Presentation Materials for IR meeting

May 10, 2018

KYUSHU ELECTRIC POWER CO.,INC.

KYUDEN GROUP

(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.

Section1 Financial Results for FY2017

Section2 Business Update

Section1　Financial Results for FY2017

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Financial Results for FY 2017

Ⅰ. Financial Results for FY2017

Sales (Increase), Ordinary Income (Surplus)

Sales : **1,960.3 billions of yen** (**Increase by 7.3% Compared with FY2016**)

Ordinary Income : **73.6 billions of yen** (**Decrease by 21.8% Compared with FY2016**)

Financial Results for FY2017	Ordinary income decreased by 21.8% compared to FY2016 due to a decrease of the electricity sales volume caused by the progress of competition and an increase miscellaneous cost caused by the electricity system reform, in spite of a decrease of fuel cost by increasing the generation volume by Sendai Nuclear Power Station. On the other hand, based on the operating conditions of Genkai Nuclear Power Station Unit No.3 and other factors, as a result of assessing the realizability of deferred tax assets, profit attributable to owners of parent increased by 9.3% compared to FY2016 due to a decrease in income taxes caused by recording deferred tax assets additionally.
Revenue Side	Consolidated sales (operating revenues) increased by 7.3% to ¥1,960.3 billion and ordinary revenue increased by 7.1% to ¥1,976.2 billion compared to FY2016, lighting and power revenue increased mainly due to an increase in charge unit price with the effect of fuel cost adjustment system and the grant based on the Act on Purchase of Renewable Energy Sourced Electricity in spite of a decrease in electricity sales volume.
Expenditure Side	Ordinary expenses increased by 8.6% to ¥1,902.5 billion compared to FY2016 mainly due to in the electricity business an increase of power purchase from renewable energy and an increase in fuel cost caused by increased fuel price and also an increase in miscellaneous cost, while we have made efforts for group-wide cost reduction.
Ordinary Income **Profit attributable to owners of parent**	Ordinary income decreased by 21.8% to ¥73.6 billion compared to FY2016. Also, profit attributable to owners of parent increased by 9.3% to ¥86.6 billion mainly due to a decrease of extraordinary losses in FY2016, associated with the Kumamoto Earthquake, and a decrease in corporate taxes caused by recording deferred tax assets additionally and other factors.

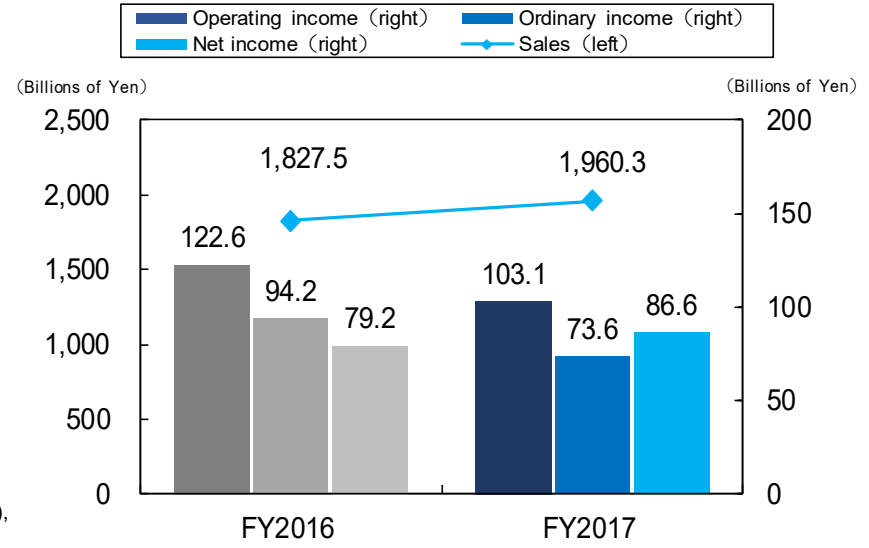
Ⅰ. Financial Results for FY2017

Consolidated

(Billions of Yen,%)

	FY2017	FY2016	Difference	Ratio
Ordinary revenues	1,976.2	1,845.6	130.5	107.1
Sales [Figures are included above]	1,960.3	1,827.5	132.8	107.3
Ordinary expenses	1,902.5	1,751.4	151.1	108.6
(Operating Income)	(103.1)	(122.6)	(-19.5)	(84.1)
Ordinary Income	73.6	94.2	-20.5	78.2
Extraordinary Loss	—	10.4	-10.4	—
Profit attributable to owners of parent	86.6	79.2	7.3	109.3

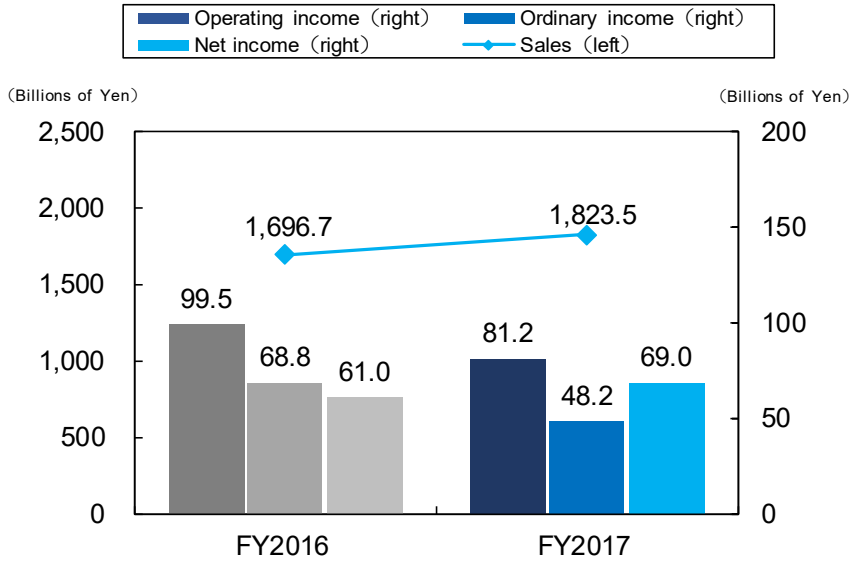
Note: As of the end of FY2017, 70 affiliates were subject to consolidated accounting.
[Consolidated subsidiaries: 43companies(2 companies are added,compared with the previous FY),
Equity method companies: 27 companies]



Non-Consolidated

(Billions of Yen,%)

	FY2017	FY2016	Difference	Ratio
Ordinary revenues	1,830.2	1,708.1	122.0	107.1
Sales [Figures are included above]	1,823.5	1,696.7	126.8	107.5
Ordinary expenses	1,782.0	1,639.2	142.7	108.7
(Operating Income)	(81.2)	(99.5)	(-18.3)	(81.6)
Ordinary Income	48.2	68.8	-20.6	70.0
Extraordinary Loss	—	9.5	-9.5	—
Net Income	69.0	61.0	7.9	113.0



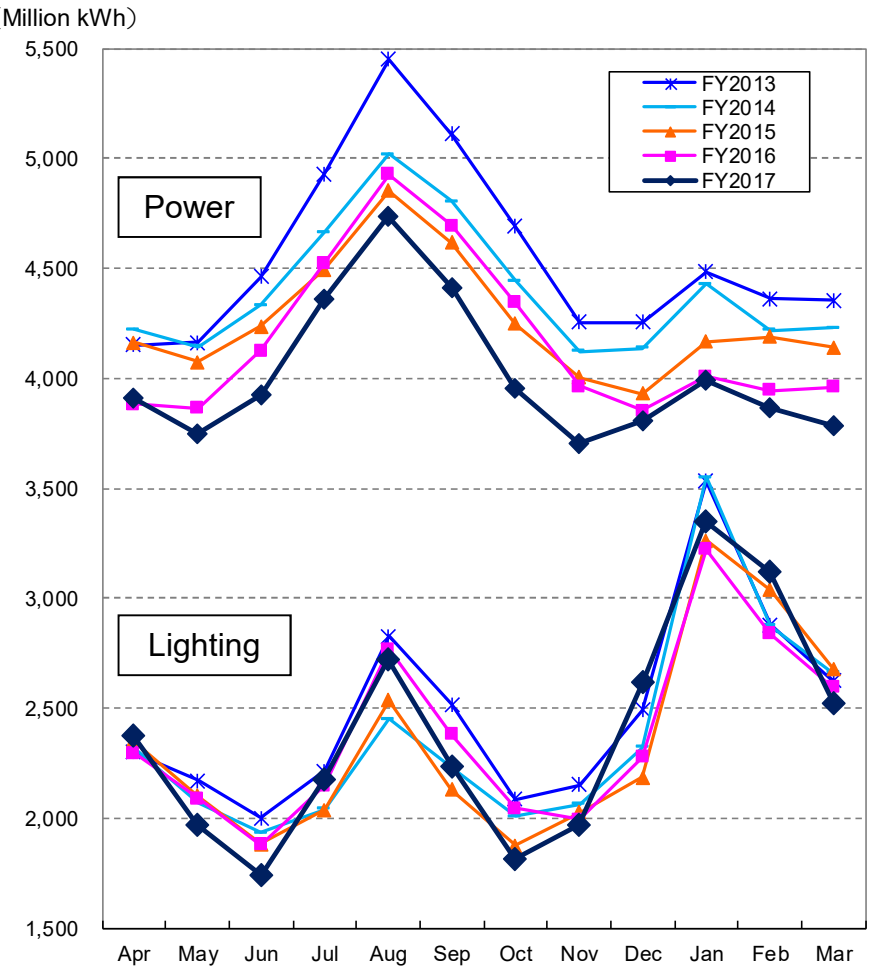
Ⅰ - ① Electricity Sales Volume

Total electricity sales volume came to 76.775 million kWh, decreased by 2.3% compared to FY2016 due to a decrease of electricity contract.

(Million kWh,%)

	FY2017	FY2016	Comparison with FY2016	
			Difference	Ratio
Lighting	28,603	28,535	68	100.2
Power	48,173	50,084	-1,912	96.2
Total	76,775	78,619	-1,844	97.7

【Changes in Electricity Sales Volume】



Ⅰ - ② Generated and Received Electricity

The electricity supply has been stable resulted from a stable operation of Sendai nuclear power station unit No.1 and 2 and the comprehensive operation of power plants like thermal and pumping responding to an increase in new energy received from other companies.

(Million kWh,%)

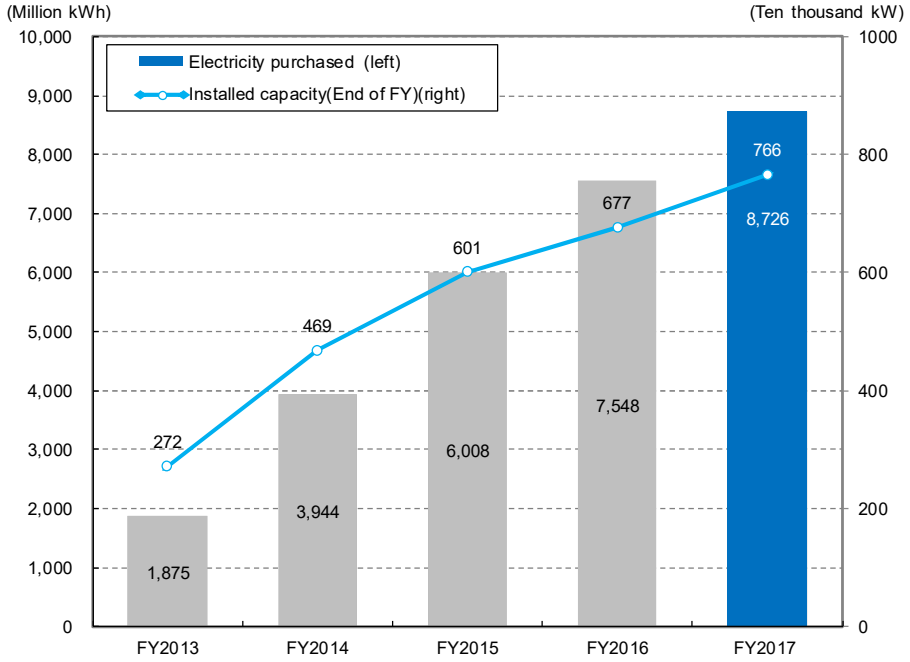
		FY2017	FY2016	Comparison with FY2016	
				Difference	Ratio
Own facilities ※1	Hydro	4,653	4,788	-135	97.2
	(Water flow rate)	(101.2)	(115.0)	(-13.8)	
	Thermal	43,260	45,615	-2,355	94.8
	Nuclear	14,339	12,455	1,884	115.1
	(Utilization rate)	(36.7)	(31.9)	(4.8)	
	New Energy etc※3	1,092	1,133	-41	96.3
	Subtotal	63,344	63,991	-647	99.0
From other companies ※2	Hydro	1,657	1,757	-100	94.3
	Thermal	6,859	9,598	-2,739	71.5
	New Energy etc※3	9,994	8,590	1,404	116.3
	Subtotal	18,510	19,945	-1,435	92.8
Interchange※2		1	48	-47	2.1
For pumping		-1,627	-1,306	-321	124.7
Total		80,228	82,678	-2,450	97.0

※1 Own facilities' generation means transmission–end number.

※2 "From other companies " and " Interchange" includes the volume of electricity recognized as of the end of fiscal year.

※3 "New Energy etc" includes Solar, Wind, Biomass, Waste and Geothermal.

【Installed Capacity and Electricity Purchase regarding Solar】



【Transition of Renewable Energy Power Promotion Surcharge 】

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Surcharge (Yen/kWh)	0.22	0.35	0.75	1.58	2.25	2.64
Price per household (Yen/Month)	55	87	187	395	562	660

※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).

※3 The unit of Renewable Energy Power Promotion Surcharge in FY2018 is 2.90 yen. (It will be applied from May 2018.)

Ⅰ - ③ Income Statement (Non-Consolidated)

(Billions of Yen,%)

		FY2017	FY2016	Difference	Ratio	Explanations
Ordinary Revenues	Lighting	628.6	594.8	33.8	105.7	Decrease in electricity sales volume -32.0
	Power	763.3	747.6	15.6	102.1	Effect of fuel cost adjustment 66.3 (-97.6 ← -163.9)
	(Sub Total)	(1,391.9)	(1,342.5)	(49.4)	(103.7)	Renewable Energy Power Promotion Surcharge 23.8 (175.0←151.1)
	Other	438.2	365.6	72.5	119.8	Grant based on the Act on Purchase of Renewable Energy Sourced Electricity 24.9 (287.3 ← 262.4) Electricity Sales to Others 26.8
	(Sales)	(1,823.5)	(1,696.7)	(126.8)	(107.5)	
	Total	1,830.2	1,708.1	122.0	107.1	
Ordinary Expenses	Labor	137.0	132.6	4.3	103.3	
	Fuel	312.0	263.5	48.4	118.4	Increase in CIF 50.0 Exchange losses 5.0 Influence of the periodic inspection at nuclear power stations -16.0 Decrease in electricity sales volume -14.0 Increase in electricity sales volume to others 17.0 Decrease in Water flow 2.0
	Power purchase	468.3	409.8	58.5	114.3	Purchase from other companies 58.5 [Figures are included below：Purchase of Renewable Energy Sourced Electricity 44.9 (347.4 ← 302.4) Thermal from other companies 13.1]
	Maintenance	142.6	152.7	-10.0	93.4	Nuclear -19.8 Transmission 2.6 Thermal 2.2 Substation 1.6
	Depreciation	170.2	176.3	-6.1	96.5	
	Nuclear back-end	35.8	28.2	7.6	127.0	Influence of the periodic inspection at nuclear power stations 2.0
	Other	515.9	475.8	40.0	108.4	Levy based on the Act on Purchase of Renewable Energy Sourced Electricity 23.8 (175.0 ←151.1) Miscellaneous cost 10.2
	Total	1,782.0	1,639.2	142.7	108.7	
(Operating Income)		(81.2)	(99.5)	(-18.3)	(81.6)	
Ordinary Income		48.2	68.8	-20.6	70.0	
Reserve for Fluctuation In Water Levels		0.1	0.9	-0.8	12.7	
Extraordinary Loss		—	9.5	-9.5	—	Extraordinary loss on natural disaster -9.3 Contingent loss -0.2
Income Tax		-20.9	-2.7	-18.2	—	Recording deferred tax assets additionally -21.1
Net Income		69.0	61.0	7.9	113.0	

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

【Reference：Key Factors】

(Billions of Yen)

