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PRELIMINARY OFFERING CIRCULAR DATED 24 SEPTEMBER 2024

KYUSHU ELECTRIC POWER CO.,INC.

KYUSHU ELECTRIC POWER COMPANY, INCORPORATED

(incorporated in Japan with limited liability under the laws of Japan)

U.S.$ ● ● per cent. Bonds due 2029

Issue Price: 100 per cent.

The U.S.$ ● ● per cent. Bonds due 2029 (the "Bonds") of Kyushu Electric Power Company, Incorporated (the "Company") will be issued in registered form in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. The Bonds will bear interest from ● October 2024 at the rate of ● per cent. per annum payable semi-annually in arrear on ● April and ● October in each year, with the first interest payment to be made on ● April 2025. Payments on the Bonds will be made in U.S. dollars without withholding of, or deduction for or on account of, Japanese taxes to the extent described in Condition 7 of the terms and conditions of the Bonds (the "Conditions" and each condition set out in the Conditions being a "Condition").

Unless previously redeemed or cancelled, the Bonds will be redeemed at 100 per cent. of their principal amount on ● October 2029. The Company may, at its option, redeem the Bonds in whole, but not in part, at any time prior to the Par Call Date (as defined in the Conditions), at the price determined in the manner set out in Condition 5.3. The Company may also, at its option, redeem the Bonds in whole, but not in part, at any time on or after the Par Call Date, at their principal amount plus accrued and unpaid interest to, but excluding, the date of redemption. In addition, if Japanese withholding taxes are imposed on payments in respect of the Bonds, the Company may, at any time, redeem all of the Bonds at 100 per cent. of their principal amount (as set out herein).

Approval in-principle has been received for the listing of the Bonds on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Offering Circular. Admission of the Bonds to the official list of the SGX-ST is not to be taken as an indication of the merits of the Company or the Bonds.

The Bonds will be evidenced by a global certificate (the "Global Certificate") in registered form, which is expected to be deposited with, and registered in the name of, or a nominee for, a common depositary for each of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream, Luxembourg") on or about ● October 2024 (the "Closing Date") for the accounts of their respective accountholders. The Joint Lead Managers (as defined in "Subscription and Sale") expect to deliver the Bonds through the facilities of Euroclear and Clearstream, Luxembourg on or about the Closing Date.

It is expected that the Bonds will be assigned a credit rating of A3 by Moody's Japan K.K. ("Moody's"). A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

This Offering Circular does not constitute an offer of, or solicitation of an offer to buy or subscribe for, the Bonds in any jurisdiction in which such offer or solicitation is unlawful. In particular, the Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S")). In addition, the Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "FIEA") and may not be offered or sold within Japan or to, or for the account or benefit of, residents of Japan including corporations incorporated under the laws of Japan, unless otherwise provided under the FIEA. For a summary of certain restrictions on offers and sales of Bonds, see "Subscription and Sale".

See "Investment Considerations" for a discussion of certain factors that should be considered in connection with an investment in the Bonds.

Joint Bookrunners and Joint Lead Managers

SMBC NIKKO **Mizuho** **Nomura** **Citigroup**

The date of this Offering Circular is ● September 2024.

The Company accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Company (the Company having taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Company, having made all reasonable enquiries, confirms that this Offering Circular contains all information with respect to the Company, the Group (as defined below) and the Bonds which is material in the context of the issue and offering of the Bonds, the statements contained herein relating to the Company and the Group are in every material particular true and accurate and not misleading, the opinions and intentions expressed in this Offering Circular with regard to the Company, the Group and the Bonds are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, there are no other facts in relation to the Company, the Group or the Bonds the omission of which would, in the context of the issue and offering of the Bonds, make any statement in this Offering Circular misleading in any material respect and all reasonable enquiries have been made by the Company to ascertain such facts and to verify the accuracy of all such information and statements.

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to the "Group" are to the Company and its consolidated subsidiaries and its affiliates accounted for by the equity method taken as a whole.

No person is authorised to give any information or to make any representation not contained in this Offering Circular and any information or representation not contained in this Offering Circular must not be relied upon as having been authorised by or on behalf of the Company or the Joint Lead Managers. Neither the delivery of this Offering Circular nor any sale made in connection herewith at any time implies that the information contained herein is correct as of any time subsequent to the date hereof, nor does it imply that there has been no change in the affairs or the financial position of the Company or the Group since the date hereof.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Company or the Joint Lead Managers to subscribe for, or purchase, any of the Bonds. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Company and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of Bonds and distribution of this Offering Circular, see "Subscription and Sale".

None of the Fiscal Agent, Paying Agent, Transfer Agent, Registrar (each as defined in "Summary Information—The Bonds") or, to the fullest extent permitted by law, the Joint Lead Managers or their respective affiliates, accept any responsibility whatsoever for the contents of this Offering Circular or for any other statement, made or purported to be made by a Joint Lead Manager or on its behalf in connection with the Company, the Group or the issue and offering of the Bonds. Each of the Joint Lead Managers and their respective affiliates, the Fiscal Agent, the Paying Agent, the Transfer Agent and the Registrar accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular (in preliminary or final form) in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the circulation of documents relating thereto, in jurisdictions including the United States, the European Economic Area, the United Kingdom, Singapore, Japan, Hong Kong and Switzerland and to persons connected therewith. See "Subscription and Sale".

The Bonds have not been and will not be registered under the FIEA and are subject to the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended) (the "Special Taxation Measures Act"). Each Joint Lead Manager has represented and agreed that, (I) it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to or for the benefit of, any person resident in Japan for Japanese securities law purposes (including any corporation or entity organised under the laws of Japan), or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of any person resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan, and (II) it has not, directly or indirectly, offered or sold and will not, as part of its initial distribution at any time, directly or indirectly, offer or sell any Bonds to, or for the benefit of, any person other than (i) a beneficial owner that is, for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a person having a special *relationship with the Company as described in Article 6, Paragraph 4 of the Special Taxation Measures Act (a "Specially-Related Party of the Company") or (ii) a Japanese financial institution, designated in Article 3-2-2, Paragraph 29 of the Cabinet Order relating to the Special Taxation Measures Act (Cabinet Order No. 43 of 1957, as amended) (the "Cabinet Order") that will hold the Bonds for its own proprietary account (a "Designated Financial Institution").*

BY SUBSCRIBING FOR THE BONDS, AN INVESTOR WILL BE DEEMED TO HAVE REPRESENTED THAT IT IS (I) A BENEFICIAL OWNER THAT IS, FOR JAPANESE TAX PURPOSES, NEITHER (X) AN INDIVIDUAL RESIDENT OF JAPAN OR A JAPANESE CORPORATION, NOR (Y) AN INDIVIDUAL NON-RESIDENT OF JAPAN OR A NON-JAPANESE CORPORATION THAT IN EITHER CASE IS A SPECIALLY-RELATED PARTY OF THE COMPANY OR (II) A DESIGNATED FINANCIAL INSTITUTION.

The Bonds do not fall under the concept of so-called "taxable linked bonds" as described in Article 6, Paragraph 4 of the Special Taxation Measures Act.

Interest payments on the Bonds will generally be subject to Japanese withholding tax unless it is established that such Bonds are held by or for the account of a beneficial owner that is (i) for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that in either case is a Specially-Related Party of the Company, (ii) a designated Japanese financial institution described in Article 6, Paragraph 11 of the Special Taxation Measures Act which complies with the requirement for tax exemption under that paragraph or (iii) a Japanese public corporation, a Japanese financial institution, a Japanese financial instruments business operator or certain other entity which has complied with the requirement for tax exemption under Article 3-3, Paragraph 6 of the Special Taxation Measures Act which has received such payments through a Japanese payment handling agent as provided in Article 3-3, Paragraph 6 of the Special Taxation Measures Act.

Interest payments on the Bonds paid to an individual resident of Japan, to a Japanese corporation, or to an individual non-resident of Japan or a non-Japanese corporation that in either case is a Specially-Related Party of the Company (except for the designated Japanese financial institution and the Japanese public corporation, the Japanese financial institution, the Japanese financial instruments business operator and certain other entity described in the preceding paragraph) will be subject to deduction in respect of Japanese income tax at a rate of 15.315 per cent. of the amount of such interest.

The Bonds have not been and will not be registered under the Securities Act. Subject to certain exceptions, the Bonds may not be offered or sold within the United States or to U.S. persons (as defined in Regulation S). The Bonds are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. See "Subscription and Sale".

***Prohibition of sales to EEA retail investors**: The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "EU MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II. Consequently, no key information document required by Regulation (EU) No. 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.*

***Prohibition of sales to UK retail investors**: The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "FSMA") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds* *or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.*

UK MiFIR product governance / Professional investors and ECPs only target market*: Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the EUWA ("UK MiFIR"); and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a "distributor") should take into consideration the manufacturer's target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.*

There are restrictions on the offer and sale of the Bonds in the UK. All applicable provisions of the FSMA with respect to anything done by any person in relation to the Bonds in, from or otherwise involving the UK must be complied with. See "Subscription and Sale".

NOTICE TO CAPITAL MARKETS INTERMEDIARIES AND PROSPECTIVE INVESTORS PURSUANT TO PARAGRAPH 21 OF THE HONG KONG SFC CODE OF CONDUCT

Important Notice to Prospective Investors*: Prospective investors should be aware that certain intermediaries in the context of this offering of the Bonds, including certain Managers, are "capital market intermediaries" ("CMIs") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission of Hong Kong (the "Code"). This notice to prospective investors is a summary of certain obligations the Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" ("OCs") for this offering and are subject to additional requirements under the Code.*

Prospective investors who are the directors, employees or major shareholders of the Company, a CMI or its group companies would be considered under the Code as having an association (an "Association") with the Company, the CMI or the relevant group company. Prospective investors associated with the Company or any CMI including its group companies should specifically disclose this when placing an order for the Bonds and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should ensure, and by placing an order, prospective investors are deemed to confirm that, orders placed are bona fide, are not inflated, and do not constitute duplicated orders (i.e., two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any Joint Lead Manager, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Joint Lead Manager or its group company has more than 50 per cent. interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not such a "proprietary order". If a prospective investor is otherwise affiliated with any Manager, such that its order may be considered to be a "proprietary order" (pursuant to the Code), such prospective investor should indicate to the relevant Manager when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not such a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to this offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including Private Banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Joint Lead Managers and/or any other third parties as may be required by the Code, *including to the Company, any OCs, relevant regulators and/or any other third parties as may be required by the Code, it being understood and agreed that such information shall only be used for the purpose of complying with the Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.*

DISCLOSURE OF DEMAND AND ALLOCATION

Each prospective purchaser who places an order for the Bonds consents to the disclosure by the Joint Lead Managers to the Company of the prospective purchaser's identity, the details of such order and the actual amount purchased, if any.

STABILISATION AND OVER-ALLOTMENT

IN CONNECTION WITH THE ISSUE OF THE BONDS, SMBC NIKKO CAPITAL MARKETS LIMITED (THE "STABILISATION MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) MAY OVER-ALLOT THE BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION ACTION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISATION MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless otherwise stated, references in this Offering Circular to "EUR" and "euro" are to the single currency introduced at the third stage of European economic and monetary union in accordance with the Treaty on the Functioning of the European Union, as amended, references to "U.S. dollar", "U.S.$" and "$" are to the lawful currency of the United States of America, and references to "yen" and "¥" are to Japanese yen.

In this Offering Circular, "billion" means thousand million, and, unless otherwise specified, in respect of the financial statements and amounts reproduced directly therefrom, where financial information is presented in millions of yen, amounts of less than one million have been rounded down to the nearest one million, and where financial information is presented in one hundred millions (one-tenth of a billion) of yen, amounts of less than one-tenth of a billion have been rounded down to the nearest one-tenth of a billion, except that, in certain cases, the rounding has been adjusted to make the total of individual figures equal to the total figure representing the aggregate of those individual figures. In cases where financial information other than those reproduced directly from the financial statements is presented in one hundred millions (one-tenth of a billion) of yen, amounts of less than one-tenth of a billion have been rounded down to the nearest one-tenth of a billion, with five-hundredths of a billion being rounded upwards, and the total of individual figures may not equal to the total figure representing the aggregate of those individual figures. All other figures and percentages, including operating data, have been rounded up or down (in the case of percentages, to the nearest 0.1 per cent. or to the nearest 0.01 per cent.), unless otherwise specified; however, certain percentages in tables may have been rounded otherwise than to the nearest 0.1 per cent. or 0.01 per cent., as the case may be, to make the total of the relevant items equal to 100 per cent.

The Company's fiscal year end is 31 March. The Company's financial statements are prepared in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which differ in certain material respects from generally accepted accounting principles in certain other countries. Potential investors should consult their own professional advisers for an understanding of the difference between Japanese GAAP and IFRS Accounting Standards ("IFRS"), or generally accepted accounting principles in other jurisdictions and an understanding of how those differences might affect the financial information contained herein. See "Investment Considerations—Considerations Relating to the Group's Financial Statements—Differences in generally accepted accounting principles".

From 1 April 2024, the statutory quarterly disclosure requirements under the FIEA applicable to first quarter ("Q1") and third quarter ("Q3") reports and review requirements by the independent auditor, which were mandatory previously, have been abolished and have been integrated into the quarterly earnings reports (*kessan tanshin*) based on the Standards for the Preparation of Quarterly Financial Statements of the Tokyo Stock Exchange and the Fukuoka Stock Exchange (the "Tokyo Stock Exchange and the Fukuoka Stock Exchange rules"). At the same time, review of such quarterly earnings reports (*kessan tanshin*) (Q1 and Q3) by the independent auditor has become optional in principle. The new Tokyo Stock Exchange and the Fukuoka Stock Exchange rules permit reduced disclosures as compared to those which were required under the FIEA in respect of quarterly financial statements under Japanese GAAP or IFRS, as applicable.

This Offering Circular contains the audited consolidated financial statements of the Group, prepared and presented in accordance with Japanese GAAP, as of and for the fiscal year ended 31 March 2024 (with comparative information as of and for the fiscal year ended 31 March 2023) and as of and for the fiscal year ended 31 March 2023 (with comparative information as of and for the fiscal year ended 31 March 2022), and the audit reports with respect thereto included herein at pages F-2 and F-56 (the "Audited Annual Financial Statements").

This Offering Circular also contains, at pages A-2 to A-8 (the "A-pages"), the unaudited quarterly consolidated financial statements of the Group as of and for the three-month period ended 30 June 2024, including the quarterly consolidated balance sheet of the Group as of 30 June 2024 (together with a consolidated balance sheet of the Group as of 31 March 2024) and the related quarterly consolidated income statements and quarterly consolidated comprehensive income statements for the three-month period ended 30 June 2024 (with comparative information for the three-month period ended 30 June 2023) (the "Q1 Financial Statements"), being an English translation of the unaudited quarterly consolidated financial statements contained in the quarterly earnings report (*kessan tanshin*) of the Group published on 31 July 2024. The Q1 Financial Statements have not been audited or reviewed by the Company's independent auditor. In addition, compared to the Audited Annual Financial Statements, the Q1 Financial Statements omit certain disclosures required under Japanese GAAP, including some of the notes. Accordingly, the Q1 Financial Statements are not wholly comparable with the Audited Annual Financial Statements and should not be so compared. The Q1 Financial Statements should not be relied upon by investors to provide the same quality of information as financial statements that have been subject to an audit or review. Potential investors are advised to exercise caution when using such information to evaluate the financial condition and results of operations of the Group, and should not place undue reliance upon such information.

In addition, as described above, as the Q1 Financial Statements comprise an English translation of simplified financial information prepared in Japanese, and have not been subject to an audit or review by the Company's independent auditor, there are certain differences in presentation between the Q1 Financial Statements and the Audited Annual Financial Statements. In particular:

- *Segment Names*: In the Q1 Financial Statements, the business segments of the Group are given the names set out below, which differ from the names given in the Audited Annual Financial Statements. In this Offering Circular, except in the A-pages, the segment names used in the Audited Annual Financial Statements are used.

Audited Annual Financial Statements	**Q1 Financial Statements**
Power Generation and Sale	Power and Retail businesses
Electricity Transmission and Distribution	Transmission and Distribution businesses
Overseas	Overseas Businesses
Other Energy Services	Other energy services businesses
ICT Services	ICT services businesses
Urban Development	Urban Development Businesses
Other	Other

- *Line Items*: The line items used to set out financial information in the Q1 Financial Statements differ from those used in the Audited Annual Financial Statements. In this Offering Circular, where financial information as of and for the three-month periods ended 30 June 2023 and 2024 is presented or discussed other than in the A-pages, the nomenclature of line items have been conformed with those of the Audited Annual Financial Statements. In particular, "operating profit", "provision or reversal of reserve for water shortage", "profit before income taxes", "profit attributable to noncontrolling interests", "profit attributable to owners of the parent", and "segment income", as presented in the A-pages, are presented elsewhere in this Offering Circular as "operating income", "reversal of reserve for fluctuations in water level", "income before income taxes", "net income attributable to noncontrolling interests", "net income attributable to owners of the parent", and "segment profit". Investors should note that financial information presented in the Q1 Financial Statements may not be directly comparable with similar or equivalent information set out in the Audited Annual Financial Statements.

Fiscal Years

In certain diagrams contained in this Offering Circular, references to "FY" are to the fiscal years ended 31 March of the year immediately after the number indicated (*i.e.*, "FY2023" refers to the fiscal year ended 31 March 2024).

Per Segment Data

In this Offering Circular, unless otherwise specifically stated, figures for total sales per segment represent the total sales, without taking into account any inter-segment reconciliations. Segment profit (loss) has been adjusted to reflect ordinary income, where ordinary income is calculated by adding interest income, dividends, share of profit of entities accounted for using the equity method and other income to, and deducting interest charges and other expenses from, operating income, and represent the total ordinary income, without taking into account any inter-segment reconciliations.

In the fiscal year ended 31 March 2022, the Group's reportable segments were "Power Generation and Sale", "Transmission and Distribution", "Other Energy Services", "ICT Services", and "Other". However, for periods beginning from 1 April 2022 onwards, the Group's reportable segments were changed to "Power Generation and Sale", "Transmission and Distribution", "Overseas", "Other Energy Services", "ICT Services", and "Urban Development". Under the prior segmentation the "Other Energy Services" segment included "Overseas Business" and the "Other" segment included "Urban Development". In this Offering Circular, unless otherwise indicated, segment information for the fiscal year ended 31 March 2022 has been prepared based on the updated reporting segments applicable for periods beginning from 1 April 2022 onwards.

FORWARD-LOOKING STATEMENTS

Many of the statements included in this Offering Circular contain forward-looking statements and information identified by the use of terminology such as "may", "might", "will", "expect", "intend", "plan", "estimate", "anticipate", "project", "believe" or similar phrases. The Company bases these statements on beliefs as well as assumptions made using information currently available to the Group. As these statements reflect the Company's current views concerning future events, these statements involve risks, uncertainties and assumptions. The Company's or the Group's actual future performance could differ materially from these forward-looking statements. Important factors that could cause actual results to differ from the Company's expectations include those risks identified in "Investment Considerations" and the factors discussed in "Recent Business" and "Business", as well as other matters not yet known to the Company or not currently considered material to the Group by the Company. The Company does not undertake to review or revise this Offering Circular or any forward-looking statements contained in this Offering Circular to reflect future events or circumstances. The Group does not undertake to release the results of any revision of forward-looking statements which may be made to reflect future events or circumstances. The Company cautions prospective investors in the offering not to place undue reliance on these forward-looking statements. All written and oral forward-looking statements attributable to the Company or persons acting on the Company's behalf are qualified in their entirety by these cautionary statements.

CONTENTS

Page

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SUMMARY INFORMATION

The following summary does not purport to be complete and is qualified in its entirety by, and is subject to, the more detailed information and financial statements and the notes thereto contained elsewhere in this Offering Circular. For a discussion of certain factors that should be considered by prospective investors in connection with an investment in the Bonds, see "Investment Considerations".

KYUSHU ELECTRIC POWER COMPANY, INCORPORATED

The Company's brand message, "Enlighten Our Future", expresses the Group's desire to realise a sustainable society and contribute to solving social and regional issues through its businesses. Since its founding in 1951, the Company has been providing electricity in the Kyushu region in Japan under a comprehensive system of power generation, transmission and distribution.

The Group's operations are principally divided into the following six reportable segments: (i) the Power Generation and Sale segment, which engages in the business of power generation and retail electricity sales in Japan, (ii) the Electricity Transmission and Distribution segment, which engages in the business of general transmission and distribution in the Kyushu region, (iii) the Overseas segment, which engages in the business of overseas power generation, transmission and distribution business, (iv) the Other Energy Services segment, which engages in the business that provide electric power, such as the construction and maintenance of electricity-related facilities, the sales of gas and LNG, the sales of coal and the renewable energy business, (v) the ICT Services segment, which engages in the data communication business, the optical broadband business, the construction and maintenance of telecommunications facilities, the information system development business and the data centre business, and (vi) the Urban Development segment, which engages in the urban development business, the real estate business and the social infrastructure business. The Group also records an "Other" business segment, comprising of businesses not included in the reportable segments, including the paid nursing home business, office work outsourcing business and personnel dispatch business.

As of 30 June 2024, the Company had 53 consolidated subsidiaries, and 21 nonconsolidated subsidiaries and 31 affiliates, each accounted for by the equity method.

The Company's registered office is located at 1-82, Watanabe-dori 2-chome, Chuo-ku, Fukuoka, 810-8720, Japan. The Company's shares of common stock (the "Shares") are listed on the Prime Market of the Tokyo Stock Exchange and the Main Board of the Fukuoka Stock Exchange.

THE OFFERING

Issuer	Kyushu Electric Power Company, Incorporated.
Securities Offered....................................	U.S.$● in aggregate principal amount of ● per cent. Bonds due 2029.
Issue Price..	100 per cent.
Closing Date...	On or about ● October 2024.
Interest...	The Bonds will bear interest from ● October 2024 at the rate of ● per cent. per annum payable semi-annually in arrear on ● April and ● October in each year, with the first interest payment to be made on ● April 2025.
Delivery..	It is expected that the Global Certificate will be deposited with, and registered in the name of, or a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg on or about the Closing Date.
Form	The Bonds will be issued in registered form, evidenced by the Global Certificate. Definitive Certificates will only be available in certain limited circumstances. See "Summary of Provisions Relating to the Bonds While in Global Form".
Listing..	Approval in-principle has been received for the listing of the Bonds on the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of U.S.$200,000 for so long as the Bonds are listed on the SGX-ST.
Rating	It is expected that the Bonds will be assigned a credit rating of A3 by Moody's. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Use of Proceeds..	The net proceeds from the issue of the Bonds are estimated to amount to approximately U.S.$ ● million, and are expected to be used primarily for general capital expenditures and repayment of borrowings and bonds of the Company.

THE BONDS

Form and Denomination	The Bonds will be issued in registered form, in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Interest Rate	● per cent. per annum.
Status	The Bonds are direct, unconditional and unsubordinated obligations of the Company, ranking *pari passu* and rateably without any preference among themselves, and, except for the provisions of Condition 2, with all of the Company's other unsubordinated indebtedness in the form of bonds, notes or debentures (which fall within the meaning of *shasai* as referred to in Paragraph 17 of the Supplementary Provisions of the Electricity Business Act of Japan (Act No. 170 of 1964, as amended, the "Electricity Business Act")) from time to time outstanding that is unsecured except for the preferential right referred to in Paragraph 17 of the Supplementary Provisions of the Electricity Business Act. Under the Electricity Business Act, all holders of such bonds, notes and debentures (including the Bonds) issued by the Company have the preferential right to be paid prior to other unsecured indebtedness of the Company, with the exception of, among others, obligations in respect of national and local taxes and subject to certain general preferential rights provided in the Civil Code of Japan (Act No. 89 of 1896, as amended), such as preferential rights of employees to wages.
Negative Pledge..	So long as any of the Bonds remain outstanding, the Company will not, and will procure that none of its Principal Subsidiaries (as defined in Condition 3.1) will, create or permit to subsist any mortgage, charge, pledge or other security interest (other than any Statutory Preferential Right (as defined in Condition 2)) for the benefit of the holders of any Relevant Debt (as defined in Condition 2) unless the same security or such other security or guarantee as provided in Condition 2 is accorded to the relevant Bonds. See Condition 2.
Redemption at Maturity..........................	Unless the Bonds have previously been redeemed or purchased and cancelled, or become due and repayable, the Company will redeem the Bonds at 100 per cent. of their principal amount on ● October 2029.
Redemption for Taxation Reasons	If the Company has or will become obliged to pay any Additional Amounts (as defined in Condition 7.1) in accordance with Condition 7.1 as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after ● September 2024, and the Company is unable to avoid such obligation by taking reasonable measures available to it, the Company may, at any time, having given not less than 30 days' nor more than 60 days' prior irrevocable notice to the Bondholders in accordance with Condition 14, redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount. See Condition 5.2.

Redemption at the Option of the Company...	The Company may, at its option, redeem the Bonds in whole, but not in part, at any time prior to the Par Call Date, at the price determined in the manner set out in Condition 5.3. See Condition 5.3. The Company may also, at its option, redeem the Bonds in whole, but not in part, at any time on or after the Par Call Date, at their principal amount plus accrued and unpaid interest to, but excluding, the date of redemption. See Condition 5.4.
Cross Default...	The Bonds are subject to a cross default in respect of indebtedness for borrowed money or any guarantee and/or indemnity thereof of the Company or of any Principal Subsidiary in respect of amounts of at least U.S.$10,000,000 (or its equivalent in any other currency or currencies). See Conditions 8.3 and 8.4.
Taxation..	All payments by the Company in respect of the Bonds will be made without any deduction for withholding taxes of Japan, except to the extent described in Condition 7.1.
Governing Law.......................................	English law.
Jurisdiction...	English courts.
International Securities Identification Number ("ISIN")..................................	XS2905589649.
Common Code...	290558964.
Legal Entity Identifier ("LEI") for the Company...	549300BYNZPLKQVQH430.
Fiscal Agent, Paying Agent, Transfer Agent and Registrar..............................	Mizuho Trust & Banking (Luxembourg) S.A.

INVESTMENT CONSIDERATIONS

Prior to making an investment decision, prospective investors should carefully consider, along with the other information set forth in this Offering Circular, the following considerations:

Considerations Relating to the Group and its Business

Liberalisation of the electric power business

An amendment to the Electricity Business Act was enacted in November 2013 and set out three phases to implement the reforms to the electric power systems in Japan. Based thereon, pursuant to the second stage of the amendment to the Electricity Business Act which took effect in 2016, various measures have been promulgated relating to matters that require revision in the course of the implementation of the full-scale liberalisation of participation in retail electricity sales. See "The Japanese Electric Power Industry—Competition in the Electric Power Market in Japan" and "Business—Regulations—Electricity System Reform" for further details on the outlines of reforms to the electric power system in Japan.

After full-scale liberalisation of participation in retail electricity sales was implemented in 2016, competitive pressures on retail sales of electricity have increased, including on prices of electricity sales to consumers. Although new entrants into the industry have decreased in recent periods following the increase in fuel prices caused by factors such as the invasion of Ukraine by Russia, competition for customers continue to occur and could occur further, not only from new entrants and other "Specified Electric Utilities" (entities formerly falling under the definition of "General Electric Utilities" as defined by the Electricity Business Act prior to the second stage of the amendment to the Electricity Business Act referred to above) which attempt to enter into the regional market in which the Group's business is based, but also from other businesses through measures such as package sales of electricity and telecommunication services (see "—Increase in competition"). The Group has also been working to enter markets traditionally served by other Specified Electric Utilities, such as the Kanto area. There can be no assurance that the Group will always be successful in competing with other electricity suppliers (either those entering the Group's principal market of the Kyushu region, or those operating in markets which the Group is entering), and as a result, the Group's business, results of operations and financial condition may be materially and adversely affected.

The deregulatory trend for the electric power business in Japan is still developing and relevant regulations continue to be under review. For example, while the full-scale liberalisation of participation in retail electricity sales took effect in April 2016, the abolition of regulations applicable to retail electricity rates of Specified Electric Utilities, which had initially been designed to take place around 2020, is currently on hold as competition in the industry is deemed not to be at a sufficient level by the Japanese government. Other deregulatory measures to stimulate competition, such as the legal separation of the electricity transmission and distribution division for the purpose of achieving neutrality, as well as measures to ensure stable supply of electricity, such as the establishment of a base load power supply market and creation of new markets such as the capacity market where electricity availability is traded with the goal to secure stable supply of electricity, have taken effect over the last few years. The full effect on the competitive landscape of these measures is still developing to some extent.

The government also continues to review such electricity system reforms and may take other measures to stimulate competition, or implement other reforms in line with its then current policies (such as policies relating to energy security or carbon neutrality). With respect to the nuclear power generation business, as it is characterised by having long-term operations (including the processing and disposal of nuclear waste) and requiring large amounts of investments, even amid the implementation of electricity business structural reforms, policy measures will be required to enable private businesses to operate their businesses independently (see "—Risks pertaining to nuclear power generation—Japan's energy policy"). Any revision of policy pertaining to the electric power business such as those described above may materially adversely affect the Group's business, results of operations and financial condition.

On 1 April 2020, the Company transferred its electricity transmission and distribution business to a 100 per cent. owned subsidiary of the Company, Kyushu Electric Power Transmission and Distribution Co., Inc. ("Kyushu Electric Power Transmission and Distribution"). See "Business—History". As a result, Bondholders do not have direct recourse to the electricity transmission and distribution assets held by the Group.

In addition, under the Electricity Business Act, bonds issued by former General Electric Utilities such as the Company have the preferential right (so-called "*ippan tanpo*") to be paid prior to certain other unsecured indebtedness of such company. Pursuant to the third stage of the amendment to the Electricity Business Act which took effect in April 2020, the provision of such preferential rights with respect to bonds to be issued by Specified Electric Utilities have been abolished, but transitional measures have been made available to the former General Electric Utilities (including the Company) by the Minister of Economy, Trade and Industry ("METI"), and such companies may continue issuing bonds with preferential rights, such as the Bonds, until the end of March 2025. The abolition of such preferential rights with respect to bonds to be issued after the end of March 2025 may also adversely affect the costs associated with the Company's raising of funds through the issuance of bonds.

Increase in competition

As set out in "—Liberalisation of the electric power business", the liberalisation of participation in retail electricity has increased competition in the electricity sector, not only from existing electric utilities and new entrants into the industry but also from other businesses through measures such as package sales of electricity and telecommunication services. In addition, as the power generation business moves from largescale power plants to a distributed energy system in order to meet the demands of customers, this also presents a competitive challenge for the Group as an owner and operator of large-scale power plants. In addition, in respect of renewable energy, as regulation and government action increase the attractiveness of entry into the renewable energy market, the Group faces significant increased competition in that sector including from competitors focussing on solar power generation or battery storage. There can be no assurance that the Group will be able to maintain its level of market share and/or profitability as such competition develops.

Further, alliances for instance between other Specified Electric Utilities or businesses in other industries, such as that between Tokyo Electric Power Company Holdings, Inc. (such company, its subsidiaries or such company and its subsidiaries taken together being referred to herein as "TEPCO") and Chubu Electric Power Co., Inc. ("Chubu Electric") may lead to greater cost effectiveness on their part and therefore greater price competition for the Group. While the Group intends to take measures in line with the increase in competition to remain competitive in terms of both price and services, there can be no assurance that the Group will be able to maintain its level of market share and profitability.

In addition, the Group has been expanding its electric power business to areas other than the Kyushu region, including retail electricity sales in the Kanto area. However, there can be no assurance that the Group will be successful in competing with other electric power suppliers (which may have a more prominent position with respect to recognition in the relevant market or in size) or new entrants into the market.

Further, electricity prices may also be affected by the trading prices on the Japan Electric Power Exchange, which are not within the Group's control. Any of these factors may materially adversely affect the Group's business, results of operations and financial condition.

Risks pertaining to nuclear power generation

The proportion of the Company's electricity generated through nuclear power to the total electricity amount generated by the Company amounted to approximately 50.2 per cent. in the fiscal year ended 31 March 2024, higher relative to other Specified Electric Utilities. As such, factors affecting nuclear power generation in Japan has a material effect on the Group's business, results of operations and financial condition.

Japan's energy policy

Based on the Basic Act on Energy Policy (Act No. 71 of 2002) (the "Basic Act on Energy Policy") which became effective in June 2002, the Japanese government has framed a plan (a "Strategic Energy Plan") with the aim of a long-term, comprehensive and systematic implementation of measures relating to energy supply and demand. Based on the Basic Act on Energy Policy, the Strategic Energy Plan's contents must be reviewed at least once in every three years, and as amended when considered necessary. The Sixth Strategic Energy Plan, published in October 2021, set out an "ambitious outlook" for Japan's "energy mix" (a mixture of power sources) for the fiscal year ending 31 March 2031 that includes renewable energy, thermal and nuclear power generation, including its outlook for the proportion of nuclear power within the total power generation amount for the fiscal year ending 31 March 2031 to be approximately 20 per cent. to 22 per cent. See "The Japanese Electric Power Industry—Japan's Energy Supply—Trends in Japan's Energy Policy—Japan's Energy Mix".

The Group intends, upon a major precondition that its safety is ensured, to continue to utilise nuclear power generation, based on the intention to maintain its focus on non-fossil power, combining its strengths of nuclear power and its efforts in expanding renewable energy with the aim of making nuclear power generation and renewable energy power generation to be the twin pillars of the Group's non-fossil fuel power source.

However, should the Japanese energy policy be radically changed (including a reduction in the proportion of nuclear energy included within the energy mix as set out in the relevant Strategic Energy Plan), it may become difficult to continue operations of such nuclear power generation facilities, and in such event the Group's investments in such facilities may be lost, which may materially adversely affect the Group's business, results of operations and financial condition.

Regulatory standards for safety of design

Following the Fukushima Daiichi Nuclear Power Station accident, the regulatory regime and technical standards relating to nuclear power stations were comprehensively reviewed, and new regulatory standards relating to the safety of design of nuclear power stations were introduced in July 2013. In order to resume operations at nuclear power plants which have currently halted operations, the operator must pass stringent conformance confirmation examinations by the Nuclear Regulation Authority (the "NRA"). All units (other than those with respect to which decommissioning is in process) of all nuclear power stations operated by the Group have resumed operations by passing conformance confirmation examinations by the NRA. However, as part of assessments by the NRA, the Group may be required to make additional investments in respect of power plants as a result of changes in applicable laws, regulations and standards. The Group is also required to conduct periodic inspections on its nuclear power stations.

Litigation, disputes and deterioration in relationships with interested parties

The Group also faces the risk of disputes and litigation arising and/or continuing in relation to the Company's nuclear power operation, including friction with local residents, civic groups and other interested parties in relation to construction or operation of its nuclear power stations, as well as potentially prolonged lawsuits. For example, a number of lawsuits brought by local residents to halt the operations of the Takahama Power Station Units 3 and 4 (operated by Kansai Electric Power Company, Incorporated) and the Ikata Nuclear Power Station Unit 3 (operated by Shikoku Electric Power Company, Incorporated) over the last few years have resulted in temporary injunctions being granted by the relevant courts and operations being halted for some months a number of times (until the relevant temporary injunctions were eventually dismissed). In January 2022, a lawsuit was brought for an injunction to halt the operation of the Company's Sendai Nuclear Power Station Units 1 and 2, which was denied by the Fukuoka District Court in January 2023, and the appeal thereto was rejected by the Fukuoka High Court in March 2024. The Company is currently involved in proceedings relating to applications by certain local residents to halt operation of its Sendai Nuclear Power Station Units 1 and 2 as well as Genkai Nuclear Power Station Units 1, 2, 3 and 4 (Units 1 and 2 are currently being decommissioned). The Company is also involved in administrative litigations (i) applying for the cancellation of its permission to make changes to installations at Genkai Nuclear Power Station Units 3 and 4 and (ii) applying for the cancellation of its permission to make changes to reactor installation with respect to its Sendai Nuclear Power Station. Amidst general tendencies for increased interest in the operation of nuclear power stations in Japan, there can be no assurance that the Company will not face similar disputes and court actions with regard to the operation of its nuclear power stations. Further, as with other nuclear power operators in Japan, the Company has entered into various agreements with multiple local governments relating to each power plant. Pursuant to the agreements, if a power plant plans to make material changes to the related facilities, the relevant power plant is required to obtain prior consent from the local governments in which it is located. Also, the relevant local governments may inspect the facilities, and may make public comments or requests in respect thereof. If in future the Group were to face difficulties (including the necessity to shut down facilities) with regard to its nuclear power operations as a result of lawsuits, administrative actions, other proceedings or other significant issues in respect of the Company's relationship with interested parties, the Group's business, results of operations and financial condition may be materially adversely affected.

Extended Operation and Decommissioning of Nuclear Power Generation Units

The GX Decarbonized Power Sources Act was enacted on 31 May 2023 and is due to take effect in June 2025. Previously, where a nuclear power reactor was to be operated beyond 40 years from the commencement of its operation, such facilities were required to be assessed by the NRA for compliance with the then latest regulatory standards, and in addition, the operator must apply for an approval for the extension of the operational period to the NRA (with a limit of one application for a maximum period of extension of 20 years) together with the results of a special inspection and obtain approval in relation thereof. The GX Decarbonized Power Sources Act effectively extends the period for which nuclear power reactors can remain in operation beyond 60 years by excluding the period during which the nuclear power reactors are suspended (for example due to unforeseeable factors such as changes in safety regulations and temporary restraining orders) from the total period of operation; however, it also requires that, where a nuclear power reactor is to be operated beyond 30 years from the commencement of its operation, the operator must formulate a long-term plan on the management of its facilities based on technological evaluation of the state of deterioration and obtain approval for such long-term plan on the management of its facilities from the NRA once at least every ten years, including by the time when the GX Decarbonized Power Sources Act takes effect in June 2025. Any delays or failure in obtaining such approval could lead to the halting of the operation of the Group's nuclear power stations, and could materially adversely affect the Group's business, results of operations and financial condition, as well as its ability to achieve the goals which it has set towards carbon neutrality. See "The Japanese Electric Power Industry—Japan's Energy Supply—Trends in Japan's Energy Policy—GX Decarbonized Power Sources Act". On 1 November 2023, the NRA approved the extension of the operational period for the Company's Sendai Nuclear Power Station Units 1 and 2 for 20 years, and a long-term management plan and NRA approval will be required by June 2025 for the extension of the operation of the Group's Sendai Nuclear Power Station Units 1 and 2 and Genkai Nuclear Power Station Unit 3.

Further, with a view to promoting appropriate and smooth decision-making by private nuclear power operators with respect to decommissioning of nuclear power generation units, and to ensuring safe and secure decommissioning should the operator decide to decommission, the government has been implementing various policy measures; for instance, from 1 April 2024, nuclear power operators are required to make contributions related to decommissioning costs to the Nuclear Reprocessing and Decommissioning facilitation Organization of Japan ("NuRO"), which is an organisation approved by the Japanese government to reprocess spent fuel and promote decommissioning, instead of provisioning such costs in the operator's accounts. The Group has decided to decommission its Genkai Nuclear Power Station Units 1 and 2, and the Group is aiming to complete the decommissioning of these units by around the fiscal year ending 31 March 2055. The costs of decommissioning nuclear power generation units involve many uncertainties due to factors such as having no track record of completion of decommissioning domestic nuclear power generation units for commercial use, the developing legal framework for regulations in relation to disposal of radioactive waste, and potential future changes in the accounting policies and other measures relating to decommissioning. Any of these factors may materially affect the Group's business, results of operations and financial condition.

Nuclear damage compensation system

Currently, nuclear power generation facility operators have, in principle, no-fault and unlimited liability with regard to any nuclear damage caused by, among other things, the operation of its nuclear power reactors. The Group, while taking various measures to ensure safety, has, pursuant to the Act on Compensation for Nuclear Damage of Japan (Act No. 147 of 1961, as amended) (the "Nuclear Damage Compensation Act"), entered into insurance contracts and indemnity contracts which enables it to receive certain indemnities in the remote event of an accident, at the same time as making a general contribution every year to the Nuclear Damage Compensation and Decommissioning Facilitation Corporation (the "NDF") (an entity whose aim includes providing financial assistance with regard to compensatory damage payable by nuclear power generation facility operators) pursuant to the Nuclear Damage Compensation and Decommissioning Facilitation Corporation Act of Japan (Act No. 94 of 2011, as amended) (the "Nuclear Damage Compensation and Decommissioning Facilitation Corporation Act"). See "Business—Regulations—Regulation of Nuclear Power Generation—Compensation Scheme for Nuclear Damage". Nevertheless, as natural or man-made disasters at power generation plants may lead to huge calamities, the adverse effects of which in the case of nuclear power generation facilities may in particular be extreme, wide-ranging and long-lasting, the Group's business, results of operations and financial condition may be materially adversely affected if any nuclear accidents were to occur (see "—Natural disasters, uncontrollable events and accidents"). Further, if the government were to revise the nuclear damage compensation system, depending on the content of such revision, the amount of the Group's contribution may be increased, which may materially adversely affect the Group's business, results of operations and financial condition.

Nuclear back-end business

The nuclear back-end business is an ultra-long-term business and involves many uncertainties, and the Ministry of Economy, Trade and Industry is contemplating extensive revisions to such business with the aim of ensuring appropriate and efficient business implementation, including in relation to business operators and securing of funds. Based on an amendment act enacted in May 2016 which made amendments to the Act on the Implementation of the Reprocessing of Spent Fuel in Nuclear Power Generation (renamed the Act on the Implementation of the Reprocessing of Spent Fuel in Nuclear Power Generation and Promotion of Decommissioning in April 2024) (the "Reprocessing Contribution and Decommissioning Promotion Act"), NuRO was established and commenced operations in October 2016. As a result, a mechanism was put in place for nuclear power station operators including the Company to contribute towards such organisation enough funds for reprocessing spent fuel and others (including relevant MOx fuel processing operations). Although this has now alleviated to some extent the risks in this area by the Japanese nuclear power station operators including the

Company, should the necessary funds required for the reprocessing of spent fuel increase or such mechanism be re-examined (such as the expansion of coverage for such contribution), this may materially affect the Group's business, results of operations and financial condition depending on the content of such change. Further, nuclear power station operators including the Company currently operate on the assumption that such fuel is to be reprocessed and reused. The Company may not be able to reprocess spent fuel should it become difficult for the nuclear back-end business to operate for reasons such as variation in international framework for reprocessing of nuclear spent fuel, or political, economic and/or technical issues. Should the Group face difficulties in securing storage for its spent fuel, the Group may incur additional costs in securing necessary storage, or be unable to continue to operate its nuclear power stations, which could have a material adverse effect on the Group's business, results of operations and financial condition. The Company makes contributions regarding costs for final disposal of designated radioactive waste subject to geological disposal (such as solidified glass body accumulated after reprocessing) pursuant to the Designated Radioactive Waste Final Disposal Act (Act No. 117 of 2000, as amended).

Japan Nuclear Fuel Limited

The Company has a noncontrolling interest in, and acts as a guarantor in respect of the debts of, Japan Nuclear Fuel Limited ("JNFL"), which is the principal entity that implements the nuclear fuel cycle business in Japan. The amount of JNFL's debt guaranteed by the Company as of 31 March 2024 was ¥77,946 million.

JNFL is engaged in the uranium enrichment business and nuclear power back-end business such as burial of radioactive waste and storage of high-level radioactive waste. JNFL is currently undergoing an assessment by the NRA with regard to, among other things, its compliance with new regulatory standards relating to nuclear fuel cycle facilities. Depending on the progress of such assessment and other factors such as political concerns with respect to the use of reprocessed plutonium, the utilisation rate of the nuclear fuel cycle facilities of JNFL may be materially adversely affected. If JNFL's financial conditions deteriorate as a result, its creditors may demand the performance of the guarantee provided by the Company in respect of JNFL's debt. In such event, the Group's business, results of operations and financial condition may be materially adversely affected.

Thermal power generation and renewable energy power generation (including hydroelectric)

As of 31 March 2024, the Group operated six thermal power generation facilities (operated by liquefied natural gas ("LNG"), oil or coal), the power generation units at some of which have been in operation for some time and require more than the regular level of maintenance and repairs. During their use, thermal power plants require repairs and replacements to remain functional. Any such repairs and replacements can lead to increased costs of operation, and any stoppage of a particular thermal power generation plant may require the Group to utilise other less cost-effective plants, or receive electricity from other electric power generating companies, to provide the required level of electricity Any such factors may lead to increased costs of operations. In addition, these thermal power generation facilities emit carbon dioxide ("CO_2"), and if environmental policies are significantly amended, such as through imposition of new environmental regulations or taxes relating to fossil fuel, the Group may be required to make additional investments, bear other additional costs, or record impairment loss as a result of decreased utilisation rate of existing thermal power generation facilities, or the construction of new facilities may be delayed, which may materially adversely affect the Group's business, results of operations and financial condition.

With regard to hydroelectric power generation facilities, rainfall levels in the water resource areas have the potential to affect the Group's business, results of operations and financial condition, as a decrease in water flow rate could decrease the volume of electricity generated by hydroelectric power which does not require fuel costs upon generation, and may increase the Group's fuel costs through increasing the Group's dependence on thermal and other power generation than hydroelectric power. However, the impact of change in the volume of electricity generated by hydroelectric power may be moderated to a certain extent through the system of provisioning for (or reversing of) the reserve for fluctuations in water level.

If General Electric Utilities such as the Company were required to increase its transmission capacities due to the increase in power generated and sold by renewable energy operators, they may need to incur significant capital expenditures with respect to transmission lines, which may not be easily recoverable. Further, a change in environmental policies by the government may also result in the Group incurring additional investment and other costs with respect to its power generation units. Any of the above factors may materially adversely affect the Group's business, results of operations and financial condition.

Currently, as shown in the "Sixth Strategic Energy Plan", the government has indicated the direction of converting renewable energy into a major power source, but early realisation of high penetration of renewable energy has so far proven to be challenging due to cost and operational reasons. However, should it be realised earlier than expected, owing to political measures or technical innovation to promote introduction and usage of renewable energy, it may reduce the utilisation rate of thermal power plants, which may materially adversely affect the Group's business, results of operations and financial condition.

In addition, the Japanese government is expected to announce its "Seventh Strategic Energy Plan" by the end of the fiscal year ending 31 March 2025. The government has indicated that the focus of its review and policy objectives for the Seventh Strategic Energy Plan is for long-term decarbonisation by 2040 and the reduction of CO_2 and other greenhouse gas emissions to zero by 2050. The Japanese government's strategic direction and targets set in such Seventh Strategic Energy Plan may affect the Group's operations as well as its strategic initiatives.

Risks related to fuel prices and procurement

Sources of fuel for the Group's thermal power generation include LNG, heavy and crude oil and coal. Fuel prices may affect the price of power purchased by the Group. Therefore, fluctuations in energy prices, such as LNG, heavy and crude oil and coal, and that of foreign exchange rates in which such fuels are priced, may affect the Group's business, results of operations and financial condition. In particular, as LNG cannot be stored for a long period of time, it cannot be bought at a large quantity when prices are low and be stored for future use, thereby limiting the Group's ability to control the costs of LNG that it purchases.

The price and procurement of fuel may be affected by numerous factors, including geopolitical developments, terrorism, war and unrest in oil producing countries, sanctions imposed by government such as the United States, the United Kingdom, the European Union and Japan, actions by the Organization of the Petroleum Exporting Countries and other fuel producers and environmental concerns. Demand can also be impacted by political developments, including in relation to political and regulatory actions in respect of climate change, weather conditions, changes in demographics, including population growth rates and consumer preferences, technological improvements in energy consumption efficiency and the price of commodities generally. Most recently, challenges in fuel procurement have been faced by businesses in many countries including Japan, following the invasion of Ukraine by Russia and the related sanctions regimes imposed on Russia thereafter.

While the Group works to take measures to diversify fuel supply sources and method of procurement and makes attempts to decrease the Group's fuel costs and mitigate the risk of disruptions to the stable procurement of fuel, unexpected or rapid changes to the fuel procurement situation may adversely affect the Group's fuel costs, or even affect the continued operation of its thermal power generation facilities, which may materially adversely affect the Group's business, results of operations and financial condition.

With regard to fluctuations in fuel prices and foreign exchange rates, while the Fuel Cost Adjustment System (as defined below) currently allows for changes in fuel prices to be reflected in electricity rates, a rapid increase in fuel prices or adverse movements in foreign exchange rates (such as those experienced following the Russian invasion of Ukraine in February 2022) may take several months to be reflected in electricity rates and, with regard to certain customers, would only be reflected up to a certain limit; further, in recent years, the average fuel price has seen significant volatility in the context of the Russia-Ukraine conflict, and this has been materially adversely affecting the Group's business, results of operations and financial condition as the Group has not always been able to fully reflect its fuel costs in its electricity pricing in a timely manner. Partly as a result thereto, the Group posted an operating loss and a loss attributable to owners of the parent for the fiscal year ended 31 March 2023. Further, the Fuel Cost Adjustment System does not enable increases in fuel costs caused by increased reliance on electricity generated by thermal power generation facilities due to the shutdown of nuclear power generation facilities to be reflected in electricity rates. The continued non-operation of, or delay in resumption of operation of, nuclear power generation facilities may thus, through increase in reliance on thermal power generation, result in increased fuel costs which are not compensated by the Fuel Cost Adjustment System, as was the case in the fiscal year ended 31 March 2023 due to the inability of the Group to fully utilise nuclear power generation, which had a material adverse effect on the Group's business, results of operations and financial condition in that fiscal year. For a description of the Fuel Cost Adjustment System, see "The Japanese Electric Power Industry—Overview of the Industry—Electric Power Pricing—Fuel Cost Adjustment System".

Conditions and energy demand in the Group's power supply area

The Company supplies electricity mainly in the seven prefectures of the Kyushu region (Fukuoka, Saga, Nagasaki, Oita, Kumamoto, Miyazaki and Kagoshima prefectures), and electricity sales are subject to the influence of economic conditions such as industrial activities in the Company's power supply area. The Kyushu region has a population of approximately 10 per cent. of Japan's population and a GDP of approximately 8 per cent. of Japan's aggregate GDP for the fiscal year ended 31 March 2021, and electricity demand of approximately 10 per cent. of total electricity demand in Japan for the fiscal year ended 31 March 2024. The Kyushu region has traditionally seen a concentration of businesses related to the automobile industry, semiconductor-related industry and the steel industry. It is expected that demand for power in the Kyushu region will increase in the medium- to long-term, due in particular to the expected increase in demand for and the building of new data centres, AI servers and semiconductor manufacturing facilities. If demand increases, the Group may not have sufficient sources of power to meet that demand economically or at all, which may result in damage to the Group's competitive position where such demand is satisfied by new or existing competitors.

Conversely, transfers to other areas or closures of factories of the industries in the Kyushu region could lead to significant declines in demand for the electricity supplied by the Group. In addition, regardless of transfers or closures of factories, industries may use less electricity for operation, due to economic conditions in the Company's power supply area, which are in turn affected by the general economic conditions in Japan. Economic indicators such as GDP in the Kyushu region as well as Japan in general have been showing variable signs, and the future of the Japanese economy is still uncertain. Any future recession or unfavourable economic conditions in Japan may lead to a slump in retail consumption, industrial activities and manufacturing activities in Japan. The decreases in electricity demand as a result of this may materially adversely affect the Group's business, results of operations and financial condition.

Japan's overall population is generally on a declining trend, and this may, through a reduction in the number of electricity contracts, lead to a reduction in electricity consumption. In addition, as the working population decreases as a result of increases in the average age of the population, economic activity may also decrease. Such demographic trends may therefore adversely affect economic conditions, and a decline in economic conditions and energy demands in the Group's power supply area may materially adversely affect the Group's business, results of operations and financial condition. In addition, the decrease in the working population may result in a tight labour market leading to an increase in personnel costs, which may materially adversely affect the Group's business, results of operations and financial condition.

Weather conditions (particularly temperatures) also affect demands for electricity supply, particularly in relation to demand for air conditioning and heating. Other factors also affecting demands for electricity supply include developments in energy saving techniques and technological innovation leading to introduction of distributed power resources and changes in the form of electricity usage. Any such factors may materially affect the demand for electricity in the Group's supply area, and have the potential to affect the Group's business, results of operations and financial condition.

Overall, future power demand trends are difficult to predict, and can be impacted by many factors such as the impact of economic growth, the construction of new high-power consuming facilities (such as data centres, AI servers and semiconductor manufacturing facilities), changes in populations in the areas serviced, and energy conservation (power saving) technologies. Any such changes could have a negative effect on the Group's business, results of operations and financial condition.

Natural disasters, uncontrollable events and accidents

Japan has been subject to significant natural disasters; and in recent years, the risk from natural disasters such as typhoons, heavy rain, floods and landslides have increased due to global climate change. The Group has installed a wide range of facilities necessary for its business, including power generation facilities, transmission and distribution facilities, and other power supply facilities, and accordingly, its operations are vulnerable to natural disasters, including earthquakes, typhoons, heavy rain, other extreme weather conditions (including, in recent months, extreme high temperatures in Japan leading to tight supply and demand for electricity), tsunamis, floods, landslides, volcanic eruptions, fires, infectious diseases, pandemics (including the COVID-19 pandemic) and epidemics. For example, the Kumamoto earthquake in April 2016 caused significant damage in Kumamoto and Oita prefectures, which are in the Group's supply area, and caused damage to some of the Group's facilities, as well as negatively affecting power demand in the immediate aftermath. Furthermore, on 8 August 2024 the Hyuga-nada earthquake struck off the coast of Miyazaki prefecture in Kyushu, within the Group's service area, following which the Japan Meteorological Agency issued an advisory regarding increased future risk of a megathrust earthquake along the Nankai Trough located south of the Nankaido region of Japan's island of Honshu (the Group's facilities were not damaged as a result of the Hyuga-nada earthquake). Moreover, Mount Aso in Kumamoto prefecture, which has seen a number of volcanic eruptions in the past decade, is situated approximately 130 km from the Group's Genkai Nuclear Power Station.

Whilst the Group has put in place disaster prevention plans, there can be no assurance that such measures will be effective in fully preventing any major loss in such cases. In the event of a major natural disaster or other uncontrollable event or accident, the Group's facilities may experience catastrophic losses, operations may be halted, large losses and expenses to repair or replace such facilities may be incurred, electricity supply may be required to be purchased from other utilities or from the electricity supply market or alternative thermal power fuel may need to be procured, and significant reductions or losses of revenues may be experienced, or other problems may be caused to the Group's operations. Any prolonged power cuts in the Group's supply area may damage the Group's reputation and social trust in the Group.

The Group is also subject to the increasing risks from cybersecurity and physical threats to energy infrastructures and attacks are becoming more sophisticated and malicious. Outside Japan, cyber-attacks on power supply facilities have resulted in power outages. Threat actors, including sophisticated nation-state actors, continue to seek to exploit potential vulnerabilities in the electric and natural gas utility industry, grid infrastructure, and other energy infrastructures, and attacks and disruptions, both physical, cyber, and hybrid targeting physical and cyber assets, are becoming increasingly sophisticated and dynamic. In addition, the advancement of digital technologies and the rapid evolution and increased adoption of artificial intelligence technologies may intensify the Group's cybersecurity risks. In addition, other events outside the Group's control (such as terrorism and deliberate acts of sabotage), power outages or accidents (whether due to employee negligence, equipment error or the ageing of the Group's facilities) could result in environmental damage, third party property damage or serious injury or loss of life through electric shock or otherwise or damage, cause operational interruptions or otherwise adversely affect any of the Group's facilities or interfere with procurement of electricity and equipment from other companies. Moreover, of the four nuclear power station units of the Group currently in operation, two are located in Saga prefecture and two in Kagoshima prefecture, as such, it is possible that one such incident impacting either or both of the two areas could damage or disable a significant proportion of the Group's nuclear power plants. Furthermore, abnormal weather conditions caused by climate change could also increase the costs of restoration of the Group's facilities, including nuclear power generation and distribution facilities.

The Group has insurance policies to cover certain potential losses at its production facilities. However, these insurance policies do not cover all types and amounts of possible losses and expenses at all facilities, and even if the relevant risks were covered, such policies may not be adequate to compensate for all losses and expenses. The Group may also be required to pay for the fair share of costs required to repair damages caused to dams and rivers with the central or local government. Furthermore, the Group's business may also be adversely affected if the Group's suppliers or customers were to experience a catastrophic loss due to natural disasters, accidents or other uncontrollable events, or if the Group is required to compensate for any interruption to electricity supply to its customers due to the Group's fault or error. Any such factors may materially adversely affect the Group's reputation, business, financial condition and results of operations.

Risks relating to the overseas business and investments

The Group has operations or investments in overseas electric power businesses, including in the independent power producer ("IPP") business (whether in operation or under construction or development) in Southeast Asia, the United States and the Middle East, as well as an overseas consulting business, and is seeking to expand its overseas business. The Group's overseas operations are exposed to various risks due to differences such as in legal and regulatory standards, business and political environment, climate and language, as well as fluctuations in prices, interest rates and exchange rates, as well as changes in environmental and energy policies. Such risks include those relating to business, market, political and economic instability, macroeconomic changes, nationalisation and policy changes, credit exposure, financing, foreign investment restrictions, environment and human rights, compliance, litigation and natural disasters. Further, in recent years, amidst the trend of decarbonisation, business opportunities have diversified, including new businesses and innovations due to factors such as the progress on renewable energy, power transmission and distribution and digitalisation; this has also meant that risk factors relating thereto have become more diverse and complex. Any of these factors may result in loss of investment, less than expected profits for the Group and/or increased costs and additional expenditure due to plan changes, stoppages and delays. Any of the above factors may adversely affect the Group's business, results of operations and financial condition.

Risks relating to the Information and Communication Technology ("ICT") Services business, Urban Development business and new businesses

With the aim of obtaining sustainable business growth, in addition to its Power Generation and Sale business and Electricity Transmission and Distribution business, the Group is involved in the ICT Services business and the Urban Development business, principally in Japan. Should these businesses not grow as the Group expects, or if their profitability is reduced through factors affecting the business environment such as changes in legal or regulatory frameworks, changes in social needs, technological innovation, intensifying competition and/or increases in prices, the Group's business, results of operations and financial condition may be materially adversely affected.

Further, the Group endeavours to innovate, including entering new business domains, from the point of view of building a new revenue source. However, new businesses may be subject to risks that are different from those which apply to existing businesses, and if any of such risks were to materialise, the Group may not be able to recoup the investments which it has made into such businesses, and its business, results of operations and financial condition may be materially adversely affected.

Funding requirements and changes in interest rates

The Group's business, in particular its electric power business, requires a significant amount of capital expenditure each year. As such, the Group is required to raise significant funds, principally through borrowings and issues of bonds, on a continuous basis. Developments in the Group's business and credit standing, changes in credit ratings in respect of its debt and adverse developments in financial markets in general, may materially adversely affect the Group's ability to raise funds, on acceptable conditions or at all. Any failure by the Group to raise the funds it needs in an acceptable manner may materially adversely affect the Group's business, results of operations and financial condition.

The Group has a substantial amount of interest-bearing debt (consisting primarily of long-term fixed rate debts (being bonds and loans)), denominated mostly in yen. As of 30 June 2024, the Group's interest-bearing debt (comprising of long and short-term borrowings, bonds and commercial paper) amounted to ¥3,824 billion, or 67.5 per cent. of consolidated total assets on such date. The Group also issued ¥200 billion Class B preferred shares with non-voting, non-conversion features in August 2023. Prevailing interest rates, whether for yen or other currencies in which the Group's debts are denominated, have (in the case of non-yen currencies) increased significantly in recent years and may (in particular in respect of yen rates) increase in the future. Increases in prevailing interest rates may have the effect of increasing interest payments by the Group and may increase the refinancing cost on maturity of the Group's debts. Although the Group hedges against the risk of interest rate fluctuations to a certain extent, such hedging activities may not, or may only partially cover, the risks relating to interest payable by the Group, and interest rate fluctuations could increase the Group's interest payment burden. Further, any negative movements in any credit ratings obtained by the Company (whether due to factors relating to the Group or due to changes in the relevant rating agency's policies) may increase the Group's funding or refinancing costs, in particular, where the Group is involved in obtaining debt funding through the capital markets such as by issuing bonds. Any such factors may materially adversely affect the Group's business, results of operations and financial condition.

Compliance and legal and regulatory risk

In all aspects of its business activities, the Group strives to comply with laws and regulations, internal rules and business ethics with a view to ensuring strict enforcement of compliance as the basis of its management. However, should a major case of non-compliance occur, the Group's social credibility may decline and affect the smooth operation of its business.

The Group must comply with a wide range of laws, regulations and other requirements across various jurisdictions. Such laws, regulations and requirements, including specific laws and regulations relating to its electric power business (see "Business—Regulations"), agreements with local authorities and communities and requirements to disclose environmental impact of its businesses, environmental regulation (see "—Environmental regulation and climate change initiatives") as well as other general legal and regulatory requirements (including but not limited to those relating to employment, trade, antitrust, investments, intellectual property, taxation and tariffs). Further, the Group, and parties within its supply chain, must comply with human rights regulations applicable to them, including regulations against discrimination, harassment and improper limitation of rights of local residents. The application and enforcement of these and other laws and regulations are of varying degrees of complexity and strictness in different jurisdictions and localities, and sometimes not only require compliance by the Group but also by parties acting on its behalf. In particular, local government and community concurrence is important in terms of operations of power plants and building new ones. Social, ethical and stakeholder expectations with respect to the level and clarity of disclosure of non-financial information is also increasing, requiring the Group's internal controls with regard to disclosure of information to be increasingly sophisticated. Further, compliance in respect of personnel and labour-related regulations is also important, and as the Group has many employees, there is a possibility that personnel costs as well as other expenses may increase as a result of such regulations. The Group has established risk management, compliance and internal control systems and procedures. Certain areas within the risk management, compliance and internal control systems may require constant monitoring, maintenance and continual improvements by the Group's senior management and staff. If the efforts to maintain these systems are found to be ineffective or inadequate, the Group may be subjected to inappropriate activities such as cover-up of non-compliant activities, falsification of records, fraudulent acts or corruptive practice (whether by its employees or third parties), or be found not to be in compliance with laws and regulations, which may in turn subject the Group to sanctions or penalties, or additional expenses may be incurred, and its business and reputation may be adversely affected. The internal control system, no matter how sophisticated in design, still contains inherent limitations caused by misjudgement or fault, or deliberate acts of misconduct or fraud. As such, there can be no assurance that the risk management, compliance and internal control systems of the Group are always adequate or effective notwithstanding the Group's efforts, and any failure to address any internal control matters and other deficiencies could result in investigations and/or disciplinary actions or prosecution being taken against the Group and/or its employees, disruption to the risk management and/or compliance systems, and any of these factors may have an adverse effect on the Group's reputation, business, results of operations and financial condition.

In recent years, the Group has experienced certain problems with such internal controls, leading to incidents which have received public attention:

- In March 2023, the Japan Fair Trade Commission announced that the Company and Kyuden Mirai Energy Company, Inc. ("Kyuden Mirai Energy"), a subsidiary of the Company, had conducted acts against Article 3 on the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade which prohibits unreasonable restriction of trade on 30 March 2023 and issued a cease-and-desist order and a surcharge payment order against the Company and Kyuden Mirai Energy. The Group has filed a lawsuit seeking the revocation of the order.

- In January and March 2023, the Company reported to the Electricity and Gas Market Surveillance Commission and Personal Information Protection Commission that a number of the Company's employees browsed Kyushu Electric Power Transmission and Distribution's customers' private information, constituting an illegal leakage of such information to the Company.

Such incidents and alleged incidents have had a negative impact on the reputation of the Group, which may have and continue to have an adverse effect on its business, results of operations and financial condition, and have required the Group to take significant actions to address its internal control systems. Whilst the Group believes it to be a priority, such focus can have the effect of reducing resources available for profit-generating activities, and lead to the Group becoming more conservative, which may also have an adverse effect on its business, results of operations and financial condition.

Further, the Group is promoting the expansion of its overseas operations and strategic overseas investments. Consequently, the Group may be increasingly exposed to a number of risks including exposure to different legal and regulatory standards overseas and unexpected changes in or imposition of new legislative or regulatory requirements, including those in relation to taxation, trade restrictions or tariffs, as well as, in certain cases, political and economic instability or slowdown and social or other turmoil. Any of these factors may materially adversely affect the Group's business, results of operations and financial condition, as well as its reputation.

Legal proceedings and litigation

As with any major business, the Group faces risks of disputes or litigation both in Japan and overseas, whether with or without merit, in relation to its business. Such litigation and proceedings may relate, among others, to environmental liabilities, friction with local residents and civic groups in relation to construction or operation of facilities, labour and health and safety issues and, in extreme cases, injunctions to cease operation of its facilities. The Group could also become the target of administrative measures or other actions. Due to the inherent uncertainty of litigation and legal proceedings, it is not possible to predict when and whether any significant litigation and legal proceedings will be brought against the Group and whether it will prevail. If any significant litigation or legal or administrative proceedings were to occur, it may negatively affect the Group's reputation, business, results of operations and financial condition.

For risks relating to lawsuits and other proceedings and actions relating to the Group's nuclear power stations, see "—Risks pertaining to nuclear power generation—Litigation, disputes and deterioration in relationships with interested parties".

Environmental regulation and climate change initiatives

The Group's businesses are subject to extensive environmental regulation in Japan and internationally. Applicable environmental regulations address, among other things, CO_2 emissions, water pollution, disposal of substances deriving from energy production (including as a result of nuclear power generation), and atmospheric contaminants such as SOx, NOx and particulate matter, among other things. See "Business—Regulations". Although the Group has been making efforts towards reducing emissions which affect the environment, including through nuclear power generation and active development and implementation of renewable energy, as the Group's electricity generation currently utilises thermal power generation to a certain extent, the Group is subject to requirements imposed by various environmental regulations, including those that require the Group to adopt preventative or remedial measures, and those that require reductions in carbon emissions in the course of power generation. Furthermore, in the event public sentiment turns against nuclear power, or the continued use of thermal fuel-generated power, the Group's reputation may be damaged, and demand for electricity generated by the Group may decrease.

The Japanese government has announced that it will raise its greenhouse gas emission reduction target for the fiscal year ending 31 March 2031 by 46 per cent. from 2013 levels, an ambitious goal consistent with its objectives of achieving carbon neutrality by 2050. Depending on future policy trends, it is assumed that environmental regulations on greenhouse gas emissions will be strengthened and carbon pricing will be introduced, and the Group's business, results of operations and financial condition may be affected due to factors such as increased costs of responding to such changes. If the Group's efforts are judged to be inadequate, social evaluation of the Group may decline and fundraising may become more difficult particularly in light of the emphasis recently placed on environmental, social and governance in the capital markets.

If environmental regulations or policies were to be more stringent or if new environmental regulations or policies were to be introduced, this could reduce the Group's operating revenues derived from services which are determined to have a negative impact on the environment and also increase the Group's costs of compliance, including through requiring further investments (in facilities or otherwise) for the purposes of compliance, or cause the Group to face environmental or related liabilities. Such liabilities could increase the Group's costs, including clean-up costs. Depending on regulatory developments, the Group may not always be able to offset increases in costs incurred for environmental protection with price increases. Any of the above factors may materially adversely affect the Group's business, results of operations and financial condition.

