate the direction of management from highly insightful and multifaceted perspectives, implement quick management decision-making, and appropriately fulfill its management supervision function. We then clarified the areas in which we expect each director to lead based on his or her knowledge and experience.

Name	Position within Kyushu EP		Fields with Particularly High Expectations*										
			Personnel Advisory Committee	Remuneration Advisory Committee	(1) Corporate management	(2) Finances and accounting	(3) Legal affairs and risk management	(4) Human capital	(5) Environ- ment	(6) Innovation and digital transformation	(7) Technology and R&D (including ICT)	(8) Sales and marketing	(9) Global business
Michiaki Uriu	Chairperson				○				○	○	○		○
Kazuhiro Ikebe	President & Chief Executive Officer		Member	Member	○	○		○	○	○			○
Naoyuki Toyoshima	Vice-Presidential Executive Officer				○					○	○		
Noboru Hashimoto	Vice-Presidential Executive Officer				○		○			○		○	
Atsushi Soda	Vice-Presidential Executive Officer				○	○					○		
Yoshiharu Senda	Senior Managing Executive Officer				○		○		○	○	○		
Takashi Nakano	Senior Managing Executive Officer				○	○						○	
Masaru Nishiyama	Senior Managing Executive Officer				○	○				○			○
Sakie Tachibana Fukushima	Director	External Woman Independent	Member	Member	○			○		○			○
Junji Tsuda	Director	External Independent	Chair- person	Chair- person	○						○	○	○
Yasuaki Endo	Audit and Supervisory Committee Member				○		○	○	○				
Kazuko Fujita	Audit and Supervisory Committee Member	External Woman Independent				○							
Yuji Oie	Audit and Supervisory Committee Member	External Independent						○		○	○		
Tomoka Sugihara	Audit and Supervisory Committee Member	External Woman Independent	Member	Member			○	○					

\*This does not indicate all the knowledge and experience possessed by the director.



## Remuneration System

Remuneration for directors (excluding directors who are Audit & Supervisory Committee members) consists of basic remuneration and performance-linked remuneration. Performance-linked remuneration is based not only on consolidated ordinary income outlined in the financial objectives of the Management Vision but also other performance metrics, such as reduction in GHG emissions in order to become carbon neutral and dividends paid to shareholders. Remuneration for external directors, based on their duties, consists only of basic remuneration and does not include performance-linked remuneration.

The Remuneration Advisory Committee, chaired by an external director and a majority of whose members are external directors, deliberates on the amount of remuneration, which may not exceed the total amount of remuneration and upper limit on the number of shares approved at the General Meeting of Shareholders, then the Board of Directors decides on the amount.

In addition, Audit & Supervisory Committee members attend Remuneration Advisory Committee meetings and confirm the appropriateness of deliberations by the Committee.

### Director remuneration structure

Type of Remuneration			Overview	Weight	Timing of Payment
Basic remuneration	(Monthly remuneration) Fixed	Monetary	Determined according to responsibilities	62–76%	Once a month Fixed timing
		Monetary	A standard amount determined according to responsibilities is linked to the degree of achievement of performance indicators (consolidated ordinary income outlined in the financial objectives of the Management Vision) by 0% to 120%	12–19%	Once a year Fixed timing
“Performance-linked remuneration	Variable	(Bonus) Short-term	Around 20% of a standard number of points determined according to responsibilities is linked to the degree of achievement of performance indicators (consolidated ordinary income outlined in the financial objectives of the Management Vision and GHG emissions reduced to achieve carbon neutrality of the Kyuden Group) <sup>3</sup>	12–19%	On stepping down
		(Stock-based remuneration) Medium to long-term			

\*1: In determining the amount of performance-linked remuneration, the Remuneration Advisory Committee deliberates on adjusted evaluations, taking into account the dividend situation and other factors as necessary

\*2: Since taxes such as income tax are levied when the stock is received, an amount equivalent to the tax amount is also paid in cash

\*3: Each reference period is three fiscal years, and evaluations are based on the final day of each reference period

### Basic remuneration [monetary remuneration, monthly remuneration] (FY2022)

Members of the Board of Directors (Internal)	11 directors	¥398 million
Members of the Board of Directors (External)	7 directors	¥60 million
Total	18 directors	¥458 million

### Performance-linked remuneration [monetary remuneration, bonus (linked to short-term performance)] (FY2022)

Members of the Board of Directors (Internal)	9 directors	¥0 million
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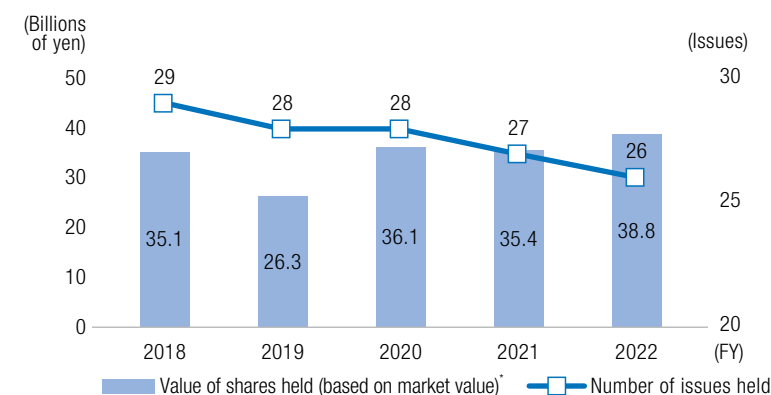
### Performance-linked remuneration [non-monetary remuneration, stock-based remuneration (linked to medium to long-term performance)] (FY2022)

Members of the Board of Directors (Internal)	9 directors	¥61 million
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## Cross-shareholdings

Every year, the Board of Directors assesses the rationale of holding each cross-shareholding by comprehensively considering its relationship with business strategies and district symbiosis, such as the stable procurement of capital and equipment, and its contribution to regional vitalization, and then examining its profitability and future prospects based on the cost of capital and other factors. Those that are determined to lack sufficient rationale for holding are sold off, though we also sell off those with an accepted rationale for holding as much as possible.

### Cross-shareholdings over time (listed shares)



\* The increase in the value of shares held is due to rising share prices



# Overview of the Dialogue between External Directors and Investors

Aiming to engage in constructive dialogue with our investors, we held a dialogue between external directors and investors during the ESG Small Meeting in December 2022.

This was our second dialogue, with the first held the previous fiscal year, and we strove to improve it further by having two outside directors attend and dividing dialogue participants into groups.

## Q1. What do you see as your basic roles as an outside director?

**Mr. Tsuda** I see my basic roles as an outside director as 1) participating in shaping the direction of strategy, 2) creating an environment that allows for risk-taking in order to grow, and 3) raising corporate value over the medium to long term through objective supervision. Regarding 2) in particular, Kyushu EP's "defensive" governance is functioning well, for example, in the way they examine risks from various perspectives for all kinds of projects. On the other hand, in new businesses and other areas, it is also important to take risks, bring in knowledge, and connect that to growth. By creating an environment conducive to risk-taking, I hope to broaden the scope of their strategies and tactics.

**Ms. Fujita** Part of my basic role as an outside director is to convey my opinions to the executive side from an independent standpoint. From my perspective as an accountant, I try to judge the financial impact of a proposal by considering factors such as how it relates to the company's strengths and medium-term plan, and whether or not it will lead to an increase in corporate value.

In addition, as a member of the Audit & Supervisory Committee, I also visit worksites and talk with the employees to check not only compliance, but also whether the employees fully understand and are implementing the Management Vision and policies.

## Q2. What are Kyushu EP's strengths and challenges?

**Mr. Tsuda** Kyushu EP's strengths are its contribution as a leader in decarbonization through the operation of four nuclear power



**Junji Tsuda**  
External Director

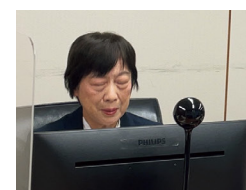
**Profile** Special Advisor at Yaskawa Electric Corporation since 2022 (current position). External Director of Kyushu EP since June 2021. Former Chairman and President of Yaskawa Electric Corporation and drove its globalization with over a decade of experience in the U.S.



plants and high ratio of renewable energy sources, its trust from the community and employees' dedication to contributing to the community, and its knowledge of a variety of power generation methods. These strengths are the solid foundation underpinning its major policies: providing a stable electricity supply and advanced services, co-creation with the community, and growing earnings through new businesses.

On the other hand, its challenge is improving profitability. The company is working on ROIC-based management and operational reforms through digital transformation so that it can invest its resources in growth projects that will lead to the company's growth, while continuing to improve its equity ratio.

**Ms. Fujita** Kyuden Group's sustainability management is based on human capital and governance. When I visit the company's worksites, I notice that the people in charge exercise leadership and hold the sites together through active communication, even with its affiliates, and this leads to strong governance. The challenge lies in balancing the conflicting needs of "stability, safety, and low cost" with the need to secure profits. This is very difficult to do, which is why it leads to trust from society. Going forward, it will be important for the company to first stabilize its profits from the electricity business, then ensure a balance between investments and earnings, strengthen its financial structure, and strengthen its earnings from sources other than the electricity business over the medium to long term.



**Kazuko Fujita**  
External Director,  
Audit & Supervisory Committee Member

**Profile** Founder of Fujita Certified Public Accountants (current position). Possesses extensive knowledge of finance and accounting from many years of experience as a CPA and certified public tax accountant. Served as an auditor (part-time) at several educational institutions, including Kyushu University.



think it would be better for the Board of Directors to take on the role of thinking about the big picture, such as the structure of the organization and its strategies. Rather than having the external directors be involved in detailed management, providing their opinions on each individual project, I would like to expand our role as advisors on the management of the organization, with increased involvement in decisions regarding the overall direction of management.

## Q4. How is ROIC-based management being promoted?

**Ms. Fujita** When we discussed ROIC at the Directors Roundtable, I expressed my opinion on the importance of adopting ROIC-based management early on, and I believe that the implementation of it has sped up. When the results become available in the future, I would like to thoroughly check the causes of any deviations from targets and offer my opinions on how to improve the situation.

## Q5. How can Kyushu EP improve its market valuation and PBR?

**Mr. Tsuda** The key to improving PBR is to keep improving profitability while raising investor confidence in the Company's goals. Kyushu EP has a strong foundation for growing new businesses based on its Domestic Electricity Business. I believe that communicating more specific and detailed goals and initiatives to the market, including its growth businesses, will lead to a higher valuation.

### Feedback from investors after the dialogue

- I highly appreciate the fact that dialogues with external directors are held regularly, as doing so is very rare, even among companies in the same or different industries
- It was helpful to hear the honest opinions of external directors through direct interactions with them



# Members of the Board of Directors (Kyushu Electric Power) (As of July 1, 2023)



**Michiaki Uriu**  
Member of the Board of Directors, Chairperson

Common stock in the company held: 86,111 shares

## Overview of career, positions, and responsibilities

- 1975 Joined Kyushu EP
- 2009 Member of the Board of Directors, Senior Managing Executive Officer, Director of Thermal Power Division
- 2011 Member of the Board of Directors, Vice-Presidential Executive Officer, Director of Thermal Power Division
- 2012 Member of the Board of Directors, Vice-Presidential Executive Officer
- 2012 Member of the Board of Directors, President & Chief Executive Officer
- 2018 Member of the Board of Directors, Chairperson (current position)

## Important concurrent positions

External Director, Audit & Supervisory Committee Member, The Nishi-Nippon City Bank, Ltd.  
External Director, RKB Mainichi Holdings Corporation



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

Common stock in the company held: 85,511 shares

## Overview of career, positions, and responsibilities

- 1981 Joined Kyushu EP
- 2017 Member of the Board of Directors, Senior Managing Executive Officer, Executive Director of Corporate Strategy Division
- 2018 Member of the Board of Directors, President & Chief Executive Officer (current position)

## Important concurrent positions

Chairperson, The Federation of Electric Power Companies of Japan



**Naoyuki Toyoshima**  
Member of the Board of Directors, Vice-Presidential Executive Officer

Common stock in the company held: 47,867 shares

## Overview of career, positions, and responsibilities

- 1982 Joined Kyushu EP
- 2018 Member of the Board of Directors, Senior Managing Executive Officer, Director of Nuclear Power Division
- 2022 Member of the Board of Directors, Vice-Presidential Executive Officer, Executive Director of Nuclear Power Division (current position)



**Noboru Hashimoto**  
Member of the Board of Directors, Vice-Presidential Executive Officer

Common stock in the company held: 30,679 shares

## Overview of career, positions, and responsibilities

- 1984 Joined Kyushu EP
- 2017 Executive Officer, General Manager of Kumamoto Branch Office
- 2020 Managing Executive Officer, Director of Urban Development Business Division
- 2022 Senior Managing Executive Officer, Director of Urban Development Business Division
- 2023 Member of the Board of Directors, Vice-Presidential Executive Officer, Executive Director of Business Solution Headquarters (current position)



**Atsushi Soda**  
Member of the Board of Directors, Vice-Presidential Executive Officer

Common stock in the company held: 28,301 shares

## Overview of career, positions, and responsibilities

- 1985 Joined Kyushu EP
- 2018 Executive Officer, General Manager of Oita Branch Office
- 2020 Executive Officer, seconded to the Federation of Electric Power Companies of Japan
- 2020 Managing Executive Officer, seconded to the Federation of Electric Power Companies of Japan
- 2022 Senior Managing Executive Officer, seconded to the Federation of Electric Power Companies of Japan
- 2023 Member of the Board of Directors, Vice-Presidential Executive Officer, Crisis Management Officer and ESG matters (current position)



**Yoshiharu Senda**  
Member of the Board of Directors, Senior Managing Executive Officer

Common stock in the company held: 34,399 shares

## Overview of career, positions, and responsibilities

- 1984 Joined Kyushu EP
- 2018 Executive Officer, Director of Civil & Architectural Engineering Division, Technical Solution Headquarters
- 2019 Managing Executive Officer, Director of Civil & Architectural Engineering Division, Technical Solution Headquarters
- 2020 Senior Managing Executive Officer, Executive Director of Technical Solution Headquarters
- 2022 Member of the Board of Directors, Senior Managing Executive Officer, Executive Director of Technical Solution Headquarters (current position)

## Important concurrent positions

External Director, FUJI P.S CORPORATION



**Takashi Nakano**  
Member of the Board of Directors, Senior Managing Executive Officer

Common stock in the company held: 23,037 shares

## Overview of career, positions, and responsibilities

- 1985 Joined Kyushu EP
- 2018 Executive Officer, General Manager of Kagoshima Branch Office
- 2021 Managing Executive Officer, Director of Operation Division, Business Solution Headquarters
- 2022 Senior Managing Executive Officer, Director of Operation Division, Business Solution Headquarters
- 2023 Member of the Board of Directors, Senior Managing Executive Officer, Director of Operation Division, Business Solution Headquarters (current position)



**Masaru Nishiyama**  
Member of the Board of Directors, Senior Managing Executive Officer

Common stock in the company held: 20,311 shares

## Overview of career, positions, and responsibilities

- 1986 Joined Kyushu EP
- 2017 General Manager, Corporate Strategy Division (Group Management Strategy)
- 2019 Executive Officer, General Manager of International Business Office
- 2021 Managing Executive Officer, Executive Director of Corporate Strategy Division
- 2022 Senior Managing Executive Officer, Executive Director of Corporate Strategy Division
- 2023 Member of the Board of Directors, Senior Managing Executive Officer, Executive Director of Energy Service Headquarters (current position)

## Important concurrent positions

External Director, Nippon Tungsten Co., Ltd.

Notes: 1. Common stock in the company held as of March 31, 2023

2. Including the individual's equity in the Board Benefit Trust (BBT), a stock remuneration system



Common stock in the company held: 6,100 shares



**Sakie Tachibana**  
**Fukushima**  
**Member of the Board**  
**of Directors (External)**

**Overview of career, positions, and responsibilities**

- 1980 Joined Blackstone International, Ltd.
- 1984 Left Blackstone International, Ltd.
- 1987 Joined Bain & Company, Inc.
- 1990 Left Bain & Company, Inc.
- 1991 Joined Korn Ferry International-Japan (now Korn Ferry Japan)
- 1995 Member of the Board of Directors, Korn Ferry International U.S. Headquarters
- 2000 President, Korn Ferry International-Japan
- 2001 President and Representative Director, Korn Ferry International-Japan
- 2007 Retired as Member of the Board of Directors, Korn Ferry International U.S. Headquarters
- 2009 Chairperson and Representative Director, Korn Ferry International-Japan
- 2010 Retired as Chairperson and Representative Director
- 2010 President and Representative Director, G&S Global Advisors, Inc. (current position)
- 2011 Vice Chairperson, Japan Association of Corporate Executives (through 2015)
- 2016 Member of the Board of Directors, Ushio, Inc. (part-time, current position)
- 2020 Member of the Board of Directors, Kyushu EP (current position)
- 2022 Member of the Board of Directors, Aozora Bank, Ltd. (part-time, current position)

**Important concurrent positions**

President and Representative Director, G&S Global Advisors, Inc.  
External Director, Ushio, Inc.  
External Director, Aozora Bank, Ltd.

Common stock in the company held: 14,700 shares



**Junji Tsuda**  
**Member of the Board**  
**of Directors (External)**

**Overview of career, positions, and responsibilities**

- 1976 Joined Yaskawa Electric Mfg. Co. Ltd. (now Yaskawa Electric Corporation)
- 1998 Vice President, Yaskawa America, Inc.
- 2003 Retired as Vice President, Yaskawa America, Inc.
- 2005 Member of the Board of Directors, Yaskawa Electric Corporation
- 2009 Managing Director of the Board, Yaskawa Electric Corporation
- 2010 President (Representative Director), Yaskawa Electric Corporation
- 2013 Representative Director, Chairman of the Board, and President, Yaskawa Electric Corporation
- 2016 Representative Director, Chairman of the Board, Yaskawa Electric Corporation
- 2017 Chairman, board of directors, the University of Kitakyushu (current position)
- 2018 External Director, TOTO Ltd. (part-time, current position)
- 2021 Member of the Board of Directors, Kyushu EP (current position)
- 2022 Member of the Board of Directors, Yaskawa Electric Corporation
- 2022 Special Advisor, Yaskawa Electric Corporation (current position)
- 2022 Member of the Board of Directors, NSK Ltd. (part-time, current position)

**Important concurrent positions**

Special Advisor, Yaskawa Electric Corporation  
Chairman, board of directors, the University of Kitakyushu  
External Director, TOTO Ltd.  
External Director, NSK Ltd.

Common stock in the company held: 25,569 shares



**Yasuaki Endo**  
**Member of the Board**  
**of Directors,**  
**Audit & Supervisory**  
**Committee Member**

**Overview of career, positions, and responsibilities**

- 1980 Joined Kyushu EP
- 2018 Managing Executive Officer, Director of District Symbiosis Division, Business Solution Headquarters
- 2019 Senior Managing Executive Officer, Director of District Symbiosis Division, Business Solution Headquarters
- 2021 Member of the Board of Directors, Audit & Supervisory Committee Member, Kyushu EP (current position)

Common stock in the company held: 4,000 shares



**Kazuko Fujita**  
**Member of the**  
**Board of Directors,**  
**Audit & Supervisory**  
**Committee Member**  
**(External)**

**Overview of career, positions, and responsibilities**

- 1971 Joined Chuo Accounting Office (Auditing Corporation, subsequently Misuzu Audit Corporation)
- 1975 Registered Certified Public Accountant (to present)
- 1983 Member, Chuo Accounting Office
- 1989 Representative Member, Chuo Shinko Audit Corporation (subsequently Misuzu Audit Corporation)
- 2007 Left Misuzu Audit Corporation
- 2007 Partner, Tohmatsu Auditing (now Deloitte Touche Tohmatsu LLC)
- 2009 Retired as Partner
- 2009 Established Fujita Certified Public Accountants
- 2010 Registered Tax Accountant (to present)
- 2020 Member of the Board of Directors, Audit & Supervisory Committee Member, Kyushu EP (current position)

**Important concurrent positions**

Certified Public Accountant, Tax Accountant (Fujita Certified Public Accountants)

Common stock in the company held: 900 shares



**Yuji Oie**  
**Member of the**  
**Board of Directors,**  
**Audit & Supervisory**  
**Committee Member**  
**(External)**

**Overview of career, positions, and responsibilities**

- 1990 Associate Professor, School of Computer Science and Systems Engineering, Kyushu Institute of Technology
- 1995 Professor, Information Initiative Center, Nara Institute of Science and Technology
- 1997 Professor, School of Computer Science and Systems Engineering, Kyushu
- 2008 Research Professor, Graduate School of Computer Science and Systems Engineering, Kyushu Institute of Technology
- 2009 President, Graduate School of Computer Science and Systems Engineering, Kyushu Institute of Technology
- 2010 Director, Vice President, Kyushu Institute of Technology
- 2016 President, Kyushu Institute of Technology
- 2022 Resigned from Kyushu Institute of Technology
- 2022 Member of the Board of Directors, Audit & Supervisory Committee Member, Kyushu EP (current position)

Common stock in the company held: 900 shares



**Tomoka Sugihara**  
**Member of the**  
**Board of Directors,**  
**Audit & Supervisory**  
**Committee Member**  
**(External)**

**Overview of career, positions, and responsibilities**

- 1999 Registered as an attorney (current position)
- Joined Miura Okuda Iwamoto Law Office (now Miura Okuda Sugihara Law Office)
- 2007 Partner, Miura Okuda Sugihara Law Office (current position)
- 2020 Director, Audit & Supervisory Committee Member, Nippon Tungsten Co., Ltd. (part-time, current position)
- 2022 Member of the Board of Directors, Audit & Supervisory Committee Member, Kyushu EP (current position)

**Important concurrent positions**

Attorney (Partner, Miura Okuda Sugihara Law Office)  
External Director, Audit & Supervisory Committee Member, Nippon Tungsten Co., Ltd.

Notes: 1. Common stock in the company held as of March 31, 2023

2. Not eligible for the Board Benefit Trust (BBT), a stock remuneration system; no individual equity



# Ensuring Compliance

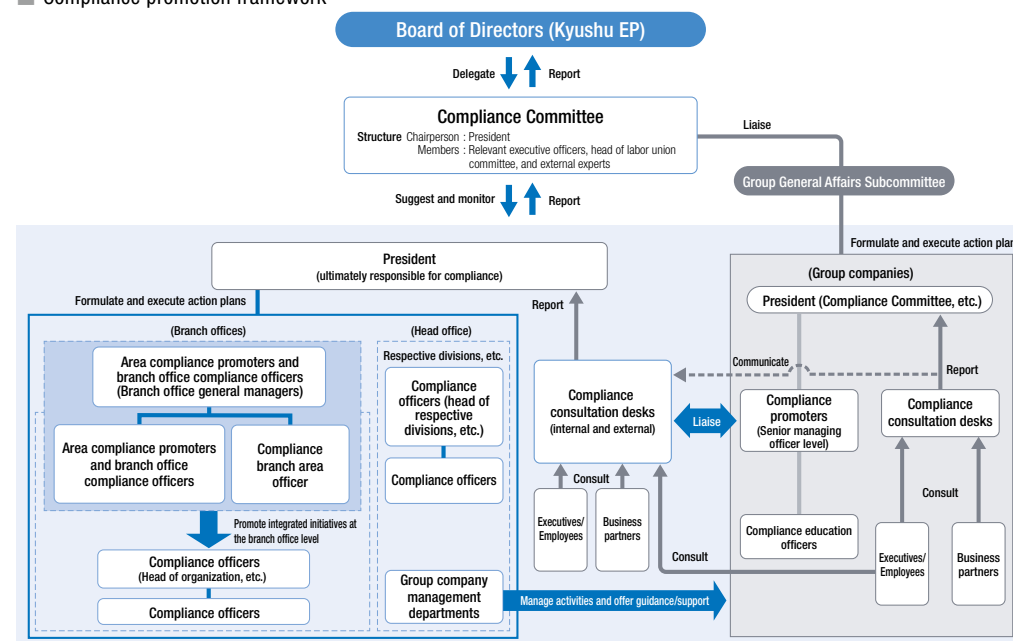
Based on the recognition that “the Group’s survival depends on the trust of all members of society,” we promote compliance management to ensure that each and every member of the Group operates the business with integrity and fairness. In light of the administrative penalties imposed by the Japan Fair Trade Commission and the incident involving the improper handling of customer data of other retail electricity companies in FY2022, we will take measures to prevent recurrence and strive as one Group to ensure that our business activities once again make compliance our top priority.

## Compliance Promotion Framework

At Kyushu EP, under the Compliance Committee, which handles issues delegated by and is monitored by the Board of Directors, we have designated the heads of different business execution units as compliance officers who formulate and implement action plans. We have also created a framework, which included establishing consultation desks both within and outside the company. In these ways, we are promoting compliance, including corruption prevention.