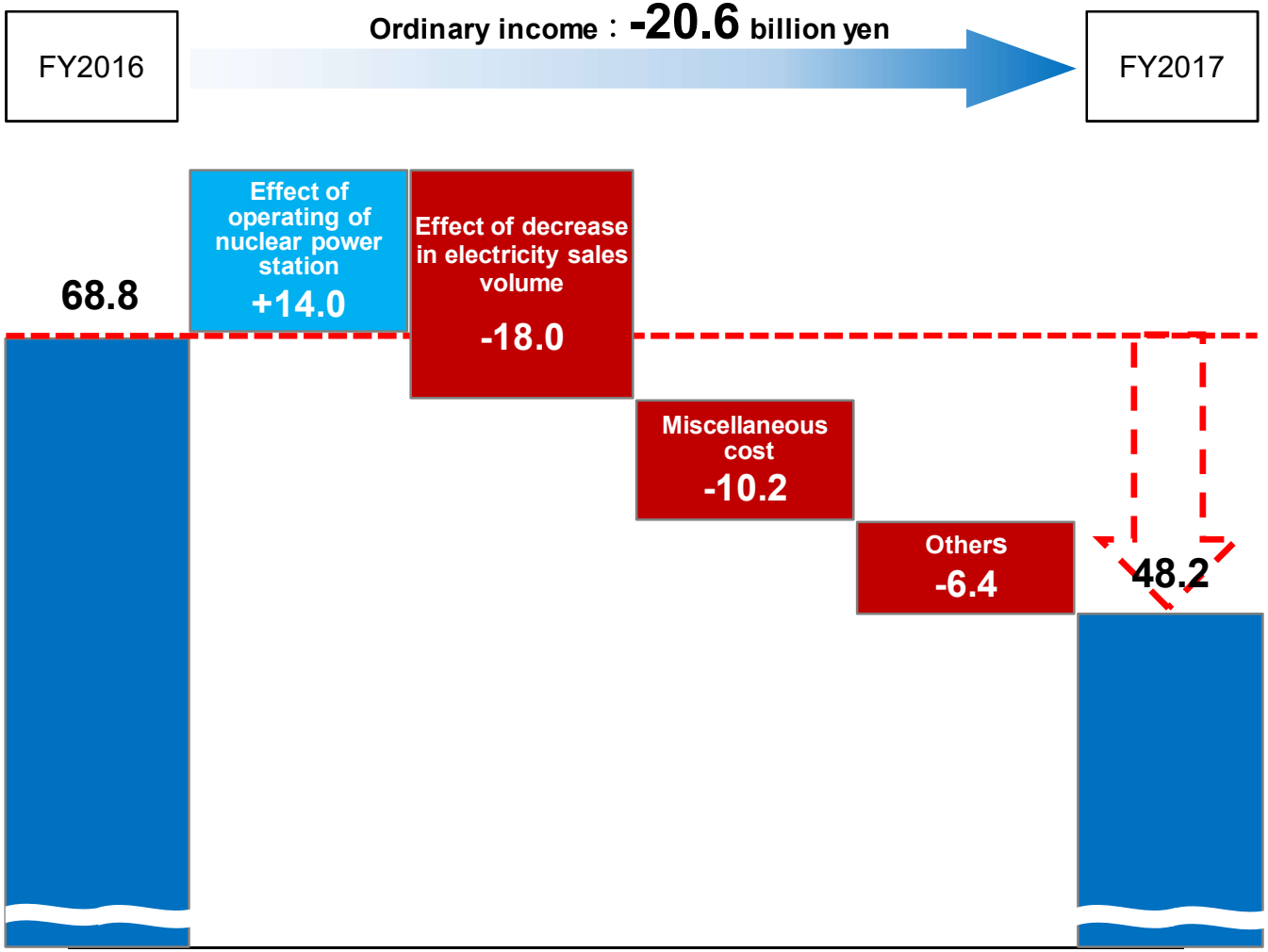
	FY2017	FY2016	Difference
Electricity Sales Volume	76.8 billions kWh	78.6 billions kWh	-1.8 billions kWh
Crude Oil CIF Price	57 $/b	48 $/b	9 $/b
Exchange Rate	111 ¥/$	108 ¥/$	3 ¥/$
Utilization Rate of Nuclear Power	36.7%	31.9%	4.8%

Financial impact	
(1$/b)	3.5
(1¥/$)	3.0
(1%)	2.5

Ⅰ - ③ Income Statement (Non-Consolidated)

【Major Factors in the Changes in Ordinary Income】

(Billions of Yen)



Ⅰ - ③ Income Statement (Consolidated)

(Billions of Yen,%)

		FY2017	FY2016	Difference	Ratio	FY2017 Consolidated Ratio
Ordinary Revenues	Operating Revenues (Sales)	1,960.3	1,827.5	132.8	107.3	(1.08)
	Electric	1,804.4	1,681.0	123.3	107.3	
	Other	155.9	146.4	9.4	106.5	
	Other Revenues	15.8	18.1	-2.2	87.5	
	Total	1,976.2	1,845.6	130.5	107.1	
Ordinary Expenses	Operating Expenses	1,857.2	1,704.8	152.3	108.9	
	Electric	1,713.3	1,574.8	138.4	108.8	
	Other	143.9	129.9	13.9	110.7	
	Other Expenses	45.2	46.5	-1.2	97.3	
	Total	1,902.5	1,751.4	151.1	108.6	
(Operating Income)		(103.1)	(122.6)	(-19.5)	(84.1)	(1.27)
Ordinary Income		73.6	94.2	-20.5	78.2	(1.53)
Reserve for Fluctuation In Water Levels		0.1	0.9	-0.8	12.7	
Extraordinary loss		—	10.4	-10.4	—	
Profit attributable to owners of parent		86.6	79.2	7.3	109.3	(1.26)
Comprehensive Income		96.5	82.0	14.5	117.7	

Ⅰ - ③ Segment Information

		FY2017	FY2016	Difference	Explanations
Electric power	Sales	1,808.3	1,685.0	123.2	
	Operating Income	81.4	98.3	-16.9	
Energy-related business	Sales	191.4	185.2	6.2	·Sales increased due to an increase in gas and LNG sales and commencement of production of the overseas LNG project, though a decrease in smart-meters sales. ·Operating income increased due to commencement of production of the overseas LNG project and an increase in profit of overseas power generation business in spite of an increase in outsourcing cost associated with the system building for entering the gas retail market.
	Operating Income	11.7	10.0	1.6	
IT and Tele-communications	Sales	106.6	101.4	5.2	·Sales increased due to an increase in entrusted developments of information systems and in sales of electronic communication devices . ·Operating income decreased due to an increase in selling costs in smart phone service business.
	Operating Income	7.3	8.4	-1.1	
Other	Sales	25.5	24.9	0.6	·Sales increased due to an increase in income of temporary staffing business and fee-based nursing home for the elderly business. ·Operating income increased due to a decrease in depreciation of rental buildings.
	Operating Income	4.8	4.5	0.2	

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

Ⅱ. Financial Status for FY2017

Total Assets	Assets increased by ¥122.6 billion compared to the end of FY2016 due to an increase in Non-current assets mainly because of an increase in Construction in progress with countermeasure constructions to improve safety of nuclear power stations and an increase in Nuclear fuel and also because of additional record of deferred tax assets as a result of assessing the realizability of deferred tax assets, while current assets like cash and deposits decreased.
Liabilities	Liabilities increased by ¥43.2 billion compared to the end of FY2016 mainly due to an increase in Accrued taxes, Notes and accounts payable-trade and Other Current liabilities, though interest-bearing debt decreased.
Equity	Net assets increased by ¥79.3 billion compared to the end of FY2016 mainly due to record of Profit attributable to owners of parent in spite of a decrease by payment of the dividend. Shareholders' equity ratio went up to 13.4%.

Consolidated

(Billions of Yen)

	Mar.31,2018	Mar.31,2017	Difference
Total Assets	4,710.1	4,587.5	122.6
Liabilities	4,056.1	4,012.9	43.2
Interest-bearing Debt	3,243.8	3,313.9	-70.1
Equity	653.9	574.5	79.3
Equity Ratio (%)	13.4	12.0	1.4

Non-Consolidated

(Billions of Yen)

	Mar.31,2018	Mar.31,2017	Difference
Total Assets	4,230.9	4,141.5	89.3
Liabilities	3,742.1	3,705.0	37.0
Interest-bearing Debt	3,024.2	3,100.5	-76.3
Equity	488.7	436.4	52.3
Equity Ratio (%)	11.6	10.5	1.1

Ⅱ－① Balance Sheet (Non-Consolidated)

Assets

(Billions of Yen)

	Mar.31,2018	Mar.31,2017	Difference	Explanations
Non-current assets	3,654.0	3,493.3	160.7	Construction in progress 151.5　Nuclear fuel 19.6　Deferred tax assets 25.6 Utility Property, Plant and Equipment　-51.0
Current assets	576.8	648.2	-71.3	Cash and cash equivalents　-74.4（Mar.31,2018 286.8 ← Mar.31.2017　361.3）
Total	4,230.9	4,141.5	89.3	

Liabilities and Equity

(Billions of Yen)

	Mar.31,2018	Mar.31,2017	Difference	Explanations
Liabilities	3,742.1	3,705.0	37.0	Accrued expenses　34.9　Taxes payable　29.5 Accounts payable　23.2　Interest-bearing Debt -76.3
Equity	488.7	436.4	52.3	FY2017 Net Income 69.0　Year-end dividend -10.6　Interim dividend -6.4 [Equity Ratio] Mar.31,2018 11.6%　←　Mar.31,2017　10.5%
Total	4,230.9	4,141.5	89.3	+1.1%

【 The breakdown of Interest-bearing Debt 】

(Billions of Yen)

	Mar.31,2018	Mar.31,2017	Difference
Bonds	1,294.4	1,294.4	-
Loans	1,729.8	1,806.1	-76.3
Total	3,024.2	3,100.5	-76.3

Ⅲ. Cash Flow (Consolidated) for FY2017

Consolidated

(Billions of Yen)

	FY2017	FY2016	Difference	Explanations
Cash flows from operating activities (A)	355.9	188.0	167.9	Decrease in consumption and income taxes paid 73.7 Decrease in expenditures of payments of accrued contributions for reprocessing of irradiated nuclear fuel 36.1
Cash flows from investing activities	-321.7	-275.0	-46.7	Increase of purchase of non-current asset -48.0 Increase of investment-return 6.6
Reposting of capital expenditures including nuclear fuel [Figures are included above] (B)	(-352.7)	(-304.6)	(-48.0)	
Cash flows from financing activities	-90.3	78.3	-168.7	Increase of repayments of bonds -169.9 (Decrease in FY2017 -0.6 ← Increase in FY2016 169.3)
Change in cash & cash equivalents	-53.9	-9.9	-44.0	

(Reference) Free cash flows (A) + (B)	3.2	-116.6	119.9

Ⅳ. Year-End Dividends for FY2017

As for dividends, we maintain a stable dividend, with amounts determined based on a comprehensive analysis of performance and other factors.

As for the year-end dividends, we decide to pay ¥10 per common share.

Regarding class A preferred share, we decide to pay year-end dividend of total amount of ¥1,750,000,000.

Common Share

（Unit : yen）

	A Dividend per Share		
	End of the 2Q	End of the FY	Total
FY 2017	10	10	20
FY 2016	0	15	15

Class A Preferred Share

（Unit : thousand yen）

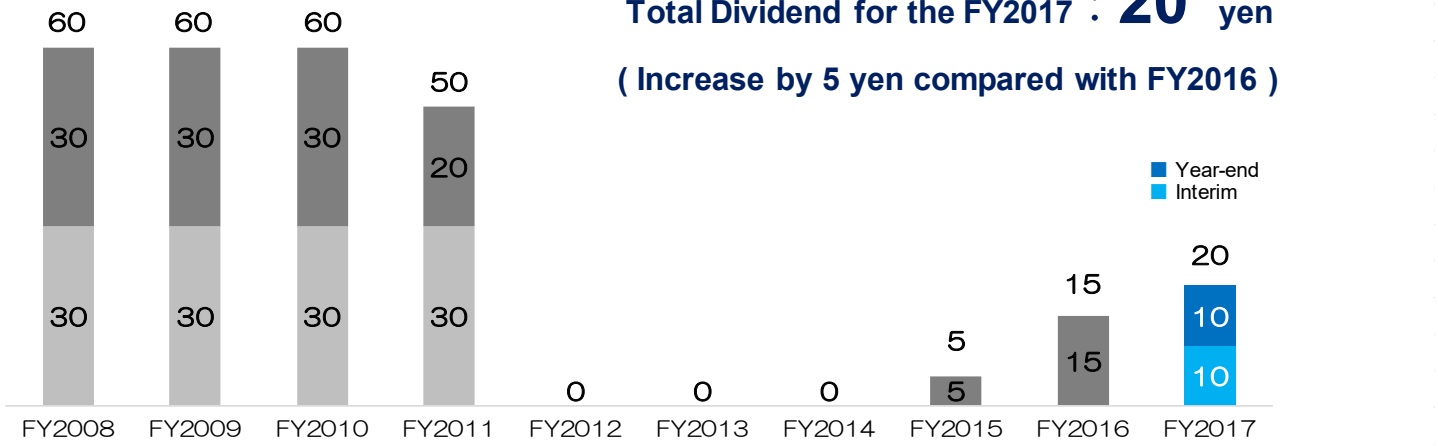
	A Dividend per Share		
	End of the 2Q	End of the FY	Total
FY 2017	1,750	1,750	3,500
FY 2016	0	3,500	3,500

【 Changes of a dividend per share（Common Stock） 】

（unit : yen）

Total Dividend for the FY2017 : 20 yen

(Increase by 5 yen compared with FY2016)



Forecasts of Financial Results and Dividends for FY2018

Sales (Increase), Ordinary Income (Surplus)

Sales : **2,005** billions of yen （Increase by **2.3%** Compared with FY2017）

Ordinary income : **80** billions of yen （Increase by **8.6%** Compared with FY2017）

Sales

We expect that Sales will increase to ¥2,005.0 billion mainly due to an increase in electricity sales for other companies and the grant based on the Act on Purchase of Renewable Energy Sourced Electricity in spite of a decrease in lighting and power revenues mainly due to reactionary decline attributable to increased demand from the effects of temperature in FY2017 and a decrease of electricity contract caused by the progress of competition.

Ordinary income

We expect that Ordinary income will increase to ¥80 billion. We expect improvement in financial standing due to restart of Genkai Nuclear Power Unit No.3 and 4, on the other hand fuel cost and maintenance cost will increase due to the periodic inspections of Sendai Nuclear Power Station Unit No.1 and 2, and lighting and power revenues will decrease. Considering these situation, we will make efforts for thorough group-wide cost reduction throughout business activities.

Profit attributable to owners of parent

We expect that Profit attributable to owners of parent will decrease to ¥55 billion, due to an increase in income taxes caused by the effect of recording deferred tax assets additionally in FY2017.

