Financial Results for The 2nd Quarter of FY 2018

November 7 , 2018

KYUSHU ELECTRIC POWER CO.,INC.

KYUDEN GROUP

Statements made in this overview of operations regarding Kyushu Electric Power'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. Investors are hereby cautioned against making investment decisions solely on the basis of forward-looking statements contained herein.

(Note)

The English translation is for reference purposes only for the convenience of our English-speaking investors.

In case a difference arises regarding the meaning herein , the original Japanese version shall prevail.

Section 1 Financial Results for the 2Q of FY2018

Section 2 Business Update

Section1　Financial Results for the 2Q of FY2018

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Ⅰ. Financial Results for the 2Q of FY 2018

Sales (Increase), Ordinary Income (Surplus)

Sales : **1,031.6** billions of yen (Increase by **4.3%** Compared with FY2017 2Q)

Ordinary Income : **29.5** billions of yen (Decrease by **62.6%** Compared with FY2017 2Q)

Financial Results for the 2Q of FY2018	Ordinary income decreased compared to the 2Q of FY2017, despite the restart of generating electricity of Genkai nuclear power station, due to the significant increase of the maintenance cost for the periodic inspections of Sendai nuclear power station and a time lag of fuel cost adjustment system.
Revenue Side	Sales increased by 4.3% to ¥1,031.6 billion and ordinary revenue increased by 4.2% to ¥1,039.0 billion due to an increase of the electricity sales to others and the grant based on the Act on Purchase of Renewable Energy Sourced Electricity, although sales volume decreased because of the progress of competition.
Expenditure Side	Ordinary expense increased by 9.9% to ¥1,009.5 billion due to an increase of power purchase from renewable energy and an increase of the maintenance cost caused by the periodic inspections of Sendai nuclear power station, even though we have been working to reduce group-wide cost.
Ordinary Income **Profit attributable to owners of parent**	Ordinary income decreased by 62.6% to ¥29.5 billion, and also profit attributable to owners of parent decreased by 72.2% to ¥19.6 billion.

Ⅰ. Financial Results for the 2Q of FY2018

Consolidated

(Billion of Yen,%)

	FY2018 2Q	FY2017 2Q	Difference	Rate of Change
Ordinary revenues	1,039.0	997.4	41.5	4.2
Sales [Figures are included above]	1031.6	989.2	42.4	4.3
Ordinary expenses	1,009.5	918.6	90.8	9.9
(Operating Income)	(41.6)	(92.5)	(-50.9)	(-55.0)
Ordinary Income	29.5	78.8	-49.3	-62.6
Profit attributable to owners of parent	19.6	70.6	-50.9	-72.2

Non-Consolidated

(Billion of Yen,%)

	FY2018 2Q	FY2017 2Q	Difference	Rate of Change
Ordinary revenues	965.1	929.7	35.4	3.8
Sales [Figures are included above]	961.1	925.4	35.6	3.9
Ordinary expenses	948.9	861.0	87.9	10.2
(Operating Income)	(28.7)	(83.8)	(-55.1)	(-65.7)
Ordinary Income	16.1	68.6	-52.4	-76.4
Net Income	11.0	63.2	-52.2	-82.6

【Reference：Key Factors】

	FY2018 2Q	FY2017 2Q	Difference
Electricity Sales Volume	36.5 billion kWh	38.3 billion kWh	-1.8 billion kWh
Crude Oil CIF Price	74 $/b	51 $/b	23 $/b
Exchange Rate	110 ¥/$	111 ¥/$	-1 ¥/$
Nuclear Power [Transmission-end]	10.8 billion kWh	7.8 billion kWh	3.0 billion kWh
(Genkai Nuclear Power)	(7.2 billion kWh)	(-0.1 billion kWh)	(7.3 billion kWh)
(Sendai Nuclear Power)	(3.6 billion kWh)	(7.9 billion kWh)	(-4.3 billion kWh)
(Utilization Rate of Nuclear Power)	(54.9 %)	(39.8 %)	(15.1 %)

Ⅰ - ① Electricity Sales Volume

Total electricity sales volume came to 36.5 billion kWh, decreased by 4.8% compared to FY2017 2Q due to a decrease of electricity contract.

(Million kWh,%)

	FY2018 2Q	FY2017 2Q	Comparison with FY2017 2Q	
			Difference	Ratio
Lighting	12,714	13,217	-503	96.2
Power	23,756	25,073	-1,317	94.7
Total	36,470	38,290	-1,820	95.2

Note: Some rounding errors may be observed

Ⅰ - ② Generated and Received Electricity

The electricity supply has been stable resulted from the comprehensive operation of power plants like thermal and pumping responding to an increase in new energy received from other companies, in addition to a stable operation of the 4 nuclear power stations.

（Million kWh,%）

		FY2018 2Q	FY2017 2Q	Comparison with FY2017 2Q	
				Difference	Ratio
Own facilities ※1	Hydro	2,943	2,631	312	111.8
	(Water flow rate)	(98.6)	(93.1)	(5.5)	
	Thermal	15,328	19,600	-4,272	78.2
	Nuclear	10,752	7,836	2,916	137.2
	(Utilization rate)	(54.9)	(39.8)	(15.1)	
	New Energy etc	521	596	-75	87.4
	Subtotal	29,544	30,663	-1,119	96.4
From other companies & Interchange ※2		9,552	9,885	-333	96.6
(New Energy etc [Figures are included above])		(6,462)	(5,773)	(689)	(111.9)
For pumping		-920	-811	-109	113.4
T o t a l		38,176	39,737	-1,561	96.1

※1 Own facilities' generation means transmission–end number.
※2 "From other companies & Interchange'' includes the volume of electricity recognized as of end of fiscal year.

【Ratio of Generated and Received Electricity 】

(%)

	FY2018 2Q	FY2017 2Q	Difference
Nuclear Power	28.2	19.7	8.5
Renewable Energy ※3	26.8	23.7	3.1

※3 "Renewable Energy'' represents a total of Solar, Wind, Biomass, Waste, Geothermal and Hydro (excluding "For pumping") generating from Own and other companies' facilities.

Ⅰ - ③ Income Statement (Non-Consolidated)

（Billion of Yen,%）

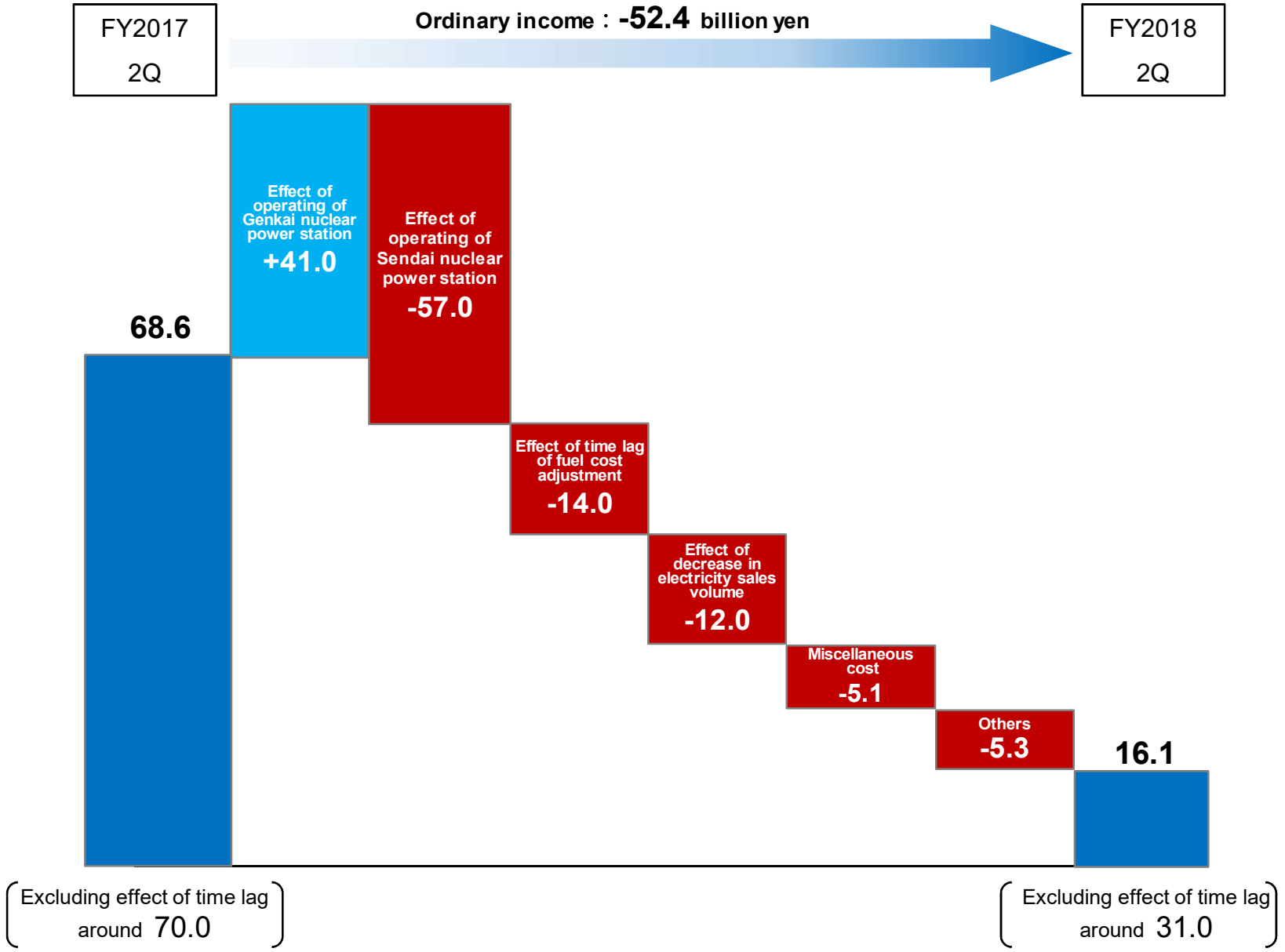
		FY2018 2Q	FY2017 2Q	Difference	Ratio	Explanations
Ordinary Revenues	Lighting	293.9	294.9	-0.9	99.7	Decrease in electricity sales volume -31.0
	Power	387.9	396.9	-9.0	97.7	Effect of fuel cost adjustment 23.0 (-27.0 ← -50.0)
	(Sub Total)	(681.8)	(691.8)	(-10.0)	(98.6)	Renewable Energy Power Promotion Surcharge 5.0 (91.1 ← 86.1)
	Other	283.3	237.8	45.4	119.1	Electricity Sales to Others 17.7 Grant based on the Act on Purchase of Renewable Energy Sourced Electricity 15.4 (185.4 ← 169.9)
	(Sales)	(961.1)	(925.4)	(35.6)	(103.9)	
	Total	965.1	929.7	35.4	103.8	
Ordinary Expenses	Labor	70.6	67.9	2.6	104.0	
	Fuel	132.9	132.2	0.7	100.6	Increase in CIF 25.0 Exchange gains -1.0 Increase in electricity sales volume to Others 14.0 Decrease in electricity sales volume -19.0 Effect of operating of nuclear power station -20.0 (Genkai NPS -59.0, Sendai NPS 39.0)
	Power purchase	291.2	258.7	32.4	112.6	Purchase from other companies 32.5 [Figures are included above：Purchase of Renewable Energy Sourced Electricity 24.5 (227.4 ← 202.9) Thermal from other companies 9.2]
	Maintenance	85.6	56.7	28.8	150.8	Nuclear 26.1
	Depreciation	87.8	85.1	2.6	103.2	Effect of operating of Genkai nuclear power station 5.4
	Interest	13.8	15.5	-1.7	88.9	
	Tax and public dues	45.7	42.8	2.9	106.9	Effect of operating of nuclear power station 3.2 (Genkai NPS 2.0, Sendai NPS 1.2)
	Nuclear back-end	29.5	18.9	10.6	155.9	Effect of operating of nuclear power station 8.0 (Genkai NPS 14.0, Sendai NPS -6.0)
	Other	191.4	182.8	8.6	104.7	Miscellaneous cost -5.1 Levy based on the Act on Purchase of Renewable Energy Sourced Electricity 5.0 (91.1 ← 86.1)
	Total	948.9	861.0	87.9	110.2	
(Operating Income)		(28.7)	(83.8)	(-55.1)	(34.3)	Effect of operating of nuclear power station -16.0 (Sendai NPS -57.0, Genkai NPS 41.0) Effect of time lag of fuel cost adjustment -14.0 Decrease in electricity sales volume -12.0 Increase in miscellaneous cost -5.1
Ordinary Income		16.1	68.6	-52.4	23.6	
Reserve for Fluctuation In Water Levels		—	-0.4	0.4	—	
Income Tax		5.1	5.8	-0.7	88.0	
Net Income		11.0	63.2	-52.2	17.4	

Note: The underlined parts are related to Feed-in Tariff Power purchase and sale system of renewable energy

Ⅰ - ③ Income Statement (Non-Consolidated)

【Major Factors in the Changes in Ordinary Income】

(Billion of Yen)



Ⅰ - ③ Income Statement (Consolidated)

(Billion of Yen,%)

		FY2018 2Q	FY2017 2Q	Difference	Ratio	FY2018 2Q Consolidated Ratio
Ordinary Revenues	Operating Revenues (Sales)	1,031.6	989.2	42.4	104.3	(1.07)
	Electric	951.1	917.2	33.9	103.7	
	Other	80.4	71.9	8.4	111.8	
	Other Revenues	7.4	8.2	-0.8	89.6	
	Total	1,039.0	997.4	41.5	104.2	
Ordinary Expenses	Operating Expenses	989.9	896.6	93.3	110.4	
	Electric	916.6	830.1	86.4	110.4	
	Other	73.3	66.4	6.8	110.3	
	Other Expenses	19.5	21.9	-2.4	89.0	
	Total	1,009.5	918.6	90.8	109.9	
(Operating Income)		(41.6)	(92.5)	(-50.9)	(45.0)	(1.45)
Ordinary Income		29.5	78.8	-49.3	37.4	(1.82)
Reserve for Fluctuation In Water Levels		—	-0.4	0.4	—	
Profit attributable to owners of parent		19.6	70.6	-50.9	27.8	(1.78)
Comprehensive Income		22.2	74.1	-51.8	30.1	

Note: As of end of the 2nd quarter of FY2018, 73 affiliates were subject to consolidated accounting.
[Consolidated subsidiaries: 45 companies(2 companies are added, compared with the previous FY);
Equity method companies: 28 companies (1 company is added, compared with the previous FY)]

Ⅰ - ③ Segment Information

(Billion of Yen)

		FY2018 2Q	FY2017 2Q	Difference	Explanations
Electric power	Sales	953.4	919.1	34.2	
	Operating Income	28.5	84.5	-55.9	
Energy-related business	Sales	99.6	80.2	19.3	• Sales and operating income increased due to an increase in repair work of plants and an increase in revenue related to LNG sales.
	Operating Income	7.5	2.3	5.2	
IT and Tele-communications	Sales	45.3	47.5	-2.2	• Sales and operating income decreased due to a decrease of commissioned developments for information system.
	Operating Income	1.8	3.1	-1.2	
Other	Sales	15.9	12.5	3.3	・Sales and operating income increased due to an increase in revenue related to real estate sales.
	Operating Income	3.3	2.5	0.8	

Note: The above amounts represent figures prior to elimination of transactions among segments.

