

July 31, 2020

The 1st Quarter of the Fiscal Year Ending March 31, 2021 Financial Results Overview [Japan GAAP] (Consolidated)
Kyushu Electric Power Co., Inc.

Stock code: 9508 URL: https://www.kyuden.co.jp/english_index.html

Stock listed on: Tokyo SE, Fukuoka SE

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Quarterly financial report submission date (plan): August 12, 2020

Date to start dividend payments: —

Preparation of supplementary materials for quarterly financial results: Yes

Information meeting for quarterly financial results: No

(Rounded down to the nearest million yen)

1. Consolidated Financial Results for the Three Months (April 1, 2020 to June 30, 2020)

(1) Consolidated Operational Results

(% shows the changes from the same quarter period of the previous FY)

	Sales		Operating profit		Ordinary profit	
	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)
April 1, 2020 - June 30, 2020	496,158	1.4	31,172	70.5	26,718	126.0
April 1, 2019 - June 30, 2019	489,337	5.0	18,284	—	11,822	—

(Note) Comprehensive income : FY2020 1Q 14,800 million yen (61.3%) FY2019 1Q 9,174 million yen (—%)

	Profit attributable to owners of parent		EPS	Fully-diluted EPS
	(Unit: million yen)	(%)	(Unit: yen)	(Unit: yen)
April 1, 2020 - June 30, 2020	18,257	135.8	37.49	33.66
April 1, 2019 - June 30, 2019	7,743	—	14.55	11.88

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	(Unit: million yen)	(Unit: million yen)	(%)
As of June 30, 2020	4,941,949	644,346	12.5
As of March 31, 2020	4,948,063	637,957	12.3

(Reference) Shareholders' equity : As of June 30, 2020 : 616,675 million yen As of March 31, 2020: 610,641 million yen

2. Dividends

	Annual dividends per share				
	1Q	2Q	3Q	Year-end	Total
	(Unit: yen)	(Unit: yen)	(Unit: yen)	(Unit: yen)	(Unit: yen)
FY2019 ended March 31, 2020	—	20.00	—	15.00	35.00
FY2020 ended March 31, 2021	—				
FY2020 ending March 31, 2021 (forecast)		—	—	—	—

(Note) Revision of the dividend forecast : No

The dividend for the fiscal year ending March 2021 has not been decided. We will inform you as soon as a reliable forecast becomes possible.

Dividends mentioned the above are regarding common shares. See 'Dividends for Class Shares' regarding dividends for class shares which differ in shareholders' right from common shares.

3. Consolidated Financial Results Forecasts for FY2020 (April 1, 2020 to March 31, 2021)

As it is difficult to predict the impact of the spread of the new coronavirus infection on electricity sold, etc., the forecasts for Sales, Operating profit, Ordinary profit, and Profit attributable to owners of parent have been undecided.

We will inform you as soon as a reliable forecast becomes possible.

※ Note

(1) Changes in significant subsidiaries : No

(changes in scope of specified subsidiaries)

Newly added: — Excluded: —

(2) Adoption of methods specific in preparing quarterly consolidated financial statements in accounting practice : No

(3) Changes in accounting principles, changes in accounting estimates, restatement

① Changes in accounting principles in line with revised accounting standards : No

② Changes in accounting principles other than ① : Yes

③ Changes in accounting estimates : Yes

④ Restatement : No

(Note) Applicable to cases when it is difficult to distinguish accounting policy changes from accounting estimate changes.

For details, see "(3) Notes on Quarterly Consolidated Financial Statements : Changes in accounting policies that are difficult to distinguish from changes in accounting estimates" on Page 6.

(4) Number of common stocks issued and outstanding

① Total stocks including treasury stocks at the end of period

FY2020 1Q	474,183,951 shares	FY2019	474,183,951 shares
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② Treasury stocks at the end of period

FY2020 1Q	1,196,018 shares	FY2019	1,194,235 shares
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③ Average number of stocks during the period (Quarter Total)

FY2020 1Q	472,988,569 shares	FY2019 1Q	472,972,454 shares
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(Note) As we have introduced a performance-linked stock compensation plan "Board Benefit Trust (BBT)", the number of our shares regarding BBT held by the Trust was included in the number of treasury stocks at the end of period (648,000 shares as of FY2020 1Q and 648,000 shares as of FY2019) . In addition, the number of our shares held by the Trust was included in the number of treasury stocks, which was to be deducted from the calculation of the average number of stocks during the period. (648,000 shares for FY2020 1Q and 676,000 share for FY2019 1Q)

*Quarterly financial results is not the object of quarterly review.