Consolidated

(Billions of Yen, %)

	FY2018 (Forecast)	FY2017	Difference	Ratio
Sales	2,005.0	1,960.3	44.7	102.3
Operating income	105.0	103.1	1.9	101.8
Ordinary income	80.0	73.6	6.4	108.6
Profit attributable to owners of parent / Net income	55.0	86.6	-31.6	63.5

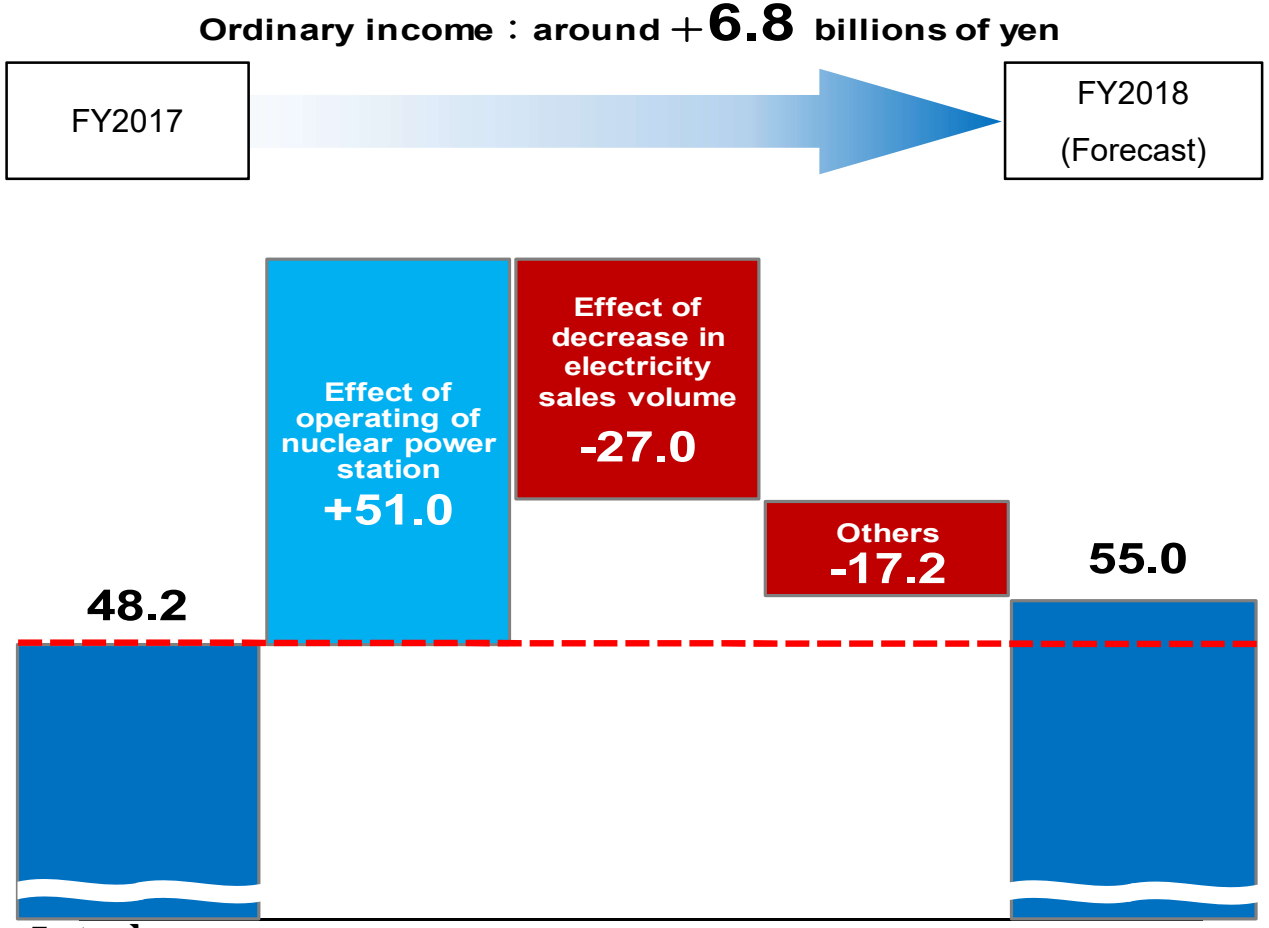
Non-Consolidated

(Billions of Yen, %)

FY2018 (Forecast)	FY2017	Difference	Ratio
1,865.0	1,823.5	41.5	102.3
85.0	81.2	3.8	104.7
55.0	48.2	6.8	114.1
40.0	69.0	-29.0	58.0

【Major Factors in the Changes in Ordinary Income】

(Billions of Yen)



【Reference：Key Factors】

(Billions of Yen)

	FY2018	FY2017	Difference	Financial impact	
Electricity Sales Volume	73.0 billions kWh	76.8 billions kWh	-3.8 billions kWh		
Crude Oil CIF Price	65 $/b	57 $/b	8 $/b	(1$/b)	1.0
Exchange Rate	110 ¥/$	111 ¥/$	-1 ¥/$	(1¥/$)	1.9
Utilization Rate of Nuclear Power	73.4%	36.7%	36.7%	(1%)	2.5

Ⅱ. Forecasts of Dividends for FY2018

As for forecasts of dividends for the FY2018, based on a comprehensive analysis of operating results and medium to long-term balance situation and financial condition and other factors, we plan to pay a dividend of ¥30 per common share (interim of ¥15 and year-end of ¥15) and to pay a dividend of ¥3,500,000 per class A preferred share (interim of ¥1,750,000 and year-end of ¥1,750,000).

Common Share

（Unit : yen）

	A Dividend per Share		
	End of the 2Q	End of the FY	Total
FY 2018	(15)	(15)	(30)
FY 2017	10	10	20

※The number with （） for the FY 2018 is a forecast.

Class A Preferred Share

（Unit : thousand yen）

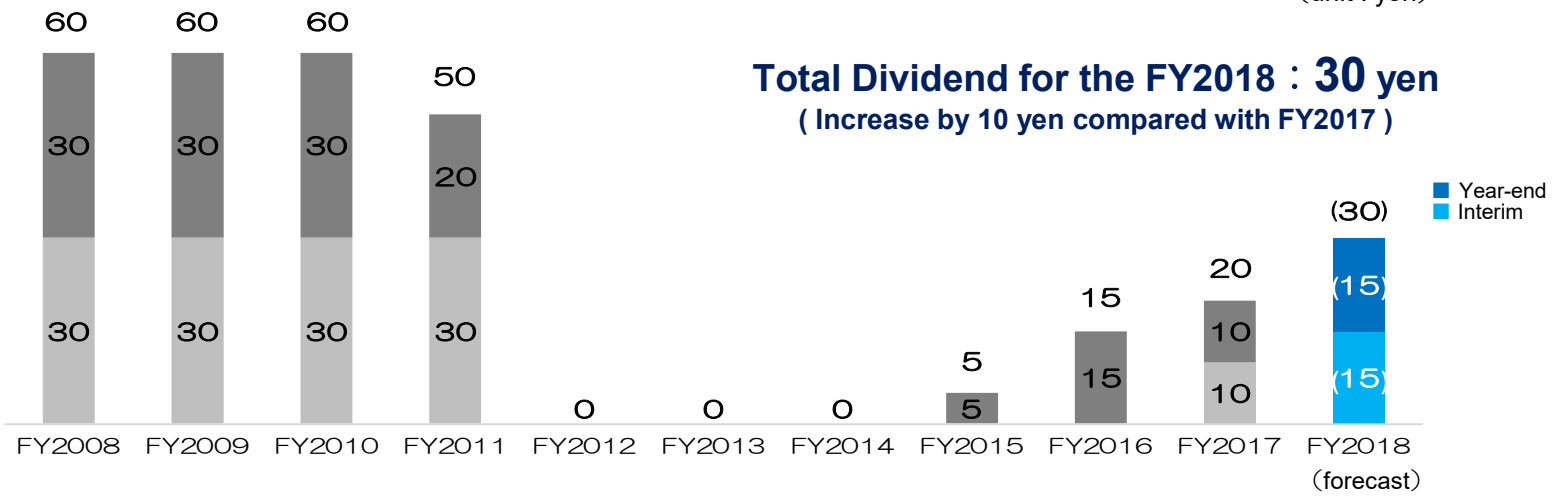
	A Dividend per Share		
	End of the 2Q	End of the FY	Total
FY 2018	(1,750)	(1,750)	(3,500)
FY 2017	1,750	1,750	3,500

Changes of a dividend per share（Common Stock）

（unit : yen）

Total Dividend for the FY2018 : 30 yen

(Increase by 10 yen compared with FY2017)



(Reference)

Ordinary Revenues, Ordinary Expenses, Ordinary Income/Loss, Net Income/Loss

Non-Consolidated

（Billions of Yen）

		FY2013	FY2014	FY2015	FY2016	FY2017
Ordinary Revenues	Lighting	656.6	648.5	614.2	594.8	628.6
	Power	871.4	897.6	823.6	747.6	763.3
	Sub Total	(1,528.1)	(1,546.1)	(1,437.9)	(1,342.5)	(1,391.9)
	Other	176.2	225.8	285.8	365.6	438.2
	(Sales)	(1,682.9)	(1,761.2)	(1,705.4)	(1,696.7)	(1,823.5)
	Total	1,704.4	1,771.9	1,723.7	1,708.1	1,830.2
Ordinary Expenses	Labor	113.7	113.1	131.0	132.6	137.0
	Fuel	754.4	678.4	364.7	263.5	312.0
	Power purchase	314.9	372.4	386.8	409.8	468.3
	Maintenance	103.1	126.6	144.4	152.7	142.6
	Depreciation	172.3	164.7	167.0	176.3	170.2
	Interest	38.0	38.6	37.0	33.4	30.1
	Tax and public dues	86.0	86.0	85.2	85.7	86.9
	Nuclear back-end	22.3	21.4	21.7	28.2	35.8
	Other	236.6	263.4	311.2	356.6	398.8
	Total	1,841.6	1,865.0	1,649.4	1,639.2	1,782.0
(Operating Income/Loss)		(-112.2)	(-59.3)	(97.8)	(99.5)	(81.2)
Ordinary Income/Loss		-137.2	-93.0	74.3	68.8	48.2
Reserve for Fluctuation In Water Levels		-4.3	1.6	5.9	0.9	0.1
Extraordinary Loss		57.3	9.8	7.4	9.5	—
Income Tax Income/Loss		15.3	34.1	10.4	-2.7	-20.9
Net Income/Loss		-90.9	-119.0	65.3	61.0	69.0

Revenues from Lighting and Power and from Others

Non-Consolidated

(Billions of Yen,%)

	FY2017	FY2016	Difference	Ratio
Lighting and Power	1,391.9	1,342.5	49.4	103.7

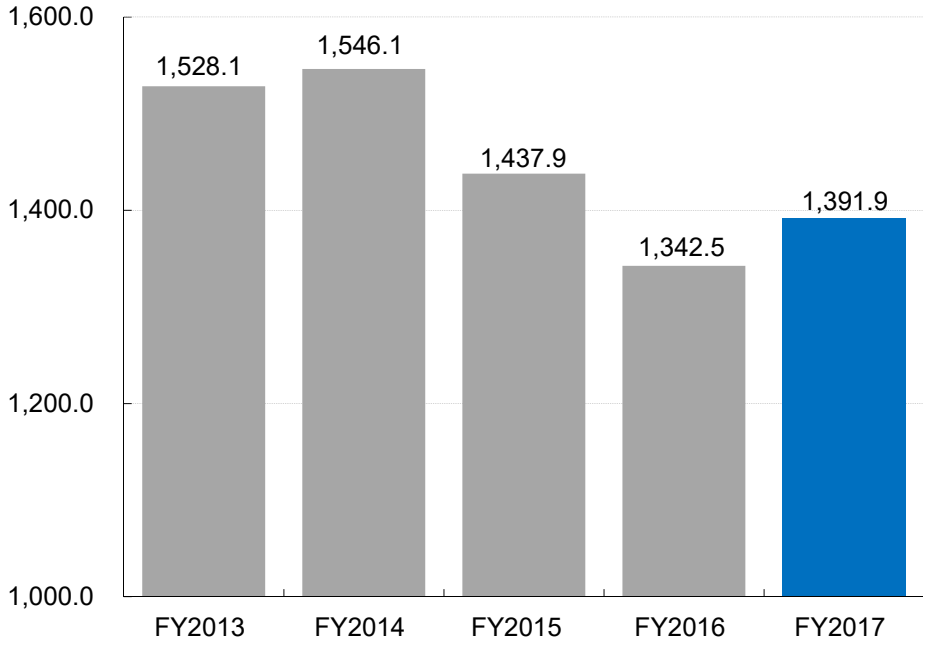
	Difference	FY2017		FY2016
1. Effect of fuel cost adjustment	66.3	(-97.6	←	-163.9)
2. Renewable Energy Power Promotion Surcharge	23.8	(175.0	←	151.1)
3. Decrease in electricity sales volume	-32.0			

(Billions of Yen,%)

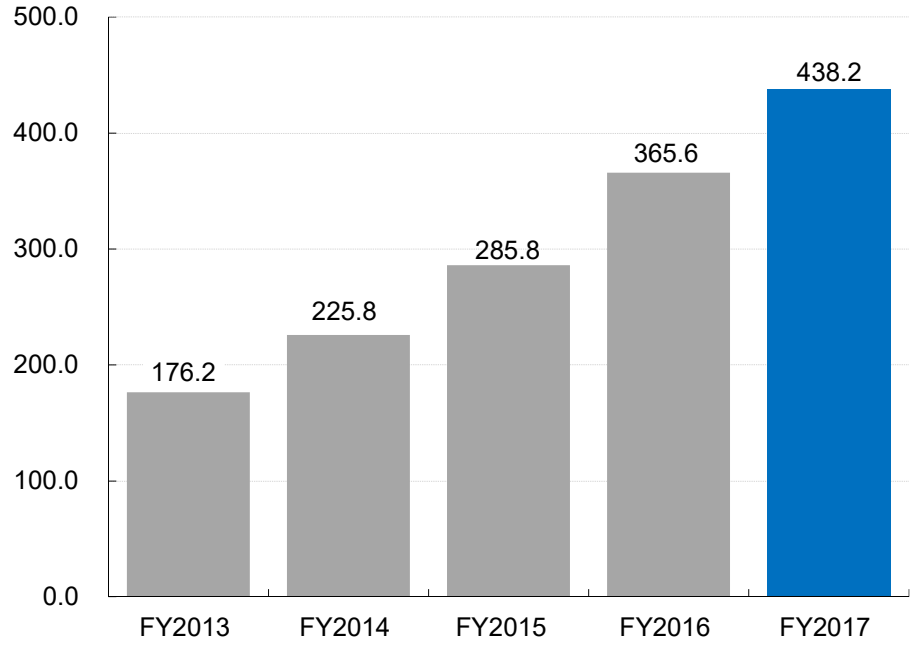
	FY2017	FY2016	Difference	Ratio
Others	438.2	365.6	72.5	119.8

	Difference	FY2017		FY2016
1. Grant based on the Act on Purchase of Renewable Energy Sourced Electricity	24.9	(287.3	←	262.4)
2. Electricity Sales to Others	26.8	(60.3	←	33.5)

【Lighting and Power】



【Others】



Expenses for Fuel and Power purchase

Non-Consolidated

(Billions of Yen,%)

	FY2017	FY2016	Difference	Ratio
Fuel	312.0	263.5	48.4	118.4

Difference

1. Increase in CIF	50.0
2. Exchange losses	5.0
3. Effect of operating of nuclear power station	-16.0

[Reference1] All Japan CIF prices

	FY2017	FY2016	Difference
Coal($/t)	102	81	21
LNG($/t)	432	362	71
Crude oil($/b)	57	48	9

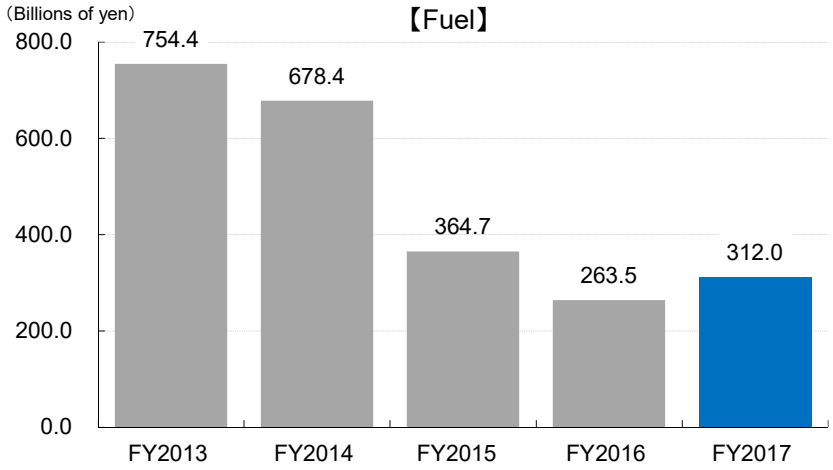
[Reference2] Fuel consumption

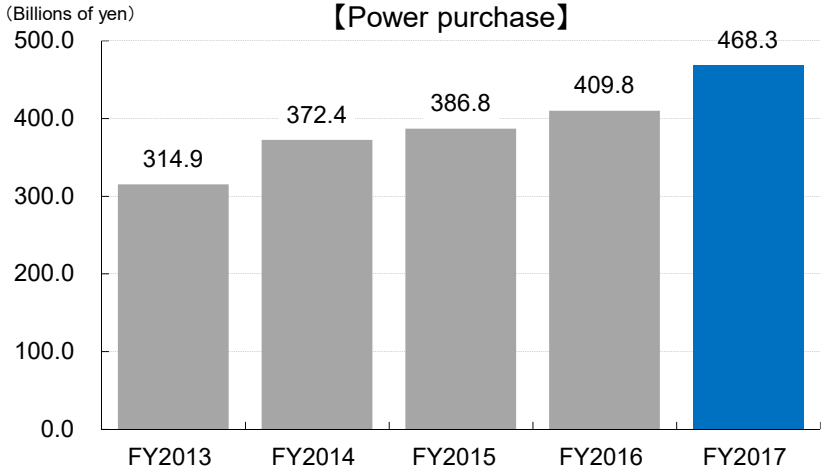
	FY2017	FY2016	Difference
Coal (ten thousand. ton)	598	626	-27
Heavy oil (ten thousand. kiloliter)	38	27	10
Crude oil (ten thousand. kiloliter)	15	14	—
LNG (ten thousand. ton)	373	405	-32

(Billions of Yen,%)