For Group companies, we have a Group General Affairs Subcommittee, which includes members from each company. The subcommittee shares information relating to compliance and acts as a forum where members can exchange ideas. As well as promoting a Group-wide, unified approach, the subcommittee clearly defines the roles of the management departments that guide and support the Group companies, and strengthens the Kyuden Group’s compliance promotion framework.

### Compliance promotion framework



## Compliance Committee

We have established a Compliance Committee chaired by the President, regularly provide advice and monitor compliance, and obtain suggestions and other forms of support from outside experts in the event of a scandal with significant social impact. Advice provided by the Committee is also shared with Group companies and reflected in initiatives throughout the Group.

### Overview of the Compliance Committee

Roles	<ul style="list-style-type: none"> <li>Propose and deliberate on compliance-related policies and measures, etc., and monitor implementation</li> <li>Provide advice, etc., from external experts in the Compliance Committee in the event of a scandal with significant social impact</li> </ul>
Structure	[Chairperson] President [Members] External experts (3), head of the labor union committee, relevant executive officers
Frequency of Meetings	Twice a year, in principle

### Record of FY2022 activities

Major items for deliberation/reporting by the Compliance Committee
<ul style="list-style-type: none"> <li>Status of initiatives at each site</li> <li>Operational status of compliance consultation desks</li> <li>Causes of compliance violations and measures to prevent recurrence</li> </ul>

### Committee meeting in session



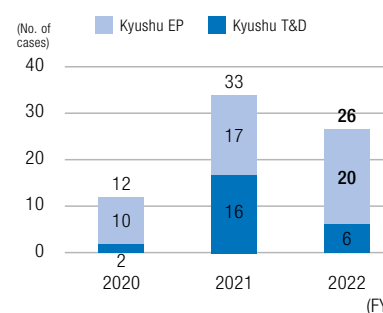
## Compliance Consultation Desks

To prevent actions that violate laws, regulations, and corporate ethics and detect such violations at an early stage, we have established compliance consultation desks at Kyushu EP and Kyushu T&D. Officers, employees, and business partners (contractors, etc.) of the Kyuden Group can consult with these desks when they have doubts about the legality or ethics of our business operations or the behavior of other officers and employees. We have also established an external consultation desk at a legal office to provide consultation services.

The privacy of users of these services is strictly protected in accordance with laws, regulations, and internal rules, and users will not be subjected to any disadvantageous treatment as a result of consulting with or reporting to these desks.

In addition, to create an environment conducive to such consultations, we are encouraging employees to use the consultation desks through documents and on the Intranet. In FY2022, 26 consultations and reports were received. Appropriate action was taken in response to the consultations we received, including necessary investigations and consideration of measures to prevent recurrence.

### Consultations and reports over time





## Initiatives to Ensure Compliance

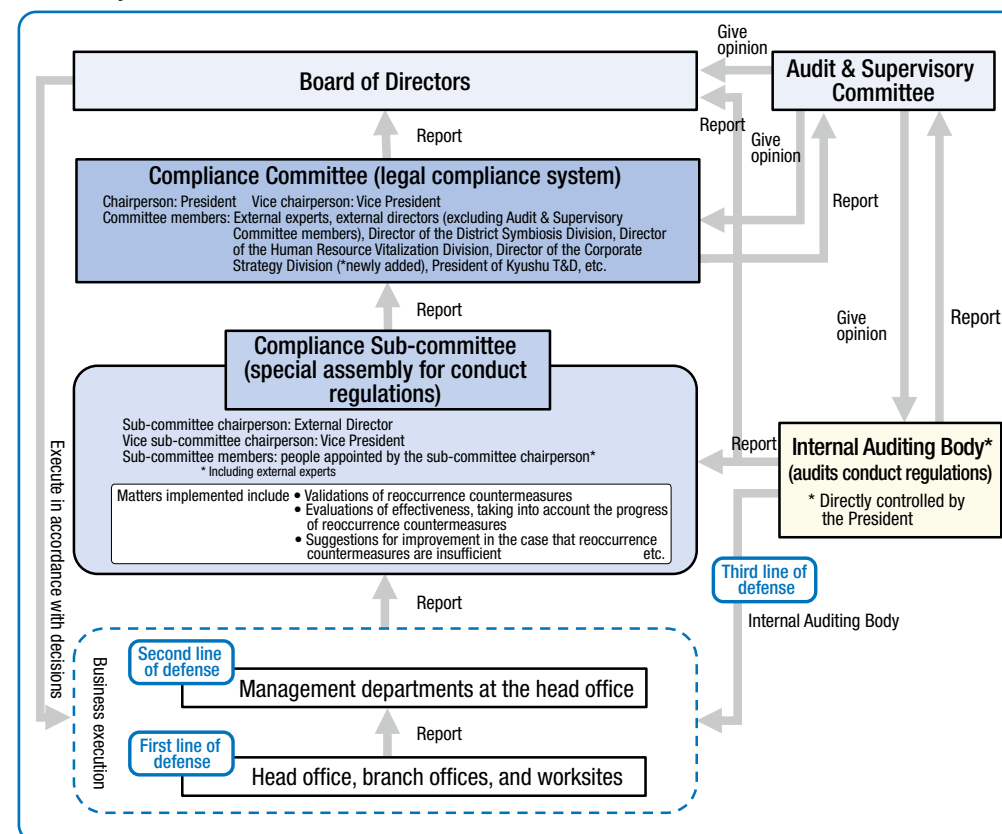
We regret the significant inconvenience and concern caused to our stakeholders as a result of serious compliance violations, including the administrative penalties imposed by the Japan Fair Trade Commission and the improper handling of customer data of other retail electricity companies. In order to prevent such situations from ever occurring again, all of our officers and employees will make a concerted effort to ensure thorough compliance and restore the public's trust.

### Measures to prevent recurrence of improper handling of new electricity customer information, etc.

Overview	<p>Kyushu EP was found to have been using a system owned by Kyushu T&amp;D in business operations other than the handling of emergency disasters and incidents, which Kyushu T&amp;D had contracted it to perform, to access the customer data of other retail electricity utilities (this was announced in press releases between January and March 2023). There were no cases in which the accessed information was used in customer acquisition activities.</p> <p>To prevent such a situation from happening again, all employees are working together to prevent recurrence under the leadership of senior management, led by the President, and with the help of external knowledge.</p>
Cause	<ul style="list-style-type: none"> <li>• Lack of sensitivity (literacy) with respect to non-public information (non-publicly disclosed information regarding operations such as wheeling services that could affect competition in the retail electricity business, etc.)</li> <li>• Failure to consider the specific legal risks and business norms that would arise as a result of the spin-off</li> <li>• Failure to create an organizational climate conducive to consultation</li> </ul>
Efforts to Prevent Recurrence	<p>(1) Measures for information systems that “prevent” and “do not allow” inappropriate behavior to occur</p> <ul style="list-style-type: none"> <li>• Ensure strict management of login IDs, passwords, and terminals (Relevant internal rules were also revised)</li> <li>• Further reinforce system-based measures such as access restrictions on communication channels</li> </ul> <p>(2) Developing systems and mechanisms that “prohibit” the behavior and an organizational culture that “discourages” it</p> <ul style="list-style-type: none"> <li>• Build and reinforce a structure for periodic, multi-tiered verification of compliance with laws and regulations (See diagram on the right for the structure)</li> <li>• Communicate messages from senior management</li> <li>• Enhance training and education on conduct restrictions</li> <li>• Create an environment conducive to the detection of misconduct, including developing an internal reporting system</li> <li>• Reduce risks in all operations by conducting a comprehensive review of operations, with a focus on conduct restrictions</li> <li>• Clarify responsibility for compliance, including conduct restrictions, and rules for disciplinary actions</li> </ul>

### Structure for periodic, multi-tiered verification of compliance with laws and regulations

#### Internal system

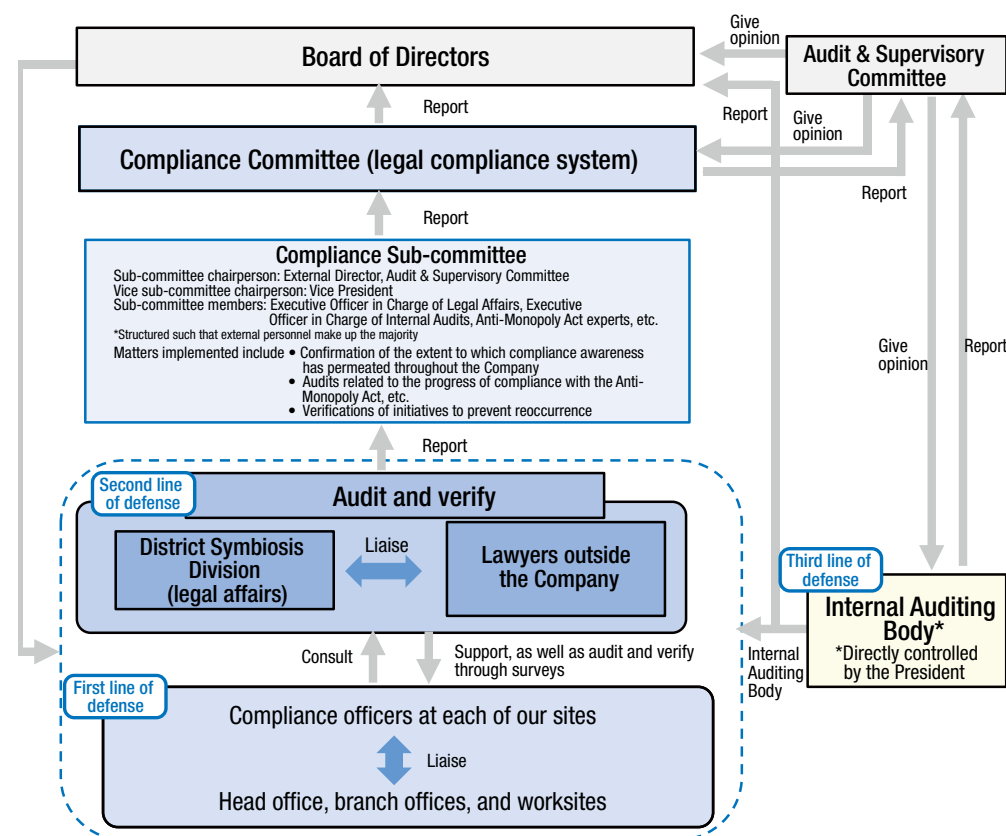




## Measures to prevent recurrence in light of administrative penalties imposed by the Japan Fair Trade Commission

Overview	<p>Kyushu EP and Kyuden Mirai Energy received cease and desist orders and a surcharge payment order (Kyuden Mirai Energy received the cease and desist order only) from the Japan Fair Trade Commission on March 30, 2023, for violating the Antimonopoly Act in connection with the supply of extra high voltage power and high voltage power.</p> <p>Due to a difference of opinion with the Commission regarding the facts of the case, Kyushu EP filed a lawsuit seeking the revocation of each order. However, to prevent such allegations in the future, we are implementing measures to ensure compliance with laws and regulations, including the Antimonopoly Act.</p> <p>To compile these measures, the Compliance Committee, which includes external experts and external directors, deliberated on the issues while obtaining knowledge from attorneys and other experts.</p>
Cause	<ul style="list-style-type: none"> <li>We conducted meetings with a competitor without having a sufficient understanding of the Antimonopoly Act, including that there was a risk of being suspected of violating the Antimonopoly Act simply by making contact with a competitor, etc.</li> </ul>
Efforts to Prevent Recurrence	<p><b>(1) Commitment by top management to prevent recurrence and Group-wide attitude and corporate culture reforms</b> [Measures that “discourage” the behavior]</p> <ul style="list-style-type: none"> <li>Issue a declaration by top management</li> <li>Issued the “President’s Commitment,” which expresses our strong determination not to repeat situations that could be suspected of violating the Antimonopoly Act</li> <li>Foster awareness of compliance as our top priority</li> <li>Foster an organizational climate that encourages members to point out to each other risks of legal violations regardless of department or position</li> </ul> <p><b>(2) Improving understanding and awareness of the Antimonopoly Act</b> [Measures that “discourage” the behavior]</p> <ul style="list-style-type: none"> <li>Revise Compliance Action Guidelines, etc.</li> <li>Enhanced the list of points to bear in mind regarding contact with competitors, in order to comply with the Antimonopoly Act</li> <li>Conduct education and training</li> <li>Implemented regular training on problematic actions that could constitute cartel behavior and specific standards of conduct to avoid suspicion</li> </ul> <p><b>(3) Establishment of an Antimonopoly Act compliance structure and reinforcement of checks in the structure</b> [Measures to “prohibit” the behavior] (See diagram on the right for the structure)</p> <ul style="list-style-type: none"> <li>Establishment of “Antimonopoly Act Compliance Rules” Established rules that stipulate initiatives and structures for compliance with the Antimonopoly Act</li> <li>Establishment of the “Unreasonable Restraint of Trade (Cartels and Bid Rigging) Prevention Manual” Established a manual that specifies precautions to be taken when contacting competitors in order to avoid suspicions of forming a cartel, etc.</li> <li>Audits of compliance with the Antimonopoly Act and external verification of efforts to prevent recurrence             <ul style="list-style-type: none"> <li>Implemented periodic audits by the legal division and outside counsel</li> <li>Established a Compliance Subcommittee consisting of a majority of external personnel to monitor efforts to prevent recurrence</li> </ul> </li> </ul>

### Structure for auditing compliance with the Antimonopoly Act and verifying efforts





# Strengthening Risk Management System

To manage risk, Kyushu EP identifies, categorizes and assesses risks every year based on its risk management rules, clarifying company-wide and division-specific threats that could affect Kyuden Group management.

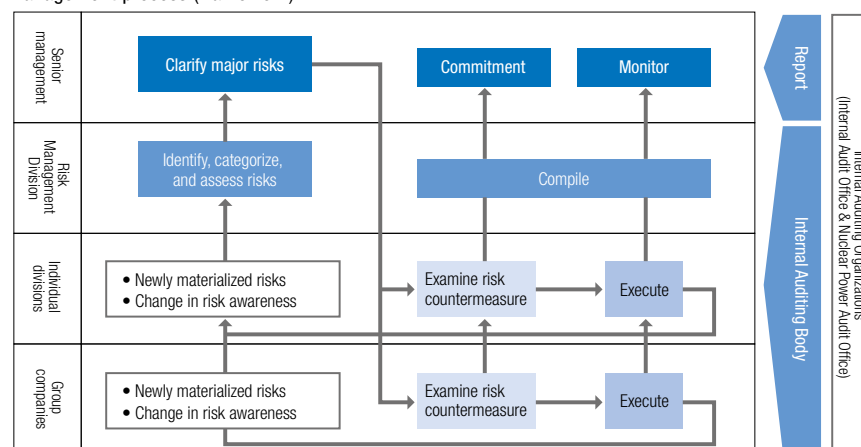
Individual divisions and business offices incorporate measures to address significant risks into business plan and manage them appropriately.

With regard to risks that relate to multiple departments and risks for which concerns of manifestation are high, we share information among related departments, clarify response structures, and address these risks appropriately. For nuclear power in particular, we take external knowledge and opinions into consideration as we work to identify a broad range of risks, share this information with members of the Board of Directors and executive officers, and reduce the risks thoroughly and on an ongoing basis.

In addition, to respond rapidly and appropriately to emergencies and disasters, we have established rules, in advance, covering response structures and procedures, and we conduct regular drills.

To ensure the adequacy of this risk management system, the Internal Audit Division, which is independent from business operations, audits the implementation of risk management at individual divisions and Group companies.

## Risk management process (framework)

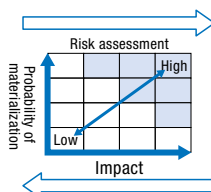


## Risk management process

- Events that occurred in the last year
- Identify risks taking into consideration expected changes in the business environment in the medium to long-term



- Share information on state of response to risk with related parties and senior management



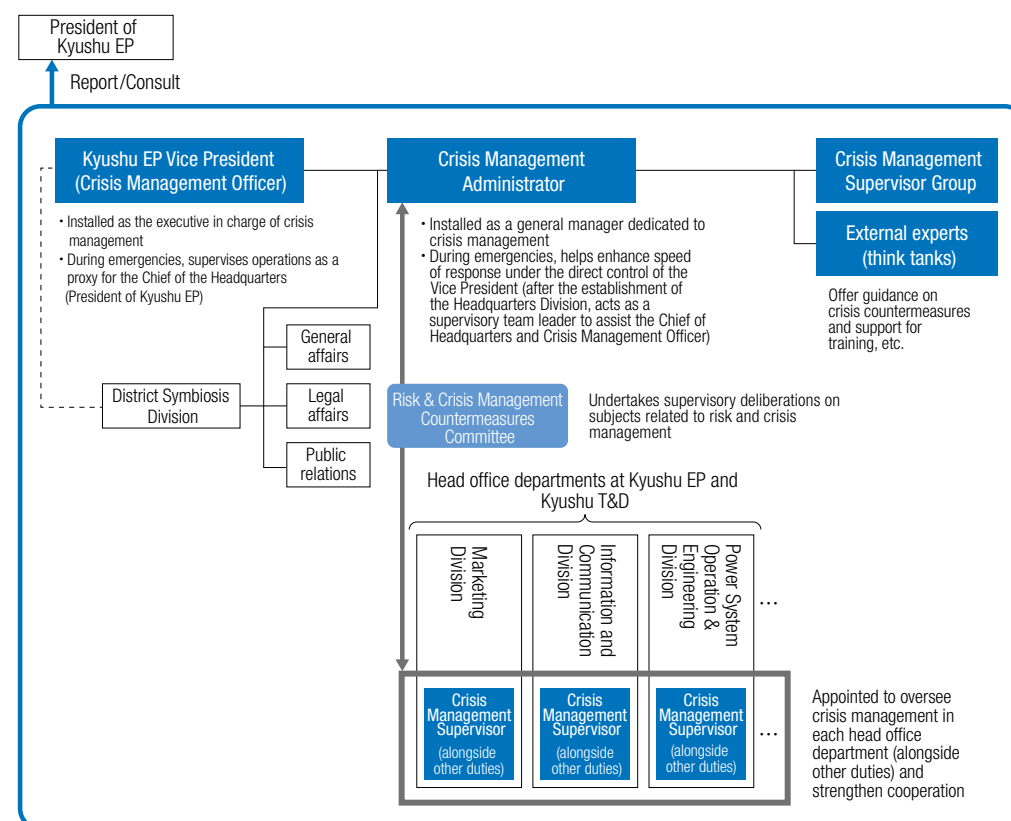
- Assess risks based on their probability of materialization and potential impact
- Clarify major risks through management discussion



- Individual divisions incorporate risk countermeasures into business plans then implement

## Crisis Management System

As the risks that the Kyuden Group faces grow more diverse and complex at an unprecedented scale and speed, we have created a crisis management system and strive to minimize the impact if they materialize. Specifically, having installed not only an officer in charge of crisis management (Vice-Presidential Executive Officer, Kyushu EP) and the respective division manager responsible for crisis management but also crisis management staff at such locations as the head office of Kyushu EP and Kyushu T&D, we share information and collaborate in the case of a crisis. In addition to having established a Risk & Crisis Management Countermeasures Committee, we have built a support system based on outside experts with specialized and advanced knowledge to continually improve and strengthen crisis management functions.





## ■ Business risks announced by Kyushu EP

The main risks that have the potential to affect the Group's business performance, financial situation, etc., include, but are not limited to, the following.

Risk Category	Content	Countermeasures
<b>Changes in the competitive environment</b>		
Domestic Electricity Business	Impact of temperature rises, economic trends, etc. Fiercer competition due to full deregulation of retail electricity sector Trends in the fuel market and wholesale electricity transactions	Provide competitive products and services Secure supply capacity and reduce costs
Other businesses (Overseas Business, etc.)	Country risk Fiercer competition Changes in systems Changes in prices, interest rates, and exchange rates	Assess potential profitability and risks Establish a risk management framework Optimize our business portfolio Reduce costs and implement initiatives related to new technology
<b>Status of the situation surrounding nuclear power</b>		
Stable operation of nuclear power	Restrictions on operations due to new regulatory standards Unsuccessful litigation over nuclear power	Respond to new regulatory standards (bolster safety) Implement appropriate countermeasures to such litigation
Atomic fuel cyclic and back-end of nuclear operations	Uncertainty accompanying extremely long-term projects	Alleviate impact through government measures
<b>Fluctuations in market prices</b>		
Fluctuations in fuel prices	Changing conditions in international fuel markets and fluctuations in foreign currency rates Changes in procurement conditions (difficulties meeting demand)	Diversify procurement sources and ensure we remain flexible Make use of foreign exchange forwards and fuel price swaps
Interest rate fluctuations	Macroeconomic conditions	Procure capital through long-term borrowings with fixed interest
Wholesale electricity market prices	Dramatic price increase due to gap in supply and demand Increase in cost of purchasing renewable energy linked to the market	Optimize our energy source portfolio Use derivatives
<b>Changes in systems related to the power industry</b>		
Basic Energy Plan Electricity system reforms	Changes in systems related to energy policy Development of the energy market	Gather information on the system and respond appropriately
<b>Climate change</b>		
Climate change	Environmental regulations Procurement needs from decarbonized power sources Changes in actions by investors concerning ESG Insufficient initiatives and information disclosures	Promote electrification and low- or zero-carbon energy sources Establish an ESG promotion framework Disclose information on low-carbon and decarbonization initiatives (information disclosure and dialogue, etc., based on TCFD recommendations)
<b>Facility accidents/failures and system failures</b>		
Natural disasters System failures, etc.	Large-scale natural disasters Breakdown of equipment due to age System failures Cyber-attacks	Formulate business continuity plans (BCP) Cooperate with relevant organizations and local governments Carry out priority inspections and repairs, improve maintenance efforts, etc. Constantly monitor system operations and update systematically Maintain and raise our information security level
<b>Operational risks</b>		
Professional negligence (employee accidents, etc.)	Personal injury such as electric shock Large-scale or long-term blackouts	Establish detailed plans in advance and put in place a work task management framework Conduct job training and drills Put in place an in-house safety promotion framework
Violation of laws and regulations	Violations resulting from insufficient understanding of laws and regulations Inadequate response to system changes Dishonest practices	Thoroughly implement compliance with laws and regulations (education, cultural awareness, systems) Establish a compliance promotion framework
Lack of human capital and skills	Inability to secure and train human capital or exodus of existing personnel	Systematically hire human capital Educate and train personnel so as to develop human capital Put in place a better working environment

# Strengthening Supply Chain Management

To provide products and services that are valuable to customers, it is necessary to procure safe, quality materials and parts in an economic and safe manner. In the process of procurement, we recognize the importance of contributing to the realization of a sustainable society by fulfilling our social responsibilities throughout the supply chains involved.

At Kyushu EP and Kyushu T&D, we have established a Basic Policy for Procuring Materials, which outlines our basic approach to procurement, and the Sustainable Procurement Guidelines, which summarizes our “requests to suppliers,” a list of matters that we would like our suppliers to comply and cooperate with in order to conduct procurement activities based on the aforementioned policy. We will continue striving to promote understanding of these guidelines among all stakeholders in the supply chain, and also plan to conduct in-house training to deepen employee understanding of these guidelines.

In order to continue our efforts to realize a sustainable society throughout the supply chain in the future, we will revise these guidelines as necessary to keep up with changes in social conditions and new insights.

## Sustainable Procurement Guidelines

### ■ Basic Policy for Procuring Materials

- |   |   |
|---|---|
| 1 Open procurement                                  | 7 Ensuring information security and protecting personal information |
| 2 Fair and equitable business activities            | 8 Adhering to and faithfully executing contracts                    |
| 3 Adhering to laws, regulations, and social norms   | 9 Promotion of communication to establish mutual trust              |
| 4 Rejection of all relations with antisocial forces | 10 Creation of value  |
| 5 Taking into consideration the environment         | 11 Contribution to society and the regional community               |
| 6 Ensuring safety                                   |   |

### ■ Requests to suppliers

- |   |  |
|---|--|
| 1 Adhering to laws, regulations, and social norms | 7 Fair and equitable transactions and ethics |
| 2 Adhering to and faithfully executing contracts  | 8 Quality and safety                         |
| 3 Reduced procurement costs and stable delivery   | 9 Information security                       |
| 4 Human rights and labor                          | 10 Business continuity plan                  |
| 5 Safety and health                               | 11 Establishment of a management structure   |
| 6 Preserving the environment and biodiversity     | 12 Promoting good communication              |

## Conducting Questionnaires Targeting Business Partners

We conduct a questionnaire on sustainability initiatives targeting our major suppliers\* and survey the extent to which they are addressing social issues such as the SDGs and carbon neutrality. From the results of the questionnaire, we summarize examples of initiatives that help to improve sustainability, and strive to share the findings with our suppliers through briefings and other opportunities.

\* Suppliers with whom we place consistent orders, etc.