*Notes on the proper use of the forecasts

As it is difficult to predict the impact of the spread of the new coronavirus infection on electricity sold, etc., the forecasts for Sales, Operating profit, Ordinary profit, and Profit attributable to owners of parent have been undecided.

We will inform you as soon as a reliable forecast becomes possible.

We will post supplementary materials for quarterly financial results on our website.

(Reference) Dividends for Class Shares

The breakdown of dividend for class shares which differ in shareholders' rights from common shares is as follows.

Class A preferred shares	Annual dividends per share				
	1Q	2Q	3Q	Year-end	Total
	(Unit: yen)	(Unit: yen)	(Unit: yen)	(Unit: yen)	(Unit: yen)
FY2019 ended March 31, 2020	—	546,575.00	—	1,052,877.00	1,599,452.00
FY2020 ended March 31, 2021	—				
FY2020 ending March 31, 2021 (forecast)	—	—	—	—	—

(Note1) Revision of the dividend forecast : No

(Note2) The dividend for the fiscal year ending March 31, 2021 has not been decided. We will inform you as soon as a reliable forecast becomes possible.

○ Table of Contents of Attached Material

1. Quarterly Consolidated Financial Statements and Notes	2
(1) Quarterly Consolidated Balance Sheets	2
(2) Quarterly Consolidated Income Statements	
and Quarterly Consolidated Comprehensive Income Statements	4
(3) Notes on Quarterly Consolidated Financial Statements	6
(Notes on the premise of going concern)	6
(Notes in case of drastic changes in the amount of equity)	6
(Changes in accounting policies	
that are difficult to distinguish from changes in accounting estimates)	6

1. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

	(Unit: million yen)	
	As of March 31, 2020	As of June 30, 2020
Assets		
Non-current assets	4,368,942	4,361,372
Electric utility plant and equipment	2,476,991	2,490,879
Hydroelectric power production facilities	258,623	260,580
Thermal power production facilities	302,336	295,599
Nuclear power production facilities	329,498	321,710
Internal combustion engine power production facilities	21,409	21,232
Renewable power production facilities	14,351	14,097
Transmission facilities	575,042	584,242
Transformation facilities	211,969	220,197
Distribution facilities	633,541	637,940
General facilities	114,288	121,265
Other electric utility plant and equipment	15,931	14,012
Other non-current assets	364,850	357,212
Construction in progress	740,130	736,734
Construction and retirement in progress	641,816	632,541
Special account related to nuclear power decommissioning	43,535	43,000
Special account related to reprocessing of spent nuclear fuel	54,777	61,192
Nuclear fuel	240,942	235,889
Loaded nuclear fuel	44,517	39,234
Nuclear fuel in processing	196,424	196,655
Investments and other assets	546,027	540,657
Long-term investments	202,483	204,962
Retirement benefit asset	6,210	6,630
Deferred tax assets	164,272	156,085
Other	174,787	174,279
Allowance for doubtful accounts	Δ1,725	Δ1,301
Current assets	579,121	580,577
Cash and deposits	204,040	149,016
Notes and accounts receivable - trade	235,706	276,889
Inventories	83,059	98,836
Other	57,087	56,945
Allowance for doubtful accounts	Δ773	Δ1,110
Total assets	4,948,063	4,941,949

	(Unit: million yen)	
	As of March 31, 2020	As of June 30, 2020
Liabilities		
Non-current liabilities	3,242,680	3,279,848
Bonds payable	1,154,898	1,209,898
Long-term borrowings	1,640,896	1,628,548
Retirement benefit liability	102,265	100,920
Asset retirement obligations	268,332	269,266
Deferred tax liabilities	7,534	5,494
Other	68,753	65,720
Current liabilities	1,058,585	1,009,100
Current portion of non-current liabilities	415,119	340,427
Short-term borrowings	118,012	150,833
Commercial papers	92,000	170,000
Notes and accounts payable - trade	65,753	65,067
Accrued taxes	19,403	12,059
Other	348,297	270,712
Reserves under special laws	8,840	8,654
Reserve for water shortage	8,840	8,654
Total liabilities	4,310,105	4,297,602
Net assets		
Shareholders' equity	632,808	642,902
Share capital	237,304	237,304
Capital surplus	120,008	120,008
Retained earnings	276,997	287,093
Treasury shares	Δ1,501	Δ1,503
Accumulated other comprehensive income	Δ22,166	Δ26,226
Valuation difference on available-for-sale securities	2,115	2,336
Deferred gains or losses on hedges	713	Δ630
Foreign currency translation adjustment	Δ4,697	Δ9,081
Remeasurements of defined benefit plans	Δ20,298	Δ18,851
Non-controlling interests	27,316	27,671
Total net assets	637,957	644,346
Total liabilities and net assets	4,948,063	4,941,949