	FY2017	FY2016	Difference	Ratio
Power purchase	468.3	409.8	58.5	114.3

	Difference	FY2017		FY2016
1. Purchase from other companies	58.5	(467.5	←	408.9)
◆ Purchase of Renewable Energy Sourced Electricity	44.9	(347.4	←	302.4)
◆ Thermal from other companies	13.1	(104.3	←	91.2)





Expenses for Maintenance and Depreciation

Non-Consolidated

(Billions of Yen,%)

	FY2017	FY2016	Difference	Ratio
Maintenance	142.6	152.7	-10.0	93.4

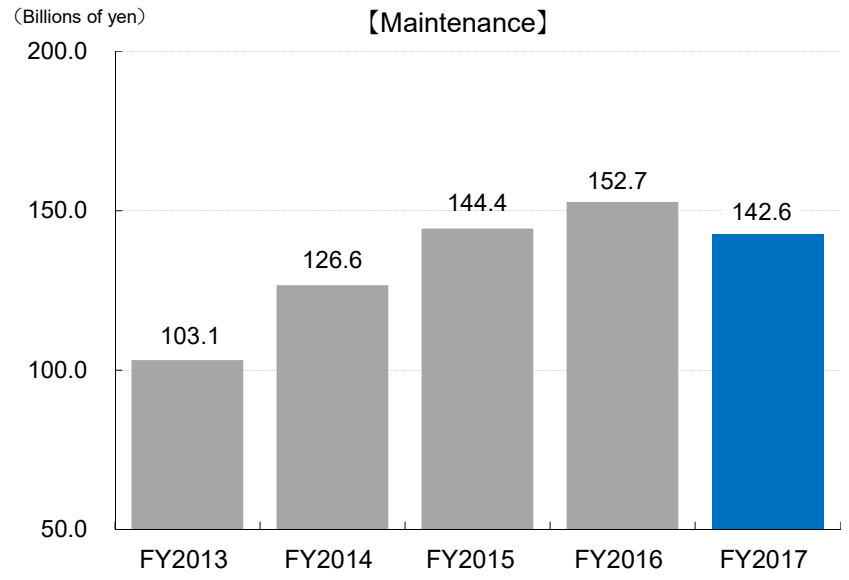
	Difference	FY2017		FY2016
1. Nuclear	-19.8	(32.5	←	52.3)
2. Transmission	2.6	(9.9	←	7.2)
3. Thermal	2.2	(32.2	←	30.0)
4. Substation	1.6	(4.5	←	2.9)

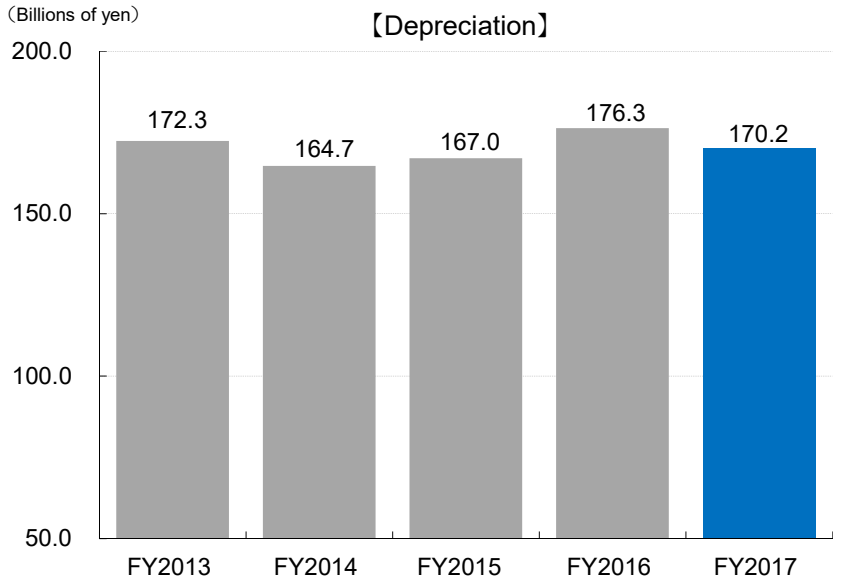
(Billions of Yen,%)

	FY2017	FY2016	Difference	Ratio
Depreciation	170.2	176.3	-6.1	96.5

	Difference	FY2017		FY2016
1. Ordinary depreciation	-4.9	(170.2	←	175.1)
◆ Nuclear	-2.3	(34.4	←	36.8)
◆ Transmission	-0.9	(39.5	←	40.5)
◆ General	-0.9	(11.9	←	12.8)
2. Commissioning depreciation	-1.2	(–	←	1.2)

◆ Shin-Oita Power Station No.3,4 expansion
(Test operation started on Jan 2016 / Commercial operation started on Jun 2016)





Expenses for Labor and Others

Non-Consolidated

(Billions of Yen,%)

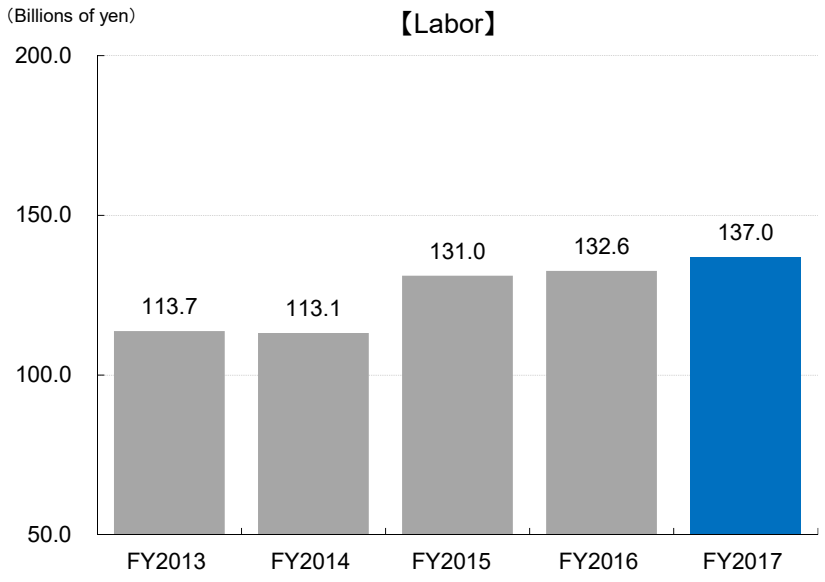
	FY2017	FY2016	Difference	Ratio
Labor	137.0	132.6	4.3	103.3

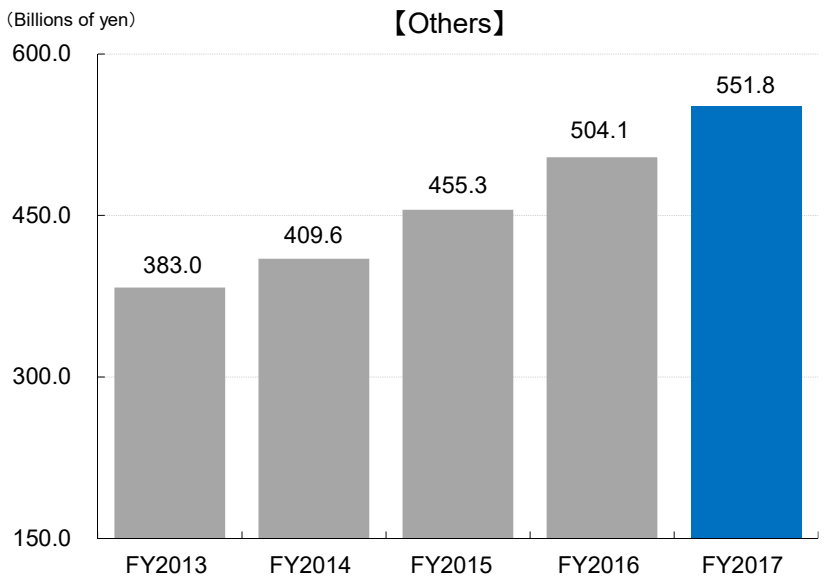
	Difference	FY2017		FY2016
1. Salary	3.0	(99.0	←	95 .9)
2. Employee retirement benefits	2.0	(11.0	←	8.9)

(Billions of Yen,%)

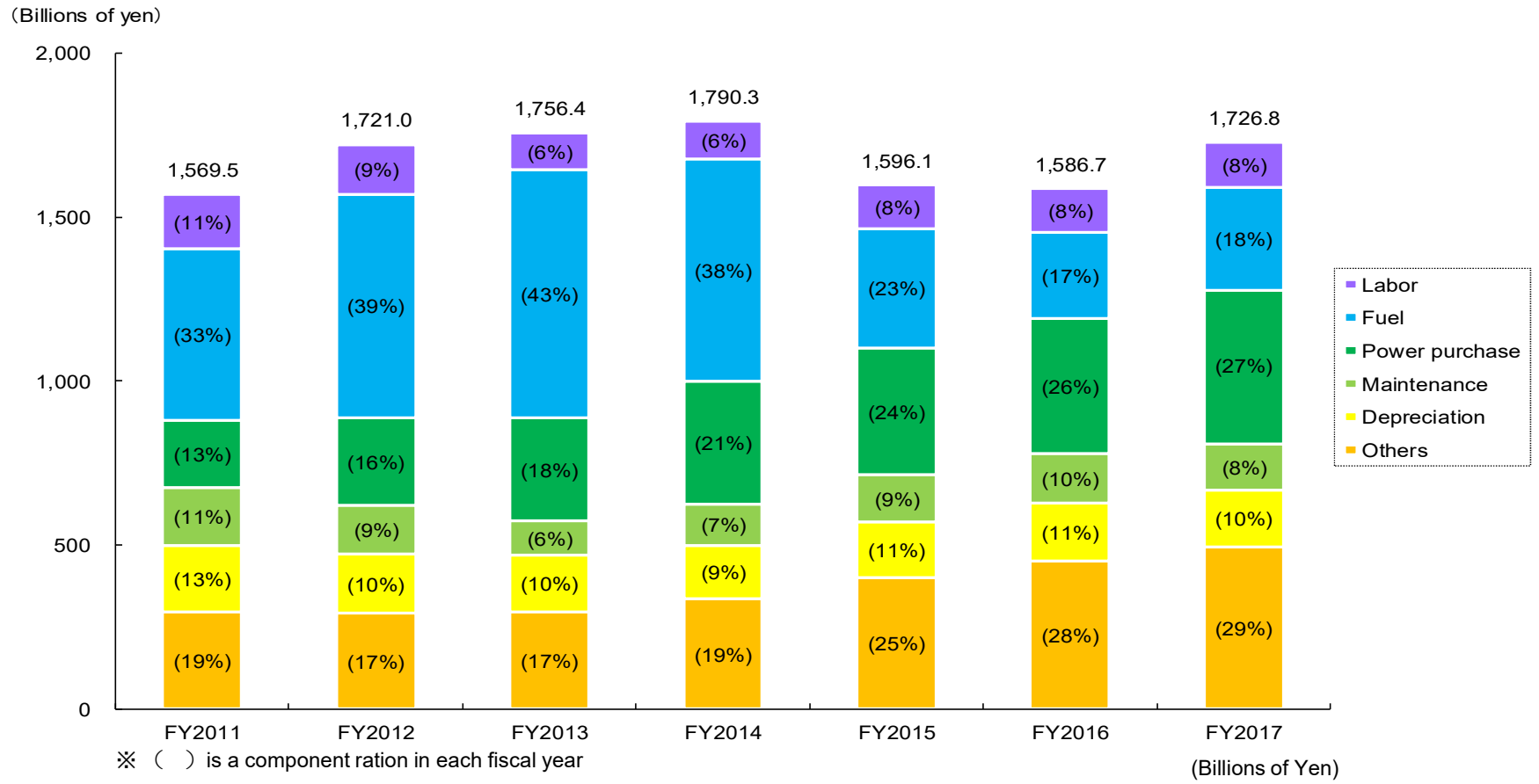
	FY2017	FY2016	Difference	Ratio
Others	551.8	504.1	47.6	109.5

	Difference	FY2017		FY2016
1. Levy based on the Act on Purchase of Renewable Energy Sourced Electricity	23.8	(175.0	←	151.1)
2. Miscellaneous cost	10.2	(160.7	←	150.4)
3. Nuclear back-end	7.6	(35.8	←	28.2)





Components of Operating Expense in Electricity Business

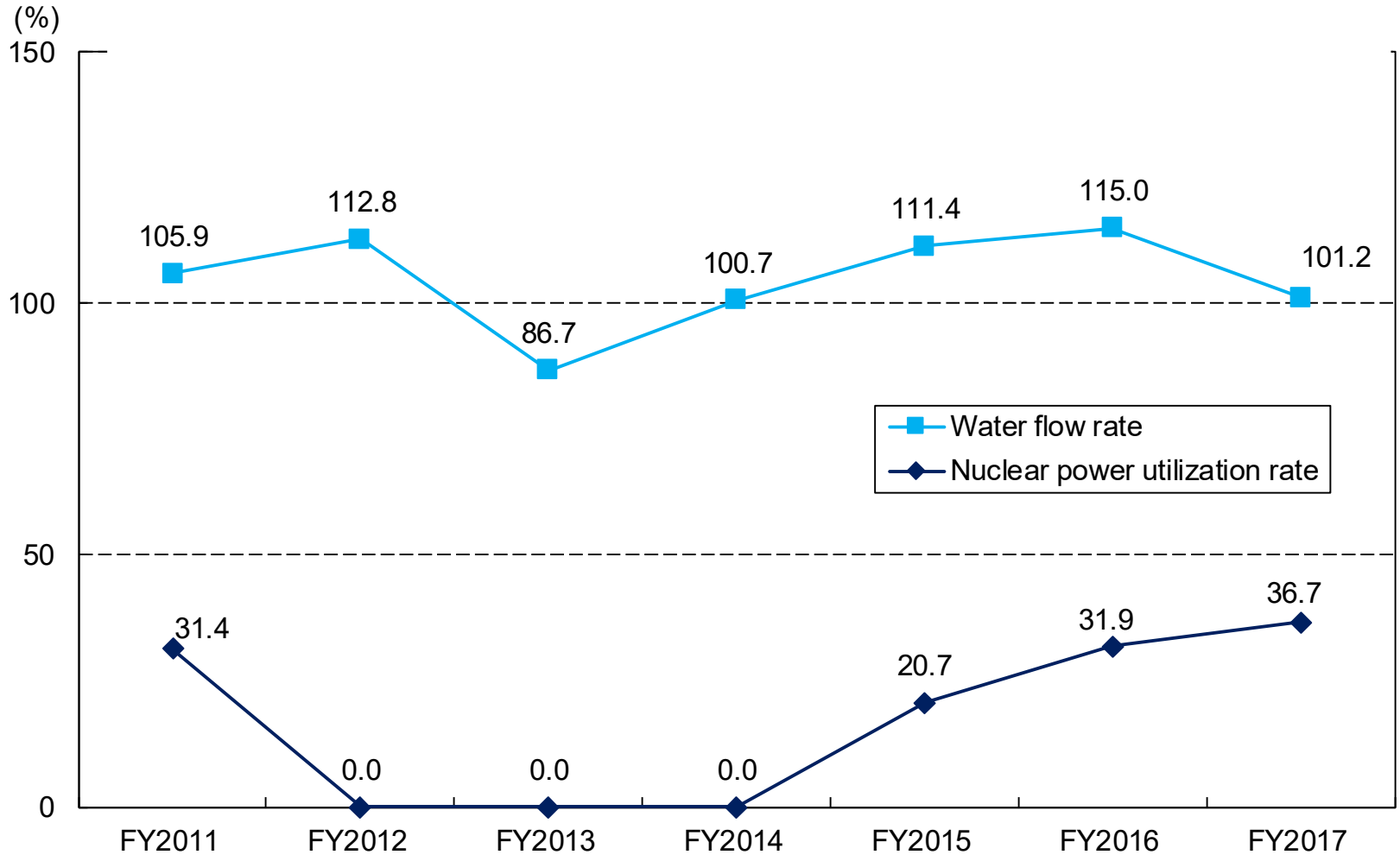


※（ ）is a component ration in each fiscal year

(Billions of Yen)