Ⅱ. Financial Status for the 2Q of FY2018

【 Consolidated Balance Sheet 】

Total Assets	Assets decreased by ¥24.6 billion compared to the end of FY2017 due to a decrease of current assets such as cash and deposits, in spite of an increase of non-current assets because of capital investment.
Liabilities	Liabilities decreased by ¥43.5 billion compared to the end of FY2017 due to a decrease of other current liabilities such as accrued taxes and accrued construction fee, in spite of an increase of asset retirement obligations.
Equity	Net assets increased by ¥18.9 billion compared to the end of FY2017 due to record of net profit* in spite of a decrease by payment of the dividend. As a result, Shareholders' equity ratio was 13.8%. *= profit attributable to owners of parent

Consolidated

(Billion of Yen)

	Sep.30,2018	Mar.31,2018	Difference
Total Assets	4,685.4	4,710.0	-24.6
Liabilities	4,012.5	4,056.1	-43.5
Interest-bearing Debt	3,229.2	3,243.8	-14.5
Equity	672.9	653.9	18.9
Equity Ratio（%）	13.8	13.4	0.4

Non-Consolidated

(Billion of Yen)

Sep.30,2018	Mar.31,2018	Difference
4,185.8	4,230.9	-45.0
3,693.3	3,742.1	-48.8
3,013.8	3,024.2	-10.4
492.5	488.7	3.7
11.8	11.6	0.2

Ⅱ－① Balance Sheet (Non-Consolidated)

Assets

(Billion of Yen)

	Sep.30,2018	Mar.31,2018	Difference	Explanations
Non-current assets	3,757.0	3,693.5	63.4	Nuclear power plant equipment 152.5 (Countermeasure constructions to improve safety of nuclear power stations 113.7) Construction in progress -68.9
Current assets	428.8	537.4	-108.5	Cash and deposits -190.3
Total	4,185.8	4,230.9	-45.0	

Liabilities and Equity

(Billion of Yen)

	Sep.30,2018	Mar.31,2018	Difference	Explanations
Liabilities	3,693.3	3,742.1	-48.8	Short-term liabilities to subsidiaries and affiliated companies -27.1 Accrued taxes -25.4 Accounts payable -18.9 Interest-bearing Debt -10.4 Asset retirement obligations 36.2
Equity	492.5	488.7	3.7	FY2018 2Q Net profit 11.0 Year-end dividend -6.4 [Equity Ratio] Sep.30,2018 11.8% ← Mar.31,2018 11.6%
Total	4,185.8	4,230.9	-45.0	+0.2%

【 The breakdown of Interest-bearing Debt 】

(Billion of Yen)

	Sep.30,2018	Mar.31,2018	Difference
Bonds	1,299.6	1,294.4	5.2
Loans	1,714.2	1,729.8	-15.6
Total	3,013.8	3,024.2	-10.4

Ⅲ. Cash Flow (Consolidated) for the 2Q of FY2018

Consolidated

(Billion of Yen)

	FY2018 2Q	FY2017 2Q	Difference	Explanations
Cash flows from operating activities (A)	16.7	157.0	-140.2	Increase in consumption and income taxes paid -58.6 Increase in expenditures of purchase from other companies -33.5 Increase in expenditures of maintenance -30.2
Cash flows from investing activities	-178.2	-142.7	-35.4	Increase of purchase of non-current asset -25.7 Increase of investment-expenditures -9.5
Reposting of capital expenditures including nuclear fuel [Figures are included above] (B)	(-182.7)	(-157.0)	(-25.7)	
Cash flows from financing activities	-22.9	-161.5	138.6	Increase of long-term loans payable 75.5 Decrease of repayments of bonds 40.2 Increase of bond issuance 24.9
Change in cash & cash equivalents	-183.8	-145.5	-38.2	

(Reference) Free cash flows (A) + (B)	-166.0	—	-166.0

Ⅳ. Interim Dividends for FY2018

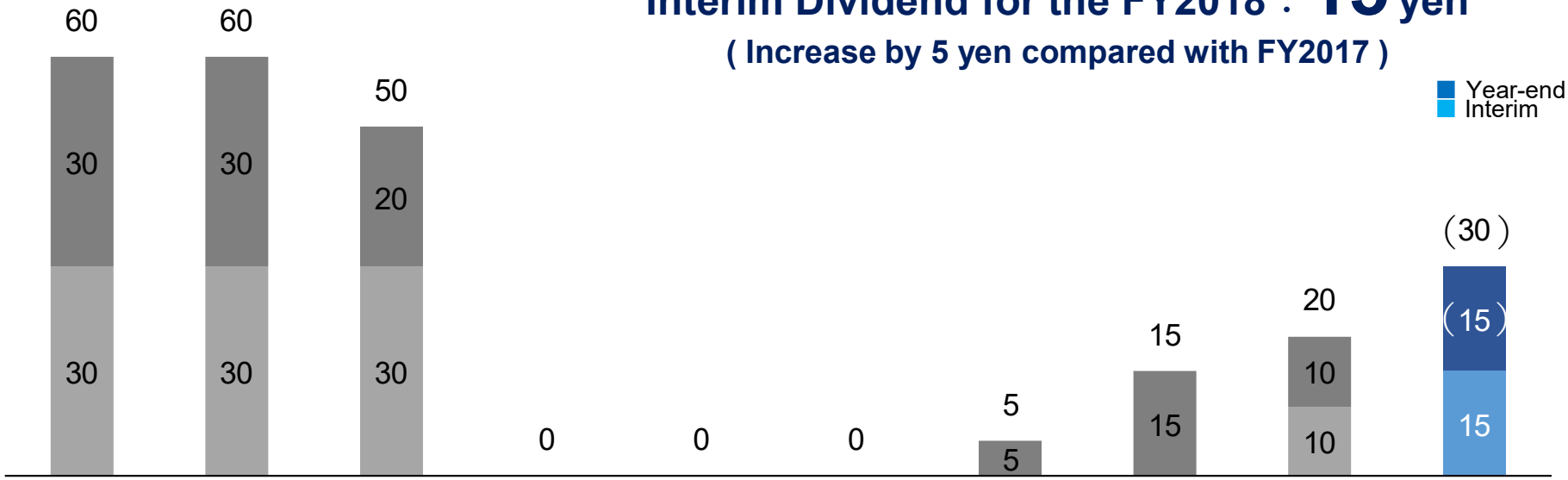
As for interim dividends for the FY2018, based on a comprehensive analysis of operating forecasts and medium to long-term balance situation and financial condition and other factors, we decide to pay a dividend of ¥15 per common share and to pay a dividend of ¥1,750 million per class A preferred share.

[Changes of a dividend per share（Common Stock）]

（unit : yen）

Interim Dividend for the FY2018 : 15 yen

(Increase by 5 yen compared with FY2017)



※The number with （） for the FY 2018 is a forecast. There is no change from the previous forecast.

Ⅴ. Forecasts of Financial Results and Dividends for FY2018

Sales (Increase), Ordinary Income (Sustain)

Sales : **2,025** **billions of yen (Increase 15.0 billions of yen compared with previous forecasts)**

Ordinary income : **80** **billions of yen**

Sales	We expect that sales will be around ¥2,025 billion exceeding the previous forecast due to an increase in charge unit price affected by the fuel costs adjustment system.
Ordinary income	There is no change from the previous forecast. We will continue to work the group-wide cost reduction overall business activities thoroughly.
Profit attributable to owners of parent	There is no change from the previous forecast.
Forecasts of Dividends	As for forecasts of year-end dividends for the FY 2018, there is no change. We plan to pay a dividend of ¥15 (annual : ¥30)per common share based on a comprehensive analysis of operating forecasts and medium to long-term balance situation and financial condition and other factors. As for the class A preferred share, we plan to pay year-end dividend of total amount of ¥1,750 million (annual : ¥3,500 million).

Ⅴ. Forecasts of Financial Results for FY2018

Consolidated

(Billion of Yen,%)

	Forecast (October)	Previous Forecast (July)	Difference	Rate of Change
Sales	2,025.0	2,010.0	15.0	0.7
Operating Income	105.0	105.0	—	—
Ordinary Income	80.0	80.0	—	—
Profit attributable to owners of parent	55.0	55.0	—	—

Non-Consolidated

(Billion of Yen,%)

	Forecast (October)	Previous Forecast (July)	Difference	Rate of Change
Sales	1,885.0	1,870.0	15.0	0.8
Operating Income	85.0	85.0	—	—
Ordinary Income	55.0	55.0	—	—
Net Income	40.0	40.0	—	—

【Reference：Key Factors】

	Forecast (October)	Previous Forecast (July)	Difference	Financial impact ※
Electricity Sales Volume	72.1 billion kWh	72.5 billion kWh	-0.4 billion kWh	
Crude Oil CIF Price	74 $/b	70 $/b	4 $/b	(1$/b) 0.3 billion of yen
Exchange Rate	110 ¥/$	110 ¥/$	—	(1¥/$) 0.8 billion of yen
Nuclear Power [Transmission-end]	28.6 billion kWh	28.5 billion kWh	0.1 billion kWh	
(Utilization Rate of Nuclear Power)	(72.6 %)	(72.4 %)	(0.2 %)	(1%) 1.5 billion of yen

※ These figures represent financial impact for fuel expenses, etc. in case Key Factors fluctuate after October.

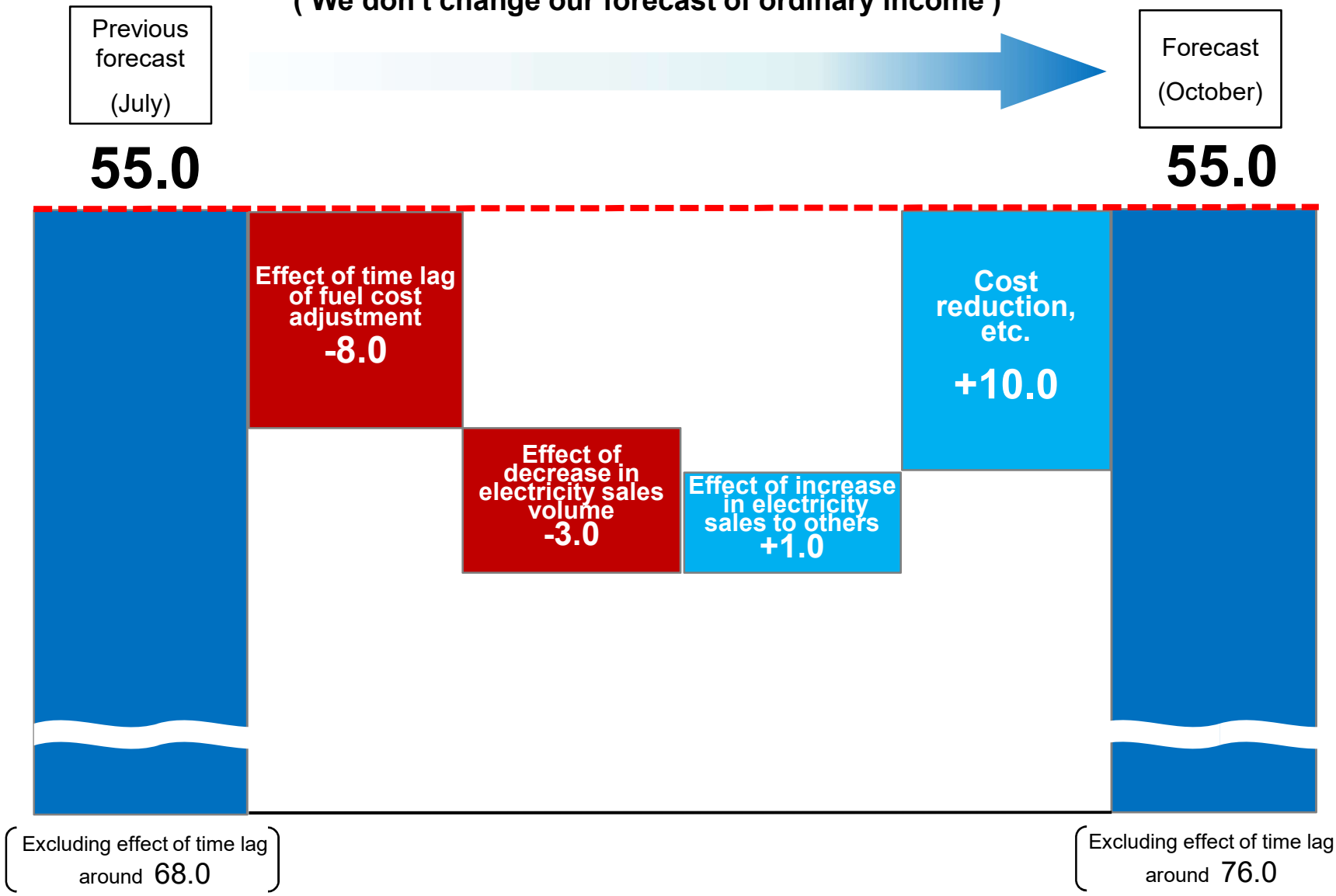
Ⅴ. Forecasts of Financial Results for FY2018 (Non-Consolidated)

【Major Factors in the Changes in Ordinary Income】

Ordinary income : 55.0 billion yen

(We don't change our forecast of ordinary income)

(Billion of Yen)



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(Reference) Data

Changes in income and expenditure

Non-Consolidated

（Billion of Yen）

		FY2014	FY2015	FY2016	FY2017	FY2018 2Q
Ordinary Revenues	Lighting	648.5	614.2	594.8	628.6	293.9
	Power	897.6	823.6	747.6	763.3	387.9
	Sub Total	(1,546.1)	(1,437.9)	(1,342.5)	(1,391.9)	(681.8)
	Other	225.8	285.8	365.6	438.2	283.3
	(Sales)	(1,761.2)	(1,705.4)	(1,696.7)	(1,823.5)	(961.1)
	Total	1,771.9	1,723.7	1,708.1	1,830.2	965.1
Ordinary Expenses	Labor	113.1	131.0	132.6	137.0	70.6
	Fuel	678.4	364.7	263.5	312.0	132.9
	Power purchase	372.4	386.8	409.8	468.3	291.2
	Maintenance	126.6	144.4	152.7	142.6	85.6
	Depreciation	164.7	167.0	176.3	170.2	87.8
	Interest	38.6	37.0	33.4	30.1	13.8
	Tax and public dues	86.0	85.2	85.7	86.9	45.7
	Nuclear back-end	21.4	21.7	28.2	35.8	29.5
	Other	263.4	311.2	356.6	398.8	191.4
	Total	1,865.0	1,649.4	1,639.2	1,782.0	948.9
(Operating Income/Loss)		(-59.3)	(97.8)	(99.5)	(81.2)	(28.7)
Ordinary Income/Loss		-93.0	74.3	68.8	48.2	16.1
Reserve for Fluctuation In Water Levels		1.6	5.9	0.9	0.1	—
Extraordinary Gain / Loss		9.8	7.4	-9.5	—	—
Income Tax Income/Loss		34.1	10.4	-2.7	-20.9	5.1
Net Income/Loss		-119.0	65.3	61.0	69.0	-11.0

Revenues from Lighting and Power and from Others

Non-Consolidated

(Billion of Yen,%)

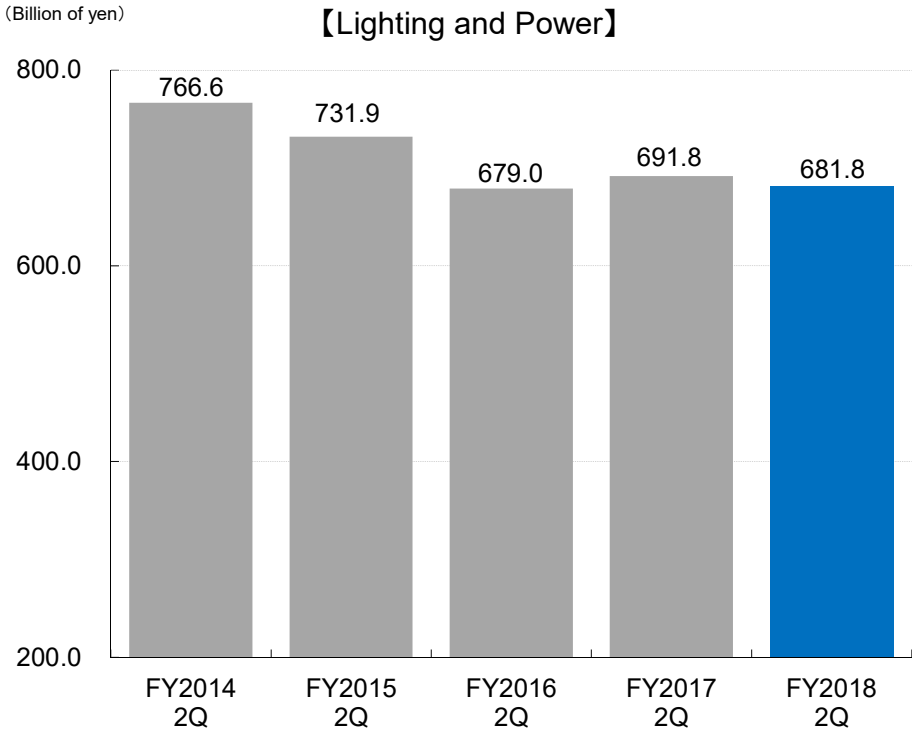
	FY2018 2Q	FY2017 2Q	Difference	Ratio
Lighting and Power	681.8	691.8	-10.0	98.6