For the fiscal year ended 31 March 2024, the proportion of the electricity generated by the Company through thermal (LNG, coal and oil) power to the total amount of electricity generated by the Company amounted to approximately 40.6 per cent. If that proportion were to increase for any reason (such as through suspension of the operation of the Company's nuclear power plants), the Group's business and reputation may be adversely affected by policies and initiatives at national and international levels to address climate change, such as worldwide measures to reduce greenhouse gas emissions and movements towards decarbonisation. Third parties, including investors or financial institutions, may also introduce policies adverse to the Group due to its activities in thermal power generation (especially coal-fired), including reducing or refusing investments in, or funding to, the Group. Any of the above factors may materially adversely affect the Group's business, results of operations, financial condition and reputation.

Operational risk

The Group operates a wide range of businesses, including the domestic electric power business, and in the event of operational deficiencies due to factors such as human error of employees, it may not only hinder the provision of services to customers, but also cause serious damage to social activities. In particular, in the domestic electric power business, supply and demand management has become more complex than before due to the electricity system reform and the spread of renewable energy. If work errors were to result in death or injury, such as electric shock, or widespread, long-term power outages, the Group's credibility may be lost, or result in significant costs to the Group in responding to the incident. Any of these factors may materially adversely affect the Group's business, results of operations, financial condition and reputation.

Management of personal and other business information

The Group maintains a large volume of business information, including credit information, on individuals including that of electric power customers. The Group has established internal rules of basic guidelines for information management and guidelines for personal information protection, and the Group works to comply with these rules and rigorously administrate all of this information by information security measures. However, in the event of information leakage due to a computer system breach by malicious third parties, theft of recording media holding such information, human error by an employee or subcontractor or by other means, the Group may lose credibility and its business performance may be affected. In January and March 2023, the Company was found to have improperly viewed and handled new electricity customer information owned by Kyushu Electric Power Transmission and Distribution. Further, in June 2024, a subsidiary of the Company became the subject of a cyber-attack, giving rise to a possibility of approximately 374 thousand pieces of personal information having leaked. Moreover, the Group could face customer claims for compensatory damages, including claims under the Act on the Protection of Personal Information of Japan (Act No. 57 of 2003, as amended), and lose the trust of customers and the market, which may materially adversely affect the Group's reputation, business, results of operations and financial condition.

Risks related to the implementation of the Group's strategy

The Group is implementing its business strategies formulated against a background of electric power industry deregulation and liberalisation (see "Business—Strategy"). The successful implementation of the Group's strategies and the attainment of its aims and targets are subject to various internal and external factors, including further changes to the regulatory environment (in particular in relation to the electric power industry) and relationship with local communities, general economic and market conditions in the regions in which the Group operates, developments in the competitive landscape and volatility in fuel prices and foreign exchange rates, among other factors. There can be no assurance that the Group's strategies will be implemented successfully, that the implementation of such strategies will have its intended effect, that the assumptions underlying the strategies will not differ from actual figures, that targets (whether quantitative or qualitative, and whether in the long term or short term) set by the Group will be met in time or at all, or that such targets and aims will not be further revised in future by the Company's management.

Business alliance, investments and other activities

The Group may, when suitable opportunities arise, engage in business acquisitions, capital participations, investments (including venture capital investments), tie-ups, joint ventures, alliances and supply relationships with other companies. However, there can be no assurance that such activities will achieve the desired results or that the Group will be able to recoup the value of the investments made by the Group. Further, if the Group decides that a particular business, tie-up, joint venture, alliance or other relationships with third parties were not beneficial to the Group's business, it may divest, rationalise or end such business or relationship. If the Group fails to successfully manage any acquired business or otherwise fails to achieve the intended results of such activities, or if the Group is unable to take advantage of suitable opportunities for such activities in a timely manner, the Group's business, results of operations and financial condition may be materially adversely affected.

Cost and liabilities for retirement benefits

The Group's cost and liabilities for retirement benefits are accounted based on assumptions for actuarial calculation, such as the discount rate and the long-term expected rate of return on plan assets. Changes in the discount rate and expected rate of return have the potential to affect the Group's business, results of operations and financial condition. Costs related to the Group's retirement benefit plans may increase if the fair value of the plan assets declines or if there is a change in the actuarial assumptions on which the calculations of the projected benefit obligation are based, such as a decline in the expected rate of return on plan assets. In addition, the Group may be required to recognise expenses related to the recognition of previously unrecognised service costs as a result of plan amendments. Changes in the interest rate environment and other factors may also adversely affect the amount of unfunded pension obligations and actuarial differences. Any such factors may materially adversely affect the Group's business, results of operations and financial condition.

Ageing of facilities

The Group owns a large number of power supply facilities, including power generation facilities, transmission and substation facilities, and distribution facilities, as well as information and communication facilities, mainly in the Kyushu area. If the probability of equipment error were to increase due to the ageing of equipment in facilities such as large-scale power plants and ultra-high-voltage power transmission lines, and if a serious equipment accident were to occur as a result, the Group will not only incur economic loss, but widespread and long-term power outages may cause significant social and economic damage. Any such factors may materially adversely affect the Group's business, results of operations and financial condition, as well as its social credibility and reputation.

Impairment of assets

The Group holds investment securities including marketable securities, such as listed stocks of companies (such as suppliers to the Group of equipment and material). Changes in market prices or in the financial position of the issuing companies could necessitate the recording of unrealised losses or impairment losses by the Group, which could have an adverse effect on the Group's business, results of operations and financial condition. Further, the Group holds significant amounts of construction in progress and assets in relation to its electric power business. Should such construction need to be halted or if the operation of the relevant facilities cannot be commenced or continued, due to changes in governmental policies regarding building of new electric power facilities, rapid changes in electricity demand or competitive landscape or otherwise, the Group's investments in such assets may become unrecoverable, and the Group may need to record significant impairment losses, such as was the case in respect of certain of the Group's overseas power generation assets in the fiscal year ended 31 March 2024. The value of the Group's electric power assets may also be significantly damaged if CO_2 emissions regulations were to be introduced, leading to impairments. Furthermore, the value of the Group's assets may decline if it is not able to generate or raise sufficient cash to invest in their repair or renewal. Any such factors may materially adversely affect the Group's business, results of operations and financial condition.

Deferred tax assets

The Group records deferred tax assets based on a reasonable estimation of future taxable income in accordance with applicable accounting standards. In particular, the Group has incurred tax loss carryforwards mainly due to the prolonged suspension of nuclear power plants in the past, and increases in fuel prices and wholesale electricity market prices due to the conflict between Russia and Ukraine. The recoverability of related deferred tax assets is determined based on estimates of future taxable income. The Group's business, financial condition and results of operations could be materially adversely affected if its deferred tax assets are reversed due to a change in its estimation of future taxable income caused by factors such as a decrease in gross electricity sales, a decline in selling prices or an unplanned shutdown of nuclear power plants.

Human resources

In order to support its growth and provide high-quality services, the Group depends on its ability to attract, employ and retain a diverse group of skilled employees. Amidst an ageing population in Japan, a decrease in the working population, relative labour shortage in Japan and expansion of overseas companies into Kyushu, in particular in respect of the semiconductor industry, if the Group is unable to secure a sufficient number of skilled employees or adequate workforce, it may lose stability in its operations and lose its competitive advantage, which could negatively affect its business, results of operations and financial condition. In addition, the Group may incur additional labour costs in connection with retaining skilled employees, including increased salaries, especially in light of the recent upward pressure on wages as a result of the conditions described above or any other such future pressures. In addition, the work attitudes and values of workers are diversifying, and if the Group is not able to create an environment that motivates its employees, employee engagement may decline, leading to a decline in productivity and the loss of human resources. Furthermore, inadequate labour management could result in increased turnover of employees and significant harm to the Group's credibility, which could adversely affect the Group's business, results of operations and financial condition.

Considerations Relating to the Group's Financial Statements

Differences in generally accepted accounting principles

The Company's consolidated and nonconsolidated financial statements are prepared and presented in accordance with Japanese GAAP, which differs in certain respects from IFRS and generally accepted accounting principles and financial reporting standards in other countries. The Group's financial statements may therefore differ from those prepared for companies outside Japan in those and other respects. This Offering Circular does not include a reconciliation of the Company's or the Group's financial statements to IFRS or to any other generally accepted accounting principles or reporting standards in other countries. If at any point in the future the Company were to apply IFRS or any other generally accepted accounting principles for its financial reporting, the reported financial results of the Company and/or the Group may differ materially from prior years' financial results prepared under Japanese GAAP, which may make comparisons to prior years more difficult, unless comparative financial statements for prior years are prepared in accordance with IFRS or other generally accepted accounting principles and financial reporting standards.

Unaudited financial information

From 1 April 2024, the statutory quarterly disclosure requirements under the FIEA applicable to Q1 and Q3 reports and review requirements by the independent auditor, which were mandatory previously, have been abolished and have been integrated into the quarterly earnings reports (*kessan tanshin*) based on the Tokyo Stock Exchange and the Fukuoka Stock Exchange rules. At the same time, review of such quarterly earnings reports (*kessan tanshin*) (Q1 and Q3) by the independent auditor has become optional in principle. The new Tokyo Stock Exchange and the Fukuoka Stock Exchange rules permit reduced disclosures as compared to those which were required under the FIEA in respect of quarterly financial statements under Japanese GAAP or IFRS, as applicable.

This Offering Circular contains the unaudited quarterly consolidated financial statements of the Group as of and for the three-month period ended 30 June 2024, including the quarterly consolidated balance sheet of the Group as of 30 June 2024 (together with a consolidated balance sheet of the Group as of 31 March 2024) and the related quarterly consolidated income statements and quarterly consolidated comprehensive income statements for the three-month period ended 30 June 2024 (with comparative information for the three-month period ended 30 June 2023), being an English translation of the unaudited quarterly consolidated financial statements contained in the quarterly earnings report (*kessan tanshin*) of the Group published on 31 July 2024. Such financial statements have not been audited or reviewed by the Company's independent auditor. In addition, compared to the Audited Annual Financial Statements, such unaudited quarterly consolidated financial statements omit certain disclosures required under Japanese GAAP, including some of the notes. Accordingly, the Q1 Financial Statements included in this Offering Circular are not wholly comparable with the Audited Annual Financial Statements and should not be so compared. The Q1 Financial Statements should not be relied upon by investors to provide the same quality of information as financial statements that have been subject to an audit or review. Potential investors are advised to exercise caution when using such information to evaluate the financial condition and results of operations of the Group, and should not place undue reliance upon such information.

Considerations Relating to the Bonds

The Company has announced its intention to transition to a holding company structure

On 31 July 2024, the Company announced that it was proceeding with the examination of a new group structure, and that the Board of Directors had resolved to start with the preparations for the transition to a holding company structure. Following the transition to a holding company structure, the Company is considering positioning major business companies directly under the holding company and allowing each operating company to autonomously promote its business. Details of the updated group structure and schedule are currently under consideration by the Company. The Company currently expects to establish a new holding company, which will become the principal Tokyo Stock Exchange listed company within the Group, with the Company (being an operating company) being delisted. In the event such a restructuring occurs and the obligations under the Bonds remain with the Company, if, as part of that restructuring, assets of the Company or assets which are currently held by subsidiaries of the Company are transferred to the new holding company or other subsidiaries of the holding company, those assets will no longer be available to the Company as a means of generating revenue, which may materially adversely affect the financial position of the Company, and would not be assets that are available to satisfy the claims of creditors of the Company (such as the Bondholders) upon an insolvency of the Company. Such changes may also result in a downgrading or other negative impact on the credit rating of the Company and the market price of the Bonds. Bondholders should further note that (a) such a restructuring may not constitute an event of default under the Bonds and (b) the Conditions provide that with the consent of a certain majority of Bondholders the Company may make changes to the terms of the Bonds (see "—Modification and waivers") and that such powers may be used to alter the terms of the Bonds as part of such a restructuring, without the consent of each individual Bondholder.

The Bonds may not be a suitable investment for all investors

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

(i) has sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Offering Circular or any applicable supplement;

(ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;

(iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;

(iv) understands thoroughly the terms of the Bonds and is familiar with the behaviour of any financial markets; and

(v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Change in ratings

It is expected that the Bonds will be assigned a credit rating of A3 by Moody's. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Bonds.

Trading market for the Bonds

Prior to the issue of the Bonds, there has been no trading market for the Bonds. Although approval in-principle has been received for the listing of the Bonds on the SGX-ST, there can be no assurance that an active trading market for the Bonds will develop. Furthermore, even if such a market does develop, it may not be liquid or sustained.

Market price of the Bonds

Trading prices of the Bonds will be influenced by, among other things, the financial position and results of operations of the Group, including the reporting of its financial results.

The Bonds do not entitle holders to receive specific security interests

Although the Bonds have the preferential right (so-called "*ippan tanpo*") to be paid prior to certain other unsecured indebtedness of the Company under the Electricity Business Act, the Bonds do not entitle holders to receive specific security interests over the Group's assets.

Exchange rate risks and exchange controls

The Company will pay principal and interest on the Bonds in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the U.S. dollar. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the U.S. dollar would decrease (1) the Investor's Currency-equivalent yield on the Bonds, (2) the Investor's Currency-equivalent value of the principal payable on the Bonds and (3) the Investor's Currency-equivalent market value of the Bonds. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in the Bonds involves the risk that if market interest rates subsequently increase above the rate paid on the Bonds, this will adversely affect the value of the Bonds.

The insolvency laws of Japan and other local insolvency laws may differ from those of other jurisdictions

Because the Company is incorporated under the laws of Japan, any insolvency proceeding relating to the Company would likely involve Japanese insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which an investor may be familiar.

Modification and waivers

The Agency Agreement (as defined in the Conditions) contains provisions for calling meetings of Bondholders (as defined in the Conditions) to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

Changes in law after the issuance of the Bonds

The Conditions are based on English law in effect as of the date of issue of the Bonds. No assurance can be given as to the impact of any possible judicial decision or change to English law, administrative practice or mandatory provisions of Japanese law after the date of issue of the Bonds which may have an adverse effect on the Bondholders. Certain changes to Japanese tax law may give the Company the option to redeem the Bonds before their maturity, which redemption could reduce the return on investment as compared to what could have been achieved had the Bonds been redeemed at maturity.

Integral Multiples of less than U.S.$200,000

As the Bonds have denominations consisting of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof, it is possible that the Bonds may be traded in amounts in excess of U.S.$200,000 that are not integral multiples of U.S.$200,000. In such a case, a Bondholder who, as a result of trading such amounts, holds a principal amount of Bonds of less than U.S.$200,000 will not receive a definitive Certificate in respect of such holding (should definitive Certificates be printed) and would need to purchase a principal amount of Bonds such that it holds an amount equal to at least U.S.$200,000.

Early redemption for tax reasons

In the event that the Company would be obliged to increase the amounts payable in respect of the Bonds due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Japan or any political subdivision thereof or any authority therein or thereof having power to tax, the Company may redeem all outstanding Bonds in accordance with the Conditions.

Optional redemption or purchases by the Company

The Company may, at its option, redeem the Bonds in whole, but not in part, at any time prior to the Par Call Date, at the price determined in the manner set out in Condition 5.3. The Company may also, at its option, redeem the Bonds in whole, but not in part, at any time on or after the Par Call Date, at their principal amount plus accrued and unpaid interest to, but excluding, the date of redemption. During any period when the Company may elect to redeem the Bonds, the market value of the Bonds generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period. The Company may be expected to redeem the Bonds when its cost of borrowing is lower than the interest rate on the Bonds. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Bonds and may only be able to do so at a significantly lower rate. Furthermore, the Bondholders will have no right to request the redemption of the Bonds. Any decision by the Company as to whether it will exercise its option to redeem the Bonds will be taken at the absolute discretion of the Company with regard to factors such as, but not limited to, the economic impact of exercising such option to redeem the Bonds, any tax consequences, the regulatory requirements and the prevailing market conditions. In addition, to the extent that Bonds are purchased and cancelled in part, the number of Bonds outstanding will decrease, which may result in a lessening of the liquidity of the Bonds. A lessening of the liquidity of the Bonds may cause, in turn, an increase in volatility associated with the price of the Bonds.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Bonds are legal investments for it, (ii) Bonds can be used as collateral for various types of borrowing, and (iii) other restrictions apply to its purchase or pledge of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

Forward-looking Statements

Statements in this Offering Circular with respect to the Group's plans, strategies, projected financial results and beliefs, as well as other statements that are not historical facts, are forward-looking statements involving risks, uncertainties and assumptions. These statements are based on assumptions and beliefs derived from information currently available to the Group, and as such actual results may differ, in some cases significantly, from these forward-looking statements. The Company does not undertake to review or revise this Offering Circular or any forward-looking statements contained in this Offering Circular to reflect future events or circumstances. The Group does not undertake to release the results of any revision of forward-looking statements which may be made to reflect future events or circumstances. Important factors that could cause actual results to differ materially from such statements include, but are not limited to, liberalisation of the electric power business, increases in competition, risks pertaining to nuclear power generation, thermal power generation and renewable energy power generation (including hydroelectric), risks related to fuel prices and procurement, conditions and energy demand in the Group's power supply area, natural disasters, uncontrollable events and accidents, risks relating to the overseas business and investments, risks relating to the ICT Services business, Urban Development business and new businesses, funding requirements and changes in interest rates, compliance and legal and regulatory risk, legal proceedings and litigation, environmental regulation and climate change initiatives, operational risk, management of personal and other business information, risks related to the implementation of the Group's strategy, business alliance, investments and other activities, cost and liabilities for retirement benefits, ageing of facilities, impairment of assets, recoverability of deferred tax assets and issues relating to human resources. The Company cautions prospective investors in the offering not to place undue reliance on these forward-looking statements. All written and oral forward-looking statements attributable to the Group or persons acting on the Group's behalf are qualified in their entirety by these cautionary statements.

TERMS AND CONDITIONS OF THE BONDS

The following terms and conditions (the "Conditions") of the Bonds will, subject to completion and amendment, and, save for the paragraphs in italics, be endorsed on the Certificates (as defined herein):

The U.S.$● ● per cent. Bonds due 2029 (the "Bonds", which expression includes any further bonds issued pursuant to Condition 12 (*Further Issues*) and forming a single series therewith) of Kyushu Electric Power Company, Incorporated (the "Company") are constituted by a deed of covenant dated ● October 2024 (as amended or supplemented from time to time, the "Deed of Covenant") entered into by the Company and are the subject of a fiscal agency agreement dated ● October 2024 (as amended or supplemented from time to time, the "Agency Agreement") between the Company and Mizuho Trust & Banking (Luxembourg) S.A. as fiscal agent (the "Fiscal Agent", which expression includes any successor fiscal agent appointed from time to time in connection with the Bonds), as paying agent (together with the Fiscal Agent, the "Paying Agent", which expression includes any successor or additional paying agents appointed from time to time in connection with the Bonds), as transfer agent (the "Transfer Agent", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Bonds) and as registrar (the "Registrar", which expression includes any successor registrar appointed from time to time in connection with the Bonds). References herein to the "Agents" are to the Fiscal Agent, the Paying Agent, the Transfer Agent and the Registrar and any reference to an "Agent" is to any one of them. Certain provisions of these Conditions are summaries of the Agency Agreement and the Deed of Covenant and subject to their detailed provisions. The Bondholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. Copies of the Agency Agreement and the Deed of Covenant are available for inspection by Bondholders during normal business hours at the Specified Offices (as defined in the Agency Agreement) of each of the Agents, the initial Specified Offices of which are set out below.

1. Form, Denomination, Title, Status, Registration and Transfers of Bonds

1.1 *Form and Denomination*

The Bonds are issued in registered form in the denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (each, an "Authorised Denomination") and are not exchangeable for bonds in bearer form.

A bond certificate (each, a "Certificate") will be issued to each Bondholder in respect of its registered holding. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register (the "Register") of Holders of Bonds to be kept by the Registrar in accordance with Condition 1.4.1 (*The Register*).

1.2 *Title*

Title to the Bonds will pass only by transfer and registration of title in the Register. The Holder of any Bond will (except as otherwise declared by a court of competent jurisdiction or required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust, or any interest in it, or any writing on, or theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the Holder.

In these Conditions, a "Bondholder" and (in relation to a Bond) a "Holder" mean the person in whose name a Bond is registered in the Register (or in the case of a joint holding, the first name thereof).

Upon issue, the Bonds will be evidenced by a global certificate (the "Global Certificate") deposited with and registered in the name of, or a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg.

The Conditions are modified by certain provisions contained in the Global Certificate. Except in the limited circumstances described in the Global Certificate, owners of interests in the Bonds evidenced by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of the Bonds.

1.3 ***Status***

The Bonds are direct, unconditional and unsubordinated obligations of the Company, ranking *pari passu* and rateably without any preference among themselves, and, except for the provisions of Condition 2 (*Negative Pledge*), with all of the Company's other unsubordinated indebtedness in the form of bonds, notes or debentures (which fall within the meaning of *shasai* as referred to in Paragraph 17 of the Supplementary Provisions of the Electricity Business Act of Japan (Act No. 170 of 1964, as amended, the "Electricity Business Act")) from time to time outstanding that is unsecured except for the preferential right referred to in Paragraph 17 of the Supplementary Provisions of the Electricity Business Act. Under the Electricity Business Act, all holders of such bonds, notes and debentures (including the Bonds) issued by the Company have the preferential right (such right being referred to herein as the "Current Preferential Right") to be paid prior to other unsecured indebtedness of the Company, with the exception of, among others, obligations in respect of national and local taxes and subject to certain general preferential rights provided in the Civil Code of Japan (Act No. 89 of 1896, as amended, the "Civil Code"), such as preferential rights of employees to wages.

1.4 ***Transfers of Bonds***

1.4.1 *The Register*: The Company will cause to be kept at the Specified Office of the Registrar, and in accordance with the terms of the Agency Agreement, the Register on which shall be entered the names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers and redemptions in respect of the Bonds.

Each Bondholder shall be entitled to receive one Certificate in respect of the Bonds held by such Holder.

1.4.2 *Transfers*: A Bond may be transferred upon the surrender (at the Specified Office of any Agent) of the Certificate evidencing such Bond, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Company), duly completed and signed and any other evidence as the relevant Agent or the Registrar (as the case may be) may reasonably require; *provided, however, that* a Bond may not be transferred which would result in the principal amount of Bonds held by a Holder and in respect of which a Certificate is to be issued being less than U.S.$200,000. No transfer of a Bond will be valid unless and until entered on the Register. Upon such transfer, a new Certificate will be issued to the transferee in respect of the Bond so transferred. Where not all of the Bonds evidenced by the surrendered Certificate are the subject of the transfer, a new Certificate in respect of the balance of the Bonds will be issued to the transferor. All transfers of the Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of the Bonds scheduled to the Agency Agreement. The regulations may be changed by the Company, with the prior written approval of the Registrar. A copy of the current regulations will be made available (free of charge) during normal business hours by the Registrar to any Bondholder upon prior written request.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems, as described in "Summary of Provisions Relating to the Bonds While in Global Form".

1.4.3 *Delivery of New Certificates*: Each new Certificate to be issued pursuant to Condition 1.4.2 (*Transfers*) shall be available for delivery within five Transfer Business Days (as defined below) of receipt of the duly completed and signed form of transfer, and surrender of the original Certificate for exchange and any other evidence as the relevant Agent may reasonably require. Delivery of the new Certificate(s) shall be made at the Specified Office of any of the Agents to whom delivery or surrender of such form of transfer and Certificate shall have been made, or if so requested in the form of transfer, be mailed by uninsured post at the risk of the Holder entitled to the new Certificate to such address so specified (at the Company's expense) unless such Holder requests otherwise and pays in advance to the Registrar or the relevant Agent (as the case may be) the costs of such other method of delivery as agreed between such Holder and the relevant Agent and/or such insurance as it may specify. In these Conditions, "Transfer Business Day" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the Specified Office of the relevant Agent.

1.4.4 *Formalities Free of Charge*: Registration of a transfer of Bonds and issuance of new Certificates shall be effected without charge by or on behalf of the Company or the Agents, but subject to (i) payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the relevant Agent may require); (ii) the Registrar being satisfied in its absolute discretion with the documents of title and/or the identity of the person making the application; and (iii) the Company and the relevant Agent being satisfied that the regulations concerning transfer of Bonds having been satisfied.

1.4.5 *No Registration of Transfer*: No Bondholder may require the transfer of a Bond to be registered (i) during the period commencing on (and including) any Record Date (as defined in Condition 6.7 (*Record Date*)) and ending on the immediately following due date for any payment of principal or interest in respect of the Bonds or (ii) after a notice of redemption has been given pursuant to Condition 5.2 (*Redemption for Taxation Reasons*).

2. Negative Pledge

So long as any of the Bonds remains outstanding (as defined in the Agency Agreement), the Company will not, and will procure that none of its Principal Subsidiaries (as defined in Condition 3.1 (*Definitions*)) will, create or permit to subsist any mortgage, charge, pledge or other security interest (other than any Statutory Preferential Right (as defined below)) for the benefit of the holders of any Relevant Debt (as defined below) upon the whole or any part of the Company's or such Principal Subsidiary's property or assets, present or future, to secure (i) payment of any sum due in respect of any Relevant Debt or (ii) any payment under any guarantee of any Relevant Debt or (iii) any payment under any indemnity or other like obligation in respect of any Relevant Debt, without in any such case at the same time according or procuring to be accorded to the Bonds, (x) as shall be approved by an Extraordinary Resolution (as defined in Condition 3.1 (*Definitions*)), the same security as is granted to or subsists in respect of such Relevant Debt or such guarantee, indemnity or other like obligation, or (y) such other security or guarantee as shall be approved by an Extraordinary Resolution.

For the purposes of this Condition 2 (*Negative Pledge*):

"Relevant Debt" means any present or future indebtedness in the form of, or represented or evidenced by, bonds, debentures, notes or other similar securities of any person with a stated maturity of more than one year from the creation thereof and which:

(a) either are by their terms payable, or confer a right to receive payment, in any currency other than yen, or are denominated in yen and more than 50 per cent. of the aggregate principal amount thereof is initially distributed outside Japan by or with the authorisation of the Company or the relevant Principal Subsidiary; and

(b) are for the time being, or are intended to be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other similar securities market outside Japan; and

"Statutory Preferential Right" means any Current Preferential Right and any similar preferential right of holders of bonds, notes and debentures issued or to be issued by the Company or any Principal Subsidiary to be paid prior to other unsecured indebtedness of the Company or the relevant Principal Subsidiary, as the case may be, arising pursuant to the Electricity Business Act or any other Japanese statute in force from time to time.

3. Definitions and Construction of References

3.1 *Definitions*

In these Conditions (unless the context otherwise requires):

"Additional Amounts" has the meaning provided in Condition 7.1 (*Additional Amounts*);

"Authorised Denomination" has the meaning provided in Condition 1.1 (*Form and Denomination*);

"Authorised Officer" means any one of the directors or officers of the Company or any other person whom the Company shall have identified as being duly authorised to sign any document or certificate on behalf of the Company;

"Bankruptcy Act" means the Bankruptcy Act of Japan (Act No. 75 of 2004, as amended);

"Bondholder" and "Holder" have the meaning provided in Condition 1.2 (*Title*);

"Cabinet Order" has the meaning provided in Condition 7.1 (*Additional Amounts*);

"Calculation Amount" has the meaning provided in Condition 4 (*Interest*);

"Calculation Period" has the meaning provided in Condition 4 (*Interest*);

"Certificate" has the meaning provided in Condition 1.1 (*Form and Denomination*);

"Civil Code" has the meaning provided in Condition 1.3 (*Status*);

"Civil Rehabilitation Act" means the Civil Rehabilitation Act of Japan (Act No. 225 of 1999, as amended);

"Claim for Exemption" has the meaning provided in Condition 7.2 (*Definitions Relating to Taxation*);

"Companies Act" means the Companies Act of Japan (Act No. 86 of 2005, as amended);

"Consolidated Financial Statements" means, in relation to any Fiscal Period of the Company, the unaudited consolidated financial statements of the Company prepared in accordance with the Relevant GAAP or, if in respect of such Fiscal Period audited consolidated financial statements have been prepared, the audited consolidated financial statements of the Company prepared as aforesaid;

"Consolidated Subsidiary" means, in relation to a Fiscal Period of the Company, Subsidiaries consolidated in the relevant Consolidated Financial Statements;

"Corporate Reorganisation Act" means the Corporate Reorganisation Act of Japan (Act No. 154 of 2002, as amended);

"Current Preferential Right" has the meaning provided in Condition 1.3 (*Status*);

"Day Count Fraction" has the meaning provided in Condition 4 (*Interest*);

"Designated Financial Institution" has the meaning provided in Condition 7.2 (*Definitions Relating to Taxation*);

"Due Date" has the meaning provided in Condition 7.1 (*Additional Amounts*);

"Electricity Business Act" has the meaning provided in Condition 1.3 (*Status*);

"Exemption Information" has the meaning provided in Condition 7.2 (*Definitions Relating to Taxation*);

"Extraordinary Resolution" means a resolution passed at a meeting of the Bondholders duly convened (including the satisfaction of the quorum requirements set out in the Agency Agreement) and held in accordance with the provisions contained in the Agency Agreement by a majority consisting of not less than three-quarters of the votes cast thereon;

"FATCA withholding" has the meaning provided in Condition 7.1 (*Additional Amounts*);

"Financial Instruments and Exchange Act" means the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended);

"first currency" has the meaning provided in Condition 13 (*Currency Indemnity*);

"Fiscal Period" means, as the context may require, (i) a period commencing on 1 April and ending on 31 March of the immediately succeeding year; or (ii) three month periods each commencing on 1 April, 1 July, 1 October and 1 January; provided that, if the Company shall change its financial year so as to end on a date other than 31 March, the provisions of items (i) and (ii) above shall be deemed to be amended *mutatis mutandis* and any such change shall be promptly notified by the Company to the Bondholders;

"Interest Payment Date" has the meaning provided in Condition 4 (*Interest*);

"Maturity Date" has the meaning provided in Condition 5.1 (*Final Maturity*);

"Participant" has the meaning provided in Condition 7.2 (*Definitions Relating to Taxation*);

"Payment Business Day" has the meaning provided in Condition 6.5 (*Payments on Payment Business Days*);

"Principal Subsidiary" means any Consolidated Subsidiary of the Company: (i) whose net sales as shown by the annual nonconsolidated financial statements (or, where the Consolidated Subsidiary in question itself prepares consolidated financial statements, the annual consolidated financial statements) of such Consolidated Subsidiary used for the purposes of the latest audited annual Consolidated Financial Statements being made up, are 10 per cent. or more of the net sales of the Company and its Consolidated Subsidiaries as shown by such audited annual Consolidated Financial Statements or (ii) whose total assets as shown by the annual nonconsolidated financial statements (or, as the case may be, the annual consolidated financial statements) of such Consolidated Subsidiary used for the purposes of the latest audited annual Consolidated Financial Statements being made up, are 10 per cent. or more of the total assets of the Company and its Consolidated Subsidiaries as shown by such audited annual Consolidated Financial Statements. A certificate signed by a Representative Director or an Authorised Officer that in the Company's opinion, a Consolidated Subsidiary is or is not or was or was not at a specified date a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties;

"Proceedings" has the meaning provided in Condition 16.2 (*Jurisdiction*);

"Rate of Interest" has the meaning provided in Condition 4 (*Interest*);

"Register" has the meaning provided in Condition 1.1 (*Form and Denomination*);

"Related Party" has the meaning provided in Condition 7.1 (*Additional Amounts*);

"Relevant Debt" has the meaning provided in Condition 2 (*Negative Pledge*);

"Relevant GAAP" means the accounting principles which are adopted by the Company for the preparation of the Consolidated Financial Statements under the Financial Instruments and Exchange Act, being one of those generally accepted in Japan or the United States or International Financial Reporting Standards (as issued by the International Accounting Standards Board (or any successor thereto) or, if applicable, as adopted or endorsed by the Accounting Standards Board of Japan (or any successor thereto));

"Relevant Taxation Acts" has the meaning provided in Condition 7.2 (*Definitions Relating to Taxation*);

"Representative Director" means a director of the Company who is for the time being a representative director within the meaning of the Companies Act or, where applicable, a representative statutory executive officer of the Company within the meaning of the Companies Act;

"second currency" has the meaning provided in Condition 13 (*Currency Indemnity*);

"Special Taxation Measures Act" has the meaning provided in Condition 7.1 (*Additional Amounts*);

"Statutory Preferential Right" has the meaning provided in Condition 2 (*Negative Pledge*);

"Subsidiary" means a company, more than 50 per cent. of the outstanding shareholders' voting rights of which is at any given time owned by the Company, by one or more other Subsidiaries or by the Company and one or more other Subsidiaries, or any other company which is otherwise considered to be controlled by the Company under the Relevant GAAP (and, for this purpose, "voting rights" means the voting power attached to stocks or shares for the election of directors, officers or trustees of such company, other than voting powers attached to stocks or shares outstanding having such power by reason of the happening of a contingency);

"Taxes" has the meaning provided in Condition 7.1 (*Additional Amounts*);

"Tax Redemption Date" has the meaning provided in Condition 5.2 (*Redemption for Taxation Reasons*);

"Tax Redemption Notice" has the meaning provided in Condition 5.2 (*Redemption for Taxation Reasons*); and

"Transfer Business Day" has the meaning provided in Condition 1.4.3 (*Delivery of New Certificates*).

3.2 ***Construction of Certain References***

References to any statute or provision of any statute shall be deemed to include a reference to any statute or the provision of any statute which amends, extends, consolidates or replaces the same, or which has been amended, extended, consolidated or replaced by the same, and shall include any ordinances, regulations, instruments or other subordinate legislation made under the relevant statute.

The headings in these Conditions are for convenience only and shall be ignored in construing these Conditions.

4. **Interest**

The Bonds bear interest from and including ● October 2024 at the rate of ● per cent. per annum, (the "Rate of Interest") payable semi-annually in arrear on ● April and ● October in each year, with the first interest payment to be made on ● April 2025 (each, an "Interest Payment Date"), subject as provided in Condition 6 (*Payments*). Interest in respect of any Bond shall be calculated per U.S.$1,000 in principal amount of the Bond (the "Calculation Amount").

So long as the Bonds are evidenced by the Global Certificate and such Bonds are held on behalf of a clearing system, the calculation of interest will be made in respect of the total aggregate amount of the Bonds evidenced by the Global Certificate.

Each Bond will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder, and (ii) the day which is seven days after the Fiscal Agent has notified the Bondholders that it has received all sums due in respect of all the Bonds up to but excluding such seventh day (except to the extent that there is any subsequent default in payment).

The amount of interest payable on each Interest Payment Date shall be U.S.$ ● in respect of each Calculation Amount. If interest is required to be paid in respect of a Bond on any other date, such amount payable per Calculation Amount shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, and rounding the resulting figure to the nearest cent (half a cent being rounded upwards), where:

"Calculation Period" means the relevant period for which interest is to be calculated from (and including) the first day in such period to (but excluding) the last day in such period; and

"Day Count Fraction" means, in respect of any period, the number of days in the relevant period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30.

5. **Redemption, Purchase and Cancellation**

5.1 ***Final Maturity***

Unless the Bonds have previously been redeemed or purchased and cancelled, or become due and repayable, the Company will redeem the Bonds at 100 per cent. of their principal amount on ● October 2029 (the "Maturity Date"), subject as provided in Condition 6 (*Payments*). The Bonds may not be redeemed at the option of the Company other than in accordance with Conditions 5.2 (*Redemption for Taxation Reasons*), 5.3 (*Redemption at the Option of the Company (Make-Whole Call)*) or 5.4 (*Redemption at the option of the Company (Par Call)*).

5.2 ***Redemption for Taxation Reasons***

The Company may, but shall not be bound to, at any time, having given not less than 30 days' nor more than 60 days' prior notice (the "Tax Redemption Notice") to the Bondholders in accordance with Condition 14 (*Notices*) (which notice shall be irrevocable), redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount on the date fixed for redemption in the Tax Redemption Notice (the "Tax Redemption Date"), if at any time prior to the Maturity Date:

(i) the Company has or will become obliged to pay Additional Amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after ● September 2024; and

(ii) such obligation cannot be avoided by the Company taking reasonable measures available to it,

provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such Additional Amounts were a payment in respect of the Bonds then due.

Prior to the giving of any Tax Redemption Notice, the Company shall deliver to the Fiscal Agent:

(a) a certificate signed by a Representative Director or an Authorised Officer, stating that the Company has or will become obliged to pay Additional Amounts as a result of such change or amendment and that the obligation referred to in (i) above cannot be avoided by the Company taking reasonable measures available to it; and

(b) an opinion of independent legal advisers of recognised standing to the effect that the Company has or will become obliged to pay such Additional Amounts as a result of such change or amendment.

Upon the giving of the Tax Redemption Notice to the Bondholders, the Company shall be bound to redeem the Bonds then outstanding at 100 per cent. of their principal amount on the Tax Redemption Date.

5.3 ***Redemption at the Option of the Company (Make-Whole Call)***

The Company has the option to redeem the Bonds in whole, but not in part, at any time prior to ● September 2029 (the "Par Call Date"), upon giving not less than 30 days' nor more than 60 days' prior notice of redemption to the Bondholders (which notice shall be irrevocable), at a redemption price equal to the greater of:

(a) 100 per cent. of the principal amount of the Bonds being redeemed; or

(b) the sum of the present values of the principal and the remaining scheduled payments of interest on the Bonds being redeemed (exclusive of interest accrued to the date of redemption) that would be due if the Bonds were redeemed on the Par Call Date, discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of 12 months of 30 days each) at the Treasury Rate plus ● basis points,

plus, in each case, accrued and unpaid interest on the principal amount of the Bonds being redeemed to, but excluding, the date of redemption.

For the purposes of this Condition 5.3:

"Comparable Treasury Issue" means the United States Treasury security or securities selected by the Independent Investment Banker as having an actual or interpolated maturity comparable to the term from the relevant redemption date to the Par Call Date that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of maturity comparable to the term from the relevant redemption date to the Par Call Date.

"Comparable Treasury Price" means, with respect to any redemption date, (1) the average of four Reference Treasury Dealer Quotations for such redemption date or (2) if the Independent Investment Banker is unable to obtain four Reference Treasury Dealer Quotations for such redemption date, the average of all quotations obtained.

"Independent Investment Banker" means an independent investment banking or commercial banking institution of national standing in the United States appointed by the Company.

"Reference Treasury Dealer" means each of SMBC Nikko Securities America, Inc., Mizuho Securities USA LLC and Citigroup Global Markets Inc. (or their respective affiliates that are primary U.S. government securities dealers in New York City) and one other primary U.S. government securities dealer in New York City (a "Primary Treasury Dealer") selected by the Company, and their respective successors; provided, however, that if any of the foregoing is not a Primary Treasury Dealer, the Company shall substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotation" means, with respect to each Reference Treasury Dealer and any date of redemption, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker at

3:30 p.m., New York City time, on the third New York business day (a day on which commercial banks and foreign exchange markets are open for business in New York City) preceding the date of redemption.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated (on a day count basis) maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

5.4 ***Redemption at the option of the Company (Par Call)***

The Company has the option to redeem the Bonds in whole, but not in part, at any time on or after the Par Call Date, upon giving not less than 30 days' nor more than 60 days' prior notice of redemption to Bondholders (which notice shall be irrevocable), at their principal amount plus accrued and unpaid interest on the principal amount of the Bonds being redeemed to, but excluding, the date of redemption.

5.5 ***Purchase***

Subject to the requirements (if any) of any stock exchange on which the Bonds may be listed at the relevant time, the Company and/or any of its Subsidiaries may at any time purchase Bonds in the open market or otherwise. Such Bonds may, at the option of the Company or the relevant Subsidiary, be held or resold. The Bonds so purchased, while held by or on behalf of the Company or any of its Subsidiaries, shall not entitle the Bondholder to vote at any meeting of Bondholders and shall be deemed not to be outstanding for the purpose of calculating the quorum at a meeting of Bondholders or for the purposes of these Conditions. Bonds that have been purchased by the Company may, at the option of the Company, be cancelled. Bonds that have been purchased by any Subsidiary may, at the option of such Subsidiary, be delivered to the Company for cancellation.

5.6 ***Cancellation***

All Bonds which are redeemed shall forthwith be cancelled and such Bonds may not be reissued or resold. All Certificates in respect of Bonds so cancelled and Certificates in respect of Bonds purchased and cancelled pursuant to Condition 5.5 (*Purchase*) shall be forwarded to the Fiscal Agent for cancellation.

6. **Payments**

6.1 ***Payment of Principal***

Payments of principal shall be made by U.S. dollar cheque drawn on, or, upon application by a Holder of a Bond to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.

6.2 ***Payments of Interest***

Payments of interest shall be made by U.S. dollar cheque drawn on, or upon application by a Holder of a Bond to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.

6.3 ***Payments Subject to Fiscal Laws***

All payments in respect of the Bonds are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7

(*Taxation*). No commissions or expenses shall be charged to the Bondholders in respect of such payments.

6.4 ***Agents***

The initial Agents and their initial Specified Offices are listed at the end of these Conditions. The Company reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar or fiscal agent and additional or successor paying agents and transfer agents; provided, however, that the Company shall at all times maintain a fiscal agent and a registrar. In acting under the Agency Agreement and in connection with the Bonds, the Agents act solely as agents of the Company and do not assume any obligations towards or relationship of agency or trust for or with any of the Bondholders. Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Bondholders.

6.5 ***Payments on Payment Business Days***

Where payment is to be made by transfer to a U.S. dollar account, payment instructions (for value the due date, or, if the due date is not a Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by U.S. dollar cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Bond shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 6 (*Payments*) arriving after the due date for payment or being lost in the mail. In these Conditions, "Payment Business Day" means any day on which banks are open for general business (including dealings in foreign currencies) in New York City and Tokyo and, in the case of surrender (or, in the case of part payment only, endorsement) of a Certificate, in the place in which the Certificate is surrendered (or, as the case may be, endorsed).

6.6 ***Partial Payments***

If a Paying Agent makes a partial payment in respect of any Bond, the Company shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Certificate.

6.7 ***Record Date***

Each payment in respect of a Bond will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "Record Date"). Where payment in respect of a Bond is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

7. **Taxation**

7.1 ***Additional Amounts***

All payments of principal and interest in respect of the Bonds by or on behalf of the Company will be made without withholding of, or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any political subdivision or any authority thereof or therein having power to tax ("Taxes") unless the withholding or deduction of such Taxes is required by law. If such withholding or deduction is so required, the Company will pay such additional amounts ("Additional Amounts") as may be necessary in order that the net amounts received by the Bondholders after such withholding or deduction shall equal the amounts which would have been receivable in respect of the Bonds in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable with respect to any Bond:

(i) held by or on behalf of a Holder who is a non-resident of Japan or a non-Japanese corporation who is subject to such Taxes by reason of its being connected with Japan (including carrying on a business or maintaining a permanent establishment in Japan) otherwise than by reason only of the holding of any Bond or enforcement of rights thereunder or the receipt of payment in respect of any Bond;

(ii) held by or on behalf of a Holder who is a non-resident of Japan or a non-Japanese corporation that in either case is a person or entity controlling, or controlled by, the Company, or otherwise having a prescribed special relationship with the Company, as described in Article 6 of the Special Taxation Measures Act of Japan (Act No. 26 of 1957, as amended) (the "Special Taxation Measures Act") and Cabinet Order No. 43 of 31 March 1957 promulgated thereunder, as amended (the "Cabinet Order") (a "Related Party");

(iii) held by or on behalf of a Holder who would otherwise be exempt from any such withholding or deduction but who fails to comply with any applicable requirement to provide Exemption Information or to submit a Claim for Exemption to the Registrar or the Paying Agent to whom the relevant Certificate is presented (where required), or whose Exemption Information is not duly communicated through a Participant (as defined below) and the relevant international clearing organisation to such Paying Agent;

(iv) held by or on behalf of a Holder who is for Japanese tax purposes treated as a resident of Japan or a Japanese corporation (except for (A) a Designated Financial Institution who complies with the requirement to provide Exemption Information or to submit a Claim for Exemption and (B) a resident of Japan or a Japanese corporation who duly notifies the relevant Paying Agent of its status as exempt from such Taxes to be withheld or deducted by the Company, by reason of such resident of Japan or Japanese corporation receiving interest on the relevant Bond through a payment handling agent in Japan appointed by it); or

(v) where the relevant Certificate is presented for payment more than 30 days after the Due Date (as defined below) except to the extent that the Holder thereof would have been entitled to such Additional Amounts on presenting the Certificate in respect of such Bond for payment as at the expiry of such 30-day period.

In these Conditions, the "Due Date" means whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been duly received in New York by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect shall have been duly given to the Bondholders in accordance with Condition 14 (*Notices*).

Any reference in these Conditions to principal or interest in respect of the Bonds shall be deemed to include any Additional Amounts which may be payable under this Condition 7 (*Taxation*).

If the Company becomes subject at any time to any taxing jurisdiction other than Japan, references in these Conditions to Japan shall be construed as references to Japan and/or such other jurisdiction.

No additional amounts will be payable for or on account of any deduction or withholding from a payment on, or in respect of, any Bond where such deduction or withholding is imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, any regulation or agreement thereunder, any inter-governmental agreement or implementing legislation adopted by another jurisdiction in connection with these provisions or any agreement with the U.S. Internal Revenue Service ("FATCA withholding"). Further, the Company will have no obligation to otherwise indemnify an investor for any such FATCA withholding deducted or withheld by the Company, the Agents or any other party that is not an agent of the Company.

7.2 ***Definitions Relating to Taxation***

For the purposes of these Conditions:

(i) where a Bond is held through a certain participant in an international clearing organisation or a certain financial intermediary prescribed by the Special Taxation Measures Act and the Cabinet Order (together with related ministerial ordinances and regulations, the "Relevant Taxation Acts") (each, a "Participant"), in order to receive payment free of withholding or deduction by the Company, for, or on account of Taxes, if the relevant Holder is (A) a non-resident of Japan or a non-Japanese corporation, which in either case is not a Related Party, or (B) a Japanese financial institution falling under any of certain categories prescribed by the Relevant Taxation Acts (a "Designated Financial Institution"), all in accordance with the Relevant Taxation Acts, such Holder shall, at the time of entrusting the Participant with the custody of the relevant Bond, provide such Participant with certain information prescribed by the Relevant Taxation Acts to enable the Participant to establish that such Holder is exempt from the requirement for Taxes to be withheld or deducted (the "Exemption Information") and advise the Participant if the Holder ceases to be so exempt; and

(ii) where a Bond is not held by a Participant, in order to receive payments free of withholding or deduction by the Company, for, or on account of Taxes, if the relevant Holder is (A) a non-resident of Japan or a non-Japanese corporation, which in either case is not a Related Party, or (B) a Designated Financial Institution, all in accordance with the Relevant Taxation Acts, such Holder shall on or prior to each time on which it receives interest, submit to the relevant Paying Agent a claim for exemption from withholding tax (*Hikazei Tekiyo Shinkokusho*) (a "Claim for Exemption") in the form obtainable from the Paying Agent stating, *inter alia*, the name and address of the Holder, the title of the Bonds, the relevant date of interest payment, the amount of interest and the fact that the Holder is qualified to submit the Claim for Exemption, together with documentary evidence regarding its identity and residence.

8. **Events of Default**

If any of the following events occur:

8.1 ***Non-payment of Interest***

The Company fails to pay any amount of interest in respect of the Bonds within 14 days of the due date for payment thereof; or

8.2 ***Breach of Obligations***

The Company defaults in the performance or observance of any covenant, condition or provision contained in the Bonds or the Deed of Covenant and on its part to be performed or observed (other than the covenant to pay the principal or interest in respect of any of the Bonds) and such default remains unremedied for 30 days after written notice thereof, addressed to the Company by any Bondholder, has been delivered to the Company or to the Specified Office of the Fiscal Agent; or

8.3 ***Cross Default on Indebtedness***

The obligation to repay any indebtedness for money borrowed by the Company or any Principal Subsidiary and having an aggregate outstanding principal amount of at least U.S.$10,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 8 (*Events of Default*)) is accelerated or capable of being accelerated prior to its stated maturity as a result of a default in respect of the terms thereof, or any such indebtedness due (on demand or otherwise) having an aggregate outstanding principal amount of at least U.S.$10,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 8 (*Events of Default*)) is not paid when due (whether on demand (if applicable) or at the expiration of any grace period as originally provided (if applicable)); or

8.4 ***Cross Default on Guarantee/Indemnity***

The Company or any Principal Subsidiary fails to pay or otherwise defaults in making any payment due under any guarantee and/or any indemnity given by it in respect of any obligation or indebtedness for money borrowed having an aggregate outstanding principal amount of at least U.S.$10,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 8 (*Events of Default*)); or

8.5 ***Initiation of Insolvency Proceedings***

Proceedings shall have been initiated against the Company or any Principal Subsidiary seeking with respect to the Company or such Principal Subsidiary a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction and such proceedings shall not have been discharged or stayed within a period of 60 days; or

8.6 ***Decree of Insolvency/Dissolution***

A final decree or order is made or issued by a court of competent jurisdiction adjudicating the Company or any Principal Subsidiary bankrupt or insolvent, or approving a petition seeking with respect to the Company or any Principal Subsidiary a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction or a final decree or order is made or issued by a court of competent jurisdiction for the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the Company or any Principal Subsidiary or of all or substantially all of the property of any of them, or for the winding-up, dissolution or liquidation of the Company or any Principal Subsidiary in its bankruptcy or insolvency; or

8.7 ***Resolution for Dissolution***

A resolution is passed for the winding-up, dissolution or liquidation of the Company or any Principal Subsidiary, except:

8.7.1 in the case of the Company, in connection with or in pursuance of a merger, consolidation, amalgamation, reorganisation or reconstruction (including the Company becoming, or becoming a subsidiary of, a holding company) upon which the continuing corporation or the corporation formed thereby effectively assumes (as a matter of English law) the entire obligations of the Company under the Bonds, the Deed of Covenant and the Agency Agreement; or

8.7.2 in the case of a Principal Subsidiary, where the undertaking, business and assets of such Principal Subsidiary are transferred or are otherwise vested in, or the proceeds of sale are received by, the Company or any other Subsidiary of the Company or its holding company pursuant to Condition 8.7.1, in any such case, in proportion to the ownership interest held by the Company, its holding company pursuant to Condition 8.7.1 or such other Subsidiary (as the case may be) in the relevant Principal Subsidiary; or

8.7.3 in any case, where the terms have previously been approved by an Extraordinary Resolution; or

8.8 ***Institution of Insolvency Proceedings***

The Company or any Principal Subsidiary institutes proceedings seeking with respect to itself adjudication of bankruptcy or seeking with respect to itself a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction, or consents to the institution of any such proceedings, or consents to, or acquiesces in, the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or of all or substantially all of its property, or makes a general assignment for the benefit of its creditors; or

8.9 ***Stop Payment***

The Company or any Principal Subsidiary stops payment (within the meaning of the Bankruptcy Act or any applicable law of any other jurisdiction); or

8.10 ***Cessation of Business***

The Company or any Principal Subsidiary ceases, or through an official action of its Board of Directors threatens to cease to carry on business, except:

8.10.1 in the case of the Company, in connection with or in pursuance of a merger, consolidation, amalgamation, reorganisation or reconstruction (including the Company becoming, or becoming a subsidiary of, a holding company) upon which the continuing corporation or the corporation formed thereby effectively assumes (as a matter of English law) the entire obligations of the Company under the Bonds, the Deed of Covenant and the Agency Agreement; or

8.10.2 in the case of a Principal Subsidiary, where the undertaking, business and assets of such Principal Subsidiary are transferred or are otherwise vested in, or the proceeds of sale are received by, the Company or any other Subsidiary of the Company or its holding company pursuant to Condition 8.10.1, in any such case, in proportion to the ownership interest held by the Company or its holding company pursuant to Condition 8.10.1 or such other Subsidiary (as the case may be) in the relevant Principal Subsidiary; or

8.10.3 in any case, where the terms have previously been approved by an Extraordinary Resolution; or

8.11 ***Encumbrancer***

Any encumbrancer takes possession of the whole or substantially all of the assets or undertakings of the Company or any Principal Subsidiary, or a distress, execution or other similar process is levied or enforced upon or sued out against the whole or substantially all of the assets of the Company or any Principal Subsidiary and is not removed, discharged or paid out within 60 days,

then any Bond may, by written notice addressed by the Holder thereof to the Company and delivered to the Company or to the Specified Office of the Fiscal Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its principal amount together with accrued interest without further action or formality.

For the purposes of Conditions 8.3 (*Cross Default on Indebtedness*) and 8.4 (*Cross Default on Guarantee/Indemnity*), any indebtedness which is in a currency other than U.S. dollar may be translated into U.S. dollar at the spot rate for the sale of relevant currency against the purchase of U.S. dollar quoted by any leading bank selected by the Company.

9. **Prescription**

Each Bond will become void unless presented for payment within the period of 10 years in the case of principal and 5 years in the case of interest from the Due Date for the payment thereof.

10. **Replacement of Certificates**

Should any Certificate be lost, stolen, destroyed, mutilated or defaced, it may be replaced at the Specified Office of the Registrar upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Company or an Agent may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

11. Meetings of Bondholders and Modification

11.1 *Meetings of Bondholders*

The Agency Agreement contains provisions for convening meetings of Bondholders to consider matters relating to the Bonds, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Company, and shall be convened by it upon the request in writing of Bondholders holding not less than one-tenth of the aggregate principal amount of the outstanding Bonds. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing not less than 50 per cent. of the aggregate principal amount of the outstanding Bonds or, at any adjourned meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented; provided, however, that certain proposals (including any proposal to modify the date of maturity of the Bonds, to change any date fixed for payment of principal or interest in respect of the Bonds, to reduce the amount of principal or interest payable on any date in respect of the Bonds, to alter the method of calculating the amount of any payment in respect of the Bonds or the date for any such payment, to change the currency of payments under the Bonds or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "Reserved Matter")) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Bondholders at which two or more persons holding or representing not less than 75 per cent. or, at any adjourned meeting, not less than 50 per cent. of the aggregate principal amount of the outstanding Bonds form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders, whether present or not.

In addition, a resolution in writing signed by or on behalf the Holders of not less than 90 per cent. of the aggregate principal amount of the Bonds who for the time being are entitled to receive notice of a meeting of Bondholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

11.2 *Modification*

The Bonds, these Conditions and the Deed of Covenant may be amended without the consent of the Bondholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Company shall not agree, without the consent of the Bondholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Bondholders.

12. Further Issues

The Company may from time to time, without the consent of the Bondholders, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Bonds.

13. Currency Indemnity

If any sum due from the Company in respect of the Bonds or any order or judgment given or made in relation thereto has to be converted from the currency (the "first currency") in which the same is payable under these Conditions or such order or judgment into another currency (the "second currency") for the purpose of (a) making or filing a claim or proof against the Company, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Bonds, the Company shall indemnify each Bondholder, on the written demand of such Bondholder addressed to the Company and delivered to the Company or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Bondholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof. This indemnity constitutes a separate and independent obligation of the Company and shall give rise to a separate and independent cause of action.

14. **Notices**

All notices to the Bondholders will be valid if mailed to them at their respective addresses in the Register and published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*). If publication in any of such newspapers is not (in the opinion of the Company) practicable, notices will be given in such other newspaper or newspapers as the Company shall determine. Such notices shall be deemed to have been given on the later of (i) the date of their publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which publication is required and (ii) the seventh day after being so mailed.

So long as the Bonds are evidenced by the Global Certificate and such Bonds are held on behalf of a clearing system, notices to Bondholders shall be given by delivery of the relevant notice to the relevant clearing system for communication by it to entitled accountholders in substitution for mailing and publication required by the Conditions.

15. **Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

16. **Governing Law and Submission to Jurisdiction**

16.1 ***Governing Law***

The Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

16.2 ***Jurisdiction***

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Bonds (including any non-contractual obligation arising out of or in connection with the Bonds) and accordingly any legal action or proceedings arising out of or in connection with the Bonds (including any non-contractual obligation arising out of or in connection with the Bonds) ("Proceedings") may be brought in such courts. The Company submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission has been made for the benefit of each of the Bondholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

16.3 ***Agent for Service of Process***

The Company has irrevocably appointed Law Debenture Corporate Services Limited, whose office is at present at Eighth Floor, 100 Bishopsgate, London EC2N 4AG, United Kingdom, as its agent in England to receive service of process in any Proceedings in England. If for any reason Law Debenture Corporate Services Limited ceases to be able to act as such or no longer has an address in England, the Company irrevocably agrees to appoint a substitute process agent in England and shall promptly notify the Bondholders of such appointment. Nothing in this paragraph shall affect the right to serve process in any other manner permitted by law.

SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the Conditions set out in this Offering Circular. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions and certain other information:

Registration and Exchange

The Bonds will be evidenced by a Global Certificate which will be registered in the name of Mizuho Trust & Banking (Luxembourg) S.A. as the common depositary for Euroclear and Clearstream, Luxembourg.

The Global Certificate will become exchangeable in whole, but not in part, for definitive Certificates if (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 8 occurs.

Whenever the Global Certificate is to be exchanged for definitive Certificates, such definitive Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Certificate within five business days of the delivery, by or on behalf of the registered Holder of the Global Certificate, Euroclear and/or Clearstream, Luxembourg, to the Registrar of such information as is required to complete and deliver such definitive Certificates (including, without limitation, the names and addresses of the persons in whose names the definitive Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Certificate at the Specified Office of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Bonds scheduled thereto and, in particular, shall be effected without charge to any Holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If:

(a) Definitive Certificates have not been issued and delivered by 5.00 p.m. (Luxembourg time) on the thirtieth day after the date on which the same are due to be issued and delivered in accordance with the terms of the Global Certificate; or

(b) any of the Bonds evidenced by the Global Certificate has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred.

and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the Holder of the Global Certificate on the due date for payment in accordance with the terms of the Global Certificate, then the Global Certificate (including the obligation to deliver definitive Certificates) will become void at 5.00 p.m. (Luxembourg time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (Luxembourg time) on such due date (in the case of (b) above) and the Holder will have no further rights thereunder (but without prejudice to the rights which the Holder or others may have under the Deed of Covenant). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg as being entitled to interests in the Bonds will acquire directly against the Company all those rights to which they would have been entitled if, immediately before the Global Certificate became void, they had been the registered Holders of Bonds in an aggregate principal amount equal to the principal amount of Bonds they were shown as holding in the records of Euroclear and/or (as the case may be) Clearstream, Luxembourg.

Transfers

Transfers of interests in the Bonds in respect of which the Global Certificate is issued shall be effected through the records of Euroclear and Clearstream, Luxembourg or any other clearing system (an "Alternative Clearing System") and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg or any Alternative Clearing System, as the case may be, and their respective direct and indirect participants.

Payments

In relation to payments made in respect of the Global Certificate, so long as this Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system, the definition for "Payment

Business Day" in Condition 6.5 shall be amended and shall be any day which is a day on which banks are open for general business (including dealings in foreign currencies) in New York City and Tokyo.

Each payment made in respect of the Global Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment where "Clearing System Business Day" means a day on which each clearing system for which the Global Certificate is being held is open for business.

So long as the Bonds are evidenced by the Global Certificate and the Global Certificate is held on behalf of a clearing system, the Company will pay interest in respect of such Bonds in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Conditions, save that the calculation of interest will be made in respect of the total aggregate amount of the Bonds evidenced by the Global Certificate (rather than per Calculation Amount (as defined in the Conditions)).

Notices

Notwithstanding Condition 14, so long as the Global Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System, notices to Holders of Bonds evidenced by the Global Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or (as the case may be) such Alternative Clearing System.

Meetings

So long as at least the Relevant Fraction (as defined below) of the aggregate principal amount of the outstanding Bonds is evidenced by the Global Certificate, a single voter appointed in relation thereto or being the Holder of the Bonds evidenced thereby shall be deemed to be two voters for the purpose of forming a quorum of meetings of Bondholders.

"Relevant Fraction" means:

(a) for all business other than voting on an Extraordinary Resolution, one tenth;

(b) for voting on any Extraordinary Resolution other than one relating to a Reserved Matter, not less than 50 per cent.; and

(c) for voting on any Extraordinary Resolution relating to a Reserved Matter, not less than 75 per cent.,

provided, however, that, in the case of a meeting which has resumed after adjournment for want of a quorum it means:

(i) for all business other than voting on an Extraordinary Resolution relating to a Reserved Matter, the fraction of the aggregate principal amount of the outstanding Bonds evidenced or held by the voters actually present at the meeting; and

(ii) for voting on any Extraordinary Resolution relating to a Reserved Matter, not less than 50 per cent.

Electronic Consent

While the Bonds evidenced by the Global Certificate is registered in the name of any nominee for, or a nominee for any common depositary for, Euroclear, Clearstream, Luxembourg or any Alternative Clearing System (as the case may be), then (a) approval of a resolution proposed by the Company or the Fiscal Agent (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 90 per cent. in nominal amount of the Bonds then outstanding (an "Electronic Consent" as defined in the Agency Agreement) shall, for all purposes (including in relation to Reserved Matters), take effect as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held, and shall be binding on all Bondholders whether or not they participated in such Electronic Consent; and (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Agency Agreement) has been validly passed, subject to certain requirements set out in the Agency Agreement, the Company and the Fiscal Agent shall be entitled to rely on consent or instructions given in writing directly to the

Company and/or the Fiscal Agent, as the case may be, by accountholders in the relevant clearing system with entitlements to Bonds evidenced by this Global Certificate or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is held.

USE OF PROCEEDS

The net proceeds from the issue of the Bonds are estimated to amount to approximately U.S.$ ● million, and are expected to be used primarily for general capital expenditures and repayment of borrowings and bonds of the Company.

KYUSHU ELECTRIC POWER COMPANY, INCORPORATED

The Company's brand message, "Enlighten Our Future", expresses the Group's desire to realise a sustainable society and contribute to solving social and regional issues through its businesses. Since its founding in 1951, the Company has been providing electricity in the Kyushu region in Japan under a comprehensive system of power generation, transmission and distribution.

The Group's operations are principally divided into the following six reportable segments: (i) the Power Generation and Sale segment, which engages in the business of power generation and retail electricity sales in Japan, (ii) the Electricity Transmission and Distribution segment, which engages in the business of general transmission and distribution in the Kyushu region, (iii) the Overseas segment, which engages in the business of overseas power generation, transmission and distribution business, (iv) the Other Energy Services segment, which engages in the business that provide electric power, such as the construction and maintenance of electricity-related facilities, the sales of gas and LNG, the sales of coal and the renewable energy business, (v) the ICT Services segment, which engages in the data communication business, the optical broadband business, the construction and maintenance of telecommunications facilities, the information system development business and the data centre business, and (vi) the Urban Development segment, which engages in the urban development business, the real estate business and the social infrastructure business. The Group also records an "Other" business segment, comprising of businesses not included in the reportable segments, including the paid nursing home business, office work outsourcing business and personnel dispatch business.

As of 30 June 2024, the Company had 53 consolidated subsidiaries, and 21 nonconsolidated subsidiaries and 31 affiliates, each accounted for by the equity method.

Selected Consolidated Financial Information and Other Data

The following selected consolidated financial information and other data should be read in conjunction with the Group's audited annual consolidated financial statements and related notes, the Group's unaudited quarterly consolidated financial statements and related notes, and "Recent Business" included elsewhere in this Offering Circular. The Consolidated Statement of Income data and Consolidated Statement of Cash Flows data for the fiscal years ended 31 March 2024, 2023 and 2022 and the Consolidated Balance Sheet data as of 31 March 2024, 2023 and 2022 have been extracted without material adjustment from the Audited Annual Financial Statements included elsewhere in this Offering Circular.

The Group's consolidated financial statements have been prepared and presented in accordance with Japanese GAAP, which differ in certain respects from IFRS or generally accepted accounting principles in other jurisdictions. Further, the historical results are not necessarily indicative of results to be expected for future periods.

	As of and for the Fiscal Year Ended 31 March		
	2022	2023	2024
	(Millions of yen, except per share data, key financial data, ratios, non-GAAP financial measures, power generated and received and retail electricity sales)		
Statement of Income Data			
Operating revenues	¥1,743,310	¥2,221,300	¥2,139,447
Operating income (loss)	48,624	(72,998)	254,919
Net income (loss) attributable to owners of the parent	6,873	(56,429)	166,444
Balance Sheet Data			
Total equity less noncontrolling interests	645,497	582,064	890,529
Total equity	676,337	617,230	921,043
Total assets	5,342,350	5,603,678	5,727,240
Cash Flow Data			
Net cash provided by operating activities	257,811	30,504	586,084
Net cash used in investing activities	(320,879)	(328,874)	(344,320)
Net cash provided by (used in) financing activities	79,428	324,770	(150,526)
Per Share Data (in yen)			
Net income (loss) attributable to owners of the parent	10.09	(123.81)	342.30
Key Financial Data/Ratios			
Interest-bearing debt (billions of yen)(1)	3,638	3,991	3,765
Equity ratio (per cent.)(2)	12.1	10.4	15.5
Return on equity (ROE) (per cent.)(3)	1.1	(9.2)	22.6
Return on assets (ROA) (per cent.)(4)	0.1	(1.0)	2.9

	As of and for the Fiscal Year Ended 31 March		
	2022	2023	2024
	(Millions of yen, except per share data, key financial data, ratios, non-GAAP financial measures, power generated and received and retail electricity sales)		
Non-GAAP Financial Measures			
Adjusted net assets (millions of yen)[5]	544,447	479,964	686,663
Net assets per Share (yen)[6]	1,148.17	1,012.18	1,448.09
EBITDA (millions of yen)[7]	273,918	148,014	504,880
Free cash flows (millions of yen)[8]	(63,068)	(298,369)	241,764
Debt/Equity ratio (times)[9]	5.6	6.9	4.2
Net debt (millions of yen)[10]	3,396,327	3,720,856	3,401,214
Net debt/EBITDA ratio (times)[11]	12.4	25.1	6.7
Power generated and received (in billions of kWh)[12]			
Generated[13]:			
Hydroelectric	4.5	4.4	4.4
Thermal	25.9	35.5	25.6
Nuclear	31.9	20.1	31.7
Renewable energy sources[14]	1.3	1.3	1.4
Power purchased from other operators (net)	41.7	41.8	34.2
Power used for pumped storage[15]	(2.3)	(2.3)	(2.1)
Total power generated[12]	103.0	100.8	95.2
Volume of total electric sales[16]	97.3	96.0	90.2
Retail electricity sales (in billions of kWh)[12]			
Residential (lighting)	25.0	24.2	24.3
Commercial and industrial	54.4	52.4	49.2
Total[12]	79.4	76.5	73.5
Sales to other operators	17.8	19.4	16.7

Notes:

(1) Interest-bearing debt represents long and short-term borrowings, bonds and commercial paper, but excludes obligations under finance leases.

(2) Equity ratio has been calculated by dividing total equity less noncontrolling interests by the sum of total long-term liabilities, total current liabilities, reserve for fluctuations in water level and total equity.

(3) ROE has been calculated as net income (loss) attributable to owners of the parent for the period divided by the average of total equity less noncontrolling interests at the beginning and at the end of the period.

(4) ROA has been calculated as net income (loss) attributable to owners of the parent for the period divided by the average of the total assets at the beginning and at the end of the period.

(5) Adjusted net assets has been calculated as total equity less preferred stock, unpaid preferred dividends and noncontrolling interests.

(6) Net assets per share is calculated by dividing adjusted net assets (as defined above) by the number of shares of common stock in issue.