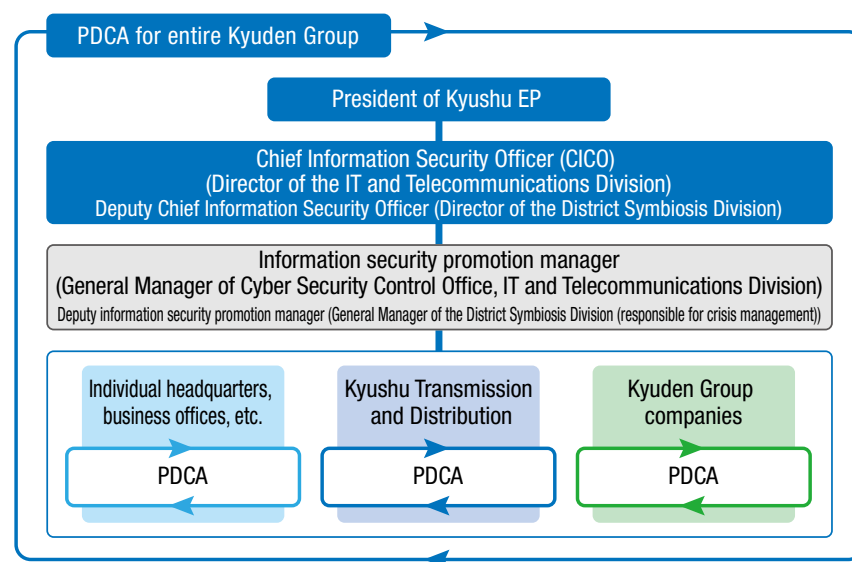
# Ensuring Information Security

We are working to ensure appropriate information security and protect personal information by setting a fundamental approach to information security and the protection of personal information and ensuring officers and employees are well aware of the approach. In addition, we will strive to strengthen information security measures across our entire supply chain, including suppliers outside of the Group, to improve the overall level of information security.

## Promotion Framework

Kyushu EP has created a framework under which the President is ultimately responsible and where the director of the IT and Telecommunications Division acts as the Chief Information Security Officer (CICO). The Cyber Security Control Office, which is part of the framework, is the heart of Group-wide efforts to promote the security PDCA cycle and works to guarantee information security.

■ Information Security Promotion Framework



## Information Security Measures

To prevent information security incidents, we implement multi-faceted initiatives that include organizational, human resource, physical, and technical measures. These efforts are centered on the Cyber Security Control Office, and involve cooperation among those responsible for information security at each of our sites, including Group companies.

### Organizational measures

Under the framework detailed above, we promote the use of the PDCA cycle throughout the entire Group, check on progress in implementing information security efforts at each workplace, and make continuous improvements.

### Human resource measures

All employees undergo information security training and take part in drills related to targeted cyber-attacks via email. Through this and other types of training, we raise awareness and understanding of information security and improving employees' ability to respond.

### Physical measures

As well as introducing security gates and electronic locks, we implement necessary measures at facilities to control who can enter our buildings and offices.

### Technical measures

In preparation for cyber-attacks, which are growing more sophisticated and ingenious, we are strengthening our security countermeasures by utilizing antivirus software and introducing security firewalls.

### Examples of recent information security measures

#### [Measures related to the use of generative AI (promotion of DX)]

When we began using generative AI in July 2023, we prepared a secure environment to protect our information assets, summarized the important precautions to keep in mind, and informed all employees of those precautions.

## Protecting Personal Information

We have put in place various internal regulations, and strive to use and manage personal information appropriately within the scope of specific usage purposes. However, in FY2022, improper viewing and handling of new electricity customer information was discovered and reported to the Personal Information Protection Committee. In order to prevent such a situation from happening again in the future, we will strive to prevent recurrence and properly and strictly manage personal information in accordance with relevant laws and regulations.

## Individual Number (My Number) System

In accordance with the purposes and requirements of relevant laws and regulations, we make sure to confirm individuals' identities when we are required to submit their personal individual number. When it is no longer necessary, we handle the information appropriately by promptly disposing of or deleting it or taking other steps. Moreover, when a customer contracts with us for electricity, we do not require them to provide their personal individual number.



# Enhancing Stakeholder Engagement

The Kyuden Group has relations with a wide range of stakeholders through its business activities. To build better relationships with our stakeholders, we engage in two-way communication such as dialogue activities, and conduct community and social coexistence activities.

## Promoting Two-way Communication with Stakeholders

The Kyuden Group utilizes a variety of opportunities to promote two-way communication, including dialogue activities in which we explain our business activities to stakeholders and listen to their opinions and requests, press releases and other channels through which we actively disclose and disseminate information, and visiting lectures and facility tours.

### Face-to-face dialogue activities

We utilize various opportunities for communication to promote face-to-face dialogue with stakeholders, such as onsite visits and dialogue sessions. To further promote these activities, we actively undertake initiatives such as preparing original explanatory materials and conducting activities via our dialogue promotion teams.



Onsite visits for local residents

### Active disclosure and dissemination of information

In order to gain the understanding and trust of our customers and the local community by increasing the transparency of our corporate activities, we have established the Disclosure Commitment\*, which outlines our basic stance on the disclosure of information.

Based on this commitment, we proactively disclose and disseminate information on all aspects of our corporate activities, including management information, problems at power stations, safety measures at nuclear power plants, and corporate PR. To do so, we utilize various media, such as press releases, websites, social media, and pamphlets.

\* Published in the Kyuden Group ESG Data Book 2023 (p. 45)

### Utilization of diverse opportunities for communication

Besides onsite visits, we utilize diverse opportunities for communication, such as visiting lectures and facilities tours. To complement existing face-to-face activities, we are expanding communication opportunities through the use of digital technology, such as online classes and virtual power station tours that make use of VR, computer graphics, video, and other technologies.



Virtual power station tour

## Business Operations That Value Stakeholder Feedback

In FY2022, Kyushu EP and Kyushu T&D received about 2,000 pieces of feedback from stakeholders through day-to-day business activities, dialogues, and other activities. Using internal systems and other means, we share the feedback we receive from stakeholders with the entire company, including those at the top level of management. We also examine suggested countermeasures from a cross-divisional perspective and reflect them in the operating plans of each division, branch, office, etc., to lead to better management. We will continue to listen carefully to stakeholder feedback and strive to respond promptly to their needs.

## Promotion of Community and Social Coexistence Activities

The Kyuden Group conducts a variety of community and social coexistence activities under our Basic Policy for Community and Social Coexistence\*, with the aim of fulfilling our role as a member of the local community and deepening communication with local residents to build strong relationships of trust. In FY2022, a cumulative total of about 34,000 employees participated in volunteer activities such as Korabora-Q-den and various other community initiatives.

\* Posted on Kyushu EP's website

### Korabora-Q-den

In collaboration with NPOs and other community members, we are rolling out Korabora-Q-den (collaboration + volunteer) activities across the Kyushu region, aiming to find solutions to local issues.

Korabora-Q-den activities in the environmental arena, such as efforts to protect biodiversity and preserve natural landscapes, are called Korabora-Q-den Eco initiatives. Through these initiatives, we are working together with community members across the Kyushu region to protect the environment.



Releasing salmon fry (Iizuka Power Distribution Office)

### Kyuden Play Forest

We host Kyuden Play Forest events, which are experiential learning events for elementary school students held in forests throughout the Kyushu region, with the aim of nurturing children's respect for the environment.

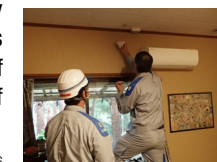


A walk rally activity held during the Kyuden Play Forest at the Saga Prefectural Hokuzan Youth Retreat (Saga Branch)

### Activities to create a society that is friendly to elderly people and children

We are working with local communities to create a society that is friendly to elderly people and children through various activities, such as the inspection of wiring in the homes of elderly people living alone, food drives\*, and the provision of sites to hold children's cafeterias.

\* Food that cannot be consumed by the best before date is brought to food bank organizations to be donated to welfare facilities



Indoor wiring inspection (Kumage Distribution Office)



Food drive (Kumamoto Branch)

### Participation in local festivals

Employees from various offices and Group companies participate in and help to run local festivals to revitalize the local community and deepen ties with local residents.



Satsumasendai Hanyu Festival (Sendai Nuclear Power Plant)



# Chapter 6

## Data Section

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# Consolidated Eleven-year Financial Summary

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

											Millions of Yen	Thousands of U.S. Dollars
For the Year:	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2022
Operating revenues:	¥1,545,919	1,791,152	1,873,467	1,835,692	1,827,524	1,960,359	2,017,181	2,013,050	1,521,977	1,743,310	2,221,300	\$16,633,973
Electric	1,406,218	1,633,023	1,719,570	1,688,328	1,681,066	1,804,418	1,844,850	1,800,189	1,284,207	1,486,155	1,946,737	14,577,936
Other	139,700	158,129	153,897	147,364	146,458	155,940	172,331	212,860	237,770	257,154	274,563	2,056,036
Operating income (loss)	(299,428)	(95,821)	(43,314)	120,256	122,640	103,123	86,575	63,813	76,894	48,624	(72,998)	(546,638)
Ordinary income (loss)	(331,206)	(131,449)	(73,693)	90,916	94,234	73,678	52,544	40,052	55,179	32,384	(86,634)	(648,751)
Net income (loss) attributable to owners of the parent	(332,470)	(96,096)	(114,695)	73,499	79,270	86,657	30,970	(419)	31,835	6,873	(56,429)	(422,563)
Capital expenditure	181,295	257,004	272,880	323,858	310,096	358,953	369,816	421,731	355,894	312,138	306,592	2,295,881
Depreciation and amortization	212,735	202,856	193,972	203,060	215,342	210,455	238,189	261,369	205,749	225,293	221,013	1,655,034
Research and development expenses	8,175	6,423	7,343	6,499	5,817	5,651	5,459	5,525	5,101	4,823	4,798	35,930
Cash flows from operating activities	(135,130)	(5,922)	88,736	329,491	188,016	355,995	283,020	226,852	253,459	257,811	30,504	228,431
Cash flows from investing activities	(176,546)	(184,963)	(268,413)	(288,321)	(275,047)	(321,751)	(364,341)	(424,623)	(330,587)	(320,879)	(328,874)	(2,462,742)
Free cash flows	(311,676)	(190,886)	(179,676)	41,169	(87,030)	34,243	(81,321)	(197,770)	(77,127)	(63,068)	(298,369)	(2,234,310)
Cash flows from financing activities	412,248	196,397	310,807	(126,184)	78,380	(90,334)	(40,716)	157,999	95,549	79,428	324,770	2,432,011
Dividends paid	9,464	—	—	—	9,523	17,099	15,349	18,884	17,505	19,872	10,528	78,840
Total equity	557,799	494,232	450,990	499,903	574,577	653,963	665,250	637,957	681,470	676,337	617,230	4,622,064
Total assets	4,526,513	4,549,852	4,784,735	4,748,237	4,587,541	4,710,073	4,794,039	4,948,063	5,128,563	5,342,350	5,603,678	41,962,548
Outstanding interest-bearing debt	2,910,724	3,116,717	3,337,982	3,224,888	3,313,957	3,243,817	3,223,166	3,406,273	3,522,649	3,638,084	3,991,507	29,889,977
Interest charges	37,407	39,429	40,148	39,317	36,008	33,416	31,397	28,990	26,258	25,043	27,936	209,202
Per Share:											Yen	U.S. Dollars
Basic net income (loss)	¥(702.98)	(203.19)	(242.38)	155.17	159.97	175.56	58.05	(6.05)	62.86	10.09	(123.81)	\$(0.92)
Net assets	1,141.13	1,005.42	692.52	787.01	944.69	1,113.43	1,136.82	1,077.38	1,165.39	1,151.73	1,015.22	7.60
Cash dividends applicable to the year (common share) <sup>*1</sup>	—	—	—	—	15.00	20.00	30.00	35.00	35.00	40.00	—	—
Cash dividends applicable to the year (class A preferred share) <sup>*1</sup>	—	—	—	—	3,500,000.00	3,500,000.00	3,500,000.00	1,599,452.00	2,100,000.00	2,100,000.00	—	—

\*1: The cash dividends per share listed are the amounts attributable to recorded earnings for each fiscal year. In addition, the following appropriation funded from other capital surplus as of March 31, 2016 was approved at the General Meeting of Stockholders on June 28, 2016. Dividends per share: Common stock: ¥5.00; Class A preferred shares: ¥7,153,703.00<sup>\*</sup>

\*2: Including cumulative unpaid Class A preferred shares, each single share equates to ¥7,153,763.00.

Note 1: U.S. dollar amounts have been converted from yen for the reader's convenience at the rate of ¥133.54 = U.S.\$1, the prevailing rate of exchange as of March 31, 2023.

Note 2: Yen figures have been rounded down to the nearest million.

Note 3: The Revised Accounting Standard for Revenue Recognition, etc. and the revised Electricity Business Accounting Regulations have been applied from the beginning of Fiscal 2021, and the figures for Fiscal 2020 have been retroactively adjusted to reflect the said accounting standards.



Key Metrics:	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
ROE (%)	(47.16)	(18.93)	(25.29)	16.13	15.38	14.69	4.88	(0.07)	5.04	1.06	(9.19)
ROIC (%)	(6.2)	(1.8)	(0.6)	2.6	2.5	2.0	1.5	1.3	1.5	1.0	(0.9)
Equity ratio (%)	11.92	10.46	9.02	10.11	12.01	13.36	13.34	12.34	12.72	12.08	10.39
Net D/E ratio (%)	539.34	655.42	773.53	671.95	601.48	515.59	504.06	557.82	540.03	563.61	685.75
Dividend payout ratio (%)	—	—	—	3.22	9.38	11.39	51.68	—	55.68	396.43	—
Year-end stock price (yen)	977.00	1,262.00	1,165.00	1,071.00	1,186.00	1,268.00	1,307.00	869.00	1,092.00	817.00	757.00
PER	—	—	—	6.90	7.41	7.22	22.52	—	17.37	80.97	—
PBR	0.86	1.26	1.68	1.36	1.26	1.14	1.15	0.81	0.94	0.71	0.75
Dividend yield (%)	—	—	—	0.47	1.27	1.58	2.30	4.03	3.21	4.90	—
Reference Data:											
Electricity sales volume (million kWh)	83,787	84,450	81,279	79,210	82,366	82,740	80,591	80,711	85,823	97,275	95,967
Nuclear power plant utilization rate (%)	—	—	—	20.7	31.9	36.7	73.1	82.0	62.4	91.4	57.7



# Non-financial Data

(For results with breakdowns, the breakdown figures and totals may not match due to rounding)

Environment		Unit	2018	2019	2020	2021	2022 (FY)	Scope of Aggregation
Ratio of energy from zero-emission or FIT energy sources	Ratio of zero-emission or FIT electricity* in the Domestic Electricity Business (total)	%	55	58	49	55	43	Kyushu EP
	Renewable energy (excl. FIT)	%	9	9	7	6	6	
	FIT electricity	%	12	14	16	14	14	
	Nuclear power	%	34	35	26	35	23	
Greenhouse gases	Supply chain GHG emissions (Scopes 1, 2, and 3 total) (market basis)	Million t-CO <sub>2</sub>	33.56	35.92	42.29	39.72	45.10	Kyushu EP and consolidated subsidiaries
	Scope 1	Million t-CO <sub>2</sub>	17.56	19.04	22.11	17.49	23.69	
	Scope 2 (market basis)	Million t-CO <sub>2</sub>	0.0009	0.0008	0.0005	0.0005	0.0005	
	(location basis)	Million t-CO <sub>2</sub>	0.0001	0.0008	0.0005	0.0005	0.0005	
	Scope 3	Million t-CO <sub>2</sub>	15.99	16.88	20.18	22.23	21.40	
	CO <sub>2</sub> emissions (basic emissions)	Million t-CO <sub>2</sub>	22.80	23.9	25.00	21.80	29.20	
	CO <sub>2</sub> emissions per kWh of electricity sold (basic emissions coefficient)	kg-CO <sub>2</sub> /kWh	0.319	0.344	0.365	0.296	0.399	
	CO <sub>2</sub> emissions per kWh of electricity sold (post-adjustment emissions coefficient)	kg-CO <sub>2</sub> /kWh	0.347	0.370	0.479	0.382	0.453	
Renewable energy	Renewable energy developed (Japan and overseas)	Million kW	-	-	2.3	2.55	2.61	Kyuden Group
Energy (amount of raw materials used)	Energy consumption (crude oil equivalent)	Million kl	6.35	6.22	7.69	6.12	8.22	Kyuden Group
Water	Clean water consumption	m <sup>3</sup> /person	32	28	27	24	27	Kyushu EP
	Water withdrawal for power generation (at thermal, nuclear and internal combustion power plants)	Million t	5.20	6.01	6.14	5.24	6.09	Kyushu EP
	Water discharge from power generation (at thermal, nuclear and internal combustion power plants)	Million t	2.47	2.58	2.62	2.36	2.57	Kyushu EP
Industrial waste	Generated	t	715,525	917,166	880,177	782,307	1,037,934	Kyuden Group
	Recycled	t	712,720	915,146	877,737	776,846	1,013,576	Kyuden Group
	Recycling rate	%	Approx.100	Approx.100	Approx.100	Approx.100	98	Kyuden Group
Air	SO <sub>x</sub> emissions by thermal power plants	t	3,686	3,549	4,532	3,747	4,618	Kyushu EP
	NO <sub>x</sub> emissions by thermal power plants	t	5,008	4,941	6,081	5,358	6,769	Kyushu EP
Electric vehicles (EVs)	EVs introduced (cumulative)	Vehicles	175	192	199	259	349	Kyushu EP
Energy and environmental education	Eco-mother classes	Times	Approx.200	Approx.200	Approx.110	Approx.110	Approx.130	Kyushu EP
	Visiting lectures	Times	Approx.560	Approx.440	Approx.190	Approx.290	460	Kyushu EP
	Environmental classes using digital contents	Times	-	-	-	15	23	Kyushu EP

\* Ratio of electricity generated and received by Kyushu EP, before trading of non-fossil certificates.

If a non-fossil certificate is unavailable, FIT power is considered neither as a renewable energy nor as a source of zero carbon-emission energy, but is treated as an electricity with an emission amount of Japan's national average level, including among others thermal power generation.

See the “Kyuden Group ESG Data Book 2023” for details.

Society		Unit	2018	2019	2020	2021	2022 (FY)	Scope of Aggregation
Number of employees	Employees (total)	People	12,947	12,829	12,717	12,543	12,339	Kyushu EP and Kyushu T&D
	Male	People	11,904	11,791	11,660	11,481	11,267	
	Female	People	1,043	1,038	1,057	1,062	1,072	
Average years of service	Average years of service (general)	Years	24.0	24.2	24.2	24.4	24.5	Kyushu EP and Kyushu T&D
	Male	Years	24.5	24.7	24.8	25.0	25.1	
	Female	Years	18.2	18.1	17.8	17.8	17.6	
Number of female managers	Female managers	People (%)	108 (2.3%)	117 (2.5%)	123 (2.6%)	127 (2.7%)	136 (2.9%)	Kyushu EP and Kyushu T&D
Number of employees who took childcare leave	Employees took childcare leave	People	33	61	68	73	279	Kyushu EP and Kyushu T&D
Rate of employees with disabilities	Employees with disabilities	%	2.26	2.34	2.32	2.29	2.46	Kyushu EP and Kyushu T&D
Creation of a better working environment	Days of paid leave utilized annually per person	Days	16.7	16.2	16.6	16.6	17.4	Kyushu EP and Kyushu T&D
Health and productivity management	Receiving regular health exams	%	-	100	100	100	100	Kyushu EP and Kyushu T&D
	Participation in stress check program	%	-	95.5	94.5	94.8	94.8	Kyushu EP and Kyushu T&D
	Smokers	%	-	28.0	26.7	24.1	23.8	Kyushu EP and Kyushu T&D
Community	Days of volunteer leave taken	Days	225	224	117	66	70.0	Kyushu EP and Kyushu T&D
	Employees received awards for contributing to local communities	People	39	28	28	11	18	Kyushu EP and Kyushu T&D
Innovation	KYUDEN I-PROJECT participants(total)	People	600	760	910	1,030	1,200	Kyuden Group
Human resource development	Training hours per employee(average)	Hours	-	-	21.8	76.4	51.0	Kyushu EP and Kyushu T&D
Rate of labor union members	Percentage of all employees	%	70.5	68.8	67.4	66.7	54.5	Kyushu EP and Kyushu T&D
	Employees excluding special managers, etc.	%	100.0	100.0	100.0	100.0	100.0	Kyushu EP and Kyushu T&D

## Governance

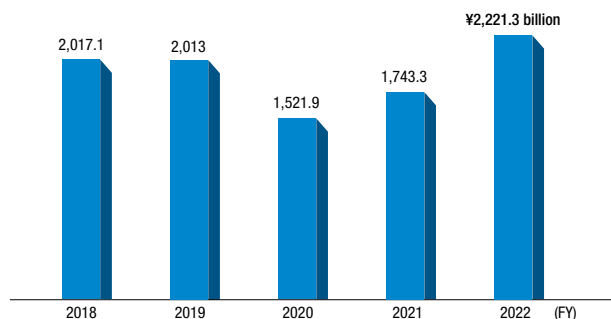
		Unit	2018	2019	2020	2021	2022 (End of FY)	Scope of Aggregation
Composition of Board of Directors	Number of directors	People	19	16	15	15	15	Kyushu EP
	Percentage of external directors	%	26.3	31.3	33.3	33.3	33.3	Kyushu EP
	Male	%	89.5	87.5	80.0	80.0	80.0	Kyushu EP
	Female	%	10.5	12.5	20.0	20.0	20.0	Kyushu EP
Board of Directors' activities	Board of Directors meetings held	Times	19	17	19	15	23	Kyushu EP
	Attendance rate of all directors	%	97.6	97.4	98.6	99.6	97.1	Kyushu EP



# Financial and Non-financial Highlights

## Operating Revenues (Consolidated)

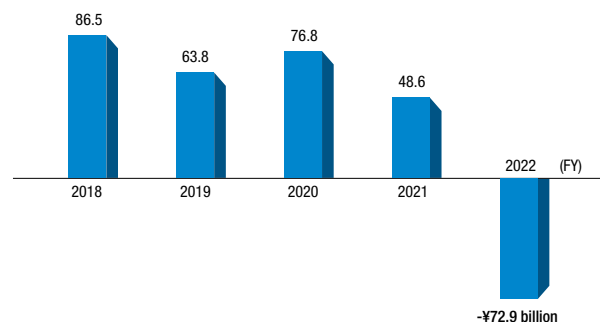
**¥2,221.3 billion**  
(FY2022)



Note: The Revised Accounting Standard for Revenue Recognition, etc. and the revised Electricity Business Accounting Regulations have been applied from the beginning of Fiscal 2021, and the figures for Fiscal 2020 have been retroactively adjusted to reflect the said accounting standards.

## Operating Income (Loss) (Consolidated)

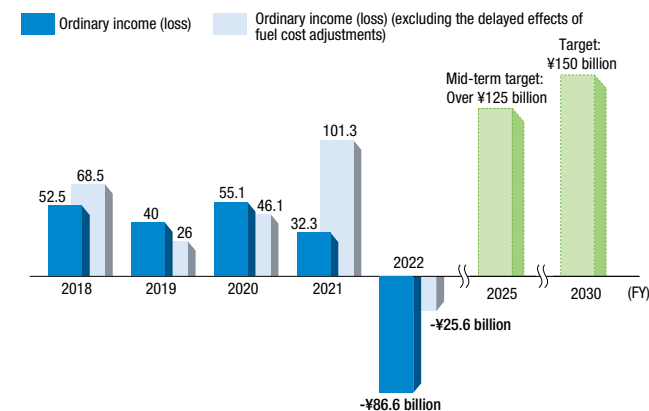
**-¥72.9 billion**  
(FY2022)



Note: The Revised Accounting Standard for Revenue Recognition, etc. and the revised Electricity Business Accounting Regulations have been applied from the beginning of Fiscal 2021, and the figures for Fiscal 2020 have been retroactively adjusted to reflect the said accounting standards.

## Ordinary Income (Loss) (Consolidated)

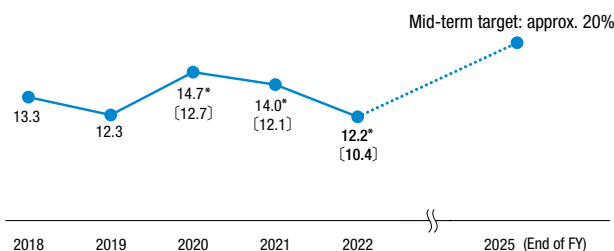
**-¥86.6 billion**  
(FY2022)



Note: The Revised Accounting Standard for Revenue Recognition, etc. and the revised Electricity Business Accounting Regulations have been applied from the beginning of Fiscal 2021, and the figures for Fiscal 2020 have been retroactively adjusted to reflect the said accounting standards.