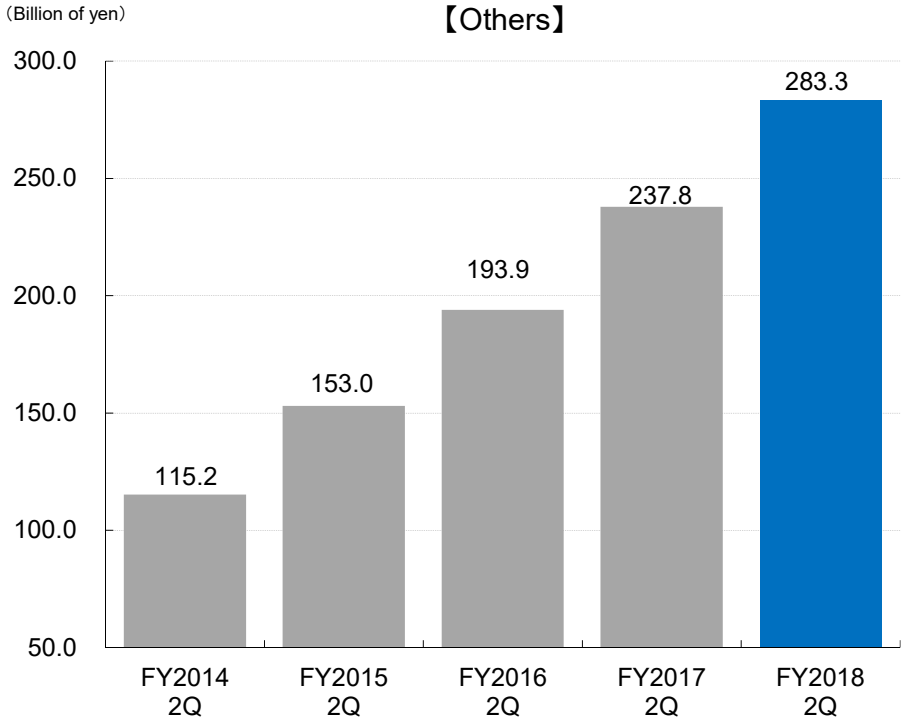
	Difference	FY2018 2Q	FY2017 2Q
1. Decrease in electricity sales volume	-31.0		
2. Effect of fuel cost adjustment	23.0	(-27.0	← -50.0)
3. Renewable Energy Power Promotion Surcharge	5.0	(91.1	← 86.1)

(Billion of Yen,%)

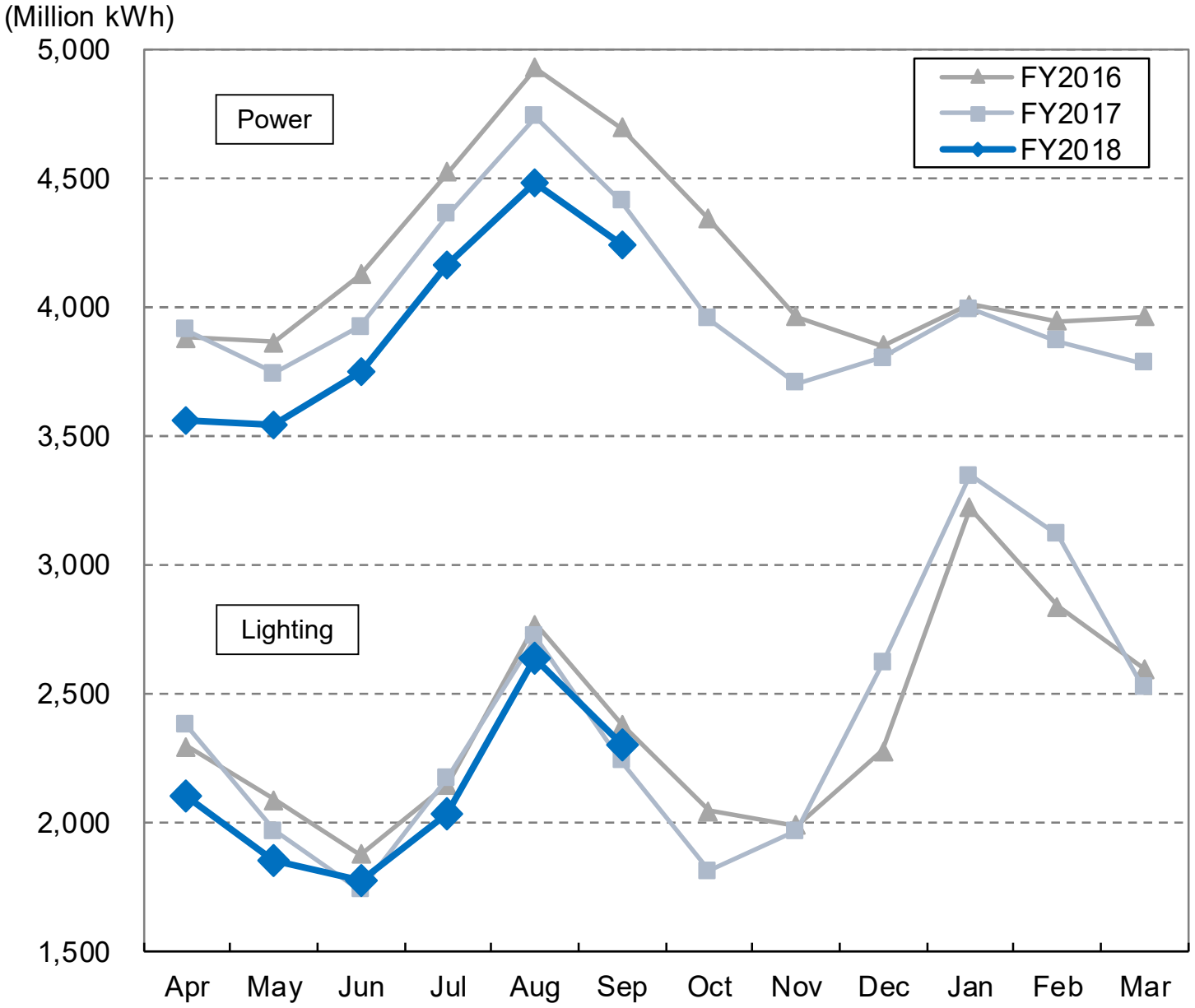
	FY2018 2Q	FY2017 2Q	Difference	Ratio
Others	283.3	237.8	45.4	119.1

	Difference	FY2018 2Q	FY2017 2Q
1. Electricity Sales to Others	17.7	(44.2	← 26.4)
2. Grant based on the Act on Purchase of Renewable Energy Sourced Electricity	15.4	(185.4	← 169.9)





Changes in Electricity Sales Volume



(Reference) The effect of time lag of fuel cost adjustment (The 2Q of FY2018)

With regard to the effect of fuel price from the second half of FY 2017,

· Part of the fuel prices in the latter half of the FY2017, which were lower than the standard fuel price, were reflected in the decrease of electricity rates in the 2Q of the FY2018 [around -19 billion yen]

· Part of the fuel prices for the 2Q of FY 2018 , which were lower than the standard fuel price, were not reflected in the decrease of electricity rates in the 2Q of FY2018 and were carried over after the 3Q of the FY2018 [around -4 billion yen]

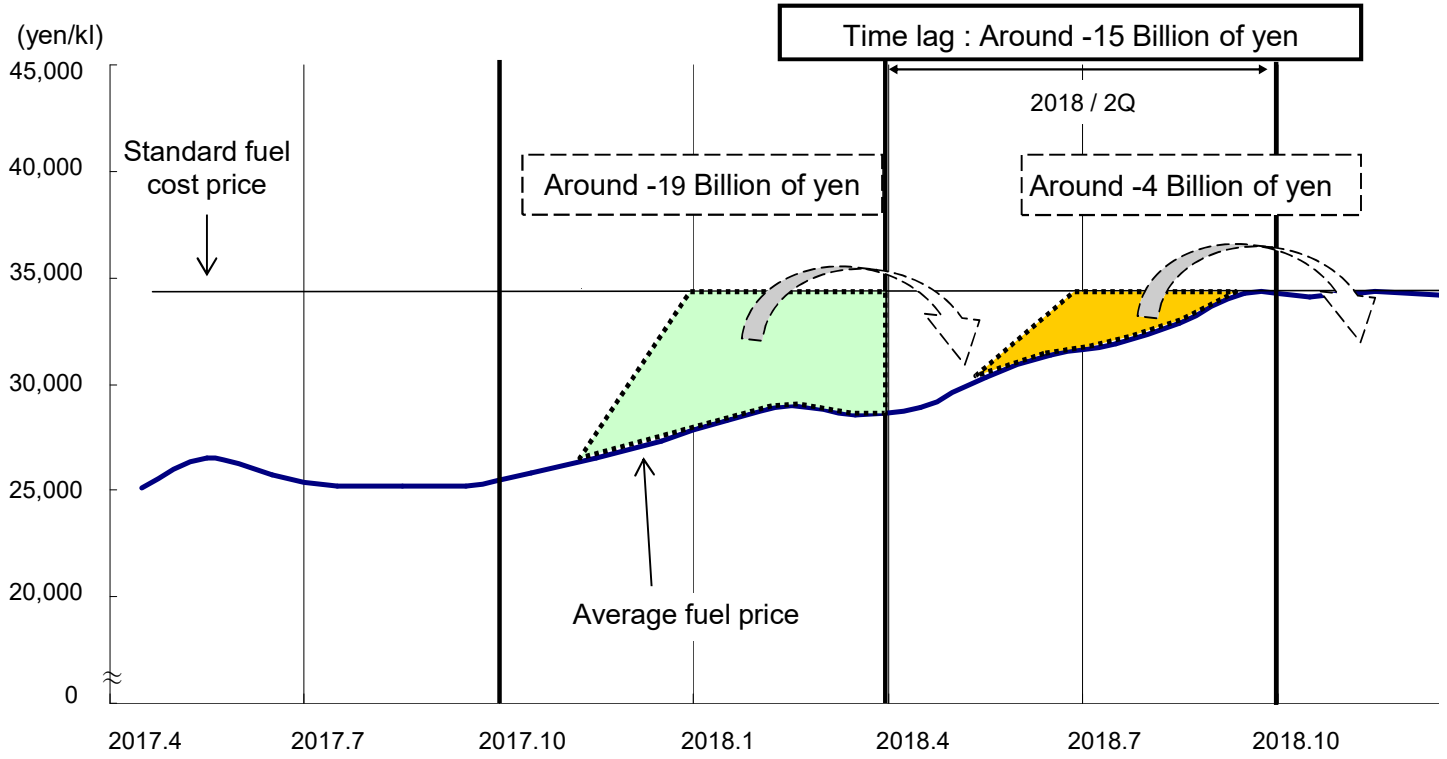
As a result of this time lag※ of fuel cost adjustment, revenue and expenditure deteriorated [around -15 billion yen]

(The 2Q of the FY2017 : around -1 billion yen)

※ It makes a difference between the amount of income assuming that the fluctuation of fuel price is immediately reflected and the actual amount of income. Reflecting the average fuel price every 3 months with a shift of 2 months

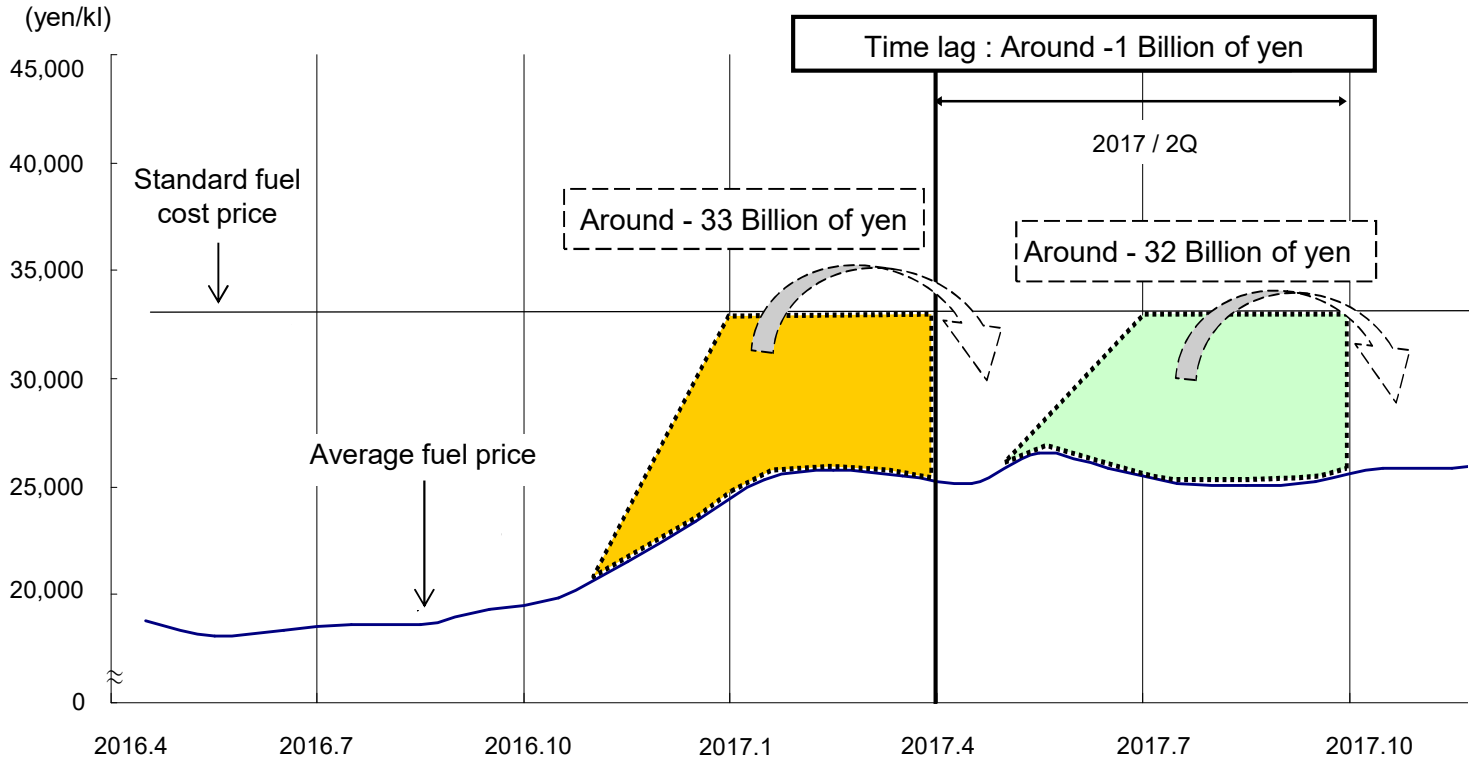
(e.g. fuel cost adjustment in April : November to January, that in May : December to February, that in September : April to June)

○The effect of the change of fuel price (The image of time lag of fuel cost adjustment)



(Reference) The effect of time lag of fuel cost adjustment (The 2Q of FY2017)

○The effect of the change of fuel price (The image of time lag of fuel cost adjustment)



Expenses for Fuel and Power purchase

Non-Consolidated

(Billion of Yen,%)

	FY2018 2Q	FY2017 2Q	Difference	Ratio
Fuel	132.9	132.2	0.7	100.6

Difference		Difference	
1. Increase in CIF and Exchange gains	24.0	3. Effect of operating of nuclear power station	-20.0
2. Increase in electricity sales to other companies	14.0	4. Decrease in electricity sales volume	-19.0