(7) EBITDA has been calculated as operating income + depreciation + amortisation of nuclear fuel. Reconciliation of EBITDA is as follows:

	As of and for the Fiscal Year Ended 31 March		
	2022	2023	2024
	(Millions of yen)		
Operating income (loss)	¥48,624	¥(72,998)	¥254,919
Depreciation	199,643	203,814	222,553
Amortisation of nuclear fuel	25,650	17,198	27,408
EBITDA	¥273,918	¥148,014	¥504,880

(8) Free cash flows represent the net of net cash provided by operating activities and net cash used in investing activities.

(9) Debt/Equity ratio has been calculated as interest-bearing debt divided by total equity less noncontrolling interests.

(10) Net debt has been calculated as interest-bearing debt less cash and cash equivalents.

(11) Net debt/EBITDA ratio has been calculated as Net debt (as defined above) divided by EBITDA (as defined above).

(12) The data relating to power generated and received and retail electricity sales comprise the aggregate of the data for the Company and its consolidated subsidiaries (Kyushu Electric Power Transmission and Distribution and Kyuden Mirai Energy) after elimination of intra-Group transactions. For electric energy information, the sum of the individual amounts may not match the totals due to the rounding down of numerical values.

(13) Power generated is the amount of power generated at the transmission end.

(14) Renewable energy sources comprise power generated by solar, wind, biomass, waste and geothermal power generation.

(15) Power used for pumped storage is the electric power used to pump water for reservoir operations at pumped-storage power stations and electricity wheeled for self-use.

(16) The difference between the total of power generated and received and the volume of total electric sales is the amount of electricity lost, among others.

RECENT BUSINESS

The following discussion and analysis of the Group's financial condition and results of operations should be read in conjunction with "Kyushu Electric Power Company, Incorporated—Selected Consolidated Financial Information and Other Data" and the audited consolidated financial statements as of and for the fiscal year ended 31 March 2024 (with comparative information as of and for the fiscal year ended 31 March 2023) in pages F-2 to F-54, the audited consolidated financial statements as of and for the fiscal years ended 31 March 2023 (with comparative information as of and for the fiscal year ended 31 March 2022) in pages F-56 to F-110, and the unaudited quarterly consolidated financial statements as of and for the three-month period ended 30 June 2024 (with comparative information for the three-month period ended 30 June 2023) included in pages A-2 to A-8, as well as the notes to such consolidated financial statements appearing elsewhere in this Offering Circular. The Consolidated Statement of Income data for the three-month periods ended 30 June 2024 and 2023 and the Consolidated Balance Sheet data as of 30 June 2024 have not been audited or reviewed by the Company's independent auditor. The audited Consolidated Financial Statements have been prepared and presented in accordance with Japanese GAAP. Compared to the audited consolidated financial statements as of and for the fiscal year ended 31 March 2024 included in this Offering Circular, the unaudited quarterly consolidated financial statements as of and for the three-month period ended 30 June 2024 omits certain disclosures required under Japanese GAAP, including some of the notes.

Overview

The Company's brand message, "Enlighten Our Future", expresses the Group's desire to realise a sustainable society and contribute to solving social and regional issues through its businesses. Since its founding in 1951, the Company has been providing electricity in the Kyushu region in Japan under a comprehensive system of power generation, transmission and distribution.

The Group's operations are principally divided into the following six reportable segments: (i) the Power Generation and Sale segment, which engages in the business of power generation and retail electricity sales in Japan, (ii) the Electricity Transmission and Distribution segment, which engages in the business of general transmission and distribution in the Kyushu region, (iii) the Overseas segment, which engages in the business of overseas power generation, transmission and distribution business, (iv) the Other Energy Services segment, which engages in the business that provide electric power, such as the construction and maintenance of electricity-related facilities, the sales of gas and LNG, the sales of coal and the renewable energy business, (v) the ICT Services segment, which engages in the data communication business, the optical broadband business, the construction and maintenance of telecommunications facilities, the information system development business and the data centre business, and (vi) the Urban Development segment, which engages in the urban development business, the real estate business and the social infrastructure business. The Group also records an "Other" business segment, comprising of businesses not included in the reportable segments, including the paid nursing home business, office work outsourcing business and personnel dispatch business.

As of 30 June 2024, the Company had 53 consolidated subsidiaries, and 21 nonconsolidated subsidiaries and 31 affiliates, each accounted for by the equity method.

Critical Accounting Policies and Use of Estimates

The Group's significant accounting policies are set out in Note 2 to the audited consolidated financial statements for the fiscal year ended 31 March 2024 included elsewhere in this Offering Circular.

In preparing consolidated financial statements, the Group has made estimates and judgements which it considers reasonable (taking into consideration past performance and other matters) in respect of matters such as the impairment of fixed assets, the evaluation of financial assets related to services such as investments in overseas power generation businesses and overseas power plant construction, the recoverability of deferred tax assets, and the provision for doubtful accounts, liabilities and assets related to retirement benefits, and asset retirement obligations. However, actual results are subject to the uncertainties inherent in estimates, and as such, may differ from such estimates. Of these estimates, the Group considers those relating to the evaluation of financial assets related to services such as investments in overseas power generation businesses and overseas power plant construction and the recoverability of deferred tax assets to be the most critical. See Note 3 to the audited consolidated financial statements for the fiscal year ended 31 March 2024 included elsewhere in this Offering Circular.

New Accounting Pronouncements and Accounting Changes

Accounting Standard for Current Income Taxes, etc.

On 28 October 2022, the Accounting Standards Board of Japan (the "ASBJ") issued the revised ASBJ Statement No. 27 (revised 2022), "Accounting Standard for Current Income Taxes", ASBJ Statement No. 25 (revised 2022), "Accounting Standard for Presentation of Comprehensive Income" and ASBJ Guidance No. 28 (revised 2022), "Guidance on Accounting Standard for Tax Effect Accounting". The revised accounting standards and revised implementation guidance define the classification of income taxes when taxable on other comprehensive income and the treatment of tax effects on the sale of subsidiary stock when the group taxation regime is applied.

The revised guidance is effective for the annual periods beginning on or after 1 April 2024. Earlier application is permitted for annual periods beginning on or after 1 April 2023. The revised guidance shall be applied prospectively.

The Group expects to apply the revised guidance for annual periods beginning on or after 1 April 2024, and is in the process of measuring the effects of applying the revised guidance in future applicable periods.

Accounting Standard for Fair Value Measurement

Effective 1 April 2022, the Group adopted ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement". The Group adopted new accounting policies prescribed in this accounting guidance prospectively in accordance with Article 27-2 of ASBJ Guidance No. 31. There were immaterial effects from these accounting changes on the Group's consolidated financial statements for the fiscal year ended 31 March 2024. In addition, as describe in Note 20 to the audited consolidated financial statements for the fiscal year ended 31 March 2024, investment trusts related to financial instruments categorised by fair value hierarchy as of 31 March 2022, was not disclosed in accordance with the article 27-3 of ASBJ Guidance No. 31.

Consolidated Results for the Fiscal Year Ended 31 March 2024 Compared to the Fiscal Year Ended 31 March 2023

Overview

During the fiscal year ended 31 March 2024, the Japanese economy showed signs of recovering moderately, centred on improvement in personal consumption. The economy in the Kyushu region also showed a gradual recovery centred on personal consumption and capital investment, although production remains flat.

In the fiscal year ended 31 March 2024, in addition to the fact that the impact of the delay in fuel cost adjustments due to the fall in fuel prices changed from a negative impact in the previous fiscal year to a positive impact, fuel costs decreased due to factors such as increased operation of nuclear power plants. Both ordinary income and net income attributable to owners of the parent of the Group significantly improved and recorded profits rather than losses, due to factors such as a decrease in purchased electricity costs due to a decline in wholesale electricity market prices.

The amount of retail electricity sold for the fiscal year ended 31 March 2024 was 73.5 billion kWh, a decrease of 4.0 per cent. compared to the previous fiscal year, due to a decrease in power sold outside the Kyushu region. Additionally, wholesale electricity sales decreased by 13.9 per cent. to 16.7 billion kWh. As a result, total electricity sales decreased by 6.0 per cent. to 90.2 billion kWh.

The Group was able to supply power in a stable manner in the fiscal year ended 31 March 2024, through measures such as a comprehensive operation of power generation facilities including nuclear power, thermal power and pumped storage in the retail and wholesale supply of electricity, as well as the implementation of the operation of regulating power sources and control of renewable energy output based on regulations.

Results

Operating Revenues

Operating revenues of the Group for the fiscal year ended 31 March 2024 was ¥2,139.4 billion, a decrease of ¥81.8 billion, or 3.7 per cent., from the fiscal year ended 31 March 2023 reflecting factors such as a decrease in retail sales revenue and wholesale sales revenue due to a decline in total electricity sales.

Operating Expenses

Operating expenses for the fiscal year ended 31 March 2024 amounted to ¥1,884.5 billion, a decrease of ¥409.7 billion, or 17.9 per cent., compared to the previous fiscal year. This reflected factors such as a decrease in electricity purchased from other operators due to an increase in the utilisation rate of the Group's nuclear power plants, a decrease in fuel prices and a decline in wholesale electricity market prices.

Operating Income (Loss)

As a result of the above, operating income profit for the fiscal year ended 31 March 2024 amounted to ¥254.9 billion, compared to an operating loss of ¥72.9 billion recorded in the fiscal year ended 31 March 2023.

Other Expenses—Net

The Group recorded other expenses—net of ¥30.2 billion in the fiscal year ended 31 March 2024, an increase of ¥25.1 billion, or 490.9 per cent., from ¥5.1 billion in the previous fiscal year. This increase primarily reflected an impairment loss on a financial asset recorded in the fiscal year ended 31 March 2024, relating to an anticipated reduction in power generation from a geothermal independent power producer project in Indonesia.

Reversal of Reserve for Fluctuations in Water Level

The Group recorded a ¥0.2 billion of reversal of reserve for fluctuations in water level in the fiscal year ended 31 March 2024 (compared to ¥5.0 billion recorded in the previous fiscal year).

Income (Loss) before Income Taxes

As a result of the above, income before income taxes for the fiscal year ended 31 March 2024 amounted to ¥224.9 billion, compared to loss before income taxes of ¥73.0 billion recorded in the previous fiscal year.

Income Taxes

Income taxes for the fiscal year ended 31 March 2024 amounted to ¥56.6 billion, an increase of ¥75.2 billion compared to the previous fiscal year, primarily reflecting the increases in corporate tax, inhabitants tax and business tax due to an increase in taxable income.

Net Income (Loss) Attributable to Owners of the Parent

As a result of deducting amounts in respect of net income attributable to noncontrolling interests, net income attributable to owners of the parent for the fiscal year ended 31 March 2024 amounted to ¥166.4 billion, compared to loss attributable to owners of parent of ¥56.4 billion recorded in the previous fiscal year. Basic net income per share of common stock for the fiscal year ended 31 March 2024 amounted to ¥342.3, compared to a basic net loss per share of common stock of ¥123.8 recorded in the previous fiscal year.

Results by Business Segment

In the below analysis of results by business segment, total sales per segment represents the total sales for such segment, and segment profit represents the total profit for such segment, in each case without taking into account any inter-segment reconciliations. See "Presentation of Financial and Other Information—Per Segment Data".

Domestic Electric Power

Power Generation and Sale

Total sales in the Power Generation and Sale segment decreased by ¥111.1 billion, or 5.8 per cent., compared to the previous fiscal year to ¥1,819.7 billion in the fiscal year ended 31 March 2024, principally reflecting the decrease in electricity sales (both retail and wholesale). Segment profit for the fiscal year ended 31 March 2024 amounted to ¥147.5 billion, compared to a segment loss of ¥143.5 billion recorded in the previous fiscal year, reflecting factors such as the impact of the time lag in the fuel cost adjustment system on the Group's operations turning positive in the fiscal year ended 31 March 2024, as well as a decrease in fuel costs due to increased operation of nuclear power plants, and a decrease in the purchase of electricity from other operators due to lower wholesale electricity market prices.

Electricity Transmission and Distribution

Total sales in the Electricity Transmission and Distribution segment decreased by ¥10.5 billion, or 1.5 per cent., compared to the previous fiscal year to ¥698.4 billion in the fiscal year ended 31 March 2024, principally reflecting a decrease in wholesale sales revenue from the purchase of renewable energy sources due to factors such as a decline in wholesale electricity market prices. Segment profit for the fiscal year ended 31 March 2024 amounted to ¥41.3 billion, an increase of ¥27.2 billion, or 193.0 per cent., compared to the previous fiscal year, reflecting factors such as a decline in expenses related to the power purchased from renewable energy sources and procurement costs from supply and demand adjustment market.

Overseas

Total sales in the Overseas segment decreased by ¥0.4 billion, or 7.5 per cent., compared to the previous fiscal year to ¥5.7 billion in the fiscal year ended 31 March 2024, principally reflecting a decrease in income from development fees related to the power transmission business. Segment profit for the fiscal year ended 31 March 2024 amounted to ¥5.3 billion, an increase of ¥0.8 billion, or 19.9 per cent., compared to the previous fiscal year, principally reflecting an increase in foreign exchange gains.

Other Energy Services

Total sales in the Other Energy Services segment increased by ¥38.2 billion, or 14.7 per cent., compared to the previous fiscal year to ¥299.4 billion in the fiscal year ended 31 March 2024. Segment profit for the fiscal year ended 31 March 2024 amounted to ¥33.9 billion, an increase of ¥4.6 billion, or 16.0 per cent., compared to the previous fiscal year. These increases principally reflected an increase in coal sales and an increase in power plant repair work.

ICT Services

Total sales in the ICT Services segment increased by ¥12.0 billion, or 10.1 per cent., compared to the previous fiscal year to ¥131.4 billion in the fiscal year ended 31 March 2024. Segment profit for the fiscal year ended 31 March 2024 amounted to ¥7.8 billion, an increase of ¥1.2 billion, or 19.6 per cent., compared to the previous fiscal year. These increases principally reflected an increase in information system development contracts and an increase in solution service revenues in the data communication business.

Urban Development

Total sales in the Urban Development segment increased by ¥4.0 billion, or 16.2 per cent., compared to the previous fiscal year to ¥28.9 billion in the fiscal year ended 31 March 2024, principally reflecting an increase in sales of fully electrified apartments. Segment profit for the fiscal year ended 31 March 2024 amounted to ¥3.8 billion, an increase of ¥0.6 billion, or 18.9 per cent., compared to the previous fiscal year, principally reflecting an increase in equity in earnings of affiliates.

Consolidated Results for the Three-Month Period Ended 30 June 2024 Compared to the Three-Month Period Ended 30 June 2023

Operating Revenues

Operating revenues of the Group for the three-month period ended 30 June 2024 was ¥501.1 billion, an increase of ¥4.6 billion, or 0.9 per cent., from the same period in the previous fiscal year. There was an increase in wholesale sales revenue due to an increase in the volume of wholesale electricity sales and the recording of capacity contract amounts; however, factors such as the impact of fuel cost adjustments led to a decrease in retail sales revenue.

Operating Expenses

Operating expenses for the three-month period ended 30 June 2024 increased by ¥55.0 billion, or 13.9 per cent., compared to the same period in the previous fiscal year, to ¥451.3 billion. This primarily reflected an increase in the cost of purchased electricity, which was driven by higher wholesale electricity market prices, an increase in the amount of electricity received and the recording of compensation for capacity resources.

Operating Income

As a result of the above, operating income for the three-month period ended 30 June 2024 was ¥49.8 billion, a decrease of ¥50.3 billion, or 50.3 per cent., from the same period in the previous fiscal year.

Income before Income Taxes

After taking into account other expenses—net and reversal of reserve for fluctuations in water level, the Group's income before income taxes for the three-month period ended 30 June 2024 amounted to ¥50.5 billion, a decrease of ¥49.9 billion, or 49.7 per cent., compared to the same period in the previous fiscal year.

Income Taxes

Income taxes for the three-month period ended 30 June 2024 amounted to ¥13.6 billion, a decrease of ¥15.1 billion, or 52.6 per cent., compared to the same period in the previous fiscal year.

Net Income Attributable to Owners of the Parent

As a result of deducting amounts in respect of net income attributable to noncontrolling interests, net income attributable to owners of the parent for the three-month period ended 30 June 2024 amounted to ¥36.6 billion, a decrease of ¥34.8 billion, or 48.7 per cent., compared to the same period in the previous fiscal year.

Results by Business Segment

In the below analysis of results by business segment, total sales per segment represents the total sales for such segment, and segment profit (ordinary income per segment) represents the total ordinary income for such segment, in each case without taking into account any inter-segment reconciliations.

Domestic Electric Power

Power Generation and Sale

Total sales in the Power Generation and Sale segment increased by ¥3.7 billion, or 0.9 per cent., compared to the same period in the previous fiscal year to ¥431.9 billion in the three-month period ended 30 June 2024, principally reflecting an increase in wholesale sales revenue due to an increase in the volume of wholesale electricity sales and the recording of capacity contract amounts, set off to a certain extent by a decrease in retail sales revenue due to factors such as the impact of fuel cost adjustments. Segment profit for the three-month period ended 30 June 2024 amounted to ¥34.8 billion, a decrease of ¥43.3 billion, or 55.4 per cent., compared to the same period in the previous fiscal year, principally reflecting a decrease in the gain incurred by the fuel cost adjustment system time lag, fluctuations in wholesale electricity trading prices and the reduced operation of nuclear power stations.

Electricity Transmission and Distribution

Total sales in the Electricity Transmission and Distribution segment increased by ¥3.1 billion, or 2.1 per cent., compared to the same period in the previous fiscal year to ¥155.6 billion in the three-month period ended 30 June 2024, principally reflecting an increase in transmission revenue driven by higher regional demand and an increase in wholesale sales revenue from the purchase of renewable energy sources driven by higher prices in the wholesale electricity market. Segment profit for the three-month period ended 30 June 2024 amounted to ¥6.0 billion, a decrease of ¥6.8 billion, or 53.2 per cent., compared to the same period in the previous fiscal year, principally reflecting higher costs associated with the purchase of renewable energy sources and recording of compensation for capacity resources.

Overseas

Total sales in the Overseas segment decreased by ¥0.1 billion, or 18.2 per cent., compared to the same period in the previous fiscal year to ¥0.8 billion in the three-month period ended 30 June 2024, principally reflecting a decrease in revenue from geothermal IPP projects. Segment profit for the three-month period ended 30 June 2024 amounted to ¥1.8 billion, a decrease of ¥0.7 billion, or 28.0 per cent., compared to the same period in the previous fiscal year, principally reflecting a decrease in foreign exchange gains.

Other Energy Services

Total sales in the Other Energy Services segment increased by ¥2.9 billion, or 4.8 per cent., compared to the same period in the previous fiscal year to ¥64.2 billion in the three-month period ended 30 June 2024, principally reflecting an increase in the volume of LNG transportation services and higher operation rates at biomass power plants. Segment profit for the three-month period ended 30 June 2024 amounted to ¥6.8 billion, an increase of ¥1.5 billion, or 29.3 per cent., compared to the same period in the previous fiscal year, principally reflecting an increase in equity method investment gains.

ICT Services

Total sales in the ICT Services segment increased by ¥0.2 billion, or 0.8 per cent., compared to the same period in the previous fiscal year to ¥28.2 billion in the three-month period ended 30 June 2024, principally reflecting the expansion of optical broadband service sales and an increase in revenue from corporate solution services. Segment profit for the three-month period ended 30 June 2024 amounted to ¥0.7 billion, an increase of ¥0.2 billion, or 64.9 per cent., compared to the same period in the previous fiscal year.

Urban Development

Total sales in the Urban Development segment increased by ¥0.1 billion, or 2.2 per cent., compared to the same period in the previous fiscal year to ¥5.6 billion in the three-month period ended 30 June 2024, principally reflecting an increase in real estate rental income. Segment profit for the three-month period ended 30 June 2024 amounted to ¥0.9 billion, a decrease of ¥0.4 billion, or 32.4 per cent., compared to the same period in the previous fiscal year, principally reflecting an increase in the cost of sales.

Financial Condition

Consolidated Balance Sheet as of 31 March 2024 Compared to Consolidated Balance Sheet as of 31 March 2023

As of 31 March 2024, total assets amounted to ¥5,727.2 billion, an increase of ¥123.5 billion, or 2.2 per cent., or from 31 March 2023, principally reflecting an increase in current assets such as cash and deposits.

Total liabilities (being the sum of total long-term liabilities, total current liabilities and reserve for fluctuations in water level) as of 31 March 2024 amounted to ¥4,806.1 billion, a decrease of ¥180.2 billion, or 3.6 per cent., compared to 31 March 2023, principally reflecting a decrease in interest-bearing debt.

Total equity as of 31 March 2024 was ¥921.0 billion, an increase of ¥303.8 billion, or 49.2 per cent., compared to 31 March 2023, reflecting the issuance of Class B preferred stock, cancellation of Class A preferred stock, and the recording of net income attributable to owners of the parent.

The equity ratio increased 5.1 percentage points to 15.5 per cent. as of 31 March 2024, from 10.4 per cent. as of 31 March 2023.

Consolidated Balance Sheet as of 30 June 2024 Compared to Consolidated Balance Sheet as of 31 March 2024

As of 30 June 2024, total assets amounted to ¥5,664.5 billion, a decrease of ¥62.6 billion, or 1.1 per cent, from 31 March 2024, principally reflecting a decrease in current assets such as cash and cash equivalents, despite an increase in fixed assets such as investments and other assets.

Total liabilities as of 30 June 2024 amounted to ¥4,709.0 billion, a decrease of or ¥97.1 billion, or 2.0 per cent., compared to 31 March 2024, principally reflecting a decrease in other current liabilities such as unpaid construction costs.

Total equity as of 30 June 2024 was ¥955.5 billion, an increase of ¥34.5 billion, 3.7 per cent., compared to 31 March 2024, principally reflecting the recording of profit attributable to owners of the parent, despite a decrease due to dividend payments.

The equity ratio increased 0.8 percentage points to 16.3 per cent. compared to 15.5 per cent. as of 31 March 2024.

Liquidity and Capital Resources

Cash Flows for the Fiscal Year Ended 31 March 2024 Compared to the Fiscal Year Ended 31 March 2023

Net cash provided by operating activities for the fiscal year ended 31 March 2024 was ¥586.0 billion, an increase of ¥555.5 billion, or 1,821.3 per cent., compared with the previous fiscal year. This principally reflected a decrease in fuel costs and purchase electricity charges in the domestic electric power business.

Net cash used in investing activities for the fiscal year ended 31 March 2024 was ¥344.3 billion, an increase of ¥15.4 billion, or 4.7 per cent., compared with the previous fiscal year, principally reflecting a decrease in proceeds from investments and loans.

Net cash used in financing activities for the fiscal year ended 31 March 2024 was ¥150.5 billion, compared to ¥324.7 billion of net cash provided by financing activities in the previous fiscal year, reflecting factors such as a decrease in proceeds from long-term borrowings and issuance of bonds, despite an increase in inflow from the issuance of Class B preferred stock.

Cash and cash equivalents as of 31 March 2024 amounted to ¥364.2 billion, an increase of ¥93.5 billion, or 34.6 per cent., compared to 31 March 2023.

Funding

As of 31 March 2024 and 30 June 2024, the Group's interest-bearing debt (consisting of long and short-term borrowings, bonds and commercial paper, but excluding obligations under finance leases) amounted to ¥3,765.4 billion and ¥3,824.3 billion, respectively.

The following table sets forth the contractual maturity dates for the Group's bonds as of 31 March 2024:

	Due in 1 year or less	**Due in 2 years or less**	**Due in 3 years or less**	**Due in 4 years or less**	**Due in 5 years or less**	**Due after 5 years or having no maturity date**
			(Millions of yen)			
Bonds............................	¥180,000	¥96,900	¥155,000	¥175,000	¥120,000	¥858,100
Long-term debt...............	237,820	227,560	254,222	210,503	222,890	904,020
Short-term debt	123,410	—	—	—	—	—

The Group generally derives the funds it requires for its operations (including fuel costs, capital expenditures, investments and loans, and repayments of borrowings and redemptions of bonds) from cash flow from operations, borrowings from financial institutions and issuances of bonds; with respect to short-term changes in funding needs, the Group also flexibly raises funds through measures such as issuances of commercial paper and issuances of preferred stock.

The Group assesses liquidity risk through striving to accurately understand its funding needs through a monthly assessment of cash flows, at the same time as utilising commitment lines, overdrafts and cash management services.

Bonds issued by the Company, as well as certain borrowings by the Company from Development Bank of Japan Inc. ("DBJ") made prior to 1 April 2020 (the balance of such bonds and borrowings as of 31 March 2024 being ¥1,385.0 billion and ¥87.5 billion, respectively), have the statutory preferential right to be paid prior to certain other unsecured indebtedness of the Company (see "Business—Regulations—Preferential Rights").

Capital Expenditure

The following table sets out information with respect to the Group's capital expenditures (being the increase in value of tangible and intangible assets) for the periods indicated, in accordance with the business segmentation that was applicable to the periods indicated:

	Fiscal Year Ended 31 March		
	2022(2)	2023	2024
	(Millions of yen)		
Power Generation and Sale	¥155,422	¥140,984	¥139,072
Electricity Transmission and Distribution	117,934	121,362	124,231
Overseas	79	28	58
Other Energy Services	11,383	12,637	26,732
ICT Services	27,267	28,790	31,030
Urban Development	5,592	8,352	5,366
Other(3)	221	233	233
Reconciliations	(5,763)	(5,796)	(6,457)
Total consolidated capital expenditure	¥312,138	¥306,592	¥320,268

Notes:

(1) The above table does not include consumption tax amounts.

(2) The above table includes investments in intangible assets.

(3) "Other" is a business segment not included in the reportable segments and includes paid nursing home business, office work outsourcing business and personnel dispatch business.

The Group's capital expenditure is generally funded by internally generated funds, borrowings and issuances of bonds.

CAPITALISATION AND INDEBTEDNESS

The following table shows the consolidated capitalisation and indebtedness of the Group as of 30 June 2024, which has been extracted without material adjustment from the Group's unaudited quarterly consolidated financial statements as of the same date, and as adjusted to give effect to the issue of the Bonds:

	As of 30 June 2024	
	Actual	**As adjusted**
	(Millions of yen)	
Long-term debt:		
Bonds payable(2)	¥1,465,000	¥1,465,000
Long-term borrowings	1,819,807	1,819,807
The Bonds now being issued(3)	—	●
Total long-term debt(2)	3,284,807	●
Short-term debt:		
Current portion of non-current liabilities	399,351	399,351
Short-term borrowings	124,810	124,810
Commercial paper	35,000	35,000
Total short-term debt	559,162	559,162
Equity:		
***Shareholders' equity*:**		
Common stock, no par value:		
Authorised:1,000,000,000 Shares		
Issued: 474,183,951 Shares(4)	237,304	237,304
Capital surplus	193,520	193,520
Retained earnings	418,729	418,729
Treasury stock	(1,533)	(1,533)
Total shareholders' equity	848,021	848,021
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	10,931	10,931
Deferred gains or losses on hedges	31,849	31,849
Foreign currency translation adjustment	19,602	19,602
Remeasurements of defined benefit plans	14,577	14,577
Total accumulated other comprehensive income	76,960	76,960
Noncontrolling interests	30,569	30,569
Total equity	955,551	955,551
Total capitalisation and indebtedness(5)	¥4,799,522	¥●

Notes:

(1) The above table should be read in conjunction with the unaudited quarterly consolidated financial statements of the Group contained herein.

(2) On 5 September 2024, the Company issued ¥8 billion in aggregate principal amount of 1.074 per cent. domestic senior bonds due 2031 and ¥10 billion in aggregate principal amount of 1.412 per cent. domestic senior bonds due 2034.

(3) For the purposes of this table, the yen equivalent of the Bonds has been translated at the rate of U.S.$1.00 = ¥160.88, the approximate rate of exchange prevailing as of 28 June 2024. This rate of exchange bears no relationship to the rate(s) at which amounts relating to the Bonds will be converted into yen for accounting purposes.

(4) All of the issued Shares are fully-paid and non-assessable.

(5) Total capitalisation and indebtedness is the total of total long-term debt, total short-term debt and total equity (the total amount does not equal to the sum of these individual items due to rounding).

(6) There has been no material change in the Group's consolidated capitalisation, indebtedness, contingent liabilities and guarantees since 30 June 2024.

THE JAPANESE ELECTRIC POWER INDUSTRY

Overview of the Industry

History

The first electric power company in Japan commenced operations in 1886, as Tokyo Electric Lighting, a private company, and began supplying electricity to the public. In the years that followed, the electricity utility business grew in tandem with the modernisation of Japan and development of its industry, and the numerous electric utilities that developed were, after the First World War, restructured to create five major electric utilities. During the Second World War, the electric utility industry was completely state-controlled and utilities were integrated into Nihon Hatsusoden Co. (a nationwide power generating and transmitting state-owned company) and nine distribution companies. After the end of the Second World War, nine regional privately owned and managed "General Electric Utilities", being Hokkaido, Tohoku, Tokyo, Chubu, Hokuriku, Kansai, Chugoku, Shikoku and Kyushu Electric Power Companies, were established in 1951 and assumed the responsibility of supplying electricity to each region. This fundamental structure remains to this day, and with the return of Okinawa to Japan in 1972, Okinawa Electric Power Company joined as the tenth member.

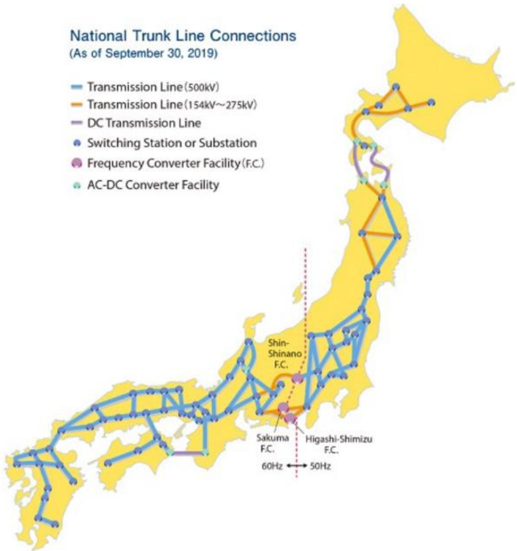
At the end of the 20th century, redressing Japan's high-cost structure and price variance between domestic and overseas markets were recognised as an issue through the development of the deregulation, and the electric utility industry started to be liberalised. In December 1995, organisations such as the IPPs were allowed to provide electricity wholesale services and in March 2000, electricity retail supply for extra-high voltage users (demand of 2MW or above) was liberalised. The scope of retail liberalisation was then expanded in April 2004 to high voltage users of 500kW or above, and subsequently in April 2005 to high voltage users of 50kW or above. Thus, a Japanese model of liberalisation based on fair competition and transparency while maintaining the vertical integration of generation, transmission and distribution to ensure a stable supply of electricity, was established.

With TEPCO's Fukushima Daiichi Nuclear Power Station accident and subsequent tight demand and supply brought about by the Great East Japan Earthquake in March 2011 as a turning point, numerous discussions were held to maintain a stable supply and reduce energy costs, and in November 2013, the policy to implement three-phase reforms of the electricity system was adopted. The second stage of the amendment to the Electricity Business Act took effect from 1 April 2016, implementing the full-scale liberalisation of participation in retail electricity sales (see "—Japan's Energy Supply—Trends in Japan's Energy Policy—Electricity System Reform").

Electric Power Companies in Japan

Prior to the full-scale liberalisation of participation in retail electricity sales, ten privately-owned electric power companies, being the General Electric Utilities, were responsible for supplying electricity to the consumers in their respective service areas, having been specified by the government as the Specified Electric Utilities which will continue to have the obligation to supply electricity and have rate regulation imposed upon them with regard to low-voltage customers as a transitional measure to protect consumers following the full-scale liberalisation of participation in retail electricity sales in April 2016. Specified Electric Utilities must in general file a notification to METI to provide supply conditions such as electricity rates as general supply provisions to low-voltage customers even after the full-scale liberalisation of participation in retail electricity sales in April 2016 (in the case of raising the electricity rate, among others, authorisation from METI must be obtained). Rate regulation has continued to apply after April 2020; after proper competition among retail electricity suppliers is considered to be secured, it will end (timing of deregulation will be considered about once a year). The Specified Electric Utilities work closely with each other to enhance the stability of the electricity supply to customers nationwide. For example, they exchange or provide electricity through extra-high voltage transmission lines linking throughout Japan, in order to cope with emergency situations resulting from accidents, breakdowns, or peak demand times.

The following map sets out the national trunk line connections as of 30 September 2019:



Source: The Federation of Electric Power Companies of Japan "Electricity Review Japan 2023".

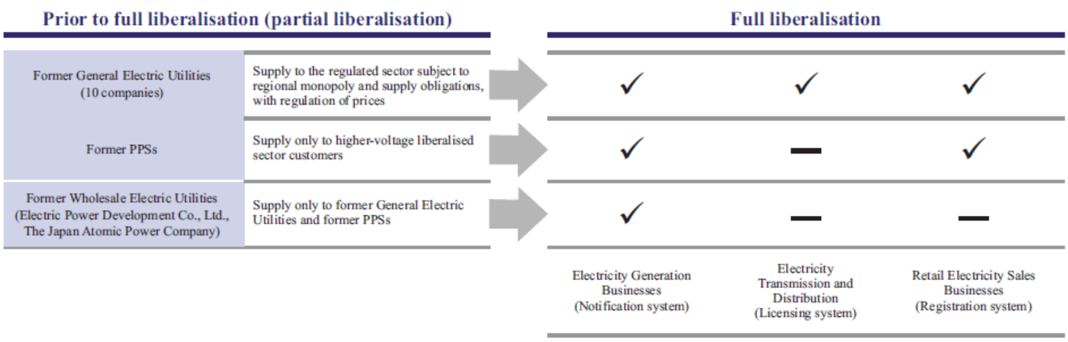
The frequency of grid power differs between eastern and western Japan, namely 50 Hz and 60 Hz respectively. This difference has a historical root in that the Tokyo area adopted German-made generators at the beginning of the electric power business while Osaka chose US-made ones. Therefore, Frequency Converter Facilities ("FC") are necessary to connect the eastern and western power grids. Currently, four FCs, namely Sakuma FC and Higashi-Shimizu FC in Shizuoka prefecture and Shin-Shinano FC and Hida-Shinano FC in Nagano prefecture, operate to convert the frequency. The capacity of East-West Grid Connection is planned for expansion from 2,100MW in total to 3,000MW in total by the fiscal year ending 31 March 2028.

Competition in the Electric Power Market in Japan

The electric power market in Japan has been progressively liberalised to ensure competitive neutrality on the basis of a stable power supply by the existing ten Specified Electric Utilities, which consistently handle all functions from power generation to transmission and distribution. In 1995, the Electricity Business Act was revised to enable IPPs to participate in the electricity wholesale market in addition to the conventional Wholesale Electricity Utilities. Then, in March 2000, use of the transmission/distribution network owned by the electric power companies was liberalised, and the retail market was partially liberalised to allow the former power producers and suppliers ("former PPSs") to sell electricity to extra-high voltage users requiring 2MW or above. The scope of liberalisation was then expanded in April 2004 to high voltage users requiring 500kW or above, and subsequently in April 2005 to high-voltage users requiring 50kW or above. Thus, by 2011, the scope of liberalisation covered approximately 60 per cent. of total electricity demand in Japan. Electric power companies have responded to this trend of liberalisation by increasing their business efficiency while lowering electricity prices and offering a variety of pricing plans. To maintain fair and transparent use of the power transmission and distribution system, the Electric Power System Council of Japan was established as the sole private organisation to make rules and supervise operations from a neutral position, starting full-scale operation on 1 April 2005. In addition, Japan Electric Power Exchange was established in November 2003, with investments by the electric power companies, the former PPSs, self- generators and others, and started business on 1 April 2005. With the three goals of ensuring supply stability, suppressing electricity rates to the maximum extent possible and expanding the options for consumers and the business opportunities for operators, the government is planning to advance the reforms in three phases through the three key measures of enhancing nationwide grid operation, full deregulation of the electricity retail and generation sectors, and further ensuring neutrality in the transmission/distribution sector through legal unbundling while thoroughly inspecting each phase to solve any issues and taking necessary measures based on the results of the inspections.

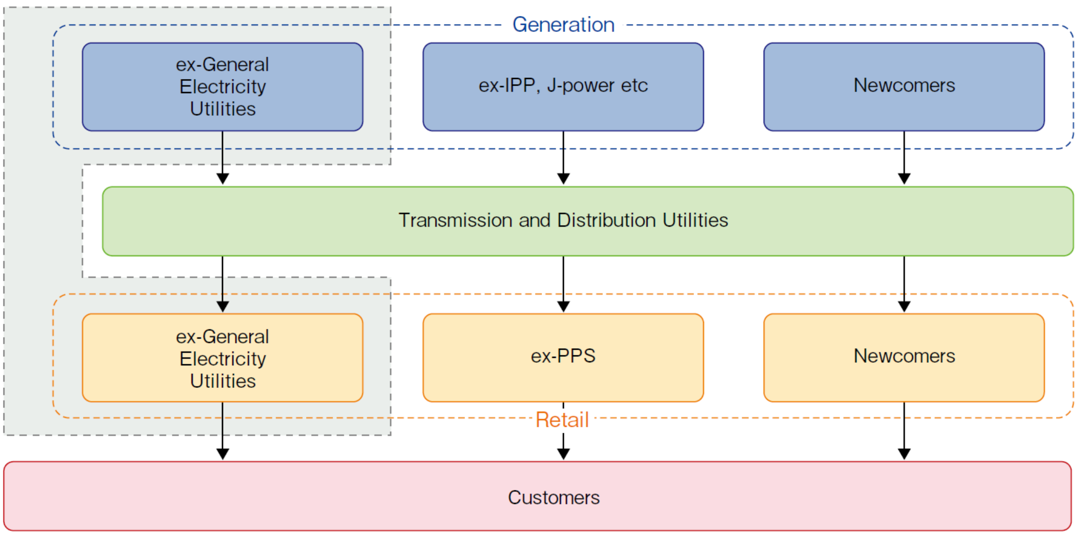
Following the full-scale liberalisation of participation in retail electricity sales in April 2016, there are now different regulations for the three separate businesses of (i) electricity generation (which requires notification to METI), (ii) power transmission and distribution (which requires a licence from METI), and (iii) retail electricity sales (which requires registration with METI). The legal separation of transmission and distribution from vertically integrated businesses was implemented in April 2020, resulting in the spin-off of new transmission and distribution companies from the Specified Electric Utilities (being the former General Electric Utilities). The former PPSs, which only used to supply electricity to high-voltage liberalised sector customers, now engage in electricity generation (subject to a notification requirement) and sell electricity to any retail customer (subject to a registration requirement). The obligation on the Specified Electric Utilities (being the former General Electric Utilities) to supply electricity was abolished (although, for the purposes of customer protection, the obligation to supply electricity to low-voltage customers based on regulated pricing of low-voltage demand remains until fair competition amongst retail electricity businesses is assured), and a transition was made from the previous regulation based on the "per company" concept to imposing different obligations, as well as different regulations, for each of the businesses of electricity generation, power transmission and distribution and retail electricity sales. As of 1 August 2023, the number of operators engaged in the electricity generation, transmission and distribution, and retailing sectors amounted to 1,084, 39 and 730, respectively (source: Japan Electric Power Information Center, Inc., "The Electric Power Industry in Japan 2024").

The following diagram sets out a summary of the changes made to the types of electricity businesses prior to and following the full-scale liberalisation of participation in retail electricity sales:



The following diagram sets out Japan's electricity supply system post-April 2020:

The New Electricity Supply System (from April 2020)



Source: The Federation of Electric Power Companies of Japan "Electricity Review Japan 2023".

Electric Power Pricing

Until the full-scale liberalisation of participation in retail electricity sales in April 2016, pricing of electricity supplied in Japan was divided between those to liberalised sector customers, which comprised customers which received extra high-voltage and high-voltage power, and the regulated sector customers, which received low-voltage power. The liberalised sector included extra-high voltage customers in the industrial and business sectors such as large factories, department stores and office buildings, and high-voltage customers in the industrial and business sectors such as medium-sized factories, supermarkets and medium-sized and small buildings, while the regulated sector included low-voltage customers such as offices, as well as lighting-purpose usage customers such as households.

Electricity rates in respect of liberalised sector customers were determined by negotiations between customers and suppliers based on such factors as electricity usage plans, while electricity rates in respect of regulated sector customers were determined based on the cost-of-service principle (the "comprehensive cost system"), in which costs used as a basis for calculating pricing include the assumed operating expenses (such as fuel costs, depreciation costs, repair costs, personnel costs and taxes) and capital/funding costs (dividend and interest expenses) for the relevant former General Electric Utility as a whole. To ensure fairness among the various demand categories and types of customers, rates were set according to rationally distributed costs, with the load characteristics particular to each category taken into account.

Following the Great East Japan Earthquake, amendments to the Electricity Business Act were enacted in June 2014, and it was decided to liberalise the entry into the retail electricity market fully. With the aim of ensuring freedom of choice to all with respect to electricity suppliers and electricity rate plans, while realising cheaper electricity rate by enhancing the efficiency of the electric utility industry through competition in the retail sector, the scope of liberalisation has been expanded, and participation in retail electricity sales was fully liberalised from 1 April 2016.

Following such liberalisation, all customers in Japan are now able to select the retail supplier of its electricity. Retail electricity sales businesses are obliged to ensure a supply capacity commensurate with their own demand, and are free to set their own rates, in principle. However, as a transitional measure, to protect low-voltage consumers (to prevent increases in electricity rates in places where there is not enough competition), the government has nominated the Specified Electric Utilities (being the former General Electric Utilities) as businesses which will continue to have the obligation to supply electricity and have rate regulation imposed upon them with regard to low-voltage customers (former regulated sector customers); at such stage as METI considers that customers' interests will not be impeded, having consideration of the status of competition, METI may end such transitional measures by region, but such obligations is continuing for the time being.

Low-voltage Sector (Former Regulated Sector)

The Specified Electric Utilities develop "specific retail electricity supply provisions" (for customers to which supply obligation and rate regulation apply) and "optional electricity rate plans" (which enable customers to choose their electricity rate plans according to their type of usage). Specified Electric Utilities are required to obtain METI's authorisation to change their specific retail electricity supply provisions before they can raise electricity rates for low-voltage customers; however, only a filing of a notification to METI is required where the change to specific retail electricity supply provisions is beneficial to customers (such as rate reductions). In addition, no administrative procedures are required for Specified Electric Utilities in respect of the establishment of and any amendment to optional electricity rate plans.

Fuel Cost Adjustment System

The fuel cost adjustment system (the "Fuel Cost Adjustment System") was introduced in 1996 with the aim of promoting the stability of the management environment of electric utilities at the same time as making clear the results of the efforts of electric utilities to achieve management efficiency and reflecting the changes in economic environment in electricity rates as promptly as possible, by externalising the effects of fuel prices and exchange rates, which are beyond the control of electric utilities.

Under the current Fuel Cost Adjustment System, electricity rates are adjusted on a monthly basis in the following manner: fuel costs are calculated based on the average price of fuel (all-Japan average import prices of crude oil, LNG and coal recorded in foreign trade statistics) during a three-month period, and rates for the third month following the end of such period are adjusted automatically based on the degree of fluctuation from the base average fuel price at the time of the price revision (*i.e.*, the adjustment amount calculated based on the difference between the base fuel price and the average fuel prices for the January-March period is reflected in the rates for June, for example). At times when fuel costs increase significantly, this results in a "time-lag" impact on the financial results of the Group, as, with respect to the period following such increases, the Group is required to purchase fuel at higher costs, but such higher costs will not be reflected in electricity rates until a later time. To prevent an excessive impact on customers if fuel prices increased substantially, a certain ceiling (an increase of 50 per cent. from the base average fuel price) had been placed on the average fuel price which forms the basis of calculation of the adjustment amount with regard to the permissible range of automatic rate adjustments; for customers with new supply contracts or new terms from April 2016, the ceiling does not apply.

High/Extra High Voltage Sector (Former Liberalised Sector)

High/extra high voltage sector customers could choose their suppliers freely even before liberalisation in April 2016. Contract terms and conditions are determined through negotiations between the customer and supplier based on electricity consumption plans, including such factors as demand scale, load characteristics, demand type and period. Electricity rates are calculated based on the electricity rate unit price set by such contract. The supplier is under no legal supply obligation, however, and may not agree to supply electric power as a result of the negotiations. Customers who are unable to obtain a supply of electric power from another company for some reason are guaranteed receipt of an electric power supply from the Specified Electric Utilities in whose service area they are located, based on a "last-resort service contract" notified by the Specified Electric Utilities to METI.

Wheeling Service Charge System

When retail suppliers of electricity use the electric power supply facilities of electricity transmission and distribution companies, the electricity transmission and distribution companies must compile a "wheeling service contract" stipulating the charges and terms and conditions for wheeling service (electricity transmission, transformation and distribution service), and submit it to METI, to ensure fair competition. Wheeling service charges are calculated in accordance with rules prescribed by a ministerial ordinance of the Ministry of Economy, Trade and Industry that provides a basis for appropriate recovery of the necessary costs and ensures fairness among transmission and distribution line users.

New Power Markets

The Japanese government has been putting in place a new structure as part of the further development of the liberalised electricity market, which among others includes Balancing Market and Capacity Market.

Balancing Market

The Balancing Market is a market for power transmission and distribution business operators to procure power to keep supply and demand in balance and to keep the grid stable in fairness and transparency. In the past, the power transmission and distribution business operators procured balancing power within their own grid zones, which limited competition. Beginning in the fiscal year ended 31 March 2022, they are able to procure 45-minute or shorter response reserves on the new Balancing Market from within their own zones or from other zones. From the fiscal year ending 31 March 2025, the Balancing Market has expanded to cover the five types of reserves in full, including 10-second or shorter response reserves. The Group has been bidding in this market since its establishment.

Capacity Market

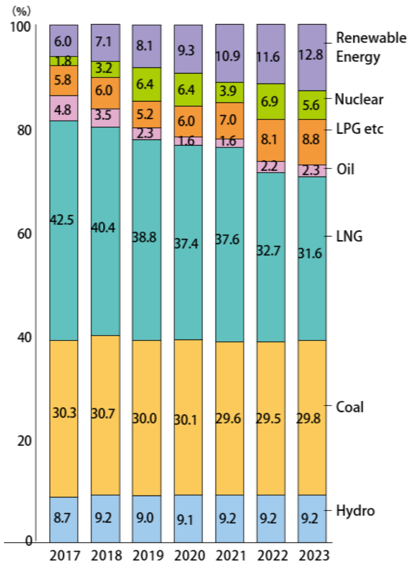
The capacity market is a mechanism for the trading of generation capacity in the future. What is being sold in this market is not MWh of volume, but it is MW of capacity. The aim is that as the growth of new retailers drives more volume to the JEPX wholesale market, which only offers short-term trading, large generators will not have the level of certainty about revenue from electricity sales needed to invest in large generating assets. Due to the long timelines involved in licensing and constructing large power plants, a mechanism has been introduced to provide a baseline of certainty regarding revenue so that electricity generators shall be able to continue to maintain the level of large-scale generating equipment and facilities needed to guarantee stable power supply. The main auction is held once a year for the capacity that will be available 4 years after the auction; the first auction was held in July 2020 for the capacity available in the fiscal year ending 31 March 2025. Retail electricity business and general power transmission and distribution business operators will pay contributions to Organization for Cross-regional Coordination of Transmission Operators, Japan ("OCCTO"), which will distribute such contributions to relevant power generation business operators. In addition, in January 2024, OCCTO opened a bidding window for a "long-term decarbonisation power source auction", a new bidding system designed to promote investment in carbon neutral power sources. The auction is intended to offer the opportunity to create predictable long-term revenues by generating revenues equivalent to fixed costs (including large initial investments) for, in principle, 20 years for newly installed or replacement power sources.

Japan's Energy Supply

Overview

Resource-poor Japan is dependent on imports for almost all of its coal, oil and natural gas requirements, making Japan's energy supply structure extremely vulnerable. Following the two oil crises in the 1970s, Japan has been attempting to promote energy efficiency at the same time as diversifying its energy sources through increasing the use of nuclear energy, natural gas and coal. Despite these improvements, oil still accounts for about 36 per cent. of Japan's primary energy supply (source: Energy White Paper 2024, Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry), and around 95 per cent. of imported oil came from the politically unstable Middle East in the fiscal year ended 31 March 2023 (source: Energy White Paper 2024, Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry). Moreover, Japan's prospects for importing electricity from neighbouring countries are very poor because it is an island nation. In addition, there is an urgent need for global warming countermeasures such as reduction of CO_2 emissions from the use of energy. As such, in order to ensure a stable electricity supply, it is important to establish a multi-layered energy supply structure that can concurrently achieve energy security, economic efficiency, and environmental conservation, while ensuring safety.

The diagram below shows the breakdown in energy mix for electric power supply in Japan for the fiscal years ended 31 March indicated:



Notes:
(1) Source: Data based on the Federation of Electric Power Companies of Japan, 2023.
(2) LPG etc includes LPG and other gases, etc.

The tables below show the estimated power generation costs (the Japanese Government's trial calculations based on model plants theoretically newly established in 2020 and 2030) broken down by type of power source (in yen per kWh):

	Electric Power Source (2020 Estimate)							
	Coal (Thermal)	**LNG (Thermal)**	**Nuclear**	**Oil (Thermal)**	**Onshore wind**	**Offshore wind**	**Solar (Business)**	**Solar (Housing)**
Generation cost (yen/kWh)[2]...........	12.5 (12.5)	10.7 (10.7)	11.5- (10.2-)	26.7 (26.5)	19.8 (14.6)	30.3 (21.1)	12.9 (12.0)	17.7 (17.1)
Capacity utilisation rate (per cent.)	70	70	70	30	25.4	30	17.2	13.8
Years of operation	40	40	40	40	25	25	25	25

	Electric Power Source (2020 Estimate)						
	Micro Hydro	General Hydro	Geothermal	Biomass (Mixed fuel, 5%)	Biomass (Single fuel)	Gas Co-generation	Oil Co-generation
Generation cost (yen/kWh)[(2)]	25.3 (22.0)	10.9 (8.7)	17.4 (10.9)	13.2 (12.7)	29.8 (28.1)	9.3-10.6 (9.3-10.6)	19.7-24.4 (19.7-24.4)
Capacity utilisation rate (per cent.)	60	60	83	70	87	72.3	36
Years of operation	40	40	40	40	40	30	30

	Electric Power Source (2030 Estimate)							
	Coal (Thermal)	LNG (Thermal)	Nuclear	Oil (Thermal)	Onshore wind	Offshore wind	Solar (Business)	Solar (Housing)
Generation cost (yen/kWh)[(2)]	13.6-22.4 (13.5-22.3)	10.7-14.3 (10.6-14.2)	11.7- (10.2-)	24.9-27.5 (24.8-27.5)	9.9-17.2 (8.3-13.6)	26.1 (18.2)	8.2-11.8 (7.8-11.1)	8.7-14.9 (8.5-14.6)
Capacity utilisation rate (per cent.)	70	70	70	30	25.4	33.2	17.2	13.8
Years of operation	40	40	40	40	25	25	25	25

	Electric Power Source (2030 Estimate)						
	Micro Hydro	General Hydro	Geothermal	Biomass (Mixed fuel, 5%)	Biomass (Single fuel)	Gas Co-generation	Oil Co-generation
Generation cost (yen/kWh)[(2)]	25.3 (22.0)	10.9 (8.7)	17.4 (10.9)	14.1-22.6 (13.7-22.2)	29.8 (28.1)	9.5-10.8 (9.4-10.8)	21.5-25.6 (21.5-25.6)
Capacity utilisation rate (per cent.)	60	60	83	70	87	72.3	36
Years of operation	40	40	40	40	40	30	30

Notes:

(1) Source: Data based on the Electricity Generation Cost Verification Working Group, Advisory Committee for Natural Resources and Energy, the Ministry of Economy, Trade and Industry, 2021.

(2) Figures in parentheses are costs without policy expenses.

Trends in Japan's Energy Policy

Deliberations towards revision of energy policy and the electric power business system have been ongoing in Japan since the occurrence of the Great East Japan Earthquake and TEPCO's Fukushima Daiichi Nuclear Power Station accident in March 2011.

Strategic Energy Plan

The Japanese government formulates its Strategic Energy Plan to show the direction of Japan's energy policy under the Basic Act on Energy Policy, which became effective in June 2002.

In October 2020, the Japanese government announced its goal of making Japan carbon neutral by 2050. This was followed in December 2020 by the government's unveiling of the "Green Growth Strategy Through Achieving Carbon Neutrality in 2050", which lays out a vision for achieving carbon neutrality by setting high targets for 14 growth industries and by implementing a comprehensive set of policies. In April 2021, the government declared that it would seek to reduce greenhouse gas emissions in the fiscal year ending 31 March 2031 by 46 per cent. from the level in the fiscal year ended 31 March 2014, and thereafter further strive toward 50 per cent. To lay out the path to realising these goals, the Cabinet approved the Sixth Strategic Energy Plan in October 2021. Regarding the energy mix, the Sixth Strategic Energy Plan aims to realise a well-balanced mix that enables simultaneous achievement of the S+3E (Safety, and achieving Energy security, Economic efficiency and Environmental conservation) by making renewable energy the main power source, restarting nuclear power plants with top priority placed on safety, and reducing dependence on thermal power generation as much as possible.

For the realisation of carbon neutrality by 2050, the Japanese government has stated that it expects the energy sector will steadily be decarbonised through decarbonised power sources under practical use as well as pursue innovation in the thermal power generation and other areas by means of hydrogen or ammonia-fired power generation and carbon storage or utilisation based on carbon capture technologies (Carbon dioxide capture and storage, or "CCUS") and carbon recycling.

As points of policy responses towards 2030, as to thermal power generation, the Japanese government has stated that thermal power ratio in power generation mix is expected to be lowered while taking into account that appropriate thermal portfolio will be maintained in LNG, coal and oil. The Japanese government has stated its belief that, while promoting next generation and high-efficient thermal power generation, fade-out of inefficient thermal needs to be steadily addressed; CO_2 emission reduction measures such as co-firing with decarbonised fuels such as ammonia and hydrogen and CCUS and carbon recycling is expected to be promoted towards its replacement with decarbonised type thermal power generation.

Further, non-fossil value market has been developed and certificates of environmental value have been traded therein since 2018. In 2020, all non-fossil generation became eligible for trading in this market, although it is still at a preliminary stage and the specific schemes for satisfying the demand of retail electricity sales businesses to comply with the requirements under the Act on the Promotion of Use of Non-fossil Energy Sources and Effective Use of Fossil Energy Materials by Energy Suppliers of Japan to increase their procurement of non-fossil energy sources by the fiscal year ending 31 March 2031, and that of other companies to purchase renewable energy value, are still the subject of discussion.

In addition, with regard to nuclear power generation, as points of policy responses towards 2030, the Japanese government has stated that it expects a necessary amount of nuclear power will continue to be utilised on the major premise of ensuring safety and public trust, and that judgement as to whether nuclear power plants meet the latest regulatory requirements will be left to the NRA; and in the case that the NRA confirms the conformity of nuclear power plants with the latest regulatory requirements, the government will follow NRA's judgment and will proceed with the restart of the nuclear power plants, and in such cases, the government has stated that it will make best efforts to obtain the understanding and cooperation of the host municipalities and other relevant parties.

In addition, the Japanese government is expected to announce its "Seventh Strategic Energy Plan" by the end of the fiscal year ending 31 March 2025. The government has indicated that the focus of its review and policy objectives for the Seventh Strategic Energy Plan is for long-term decarbonisation by 2040 and the reduction of CO_2 and other greenhouse gas emissions to zero by 2050. The Japanese government's strategic direction and targets set in such Seventh Strategic Energy Plan may affect the Group's operations as well as its strategic initiatives.

GX Decarbonized Power Sources Act

In May 2023, the GX Decarbonized Power Sources Act was enacted by the Japanese government, with the aim of implementing the roadmap for green transformation ("GX") approved by the Cabinet in February 2023.

The GX Decarbonized Power Sources Act, which is due to take effect in June 2025, amended relevant laws and regulations with a view to (i) maximising the promotion of the introduction of renewable energy in harmony with the local community, and (ii) utilising nuclear power on the premise of securing safety, and promoting decommissioning.

With respect to nuclear power, certain acts amended under the GX Decarbonized Power Sources Act applied the following changes, among others:

- For nuclear power plants operating beyond 30 years, technological evaluation regarding the deterioration of equipment should be obtained every 10 years or less, and based on the results of such evaluation, the operator must formulate a long-term facility management plan and obtain the approval of the NRA.

- The number of years of operation of a nuclear power plant in principle remains at 40 years, with an extension available upon approval of the METI based on factors such as (i) security of electricity supply, (ii) contribution to GX, and (iii) voluntary improvement of safety and constant improvement of disaster prevention measures.

- The extension of operation over 40 years will, on the premise of confirmation of safety by the NRA, in principle be 20 years (but not counting such period as the plant is not in operation due to unforeseeable factors (such as changes in safety regulations and temporary restraining orders)).

- Nuclear plant operators are obliged to make contributions to NuRO towards eventual decommissioning of such plant.

Japan's Energy Mix

Pursuant to the Sixth Strategic Energy Plan published in October 2021, the Japanese government gave the following outlook with respect to Japan's energy mix for the fiscal year ending 31 March 2031 (all percentages set out below are approximate). The outlook is an "ambitious outlook" based on the "ambitious assumption that various challenges in both aspects of supply and demand in promoting thorough energy conservation and expansion of non-fossil energy will be overcome", and that in terms of implementation measures towards this ambitious outlook, the degree and timing of implementation of the measures need to be carefully considered for stable supply of energy not to be impaired.

- Renewable energies: 36 per cent. to 38 per cent., of which:
    - Solar: 14 per cent. to 16 per cent.
    - Wind: 5 per cent.
    - Geothermal: 1 per cent.
    - Hydro: 11 per cent.
    - Biomass: 5 per cent.
- Nuclear power: 20 per cent. to 22 per cent.
- LNG: 20 per cent.
- Coal: 19 per cent.
- Oil and others: 2 per cent.

Electricity System Reform

Japan has been using a system whereby the former General Electric Utilities that have to carry out all the operations from power generation through to retail fulfil the supply responsibilities in their defined supply areas. But today, given facts such as the electricity shortages in the aftermath of the Great East Japan Earthquake, there are increased societal needs for "utilising supply capacity across wider areas" and "letting people choose a power company of their own free will". Accordingly, deliberations have been undertaken on the electric power business system which the nation should have in the future.

In April 2013, for the purposes of "ensuring a stable supply", "maximising restraint on electricity prices" and "expanding the choices of customers and business opportunities of businesses", the Cabinet approved the Policy on Electricity System Reform, which has three main components: "expansion of the cross-regional nationwide system operation", "full-scale liberalisation of participation in retail electricity sales", and "legislation-based separation of the power transmission and distribution division" (being the separation of the transmission and distribution business in a separate legal entity, while allowing a capital relationship between the power generation and power transmission and distribution companies). In November 2013, further to an amendment to the Electricity Business Act, rules relating to the OCCTO were added as the first phase of the reform, with the aim of contributing to, among others, the securing of a stable supply of electricity in a time of disaster as well as promoting the development of a transmission and distribution network necessary for utilising power sources across regions.

The OCCTO, which was established on 1 April 2015, has assumed the function of adjusting the supply-demand balance of electricity nation-wide in both normal and emergency situations. All electricity operators (including Specified Electric Utilities (including the Company), former wholesale electric utilities (being Electric Power Development Co., Ltd. and The Japan Atomic Power Company), former designated electric utilities and former PPSs) must be members of the OCCTO. The principal functions of the OCCTO include:

- co-ordination of demand-supply plans and grid operation plans, strengthening transmission infrastructures such as frequency converter facilities and cross-regional lines and nation-wide operation of grids;

- cross-regional operational adjustment of demand-supply balance and frequency conversion by grid operators in each region in normal situations;

- demand-supply adjustment during emergency situations through ordering increased output and electric power interchange; and

- accepting applications for grid connections from a neutral standpoint, and making disclosures relating to grid information.

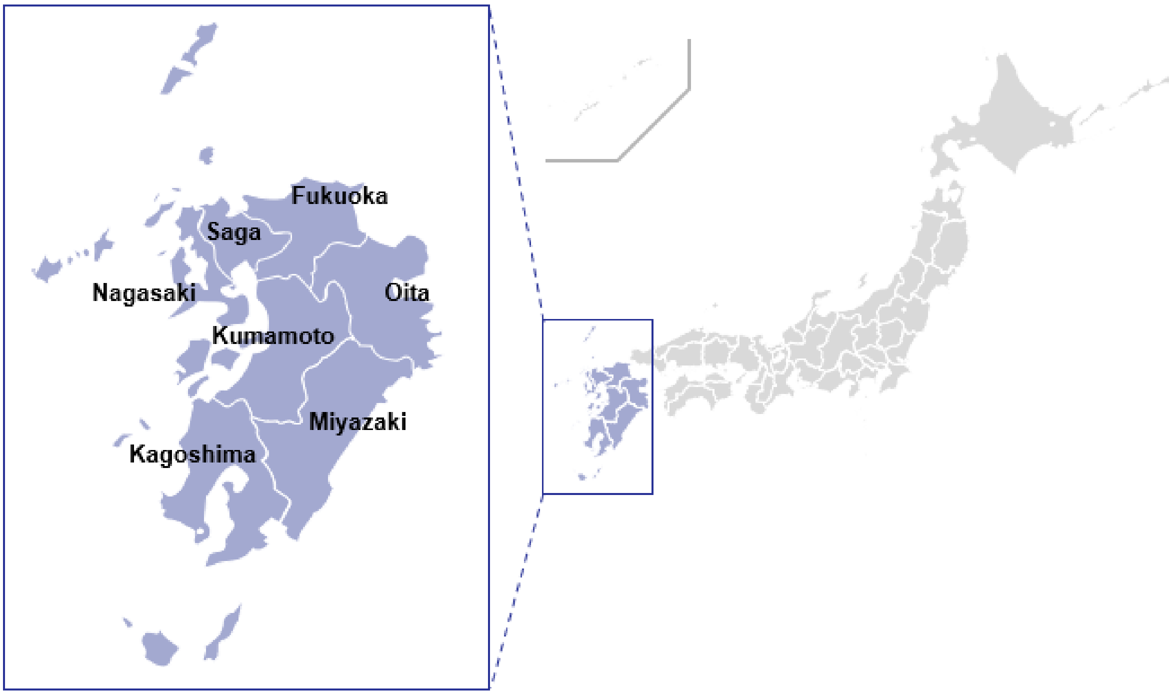
In June 2014, another amendment to the Electricity Business Act was made, to implement a full-scale liberalisation of participation in retail electricity sales from 1 April 2016. In June 2015, as the third stage of electricity system reforms, a further amendment to the Electricity Business Act was made in relation to the legislation-based separation of the power transmission and distribution division for securing its neutrality as well as the deregulation of retail electricity rates, which became effective as of 1 April 2020. However, the regulation of retail electricity rates has continued to date.

BUSINESS

Overview of the Kyushu Region

The Kyushu region (comprising, for the purposes of this Offering Circular, the seven prefectures in the island of Kyushu, namely, Fukuoka, Saga, Nagasaki, Oita, Kumamoto, Miyazaki and Kagoshima prefectures), which forms the main part of the Company's supply area including a number of isolated islands near the area, is located at the western end of Japan, and with its deep links to the other lands of Asia, has traditionally filled an important role as a centre for trade between Japan and overseas countries.

The following map shows the location within Japan of the Company's supply area of the Kyushu region:



Kyushu is known as the birthplace of many leading Japanese enterprises, including Nippon Steel Corporation, Bridgestone Corporation and Asahi Kasei Corporation, and is the base for the shipbuilding operations of Mitsubishi Heavy Industries, Ltd. For decades, numerous businesses on the island have been involved in manufacturing, including the production of raw materials and chemicals, as well as in heavy industries.

Kyushu is known for its importance to the Japanese automobile industry with major Japanese automobile companies locating their assembly plants there. In addition, with production capacity and the number of parts plants growing, Kyushu has come to be known as the "Car Island" indicating its position as one of the largest production centres for the automobile industry in Japan.

In order to improve the competitiveness of the semiconductor industry in Japan, and with an increased focus on supply chain security, the Japanese government has set a goal to increase domestically produced semiconductor-related sales to ¥1 trillion by 2030, around five times the current amount. Towards this goal, the semiconductor industry is being revitalised throughout the country, including in Kyushu. Kyushu is also sometimes called the "Silicon Island" because of the concentration of businesses related to the semiconductor industry in the island. As a result of certain geographical advantages, including in the supply of water and power, as well as a history of high productivity and sustained production of high value-added products, many of the semiconductor-related investment projects are based in Kyushu, including the construction of a new plant for semiconductor manufacturing by Japan Advanced Semiconductor Manufacturing Co., Ltd. (a part of Taiwan Semiconductor Manufacturing Company, Ltd.'s group).

The following table sets out certain data with regard to the Kyushu region, as compared to Japan as a whole:

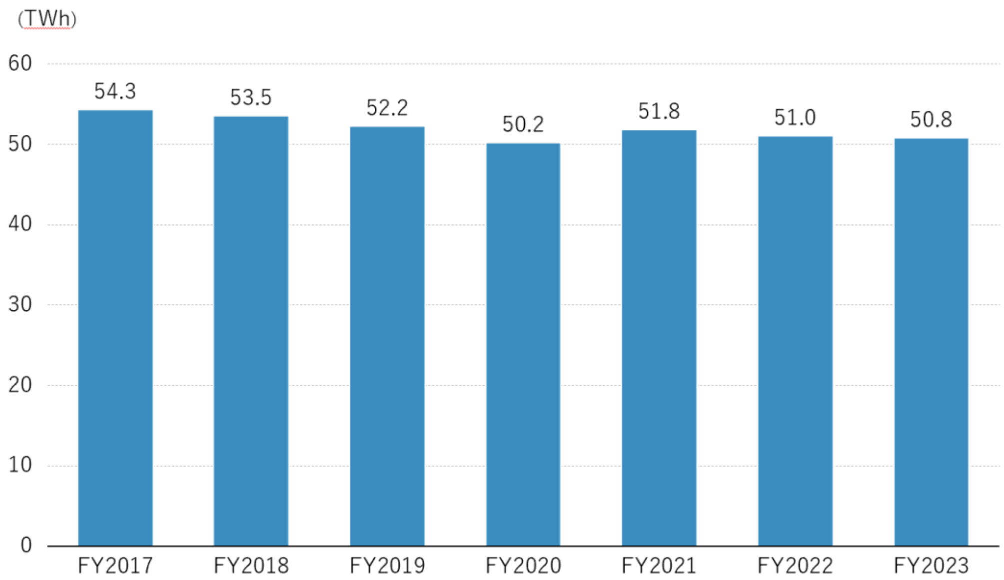
	Kyushu Region	**Japan**	**Percentage of National Total**
			(Per cent.)
Real gross regional product (for the fiscal year ended 31 March 2021)[(1)]	Approximately ¥45 trillion	Approximately ¥549 trillion	8
Electricity demand (for the fiscal year ended 31 March 2024)[(2)]	75TWh	761TWh	Approximately 10

Notes:

(1) Source: "Prefectural Accounts (FY2011-FY2020)", Cabinet Office, Government of Japan. Aggregation of disclosures for each prefecture from April 2020 to March 2021.

