

May 2026

Kyushu Electric Power Co.

## Questions and Answers at the IR Meeting (May 13)

1. Date and Time: Wednesday, May 13, 2026, 3:30 p.m. - 4:30 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) The following is a summary of the Q&A session and does not represent a verbatim transcript.*

*Certain parts have been edited for clarity.*

Q: Analyst A

- Regarding the financial forecasts for FY2026, you indicated that consolidated ordinary income excluding the effect of time lag of fuel cost adjustment is JPY 193.0 billion. What level of earnings represents the underlying business strength excluding one-off factors?
- Also, the FY2030 profit targets are set at JPY 180.0 billion on a consolidated basis and JPY 90.0 billion for energy services businesses, which are lower than current levels. While it is understandable that ROE may decline due to an increase in the equity ratio, lower targets for ordinary income and ROIC make it difficult to demonstrate growth potential and appear inconsistent with your explanation of increasing electricity demand in the Kyushu area. Such factors may be contributing to the low PBR. How do you view a possible revision of the profit targets?

A: Nishiyama

- Based on the FY2026 earnings forecast, we believe that we have already achieved a level of earnings capacity roughly in line with the FY2030 target of JPY 180.0 billion. However, given the increasing instability in the Middle East, we need to consider not only the impact on our business but also the potential effects on the broader economy. There is a risk that economic activity could stagnate and electricity demand could decline. Taking these factors into account, we are considering revising the profit targets. When formulating the Kyuden Group Strategic Vision 2035, we assumed rising costs associated with various decarbonization initiatives—such as hydrogen and ammonia co-firing technologies and CCS—as well as investments to

ensure stable operation of nuclear power plants and potential increases in interest rates. In hindsight, we recognize that some of these assumptions may have been conservative. As the business environment has been changing and based on our recent performance, we believe that the earnings capacity of energy services businesses exceeds JPY 90.0 billion. Accordingly, we will consider revising our profit targets.

Q: Analyst A

- Thank you for the constructive comments. Should we expect the revision to be announced in about one year?

A: Nishiyama

- We intend to conduct the review more quickly without taking as long as a year. However, as mentioned earlier, we remain concerned about how developments in the Middle East may affect the overall economy. We will carefully consider such external factors that are beyond our control as we proceed with our review.

Q: Analyst B

- Regarding the revision of electricity rate, how do you evaluate your past initiatives and what is your direction going forward?

A: Nishiyama

- Since April 2025, we have been working on rebalancing electricity rate structures to better reflect electricity usage patterns. Through this process, the concept of “securing appropriate profits rather than relying on a high-volume, low-margin approach” has become well established within the company. Although competition has intensified and churn has increased, we have partially offset these losses through wholesale operations. We positively evaluate the fact that we are able to generate solid profits overall. While sales volume will remain important, we will not be overly fixated on it and will instead focus on profitability in our sales activities.

Q: Analyst B

- Given the escalating tensions in the Middle East, how are you approaching LNG procurement? With spot LNG prices rising, it seems possible to generate profit from resales depending on your procurement position. Is this factored into your plans?

A: Nishiyama

- As we do not procure LNG from the Middle East, there is no direct risk to supply. Under conditions where nuclear power plant and renewable energy are generating steadily, we recognize that surplus LNG could be resold to generate profit. While we cannot disclose specific volumes or amounts due to competitive and negotiation considerations, we believe our position is advantageous in that LNG can be used for power generation or resold to generate profit depending on market conditions.

Q: Analyst C

- You mentioned a possible revision of financial targets. Do you also plan to review your dividend policy within the same timeframe?

A: Nishiyama

- We consider financial targets and dividend policy as closely linked. We intend to discuss both together and present them simultaneously.

Q: Analyst C

- I would like to ask about area demand. As indicated in your presentation materials, your mid- to long-term outlook is for strong demand growth. Has area demand also been growing in the recent FY2025 results and FY2026 outlook?

A: Nishiyama

- Demand growth in the Kyushu area is driven by semiconductor factories and data centers. However, since some of these customers contract with other retail electricity providers, it is difficult to fully capture the total demand growth across the entire region. Nevertheless, based on the data available to us, we clearly recognize that demand in the Kyushu area is steadily increasing.
- As for FY2026, it is difficult to predict as demand is affected by factors such as temperature. For FY2024 and FY2025, while the increase in demand from new sources such as semiconductor factories and data centers has contributed to growth, we analyze that weather-related factors—such as higher summer temperatures—have had a more significant impact on the overall increase in area demand.

Q: Analyst D

- I would like to ask about the growth businesses. According to page 8 of the materials, the profit outlook for growth businesses in FY2026 shows a decline compared with FY2025. Could you explain the factors behind this decrease?
- In addition, I understand that the company will transition to a holding company structure in which each business division will be responsible for its own profits. Given this, shouldn't you disclose the forecast for each growth business at the beginning of the fiscal year?

A: Nishiyama

- Regarding growth businesses, the decline is mainly due to the impact of one-off factors in FY2025. These include foreign exchange gains resulting from the depreciation of the yen to around JPY 160 at the end of FY2025, as well as temporary profit increases from the sale of shares in overseas affiliated companies. We believe that the profit level in the FY2026 outlook represents a more normalized level, and it is necessary to grow this toward the target of JPY 90.0 billion. Compared to the past, the business environment has changed, including interest rate levels. As such, rather than prioritizing profit targets alone at the expense

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of indicators such as ROIC and cash flow, we are discussing internally the need to formulate plans that appropriately take these factors into account. Going forward, in addition to reviewing our financial targets, we intend to thoroughly embed these concepts, including ROIC and cash flow—within the company and then communicate them externally.