## Equity Ratio (Consolidated)

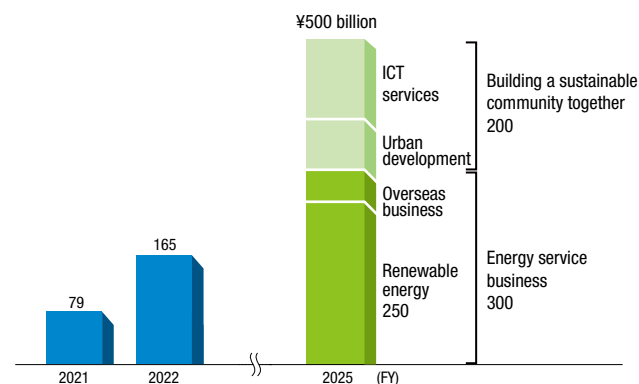
**12.2%\***  
(End of FY2022)



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

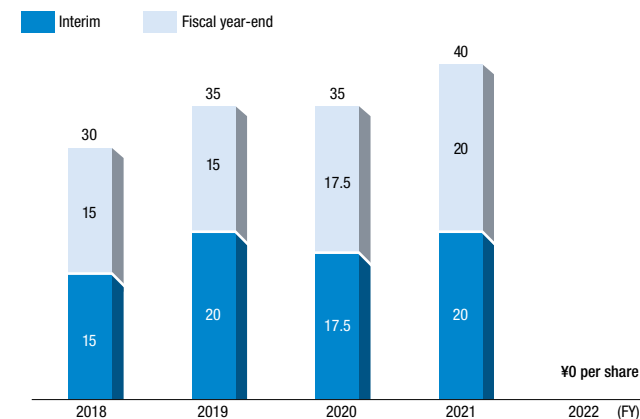
## Growth Investments (Cumulative) (Consolidated)

**Approx. ¥165 billion**  
(FY2021–2022)



## Dividends (Per Share of Common Stock) (Kyushu EP)

**¥0 per share**  
(FY2022)

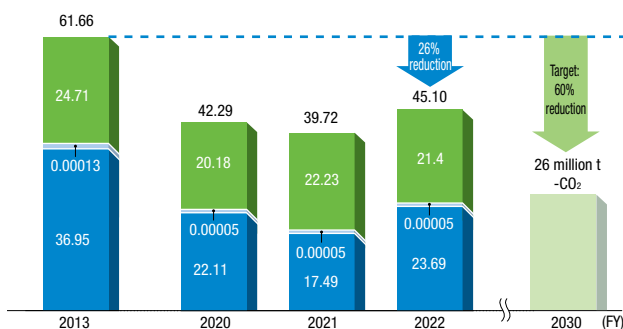




### Supply Chain GHG Emissions Reduction Rate\*1 (Scopes 1-3) (Kyuden Group\*\*)

**26%**  
(FY2022)

Scope 1 Scope 2 Scope 3



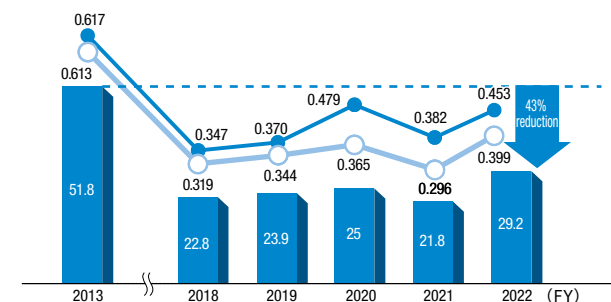
\*1: Compared to FY2013

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

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

**0.453** (Post-adjustment emissions coefficient)  
kg-CO<sub>2</sub>/kWh  
**0.399** (Basic emissions coefficient)  
kg-CO<sub>2</sub>/kWh (FY2022)

CO<sub>2</sub> emissions (basic emissions in million t-CO<sub>2</sub>)  
CO<sub>2</sub> emissions per kWh of electricity sold (post-adjustment emissions coefficient in kg-CO<sub>2</sub>/kWh)  
CO<sub>2</sub> emissions per kWh of electricity sold (basic emissions coefficient in kg-CO<sub>2</sub>/kWh)

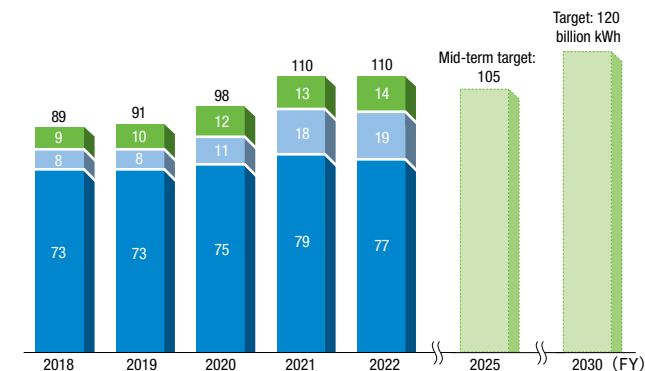


Note: Post-adjustment values reflect CO<sub>2</sub> emission credits and adjustments associated with the renewable energy feed-in-tariff (FIT) system. (Tentative figures for FY2022. Finalized figures are expected to be released by the government in December.)

### Total Electric Power Sales (Retail, Wholesale, Overseas) (Kyuden Group)

**Approx. 110 billion kWh**  
(FY2022)

Retail Wholesale Overseas



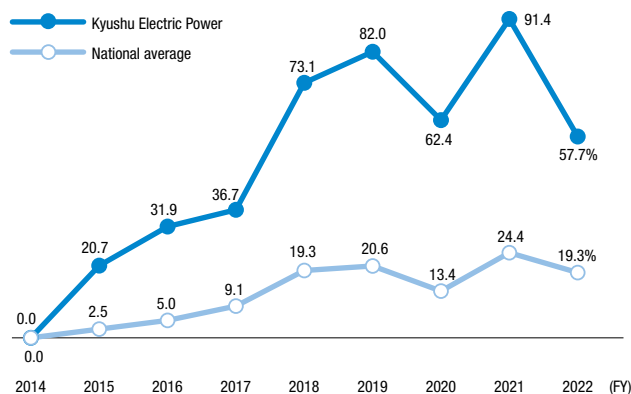
Note 1: Retail Electricity sales volume represents those for Kyushu EP as well as its consolidated subsidiaries (Kyushu T&D, Kyuden Mirai Energy)

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

### Nuclear Power Plant Utilization Rate (Kyushu EP)

**57.7%**  
(FY2022)

Kyushu Electric Power  
National average

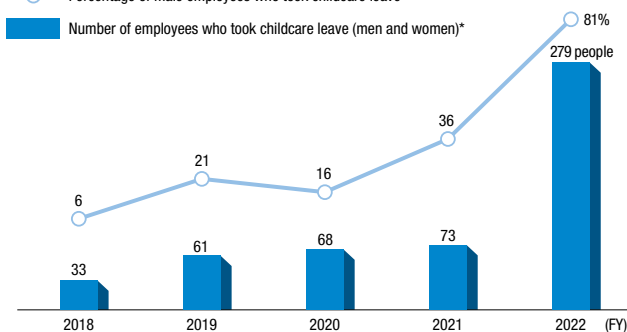


### Percentage of Male Employees Who Took Childcare Leave (Kyushu EP and Kyushu T&D)

**81%**  
(FY2022)

Percentage of male employees who took childcare leave

Number of employees who took childcare leave (men and women)\*

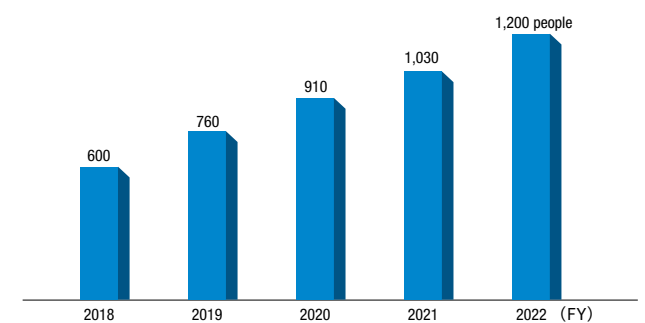


Note: Applicable period is until the end of April after the child reaches the age of two

\* The percentage of male employees who took childcare leave out of all male employees with newborn is calculated based on the provisions of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labour No. 25 of 1991). In FY2022, the spousal maternity leave system was abolished and childcare leave was made partially paid.

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

**1,200 people**  
(FY2018–2022)



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



# Consolidated Financial Statements

## Consolidated Balance Sheet

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries  
March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2023	2022	2023
PROPERTY (Note 5):			
Plant and equipment	¥ 11,577,785	¥ 11,118,905	\$ 86,699,010
Construction in progress	248,184	538,837	1,858,504
Total	11,825,970	11,657,743	88,557,514
Less:			
Contributions in aid of construction	241,929	238,967	1,811,662
Accumulated depreciation	7,883,479	7,770,903	59,034,595
Total	8,125,409	8,009,870	60,846,258
Net property	3,700,561	3,647,872	27,711,256
NUCLEAR FUEL	224,372	222,399	1,680,186
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3, 6 and 20)	113,306	103,802	848,482
Investments in and advances to nonconsolidated subsidiaries and affiliated companies (Notes 3 and 20)	209,352	184,479	1,567,715
Assets for retirement benefits (Note 9)	12,537	26,623	93,886
Deferred tax assets (Notes 3 and 12)	172,337	140,727	1,290,529
Special account related to nuclear power decommissioning (Note 2.h)	35,041	39,544	262,402
Special account related to reprocessing of spent nuclear fuel (Note 2.o)	116,295	94,874	870,869
Other (Note 3)	158,113	149,837	1,184,014
Total investments and other assets	816,984	739,889	6,117,901
CURRENT ASSETS:			
Cash and cash equivalents (Note 20)	270,651	241,756	2,026,743
Receivables (Notes 14 and 20)	369,244	331,089	2,765,047
Allowance for doubtful accounts	(3,581)	(4,977)	(26,818)
Inventories, principally fuel	159,420	101,699	1,193,802
Prepaid expenses and other	66,026	62,621	494,430
Total current assets	861,761	732,189	6,453,205
TOTAL	¥ 5,603,678	¥ 5,342,350	\$ 41,962,548

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES AND EQUITY	2023	2022	2023
LONG-TERM LIABILITIES:			
Long-term debt, less current portion (Notes 8 and 20)	¥ 3,405,775	¥ 3,149,232	\$ 25,503,788
Liability for retirement benefits (Note 9)	80,761	85,946	604,774
Asset retirement obligations (Note 10)	297,367	289,103	2,226,808
Other	62,016	58,690	464,402
Total long-term liabilities	3,845,921	3,582,972	28,799,773
CURRENT LIABILITIES:			
Current portion of long-term debt (Notes 8 and 20)	437,071	384,285	3,272,963
Short-term borrowings (Notes 11 and 20)	124,530	120,810	932,536
Commercial paper (Note 20)	40,000		299,535
Notes and accounts payable (Notes 18 and 20)	210,872	224,255	1,579,098
Accrued income taxes	3,301	3,274	24,725
Provision for loss on the Antimonopoly Act (Note 2.s)	2,762		20,684
Other	319,467	342,800	2,392,295
Total current liabilities	1,138,006	1,075,425	8,521,840
RESERVE FOR FLUCTUATIONS IN WATER LEVEL (Note 2.t)	2,519	7,613	18,869
COMMITMENTS AND CONTINGENCIES (Note 22)			
EQUITY (Note 13):			
Common stock—authorized, 1,000,000,000 shares; issued, 474,183,951 shares	237,304	237,304	1,777,032
Class A preferred stock—authorized, 1,000 shares; issued, 1,000 shares			
Capital surplus	120,006	120,006	898,653
Retained earnings	209,734	277,382	1,570,571
Treasury stock—at cost, 1,416,422 shares in 2023 and 1,463,267 shares in 2022	(1,651)	(1,706)	(12,365)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	5,828	4,104	43,649
Deferred gain on derivatives under hedge accounting	11,150	4,723	83,500
Foreign currency translation adjustments	6,455	(1,383)	48,344
Defined retirement benefit plans	(6,765)	5,066	(50,660)
Total	582,064	645,497	4,358,724
Noncontrolling interests	35,166	30,840	263,340
Total equity	617,230	676,337	4,622,064
TOTAL	¥ 5,603,678	¥ 5,342,350	\$ 41,962,548



## Consolidated Statement of Operations

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries  
Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
OPERATING REVENUES (Note 14):			
Electric	¥ 1,946,737	¥ 1,486,155	\$ 14,577,936
Other	274,563	257,154	2,056,036
Total operating revenues	2,221,300	1,743,310	16,633,973
OPERATING EXPENSES (Note 15):			
Electric	2,041,909	1,452,544	15,290,618
Other	252,389	242,141	1,889,993
Total operating expenses	2,294,299	1,694,685	17,180,612
OPERATING (LOSS) INCOME	(72,998)	48,624	(546,638)
OTHER EXPENSES (INCOME):			
Interest charges	27,936	25,043	209,202
Gain on sales of investment securities (Note 6)	(11,280)		(84,469)
Loss on impairment of fixed assets (Note 16)		3,536	
Loss on reimbursement of electric imbalance revenues (Note 17)		3,955	
Loss on the Antimonopoly Act (Note 2.s)	2,762		20,684
Share of profit of entities accounted for using the equity method (Note 18)	(9,096)	(7,617)	(68,119)
Other —net	(5,204)	(1,186)	(38,970)
Other expenses—net	5,118	23,731	38,327
(LOSS) INCOME BEFORE INCOME TAXES AND REVERSAL OF RESERVE FOR FLUCTUATIONS IN WATER LEVEL	(78,116)	24,892	(584,966)
REVERSAL OF RESERVE FOR FLUCTUATIONS IN WATER LEVEL	5,093	654	38,144
(LOSS) INCOME BEFORE INCOME TAXES	(73,022)	25,546	(546,821)
INCOME TAXES (Note 12):			
Current	6,180	8,842	46,282
Deferred	(24,716)	7,935	(185,086)
Total income taxes	(18,535)	16,778	(138,803)
NET (LOSS) INCOME	(54,486)	8,768	(408,018)
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	1,942	1,895	14,545
NET (LOSS) INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ (56,429)	¥ 6,873	\$ (422,563)
	Yen		U.S. Dollars
	2023	2022	2023
PER SHARE OF COMMON STOCK (Note 2.w):			
Basic net (loss) income	¥ (123.81)	¥ 10.09	\$ (0.92)
Cash dividends applicable to the year:			
Common share		40.00	
Class A preferred share		2,100,000.00	

See notes to consolidated financial statements.

## Consolidated Statement of Comprehensive Income

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries  
Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
NET (LOSS) INCOME	¥ (54,486)	¥ 8,768	\$ (408,018)
OTHER COMPREHENSIVE INCOME (LOSS) (Note 23):			
Unrealized gain on available for sale securities	1,051	1,145	7,875
Deferred gain on derivatives under hedge accounting	2,743	264	20,542
Foreign currency translation adjustments	6,623	3,109	49,600
Defined retirement benefit plans	(12,166)	533	(91,108)
Share of other comprehensive income in nonconsolidated subsidiaries and affiliated companies	6,047	1,584	45,284
Total other comprehensive income	4,299	6,637	32,195
COMPREHENSIVE (LOSS) INCOME	¥ (50,187)	¥ 15,405	\$ (375,822)
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ (52,268)	¥ 13,314	\$ (391,408)
Noncontrolling interests	2,081	2,091	15,585

See notes to consolidated financial statements.



## Consolidated Statement of Changes in Equity

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries  
Year Ended March 31, 2023

	Thousands of Shares / Millions of Yen														
	Common Stock		Class A Preferred Stock		Capital Surplus	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Income				Total	Noncontrolling Interests	Total Equity
	Shares	Amount	Shares	Amount			Shares	Amount	Unrealized Gain on Available-for-Sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans			
BALANCE AT APRIL 1, 2021	474,183	¥237,304	1		¥120,007	¥290,381	1,158	¥(1,454)	¥3,704	¥3,495	¥(5,169)	¥4,037	¥652,307	¥29,162	¥681,470
Cash dividends, ¥37.5 per common share						(17,772)							(17,772)		(17,772)
Cash dividends, ¥2,100,000 per Class A preferred share						(2,100)							(2,100)		(2,100)
Net income attributable to owners of the parent						6,873							6,873		6,873
Purchase of treasury stock							342	(299)					(299)		(299)
Disposal of treasury stock					(0)		(37)	47					46		46
Net change in the year									400	1,227	3,785	1,028	6,441	1,677	8,119
BALANCE AT MARCH 31, 2022	474,183	237,304	1		120,006	277,382	1,463	(1,706)	4,104	4,723	(1,383)	5,066	645,497	30,840	676,337
Cash dividends, ¥20.0 per common share						(9,478)							(9,478)		(9,478)
Cash dividends, ¥1,050,000 per Class A preferred share						(1,050)							(1,050)		(1,050)
Net loss attributable to owners of the parent						(56,429)							(56,429)		(56,429)
Purchase of treasury stock							8	(7)					(7)		(7)
Disposal of treasury stock					(0)		(55)	62					61		61
Adjustment of retained earnings for inclusion of companies accounted for by the equity method						(690)							(690)		(690)
Net change in the year									1,724	6,427	7,839	(11,831)	4,160	4,325	8,486
BALANCE AT MARCH 31, 2023	474,183	¥237,304	1		¥120,006	¥209,734	1,416	¥(1,651)	¥5,828	¥11,150	¥6,455	¥(6,765)	¥582,064	¥35,166	¥617,230

(Continued)



## Consolidated Statement of Changes in Equity

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries  
Year Ended March 31, 2023

	Thousands of U.S. Dollars (Note 1)											
	Common Stock	Class A Preferred Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income				Total	Noncontrolling Interests	Total Equity
						Unrealized Gain on Available for Sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans			
BALANCE AT MARCH 31, 2022	\$1,777,032		\$ 898,659	\$2,077,146	\$ (12,779)	\$ 30,735	\$ 35,368	\$ (10,363)	\$ 37,936	\$4,833,736	\$ 230,947	\$5,064,684
Cash dividends, \$0.14 per common share				(70,977)						(70,977)		(70,977)
Cash dividends, \$7,862.81 per Class A preferred share				(7,862)						(7,862)		(7,862)
Net loss attributable to owners of the parent				(422,563)						(422,563)		(422,563)
Purchase of treasury stock					(52)					(52)		(52)
Disposal of treasury stock			(5)		466					460		460
Adjustment of retained earnings for inclusion of companies accounted for by the equity method				(5,170)						(5,170)		(5,170)
Net change in the year						12,913	48,131	58,707	(88,596)	31,155	32,392	63,548
BALANCE AT MARCH 31, 2023	\$1,777,032		\$ 898,653	\$1,570,571	\$ (12,365)	\$ 43,649	\$ 83,500	\$ 48,344	\$ (50,660)	\$4,358,724	\$ 263,340	\$4,622,064

See notes to consolidated financial statements.



## Consolidated Statement of Cash Flows

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries  
Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
CASH FLOWS FROM OPERATING ACTIVITIES:			
(Loss) income before income taxes	¥ (73,022)	¥ 25,546	\$ (546,821)
Adjustments for:			
Income taxes paid	(7,844)	(15,131)	(58,742)
Depreciation and amortization	221,013	225,293	1,655,034
Loss on impairment of fixed assets		3,536	
Decommissioning costs of nuclear power units	12,859	11,431	96,298
Amortization of special account related to nuclear power decommissioning	4,503	2,381	33,725
Loss on disposal of plant and equipment	5,725	7,188	42,878
Reversal of reserve for fluctuation in water level	(5,093)	(654)	(38,144)
Share of profit of entities accounted for using the equity method	(9,096)	(7,617)	(68,119)
Gain on sales of investment securities	(11,280)		(84,469)
Loss on reimbursement of electric imbalance revenues		3,955	
Loss on the Antimonopoly Act	2,762		20,684
Changes in assets and liabilities:			
Increase in trade receivables	(18,203)	(30,070)	(136,318)
Increase in inventories, principally fuel	(57,587)	(31,252)	(431,237)
(Decrease) increase in trade payables	(238)	66,058	(1,782)
Decrease in liability for retirement benefits	(3,509)	(3,002)	(26,279)
Decrease (increase) in other receivables	12,432	(20,080)	93,102
Increase or decrease in consumption taxes payables or receivables	(28,927)	(703)	(216,618)
(Decrease) increase in accrued expenses	(19,829)	14,695	(148,489)
Other—net	5,839	6,235	43,730
Total adjustments	103,527	232,264	775,253
Net cash provided by operating activities	30,504	257,811	228,431

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures including nuclear fuel	(337,465)	(318,067)	(2,527,074)
Proceeds from contribution in aid of construction	23,810	28,128	178,305
Payments for investments and advances	(26,975)	(26,816)	(202,002)
Proceeds from sales of investment securities and collections of advances	15,189	5,258	113,747
Other—net	(3,434)	(9,382)	(25,717)
Net cash used in investing activities	(328,874)	(320,879)	(2,462,742)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of bonds	259,423	259,162	1,942,661
Repayments of bonds	(160,000)	(145,000)	(1,198,142)
Proceeds from long-term loans	395,545	280,196	2,962,003
Repayments of long-term loans	(199,381)	(246,547)	(1,493,045)
Net increase (decrease) in short-term borrowings	3,716	(2,298)	27,832
Net increase (decrease) in commercial paper	40,000	(40,000)	299,535
Cash dividends paid	(10,554)	(19,821)	(79,032)
Other—net	(3,979)	(6,263)	(29,800)
Net cash provided by financing activities	324,770	79,428	2,432,011
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	2,002	1,430	14,994
NET INCREASE IN CASH AND CASH EQUIVALENTS	28,403	17,790	212,696
CASH AND CASH EQUIVALENTS OF A NEWLY CONSOLIDATED SUBSIDIARY, BEGINNING OF YEAR		63	
CASH AND CASH EQUIVALENTS OF A NONCONSOLIDATED SUBSIDIARY MERGED WITH A CONSOLIDATED SUBSIDIARY	491		3,683
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	241,756	223,901	1,810,363
CASH AND CASH EQUIVALENTS AT END OF YEAR	¥ 270,651	¥ 241,756	\$ 2,026,743

See notes to consolidated financial statements.



## Notes to Consolidated Financial Statements

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries  
Year Ended March 31, 2023

### 1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

Kyushu Electric Power Company, Incorporated (the "Company") has prepared the accompanying consolidated financial statements in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act, the Electricity Business Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. Especially, the accounting related to the nuclear power generation is regulated by the above accounting regulations, which are dependent on a governmental long-term nuclear energy policy.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made to the consolidated financial statements for the year ended March 31, 2022, to conform to the classifications used in the consolidated financial statements for the year ended March 31, 2023.

The U.S. dollar amounts included herein are provided solely for the convenience of readers outside Japan and are stated at the rate of ¥133.54 = U.S.\$1, the approximate exchange rate prevailing on March 31, 2023. 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, 2023, include the accounts of the Company and its 51 (48 for 2022) subsidiaries (together, the "Group"). All significant intercompany transactions and balances have been eliminated in consolidation. Investments in 19 (19 for 2022) nonconsolidated subsidiaries and 28 (26 for 2022) affiliated companies are accounted for by the equity method.

The Company adopts the control and influence concepts. Under these concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are treated as subsidiaries and those companies over which the Group has the ability to exercise significant influence are treated as

affiliated companies.

Consolidation of the remaining subsidiaries and the application of the equity method to the remaining affiliated companies would not have a material effect on the accompanying consolidated financial statements.

The fiscal year-end of 12 (11 for 2022) consolidated subsidiaries and several nonconsolidated subsidiaries and affiliated companies is December 31. The Company consolidates such consolidated subsidiaries' financial statements and accounts for investments in such nonconsolidated subsidiaries and affiliated companies by the equity method using their financial results for the year ended December 31. The effects of any significant transactions during the period between the subsidiaries' and affiliated companies' fiscal year-end and the Company's fiscal year-end are reflected in the consolidated financial statements.

**b. Business Combination**—Business combinations are accounted for using the purchase method.

Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

**c. Property and Depreciation**—Property is stated at cost. Contributions in aid of construction including those made by customers are deducted from the cost of the related assets.

Depreciation is principally computed using the straight-line method based on the estimated useful lives of the assets. Depreciation of easements related to transmission lines is computed using the straight-line



method based on the estimated useful lives of the transmission lines.

Under the accounting regulations applicable to electric utility providers in Japan, properties, which are required for decommissioning of nuclear power units or which need maintenance and management even after nuclear power units have been in the process of decommissioning, are to be included in "Plant and equipment."

**d. Leases**—Finance lease transactions are capitalized to recognize lease assets and lease obligations in the balance sheet. All other leases are accounted for as operating leases.