(2) Source: Agency for Natural Resources and Energy "Electricity Demand Results". Aggregation of disclosures for each month from April 2023 to March 2024.

According to data published by the Energy Information Center ("Electricity Sales Volume Ranking April 2023 — March 2024"), the Group's electricity sales comprised 9 per cent. of the electricity sales in Japan as a whole for the period from 1 April 2023 to 31 March 2024. The following diagram sets out the electricity sales volumes in TWh for industrial and commercial customers in the Kyushu region:

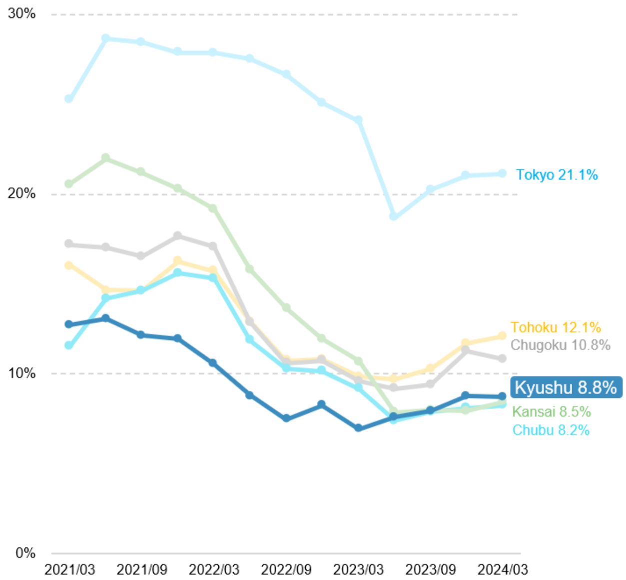


Notes:

(1) Source: Electricity and Gas Market Surveillance Commission "Status of power transactions (power transaction outcome)"

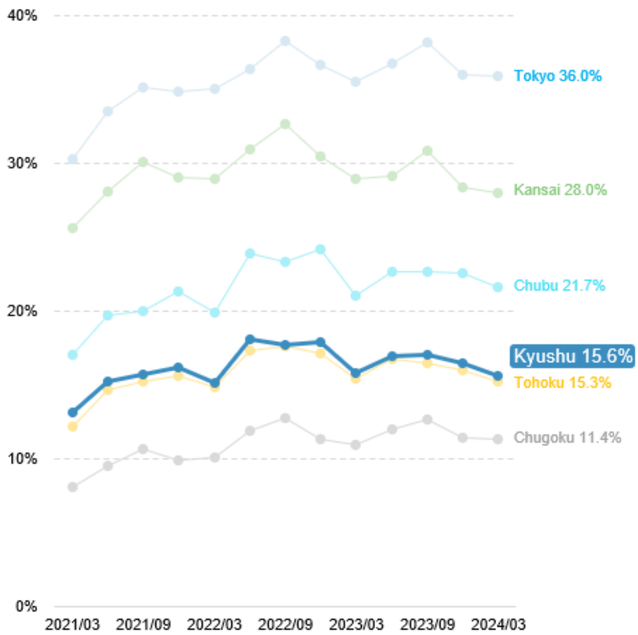
(2) The sales volume for industrial and commercial customers is the sum of extra-high-voltage contracts, high-voltage contracts and low-voltage power contracts (excluding low-voltage lighting contracts).

Further, the market share of new entrants into the Kyushu region remains relatively low in the industrial and commercial electricity market, and has been decreasing due to factors such as the increase in fuel prices stemming from the Russia-Ukraine conflict. The following diagram shows the market share of power producers and suppliers ("PPSs") for the relevant regions in Japan (electricity sales volumes for industrial and commercial customers):



Notes:
(1) Source: Electricity and Gas Market Surveillance Commission "Status of power transactions (power transaction outcome)".
(2) The sales volume for industrial and commercial customers is the sum of extra-high-voltage contracts, high-voltage contracts and low-voltage power contracts (excluding low-voltage lighting contracts).
(3) PPS's market share = PPS' sales for each region / Sum of all PPS' sales and equivalent electricity retailer's sales for such region.
(4) Each of the regions above indicates the principal supply area of the relevant Specified Electric Utility.

The market share of new entrants into the Kyushu region remains relatively low in the household market too, as compared to certain other regions. The following diagram shows the market share of PPSs by the relevant regions in Japan (electricity sales volumes for household customers):



Notes:
(1) Source: Electricity and Gas Market Surveillance Commission "Status of power transactions (power transaction outcome)".
(2) The sales volume for household customers is the sum of low-voltage lighting contracts.
(3) PPS's market share = PPS' sales for each region / Sum of all PPS' sales and equivalent electricity retailer's sales for such region.

(4) Each of the regions above indicates the principal supply area of the relevant Specified Electric Utility.

History

The Company was established in May 1951 with a capital of ¥760 million. The Company's history is summarised as follows:

Fiscal year ended 31 March	Noteworthy events
1952	• The Company is established. • Listed on the Fukuoka Stock Exchange.
1953	• Listed on First Section of both the Tokyo Stock Exchange and the Osaka Securities Exchange.
1956	• The Kamishiiba Power Station, the first in Japan with an arch dam, becomes operational.
1958	• The Company's Central Line (220,000V), its first super-high-voltage transmission line, becomes operational.
1968	• The Otake Power Station (geothermal, 11,000 kW), Japan's first commercial geothermal generation facility, becomes operational.
1970	• Unit No. 1 at the Oita Power Station (oil, 250,000 kW), the Company's first facility designed to run exclusively on heavy fuel oil, becomes operational.
1975	• Unit No. 1 at the Sendai Power Station (oil, 500,000 kW) becomes operational.
1976	• Unit No. 1 at the Genkai Nuclear Power Station (559,000 kW) becomes operational. • The Ohira Power Station, the Company's first pumped storage facility (500,000 kW), becomes operational.
1978	• Unit No. 1 at the Buzen Power Station (oil, 500,000 kW) becomes operational.
1981	• Unit No. 2 at the Genkai Nuclear Power Station (559,000 kW) becomes operational.
1985	• Unit No. 1 at the Sendai Nuclear Power Station (890,000 kW) becomes operational.
1986	• Unit No. 2 at the Sendai Nuclear Power Station (890,000 kW) becomes operational.
1990	• Unit No. 1 at the Matsuura Power Station (coal, 700,000 kW) becomes operational.
1992	• The No. 1 system at the Shin-Oita Power Station (LNG, 690,000 kW) becomes operational as the Company's first combined-cycle power station.
1994	• Unit No. 3 at the Genkai Nuclear Power Station (1,180,000 kW) becomes operational.
1996	• Unit No. 1 at the Reihoku Power Station (coal, 700,000 kW) becomes operational.
1998	• Unit No. 4 at the Genkai Nuclear Power Station (1,180,000 kW) becomes operational.
2002	• Unit No. 1 at the Karita Power Station (coal, 360,000 kW) becomes operational, the Company's first pressurised fluidised bed combustion (PFBC) station. • The Tuxpan II IPP project in Mexico is launched as the Company's first overseas business.
2006	• The Goto Archipelago Link, the longest sea-bed cable in Japan (53 km), becomes operational.
2007	• The Hatchobaru Binary Power Station (2,000 kW), first Japanese commercial geothermal binary power station, becomes operational.
2008	• "Kyushu Electric Power's Mission" and brand message "Make a Brighter Future for Generations to Come" are adopted.
2010	• Unit No. 3 at the Genkai Nuclear Power Station, first Japanese pluthermal facility, becomes operational.
2011	• The Mega Solar Omuta, the Company's first large-scale solar power generation station (3,000 kW), becomes operational.
2016	• Unit No. 1 at the Genkai Nuclear Power Station is decommissioned.

Fiscal year ended 31 March	Noteworthy events
2020	• Established Kyushu Electric Power Transmission and Distribution Co., Inc. (currently a consolidated subsidiary of the Company).
2021	• Legal separation of power transmission and distribution business by transfer of such business to Kyushu Electric Power Transmission and Distribution Co., Inc. through an absorption- type split.
2023	• Transferred listing from First Section of the Tokyo Stock Exchange to the Prime Market of the Tokyo Stock Exchange due to the market restructuring of the Tokyo Stock Exchange.
2024	• Made DENKI BLDG. CO., LTD a wholly owned subsidiary of the Company through an acquisition of shares.
2025	• Transferred the geothermal business to Kyuden Mirai Energy through an absorption-type corporate split.

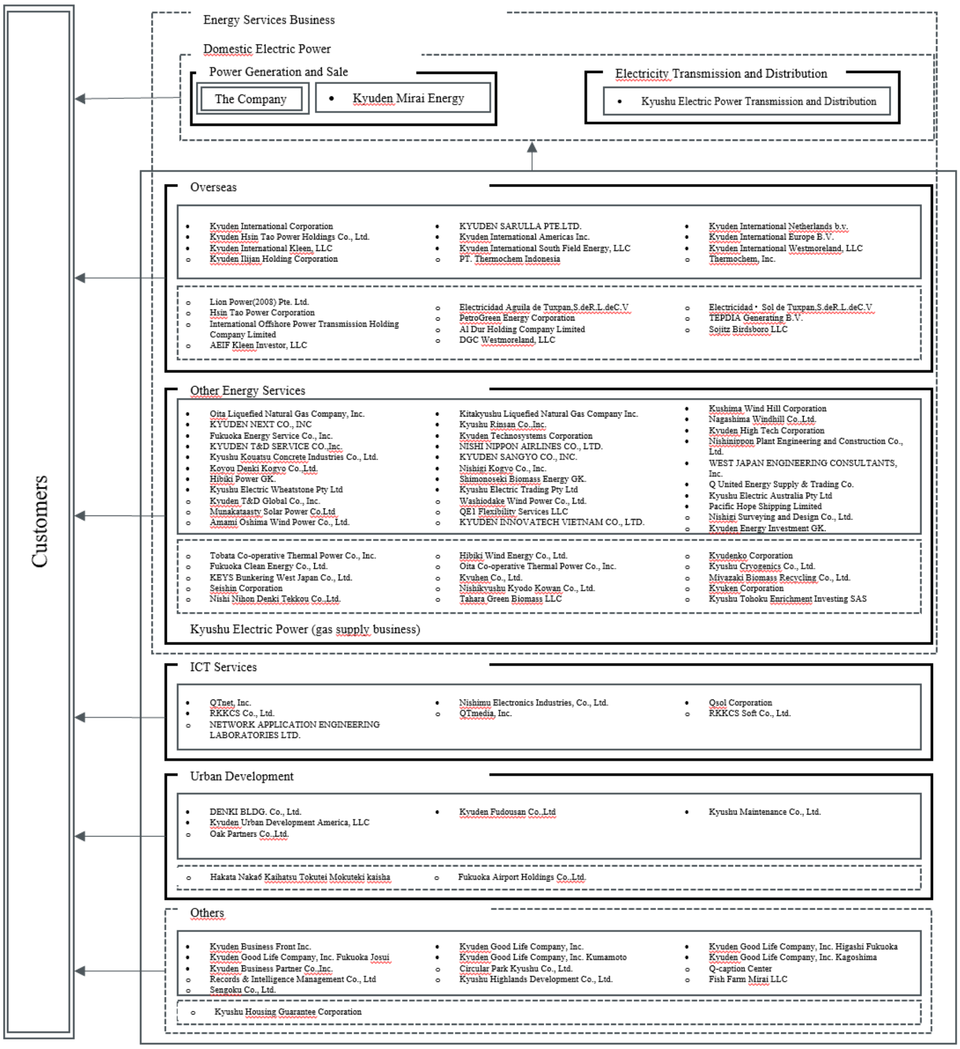
Overview of the Group

The Company's brand message, "Enlighten Our Future", expresses the Group's desire to realise a sustainable society and contribute to solving social and regional issues through its businesses. Since its founding in 1951, the Company has been providing electricity in the Kyushu region in Japan under a comprehensive system of power generation, transmission and distribution.

The Group's operations are principally divided into the following six reportable segments: (i) the Power Generation and Sale segment, which engages in the business of power generation and retail electricity sales in Japan, (ii) the Electricity Transmission and Distribution segment, which engages in the business of general transmission and distribution in the Kyushu region, (iii) the Overseas segment, which engages in the business of overseas power generation, transmission and distribution business, (iv) the Other Energy Services segment, which engages in the business that provide electric power, such as the construction and maintenance of electricity-related facilities, the sales of gas and LNG, the sales of coal and the renewable energy business, (v) the ICT Services segment, which engages in the data communication business, the optical broadband business, the construction and maintenance of telecommunications facilities, the information system development business and the data centre business, and (vi) the Urban Development segment, which engages in the urban development business, the real estate business and the social infrastructure business. The Group also records an "Other" business segment, comprising of businesses not included in the reportable segments, including the paid nursing home business, office work outsourcing business and personnel dispatch business.

As of 30 June 2024, the Company had 53 consolidated subsidiaries, and 21 nonconsolidated subsidiaries and 31 affiliates, each accounted for by the equity method.

The following diagram sets out the relationship between the Company, its subsidiaries and affiliates as of 31 March 2024:



Notes:
(1) Nishigi Kogyo Co., Inc. has been renamed to NiSHiKOH Corporation on 1 April 2024.
(2) Records & Intelligence Management Co., Ltd has been renamed to Kyuden Records & Intelligence Management Co., Ltd. on 1 June 2024.

For the fiscal year ended 31 March 2024, the Group's operating revenues, operating income and net income attributable to owners of the parent amounted to ¥2,139.4 billion, ¥254.9 billion and ¥166.4 billion, respectively. For the three-month period ended 30 June 2024, the Group's operating revenues, operating income and net income attributable to owners of the parent amounted to ¥501.1 billion, ¥49.8 billion and ¥36.6 billion, respectively.

Strategy

Kyuden Group Management Vision 2030

In June 2019 the Group published its long-term management direction, known as the Kyuden Group Management Vision 2030, which includes three strategies of (i) developing the energy service business, (ii) building a sustainable community together and (iii) strengthening the Group's business foundations.

Medium-term Management Plan

To move the Group towards achieving the goals of the Kyuden Group Management Vision 2030, the Group entered into its current Medium-term Management Plan in 2020, which will continue until 31 March 2026.

The Medium-term Management Plan recognises the current business environment, in which fuel prices are becoming more volatile due to the destabilisation of macro-economic conditions, at the same time that demand for electricity from data centres and semiconductor-related industries is expected to increase. In addition, amidst the global trend towards decarbonisation, the Group is striving to make an active contribution to achieving the Japanese government's policies regarding carbon neutrality and greenhouse gas emission reduction. Furthermore, the Group considers the promotion of digital transformation to be a major turning point, which will fundamentally transform business models and business processes.

The Medium-term Management Plan includes the following efforts to follow the three strategies of the Kyuden Group Management Vision 2030:

Developing the energy service business

The Group will seek to deliver environmentally friendly and stable energy at a low cost by promoting lower carbon intensity and decarbonised sources of power alongside electrification, developing technologies to achieve carbon neutrality, including those related to carbon recycling and battery storage, continuing efforts related to nuclear power plants, such as safe, stable operation, higher utilisation rates and greater efficiency, improving maintenance efficiency and seek to achieve lower power generation costs, developing a next-generation transmission and distribution network based on national energy policy and other factors and continuing to examine and make use of green bonds and transition bonds and loans.

The Group will also seek to develop its energy services by anticipating changes in the market environment, including the shifting energy landscape and diversifying customer needs, by maximising income in a difficult business environment and responding to the risk of earnings volatility, and seeking to providing a competitive supply through such efforts as shifting to low carbon intensity or decarbonised power sources and replacing old thermal power plants, making efforts to achieve both stable supply and cost reductions in the power transmission and distribution business, and to develop a next-generation transmission and distribution network and realigning the direction of initiatives for each business area in its overseas business and clarifying Group priorities.

In the Group's Power Generation and Sale Business, the Group will seek to focus on its energy mix and utilising new electricity trading markets such as the capacity market. In respect of renewable energy, the Group intends to advance the integration of renewable energy business throughout the Group, promoting its development both domestically and overseas, with the aim of increasing its role as a power source. In respect of the Group's nuclear power business, the Group will focus on voluntary and continuous improvements in safety, and communications with local communities for maximising the use of nuclear power. In respect of thermal power generation, in addition to developing advanced LNG-fired power plants and working on the phase-out of inefficient coal-fired power plants, the Group is striving to develop the technology necessary for hydrogen-ammonia co-firing. In respect of the Group's Electricity Transmission and Distribution Business, the Group intends to emphasise fairness, transparency and neutrality and promote the next generation of the power transmission and distribution networks, aiming to achieve both stable supply and cost reduction. In the Group's Overseas Business, the Group intends to focus on risk detection and management, as well as utilising its know-how and networks to further expand its areas of operation and business areas.

Building a Sustainable Community Together

The Group intends to contribute to solving social issues and promoting sustainable development in the Kyushu region, solving issues and expand Group-wide earnings through the Group's products and services, developing the Group's ICT Services to provide customers with solutions, expanding the Group's Urban Development Business by making use of energy and digital technology and creating new businesses and services that meet the needs of the region and society by leveraging the Group's strengths.

In the Group's Urban Development Business, the Group will aim to develop high-value-added businesses that are unique to the Group that utilise energy and digital technology, while contributing to the sustainable development of the region and society, such as increasing the number of visitors and creating jobs.

In the Group's ICT Services Business, as digital transformation progresses, in addition to the Group's existing businesses (including its optical broadband business, its mobile services business and its data centre business), the Group will aim to create new services that will meet the needs of the region and society, such as drone services, regional information platform services and digital transformation solutions that utilise new technologies such as generative AI.

Through initiatives that contribute to addressing regional issues, such as industrial promotion and projects aimed at increasing visitors in collaboration with local governments and regional organisations, the Group is striving to be part of regional revitalisation throughout Kyushu and create new business.

Strengthening the Group's Business Foundations

The Group intends to create a corporate culture that prioritises safety, health, and diversity, endeavour to create a rewarding workplace for employees and take steps to improve stakeholder trust, such as strengthening information security measures. The Group is taking steps to achieve these goals, including:

- Implementing corporate activities that prioritise health and safety;
- Acquire and develop human resources with the diverse strengths necessary to realise the Group's business strategy and strengthen the Group's support for career development;
- Streamlining and enhancing business operations using ICT; and
- Strengthening corporate governance, compliance and information security.

Growth Businesses

The Group has identified its ICT Services, Overseas, Urban Development and Renewable Energy businesses as its "growth" businesses. The Group's renewable energy business is not a reportable segment, but is calculated by the Group to include elements of the business in its other reportable segments that relate to renewable energy. For the fiscal year ended 31 March 2024, the ICT Services, Overseas, Urban Development and Renewable Energy businesses comprised 37 per cent., 25 per cent., 18 per cent. and 20 per cent. of the Group's ordinary income generated by such "growth" businesses, which together comprised 9 per cent. of the total ordinary income of the Group for the same period.

Renewable Energy

For the fiscal year ended 31 March 2024, power generated by the Group through low-carbon nuclear and renewable energy (being the sum of hydroelectric power, renewable energy power, and nuclear power), accounted for 45 per cent. of the Group's generated power, being the power generated by the Company, Kyushu Electric Power Transmission and Distribution and Kyuden Mirai Energy (including investment projects assessed on the basis of developing capacity).

For each of the fiscal years ended between 31 March 2020 and 31 March 2024, the Group's power sources that either generate zero carbon emissions or qualify under Japan's feed-in-tariff programme accounted for 58 per cent., 49 per cent., 55 per cent., 43 per cent. and 59 per cent. of the Group's total power generation capacity, respectively. The figures above include energy produced and purchased by the Company and represents the value of such power prior to non-fossil certificate trading, and for amounts for which non-fossil certificates were not used, no value for renewable energy or zero carbon emission energy sources are recorded, and are counted as national average carbon emissions for electricity production, including that generated from thermal power generation.

The ordinary income derived from the Group's renewable energy business (which is not a reportable segment, but is calculated by the Group on the basis of its businesses connected to renewable energy) for the fiscal years ended 31 March 2022, 2023 and 2024 was ¥1.8 billion, ¥2.4 billion and ¥4.1 billion, respectively.

The Group's capacity for renewable energy power generation (power generation by the Group's renewable energy business (which is not a reportable segment, but is calculated by the Group on the basis of its businesses connected to renewable energy)) for the fiscal years ended 31 March 2022, 2023 and 2024 was 2,550 MW, 2,610 MW and 2,740 MW, respectively. The Group's capacity for renewable energy power generation (including confirmed future projects) for the fiscal year ended 31 March 2024 was 3,020 MW.

As of 31 March 2024, the Group had installed geothermal capacity of 224 MW (making up approximately 40 per cent. of the installed geothermal capacity of Japan), and the Group's transmission and distribution business had an interconnected renewable energy capacity of 16,460 MW.

Preparations for Transitioning to a Holding Company Structure

On 31 July 2024, the Company announced that it was proceeding with the examination of a new group structure, and that the Board of Directors had resolved to start with the preparations for the transition to a holding company structure. Following the transition to a holding company structure, the Company is considering positioning major business companies directly under the holding company and allowing each operating company to autonomously promote its business. Details of the updated group structure and schedule are currently under consideration by the Company. The Company currently expects to establish a new holding company, which will become the principal Tokyo Stock Exchange listed company within the Group, with the Company (being an operating company) being delisted.

Operations

Overview

The Group's operations are principally divided into the following six reportable segments: (i) the Power Generation and Sale segment, (ii) the Electricity Transmission and Distribution segment, (iii) the Overseas segment, (iv) the Other Energy Services segment, (v) the ICT Services segment, and (vi) the Urban Development segment.

The following tables set out the Group's sales to external customers by segment for the periods indicated, together with the percentages of such sales by segment as a percentage of total operating revenues on a consolidated basis:

	Fiscal Year Ended 31 March					
	2022		2023		2024	
	Sales	Proportion	Sales	Proportion	Sales	Proportion
	(Millions of yen)	(Per cent.)	(Millions of yen)	(Per cent.)	(Millions of yen)	(Per cent.)
Sales to external customers by segment						
Power Generation and Sale	¥1,383,657	79.4%	¥1,747,519	78.7%	¥1,677,555	78.4%
Electricity Transmission and Distribution	179,380	10.3	253,832	11.4	226,781	10.6
Overseas.................................	4,318	0.2	6,245	0.3	5,779	0.3
Other Energy Services	77,217	4.4	108,626	4.9	117,221	5.5
ICT Services...........................	81,105	4.7	87,379	3.9	90,139	4.2
Urban Development.................	13,738	0.8	13,748	0.6	17,979	0.8
Other(1)...................................	3,892	0.2	3,948	0.2	3,990	0.2
Total	1,743,310	100.0%	2,221,300	100.0%	2,139,447	100.0%

Note:

(1) "Other" is a business segment not included in the reportable segments and includes paid nursing home business, office work outsourcing business and personnel dispatch business.

	Three-Month Period Ended 30 June			
	2023		2024	
	Sales	Proportion	Sales	Proportion
	(Millions of yen)	(Per cent.)	(Millions of yen)	(Per cent.)
Sales to external customers by segment				
Power Generation and Sale	¥394,396	79.4%	¥395,739	79.0%
Electricity Transmission and Distribution	48,125	9.7	48,568	9.7
Overseas...	1,077	0.2	882	0.2

	Three-Month Period Ended 30 June			
	2023		2024	
	Sales	Proportion	Sales	Proportion
	(Millions of yen)	(Per cent.)	(Millions of yen)	(Per cent.)
Other Energy Services	28,547	5.7	30,296	6.0
ICT Services	20,258	4.1	21,772	4.3
Urban Development	3,102	0.6	2,912	0.6
Other[(1)]	1,015	0.2	1,008	0.2
Total	¥496,524	100.0%	¥501,180	100.0%

Note:

(1) "Other" is a business segment not included in the reportable segments and includes paid nursing home business, office work outsourcing business and personnel dispatch business.

The following table sets out by segment the Group's segment profit (loss) for the periods indicated:

	Fiscal Year Ended 31 March		
	2022	2023	2024
		(Millions of yen)	
Segment profit (loss)[(1)]			
Power Generation and Sale	¥(2,977)	¥(143,558)	¥147,552
Electricity Transmission and Distribution	7,183	14,120	41,366
Overseas	2,448	4,459	5,347
Other Energy Services	18,896	29,240	33,923
ICT Services	6,105	6,526	7,805
Urban Development	3,275	3,218	3,828
Other[(2)]	986	496	452
Total	35,918	(85,497)	240,275
Reconciliations[(3)]	(3,533)	(1,136)	(2,113)
Consolidated [(1)]	¥32,384	¥(86,634)	¥238,161

Notes:

(1) Segment profit (loss) is adjusted to reflect ordinary income. Ordinary income is calculated by adding interest income, dividends, share of profit of entities accounted for using the equity method and other income to, and deducting interest charges and other expenses from, operating income.

(2) "Other" is a business segment not included in the reportable segments and includes paid nursing home business, office work outsourcing business and personnel dispatch business.

(3) Reconciliations of segment profit (loss) are intersegment transaction eliminations.

The following table sets out by segment the Group's segment profit for the periods indicated:

	Three-Month Period Ended 30 June	
	2023	2024
	(Millions of yen)	
Segment profit[(1)]		
Power Generation and Sale	¥78,184	¥34,852
Electricity Transmission and Distribution	12,866	6,026
Overseas	2,612	1,880
Other Energy Services	5,272	6,819
ICT Services	445	734
Urban Development	1,332	900
Other[(2)]	115	111
Total	100,829	51,326
Reconciliations[(3)]	(140)	(211)
Consolidated[(1)]	¥100,688	¥51,114

Notes:

(1) Segment profit is adjusted to reflect ordinary income as presented in the Q1 Financial Statements.

(2) "Other" is a business segment not included in the reportable segments and includes paid nursing home business, office work outsourcing business and personnel dispatch business.

(3) Reconciliations of segment profit is intersegment transaction eliminations.

The following table sets out certain information with respect to the significant properties, plant and equipment of the Company by segment and type of facility as of 31 March 2024:

Name of Segment/ Type of Facility	Summary of Properties	Book Value Land[(1)]	Buildings	Machinery and Equipment	Total
		(Millions of yen, except land areas owned)			
Power Generation and Sale					
Hydroelectric power generation facilities..............	No. of plants: 139 Generating capacity: 3,588,628kW	(72,005,282)m² ¥7,645	¥7,736	¥256,885	¥272,266
Thermal (steam) power generation facilities..............	No. of plants: 6 Generating capacity: 8,035,000kW	(2,826,051) 36,733	14,395	159,644	210,773
Nuclear power generation facilities	No. of plants: 2 Generating capacity: 4,140,000kW	(3,417,026) 24,377	209,955	532,356	766,689
Renewable energy power and other facilities........................	No. of plants: 6 Generating capacity: 214,000kW	(3,984,489) 3,725	1,199	16,562	21,487
General facilities.......................	No. of facilities: Head office: 1 Branches and others: 9	(629,160) 31,075	15,195	15,804	62,075
Other Energy Services					
Related business fixed assets ...		(—) —	67	5	72
Other					
Related business fixed assets ...		(639,863) 5,766	52	151	5,970

Notes:

(1) Figures in parentheses are land areas owned in square metres.

(2) In addition to the above, the Company leases 245,542m² of land in relation to the Power Generation and Sale segment, of which 188,155m² relate to hydroelectric power facilities.

The following table sets out certain information with respect to the significant properties, plant and equipment of the consolidated subsidiaries of the Company as of 31 March 2024:

Name of Consolidated Subsidiary	Name of Segment	Head Office Location	Description of Facility	Book Value Land[(1)]	Buildings	Machinery and Equipment	Total
				(Millions of yen, except land areas owned)			
Kyuden Mirai Energy Company, Inc...........	Power Generation and Sale	Fukuoka, Japan	Solar power generation facilities and wind power generation facilities and other	(51,020)m² ¥42	¥621	¥23,196	¥23,860
Kyushu Electric Power Transmission and Distribution Co., Inc.	Electricity Transmission and Distribution	Fukuoka, Japan	Hydroelectric power generation facilities	(441,658) 23	59	1,413	1,496
			Thermal (internal combustion) power generation facilities	(380,275) 4,856	5,025	17,103	26,985
			Renewable energy power generation facilities and others	(2,068) 14	37	188	240
			Transmission facilities	(9,799,459) 68,582	813	623,676	693,071
			Transformation facilities	(5,888,443) 47,518	16,145	184,534	248,198
			Distribution facilities	(24,223) 201	6	679,363	679,571
			General facilities	(419,844) 9,768	10,042	68,460	88,272
Kitakyushu Liquefied Natural Gas Company, Inc.............................	Other Energy Services	Fukuoka, Japan	LNG gasification and storage and other	(203,635) 10,026	587	4,884	15,499

Name of Consolidated Subsidiary	Name of Segment	Head Office Location	Description of Facility	Book Value			
				Land[1]	Buildings	Machinery and Equipment	Total
				(Millions of yen, except land areas owned)			
Kushima Wind Hill Corporation	Other Energy Services	Miyazaki, Japan	Wind power generation facilities and other	(11) —	92	19,894	19,986
Shimonoseki Biomass Energy GK.	Other Energy Services	Yamaguchi, Japan	Biomass energy power generation facilities and other	(—) —	2,239	20,459	22,698
QTnet, Inc.	ICT Services	Fukuoka, Japan	Telecommuni-cation facilities and other	(41,696) 4,271	12,849	95,344	112,466
DENKI BLDG. CO., LTD	Urban Development	Fukuoka, Japan	Leasing of real estate and other	(15,027) 6,859	34,953	650	42,463
Kyuden Fudousan Co., Ltd	Urban Development	Fukuoka, Japan	Leasing of real estate and other	(29,975) 2,241	27,314	1,214	30,770
Kyushu Electric Wheatstone Pty Ltd ..	Other Energy Services	Perth, Australia	LNG production facilities and gas field interests and other	(447) 107	94	65,219	65,421

Notes:

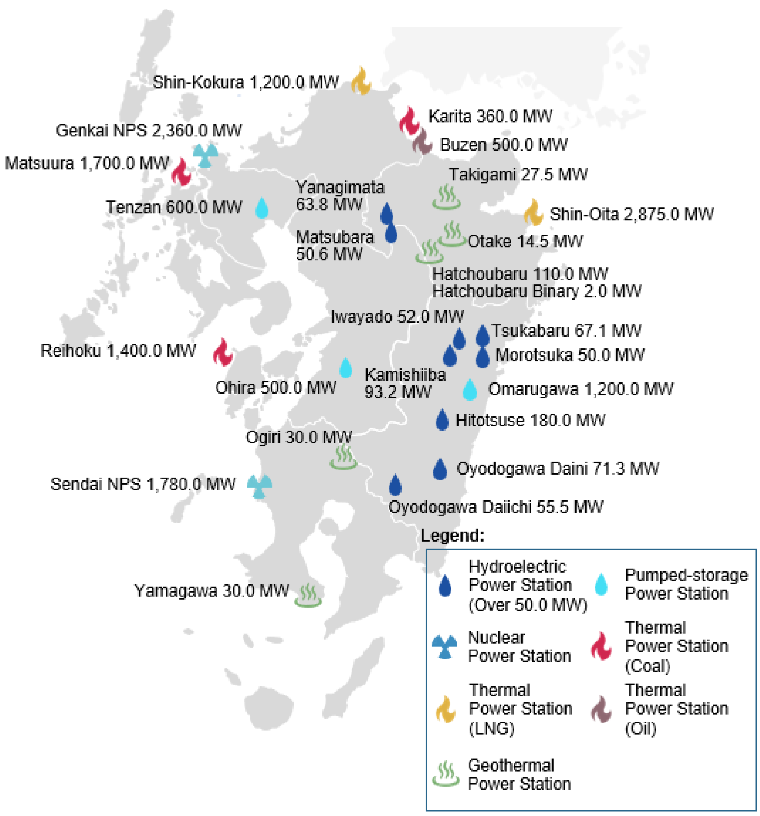
(1) Figures in parentheses are land areas owned in square metres.

(2) In addition to the above, the Company leases 915,471m^2 of land in relation to the Electricity Transmission and Distribution segment, of which 577,841m^2 relate to transmission facilities.

(3) The above amounts do not include consumption tax amounts.

Major Supply Facilities

Set out below is a map of the Company's major power supply facilities as of 31 March 2024:



Power Generation and Sale

The Group's energy business includes the Group's fuel procurement and power generation operations, including the acquisition of fuel sources, the operation of power generation facilities, and the sale of electricity.

The following table sets out certain data relating to power generated and received by the Company for the periods indicated:

	As of and for the Fiscal Year Ended 31 March		
	2022	2023	2024
		(Billions of kWh)	
Power generated and received[(1)]			
Generated[(2)]:			
Hydroelectric	4.5	4.4	4.4
Thermal	25.9	35.5	25.6
Nuclear	31.9	20.1	31.7
Renewable energy sources[(3)]	1.3	1.3	1.4
Power purchased from other operators (net)	41.7	41.8	34.2
Power used for pumped storage[(4)]	(2.3)	(2.3)	(2.1)
Total power generated[(1)]	103.1	100.8	95.2
Volume of total electric sales[(5)]	97.3	96.0	90.2

Notes:

(1) The data relating to power generated and received comprise the aggregate of the data for the Company and its consolidated subsidiaries (Kyushu Electric Power Transmission and Distribution and Kyuden Mirai Energy) after elimination of intra-Group transactions. For electric energy information, the sum of the individual amounts may not match the totals due to the rounding down of numerical values.

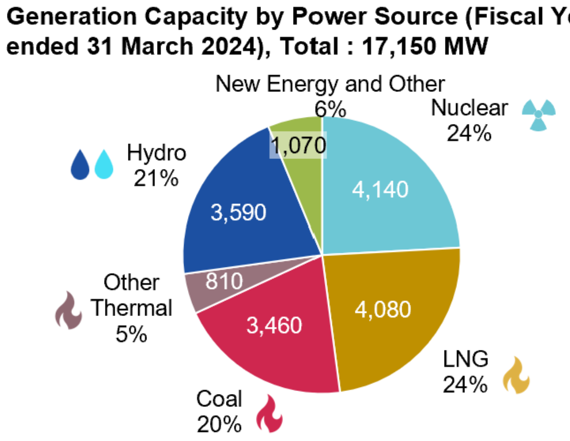
(2) Power generated is the amount of power generated at the transmission end.

(3) Renewable energy sources comprise power generated by solar, wind, biomass, waste and geothermal power generation.

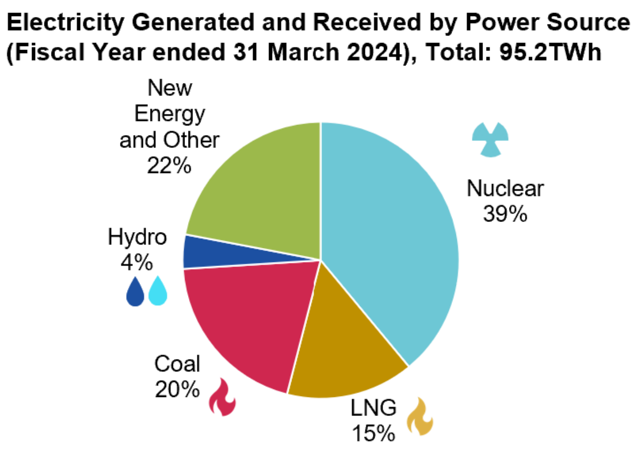
(4) Power used for pumped storage is the electric power used to pump water for reservoir operations at pumped-storage power stations and electricity wheeled for self-use.

(5) The difference between the total of power generated and received and the volume of total electric sales is the amount of electricity lost, among others.

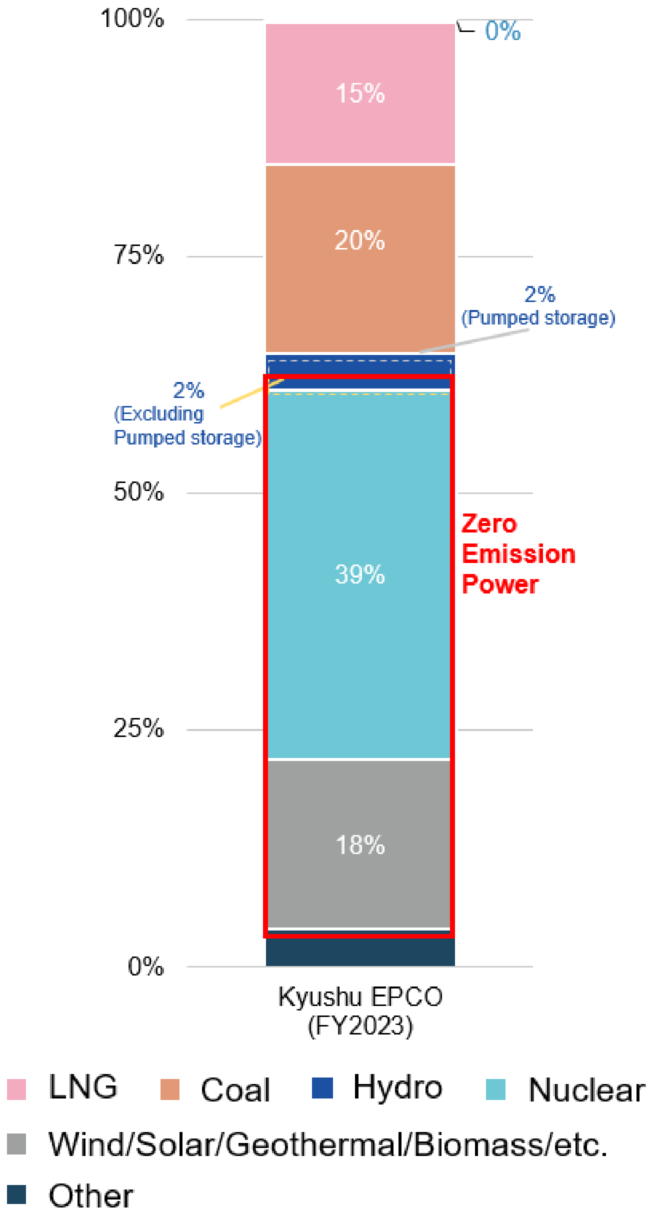
The Group generates power from various types of power sources. The following diagram sets out the composition of generation capacity for all of the Group's facilities (including power purchased from other companies) as of 31 March 2024:



The following diagram sets out the composition of the volume of electricity generated and received by the Group and sold to retail suppliers by power source for the fiscal year ended 31 March 2024:



The following diagram sets out the Company's power sources on kWh basis for the fiscal year ended 31 March 2024 (total power generated and received by the Company for the fiscal year):



The following tables set out an overview of the Company's power generation facilities as of 31 March 2024. Operation commencement date in the tables below refer to the month and year of the oldest unit in operation at the relevant station.

Nuclear Power (2 facilities/maximum output 4,140,000kW)

Station Name	Maximum Output (kW)	Operation Commencement Date	System	Location
Genkai	2,360,000 (1,180,000×2)	Mar. 1994	Pressurised water reactor	Genkai-cho, Higashi Matsuura-gun, Saga Prefecture
Sendai	1,780,000 (890,000×2)	Jul. 1984	Pressurised water reactor	Satsumasendai-shi, Kagoshima Prefecture

Thermal (Steam)Power (6 facilities/maximum output 8,035,000kW)
**excluding internal-combustion engines at the Buzen Power Station*

Station Name	Maximum Output (kW)	Operation Commencement Date	Principal Fuel Used	Location
Shin-Kokura	1,200,000 (600,000×2)	Sep. 1978	LNG	Kokura Kita-ku, Kitakyushu-shi, Fukuoka Prefecture
Karita	360,000	Jul. 2001	Coal	Kanda-machi, Miyako-gun, Fukuoka Prefecture
Buzen	500,000	Jun. 1980	Heavy oil/crude oil	Buzen-shi, Fukuoka Prefecture
Matsuura	1,700,000 (700,000×1, 1,000,000×1)	Jun. 1989	Coal	Matsuura-shi, Nagasaki Prefecture
Shin-Oita	2,875,000 (120,000×6, 230,000×4, 245,000×3, 500,000×1)	Jun. 1991	LNG	Oita-shi, Oita Prefecture
Reihoku	1,400,000 (700,000×2)	Dec. 1995	Coal	Reihoku-machi, Amakusa-gun, Kumamoto Prefecture

Hydroelectric Power (139 facilities/maximum output 3,588,628kW)

Station Name	Maximum Output (kW)	Operation Commencement Date	System	Location
Tenzan	600,000 (300,000×2)	Dec. 1986	Dam and conduit system (pure pumped-storage)	Karatsu-shi, Saga Prefecture
Matsubara	50,600	Aug. 1971	Dam system	Hita-shi, Oita Prefecture
Yanagimata	63,800	Jun. 1973	Dam and conduit system	Hita-shi, Oita Prefecture
Ohira	500,000 (250,000×2)	Dec. 1975	Dam and conduit system (pure pumped-storage)	Yatsushiro-shi, Kumamoto Prefecture
Kamishiiba	93,200 (46,600×2)	May 1955	Dam and conduit system	Shiiba-son, Higashi Usuki-gun, Miyazaki Prefecture

Station Name	Maximum Output (kW)	Operation Commencement Date	System	Location
Iwayado	52,000	Jan. 1942	Dam and conduit system	Shiiba-son, Higashi Usuki-gun, Miyazaki Prefecture
Tsukabaru	67,050 (33,300×2, 450×1)	Oct. 1938	Dam and conduit system	Morotsuka-son, Higashi Usuki-gun, Miyazaki Prefecture
Morotsuka	50,000	Feb. 1961	Dam and conduit system	Morotsuka-son, Higashi Usuki-gun, Miyazaki Prefecture
Hitotsuse	180,000 (90,000×2)	Jun. 1963	Dam and conduit system	Saito-shi, Miyazaki Prefecture
Oyodogawa Daiichi	55,500	Jan. 1926	Dam system	Miyakonojo-shi, Miyazaki Prefecture
Oyodogawa Daini	71,300	Mar. 1932	Dam and conduit system	Miyazaki-shi, Miyazaki Prefecture
Omarugawa	1,200,000 (300,000×4)	Jul. 2007	Dam and conduit system (pure pumped-storage)	Kijo-cho, Koyu-gun, Miyazaki Prefecture

Note:
(1) With outputs of 50,000 kW or higher.

Geothermal Power (6 facilities/maximum output 214,000kW)

Station Name	Maximum Output (kW)	Operation Commencement Date	Location
Hatchobaru	110,000 (55,000×2)	Jun. 1977	Kokonoe-machi, Kusu-gun, Oita Prefecture
Hatchobaru Binary	2,000	Apr. 2006	Kokonoe-machi, Kusu-gun, Oita Prefecture
Takigami	27,500	Nov. 1996	Kokonoe-machi, Kusu-gun, Oita Prefecture
Otake	14,500	Aug. 1967	Kokonoe-machi, Kusu-gun, Oita Prefecture
Yamagawa	30,000	Mar. 1995	Ibusuki-shi, Kagoshima Prefecture
Ogiri	30,000	Mar. 1996	Kirishima-shi, Kagoshima Prefecture

Note:
(1) As of 1 April 2024, the above power stations were transferred to Kyuden Mirai Energy Company, Inc. through an absorption-type corporate split.

The following tables set out an overview of the power generation facilities of the Company's subsidiary, Kyushu Electric Power Transmission and Distribution, as of 31 March 2024.

Internal Combustion Power (27 facilities/maximum output 309,470 kW)
**including gas turbines on isolated islands and internal-combustion engines at the Buzen Power Station*

Station Name	Maximum Output (kW)	Operation Commencement Date	Location
Toyotama	50,000 (6 units)	Jun. 1978	Tsushima-shi, Nagasaki Prefecture
Tatsugo	60,000 (6 units)	Jun. 1980	Tatsugo-cho, Oshima-gun, Kagoshima Prefecture

Note:
(1) With outputs of 50,000 kW or higher.

Grid-scale Storage Battery (5 facilities/maximum output total 62,500 kW)

Station Name	Maximum Output (kW)	Operation Commencement Date	Location
Buzen	50,000	Mar. 2016	Buzen-shi, Fukuoka Prefecture
Toyotama	3,500	Feb. 2014	Tsushima-shi, Nagasaki Prefecture
Ashibe	4,000	Mar. 2013	Iki-shi, Nagasaki Prefecture
Tatsugo	2,000	Mar. 2014	Tatsugo-cho, Oshima-gun, Kagoshima Prefecture
Nakatane	3,000	Mar. 2014	Nakatane-cho, Kumage-gun, Kagoshima Prefecture

Note:
(1) Due to the revision to the Electricity Business Act taking effect in April 2023, grid-scale storage battery is classified as a power generation facility.

The following table sets out certain information regarding the Group's renewable energy power plants (as of June 2024 for Kyuden Mirai Energy and as of March 2024 for the Company):

Type of Plant	Number of Locations	Generating Capacity (MW)
Kyuden Mirai Energy:		
Solar	15	161
Onshore Wind	3	142
Offshore Wind	1	220
Biomass	12	564
Geothermal	7	230
Hydroelectric	1	2
Total	39	1,319
The Company:		
Hydroelectric	139	1,300

The following table sets out certain data relating to the Group's electric sales for the periods indicated:

	Fiscal Year Ended 31 March		
	2022	2023	2024
Volume of electric sales (millions of kWh)(2):			
Retail	79,445	76,546	73,490
Of which:			
Lighting	25,006	24,172	24,306
Power	54,439	52,374	49,184
Wholesale(3)	17,830	19,420	16,726
Total	97,275	95,967	90,216
Revenues from electric sales (millions of yen):			
Retail(4)	¥1,228,117	¥1,519,895	¥1,386,234
Of which:			
Lighting	518,147	571,772	503,168
Power	709,970	948,123	883,065
Wholesale(4)	191,172	273,022	202,233
Total	¥1,419,290	¥1,792,918	¥1,588,468

Notes:
(1) The above table indicates the total amounts, after intersegment transaction eliminations, relating to the Company and its consolidated subsidiaries (Kyushu Electric Power Transmission and Distribution and Kyuden Mirai Energy).
(2) Volume of electric sales have been rounded up or down to the nearest million kWh (with half a million being rounded upwards). As such, the sum of individual items may not equal the total.
(3) Wholesale electric sales include self-sales made through indirect auctions.
(4) Retail revenues from electric sales comprise revenues from the sale of the volume of retail electric sales, and wholesale revenues from electric sales comprise revenues from the sale of volume of wholesale electric sales.
(5) The revenues from electric sales do not include subsidies received from the Japanese government.

Fuel Procurement

The Company's principal supply requirements comprise purchase of fuel for operation of its power stations. With regard to obtaining its supply of fuel, the Company considers factors such as price, quality, amount of reserves, political situation of the supplier country and the stability of the transportation routes as a whole, with a view to ensuring stable supply of electricity to its customers.

The Company purchases coal, fuel oil, crude oil and LNG principally for the purposes of operation of its thermal power stations. The Company also purchases nuclear fuel for the purposes of generating power in its nuclear power stations.

The following table sets out the breakdown of certain of the Company's fuel costs for the periods indicated:

	Fiscal Year Ended 31 March		
	2022	**2023**	**2024**
		(Millions of yen)	
Total fuel costs	¥247,256	¥636,370	¥376,959
Of which:			
Coal	106,523	347,638	181,749
Oil	71	2	—
Nuclear fuel amortisation	25,650	16,938	27,259
LNG	110,989	267,942	163,292
Auxiliary heat cost and steam charges	3,557	3,091	4,002
Coal conveying costs and transportation costs	462	496	507
Loss arising from revisions to nuclear fuel amortisation	—	260	148

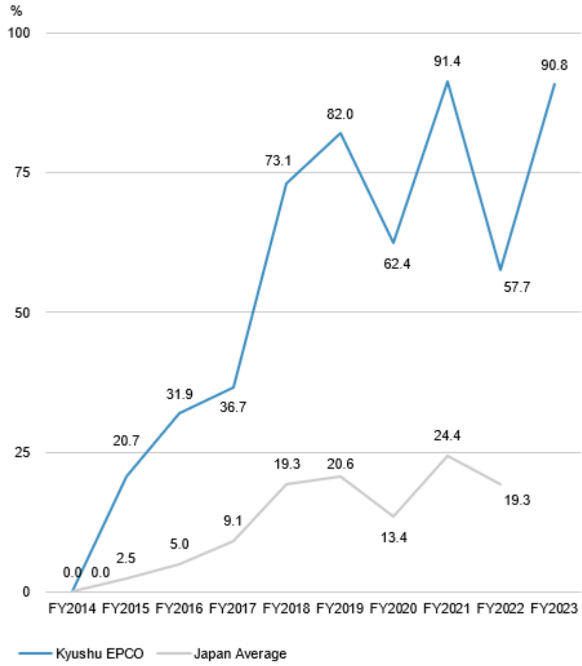
The following table sets out certain data relating to certain supplies purchased and used by the Company for the periods indicated, and the amount in inventory as of the dates indicated:

	Coal	**Fuel Oil**	**Crude Oil**	**LNG**
	(Tonnes)	**(Kilolitres)**	**(Kilolitres)**	**(Tonnes)**
Amount in inventory as of 31 March 2021	455,937	110,184	20,333	178,214
Purchased during the fiscal year ended 31 March 2022	5,264,398	213,093	—	1,781,272
Used during the fiscal year ended 31 March 2022:				
For power generation	5,324,580	216,531	—	1,600,309
For other purposes	(11,570)	22,187	19,416	174,367
Amount in inventory as of 31 March 2022	407,325	84,559	917	184,810
Purchased during the fiscal year ended 31 March 2023	7,577,001	215,115	—	2,247,023
Used during the fiscal year ended 31 March 2023:				
For power generation	7,379,733	214,519	—	2,131,417
For other purposes	7,604	24,134	(3)	117,477
Amount in inventory as of 31 March 2023	596,989	61,021	920	182,939
Purchased during the fiscal year ended 31 March 2024	5,237,586	207,860	—	1,794,092
Used during the fiscal year ended 31 March 2024:				
For power generation	5,352,178	211,633	—	1,575,847
For other purposes	15,254	32,897	920	203,108
Amount in inventory as of 31 March 2024	467,143	24,351	—	198,076

Status of Nuclear Power Stations

In response to the serious accidents at the Fukushima Daiichi Nuclear Power Station in 2011, the Company also suspended operations at all its nuclear power stations. Operations have been resuming at the Group's nuclear power stations, with Unit No. 1 of the Sendai Nuclear Power Station recommencing regular operations in September 2015 and Unit No. 2 at the same station restoring regular operations in November 2015, as well as Units No. 3 and No.4 of the Genkai Nuclear Power Station restoring regular operations in May 2018 and July 2018 respectively. The nuclear power utilisation rate of the Company was 90.8 per cent. for the fiscal year ended 31 March 2024. While there was some concern among the general public about the impact of the Kumamoto Earthquake that struck in April 2016 on the Company's nuclear power stations, no abnormalities were found at the Sendai Nuclear Power Station, which was operating at the time, and which has continued its safe, stable operation.

The following table sets out the Company's nuclear power utilisation rate for the periods indicated:



The decrease in utilisation rates in the fiscal years ended 31 March 2021 and 2023 were principally caused by equipment shutdowns for regular inspections relating to construction works for the installation of Specified Severe Accident Facilities ("SSAFs", as to which see below) at Sendai Nuclear Power Station Units 1 and 2 in the fiscal year ended 31 March 2021 and Genkai Nuclear Power Station Units 3 and 4 in the fiscal year ended 31 March 2023.

The Company is decommissioning its Genkai Nuclear Power Station Units No. 1 and No. 2.

The new regulatory standards set by the Japanese government require installation of SSAFs. An SSAF is a facility with functions to prevent damage to the nuclear reactor containment vessel in the event that the nuclear reactor's core is severely damaged due to the loss of the reactor's cooling ability caused by the deliberate collision of a large aircraft with the nuclear reactor's auxiliary building or any other act of terrorism. Sendai Nuclear Power Station was the first in Japan to pass government inspection under the new regulatory standards and began operation in 2020. In addition, installation works were completed for Genkai Nuclear Power Station (in December 2022 in respect of Unit 3 and in February 2023 in respect of Unit 4, respectively) which is currently in operation.

In order to operate a nuclear power plant beyond the 40-year limit, an application for extension must be submitted to the NRA and permission must be granted. The Company submitted an application for extension for Sendai Nuclear Power Plant Units 1 and 2 in October 2022, each for a period of 20 years, and the NRA permitted the extension in November 2023.

Electricity Transmission and Distribution

Following the legal separation of the transmission and distribution business, Kyushu Electric Power Transmission and Distribution has been undertaking the business of power transmission and distribution since 1 April 2020. Kyushu Electric Power Transmission and Distribution is the sole operator of regulated transmission and distribution business in the Kyushu region.

Kyushu Electric Power Transmission and Distribution's business includes maintaining the electricity supply and demand balances for areas serviced by the Group, undertaking power transmission, maintenance and operation of substations, as well as constructing and maintaining transmission and distribution equipment. The business provides a stable source of revenue for the Group especially following the introduction of the revenue cap system in April 2023; segment profit for the Electricity Transmission and Distribution business for the fiscal years ended 31 March 2021, 2022, 2023 and 2024 amounted to ¥29.1 billion, ¥7.1 billion, ¥14.1 billion and ¥41.3 billion, respectively. See "—Operations–Overview—Major Supply Facilities and Networks" for a map of the Group's major power distribution networks.

The following table sets out the transmission, transformation and distribution facilities of the Group's Electricity Transmission and Distribution business as of 31 March 2024:

Type of Facility	Description	Amount
Transmission facilities..........	Overhead transmission lines:	
	Route length..	10,448km
	Circuit length	17,091km
	Underground transmission lines:	
	Route length..	816km
	Circuit length	1,216km
	Number of supports	73,388
Transformation facilities.......	Number of substations	654
	Authorised capacity	79,348,900kVA
	Phase modifying equipment capacity	9,429,000kVA
Distribution facilities............	Overhead transmission lines:	
	Route length..	171,991km
	Circuit length	597,773km
	Underground transmission lines:	
	Route length..	2,277km
	Circuit length	5,037km
	Number of supports	2,520,319
	Number of transformers.............................	1,109,399
	Capacity of transformers............................	40,314,812kVA
Operational facilities	Number of distribution offices	54

For the fiscal year ended 31 March 2023, the Group's transmission and distribution business had experienced power outages of 0.15 times per household (when excluding typhoons and other disasters, 0.04 times), with a power outage duration of 115 minutes per household (when excluding typhoons and other disasters, 3 minutes per household).

Transmission and distribution companies in Japan such Kyushu Electric Power Transmission and Distribution collect wheeling service charges from retail sellers of electricity ("retailers") each month as usage fees for the transmission and distribution networks. Wheeling service charges are collected from the consumer through the retailer.

In April 2023, the Japanese government introduced a new wheeling system, the revenue cap system, with the aim to help transmission and distribution companies in Japan to balance necessary investments to upgrade its grid to deal with the changes in power generation mix and to build a resilient network, with improved cost efficiency. Transmission and distribution companies are required to create a five-year plan that incorporates investments in the network for stable energy supply and renewable energy expansion. This plan is reviewed by the Japanese government using statistical methods, among others. The transmission and distribution company then implements the plan, with the aim of benefiting the company through cost reduction, and the achievements gained through the plan are assessed by the government, and 50 per cent. of the cost savings achieved by the company is deducted from the wheeling service charges in the following five years.

Overseas

In its overseas business, the Group uses technologies and expertise accumulated within and outside of Japan, and is aiming to increase its equity ownership in overseas electricity output projects, in particular in Asia but also in the Americas, Middle East and Europe which are more advanced in renewable energy projects, with the independent power project business at the core of such development, and expanding its focus to geothermal power generation in addition to the current gas-fired thermal power generation. The Group is participating in development areas in 15 countries/regions. In addition, a significant part of the Group's growth strategy for the Overseas business relates to the reduction of greenhouse gas emissions, including by partnering with development companies to expand the Group's renewables business and expanding T&D business that is expected to contribute to the development of a low carbon society. As of 31 March 2022, 2023 and 2024, the net generation capacity of the Group's overseas business amounted to 2,910 MW, 2,840 MW and 2,860 MW, respectively.

The following table sets out the current status of certain overseas projects in which the Group is involved (including projects in which the Group participated prior to commercial operation):

Project Name	**Country**	**Generation Type**	**Commencement of Operation or Investment**	**Total Output (A)**	**Group's investment (B)**	**Output by the Group's investment (MW equivalent) ((A) × (B))**
				(MW)	**(Per cent.)**	**(MW)**
Tuxpan II	Mexico	Gas	Operation: December 2001	495	50.0	248
Tuxpan V	Mexico	Gas	Operation: September 2006	495	50.0	248
Senoko Energy	Singapore	Gas	Investment: September 2008	2,382	15.0	357
Inner Mongolia	China	Renewable	Operation: September 2009	50	29.0	14
Hsin Tao	Taiwan	Gas	Investment: October 2010	600	33.2	199
Sarulla I-III	Indonesia	Other	Operation: May 2018	330	25.0	83
Birdsboro	U.S.	Gas	Investment: January 2018	488	8.3	41
Kleen Energy	U.S.	Gas	Investment: May 2018	620	20.3	126
South Field Energy	U.S.	Gas	Operation: October 2021	1,182	18.1	214
EGCO	Thailand	Gas, Renewable and Other	Investment: May 2019	6,996	6.1	429
Westmoreland	U.S.	Gas	Investment: November 2019	940	12.5	118
Taweelah B	UAE	Gas	Investment: March 2020	2,000	6.0	120
Al Dur I	Bahrain	Gas	Investment: August 2021	1,234	19.8	244
Syrdarya	Uzbekistan	Gas	Investment: March 2022	Approx. 1,600	14.3	Approx. 230
PetroGreen Energy	Philippines	Renewable	Investment: October 2022	127	25.0	32
Enfinity	U.S.	Renewable	Investment: March 2024	400	40.0	160
Viridor Energy	U.K.	Waste	Investment: January 2024	239	—	—

The table below summarises the Group's other investments in overseas businesses (including those through Japanese entities) as of 31 March 2024:

Name	**Country**	**Business Overview**
PowerSource Philippines, Inc.	Philippines	Using existing power distribution networks for off-grid electrification
Thermochem (Thermochem, Inc. and PT. Thermochem Indonesia)	U.S. and Indonesia	Provision of geothermal technology services, consulting services and others
Enernet Global Inc.	U.S.	Designing optimised facility configuration and operation by combining distributed power sources
HVDC subsea transmission project	UAE	Supplying clean energy from the mainland to offshore oil/gas production facilities
Shizen International	Japan	Developing solar, wind and other renewable energies primarily in Southeast Asia
Persistent Energy Capital LLC	U.S.	Investing in and supporting a venture business in off-grid areas in Africa

Name	Country	Business Overview
NordicNinja Fund II	—	Fund investing in start-ups with strong potential in the field of sustainability and digital technology in the Nordic region

Other Energy Services

In its Other Energy Services, the Group is engaged in the following businesses:

Wholesale electricity supply

The Company's affiliates accounted for by the equity method, Tobata Co-operative Thermal Power Company, Inc. and Oita Co-operative Thermal Power Co., Inc., are involved in the wholesale supply of electricity.

Construction and maintenance of facilities

This business includes the investigation, design and execution of electric works, civil engineering, construction and construction maintenance, as well as environmental preservation at power stations.

The principal subsidiaries and affiliates of the Company engaged in this business are Kyushu Rinsan Co., Inc., Kyuden High Tech Corporation, Nishinippon Plant Engineering and Construction Co., Ltd., Kyuden Sangyo Co., Inc., West Japan Engineering Consultants, Inc., Nishigi Kogyo Co., Inc., NISHIGI SURVEYING AND DESIGN CO., LTD., Kyudenko Corporation, Nishikyushu Kyodo Kowan Co., Ltd. and KYUKEN CORPORATION.

Procurement of equipment

This business includes the manufacturing and sale of electrical equipment and the transportation of cargo.

The principal subsidiaries and affiliates of the Company engaged in this business are Kyuden Technosystems Corporation, Nishi Nippon Airlines Co., Ltd., Kyushu Kouatsu Concrete Industries Co., Ltd., Koyo Denki Kogyo Co., Ltd., KYUHEN Co., Inc., SEISHIN CORPORATION and Nishi Nihon Denki Tekkou Co., Ltd.

Energy business

This business includes the sale of gas and LNG, obtaining and sale of natural uranium, international electric power business, renewable energy business, heat supply business and distributed power supply business, including in the retail gas sales market since April 2017, as part of its energy services.

Leveraging on the economies of scale gained from its high volume purchase of LNG for the purposes of electric power generation, the Group has been active in the wholesale sales of gas and LNG to gas companies in the Kyushu region. With the liberalisation of participation in retail gas sales from 1 April 2017, the Group entered the retail gas sales market in April 2017 to supply gas to retail customers in the Kitakyushu and Fukuoka areas in Fukuoka prefecture (in areas currently serviced by SAIBUGAS Co., Ltd., through the gas pipeline of such company). The Group's gas supply pricing menu includes "set prices" which offer discounts for customers who purchase both electricity and gas from the Group, with scaled discounts according to the level of electricity-usage contract and the volume of gas used.

ICT Services

This segment is principally involved in the data communication business, optical broadband business, construction and maintenance of telecommunications facilities, information system development business and data centre business.

As of 31 March 2023, the Group's ICT Services had 131,562km of optical fibre cables, with 476,000 lines of optical internet service and 2,500 racks of data centre rack capacity.

The principal subsidiaries and affiliates of the Company engaged in this segment are QTnet, Inc. Nishimu Electronics Industries Co., Ltd., Qsol Corporation, RKKCS Co., Ltd., NETWORK APPLICATION ENGINEERING LABORATORIES LTD., QTmedia, Inc. and RKKCS Soft Co., Ltd.

Urban Development

In its Urban Development segment, the Group is engaged in the urban development business, real estate business and social infrastructure business.

Recent completed projects include the following:

- Shopping Park LaLaport Fukuoka opened in April 2022
- Kumamoto Airport privatisation: new passenger terminal building opened for public use in March 2023
- Logistics distribution facility project in Kasuya, Fukuoka opened in August 2024

The principal subsidiaries and affiliates of the Company involved in this business are DENKI BLDG. Co., Ltd., Kyuden Fudousan Co., Ltd, Kyushu Maintenance Co., Ltd., Kyuden Urban Development America, LLC, Oak Partners Co., Ltd., Hakata Naka6 Kaihatsu Tokutei Mokuteki Kaisha and Fukuoka Airport Holdings Co., Ltd.

Competition

In Japan, after World War II, the securing of large-scale electric power supply and electric power supply for the regions of Japan was achieved through regional monopolisation of the former General Electric Utilities which had carried out electric power generation through to retail supply. However, from 1995, amidst the major trend of overall deregulation in society and introduction of the principle of competition, phased liberalisation has been introduced to the electric power business. Since March 2000, liberalisation of retail electricity sales has gradually progressed.

Pursuant to the second stage of the amendment to the Electricity Business Act enacted in June 2014, various measures such as liberalisation of retail electricity sales business and deregulation of wholesale regulations with a view to vitalising the wholesale electric power exchange have been implemented, with the full-scale liberalisation of participation in retail electricity sales having commenced in April 2016.

With the full-scale liberalisation of retail electricity sales and deregulation of wholesale regulations having commenced in April 2016, competition in retail sales of electricity has continued to develop, as the number of registered electricity retailers has continued to rise since liberalisation. In addition, the legal separation of transmission and distribution from vertically integrated businesses in April 2020 resulted in the spin-off of new transmission and distribution companies from the former general electricity utility companies. The Group recognises that competition for customers may occur not only from new entrants into the industry who are able to procure supply of electricity from wholesale electric power exchange and others, but also from other Specified Electric Utilities which may attempt to enter into the regional market in which the Group's business is principally based.

Following the invasion of Ukraine by Russia, there has been a substantial increase in the wholesale price of electricity from the JEPX wholesale spot market for electricity. As a result, although there has been a decrease in competition in the energy sector from new electricity companies who have relied on JEPX for electricity, there has been an increase in competition from traditional electricity companies who possess the capability to generate electricity without relying on JEPX.

Research and Development

Based on the "Vision for 2030" set out in the "Kyuden Group Management Vision 2030," as well as the "Kyuden Group Carbon Neutral Vision 2050" and "Kyuden Group Action Plan for Achieving Carbon Neutrality", the Group is engaging in R&D with a target of contributing to a sustainable for society.

The Group engages in R&D in three areas: (i)R&D that contributes to "leading a decarbonised society", including research on renewable energy such as technology for aggregating distributed energy resources, research on maximising the use of nuclear power (with safety as a major prerequisite), research on hydrogen production and utilisation, CCUS and carbon recycling, research on ammonia co-firing in thermal power plants, research on electrification of the industrial sector through the use of heat pumps and research on electrification of the transportation sector, such as the development of chargers and EMS for electric vehicles; (ii) R&D that contributes to "advancing energy services", including research on the maintenance and operation of power facilities using advanced sensor technology and digital technologies such as AI and IoT, research on the sophistication and efficiency of maintenance work for power facilities and research on system stability and maintaining power quality when connecting large amounts of renewable energy; and (iii) R&D that contributes to the "co-creation of a smart and vibrant society" including research on solving regional issues and creating new services through the use of ICT and quantum technology, research on regional energy systems that meet the needs of local governments, such as promoting carbon neutrality and strengthening resilience and research on smart agriculture to revitalise agriculture and other industries.

The following table shows the Group's expenditure on R&D activities for the periods indicated:

	Fiscal Year Ended 31 March		
	2022	**2023**	**2024**
		(Millions of yen)	
Total R&D expenses..	¥4,823	¥4,798	¥4,681

The Group allocated ¥3.0 billion of its R&D expenditures to the Power Generation and Sale segment, ¥1.1 billion to the Electricity Transmission and Distribution segment, ¥0.1 billion to the Other Energy Services segment and ¥0.3 billion to the ICT Services segment in the fiscal year ended 31 March 2024.

Regulations

The Company is regulated principally under the Electricity Business Act. The Electricity Business Act is the law regulating electricity suppliers in Japan, and the principal governmental authority responsible for the supervision of such electricity suppliers is METI.

This section includes a description of the regulations applicable to Specified Electric Utilities (in this section, meaning persons who were General Electric Utilities as defined in the Electricity Business Act prior to its revision by the Second Stage Revision Act (as defined below); the business of such General Electric Utilities includes all of the electricity generation business, general power transmission and distribution business, and retail electricity sales business as defined in the Electricity Business Act), including the Company. This section also includes an outline of electricity industry regulations applicable to Japanese electricity suppliers and regulations applicable to persons who have installed nuclear power reactors. In addition, this section provides a description of environmental regulations applicable to electricity suppliers in Japan.

In this "—Regulations" section, the term "electric power facilities" means machinery, equipment, dams, waterways, reservoirs, transmission lines and other facilities installed for generation, storage, transformation, transmission, distribution or use of electricity (excluding those installed in vessels, vehicles or aircraft, and others prescribed by a cabinet order).

Regulation of Electricity Business

Any person who engages in the electricity generation business, general power transmission and distribution business or retail electricity sales business is mainly subject to the following regulations in accordance with the Electricity Business Act:

Electricity Generation Business Operators

Any person who intends to become an electricity generation business operator (meaning a person who engages in electricity generation business conducted using electric power facilities for power generation of a certain size or larger) must file a notification with METI concerning its planned engagement in the electricity generation business.