[Reference1] All Japan CIF prices

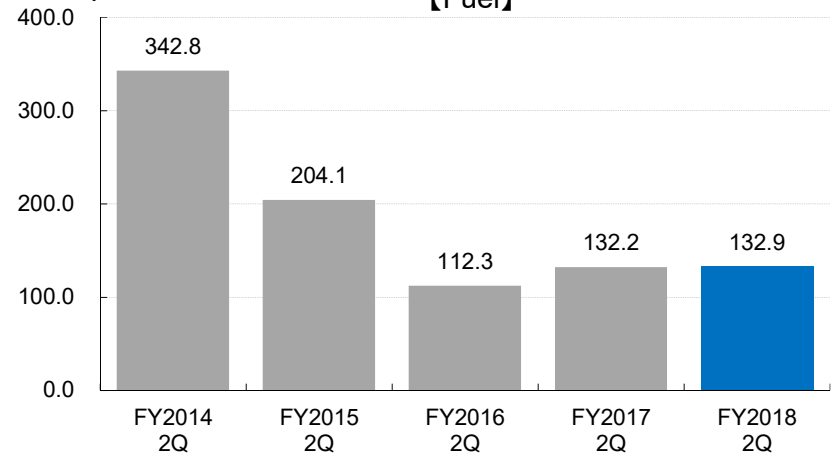
	FY2018 2Q	FY2017 2Q	Difference
Coal($/t)	117	98	19
LNG($/t)	510	431	79
Crude oil($/b)	74	51	22

[Reference2] Fuel consumption

	FY2018 2Q	FY2017 2Q	Difference
Coal (ten thousand ton)	258	317	-60
Heavy oil (ten thousand kiloliter)	1	9	-8
Crude oil (ten thousand kiloliter)	—	5	-4
LNG (ten thousand ton)	125	157	-32

(Billion of yen)

【Fuel】



(Billion of Yen,%)

	FY2018 2Q	FY2017 2Q	Difference	Ratio
Power purchase	291.2	258.7	32.4	112.6

	Difference	FY2018 2Q		FY2017 2Q
1. Purchase from other companies	32.5	(290.8	←	258.3)
◆ Purchase of Renewable Energy Sourced Electricity	24.5	(227.4	←	202.9)
◆ Thermal from other companies	9.2	(55.7	←	46.4)

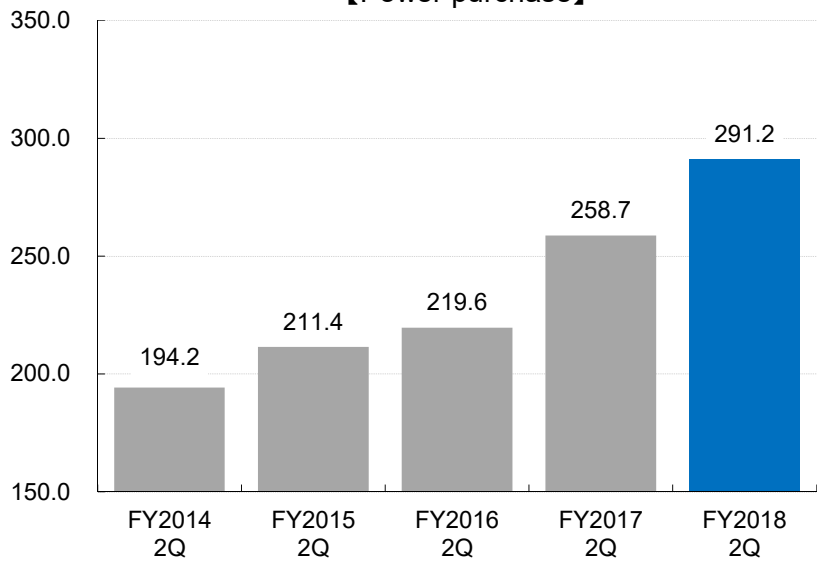
[Reference3]Generated and received electricity from other companies (Million kWh)

	FY2018 2Q	FY2017 2Q	Difference
Hydro	943	979	-36
Thermal	2,147	3,132	-985
New Energy etc. ※	6,462	5,773	689
Total	9,552	9,885	-333

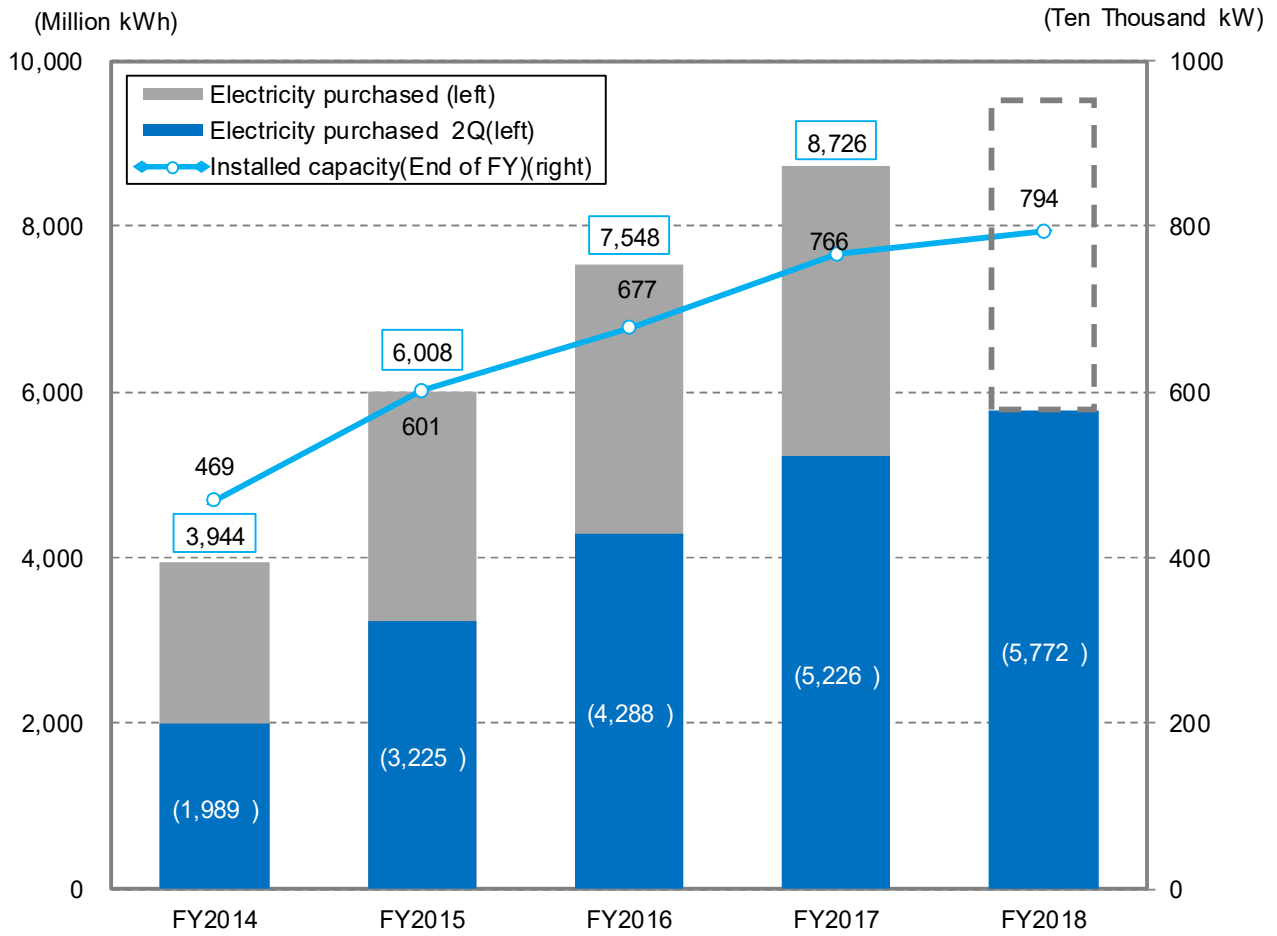
※ “New Energy etc.” includes Solar, Wind, Biomass, Waste and Geothermal.

(Billion of yen)

【Power purchase】



Installed Capacity and Electricity Purchase regarding Solar



※Above electricity purchased 2Q are internal number in the result of each fiscal year. 2Q

【Transition of Renewable Energy Power Promotion Surcharge】

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Surcharge (Yen/kWh)	0.35	0.75	1.58	2.25	2.64	2.90
Price per household (Yen/Month)	87	187	395	562	660	725

※1 Meter rate Lightning B, Contract Current 30A, Monthly use of 250kWh
※2 Feed-in tariff has been enforced since July 2012 (and a surcharge on electricity rate has started in August 2012).

Expenses for Maintenance and Depreciation

Non-Consolidated

(Billion of Yen,%)

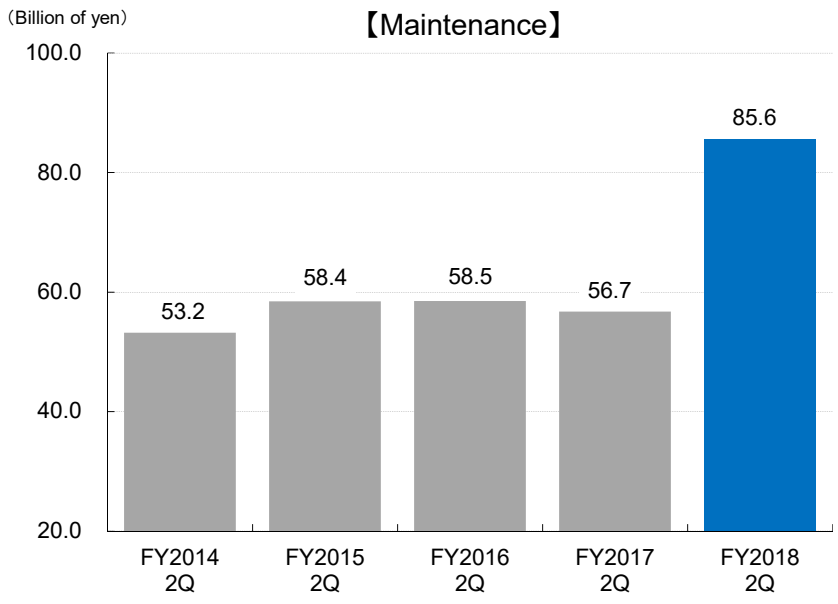
	FY2018 2Q	FY2017 2Q	Difference	Ratio
Maintenance	85.6	56.7	28.8	150.8

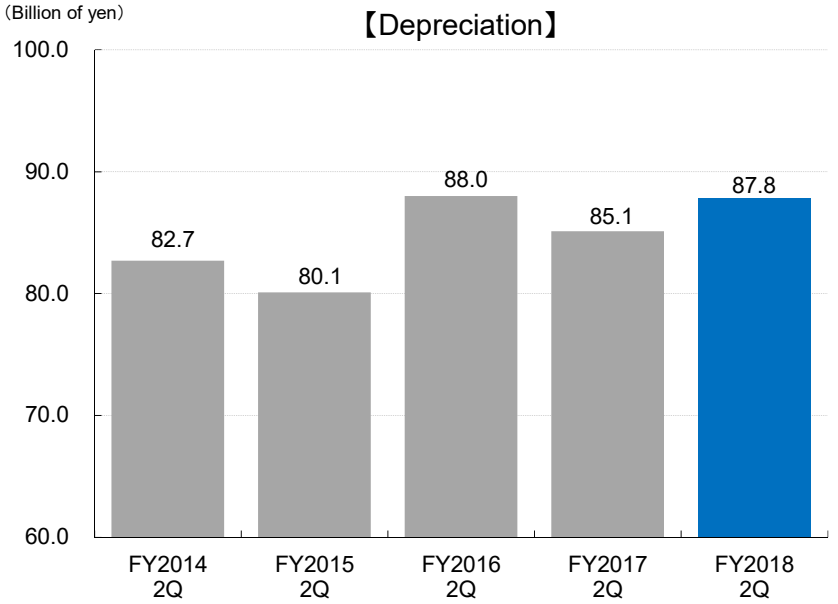
	Difference	FY2018 2Q	FY2017 2Q
1.Nuclear	26.1	(34.1	← 7.9)
2. Thermal	2.2	(16.8	← 14.6)

(Billion of Yen,%)

	FY2018 2Q	FY2017 2Q	Difference	Ratio
Depreciation	87.8	85.1	2.6	103.2

	Difference	FY2018 2Q	FY2017 2Q
1. Nuclear	3.9	(21.0	← 17.1)
2. Transmission	-0.6	(19.3	← 20.0)
3. Thermal	-0.6	(10.3	← 11.0)





Expenses for Labor and Others

Non-Consolidated

(Billion of Yen,%)

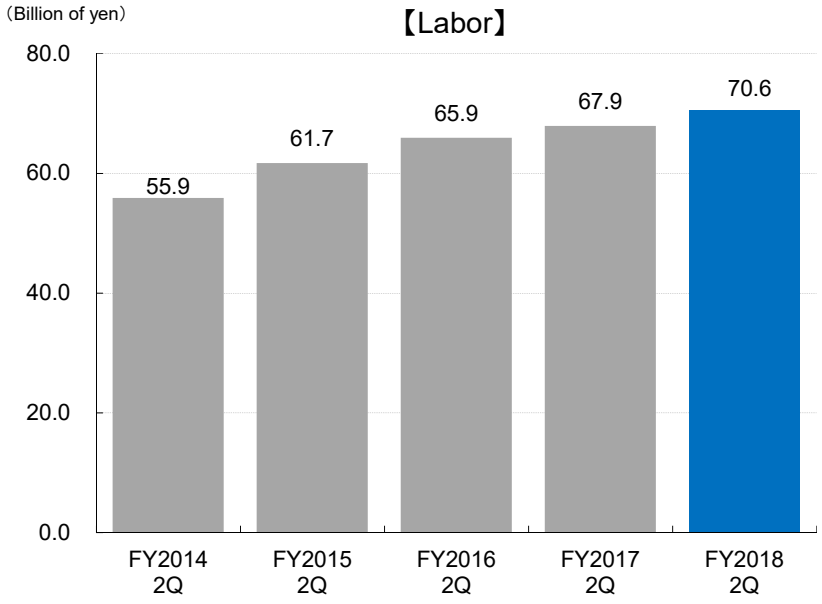
	FY2018 2Q	FY2017 2Q	Difference	Ratio
Labor	70.6	67.9	2.6	104.0

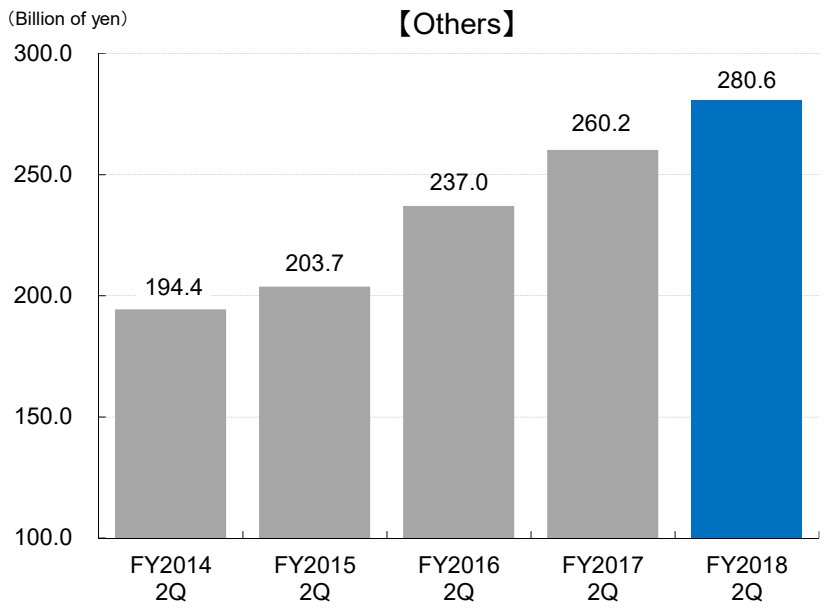
	Difference	FY2018 2Q		FY2017 2Q
1. Employee retirement benefits	2.1	(7.7	←	5.6)
2. Salary	1.0	(49.8	←	48.8)

(Billion of Yen,%)