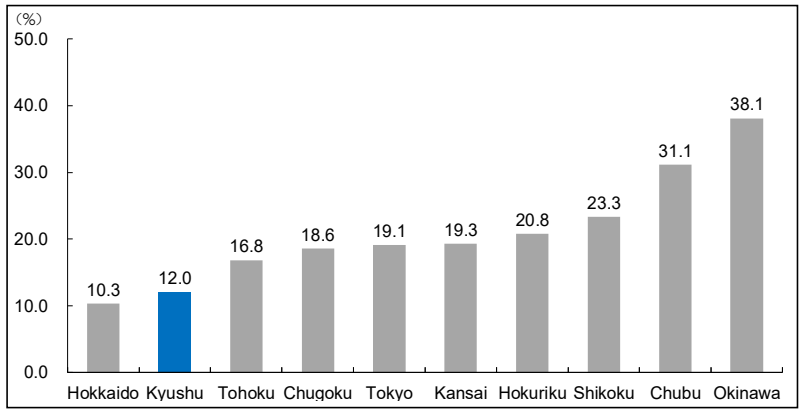
Labor	167.9	151.8	113.7	113.1	131.0	132.6	137.0
Fuel	520.2	679.7	754.4	678.4	364.7	263.5	312.0
Power purchase	206.0	269.5	314.9	372.4	386.8	409.8	468.3
Maintenance	176.0	147.9	103.1	126.6	144.4	152.7	142.6
Depreciation	202.1	180.1	172.3	164.7	167.0	176.3	170.2
Others	297.0	291.7	297.7	334.9	402.0	451.5	496.6
Total	1,569.5	1,721.0	1,756.4	1,790.3	1,596.1	1,586.7	1,726.8

Water Flow Rate and Nuclear Power Utilization Rate

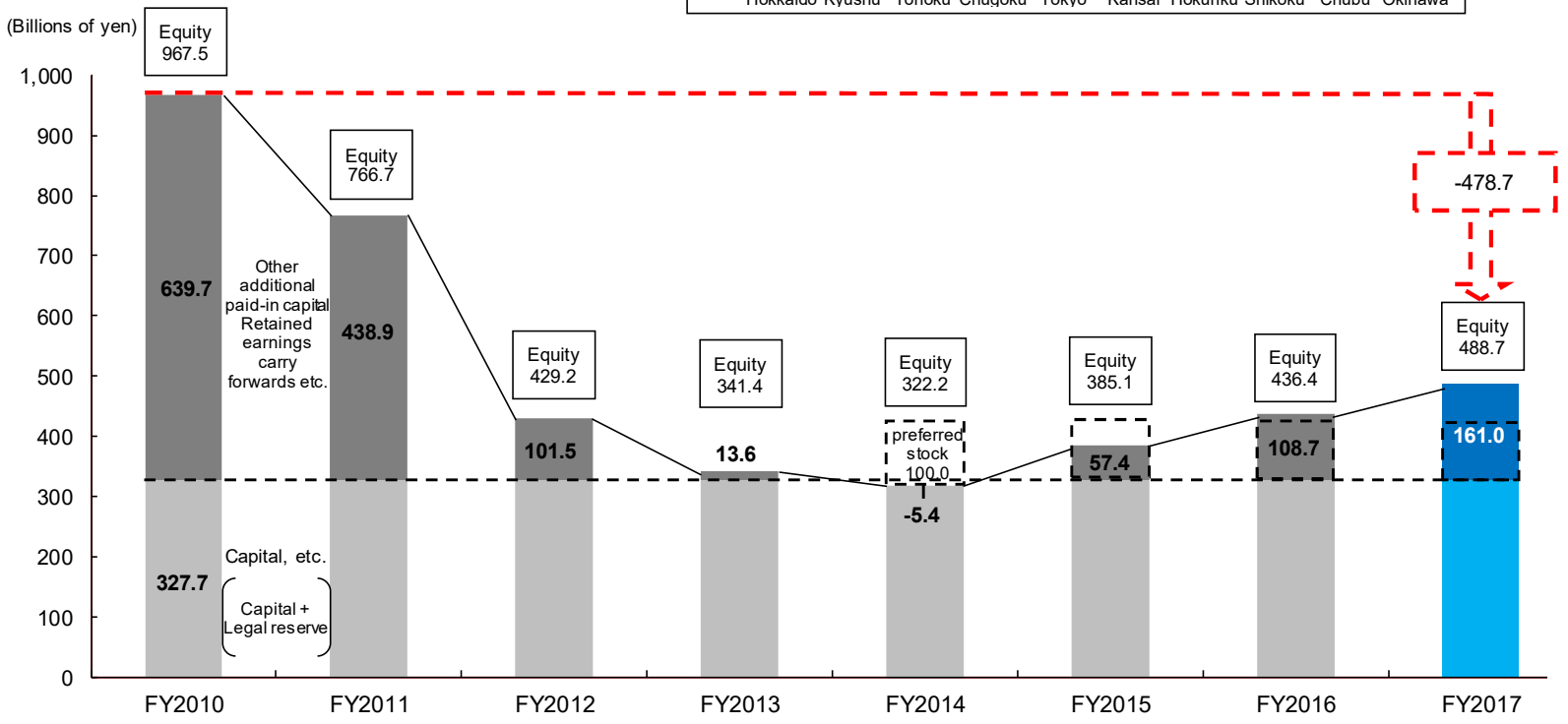


Equity Ratio

(Reference) Equity ratio of electric power companies in Japan (FY2016 Consolidated)



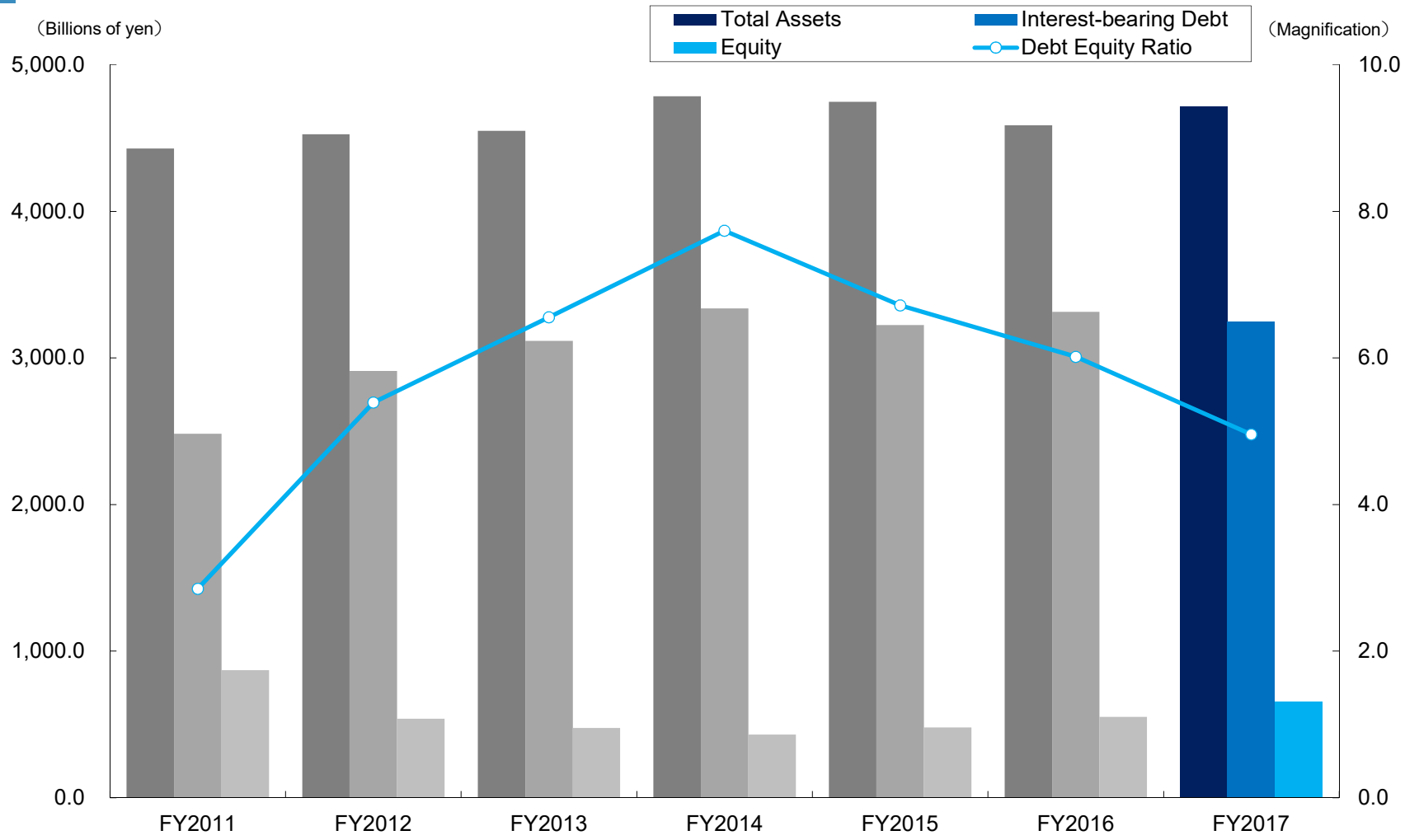
Non-Consolidated



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

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

Consolidated

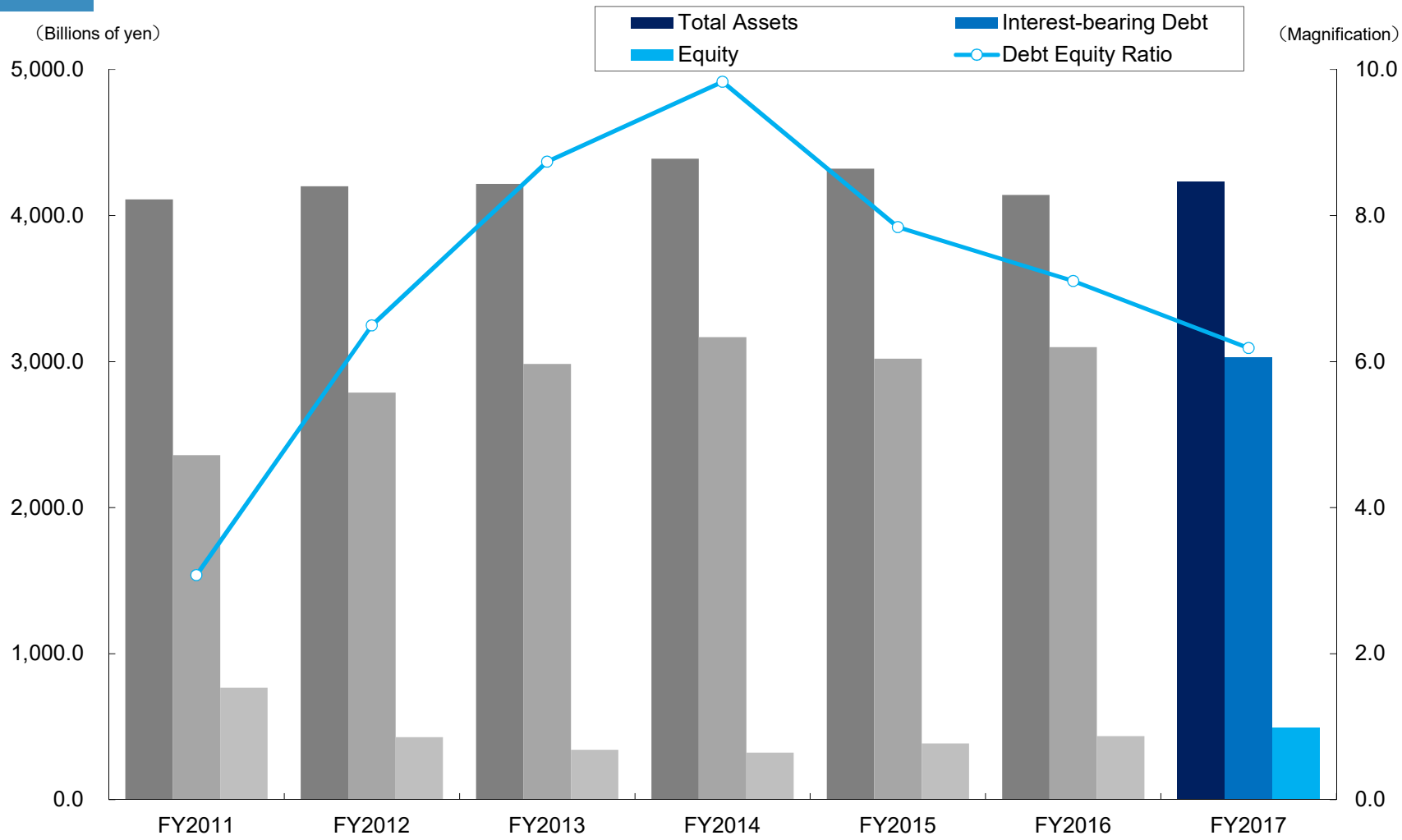


(Billions of Yen, Magnification)

Total Assets	4,428.0	4,526.5	4,549.8	4,784.7	4,748.2	4,587.5	4,710.1
Interest-bearing Debt	2,483.2	2,910.7	3,116.7	3,337.9	3,224.8	3,313.9	3,243.8
Equity	870.3	539.6	475.5	431.5	479.9	574.5	653.9
Debt Equity Ratio	2.9	5.4	6.6	7.7	6.7	6.0	5.0

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

Non-Consolidated

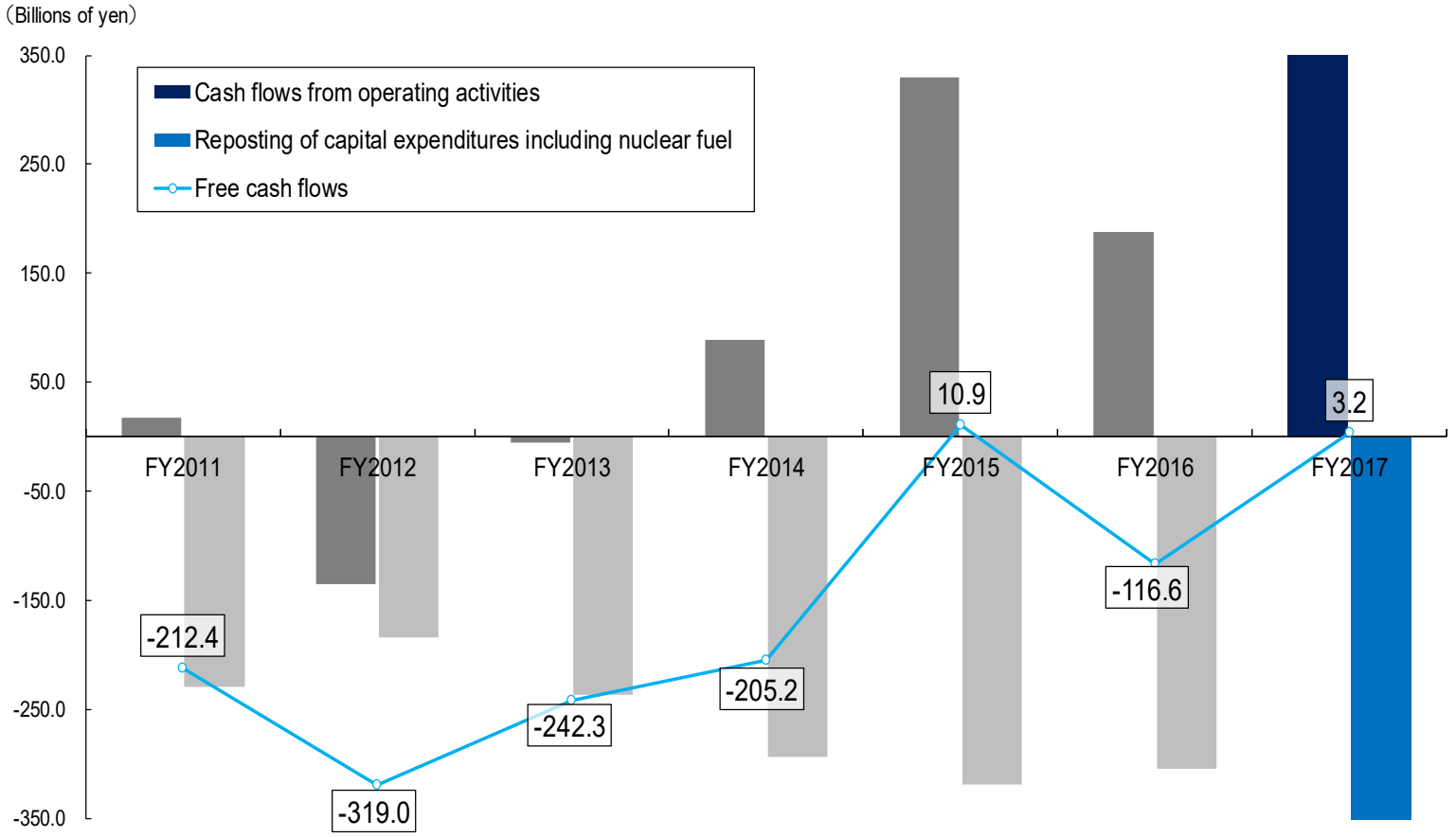


(Billions of Yen, Magnification)

Total Assets	4,110.9	4,201.7	4,218.0	4,390.9	4,321.4	4,141.5	4,230.9
Interest-bearing Debt	2,360.1	2,789.0	2,983.8	3,168.2	3,020.0	3,100.5	3,024.2
Equity	766.7	429.2	341.4	322.2	385.1	436.4	488.7
Debt Equity Ratio	3.1	6.5	8.7	9.8	7.8	7.1	6.2

Free Cash Flow

Consolidated



(Billions of yen)

Cash flows from operating activities	16.9	-135.1	-5.9	88.7	329.4	188.0	355.9
Reposting of capital expenditures including nuclear fuel	-229.3	-183.9	-236.3	-293.9	-318.4	-304.6	-352.7
Free cash flows	-212.4	-319.0	-242.3	-205.2	10.9	-116.6	3.2

Section2 Business Update

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For achievement of the Financial Targets (Ordinary Income) 27

■ Financial Targets（Announced on June, 2017）

Shareholders' Equity Ratio	**approx. 20%**	**At the end of FY2021**
Ordinary Income	**over 110 Billion yen**	**Average for FY2017 to FY2021**
Investment for Growth	**420 Billion yen**	**Cumulative total for FY2017 to FY2021**

■ With regard to ordinary income, we will aim for further increase by "Main Initiatives" as below.

