

November 2025
Kyushu Electric Power Co.

Questions and Answers at the IR Meeting (November 10)

1. Date and Time: Monday, November 10, 2025, 3:30 p.m. - 5:00 p.m.

2. Respondents:

- Masaru Nishiyama, Representative Director, President & Chief Executive Officer
- Hiroto Kido, Member of the Board of Directors, Senior Managing Executive Officer, Executive Director of Corporate Strategy Division
- Hideo Sato, Member of the Board of Directors, Senior Managing Executive Officer, Executive Director of Business Solution Headquarters, Operation Division

3. Questions and answers

(Note) This meeting record is an English translation generated by AI from the original Japanese minutes. If there are any differences, the Japanese version of the meeting notes takes precedence.

Q: Securities Analyst A

- Since the first half results are solid, I would like to ask about the profit targets. In particular, regarding the energy services businesses, the Strategic Vision 2035 indicates that profits will not grow from FY2024 to FY2030. The materials list four strengths of the Kyuden Group, three of which relate to the energy services businesses. The potential for demand growth is also clearly stated. Considering these points, I feel that the target of 90 billion yen is not sufficient as a goal.
- The outlook for this fiscal year is around 190 billion yen, about 180 billion yen excluding the time lag effect, and even after excluding the high temperature effect, it would be in the 160 billion yen range.
- If we consider 40 billion yen for growth businesses and 120 billion yen for energy services businesses, the 90 billion yen target for FY2030 seems quite conservative and hardly a target. While I understand there are concerns about competition in retail, given the progress of the business so far, I would like to know how you view the profit growth potential of the core business. Also, I believe there is ample room to review the vision's targets—what are your thoughts?

A: Nishiyama

- Regarding profit targets, although summer demand has been significantly higher in recent years, we did not set high temperatures as the base scenario. Demand was assumed accordingly, but the rebalancing of retail rates is definitely having a positive effect. While churn is increasing, the sales division is actively seeking contracts with customers to secure profits. In this sense, although churn is progressing, operating profit is rising.

- On the other hand, in formulating the Strategic Vision 2035, regarding our strengths in nuclear and renewables: for nuclear, safety investment is expected to remain at a high level for some time; for renewables, thermal power is needed to absorb output fluctuations, and continued use of thermal requires investments in ammonia/hydrogen co-firing and CCS, which will incur considerable costs. The current targets are set with the outlook that the electricity business can cover these investments and costs and still achieve additional gains.
- Personally, I still see upside potential. Naturally, demand will continue to grow. I also want to further enhance the effects of sales rebalancing. Additionally, the sales division is currently reviewing systems to handle electricity rates flexibly and efficiently target customers. Through these efforts, I believe the domestic electricity business can grow more. While I cannot yet present specific quantitative figures, if these plans become more tangible, I do not rule out the possibility of revising financial targets.

Q: Securities Analyst A

- I would like to ask about the dividend policy.
- Although many other power companies face tougher business environments than Kyushu Electric Power, some are adopting or considering DOE to enhance dividend predictability. As it stands, Kyushu Electric Power's dividends may be seen as having limited upside.
- To quickly achieve the target equity ratio of around 20%, in addition to asset recycling introduced today, isn't bold action to fundamentally review the financial structure necessary?
- I believe the current vision is conscious of reviewing assets without taboos, and that transitioning to a holding company structure will make such decisions easier. The current Strategic Vision 2035 seems to emphasize financial soundness. While prioritizing financial soundness is somewhat unavoidable, I would like to know if there is an intention to sell assets and take discontinuous actions to quickly achieve a robust financial structure.