**e. Impairment of Fixed Assets**—The Group reviews its fixed assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

**f. Amortization of Nuclear Fuel**—Amortization of nuclear fuel is computed based on the proportion of current heat produced to the estimated total potential heat production over the estimated useful life of the nuclear fuel.

**g. Investment Securities**—Investment securities are classified and accounted for, depending on management's intent, as follows: (a) held-to-maturity debt securities are stated at cost with discounts or premiums amortized throughout the holding periods; and (b) available-for-sale securities, which are not classified as the aforementioned securities and investment securities in nonconsolidated subsidiaries and affiliated companies, are stated at market value; and nonmarketable securities are stated at cost.

The Group records unrealized gains or losses on available-for-sale securities, net of deferred taxes, in equity presented as "Unrealized gain on available-for-sale securities."

For other-than-temporary declines in fair value, investment securities are written down to net realizable value by a charge to income.

**h. Special Account Related to Nuclear Power Decommissioning**—Under the accounting regulation applicable to electric utility providers in Japan, in case the Company decides to decommission nuclear power units due to factors such as a change of the government's energy policy, the Company is permitted to transfer the carrying amounts related to nuclear power units and costs related to nuclear power decommissioning to "special account related to nuclear power decommissioning" when the Company decides to decommission nuclear power units

and applies to the Minister of Ministry of Economy, Trade and Industry ("METI") for adopting the above special account. Because the carrying amount of special account related to nuclear power decommissioning are supposed to be collected through regulated wheeling fees, the special account is amortized in proportion to the amounts of future regulated wheeling fees collected, after approval of the Minister of METI.

**i. Cash Equivalents**—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and mutual fund investments in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

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

**k. Foreign Currency Transactions**—Receivables and payables denominated in foreign currencies are translated into Japanese yen at the rates in effect as of each balance sheet date.

**l. Foreign Currency Financial Statements**—The balance sheet accounts of the consolidated foreign subsidiaries, and nonconsolidated foreign subsidiaries and foreign affiliated companies which are accounted for by the equity method, are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

**m. Derivatives and Hedging Activities**—Derivative financial instruments are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of operations and (b) for such derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Liabilities denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations are translated at the contracted rate if the forward contracts qualify for hedge accounting. Forward contracts applied for committed transactions are measured at fair value and the unrealized gains/losses are deferred until the underlying transactions are completed.



The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest charges.

**n. Severance Payments and Pension Plans**—The Group has unfunded retirement plans for most of its employees and the Company and most of the consolidated subsidiaries also have contributory funded defined benefit pension plans covering substantially all of their employees.

Under the Accounting Standards Board of Japan ("ASBJ") Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," the Group accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over five years, which is no longer than the expected average remaining service period of the employees.

**o. Accounting for Contributions Concerning Reprocessing of Spent Nuclear Fuel and Concerning Processing of Nuclear Fuel Material Separated in Reprocessing**—The Act for Partial Revision of the Spent Nuclear Fuel Reprocessing Implementation Act was enforced on October 1, 2016. The act aims to secure the funds stably for reprocessing costs without being influenced by the financial position of nuclear operators under the competitive environment on 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 including the Company are obliged to contribute the funds for reprocessing nuclear fuel to the NuRO every year. Nuclear operators fulfill the obligation to bear the reprocessing costs when they pay contributions to the NuRO, and the funds belong to the NuRO.

Contributions to NuRO consist of two parts. One is concerning reprocessing of spent nuclear fuel (part "A"), the other is concerning processing of nuclear fuel material separated in reprocessing (part "B").

In accordance with the accounting regulations applicable to electric utility providers in Japan, the Company records the part A of the contributions to the NuRO, the amount of which is calculated based on quantities of irradiated nuclear fuel resulting from operation of nuclear power plants, as operating expenses. On the other hand, the Company records part B of the contributions to the NuRO as assets and presents them as

"Special account related to reprocessing of spent nuclear fuel" in the consolidated balance sheet.

**p. Accounting for Contributions Concerning Final Disposal of High-Level Radioactive Waste**—The Designated Radioactive Waste Final Disposal Act was enforced on June 7, 2000. The act aims to disposal of high-level radioactive wastes, which are unavoidably generated through nuclear power generation, in stable geological strata at a depth of 300 meters or greater. Under the act, the Nuclear Waste Management Organization of Japan (the "NUMO") was established in December 2000 which is responsible for the disposal of high-level radioactive wastes. Nuclear operators including the Company are obliged to contribute the fund to NUMO for the disposal of high-level radioactive wastes every year. Nuclear operators fulfill the obligation to bear the disposal costs when they pay contributions to the NUMO, and the funds belong to the NUMO.

The Company records the disposal costs of high-level radioactive wastes, the amount of which is calculated based on quantities of irradiated nuclear fuel resulting from the operation of nuclear power plant, as operating expenses.

**q. Asset Retirement Obligations**—Under ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations," an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement. The Company recognizes the asset retirement obligation as the sum of the future decommissioning costs of nuclear power plant which is calculated based on a formula using the quantities by type of waste generated from decommissioning of nuclear power plant in accordance with the ordinance set forth by the METI, discounted at 2.3%.

In accordance with the accounting regulations applicable to electric utility providers in Japan, asset retirement costs are allocated to expense over the remaining useful lives of nuclear power units through depreciation based on the straight-line method, except for asset retirement costs of nuclear power units decommissioned due to factors such as a change of a government energy policy which are continuously allocated to expense over 10 years from the month that includes the date of decommissioning of the nuclear power unit.

**r. Income Taxes**—The provision for income taxes is computed based on the pretax income included in the consolidated statement of operations. The Company and its wholly owned domestic subsidiaries adopted the group tax sharing system from the fiscal year ending March 31, 2023.

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.



**s. Provision for Loss on the Antimonopoly Act**—On March 30, 2023, the Company received a cease and desist order and surcharge payment order by the Japan Fair Trade Commission (the "JFTC") under the Antimonopoly Act of Japan.

The allegation is that "the Company is suspected of jointly restricting the acquisition of customers of each other in Kansai and Kyushu areas, regarding services of supplying extra high voltage power and high voltage power."

Since there is a possibility of future surcharge payment, the Company recorded provision for loss on Antimonopoly Act based on surcharge payment ordered by JFTC.

**t. 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.

Based on the Electricity Business Act, the Company submitted an application for reversal of reserve for fluctuations in water level by special reasons to the Minister of Economy, Trade and Industry, and permission was obtained on March 22, 2023.

Accordingly, a part of the reserve has been reversed for the year ended March 31, 2023.

**u. 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.

**v. Board Benefit Trust (BBT)**—The Company has a performance-based stock compensation plan called "Board Benefit Trust (BBT)," (the "Plan") for directors (excluding outside directors) and executive officers (together, the "Directors").

#### (a) Overview of the Plan

The Plan is a stock compensation plan under which shares of the Company will be acquired through a trust (the "Trust" refers to a trust established based on the Plan) using funds contributed by the Company. The shares of the Company and cash equivalent to the value of the Company's shares converted at market value

(the "Company's Shares, etc.") will be provided to the Directors through the Trust, pursuant to the "Rules on Provision of Shares to Officers" set forth by the Company. The Company's Shares, etc. will be provided to the Directors at the time of retirement of the Directors, in principle.

#### (b) Shares of the Company held by the Trust

The Company records shares of the Company in the Trust as treasury stock at cost (excluding acquisition-related costs). As of March 31, 2023, the number of shares was 842 thousand.

**w. 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 is not disclosed because it is anti-dilutive due to the Company's net loss position.

The weighted-average number of common stock used in the computation of basic EPS during the year excludes treasury stock held by the Trust established based on BBT (861 thousand shares and 772 thousand shares for the years ended March 31, 2023 and 2022, respectively).

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

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

#### y. New Accounting Pronouncements

##### Accounting Standard for Current Income Taxes, etc.

On October 28, 2022, the ASBJ issued the revised ASBJ Statement No. 27 (revised 2022), "Accounting Standard for Current Income Taxes," ASBJ Statement No. 25 (revised 2022), "Accounting Standard for Presentation of Comprehensive Income" and ASBJ Guidance No. 28 (revised 2022), "Guidance on Accounting Standard for Tax Effect Accounting." The revised accounting standards and revised implementation guidance defines the classification of income taxes when taxable on other comprehensive income and the treatment of tax effects on the sale of subsidiary stock when the group taxation regime is applied.

The revised guidance is effective for the annual periods beginning on or after April 1, 2024. Earlier



application is permitted for annual periods beginning on or after April 1, 2023. The revised guidance shall be applied prospectively.

The Group expects to apply the revised guidance for annual periods beginning on or after April 1, 2024, and is in the process of measuring the effects of applying the revised guidance in future applicable periods.

### 3. SIGNIFICANT ACCOUNTING ESTIMATE

#### Deferred Tax Assets

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
(1) <i>Carrying amounts</i>			
Deferred tax assets	¥ 172,337	¥ 140,727	\$ 1,290,529
Deferred tax assets relating to tax loss carryforwards included in above	67,023	25,321	501,896

#### (2) Information on the significant accounting estimate

##### (a) The calculation method of the carrying amount

In accordance with the "Implementation Guidance on Recoverability of Deferred Tax Assets" ("ASBJ Guidance No. 26") ("Guidance No. 26"), the Group records deferred tax assets that were expected to be recovered based on the classification of the Group defined in Guidance No. 26, Guidance No. 26 requires the entity to be classified according to certain criteria and to determine the amount of deferred tax assets expected to be recovered depending on the classification. The Group determined the classification of Group in accordance with Guidance No. 26, taking into account the future taxable income, tax losses and the business plan.

Also, the deferred tax assets were calculated by estimating the future taxable income based on the business plan approved by the Board of Directors of the Company.

##### (b) The primary assumption used for the calculation

The Group made the best estimation based on available information at preparation of the consolidated financial statements, such as outlooks of electricity sales volume and unit price and projections regarding nuclear power plant operation.

##### (c) The possible effects within the next financial year

The Group's financial performance may be affected when deferred tax assets were reversed by decreasing the future taxable income. Decreasing the future taxable income will occur by such as decline of electricity sales volume and unit price which are influenced by external environment, such as changes in temperature, climate and economic trend, and unscheduled shutdown of nuclear power plants.

#### Investments in the Overseas Power Generation Business and a Financial Asset Related to Construction Services for the Overseas Power Generation Facilities

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
(1) <i>Carrying amounts</i>			
Investments in the overseas power generation business and a financial asset related to construction services for overseas power generation facilities	¥ 161,696	¥ 140,419	\$ 1,210,850

#### (2) Information on the significant accounting estimate

##### (a) The calculation method of the carrying amount

For the investments in the overseas power generation business, the equity method is applied to investments in nonconsolidated subsidiaries and affiliated companies. Others are nonmarketable equity securities. These securities are classified as available-for-sale securities and are stated at cost. If the realizable value of these securities declines significantly, these securities are written down to net realizable value, unless the recoverability of the securities is supported by sufficient evidence.

For the investments in nonconsolidated subsidiaries and affiliated companies, if the carrying amount of the investees' power generation facilities exceeds its recoverable amount which is the sum of the future cash flows based on the investees' business plan, the power generation facilities are written down to the recoverable amount. Thereafter, the equity method is applied to the investees' financial statements.

On the other hand, for nonmarketable equity securities, the Group evaluates whether securities need to be written down to net realizable value based on the recoverable amount of the power generation facilities.



A financial asset related to the contractual right to receive consideration from the grantor for the construction services is stated based on the transaction price determined by contracts with customers. If the transaction price declines due to changes of assumptions such as future outputs of the power generation facilities on which the transaction price is based will be changed, the financial asset would be written down.

(b) The primary assumption used for the calculation

For estimation of the future cash flows, the Group made the best estimation based on available information at preparation of the consolidated financial statements, such as outlooks of electricity sales volume and unit price, operational projections and future outputs for the investees' power generation facilities, and projections for international fuel market prices.

(c) The possible effects within the next financial year

When decreasing the future cash flows occurs by a change of external environments such as the realization of investees' country risk and fluctuations in prices, interest rates and foreign exchange, and review of energy and environment policy, the Group's financial performance may be affected as the share of loss of entities accounted for using the equity method is recorded, nonmarketable equity securities are written down to net realizable value or the financial asset is written down.

#### 4. ACCOUNTING CHANGE

##### *Accounting Standard for Fair Value Measurement*

Effective April 1, 2022, the Group adopted ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement."

The Group adopted new accounting policies prescribed in this accounting guidance prospectively in accordance with the article 27-2 of ASBJ Guidance No. 31.

There are immaterial effects from these accounting changes on the consolidated financial statements.

In addition, as describe in Note 20, investment trusts related to financial instruments categorized by fair value hierarchy as of March 31, 2022, was not disclosed in accordance with the article 27-3 of ASBJ Guidance No. 31.

#### 5. PROPERTY

The breakdown of property at March 31, 2023 and 2022, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Costs:			
Electric power production facilities:			
Hydroelectric power	¥ 842,842	¥ 827,794	\$ 6,311,536
Thermal power	1,439,020	1,438,046	10,775,948
Nuclear power	2,380,670	2,128,022	17,827,394
Internal-combustion engine power	133,234	132,661	997,708
Renewable power	124,847	124,024	934,910
Total	4,920,614	4,650,549	36,847,497
Transmission facilities	2,073,699	1,941,510	15,528,673
Transformation facilities	1,137,622	1,120,957	8,518,963
Distribution facilities	1,540,278	1,526,937	11,534,206
General facilities	432,532	429,325	3,238,975
Other electricity-related facilities	57,864	57,863	433,313
Other plant and equipment	1,415,174	1,391,760	10,597,380
Construction in progress	248,184	538,837	1,858,504
Total	11,825,970	11,657,743	88,557,514
Less:			
Contributions in aid of construction	241,929	238,967	1,811,662
Accumulated depreciation	7,883,479	7,770,903	59,034,595
Carrying amount	¥ 3,700,561	¥ 3,647,872	\$ 27,711,256



## 6. INVESTMENT SECURITIES

The costs and aggregate fair values of investment securities at March 31, 2023 and 2022, were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<b>March 31, 2023</b>				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 1,770	¥ 4,473	¥ 30	¥ 6,214
Debt securities	152		19	132
Other securities	636	254	15	875
Held-to-maturity	235		17	217

### March 31, 2022

Securities classified as:				
Available-for-sale:				
Equity securities	¥ 1,719	¥ 3,895	¥ 123	¥ 5,491
Debt securities	309	41		351
Other securities	635	103	4	734
Held-to-maturity	235		10	224

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<b>March 31, 2023</b>				
Securities classified as:				
Available-for-sale:				
Equity securities	\$ 13,259	\$ 33,498	\$ 224	\$ 46,533
Debt securities	1,138		148	990
Other securities	4,766	1,903	113	6,556
Held-to-maturity	1,759		129	1,630

The information for available-for-sale securities which were sold during the year ended March 31, 2023, was as follows:

	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale—Equity securities	¥ 11,682	¥ 11,281	¥ 0
Total	¥ 11,682	¥ 11,281	¥ 0

	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale—Equity securities	\$ 87,480	\$ 84,483	\$ 1
Total	\$ 87,480	\$ 84,483	\$ 1

## 7. PLEDGED ASSETS

All of the Company's assets amounting to ¥4,834,743 million (\$36,204,462 thousand) are subject to certain statutory preferential rights established to secure a portion of bonds and a portion of loans borrowed from the Development Bank of Japan Inc. The carrying amount of bonds and loans borrowed from the Development Bank of Japan Inc. secured by the assets for the year ended March 31, 2023, were ¥1,460,000 million (\$10,933,053 thousand) and ¥118,816 million (\$889,740 thousand), respectively.

Certain assets of the consolidated subsidiaries, amounting to ¥55,930 million (\$418,826 thousand), are pledged as collateral for a portion of their long-term debt at March 31, 2023.

Investments in affiliated companies held by consolidated subsidiaries, amounting to ¥14,016 million (\$104,963 thousand), are pledged as collateral for bank loans and derivatives, mainly interest rate swaps of the affiliated companies and the subsidiary of the affiliated companies at March 31, 2023.



## 8. LONG-TERM DEBT

Long-term debt at March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Yen bonds, 0.01% to 1.76%, due serially to 2052	¥ 1,459,999	¥ 1,359,899	\$ 10,933,052
First series of subordinated unsecured yen bonds with interest deferral option and early redemption option, 0.99%, due serially to 2080 (Notes a and d)	70,000	70,000	524,187
Second series of subordinated unsecured yen bonds with interest deferral option and early redemption option, 1.09%, due serially to 2080 (Notes b and e)	30,000	30,000	224,651
Third series of subordinated unsecured yen bonds with interest deferral option and early redemption option, 1.30%, due serially to 2080 (Notes c and f)	100,000	100,000	748,839
Loans from the Development Bank of Japan Inc., 0.32% to 2.05%, due serially to 2040	267,782	246,974	2,005,261
Loans, principally from banks and insurance companies, 0.03% to 6.051%, due serially to 2043:			
Collateralized	74,255	73,375	556,054
Unsecured	1,824,938	1,637,024	13,665,857
Obligations under finance leases	15,870	16,245	118,847
Total	3,842,847	3,533,518	28,776,751
Less current portion	437,071	384,285	3,272,963
Long-term debt, less current portion	¥ 3,405,775	¥ 3,149,232	\$ 25,503,788

The annual maturities of long-term debt outstanding at March 31, 2023, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2024	¥ 437,071	\$ 3,272,963
2025	386,517	2,894,392
2026	320,845	2,402,620
2027	393,293	2,945,136
2028	381,898	2,859,802
2029 and thereafter	1,923,221	14,401,835
Total	¥ 3,842,847	\$ 28,776,751

### Notes:

- The fixed interest rate has been applied since the day after October 15, 2020, and will be applied until October 15, 2025, and a variable interest rate will be applied from the day after October 15, 2025 ("Step-up interest rates" will be applied from the day after October 15, 2030, and the day after October 15, 2045.)
- The fixed interest rate has been applied since the day after October 15, 2020, and will be applied until October 15, 2027, and a variable interest rate will be applied from the day after October 15, 2027 ("Step-up interest rates" will be applied from the day after October 15, 2030, and the day after October 15, 2047.)
- The fixed interest rate has been applied since the day after October 15, 2020, and will be applied until October 15, 2030, and a variable interest rate will be applied from the day after October 15, 2030 ("Step-up interest rates" will be applied from the day after October 15, 2030, and the day after October 15, 2050.)
- The Company may redeem the hybrid corporate bonds at its discretion on each interest payment date from and including October 15, 2025.
- The Company may redeem the hybrid corporate bonds at its discretion on each interest payment date from and including October 15, 2027.
- The Company may redeem the hybrid corporate bonds at its discretion on each interest payment date from and including October 15, 2030.

## 9. SEVERANCE PAYMENTS AND PENSION PLANS

Employees terminating their employment with the Group, either voluntarily or upon reaching mandatory retirement age, are entitled, under most circumstances, to severance payments based on credits earned in each year of service, length of service and certain other factors. As for the Company and a part of the consolidated subsidiaries, if the termination is made voluntarily at one of a number of specified ages, the employee is entitled to certain additional payments.

Additionally, the Company and most of the consolidated subsidiaries have contributory funded defined benefit pension plans covering substantially all of their employees. In general, eligible employees retiring at the mandatory retirement age receive pension payments for the fixed term selected by them. As for the Company and one of the consolidated subsidiaries, Kyushu Electric Power Transmission and Distribution Co., Inc., eligible employees retiring after at least 20 years of service but before the mandatory retirement age, receive a lump-sum payment upon retirement and an annuity. The Company and Kyushu Electric Power Transmission and Distribution Co., Inc. have established retirement benefit trusts for their defined retirement benefit plan.

Certain consolidated subsidiaries calculate liability for retirement benefits and periodic benefit costs related



to defined retirement benefit plans by the simplified method. Under the simplified method, projected benefit obligations are principally stated at the necessary payment amounts for voluntary retirement as of the end of the fiscal year. The simplified method for accounting for defined retirement benefit plans is allowed for a specified small-sized entity under accounting principles generally accepted in Japan.

#### *Defined Retirement Benefit Plans (excluding Plans Applying the Simplified Method)*

(1) The changes in defined benefit obligation for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	¥ 391,299	¥ 397,653	\$ 2,930,206
Current service cost	13,038	13,364	97,640
Interest cost	2,943	3,024	22,039
Actuarial losses	3,270	416	24,492
Benefits paid	(24,178)	(22,925)	(181,054)
Prior service cost	(978)	(233)	(7,330)
Other	(1)	0	(13)
Balance at end of year	¥ 385,393	¥ 391,299	\$ 2,885,978

(2) The changes in plan assets for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	¥ 334,570	¥ 334,642	\$ 2,505,396
Expected return on plan assets	7,230	7,139	54,143
Actuarial (losses) gains	(12,309)	2,039	(92,175)
Contributions from the employer	6,337	6,737	47,458
Benefits paid	(15,955)	(15,988)	(119,477)
Balance at end of year	¥ 319,874	¥ 334,570	\$ 2,395,346

(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, 2023 and 2022, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Funded defined benefit obligation	¥ 377,368	¥ 383,351	\$ 2,825,884
Plan assets	(319,874)	(334,570)	(2,395,346)
	57,494	48,781	430,537
Unfunded defined benefit obligation	8,025	7,947	60,094
Net liability for defined benefit obligation	¥ 65,519	¥ 56,729	\$ 490,632

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Liability for retirement benefits	¥ 77,454	¥ 82,653	\$ 580,008
Assets for retirement benefits	(11,935)	(25,924)	(89,375)
Net liability for defined benefit obligation	¥ 65,519	¥ 56,729	\$ 490,632

(4) The components of net periodic benefit costs for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Current service cost	¥ 13,038	¥ 13,364	\$ 97,640
Interest cost	2,943	3,024	22,039
Expected return on plan assets	(7,230)	(7,139)	(54,143)
Recognized actuarial gains	(1,255)	(1,068)	(9,404)
Amortization of prior service cost	(1,063)	(40)	(7,963)
Others	422	355	3,160
Net periodic benefit costs	¥ 6,854	¥ 8,496	\$ 51,327



(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Prior service cost	¥ (84)	¥ 193	\$ (633)
Actuarial (losses) gains	(16,835)	554	(126,069)
Total	¥ (16,919)	¥ 747	\$ (126,703)

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unrecognized prior service cost	¥ 91	¥ 176	\$ 688
Unrecognized actuarial (losses) gains	(8,852)	7,982	(66,290)
Total	¥ (8,760)	¥ 8,159	\$ (65,602)

(7) Plan assets as of March 31, 2023 and 2022

*a. Components of plan assets*

Plan assets consisted of the following:

	2023	2022
Debt investments	34%	40%
Equity investments	29	28
General account of life insurance companies	21	20
Others	16	12
Total	100%	100%

*b. Method of determining the expected rate of return on plan assets*

The expected rate of return on plan assets is determined considering distribution of plan assets currently and in the future and the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2023 and 2022, were set forth as follows:

	2023	2022
Discount rates	Mainly 1.0%	Mainly 1.0%
Expected rates of return on plan assets	Mainly 2.0%	Mainly 2.0%

*Defined Retirement Benefit Plans Applying the Simplified Method*

(1) The changes in the net carrying amount of liabilities and assets for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	¥ 2,594	¥ 2,603	\$ 19,424
Periodic benefit costs	546	488	4,091
Benefits paid	(190)	(246)	(1,428)
Contributions from the employer	(244)	(251)	(1,832)
Balance at end of year	¥ 2,704	¥ 2,594	\$ 20,255

(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, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Funded defined benefit obligation	¥ 5,232	¥ 5,235	\$ 39,184
Plan assets	(4,823)	(4,907)	(36,121)
	409	327	3,062
Unfunded defined benefit obligation	2,295	2,266	17,192
Net carrying amount of liabilities and assets	¥ 2,704	¥ 2,594	\$ 20,255
Liability for retirement benefits	¥ 3,307	¥ 3,293	\$ 24,766
Asset for retirement benefits	(602)	(699)	(4,510)
Net carrying amount of liabilities and assets	¥ 2,704	¥ 2,594	\$ 20,255



## (3) Periodic benefit costs

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Periodic benefit costs calculated under the simplified method	¥ 546	¥ 488	\$ 4,091

**Defined Contribution Plans**

The required contribution to defined contribution plans by the Company and its certain consolidated subsidiaries for the years ended March 31, 2023 and 2022, was ¥2,005 million (\$15,020 thousand) and ¥2,114 million, respectively.

**10. ASSET RETIREMENT OBLIGATIONS**

The changes in asset retirement obligations for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	¥ 289,190	¥ 278,031	\$ 2,165,569
Net change in the year	8,207	11,159	61,462
Balance at end of year	¥ 297,397	¥ 289,190	\$ 2,227,032

**11. SHORT-TERM BORROWINGS**

Short-term borrowings were generally represented by bank loans, bearing interest at rates ranging from 0.17% to 0.49% for the years ended March 31, 2023 and 2022, respectively.