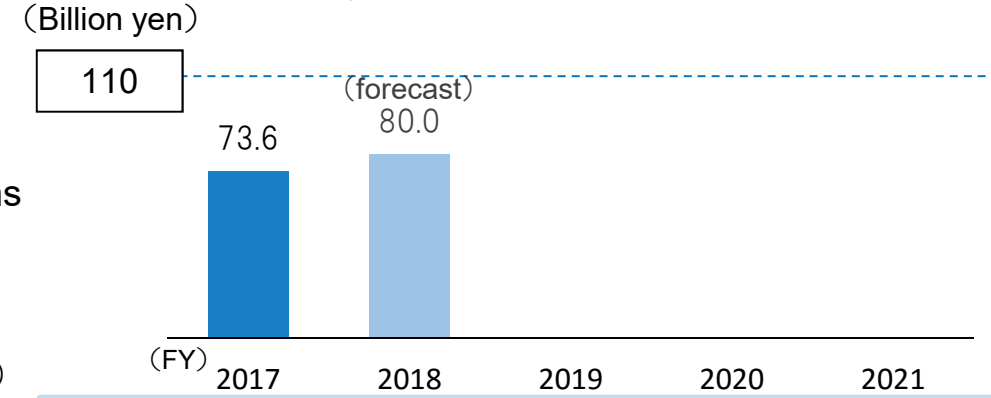
【 Main Initiatives 】

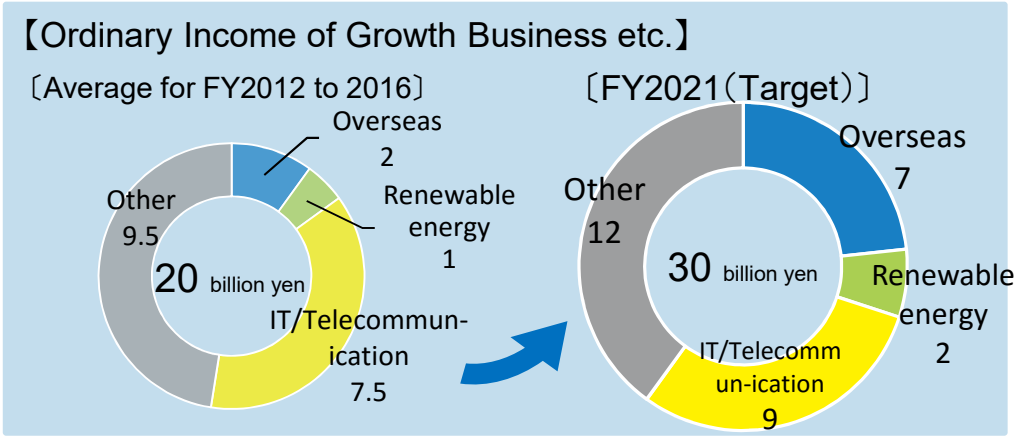
〈Electricity Business〉

- Stable operation of four nuclear power stations
- Additional building of Matsuura unit No.2
- Sales utilizing competitive power sources
  （To prevent losses of contracts and acquire electricity demand）
- Thorough efficiency improvement

〈Growth Business etc.〉

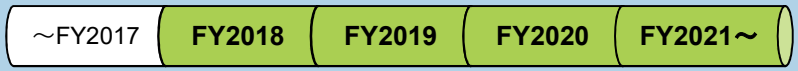
- Strengthening overseas business
- Strengthening renewable energy business
- Expansion of IT / Telecommunication business





Initiatives to securing competitive power sources

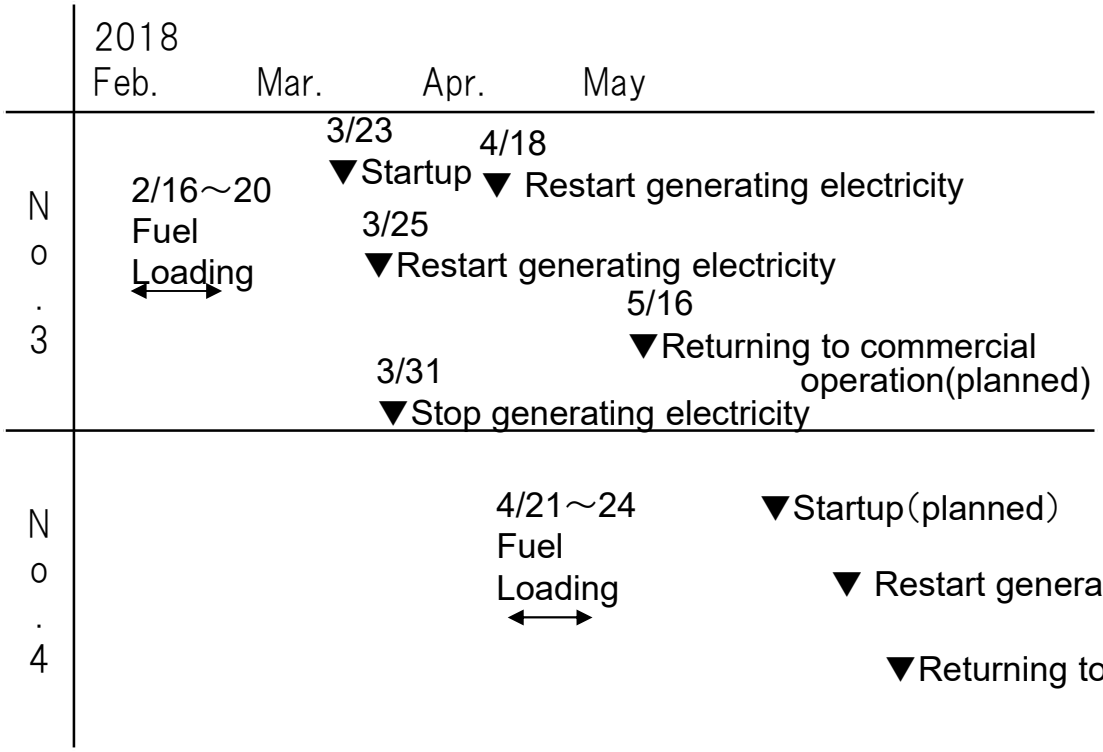
【Initiative target year image】



Status of restart process of Genkai Nuclear Power Station

- Genkai nuclear power station unit No.3 started up on March 23 and restarted generating electricity on March 25.
  On March 30, we found minute steam leak from a facility in secondary system, and stopped generating on March 31.
  After checking and taking countermeasures, restarted generating electricity on April 18.
  Aiming for returning to commercial operation on May 16, we are dealing with the NRA's inspections.
- We had implemented fuel loading for Genkai Nuclear Power Unit No.4 from April 21 to 24.
  Aiming for startup, restarting generating electricity and returning to commercial operation, we are dealing with the NRA's inspections.

〔Schedule of restart process of Genkai nuclear power station〕



- Improving the financial conditions by the restart of Genkai No.3 and 4
- Aiming for stabilization of revenue by four nuclear power stations (Genkai and Sendai).

〔Nuclear Power Utilization Rate〕
（on 5 unit basis including Genkai unit No.2）

FY2018（A）	FY2017（B）	Difference（A-B）
73.4%※	36.7%	36.7%

※ Premise of financial forecasts for FY2018
(Announced on April 27)（See page14）

～FY2017	FY2018	**FY2019**	**FY2020**	**FY2021～**

Progress of construction of Matsuura unit No.2

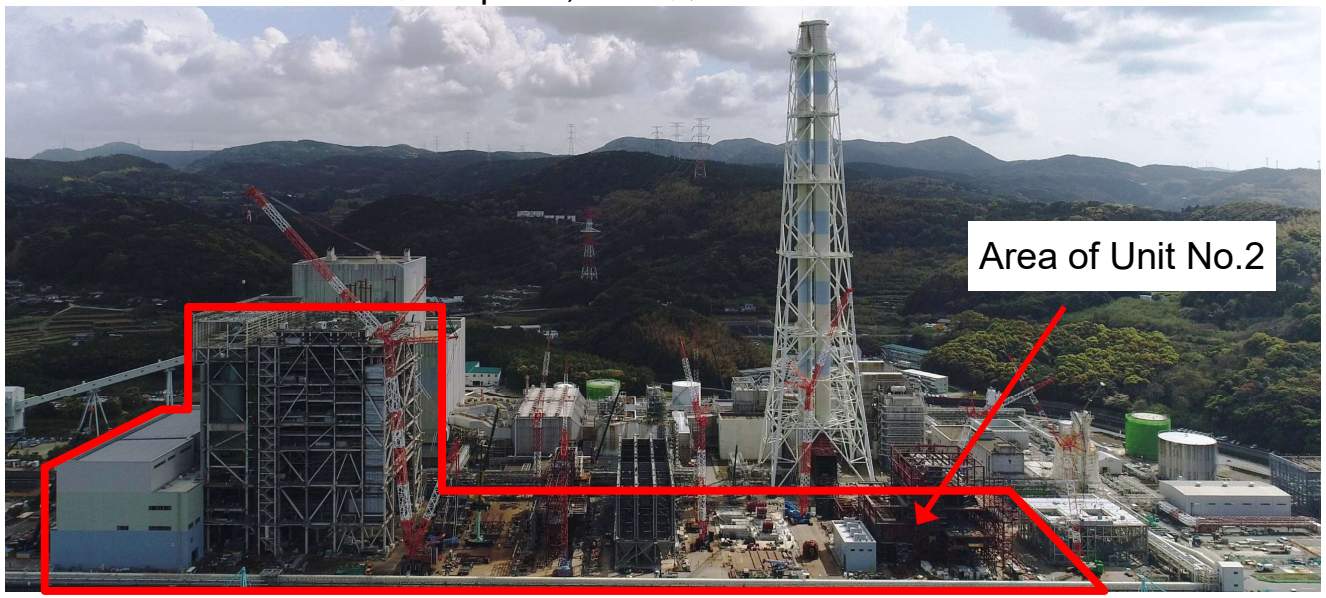
- We have endeavored to develop Matsuura unit No.2 with the latest technology, for securing a power source that has both competitiveness and reliability.
- We aim to reduce fuel consumption and environmental impact by adopting USC* that is high efficiency technology.
- At the end of March 2018, progress rate of construction is 62.0%.

*Ultra-super critical (USC): This is a highly efficient method of generating electricity that reduces environmental impact, boosting thermal efficiency by using steam under higher temperatures and pressures to generate electricity.

〔Outline of Matsuura Unit No.2〕

Location	Matsuura city, Nagasaki prefecture	**Output**	1,000MW
Generation System	USC coal powder thermal	**Fuel**	Coal
Thermal efficiency (generation-end)	Approx. 45% or more （lower calorific value）	**Start of operation**	December 2019

〔Panoramic photo of Matsuura Unit No.2（ at April 4, 2018）〕



Initiatives to further improvement of thermal power plants availability

~FY2017 | FY2018 | FY2019 | FY2020 | FY2021~

- In accordance with the revision of the Electricity Business Act in April 2017, thermal power stations certified as being engaged in advanced operation management (constant monitoring etc.), are allowed to extend statutory inspection intervals up to 6 years. (System S certification)
- We have been aiming for acquisition of System S certification of all thermal power stations since FY2017, and we will make an effort to enhance operation management and further improve availability on the premise of securing safety.

[Before]

	1st year	2nd year	3rd year	4th year	5th year	6th year
Boiler		Inspection		Inspection		inspection
Turbine				Inspection		

[After certified]

	1st year	2nd year	3rd year	4th year	5th year	6th year
Boiler						Inspection
Turbine						inspection

▼ Constant monitoring at thermal power plant

[Status of acquisition of certification]

Power Station	Fuel	Examination	Certified
Reihoku	Coal	June 2017	July 2017
Shin-Oita	LNG	Nov. 2017	Jan. 2018
Sendai	Heavy Crude Oil	Jan. ~ Feb. 2018	Mar. 2018

Power Station	Fuel	Examination	Certified
Karita	Coal	Mar. 2018	pending
Shin-Kokura	LNG	May 2018 (planned)	—
Matsuura	Coal	June 2018(planned)	—

Sales utilizing competitive power sources

~FY2017 | FY2018 | FY2019 | FY2020 | FY2021~

Initiatives to prevent losses of contracts and acquire electricity demand

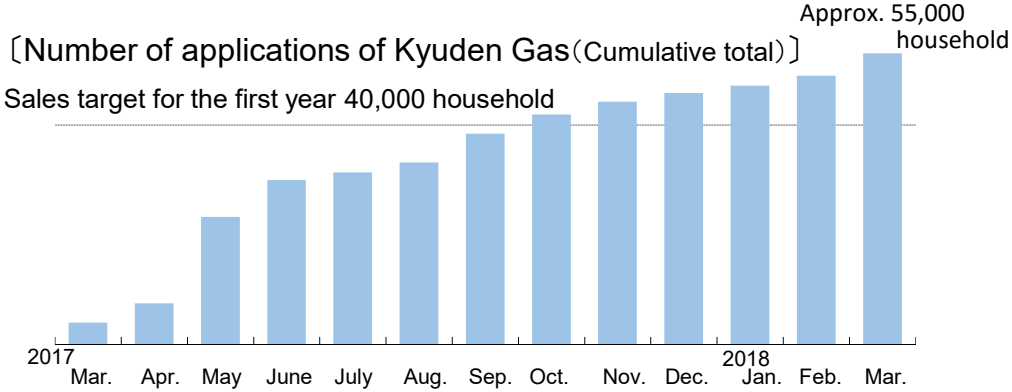
- We continue to proactively engage in initiatives to meet directly with customers, and promote economical all–electric service and electricity and gas bundling.

▼ IH Cooking Class at cooking studio

▼ Promotion of “Kyuden Gas” at shopping mall

- With regard to retail gas sales started in April 2017, we provide in city gas service area of Fukuoka and Kitakyushu district, and we achieved in half a year 40,000 sales targets for the first year.（as of the end of March 2018 approx.55,000 sales）
- We are considering initiatives to acquire more contracts, such as strengthening sales system of agents and improving services including safety aspects.

〔Number of applications of Kyuden Gas（Cumulative total）〕



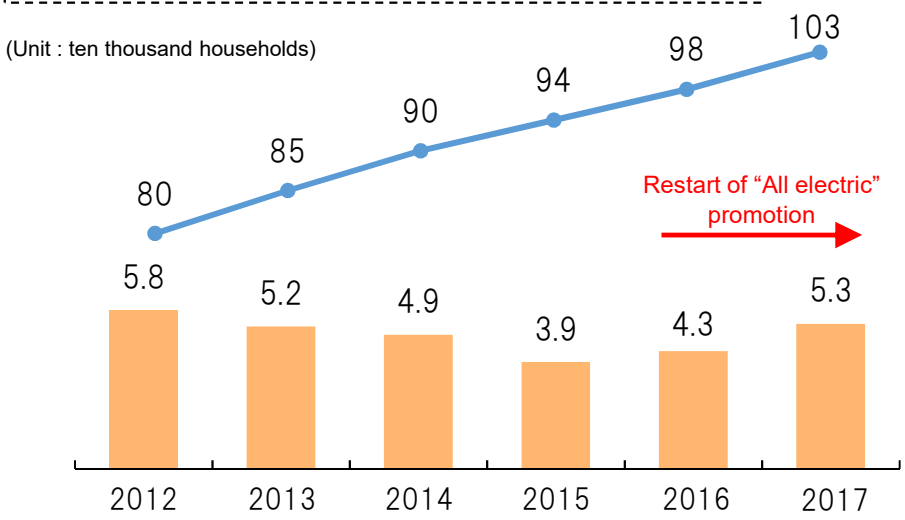
～FY2017	FY2018	FY2019	FY2020	FY2021～

Initiatives to expand electricity demand

- We promote proposal activities for the spread of “all-electric”. We introduced “all-electrification demonstration vehicle” since November 2017, and are visiting more customers for promoting merit of all-electric widely.
- As of the end of March 2018, cumulative total of “All-electric” household is 1,030 thousand households.