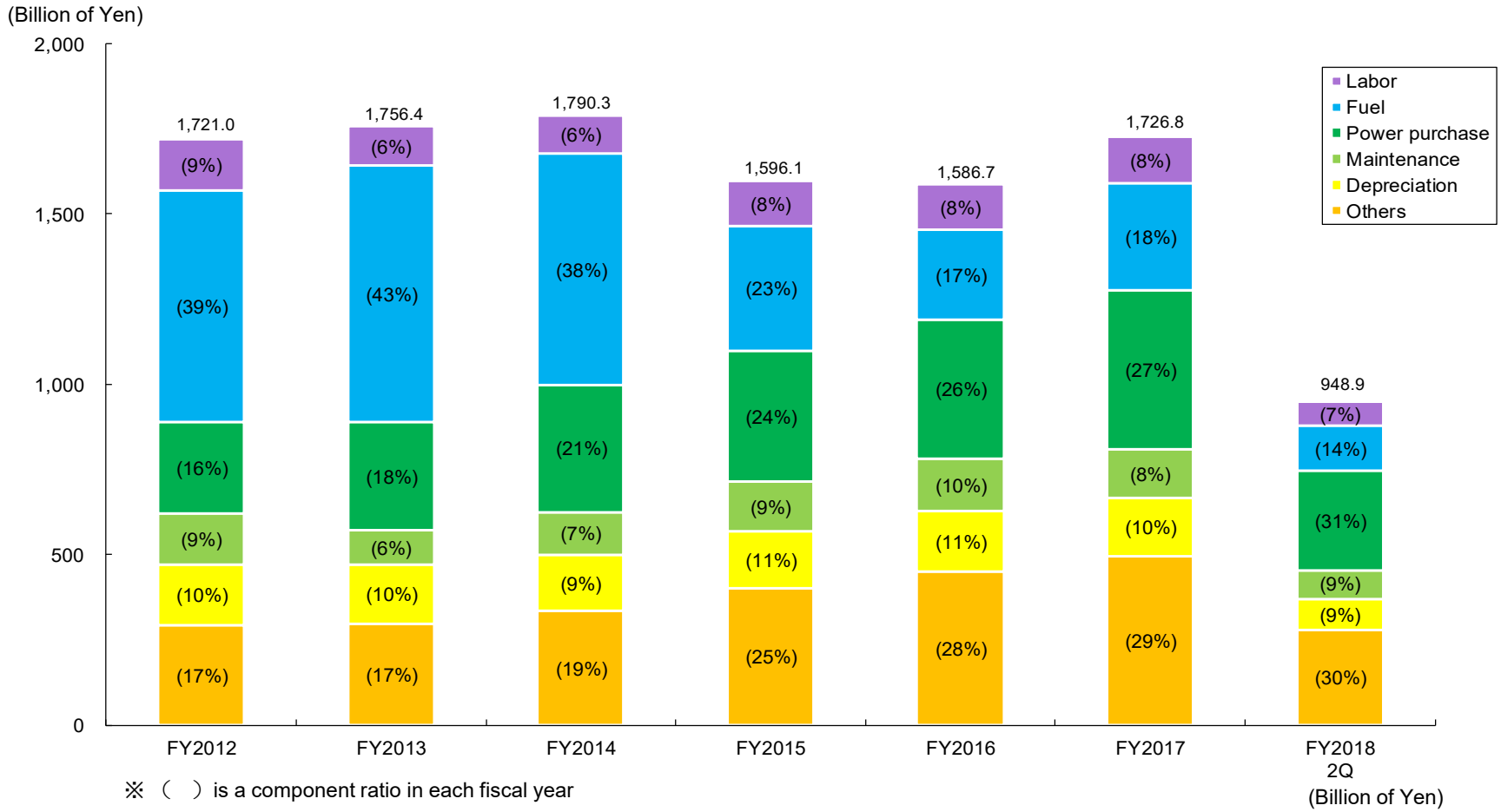
	FY2018 2Q	FY2017 2Q	Difference	Ratio
Others	280.6	260.2	20.4	107.9

	Difference	FY2018 2Q		FY2017 2Q
1. Nuclear back-end	10.6	(29.5	←	18.9)
2. Miscellaneous cost	5.1	(73.7	←	68.5)
3. Levy based on the Act on Purchase of Renewable Energy Sourced Electricity	5.0	(91.1	←	86.1)





Components of Operating Expense in Electricity Business

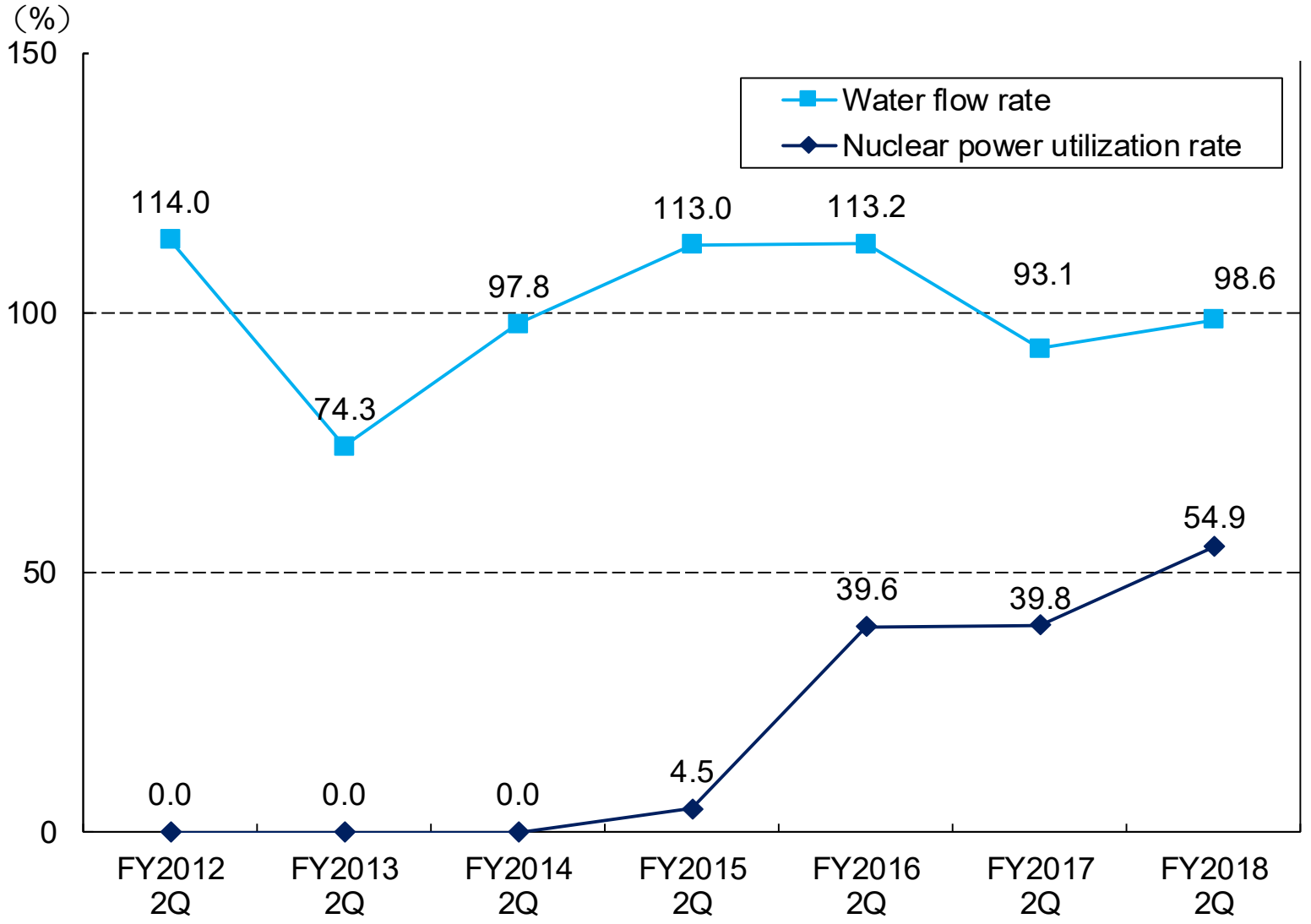


※（ ）is a component ratio in each fiscal year

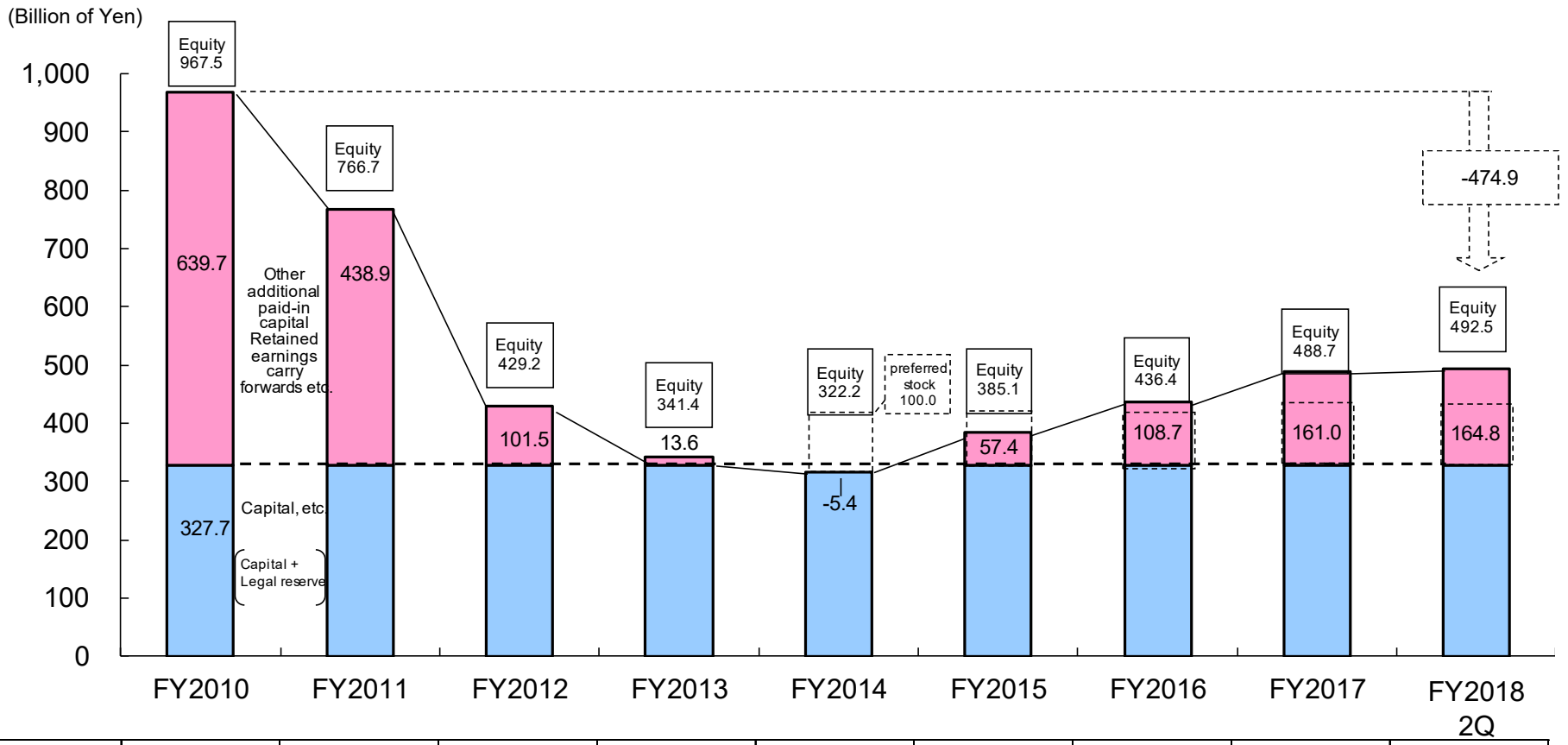
(Billion of Yen)

Labor	151.8	113.7	113.1	131.0	132.6	137.0	70.6
Fuel	679.7	754.4	678.4	364.7	263.5	312.0	132.9
Power purchase	269.5	314.9	372.4	386.8	409.8	468.3	291.2
Maintenance	147.9	103.1	126.6	144.4	152.7	142.6	85.6
Depreciation	180.1	172.3	164.7	167.0	176.3	170.2	87.8
Others	291.7	297.7	334.9	402.0	451.5	496.6	280.6
Total	1,721.0	1,756.4	1,790.3	1,596.1	1,586.7	1,726.8	948.9

Water Flow Rate and Nuclear Power Utilization Rate

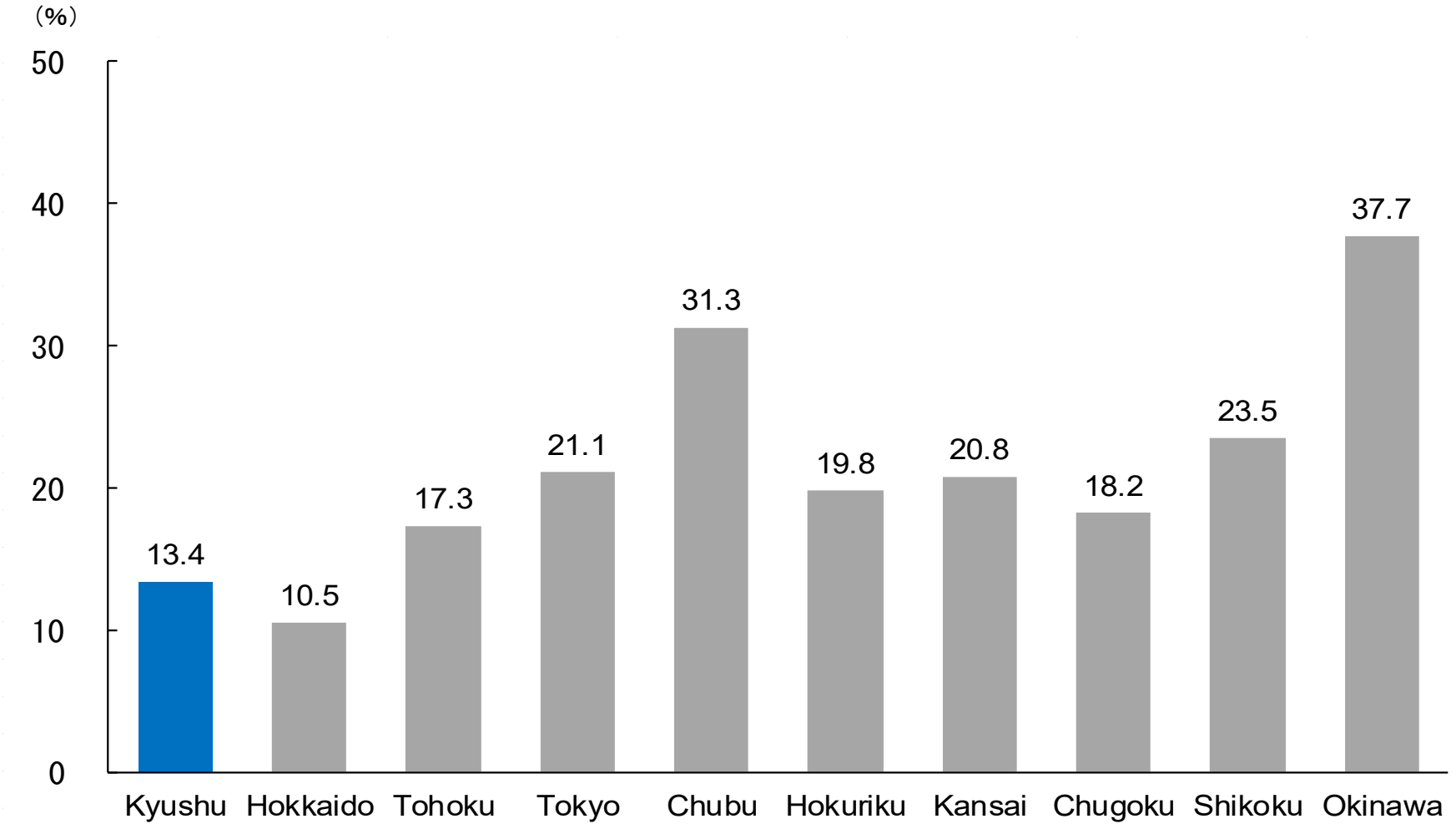


Changes in Equity (Non-Consolidated)