A: Nishiyama

- I am aware that other companies are presenting quantitative guidelines. For example, regarding DOE, I believe our current level is the highest among power companies. As for the dividend policy, we feel that profits have become relatively stable, but as we are still in the stage of building up equity, 50 yen is the minimum line. In that sense, we do present a certain baseline quantitatively, but for further upside, since our financial base is weak and capital accumulation is needed, we want to monitor progress toward "secure a stable equity ratio of 20% or higher" and "ordinary income of 180 billion yen" by FY2030.
- I want to emphasize that our approach when we returned to a 50 yen dividend was not to wait until conditions were met, but to act ahead of time when we felt confident about meeting them. In other words, we consider increasing dividends not only after conditions are met, but also when we feel confident about achieving them. If a sustainable equity ratio of 20% or more becomes visible, we will need to discuss presenting quantitative guidelines internally. Conversely, the discussion will be tied to how much equity we

should hold, but at least if 20% can be stably secured, we will discuss increasing dividends internally.

- We intend to actively pursue asset recycling. While there are constraints such as general collateral in the electricity business, we are encouraging active efforts in other businesses, which has led to asset recycling such as the overseas business introduced today. Growth businesses are performing well, but as a matter of financial discipline, we cannot keep increasing borrowings, so we aim to grow profits by accumulating new assets through asset recycling. If new profits are accumulated, we will also consider increasing dividends accordingly. When presenting the next dividend policy, I believe how we incorporate growth businesses into dividends will be a key theme.

Q: Securities Analyst A

- From a long-term perspective, I believe next-generation advanced reactors will be considered, but is there any relationship with current KPIs? Since such investments may require significant capital over time, are the KPIs set conservatively?

A: Nishiyama

- The necessity of nuclear power as an essential power source is clearly stated in the 7th Strategic Energy Plan. Nationally, the premise is to create conditions for business operators to invest in nuclear power. We will take action while monitoring this. For our company to invest in next-generation advanced reactors, I believe the necessary systems to meet our KPIs will need to be established.

Q: Securities Analyst B

- First, regarding the competitive environment: the Q2 results show a significant decrease in retail electricity sales volume. Please explain the background, including high summer temperatures, competitive environment, and area factors (intra-/extra-region).
- In your previous answer, you mentioned “churn is increasing but we are actively seeking contracts with customers,” and “operating profit is rising.” Should we understand that, rather than high summer temperatures, the change in customer composition due to churn has led to an optimal supply and sales balance, thereby increasing actual profits?
- Regarding area demand, public data from the Organization for Cross-regional Coordination of Transmission Operators (OCCTO) does not show much strength, but how much has it actually increased compared to the same period last year? What is the outlook for area demand in the newly announced performance forecast? Please also share your sense of growth for the next fiscal year from the perspective of area demand.

A: Sato

- I will answer the second point first. The materials (page 4) state “increase in area demand,” and compared to the April announcement, there was a positive impact of about 2.3 billion kWh due to high summer temperatures.

- Regarding the first point, compared to the same period last year, last summer was also hot, so the impact of high summer temperatures was actually negative, with a decrease of 240 million kWh.

Q: Securities Analyst B

- Please also share the area demand figures for the first half.

A: Sato

- Compared to the same period last year, it increased by 100 million kWh. Last summer was also hot, so please understand that the increase was about that much.

Q: Securities Analyst B

- While the impact of high summer temperatures was negative, can we understand that, from a macroeconomic perspective, factors such as strong industrial production resulted in a net positive?

A: Sato

- Please understand that area demand was not much different from the same period last year.

A: Nishiyama

- To supplement the reasons for the decrease in retail electricity sales volume: for about five years, in the competition for customers, retail electricity providers, including Kyushu Electric Power's retail division, have engaged in price-based competition to retain customers. Triggered by Russia's invasion of Ukraine, market prices spiked, and more customers began to value stable supply as well as price. Against this background, we decided to stop excessive price competition to retain customers, and over the past two years, we have implemented this approach. As a result, rebalancing rates led to significant churn this year. Of course, customers who leave usually contact Kyushu Electric Power in advance, and we responded to customers while considering our power supply mix and the circumstances at each point in time, resulting in the current churn situation. There is no major negative impact at present, but this is the outcome considering fuel prices, market prices, and network conditions. It does not mean we will continue the same retail sales strategy going forward. Details cannot be disclosed due to competition, but for FY2026, we are considering retail sales strategies based on the expected business environment. For FY2025, although churn is progressing, various measures have been taken recently, and considering other business environments, we evaluate that there is no major negative impact on the profits.