[The number of contracts of “All-electric”]

Bar graph /the number of “All-electric” household (in each FY)
Line graph /Cumulative total of “All-electric” household (at the end of FY)



▼ Announcement event of all-electrification demonstration vehicle

Reference the retail electricity business in Kanto area

- In April 2016, wholly-owned subsidiary Kyuden Mirai Energy launched retail electricity sales in Kanto area since April 2016.
  (Acquired approx. 6,700 customers at the end of March 2018)
- In addition to existing “Basic plan” and “JAL mile plan”, applications for "WAON plan" for earning WAON points are accepted since March 2018.

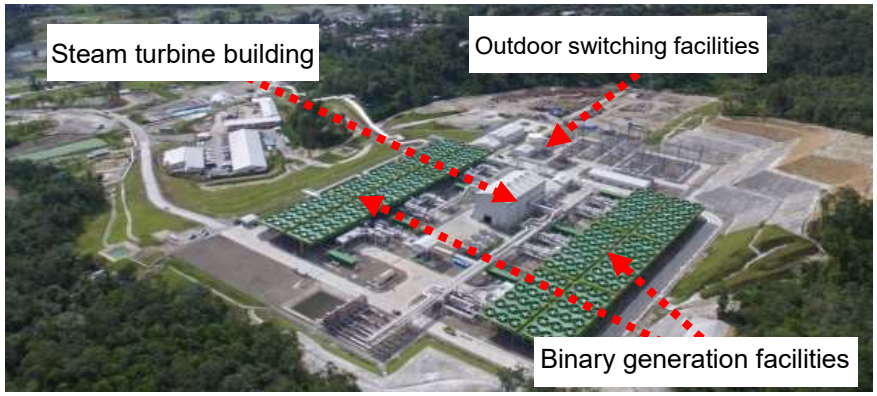
Pursuing growth by actively developing growth business

~FY2017 | FY2018 | FY2019 | FY2020 | FY2021~

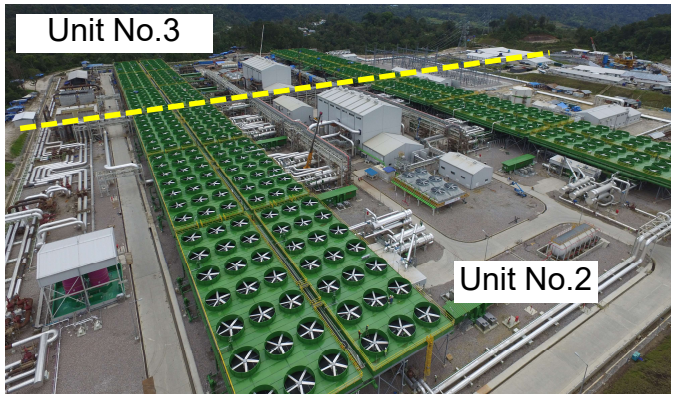
Commercial operation of all units of Sarulla Geothermal IPP Project in Indonesia

- In May 2018, the third unit of Sarulla Geothermal IPP Project in Indonesia, one of the world's largest geothermal power plants, commenced commercial operation. As a result, all units of the project have become in commercial operation. (Total capacity came to approximately 330MW)
- We have an electricity sales contract for 30 years with EPCO owned by Indonesia government, so stable profits are expected.

〔Unit No.1〕



〔Unit No.2/Unit No.3〕



〔Outline of Sarulla geothermal IPP Project〕

Location	Sarulla area, the north of Sumatra island, Indonesia
Business Outline	・Total development from geothermal resources development to generation ・Electricity sales contract with EPCO owned by Indonesia government for 30 years
Output	Approx. 330MW (3 units)
Investment Ratio	25%
Start of Operation	Unit No.1：March 2017 Unit No.2：October 2017 Unit No.3：May 2018

~FY2017 | FY2018 | **FY2019** | **FY2020** | **FY2021～**

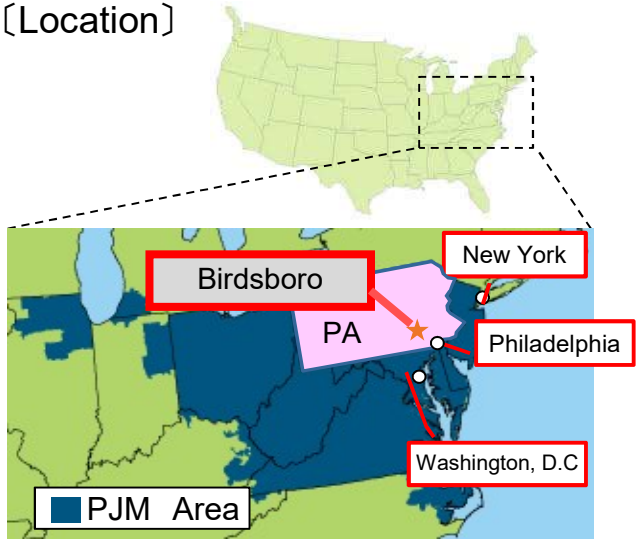
Participation in Birdsboro Power Plant Business

- We, as its first power generation business in the United States, will acquire an indirect 11.1% equity stake in Birdsboro Power Plant which is currently under construction.
- The plant is expected to start commercial operation in 2019, and we continue to engage in monitoring properly construction progress etc.

〔Outline of the project〕

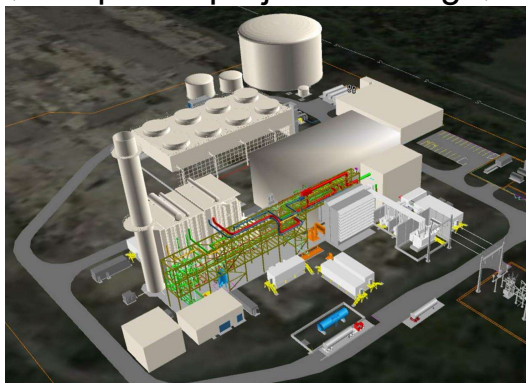
Location	Birdsboro, Berks County, Pennsylvania (U.S.)
Business Outline	Selling electricity to wholesale power market with gas combined cycle power generation system
Output	488MW
Supply	PJM (PJM Interconnection LLC)
Investment Ratio	11.1%
Start of operation	2019（planned）

〔Location〕



〔Birdsboro Power Plant（Under construction）〕

〔Completed projection image〕

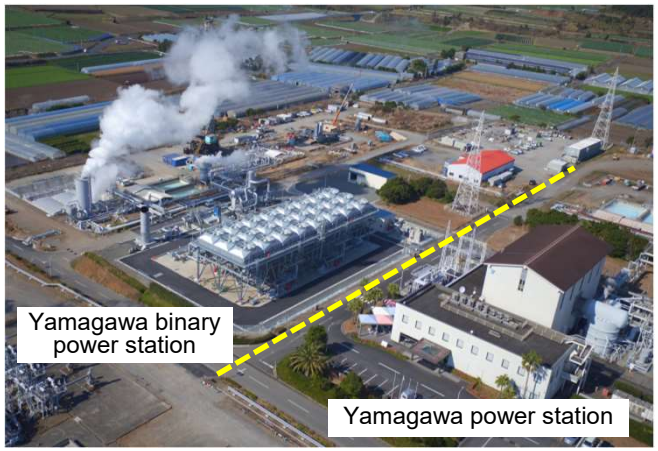


~FY2017 | **FY2018** | **FY2019** | **FY2020** | **FY2021～**

Commencement of commercial operation of Yamagawa binary power station

- In February 2018, Our wholly-owned subsidiary, Kyuden Mirai Energy Co., Inc., has commenced commercial operation of the Yamagawa binary power station at the Yamagawa power station of our geothermal power station.
- This power station adopts the geothermal binary system effectively utilizing hot water returned to the underground that Yamagawa power station can not use for power generation, and utilizing a special liquid medium with a lower boiling point than water.

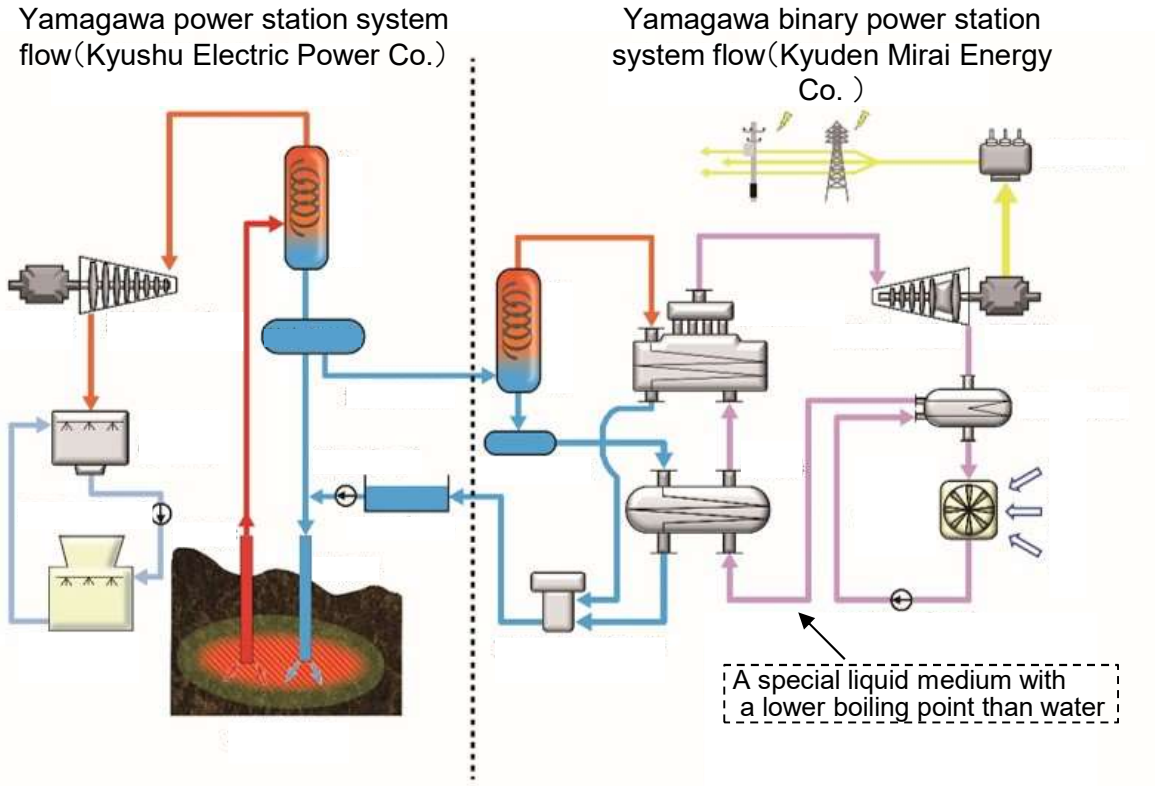
〔Full view of the power station〕



〔Outline of the Project〕

Location	Ibusuki city, Kagoshima prefecture
Company	Heat Supplier： Kyushu Electric Power Power generation company： Kyuden Mirai Energy
Out put	4.99MW（generating-end）
Start of operation	February 2018

〔Flow of generating electricity〕



Further expansion of IT / Telecommunication service business

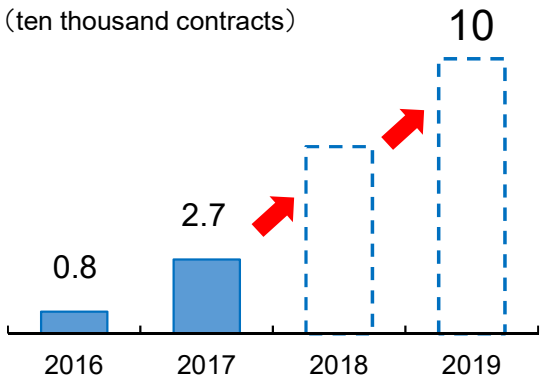
~FY2017 | FY2018 | FY2019 | FY2020 | FY2021~

- Our wholly-owned subsidiary, QT net Co., is providing various IT/Telecommunication service businesses including corporate telecommunication service business and optical broadband business for household.
- It has started smartphone service "QT Mobile" since March 2017. Aiming for a contract acquisition target of 100,000 lines at the end of FY2019, it set up 4 stores in Kyushu and is promoting sales activities.
- We will further expand IT/Telecommunication service business by entering new fields such as "IoT" and "AI".

〔Example of service for corporate「QT PRO VLAN」

- Providing a more comfortable sending and receiving date environment between related companies such as head office and branch offices by connecting multiple bases using a network with QT's own communication technology
- Construct a high security closed network without unauthorized access from the outside
- Providing actual more than 7,000 lines to a wide range of industries such as government agencies / municipalities, finance, manufacturing, information processing

〔Contaract of QT Mobile (at the end of FY)〕



〔QT Mobile Stores〕

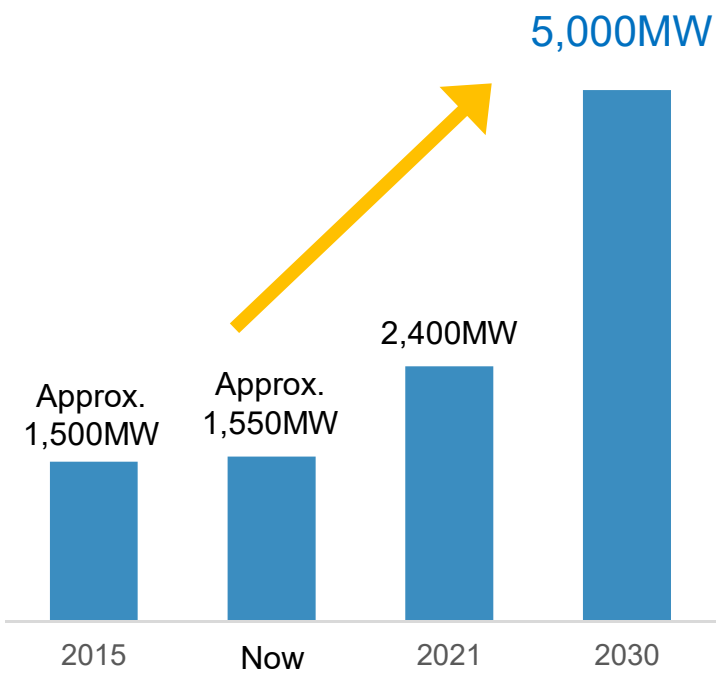
Fukuoka Tenjin store
Kitakyushu Kokura store
Kagoshima store
Kumamoto store

Reference

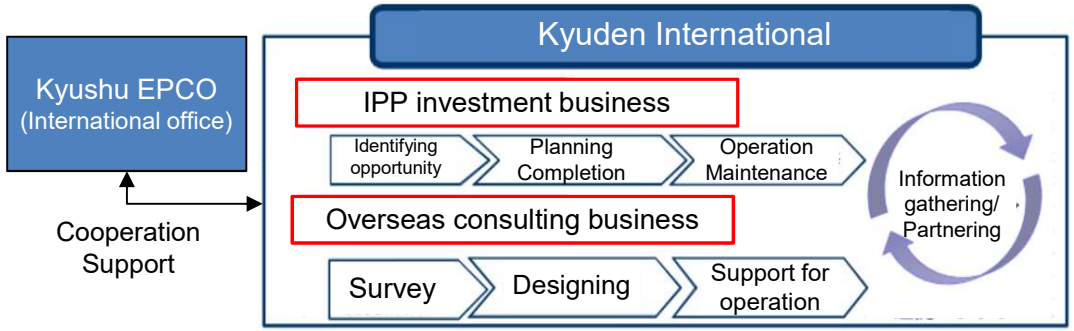
Overseas energy business

- 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 will proactively promote development in key fields such as gas-thermal, coal-thermal and geothermal mainly in Asia, in which the electricity demand is expected to expand and also in anticipation of the enlargement of our business field. This is how we aim for 5,000MW equity ownership in electricity output in 2030.