If an electricity generation business operator has agreed to generate and supply electricity for the general power transmission and distribution business using electric power facilities for power generation which it maintains and operates, it may not refuse to generate and supply electricity without a justifiable reason.

General Power Transmission and Distribution Business Operators

Licensing Requirement to Engage in General Power Transmission and Distribution Business

Any person who intends to become a general power transmission and distribution business operator (meaning a person who affects the supply-demand balance in its entire service area by providing wheeling service and other services in that area using electric power facilities for power transmission and distribution which it maintains and operates) must obtain a licence from METI to engage in the general power transmission and distribution business.

A licence to be a general power transmission and distribution business operator may not be granted unless certain conditions are met, including that the planned general power transmission and distribution will meet demand in its service area.

METI has the authority to revoke this licence if, among others, the relevant general power transmission and distribution business operator violates any provision of the Electricity Business Act or any order issued thereunder resulting in, in METI's judgment, harm to the public interest.

Regulation of Corporate Reorganisation

Transfer or acquisition of a general power transmission and distribution business in its entirety, as well as consolidation, merger or corporate split (but only where the general power transmission and distribution business is transferred in its entirety to another entity through a corporate split), by a general power transmission and distribution business operator will not be effective unless such transaction is approved by METI.

Generally, if a general power transmission and distribution business operator intends to transfer, or create any right other than the right of ownership (such as a security interest) in, certain facilities used for its general power transmission and distribution business, it must file a prior notification to METI.

If a general power transmission and distribution business operator intends to suspend or terminate all or any part of its general power transmission and distribution business, it must obtain permission from METI. Furthermore, a resolution of the general meeting of shareholders to dissolve a general power transmission and distribution business operator will not be effective unless and until it is approved by METI.

Regulation of General Power Transmission and Distribution Business

A general power transmission and distribution business operator may not refuse to provide wheeling service and other services in its service area without a justifiable reason. In addition, a general power transmission and distribution business operator may not refuse to provide last resort service (meaning electricity supply to customers located on isolated islands or in other remote areas who are unable to receive electricity supply from retail electricity sales business operators or other businesses) without a justifiable reason. A general power transmission and distribution business operator must supply electricity to customers located on isolated islands or in other remote areas (universal service on isolated islands or in other remote areas) at rates similar to those in areas other than such isolated islands or other remote areas in accordance with terms and conditions filed with METI (terms and conditions for electricity supply on isolated islands or in other remote areas).

Regulation Concerning Terms and Conditions of Electricity Wheeling Service

Generally, general power transmission and distribution business operators must obtain approval from METI for rates and other terms and conditions of wheeling service and other services in their service areas. Such approval is subject to the condition that the rates are calculated at a fair cost under efficient management plus fair return on capital basis, among other things. However, it is sufficient to file a notification only in the case of any amendments to such terms and conditions that reduce rates and in other cases that are unlikely to jeopardise the interests of retail customers.

If METI judges that any rate or other term or condition of wheeling service or other services by any general power transmission and distribution business operator has become materially inappropriate due to any change in social or economic conditions and that such situation hinders the promotion of the public interest, METI may order such general power transmission and distribution business operator to change the rates and other terms and conditions of its electricity supply.

Legislation-based Separation of Power Transmission and Distribution Business

General power transmission and distribution business operators may not engage in retail electricity sales business, electricity generation business or specified wholesale supply business, unless they have obtained a licence from METI as such business is, in METI's judgment, particularly necessary to secure the interests of electricity users within their service areas.

Restrictions on Concurrent Positions

A director or executive officer of a general power transmission and distribution business operator may not serve concurrently as a director, executive officer, other officer who executes business or employee of a specified related business operator (*i.e.*, a retail electricity sales business operator, electricity generation business operator or specified wholesale supplier that is a subsidiary, parent company or parent company's subsidiary, etc., or a person who substantially controls the management of such a business operator) of such general power transmission and distribution business operator, unless holding multiple positions is unlikely to impede fair competition among electricity suppliers. An employee of a general power transmission and distribution business operator may not serve concurrently as a director, etc. of a specified related business operator of such general power transmission and distribution business operator.

Retail Electricity Sales Business Operators

Any person who intends to become a retail electricity sales business operator (meaning a person who engages in the retail electricity sales business, which supplies electricity to meet general demand, but excluding any portion of its business falling within the definitions of either general power transmission and distribution business or electricity generation business) must register with METI to engage in the retail electricity sales business.

Retail electricity sales business operators must secure the supply capacity necessary to meet the electricity demand of the recipients of their retail supply, except where there is any justifiable reason. METI must refuse to register persons who are unlikely to secure such supply capacity, and other persons who are considered inappropriate to protect the interests of electricity users, for engagement in the retail electricity sales business.

The retail electricity sales business of Specified Electric Utilities, including the Company, continues to be subject to the obligation to supply electricity to low-voltage sector customers that consume less than 50kW with voltages of less than 6,000 volts and the regulation of retail electricity rates as a transitional measure for a certain period of time until fair competition among retail electricity sales business operators is ensured. The government will decide whether to lift such regulation after reviewing, approximately once a year from April 2020, the judgment of the Electricity and Gas Market Surveillance Commission as to whether fair competition among retail electricity sales business operators has been ensured.

Surveillance of Electricity Suppliers by the Electricity and Gas Market Surveillance Commission

Pursuant to the Third Stage Revision Act (as defined below), the Electricity Market Surveillance Commission was established on 1 September 2015 (and reorganised as the Electricity and Gas Market Surveillance Commission on 1 April 2016) to, among other things, monitor electricity transactions and enforce conduct restrictions. It has been authorised by METI to request reports from and conduct on-site inspections of electricity suppliers in connection with ensuring proper electricity transactions, and may make necessary recommendations to electricity suppliers when it deems it necessary to ensure proper electricity transactions.

Preferential Rights

Holders of bonds issued by the end of March 2025 by general electricity transmission and distribution business operators, including the Company, electricity transmission business operators, electricity generation business operators and their respective parent companies accredited by METI have the right to receive payment of their claims from the company's property in preference to the other unsecured creditors (preferential right). Such right is subject to certain general preferential rights prescribed by the Civil Code.

The preferential rights granted formerly to loans made by DBJ to Specified Electric Utilities were abolished as a result of the enforcement of the Third Stage Revision Act on 1 April 2020. However, the preferential rights in connection with the loans made by DBJ to Specified Electric Utilities prior to such abolition will remain effective.

Regulation Relating to Security

Any person who has installed electric power facilities for business use (an "Electric Power Facility Installer"), including the Company, must maintain its electric power facilities for business use in conformity with technical standards prescribed by an ordinance of the competent ministry under the Electricity Business Act.

If an Electric Power Facility Installer intends to conduct any construction to install or change its electric power facilities for business use, it must generally file a notification with the principal governmental authority with respect to its plan for the construction.

Any Electric Power Facility Installer must establish security rules relating to the construction, maintenance and operation of electric power facilities for business use, and file the security rules with the principal governmental authority in advance of commencement of use or, as the case may be, construction of the relevant electric power facilities for business use.

An Electric Power Facility Installer is required to conduct self-inspections of its electric power facilities for business use before using them. In addition, an Electric Power Facility Installer is required to conduct periodic operator's inspections of certain material electric power facilities including boilers and turbines used for power generation. For example, steam turbines in thermal power stations must be inspected every four years and boilers every two years.

Regulation Relating to Specified Essential Infrastructure Service Providers

Under the Promotion of Ensuring National Security through Integrated Implementation of Economic Measures Act (Act No. 43 of 2022, as amended), any person who has been designated as a business operator who engages in specified essential infrastructure services and meets a certain criteria (a "Specified Essential Infrastructure Service Provider"), under which the Company and Kyushu Electric Transmission and Distribution Co., Inc. fall, and intends to introduce a specified critical facility or entrust a third party with the critical maintenance and management of such facility must file a prior notification of the introduction or entrustment plan with the competent minister. The proposed introduction or entrustment may not be implemented until 30 days have passed from the date of receipt of the notice by the competent minister. In addition, in certain cases, the competent minister may recommend or order any modification or abandonment of the proposed introduction or entrustment.

Regulation of Nuclear Power Generation

Regulation Relating to Installation, Operation and Decommissioning

Nuclear power reactors (including Sendai Nuclear Power Station Units No. 1 and No. 2, and Genkai Nuclear Power Station Units No. 1 through No. 4 owned by the Company) are subject to more stringent regulations than those imposed on other types of electric power stations, principally under the Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors (the "Act on Regulation of Reactors, etc.").

Any person who has installed a nuclear power reactor (a "Nuclear Power Reactor Installer"), including the Company, must maintain its nuclear power reactor in conformity with technical standards under the Act on Regulation of Reactors, etc. Following the accident at TEPCO's Fukushima Daiichi Nuclear Power Station, new regulatory standards for nuclear power stations were established in 2013 to develop countermeasures against, among others, severe accidents. This introduced a system which reflects the latest technical knowledge in its standards from time to time and requires existing facilities to conform to such evolving standards (the so-called "back-fit" system). If technical standards for safety are strengthened to reflect the latest technical knowledge, the Company may be required to take additional safety measures for its nuclear power reactors, and to suspend operation of its nuclear power reactors until the Company complies with this requirement.

If a Nuclear Power Reactor Installer intends to conduct any work to install or change a nuclear power reactor, it must obtain prior permission or approval from the NRA. In addition, a Nuclear Power Reactor Installer must establish security rules relating to measures necessary for security purposes before commencing work on the installation of a nuclear power reactor at an existing nuclear power station, and obtain approval from the NRA.

In addition to a pre-operational inspection, a Nuclear Power Reactor Installer must also conduct a periodic operator inspection of the facilities of nuclear power stations after they are put into operation, and have the status of such inspection verified by the NRA. The operation of a nuclear power reactor must be halted during the periodic operator inspection, and the nuclear power reactor may not resume commercial operation until such inspection has been completed.

Many nuclear power reactors in Japan are currently subject to suspension of operation, mainly because they must satisfy the new and more stringent regulatory standards referred to above. To date, 12 power station units, including the Sendai Nuclear Power Station Units No. 1 and No. 2 and Genkai Nuclear Power Station Units No. 3 and No. 4 owned by the Company, have obtained the three principal permissions or approvals required under such standards to recommence operation, namely permission for amendment of installation of a nuclear power reactor, approval of amendment of construction plans and approval of security rules, and have recommenced operation.

The NRA will, among other things, verify the status of the pre-operational inspection and periodic operator inspection conducted by a Nuclear Power Reactor Installer, and the status of the nuclear power reactor's compliance with the technical standard under the Act on Regulation of Reactors, etc., and may, if necessary, order the Nuclear Power Reactor Installer to suspend the use of or rebuild the nuclear power reactor and its incidental facilities or take any other measures necessary for security reasons.

The operational life of a nuclear power reactor is set at 40 years following first passage of the pre-operational inspection referred to above. However, this may be extended only once, for up to 20 additional years, upon approval of the NRA after undergoing a more rigorous examination. Sendai Nuclear Power Station Units No. 1 and No. 2 received approval for such extension in November 2023. However, pursuant to the revision of the Electricity Business Act, the Act on Regulation of Reactors, etc., and other relevant laws in accordance with the so-called GX Decarbonized Power Sources Act, which was enacted in May 2023 and will take effect in June 2025, if, as of June 2025, a Nuclear Power Reactor Installer intends to operate a nuclear power reactor for more than 30 years from the date of the approval described above, it must obtain approval from the NRA every 10 years or less. Sendai Nuclear Power Station Units No. 1 and No. 2 and Genkai Nuclear Power Station Unit No. 3, which have been in operation for 30 years as of June 2025, require approval by June 2025. In addition, pursuant to the above-mentioned revision, the period during which a nuclear power reactor is shut down due to an event unforeseeable by a nuclear operator, such as changes in the system or operation of safety regulations due to revisions of laws and regulations following the Great East Japan Earthquake, or the time required to respond to a court's provisional disposition order, is no longer included in the "operational life" above, and therefore a nuclear power reactor may be in operation for more than 60 years.

If a Nuclear Power Reactor Installer intends to decommission a nuclear power reactor, it must prepare a decommissioning plan in advance and obtain approval from the NRA. The Company decided not to apply for an extension of the operational life of Genkai Nuclear Power Station Unit No. 1 in March 2015. The operation of Genkai Nuclear Power Station Unit No. 1 was suspended in April 2015 and the Company was notified of its decommissioning.

Other

Any person who has installed a nuclear power station, including the Company, may enter into an agreement with local governments around the nuclear power station to ensure the safety of residents of that area, among others.

For example, pursuant to a safety agreement on Sendai Nuclear Power Station among the Company, Kagoshima Prefecture and Satsuma Sendai-shi, the Company will take all possible measures to ensure the safety of residents of, and preserve the environment of, areas around the nuclear power station. In addition, if the Company intends to increase or change its nuclear facilities, the Company must negotiate with the relevant officials of Kagoshima Prefecture and Satsuma Sendai-shi in advance. Those officials may conduct on-site investigation on the premises of the nuclear power station and other facilities, if necessary, to ensure the safety of residents of, and preserve the environment of, areas around the nuclear power station, or if they consider it otherwise necessary to do so.

Compensation Scheme for Nuclear Damage

The following compensation scheme for nuclear damage has been established for the purpose of, among others, aiding the victims of nuclear accidents should they occur.

First, the Nuclear Damage Compensation Act imposes unlimited and no-fault liability on nuclear operators (including the Company) to compensate for any nuclear damage, and puts the liability entirely on nuclear operators (it stipulates that no person other than the nuclear operator bearing the liability for compensation will assume any liability to victims, and that any related business operators that provide nuclear operators with equipment or other items will be released from compensation claims of victims).

In addition, to ensure that compensation liability will be satisfied promptly and consistently, the law requires nuclear operators to take measures to compensate for nuclear damage, including execution of a nuclear damage liability insurance contract and a nuclear damage compensation and indemnification contract in the prescribed compensation amount (in the case of a nuclear power reactor of 10,000 kW or more, the maximum compensation amount of ¥120 billion based on the current Nuclear Damage Compensation Act). Based on such requirement, the Company has executed a nuclear damage liability insurance contract and a nuclear damage compensation and indemnification contract with a compensation amount of ¥120 billion per facility (nuclear power station).

If any nuclear damage exceeding the compensation amount occurs, the Japanese government may provide the nuclear operator liable for compensation with financial support to cover compensation costs through the NDF, pursuant to the Nuclear Damage Compensation and Decommissioning Facilitation Corporation Act. The Nuclear Damage Compensation and Decommissioning Facilitation Corporation Act requires nuclear operators to make a general contribution (*ippan futankin*) each year to pay costs of the NDF's operations.

Reflecting the fact that TEPCO has become liable for a huge amount of damage compensation as a result of the Fukushima Daiichi Nuclear Power Station accident, the Japanese government has discussed a possible revision of the prescribed maximum compensation amount described above, and continues to consider such revision as necessary to ascertain whether the risk of accidents has been reduced through, among others, measures to respond to a new safety regulation introduced after the accident and voluntary initiatives taken by business operators.

Regulation Relating to Reprocessing of Spent Nuclear Fuel

Pursuant to the Reprocessing Contribution and Decommissioning Promotion Act, which became effective in October 2016 (and amended since), NuRO, an accredited corporation which reprocesses or otherwise handles spent nuclear fuel, has been established. Any person who has installed a nuclear power reactor for commercial use, including the Company, must contribute to NuRO funds necessary for, among others, the reprocessing of spent nuclear fuel and related MOx (Mixed-Oxide) fuel processing business and disposal of radioactive waste in accordance with the act.

Environmental Regulation

As business operators engaged in public services, electricity suppliers are required to conduct their business activities subject to various laws relating to environmental regulation.

Global environmental preservation measures include the Act on Promotion of Global Warming Countermeasures, which requires measures to reduce CO_2 emissions, a feed-in tariff (FIT) scheme for renewable energy, which obligates electricity suppliers to purchase electricity generated from renewable energy sources at such price and for such period as designated by the central government, and a FIP system that adds a certain premium to the selling price of electricity generated from renewable energy sources. In addition, in order to achieve carbon neutrality by 2050, a system review has been conducted in connection with the Act on the Promotion of Environmentally Friendly Use of Energy Sources and Effective Use of Fossil Energy Materials by Energy Suppliers, the main purpose of which is to promote the use of non-fossil energy sources by retail business operators, and the Act on Rationalization of Energy Use and Shift to Non-fossil Energy, which is intended to urge electricity generation business operators to improve the power generation efficiency of thermal power generation.

Legal regulations as to the preservation of communities and living environments include the Air Pollution Control Act, the Water Pollution Control Act and the Noise Regulation Act, under which direct emission standards may be applied to the maintenance and operation of facilities.

Legal regulations to create a recycling-oriented society include the Waste Management and Public Cleansing Act and the Act on Special Measures Concerning Promotion of Proper Treatment of Polychlorinated Biphenyl ("PCB") Wastes, which set forth methods of treating wastes, including PCBs.

Legal regulations relating to the installation or modification of facilities such as large-scale electric power facilities include the Environmental Impact Assessment Act. This Act provides that no person may start constructing a large-scale electric power facility which is likely to materially affect the environment, unless it obtains permission after environmental impact assessment procedures. In addition, development regulations such as those based on the Natural Parks Act, which are intended to conserve the natural environment, may be applied.

Moreover, many local governments have their own environmental regulations, which may include more stringent regulations than those under the laws above.

Electricity System Reform

The Act on the Partial Revision of the Electricity Business Act, which was enacted on 13 November 2013 (the "First Stage Revision Act"), sets forth (i) a series of general provisions for implementing a three-phase progressive reform of the electricity system, based on which the Second Stage Revision Act and Third Stage Revision Act (as referred to below) have been enacted, and (ii) specific provisions of the first phase reform as referred to below.

The general provisions were intended to ensure a stable electricity supply, reduce electricity rates to the maximum extent possible and broaden options for customers and business opportunities in the electricity supply business, and to advance a three-phase reform comprised of three major pillars: (1) establishment of an entity named the OCCTO, which will be responsible for adjusting the supply-demand balance on a nationwide basis and other functions, (2) fully deregulating the retail electricity sales and electricity generation sectors, and (3) further promoting neutrality of the transmission/distribution business with respect to specified distribution business operator through legislation-based separation (measures which prohibit the same legal entity from engaging in both the power transmission and distribution business and the retail electricity sales or wholesale electricity business), while providing for comprehensive inspection of each phase to solve any issues and for necessary actions based on the results of these inspections.

Then, as the second phase of the reform, the Act on the Partial Revision of the Electricity Business Act, etc. (the "Second Stage Revision Act") was enacted on 11 June 2014. This law, which contains measures necessary to fully deregulate participation in retail electricity sales, came into force on 1 April 2016.

Furthermore, as the third phase of the reform, the Act on the Partial Revision, etc. of the Electricity Business Act, etc. (the "Third Stage Revision Act") was enacted on 17 June 2015, under which a legislation-based separation of the electricity transmission and distribution business from the retail electricity sales business and electricity generation business became effective as of 1 April 2020. Thereafter, if it is determined that customers' interests would not be inhibited given the progress of competitive environment, the regulation of retail electricity rates per supply area will be removed.

Act on the Protection of Personal Information

The Group receives and manages personal information from a large number of customers, especially in connection with its electricity supply. The Act on the Protection of Personal Information and its related rules, regulations and guidelines impose various requirements on businesses, including the Group, that use databases containing personal information, such as appropriate custody of such information and restrictions on information sharing with third parties.

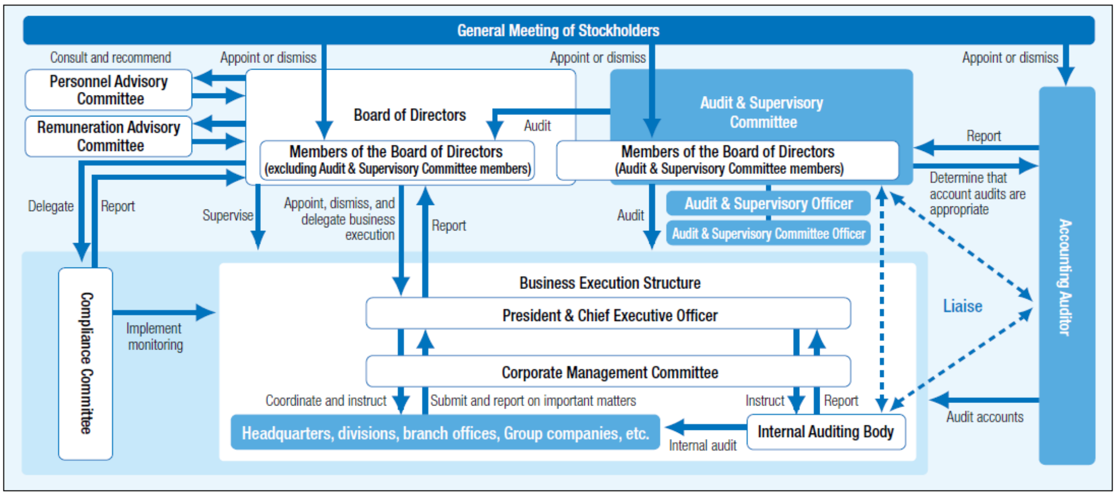
Corporate Governance

Basic Stance on Corporate Governance

The Group believes that engaging in operations that are socially meaningful from a long-term perspective leads to sustainable value for all stakeholders. In order to properly carry out these business activities, the Group is striving to strengthen its corporate governance system. In the fiscal year ended 31 March 2019 the Company transitioned to a company with an Audit and Supervisory Committee based on its belief in the importance of strengthening governance and accelerating decision-making in order to respond to the rapidly changing business environment with greater flexibility and speed than before.

In addition to implementing an organisational design system, the Group believes it is important to improve the effectiveness of its operations, and is working to further improve operational effectiveness through initiatives such as having external directors attend Corporate Management Committee meetings and instituting Director Roundtables, a forum for all directors to freely exchange opinions.

The following diagram sets out the Company's corporate governance structure:



Sustainability

In December 2021 the Group established its sustainability policy, under which the Group intends to contribute to a sustainable society and enhance its corporate value, by creating both "social value" and "economic value" through its businesses. The Group's mission is to support people's lives and the economy by providing energy and to work together with local communities to resolve social issues through its business activities. The Group also aims to cultivate strong relationships of trust with its stakeholders through responsible engagement, and to take on the challenge of solving global social issues and contribute to the achievement of the sustainable development goals.

In addition, in April 2021, the Group formulated the Kyuden Group Carbon Neutral Vision 2050, declaring its commitment to take on the challenge of achieving carbon neutrality and strive to become a corporate group that leads the way in Japan's decarbonisation from Kyushu, as an industry leader in low-carbon and carbon-free efforts. To that end, the Group has established policies with the intention of lowering the carbon intensity of and decarbonising energy sources, alongside promoting electrification.

Insurance

The Group maintains insurance policies against accidents and disasters with respect to, among others, facilities related to its electricity supply business, to the extent practicable. These policies include coverage against fires, explosions and other incidents in respect of certain power generators (including nuclear power stations), tanks of over a certain size, fuel held in tanks and major transformers at transformation facilities.

For compensatory damage payable by any nuclear power station operators pursuant to the Nuclear Damage Compensation and Decommissioning Facilitation Corporation Act, see "—Regulations—Compensation Scheme for Nuclear Damage".

Legal Proceedings

The Group is currently involved in certain legal disputes and proceedings that have arisen during its normal course of business. The Group also from time to time faces other legal proceedings, and is currently involved in legal proceedings relating to the Company's nuclear power stations, including claims to cease their operations and requests for injunctions for the cessation of their operations. While the Company currently does not expect such claims and requests to be successful, should they turn out to be successful, that could materially adversely affect the Group's business, financial condition or results of operations. Apart from the above, the Group is not involved in any litigation or other legal proceedings that it believes would individually or in the aggregate have a material adverse effect on the Group's business, financial condition or results of operations.

MANAGEMENT AND EMPLOYEES

Management

The Company's Board of Directors have ultimate responsibility for the management and administration of the affairs of the Company. The Company's Board of Directors establishes the Company's basic management policy and has decision-making authority over certain prescribed matters. The Group's articles of incorporation provide for no more than 19 Directors. As of the date of this Offering Circular, the Company has 14 Directors, including five who qualify as outside directors under the Companies Act. The Company's Directors who are Audit and Supervisory Committee members may not serve concurrently as managers or as any other type of employee of the Company outside of their director role. The Company's Directors are elected at a general meeting of shareholders. The normal term of office of Directors expires at the close of the ordinary general meeting of shareholders held with respect to the fiscal year ending within one year after their appointment.

In addition, the Company's Board of Directors must appoint senior executive officers (*yakutsuki shikko yakuin*) and executive officers (*shikko yakuin*), who are responsible for conducting all business operations of the Company within the scope of authority delegated to them by the Company's Board of Directors.

The Company has established an Audit and Supervisory Committee as well as two voluntary committees: a Personnel Advisory Committee and a Remuneration Advisory Committee, each comprised entirely of Directors, the majority of which must qualify as outside directors. The roles of the Audit and Supervisory Committee, the Personnel Advisory Committee, and the Remuneration Advisory Committee are as follows:

- the Audit and Supervisory Committee, which consists of four Directors, including three outside directors, receives reports, discusses and makes resolutions on important matters related to audits stipulated in laws and regulations and the Articles of Incorporation and monitors the execution of duties by Directors and executive officers;

- the Personnel Advisory Committee, which consists of four Directors, including three outside directors, determines the contents of proposals for submission to the Company's Board of Directors concerning the appointment and dismissal of Directors; and

- the Remuneration Advisory Committee, which consists of four Directors, including three outside directors, formulates compensation policies for directors (excluding Directors who are Audit and Supervisory Committee members) and executive officers of the Company and determines detailed compensation for each individual.

The Company is required to appoint and has appointed an independent auditor, who audits the financial statements to be submitted to the shareholders and preparing its audit report thereon. Currently, the Company's independent auditor is Deloitte Touche Tohmatsu LLC.

The Company's Directors and their committee memberships as of the date of this Offering Circular are set out in the table below:

Name	Title	Committee
Michiaki Uriu	Chairperson and Director	
Kazuhiro Ikebe	President, CEO and Director	Personnel Advisory Committee, Remuneration Advisory Committee
Noboru Hashimoto	Vice-Presidential Executive Officer and Director	
Atsushi Soda	Vice-Presidential Executive Officer and Director	
Yoshiharu Senda	Senior Managing Executive Officer and Director	
Takashi Nakano	Senior Managing Executive Officer and Director	
Masaru Nishiyama	Senior Managing Executive Officer and Director	
Michio Hayashida	Senior Managing Executive Officer and Director	

Name	Title	Committee
Sakie Tachibana Fukushima[1]......	Director	Personnel Advisory Committee, Remuneration Advisory Committee
Yuji Hirako[1]...............................	Director	Personnel Advisory Committee, Remuneration Advisory Committee
Yoshiro Uchimura	Director	Audit and Supervisory Committee
Yuji Oie[1]....................................	Director	Audit and Supervisory Committee
Tomoka Sugihara[1]......................	Director	Personnel Advisory Committee, Remuneration Advisory Committee, Audit and Supervisory Committee
Yuka Shigetomi[1]........................	Director	Audit and Supervisory Committee

Note:
(1) Outside Director under the Companies Act.

All the Directors of the Company, other than the Outside Directors, are engaged in the business of the Company on a full-time basis.

The Company's Senior Executive Officers as of the date of this Offering Circular are set out in the table below:

Name	Title
Kazuhiro Ikebe..	President, CEO and Director
Noboru Hashimoto	Vice-Presidential Executive Officer and Director
Atsushi Soda	Vice-Presidential Executive Officer and Director
Yoshiharu Senda	Senior Managing Executive Officer and Director
Takashi Nakano	Senior Managing Executive Officer and Director
Masaru Nishiyama	Senior Managing Executive Officer and Director
Michio Hayashida	Senior Managing Executive Officer and Director
Junichi Fujimoto	Senior Managing Executive Officer
Koichi Ninomiya...	Senior Managing Executive Officer
Hiroto Kido...	Senior Managing Executive Officer
Katsuro Hiramine..	Senior Managing Executive Officer
Masamichi Shinohara	Senior Managing Executive Officer
Kazumitsu Higuchi..	Senior Managing Executive Officer

The business address for the Company's Directors is 1-82, Watanabe-dori 2-chome, Chuo-ku, Fukuoka, 810-8720, Japan.

The aggregate remuneration of the Directors (excluding the Outside Directors and the members of the Audit and Supervisory Committee), the members of the Audit and Supervisory Committee (excluding the Outside Directors) and the Outside Directors for the fiscal year ended 31 March 2024 paid by the Company was ¥492 million, ¥42 million and ¥60 million, respectively.

The Company has in place a Board Benefit Trust system which grants Shares to Directors (excluding Outside Directors who are also Audit and Supervisory Committee members) and Executive Officers. Under the Board Benefit Trust system, these Directors and Executive Officers are granted points on their position and their contributions towards achieving numerical performance targets for key management indicators and eligible recipients receive Shares from the trust account every three years within the trust period.

Under the Company's Articles of Incorporation, the Company may exempt its Directors, by resolution of the Board of Directors, from liabilities to the Company arising in connection with their failure to execute their duties in good faith and without gross negligence, within the limits stipulated by applicable laws and regulations. In addition, the Company's Articles of Incorporation provide that the Company may enter into liability limitation contracts with any of its Directors (excluding Directors who are delegated to execute operations) to limit the maximum amount of damages arising in connection with their failure to execute their duties in good faith and without gross negligence to the total amount stipulated in Article 425, Paragraph 1, Items 1 and 2 of the Companies Act.

As of 31 March 2024, no Director of the Company had an interest in any transaction which was unusual in its nature or conditions or significant to the Group's business which was effected by the Company. As of 31 March 2024, there were no outstanding loans granted by any company of the Group to the Company's Directors, and no guarantees provided by any company of the Group for the benefit of any of the Directors of the Company.

Employees

The following table sets out the number of full-time employees (excluding secondees to outside the Group and including secondees to the Group from outside) of the Group as of the dates indicated, according to reporting segments applicable to the dates indicated:

	As of 31 March		
	2022	**2023**	**2024**
Power Generation and Sale	5,411	4,935	4,843
Electricity Transmission and Distribution	5,240	3,791	3,770
Overseas	—	82	86
Other Energy Services	6,578	8,199	8,252
ICT Services	2,702	2,741	2,811
Urban Development	—	743	709
Other	1,295	605	621
Total	21,226	21,096	21,092

The Company considers the Group's labour relations (including those with the relevant labour unions) to be good.

Stock Option Plans

The Company currently has no stock option plans.

SUBSIDIARIES AND AFFILIATES

The following table sets out certain information as of 31 March 2024 with respect to the Company's principal consolidated subsidiaries and affiliates accounted for by the equity method:

Name	Capital	Percentage of Voting Rights Held by the Company	Business
	(Millions of yen, unless otherwise stated)	(Per cent.)	
Consolidated Subsidiaries			
Kyuden International Corporation	62,310	100.0	Acquisition and holding of securities of overseas electric companies
Kyushu Electric Australia Pty Ltd.	U.S.$218,721 thousand	100.0	Share ownership and management (funding, tax, accounting and other services) of Kyushu Electric Wheatstone Pty Ltd. and Kyushu Electric Trading Pty Ltd.
QTnet, Inc.	22,020	100.0	Supply of telecommunication lines
Kyushu Electric Wheatstone Pty Ltd.	U.S.$201,317 thousand	100.0 (100.0)	Ownership of mining interests and assets, trading and sales of output in Wheatstone LNG project
Kyushu Electric Power Transmission and Distribution Co. Inc.	20,000	100.0	General power transmission and distribution business
KYUDEN SARULLA PTE.LTD.	S$166,221 thousand	100.0 (100.0)	Geothermal power generation activities
Kyuden Mirai Energy Company, Inc.	11,570	100.0	Renewable energy business and energy supply
Oita Liquefied Natural Gas Company, Inc.	7,500	98.0	Obtaining, storing, gasifying, supply and selling of LNG
Kyuden International Netherlands b.v.	6,545	100.0 (100.0)	Acquisition and holding of securities of overseas electric companies
Kyuden Hsin Tao Power Holdings Co., Ltd.	TWD2,400,000 thousand	100.0 (100.0)	Investment in Hsin Tao IPP business company
DENKI BLDG. Co., Ltd.	3,395	100.0	Leasing and management of real estate
Kitakyushu Liquefied Natural Gas Company Inc.	4,000	75.0	Obtaining, storing, gasifying, supply and selling of LNG
Pacific Hope Shipping Limited	4,071	60.0	Purchasing, operating, chartering and renting of LNG carriers
Kushima Wind Hill Corporation	2,821	51.0 (51.0)	Sales of electricity generated by wind power
KYUDEN NEXT CO., INC	1,068	100.0	Distributed power supply business and energy utilization consulting
Kyushu Electric Trading Pty Ltd	U.S.$4,000 thousand	100.0 (100.0)	Procurement and sales of coal
Kyushu Rinsan Co., Inc.	490	100.0	Greening of power plants and other facilities
Nagashima Windhill Co., Ltd.	490	86.0 (51.0)	Sales of electricity generated by wind power
Fukuoka Energy Service Co., Inc.	490	80.0	Heat supply business

Name	Capital	Percentage of Voting Rights Held by the Company	Business
	(Millions of yen, unless otherwise stated)	**(Per cent.)**	
Nishimu Electronics Industries, Co., Ltd.	300	100.0	Manufacture, sales, installation and maintenance of telecommunication devices
Kyuden Technosystems Corporation	327	85.2 (3.8)	Manufacture and sales of electric machinery; installation, maintenance and management of electrical measurement equipment
Kyuden High Tech Corporation	200	100.0 (100.0)	Maintenance and repair of electricity facilities
KYUDEN T&D SERVICE CO., Inc.	200	100.0 (100.0)	Investigation and design of electric power facilities, and response related to wheeling supply
NISHI NIPPON AIRLINES CO., LTD.	360	54.7	Air cargo transportation
Nishinippon Plant Engineering and Construction Co., Ltd.	150	85.0	Construction, maintenance and repair of power generation facilities
Kyushu Kouatsu Concrete Industries Co., Ltd.	240	51.3	Manufacture and sales of concrete poles
KYUDEN SANGYO CO., Inc.	117	100.0	Environmental preservation work at power stations
Qsol Corporation	100	100.0	Development, operation and maintenance of information systems
Kyuden Business Front Inc.	100	100.0 (40.0)	Temporary staffing and job-placement services
Kyuden Good Life Company, Inc.	100	100.0	Paid elderly nursing home management and nursing services
Kyuden Good Life Company, Inc. Fukuoka Josui	100	100.0 (100.0)	Paid elderly nursing home management and nursing services
Kyuden Good Life Company, Inc. Kumamoto	100	100.0 (100.0)	Paid elderly nursing home management and nursing services
Kyuden Good Life Company, Inc. Kagoshima	100	90.0 (90.0)	Paid elderly nursing home management and nursing services
Kyuden Good Life Company, Inc. Higashi Fukuoka	100	70.0 (70.0)	Paid elderly nursing home management and nursing services
RKKCS Co., Ltd.	100	61.3 (61.3)	Development and sales of computer software
WEST JAPAN ENGINEERING CONSULTANTS, Inc.	40	100.0 (31.2)	Consultation and planning of civil engineering and construction
Kyuden Fudousan Co., Ltd	32	100.0	Leasing of real estate and site management
Kyuden Business Partner Co., Inc.	30	100.0	Entrustment and consulting of administrative work
Koyou Denki Kogyo Co., Ltd.	20	97.3	Manufacture and sales of high and low pressure insulators

Name	Capital	Percentage of Voting Rights Held by the Company	Business
	(Millions of yen, unless otherwise stated)	**(Per cent.)**	
Nishigi Kogyo	20	74.0 (43.0)	Construction and maintenance of civil engineering and construction, production, installation and maintenance of steel structures
Q United Energy Supply & Trading Co.	10	100.0	Sales and transportation of energy resources
Kyushu Maintenance Co., Ltd.	10	82.0 (48.0)	Cleaning and maintenance of real estate
Hibiki Power GK.	10	80.0	Thermal power-generation activities using LNG
Shimonoseki Biomass Energy GK.	1	100.0 (100.0)	Sales of electricity generated by biomass power-generation
Kyuden International Americas Inc.	U.S.$1	100.0 (100.0)	Investment in, acquisition and holding of securities of overseas electric companies
Kyuden International Europe B.V.	U.S.$1	100.0 (100.0)	Acquisition and holding of securities of overseas electric companies
Kyuden International Kleen, LLC	—	100.0 (100.0)	Investment in overseas electric companies
Kyuden International South Field Energy, LLC	—	100.0 (100.0)	Investment in overseas electric companies
Kyuden International Westmoreland, LLC	—	100.0 (100.0)	Investment in overseas electric companies
Kyuden Urban Development America, LLC	—	100.0	Investment in real estate business in the US
Nonconsolidated Subsidiaries Accounted for by the Equity Method			
KYUDEN INNOVATECH VIETNAM CO., LTD.	U.S.$4,200 thousand	100.0	System sales and consulting for dam and power generation operations
Kyuden Ilijan Holding Corporation	U.S.$3,050 thousand	100.0 (100.0)	Investment in Ilijan IPP business company
Kyuden T&D Global Co., Inc.	242	100.0 (100.0)	Acquisition and holding of securities of overseas electric companies
PT. Thermochem Indonesia	IDR11,050 million	95.0 (95.0)	Geothermal technology services and consulting
Records & Intelligence Management Co., Ltd	80	98.1 (71.9)	Recycling of confidential documents
Circular Park Kyushu Co., Ltd.	100	51.0	Consulting on the collection, transportation and treatment of general and industrial waste
Q-caption Center	60	78.3	Planning, production and business support for video data such as subtitles
NETWORK APPLICATION ENGINEERING LABORATORIES LTD.	45	99.9 (99.9)	Development and sales of information and communication systems
QTmedia, Inc.	40	99.9 (99.9)	Planning, production and management of website

Name	Capital	Percentage of Voting Rights Held by the Company	Business
	(Millions of yen, unless otherwise stated)	(Per cent.)	
Sengoku Co., Ltd.	30	85.2 (85.2)	Planning and operation of e-sports business
Washiodake Wind Power Co., Ltd.	10	100.0 (100.0)	Sales of electricity generated by wind power
RKKCS Soft Co., Ltd.	10	100.0 (100.0)	Development and sales of computer software
Nishigi Surveying and Design Co., Ltd.	10	100.0 (100.0)	Investigation, measurement, design, drafting and care of civil engineering/construction projects
Munakataasty Solar Power Co. Ltd.	10	100.0 (100.0)	Sales of electricity generated by solar power
Kyushu Highlands Development Co., Ltd.	10	100.0	Management of hotels
QE1 Flexibility Services LLC	10	100.0	Supply of ancillary services utilizing storage battery systems
Kyuden Energy Investment GK	10	100.0	Investment and financing in Goi United Generation LLC
Amami Oshima Wind Power Co., Ltd.	10	75.0 (75.0)	Sales of electricity generated by wind power
Fish Farm Mirai LLC	10	60.1 (5.5)	Aquaculture, processing and sales of seafood, as well as consulting services
Oak Partners Co., Ltd.	3	100.0 (100.0)	Real estate management
Thermochem, Inc.	U.S.$17 thousand	100.0 (100.0)	Geothermal technology services, manufacturing, sales, research and development of specialized equipment, and consulting
Affiliates Accounted for by the Equity Method			
Lion Power (2008) Pte. Ltd.	S$1,161,994 thousand	21.4 (21.4)	Investment in overseas electric companies
Electricidad Aguila de Tuxpan, S. de R.L. de C.V	MXN898,277 thousand	50.0 (50.0)	Power-generation activities using natural gas fuel
Hakata Naka6 Kaihatsu Tokutei Mokuteki Kaisha	19,001	25.0	Asset management related to the use of the site of the former Fukuoka City Fruit and Vegetable Market
Tobata Co-operative Thermal Power Co., Inc.	9,000	50.0	Thermal power-generation activities
Hsin Tao Power Corporation	TWD5,000,000 thousand	33.2 (33.2)	Power-generation activities using natural gas fuel
Hibiki Wind Energy Co., Ltd.	11,000	30.0 (30.0)	Power-generation activities using wind power on ocean
Kyushu Tohoku Enrichment Investing SAS	EUR62,583 thousand	50.0	Investment in uranium enrichment business
Kyudenko Corporation	12,561	22.8 (0.2)	Electric work
Fukuoka Clean Energy Co., Ltd.	5,000	49.0	Waste incineration and power generation business

Name	Capital	Percentage of Voting Rights Held by the Company	Business
	(Millions of yen, unless otherwise stated)	(Per cent.)	
Electricidad･Sol de Tuxpan, S. de R.L. de C.V	MXN493,407 thousand	50.0 (50.0)	Power-generation activities using natural gas fuel
Oita Co-operative Thermal Power Co., Inc.	4,000	50.0	Thermal power-generation activities
PetroGreen Energy Corporation	PHP2,849 million	25.0 (25.0)	Overseas renewable energy electricity business
Kyushu Cryogenics Co., Ltd.	450	50.0 (50.0)	Manufacture and sales of liquid oxygen, liquid nitrogen and liquid argon
KEYS Bunkering West Japan Co., Ltd.	450	40.0	LNG sales business and ship owning business
Kyuhen Co., Ltd.	225	35.9	Manufacture and sales of electrical equipment
Miyazaki Biomass Recycling Co., Ltd.	100	42.0 (42.0)	Power generation project using chicken manure as fuel
Kyushu Housing Guarantee Corporation	100	33.3 (10.0)	Housing and building assessments, security services
Seishin Corporation	100	28.1 (9.5)	Sales of electrical equipment
Fukuoka Airport Holdings Co., Ltd.	100	26.9 (2.4)	Investment in airport operations
Nishikyushu Kyodo Kowan Co., Ltd.	50	50.0 (50.0)	Operation and maintenance of coal handling equipment
Kyuken Corporation	100	15.2 [42.8]	Construction and repair of transmission lines
Nishi Nihon Denki Tekkou Co., Ltd.	30	33.5	Design, production and sales of steel towers and steel conduits
Tahara Green Biomass LLC	5	40.0 (40.0)	Sales of electricity generated by biomass power-generation
TEPDIA Generating B.V.	EUR18 thousand	25.0 (25.0)	Acquisition and holding of securities of overseas electric companies
International Offshore Power Transmission Holding Company Limited	U.S.$4,000	35.0 (35.0)	Investment in overseas electric companies
Al Dur Holding Company Limited	AED10 thousand	20.0 (20.0)	Investment in overseas power generation and desalination companies
Sojitz Birdsboro LLC	—	25.0 (25.0)	Investment in overseas electric companies
AEIF Kleen Investor, LLC	—	25.0 (25.0)	Investment in overseas electric companies
DGC Westmoreland, LLC	—	25.0 (25.0)	Investment in overseas electric companies

Notes:

(1) In the above table, S$ stands for Singapore dollars, TWD stands for Taiwan dollars, IDR stands for Indonesian rupiah, MXN stands for Mexican peso, EUR stands for euro, PHP stands for Philippine peso and AED stands for United Arab Emirates dirham.

(2) Figures in round parentheses denote indirect holding. Figures in square parentheses denote holding by associated persons.

(3) Each of DENKI BLDG. Co., Ltd. and Kyuden Fudousan Co., Ltd. have become 100 per cent. directly owned subsidiaries of the Company pursuant to share acquisitions taking effect on 6 March 2024.

JAPANESE TAXATION

The following is a general description of certain aspects of Japanese tax treatment primarily in relation to payments *of principal of and interest on the Bonds. It does not purport to be a comprehensive description of the tax treatment of the Bonds. Prospective investors should note that, although the general tax information on Japanese taxation is described hereunder for convenience, the statements below are general in nature and not exhaustive.*

Prospective investors are advised to consult their own legal, tax, accountancy or other professional advisers in order to ascertain their particular circumstances regarding taxation. The statements below are based on the current tax laws and regulations of Japan and the current income tax treaties entered into by Japan all as in effect on the date of this Offering Circular and all of which are subject to change or differing interpretations (possibly with retroactive effect). Neither such statements nor any other statement in this Offering Circular are to be regarded as advice on the tax position of any holder or beneficial owner of the Bonds or any person subscribing for, purchasing, selling or otherwise dealing in the Bonds or any tax implication arising from the subscription for or purchase, sale or other dealings in respect of the Bonds.

The Bonds

The Bonds do not fall under the concept of so-called "taxable linked bonds" as described in Article 6, Paragraph 4 of the Special Taxation Measures Act, *i.e.*, bonds of which the amount of interest is to be calculated or determined by reference to certain indicators (as prescribed in the Cabinet Order) in respect of the issuer of such bonds or any other person who has a special relationship with such issuer (that is, in general terms, a person who directly or indirectly controls or is directly or indirectly controlled by, or is directly or indirectly controlled by a person who also directly or indirectly controls, such issuer) as described in Article 6, Paragraph 4 of the Special Taxation Measures Act and Article 3-2-2, Paragraphs 5 to 7 of the Cabinet Order.

Representation by Investor upon Initial Distribution

By subscribing for the Bonds, an investor will be deemed to have represented that it is (i) a beneficial owner of the Bonds that is, for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation (a "Resident Holder"), nor (y) an individual non-resident of Japan or a non-Japanese corporation (a "Non-Resident Holder") that in either case is a Specially-Related Party of the Company, or (ii) a Designated Financial Institution. The Bonds are not as part of the initial distribution by the Joint Lead Managers at any time to be directly or indirectly offered or sold to, or for the benefit of, any person other than (i) a beneficial owner of the Bonds that is, for Japanese tax purposes, neither (x) a Resident Holder, nor (y) a Non-Resident Holder that is a Specially-Related Party of the Company, or (ii) a Designated Financial Institution.

Interest Payments on the Bonds

The following description of Japanese taxation (limited to national taxes) applies exclusively to interest on the Bonds, where the Bonds are issued by the Company outside Japan and payable outside Japan. It is not intended to be exhaustive and prospective purchasers are recommended to consult their tax advisers as to their exact tax position.

1. Non-Resident Holders that are not Specially-Related Parties of the Company

If the recipient of interest on the Bonds is a Non-Resident Holder for Japanese tax purposes, as described below, the Japanese tax consequences on such Non-Resident Holder are significantly different depending upon whether such Non-Resident Holder is a Specially-Related Party of the Company. Most importantly, if such Non-Resident Holder is a Specially-Related Party of the Company, income tax at the rate of 15.315 per cent. of the amount of such interest will be withheld by the Company under Japanese tax law.

(1) If the recipient of interest on the Bonds is a Non-Resident Holder that is not a Specially-Related Party of the Company having no permanent establishment within Japan or having a permanent establishment within Japan but where the receipt of the interest on the Bonds is not attributable to such permanent establishment, no Japanese income tax or corporate tax is payable with respect to such interest whether by way of withholding, deduction or otherwise, if such recipient complies with certain requirements, *inter alia*:

(i) if the relevant Bonds are held through certain participants in an international clearing organisation such as the Euroclear and Clearstream, Luxembourg or certain financial intermediaries prescribed by the Special Taxation Measures Act and the Cabinet Order (together with the ministerial ordinance and other regulations thereunder, the "Law") (each such participant or financial intermediary, a "Participant"), the requirement to provide, at the time of entrusting a Participant with the custody of the relevant Bonds, certain information (the "Interest Recipient Information") prescribed by the Law to enable the Participant to establish that the recipient is exempt from the requirement for Japanese tax to be withheld or deducted and to advise the Participant if such Non-Resident Holder ceases to be so exempted (including the case where it became a Specially-Related Party of the Company); and

(ii) if the relevant Bonds are not held through a Participant, the requirement to submit to the relevant paying agent a written application for tax exemption (*hikazei tekiyo shinkokusho*) (the "Written Application for Tax Exemption") together with certain documentary evidence.

Failure to comply with the foregoing requirements (including the case where the Interest Recipient Information is not duly communicated through a Participant or to the relevant paying agent as required under the Law) will result in the withholding by the Company of income tax at the rate of 15.315 per cent. of the amount of such interest.

(2) If the recipient of interest on the Bonds is a Non-Resident Holder having a permanent establishment within Japan and the receipt of interest is attributable to such permanent establishment, such interest will not be subject to a 15.315 per cent. withholding tax by the Company, if the recipient provides the Interest Recipient Information or submits the Written Application for Tax Exemption as set out in paragraph (1) above. Failure to do so will result in the withholding by the Company of income tax at the rate of 15.315 per cent. of the amount of such interest. The amount of such interest will be aggregated with the recipient's other Japanese source income and will be subject to regular income tax or corporate tax, as appropriate.

2. Resident Holders, and Non-Resident Holders that are Specially-Related Parties of the Company

Payments of interest on the Bonds to be made to a Resident Holder (except for (a) a Designated Financial Institution which has complied with the requirements under Article 6 of the Special Taxation Measures Act and (b) a public corporation, a financial institution, a financial instruments business operator or certain other entity which has complied with the requirement for tax exemption under Article 3-3, Paragraph 6 of the Special Taxation Measures Act which has received interest through a payment handling agent in Japan as defined in Article 3-3, Paragraph 1 of the Special Taxation Measures Act and Article 2-2, Paragraph 2 of the Cabinet Order (a "Japanese Payment Handling Agent")) or to a Non-Resident Holder that is a Specially-Related Party of the Company will be subject to deduction in respect of Japanese income tax at the rate of 15.315 per cent.

Under the Law, if a Non-Resident Holder becomes a Specially-Related Party of the Company, and if such Bonds are held through a Participant, then such Non-Resident Holder is required to notify the Participant of such change in status by the immediately following interest payment date of the Bonds. As the status of such Non-Resident Holder as a Specially-Related Party of the Company for Japanese withholding tax purposes is determined based on the status as of the beginning of the fiscal year of the Company in which the relevant interest payment date falls, such Non-Resident Holder should, by such notification, identify and advise the Participant of the specific interest payment date on which Japanese withholding tax commences to apply with respect to such Non-Resident Holder as being a Specially-Related Party of the Company.

The Japanese withholding tax imposed upon interest on the Bonds paid to a Non-Resident Holder that is a Specially-Related Party of the Company as mentioned above may be reduced or exempted by an income tax treaty between Japan and the country of residence of such Non-Resident Holder in accordance with its terms.

Capital Gains, Stamp Tax and Other Similar Taxes, Inheritance Tax and Gift Tax

Gains derived from the sale or disposition of the Bonds outside Japan by a Non-Resident Holder having no permanent establishment within Japan are, in general, not subject to Japanese income tax or corporate tax.

No stamp, issue, registration or similar taxes or duties will, under current Japanese law, be payable in Japan by holders of the Bonds in connection with the issue of the Bonds, or will such taxes be payable by holders of the Bonds in connection with their transfer if such transfer takes place outside Japan.

Japanese inheritance tax or gift tax at progressive rates may be payable by an individual, wherever resident, who has acquired the Bonds from another individual as legatee, heir or donee.

SUBSCRIPTION AND SALE

SMBC Nikko Capital Markets Limited, Mizuho Securities Asia Limited, Nomura International plc and Citigroup Global Markets Limited (together, the "Joint Lead Managers") have entered into a subscription agreement with the Company dated ● September 2024 in respect of the Bonds (the "Subscription Agreement"), under which, subject to the satisfaction of certain conditions set out therein, the Joint Lead Managers have agreed severally, but not jointly, to subscribe for the Bonds at 100 per cent. of the principal amount of the Bonds, in the amounts described below:

Joint Lead Managers	**Aggregate principal amount of the Bonds**
SMBC Nikko Capital Markets Limited	U.S.$●
Mizuho Securities Asia Limited	●
Nomura International plc	●
Citigroup Global Markets Limited	●
Total	U.S.$●

The Company has agreed to pay certain costs in connection with the issue and offering of the Bonds. The Joint Lead Managers are entitled to be released and discharged from their obligations under the Subscription Agreement or to terminate the Subscription Agreement in certain circumstances prior to payment to the Company as set out therein. The Company has agreed to indemnify the Joint Lead Managers against certain liabilities in connection with the issue and offering of the Bonds.

Selling Restrictions

United States

The Bonds have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Bonds have not been and will not be registered under the Securities Act or may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in accordance with Regulation S or pursuant to an exemption from the registration requirements of the Securities Act. Each Joint Lead Manager has represented and agreed that it has not offered or sold and will not offer or sell the Bonds (i) as part of their distribution, at any time or (ii) otherwise, until 40 days after the later of the commencement of the offering of the Bonds and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons, and only in accordance with Rule 903 of Regulation S, and it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration to whom it sells the Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meaning given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of the Bonds within the United States by any dealer (whether or not participating in the offering of the Bonds) may violate the registration requirements of the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S.

Prohibition of Sales to EEA Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "EU MiFID II"); or

(ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II; and

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds.

Prohibition of Sales to UK Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA"); or

(ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "FSMA") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; and

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds.

Other United Kingdom Regulatory Restrictions

Each Joint Lead Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and it will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Company; and

(b) it has complied with and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Singapore

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented, and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, the Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Japan

The Bonds have not been and will not be registered under the FIEA and are subject to the Special Taxation Measures Act. Each Joint Lead Manager has represented and agreed that, (I) it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan, or to, or for the benefit of, any person resident in Japan for Japanese securities law purposes (including any corporation or entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan, or to, or for the benefit of any person resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan; and, (II) it has not, directly or indirectly, offered or sold and will not, as part of its initial distribution at any time, directly or indirectly, offer or sell any Bonds to, or for the benefit of, any person other than (i) a beneficial owner that is, for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a Specially-Related Party of the Company (as defined below) or (ii) a Japanese financial institution, designated in Article 3-2-2, Paragraph 29 of the Cabinet Order relating to the Act on Special Measures Concerning Taxation of Japan (Cabinet Order No. 43 of 1957, as amended, the "Cabinet Order") that will hold Bonds for its own proprietary account (a "Designated Financial Institution").

Hong Kong

Each Joint Lead Manager has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "C(WUMP)O") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Important Notice to CMIs (including Private Banks)

This notice to CMIs (including Private Banks) is a summary of certain obligations the Code imposes on CMIs, which require the attention and cooperation of other CMIs (including Private Banks). Certain CMIs may also be acting as OCs for this offering and are subject to additional requirements under the Code.

Prospective investors who are the directors, employees or major shareholders of the Company, a CMI or its group companies would be considered under the Code as having an Association with the Company, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Bonds. In addition, Private Banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Company or any CMI (including its group companies) and inform the Joint Lead Managers accordingly.

CMIs are informed that the marketing and investor targeting strategy for this offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any UK MiFIR product governance language set out elsewhere in this Offering Circular.

CMIs should ensure that orders placed are *bona fide*, are not inflated and do not constitute duplicated orders (*i.e.* two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Bonds (except for omnibus orders where underlying investor information should be provided to the OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including Private Banks as the case may be) in the order book and book messages.

CMIs (including Private Banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Company. In addition, CMIs (including Private Banks) should not enter into arrangements which may result in prospective investors paying different prices for the Bonds.

The Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Joint Lead Managers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Bonds, Private Banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private Banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the Code. Private Banks should be aware that placing an order on a "principal" basis may require the Joint Lead Managers to apply the "proprietary orders" requirements of the Code to such order and will require the Joint Lead Managers to apply the "rebates" requirements of the Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including Private Banks) that are subject to the Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). CMIs (including private banks) should contact the Joint Lead Managers to obtain details on what underlying investor information is required. Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations" (as used in the Code);
- Whether any underlying investor order is a "Proprietary Order" (as used in the Code);
- Whether any underlying investor order is a duplicate order.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including Private Banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to the OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to the OCs. By submitting an order and providing such information to the OCs, each CMI (including Private Banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by the OCs and/or any other third parties as may be required by the Code, including to the Company, relevant regulators and/or any other third parties as may be required by the Code, for the purpose of complying with the Code, during the bookbuilding process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The Joint Lead Managers may be asked to demonstrate compliance with their obligations under the Code, and may request other CMIs (including Private Banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including Private Banks) are required to provide the relevant Joint Lead Manager with such evidence within the timeline requested.

By placing an order, prospective investors (including any underlying investors in relation to omnibus orders) are deemed to represent to the Joint Lead Managers that it is not a Sanctions Restricted Person. A "Sanctions Restricted Person" means an individual or entity (a "Person"): (a) that is, or is directly or indirectly owned or controlled by a Person that is, described or designated in (i) the most current "Specially Designated Nationals and Blocked Persons" list (which as of the date hereof can be found at: http://www.treasury.gov/ofac/downloads/sdnlist.pdf) or (ii) the Foreign Sanctions Evaders List (which as of the date hereof can be found at: http://www.treasury.gov/ofac/downloads/fse/fselist.pdf) or (iii) the most current "Consolidated list of persons, groups and entities subject to EU financial sanctions" (which as of the date hereof can be found at: https://data.europa.eu/data/datasets/consolidated-list-of-persons-groups-and-entities-subject-to-eu-financial-sanctions?locale=en); or (b) that is otherwise the subject of any sanctions administered or enforced by any Sanctions Authority, other than solely by virtue of the following (i) - (vi) to the extent that it will not result in violation of any sanctions by the CMIs: (i) their inclusion in the most current "Sectoral Sanctions Identifications" list (which as of the date hereof can be found at: https://www.treasury.gov/ofac/downloads/

ssi/ssilist.pdf) (the "SSI List"), (ii) their inclusion in Annexes 3, 4, 5 and 6 of Council Regulation No. 833/2014, as amended by Council Regulation No. 960/2014 (the "EU Annexes"), (iii) their inclusion in any other list maintained by a Sanctions Authority, with similar effect to the SSI List or the EU Annexes, (iv) them being the subject of restrictions imposed by the United States Department of Commerce's Bureau of Industry and Security ("BIS") under which BIS has restricted exports, re-exports or transfers of certain controlled goods, technology or software to such individuals or entities; (v) them being an entity listed in the Annex to the new Executive Order of 3 June 2021 entitled "Addressing the Threat from Securities Investments that Finance Certain Companies of the People's Republic of China" (known as the Non-SDN Chinese Military-Industrial Complex Companies List), which amends the Executive Order 13959 of 12 November 2020 entitled "Addressing the threat from Securities Investments that Finance Chinese Military Companies"; or (vi) them being subject to restrictions imposed on the operation of an online service, Internet application or other information or communication services in the United States directed at preventing a foreign government from accessing the data of U.S. persons; or (c) that is located, organized or a resident in a comprehensively sanctioned country or territory, including Cuba, Iran, North Korea, Syria, the Crimea region of Ukraine, the Donetsk's People's Republic or Luhansk People's Republic. "Sanctions Authority" means: (a) the United Nations; (b) the United States; (c) the European Union (or any of its member states); (d) the United Kingdom; (e) the People's Republic of China; (f) any other equivalent governmental or regulatory authority, institution or agency which administers economic, financial or trade sanctions; and (g) the respective governmental institutions and agencies of any of the foregoing including, without limitation, the Office of Foreign Assets Control of the United States Department of the Treasury, the United States Department of State, the United States Department of Commerce and His Majesty's Treasury.

Switzerland

The Offering Circular is not intended to constitute an offer or solicitation to purchase or invest in the Bonds. The Bonds may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act (the "FinSA") and no application has or will be made to admit the Bonds to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither the Offering Circular nor any other offering or marketing material relating to the Bonds constitutes a prospectus pursuant to the FinSA, and neither the Offering Circular nor any other offering or marketing material relating to the Bonds may be publicly distributed or otherwise made publicly available in Switzerland.

General

Neither the Company nor any of the Joint Lead Managers represents that the Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating such sales.

Other Relationships

Certain of the Joint Lead Managers or their affiliates may purchase the Bonds and be allocated the Bonds for asset management and/or proprietary purposes but not with a view to distribution.

In connection with the offering of the Bonds, any Manager may purchase the Bonds for its or their own account and may for its or their own account enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps or other derivatives relating to the Bonds and/or other securities of the Company or its subsidiaries or affiliates and/or components of such Bonds and/or other securities, at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). As a result of such transactions any of the Joint Lead Managers may hold long or short positions in the Bonds and/or derivatives relating thereto. No disclosure will be made of any such positions.

Certain of the Joint Lead Managers or their affiliates have in the past provided, are currently providing and may in the future provide, investment and commercial banking, underwriting, advisory and other services to the Company and its subsidiaries and affiliates for which they have received, expect to receive or may receive (as the case may be) customary compensation. Interests may evolve out of these transactions that could potentially conflict with the interests of a purchaser of the Bonds. In particular, Mizuho Bank, Ltd. ("Mizuho Bank") is one of the Company's principal bank lenders and is an affiliate of Mizuho Securities Asia Limited, a Joint Lead Manager in respect of the offering of the Bonds. A significant portion of the Company's short-term and long-term borrowings is held by Mizuho Bank. Mizuho Bank is also one of the Company's principal shareholders and a holder of its preferred stock. Sumitomo Mitsui Banking Corporation is one of the Company's principal bank lenders and is an affiliate of SMBC Nikko Capital Markets Limited, a Joint Lead Manager in respect of the offering of the Bonds.

In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Company or its subsidiaries or affiliates. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Company or its subsidiaries or affiliates routinely hedge their credit exposure to it consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Company's securities, including potentially the Bonds. Any such short positions could adversely affect future trading prices of the Bonds. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

GENERAL INFORMATION

1. The Bonds have been accepted for clearance through Euroclear and through Clearstream, Luxembourg. The ISIN for the Bonds is XS2905589649 and the Common Code for the Bonds is 290558964. The LEI for the Company is 549300BYNZPLKQVQH430.

2. Approval in-principle has been received for the listing of the Bonds on the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of U.S.$200,000 for so long as the Bonds are listed on the SGX-ST. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Company will appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption, in the event that the Global Certificate is exchanged for definitive Certificates. In addition, in the event that the Global Certificate is exchanged for definitive Certificates, an announcement of such exchange shall be made by or on behalf of the Company through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Certificates, including details of the paying agent in Singapore.

3. The Company has obtained all necessary consents, approvals and authorisations in Japan, if any, in connection with the issue and performance of the Bonds. The issue of the Bonds was authorised by a resolution dated 28 March 2024 of the Board of Directors of the Company.

4. Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Group and no material adverse change in the prospects of the Group since 31 March 2024.

5. Save as disclosed in this Offering Circular, neither the Company nor any other member of the Group is, or has been involved in, any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the 12 months preceding the date of this Offering Circular, a significant effect on the financial position or the profitability of the Group nor is the Company aware that any such proceedings are pending or threatened.

6. Copies of the latest annual report of the Company including the audited annual consolidated financial statements in English, and the Company's latest unaudited annual and quarterly consolidated financial information in English (being English summaries of the Company's published *Kessan tanshin* (quarterly earnings report) in Japanese) may be obtained, and copies of the Deed of Covenant and the Agency Agreement will be available for inspection, at the specified offices of each of the Agents during normal business hours, so long as any of the Bonds is outstanding.

7. The consolidated financial statements of the Group for the fiscal year ended 31 March 2024 (with comparative information for the fiscal year ended 31 March 2023) and for the fiscal year ended 31 March 2023 (with comparative information for the fiscal year ended 31 March 2022), included in this Offering Circular, have been audited by Deloitte Touche Tohmatsu LLC, the Company's independent auditor, as stated in their audit reports appearing herein.

INDEX TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Kyushu Electric Power Company, Incorporated:

<Audit of Consolidated Financial Statements>

Opinion

We have audited the consolidated financial statements of Kyushu Electric Power Company, Incorporated and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2024, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Evaluation of the investments in the overseas power generation business and a financial asset related to construction services for the overseas power generation facilities	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As described in Note 3 to the consolidated financial statements, the carrying amounts of the investments in the overseas power generation business and a financial asset related to construction services for the overseas power generation facilities were ¥150,902 million ($996,711 thousand) in the aggregate as of March 31, 2024. Additionally, for the year ended March 31, 2024, the Group wrote down the financial asset by ¥13,487 million ($89,086 thousand). Of these investments, the equity method is applied to investments in nonconsolidated subsidiaries and affiliated companies. Others are nonmarketable equity securities. These securities are classified as available-for-sale securities and are stated at cost. If the realizable value of these securities declines significantly, these securities are written down to net realizable value, unless the recoverability of the securities is supported by sufficient evidence. The financial asset related to construction services for the overseas power generation facilities is measured based on the transaction price determined by contracts with customers. These investments are made in a variety of countries and business schemes. Furthermore, these investments are influenced by their external environment including regulations and the power market of each investees' country. For this reason, these investments are exposed to the risk that income or future cash flows of the investee get worse due to the decline in its electricity sales volume or unit price relating to the change in business environments. For the investments accounted for using the equity method, if the carrying amount of the investees' power generation facilities exceeds its recoverable amount, the power generation facilities are written down to the recoverable amounts in the investees' financial statements used in applying the equity method. For nonmarketable equity securities, the Group evaluates whether securities need to be written down to net realizable value based on the recoverable amount of the power generation facilities.	We performed risk assessment procedures by inquiring of management and the responsible departments of the Group's overseas power generation business and inspecting the meeting minutes of the Board of Directors, to understand the background of investments and the business environment of each project including business schemes and the regulations of each country. Additionally, we understood internal controls for evaluating these investments and assessed the reasonableness of the method used for evaluation of the investees' power generation facilities by inquiring and inspecting related supporting documentation. For the financial asset related construction services for the overseas power generation facilities, we understood internal controls for evaluating the financial asset and assessed the reasonableness of the method used for measurement of the financial asset by inquiring and inspecting contracts and related supporting documentation. Our audit procedures to assess the reasonableness of the evaluation of the investments in the overseas power generation business included the following, among others: (1) In order to evaluate the reasonableness of management's judgment regarding whether there were any indications of impairment for the investees' power generation facilities, we inspected the investees' financial statements, and assessed the regulation, power purchase agreement terms, power market trends, and operating conditions of the power generation facilities in each country by inquiring of management and inspecting related supporting documentation.