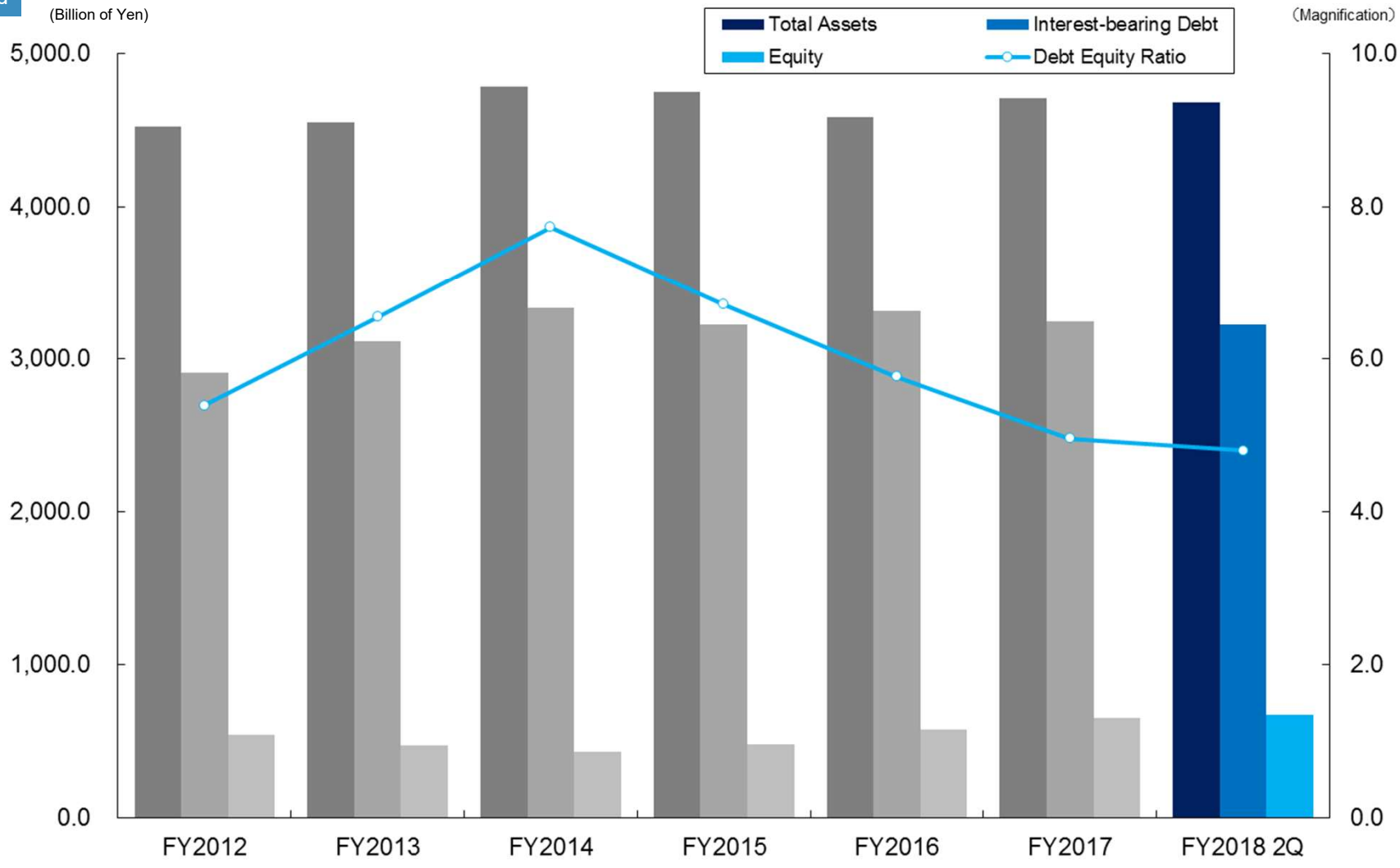
Equity ratio(%)	24.9	18.7	10.2	8.1	7.3	8.9	10.5	11.6	11.8

Equity ratio of electric power companies in Japan (FY2017 Consolidated) 28



Total Assets, Interest - Bearing Debt, Equity, Debt- Equity Ratio

Consolidated

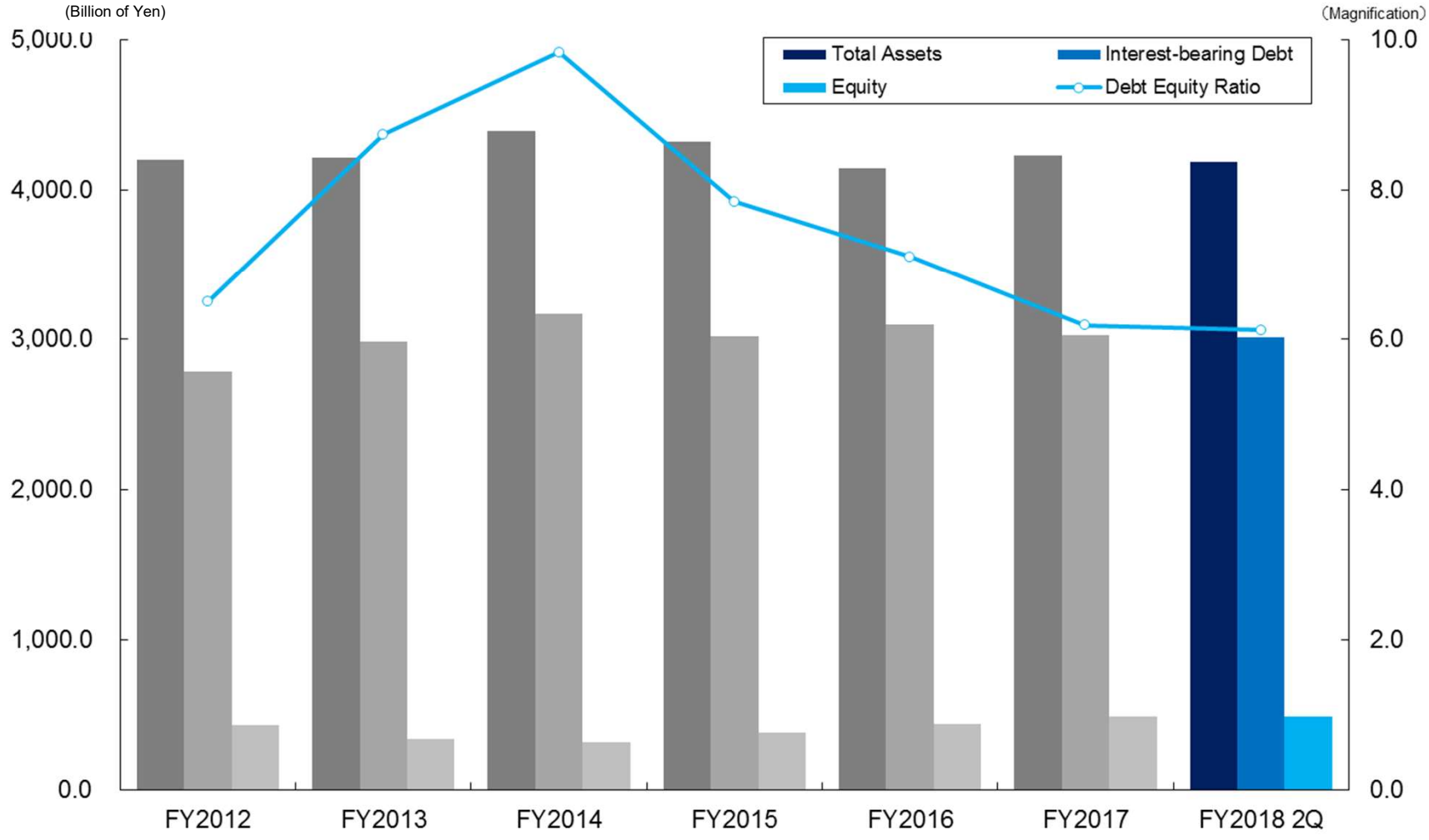


(Billion of Yen, Magnification)

Total Assets	4,526.5	4,549.8	4,784.7	4,748.2	4,587.5	4,710.0	4,685.4
Interest-bearing Debt	2,910.7	3,116.7	3,337.9	3,224.8	3,313.9	3,243.8	3,229.2
Equity	539.6	475.5	431.5	479.9	574.5	653.9	672.9
Debt Equity Ratio	5.4	6.6	7.7	6.7	5.8	5.0	4.8

Total Assets, Interest - Bearing Debt, Equity, Debt- Equity Ratio

Non-Consolidated

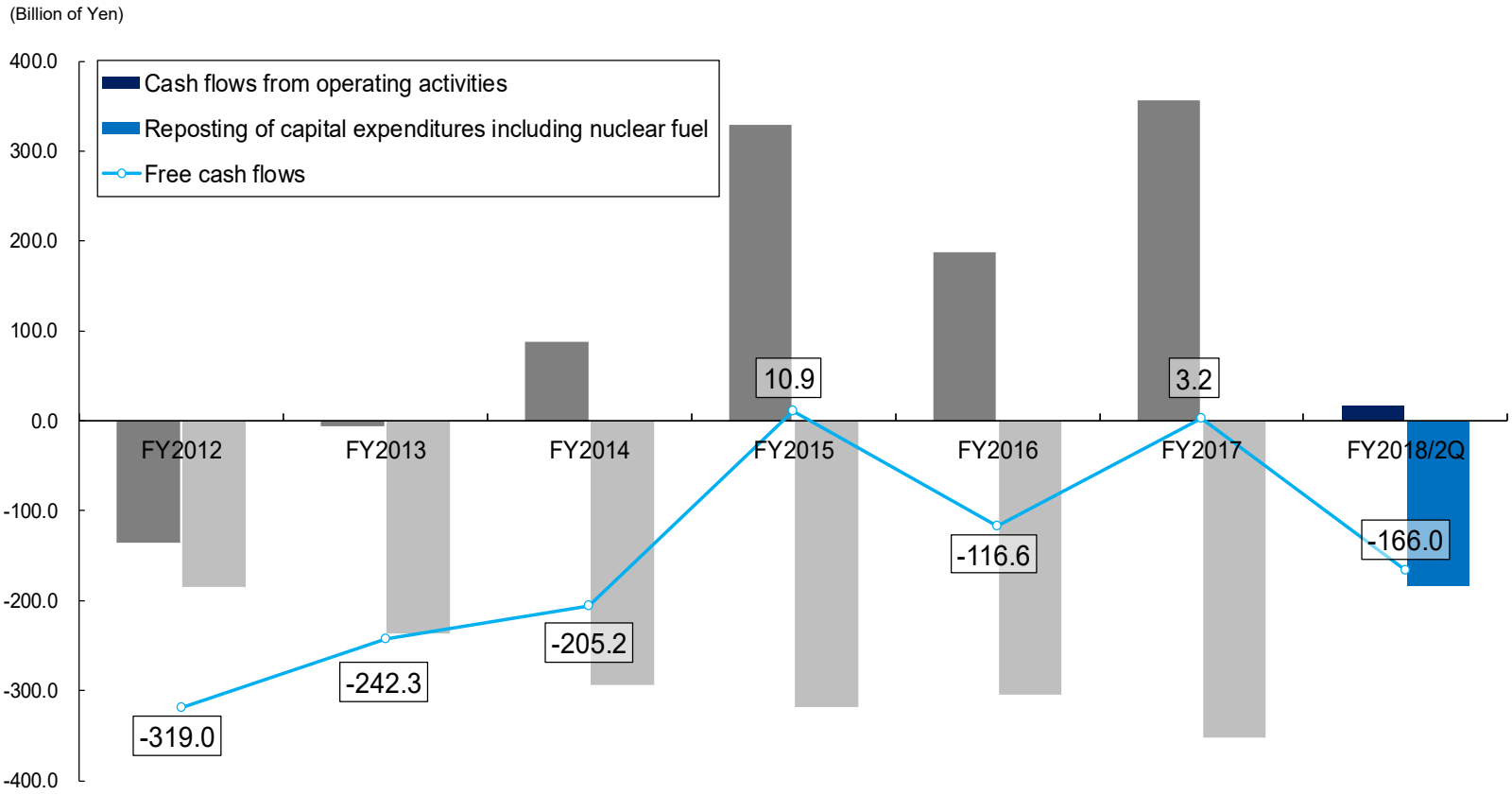


(Billion of Yen, Magnification)

Total Assets	4,201.7	4,218.0	4,390.9	4,321.4	4,141.5	4,230.9	4,185.8
Interest-bearing Debt	2,789.0	2,983.8	3,168.2	3,020.0	3,100.5	3,024.2	3,013.8
Equity	429.2	341.4	322.2	385.1	436.4	488.7	492.5
Debt Equity Ratio	6.5	8.7	9.8	7.8	7.1	6.2	6.1

Free Cash Flow

Consolidated



(Billion of Yen)

Cash flows from operating activities	-135.1	-5.9	88.7	329.4	188.0	355.9	16.7
Reposting of capital expenditures including nuclear fuel	-183.9	-236.3	-293.9	-318.4	-304.6	-352.7	-182.7
Free cash flows	-319.0	-242.3	-205.2	10.9	-116.6	3.2	-166.0

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Section 2 Business Update

Table of Contents

Four Nuclear Units Resumed Operation

- After the startup on March 23, Genkai No. 3 restarted generating electricity on March 25 and resumed commercial operation on May 16.
- After the startup on June 16, Genkai No. 4 restarted generating electricity on June 19 and resumed commercial operation on July 19.
- With the commercial operation of Genkai No. 4, we have successfully achieved four nuclear power station units in operation.

〔Operational Status of Nuclear Power Stations 〕

2018	March	April	May	June	July	August	September	October	November	December ～ March
Genkai No.3	▼3/23 Startup ▼3/25 Restart generating electricity		▼5/16 Returning to commercial operation							
Genkai NO.4				▼6/16 Startup ▼6/19 Restart generating electricity		▼7/19 Returning to commercial operation				
Sendai No.1				▼6/3 Restart generating electricity		▼6/29 Returning to commercial operation				
Sendai No.2		▼4/23 Stop generating electricity					▼8/31 Restart generating electricity	▼9/28 Returning to commercial operation		
Nuclear Power Utilization Rate		FY2018 First half：54.9%※						FY2018 Second half：90.5%※		
		Fiscal Year Forecast：72.6%※								

※Based on 5 units including Genkai unit No.2

Increasing the Efficiency of Thermal Power Plants

- In our composition of total power capacity from all facilities, the proportion of thermal power is 42%（As of end of March 2018/Based on Output /Incl. power purchased from other companies）.
- To ensure the competitiveness of our power sources, we are promoting the development of economical thermal power plants with cutting-edge technologies (for example Shin-Oita No. 3×4 , Matsuura No. 2). Older oil-fired power plants are being decommissioned or will undergo a planned shutdown.
- Matsuura No. 2 is under construction; percentage completed is 81.8% (as of end of September 2018).