Q: Securities Analyst C

- From your previous answer, I understand that the rate rebalancing since April has been properly implemented. Considering rising costs, further rebalancing will likely be necessary. While I understand you cannot share details, even in general terms, are you considering measures such as expanding services for Kyushu Electric Power's fans while raising unit rates, and reviewing low-profit menus?
- Second, regarding nuclear power: on page 19, lower left, you list three initiatives to further improve utilization rates. "Streamlining maintenance operations" is already underway, and "Upgrading to the latest steam turbine design" will proceed in the future. Therefore, "Extending regular inspection intervals" seems

to be the key point. What is the roadmap for this initiative? What is the timeline for achieving this KPI?

- Also, regarding next-generation advanced reactors, since it takes about 20 years to build from scratch, Kyushu Electric Power needs to decide on the roadmap soon. Not about specific locations, but about the status of preparations for construction.

A: Nishiyama

- Regarding further rebalancing, I do not deny that it will be a future challenge. On the other hand, the background to the growing demand in the Kyushu area is largely due to our electricity rates. In fact, executives from semiconductor and data center companies considering expansion into Kyushu cite low CO2 emission intensity, reasonable rates, abundant water, and available talent as reasons. In this sense, further rebalancing that leads to reduced demand is undesirable. The ideal scenario is for companies to enter the area and demand to increase. Careful assessment is needed.
- Frankly, the sales division currently uses a rather heavy system, making it difficult to flexibly create free-rate menus or quickly add new menus tailored to customer needs. Personally, I believe free-rate menus should be quite flexible, and the system must support this. By making that a reality, I believe the electricity business in Kyushu can aim for further profit growth.

A: Kido

- Regarding nuclear power, we are implementing various measures to improve facility utilization rates. Replacement of steam turbines is being considered specifically at Genkai. For shortening periodic inspection periods through improved work methods, we are examining whether inspection items currently performed during shutdowns can be done during operation. This cannot be done by our company alone, so a working group has been established at ATENA (Atomic Energy Association). If inspection items can be properly addressed during operation, shortening periodic inspection periods is possible. Regarding extension of operating days to a maximum of 13 months, legally, it can already be extended to 24 months, but it is important to explain safety thoroughly when extending, and this is currently under consideration.
- Regarding development and installation of next-generation advanced reactors, we believe it is necessary from the perspective of balancing carbon neutrality and stable power supply. As you recognize, it takes a very long time after deciding to install. We are broadly considering various options, including next-generation light water reactors, SMRs, and HTGRs.
- Regulatory trends and financing are also important themes. As Nishiyama mentioned, the Japanese government is considering various measures to improve the business environment, and open discussions are progressing. We are closely monitoring both demand trends and the development of the business environment for nuclear power to determine how and to what extent we can proceed.

A: Nishiyama

- As a supplement, in addition to technology development and financing, local understanding is crucial for nuclear power. Our company was able to restart and operate stably ahead of others not only due to efforts for stable and safe operation, but also because we communicated properly and gained local understanding.

We take pride in being regarded as a trustworthy operator for nuclear power in Kyushu. Considering these factors, we will carefully assess when the time is right and how we can take concrete actions.

Q: Securities Analyst D

- First, the outlook for ordinary income has been revised to 190 billion yen. Could you clarify the actual profit level? The materials show the outlook excluding the time-lag effect of the fuel cost, but what is the actual profit? It is difficult to determine what is temporary, but are there any other factors to exclude besides time-lag and high temperature effects?

A: Sato

- As you recognize, the increase in area demand is due to high summer temperatures and is considered temporary. Excluding time-lag effect, the actual figure is about 179 billion yen, and excluding the high temperature effect, it is about slightly more than 160 billion yen.