Q: Analyst D

- Given that the assumed time-lag effect for FY2026 is negative JPY 13.0 billion, there is an impression that the negative impact is relatively small compared to your peers and other regions. While I do not necessarily intend to characterize this as favorable or unfavorable, is it possible that, due to factors such as wholesale electricity market prices and the power source mix in the Kyushu area, your company or the Kyushu region has a structure that makes it less susceptible to the impact of rising fuel prices?

A: Sato

- As we have not conducted a detailed comparison with other companies, it is difficult to provide a definitive answer. However, in actual terms, there is little carryover of the time-lag effect from FY2025 into FY2026, while there is a relatively larger portion of the time-lag effect flowing from FY2026 into FY2027. From our perspective, a negative JPY 13.0 billion level is broadly reasonable.

A: Nishiyama

- Conversely, we do not have sufficient visibility into what assumptions other companies are using in calculating the time-lag effect of the fuel cost adjustment, which makes it difficult for us to comment.

A: Sato

- It is also possible that differences arise depending on the power source mix.

Q: Analyst E

- Solar output curtailment is often cited as an issue in the Kyushu area. What are the reasons that make it difficult to resolve this?
- How does output curtailment affect your company's performance? At present, rising wholesale electricity market prices seem to have a positive impact, but is it possible that, if output curtailment is alleviated, JEPX prices could decline, making it more difficult for wholesale operations to contribute to earnings? Alternatively, is there a possibility that retail operations could increase sales as an offtaker of renewable energy?

A: Nishiyama

- The reasons behind the relatively large amount of output curtailment in the Kyushu area include the high penetration of renewable energy, limitations on transmission capacity to other regions due to interconnection constraints, and the fact that, as renewable energy has increased nationwide, it has become difficult for other areas to absorb excess power during certain time periods. Electricity market prices depend on supply and demand conditions at any given time, making it difficult to generalize. However, as the enhancement of the Kanmon interconnection progresses, we believe that it will become easier to

operate power sources on a wider-area basis, not limited to renewable energy.

A: Kido

- Currently, output curtailment of renewable energy accounts for approximately 5% of total renewable generation, the majority of which is solar power. Curtailment of solar power occurs mainly during daytime peak hours. Given that market prices are already relatively low during these periods, the impact is considered to be limited.

Q: Analyst E

- You mentioned that electricity demand in Kyushu is growing. Are there any differences in electricity demand characteristics between semiconductor manufacturers and data centers compared to other industries? If these customers are primarily focused on low-cost electricity, could this be misaligned with your company's strategy of prioritizing profit margins?

A: Nishiyama

- When companies consider location decisions, they take into account various factors. In particular, in the semiconductor industry, people, water, and electricity are key considerations. In terms of customer needs, we recognize that stability of supply, reasonable pricing, and low environmental impact are important factors. We believe that Kyushu, where nuclear and renewable energy are generating steadily, is highly valued from these perspectives. While there are differences among customers, we feel that many have a strong environmental awareness, and we expect such customers to increase going forward. We also believe that environmental value should be more highly recognized across Japan and could represent an upside in the future.
- From the perspective of electricity usage, these businesses require power on a 24/7 basis, making them highly compatible with nuclear power generation. As we continue to prioritize profitability in our sales activities, it is also important to assess whether demand is aligned with our power source mix. In that sense, semiconductor manufacturers and data center customers are, generally speaking, important customers for us.

Q: Analyst F

- Earlier, you mentioned economic risks arising from the situation in the Middle East. Given the strong performance of industries such as semiconductors in the Kyushu area, I assume there is relatively high resilience to economic downturns. However, under a worst-case scenario, how much downside risk is there from the FY2026 earnings forecast of JPY 180.0 billion? To what extent are economic risks already factored into your forecast?

A: Nishiyama

- In discussions with the Head of the Bank of Japan's Fukuoka Branch, we often hear that the Kyushu economy is strong. On the other hand, we also frequently hear that delivery times for construction materials

and paints are being delayed. At present, there has been no significant impact on electricity demand, but we need to closely monitor whether stable conditions will continue going forward. It is not easy to quantify the impact and specific economic risks are not explicitly factored into our earnings forecast. We prepared the forecast based on a neutral set of assumptions, with the understanding that we will promptly disclose any changes should the situation evolve.

Q: Analyst F

- Regarding your view on the equity ratio, I understand that your near-term target is 20%. Given the strong recent performance, it seems likely that the ratio could approach 20% in the near future. What is your policy once it exceeds 20%? Personally, 20% still appears somewhat low—do you consider this level optimal, or are you aiming for a somewhat higher level? Since this will affect ROE and shareholder returns, could you share your view on the appropriate leverage level?

A: Nishiyama

- Taking credit ratings or other factors into account, we would like to maintain an equity ratio of at least 20%. Beyond that level, while we do not have a specific target—partly due to uncertainty in the interest rate environment—we do have an intention to build up the ratio somewhat further. At the same time, this is closely related to capital efficiency and ROE, so we would like to present our policy after discussing it together with shareholder returns.