The investees review their power generation facilities for impairment indicators whenever events or changes in circumstance indicate the carrying amount of the investees' power generation facilities may not be recoverable. An impairment loss would be recognized if the carrying amount of the investees' power generation facilities exceeds the sum of the future cash flows based on the investees' business plan. For the year ended March 31, 2024, the carrying amounts of the power generation facilities which exceeded their recoverable amounts were written down to the recoverable amounts in the investees' financial statements used in applying the equity method. There were no investment securities written down to net realizable value. The investees determine whether an indication of impairment exists based on internal and external sources of information. However, the determination depends on management's intent and judgment. Furthermore, the business plan on which an estimate of future cash flows is based is influenced by assumptions and forecasts of future events, which are based on the evaluation of the risk arising from the business schemes or power market trends in each country, among others. These assumptions and forecasts also depend on management's intent and judgment. A measurement for the amount of the financial asset is influenced by external environments including the regulation and condition for power generation of the country for which the services are provided. Furthermore, the collection of the financial asset needs a long period. For these reasons, there are some risks that assumptions such as future outputs of the power generation facilities on which the transaction price is based will be changed. If the transaction price declines due to changes of these assumptions, the financial asset would be written down. For the year ended March 31, 2024, the transaction price was expected to be reduced due to a revision of the estimated future outputs of the geothermal power generation facilities in Indonesia. For this reason, the Group wrote down the financial asset by ¥13,487 million ($89,086 thousand). The determination of the assumptions which may affect the estimated transaction price underlying the measurement of the financial asset related to construction service for power generation facilities requires management's intent and judgment.	(2) For investees' power generation facilities that were identified as having indications of impairment, we evaluated the reasonableness of the investees' business plan underlying estimation of future cash flows used to determine the recoverable amount. Specifically, we evaluated the following assumptions in the business plan, which have a significant impact on income, by inquiring of management and inspecting related supporting documentation: 1. For operating revenue, we evaluated whether management's projected outlooks of electricity sales volume and unit price were consistent with the power purchase agreement, the actual results of the most recent electricity sales volume and power market unit price. 2. For fuel costs, we evaluated the consistency of the operational projections for the investees' power generation facilities and the projections for international fuel market prices. 3. For repair costs, we evaluated whether the estimates included the repair costs of the regular inspection and were not optimistic by comparing with the actual repair costs of previous years. 4. In order to evaluate the reasonableness of the assumptions used in management's estimates, we compared the business plan developed in previous year with the actual results and inspected the achievement status of previous years' estimates over multiple years. Furthermore, our audit procedures to assess the reasonableness of measurement of the financial asset related to construction services for the geothermal power generation facilities in Indonesia included the following, among others: (1) We evaluated whether the amount of the financial asset after the write-down was measured based on the estimated transaction price reflecting the unit price determined by contracts with customers and the revision of the estimated future outputs of the power generation facilities by inspecting contracts and related supporting documentation. (2) We evaluated whether assumptions of the future outputs of the power generation facilities were not optimistic by comparing with actual outputs in previous years.

We have determined this as a key audit matter considering the following factors: • the quantitative materiality of investments in the overseas power generation business and the financial asset related to construction services for the overseas power generation facilities in the consolidated financial statements, • management's intent and judgment in identifying indicators of impairment the investees' power generation facilities, • management's intent and judgment in assessing assumptions that influence the transaction price on which measurement of the financial asset is based, and • the complexity of estimating future cash flows on which the recoverable amount is based when determining whether impairment is necessary to be recognized.	(3) In order to evaluate the reasonableness of the future outputs of the power generation facilities, we compared the estimated outputs in business plans developed in previous years with the actual outputs, and inspected the achievement status of the estimates in previous years. (4) For operating and maintenance expenses, which were main items of operating expenses, we evaluated whether the expenses related to scheduled maintenance inspections were included in them. We also evaluated whether the estimated operating and maintenance expenses were optimistic or not by comparing with the actual operating and maintenance expenses in previous years.

Recoverability of deferred tax assets	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As described in Note 3 and Note 11 to the consolidated financial statements, the carrying amount of deferred tax assets was ¥148,191 million ($978,809 thousand) as of March 31, 2024. Of this amount, ¥32,137 million ($212,267 thousand) was related to tax loss carryforwards. The deferred tax assets were calculated by estimating the future taxable income exclusive of reversing temporary differences and carryforwards based on the 2024 mid-term business plan approved by the Board of Directors of Kyushu Electric Power Company, Incorporated. The business plan is influenced by assumptions and forecasts of future events that depend on management's intent and subjectivity. Specifically, significant accounting estimates such as outlooks of operating revenue including electricity revenue as well as other revenues, projections regarding nuclear power plant operation, fuel costs, expenses for purchase of electricity, and repair costs involve management's subjective judgment and uncertainties.	We also obtained the business plan used as the basis to calculate the recoverable amount of deferred tax assets, understood the internal controls over management's estimation of the business plan and evaluated the reasonableness of management's estimation of the business plan. Our audit procedures to evaluate the reasonableness of management's estimation included the following, among others: (1) We assessed the following assumptions which have a particularly significant impact on the estimate of the future taxable income exclusive of reversing temporary differences and carryforwards, by inquiring of management and inspecting related supporting documentation: 1. For operating revenue, including electricity revenue as well as other revenues, we evaluated whether the business plan reflected the most recent available facts. Specifically, we evaluated whether management's projected outlooks of electricity sales volume and unit price were consistent with the demand forecast for the Kyushu region published by the Organization for Cross-regional Coordination of Transmission Operators, the actual results of the most recent electricity sales volume, the most recent competitive environment and other factors which were taken into consideration.

We have determined the recoverability of deferred tax assets as a key audit matter considering factors such as the quantitative significance of deferred tax assets in the consolidated financial statements and the complexity involved in estimation of future taxable income exclusive of reversing temporary differences and carryforwards.	2. For the projections regarding nuclear power plant operation, we evaluated the reasonableness of the regular inspection schedule for the Sendai and Genkai nuclear power stations by inquiring and inspecting related materials. 3. For fuel costs, the levels of fuel costs particularly related to liquified natural gas ("LNG") and coal, have a significant impact on expenditures and ultimately on income as well. We evaluated the reasonableness of the nuclear power plant operation projections, which significantly impact the estimates of LNG and coal consumption, as stated in 2. Additionally, as the purchase prices of LNG and coal are affected by the international fuel market price and foreign exchange rate, we tested the consistency of the international fuel market price and foreign exchange rate used to estimate fuel costs with the projected values published by external specialists. 4. For expenses related to purchase of electricity, we examined whether the amount of electricity purchased and the cost per unit purchased were not optimistic estimates compared with the levels in previous years. We also examined whether the purchase volume was consistent with the Group's sales and power generation. 5. For repair costs, we evaluated whether the estimated cost was consistent with the regular inspection schedule for each power station and whether the estimates were not optimistic by comparing the projected repair costs with actual repair costs of previous years. Particularly for the regular inspections of nuclear power stations that have larger repair costs, we inspected whether the projected amount of repair costs was consistent with the actual repair costs of previous years. 6. For the estimates of other revenue or costs, we inquired of management on the reasonableness of the assumptions and compared the estimates with the results from previous years. (2) In order to evaluate the reasonableness of the assumptions used in management's estimates, we compared the projections for the same period in previous years with the actual results and inspected the achievement status of previous years' estimates over multiple years.

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

<Fee-Related Information>

Fees for audit and other services for the year ended March 31, 2024, which were charged by us and our network firms to Kyushu Electric Power Company, Incorporated and its subsidiaries were ¥221 million and ¥216 million, respectively.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

/s/Deloitte Touche Tohmatsu LLC
Fukuoka, Japan
July 24, 2024

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries

Consolidated Balance Sheet
March 31, 2024

ASSETS	Millions of Yen 2024	Millions of Yen 2023	Thousands of U.S. Dollars (Note 1) 2024
PROPERTY (Note 4):			
Plant and equipment	¥ 11,656,028	¥ 11,577,785	$ 76,988,299
Construction in progress	291,509	248,184	1,925,425
Total	11,947,537	11,825,970	78,913,725
Less:			
Contributions in aid of construction	241,677	241,929	1,596,282
Accumulated depreciation	7,971,341	7,883,479	52,650,870
Total	8,213,018	8,125,409	54,247,153
Net property	3,734,519	3,700,561	24,666,572
NUCLEAR FUEL	233,961	224,372	1,545,319
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3, 5 and 18)	132,386	113,306	874,417
Investments in and advances to nonconsolidated subsidiaries and affiliated companies (Notes 3 and 18)	228,947	209,352	1,512,203
Assets for retirement benefits (Note 8)	19,991	12,537	132,043
Deferred tax assets (Notes 3 and 11)	148,191	172,337	978,809
Special account related to nuclear power decommissioning (Note 2.h)	30,537	35,041	201,701
Special account related to reprocessing of spent nuclear fuel (Note 2.o)	134,846	116,295	890,665
Other (Note 3)	135,869	158,113	897,420
Total investments and other assets	830,771	816,984	5,487,261
CURRENT ASSETS:			
Cash and cash equivalents (Note 18)	364,213	270,651	2,405,640
Receivables (Notes 13 and 18)	340,934	369,244	2,251,879
Allowance for doubtful accounts	(2,552)	(3,581)	(16,859)
Inventories, principally fuel	130,018	159,420	858,776
Prepaid expenses and other	95,373	66,026	629,945
Total current assets	927,988	861,761	6,129,382
TOTAL	¥ 5,727,240	¥ 5,603,678	$ 37,828,534

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2024	Millions of Yen 2023	Thousands of U.S. Dollars (Note 1) 2024
LONG-TERM LIABILITIES:			
Long-term debt, less current portion (Notes 7 and 18)	¥3,239,043	¥3,405,775	$ 21,393,944
Liabilities for retirement benefits (Note 8)	60,154	80,761	397,324
Asset retirement obligations (Notes 9 and 25)	300,002	297,367	1,981,523
Other	85,713	62,016	566,142
Total long-term liabilities	3,684,914	3,845,921	24,338,934
CURRENT LIABILITIES:			
Current portion of long-term debt (Notes 7 and 18)	422,127	437,071	2,788,160
Short-term borrowings (Notes 10 and 18)	123,410	124,530	815,128
Commercial paper (Note 18)		40,000	
Notes and accounts payable (Notes 16 and 18)	192,199	210,872	1,269,478
Accrued income taxes	40,368	3,301	266,635
Provision for loss on the Antimonopoly Act (Note 2.s)		2,762	
Other	340,943	319,467	2,251,939
Total current liabilities	1,119,049	1,138,006	7,391,343
RESERVE FOR FLUCTUATIONS IN WATER LEVEL (Note 2.t)	2,232	2,519	14,746
COMMITMENTS AND CONTINGENCIES (Note 20)			
EQUITY (Note 12):			
Common stock—authorized, 1,000,000,000 shares; issued, 474,183,951 shares	237,304	237,304	1,567,403
Class A preferred stock—authorized, 1,000 shares; issued, 1,000 shares in 2023			
Class B preferred stock—authorized, 2,000 shares; issued, 2,000 shares in 2024			
Capital surplus	193,520	120,006	1,278,209
Retained earnings	397,802	209,734	2,627,493
Treasury stock—at cost, 1,307,901 shares in 2024 and 1,416,422 shares in 2023	(1,529)	(1,651)	(10,102)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	10,052	5,828	66,396
Deferred gain on derivatives under hedge accounting	24,781	11,150	163,684
Foreign currency translation adjustments	13,325	6,455	88,017
Defined retirement benefit plans	15,271	(6,765)	100,865
Total	890,529	582,064	5,881,967
Noncontrolling interests	30,513	35,166	201,542
Total equity	921,043	617,230	6,083,510
TOTAL	¥5,727,240	¥5,603,678	$ 37,828,534

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries

Consolidated Statement of Income
Year Ended March 31, 2024

	Millions of Yen 2024	Millions of Yen 2023	Thousands of U.S. Dollars (Note 1) 2024
OPERATING REVENUES (Note 13):			
Electric	¥1,841,947	¥1,946,737	$ 12,166,099
Other	297,499	274,563	1,964,992
Total operating revenues	2,139,447	2,221,300	14,131,091
OPERATING EXPENSES (Note 14):			
Electric	1,612,181	2,041,909	10,648,494
Other	272,345	252,389	1,798,849
Total operating expenses	1,884,527	2,294,299	12,447,343
OPERATING INCOME (LOSS)	254,919	(72,998)	1,683,748
OTHER EXPENSES (INCOME):			
Interest charges	28,053	27,936	185,296
Stock issue costs	4,762		31,458
Foreign exchange gain	(3,496)		(23,096)
Gain on sales of investment securities (Note 5)		(11,280)	
Provision for loss on the Antimonopoly Act (Note 2.s)		2,762	
Impairment loss on a financial asset (Note 15)	13,487		89,086
Share of profit of entities accounted for using equity method (Note 16)	(11,732)	(9,096)	(77,495)
Other—net	(829)	(5,204)	(5,477)
Other expenses—net	30,245	5,118	199,771
INCOME (LOSS) BEFORE INCOME TAXES AND REVERSAL OF RESERVE FOR FLUCTUATIONS IN WATER LEVEL	224,674	(78,116)	1,483,976
REVERSAL OF RESERVE FOR FLUCTUATIONS IN WATER LEVEL	287	5,093	1,897
INCOME (LOSS) BEFORE INCOME TAXES	224,961	(73,022)	1,485,874
INCOME TAXES (Note 11):			
Current	47,122	6,180	311,244
Deferred	9,557	(24,716)	63,125
Total income taxes	56,679	(18,535)	374,369
NET INCOME (LOSS)	168,281	(54,486)	1,111,504
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	1,836	1,942	12,132
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 166,444	¥ (56,429)	$ 1,099,371

(Continued)

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries

Consolidated Statement of Income
Year Ended March 31, 2024

	Yen		U.S. Dollars
	2024	2023	2024
PER SHARE OF COMMON STOCK (Notes 2.w and 24):			
Basic net income (loss)	¥ 342.30	¥ (123.81)	$ 2.26
Cash dividends applicable to the year:			
Common share	25.00		0.16
Class B preferred share	1,933,333.00		12,769.70

See notes to consolidated financial statements.

(Concluded)

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
NET INCOME (LOSS)	¥168,281	¥ (54,486)	$ 1,111,504
OTHER COMPREHENSIVE INCOME (LOSS) (Note 21):			
Unrealized gain on available-for-sale securities	3,024	1,051	19,976
Deferred gain on derivatives under hedge accounting	11,556	2,743	76,333
Foreign currency translation adjustments	5,766	6,623	38,087
Defined retirement benefit plans	21,525	(12,166)	142,176
Share of other comprehensive income in nonconsolidated subsidiaries and affiliated companies	5,350	6,047	35,340
Total other comprehensive income	47,223	4,299	311,913
COMPREHENSIVE INCOME (LOSS)	¥215,505	¥ (50,187)	$ 1,423,417
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the parent	¥213,205	¥ (52,268)	$ 1,408,225
Noncontrolling interests	2,300	2,081	15,192

See notes to consolidated financial statements.

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2024

	Thousands of Shares / Millions of Yen																
											Accumulated Other Comprehensive Income						
	Common Stock		Class A Preferred Stock		Class B Preferred Stock		Capital Surplus	Retained Earnings	Treasury Stock		Unrealized Gain on Available-for-Sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
	Shares	Amount	Shares	Amount	Shares	Amount			Shares	Amount							
BALANCE AT APRIL 1, 2022	474,183	¥237,304	1				¥120,006	¥277,382	1,463	¥ (1,706)	¥ 4,104	¥ 4,723	¥ (1,383)	¥ 5,066	¥645,497	¥30,840	¥676,337
Cash dividends, ¥20.0 per common share								(9,478)							(9,478)		(9,478)
Cash dividends, ¥1,050,000 per Class A preferred share								(1,050)							(1,050)		(1,050)
Net loss attributable to owners of the parent								(56,429)							(56,429)		(56,429)
Purchase of treasury stock									8	(7)					(7)		(7)
Disposal of treasury stock							(0)		(55)	62					61		61
Adjustment of retained earnings for inclusion of companies accounted for by the equity method								(690)							(690)		(690)
Net change in the year			—	—	—						1,724	6,427	7,839	(11,831)	4,160	4,325	8,486
BALANCE AT MARCH 31, 2023	474,183	237,304	1				120,006	209,734	1,416	(1,651)	5,828	11,150	6,455	(6,765)	582,064	35,166	617,230
Issuance of preferred stock (Note 12)					2	¥100,000	100,000								200,000		200,000
Transfer from preferred stock to capital surplus						(100,000)	100,000										
Deficit disposition							(21,623)	21,623									
Change in the parent's ownership interest due to transactions with noncontrolling interests							(2,038)								(2,038)		(2,038)
Net income attributable to owners of the parent								166,444							166,444		166,444
Purchase of treasury stock (Note 12)									11	(102,832)					(102,832)		(102,832)
Disposal of treasury stock							(0)		(119)	132					131		131
Retirement of treasury stock (Note 12)			(1)				(102,822)		(1)	102,822							
Net change in the year			—	—	—						4,223	13,631	6,869	22,036	46,760	(4,652)	42,107
BALANCE AT MARCH 31, 2024	474,183	¥237,304	—	—	2		¥193,520	¥397,802	1,307	¥ (1,529)	¥10,052	¥24,781	¥13,325	¥15,271	¥890,529	¥30,513	¥921,043

(Continued)

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2024

	Thousands of U.S. Dollars (Note 1)											
						Accumulated Other Comprehensive Income						
	Common Stock	Class B Preferred Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE AT MARCH 31, 2023	$ 1,567,403		$ 792,643	$ 1,385,297	$ (10,907)	$ 38,500	$ 73,649	$ 42,641	$ (44,684)	$ 3,844,544	$ 232,275	$ 4,076,819
Issuance of preferred stock (Note 12)		$ 660,501	660,501							1,321,003		1,321,003
Transfer from preferred stock to capital surplus		(660,501)	660,501									
Deficit disposition			(142,824)	142,824								
Change in the parent's ownership interest due to transactions with noncontrolling interests			(13,466)							(13,466)		(13,466)
Net income attributable to owners of the parent				1,099,371						1,099,371		1,099,371
Purchase of treasury stock (Note 12)					(679,212)					(679,212)		(679,212)
Disposal of treasury stock			(2)		872					870		870
Retirement of treasury stock (Note 12)			(679,144)		679,144							
Net change in the year						27,896	90,034	45,375	145,550	308,856	(30,732)	278,124
BALANCE AT MARCH 31, 2024	$ 1,567,403		$ 1,278,209	$ 2,627,493	$ (10,102)	$ 66,396	$ 163,684	$ 88,017	$ 100,865	$ 5,881,967	$ 201,542	$ 6,083,510

See notes to consolidated financial statements.

(Concluded)

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income (loss) before income taxes	¥ 224,961	¥ (73,022)	$ 1,485,874
Adjustments for:			
Income taxes—paid	(8,267)	(7,844)	(54,603)
Depreciation and amortization	249,961	221,013	1,650,999
Decommissioning costs of nuclear power units	7,193	12,859	47,510
Amortization of special account related to nuclear power decommissioning	4,503	4,503	29,747
Loss on disposal of plant and equipment	6,099	5,725	40,285
Reversal of reserve for fluctuation in water level	(287)	(5,093)	(1,897)
Share of profit of entities accounted for using equity method	(11,732)	(9,096)	(77,495)
Stock issue costs	4,762		31,458
Gain on sales of investment securities		(11,280)	
Loss on the Antimonopoly Act		2,762	
Payments related to the Antimonopoly Act	(2,762)		(18,244)
Impairment loss on a financial asset	13,487		89,086
Changes in assets and liabilities:			
Decrease (increase) in trade receivables	14,539	(18,203)	96,034
Decrease (increase) in inventories, principally fuel	29,347	(57,587)	193,837
Decrease in trade payables	(16,915)	(238)	(111,724)
Increase (decrease) in liability for retirement benefits	1,468	(3,509)	9,698
(Increase) decrease in other receivables	(24,796)	12,432	(163,782)
Increase or decrease in consumption taxes payables or receivables	39,018	(28,927)	257,715
Increase (decrease) in accrued expense	40,559	(19,829)	267,894
Other—net	14,944	5,839	98,705
Total adjustments	361,123	103,527	2,385,226
Net cash provided by operating activities	586,084	30,504	3,871,100
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures including nuclear fuel	(333,465)	(337,465)	(2,202,547)
Proceeds from contribution in aid of construction	17,426	23,810	115,103
Payments for investments and advances	(31,509)	(26,975)	(208,121)
Proceeds from sales of investment securities and collections of advances	5,412	15,189	35,746
Other—net	(2,183)	(3,434)	(14,422)
Net cash used in investing activities	(344,320)	(328,874)	(2,274,240)
FORWARD	¥ 241,764	¥ (298,370)	$ 1,596,860

(Continued)

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
FORWARD	¥241,764	¥(298,370)	$1,596,860
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of bonds	99,670	259,423	658,325
Repayments of bonds	(175,000)	(160,000)	(1,155,878)
Proceeds from long-term loans	121,090	395,545	799,807
Repayments of long-term loans	(234,495)	(199,381)	(1,548,850)
Net (decrease) increase in short-term borrowings	(1,124)	3,716	(7,424)
Net (decrease) increase in commercial paper	(40,000)	40,000	(264,200)
Proceeds from issuance of stock	195,237		1,289,545
Acquisition of treasury stock	(102,832)	(7)	(679,208)
Cash dividends paid	(57)	(10,554)	(380)
Expenditure on purchase of shares of subsidiaries without change in scope of consolidation	(6,960)		(45,975)
Other—net	(6,054)	(3,972)	(39,990)
Net cash (used in) provided by financing activities	(150,526)	324,770	(994,230)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	3,201	2,002	21,142
NET INCREASE IN CASH AND CASH EQUIVALENTS	94,439	28,403	623,772
CASH AND CASH EQUIVALENTS OF A NONCONSOLIDATED SUBSIDIARY MERGED WITH A CONSOLIDATED SUBSIDIARY		491	
DECREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM EXCLUSION OF A SUBSIDIARY FROM CONSOLIDATION	(876)		(5,789)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	270,651	241,756	1,787,657
CASH AND CASH EQUIVALENTS AT END OF YEAR	¥364,213	¥ 270,651	$2,405,640

See notes to consolidated financial statements.

(Concluded)

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

Kyushu Electric Power Company, Incorporated (the "Company") has prepared the accompanying consolidated financial statements in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act, the Electricity Business Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of IFRS Accounting Standards. Especially, the accounting related to the nuclear power generation is regulated by the above accounting regulations, which are dependent on a governmental long-term nuclear energy policy.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made to the consolidated financial statements for the year ended March 31, 2023, to conform to the classifications used in the consolidated financial statements for the year ended March 31, 2024.

The U.S. dollar amounts included herein are provided solely for the convenience of readers outside Japan and are stated at the rate of ¥151.40 = U.S.$1, the approximate exchange rate prevailing on March 31, 2024. The translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Japanese yen figures less than a million yen are rounded down to the nearest million yen, except for per share data. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation and Application of the Equity Method***—The consolidated financial statements as of March 31, 2024, include the accounts of the Company and its 50 (51 for 2023) subsidiaries (together, the "Group"). All significant intercompany transactions and balances have been eliminated in consolidation. Investments in 21 (19 for 2023) nonconsolidated subsidiaries and 29 (28 for 2023) affiliated companies are accounted for by the equity method.

The Company adopts the control and influence concepts. Under these concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are treated as subsidiaries and those companies over which the Group has the ability to exercise significant influence are treated as affiliated companies.

Consolidation of the remaining subsidiaries and the application of the equity method to the remaining affiliated companies would not have a material effect on the accompanying consolidated financial statements.

The fiscal year-end of 12 (12 for 2023) consolidated subsidiaries and several nonconsolidated subsidiaries and affiliated companies is December 31. The Company consolidates such consolidated subsidiaries' financial statements and accounts for investments in such nonconsolidated subsidiaries and affiliated companies by the equity method using their financial results for the year ended December 31. The effects of any significant transactions during the period between the subsidiaries' and affiliated companies' fiscal year-end and the Company's fiscal year-end are reflected in the consolidated financial statements.

b. ***Business Combination***—Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

c. ***Property and Depreciation***—Property is stated at cost. Contributions in aid of construction including those made by customers are deducted from the cost of the related assets.

   Depreciation is principally computed using the straight-line method based on the estimated useful lives of the assets. Depreciation of easements related to transmission lines is computed using the straight-line method based on the estimated useful lives of the transmission lines.

   Under the accounting regulations applicable to electric utility providers in Japan, properties, which are required for decommissioning of nuclear power units or which need maintenance and management even after nuclear power units have been in the process of decommissioning, are to be included in "Plant and equipment."

d. ***Leases***—Finance lease transactions are capitalized to recognize lease assets and lease obligations in the balance sheet. All other leases are accounted for as operating leases.

e. ***Impairment of Fixed Assets***—The Group reviews its fixed assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

f. ***Amortization of Nuclear Fuel***—Amortization of nuclear fuel is computed based on the proportion of current heat produced to the estimated total potential heat production over the estimated useful life of the nuclear fuel.

g. ***Investment Securities***—Investment securities are classified and accounted for, depending on management's intent, as follows: (a) held-to-maturity debt securities are stated at cost with discounts or premiums amortized throughout the holding periods; and (b) available-for-sale securities, which are not classified as the aforementioned securities and investment securities in nonconsolidated subsidiaries and affiliated companies, are stated at market value; and nonmarketable securities are stated at cost.

   The Group records unrealized gains or losses on available-for-sale securities, net of deferred taxes, in equity presented as "Unrealized gain on available-for-sale securities."

   For other-than-temporary declines in fair value, investment securities are written down to net realizable value by a charge to income.

h. ***Special Account Related to Nuclear Power Decommissioning***—Under the accounting regulation applicable to electric utility providers in Japan, in case the Company decides to decommission nuclear power units due to factors such as a change of the government's energy policy, the Company is permitted to transfer the carrying amounts related to nuclear power units and costs related to nuclear power decommissioning to "special account related to nuclear power decommissioning" when the Company decides to decommission nuclear power units and applies to the Minister of Ministry of Economy, Trade and Industry ("METI") for adopting the above special account. Because the carrying amount of special account related to nuclear power decommissioning are supposed to be collected through regulated wheeling fees, the special account is amortized in proportion to the amounts of future regulated wheeling fees collected, after approval of the Minister of METI.

i. ***Cash Equivalents***—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and mutual fund investments in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

j. ***Inventories***—Inventories are stated at the lower of cost, principally determined by the average method, or net selling value.

k. ***Foreign Currency Transactions***—Receivables and payables denominated in foreign currencies are translated into Japanese yen at the rates in effect as of each balance sheet date.

l. ***Foreign Currency Financial Statements***—The balance sheet accounts of the consolidated foreign subsidiaries, and nonconsolidated foreign subsidiaries and foreign affiliated companies which are accounted for by the equity method, are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

m. ***Derivatives and Hedging Activities***—Derivative financial instruments are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income and (b) for such derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Liabilities denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations are translated at the contracted rate if the forward contracts qualify for hedge accounting. Forward contracts applied for committed transactions are measured at fair value and the unrealized gains/losses are deferred until the underlying transactions are completed.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest charges.

n. ***Severance Payments and Pension Plans***—The Group has unfunded retirement plans for most of its employees and the Company and most of the consolidated subsidiaries also have contributory funded defined benefit pension plans covering substantially all of their employees.

Under the Accounting Standards Board of Japan ("ASBJ") Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," the Group accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over five years, which is no longer than the expected average remaining service period of the employees.

o. ***Accounting for Contributions Concerning Reprocessing of Spent Nuclear Fuel and Concerning Processing of Nuclear Fuel Material Separated in Reprocessing***—The Act for Partial Revision of the Spent Nuclear Fuel Reprocessing Implementation Act was enforced on October 1, 2016. The act aims to secure the funds stably for reprocessing costs without being influenced by the financial position of nuclear operators under the competitive environment on or after April 1, 2016, when full liberalization of participation in retail electricity sales began.

The Nuclear Reprocessing Organization of Japan (the "NuRO") was established on October 3, 2016, under the act. Nuclear operators including the Company are obliged to contribute the funds for reprocessing nuclear fuel to the NuRO every year. Nuclear operators fulfill the obligation to bear the reprocessing costs when they pay contributions to the NuRO, and the funds belong to the NuRO.

Contributions to NuRO consist of two parts. One is concerning reprocessing of spent nuclear fuel (part "A"), the other is concerning processing of nuclear fuel material separated in reprocessing (part "B").

In accordance with the accounting regulations applicable to electric utility providers in Japan, the Company records the part A of contributions to the NuRO, the amount of which is calculated based on quantities of irradiated nuclear fuel resulting from operation of nuclear power stations, as operating expenses. On the other hand, the Company records part B of the contributions to the NuRO as assets and presents them as "Special account related to reprocessing of spent nuclear fuel" in the consolidated balance sheet.

p. ***Accounting for Contributions Concerning Final Disposal of High-Level Radioactive Waste***—The Designated Radioactive Waste Final Disposal Act was enforced on June 7, 2000. The act aims to disposal of high-level radioactive wastes, which are unavoidably generated through nuclear power generation, in stable geological strata at a depth of 300 meters or greater. Under the act, the Nuclear Waste Management Organization of Japan (the "NUMO") was established in December 2000 which is responsible for the disposal of high-level radioactive wastes. Nuclear operators including the Company are obliged to contribute the fund to NUMO for disposal of high-level radioactive wastes every year. Nuclear operators fulfill the obligation to bear the disposal costs when they pay contributions to the NUMO, and the funds belong to the NUMO.

The Company records the disposal costs of high-level radioactive wastes, the amount of which is calculated based on quantities of irradiated nuclear fuel resulting from operation of nuclear power stations, as operating expenses.

q. ***Asset Retirement Obligations***—Under ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations," an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement. The Company recognizes the asset retirement obligation as the sum of the future decommissioning costs of nuclear power station which is calculated based on a formula using the quantities by type of waste generated from decommissioning of nuclear power station in accordance with the ordinance set forth by the METI, discounted at 2.3%.

In accordance with the accounting regulations applicable to electric utility providers in Japan, asset retirement costs are allocated to expense over the remaining useful lives of nuclear power units through depreciation based on the straight-line method, except for asset retirement costs of nuclear power units decommissioned due to factors such as a change of a government energy policy which are continuously allocated to expense over 10 years from the month that includes the start date of decommissioning of the nuclear power unit.

r. ***Income Taxes***—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The Company and its wholly owned domestic subsidiaries adopted the group tax sharing system.

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

s. ***Provision for Loss on the Antimonopoly Act***—On March 30, 2023, the Company received a cease and a desist order and surcharge payment order by the Japan Fair Trade Commission (the "JFTC") under the Antimonopoly Act of Japan.

The allegation is that "the Company is suspected of jointly restricting the acquisition of customers of each other in Kansai and Kyushu areas, regarding services of supplying extra high voltage power and high voltage power."

Since there is a possibility of future surcharge payment, the Company recorded provision for loss on Antimonopoly Act based on surcharge payment ordered by JFTC.

t. ***Reserve for Fluctuations in Water Level***—This reserve is provided to stabilize the Company's income level based on the Electricity Business Act and related accounting regulations. This reserve is recorded when the volume of water for generating hydroelectric power is abundant and available for future power generation, and reversed in years when there is an insufficient volume of water. Also, this reserve must be shown as a liability under the act and regulations.

Based on the Electricity Business Act, the Company submitted an application for reversal of reserve for fluctuations in water level by special reasons to the Minister of Economy, Trade and Industry, and permission was obtained on March 22, 2023. Accordingly, a part of the reserve has been reversed for the year ended March 31, 2023.

u. ***Treasury Stock***—The accounting standard for treasury stock requires that where an affiliated company holds a parent company's stock, a portion which is equivalent to the parent company's interest in such stock should be presented as treasury stock as a separate component of equity and the carrying value of the investment in the affiliated company should be reduced by the same amount.

v. ***Board Benefit Trust (BBT)***—The Company has a performance-based stock compensation plan called "Board Benefit Trust (BBT)," (the "Plan") for directors (excluding outside directors) and executive officers (together, the "Directors").

(*a*) *Overview of the Plan*

The Plan is a stock compensation plan under which shares of the Company will be acquired through a trust (the "Trust" refers to a trust established based on the Plan) using funds contributed by the Company. The shares of the Company and cash equivalent to the value of the Company's shares converted at market value (the "Company's Shares, etc.") will be provided to the Directors through the Trust, pursuant to the "Rules on Provision of Shares to Officers" set forth by the Company. The Company's Shares, etc. will be provided to the Directors at the time of retirement of the Directors, in principle.

(*b*) *Shares of the Company held by the Trust*

The Company records shares of the Company in the Trust as treasury stock at cost (excluding acquisition-related costs). As of March 31, 2024, the number of shares was 723 thousand.

w. ***Net Income and Cash Dividends per Share***—Basic earnings per share ("EPS") are computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding during the year, and diluted EPS reflects the potential dilution that could occur if securities were exercised or converted into common stock.

Diluted EPS is not disclosed for the years ended March 31, 2024 and 2023, because potentially dilutive securities were not outstanding.

The weighted-average number of common stock used in the computation of basic EPS during the year excludes treasury stock held by the Trust established based on BBT (763 thousand shares and 861 thousand shares for the years ended March 31, 2024 and 2023, respectively).

Cash dividends per share represent actual amounts applicable to earnings of the respective years.

x. ***Revenue Recognition***—Among the business of energy services which is the Group's main business, for the business of power generation and sale, the performance obligation of the Company is to supply electricity. Also, for the business of electricity transmission and distribution, the performance obligation of Kyushu Electric Power Transmission and Distribution Co., Inc., a subsidiary of the Company is to deliver electricity by its transmission and distribution network. Revenues related to these performance obligations are both recognized on the day of meter reading in accordance with the accounting regulations applicable to electric utility providers in Japan. Revenues do not include sales of electricity supply and delivery of electricity between the date of last meter reading and the year end.

y. ***Research and Development Costs***—Research and development costs are charged to income as incurred.

3. SIGNIFICANT ACCOUNTING ESTIMATE

Investments in the Overseas Power Generation Business and a Financial Asset Related to Construction Services for the Overseas Power Generation Facilities

(1) *Carrying amounts*

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Investments in the overseas power generation business and a financial asset related to construction services for the overseas power generation facilities	¥150,902	¥161,696	$996,711
Impairment loss on a financial asset	13,487		89,086

(2) *Information on the significant accounting estimate*

(a) The calculation method of the carrying amount

For the investments in the overseas power generation business, the equity method is applied to investments in nonconsolidated subsidiaries and affiliated companies. Others are nonmarketable equity securities. These securities are classified as available-for-sale securities and are stated at cost. If the realizable value of these securities declines significantly, these securities are written down to net realizable value, unless the recoverability of the securities is supported by sufficient evidence.

For the investments in nonconsolidated subsidiaries and affiliated companies, if the carrying amount of the investees' power generation facilities exceeds its recoverable amount which is the sum of the future cash flows based on the investees' business plan, the power generation facilities are written down to the recoverable amounts in the investees' financial statements used in applying the equity method.

On the other hand, for nonmarketable equity securities, the Group evaluates whether securities need to be written down to net realizable value based on the recoverable amount of the power generation facilities.

A financial asset related to the contractual right to receive consideration from the grantor for the construction services is stated based on the transaction price determined by contracts with customers, or the grantor. If the transaction price declines due to changes of assumptions such as future outputs of the power generation facilities on which the transaction price is based will be changed, the financial asset would be written down.

(b) The primary assumption used for the calculation

For estimation of the future cash flows, the Group made the best estimation based on available information at preparation of the consolidated financial statements, such as outlooks of electricity sales volume and unit price, operational projections and future outputs for the investees' power generation facilities, and projections for international fuel market prices.

(c) The possible effects within the next financial year

When decreasing the future cash flows occurs by a change of external environments such as the realization of investees' country risk and fluctuations in prices, interest rates and foreign exchange, and review of energy and environment policy, the Group's financial performance may be affected as the share of loss of entities accounted for using the equity method is recorded, nonmarketable equity securities are written down to net realizable value or the financial asset is written down.

Deferred Tax Assets

(1) *Carrying amounts*

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Deferred tax assets	¥148,191	¥172,337	$978,809
Deferred tax assets relating to tax loss carryforwards included in above	32,137	67,023	212,267

(2) *Information on the significant accounting estimate*

(a) The calculation method of the carrying amount

The deferred tax assets were calculated by estimating the future taxable income based on the business plan approved by the Board of Directors of the Company.

(b) The primary assumption used for the calculation

The Group made the best estimation based on available information at preparation of the consolidated financial statements, such as outlooks of electricity sales volume and unit price and projections regarding nuclear power plant operation.

(c) The possible effects within the next financial year

The Group's financial performance may be affected when deferred tax assets were reversed by decreasing the future taxable income. Decreasing the future taxable income will occur by such as decline of electricity sales volume and unit price which are influenced by external environment, such as changes in temperature, climate and economic trend, and unscheduled shutdown of nuclear power plants.

4. PROPERTY

The breakdown of property at March 31, 2024 and 2023, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Costs:			
Electric power production facilities:			
Hydroelectric power	¥ 843,415	¥ 842,842	$ 5,570,774
Thermal power	1,441,794	1,439,020	9,523,078
Nuclear power	2,409,079	2,380,670	15,912,015
Internal-combustion engine power	124,089	133,234	819,613
Renewable power	147,693	124,847	975,515
Total	4,966,071	4,920,614	32,800,997
Transmission facilities	2,101,332	2,073,699	13,879,344
Transformation facilities	1,128,025	1,137,622	7,450,628
Distribution facilities	1,550,331	1,540,278	10,239,970
General facilities	443,280	432,532	2,927,874
Other electricity-related facilities	57,864	57,864	382,192
Other plant and equipment	1,409,123	1,415,174	9,307,290
Construction in progress	291,509	248,184	1,925,425
Total	11,947,537	11,825,970	78,913,725
Less:			
Contributions in aid of construction	241,677	241,929	1,596,282
Accumulated depreciation	7,971,341	7,883,479	52,650,870
Carrying amount	¥ 3,734,519	¥ 3,700,561	$ 24,666,572

5. INVESTMENT SECURITIES

The costs and aggregate fair values of investment securities at March 31, 2024 and 2023, were as follows:

	Millions of Yen			
March 31, 2024	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥1,928	¥7,261		¥9,189
Debt securities	200		¥25	174
Other securities	636	310	12	934
Held-to-maturity	1,283		65	1,218

March 31, 2023	Millions of Yen Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥1,770	¥4,473	¥30	¥6,214
Debt securities	152		19	132
Other securities	636	254	15	875
Held-to-maturity	235		17	217

March 31, 2024	Thousands of U.S. Dollars Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$12,735	$47,961		$60,697
Debt securities	1,321		$170	1,150
Other securities	4,205	2,050	80	6,174
Held-to-maturity	8,479		432	8,046

The information for available-for-sale securities which were sold during the year ended March 31, 2024, is not disclosed because realized gains and losses on sales of available-for-sale securities for the fiscal year are immaterial. Such information for the year ended March 31, 2023, was as follows:

	Millions of Yen Proceeds	Realized Gains	Realized Losses
Available-for-sale—Equity securities	¥11,682	¥11,281	¥0
Total	¥11,682	¥11,281	¥0

6. PLEDGED ASSETS

All of the Company's assets amounting to ¥4,894,014 million ($32,325,061 thousand) are subject to certain statutory preferential rights established to secure a portion of bonds and a portion of loans borrowed from the Development Bank of Japan Inc. The carrying amount of bonds and loans borrowed from the Development Bank of Japan Inc. (including current maturities) secured by the assets for the year ended March 31, 2024, were ¥1,385,000 million ($9,147,952 thousand) and ¥87,580 million ($578,467 thousand), respectively.

Certain assets of the consolidated subsidiaries, amounting to ¥54,567 million ($360,416 thousand), are pledged as collateral for a portion of their long-term debt at March 31, 2024.

Investments in affiliated companies held by consolidated subsidiaries, amounting to ¥21,103 million ($139,388 thousand), are pledged as collateral for bank loans and derivatives, mainly interest rate swaps of the affiliated companies and the subsidiary of the affiliated companies at March 31, 2024.

7. LONG-TERM DEBT

Long-term debt at March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Yen bonds, 0.01% to 1.766%, due serially to 2052 (Note a)	¥1,385,000	¥1,459,999	$ 9,147,952
First series of subordinated unsecured yen bonds with interest deferral option and early redemption option, 0.99%, due serially to 2080 (Notes b and e)	70,000	70,000	462,351
Second series of subordinated unsecured yen bonds with interest deferral option and early redemption option, 1.09%, due serially to 2080 (Notes c and f)	30,000	30,000	198,150
Third series of subordinated unsecured yen bonds with interest deferral option and early redemption option, 1.30%, due serially to 2080 (Notes d and g)	100,000	100,000	660,501
Loans from the Development Bank of Japan Inc., 0.32% to 2.05%, due serially to 2040	233,698	267,782	1,543,581
Loans, principally from banks and insurance companies, 0.03% to 7.417%, due serially to 2043:			
Collateralized	68,378	74,255	451,638
Unsecured	1,754,941	1,824,938	11,591,423
Obligations under finance leases	19,152	15,870	126,505
Total	3,661,170	3,842,847	24,182,105
Less current portion	422,127	437,071	2,788,160
Long-term debt, less current portion	¥3,239,043	¥3,405,775	$21,393,944

The annual maturities of long-term debt outstanding at March 31, 2024, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2025	¥ 422,127	$ 2,788,160
2026	328,454	2,169,449
2027	411,803	2,719,970
2028	387,678	2,560,626
2029	344,366	2,274,549
2030 and thereafter	1,766,739	11,669,348
Total	¥3,661,170	$24,182,105

Notes: a. The interest rate includes a variable interest rate.

b. The fixed interest rate has been applied since the day after October 15, 2020, and will be applied until October 15, 2025, and a variable interest rate will be applied from the day after October 15, 2025. ("Step-up interest rates" will be applied from the day after October 15, 2030, and the day after October 15, 2045.)

c. The fixed interest rate has been applied since the day after October 15, 2020, and will be applied until October 15, 2027, and a variable interest rate will be applied from the day after October 15, 2027. ("Step-up interest rates" will be applied from the day after October 15, 2030, and the day after October 15, 2047.)

d. The fixed interest rate has been applied since the day after October 15, 2020, and will be applied until October 15, 2030, and a variable interest rate will be applied from the day after October 15, 2030. ("Step-up interest rates" will be applied from the day after October 15, 2030, and the day after October 15, 2050.)

e. The Company may redeem the hybrid corporate bonds at its discretion on each interest payment date from and including October 15, 2025.

f. The Company may redeem the hybrid corporate bonds at its discretion on each interest payment date from and including October 15, 2027.

g. The Company may redeem the hybrid corporate bonds at its discretion on each interest payment date from and including October 15, 2030.

8. SEVERANCE PAYMENTS AND PENSION PLANS

Employees terminating their employment with the Group, either voluntarily or upon reaching mandatory retirement age, are entitled, under most circumstances, to severance payments based on credits earned in each year of service, length of service and certain other factors. As for the Company and a part of the consolidated subsidiaries, if the termination is made voluntarily at one of a number of specified ages, the employee is entitled to certain additional payments.

Additionally, the Company and most of the consolidated subsidiaries have contributory funded defined benefit pension plans covering substantially all of their employees. In general, eligible employees retiring at the mandatory retirement age receive pension payments for the fixed term selected by them. As for the Company and one of the consolidated subsidiaries, Kyushu Electric Power Transmission and Distribution Co., Inc., eligible employees retiring after at least 20 years of service but before the mandatory retirement age, receive a lump-sum payment upon retirement and an annuity. The Company and Kyushu Electric Power Transmission and Distribution Co., Inc. have established retirement benefit trusts for their defined retirement benefit plan.

Certain consolidated subsidiaries calculate liability for retirement benefits and periodic benefit costs related to defined retirement benefit plans by the simplified method. Under the simplified method, projected benefit obligations are principally stated at the necessary payment amounts for voluntary retirement as of the end of the fiscal year. The simplified method for accounting for defined retirement benefit plans is allowed for a specified small-sized entity under accounting principles generally accepted in Japan.

Defined Retirement Benefit Plans (excluding Plans Applying the Simplified Method)

(1) The changes in defined benefit obligation for the years ended March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Balance at beginning of year	¥385,393	¥391,299	$2,545,532
Current service cost	12,617	13,038	83,335
Interest cost	2,904	2,943	19,186
Actuarial losses	574	3,270	3,791
Benefits paid	(24,529)	(24,178)	(162,018)
Prior service cost	(1,001)	(978)	(6,616)
Decrease on transition to a defined contribution pension plan	(2,170)		(14,335)
Other	(3)	(1)	(25)
Balance at end of year	¥373,784	¥385,393	$2,468,850

(2) The changes in plan assets for the years ended March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Balance at beginning of year	¥319,874	¥334,570	$2,112,777
Expected return on plan assets	6,932	7,230	45,788
Actuarial gains (losses)	27,662	(12,309)	182,712
Contributions from the employer	5,828	6,337	38,495
Benefits paid	(21,690)	(15,955)	(143,265)
Decrease on transition to defined contribution pension plan	(2,542)		(16,794)
Balance at end of year	¥336,064	¥319,874	$2,219,714

(3) Reconciliation between the liability and asset recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2024 and 2023, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Funded defined benefit obligation	¥365,750	¥377,368	$2,415,788
Plan assets	(336,064)	(319,874)	(2,219,714)
Total	29,685	57,494	196,074
Unfunded defined benefit obligation	8,033	8,025	53,062
Net liability for defined benefit obligation	¥ 37,719	¥ 65,519	$ 249,136

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Liability for retirement benefits	¥56,926	¥77,454	$376,001
Asset for retirement benefits	(19,207)	(11,935)	(126,865)
Net liability for defined benefit obligation	¥37,719	¥65,519	$249,136

(4) The components of net periodic benefit costs for the years ended March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Current service cost	¥12,617	¥13,038	$83,335
Interest cost	2,904	2,943	19,186
Expected return on plan assets	(6,932)	(7,230)	(45,788)
Recognized actuarial losses (gains)	3,043	(1,255)	20,100
Amortization of prior service cost	(1,025)	(1,063)	(6,772)
Others	434	422	2,870
Net periodic benefit costs	¥11,041	¥ 6,854	$72,932
Loss on transition to a defined contribution pension plan	¥ 318		$ 2,103

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Prior service cost	¥ (23)	¥ (84)	$ (156)
Actuarial gains (losses)	30,078	(16,835)	198,669
Total	¥30,054	¥(16,919)	$198,513

The amount of recycled actuarial losses, caused by transition from a defined retirement benefit plan to a defined contribution pension plan which occurred in March 2024, was ¥(53) million ($(355) thousands). This amount is included in actuarial gains which were recognized in other comprehensive income for the year ended March 31, 2024.

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Unrecognized prior service cost	¥ 68	¥ 91	$ 450
Unrecognized actuarial gains (losses)	21,226	(8,852)	140,199
Total	¥21,294	¥(8,760)	$140,650

(7) Plan assets as of March 31, 2024 and 2023

a. Components of plan assets

Plan assets consisted of the following:

	2024	2023
Debt investments	33%	34%
Equity investments	35	29
General account of life insurance companies	19	21
Others	13	16
Total	100%	100%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering distribution of plan assets currently and in the future and the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2024 and 2023, were set forth as follows:

	2024	2023
Discount rates	Mainly 1.0%	Mainly 1.0%
Expected rates of return on plan assets	Mainly 2.0%	Mainly 2.0%

Defined Retirement Benefit Plans Applying the Simplified Method

(1) The changes in the net carrying amount of liabilities and assets for the years ended March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Balance at beginning of year	¥2,704	¥2,594	$17,866
Periodic benefit costs	249	546	1,647
Benefits paid	(266)	(190)	(1,763)
Contributions from the employer	(228)	(244)	(1,506)
Decrease due to change in scope of consolidation	(15)		(100)
Balance at end of year	¥2,444	¥2,704	$16,144

(2) Reconciliation between the liability and asset recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2024 and 2023, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Funded defined benefit obligation	¥5,272	¥5,232	$34,821
Plan assets	(5,148)	(4,823)	(34,006)
Total	123	409	815
Unfunded defined benefit obligation	2,320	2,295	15,329
Net carrying amount of liabilities and assets	¥2,444	¥2,704	$16,144

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Liability for retirement benefits	¥3,228	¥3,307	$21,323
Asset for retirement benefits	(784)	(602)	(5,178)
Net carrying amount of liabilities and assets	¥2,444	¥2,704	$16,144

(3) Periodic benefit costs

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Periodic benefit costs calculated under the simplified method	¥249	¥546	$1,647

Defined Contribution Plans

The required contribution to defined contribution plans by the Company and its certain consolidated subsidiaries for the years ended March 31, 2024 and 2023, was ¥1,871 million ($12,360 thousand) and ¥2,005 million, respectively.

9. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Balance at beginning of year	¥297,397	¥289,190	$1,964,319
Net change in the year	2,604	8,207	17,204
Balance at end of year	¥300,002	¥297,397	$1,981,523

10. SHORT-TERM BORROWINGS

Short-term borrowings were generally represented by bank loans, bearing interest at rates ranging from 0.21% to 0.59% and from 0.17% to 0.49% for the years ended March 31, 2024 and 2023, respectively.

11. INCOME TAXES

The Group is subject to national and local income taxes. The aggregate normal statutory tax rate for the Company approximated 27.9% for the years ended March 31, 2024 and 2023.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Deferred tax assets:			
Depreciation	¥ 57,430	¥ 54,192	¥ 379,332
Tax loss carryforwards	33,376	76,291	220,449
Asset retirement obligations	29,174	29,534	192,700
Liabilities related to retirement benefits	24,691	32,594	163,085
Contributions concerning reprocessing of spent nuclear fuel	12,817	7,626	84,660
Other	92,744	80,801	612,577
Total of tax loss carryforwards and temporary differences	250,234	281,042	1,652,807
Less valuation allowance for tax loss carryforwards	(1,238)	(9,268)	(8,181)
Less valuation allowance for temporary differences	(60,113)	(59,465)	(397,053)
Total valuation allowance	(61,352)	(68,734)	(405,235)
Deferred tax assets	188,882	212,307	1,247,571
Deferred tax liabilities:			
Amortization in foreign subsidiaries	10,786	10,659	71,243
Deferred gain on derivatives under hedge accounting	8,216	5,211	54,268
Capitalized assets retirement costs	7,020	8,231	46,373
Assets for retirement benefits	5,685	3,448	37,553
Accrued income of foreign subsidiaries	4,705	9,751	31,077
Gain on contributions of securities to retirement benefit trust	4,599	5,578	30,380
Other	16,352	13,528	108,007
Deferred tax liabilities	57,366	56,408	378,905
Net deferred tax assets	¥131,516	¥155,899	$ 868,666

The expiration of tax loss carryforwards, the related valuation allowance and the resulting net deferred tax assets as of March 31, 2024 and 2023, were as follows:

	Millions of Yen						
March 31, 2024	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Deferred tax assets relating to tax loss carryforwards (Note a)	¥ 738	¥446	¥158	¥201	¥308	¥31,521	¥33,376
Less valuation allowances for tax loss carryforwards	727	8	1		248	252	1,238
Net deferred tax assets relating to tax loss carryforwards	11	438	157	201	59	31,269	32,137 (Note b)
March 31, 2023							
Deferred tax assets relating to tax loss carryforwards (Note a)	¥25,106	¥991	¥425	¥154	¥235	¥49,378	¥76,291
Less valuation allowances for tax loss carryforwards	8,459	565	13	8		221	9,268
Net deferred tax assets relating to tax loss carryforwards	16,646	426	412	145	235	49,156	67,023 (Note c)

	Thousands of U.S. Dollars						
March 31, 2024	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Deferred tax assets relating to tax loss carryforwards (Note a)	$4,880	$2,951	$1,049	$1,330	$2,034	$208,202	$220,449
Less valuation allowances for tax loss carryforwards	4,803	52	12		1,643	1,669	8,181
Net deferred tax assets relating to tax loss carryforwards	76	2,898	1,037	1,330	390	206,533	212,267 (Note b)

Notes: a. The tax loss carryforwards were the amount multiplied by the normal effective statutory tax rate.

b. Tax loss carryforwards mainly resulted from the decline in the operation of nuclear power plants in previous years, as well as soaring fuel and wholesale electricity prices. Deferred tax assets relating to tax loss carryforwards were recognized at amounts the Company judged those were recoverable from expectations of future taxable income based on the business plan approved by the Board of Directors.

c. Tax loss carryforwards mainly resulted from the decline in the operation of nuclear power plants, as well as soaring fuel and wholesale electricity prices. Deferred tax assets relating to tax loss carryforwards were recognized at amounts the Company judged those were recoverable from expectations of future taxable income based on the business plan approved by the Board of Directors.

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2024 and 2023, was as follows:

	2024	2023
Normal effective statutory tax rate	27.9%	27.9%
Equity in earnings of nonconsolidated subsidiaries and affiliated companies	(1.5)	3.5
Other—net	(1.2)	(6.0)
Actual effective tax rate	25.2%	25.4%

The Company and its wholly owned domestic subsidiaries adopted the group tax sharing system.

In addition, in accordance with the ASBJ Practical Solution No. 42, "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System," the Company accounts for corporate and local corporate taxes or accounts and discloses tax effect accounting relating to them.

12. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. *Dividends*

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the general shareholders' meeting. For companies that meet certain criteria, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the Company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the criteria.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. *Increases/Decreases and Transfer of Common Stock, Reserve and Surplus*

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account that was charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. *Treasury Stock and Treasury Stock Acquisition Rights*

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

Issuance of Class B Preferred Stock

The Company issued 2,000 shares of Class B preferred stock for ¥200,000 million ($1,321,003 thousand) by way of third-party allotment to the Mizuho Bank, Ltd., Development Bank of Japan Inc. and MUFG Bank, Ltd. The information of the Class B preferred stock is as follows:

(1) Way of offering

Third-party allotment to the Mizuho Bank, Ltd., Development Bank of Japan Inc. and MUFG Bank, Ltd.

(2) Class and number of new shares to be issued

2,000 shares of Class B preferred stock

(3) Issue price

¥100 million ($660 thousand) per share

(4) Total amount of the issue price

¥200,000 million ($1,321,003 thousand)

(5) Amount of preferred stock and additional paid-in capital to be increased

Amount of preferred stock to be increased:	¥100,000 million ($660,501 thousand) (¥100 million per share ($660 thousand))
Amount of additional paid-in capital to be increased:	¥100,000 million ($660,501 thousand) (¥100 million per share ($660 thousand))

(6) Issue date

August 1, 2023

(7) Uses of proceeds

A part of the proceeds from issuance of the Class B preferred stock is planned to be used in acquisition of Class A preferred stock issued by the Company. The other part of the proceeds is planned to be used to capital expenditures and investments in new projects that will contribute to achieve carbon neutrality by 2050 and the sustainable growth of the Group.

(8) Characteristics of the preferred stock

The preferred stock provides no provision for acquisition or right to request acquisition using common stock as consideration that will not dilute common stock. These stocks also do not provide any voting rights at the general shareholders' meeting.

The preferred stock has a provision for acquisition allowing the Company to acquire this preferred stock in exchange for cash the day after the payment date or thereafter. Furthermore, the preferred stock will provide the preferred shareholders with the right to request acquisition of this preferred stock in exchange for cash of the Company the day after the payment date or thereafter if the preferred shareholders follow the prescribed procedures, but the exercise of this right by the preferred shareholders is limited by the agreement to underwriting of the preferred stock.

Annual preferred dividend for the preferred stock is ¥2,900,000 ($19,154) per share. (Annual preferred dividend as of the record date of March 31, 2024, is ¥1,933,333 ($12,769) per share.)

Purchase and Retirement of Class A Preferred Stock

At the Board of Directors' meeting held on April 28, 2023, in connection with the issuance of the Class B preferred stock, the Company resolved to purchase the Class A preferred stock in accordance with Article 12.8 of its articles of incorporation (provisions concerning acquisition for monetary consideration) and to retire the Class A preferred stock. The information of the Class A preferred stock is as follows:

(1) Way of offering

Third-party allotment to the Mizuho Bank, Ltd., Development Bank of Japan Inc. and MUFG Bank, Ltd.

(2) Class and number of new shares to be issued

1,000 shares of Class A preferred stock

(3) Issue price

¥100 million per share

(4) Total amount of the issue price

¥100,000 million

(5) Issue date

June 28, 2019

(6) Uses of proceeds

The proceeds from the issuance of new Class A preferred stock will be used to repay a part of a bank loan the Company borrowed for the acquisition of current Class A preferred stock.

(7) Characteristics of the preferred stock

The preferred stock provides no provision for acquisition or right to request acquisition using common stock as consideration that will not dilute common stock. These stocks also do not provide any voting rights at the general shareholders' meeting.

The preferred stock has a provision for acquisition allowing the Company to acquire this preferred stock in exchange for cash the day after the payment date or thereafter. Furthermore, the preferred stock will provide the preferred shareholders with the right to request acquisition of this preferred stock in exchange for cash of the Company the day after the payment date or thereafter if the preferred shareholders follow the prescribed procedures, but the exercise of this right by the preferred shareholders is limited by the agreement to underwriting of the preferred stock.

Annual preferred dividend for the preferred stock is ¥2,100,000 per share. (Annual preferred dividend as of the record date of March 31, 2020, is ¥1,599,452 per share.)

13. REVENUE

(1) *Disaggregation of Revenue*

Disaggregation of revenue from contracts with customers is presented in "Information about sales, profit, assets and other items" in Note 22.

(2) *Contract Balances*

Receivables from contract with customers, contract assets and contract liabilities at the beginning and end of the year were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Receivables from contracts with customers:			
Balance at beginning of year	¥182,138	¥178,177	$1,203,027
Balance at end of year	168,107	182,138	1,110,353
Contract assets:			
Balance at beginning of year	6,845	8,896	45,212
Balance at end of year	8,392	6,845	55,434
Contract liabilities:			
Balance at beginning of year	7,313	5,062	48,306
Balance at end of year	7,575	7,313	50,034

(**3**) ***Transaction Prices Allocated Remaining Performance Obligations***

The Group has applied the simplified method as a practical expedient, and has not included information related to either of the following:

(a) the performance obligation is part of a contract that has an original expected duration of one year or less; or

(b) the Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer.

For significant transactions in the contracts that have an original expected durations of more than one year, the following table shows the summary of the transaction prices allocated to remaining performance obligations that are unsatisfied as of March 31, 2024:

	Millions of Yen	Thousands of U.S. Dollars
	2024	2024
Within one year	¥155,422	$1,026,569
After one to two years	95,617	631,555
After two to three years	101,730	671,933
After three years	142,830	943,396
Total	¥495,601	$3,273,455

14. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥4,681 million ($30,922 thousand) and ¥4,798 million for the years ended March 31, 2024 and 2023, respectively.

15. IMPAIRMENT LOSS ON A FINANCIAL ASSET

A consolidated subsidiary (the "Subsidiary") participating in the Geothermal IPP project in Indonesia recognizes a financial asset related to the contractual right to receive consideration from the grantor for the construction services based on the transaction price determined by contracts with customers, or the grantor.

For the year ended March 31, 2024, the operating revenue from the IPP project was expected to be reduced due to a revision of the estimated future outputs of the geothermal power generation facilities because estimated future outputs based on a recent investigation were significantly decreased compared to the original project plan. For this reason, the Subsidiary wrote down the financial asset and recorded an impairment loss on a financial asset as other expenses.

16. RELATED PARTY DISCLOSURES

a. Significant transactions of the Company with its related parties for the years ended March 31, 2024 and 2023

No matters to report

b. Significant transactions of a consolidated subsidiary with an affiliated company for the years ended March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Kyudenko Corporation:			
Transactions—			
purchase of construction works on distribution facilities and other	¥40,065	¥36,834	$264,633
Balances at year-end—			
payables for construction works	4,409	3,971	29,127

Notes Concerning the Parent Company or Important Affiliates

Important affiliates' financial summary

For the years ended March 31, 2024 and 2023, Kyudenko Corporation was an important affiliate. The financial summary of its financial statements was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Total current assets	¥282,914	¥238,445	¥1,868,653
Total noncurrent assets	164,144	157,911	1,084,174
Total current liabilities	205,460	148,596	1,357,068
Total noncurrent liabilities	8,780	32,920	57,996
Total equity	232,817	214,839	1,537,762
Operating revenues	404,832	333,007	2,673,923
Income before income taxes	31,456	31,951	207,768
Net income	21,766	22,189	143,764

17. LEASES

The minimum rental commitments under noncancelable operating leases at March 31, 2024 and 2023, were as follows:

(1) ***Lessee***

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Due within one year	¥ 1,491	¥ 1,514	$ 9,850
Due after one year	16,395	17,681	108,291
Total	¥17,886	¥19,195	$118,142

(2) ***Lessor***

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Due within one year	¥ 1,184	¥1,001	$ 7,822
Due after one year	10,199	8,684	67,367
Total	¥11,383	¥9,685	$75,189

18. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Items Pertaining to Financial Instruments

(*a*) *The Group's policy for financial instruments*

The Group uses mainly long-term debt, including bonds and loans, to raise funds required for investments in electric utility plant and equipment and repayments of bonds and loans. Cash surpluses, if any, are invested in low-risk financial assets. Derivatives are used not for speculative purposes, but to manage exposure to financial risks as described in (b) below.

(*b*) *Nature and extent of risks arising from financial instruments and risk control system*

Investment securities, mainly held-to-maturity debt securities and equity securities issued by companies related through business, and investments in and advances to nonconsolidated subsidiaries and affiliated companies which have a quoted market price in an active market are exposed to the risk of market price fluctuations. Such market risk is managed by monitoring market values and financial position of the issuers on a regular basis. Investment securities and investments in and advances to nonconsolidated subsidiaries and affiliated companies which do not have a quoted market price in an active market are managed by monitoring financial position of the issuers on a regular basis. In addition, the Company requires its nonconsolidated subsidiaries and affiliated companies to submit business plans and performance reports, and to consult in advance on any items that could have a significant impact on the Group's business activities.

Receivables are exposed to customer credit risk. Payment terms are set forth in specific retail electricity power supply provisions and so on. The Group manages its credit risk from receivables by monitoring payment terms and balances of each customer and identifying and reducing the default risk of customers at an early stage. Receivables from wholesale electric power sales outside of the Kyushu area are exposed to the risk of electricity price area differentials and market price volatility. Such risk is mitigated by using the financial transmission rights and electricity forward contracts as necessary.

Bonds and loans are mainly used to raise funds for investments in plant and equipment and repayments of bonds and loans. Foreign currency denominated debt is exposed to the market risk of fluctuations in foreign exchange. Such risk is mitigated by using currency swaps. Financial liabilities with variable interest rate are exposed to interest rate fluctuation risk. Such risk is mitigated by using interest rate swaps as necessary.

Payment terms of notes and accounts payable are less than one year. Accounts payable to purchase fuel in foreign currencies is exposed to the market risk of fluctuations in foreign exchange and fuel price. Such risks are mitigated by using foreign exchange forward contracts and financial energy swaps as necessary.

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates. The Group manages its liquidity risk by holding an adequate volume of liquid assets based on monthly financial planning and diversifying sources of its financing.

Fair Values of Financial Instruments

The carrying amounts and aggregate fair values of financial instruments at March 31, 2024 and 2023, were as follows: Investments in equity instruments that do not have a quoted market price in an active market and investments in partnerships and others are not included in the following table. The fair values of cash and cash equivalents, receivables, short-term borrowings, commercial paper, notes and accounts payable, and accrued income taxes are not disclosed because their maturities are short and the carrying values approximate fair value.

March 31, 2024	Millions of Yen Carrying Amount	Fair Value	Unrecognized Gain (Loss)
Investment securities:			
Held-to-maturity debt securities	¥ 1,283	¥ 1,218	¥ (65)
Available-for-sale securities	10,298	10,298	
Investments in and advances to nonconsolidated subsidiaries and affiliated companies	55,676	102,543	46,866
Total	¥ 67,259	¥ 114,060	¥ 46,801
Long-term debt:			
Bonds	¥1,585,000	¥1,533,101	¥(51,898)
Loans	2,057,017	2,051,589	(5,428)
Total	¥3,642,017	¥3,584,691	¥(57,326)
Derivatives	¥ 26,260	¥ 26,260	

March 31, 2023	Millions of Yen Carrying Amount	Fair Value	Unrecognized Gain (Loss)
Investment securities:			
Held-to-maturity debt securities	¥ 235	¥ 217	¥ (17)
Available-for-sale securities	7,221	7,221	
Investments in and advances to nonconsolidated subsidiaries and affiliated companies	50,730	54,178	3,447
Total	¥ 58,187	¥ 61,617	¥ 3,430
Long-term debt:			
Bonds	¥1,659,999	¥1,612,271	¥(47,728)
Loans	2,166,976	2,153,988	(12,987)
Total	¥3,826,976	¥3,766,259	¥(60,716)
Derivatives	¥ 8,526	¥ 8,526	

March 31, 2024	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrecognized Gain (Loss)
Investment securities:			
Held-to-maturity debt securities	$ 8,479	$ 8,046	$ (432)
Available-for-sale securities	68,021	68,021	
Investments in and advances to nonconsolidated subsidiaries and affiliated companies	367,747	677,304	309,557
Total	$ 444,249	$ 753,373	$ 309,124
Long-term debt:			
Bonds	$ 10,468,956	$ 10,126,167	$ (342,789)
Loans	13,586,643	13,550,790	(35,852)
Total	$ 24,055,599	$ 23,676,958	$ (378,641)
Derivatives	$ 173,449	$ 173,449	

Advances are excluded from investments in and advances to nonconsolidated subsidiaries and affiliated companies because they are immaterial.

Long-term debt contains its current portion, and obligations under finance leases are excluded because they are immaterial.

Derivatives are stated at the net amount.

Carrying amount of investments in equity instruments that do not have a quoted market price in an active market and investments in partnerships and others

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Investment securities—Available-for-sale:			
Equity securities	¥ 76,759	¥ 68,496	$ 506,997
Investments in partnership and others	17,366	10,443	114,707
Other securities	28,478	26,909	188,099
Investments in and advances to nonconsolidated subsidiaries and affiliated companies:			
Equity securities	120,575	111,877	796,400
Other securities	32,069	32,264	211,821
Total	¥275,249	¥249,991	$1,818,026

Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of Yen			
March 31, 2024	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Investment securities:				
Held-to-maturity debt securities			¥36	¥1,247
Available-for-sale securities with contractual maturities				174
Cash and cash equivalents	¥364,213			
Receivables	340,934			
Total	¥705,148		¥36	¥1,421
March 31, 2023				
Investment securities:				
Held-to-maturity debt securities			¥36	¥ 199
Available-for-sale securities with contractual maturities		¥14		132
Cash and cash equivalents	¥270,651			
Receivables	369,244			
Total	¥639,895	¥14	¥36	¥ 331

March 31, 2024	Thousands of U.S. Dollars Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Investment securities:				
Held-to-maturity debt securities			$237	$8,241
Available-for-sale securities with contractual maturities				1,150
Cash and cash equivalents	$2,405,640			
Receivables	2,251,879			
Total	$4,657,520		$237	$9,391

Please see Note 7 for annual maturities of long-term debt.

Financial Instruments Categorized by Fair Value Hierarchy

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Fair values measured by using unobservable inputs for the assets or liabilities.

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is classified at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

(*a*) *Financial instruments recorded at fair value in the consolidated balance sheet*

	Millions of Yen			
	Fair Value			
March 31, 2024	Level 1	Level 2	Level 3	Total
Investment securities—				
Available-for-sale securities:				
Equity securities	¥9,189			¥ 9,189
Debt securities		¥ 174		174
Other securities	443			443
Derivatives		26,260		26,260
March 31, 2023				
Investment securities—				
Available-for-sale securities:				
Equity securities	¥6,214			¥ 6,214
Debt securities		¥ 132		132
Other securities	390			390
Derivatives		8,526		8,526

March 31, 2024	Thousands of U.S. Dollars			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Investment securities—				
Available-for-sale securities:				
Equity securities	$60,697			$ 60,697
Debt securities		$ 1,150		1,150
Other securities	2,928			2,928
Derivatives		173,449		173,449

Note: Investment trusts that the net asset value is regarded as fair value are not included in above table in accordance with the article 24-9 of ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement." The carrying amounts of the investment trusts in the consolidated balance sheet were ¥491 million ($3,245 thousand) and ¥ 484 million at March 31, 2024 and 2023, respectively.