Q: Securities Analyst D

- Compared to when the Strategic Vision 2035 was formulated, has the actual profit level increased?

A: Nishiyama

- The target is 180 billion yen for FY2030, so a little more is needed. However, when I was head of the corporate strategy division, we analyzed the actual profit level at around 100 billion yen, so considering that, our actual strength has increased significantly, and profits have become more stable. Based on this, I am committed to the 50 yen dividend as the minimum line.

Q: Securities Analyst D

- Second, regarding achieving the ROIC target, how do you view asset control? The materials mention asset recycling in overseas business, but could you share your thoughts on business selection and asset management? Since you have set an ROIC target, I assume you have a policy regarding capital and asset management.

A: Nishiyama

- Growth businesses are currently expanding smoothly, so there is no immediate need to select businesses, but we will pursue asset recycling within each business. For example, in renewables and urban development, we enter as a first mover, add a premium, exit, and cycle to raise ROIC. We are assigning such tasks to each business division.
- We are considering transitioning to a holding company structure, one purpose of which is to evaluate businesses side by side and assess them by ROIC. Depending on the situation, bold decisions such as “exiting a business” or “transferring to the best owner” may be made.
- As mentioned earlier, since profits in each growth business are increasing, we are seriously considering how to raise ROIC, not just profits, and examples such as asset sales in overseas business are emerging.

Q: Securities Analyst D

- As an additional question, if you transition to a holding company structure, the right side of each business company's balance sheet will be organized, but will you continue to manage each business by ROIC? Or, if each business has its own balance sheet, is it possible to control each business by ROE?

A: Nishiyama

- That will be a future topic for consideration. Currently, given the impaired financial situation, ROIC is prioritized, but once the financial situation improves, ROE will naturally become an important indicator. How the holding company evaluates and reorganizes the portfolio will be a future issue.

Q: Securities Analyst E

- First, I have several questions regarding this fiscal year's forecast. If you have disclosed the "full-year plan by segment" and the "outlook for consolidated investment amounts," please let us know.
- Also, it is good that sensitivity is described in the materials, but the definition of "income impact" is ambiguous. It could refer to expenses, gross profit, operating profit, ordinary profit, etc. In terms of the terminology used in the financial results report, what does it refer to?

A: Secretariat

- We have not disclosed the full-year plan by segment, but we have presented it in broad terms as "150 billion yen for the energy services businesses and 40 billion yen for growth businesses." The outlook for investment amounts has not been disclosed at this time.
- Regarding sensitivity, please understand that it is based on ordinary profit.

Q: Securities Analyst E

- Last fiscal year's consolidated investment amount was 350 billion yen. Of this, 160 billion yen was for generation and sales, and 130 billion yen for transmission and distribution, with the remainder for other areas. Based on last year's results, can you comment on the direction of this year's investment amount?

A: Kido

- For fiscal years 2025–2026, we plan to increase carbon-neutral investments, including nuclear power, so the consolidated investment amount is expected to increase from last year's 350 billion yen. I cannot provide specific figures, but that is the general impression.

Q: Securities Analyst E

- Regarding ordinary profit by segment, earlier you explained that of the full-year forecast of 190 billion yen, 150 billion yen is for the energy services businesses. What about transmission and distribution?
- Last fiscal year's transmission and distribution ordinary profit was 26.6 billion yen, and 19.2 billion yen for the first half of this year. Q2 saw a year-on-year decrease of 6.7 billion yen, but compared to last year's full-year result of 26.6 billion yen, any hints for this year's outlook would be appreciated.

A: Sato

- I cannot provide detailed figures, but I expect it to be lower than last year.

Q: Securities Analyst E

- I think the profit for transmission and distribution is a frequently asked question, so if you have any figures you can share, please prepare them for the next briefing.
- Second, I would appreciate any hints regarding ordinary profit for next fiscal year, that is, fiscal year 2026. Earlier, you explained the impact of high temperatures as a one-off factor, but are there any other elements to consider when thinking about changes in ordinary profit from this fiscal year to next?