Target Equity Ownership in 2030



Overseas Energy Business Promotion System

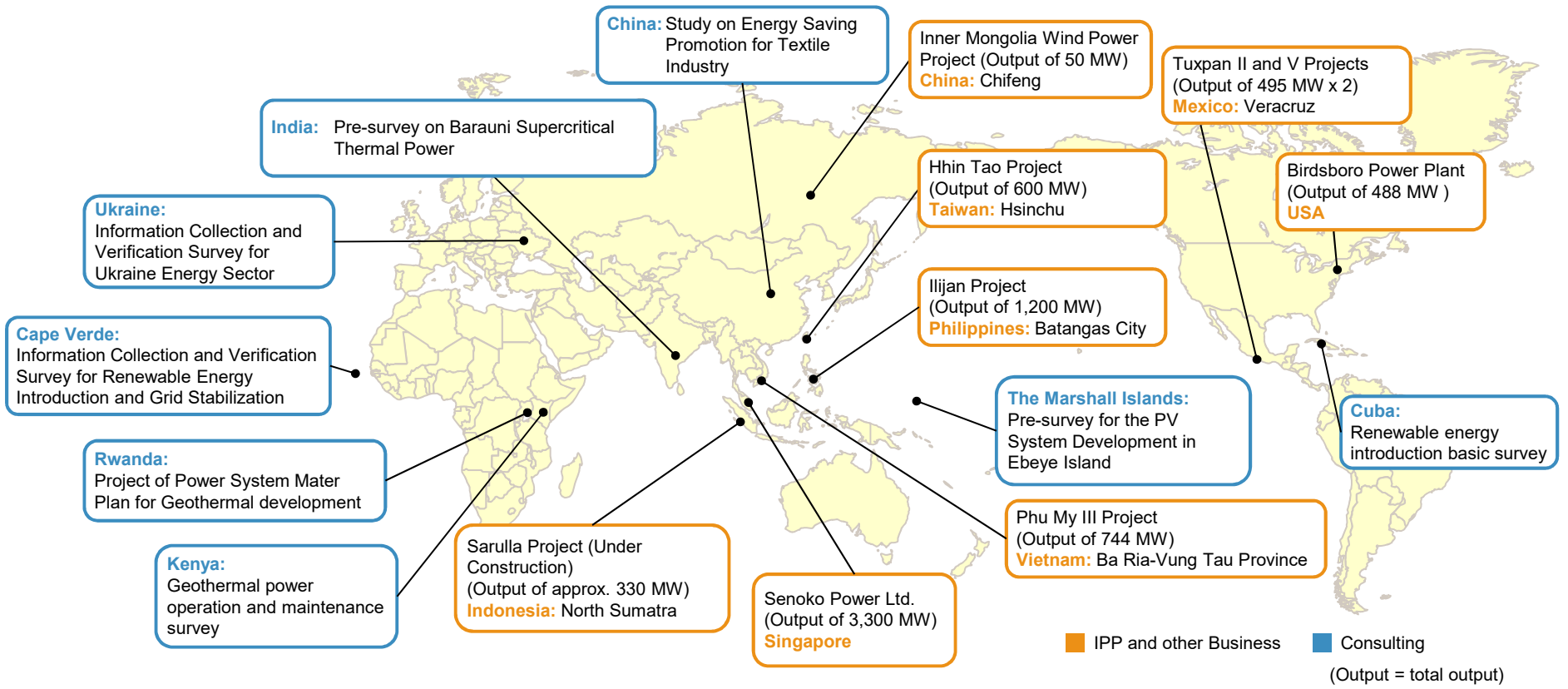


Outline of Kyuden International Co., Inc.

KYUDEN INTERNATIONAL

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 the end of March 2018)



Ongoing Projects in Overseas Energy Business

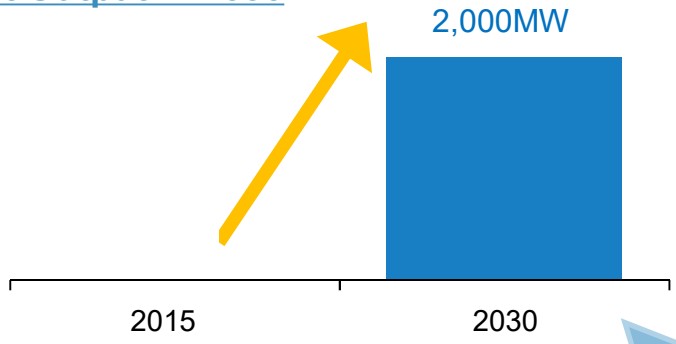
Projects	Mexico /Tuxpan II	Philippine /Ilijan	Vietnam /Phu My III	Mexico /Tuxpan V	Singapore /Senoko Power	China /Inner Mongolia Wind Power	Taiwan Hsin Tao Power	Indonesia / Sarulla Unit 1,2
Resources	Gas	Gas	Gas	Gas	Gas/Oil	Wind	Gas	Geothermal
Start of Operation / Investment	Dec. 2001 (Operation)	Jun. 2002 (Operation)	Mar. 2004 (Operation)	Sep. 2006 (Operation)	Sep. 2008 (Investment)	Sep. 2009 (Operation)	Oct. 2010 (Investment)	Mar. 2017 Oct. 2017 (Operation)
Equity Ratio	50%	8%	26.7%	50%	15%	29%	33.2%	25%
Equity Ownership (Total:1,553MW)	248MW	96MW	199MW	248MW	495MW	15MW	199MW	53MW※

※ The unit No.3 has commenced commercial operation since May, 2018. The total equity ownership of No.1, 2 and 3 became to approx. 83MW (See page 33 page).

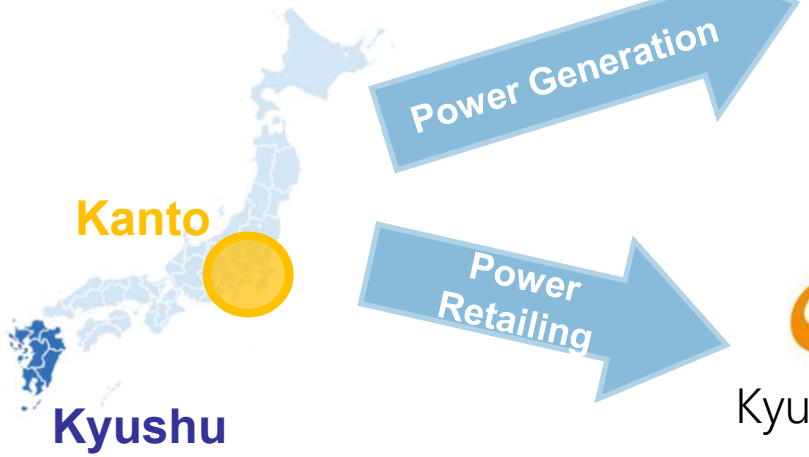
Energy Business in Japan outside Kyushu

- 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.
- Regarding environmental assessment, CSE received examination results (not required a recommendation) for “Document Concerning Environmental Impact Assessment” from METI in July 2016. Subsequently, CSE implemented survey of existing conditions (from October 2016 to September 2017), and is preparing “Draft Environmental Impact Statement”.
- In parallel with the environmental assessment, CSE is considering the business schemes based on the use of project finance as well as technologies 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



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. 6,700 customers

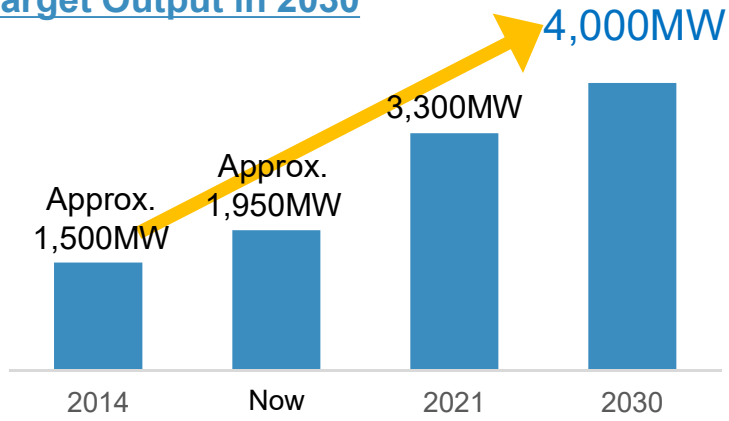
(At the end of March 2018)

(target: 10,000)

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 Japan.
- We have developed geothermal power generation with our group companies such as West Japan Engineering Consultants (West JEC), which has eminent technologies.
- The consortium composed of Kyuden Mirai Energy Co., Inc., and other four companies has started studying possibility for commercialization of an offshore wind power system off the coast of Kitakyushu city since June 2017.

Target Output in 2030



Breakdown of New Development

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

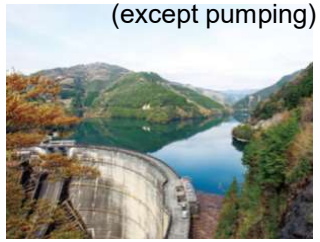
List of Kyuden Group's Renewable Energy Facilities

Solar 90MW

Wind 120MW

Hydro 1,280MW

(except pumping)



Geothermal 430MW

Biomass 40MW

(At the end of April 2018)

Development plan of renewable energy

(At the end of April 2018)

	Name	Prefecture	Output (MW)	Notes
Solar	Valley of wind, Taiwan	—	4.00	Starting operation in September 2018 (Scheduled)
	Valley of trees, Taiwan	—	1.10	Starting operation in April 2018
		Sub total	**5.10**	
Wind	Kushima Wind Hill	Miyazaki	64.80	Starting operation in October 2020 (Scheduled)
	Karatsu Chinzei Wind Farm	Saga	28.00 (Maximum)	Starting operation in 2022 (Scheduled) [Under environmental assessment]
	Experimental Study of Next Generation Offshore Floating Wind Power System	Fukuoka	3.00	From 2014 to 2017(Scheduled) [Commissioned project in collaboration with NEDO]
		Sub total	**95.80**	—
Geothermal	Otake	Oita	2.00	Timing of starting operation undecided Update of existing facility（12.5→14.5MW）
	Sarulla, Indonesia (III)	—	107.70	Starting operation in May 2018 (Scheduled)
		Sub total	**109.70**	—
Hydro	Tsukabaru	Miyazaki	4.00	Unit 1: Starting operation in April 2019 (Scheduled) Unit 2: Starting operation in May 2019 (Scheduled) Unit 3 & 4: Decommissioned Unit 5: Remained （63.05→67.05MW）
	Shin-Kosa	Kumamoto	7.20	Starting operation in July 2019 (Scheduled)
	Kamoshishi	Kumamoto	1.99	Starting operation in August 2018 (Scheduled)
		Sub total	**13.19**	—
Biomass	Shimonoseki-Biomass	Yamaguchi	74.98	Starting operation in 2021 (Scheduled)
	Buzen-Biomass	Fukuoka	74.95	Starting operation in 2020 (Scheduled)
	Soyano Wood Power	Nagano	14.50	Starting operation in 2020 (Scheduled)
	Nanatsujima Biomass Power	Kagoshima	49.00	Starting operation in 2018 (Scheduled)
		Sub total	**213.43**	—
Tidal	Tidal power generation technology commercialization project	Nagasaki	2.00	Expected in 2016 – 2019 [Governmental competitive budget program by Ministry of the Environment]
Total			**439.220**	—

Cases under resources investigation regarding renewable energy

（At the end of April 2018）

	Area	Prefecture	Starting schedule	Contents of study
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	Investigation of the earth's surface Monitoring of hot springs
	Sobetsu town, Oukei	Hokkaido	2016	Investigation of the earth's surface (technical support for Sobetsu town)
	Ibusuki	Kagoshima	2015	Investigation of the earth's surface (technical support for Ibusuki city) *Project has been suspended since October 2016
	Minamiaso village	Kumamoto	2015	Preparation for drilling of wells for investigation Monitoring of hot springs
	The north of Hiijidake	Oita	2013	Drilling of wells for investigation Monitoring of hot springs

ESG（Environment・Society・Governance）Topics

Environment

Winning Minister of Economy, Trade and Industry Award at the 27th Global Environment Awards sponsored by the Fujisankei Communications Group

- We won the Minister of Economy, Trade and Industry Minister Award in February,2018.
- The reason for winning is that we have actively developed renewable energy sources and preserved the environment in cooperation with local people.

▲ Chairperson Masayoshi Nuki (left, foreground)

Social

Recognized “the 2018 Certified Health & Productivity Management Outstanding Organizations Recognition Program（the large enterprise category）”

- We are recognized for the 2018 Certified Health & Productivity Management Outstanding Organizations Recognition Program（the large enterprise category）” in February, 2018.
- The reason for the recognition is our initiatives to promote employees’ health on both mental and physical aspects, including personal interviews with all employees by employee health nurses.
- Taking this recognition, we established "Kyushu Electric Power's Health Declaration" in April 2018.

"Kyushu Electric Power will create a company where all employees are healthy both mentally and physically, and can work vigorously.”

Governance

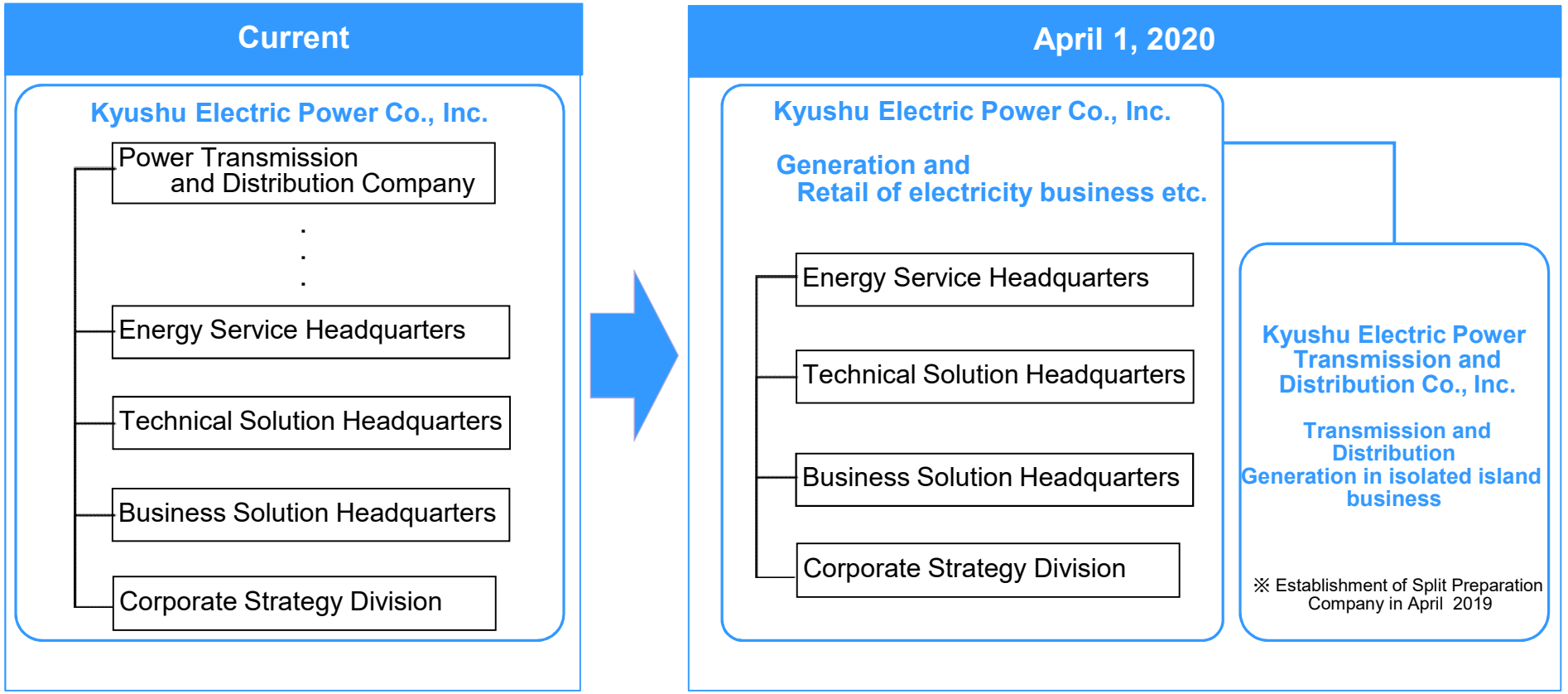
Transition to a Company with an Audit & Supervisory Committee

- We have concluded transition to a company with an Audit & Supervisory subject to the approval at the 94th general shareholders' meeting scheduled in June 2018.
- We aim to enhance supervisory function of the Board of Directors with members of the Audit & Supervisory Committee holding voting rights at the Board of Directors. And we also aim to expedite decision-making through delegating authority from the Board to directors.

Direction of spin-off the General Power Transmission and Distribution Business associated with Legal Unbundling

- We will conduct studies as a basic plan about spinning off the general power transmission and distribution business and establishing a power transmission and distribution company as a 100 percent-owned subsidiary under a holding company, which has corporate functions as well as generation and retail of electricity businesses. This is in order to respond to legal unbundling in April 2020 and ensure the neutrality of power transmission and distribution department more than ever.

［Direction of studies toward Legal Unbundling (Image)］



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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.