〔New construction〕

Fuel	Name of Station	Output	Start of operation
LNG	Shin-Oita 3-4	※480MW	June 2016
Coal	Matsuura No.2	1000MW	December 2019

※Rated output went up 459.4MW to 480MW on July 9, 2018

【Shin-Ohita 3-4】

【Matsuura No.2 under construction】

〔Planned for decommissioning〕

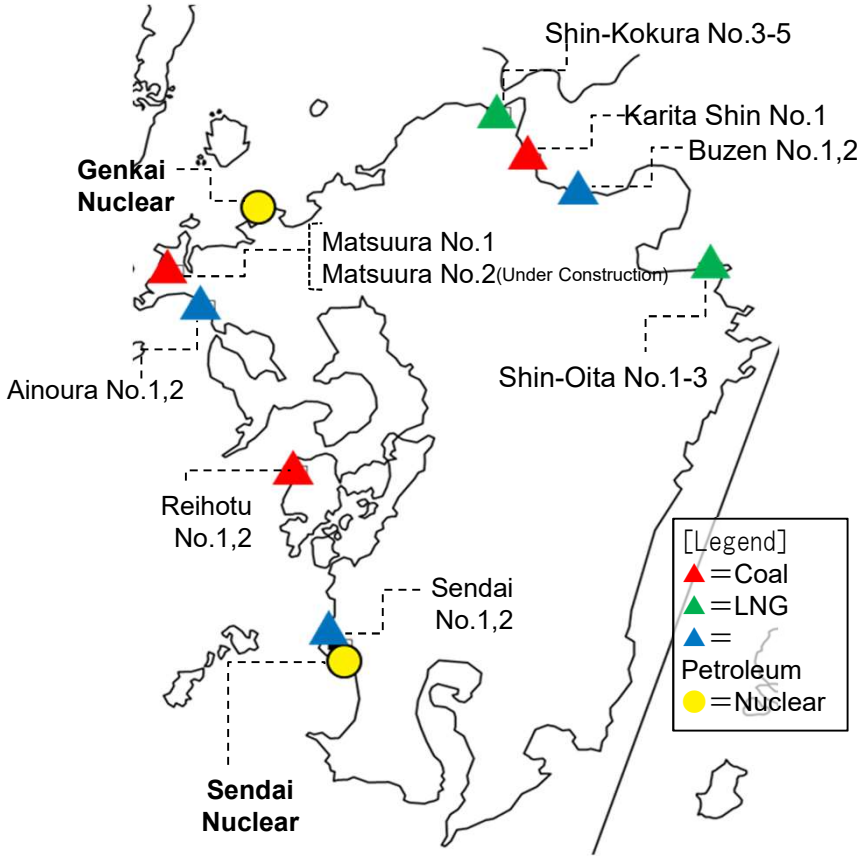
Fuel	Name of Station	Outout	Decomission Date(Planned)
Heavy oil	Ainoura No.1 and 2	875MW	April 2019
	Buzen No.1	500MW	FY2019

〔Planned shutdown〕

Fuel	Name of Station	Output	Period
Heavy oil	Buzen No.2	500MW	FY2018~
	Sendai No.1 and 2	1000MW	FY2018~
LNG	Shin-Kokura No.4	600MW	FY2020

Location of Plants

As of September 2018



Rate Plan for Corporate Customers (Extra-High / High Voltage)

“Renewable ECO Plan” for Corporate Customers

～Utilizing renewable energy sources (hydro / geothermal) to support customers’ CO2 emission reduction goals～

Background: The plan was created in response to an increasing number of corporate customers acknowledging environmental measures and management as key issues amid increase in environmental initiatives such as SDGs and ESG investments

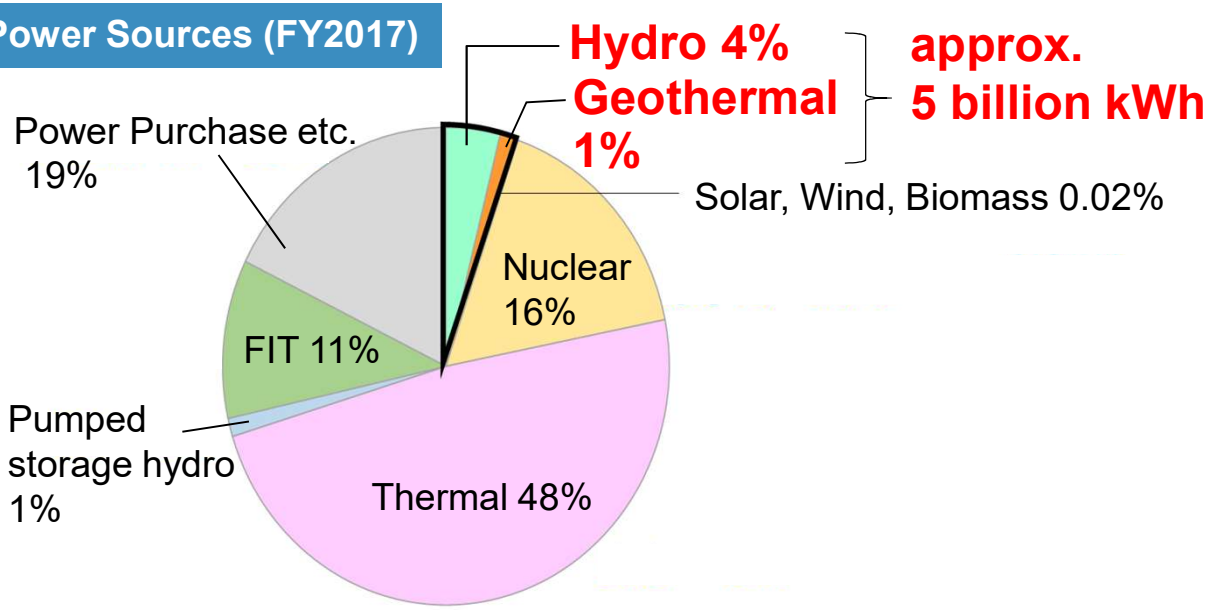
Note: Businesses whose combined annual energy consumption (crude oil equivalent) is greater than 1,500kl are required to report their CO2 emission volume to the government

✓ Kyuden Group’s Renewable Energy Capacity
→ **approx.5 billion kWh** (Hydro 1,280MW; Geothermal 210MW)

✓ Zero C02 emission factor from power supplied by the plan

Note: Non-fossil certificates will be purchased to ensure that CO2 emission factor will not increase for our customers

Power Sources (FY2017)



Note: Includes power generated by Kyuden and purchased from third parties (excl. isolated islands)

Hatchobaru Geothermal Plant

Hitotsuse Hydro Plant

Plans for General Customers（Low Voltage）

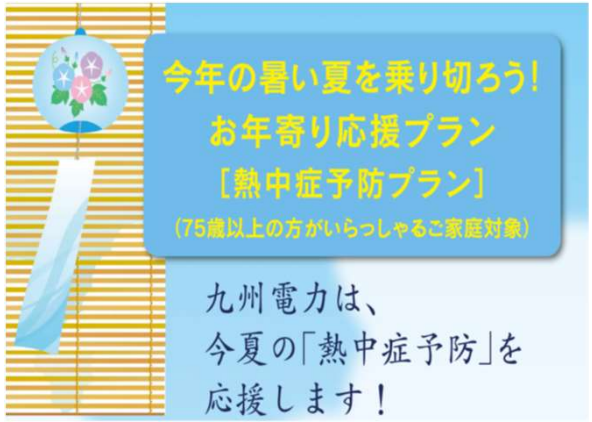
Heatstroke Prevention Plan – for General Customers

～10% discount limited to August and September 2018～

Background : During hot summers there is an increased risk of heat strokes, especially for the elderly at home. The daily use of air conditioning is expensive and with a discount we encourage the use of air conditioning.

We received 164,000 applications

※This service is only limited to customers who have a Smart Family Plan.
(Smart Family Plan is cheaper when signing a two–year contract)



Other Sales Efforts

▲Service for Kyuden gas customers only

・This service offers help when there is trouble with your gas equipment.（Service started from October 15, 2018）
・Established for customer's safety and security.
・Cumulative total applications of Kyuden gas is approximately 67,000.
（As of end of September 2018）

▼Campaign of "All-Electric"

・Customers who bought "All-Electric" participate in a raffle.
・All over Kyushu region IH cooking courses were given by entertainers.
・Cumulative total applications of "All-Electric" is more than 1.06 million households.
（As of end of September 2018）

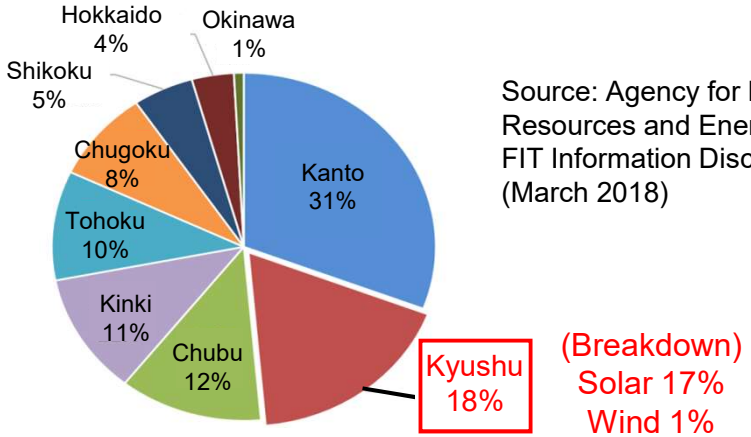
▲ In Kanto area sales target has been met

・Target of 10,000 applications has been met.
・ In addition to the two existing plans, a variant has been introduced from September 2018 targeting low usage customers ("Basic plan S" and "JAL Mile Plan S")

Current Status and Future Expansion of Renewable Energy

- Solar generation in Kyushu increased rapidly following the enforcement of the FIT Act in July 2012.
- Due to favorable conditions for renewable energy generation, especially in terms of sunlight conditions, solar power in Kyushu has developed more rapidly compared to other areas (8,120MW as of Sep 2018).
- To increase renewable energy generations even further, we will control / adjust output from thermal power and pumped storage hydro plants, while installing large-scale batteries and developing interconnection technologies required to distribute a larger volume of electricity to other regions.

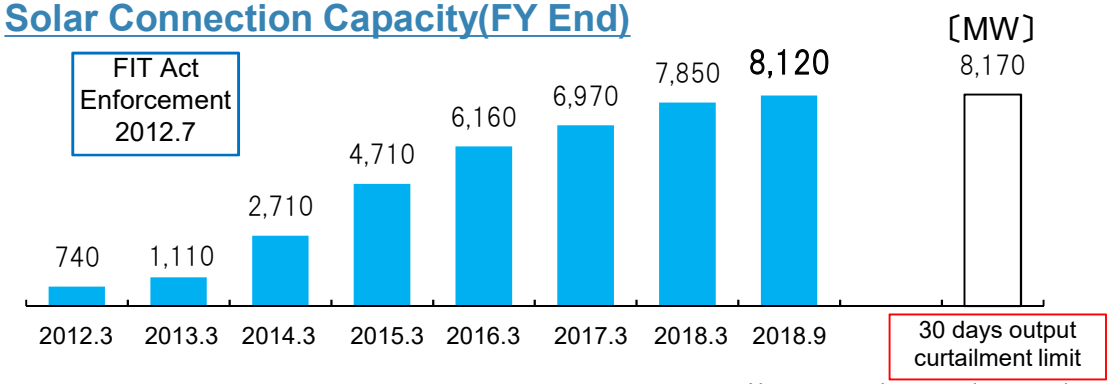
Breakdown of National Solar / Wind Generation Capacity



Source: Agency for Natural Resources and Energy “Website for FIT Information Disclosure” (March 2018)

(Breakdown)
Solar 17%
Wind 1%

Solar Connection Capacity(FY End)



Note: connection capacity assuming annual renewable energy output curtailment limit of 30 days

Buzen Battery Substation

Overview

	Buzen Battery Substation
Output	50MW
Capacity	300,000kWh
Site	Buzen Power Station Premise (Buzen, Fukuoka)

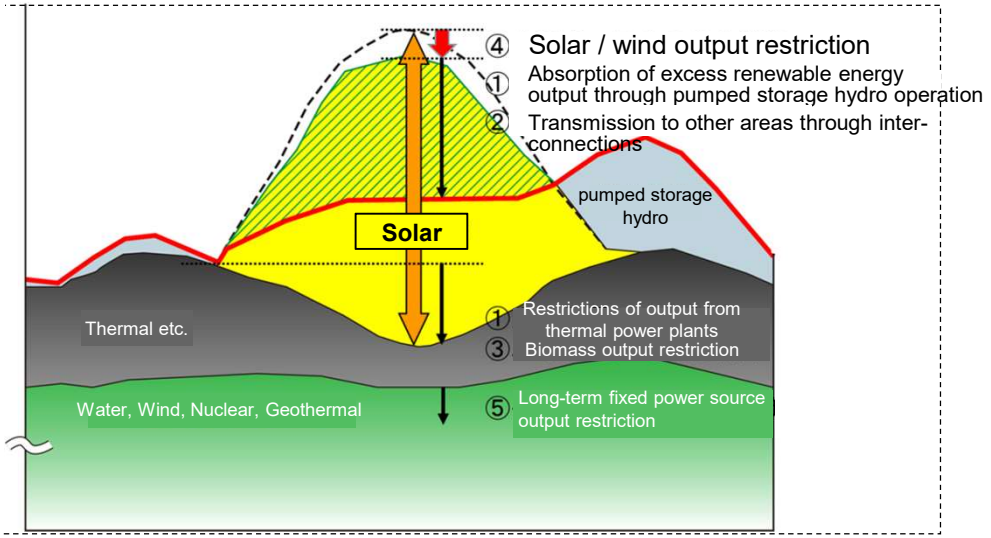
Renewable Energy Output Restriction in Kyushu

- On October 13, 2018, renewable energy supplies were restricted for the first time in Kyushu mainland as estimated power supply exceeded demand despite implementation of certain countermeasures including thermal power output restrictions and utilization of pumped storage hydro plants.

Renewable Energy Restrictions based on Priority Dispatch Rule

Order of Output Restrictions, etc.

1. Absorption of excess renewable energy output through pumped storage hydro operation and restrictions of output from thermal power plants, etc.
2. Transmission to other areas through interconnections (Kanmon interconnection)
3. Biomass output restriction
4. Solar / wind output restriction
5. Long-term fixed power source (hydro, nuclear, geothermal) output restriction



Renewable Energy Output Restrictions in Kyushu (October 2018)

	1st	2nd	3rd	4th
Date	Oct 13 (Sat)	Oct 14 (Sun)	Oct 20 (Sat)	Oct 21 (Sun)
Time of Restric-tion	9:00~16:00			
Output Restric-tion	380MW	540MW	520MW	930MW

Note: Time of restriction during maximum renewable energy output restriction

Number of Facilities / Capacity by Solar Output Restriction Rule (September 2018)

	Former Rule	New Rule
500kW～	**Restriction (manual)*** (without compensation up to 30 days/years) 【approx. 2,000】 【approx. 3,300MW】	**Restriction [PCS with output restriction function]** (without compensation unlimitedly) 【approx. 23,000】 【approx.1,000MW】
10kW ～ 500kW	No Restriction	
～10kW	【Total approx. 418,000】 【Total approx. 3,800MW】	Currently No Restriction (Originaly Restricted)

*partially through installation of PCS with output restriction function

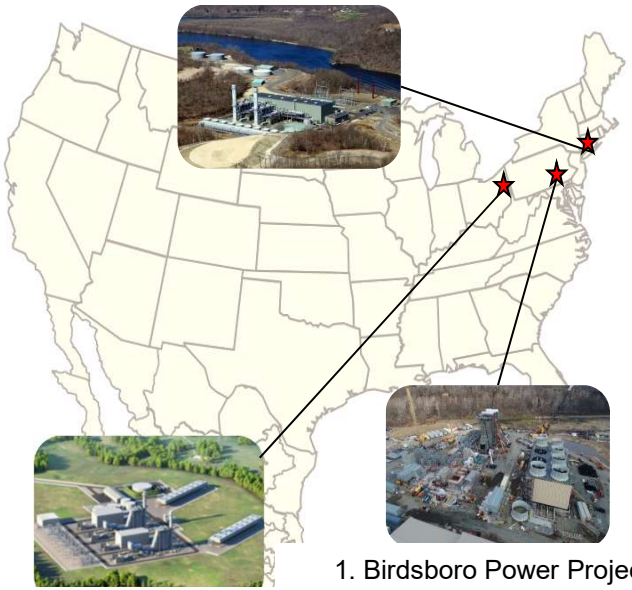
Enhancement of Overseas Energy Business

New participations in US Gas-Fired Power Projects in 2018

- We are participating in three gas-fired power projects in the US, including Birdsboro Power Plant (participation in December 2017), Kleen Gas (May 2018) and South Field Energy (August 2018)
- We expect stable earnings generation due to the capacity market regulation and the chance to apply a further understanding of such regulation in domestic future business.
- We aim to expand our overseas business by actively engaging in projects in the US where we can get the abundant participation opportunities due to growing needs to replace deteriorated coal-fired with gas-fired plants.

Net Capacity of Overseas Energy Business：1,975MW(As of end of October 2018)
【Target : 2,400MW(as of 2018) / 5,000MW(as of 2030)】

2. Kleen Energy Power Project



1. Birdsboro Power Project

3. South Field Energy Power Project
(post-construction image)

Overview of US Projects

	1. Birdsboro	2. Kleen Gas	3. South Field
Planned Project Site	Birdsboro, Berks County, Pennsylvania	Middletown, Connecticut	Columbiana, Ohio
Generation Capacity	488MW	620MW	1,182MW
Generation Type	Natural gas combined cycle		
Business Description	Supply of electricity through the wholesale market		
Participation	Dec 2017	May 2018	Aug 2018
Ownership	11.1%	20.25%	18.1%
Operation Commence-ment	2019 (planned)	Jul 2011 (operating)	2021 (planned)

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Initiative for Innovation ～KYUDEN i-PROJECT～

- “KYUDEN i-PROJECT” is an initiative to create future businesses through innovation in order to create new growth pillars and create new services that add value for our customers and society.
- Through various innovative activities across the Kyuden Group and open innovation with other companies, we are currently considering the commercialization of 22 projects.
- In July 2018, we set up an “Incubation Lab” for quick and flexible decision-making. It promotes innovation by developing structured ways to facilitate concept creation and sharing information via workshops and via a special internal website.