A: Nishiyama

- Regarding next fiscal year's income and expenditure, we will be formulating the medium-term management plan for next year, so the details are yet to be determined. However, since the domestic electricity business accounts for a large proportion, as shown in the sensitivity analysis, fluctuations in exchange rates and fuel prices have a significant impact.
- In addition, although things have been relatively calm recently, the impact of U.S. tariffs is also a concern. There are a considerable number of automobile manufacturers located in Kyushu, and semiconductor companies have also shown strong interest, so depending on U.S. policy trends, there could be an impact.
- Regarding growth businesses, for renewables, the Hibikinada offshore wind project has had no major issues, and the installation of wind turbines has been completed. After operations begin, it is expected to contribute to profits. Also, while we are engaged in overseas business, we are monitoring overseas trends and developments, but at present, we have not heard of any major events.
- As I mentioned earlier, the figures for next fiscal year's income and expenditure are still under consideration, but at present, I recognize that there are no major risks and that we can proceed in a stable situation.

A: Kido

- To supplement regarding growth businesses: the full-year forecast of 40 billion yen for this fiscal year is based on individual factors such as contracts, but in terms of the actual capability of growth businesses, I believe the actual results for fiscal year 2024 are close to that figure. We will continue to examine this, but we are planning with the recognition that there is a capability of over 50 billion yen.

Q: Securities Analyst E

- Although the capability is over 50 billion yen, the forecast for this fiscal year is 40 billion yen. What are the specific factors for the downward revision in growth businesses this fiscal year?

A: Kido

- It is difficult to go into details, but the forecast is somewhat lower this fiscal year due to the completion of certain projects and contracts, as well as asset recycling.

Q: Securities Analyst E

- Third point. Regarding the vision, as I mentioned at the previous briefing in May, the 10-year vision is fine, but the 5-year vision feels rather vague. Do you have any plans to disclose more quantitative plans with a shorter time frame, such as three or five years?

A: Kido

- Internally, we are preparing a five-year medium-term management plan, and this fiscal year we will be formulating a business plan toward FY2030. Regarding the point that profits from the energy services businesses will not increase much toward FY2030, I can explain that we are carefully building up the figures within the medium-term plan, but there is still a considerable range of fluctuation, so we have not disclosed it. If the medium-term plan for this fiscal year becomes more finalized and the range of fluctuation narrows, we may be able to disclose it, but at present, the details have not been made public.

Q: Securities Analyst E

- Even if there is internal accumulation, as long as the medium-term plan is not disclosed, outsiders cannot know. As a result, today's briefing, for example, becomes rather elusive communication. We cannot discuss the full-year plan by segment or the outlook for next year quantitatively, and we do not understand the reasons for the decline in energy services businesses toward FY2030. This means we can only ask elusive or very specific questions.
- Regarding dividends, considering the financial structure, there is some room for sympathy, but when you say "we are aiming for 90 billion yen in energy services businesses," even if you say hours will increase, it does not generate any excitement. If you say "demand will increase but profits will not, and we cannot provide the breakdown," it makes further conversation difficult.
- This is a request, but could you please provide a more quantitative explanation of ordinary profit for FY2030? That would allow for analysis such as "this part is conservative."
- Also, I would like you to improve the way information is disclosed. Especially regarding segment figures, since growth businesses such as renewable energy are included in the management targets, it is difficult to analyze based on the segment structure in the financial results report. If you could improve disclosure in this area, discussions would become more quantitative and engaging. I hope you will make efforts toward next spring.

A: Nishiyama

- As Kido mentioned earlier, we are preparing a five-year medium-term plan internally, and with the medium-term plan to be considered from now, FY2030 will be within range. Naturally, there will be some fluctuation, but as a company, we are working on these initiatives and will build up and quantitatively examine what FY2030 will look like.
- There are also competitive considerations regarding how much we can disclose, but improving disclosure is an important issue to help everyone better understand Kyushu Electric Power's situation, and we will consider this for the next briefing.