(*b*) *Financial instruments other than financial instruments recorded at fair value in the consolidated balance sheet*

March 31, 2024	Millions of Yen			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Investment securities—				
Held-to-maturity debt securities:				
Local government bonds		¥ 35		¥ 35
Corporate bonds		96	¥1,086	1,183
Investments in and advances to nonconsolidated subsidiaries and affiliated companies	¥102,543			102,543
Long-term debt:				
Bonds		1,533,101		1,533,101
Loans		2,051,589		2,051,589

March 31, 2023	Millions of Yen			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Investment securities—				
Held-to-maturity debt securities:				
Local government bonds		¥ 35		¥ 35
Corporate bonds		88	¥94	182
Investments in and advances to nonconsolidated subsidiaries and affiliated companies	¥54,178			54,178
Long-term debt:				
Bonds		1,612,271		1,612,271
Loans		2,153,988		2,153,988

March 31, 2024	Thousands of U.S. Dollars Fair Value Level 1	Level 2	Level 3	Total
Investment securities—				
Held-to-maturity debt securities:				
Local government bonds		$ 231		$ 231
Corporate bonds		637	$7,177	7,814
Investments in and advances to nonconsolidated subsidiaries and affiliated companies	$677,304			677,304
Long-term debt:				
Bonds		10,126,167		10,126,167
Loans		13,550,790		13,550,790

The following is a description of valuation methodologies and inputs used for measurement of the fair value of assets and liabilities:

Investment Securities and Investments in and Advances to Nonconsolidated Subsidiaries and Affiliated Companies

The fair values of listed equity securities are measured at the quoted market price. Since listed equity securities are traded in active markets, the fair values of listed equity securities are categorized as Level 1. As the fair values of the debt securities (include local government bonds, exclude private placement bonds) are measured principally at the quoted price obtained from financial institutions, the fair values of the debt securities are categorized as Level 2. The fair values of private placement bonds are measured by discounting the total amount of principal and interest at interest rates based on the discount rate reflecting credit risk factors and others, and are categorized as Level 3 since the discount rate is unobservable. The fair values of investment trusts are measured at the disclosed net asset value and others, and those (excluding those applied the article 24-9 of ASBJ Guidance No. 31) are categorized as Level 1.

Derivatives

The fair values of derivatives are measured principally at the quoted price obtained from financial institutions and are categorized as Level 2 based on the level of inputs of the derivatives. The interest rate swaps, which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest charges. As a result, the fair values of interest rate swaps are included in those of hedged items (i.e., long-term loans).

Bonds

The fair values of bonds are based on market price and are categorized as Level 2.

Long-Term Loans

The fair values of long-term loans at fixed interest rates are determined by discounting the cash flows related to the loans at the Company's assumed corporate borrowing rate, and are categorized as Level 2. Because loans at variable interest rates reflect short-term movements in market interest rates and there has been no substantial change in the Company's credit position since the loans were implemented, the carrying amounts approximate fair values. A part of loans is subjected to interest rate swaps, which qualify for hedge accounting and meet specific matching criteria, and the fair values are determined by discounting the cash flows related to the loans with the interest rate swaps at the Company's assumed corporate borrowing rate, and are categorized as Level 2.

19. DERIVATIVES

The Company enters into foreign exchange forward contracts, currency swaps, interest rate swaps, financial energy swaps, financial transmission rights and electricity forward contracts to manage its exposures to fluctuations in foreign exchanges, interest rates, fuel price, electricity market price area differentials and market price volatility, respectively.

Consolidated subsidiaries of the Company enter into foreign exchange forward contracts, interest rate swaps and financial transmission rights to manage their exposures to fluctuations in foreign exchanges, interest rates, and electricity market price area differentials, respectively.

The Group does not enter into derivatives for trading or speculative purposes.

Foreign exchange forward contracts, currency swaps, interest rate swaps, financial energy swaps, financial transmission rights and electricity forward contracts are not subject to any market risk except for abandoning potential income by market fluctuations in hedged items.

The Group does not anticipate any losses arising from credit risk, which is the possibility that a loss may result from counterparties' failure to perform according to the terms and conditions of the contract, because the counterparties to those derivatives have high credit ratings.

The derivative transactions are executed by specific sections, and the administrative section monitors them based on internal policies.

Derivative Transactions to Which Hedge Accounting Is Applied

		Millions of Yen		
March 31, 2024	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Buying U.S. dollar	Accounts payable	¥57,371	¥43,584	¥19,094
Buying Canadian dollar	Accounts payable	20,194	18,700	6,858
Selling U.S. dollar	Receivables	7,252		(101)
Interest rate swaps:				
Principle treatment—				
pay fixed / receive floating	Long-term loans	53,747	48,422	1,019
Special treatment (Note a)—				
pay fixed / receive floating	Long-term loans	1,238	1,021	
Financial energy swaps—				
Principle treatment:				
Receive fixed / pay floating	Receivables	12,142		(802)
Pay fixed / receive floating	Accounts payable	17,553		191
Total				¥26,260

March 31, 2023	Hedged Item	Millions of Yen Contract Amount	 Contract Amount Due after One Year	 Fair Value
Foreign currency forward contracts:				
Buying U.S. dollar	Accounts payable	¥51,238	¥47,248	¥11,597
Buying Canadian dollar	Accounts payable	21,777	20,100	3,923
Selling U.S. dollar	Receivables	2,883		(26)
Interest rate swaps:				
Principle treatment—				
pay fixed / receive floating	Long-term loans	56,018	51,646	(612)
Special treatment (Note a)—				
pay fixed / receive floating	Long-term loans	1,455	1,238	
Financial energy swaps—				
Principle treatment:				
Receive fixed / pay floating	Receivables	3,223		216
Pay fixed / receive floating	Accounts payable	14,251		(6,572)
Total				¥ 8,526

March 31, 2024	Hedged Item	Thousands of U.S. Dollars Contract Amount	 Contract Amount Due after One Year	 Fair Value
Foreign currency forward contracts:				
Buying U.S. dollar	Accounts payable	$ 378,937	$ 287,876	$ 126,121
Buying Canadian dollar	Accounts payable	133,384	123,517	45,297
Selling U.S. dollar	Receivables	47,902		(672)
Interest rate swaps:				
Principle treatment—				
pay fixed / receive floating	Long-term loans	355,001	319,834	6,735
Special treatment (Note a)—				
pay fixed / receive floating	Long-term loans	8,180	6,747	
Financial energy swaps—				
Principle treatment:				
Receive fixed / pay floating	Receivables	80,200		(5,299)
Pay fixed / receive floating	Accounts payable	115,940		1,266
Total				$ 173,449

Notes: a. The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest charges. As a result, the fair values of interest rate swaps are included in those of hedged items (i.e., long-term loans) in Note 18.

b. The contract or notional amounts of derivatives, which are shown in the above table, do not represent the amounts exchanged by the parties and do not measure the Group's exposure to market risk.

20. COMMITMENTS AND CONTINGENCIES

At March 31, 2024, the Group had a number of fuel purchase commitments, most of which specify quantities and dates for fuel deliveries. However, most of purchase prices are contingent upon fluctuations in market prices.

Contingent Liabilities

Contingent liabilities at March 31, 2024, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Co-guarantees of loans, mainly in connection with procurement of fuel	¥77,946	$514,836
Guarantees of employees' loans	32,176	212,528
Other	46,617	307,908

21. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Other comprehensive income:			
Unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ 4,156	¥ 1,424	$ 27,453
Reclassification adjustments to profit or loss		13	
Amount before income tax effect	4,156	1,437	27,453
Income tax effect	(1,131)	(385)	(7,476)
Total	¥ 3,024	¥ 1,051	$ 19,976
Deferred gain on derivatives under hedge accounting:			
Gains arising during the year	¥ 13,131	¥ 4,641	$ 86,730
Reclassification adjustments to profit or loss	(772)	3,571	(5,099)
Adjustments for amounts transferred to the initial carrying amounts of hedged items	3,854	(4,282)	25,458
Amount before income tax effect	16,213	3,930	107,090
Income tax effect	(4,656)	(1,186)	(30,757)
Total	¥ 11,556	¥ 2,743	$ 76,333
Foreign currency translation adjustments:			
Gains arising during the year	¥ 5,864	¥ 5,686	$ 38,735
Amount before income tax effect	5,864	5,686	38,735
Income tax effect	(98)	936	(648)
Total	¥ 5,766	¥ 6,623	$ 38,087
Defined retirement benefit plans:			
Gains (losses) arising during the year	¥ 27,052	¥ (15,608)	$ 178,680
Reclassification adjustments to profit or loss	3,002	(1,311)	19,832
Amount before income tax effect	30,054	(16,919)	198,513
Income tax effect	(8,529)	4,753	(56,337)
Total	¥ 21,525	¥ (12,166)	$ 142,176
Share of other comprehensive income in nonconsolidated subsidiaries and affiliated companies:			
Gains arising during the year	¥ 6,196	¥ 5,593	$ 40,927
Reclassification adjustments to profit or loss	(716)	454	(4,730)
Adjustments to acquisition costs of assets	(129)		(857)
Total	¥ 5,350	¥ 6,047	$ 35,340
Total other comprehensive income	¥ 47,223	¥ 4,299	$ 311,913

22. SEGMENT INFORMATION

(1) Description of reportable segments

The Group's reportable segments are those for which financial information is available separately and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group's reportable segments consist of power generation and sale, electricity transmission and distribution, overseas, other energy services, information and communication technology ("ICT") services, and urban development.

- Power Generation and Sale segment: This segment is engaged in the business of power generation and retail electricity in Japan.
- Electricity Transmission and Distribution segment: This segment is engaged in the business of general transmission and distribution in Kyushu region.
- Overseas segment: This segment is engaged in the business of overseas power generation, transmission and distribution business.
- Other Energy Services segment: This segment is engaged in the business that provides a stable supply of electric power, such as construction and maintenance of electricity-related facilities, selling gas and LNG, selling coal, and a renewable energy business.
- ICT Services segment: This segment is engaged in the data communication business, optical broadband business, construction and maintenance of telecommunications facilities, information system development business, and data center business.
- Urban Development segment: This segment is engaged in the urban development business, real estate business and social infrastructure business.

(2) Methods of measurement for the amounts of sales, profit, assets and other items for each reportable segment

The accounting policies of each reportable segment are consistent to those disclosed in Note 2, "Summary of Significant Accounting Policies."

(3) Information about sales, profit, assets and other items at March 31, 2024 and 2023, was as follows:

	Millions of Yen										
	2024										
	Reportable Segments										
	Energy Services										
	Domestic Electric Power										
	Power Generation and Sale	Electricity Transmission and Distribution	Overseas	Other Energy Services	ICT Services	Urban Development	Subtotal	Other (Note a)	Total	Reconciliations (Note b)	Consolidated (Note c)
Sales:											
Revenues from contracts with customers	¥1,487,739	¥ 191,433	¥ 2,209	¥116,083	¥ 89,035	¥ 11,075	¥1,897,577	¥ 3,990	¥1,901,568		¥1,901,568
Other revenue (Note d)	189,815	35,348	3,569	1,137	1,104	6,903	237,879		237,879		237,879
Sales to external customers	1,677,555	226,781	5,779	117,221	90,139	17,979	2,135,456	3,990	2,139,447		2,139,447
Intersegment sales or transfers	142,238	471,665	0	182,200	41,282	11,018	848,405	5,186	853,592	¥ (853,592)	
Total	¥1,819,793	¥ 698,446	¥ 5,779	¥299,421	¥131,422	¥ 28,997	¥2,983,862	¥ 9,177	¥2,993,039	¥ (853,592)	¥2,139,447
Segment profit	¥ 147,552	¥ 41,366	¥ 5,347	¥ 33,923	¥ 7,805	¥ 3,828	¥ 239,823	¥ 452	¥ 240,275	¥ (2,113)	¥ 238,161
Segment assets	4,441,210	1,999,006	217,952	525,750	221,826	171,383	7,577,130	16,361	7,593,491	(1,866,251)	5,727,240
Other:											
Depreciation	129,028	80,772	38	13,678	25,787	3,351	252,656	389	253,046	(3,085)	249,961
Interest income	10,700	30	1,490	632	9	115	12,979	0	12,979	(10,471)	2,507
Interest charges	22,803	10,171	1,791	3,345	239	121	38,471	54	38,525	(10,471)	28,053
Share of profit (loss) of entities accounted for using the equity method			4,646	7,470	7	247	12,372	(135)	12,237	(504)	11,732
Increase in property and nuclear fuel	139,072	124,231	58	26,732	31,030	5,366	326,492	233	326,726	(6,457)	320,268

	Millions of Yen										
	2023										
	Reportable Segments										
	Energy Services										
	Domestic Electric Power										
	Power Generation and Sale	Electricity Transmission and Distribution	Overseas	Other Energy Services	ICT Services	Urban Development	Subtotal	Other (Note a)	Total	Reconciliations (Note b)	Consolidated (Note c)
Sales:											
Revenues from contracts with customers	¥1,702,223	¥ 230,883	¥ 2,712	¥108,208	¥ 86,309	¥ 7,429	¥2,137,767	¥ 3,948	¥2,141,715		¥2,141,715
Other revenue (Note e)	45,295	22,949	3,532	417	1,070	6,318	79,584		79,584		79,584
Sales to external customers	1,747,519	253,832	6,245	108,626	87,379	13,748	2,217,352	3,948	2,221,300		2,221,300
Intersegment sales or transfers	183,418	455,147		152,513	32,009	11,209	834,298	4,814	839,113	¥ (839,113)	
Total	¥1,930,937	¥ 708,980	¥ 6,245	¥261,140	¥119,389	¥ 24,957	¥3,051,650	¥ 8,763	¥3,060,414	¥ (839,113)	¥2,221,300
Segment profit (loss)	¥ (143,558)	¥ 14,120	¥ 4,459	¥ 29,240	¥ 6,526	¥ 3,218	¥ (85,994)	¥ 496	¥ (85,497)	¥ (1,136)	¥ (86,634)
Segment assets	4,423,383	1,956,923	215,585	475,478	212,169	148,516	7,432,056	15,230	7,447,287	(1,843,608)	5,603,678
Other:											
Depreciation	109,540	73,367	33	12,951	24,687	3,286	223,867	375	224,242	(3,228)	221,013
Interest income	9,620	72	924	187	4	46	10,856		10,856	(9,501)	1,355
Interest charges	22,584	9,320	3,301	1,868	186	108	37,370	67	37,438	(9,501)	27,936
Share of profit (loss) of entities accounted for using the equity method			4,620	4,759	92	14	9,486	(93)	9,392	(295)	9,096
Increase in property and nuclear fuel	140,984	121,362	28	12,637	28,790	8,352	312,154	233	312,388	(5,796)	306,592

	Thousands of U.S. Dollars										
	2024										
	Reportable Segments										
	Energy Services										
	Domestic Electric Power										
	Power Generation and Sale	Electricity Transmission and Distribution	Overseas	Other Energy Services	ICT Services	Urban Development	Subtotal	Other (Note a)	Total	Reconciliations (Note b)	Consolidated (Note c)
Sales:											
Revenues from contracts with customers	$ 9,826,551	$ 1,264,422	$ 14,593	$ 766,733	$ 588,084	$ 73,155	$ 12,533,539	$ 26,356	$ 12,559,895		$ 12,559,895
Other revenue (Note d)	1,253,734	233,475	23,579	7,515	7,292	45,598	1,571,195		1,571,195		1,571,195
Sales to external customers	11,080,285	1,497,897	38,172	774,248	595,376	118,754	14,104,735	26,356	14,131,091		14,131,091
Intersegment sales or transfers	939,484	3,115,356	2	1,203,437	272,674	72,776	5,603,732	34,260	5,637,992	$ (5,637,992)	
Total	$ 12,019,770	$ 4,613,254	$ 38,175	$ 1,977,685	$ 868,051	$ 191,530	$ 19,708,467	$ 60,616	$ 19,769,084	$ (5,637,992)	$ 14,131,091
Segment profit	$ 974,585	$ 273,227	$ 35,318	$ 224,063	$ 51,558	$ 25,284	$ 1,584,038	$ 2,986	$ 1,587,024	$ (13,961)	$ 1,573,062
Segment assets	29,334,281	13,203,475	1,439,582	3,472,593	1,465,171	1,131,990	50,047,094	108,067	50,155,162	(12,326,627)	37,828,534
Other:											
Depreciation	852,234	533,502	251	90,349	170,325	22,139	1,668,804	2,573	1,671,378	(20,378)	1,650,999
Interest income	70,677	202	9,844	4,176	61	764	85,727	5	85,732	(69,167)	16,565
Interest charges	150,617	67,180	11,832	22,094	1,581	800	254,106	356	254,463	(69,167)	185,296
Share of profit (loss) of entities accounted for using the equity method			30,691	49,343	49	1,636	81,721	(892)	80,829	(3,333)	77,495
Increase in property and nuclear fuel	918,576	820,554	385	176,568	204,955	35,447	2,156,489	1,544	2,158,034	(42,652)	2,115,382

Notes: a. "Other" is a business segment not included in the reportable segments and includes paid nursing home business, office work outsourcing business, personnel dispatch business, etc.

b. Reconciliations of segment profit (loss) and segment assets are intersegment transaction eliminations.

c. Segment profit (loss) is adjusted to reflect ordinary income.

Ordinary income is calculated by adding interest income, dividends, share of profit of entities accounted for using the equity method and other income to, and deducting interest charges and other expenses from operating income.

d. For the year ended March 31, 2024, other revenue of power generation and sale, electricity transmission and distribution other energy services and ICT services include subsidies which are described in Note 25, and the amounts of subsidies are ¥189,357 million ($1,250,710 thousand), ¥4,577 million ($30,231 thousand), ¥1,006 million ($6,645 thousand), and ¥117 million ($775 thousand), respectively.

e. For the year ended March 31, 2023, other revenue of power generation and sale, electricity transmission and distribution other energy services and ICT services include subsidies which are described in Note 25, and the amounts of subsidies are ¥44,777 million, ¥1,298 million, ¥323 million, and ¥27 million, respectively.

Geographic segment information is not disclosed because the Group's overseas operations are immaterial.

Information for overseas sales is not disclosed due to overseas sales being immaterial compared with consolidated net sales.

23. SUBSEQUENT EVENT

Year-End Cash Dividends

At the general shareholders' meeting held on June 26, 2024, the Company's shareholders approved the following appropriation of retained earnings as of March 31, 2024:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥25.00 ($0.16) per common share	¥11,847	$78,253
Year-end cash dividends, ¥1,933,333.00 ($12,769.70) per Class B preferred share	3,866	25,539

24. NET INCOME PER SHARE

Basic EPS for the years ended March 31, 2024 and 2023, were as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2024	Net Income (Loss) Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Net income attributable to owners of the parent	¥166,444			
Amount not attributable to common shareholder—Preferred dividend	(4,589)			
Basic EPS—Net income available to common shareholders	¥161,855	472,842	¥ 342.30	$2.26
Year Ended March 31, 2023				
Net loss attributable to owners of the parent	¥ (56,429)			
Amount not attributable to common shareholder—Preferred dividend	(2,100)			
Basic EPS—Net loss available to common shareholders	¥ (58,529)	472,753	¥(123.81)	

25. ADDITIONAL INFORMATION

(Joined in a Political Measure to Mitigate the Economic Burden on the People)

Rising electricity and city gas prices due to soaring energy prices against the background of global situations have had a far-reaching impact on economy of Japan and society, and the economic burden on households and entities is expected to be increased.

In response to this situation and to completely overcome the deflationary structure that has continued for many years, the Group has discounted unit prices of electricity and city gas to the discount prices set by the government of Japan as a political measure to mitigate the economic burden on the people.

The discount is funded by subsidies from the government of Japan.

The Group recorded such subsidies as "Revenues from Electricity Business" and "Revenues from Other Business." For the year ended March 31, 2024, ¥187,566 million ($1,238,877 thousand) and ¥7,491 million ($49,484 thousand) were recorded for these amounts, respectively. For the year ended March 31, 2023, ¥45,093 million and ¥1,333 million were recorded for these amounts, respectively.

(Revision of the Electricity Business Accounting Regulation in accordance with the Partial Revision of the Electricity Business Act and Other Acts for Establishing Electricity Supply Systems for Realizing a Decarbonized Society)

Prior to April 1, 2024, costs required for decommissioning of nuclear power stations were recorded as asset retirement obligations. Capitalized asset retirement costs of nuclear power stations were depreciated by the straight-line method over the estimated operating period of each nuclear power unit. The total amounts of decommissioning costs were estimated based on the formula prescribed in the Ordinance of the Ministry of International Trade and Industry No. 30 of 1989 (the "Ministry Ordinance for Decommissioning"). The ordinance required nuclear operators to estimate such decommissioning costs using the quantities by type of waste generated from the decommissioning of nuclear reactors.

On April 1, 2024, the "Partial Revision of the Electricity Business Act and Other Acts for Establishing Electricity Supply Systems for Realizing a Decarbonized Society" (the "Revised Act") and the "Ministerial Order for Organization of Relevant Ministerial Orders Associated with the Coming into Effect of the Act on the Partial Revision of the Electricity Business Act and Other Acts for Establishing Electricity Supply Systems for Realizing a Decarbonized Society" (the "Revised Ministry Ordinance") came into effect. As a result, the Ministry Ordinance for Decommissioning was abolished and the accounting regulation applicable to utility providers was revised.

Prior to April 1, 2024, nuclear operators are responsible for securing the funds for decommissioning their own nuclear reactors. However, effective April 1, 2024, nuclear operators are exempt from financial responsibility on securing funds for decommissioning their own nuclear reactors by paying decommissioning contributions to NuRO every fiscal year according to the Revised Act. NuRO is responsible for securing and managing funds for the decommission of nuclear reactors. NuRO also has financial responsibilities for paying expenditures for the decommissioning of nuclear reactors in Japan.

As a result, in the first quarter of fiscal 2024, the Company derecognized asset retirement obligations and capitalized asset retirement costs related to nuclear power stations by ¥291,011 million ($1,922,138 thousand) and ¥18,995 million ($125,462 thousand), respectively.

On the other hand, the Company should pay decommissioning promotion project expenses of ¥274,782 million ($1,814,944 thousand), including the current portion of ¥10,039 million ($66,312 thousand), to NuRO pursuant to Article 10, Paragraph 1 of the Supplementary Provisions of Revised Ministry Ordinance. The Company recorded it as debt based on Article 7 of the Supplementary Provisions of Revised Ministry Ordinance.

The amounts of ¥2,765 million ($18,269 thousand) included in capitalized assets retirement costs as of March 31, 2024, will be transferred to the special account related to nuclear power decommissioning based on Article 8 of the Supplementary Provisions of Revised Ministry Ordinance. The amounts are supposed to be collected through regulated wheeling fees.

These accounting treatments have no impact on profit or loss for the year ending March 31, 2025.

On and after the effective date of the Revised Ministry Ordinance, the Company shall record decommissioning contributions as operating expenses. The decommissioning contributions are prescribed in Article 11, Paragraph 2 of the Act on Implementation of Reprocessing of Spent Fuel and Promotion of Decommissioning at Nuclear Power Stations to which Article 3 of the Amendment Act refers.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Kyushu Electric Power Company, Incorporated:

Opinion

We have audited the consolidated financial statements of Kyushu Electric Power Company, Incorporated (the "Company") and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2023, and the consolidated statement of operations, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters

1. As discussed in Note 25.b to the consolidated financial statements, at the Board of Directors' meeting held on April 28, 2023, the Company resolved to submit the issuance of Class B preferred stock via a third-party allotment for consideration at the general shareholders' meeting held on June 28, 2023, where it was approved.

2. As discussed in Note 25.c to the consolidated financial statements, at the Board of Directors' meeting held on April 28, 2023, the Company resolved that capital stock and additional paid-in capital be reduced by the same amount as the issue price and transferred to other capital surplus at the same time as the issuance of Class B preferred stock.

3. As discussed in Note 25.d to the consolidated financial statements, at the Board of Directors' meeting held on April 28, 2023, in connection with the issuance of the Class B preferred stock, the Company resolved to acquire the Class A preferred stock and to cancel the Class A preferred stock.

Our opinion is not qualified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of deferred tax assets	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As described in Note 3 and Note 12 to the consolidated financial statements, the carrying amount of deferred tax assets was ¥172,337 million ($1,290,529 thousand) as of March 31, 2023. Of this amount, ¥67,023 million ($501,896 thousand) was related to tax loss carryforwards. In accordance with the "Implementation Guidance on Recoverability of Deferred Tax Assets" ("ASBJ Guidance No. 26") ("Guidance No. 26"), the Group records deferred tax assets that are expected to be recovered based on the classification of the Group defined in Guidance No. 26, Guidance No. 26 requires the entity to be classified according to certain criteria and to determine the amount of deferred tax assets expected to be recovered depending on the classification. The Group determined the classification of Group in accordance with Guidance No. 26. For the year ended March 31, 2023, in addition to the suspension of the operation of nuclear power plants, significant tax losses were incurred due to high fuel international market conditions, soaring wholesale electricity market prices and the depreciation of the yen. In response, the Group applied Guidance No. 26, in which management's subjective judgment was required in determining the classification of the Group to evaluate the recoverability of deferred tax assets. Also, deferred tax assets were calculated by estimating the future taxable income exclusive of reversing temporary differences and carryforwards based on the 2023 mid-term business plan approved by the Board of Directors of Kyushu Electric Power Company, Incorporated. The business plan is influenced by assumptions and forecasts of future events that depend on management's intent and subjectivity.	We understood the Group's internal controls over the entity classification for the Group. We assessed whether the Group's classification decisions were made in accordance with Guidance No. 26 by inquiring of management about the causes of significant tax losses, the mid-term business plan, the historical achievability of mid-term business plans in the past, changes in taxable income or tax losses in the past (three years) and the current period, and inspecting related supporting documentation. We also obtained the business plan used as the basis to calculate the recoverable amount of deferred tax assets, understood the internal controls over management's estimation of the business plan and evaluated the reasonableness of management's estimation of the business plan. Our audit procedures to evaluate the reasonableness of management's estimation included the following, among others: (1) We assessed the following assumptions which have a particularly significant impact on the estimate of the future taxable income exclusive of reversing temporary differences and carryforwards, by inquiring of management and inspecting related supporting documentation: 1. For operating revenue, including electricity revenue as well as other revenues, we evaluated whether the business plan reflected the most recent available facts. Specifically, we evaluated whether management's projected outlooks of electricity sales volume and unit price were consistent with the demand forecast for the Kyushu region published by the Organization for Cross-regional Coordination of Transmission Operators, the actual results of the most recent electricity sales volume, the most recent competitive environment and other factors which were taken into consideration.

Specifically, significant accounting estimates such as outlooks of operating revenue including electricity revenue as well as other revenues, projections regarding nuclear power plant operation, fuel costs, expenses for purchase of electricity, and repair costs involve management's subjective judgment and uncertainties. We have determined the recoverability of deferred tax assets as a key audit matter considering factors such as the quantitative significance of deferred tax assets in the consolidated financial statements and the complexity involved in management's determination of the classification of the Group and estimation of future taxable income exclusive of reversing temporary differences and carryforwards.	2. For the projections regarding nuclear power plant operation, we evaluated the reasonableness of the regular inspection schedule for the Sendai and Genkai nuclear power stations by inquiring and inspecting related materials. 3. For fuel costs, the levels of fuel costs particularly related to liquified natural gas ("LNG") and coal, have a significant impact on expenditures and ultimately on income as well. We evaluated the reasonableness of the nuclear power plant operation projections, which significantly impact the estimates of LNG and coal consumption, as stated in 2. Additionally, as the purchase prices of LNG and coal are affected by the international fuel market price and foreign exchange rate, we tested the consistency of the international fuel market price and foreign exchange rate used to estimate fuel costs with the projected values published by external specialists. 4. For expenses related to purchase of electricity, we examined whether the amount of electricity purchased and the cost per unit purchased were not optimistic estimates compared with the levels in previous years. We also examined whether the purchase volume was consistent with the Group's sales and power generation. 5. For repair costs, we evaluated whether the estimated cost was consistent with the regular inspection schedule for each power station and whether the estimates were not optimistic by comparing the projected repair costs with actual repair costs of previous years. Particularly for the regular inspections of nuclear power stations that have larger repair costs, we inspected whether the projected amount of repair costs was consistent with the actual repair costs of previous years. 6. For the estimates of other revenue or costs, we inquired of management on the reasonableness of the assumptions and compared the estimates with the results from previous years. (2) In order to evaluate the reasonableness of the assumptions used in management's estimates, we compared the projections for the same period in previous years with the actual results and inspected the achievement status of previous years' estimates over multiple years.

Evaluation of the investments in the overseas power generation business and a financial asset related to construction services for the overseas power generation facilities	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As described in Note 3 to the consolidated financial statements, the carrying amounts of the investments in the overseas power generation business and the financial asset related to construction services for the overseas power generation facilities were ¥161,696 million ($1,210,850 thousand) in the aggregate as of March 31, 2023. Of these investments, the equity method is applied to investments in nonconsolidated subsidiaries and affiliated companies. Others are nonmarketable equity securities. These securities are classified as available-for-sale securities and are stated at cost. If the realizable value of these securities declines significantly, these securities are written down to net realizable value, unless the recoverability of the securities is supported by sufficient evidence. The financial asset related to construction services for the overseas power generation facilities is measured based on the transaction price determined by contracts with customers. These investments are made in a variety of countries and business schemes. Furthermore, these investments are influenced by external environments including the regulation and the power market of the investees' country. For this reason, these investments are exposed to the risk that income or future cash flows of the investee get worse due to the decline in its electricity sales volume or unit price relating to the change in business environments. For the investments accounted for using the equity method, if the carrying amount of the investees' power generation facilities exceeds its recoverable amount, the power generation facilities is written down to the recoverable amount. Thereafter, the equity method must be applied to the investees' financial statements. For nonmarketable equity securities, the Group evaluates whether securities need to be written down to net realizable value based on the recoverable amount of the power generation facilities.	We performed risk assessment procedures by inquiring of management and the responsible departments of the Group's overseas power generation business and inspecting the meeting minutes of the board of directors, to understand the background of investments and the business environment of each project including business schemes and the regulation of each country. Additionally, we understood internal controls for evaluating these investments and assessed the reasonableness of the method used for evaluation of the investees' power generation facilities by inquiring and inspecting related supporting documentation. For the financial asset related construction services for the overseas power generation facilities, we understood internal controls for evaluating the financial asset and assessed the reasonableness of the method used for measurement of the financial asset by inquiring and inspecting contracts and related supporting documentation. Our audit procedures to assess the reasonableness of the evaluation of the investments in the overseas power generation business included the following, among others: (1) In order to evaluate the reasonableness of management's judgment regarding whether there were any indications of impairment for the investees' power generation facilities, we inspected the investees' financial statements, and assessed the regulation, power purchase agreement terms, power market trends, and operating conditions of the power generation facilities in each country by inquiring of management and inspecting related supporting documentation.

The investees review their power generation facilities for impairment indicators whenever events or changes in circumstance indicate the carrying amount of the investees' power generation facilities may not be recoverable. An impairment loss would be recognized if the carrying amount of the investees' power generation facilities exceeds the sum of the future cash flows based on the investees' business plan. For the year ended March 31, 2023, there were no investees where the carrying amount of the power generation facilities exceeded its recoverable amount. There were no investments accounted for using the equity method in which an impairment loss was recognized and no investment securities were written down to net realizable value. The investees determine whether an indication of impairment exists based on internal and external sources of information. However, the determination depends on management's intent and judgment. Furthermore, the business plan on which an estimate of future cash flows is based is influenced by assumptions and forecasts of future events, which are based on the evaluation of the risk arising from the business schemes or power market trends in each country, among others. These assumptions and forecasts also depend on management's intent and judgment. A measurement for the amount of the financial asset is influenced by external environments including the regulation and condition for power generation of the country for which the services are provided. Furthermore, the collection of the financial asset needs a long period. For these reasons, there are some risks that assumptions such as future outputs of the power generation facilities on which the transaction price is based will be changed. If the transaction price declines due to changes of these assumptions, the financial asset would be written down. For the year ended March 31, 2023, no financial asset was written down due to changes of these assumptions. These assumptions also depend on management's intent and judgment.	(2) For investees' power generation facilities there were identified as having indications of impairment, we evaluated the reasonableness of the investees' business plan underlying estimation of future cash flows used to determine the recoverable amount. Specifically, we evaluated the following assumptions in the business plan, which have a significant impact on income, by inquiring of management and inspecting related supporting documentation: 1. For operating revenue, we evaluated whether management's projected outlooks of electricity sales volume and unit price were consistent with the power purchase agreement, the actual results of the most recent electricity sales volume and power market unit price. 2. For fuel costs, we evaluated the consistency of the operational projections for the investees' power generation facilities and the projections for international fuel market prices. 3. For repair costs, we evaluated whether the estimates included the repair costs of the regular inspection and were not optimistic by comparing with the actual repair costs of previous years. 4. In order to evaluate the reasonableness of the assumptions used in management's estimates, we compared the business plan developed in previous year with the actual results and inspected the achievement status of previous years' estimates over multiple years. Furthermore, our audit procedures to assess the reasonableness of the evaluation of the method used for measurement of the financial asset related to construction services for the overseas power generation facilities included the following, among others: (1) We evaluated whether the amount of the financial asset was calculated based on the transaction price determined by contracts with customers by inspecting contracts and related supporting documentation.

We have determined this as a key audit matter considering the following factors: • the quantitative materiality of investments in the overseas power generation business and the financial asset related to construction services for the overseas power generation facilities in the consolidated financial statements, • management's intent and judgment in identifying indicators of impairment the investees' power generation facilities, • management's intent and judgment in assessing assumptions that influence the transaction price on which measurement of the financial asset is based, and • the complexity of estimating future cash flows on which the recoverable amount is based when determining whether impairment is necessary to be recognized.	(2) We evaluated whether any events occurred or could occur in the future which required a revision of assumptions that influenced the transaction price such as future output of the power generation facilities by inquiring of management and inspecting related supporting documentation. (3) We evaluated whether assumptions of the output of power generation facilities that influenced the transaction price were not optimistic by comparing with actual output of the same type of power generation facilities.

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

/s/Deloitte Touche Tohmatsu LLC
Fukuoka, Japan
July 24, 2023

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries

Consolidated Balance Sheet
March 31, 2023

ASSETS	Millions of Yen 2023	Millions of Yen 2022	Thousands of U.S. Dollars (Note 1) 2023
PROPERTY (Note 5):			
Plant and equipment	¥ 11,577,785	¥ 11,118,905	$ 86,699,010
Construction in progress	248,184	538,837	1,858,504
Total	11,825,970	11,657,743	88,557,514
Less:			
Contributions in aid of construction	241,929	238,967	1,811,662
Accumulated depreciation	7,883,479	7,770,903	59,034,595
Total	8,125,409	8,009,870	60,846,258
Net property	3,700,561	3,647,872	27,711,256
NUCLEAR FUEL	224,372	222,399	1,680,186
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3, 6 and 20)	113,306	103,802	848,482
Investments in and advances to nonconsolidated subsidiaries and affiliated companies (Notes 3 and 20)	209,352	184,479	1,567,715
Assets for retirement benefits (Note 9)	12,537	26,623	93,886
Deferred tax assets (Notes 3 and 12)	172,337	140,727	1,290,529
Special account related to nuclear power decommissioning (Note 2.h)	35,041	39,544	262,402
Special account related to reprocessing of spent nuclear fuel (Note 2.o)	116,295	94,874	870,869
Other (Note 3)	158,113	149,837	1,184,014
Total investments and other assets	816,984	739,889	6,117,901
CURRENT ASSETS:			
Cash and cash equivalents (Note 20)	270,651	241,756	2,026,743
Receivables (Notes 14 and 20)	369,244	331,089	2,765,047
Allowance for doubtful accounts	(3,581)	(4,977)	(26,818)
Inventories, principally fuel	159,420	101,699	1,193,802
Prepaid expenses and other	66,026	62,621	494,430
Total current assets	861,761	732,189	6,453,205
TOTAL	¥ 5,603,678	¥ 5,342,350	$ 41,962,548

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2023	Millions of Yen 2022	Thousands of U.S. Dollars (Note 1) 2023
LONG-TERM LIABILITIES:			
Long-term debt, less current portion (Notes 8 and 20)	¥3,405,775	¥3,149,232	$25,503,788
Liability for retirement benefits (Note 9)	80,761	85,946	604,774
Asset retirement obligations (Note 10)	297,367	289,103	2,226,808
Other	62,016	58,690	464,402
Total long-term liabilities	3,845,921	3,582,972	28,799,773
CURRENT LIABILITIES:			
Current portion of long-term debt (Notes 8 and 20)	437,071	384,285	3,272,963
Short-term borrowings (Notes 11 and 20)	124,530	120,810	932,536
Commercial paper (Note 20)	40,000		299,535
Notes and accounts payable (Notes 18 and 20)	210,872	224,255	1,579,098
Accrued income taxes	3,301	3,274	24,725
Provision for loss on the Antimonopoly Act (Note 2.s)	2,762		20,684
Other	319,467	342,800	2,392,295
Total current liabilities	1,138,006	1,075,425	8,521,840
RESERVE FOR FLUCTUATIONS IN WATER LEVEL (Note 2.t)	2,519	7,613	18,869
COMMITMENTS AND CONTINGENCIES (Note 22)			
EQUITY (Note 13):			
Common stock—authorized, 1,000,000,000 shares; issued, 474,183,951 shares	237,304	237,304	1,777,032
Class A preferred stock—authorized, 1,000 shares; issued, 1,000 shares			
Capital surplus	120,006	120,006	898,653
Retained earnings	209,734	277,382	1,570,571
Treasury stock—at cost, 1,416,422 shares in 2023 and 1,463,267 shares in 2022	(1,651)	(1,706)	(12,365)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	5,828	4,104	43,649
Deferred gain on derivatives under hedge accounting	11,150	4,723	83,500
Foreign currency translation adjustments	6,455	(1,383)	48,344
Defined retirement benefit plans	(6,765)	5,066	(50,660)
Total	582,064	645,497	4,358,724
Noncontrolling interests	35,166	30,840	263,340
Total equity	617,230	676,337	4,622,064
TOTAL	¥5,603,678	¥5,342,350	$41,962,548

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries

Consolidated Statement of Operations
Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
OPERATING REVENUES (Note 14):			
Electric	¥1,946,737	¥1,486,155	$ 14,577,936
Other	274,563	257,154	2,056,036
Total operating revenues	2,221,300	1,743,310	16,633,973
OPERATING EXPENSES (Note 15):			
Electric	2,041,909	1,452,544	15,290,618
Other	252,389	242,141	1,889,993
Total operating expenses	2,294,299	1,694,685	17,180,612
OPERATING (LOSS) INCOME	(72,998)	48,624	(546,638)
OTHER EXPENSES (INCOME):			
Interest charges	27,936	25,043	209,202
Gain on sales of investment securities (Note 6)	(11,280)		(84,469)
Loss on impairment of fixed assets (Note 16)		3,536	
Loss on reimbursement of electric imbalance revenues (Note 17)		3,955	
Loss on the Antimonopoly Act (Note 2.s)	2,762		20,684
Share of profit of entities accounted for using the equity method (Note 18)	(9,096)	(7,617)	(68,119)
Other—net	(5,204)	(1,186)	(38,970)
Other expenses—net	5,118	23,731	38,327
(LOSS) INCOME BEFORE INCOME TAXES AND REVERSAL OF RESERVE FOR FLUCTUATIONS IN WATER LEVEL	(78,116)	24,892	(584,966)
REVERSAL OF RESERVE FOR FLUCTUATIONS IN WATER LEVEL	5,093	654	38,144
(LOSS) INCOME BEFORE INCOME TAXES	(73,022)	25,546	(546,821)
INCOME TAXES (Note 12):			
Current	6,180	8,842	46,282
Deferred	(24,716)	7,935	(185,086)
Total income taxes	(18,535)	16,778	(138,803)
NET (LOSS) INCOME	(54,486)	8,768	(408,018)
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	1,942	1,895	14,545
NET (LOSS) INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ (56,429)	¥ 6,873	$ (422,563)

(Continued)

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries

Consolidated Statement of Operations
Year Ended March 31, 2023

	Yen		U.S. Dollars
	2023	2022	2023
PER SHARE OF COMMON STOCK (Note 2.w):			
Basic net (loss) income	¥ (123.81)	¥ 10.09	$ (0.92)
Cash dividends applicable to the year:			
Common share		40.00	
Class A preferred share		2,100,000.00	

See notes to consolidated financial statements.

(Concluded)

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
NET (LOSS) INCOME	¥ (54,486)	¥ 8,768	$ (408,018)
OTHER COMPREHENSIVE INCOME (LOSS) (Note 23):			
Unrealized gain on available-for-sale securities	1,051	1,145	7,875
Deferred gain on derivatives under hedge accounting	2,743	264	20,542
Foreign currency translation adjustments	6,623	3,109	49,600
Defined retirement benefit plans	(12,166)	533	(91,108)
Share of other comprehensive income in nonconsolidated subsidiaries and affiliated companies	6,047	1,584	45,284
Total other comprehensive income	4,299	6,637	32,195
COMPREHENSIVE (LOSS) INCOME	¥ (50,187)	¥ 15,405	$ (375,822)
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ (52,268)	¥ 13,314	$ (391,408)
Noncontrolling interests	2,081	2,091	15,585

See notes to consolidated financial statements.

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2023

	Thousands of Shares / Millions of Yen														
									Accumulated Other Comprehensive Income						
	Common Stock		Class A Preferred Stock				Treasury Stock		Unrealized Gain on Available-for-Sale	Deferred Gain on Derivatives under Hedge	Foreign Currency Translation	Defined Retirement Benefit			
	Shares	Amount	Shares	Amount	Capital Surplus	Retained Earnings	Shares	Amount	Securities	Accounting	Adjustments	Plans	Total	Noncontrolling Interests	Total Equity
BALANCE AT APRIL 1, 2021	474,183	¥237,304	1		¥120,007	¥290,381	1,158	¥(1,454)	¥3,704	¥ 3,495	¥(5,169)	¥ 4,037	¥652,307	¥29,162	¥681,470
Cash dividends, ¥37.5 per common share						(17,772)							(17,772)		(17,772)
Cash dividends, ¥2,100,000 per Class A preferred share						(2,100)							(2,100)		(2,100)
Net income attributable to owners of the parent						6,873							6,873		6,873
Purchase of treasury stock							342	(299)					(299)		(299)
Disposal of treasury stock					(0)		(37)	47					46		46
Net change in the year			—	—					400	1,227	3,785	1,028	6,441	1,677	8,119
BALANCE AT MARCH 31, 2022	474,183	237,304	1		120,006	277,382	1,463	(1,706)	4,104	4,723	(1,383)	5,066	645,497	30,840	676,337
Cash dividends, ¥20.0 per common share						(9,478)							(9,478)		(9,478)
Cash dividends, ¥1,050,000 per Class A preferred share						(1,050)							(1,050)		(1,050)
Net loss attributable to owners of the parent						(56,429)							(56,429)		(56,429)
Purchase of treasury stock							8	(7)					(7)		(7)
Disposal of treasury stock					(0)		(55)	62					61		61
Adjustment of retained earnings for inclusion of companies accounted for by the equity method						(690)							(690)		(690)
Net change in the year			—	—					1,724	6,427	7,839	(11,831)	4,160	4,325	8,486
BALANCE AT MARCH 31, 2023	474,183	¥237,304	1	—	¥120,006	¥209,734	1,416	¥(1,651)	¥5,828	¥11,150	¥ 6,455	¥ (6,765)	¥582,064	¥35,166	¥617,230

(Continued)

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2023

	Thousands of U.S. Dollars (Note 1)											
						Accumulated Other Comprehensive Income						
	Common Stock	Class A Preferred Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE AT MARCH 31, 2022	$ 1,777,032		$ 898,659	$ 2,077,146	$ (12,779)	$ 30,735	$ 35,368	$ (10,363)	$ 37,936	$ 4,833,736	$ 230,947	$ 5,064,684
Cash dividends, $0.14 per common share				(70,977)						(70,977)		(70,977)
Cash dividends, $7,862.81 per Class A preferred share				(7,862)						(7,862)		(7,862)
Net loss attributable to owners of the parent				(422,563)						(422,563)		(422,563)
Purchase of treasury stock					(52)					(52)		(52)
Disposal of treasury stock			(5)		466					460		460
Adjustment of retained earnings for inclusion of companies accounted for by the equity method				(5,170)						(5,170)		(5,170)
Net change in the year						12,913	48,131	58,707	(88,596)	31,155	32,392	63,548
BALANCE AT MARCH 31, 2023	$ 1,777,032		$ 898,653	$ 1,570,571	$ (12,365)	$ 43,649	$ 83,500	$ 48,344	$ (50,660)	$ 4,358,724	$ 263,340	$ 4,622,064

See notes to consolidated financial statements.

(Concluded)

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2023

	Millions of Yen 2023	Millions of Yen 2022	Thousands of U.S. Dollars (Note 1) 2023
CASH FLOWS FROM OPERATING ACTIVITIES:			
(Loss) income before income taxes	¥ (73,022)	¥ 25,546	$ (546,821)
Adjustments for:			
Income taxes paid	(7,844)	(15,131)	(58,742)
Depreciation and amortization	221,013	225,293	1,655,034
Loss on impairment of fixed assets		3,536	
Decommissioning costs of nuclear power units	12,859	11,431	96,298
Amortization of special account related to nuclear power decommissioning	4,503	2,381	33,725
Loss on disposal of plant and equipment	5,725	7,188	42,878
Reversal of reserve for fluctuation in water level	(5,093)	(654)	(38,144)
Share of profit of entities accounted for using the equity method	(9,096)	(7,617)	(68,119)
Gain on sales of investment securities	(11,280)		(84,469)
Loss on reimbursement of electric imbalance revenues		3,955	
Loss on the Antimonopoly Act	2,762		20,684
Changes in assets and liabilities:			
Increase in trade receivables	(18,203)	(30,070)	(136,318)
Increase in inventories, principally fuel	(57,587)	(31,252)	(431,237)
(Decrease) increase in trade payables	(238)	66,058	(1,782)
Decrease in liability for retirement benefits	(3,509)	(3,002)	(26,279)
Decrease (increase) in other receivables	12,432	(20,080)	93,102
Increase or decrease in consumption taxes payables or receivables	(28,927)	(703)	(216,618)
(Decrease) increase in accrued expenses	(19,829)	14,695	(148,489)
Other—net	5,839	6,235	43,730
Total adjustments	103,527	232,264	775,253
Net cash provided by operating activities	30,504	257,811	228,431
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures including nuclear fuel	(337,465)	(318,067)	(2,527,074)
Proceeds from contribution in aid of construction	23,810	28,128	178,305
Payments for investments and advances	(26,975)	(26,816)	(202,002)
Proceeds from sales of investment securities and collections of advances	15,189	5,258	113,747
Other—net	(3,434)	(9,382)	(25,717)
Net cash used in investing activities	(328,874)	(320,879)	(2,462,742)
FORWARD	¥ (298,370)	¥ 63,068	$ (2,234,311)

(Continued)

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
FORWARD	¥ (298,370)	¥ 63,068	$ (2,234,311)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of bonds	259,423	259,162	1,942,661
Repayments of bonds	(160,000)	(145,000)	(1,198,142)
Proceeds from long-term loans	395,545	280,196	2,962,003
Repayments of long-term loans	(199,381)	(246,547)	(1,493,045)
Net increase (decrease) in short-term borrowings	3,716	(2,298)	27,832
Net increase (decrease) in commercial paper	40,000	(40,000)	299,535
Cash dividends paid	(10,554)	(19,821)	(79,032)
Other—net	(3,979)	(6,263)	(29,800)
Net cash provided by financing activities	324,770	79,428	2,432,011
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	2,002	1,430	14,994
NET INCREASE IN CASH AND CASH EQUIVALENTS	28,403	17,790	212,696
CASH AND CASH EQUIVALENTS OF A NEWLY CONSOLIDATED SUBSIDIARY, BEGINNING OF YEAR		63	
CASH AND CASH EQUIVALENTS OF A NONCONSOLIDATED SUBSIDIARY MERGED WITH A CONSOLIDATED SUBSIDIARY	491		3,683
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	241,756	223,901	1,810,363
CASH AND CASH EQUIVALENTS AT END OF YEAR	¥ 270,651	¥241,756	$ 2,026,743

See notes to consolidated financial statements.

(Concluded)

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

Kyushu Electric Power Company, Incorporated (the "Company") has prepared the accompanying consolidated financial statements in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act, the Electricity Business Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. Especially, the accounting related to the nuclear power generation is regulated by the above accounting regulations, which are dependent on a governmental long-term nuclear energy policy.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made to the consolidated financial statements for the year ended March 31, 2022, to conform to the classifications used in the consolidated financial statements for the year ended March 31, 2023.

The U.S. dollar amounts included herein are provided solely for the convenience of readers outside Japan and are stated at the rate of ¥133.54 = U.S.$1, the approximate exchange rate prevailing on March 31, 2023. The translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Japanese yen figures less than a million yen are rounded down to the nearest million yen, except for per share data. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation and Application of the Equity Method***—The consolidated financial statements as of March 31, 2023, include the accounts of the Company and its 51 (48 for 2022) subsidiaries (together, the "Group"). All significant intercompany transactions and balances have been eliminated in consolidation. Investments in 19 (19 for 2022) nonconsolidated subsidiaries and 28 (26 for 2022) affiliated companies are accounted for by the equity method.

The Company adopts the control and influence concepts. Under these concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are treated as subsidiaries and those companies over which the Group has the ability to exercise significant influence are treated as affiliated companies.

Consolidation of the remaining subsidiaries and the application of the equity method to the remaining affiliated companies would not have a material effect on the accompanying consolidated financial statements.

The fiscal year-end of 12 (11 for 2022) consolidated subsidiaries and several nonconsolidated subsidiaries and affiliated companies is December 31. The Company consolidates such consolidated subsidiaries' financial statements and accounts for investments in such nonconsolidated subsidiaries and affiliated companies by the equity method using their financial results for the year ended December 31. The effects of any significant transactions during the period between the subsidiaries' and affiliated companies' fiscal year-end and the Company's fiscal year-end are reflected in the consolidated financial statements.

b. ***Business Combination***—Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

c. ***Property and Depreciation***—Property is stated at cost. Contributions in aid of construction including those made by customers are deducted from the cost of the related assets.

Depreciation is principally computed using the straight-line method based on the estimated useful lives of the assets. Depreciation of easements related to transmission lines is computed using the straight-line method based on the estimated useful lives of the transmission lines.

Under the accounting regulations applicable to electric utility providers in Japan, properties, which are required for decommissioning of nuclear power units or which need maintenance and management even after nuclear power units have been in the process of decommissioning, are to be included in "Plant and equipment."

d. ***Leases***—Finance lease transactions are capitalized to recognize lease assets and lease obligations in the balance sheet. All other leases are accounted for as operating leases.

e. ***Impairment of Fixed Assets***—The Group reviews its fixed assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

f. ***Amortization of Nuclear Fuel***—Amortization of nuclear fuel is computed based on the proportion of current heat produced to the estimated total potential heat production over the estimated useful life of the nuclear fuel.

g. ***Investment Securities***—Investment securities are classified and accounted for, depending on management's intent, as follows: (a) held-to-maturity debt securities are stated at cost with discounts or premiums amortized throughout the holding periods; and (b) available-for-sale securities, which are not classified as the aforementioned securities and investment securities in nonconsolidated subsidiaries and affiliated companies, are stated at market value; and nonmarketable securities are stated at cost.

The Group records unrealized gains or losses on available-for-sale securities, net of deferred taxes, in equity presented as "Unrealized gain on available-for-sale securities."

For other-than-temporary declines in fair value, investment securities are written down to net realizable value by a charge to income.

h. ***Special Account Related to Nuclear Power Decommissioning***—Under the accounting regulation applicable to electric utility providers in Japan, in case the Company decides to decommission nuclear power units due to factors such as a change of the government's energy policy, the Company is permitted to transfer the carrying amounts related to nuclear power units and costs related to nuclear power decommissioning to "special account related to nuclear power decommissioning" when the Company decides to decommission nuclear power units and applies to the Minister of Ministry of Economy, Trade and Industry ("METI") for adopting the above special account. Because the carrying amount of special account related to nuclear power decommissioning are supposed to be collected through regulated wheeling fees, the special account is amortized in proportion to the amounts of future regulated wheeling fees collected, after approval of the Minister of METI.

i. ***Cash Equivalents***—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and mutual fund investments in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

j. ***Inventories***—Inventories are stated at the lower of cost, principally determined by the average method, or net selling value.

k. ***Foreign Currency Transactions***—Receivables and payables denominated in foreign currencies are translated into Japanese yen at the rates in effect as of each balance sheet date.

l. ***Foreign Currency Financial Statements***—The balance sheet accounts of the consolidated foreign subsidiaries, and nonconsolidated foreign subsidiaries and foreign affiliated companies which are accounted for by the equity method, are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

m. ***Derivatives and Hedging Activities***—Derivative financial instruments are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of operations and (b) for such derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Liabilities denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations are translated at the contracted rate if the forward contracts qualify for hedge accounting. Forward contracts applied for committed transactions are measured at fair value and the unrealized gains/losses are deferred until the underlying transactions are completed.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest charges.

n. ***Severance Payments and Pension Plans***—The Group has unfunded retirement plans for most of its employees and the Company and most of the consolidated subsidiaries also have contributory funded defined benefit pension plans covering substantially all of their employees.

Under the Accounting Standards Board of Japan ("ASBJ") Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," the Group accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over five years, which is no longer than the expected average remaining service period of the employees.

o. ***Accounting for Contributions Concerning Reprocessing of Spent Nuclear Fuel and Concerning Processing of Nuclear Fuel Material Separated in Reprocessing***—The Act for Partial Revision of the Spent Nuclear Fuel Reprocessing Implementation Act was enforced on October 1, 2016. The act aims to secure the funds stably for reprocessing costs without being influenced by the financial position of nuclear operators under the competitive environment on or after April 1, 2016, when full liberalization of participation in retail electricity sales began.

The Nuclear Reprocessing Organization of Japan (the "NuRO") was established on October 3, 2016, under the act. Nuclear operators including the Company are obliged to contribute the funds for reprocessing nuclear fuel to the NuRO every year. Nuclear operators fulfill the obligation to bear the reprocessing costs when they pay contributions to the NuRO, and the funds belong to the NuRO.

Contributions to NuRO consist of two parts. One is concerning reprocessing of spent nuclear fuel (part "A"), the other is concerning processing of nuclear fuel material separated in reprocessing (part "B").

In accordance with the accounting regulations applicable to electric utility providers in Japan, the Company records the part A of contributions to the NuRO, the amount of which is calculated based on quantities of irradiated nuclear fuel resulting from operation of nuclear power stations, as operating expenses. On the other hand, the Company records part B of the contributions to the NuRO as assets and presents them as "Special account related to reprocessing of spent nuclear fuel" in the consolidated balance sheet.

p. ***Accounting for Contributions Concerning Final Disposal of High-Level Radioactive Waste***—The Designated Radioactive Waste Final Disposal Act was enforced on June 7, 2000. The act aims to disposal of high-level radioactive wastes, which are unavoidably generated through nuclear power generation, in stable geological strata at a depth of 300 meters or greater. Under the act, the Nuclear Waste Management Organization of Japan (the "NUMO") was established in December 2000 which is responsible for the disposal of high-level radioactive wastes. Nuclear operators including the Company are obliged to contribute the fund to NUMO for disposal of high-level radioactive wastes every year. Nuclear operators fulfill the obligation to bear the disposal costs when they pay contributions to the NUMO, and the funds belong to the NUMO.

The Company records the disposal costs of high-level radioactive wastes, the amount of which is calculated based on quantities of irradiated nuclear fuel resulting from the operation of nuclear power station, as operating expenses.

q. ***Asset Retirement Obligations***—Under ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations," an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement. The Company recognizes the asset retirement obligation as the sum of the future decommissioning costs of nuclear power station which is calculated based on a formula using the quantities by type of waste generated from decommissioning of nuclear power station in accordance with the ordinance set forth by the METI, discounted at 2.3%.

In accordance with the accounting regulations applicable to electric utility providers in Japan, asset retirement costs are allocated to expense over the remaining useful lives of nuclear power units through depreciation based on the straight-line method, except for asset retirement costs of nuclear power units decommissioned due to factors such as a change of a government energy policy which are continuously allocated to expense over 10 years from the month that includes the date of decommissioning of the nuclear power unit.

r. ***Income Taxes***—The provision for income taxes is computed based on the pretax income included in the consolidated statement of operations. The Company and its wholly owned domestic subsidiaries adopted the group tax sharing system from the fiscal year ending March 31, 2023.

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

s. ***Provision for Loss on the Antimonopoly Act***—On March 30, 2023, the Company received a cease and a desist order and surcharge payment order by the Japan Fair Trade Commission (the "JFTC") under the Antimonopoly Act of Japan.

The allegation is that "the Company is suspected of jointly restricting the acquisition of customers of each other in Kansai and Kyushu areas, regarding services of supplying extra high voltage power and high voltage power."

Since there is a possibility of future surcharge payment, the Company recorded provision for loss on Antimonopoly Act based on surcharge payment ordered by JFTC.

t. ***Reserve for Fluctuations in Water Level***—This reserve is provided to stabilize the Company's income level based on the Electricity Business Act and related accounting regulations. This reserve is recorded when the volume of water for generating hydroelectric power is abundant and available for future power generation, and reversed in years when there is an insufficient volume of water. Also, this reserve must be shown as a liability under the act and regulations.

Based on the Electricity Business Act, the Company submitted an application for reversal of reserve for fluctuations in water level by special reasons to the Minister of Economy, Trade and Industry, and permission was obtained on March 22, 2023.

Accordingly, a part of the reserve has been reversed for the year ended March 31, 2023.

u. ***Treasury Stock***—The accounting standard for treasury stock requires that where an affiliated company holds a parent company's stock, a portion which is equivalent to the parent company's interest in such stock should be presented as treasury stock as a separate component of equity and the carrying value of the investment in the affiliated company should be reduced by the same amount.

v. ***Board Benefit Trust (BBT)***—The Company has a performance-based stock compensation plan called "Board Benefit Trust (BBT)," (the "Plan") for directors (excluding outside directors) and executive officers (together, the "Directors").

(*a*) *Overview of the Plan*

The Plan is a stock compensation plan under which shares of the Company will be acquired through a trust (the "Trust" refers to a trust established based on the Plan) using funds contributed by the Company. The shares of the Company and cash equivalent to the value of the Company's shares converted at market value (the "Company's Shares, etc.") will be provided to the Directors through the Trust, pursuant to the "Rules on Provision of Shares to Officers" set forth by the Company. The Company's Shares, etc. will be provided to the Directors at the time of retirement of the Directors, in principle.

(*b*) *Shares of the Company held by the Trust*

The Company records shares of the Company in the Trust as treasury stock at cost (excluding acquisition-related costs). As of March 31, 2023, the number of shares was 842 thousand.

w. Net Income and Cash Dividends per Share—Basic earnings per share ("EPS") are computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding during the year, and diluted EPS reflects the potential dilution that could occur if securities were exercised or converted into common stock.

Diluted EPS is not disclosed because it is anti-dilutive due to the Company's net loss position.

The weighted-average number of common stock used in the computation of basic EPS during the year excludes treasury stock held by the Trust established based on BBT (861 thousand shares and 772 thousand shares for the years ended March 31, 2023 and 2022, respectively).

Cash dividends per share represent actual amounts applicable to earnings of the respective years.

x. Research and Development Costs—Research and development costs are charged to income as incurred.

y. New Accounting Pronouncements

Accounting Standard for Current Income Taxes, etc.

On October 28, 2022, the ASBJ issued the revised ASBJ Statement No. 27 (revised 2022), "Accounting Standard for Current Income Taxes," ASBJ Statement No. 25 (revised 2022), "Accounting Standard for Presentation of Comprehensive Income" and ASBJ Guidance No. 28 (revised 2022), "Guidance on Accounting Standard for Tax Effect Accounting." The revised accounting standards and revised implementation guidance defines the classification of income taxes when taxable on other comprehensive income and the treatment of tax effects on the sale of subsidiary stock when the group taxation regime is applied.

The revised guidance is effective for the annual periods beginning on or after April 1, 2024. Earlier application is permitted for annual periods beginning on or after April 1, 2023. The revised guidance shall be applied prospectively.

The Group expects to apply the revised guidance for annual periods beginning on or after April 1, 2024, and is in the process of measuring the effects of applying the revised guidance in future applicable periods.

3. SIGNIFICANT ACCOUNTING ESTIMATE

Deferred Tax Assets

(1) *Carrying amounts*

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Deferred tax assets	¥172,337	¥140,727	$1,290,529
Deferred tax assets relating to tax loss carryforwards included in above	67,023	25,321	501,896

(2) *Information on the significant accounting estimate*

(a) The calculation method of the carrying amount

In accordance with the "Implementation Guidance on Recoverability of Deferred Tax Assets" ("ASBJ Guidance No. 26") ("Guidance No. 26"), the Group records deferred tax assets that were expected to be recovered based on the classification of the Group defined in Guidance No. 26, Guidance No. 26 requires the entity to be classified according to certain criteria and to determine the amount of deferred tax assets expected to be recovered depending on the classification. The Group determined the classification of Group in accordance with Guidance No. 26, taking into account the future taxable income, tax losses and the business plan.

Also, the deferred tax assets were calculated by estimating the future taxable income based on the business plan approved by the Board of Directors of the Company.

(b) The primary assumption used for the calculation

The Group made the best estimation based on available information at preparation of the consolidated financial statements, such as outlooks of electricity sales volume and unit price and projections regarding nuclear power plant operation.

(c) The possible effects within the next financial year

The Group's financial performance may be affected when deferred tax assets were reversed by decreasing the future taxable income. Decreasing the future taxable income will occur by such as decline of electricity sales volume and unit price which are influenced by external environment, such as changes in temperature, climate and economic trend, and unscheduled shutdown of nuclear power plants.

Investments in the Overseas Power Generation Business and a Financial Asset Related to Construction Services for the Overseas Power Generation Facilities

(1) *Carrying amounts*

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Investments in the overseas power generation business and a financial asset related to construction services for the overseas power generation facilities	¥161,696	¥140,419	$1,210,850

(2) *Information on the significant accounting estimate*

(a) The calculation method of the carrying amount

For the investments in the overseas power generation business, the equity method is applied to investments in nonconsolidated subsidiaries and affiliated companies. Others are nonmarketable equity securities. These securities are classified as available-for-sale securities and are stated at cost. If the realizable value of these securities declines significantly, these securities are written down to net realizable value, unless the recoverability of the securities is supported by sufficient evidence.

For the investments in nonconsolidated subsidiaries and affiliated companies, if the carrying amount of the investees' power generation facilities exceeds its recoverable amount which is the sum of the future cash flows based on the investees' business plan, the power generation facilities are written down to the recoverable amount. Thereafter, the equity method is applied to the investees' financial statements.

On the other hand, for nonmarketable equity securities, the Group evaluates whether securities need to be written down to net realizable value based on the recoverable amount of the power generation facilities.

A financial asset related to the contractual right to receive consideration from the grantor for the construction services is stated based on the transaction price determined by contracts with customers. If the transaction price declines due to changes of assumptions such as future outputs of the power generation facilities on which the transaction price is based will be changed, the financial asset would be written down.

(b) The primary assumption used for the calculation

For estimation of the future cash flows, the Group made the best estimation based on available information at preparation of the consolidated financial statements, such as outlooks of electricity sales volume and unit price, operational projections and future outputs for the investees' power generation facilities, and projections for international fuel market prices.

(c) The possible effects within the next financial year

When decreasing the future cash flows occurs by a change of external environments such as the realization of investees' country risk and fluctuations in prices, interest rates and foreign exchange, and review of energy and environment policy, the Group's financial performance may be affected as the share of loss of entities accounted for using the equity method is recorded, nonmarketable equity securities are written down to net realizable value or the financial asset is written down.

4. ACCOUNTING CHANGE

Accounting Standard for Fair Value Measurement

Effective April 1, 2022, the Group adopted ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement."

The Group adopted new accounting policies prescribed in this accounting guidance prospectively in accordance with the article 27-2 of ASBJ Guidance No. 31.

There are immaterial effects from these accounting changes on the consolidated financial statements.

In addition, as describe in Note 20, investment trusts related to financial instruments categorized by fair value hierarchy as of March 31, 2022, was not disclosed in accordance with the article 27-3 of ASBJ Guidance No. 31.

5. PROPERTY

The breakdown of property at March 31, 2023 and 2022, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Costs:			
Electric power production facilities:			
Hydroelectric power	¥ 842,842	¥ 827,794	$ 6,311,536
Thermal power	1,439,020	1,438,046	10,775,948
Nuclear power	2,380,670	2,128,022	17,827,394
Internal-combustion engine power	133,234	132,661	997,708
Renewable power	124,847	124,024	934,910
Total	4,920,614	4,650,549	36,847,497
Transmission facilities	2,073,699	1,941,510	15,528,673
Transformation facilities	1,137,622	1,120,957	8,518,963
Distribution facilities	1,540,278	1,526,937	11,534,206
General facilities	432,532	429,325	3,238,975
Other electricity-related facilities	57,864	57,863	433,313
Other plant and equipment	1,415,174	1,391,760	10,597,380
Construction in progress	248,184	538,837	1,858,504
Total	11,825,970	11,657,743	88,557,514
Less:			
Contributions in aid of construction	241,929	238,967	1,811,662
Accumulated depreciation	7,883,479	7,770,903	59,034,595
Carrying amount	¥ 3,700,561	¥ 3,647,872	$ 27,711,256

6. INVESTMENT SECURITIES

The costs and aggregate fair values of investment securities at March 31, 2023 and 2022, were as follows:

	Millions of Yen			
March 31, 2023	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥1,770	¥4,473	¥ 30	¥6,214
Debt securities	152		19	132
Other securities	636	254	15	875
Held-to-maturity	235		17	217
March 31, 2022				
Securities classified as:				
Available-for-sale:				
Equity securities	¥1,719	¥3,895	¥123	¥5,491
Debt securities	309	41		351
Other securities	635	103	4	734
Held-to-maturity	235		10	224

March 31, 2023	Thousands of U.S. Dollars Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$13,259	$33,498	$224	$46,533
Debt securities	1,138		148	990
Other securities	4,766	1,903	113	6,556
Held-to-maturity	1,759		129	1,630

The information for available-for-sale securities which were sold during the year ended March 31, 2023, was as follows:

	Millions of Yen Proceeds	Realized Gains	Realized Losses
Available-for-sale—Equity securities	¥11,682	¥11,281	¥0
Total	¥11,682	¥11,281	¥0

	Thousands of U.S. Dollars Proceeds	Realized Gains	Realized Losses
Available-for-sale—Equity securities	$87,480	$84,483	$1
Total	$87,480	$84,483	$1

7. PLEDGED ASSETS

All of the Company's assets amounting to ¥4,834,743 million ($36,204,462 thousand) are subject to certain statutory preferential rights established to secure a portion of bonds and a portion of loans borrowed from the Development Bank of Japan Inc. The carrying amount of bonds and loans borrowed from the Development Bank of Japan Inc. secured by the assets for the year ended March 31, 2023, were ¥1,460,000 million ($10,933,053 thousand) and ¥118,816 million ($889,740 thousand), respectively.