**12. INCOME TAXES**

The Group is subject to national and local income taxes. The aggregate normal statutory tax rate for the Company approximated 27.9% for the years ended March 31, 2023 and 2022.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Deferred tax assets:			
Tax loss carryforwards	¥ 76,291	¥ 68,927	\$ 571,303
Depreciation	54,192	53,632	405,815
Liability for retirement benefits	32,594	34,093	244,083
Asset retirement obligations	29,534	30,248	221,166
Other	88,428	93,297	662,186
Total of tax loss carryforwards and temporary differences	281,042	280,199	2,104,554
Less valuation allowance for tax loss carryforwards	(9,268)	(43,605)	(69,407)
Less valuation allowance for temporary differences	(59,465)	(56,344)	(445,303)
Total valuation allowance	(68,734)	(99,949)	(514,710)
Deferred tax assets	212,307	180,249	1,589,843
Deferred tax liabilities:			
Amortization in foreign subsidiary	10,659	4,151	79,820
Accrued income of foreign subsidiary	9,751	7,869	73,020
Capitalized assets retirement costs	8,231	9,715	61,638
Gain on contributions of securities to retirement benefit trust	5,578	5,599	41,772
Deferred gain on derivatives under hedge accounting	5,211	5,455	39,024
Assets for retirement benefits	3,448	7,414	25,826
Other	13,528	12,215	101,305
Deferred tax liabilities	56,408	52,421	422,408
Net deferred tax assets	¥ 155,899	¥ 127,827	\$ 1,167,435



The expiration of tax loss carryforwards, the related valuation allowance and the resulting net deferred tax assets as of March 31, 2023 and 2022, were as follows:

	Millions of Yen												
March 31, 2023	1 Year or Less		After 1 Year through 2 Years		After 2 Years through 3 Years		After 3 Years through 4 Years		After 4 Years through 5 Years		After 5 Years		Total
Deferred tax assets relating to tax loss carryforwards (Note a)	¥	25,106	¥	991	¥	425	¥	154	¥	235	¥	49,378	¥ 76,291
Less valuation allowances for tax loss carryforwards		8,459		565		13		8				221	9,268
Net deferred tax assets relating to tax loss carryforwards		16,646		426		412		145		235		49,156	67,023 (Note b)

#### March 31, 2022

Deferred tax assets relating to tax loss carryforwards (Note a)	¥ 32,682	¥ 25,043	¥ 916	¥ 389	¥ 196	¥ 9,698	¥ 68,927
Less valuation allowances for tax loss carryforwards	32,682	10,233	249	22	54	364	43,605
Net deferred tax assets relating to tax loss carryforwards		14,809	667	367	142	9,334	25,321 (Note c)

	Thousands of U.S. Dollars						
March 31, 2023	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Deferred tax assets relating to tax loss carryforwards (Note a)	\$ 188,009	\$ 7,427	\$ 3,185	\$ 1,153	\$ 1,760	\$ 369,766	\$ 571,303
Less valuation allowances for tax loss carryforwards	63,351	4,232	100	62		1,660	69,407
Net deferred tax assets relating to tax loss carryforwards	124,658	3,194	3,085	1,091	1,760	368,105	501,896 (Note b)

Notes: a. The tax loss carryforwards were the amount multiplied by the normal effective statutory tax rate.

b. Tax loss carryforwards mainly resulted from the decline in the operation of nuclear power plants, as well as soaring fuel and wholesale electricity prices. Deferred tax assets relating to tax loss carryforwards were recognized at amounts the Company judged those were recoverable from expectations of future taxable income based on the business plan approved by the Board of Directors.

c. Tax loss carryforwards mainly resulted from the long-term shutdown of nuclear power plants of the Company in past years. Deferred tax assets relating to tax loss carryforwards were recognized at amounts the Company judged those were recoverable from expectations of future taxable income based on the business plan approved by the Board of Directors.



A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2023 and 2022, was as follows:

	2023	2022
Normal effective statutory tax rate	27.9%	27.9%
Non-deductible expenses such as entertainment expenses	(3.5)	6.2
Other—net	1.0	31.6
Actual effective tax rate	25.4%	65.7%

The Company and its wholly owned domestic subsidiaries adopted the group tax sharing system from the fiscal year ended March 31, 2023.

In addition, in accordance with the ASBJ Practical Solution No. 42, "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System," the Company accounts for corporate and local corporate taxes or accounts and discloses tax effect accounting relating to them.

### 13. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

#### a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the general shareholders' meeting. For companies that meet certain criteria, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the Company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the criteria.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

#### b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account that was charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

#### c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.



### Acquisition and Disposal of Class A Preferred Stock

The Company acquired the previous Class A preferred stock based on the articles of incorporation and has issued the new Class A preferred stock. The information of the new Class A preferred stock is as follows:

#### (1) Way of offering

Third-party allotment to the Mizuho Bank, Ltd., Development Bank of Japan Inc. and MUFG Bank, Ltd.

#### (2) Class and number of new shares to be issued

1,000 shares of Class A preferred stock

#### (3) Issue price

¥100 million per share

#### (4) Total amount of the issue price

¥100,000 million

#### (5) Issue date

June 28, 2019

#### (6) Uses of proceeds

The proceeds from the issuance of new Class A preferred stock will be used to repay a part of a bank loan the Company borrowed for the acquisition of current Class A preferred stock.

#### (7) Characteristics of the preferred stock

The preferred stock provides no provision for acquisition or right to request acquisition using common stock as consideration that will not dilute common stock. These stocks also do not provide any voting rights at the general shareholders' meeting.

The preferred stock has a provision for acquisition allowing the Company to acquire this preferred stock in exchange for cash the day after the payment date or thereafter. Furthermore, the preferred stock will provide the preferred shareholders with the right to request acquisition of this preferred stock in exchange for cash of the Company the day after the payment date or thereafter if the preferred shareholders follow the prescribed procedures, but the exercise of this right by the preferred shareholders is limited by the agreement to underwriting of the preferred stock.

Annual preferred dividend for the preferred stock is ¥2,100,000 per share. (Annual preferred dividend as of the record date of March 31, 2020, is ¥1,599,452 per share.)

## 14. REVENUE

### (1) Disaggregation of revenue

Disaggregation of revenue from contracts with customers is presented in "Information about sales, profit, assets and other items" in Note 24.

### (2) Contract balances

Receivables from contract with customers, contract assets and contract liabilities at the beginning and end of the year were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Receivables from contracts with customers:			
Balance at beginning of year	¥ 178,177	¥ 143,321	\$ 1,334,263
Balance at end of year	182,138	178,177	1,363,924
Contract assets:			
Balance at beginning of year	8,896	5,262	66,620
Balance at end of year	6,845	8,896	51,258
Contract liabilities:			
Balance at beginning of year	5,062	4,453	37,912
Balance at end of year	7,313	5,062	54,766



*(3) Transaction Prices Allocated Remaining Performance Obligations*

The Group has applied the simplified method as a practical expedient, and has not included information related to either of the following:

- (a) the performance obligation is part of a contract that has an original expected duration of one year or less; or
- (b) the Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer.

For significant transactions in the contracts that have an original expected durations of more than one year, the following table shows the summary of the transaction prices allocated to remaining performance obligations that are unsatisfied as of March 31, 2023:

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Within one year	¥ 112,852	\$ 845,086
After one to two years	136,200	1,019,919
After two to three years	84,947	636,120
After three years	105,471	789,814
Total	¥ 439,472	\$ 3,290,942

**15. RESEARCH AND DEVELOPMENT COSTS**

Research and development costs charged to income were ¥4,798 million (\$35,930 thousand) and ¥4,823 million for the years ended March 31, 2023 and 2022, respectively.

**16. LOSS ON IMPAIRMENT OF FIXED ASSETS**

As the Group decided to decommission No. 1 and No. 2 units of Sendai thermal power plant and No. 4 unit of Shin Kokura thermal power plant and others for the year ended March 31, 2022, the carrying amount of these assets was written down to the recoverable amount. As a result, the Group recognized an impairment loss of ¥3,536 million for these assets as other expenses.

The recoverable amount of these assets was mainly measured by the respective net selling prices which were based on appraisal valuation and assessed value of fixed assets.

**17. LOSS ON REIMBURSEMENT OF ELECTRIC IMBALANCE REVENUES**

In January 2021, the imbalance revenue of general electricity transmission and distribution business providers, including Kyushu Electric Power Transmission and Distribution Co., Inc., increased significantly because of the price hikes in the wholesale electricity market caused by the tight supply and demand of electricity in Japan. Relating to the situation, on December 27, 2021, the Electricity and Gas Industry Committee of the Advisory Committee for Natural Resources and Energy has decided that a part of the imbalance revenue paid by retail electricity providers would be reimbursed by deducting from their future wheeling fees. Under this decision, the Group recorded the estimated amount of reimbursement as liabilities and other expenses for the year ended March 31, 2022.



**18. RELATED PARTY DISCLOSURES**

a. Significant transactions of the Company with its related parties for the years ended March 31, 2023 and 2022  
No matters to report

b. Significant transactions of a consolidated subsidiary with an affiliated company for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Kyudenko Corporation:			
Transactions—			
purchase of construction works	¥ 36,834	¥ 39,462	\$ 275,830
on distribution facilities and other			
Balances at year-end—			
payables for construction works	3,971	4,085	29,739

**Notes Concerning the Parent Company or Important Affiliates***Important affiliates' financial summary*

For the years ended March 31, 2023 and 2022, Kyudenko Corporation was an important affiliate. The financial summary of its financial statements was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Total current assets	¥ 238,445	¥ 181,419	\$ 1,785,574
Total noncurrent assets	157,911	155,533	1,182,504
Total current liabilities	148,596	132,724	1,112,748
Total noncurrent liabilities	32,920	5,051	246,524
Total equity	214,839	199,176	1,608,805
Operating revenues	333,007	322,568	2,493,692
Income before income taxes	31,951	28,712	239,263
Net income	22,189	20,690	166,162

**19. LEASES**

The minimum rental commitments under noncancelable operating leases at March 31, 2023 and 2022, were as follows:

*(1) Lessee*

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Due within one year	¥ 1,514	¥ 1,484	\$ 11,339
Due after one year	17,681	18,784	132,407
Total	¥ 19,195	¥ 20,268	\$ 143,746

*(2) Lessor*

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Due within one year	¥ 1,001	¥ 522	\$ 7,500
Due after one year	8,684	3,887	65,030
Total	¥ 9,685	¥ 4,410	\$ 72,531



## 20. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### *Items Pertaining to Financial Instruments*

#### *(a) The Group's policy for financial instruments*

The Group uses mainly long-term debt, including bonds and loans, to raise funds required for investments in electric utility plant and equipment and repayments of bonds and loans. Cash surpluses, if any, are invested in low-risk financial assets. Derivatives are used not for speculative purposes, but to manage exposure to financial risks as described in (b) below.

#### *(b) Nature and extent of risks arising from financial instruments and risk control system*

Investment securities, mainly held-to-maturity debt securities and equity securities issued by companies related through business, and investments in and advances to nonconsolidated subsidiaries and affiliated companies which have a quoted market price in an active market are exposed to the risk of market price fluctuations. Such market risk is managed by monitoring market values and financial position of the issuers on a regular basis. Investment securities and investments in and advances to nonconsolidated subsidiaries and affiliated companies which do not have a quoted market price in an active market are managed by monitoring financial position of the issuers on a regular basis. In addition, the Company requires its nonconsolidated subsidiaries and affiliated companies to submit business plans and performance reports, and to consult in advance on any items that could have a significant impact on the Group's business activities.

Receivables are exposed to customer credit risk. Payment terms are set forth in specific retail electricity power supply provisions and so on. The Group manages its credit risk from receivables by monitoring payment terms and balances of each customer and identifying and reducing the default risk of customers at an early stage. Receivables from wholesale electric power sales outside of the Kyushu area are exposed to the risk of electricity price area differentials. Such risk is mitigated by using the financial transmission rights as necessary.

Bonds and loans are mainly used to raise funds for investments in plant and equipment. Foreign currency denominated debt is exposed to the market risk of fluctuations in foreign exchange. Such risk is mitigated by using currency swaps. Financial liabilities with variable interest rate are exposed to interest rate fluctuation risk. Such risk is mitigated by using interest rate swaps as necessary.

Payment terms of notes and accounts payable are less than one year. Accounts payable to purchase fuel in foreign currencies is exposed to the market risk of fluctuations in foreign exchange and fuel price. Such risks are mitigated by using foreign exchange forward contracts and financial energy swaps as necessary.

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates. The Group manages its liquidity risk by holding an adequate volume of liquid assets based on monthly financial planning and diversifying sources of its financing.



### Fair Values of Financial Instruments

The carrying amounts and aggregate fair values of financial instruments at March 31, 2023 and 2022, were as follows: Investments in equity instruments that do not have a quoted market price in an active market and investments in partnerships and others are not included in the following table. The fair values of cash and cash equivalents, receivables, short-term borrowings, commercial paper, notes and accounts payable, and accrued income taxes are not disclosed because their maturities are short and the carrying values approximate fair value.

	Millions of Yen		
	Carrying Amount	Fair Value	Unrecognized Gain (Loss)
<b>March 31, 2023</b>			
Investment securities:			
Held-to-maturity debt securities	¥ 235	¥ 217	¥ (17)
Available-for-sale securities	7,221	7,221	
Investments in and advances to nonconsolidated subsidiaries and affiliated companies	50,730	54,178	3,447
<b>Total</b>	<b>¥ 58,187</b>	<b>¥ 61,617</b>	<b>¥ 3,430</b>
Long-term debt:			
Bonds	¥ 1,659,999	¥ 1,612,271	¥ (47,728)
Loans	2,166,976	2,153,988	(12,987)
<b>Total</b>	<b>¥ 3,826,976</b>	<b>¥ 3,766,259</b>	<b>¥ (60,716)</b>
Derivatives	¥ 8,526	¥ 8,526	
<b>March 31, 2022</b>			
Investment securities:			
Held-to-maturity debt securities	¥ 235	¥ 224	¥ (10)
Available-for-sale securities	6,577	6,577	
Investments in and advances to nonconsolidated subsidiaries and affiliated companies	47,022	46,143	(878)
<b>Total</b>	<b>¥ 53,834</b>	<b>¥ 52,945</b>	<b>¥ (889)</b>
Long-term debt:			
Bonds	¥ 1,559,899	¥ 1,556,795	¥ (3,103)
Loans	1,957,373	1,973,856	16,482
<b>Total</b>	<b>¥ 3,517,273</b>	<b>¥ 3,530,651</b>	<b>¥ 13,378</b>
Derivatives	¥ 6,037	¥ 6,037	

	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrecognized Gain (Loss)
<b>March 31, 2023</b>			
Investment securities:			
Held-to-maturity debt securities	\$ 1,759	\$ 1,630	\$ (129)
Available-for-sale securities	54,079	54,079	
Investments in and advances to nonconsolidated subsidiaries and affiliated companies	379,889	405,706	25,817
<b>Total</b>	<b>\$ 435,728</b>	<b>\$ 461,417</b>	<b>\$ 25,688</b>
Long-term debt:			
Bonds	\$ 12,430,731	\$ 12,073,320	\$ (357,410)
Loans	16,227,172	16,129,913	(97,258)
<b>Total</b>	<b>\$ 28,657,904</b>	<b>\$ 28,203,234</b>	<b>\$ (454,669)</b>
Derivatives	\$ 63,852	\$ 63,852	

Advances are excluded from investments in and advances to nonconsolidated subsidiaries and affiliated companies because they are immaterial.

Long-term debt contains its current portion, and obligations under finance leases are excluded because they are immaterial.

Derivatives are stated at the net amount.

*Carrying amount of investments in equity instruments that do not have a quoted market price in an active market and investments in partnerships and others*

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Investment securities—Available-for-sale:			
Equity securities	¥ 68,496	¥ 67,449	\$ 512,932
Investments in partnership and others	10,443	7,641	78,204
Other securities	26,909	21,894	201,506
Investments in and advances to nonconsolidated subsidiaries and affiliated companies:			
Equity securities	111,877	98,835	837,779
Other securities	32,264	28,220	241,610
<b>Total</b>	<b>¥ 249,991</b>	<b>¥ 224,041</b>	<b>\$ 1,872,033</b>



*Maturity Analysis for Financial Assets and Securities with Contractual Maturities*

	Millions of Yen			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
March 31, 2023				
Investment securities:				
Held-to-maturity debt securities			¥ 36	¥ 199
Available-for-sale securities with contractual maturities		¥ 14		132
Cash and cash equivalents	¥ 270,651			
Receivables	369,244			
Total	¥ 639,895	¥ 14	¥ 36	¥ 331

March 31, 2022

Investment securities:				
Held-to-maturity debt securities			¥ 36	¥ 199
Available-for-sale securities with contractual maturities		¥ 14		351
Cash and cash equivalents	¥ 241,756			
Receivables	331,089			
Total	¥ 572,845	¥ 14	¥ 36	¥ 550

	Thousands of U.S. Dollars			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
March 31, 2023				
Investment securities:				
Held-to-maturity debt securities			\$ 269	\$ 1,490
Available-for-sale securities with contractual maturities		\$ 109		990
Cash and cash equivalents	\$ 2,026,743			
Receivables	2,765,047			
Total	\$ 4,791,791	\$ 109	\$ 269	\$ 2,480

Please see Note 8 for annual maturities of long-term debt.

*Financial Instruments Categorized by Fair Value Hierarchy*

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Fair values measured by using unobservable inputs for the assets or liabilities.

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is classified at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.



## (a) Financial instruments recorded at fair value in the consolidated balance sheet

	Millions of Yen			
	Fair Value			
	Level 1	Level 2	Level 3	Total
<b>March 31, 2023</b>				
Investment securities—				
Available-for-sale securities:				
Equity securities	¥ 6,214			¥ 6,214
Debt securities		¥ 132		132
Other securities	390			390
Derivatives		8,526		8,526
<b>March 31, 2022</b>				
Investment securities—				
Available-for-sale securities:				
Equity securities	¥ 5,491			¥ 5,491
Debt securities		¥ 351		351
Derivatives		6,037		6,037
	Thousands of U.S. Dollars			
	Fair Value			
	Level 1	Level 2	Level 3	Total
<b>March 31, 2023</b>				
Investment securities—				
Available-for-sale securities:				
Equity securities	\$ 46,533			\$ 46,533
Debt securities		\$ 990		990
Other securities	2,927			2,927
Derivatives		63,852		63,852

Note: Investment trusts that the net asset value is regarded as fair value are not included in above table in accordance with the article 24-9 of ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement." The carrying amount of the investment trusts in the consolidated balance sheet is ¥484 million (\$3,628 thousand).

## (b) Financial instruments other than financial instruments recorded at fair value in the consolidated balance sheet

	Millions of Yen			
	Fair Value			
	Level 1	Level 2	Level 3	Total
<b>March 31, 2023</b>				
Investment securities—				
Held-to-maturity debt securities:				
Local government bonds		¥ 35		¥ 35
Corporate bonds		88	¥ 94	182
Investments in and advances to nonconsolidated subsidiaries and affiliated companies	¥ 54,178			54,178
Long-term debt:				
Bonds		1,612,271		1,612,271
Loans		2,153,988		2,153,988
	Millions of Yen			
	Fair Value			
	Level 1	Level 2	Level 3	Total
<b>March 31, 2022</b>				
Investment securities—				
Held-to-maturity debt securities:				
Local government bonds		¥ 35		¥ 35
Corporate bonds		95	¥ 93	188
Investments in and advances to nonconsolidated subsidiaries and affiliated companies	¥ 46,143			46,143
Long-term debt:				
Bonds		1,556,795		1,556,795
Loans		1,973,856		1,973,856



	Thousands of U.S. Dollars			
	Fair Value			
	Level 1	Level 2	Level 3	Total
<b>March 31, 2023</b>				
Investment securities—				
Held-to-maturity debt securities:				
Local government bonds		\$ 265		\$ 265
Corporate bonds		660	\$ 704	1,364
Investments in and advances to nonconsolidated subsidiaries and affiliated companies	\$ 405,706			405,706
Long-term debt:				
Bonds		12,073,320		12,073,320
Loans		16,129,913		16,129,913

The following is a description of valuation methodologies and inputs used for measurement of the fair value of assets and liabilities:

#### Investment Securities and Investments in and Advances to Nonconsolidated Subsidiaries and Affiliated Companies

The fair values of listed equity securities are measured at the quoted market price. Since listed equity securities are traded in active markets, the fair values of listed equity securities are categorized as Level 1. As the fair values of the debt securities (include local government bonds, exclude private placement bonds) are measured principally at the quoted price obtained from financial institutions, the fair values of the debt securities are categorized as Level 2. The fair values of private placement bonds are measured by discounting the total amount of principal and interest at interest rates based on the discount rate reflecting credit risk factors and others, and are categorized as Level 3 since the discount rate is unobservable. The fair values of investment trusts are measured at the disclosed net asset value and others, and those (excluding those applied the article 24-9 of ASBJ Guidance No. 31) are categorized as Level 1.

#### Derivatives

The fair values of derivatives are measured principally at the quoted price obtained from financial institutions and are categorized as Level 2 based on the level of inputs of the derivatives. The interest rate swaps, which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest charges. As a result, the fair values of interest rate swaps are included in those of hedged items (i.e., long-term loans).

#### Bonds

The fair values of bonds are based on market price and are categorized as Level 2.

#### Long-Term Loans

The fair values of long-term loans at fixed interest rates are determined by discounting the cash flows related to the loans at the Company's assumed corporate borrowing rate, and are categorized as Level 2. Because loans at variable interest rates reflect short-term movements in market interest rates and there has been no substantial change in the Company's credit position since the loans were implemented, the carrying amounts approximate fair values. A part of loans is subjected to interest rate swaps, which qualify for hedge accounting and meet specific matching criteria, and the fair values are determined by discounting the cash flows related to the loans with the interest rate swaps at the Company's assumed corporate borrowing rate, and are categorized as Level 2.



## 21. DERIVATIVES

The Company enters into foreign exchange forward contracts, currency swaps, interest rate swaps, financial energy swaps and financial transmission rights to manage its exposures to fluctuations in foreign exchanges, interest rates, fuel price, and electricity market price area differentials, respectively.

Consolidated subsidiaries of the Company enter into foreign exchange forward contracts, interest rate swaps and financial transmission rights to manage their exposures to fluctuations in foreign exchanges, interest rates, and electricity market price area differentials, respectively.

The Group does not enter into derivatives for trading or speculative purposes.

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

The Group does not anticipate any losses arising from credit risk, which is the possibility that a loss may result from counterparties' failure to perform according to the terms and conditions of the contract, because the counterparties to those derivatives have high credit ratings.

The derivative transactions are executed by specific sections, and the administrative section monitors them based on internal policies.

### Derivative Transactions to Which Hedge Accounting Is Applied

Millions of Yen				
March 31, 2023	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Buying U.S. dollars	Accounts payable	¥ 51,238	¥ 47,248	¥ 11,597
Buying Canadian dollars	Accounts payable	21,777	20,100	3,923
Selling U.S. dollars	Receivables	2,883		(26)
Interest rate swaps:				
Principle treatment—pay fixed / receive floating	Long-term loans	56,018	51,646	(612)
Special treatment (Note a)—pay fixed / receive floating	Long-term loans	1,455	1,238	
Financial energy swaps—Principle treatment:				
Receive fixed / pay floating	Receivables	3,223		216
Pay fixed / receive floating	Accounts payable	14,251		(6,572)
Total				¥ 8,526

Millions of Yen				
March 31, 2022	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Buying U.S. dollars	Accounts payable	¥ 54,412	¥ 50,913	¥ 9,371
Buying Canadian dollars	Accounts payable	22,818	21,472	3,354
Interest rate swaps:				
Principle treatment—pay fixed / receive floating	Long-term loans	57,565	53,213	(2,815)
Special treatment (Note a)—pay fixed / receive floating	Long-term loans	1,672	1,455	
Financial energy swaps—Principle treatment:				
Receive fixed / pay floating	Receivables	7,619		(9,852)
Pay fixed / receive floating	Accounts payable	14,739		5,979
Total				¥ 6,037



March 31, 2023	Thousands of U.S. Dollars			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Buying U.S. dollars	Accounts payable	\$383,693	\$353,818	\$ 86,849
Buying Canadian dollars	Accounts payable	163,078	150,519	29,384
Selling U.S. dollars	Receivables	21,593		(201)
Interest rate swaps:				
Principle treatment—pay fixed / receive floating	Long-term loans	419,492	386,745	(4,586)
Special treatment (Note a)—pay fixed / receive floating	Long-term loans	10,898	9,274	
Financial energy swaps—Principle treatment:				
Receive fixed / pay floating	Receivables	24,136		1,623
Pay fixed / receive floating	Accounts payable	106,722		(49,216)
Total				\$ 63,852

Notes: a. The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest charges. As a result, the fair values of interest rate swaps are included in those of hedged items (i.e., long-term loans) in Note 20.

b. The contract or notional amounts of derivatives, which are shown in the above table, do not represent the amounts exchanged by the parties and do not measure the Group's exposure to market risk.