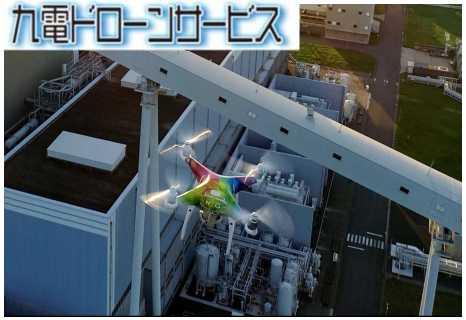
【Example】

① 「QUUN」【 On Sale】
IoT service with original voice-capable AI engine

② 「OSUSO」【 Demonstration Phase】
Agricultural products marketing service

③ 「Qottaby」【 Demonstration Phase】
Monitoring service showing information on location

④ 「Kyuden Drone Service 」【 Demonstration Phase】
Drone Aerial photography service



▲President Ikebe engages with employees via a special site

President Ikebe talks about the importance of innovation and creative thinking to tackle today’s challenges.
Employees have been involved in cross-organization workshops and to challenge their thinking in new business creation concepts.

Participating in Fukuoka Airport Redevelopment Project

- In August 2018, Fukuoka International Airport Company, a company formed by a consortium led by Fukuoka Airport Holdings (Fukuoka Airport HD Group*), signed an agreement with Japan's Ministry of Land, Infrastructure, Transport and Tourism (MLIT) for the operation of Fukuoka Airport.
  * Consortium comprised of Nishi-Nippon Railroad, Mitsubishi Corporation, Changi Airports International and Kyushu Electric
- Conveniently located close to the city center and appealing for business and leisure travelers, the consortium aims to facilitate the revitalization of the airport and its surrounding areas, with the goal of stimulating Kyushu's economy and tourism.

Future image of International Terminal

Future image of Domestic Terminal

Future Image of Fukuoka Airport in 30 Years

Source: MLIT homepage

Initiatives for Urban Developments

- In February 2018, to strengthen our urban development business, we established a unit specifically to develop strategies and ideas. The business will invest in large scale development projects in Fukuoka and other areas of Kyushu.
- In March 2018, a consortium composed of Mitsui Fudosan, Nishi-Nihon Railroad and Kyushu Electric Power group, applied for the redevelopment project of "Fukuoka Fruit and Vegetable Market Site". In July of the same year, we have been selected prospective developer.
- Aiming to open business at the end of 2021, we promote facilities development and land acquisition. By its convenient location, we hope to contribute to Kyushu's economy in multiple ways.

Future image of Fukuoka Fruit and Vegetable market site

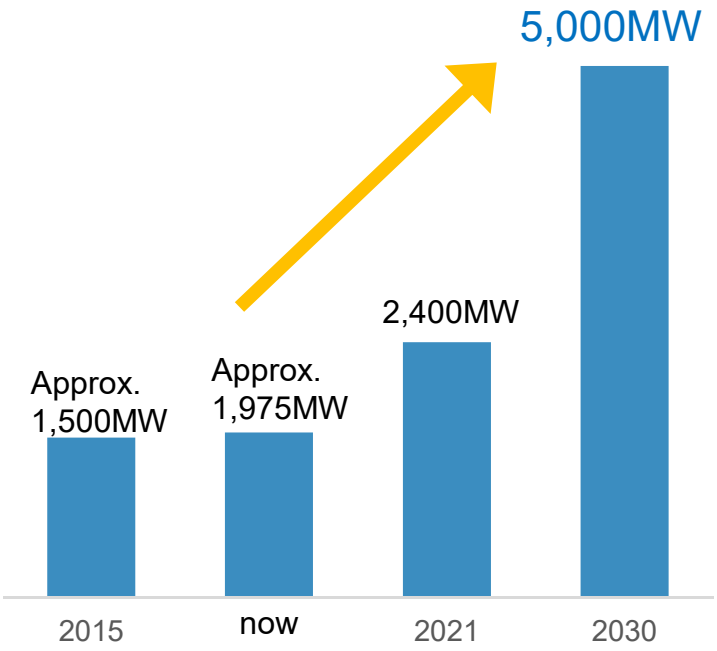
Source: Fukuoka city homepage

Reference

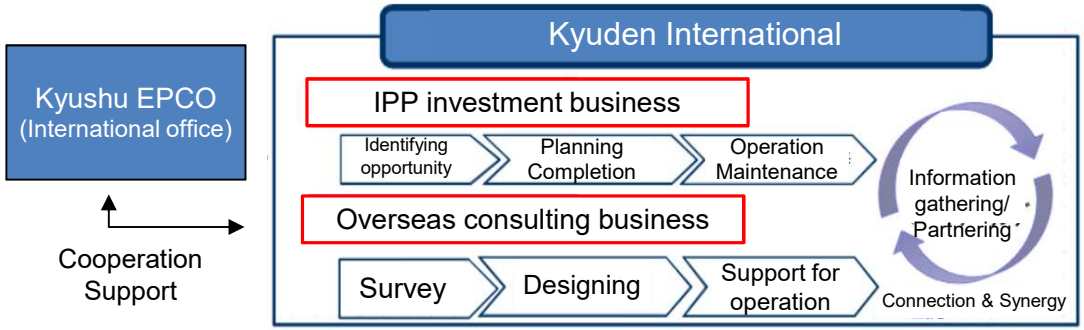
Overseas Energy Business

- Our group reviewed the overseas energy business promotion structure in April 2017. Since then, International office is positioned as main body for constructing a strategic network including outside group, and Kyuden International Co., Inc., which is our wholly-owned subsidiary, as main body for promoting IPP investment and overseas consulting business.
- We are aiming for 5,000MW equity ownership in electricity output in 2030 by developing projects mainly in Asia where electricity demand is expected to increase, as well as North America and Europe.

Target Equity Ownership in 2030



Overseas Energy Business Promotion System



Outline of Kyuden International Co.,Inc.

Location of headquarters	Fukuoka city
Capital fund	23.15 billion yen （Kyushu EPCO CO., INC.100%）
Date of establishment	August 2nd, 1999
Business description	Overseas energy business Overseas consulting business

Business Development Overseas（As of end of October 2018）

Net Capacity：1,975MW（In Operation：1,706MW、Under construction：269MW）

		Project Name	Fuel	Start of Operation /Investment	Gross Capacity	Ownership	Net Capacity
In Operation	①	Mexico: Tuxpan II	Gas	2001/12	495MW	50%	248MW
	②	Phillippines: Ilijan	Gas	2002/6	1,200MW	8%	96MW
	③	Vietnam: Phu My III	Gas	2004/3	744MW	26.7%	199MW
	④	Mexico: Tuxpan V	Gas	2006/9	495MW	50%	248MW
	⑤	Singapore: Senoko Energy	Gas/Oil	[Investment] 2008/9	3,300MW	15%	495MW
	⑥	China: Inner Mongolia	Wind	2009/9	50MW	29%	15MW
	⑦	Taiwan: Hsin Tao	Gas	[Investment] 2010/10	600MW	33.2%	199MW
	⑧	Indonesia: Sarulla	Geothermal	2018/5	330MW	25%	83MW
	⑨	USA : Kleen Energy	Gas	[Investment] 2018/5	620MW	20.25%	126MW

Subtotal :1706MW

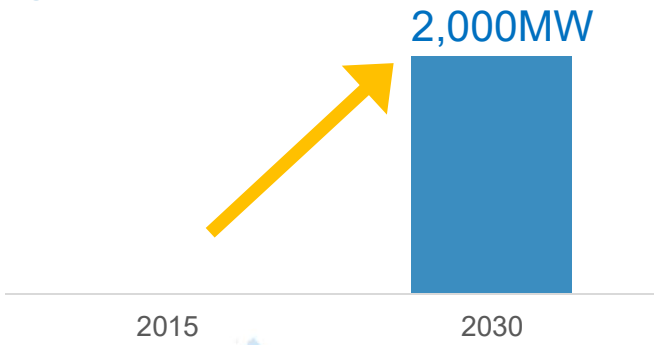
Under Construction	⑩	USA : Birdsboro (Start of Operation: 2019)	Gas	[Investment] 2018/1 Participation 2017/12	488MW	11.1%	54MW
	⑪	USA:South Field Energy (Start of Operation: 2021)	Gas	[Investment] 2018/8	1,182MW	18.1%	214MW

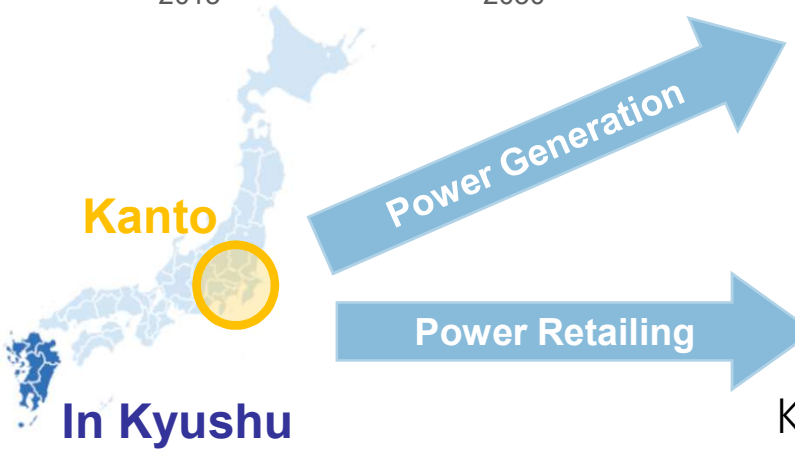
Subtotal 269MW

Energy Business in Japan Outside Kyushu

- We have reached an agreement with Idemitsu Kosan Co., Ltd. and Tokyo Gas Co., Ltd. to form an alliance to carry out studies for a joint development of a coal-fired power plant. As a result, we established Chiba-Sodegaura Energy Co., Ltd. (CSE) in May 2015.
- As part of the environmental assessment procedure, CSE received examination results for “Document Concerning Environmental Impact Assessment” from METI in July 2016, which stated that no recommendation is required. Subsequently, CSE implemented a study of existing conditions (from October 2016 to September 2017), and is currently preparing a “Draft Environmental Impact Statement”.
- In parallel with the environmental assessment, CSE is considering business schemes based on the use of project finance as well as technical studies of power generation facilities.
- Our wholly-owned subsidiary, Kyuden Mirai Energy Co., Inc., has engaged in the retail electricity business in Kanto area since FY2016.

Target Output in 2030





Outline of construction plan

System	Ultra-super critical (USC) power generation
Output	Unit 1: 1,000MW Unit 2: 1,000MW
Fuel	Coal (biomass co-firing is also under consideration)
Start of Operation	Unit 1: FY 2025 [Scheduled] Unit 2: FY 2026 [Scheduled]

Kyuden Mirai Energy

Acquired approx.

10,100 customers

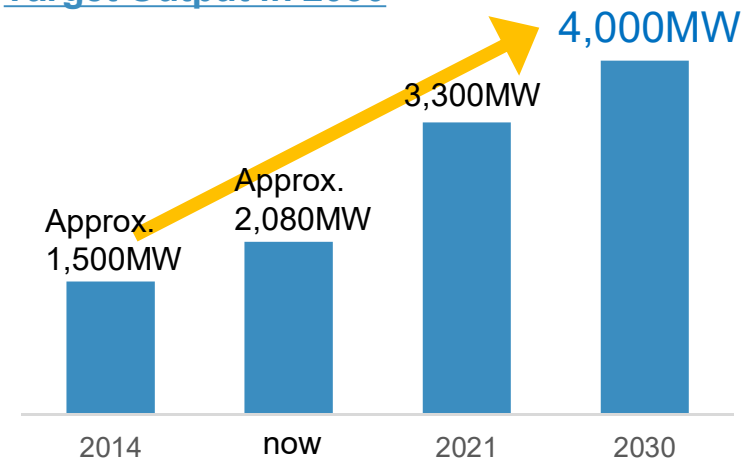
（**Target : 10,000**）

（**As of end of September 2018**）

Renewable Energy business

- We have set approx. 4,000MW of output as a target in 2030 by promoting geothermal and hydroelectric power generation both inside and outside of Japan.
- We have been in close coordination with our group companies such as West Japan Engineering Consultants (West JEC), which has first class technologies, on the development of geothermal power generation.

Target Output in 2030



Breakdown of New Development

Wind	+1,100MW
Geothermal	+800MW
Hydro	+200MW
Others	+400MW
Total	+2,500MW

List of Kyuden Groups Renewable Energy Facilities

(As of end of September 2018)

Solar 92MW

Wind 118MW

Hydro 1,282MW
(except pumping)

Geothermal 548MW

Biomass 41MW

Development plan of renewable energy

（As of end of September 2018）※1Kyuden Mirai Energy Co.,Inc. ※2Kushima Wind Hill Co.,Inc.

	Name	Prefecture	Output(MW)	Notes
Solar	【Oversea】Three vally No.1※1	Oversea	Approx.4,000	Starting operation in January 2019(scheduled)
		Subtotal	**Approx.4,000**	—
Wind	Kushima wind※2	Miyazaki	64,800	Starting operation in October 2020 (scheduled)
	Karatsu Chinzei wind farm※1	Saga	Max. 28,000	Starting operation in 2022 (Under environmental assessment)
	Experimental Study of Next Generation Offshore Floating Wind Power System※1	Fukuoka	3,000	Starting operation in November 2018 [Commissioned project in collaboration with NEDO] （November 2018～March 2022(Demonstration Phase）
		subtotal	**95,800**	—
Geothermal	Otake	Ohita	14,500	Starting operation in December 2020 (scheduled) Update of existing facility（12.5MW→14.5MW）
		subtotal	**14,500**	—
Hydro	Thukabaru No.1~4	Miyazaki	66,600	Starting operation in May 2019 (scheduled) Update of existing facility（62,600kW→66,600kW） （4units→2units）
	Shin-kosa	Kumamoto	7,200	Starting operation in July 2019 (scheduled)
		subtotal	**73,800**	—
Biomass	【Outside Kyushu】 Shimonoseki-Biomass※1	Yamaguchi	74,980	Starting operation in 2021 (scheduled)
	Buzen-biomass※1	Fukuoka	74,950	Starting operation in 2020 (scheduled)
	【Outside Kyushu】 Nagano-biomass※1	Nagano	14,500	Starting operation in 2020 (scheduled)
	Nanatsujima Biomass Power※1	Kagoshima	49,000	Starting operation in 2018 (scheduled)
	Karita biomass※1	Fukuoka	74,950	Starting operation in 2021 (scheduled)
	【Outside Kyushu】 Okinawa uruma※1	Okinawa	49,000	Starting operation in 2021 (scheduled)
		subtotal	**337,380**	—
Tidal	Tidal power generation technology commercialization project※1	Nagasaki	2,000	Expected in 2018～2019 [in construction preparation] Area：Gotou city，Nagasaki prefecture
		Subtotal	**2,000**	—
Total			**527,480**	—

Upcoming Renewable Projects (currently in research stage)

(As of end of September 2018)

	Area	Prefecture	Starting Schedule	Contents of study(planned)
Wind (offshore)	Hibikinada in Kitakyushu	Fukuoka	2017	・Investigation of wind, ocean and ground ・Environmental assessment ・Basic design of generating facilities
Geothermal	The south of Yamashita pound	Oita	2017	・Drilling wells for investigation (in preparation) ・Monitoring hot springs
	Ibusuki	Kagoshima	2015	・Drilling wells for investigation(in preparation) ・Monitoring hot springs （technical support for Ibusuki city）
	Minamiaso Village	Kumamoto	2015	・Drilling wells for investigation(in preparation) ・Monitoring hot springs
	The north of Hiijidake	Oita	2013	・Drilling wells for investigation ・Monitoring hot springs
	The east of Waita mountain	Oita	2017	・Drilling wells for investigation(in preparation) ・Monitoring hot springs

For more information, please contact:

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Note Regarding Forward-looking Statements

Statements made in this material regarding Kyushu Electric Power Group's strategies and forecasts and other statements that are not historical facts are forward-looking statements based on management's assumptions and beliefs in light of information currently available, and should not be interpreted as promises or guarantees.

Owing to various uncertainties, actual results may differ materially from these statements.

Shareholders and investors are hereby cautioned against making investment decisions solely on the basis of forward-looking statements contained herein.