(2) Quarterly Consolidated Income Statements and Quarterly Consolidated Comprehensive Income Statements
(Quarterly Consolidated Income Statements)

	(Unit : million yen)	
	April 1,2019- June 30, 2019)	April 1,2020- June 30, 2020)
Operating revenue	489,337	496,158
Electric utility operating revenue	440,750	437,449
Other business operating revenue	48,586	58,708
Operating expenses	471,053	464,985
Electric utility operating expenses	425,554	412,158
Other business operating expenses	45,499	52,827
Operating profit	18,284	31,172
Non-operating income	4,188	3,387
Dividend income	179	726
Interest income	221	218
Share of profit of entities accounted for using equity method	1,957	1,485
Other	1,829	957
Non-operating expenses	10,650	7,841
Interest expenses	7,515	6,684
Other	3,134	1,157
Total ordinary revenue	493,526	499,546
Total ordinary expenses	481,703	472,827
Ordinary profit	11,822	26,718
Provision or reversal of reserve for water shortage	△577	△185
Reversal of reserve for water shortage	△577	△185
Profit before income taxes	12,399	26,903
Income taxes - current	1,139	1,003
Income taxes - deferred	3,073	7,101
Total income taxes	4,212	8,105
Profit	8,187	18,798
Profit attributable to non-controlling interests	443	540
Profit attributable to owners of parent	7,743	18,257

(Quarterly Consolidated Comprehensive Income Statements)

	(Unit: million yen)	
	April 1,2019- June 30, 2019)	April 1,2020- June 30, 2020)
Profit	8,187	18,798
Other comprehensive income		
Valuation difference on available-for-sale securities	Δ120	44
Deferred gains or losses on hedges	Δ477	191
Foreign currency translation adjustment	277	Δ3,571
Remeasurements of defined benefit plans, net of tax	1,521	1,423
Share of other comprehensive income of entities accounted for using equity method	Δ213	Δ2,087
Total other comprehensive income	986	Δ3,998
Comprehensive income	9,174	14,800
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,830	14,197
Comprehensive income attributable to non-controlling interests	343	602

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on the premise of going concern)

N/A

(Notes in case of drastic changes in the amount of equity)

N/A

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

Change in depreciation method for property, plant and equipment

The Company and its consolidated subsidiaries traditionally used the declining-balance method for calculating depreciation of property, plant and equipment. Starting from the first quarter of the fiscal year 2020, however, the company has resolved to adopt the straight-line method of depreciation as a general rule.

For the Kyushu region, which is the main supply area of the Kyuden Group, it is expected that electricity demand in the future will not increase dramatically, due to population decline and improving energy conservation and electricity efficiency.

As a result of ongoing liberalization as part of the Electricity System Reform, achieving efficient and stable operations becomes essential for our power generation and retail electricity business, as it faces an increasing competitive environment. Similarly, our transmission and distribution company, which was created after the legal separation in 2020, will steadily work on efficient and stable operations to provide stable electricity supply, while ensuring neutrality.

When looking at the power generation business, Matsuura Power Station Unit 2 started commercial operation in December 2019, which was the realization of a major power source development milestone. In addition, the installation work for Specific Safety Facilities at Sendai Nuclear Power Station Unit 1 and 2 is scheduled to be completed in FY2020. Therefore when looking forward, it is expected that the majority of future investments will consist of maintenance and management of existing power sources to ensure stable operation. Regarding the power transmission and distribution business, in which the stable operation of the equipment is expected in consideration of demand trends, supply reliability, safety and operation of the equipment, and cost.

In light of these changes, within the company and its surrounding environment, the Group's medium-term management plan, beginning from fiscal 2020, positions efficient and stable operation of its facilities as one of its key-priority initiatives.

Building on this foundation, it is expected that the stable use of facilities will take a prominent part in the electric power business in the future, so changing the depreciation method for property, plant and equipment to the straight-line method will better reflect the consumption pattern of future economic benefits.

As a result of this change, Ordinary profit and Profit before income taxes for FY2020 Q1 increased by ¥13,125 million, respectively, compared to what they otherwise would have been had the previous method been applied.