## 22. COMMITMENTS AND CONTINGENCIES

At March 31, 2023, the Group had a number of fuel purchase commitments, most of which specify quantities and dates for fuel deliveries. However, most of purchase prices are contingent upon fluctuations in market prices.

### a. Contingent Liabilities

Contingent liabilities at March 31, 2023, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Co-guarantees of loans, mainly in connection with procurement of fuel	¥ 78,043	\$ 584,421
Guarantees of employees' loans	36,442	272,892
Other	45,793	342,919

### b. Loan Commitments

The Company has entered into the Shareholder Loan Agreement with Fukuoka International Airport Co., Ltd., and Kyuden International Corporation, a consolidated subsidiary of the Company, has entered into the Shareholder Loan Agreement with Senoko Energy Pte Ltd., respectively. The unexercised portion of loan commitments under each agreement as of March 31, 2023, was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Total loan limits	¥ 2,173	\$ 16,275
Loan executed		
Unexercised portion of loan commitments	2,173	16,275



### 23. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Other comprehensive income:			
Unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ 1,424	¥ 1,669	\$ 10,666
Reclassification adjustments to profit or loss	13	(88)	97
Amount before income tax effect	1,437	1,580	10,764
Income tax effect	(385)	(435)	(2,888)
Total	¥ 1,051	¥ 1,145	\$ 7,875
Deferred gain on derivatives under hedge accounting:			
Gains (losses) arising during the year	¥ 4,641	¥ (1,885)	\$ 34,754
Reclassification adjustments to profit or loss	3,571	4,887	26,743
Adjustments for amounts transferred to the initial carrying amounts of hedged items	(4,282)	(2,838)	(32,067)
Amount before income tax effect	3,930	163	29,430
Income tax effect	(1,186)	101	(8,887)
Total	¥ 2,743	¥ 264	\$ 20,542
Foreign currency translation adjustments:			
Gains arising during the year	¥ 5,686	¥ 2,381	\$ 42,585
Amount before income tax effect	5,686	2,381	42,585
Income tax effect	936	728	7,014
Total	¥ 6,623	¥ 3,109	\$ 49,600

Defined retirement benefit plans:			
(Losses) gains arising during the year	¥ (15,608)	¥ 1,780	\$ (116,885)
Reclassification adjustments to profit or loss	(1,311)	(1,032)	(9,818)
Amount before income tax effect	(16,919)	747	(126,703)
Income tax effect	4,753	(214)	35,594
Total	¥ (12,166)	¥ 533	\$ (91,108)
Share of other comprehensive income in nonconsolidated subsidiaries and affiliated companies:			
Gains arising during the year	¥ 5,593	¥ 713	\$ 41,884
Reclassification adjustments to profit or loss	454	871	3,400
Total	¥ 6,047	¥ 1,584	\$ 45,284
Total other comprehensive income	¥ 4,299	¥ 6,637	\$ 32,195



## 24. SEGMENT INFORMATION

### (1) Description of reportable segments

The Group's reportable segments are those for which financial information is available separately and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group's reportable segments consist of power generation and sale, electricity transmission and distribution, overseas, other energy services, information and communication technology ("ICT") services, and urban development.

- Power Generation and Sale segment: This segment is engaged in the business of power generation and retail electricity in Japan.
- Electricity Transmission and Distribution segment: This segment is engaged in the business of general transmission and distribution in Kyushu region.
- Overseas segment: This segment is engaged in the business of overseas power generation, transmission and distribution business.
- Other Energy Services segment: This segment is engaged in the business that provides a stable supply of electric power, such as construction and maintenance of electricity-related facilities, selling gas and LNG, selling coal, and a renewable energy business.
- ICT Services segment: This segment is engaged in the data communication business, optical broadband business, construction and maintenance of telecommunications facilities, information system development business, and data center business.
- Urban Development segment: This segment is engaged in the urban development business, real estate business and social infrastructure business.

### (2) Methods of measurement for the amounts of sales, profit, assets and other items for each reportable segment

The accounting policies of each reportable segment are consistent to those disclosed in Note 2, "Summary of Significant Accounting Policies."



(3) Information about sales, profit, assets and other items at March 31, 2023 and 2022, was as follows:

Millions of Yen											
2023											
Reportable Segments											
Energy Services											
Domestic Electric Power											
	Power Generation and Sale	Electricity Transmission and Distribution	Overseas	Other Energy Services	ICT Services	Urban Development	Subtotal	Other (Note a)	Total	Reconciliations (Note b)	Consolidated (Note c)
Sales:											
Revenues from contracts with customers	¥ 1,702,223	¥ 230,883	¥ 2,712	¥ 108,208	¥ 86,309	¥ 7,429	¥ 2,137,767	¥ 3,948	¥ 2,141,715		¥ 2,141,715
Other revenue (Note d)	45,295	22,949	3,532	417	1,070	6,318	79,584		79,584		79,584
Sales to external customers	1,747,519	253,832	6,245	108,626	87,379	13,748	2,217,352	3,948	2,221,300		2,221,300
Intersegment sales or transfers	183,418	455,147		152,513	32,009	11,209	834,298	4,814	839,113	¥ (839,113)	
Total	¥ 1,930,937	¥ 708,980	¥ 6,245	¥ 261,140	¥ 119,389	¥ 24,957	¥ 3,051,650	¥ 8,763	¥ 3,060,414	¥ (839,113)	¥ 2,221,300
Segment profit (loss)	¥ (143,558)	¥ 14,120	¥ 4,459	¥ 29,240	¥ 6,526	¥ 3,218	¥ (85,994)	¥ 496	¥ (85,497)	¥ (1,130)	¥ (86,634)
Segment assets	4,423,383	1,956,923	215,585	475,478	212,169	148,516	7,432,056	15,230	7,447,287	(1,843,608)	5,603,678
Other:											
Depreciation	109,540	73,367	33	12,951	24,687	3,286	223,867	375	224,242	(3,228)	221,013
Interest income	9,620	72	924	187	4	46	10,856		10,856	(9,501)	1,355
Interest charges	22,584	9,320	3,301	1,868	186	108	37,370	67	37,438	(9,501)	27,936
Share of profit (loss) of entities accounted for using the equity method			4,620	4,759	92	14	9,486	(93)	9,392	(295)	9,096
Increase in property and nuclear fuel	140,984	121,362	28	12,637	28,790	8,352	312,154	233	312,388	(5,796)	306,592
Millions of Yen											
2022											
Reportable Segments											
Energy Services											
Domestic Electric Power											
	Power Generation and Sale	Electricity Transmission and Distribution	Overseas	Other Energy Services	ICT Services	Urban Development	Subtotal	Other (Note a)	Total	Reconciliations (Note b)	Consolidated (Note c)
Sales:											
Revenues from contracts with customers	¥ 1,382,809	¥ 171,728	¥ 1,255	¥ 77,125	¥ 80,539	¥ 8,169	¥ 1,721,627	¥ 3,892	¥ 1,725,519		¥ 1,725,519
Other revenue (Note d)	847	7,652	3,063	92	565	5,569	17,790		17,790		17,790
Sales to external customers	1,383,657	179,380	4,318	77,217	81,105	13,738	1,739,418	3,892	1,743,310		1,743,310
Intersegment sales or transfers	133,919	418,963	13	117,096	31,364	11,176	712,533	5,061	717,595	¥ (717,595)	
Total	¥ 1,517,576	¥ 598,343	¥ 4,332	¥ 194,314	¥ 112,470	¥ 24,915	¥ 2,451,951	¥ 8,954	¥ 2,460,905	¥ (717,595)	¥ 1,743,310
Segment profit (loss)	¥ (2,977)	¥ 7,183	¥ 2,448	¥ 18,896	¥ 6,105	¥ 3,275	¥ 34,931	¥ 986	¥ 35,918	¥ (3,533)	¥ 32,384
Segment assets	4,250,212	1,924,633	177,006	436,341	206,428	138,854	7,133,476	15,378	7,148,854	(1,816,504)	5,342,350
Other:											
Depreciation	115,008	71,798	26	12,276	24,079	3,056	226,245	338	226,583	(1,289)	225,293
Interest income	9,488	22	609	76	3	25	10,226		10,226	(9,397)	829
Interest charges	21,834	9,209	1,933	1,114	169	122	34,375	65	34,440	(9,397)	25,043
Share of profit (loss) of entities accounted for using the equity method			3,541	4,354	39	(122)	7,813	144	7,957	(340)	7,617
Loss on impairment of fixed assets	3,404	131					3,536		3,536		3,536
Increase in property and nuclear fuel	155,422	117,934	79	11,383	27,267	5,592	317,680	221	317,901	(5,763)	312,138



Thousands of U.S. Dollars											
2023											
Reportable Segments											
Energy Services											
Domestic Electric Power											
	Power Generation and Sale	Electricity Transmission and Distribution	Overseas	Other Energy Services	ICT Services	Urban Development	Subtotal	Other (Note a)	Total	Reconciliations (Note b)	Consolidated (Note c)
Sales:											
Revenues from contracts with customers	\$12,746,919	\$1,728,945	\$ 20,312	\$ 810,309	\$ 646,320	\$ 55,634	\$16,008,442	\$ 29,558	\$16,038,011		\$16,038,011
Other revenue (Note d)	339,190	171,855	26,455	3,129	8,013	47,318	595,962		595,962		595,962
Sales to external customers	13,086,110	1,900,801	46,767	813,438	654,333	102,952	16,604,405	29,568	16,633,973		16,633,973
Intersegment sales or transfers	1,373,507	3,408,326		1,142,082	239,700	83,939	6,247,556	36,054	6,283,610	\$(6,283,610)	
Total	\$14,459,618	\$5,309,127	\$ 46,767	\$1,955,521	\$ 894,033	\$ 186,892	\$22,851,961	\$ 65,622	\$22,917,584	\$(6,283,610)	\$16,633,973
Segment profit (loss)	\$(1,075,026)	\$ 105,738	\$ 33,393	\$ 218,961	\$ 48,873	\$ 24,101	\$(643,957)	\$ 3,719	\$(640,238)	\$ (8,512)	\$(648,751)
Segment assets	33,124,032	14,654,211	1,614,388	3,560,568	1,588,810	1,112,150	55,654,161	114,054	55,768,215	(13,805,666)	41,962,548
Other:											
Depreciation	820,282	549,405	251	96,988	184,868	24,608	1,676,405	2,808	1,679,214	(24,179)	1,655,034
Interest income	72,045	540	6,919	1,407	30	351	81,294	6	81,300	(71,152)	10,147
Interest charges	169,123	69,798	24,722	13,993	1,395	814	279,848	507	280,355	(71,152)	209,202
Share of profit (loss) of entities accounted for using the equity method			34,600	35,639	690	105	71,035	(703)	70,332	(2,212)	68,119
Increase in property and nuclear fuel	1,055,744	908,806	211	94,632	215,595	62,544	2,337,535	1,751	2,339,287	(43,405)	2,295,881

Notes: a. "Other" is a business segment not included in the reportable segments and includes paid nursing home business, office work outsourcing business, personnel dispatch business, etc.

b. Reconciliations of segment profit (loss) and segment assets are intersegment transaction eliminations.

c. Segment profit (loss) is adjusted to reflect ordinary income.

Ordinary income is calculated by adding interest income, dividends, share of profit of entities accounted for using the equity method and other income to, and deducting interest charges and other expenses from operating income.

d. Other revenue of power generation and sale, electricity transmission and distribution other energy services and ICT services include subsidies which is described in Note 27, and the amounts of subsidies are ¥44,777 million (\$335,307 thousand), ¥1,298 million (\$9,719 thousand), ¥323 million (\$2,418 thousand), and ¥27 million (\$202 thousand), respectively.

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

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

#### (4) Change in reportable segments

The Group changed its policy for measurement of segment performance to monitor the achievement of the interim financial targets (2025) to realize the vision and business targets described in the "Kyuden Group Management Vision 2030." In accordance with this change, the Group changed its reportable segments from power generation and sale, electricity transmission and distribution, other energy services, ICT services and other to power generation and sale, electricity transmission and distribution, overseas, other energy services, ICT services and urban development for the year ended March 31, 2023.

The segment information for the year ended March 31, 2022, is also disclosed using the new operating segments.



## 25. SUBSEQUENT EVENTS

### a. Appropriation of Surplus

At the Board of Directors' meeting held on April 28, 2023, the Company resolved to submit a proposal for the transfer of surplus to the general shareholders' meeting held on June 28, 2023. It was approved and became effective on the same date.

#### (1) Purpose of appropriation of surplus

The Company recorded a loss of ¥21,623 million (\$161,925 thousand) in retained earnings in the nonconsolidated balance sheet as of March 31, 2023. In light of this situation and to adapt capital policy flexibly to changes in the business environment, the Company will transfer a portion of other capital surplus to retained earnings in accordance with Article 452 of the Companies Act.

#### (2) Overview of the appropriation of surplus

##### (a) Account item and amount of decreasing surplus

Other capital surplus: ¥21,623 million (\$161,925 thousand)

##### (b) Account item and amount of increasing surplus

Retained earnings: ¥21,623 million (\$161,925 thousand)

#### (3) Schedule for the appropriation of surplus

(a) April 28, 2023 Date of resolution for the Board of Directors

(b) June 28, 2023 Date of resolution for the general meeting of shareholders

(c) June 28, 2023 Effective date for the appropriation

### b. Issuance of Class B Preferred Stock by Third-Party Allotment

At the Board of Directors' meeting held on April 28, 2023, the Company resolved to submit the issuance of Class B preferred stock via a third-party allotment (hereinafter the "Class B Preferred Stock") for consideration at the general shareholders' meeting held on June 28, 2023, where it was approved.

#### (1) Overview of the issuance of the Class B Preferred Stock

(a) Payment date (issue date)	August 1, 2023
(b) Class and number of new shares to be issued	2,000 shares of Class B Preferred Stock
(c) Issue price	¥100 million (\$748 thousand) per share
(d) Total amount of the issue price	¥200,000 million (\$1,497,678 thousand)
(e) Preferred dividend	¥2.9 million (\$21 thousand) per share
(f) Method of offering or allotment	Third-party allotment
(g) Allottee	Mizuho Bank, Ltd. 800 shares Development Bank of Japan Inc. 800 shares MUFG Bank, Ltd. 400 shares
(h) Amount of capital increase	¥100,000 million (\$748,839 thousand)
(i) Amount of additional paid-in capital increase	¥100,000 million (\$748,839 thousand)

#### (2) Uses of proceeds

A part of the proceeds from issuance of the Class B Preferred Stock are planned to be used in acquisition of Class A preferred stock issued by the Company (hereinafter the "Class A Preferred Stock").

The other part of the proceeds is planned to be used to capital expenditures and investments in new projects that will contribute to achieve carbon neutrality by 2050 and the sustainable growth of the Group.

#### (3) Other important matters

Shareholders holding the Class B Preferred Stock may receive dividends prior to common shareholders.

The Class B Preferred Stock will not dilute the common stock because it does not come with voting rights for the general shareholders' meeting, nor does it come with call provisions or put options using common stock as consideration.



### c. Reduction of Capital Stock and Additional Paid-in Capital Concurrent with Class B Preferred Stock Issuance

At the Board of Directors' meeting held on April 28, 2023, the Company resolved that capital stock and additional paid-in capital be reduced by the same amount as the issue price and transferred to other capital surplus at the same time as the issuance of Class B Preferred Stock.

#### (1) Purpose of reducing capital stock and additional paid-in capital

In order to secure an adequate distributable amount necessary for acquiring the Class A Preferred Stock, a decision was taken to reduce capital stock and additional paid-in capital at the same time as issuing the Class B Preferred Stock, and to transfer an amount equivalent to other capital surplus, which constitutes the distributable amount.

#### (2) Overview of capital stock and additional paid-in capital reduction

##### (a) Amount of capital stock reduction

¥100,000 million (\$748,839 thousand)

Details: ¥100,000 million (\$748,839 thousand), corresponding to the capital stock increase from the issuance of the Class B Preferred Stock

##### (b) Amount of capital reserve reduction

¥100,000 million (\$748,839 thousand)

Details: ¥100,000 million (\$748,839 thousand), corresponding to the additional paid-in capital increase from the issuance of the Class B Preferred Stock

##### (c) Method of capital stock and capital reserve reduction

The Company will reduce capital stock and additional paid-in capital as overviewed above in accordance with the Companies Act, and will transfer the amounts equivalent to the reductions to other capital surplus.

#### (3) Schedule for capital stock and additional paid-in capital reduction

April 28, 2023	Resolution at the Board of Directors' meeting
June 30, 2023	Date of public notice for creditors to raise objections
July 31, 2023	Deadline for creditors to raise objections
August 1, 2023 (scheduled)	Effective date

#### (4) Other important matters

The reduction of capital stock and additional paid-in capital will become effective on condition that the issuance of the Class B Preferred Stock takes effect. In addition, the capital stock and additional paid-in capital reduction will not result in a reduction in the number of shares outstanding.

### d. Acquisition and Cancellation of Class A Preferred Stock

At the Board of Directors' meeting held April 28, 2023, in connection with the issuance of the Class B Preferred Stock, the Company resolved to acquire the Class A Preferred Stock in accordance with Article 12.8 of its articles of incorporation (provisions concerning acquisition for monetary consideration) and to cancel the Class A Preferred Stock.

#### (1) Details of matters concerning acquisition

(a) Class of the target stock	Class A Preferred Stock issued by Kyushu Electric Power Co., Inc.
(b) Number of shares acquired	1,000 shares
(c) Acquisition price	¥102 million (\$769 thousand) per share
	The acquisition price above has been calculated in accordance with the stipulations of the company articles of incorporation.
	(Formula for base price)
	Monetary consideration acquisition price per share = ¥100 million (\$748 thousand) + Cumulative unpaid Class A preferred dividend amount + Previous business year unpaid Class A preferred dividend amount + Current business year unpaid Class A preferred dividend amount
(d) Total acquisition price	¥102,822 million (\$769,975 thousand)
(e) Buy-back from	Mizuho Bank, Ltd. Development Bank of Japan Inc. MUFG Bank, Ltd.
(f) Scheduled date of acquisition	August 1, 2023

#### (2) Details of matters concerning cancellation

(a) Class of the target stock	Class A Preferred Stock issued by Kyushu Electric Power Co., Inc.
(b) Number of shares canceled	1,000 shares
(c) Scheduled date of cancellation	August 1, 2023

#### (3) Other important matters

The acquisition and cancellation of the Class A Preferred Stock will become effective on condition that the issuance of the Class B Preferred Stock and the concurrent reduction of capital stock and additional paid-in capital take effect.



**26. NET INCOME PER SHARE**

Basic EPS for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income (Loss) Attributable to Owners of the Parent	Weighted-Average Shares		EPS
<b>Year Ended March 31, 2023</b>				
Net loss attributable to owners of the parent	¥ (56,429)			
Amount not attributable to common shareholder—Preferred dividend	(2,100)			
Basic EPS—Net loss available to common shareholders	¥ (58,529)	472,753	¥ (123.81)	\$ 0.92

**Year Ended March 31, 2022**

Net income attributable to owners of the parent	¥ 6,873			
Amount not attributable to common shareholder—Preferred dividend	(2,100)			
Basic EPS—Net income available to common shareholders	¥ 4,773	472,851	¥ 10.09	

**27. ADDITIONAL INFORMATION**

Rising electricity and city gas prices due to soaring energy prices against the background of global situation have had a far-reaching impact on economy of Japan and society, and the economic burden on households and entities is expected to be increased.

In response to this situation, the Group has discounted unit prices of electricity and city gas to the discount prices set by the government of Japan as a political measure to mitigate the economic burden on the people.

The discount is funded by subsidies from the government of Japan.

For the year ended March 31, 2023, the Group recorded such subsidies as "Revenues from Electricity Business" and "Revenues from Other Business." These amounts are ¥45,093 million (\$337,674 thousand) and ¥1,333 million (\$9,982 thousand), respectively.



# SASB INDEX

The table below summarizes the Kyuden Group's results based on the SASB Electric Utilities & Power Generators Standard provided by the International Sustainability Standards Board (ISSB), an arm of the International Financial Reporting Standards (IFRS) Foundation. The SASB Standards are primarily designed for U.S. companies and markets and therefore include items that are not applicable to the Kyuden Group, but we strive to disclose as much information as possible according to the Standards.

Disclosure Topics	Accounting Metrics	Category	Unit	Code	Information Disclosed
Environment					
Greenhouse Gas Emissions & Energy Resource Planning	(1) Scope 1 emissions (2) Percentage of Scope 1 emissions under emissions-limiting regulations (3) Percentage of Scope 1 emissions under emissions-reporting regulations	Quantitative	t-CO <sub>2</sub> %	IF-EU-110a.1	(1) 23,690,000 [t-CO <sub>2</sub> ] (2) 0 [%] (no regulated markets in Japan) (3) 100 [%] Note 1: Scope 1 emissions include direct emissions of greenhouse gases as defined in the Act on Promotion of Global Warming Countermeasures (CO <sub>2</sub> , N <sub>2</sub> O, SF <sub>6</sub> and HFC)
	Greenhouse gas (GHG) emissions associated with power deliveries	Quantitative	t-CO <sub>2</sub>	IF-EU-110a.2	29,200,000 [t-CO <sub>2</sub> ] (33,200,000 [t-CO <sub>2</sub> ]) Note 2: Provisional value Note 3: Value in parentheses represents CO <sub>2</sub> emissions generated by Kyushu Electric Power after adjustments were made in accordance with the FIT system for renewable energy per the Act on Promotion of Global Warming Countermeasures.
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	Discussion and Analysis	—	IF-EU-110a.3	In order to make a significant contribution to the realization of a carbon-neutral society as one of Japan's industry leaders in low-carbon and carbon-free efforts, the Kyuden Group has clarified its goals for 2050, set its management objectives (environmental objectives) for 2030 by backcasting, and formulated an Action Plan containing specific strategies for achieving these targets. ○ Reduction plan for emissions • Amount of renewable energy developed: 5,000 MW (2030) • Maximum use of nuclear power with safety as a top priority • Lowering the carbon intensity of thermal power • Conversion of all company cars to 100% EVs <sup>*1</sup> (2030) *1: Excl. special purpose vehicles ○ Emissions reduction targets 2050 goals: • We will reduce greenhouse gas (GHG) emissions from our business activities across the entire supply chain to net zero • We will contribute to the reduction of GHG emissions in society by promoting a shift to electricity-based energy consumption to the maximum extent possible, providing a stable supply of environmentally-friendly energy, etc. Through these efforts, the Kyuden Group will achieve "carbon negativity" as early as possible before 2050 2030 management (environmental) targets: • We will reduce supply chain GHG emissions <sup>*2</sup> by 60% (compared to FY2013 levels); and by 65% for our domestic business (compared to FY2013 levels). *2: Total for Scopes 1, 2, and 3 • We will contribute to the electrification of Kyushu (Household: 70%; Commercial: 60%) ○ Analysis of achievement level Supply chain GHG emissions for FY2022 was 45.10 million tons-CO <sub>2</sub> , about a 26% reduction from FY2013 levels. This result is due to our active development and introduction of renewable energy and stable nuclear power operations.
	(1) Number of customers served in markets subject to renewable portfolio standards (RPS) and (2) percentage fulfillment of RPS target by market	Quantitative	Number %	IF-EU-110a.4	The RPS Act, which defined RPS regulations in Japan, was abolished in 2012 and replaced with the FIT system Note 4: We purchase electricity generated by renewable energy systems at a fixed price Note 5: The Kyushu region makes up around 10% of Japan's electric power demand, yet the introduction of renewable energy power generation facilities through the FIT system is approximately 20% of the national total.

Note: Quantitative data without a time point are actual results for FY2022.



Disclosure Topics	Accounting Metrics	Category	Unit	Code	Information D disclosed
Environment					
Air Quality	Air emissions of the following pollutants: (1) NOx (excluding N2O), (2) SOx, percentage of each in or near densely populated areas	Quantitative	t %	IF-EU-120a.1	(1) 6,769 [t], 100 [%] (2) 4,618 [t], 100 [%] Note 1: Figures are based on results excluding island-based combustion power plants
Water Management	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	Quantitative	1000 m³ %	IF-EU-140a.1	(1) 6,511 [1,000 m³], 0 [%] Note 2: Main applications: Water for thermal power generation and nuclear power generation (fresh water) Note 3: The above does not include hydroelectric power water (fresh water) or indirect cooling water (seawater) for thermal power generation (2) 2,748 [1,000 m³], 0 [%]
	Number of incidents of noncompliance associated with water quantity and/or quality permits, standards, and regulations	Quantitative	Number	IF-EU-140a.2	0
	Description of water management risks and discussion of strategies and practices to mitigate those risks	Discussion and Analysis	—	IF-EU-140a.3	Kyushu EP and Kyushu T&D manages the following risks regarding the use of water resources, which are essential for the power generation business. To identify water risks, WRI Aqueduct 3.0 tools were used to verify water stress (current and future) in areas where Kyushu EP and Kyushu T&D facilities are located. The results are as follows: • According to the Baseline Water Stress tool, maximum water stress is low-medium in the Kyushu region where Kyushu EP and Kyushu T&D has installed power plants that use fresh water or seawater, and water-related risks such as droughts are assumed to occur less frequently there. Water-related risks are low. In the hydroelectric power business, we use hydroelectric power plant dams and diversion weirs to release the water needed to maintain our rivers. In addition, we abide by the set amounts of water that we have permission to take from rivers to produce electricity based on laws and regulations. Where river levels are predicted to rise due to heavy rainfall, we release water from our dams in advance based on water governance agreements with the national government or other authorities. We also cooperate to the fullest extent possible in local disaster prevention. In our thermal power generation business, water for power generation is stored in a water storage tank once it is received, so in the event of drought or flooding, there is no immediate output control or suspension of power generation. However, if water is cut off or the amount of water received is limited, we will work to maintain our thermal power operations as much as possible by considering water-saving measures or ways to receive water. Further, as our thermal power generation business and nuclear power generation business use seawater as indirect cooling water for power generation facilities, we monitor the temperature difference between intake water and discharged water. In addition, based on environmental conservation agreements we have entered into, we report on the status of the marine areas around our power plants (water intake and discharge, etc.) to local governments and officials from fishery cooperatives, and exchange opinions with them.
Coal Ash Management	Amount of coal combustion residuals (CCR) generated, percentage recycled	Quantitative	t %	IF-EU-150a.1	851,000 [t], 98.0 [%] Note 4: Amount of coal ash (fly ash and bottom ash)
	Total number of coal combustion residual (CCR) impoundments, broken down by hazard potential classification and structural integrity assessment by the U.S. Environmental Protection Agency	Quantitative	Number	IF-EU-150a.2	Recycled approximately 98% of coal ash produced at thermal power plants

Note: Quantitative data without a time point are actual results for FY2022.



Disclosure Topics	Accounting Metrics	Category	Unit	Code	Information Disclosed
Social Capital					
Energy Affordability	Average retail electric rate for (1) residential, (2) commercial, and (3) industrial customers (per kWh)	Quantitative	Yen/kWh	IF-EU-240a.1	(1) 23.65 [Yen/kWh] (2) (3) 18.10 [Yen/kWh] Note 1: (1) is the average cost of lighting. (2) and (3) are the average cost of electric power.
	Typical monthly electric bill for residential customers for (1) 500 kWh and (2) 1,000 kWh of electricity delivered per month	Quantitative	Yen	IF-EU-240a.2	(1) 14,151 [Yen] (2) 29,480 [Yen]
	(1) Number of residential customer electric disconnections for nonpayment and (2) percentage reconnected within 30 days	Quantitative	Number %	IF-EU-240a.3	(1) 153,073 Note 2: Service stops resulting from non-payment of electricity fees based on the Specified Retail Supply Agreement (2) 81 [%] Note 3: Percentage of resumptions of service within 7 days of service stop (unable to provide percentage for resumptions within 30 days)
	Discussion of impact of external factors on customer affordability of electricity, including the economic conditions of the service territory	Discussion and Analysis	—	IF-EU-240a.4	The Electricity Business Act in Japan stipulates that general transmission and distribution operators shall not refuse wheeling service in their supply areas without justifiable grounds. When we accept an application to supply electricity in areas handled by Kyushu T&D, in principle, we supply to the designated area. We believe that there is no difference in the opportunities for consumers to obtain low-cost energy. With that, we recognize that the factors affecting electricity prices include levies for renewable energy generation based on the national system and fuel cost adjustments due to price fluctuations of thermal fuel that affect electricity prices.
Human Capital					
Workforce Health & Safety	(1) Total recordable incident rate (TRIR) (no. of accidents per 200,000 working hours) (2) fatality rate, and (3) near miss frequency rate (NMFR) (no. of accidents per 200,000 working hours)	Quantitative	%	IF-EU-320a.1	(1) Employees: 0.01, contractors: outside management purview (2) Employees: 0, contractors: 1 Note 4: We report the number of deaths as the SASB standards do not provide a specific calculation formula for the percentage of deaths. (3) Outside management purview Note 5: This information cannot be disclosed because it was not obtained using the measurement method recommended by the SASB standards
Business Model & Innovation					
End-Use Efficiency & Demand	Percentage of electric utility revenues from rate structures that (1) are decoupled and (2) contain a lost revenue adjustment mechanism (LRAM)	Quantitative	%	IF-FU-420a.1	Decoupling and LRAM systems have not been introduced in Japan Note 6: Sales increases will come from promoting electrification and offering various services that meet customer needs.
	Percentage of electric load served by smart grid technology (MWh)	Quantitative	%	IF-EU-420a.2	Penetration of smart meters: 90 [%]
	Customer electricity savings from efficiency measures, by market	Quantitative	MWh	IF-EU-420a.3	We disclose the following quantitative data in lieu of electricity savings. ○ Number of electrification and energy-saving solution proposals: Approx. 4,800 (for the 5 years from FY2018 to FY2022) Note 7: Kyushu Electric Power provides a variety of solutions to customers for electrification and energy conservation to achieve carbon neutrality by 2050

Note: Quantitative data without a time point are actual results for FY2022.



Disclosure Topics	Accounting Metrics	Category	Unit	Code	Information Disclosed
Leadership & Governance					
Nuclear Safety & Emergency Management	Total number of nuclear power units, broken down by U.S. Nuclear Regulatory Commission (NRC) Action Matrix Column	Quantitative	Number	IF-EU-540a.1	6 units (breakdown: 4 units at the Genkai Nuclear Power Plant, 2 units at the Sendai Nuclear Power Plant) Note 1: Genkai Nuclear Power Plant Units 1 and 2 are currently being decommissioned Note 2: Sendai Nuclear Power Plant Units 1 and 2 passed inspection under the Nuclear Regulation Authority new regulatory standards and restarted in 2015 Genkai Nuclear Power Plant Units 3 and 4 passed inspection under the Nuclear Regulation Authority new regulatory standards and restarted in 2018
	Description of efforts to manage nuclear safety and emergency preparedness	Discussion and Analysis	—	IF-EU-540a.2	Kyushu Electric Power is working to maintain and improve the safety and reliability of nuclear power plants by accurately implementing safety activities based on the quality management system for nuclear safety headed by the President and steadily making continuous improvements, including risk management to prevent abnormalities. In addition, we are continuously working to foster and maintain a corporate culture in which each employee can raise their awareness of the various risks of nuclear power, ask what can be done to improve safety, and demonstrate leadership to improve performance. We have also established the Nuclear Safety and Reliability Improvement Committee comprised of outside experts as a mechanism to receive opinions on our efforts to improve the safety and reliability of nuclear power from a third-party perspective, providing us with objective and specialist assessments and recommendations.
Grid Resiliency	Number of incidents of noncompliance with physical and/or cybersecurity standards or regulations	Quantitative	Number	IF-EU-550a.1	Not disclosed Note 3: Not disclosed in light of the risks associated with disclosure
	(1) System Average Interruption Duration Index (SAIDI), (2) System Average Interruption Frequency Index (SAIFI), and (3) Customer Average Interruption Duration Index (CAIDI) Note: Inclusive of major event days	Quantitative	Minutes Outages Minutes/ Outage	IF-EU-550a.2	(1) 115 [mins.] (excl. disasters such as typhoons: 3 mins.) (2) 0.15 [outages] (excl. disasters such as typhoons: 0.04 outages) (3) 782 [mins./outage] (excl. disasters such as typhoons: 56 mins./outage)

Note: Quantitative data without a time point are actual results for FY2022.

## Activity Metrics

Activity Metric	Unit	Code	Information Disclosed
Number of: (1) residential, (2) commercial, and (3) industrial customers served	Number	IF-EU-000.A	(1) 7,120,000 (2) (3) 720,000 Note 2: (1) is the number for lighting. (2) and (3) are the number for electric power Note 3: Non-consolidated results for Kyushu Electric Power
Total electricity delivered to: (1) residential, (2) commercial, (3) industrial, (4) all other retail customers, and (5) wholesale customers	MWh	IF-EU-000.B	The total for (1) to (4) is 76,546,000 [MWh] (retail electric power sales) (5) 19,420,000 [MWh] (wholesale electric power sales)
Length of transmission and distribution lines	km	IF-EU-000.C	• Transmission lines: Overhead 17,013 [km], underground 1,420 [km] (line extensions) • Distribution lines: Overhead 142,009 [km], underground 2,189 [km] (span)
• Total electricity generated • Percentage by major energy source • Percentage in regulated markets	MWh %	IF-EU-000.D	• Total electricity generated: 60,192,771 [MWh] • Percentage by major energy source: Hydroelectric power: 7.30 [%], Coal: 23.18 [%], LNG: 23.76 [%], Thermal power (other): 0 [%], Nuclear: 33.35 [%], Geothermal: 1.87 [%], Biomass: 0.01 [%] • Percentage in regulated markets: Not applicable (as no regulated markets in Japan)
Total wholesale electricity purchased	MWh	IF-EU-000.E	41,779,000 [MWh] (Total for electricity supplied by or purchased from other companies)

Note: Quantitative data without a time point are actual results for FY2022.



## Frequently Asked Questions (IR FAQ)

### Q1 What overall impact will the trend toward carbon neutrality have on Kyushu Electric Power's future performance?

In order to achieve carbon neutrality, it is crucial to promote both “lowering the carbon intensity of and decarbonizing energy sources” on the supply side and “electrification” on the demand side. In terms of supply, we have been promoting the development of renewable energy to become the main source of power generation and maximizing use of nuclear power generation in an aim to achieve a low-carbon and sustainable society. In addition, to make the renewable energy business the core business of the Kyuden Group, we will integrate the renewable energy business of Kyushu Electric Power and the subsidiary Kyuden Mirai Energy to strengthen the business operation structure and thereby accelerate efforts to reach the 5,000 MW renewable energy development target for FY2030.

Renewable energy is expected to grow significantly as a growth business, and nuclear power is both an environmentally friendly and economical source of power. We believe that they will both have a hugely positive impact on our business performance.

In addition, on the demand side, we are also promoting efforts for electrification in all sectors, including household, commercial, industrial, and transportation sectors, toward achieving our goal of contributing to the electrification rate of Kyushu. We view the increase in total electric power sales due to the promotion of electrification as a positive contribution to our future business performance.

### Q2 What is your vision for the future of your nuclear power business?

We recognize that nuclear power generation will continue to play a key role in achieving both carbon neutrality and a stable supply of electricity, as it is a stable power source unaffected by weather or climate, and does not emit CO<sub>2</sub> during operation.

In addition, given the low weight of fuel costs in power generation costs and the carbon emission regulations to be introduced in the future, such as carbon pricing, we believe that nuclear power generation can be expected to contribute to our income and expenditures over the medium to long term.

In the Sixth Strategic Energy Plan, which forms the basis for energy policy, nuclear power generation is positioned as an important source of baseload power for achieving carbon neutrality in 2050. Moving forward, we will continue to make maximum use of our nuclear power plants currently in operation as we continuously work to improve their safety and reliability, based on the basic premise of prioritizing safety and gaining the understanding of local communities.

### Q3 What is the outlook for your future business performance?

With regard to the financial forecast for FY2023, we expect consolidated ordinary income to be ¥120 billion. This is due to a significant improvement in our income and expenditures, as four nuclear power plants will be in operation following the completion of the Specific Safety Facilities, and the delayed effects of fuel cost adjustments due to lower fuel prices will shift from the previous fiscal year's losses to delayed gains.

In the medium term, we are working to achieve the ordinary income target of ¥125 billion in our FY2025 financial objectives.

In the Domestic Electricity Business, we aim for ordinary income of ¥75 billion through continued stable, safe operation of four nuclear power plants and the expansion of total electricity sales volume with secured optimal supply capacity.

With regard to growth businesses (renewable energy, overseas, ICT services, and urban development), we aim to realize ¥50 billion overall through participation in geothermal and hydroelectric power development and overseas renewable energy projects, which are the Group's strengths, as well as participation in overseas power generation and transmission projects that leverage the Group's overall technologies and know-how. This ¥50 billion target is expected to be achieved through projects we have already invested in or have decided to invest in, and we are therefore confident that we will reach this target.

### Q4 What is Kyushu Electric Power's basic policy when it comes to shareholder returns?

Our basic policy on shareholder returns has historically been to maintain stable dividends, making decisions based on a comprehensive review of our recent business performance, income and expenditures, and financial condition. Moving forward, we will first continue our efforts to restore our dividends to their pre-Great East Japan Earthquake level of ¥50 per share as soon as possible during the current financial objective period (until FY2025). Once accomplished, we will consider profit sharing based on our growth in areas other than our Domestic Electricity Business as we strive to further enhance shareholder returns while maintaining stable dividend payments.



# External Assessments and Participation in Initiatives, etc.

## Major External Assessments and Awards Received

- Received a leadership level of A- on climate change from the CDP
- The only Japanese energy company to receive the highest rating for the CDP Supplier Engagement Rating
- Recognized as among the “White 500” corporations under the 2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program (Kyushu Electric Power and Kyushu Transmission and Distribution)
- Selected by one of the GPIF’s domestic asset managers for “Excellent Integrated Reports” and by two managers for “Most-improved Integrated Reports”
- Selected by two of the GPIF’s domestic asset managers for “Excellent TCFD Disclosure,” by three managers for “strategy” and one manager for “metrics and targets” in “Excellent Integrated Report Disclosure with Four Disclosure Items”
- Obtained certification for “DX Certified Operator” by METI (Kyushu Electric Power)



## Participation in Initiatives, Activities with Industry Associations, etc.

- Expressed support for the TCFD Recommendations (Kyushu Electric Power)
- Participation in Keidanren’s Challenge Zero (Kyushu Electric Power)
- Participation in the 30by30 Alliance for Biodiversity (Kyushu Electric Power)
- Obtained certification under the SBT Initiative
- Participation in the GX League



## Status of Inclusion in ESG Indices

Kyushu Electric Power has been included in the following five of the six ESG indices used by the Government Pension Investment Fund (GPIF) (as of October 2023).

- FTSE Blossom Japan Sector Relative Index
- MSCI Japan ESG Select Leaders Index
- MSCI Japan Empowering Women Index (WIN)
- S&P/JPX Carbon Efficient Index
- Morningstar Japan ex-REIT Gender Diversity Tilt Index (GenDi J)



**FTSE Blossom  
Japan Sector  
Relative Index**

2022 Constituent MSCI Japan  
ESG Select Leaders Index



2022 Constituent MSCI Japan  
Empowering Women Index (WIN)

FTSE Russell confirms that KYUSHU ELECTRIC POWER CO., INC. has been independently assessed according to the index criteria, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Sector Relative Index. The FTSE Blossom Japan Sector Relative Index is used by a wide variety of market participants to create and assess responsible investment funds and other products. THE INCLUSION OF KYUSHU ELECTRIC POWER CO., INC. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF KYUSHU ELECTRIC POWER CO., INC. BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

## Disclosure of Sustainability Information

The latest information on the Kyuden Group’s sustainability initiatives is disclosed on the Kyushu Electric Power’s website.

- Kyuden Group ESG Data Book  
Home > For investors > IR library > ESG Data Book  
[https://www.kyuden.co.jp/english\\_ir\\_library\\_index.html](https://www.kyuden.co.jp/english_ir_library_index.html)
- Environment, social, and governance (ESG) information  
Home > For investors > Sustainability  
[https://www.kyuden.co.jp/english\\_company\\_esg\\_index.html](https://www.kyuden.co.jp/english_company_esg_index.html)



# Corporate Data

(As of March 31, 2023)

## Company Overview

Company Name	Kyushu Electric Power Company, Incorporated
Head Office	1-82, Watanabe-dori 2-chome, Chuo-ku, Fukuoka 810-8720, Japan Phone +81-92-761-3031
Tokyo Branch Office	7-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo 100-0006, Japan Phone +81-3-3281-4931
Date of Establishment	May 1, 1951
Paid-in Capital	¥237,300 million
Number of Employees	4,774*

\* No. of employees denotes employees working for the parent company. The no. of employees for the entire Group (parent and consolidated subsidiaries) is 21,096.

## Stock Information

Total Number of Shares Authorized	1,000,000,000 shares Common stock: 1,000,000,000 Class A preferred shares: 1,000
Number of Shares Issued and Outstanding	Common stock: 474,183,951 Class A preferred shares: 1,000*
Number of Shareholders	Common stock: 123,836 Class A preferred shares: 3*
General Meeting of Stockholders	June
Fiscal Year	From April 1 to March 31
Stock Listings	Tokyo Stock Exchange, Fukuoka Stock Exchange (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

\* Acquisition and retirement completed as of August 1, 2023

Note: Class B preferred shares issued as of August 1, 2023 (Total Number of Shares Authorized: 2,000, Number of Shares Issued and Outstanding: 2,000, Number of Shareholders: 3)

## Major Shareholders

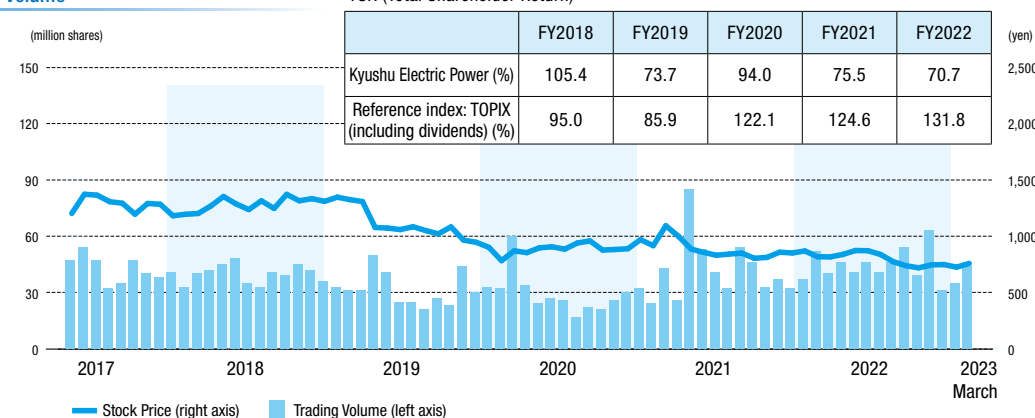
Name	Number of Shares Held (Thousand Shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust unit)	74,190	15.7
Custody Bank of Japan, Ltd. (trust unit)	27,338	5.8
Meiji Yasuda Life Insurance	20,594	4.3
Kyushu Electric Power Co., Inc. Employees' Shareholding Association	12,059	2.5
Nippon Life Insurance Company	11,810	2.5
The Bank of Fukuoka, Ltd.	8,669	1.8
Mizuho Bank, Ltd.	7,252	1.5
JP MORGAN CHASE BANK 385781	6,098	1.3
STATE STREET BANK WEST CLIENT - TREATY 505234	4,716	1.0
SSBTC CLIENT OMNIBUS ACCOUNT	4,060	0.9

## Class A Preferred Shares

Name	Number of Shares Held (Shares)	Shareholding Ratio (%)
Mizuho Bank, Ltd.	400	40.00
Development Bank of Japan Inc.	400	40.00
MUFG Bank, Ltd.	200	20.00

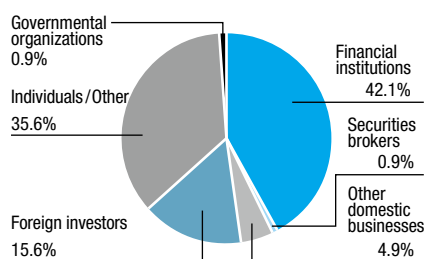
## Trends in Stock Price and Trading Volume

TSR (Total Shareholder Return)

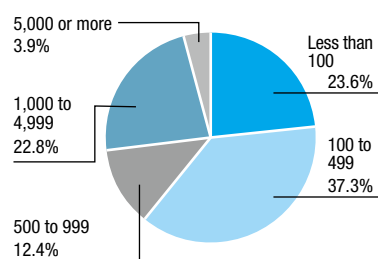


## Common Stock

### Share Ownership Composition (By Shareholder Type)



### Shareholder Composition (By Number of Shares Held)





## About Kyushu

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

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

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

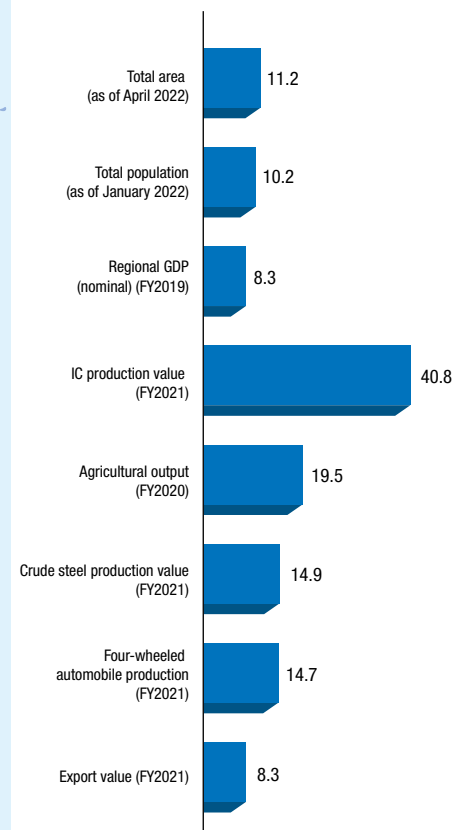
### Kyushu as a Part of Asia



Source: Created based on "Profile of Kyushu 2023," Kyushu Economy International (KEI), Kyushu Bureau of Economy, Trade and Industry

### Kyushu's Share Compared to Japan Overall

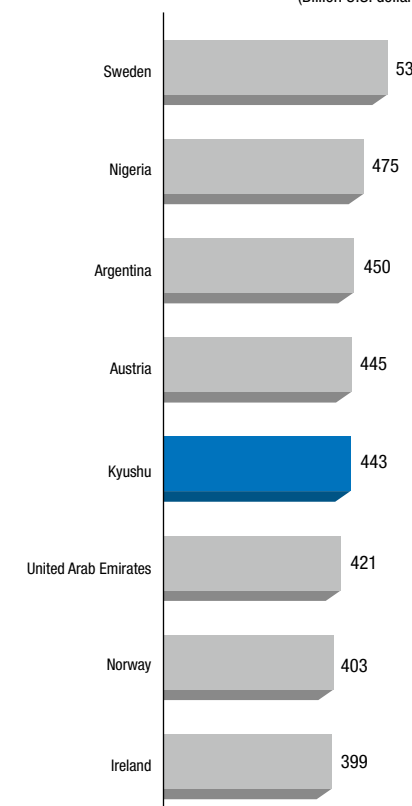
(%)



Source: Created based on "Profile of Kyushu 2023," Kyushu Economy International (KEI), Kyushu Bureau of Economy, Trade and Industry

### International Comparison of Regional GDP

(Billion U.S. dollars)



Note: Values for 2019 are from "World Statistics 2021" by the Ministry of Internal Affairs and Communications

Source: Created based on "Profile of Kyushu 2023," Kyushu Economy International (KEI), Kyushu Bureau of Economy, Trade and Industry



## On the Publication of the Kyuden Group Integrated Report 2023

The Kyuden Group has been publishing an integrated report since fiscal 2021, in order to disclose a uniform account that weaves together our medium- to long-term vision, strategies, major policies, and other information.

For this year's integrated report, we wanted to create a report that more clearly expressed our value creation story focused on the strengths of the Group. Therefore, along with indicating our current analysis and future direction toward sustainably enhancing corporate value, we aim to enhance content concerning both growth achieved through realizing carbon neutrality that leverages our strengths as an industry leader in low-carbon and carbon-free efforts, as well as the further strengthening of human capital management.

Furthermore, with respect to information related to the Taskforce on Nature-related Financial Disclosures (TNFD), we have made use of the TNFD framework (beta version) in proactively undertaking multiple internal deliberations to promote the enhancement of providing initiative details

disclosure. In addition, we have also enhanced content regarding information related to governance, along with the Data Section, which we hope to be of great interest to shareholders and investors.

This report is prepared under the editorial leadership of the Corporate Strategy Division and in collaboration with a range of company departments. As the Chief ESG Officer responsible for the creation of this report, I would like to state that the process of preparing the report was appropriate and that the contents are accurate.

We hope that this report—one of the communication tools to engage with stakeholders—will help to further deepen understanding of the Group. We will continue to actively engage in dialogues with stakeholders in order to enrich the report and would be delighted to receive your frank views and feedback on the report.



**Atsushi Soda**

Member of the Board of Directors  
Vice-Presidential Executive Officer  
Chief ESG Officer

### Created by, and inquiries to:

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