Certain assets of the consolidated subsidiaries, amounting to ¥55,930 million ($418,826 thousand), are pledged as collateral for a portion of their long-term debt at March 31, 2023.

Investments in affiliated companies held by consolidated subsidiaries, amounting to ¥14,016 million ($104,963 thousand), are pledged as collateral for bank loans and derivatives, mainly interest rate swaps of the affiliated companies and the subsidiary of the affiliated companies at March 31, 2023.

8. LONG-TERM DEBT

Long-term debt at March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Yen bonds, 0.01% to 1.766%, due serially to 2052	¥1,459,999	¥1,359,899	$10,933,052
First series of subordinated unsecured yen bonds with interest deferral option and early redemption option, 0.99%, due serially to 2080 (Notes a and d)	70,000	70,000	524,187
Second series of subordinated unsecured yen bonds with interest deferral option and early redemption option, 1.09%, due serially to 2080 (Notes b and e)	30,000	30,000	224,651
Third series of subordinated unsecured yen bonds with interest deferral option and early redemption option, 1.30%, due serially to 2080 (Notes c and f)	100,000	100,000	748,839
Loans from the Development Bank of Japan Inc., 0.32% to 2.05%, due serially to 2040	267,782	246,974	2,005,261
Loans, principally from banks and insurance companies, 0.03% to 6.051%, due serially to 2043:			
Collateralized	74,255	73,375	556,054
Unsecured	1,824,938	1,637,024	13,665,857
Obligations under finance leases	15,870	16,245	118,847
Total	3,842,847	3,533,518	28,776,751
Less current portion	437,071	384,285	3,272,963
Long-term debt, less current portion	¥3,405,775	¥3,149,232	$25,503,788

The annual maturities of long-term debt outstanding at March 31, 2023, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2024	¥ 437,071	$ 3,272,963
2025	386,517	2,894,392
2026	320,845	2,402,620
2027	393,293	2,945,136
2028	381,898	2,859,802
2029 and thereafter	1,923,221	14,401,835
Total	¥3,842,847	$28,776,751

Notes: a. The fixed interest rate has been applied since the day after October 15, 2020, and will be applied until October 15, 2025, and a variable interest rate will be applied from the day after October 15, 2025 ("Step-up interest rates" will be applied from the day after October 15, 2030, and the day after October 15, 2045.)

b. The fixed interest rate has been applied since the day after October 15, 2020, and will be applied until October 15, 2027, and a variable interest rate will be applied from the day after October 15, 2027 ("Step-up interest rates" will be applied from the day after October 15, 2030, and the day after October 15, 2047.)

c. The fixed interest rate has been applied since the day after October 15, 2020, and will be applied until October 15, 2030, and a variable interest rate will be applied from the day after October 15, 2030 ("Step-up interest rates" will be applied from the day after October 15, 2030, and the day after October 15, 2050.)

d. The Company may redeem the hybrid corporate bonds at its discretion on each interest payment date from and including October 15, 2025.

e. The Company may redeem the hybrid corporate bonds at its discretion on each interest payment date from and including October 15, 2027.

f. The Company may redeem the hybrid corporate bonds at its discretion on each interest payment date from and including October 15, 2030.

9. SEVERANCE PAYMENTS AND PENSION PLANS

Employees terminating their employment with the Group, either voluntarily or upon reaching mandatory retirement age, are entitled, under most circumstances, to severance payments based on credits earned in each year of service, length of service and certain other factors. As for the Company and a part of the consolidated subsidiaries, if the termination is made voluntarily at one of a number of specified ages, the employee is entitled to certain additional payments.

Additionally, the Company and most of the consolidated subsidiaries have contributory funded defined benefit pension plans covering substantially all of their employees. In general, eligible employees retiring at the mandatory retirement age receive pension payments for the fixed term selected by them. As for the Company and one of the consolidated subsidiaries, Kyushu Electric Power Transmission and Distribution Co., Inc., eligible employees retiring after at least 20 years of service but before the mandatory retirement age, receive a lump-sum payment upon retirement and an annuity. The Company and Kyushu Electric Power Transmission and Distribution Co., Inc. have established retirement benefit trusts for their defined retirement benefit plan.

Certain consolidated subsidiaries calculate liability for retirement benefits and periodic benefit costs related to defined retirement benefit plans by the simplified method. Under the simplified method, projected benefit obligations are principally stated at the necessary payment amounts for voluntary retirement as of the end of the fiscal year. The simplified method for accounting for defined retirement benefit plans is allowed for a specified small-sized entity under accounting principles generally accepted in Japan.

Defined Retirement Benefit Plans (excluding Plans Applying the Simplified Method)

(1) The changes in defined benefit obligation for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	¥391,299	¥397,653	$2,930,206
Current service cost	13,038	13,364	97,640
Interest cost	2,943	3,024	22,039
Actuarial losses	3,270	416	24,492
Benefits paid	(24,178)	(22,925)	(181,054)
Prior service cost	(978)	(233)	(7,330)
Other	(1)	0	(13)
Balance at end of year	¥385,393	¥391,299	$2,885,978

(2) The changes in plan assets for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	¥334,570	¥334,642	$2,505,396
Expected return on plan assets	7,230	7,139	54,143
Actuarial (losses) gains	(12,309)	2,039	(92,175)
Contributions from the employer	6,337	6,737	47,458
Benefits paid	(15,955)	(15,988)	(119,477)
Balance at end of year	¥319,874	¥334,570	$2,395,346

(3) Reconciliation between the liability and asset recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2023 and 2022, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Funded defined benefit obligation	¥377,368	¥383,351	$2,825,884
Plan assets	(319,874)	(334,570)	(2,395,346)
	57,494	48,781	430,537
Unfunded defined benefit obligation	8,025	7,947	60,094
Net liability for defined benefit obligation	¥ 65,519	¥ 56,729	$ 490,632

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Liability for retirement benefits	¥77,454	¥82,653	$580,008
Asset for retirement benefits	(11,935)	(25,924)	(89,375)
Net liability for defined benefit obligation	¥65,519	¥56,729	$490,632

(4) The components of net periodic benefit costs for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Current service cost	¥13,038	¥13,364	$97,640
Interest cost	2,943	3,024	22,039
Expected return on plan assets	(7,230)	(7,139)	(54,143)
Recognized actuarial gains	(1,255)	(1,068)	(9,404)
Amortization of prior service cost	(1,063)	(40)	(7,963)
Others	422	355	3,160
Net periodic benefit costs	¥ 6,854	¥ 8,496	$51,327

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Prior service cost	¥ (84)	¥193	$ (633)
Actuarial (losses) gains	(16,835)	554	(126,069)
Total	¥(16,919)	¥747	$ (126,703)

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unrecognized prior service cost	¥ 91	¥ 176	$ 688
Unrecognized actuarial (losses) gains	(8,852)	7,982	(66,290)
Total	¥(8,760)	¥8,159	$ (65,602)

(7) Plan assets as of March 31, 2023 and 2022

a. *Components of plan assets*

Plan assets consisted of the following:

	2023	2022
Debt investments	34%	40%
Equity investments	29	28
General account of life insurance companies	21	20
Others	16	12
Total	100%	100%

b. *Method of determining the expected rate of return on plan assets*

The expected rate of return on plan assets is determined considering distribution of plan assets currently and in the future and the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2023 and 2022, were set forth as follows:

	2023	2022
Discount rates	Mainly 1.0%	Mainly 1.0%
Expected rates of return on plan assets	Mainly 2.0%	Mainly 2.0%

Defined Retirement Benefit Plans Applying the Simplified Method

(1) The changes in the net carrying amount of liabilities and assets for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	¥2,594	¥2,603	$19,424
Periodic benefit costs	546	488	4,091
Benefits paid	(190)	(246)	(1,428)
Contributions from the employer	(244)	(251)	(1,832)
Balance at end of year	¥2,704	¥2,594	$20,255

(2) Reconciliation between the liability and asset recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Funded defined benefit obligation	¥5,232	¥5,235	$39,184
Plan assets	(4,823)	(4,907)	(36,121)
	409	327	3,062
Unfunded defined benefit obligation	2,295	2,266	17,192
Net carrying amount of liabilities and assets	¥2,704	¥2,594	$20,255
Liability for retirement benefits	¥3,307	¥3,293	$24,766
Asset for retirement benefits	(602)	(699)	(4,510)
Net carrying amount of liabilities and assets	¥2,704	¥2,594	$20,255

(3) Periodic benefit costs

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Periodic benefit costs calculated under the simplified method	¥546	¥488	$4,091

Defined Contribution Plans

The required contribution to defined contribution plans by the Company and its certain consolidated subsidiaries for the years ended March 31, 2023 and 2022, was ¥2,005 million ($15,020 thousand) and ¥2,114 million, respectively.

10. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	¥289,190	¥278,031	$2,165,569
Net change in the year	8,207	11,159	61,462
Balance at end of year	¥297,397	¥289,190	$2,227,032

11. SHORT-TERM BORROWINGS

Short-term borrowings were generally represented by bank loans, bearing interest at rates ranging from 0.17% to 0.49% for the years ended March 31, 2023 and 2022, respectively.

12. INCOME TAXES

The Group is subject to national and local income taxes. The aggregate normal statutory tax rate for the Company approximated 27.9% for the years ended March 31, 2023 and 2022.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Deferred tax assets:			
Tax loss carryforwards	¥ 76,291	¥ 68,927	$ 571,303
Depreciation	54,192	53,632	405,815
Liability for retirement benefits	32,594	34,093	244,083
Asset retirement obligations	29,534	30,248	221,166
Other	88,428	93,297	662,186
Total of tax loss carryforwards and temporary differences	281,042	280,199	2,104,554
Less valuation allowance for tax loss carryforwards	(9,268)	(43,605)	(69,407)
Less valuation allowance for temporary differences	(59,465)	(56,344)	(445,303)
Total valuation allowance	(68,734)	(99,949)	(514,710)
Deferred tax assets	212,307	180,249	1,589,843
Deferred tax liabilities:			
Amortization in foreign subsidiary	10,659	4,151	79,820
Accrued income of foreign subsidiary	9,751	7,869	73,020
Capitalized assets retirement costs	8,231	9,715	61,638
Gain on contributions of securities to retirement benefit trust	5,578	5,599	41,772
Deferred gain on derivatives under hedge accounting	5,211	5,455	39,024
Assets for retirement benefits	3,448	7,414	25,826
Other	13,528	12,215	101,305
Deferred tax liabilities	56,408	52,421	422,408
Net deferred tax assets	¥155,899	¥127,827	$1,167,435

The expiration of tax loss carryforwards, the related valuation allowance and the resulting net deferred tax assets as of March 31, 2023 and 2022, were as follows:

	Millions of Yen						
March 31, 2023	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Deferred tax assets relating to tax loss carryforwards (Note a)	¥25,106	¥ 991	¥425	¥154	¥235	¥49,378	¥76,291
Less valuation allowances for tax loss carryforwards	8,459	565	13	8		221	9,268
Net deferred tax assets relating to tax loss carryforwards	16,646	426	412	145	235	49,156	67,023 (Note b)
March 31, 2022							
Deferred tax assets relating to tax loss carryforwards (Note a)	¥32,682	¥25,043	¥916	¥389	¥196	¥ 9,698	¥68,927
Less valuation allowances for tax loss carryforwards	32,682	10,233	249	22	54	364	43,605
Net deferred tax assets relating to tax loss carryforwards		14,809	667	367	142	9,334	25,321 (Note c)

	Thousands of U.S. Dollars						
March 31, 2023	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Deferred tax assets relating to tax loss carryforwards (Note a)	$188,009	$7,427	$3,185	$1,153	$1,760	$369,766	$571,303
Less valuation allowances for tax loss carryforwards	63,351	4,232	100	62		1,660	69,407
Net deferred tax assets relating to tax loss carryforwards	124,658	3,194	3,085	1,091	1,760	368,105	501,896 (Note b)

Notes: a. The tax loss carryforwards were the amount multiplied by the normal effective statutory tax rate.

b. Tax loss carryforwards mainly resulted from the decline in the operation of nuclear power plants, as well as soaring fuel and wholesale electricity prices. Deferred tax assets relating to tax loss carryforwards were recognized at amounts the Company judged those were recoverable from expectations of future taxable income based on the business plan approved by the Board of Directors.

c. Tax loss carryforwards mainly resulted from the long-term shutdown of nuclear power plants of the Company in past years. Deferred tax assets relating to tax loss carryforwards were recognized at amounts the Company judged those were recoverable from expectations of future taxable income based on the business plan approved by the Board of Directors.

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2023 and 2022, was as follows:

	2023	2022
Normal effective statutory tax rate	27.9%	27.9%
Non-deductible expenses such as entertainment expenses	(3.5)	6.2
Other—net	1.0	31.6
Actual effective tax rate	25.4%	65.7%

The Company and its wholly owned domestic subsidiaries adopted the group tax sharing system from the fiscal year ended March 31, 2023.

In addition, in accordance with the ASBJ Practical Solution No. 42, "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System," the Company accounts for corporate and local corporate taxes or accounts and discloses tax effect accounting relating to them.

13. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. *Dividends*

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the general shareholders' meeting. For companies that meet certain criteria, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the Company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the criteria.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. *Increases/Decreases and Transfer of Common Stock, Reserve and Surplus*

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account that was charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. *Treasury Stock and Treasury Stock Acquisition Rights*

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

Acquisition and Disposal of Class A Preferred Stock

The Company acquired the previous Class A preferred stock based on the articles of incorporation and has issued the new Class A preferred stock. The information of the new Class A preferred stock is as follows:

(1) Way of offering

Third-party allotment to the Mizuho Bank, Ltd., Development Bank of Japan Inc. and MUFG Bank, Ltd.

(2) Class and number of new shares to be issued

1,000 shares of Class A preferred stock

(3) Issue price

¥100 million per share

(4) Total amount of the issue price

¥100,000 million

(5) Issue date

June 28, 2019

(6) Uses of proceeds

The proceeds from the issuance of new Class A preferred stock will be used to repay a part of a bank loan the Company borrowed for the acquisition of current Class A preferred stock.

(7) Characteristics of the preferred stock

The preferred stock provides no provision for acquisition or right to request acquisition using common stock as consideration that will not dilute common stock. These stocks also do not provide any voting rights at the general shareholders' meeting.

The preferred stock has a provision for acquisition allowing the Company to acquire this preferred stock in exchange for cash the day after the payment date or thereafter. Furthermore, the preferred stock will provide the preferred shareholders with the right to request acquisition of this preferred stock in exchange for cash of the Company the day after the payment date or thereafter if the preferred shareholders follow the prescribed procedures, but the exercise of this right by the preferred shareholders is limited by the agreement to underwriting of the preferred stock.

Annual preferred dividend for the preferred stock is ¥2,100,000 per share. (Annual preferred dividend as of the record date of March 31, 2020, is ¥1,599,452 per share.)

14. REVENUE

(1) *Disaggregation of Revenue*

Disaggregation of revenue from contracts with customers is presented in "Information about sales, profit, assets and other items" in Note 24.

(2) *Contract Balances*

Receivables from contract with customers, contract assets and contract liabilities at the beginning and end of the year were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Receivables from contracts with customers:			
Balance at beginning of year	¥ 178,177	¥ 143,321	$ 1,334,263
Balance at end of year	182,138	178,177	1,363,924
Contract assets:			
Balance at beginning of year	8,896	5,262	66,620
Balance at end of year	6,845	8,896	51,258
Contract liabilities:			
Balance at beginning of year	5,062	4,453	37,912
Balance at end of year	7,313	5,062	54,766

(3) ***Transaction Prices Allocated Remaining Performance Obligations***

The Group has applied the simplified method as a practical expedient, and has not included information related to either of the following:

(a) the performance obligation is part of a contract that has an original expected duration of one year or less; or

(b) the Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer.

For significant transactions in the contracts that have an original expected durations of more than one year, the following table shows the summary of the transaction prices allocated to remaining performance obligations that are unsatisfied as of March 31, 2023:

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Within one year	¥112,852	$ 845,086
After one to two years	136,200	1,019,919
After two to three years	84,947	636,120
After three years	105,471	789,814
Total	¥439,472	$3,290,942

15. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥4,798 million ($35,930 thousand) and ¥4,823 million for the years ended March 31, 2023 and 2022, respectively.

16. LOSS ON IMPAIRMENT OF FIXED ASSETS

As the Group decided to decommission No. 1 and No. 2 units of Sendai thermal power station and No. 4 unit of Shin Kokura thermal power station and others for the year ended March 31, 2022, the carrying amount of these assets was written down to the recoverable amount. As a result, the Group recognized an impairment loss of ¥3,536 million for these assets as other expenses.

The recoverable amount of these assets was mainly measured by the respective net selling prices which were based on appraisal valuation and assessed value of fixed assets.

17. LOSS ON REIMBURSEMENT OF ELECTRIC IMBALANCE REVENUES

In January 2021, the imbalance revenue of general electricity transmission and distribution business providers, including Kyushu Electric Power Transmission and Distribution Co., Inc., increased significantly because of the price hikes in the wholesale electricity market caused by the tight supply and demand of electricity in Japan. Relating to the situation, on December 27, 2021, the Electricity and Gas Industry Committee of the Advisory Committee for Natural Resources and Energy has decided that a part of the imbalance revenue paid by retail electricity providers would be reimbursed by deducting from their future wheeling fees. Under this decision, the Group recorded the estimated amount of reimbursement as liabilities and other expenses for the year ended March 31, 2022.

18. RELATED PARTY DISCLOSURES

a. Significant transactions of the Company with its related parties for the years ended March 31, 2023 and 2022

No matters to report

b. Significant transactions of a consolidated subsidiary with an affiliated company for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Kyudenko Corporation:			
Transactions—			
purchase of construction works on distribution facilities and other	¥36,834	¥39,462	$275,830
Balances at year-end—			
payables for construction works	3,971	4,085	29,739

Notes Concerning the Parent Company or Important Affiliates

Important affiliates' financial summary

For the years ended March 31, 2023 and 2022, Kyudenko Corporation was an important affiliate. The financial summary of its financial statements was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Total current assets	¥238,445	¥181,419	$1,785,574
Total noncurrent assets	157,911	155,533	1,182,504
Total current liabilities	148,596	132,724	1,112,748
Total noncurrent liabilities	32,920	5,051	246,524
Total equity	214,839	199,176	1,608,805
Operating revenues	333,007	322,568	2,493,692
Income before income taxes	31,951	28,712	239,263
Net income	22,189	20,690	166,162

19. LEASES

The minimum rental commitments under noncancelable operating leases at March 31, 2023 and 2022, were as follows:

(**1**) ***Lessee***

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Due within one year	¥ 1,514	¥ 1,484	$ 11,339
Due after one year	17,681	18,784	132,407
Total	¥19,195	¥20,268	$143,746

(**2**) ***Lessor***

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Due within one year	¥1,001	¥ 522	$ 7,500
Due after one year	8,684	3,887	65,030
Total	¥9,685	¥4,410	$72,531

20. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Items Pertaining to Financial Instruments

(*a*) *The Group's policy for financial instruments*

The Group uses mainly long-term debt, including bonds and loans, to raise funds required for investments in electric utility plant and equipment and repayments of bonds and loans. Cash surpluses, if any, are invested in low-risk financial assets. Derivatives are used not for speculative purposes, but to manage exposure to financial risks as described in (b) below.

(*b*) *Nature and extent of risks arising from financial instruments and risk control system*

Investment securities, mainly held-to-maturity debt securities and equity securities issued by companies related through business, and investments in and advances to nonconsolidated subsidiaries and affiliated companies which have a quoted market price in an active market are exposed to the risk of market price fluctuations. Such market risk is managed by monitoring market values and financial position of the issuers on a regular basis. Investment securities and investments in and advances to nonconsolidated subsidiaries and affiliated companies which do not have a quoted market price in an active market are managed by monitoring financial position of the issuers on a regular basis. In addition, the Company requires its nonconsolidated subsidiaries and affiliated companies to submit business plans and performance reports, and to consult in advance on any items that could have a significant impact on the Group's business activities.

Receivables are exposed to customer credit risk. Payment terms are set forth in specific retail electricity power supply provisions and so on. The Group manages its credit risk from receivables by monitoring payment terms and balances of each customer and identifying and reducing the default risk of customers at an early stage. Receivables from wholesale electric power sales outside of the Kyushu area are exposed to the risk of electricity price area differentials. Such risk is mitigated by using the financial transmission rights as necessary.

Bonds and loans are mainly used to raise funds for investments in plant and equipment. Foreign currency denominated debt is exposed to the market risk of fluctuations in foreign exchange. Such risk is mitigated by using currency swaps. Financial liabilities with variable interest rate are exposed to interest rate fluctuation risk. Such risk is mitigated by using interest rate swaps as necessary.

Payment terms of notes and accounts payable are less than one year. Accounts payable to purchase fuel in foreign currencies is exposed to the market risk of fluctuations in foreign exchange and fuel price. Such risks are mitigated by using foreign exchange forward contracts and financial energy swaps as necessary.

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates. The Group manages its liquidity risk by holding an adequate volume of liquid assets based on monthly financial planning and diversifying sources of its financing.

Fair Values of Financial Instruments

The carrying amounts and aggregate fair values of financial instruments at March 31, 2023 and 2022, were as follows: Investments in equity instruments that do not have a quoted market price in an active market and investments in partnerships and others are not included in the following table. The fair values of cash and cash equivalents, receivables, short-term borrowings, commercial paper, notes and accounts payable, and accrued income taxes are not disclosed because their maturities are short and the carrying values approximate fair value.

	Millions of Yen		
March 31, 2023	Carrying Amount	Fair Value	Unrecognized Gain (Loss)
Investment securities:			
Held-to-maturity debt securities	¥ 235	¥ 217	¥ (17)
Available-for-sale securities	7,221	7,221	
Investments in and advances to nonconsolidated subsidiaries and affiliated companies	50,730	54,178	3,447
Total	¥ 58,187	¥ 61,617	¥ 3,430
Long-term debt:			
Bonds	¥1,659,999	¥1,612,271	¥(47,728)
Loans	2,166,976	2,153,988	(12,987)
Total	¥3,826,976	¥3,766,259	¥(60,716)
Derivatives	¥ 8,526	¥ 8,526	
March 31, 2022			
Investment securities:			
Held-to-maturity debt securities	¥ 235	¥ 224	¥ (10)
Available-for-sale securities	6,577	6,577	
Investments in and advances to nonconsolidated subsidiaries and affiliated companies	47,022	46,143	(878)
Total	¥ 53,834	¥ 52,945	¥ (889)
Long-term debt:			
Bonds	¥1,559,899	¥1,556,795	¥ (3,103)
Loans	1,957,373	1,973,856	16,482
Total	¥3,517,273	¥3,530,651	¥ 13,378
Derivatives	¥ 6,037	¥ 6,037	

March 31, 2023	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrecognized Gain (Loss)
Investment securities:			
Held-to-maturity debt securities	$ 1,759	$ 1,630	$ (129)
Available-for-sale securities	54,079	54,079	
Investments in and advances to nonconsolidated subsidiaries and affiliated companies	379,889	405,706	25,817
Total	$ 435,728	$ 461,417	$ 25,688
Long-term debt:			
Bonds	$ 12,430,731	$ 12,073,320	$ (357,410)
Loans	16,227,172	16,129,913	(97,258)
Total	$ 28,657,904	$ 28,203,234	$ (454,669)
Derivatives	$ 63,852	$ 63,852	

Advances are excluded from investments in and advances to nonconsolidated subsidiaries and affiliated companies because they are immaterial.

Long-term debt contains its current portion, and obligations under finance leases are excluded because they are immaterial.

Derivatives are stated at the net amount.

Carrying amount of investments in equity instruments that do not have a quoted market price in an active market and investments in partnerships and others

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Investment securities—Available-for-sale:			
Equity securities	¥ 68,496	¥ 67,449	$ 512,932
Investments in partnership and others	10,443	7,641	78,204
Other securities	26,909	21,894	201,506
Investments in and advances to nonconsolidated subsidiaries and affiliated companies:			
Equity securities	111,877	98,835	837,779
Other securities	32,264	28,220	241,610
Total	¥249,991	¥224,041	$ 1,872,033

Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of Yen			
March 31, 2023	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Investment securities:				
Held-to-maturity debt securities			¥36	¥199
Available-for-sale securities with contractual maturities		¥14		132
Cash and cash equivalents	¥270,651			
Receivables	369,244			
Total	¥639,895	¥14	¥36	¥331
March 31, 2022				
Investment securities:				
Held-to-maturity debt securities			¥36	¥199
Available-for-sale securities with contractual maturities		¥14		351
Cash and cash equivalents	¥241,756			
Receivables	331,089			
Total	¥572,845	¥14	¥36	¥550

	Thousands of U.S. Dollars			
March 31, 2023	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Investment securities:				
Held-to-maturity debt securities			$269	$1,490
Available-for-sale securities with contractual maturities		$109		990
Cash and cash equivalents	$2,026,743			
Receivables	2,765,047			
Total	$4,791,791	$109	$269	$2,480

Please see Note 8 for annual maturities of long-term debt.

Financial Instruments Categorized by Fair Value Hierarchy

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Fair values measured by using unobservable inputs for the assets or liabilities.

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is classified at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

(*a*) *Financial instruments recorded at fair value in the consolidated balance sheet*

	Millions of Yen			
	Fair Value			
March 31, 2023	Level 1	Level 2	Level 3	Total
Investment securities—				
Available-for-sale securities:				
Equity securities	¥6,214			¥6,214
Debt securities		¥ 132		132
Other securities	390			390
Derivatives		8,526		8,526
March 31, 2022				
Investment securities—				
Available-for-sale securities:				
Equity securities	¥5,491			¥5,491
Debt securities		¥ 351		351
Derivatives		6,037		6,037

	Thousands of U.S. Dollars			
	Fair Value			
March 31, 2023	Level 1	Level 2	Level 3	Total
Investment securities—				
Available-for-sale securities:				
Equity securities	$46,533			$46,533
Debt securities		$ 990		990
Other securities	2,927			2,927
Derivatives		63,852		63,852

Note: Investment trusts that the net asset value is regarded as fair value are not included in above table in accordance with the article 24-9 of ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement." The carrying amount of the investment trusts in the consolidated balance sheet is ¥484 million ($3,628 thousand).

(*b*) *Financial instruments other than financial instruments recorded at fair value in the consolidated balance sheet*

	Millions of Yen			
	Fair Value			
March 31, 2023	Level 1	Level 2	Level 3	Total
Investment securities—				
Held-to-maturity debt securities:				
Local government bonds		¥ 35		¥ 35
Corporate bonds		88	¥94	182
Investments in and advances to nonconsolidated subsidiaries and affiliated companies	¥54,178			54,178
Long-term debt:				
Bonds		1,612,271		1,612,271
Loans		2,153,988		2,153,988

March 31, 2022	Millions of Yen			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Investment securities—				
Held-to-maturity debt securities:				
Local government bonds		¥ 35		¥ 35
Corporate bonds		95	¥93	188
Investments in and advances to nonconsolidated subsidiaries and affiliated companies	¥46,143			46,143
Long-term debt:				
Bonds		1,556,795		1,556,795
Loans		1,973,856		1,973,856

March 31, 2023	Thousands of U.S. Dollars			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Investment securities—				
Held-to-maturity debt securities:				
Local government bonds		$ 265		$ 265
Corporate bonds		660	$704	1,364
Investments in and advances to nonconsolidated subsidiaries and affiliated companies	$405,706			405,706
Long-term debt:				
Bonds		12,073,320		12,073,320
Loans		16,129,913		16,129,913

The following is a description of valuation methodologies and inputs used for measurement of the fair value of assets and liabilities:

Investment Securities and Investments in and Advances to Nonconsolidated Subsidiaries and Affiliated Companies

The fair values of listed equity securities are measured at the quoted market price. Since listed equity securities are traded in active markets, the fair values of listed equity securities are categorized as Level 1. As the fair values of the debt securities (include local government bonds, exclude private placement bonds) are measured principally at the quoted price obtained from financial institutions, the fair values of the debt securities are categorized as Level 2. The fair values of private placement bonds are measured by discounting the total amount of principal and interest at interest rates based on the discount rate reflecting credit risk factors and others, and are categorized as Level 3 since the discount rate is unobservable. The fair values of investment trusts are measured at the disclosed net asset value and others, and those (excluding those applied the article 24-9 of ASBJ Guidance No. 31) are categorized as Level 1.

Derivatives

The fair values of derivatives are measured principally at the quoted price obtained from financial institutions and are categorized as Level 2 based on the level of inputs of the derivatives. The interest rate swaps, which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest charges. As a result, the fair values of interest rate swaps are included in those of hedged items (i.e., long-term loans).

Bonds

The fair values of bonds are based on market price and are categorized as Level 2.

Long-Term Loans

The fair values of long-term loans at fixed interest rates are determined by discounting the cash flows related to the loans at the Company's assumed corporate borrowing rate, and are categorized as Level 2. Because loans at variable interest rates reflect short-term movements in market interest rates and there has been no substantial change in the Company's credit position since the loans were implemented, the carrying amounts approximate fair values. A part of loans is subjected to interest rate swaps, which qualify for hedge accounting and meet specific matching criteria, and the fair values are determined by discounting the cash flows related to the loans with the interest rate swaps at the Company's assumed corporate borrowing rate, and are categorized as Level 2.

21. DERIVATIVES

The Company enters into foreign exchange forward contracts, currency swaps, interest rate swaps, financial energy swaps and financial transmission rights to manage its exposures to fluctuations in foreign exchanges, interest rates, fuel price, and electricity market price area differentials, respectively.

Consolidated subsidiaries of the Company enter into foreign exchange forward contracts, interest rate swaps and financial transmission rights to manage their exposures to fluctuations in foreign exchanges, interest rates, and electricity market price area differentials, respectively.

The Group does not enter into derivatives for trading or speculative purposes.

Foreign exchange forward contracts, currency swaps, interest rate swaps, financial energy swaps and financial transmission rights are not subject to any market risk except for abandoning potential income by market fluctuations in hedged items.

The Group does not anticipate any losses arising from credit risk, which is the possibility that a loss may result from counterparties' failure to perform according to the terms and conditions of the contract, because the counterparties to those derivatives have high credit ratings.

The derivative transactions are executed by specific sections, and the administrative section monitors them based on internal policies.

Derivative Transactions to Which Hedge Accounting Is Applied

	Millions of Yen			
March 31, 2023	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Buying U.S. dollar	Accounts payable	¥51,238	¥47,248	¥11,597
Buying Canadian dollar	Accounts payable	21,777	20,100	3,923
Selling U.S. dollar	Receivables	2,883		(26)
Interest rate swaps:				
Principle treatment—				
pay fixed / receive floating	Long-term loans	56,018	51,646	(612)
Special treatment (Note a)—				
pay fixed / receive floating	Long-term loans	1,455	1,238	
Financial energy swaps—				
Principle treatment:				
Receive fixed / pay floating	Receivables	3,223		216
Pay fixed / receive floating	Accounts payable	14,251		(6,572)
Total				¥ 8,526

March 31, 2022	Hedged Item	Millions of Yen Contract Amount	 Contract Amount Due after One Year	 Fair Value
Foreign currency forward contracts:				
Buying U.S. dollar	Accounts payable	¥54,412	¥50,913	¥9,371
Buying Canadian dollar	Accounts payable	22,818	21,472	3,354
Interest rate swaps:				
Principle treatment—				
pay fixed / receive floating	Long-term loans	57,565	53,213	(2,815)
Special treatment (Note a)—				
pay fixed / receive floating	Long-term loans	1,672	1,455	
Financial energy swaps—				
Principle treatment:				
Receive fixed / pay floating	Receivables	7,619		(9,852)
Pay fixed / receive floating	Accounts payable	14,739		5,979
Total				¥6,037

March 31, 2023	Hedged Item	Thousands of U.S. Dollars Contract Amount	 Contract Amount Due after One Year	 Fair Value
Foreign currency forward contracts:				
Buying U.S. dollar	Accounts payable	$383,693	$353,818	$86,849
Buying Canadian dollar	Accounts payable	163,078	150,519	29,384
Selling U.S. dollar	Receivables	21,593		(201)
Interest rate swaps:				
Principle treatment—				
pay fixed / receive floating	Long-term loans	419,492	386,745	(4,586)
Special treatment (Note a)—				
pay fixed / receive floating	Long-term loans	10,898	9,274	
Financial energy swaps—				
Principle treatment:				
Receive fixed / pay floating	Receivables	24,136		1,623
Pay fixed / receive floating	Accounts payable	106,722		(49,216)
Total				$63,852

Notes: a. The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest charges. As a result, the fair values of interest rate swaps are included in those of hedged items (i.e., long-term loans) in Note 20.

b. The contract or notional amounts of derivatives, which are shown in the above table, do not represent the amounts exchanged by the parties and do not measure the Group's exposure to market risk.

22. COMMITMENTS AND CONTINGENCIES

At March 31, 2023, the Group had a number of fuel purchase commitments, most of which specify quantities and dates for fuel deliveries. However, most of purchase prices are contingent upon fluctuations in market prices.

a. *Contingent Liabilities*

Contingent liabilities at March 31, 2023, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Co-guarantees of loans, mainly in connection with procurement of fuel	¥78,043	$584,421
Guarantees of employees' loans	36,442	272,892
Other	45,793	342,919

b. *Loan Commitments*

The Company has entered into the Shareholder Loan Agreement with Fukuoka International Airport Co., Ltd. and Kyuden International Corporation, a consolidated subsidiary of the Company, has entered into the Shareholder Loan Agreement with Senoko Energy Pte Ltd., respectively. The unexercised portion of loan commitments under each agreement as of March 31, 2023, was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Total loan limits	¥2,173	$16,275
Loan executed		
Unexercised portion of loan commitments	2,173	16,275

23. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Other comprehensive income:			
Unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ 1,424	¥ 1,669	$ 10,666
Reclassification adjustments to profit or loss	13	(88)	97
Amount before income tax effect	1,437	1,580	10,764
Income tax effect	(385)	(435)	(2,888)
Total	¥ 1,051	¥ 1,145	$ 7,875
Deferred gain on derivatives under hedge accounting:			
Gains (losses) arising during the year	¥ 4,641	¥ (1,885)	$ 34,754
Reclassification adjustments to profit or loss	3,571	4,887	26,743
Adjustments for amounts transferred to the initial carrying amounts of hedged items	(4,282)	(2,838)	(32,067)
Amount before income tax effect	3,930	163	29,430
Income tax effect	(1,186)	101	(8,887)
Total	¥ 2,743	¥ 264	$ 20,542
Foreign currency translation adjustments:			
Gains arising during the year	¥ 5,686	¥ 2,381	$ 42,585
Amount before income tax effect	5,686	2,381	42,585
Income tax effect	936	728	7,014
Total	¥ 6,623	¥ 3,109	$ 49,600
Defined retirement benefit plans:			
(Losses) gains arising during the year	¥ (15,608)	¥ 1,780	$ (116,885)
Reclassification adjustments to profit or loss	(1,311)	(1,032)	(9,818)
Amount before income tax effect	(16,919)	747	(126,703)
Income tax effect	4,753	(214)	35,594
Total	¥ (12,166)	¥ 533	$ (91,108)
Share of other comprehensive income in nonconsolidated subsidiaries and affiliated companies:			
Gains arising during the year	¥ 5,593	¥ 713	$ 41,884
Reclassification adjustments to profit or loss	454	871	3,400
Total	¥ 6,047	¥ 1,584	$ 45,284
Total other comprehensive income	¥ 4,299	¥ 6,637	$ 32,195

24. SEGMENT INFORMATION

(1) Description of reportable segments

The Group's reportable segments are those for which financial information is available separately and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group's reportable segments consist of power generation and sale, electricity transmission and distribution, overseas, other energy services, information and communication technology ("ICT") services, and urban development.

- Power Generation and Sale segment: This segment is engaged in the business of power generation and retail electricity in Japan.

- Electricity Transmission and Distribution segment: This segment is engaged in the business of general transmission and distribution in Kyushu region.

- Overseas segment: This segment is engaged in the business of overseas power generation, transmission and distribution business.

- Other Energy Services segment: This segment is engaged in the business that provides a stable supply of electric power, such as construction and maintenance of electricity-related facilities, selling gas and LNG, selling coal, and a renewable energy business.

- ICT Services segment: This segment is engaged in the data communication business, optical broadband business, construction and maintenance of telecommunications facilities, information system development business, and data center business.

- Urban Development segment: This segment is engaged in the urban development business, real estate business and social infrastructure business.

(2) Methods of measurement for the amounts of sales, profit, assets and other items for each reportable segment

The accounting policies of each reportable segment are consistent to those disclosed in Note 2, "Summary of Significant Accounting Policies."

(3) Information about sales, profit, assets and other items at March 31, 2023 and 2022, was as follows:

	Millions of Yen 2023										
	Reportable Segment										
	Energy Services										
	Domestic Electric Power										
	Power Generation and Sale	Electricity Transmission and Distribution	Overseas	Other Energy Services	ICT Services	Urban Development	Subtotal	Other (Note a)	Total	Reconciliations (Note b)	Consolidated (Note c)
Sales:											
Revenues from contracts with customers	¥1,702,223	¥ 230,883	¥ 2,712	¥108,208	¥ 86,309	¥ 7,429	¥2,137,767	¥ 3,948	¥2,141,715		¥2,141,715
Other revenue (Note d)	45,295	22,949	3,532	417	1,070	6,318	79,584		79,584		79,584
Sales to external customers	1,747,519	253,832	6,245	108,626	87,379	13,748	2,217,352	3,948	2,221,300		2,221,300
Intersegment sales or transfers	183,418	455,147		152,513	32,009	11,209	834,298	4,814	839,113	¥ (839,113)	
Total	¥1,930,937	¥ 708,980	¥ 6,245	¥261,140	¥119,389	¥ 24,957	¥3,051,650	¥ 8,763	¥3,060,414	¥ (839,113)	¥2,221,300
Segment profit (loss)	¥ (143,558)	¥ 14,120	¥ 4,459	¥ 29,240	¥ 6,526	¥ 3,218	¥ (85,994)	¥ 496	¥ (85,497)	¥ (1,130)	¥ (86,634)
Segment assets	4,423,383	1,956,923	215,585	475,478	212,169	148,516	7,432,056	15,230	7,447,287	(1,843,608)	5,603,678
Other:											
Depreciation	109,540	73,367	33	12,951	24,687	3,286	223,867	375	224,242	(3,228)	221,013
Interest income	9,620	72	924	187	4	46	10,856		10,856	(9,501)	1,355
Interest charges	22,584	9,320	3,301	1,868	186	108	37,370	67	37,438	(9,501)	27,936
Share of profit (loss) of entities accounted for using the equity method			4,620	4,759	92	14	9,486	(93)	9,392	(295)	9,096
Increase in property and nuclear fuel	140,984	121,362	28	12,637	28,790	8,352	312,154	233	312,388	(5,796)	306,592

	Millions of Yen 2022										
	Reportable Segment										
	Energy Services										
	Domestic Electric Power										
	Power Generation and Sale	Electricity Transmission and Distribution	Overseas	Other Energy Services	ICT Services	Urban Development	Subtotal	Other (Note a)	Total	Reconciliations (Note b)	Consolidated (Note c)
Sales:											
Revenues from contracts with customers	¥1,382,809	¥ 171,728	¥ 1,255	¥ 77,125	¥ 80,539	¥ 8,169	¥1,721,627	¥ 3,892	¥1,725,519		¥1,725,519
Other revenue (Note d)	847	7,652	3,063	92	565	5,569	17,790		17,790		17,790
Sales to external customers	1,383,657	179,380	4,318	77,217	81,105	13,738	1,739,418	3,892	1,743,310		1,743,310
Intersegment sales or transfers	133,919	418,963	13	117,096	31,364	11,176	712,533	5,061	717,595	¥ (717,595)	
Total	¥1,517,576	¥ 598,343	¥ 4,332	¥194,314	¥112,470	¥ 24,915	¥2,451,951	¥ 8,954	¥2,460,905	¥ (717,595)	¥1,743,310
Segment profit (loss)	¥ (2,977)	¥ 7,183	¥ 2,448	¥ 18,896	¥ 6,105	¥ 3,275	¥ 34,931	¥ 986	¥ 35,918	¥ (3,533)	¥ 32,384
Segment assets	4,250,212	1,924,633	177,006	436,341	206,428	138,854	7,133,476	15,378	7,148,854	(1,816,504)	5,342,350
Other:											
Depreciation	115,008	71,798	26	12,276	24,079	3,056	226,245	338	226,583	(1,289)	225,293
Interest income	9,488	22	609	76	3	25	10,226		10,226	(9,397)	829
Interest charges	21,834	9,209	1,933	1,114	169	122	34,375	65	34,440	(9,397)	25,043
Share of profit (loss) of entities accounted for using the equity method			3,541	4,354	39	(122)	7,813	144	7,957	(340)	7,617
Loss on impairment of fixed assets	3,404	131					3,536		3,536		3,536
Increase in property and nuclear fuel	155,422	117,934	79	11,383	27,267	5,592	317,680	221	317,901	(5,763)	312,138

	Power Generation and Sale	Electricity Transmission and Distribution	Overseas	Other Energy Services	ICT Services	Urban Development	Subtotal	Other (Note a)	Total	Reconciliations (Note b)	Consolidated (Note c)
	Thousands of U.S. Dollars										
	2023										
	Reportable Segment										
	Energy Services										
	Domestic Electric Power										
Sales:											
Revenues from contracts with customers	$ 12,746,919	$ 1,728,945	$ 20,312	$ 810,309	$ 646,320	$ 55,634	$ 16,008,442	$ 29,558	$ 16,038,011		$ 16,038,011
Other revenue (Note d)	339,190	171,855	26,455	3,129	8,013	47,318	595,962		595,962		595,962
Sales to external customers	13,086,110	1,900,801	46,767	813,438	654,333	102,952	16,604,405	29,568	16,633,973		16,633,973
Intersegment sales or transfers	1,373,507	3,408,326		1,142,082	239,700	83,939	6,247,556	36,054	6,283,610	$ (6,283,610)	
Total	$ 14,459,618	$ 5,309,127	$ 46,767	$ 1,955,521	$ 894,033	$ 186,892	$ 22,851,961	$ 65,622	$ 22,917,584	$ (6,283,610)	$ 16,633,973
Segment profit (loss)	$ (1,075,026)	$ 105,738	$ 33,393	$ 218,961	$ 48,873	$ 24,101	$ (643,957)	$ 3,719	$ (640,238)	$ (8,512)	$ (648,751)
Segment assets	33,124,032	14,654,211	1,614,388	3,560,568	1,588,810	1,112,150	55,654,161	114,054	55,768,215	(13,805,666)	41,962,548
Other:											
Depreciation	820,282	549,405	251	96,988	184,868	24,608	1,676,405	2,808	1,679,214	(24,179)	1,655,034
Interest income	72,045	540	6,919	1,407	30	351	81,294	6	81,300	(71,152)	10,147
Interest charges	169,123	69,798	24,722	13,993	1,395	814	279,848	507	280,355	(71,152)	209,202
Share of profit (loss) of entities accounted for using the equity method			34,600	35,639	690	105	71,035	(703)	70,332	(2,212)	68,119
Increase in property and nuclear fuel	1,055,744	908,806	211	94,632	215,595	62,544	2,337,535	1,751	2,339,287	(43,405)	2,295,881

Notes: a. "Other" is a business segment not included in the reportable segments and includes paid nursing home business, office work outsourcing business, personnel dispatch business, etc.

b. Reconciliations of segment profit (loss) and segment assets are intersegment transaction eliminations.

c. Segment profit (loss) is adjusted to reflect ordinary income.

Ordinary income is calculated by adding interest income, dividends, share of profit of entities accounted for using the equity method and other income to, and deducting interest charges and other expenses from operating income.

d. Other revenue of power generation and sale, electricity transmission and distribution other energy services and ICT services include subsidies which is described in Note 27, and the amounts of subsidies are ¥44,777 million ($335,307 thousand), ¥1,298 million ($9,719 thousand), ¥323 million ($2,418 thousand), and ¥27 million ($202 thousand), respectively.

Geographic segment information is not disclosed because the Group's overseas operations are immaterial.

Information for overseas sales is not disclosed due to overseas sales being immaterial compared with consolidated net sales.

(4) Change in reportable segments

The Group changed its policy for measurement of segment performance to monitor the achievement of the interim financial targets (2025) to realize the vision and business targets described in the "Kyuden Group Management Vision 2030." In accordance with this change, the Group changed its reportable segments from power generation and sale, electricity transmission and distribution, other energy services, ICT services and other to power generation and sale, electricity transmission and distribution, overseas, other energy services, ICT services and urban development for the year ended March 31, 2023.

The segment information for the year ended March 31, 2022, is also disclosed using the new operating segments.

25. SUBSEQUENT EVENTS

a. *Appropriation of Surplus*

At the Board of Directors' meeting held on April 28, 2023, the Company resolved to submit a proposal for the transfer of surplus to the general shareholders' meeting held on June 28, 2023. It was approved and became effective on the same date.

(1) *Purpose of appropriation of surplus*

The Company recorded a loss of ¥21,623 million ($161,925 thousand) in retained earnings in the nonconsolidated balance sheet as of March 31, 2023. In light of this situation and to adapt capital policy flexibly to changes in the business environment, the Company will transfer a portion of other capital surplus to retained earnings in accordance with the Article 452 of the Companies Act.

(2) *Overview of the appropriation of surplus*

(a) Account item and amount of decreasing surplus

Other capital surplus: ¥21,623 million ($161,925 thousand)

(b) Account item and amount of increasing surplus

Retained earnings: ¥21,623 million ($161,925 thousand)

(3) *Schedule for the appropriation of surplus*

(a)	April 28, 2023	Date of resolution for the Board of Directors
(b)	June 28, 2023	Date of resolution for the general meeting of shareholders
(c)	June 28, 2023	Effective date for the appropriation

b. *Issuance of Class B Preferred Stock by Third-Party Allotment*

At the Board of Directors' meeting held on April 28, 2023, the Company resolved to submit the issuance of Class B preferred stock via a third-party allotment (hereinafter the "Class B Preferred Stock") for consideration at the general shareholders' meeting held on June 28, 2023, where it was approved.

(1) *Overview of the issuance of the Class B Preferred Stock*

(a)	Payment date (issue date)	August 1, 2023
(b)	Class and number of new shares to be issued	2,000 shares of Class B Preferred Stock
(c)	Issue price	¥100 million ($748 thousand) per share
(d)	Total amount of the issue price	¥200,000 million ($1,497,678 thousand)
(e)	Preferred dividend	¥2.9 million ($21 thousand) per share
(f)	Method of offering or allotment	Third-party allotment
(g)	Allottee	Mizuho Bank, Ltd. 800 shares Development Bank of Japan Inc. 800 shares MUFG Bank, Ltd. 400 shares
(h)	Amount of capital increase	¥100,000 million ($748,839 thousand)
(i)	Amount of additional paid-in capital increase	¥100,000 million ($748,839 thousand)

(2) *Uses of proceeds*

A part of the proceeds from issuance of the Class B Preferred Stock are planned to be used in acquisition of Class A preferred stock issued by the Company (hereinafter the "Class A Preferred Stock").

The other part of the proceeds is planned to be used to capital expenditures and investments in new projects that will contribute to achieve carbon neutrality by 2050 and the sustainable growth of the Group.

(3) *Other important matters*

Shareholders holding the Class B Preferred Stock may receive dividends prior to common shareholders.

The Class B Preferred Stock will not dilute the common stock because it does not come with voting rights for the general shareholders' meeting, nor does it come with call provisions or put options using common stock as consideration.

c. Reduction of Capital Stock and Additional Paid-in Capital Concurrent with Class B Preferred Stock Issuance

At the Board of Directors' meeting held on April 28, 2023, the Company resolved that capital stock and additional paid-in capital be reduced by the same amount as the issue price and transferred to other capital surplus at the same time as the issuance of Class B Preferred Stock.

(1) *Purpose of reducing capital stock and additional paid-in capital*

In order to secure an adequate distributable amount necessary for acquiring the Class A Preferred Stock, a decision was taken to reduce capital stock and additional paid-in capital at the same time as issuing the Class B Preferred Stock, and to transfer an amount equivalent to other capital surplus, which constitutes the distributable amount.

(2) *Overview of capital stock and additional paid-in capital reduction*

(a) Amount of capital stock reduction

¥100,000 million ($748,839 thousand)

Details: ¥100,000 million ($748,839 thousand), corresponding to the capital stock increase from the issuance of the Class B Preferred Stock

(b) Amount of capital reserve reduction

¥100,000 million ($748,839 thousand)

Details: ¥100,000 million ($748,839 thousand), corresponding to the additional paid-in capital increase from the issuance of the Class B Preferred Stock

(c) Method of capital stock and capital reserve reduction

The Company will reduce capital stock and additional paid-in capital as overviewed above in accordance with the Companies Act, and will transfer the amounts equivalent to the reductions to other capital surplus.

(3) *Schedule for capital stock and additional paid-in capital reduction*

April 28, 2023	Resolution at the Board of Directors' meeting
June 30, 2023	Date of public notice for creditors to raise objections
July 31, 2023	Deadline for creditors to raise objections
August 1, 2023 (scheduled)	Effective date

(4) *Other important matters*

The reduction of capital stock and additional paid-in capital will become effective on condition that the issuance of the Class B Preferred Stock takes effect. In addition, the capital stock and additional paid-in capital reduction will not result in a reduction in the number of shares outstanding.

d. *Acquisition and Cancellation of Class A Preferred Stock*

At the Board of Directors' meeting held April 28, 2023, in connection with the issuance of the Class B Preferred Stock, the Company resolved to acquire the Class A Preferred Stock in accordance with the Article 12.8 of its articles of incorporation (provisions concerning acquisition for monetary consideration) and to cancel the Class A Preferred Stock.

(1) *Details of matters concerning acquisition*

(a) Class of the target stock	Class A Preferred Stock issued by Kyusyu Electric Power Co., Inc.
(b) Number of shares acquired	1,000 shares
(c) Acquisition price	¥102 million ($769 thousand) per share The acquisition price above has been calculated in accordance with the stipulations of the company articles of incorporation. (Formula for base price) Monetary consideration acquisition price per share = ¥100 million ($748 thousand) + Cumulative unpaid Class A preferred dividend amount + Previous business year unpaid Class A preferred dividend amount + Current business year unpaid Class A preferred dividend amount
(d) Total acquisition price	¥102,822 million ($769,975 thousand)
(e) Buy-back from	Mizuho Bank, Ltd. Development Bank of Japan Inc. MUFG Bank, Ltd.
(f) Scheduled date of acquisition	August 1, 2023

(2) *Details of matters concerning cancellation*

(a) Class of the target stock	Class A Preferred Stock issued by Kyusyu Electric Power Co., Inc.
(b) Number of shares cancelled	1,000 shares
(c) Scheduled date of cancellation	August 1, 2023

(3) *Other important matters*

The acquisition and cancellation of the Class A Preferred Stock will become effective on condition that the issuance of the Class B Preferred Stock and the concurrent reduction of capital stock and additional paid-in capital take effect.

26. NET INCOME PER SHARE

Basic EPS for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2023	Net Income (Loss) Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Net loss attributable to owners of the parent	¥ (56,429)			
Amount not attributable to common shareholder—Preferred dividend	(2,100)			
Basic EPS—Net loss available to common shareholders	¥ (58,529)	472,753	¥ (123.81)	$0.92
Year Ended March 31, 2022				
Net income attributable to owners of the parent	¥ 6,873			
Amount not attributable to common shareholder—Preferred dividend	(2,100)			
Basic EPS—Net income available to common shareholders	¥ 4,773	472,851	¥ 10.09	

27. ADDITIONAL INFORMATION

Rising electricity and city gas prices due to soaring energy prices against the background of global situations have had a far-reaching impact on economy of Japan and society, and the economic burden on households and entities is expected to be increased.

In response to this situation, the Group has discounted unit prices of electricity and city gas to the discount prices set by the government of Japan as a political measure to mitigate the economic burden on the people.

The discount is funded by subsidies from the government of Japan.

For the year ended March 31, 2023, the Group recorded such subsidies as "Revenues from Electricity Business" and "Revenues from Other Business." These amounts are ¥45,093 million ($337,674 thousand) and ¥1,333 million ($9,982 thousand), respectively.

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INDEX TO THE UNAUDITED QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

Notice to Investors

From 1 April 2024, the statutory quarterly disclosure requirements under the FIEA applicable to Q1 and Q3 reports and review requirements by the independent auditor, which were mandatory previously, have been abolished and have been integrated into the quarterly earnings reports (*kessan tanshin*) based on the Tokyo Stock Exchange and the Fukuoka Stock Exchange rules. At the same time, review of such quarterly earnings reports (*kessan tanshin*) (Q1 and Q3) by the independent auditor has become optional in principle. The new Tokyo Stock Exchange and the Fukuoka Stock Exchange rules permit reduced disclosures as compared to those which were required under the FIEA in respect of quarterly financial statements under Japanese GAAP or IFRS, as applicable.

The accompanying unaudited quarterly consolidated financial statements of the Group as of and for the three-month period ended 30 June 2024, including the quarterly consolidated balance sheet of the Group as of 30 June 2024 (together with a consolidated balance sheet of the Group as of 31 March 2024) and the related quarterly consolidated income statements and quarterly consolidated comprehensive income statements for the three-month period ended 30 June 2024 (with comparative information for the three-month period ended 30 June 2023), is an English translation of the unaudited quarterly consolidated financial statements contained in the quarterly earnings report (*kessan tanshin*) of the Group published on 31 July 2024. Such financial statements have not been audited or reviewed by the Company's independent auditor. In addition, compared to the audited consolidated financial statements as of and for the fiscal year ended 31 March 2024 included in this Offering Circular, such unaudited quarterly consolidated financial statements omit certain disclosures required under Japanese GAAP, including some of the notes. Accordingly, the unaudited quarterly consolidated financial statements included in this Offering Circular are not wholly comparable with the audited annual consolidated financial statements and should not be so compared. The unaudited quarterly consolidated financial statements should not be relied upon by investors to provide the same quality of information as financial statements that have been subject to an audit or review. Potential investors are advised to exercise caution when using such information to evaluate the financial condition and results of operations of the Group, and should not place undue reliance upon such information.

Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Unit: million yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Non-current assets	4,799,251	4,831,024
Electric utility plant and equipment	3,055,350	3,027,576
Hydroelectric power production facilities	270,935	269,750
Thermal power production facilities	203,932	200,075
Nuclear power production facilities	758,883	730,145
Internal combustion engine power production facilities	25,657	25,481
Renewable power production and related facilities	42,260	42,057
Transmission facilities	682,793	682,522
Transformation facilities	243,593	244,435
Distribution facilities	669,537	669,395
General facilities	147,833	153,815
Other electric utility plant and equipment	9,923	9,896
Other non-current assets	387,658	386,034
Construction in progress	456,893	487,988
Construction and retirement in progress	291,509	313,965
Special account related to nuclear power decommissioning	30,537	31,908
Special account related to reprocessing of spent nuclear fuel	134,846	142,114
Nuclear fuel	233,961	232,074
Loaded nuclear fuel	45,277	47,610
Nuclear fuel in processing	188,683	184,464
Investments and other assets	665,386	697,351
Long-term investments	259,435	273,934
Retirement benefit asset	19,991	20,463
Deferred tax assets	148,191	136,192
Other	238,903	267,955
Allowance for doubtful accounts	-1,134	-1,194
Current assets	927,988	833,561
Cash and deposits	392,761	228,938
Notes and accounts receivable - trade, and contract assets	182,421	206,585
Inventories	130,018	125,381
Other	225,339	275,266
Allowance for doubtful accounts	-2,552	-2,611
Total assets	5,727,240	5,664,586

(Unit: million yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Non-current liabilities	3,684,914	3,719,116
Bonds payable	1,405,000	1,465,000
Long-term borrowings	1,819,197	1,819,807
Contribution payable for nuclear reactor decommissioning	—	264,742
Retirement benefit liability	60,154	58,408
Asset retirement obligations	300,002	9,177
Deferred tax liabilities	16,675	18,445
Other	83,883	83,534
Current liabilities	1,119,049	987,136
Current portion of non-current liabilities	426,273	399,351
Short-term borrowings	123,410	124,810
Commercial papers	—	35,000
Notes and accounts payable - trade	127,846	132,829
Accrued taxes	63,496	16,728
Other	378,021	278,415
Reserves under special laws	2,232	2,781
Reserve for water shortage	2,232	2,781
Total liabilities	4,806,196	4,709,034
Net assets		
Shareholders' equity	827,098	848,021
Share capital	237,304	237,304
Capital surplus	193,520	193,520
Retained earnings	397,802	418,729
Treasury shares	-1,529	-1,533
Accumulated other comprehensive income	63,431	76,960
Valuation difference on available-for-sale securities	10,052	10,931
Deferred gains or losses on hedges	24,781	31,849
Foreign currency translation adjustment	13,325	19,602
Remeasurements of defined benefit plans	15,271	14,577
Non-controlling interests	30,513	30,569
Total net assets	921,043	955,551
Total liabilities and net assets	5,727,240	5,664,586

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

(Quarterly Consolidated Income Statements)

(Unit : million yen)

	April 1,2023- June 30, 2023	April 1,2024- June 30, 2024
Operating revenue	496,524	501,180
Electric utility operating revenue	442,525	444,316
Other business operating revenue	53,998	56,863
Operating expenses	396,305	451,335
Electric utility operating expenses	346,607	399,004
Other business operating expenses	49,698	52,330
Operating profit	100,218	49,844
Non-operating income	8,557	10,566
Dividend income	249	266
Interest income	557	844
Foreign exchange gains	2,265	3,140
Share of profit of entities accounted for using equity method	3,719	4,263
Other	1,766	2,050
Non-operating expenses	8,087	9,296
Interest expenses	6,881	7,119
Other	1,205	2,177
Total ordinary revenue	505,082	511,746
Total ordinary expenses	404,393	460,632
Ordinary profit	100,688	51,114
Provision or reversal of reserve for water shortage	211	548
Provision of reserve for water shortage	211	548
Profit before income taxes	100,477	50,565
Income taxes - current	11,884	1,330
Income taxes - deferred	16,915	12,333
Total income taxes	28,799	13,664
Profit	71,678	36,900
Profit attributable to non-controlling interests	220	259
Profit attributable to owners of parent	71,457	36,641

(Quarterly Consolidated Comprehensive Income Statements)

（Unit: million yen）

	April 1,2023- June 30, 2023	April 1,2024- June 30, 2024
Profit	71,678	36,900
Other comprehensive income		
Valuation difference on available-for-sale securities	1,241	957
Deferred gains or losses on hedges	3,603	4,034
Foreign currency translation adjustment	412	5,307
Remeasurements of defined benefit plans, net of tax	550	-689
Share of other comprehensive income of entities accounted for using equity method	975	4,043
Total other comprehensive income	6,783	13,653
Comprehensive income	78,461	50,554
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	78,195	50,170
Comprehensive income attributable to non-controlling interests	266	383

(3) Notes on Quarterly Consolidated Financial Statements

(Change in accounting policy)

Due to the transfer of our geothermal business to our consolidated subsidiary, Kyuden Mirai Energy Co., Ltd., on April 1, 2024, Kyuden Mirai Energy Co., Ltd. has adopted the “Electric Utility Accounting Regulations” from the start of the current consolidated first quarter. Regarding the accounting treatment of lighting and power charges, the method of recording the charges calculated based on the usage measured by monthly meter readings as sales (operating revenue) for the month (hereinafter referred to as the “meter reading date basis”) has been adopted, and the account titles are displayed in accordance with the “Electric Utility Accounting Regulations”.

To reflect this change in accounting policy, the ¥23,860 million that was included in “Other non-current assets” under “Non-current assets” in the consolidated balance sheet of the previous consolidated fiscal year has been reclassified as “Electric utility plant and equipment.” Additionally, in the consolidated statement of income for the first quarter of the previous consolidated fiscal year, the ¥14,409 million that was included in “Other business operating revenue” under “Operating revenue” has been reclassified as “Electric utility operating revenue” and the ¥10,803 million that was included in “Other business operating expenses” under “Operating expenses” has been reclassified as “Electric utility operating expenses”. The impact of the change to the meter reading date basis is minimal.

(Notes to Segment Information)

Ⅰ Previous quarterly consolidated fiscal year (April 1, 2023 to June 30, 2023)

Information regarding sales and profits by Reportable segment

(Unit: millions of Yen)

	Reportable segment							Other*1	Total	Reconciliation*2	Quarterly consolidated financial statements*3
	Energy services				ICT services businesses	Urban Development Businesses	Total				
	Japanese electric power		Overseas Businesses	Other energy services businesses							
	Power and Retail businesses	Transmission and Distribution businesses									
Sales											
Revenue from contracts with customers	340,829	39,629	229	28,194	19,959	1,057	429,899	1,015	430,914	—	430,914
Other revenue*4	53,567	8,496	848	352	299	2,045	65,609	—	65,609	—	65,609
Sales to outside customers	394,396	48,125	1,077	28,547	20,258	3,102	495,509	1,015	496,524	–	496,524
Inter-segment sales	33,777	104,394	–	32,750	7,742	2,452	181,116	1,184	182,301	-182,301	–
Total	428,174	152,519	1,077	61,297	28,000	5,555	676,626	2,200	678,826	-182,301	496,524
Segment income	78,184	12,866	2,612	5,272	445	1,332	100,713	115	100,829	-140	100,688

*1 The "Other" segment is a business segment that is not included in the reportable segments and includes the fee-based nursing home business, outsourcing office work business and temporary staffing business.

*2 Reconciliation of Segment income (¥-140 million) is intersegment transaction eliminations.

*3 Segment income is adjusted to reflect ordinary income in the quarterly consolidated statements of incomes.

*4 In the ‘Other Revenues’ of the ‘Power and Retail businesses’, ‘Transmission and Distribution businesses’, ‘Other energy services businesses’, and ‘ICT services businesses’, subsidies received from ‘the national government based on their measures to mitigate sharp fluctuations in electricity and gas rates’, a measure based on the ‘the Comprehensive Economic Measures for Overcoming Price Increases and Revitalizing the Economy’, are included, amounting to ¥53,409 million, ¥1,500 million, ¥329 million, and ¥29 million respectively.

Ⅱ Current quarterly consolidated fiscal year (April 1, 2024 to June 30, 2024)

Information regarding sales and profits by Reportable segment

(Unit: millions of Yen)

	Reportable segment							Other*1	Total	Reconciliation*2	Quarterly consolidated financial statements*3
	Energy services				ICT services businesses	Urban Development Businesses	Total				
	Japanese electric power		Overseas Businesses	Other energy services businesses							
	Power and Retail businesses	Transmission and Distribution businesses									
Sales											
Revenue from contracts with customers	372,328	43,746	223	30,116	21,532	1,068	469,016	1,008	470,024	–	470,024
Other revenue*4	23,410	4,821	658	180	240	1,843	31,155	–	31,155	–	31,155
Sales to outside customers	395,739	48,568	882	30,296	21,772	2,912	500,171	1,008	501,180	–	501,180
Inter-segment sales	36,223	107,091	–	33,944	6,441	2,764	186,465	1,377	187,843	-187,843	–
Total	431,963	155,660	882	64,241	28,214	5,676	686,637	2,385	689,023	-187,843	501,180
Segment income	34,852	6,026	1,880	6,819	734	900	51,214	111	51,326	-211	51,114

*1 The "Other" segment is a business segment that is not included in the reportable segments and includes the fee-based nursing home business, outsourcing office work business and temporary staffing business

*2 Reconciliation of Segment income (¥-211 million) is intersegment transaction eliminations.

*3 Segment income is adjusted to reflect ordinary income in the quarterly consolidated statements of incomes.

*4 In the 'Other Revenues' of the 'Power and Retail businesses', 'Transmission and Distribution businesses', 'Other energy services businesses', and 'ICT services businesses', subsidies received from 'the national government based on their measures to mitigate sharp fluctuations in electricity and gas rates', a measure based on the 'Comprehensive Economic Measures to End Deflation Completely' are included, amounting to ¥23,319 million, ¥459 million, ¥129 million, and ¥13 million respectively.

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

N/A

(Note on the premise of going concern)

N/A

(Notes to Statements of Cash Flows)

The consolidated cash flow statement for the first quarter of the fiscal year has not been prepared. Depreciation (including amortization related to intangible assets excluding goodwill) and Amortization of nuclear fuel impairment for the first quarter are as follows.

	Previous quarterly consolidated fiscal year (April 1, 2023 to June 30, 2023)	Current quarterly consolidated fiscal year (April 1, 2024 to June 30, 2024)
Depreciation	¥54,922 million	¥54,764 million
Amortization of nuclear fuel	¥6,315 million	¥5,898 million

(Additional Information)

(The revision of the Electric Utility Accounting Regulations due to the enforcement of “Act for Partial Revision of the Electricity Business Act and Other Acts for Establishing Electricity Supply Systems for Realizing a Decarbonized Society”

On April 1, 2024, the “Act for Partial Revision of the Electricity Business Act and Other Acts for Establishing Electricity Supply Systems for Realizing a Decarbonized Society” (Act No. 44 of 2023, hereinafter referred to as the “Revised Act”) and the “Ordinance for the Arrangement of Related Ministerial Ordinances, etc. due to the Enforcement of the Act for Partial Revision of the Electricity Business Act and Other Acts for Establishing Electricity Supply Systems for Realizing a Decarbonized Society” (Ordinance No. 21 of the Ministry of Economy, Trade and Industry of 2024, hereinafter referred to as the “Revised Ordinance”) were enforced. As a result, the “Ordinance on the Reserve Fund for the Reserve for Decommissioning of Nuclear Power Generation Facilities” (Ordinance No. 30 of the Ministry of International Trade and Industry of 1989, hereinafter referred to as the “Decommissioning Ordinance”) was abolished, and the Electric Utility Accounting Regulations were revised.

The costs necessary for the decommissioning of commercial nuclear power reactors were traditionally recorded as Asset Retirement Obligations. For assets corresponding to these obligations, the “Guidance on Accounting Standard for Asset Retirement Obligations” (Implementation Guidance No. 21, March 25, 2011) Section 8 was applied. Based on Decommissioning Ordinance, the total estimated cost of decommissioning nuclear power generation facilities was calculated annually using the formula specified in the Guidelines for Handling Reserve Funds for the Decommissioning of Nuclear Power Generation Facilities (a method for estimating costs based on the types and quantities of waste generated by decommissioning). This amount was then recorded using the straight-line method over the expected operational period of the power generation facilities. However, from the enforcement date of the Revised Ordinance, the decommissioning contributions stipulated in Article 11, Paragraph 2 of the “Act on the Implementation of Reprocessing of Spent Fuel and Promotion of Decommissioning in Nuclear Power Generation” as amended by Article 3 of the Revised Act will be recorded as electricity business operating expenses.

Nuclear operators have traditionally been responsible for securing funds for the decommissioning of their own commercial power reactors. Under the Revised Act, they will fulfill their cost burden responsibility by paying decommissioning contributions to the Nuclear Reprocessing Organization of Japan (hereinafter referred to as the “Organization”) annually. The Organization will then bear the economic responsibility for securing, managing, and disbursing the funds necessary for decommissioning.

As a result, during the first quarter of the current consolidated accounting period, Asset retirement obligation-related assets of ¥18,995 million and Asset retirement obligations of ¥291,011 million have been reversed. In accordance with Article 10, Paragraph 1 of the Supplementary Provisions of the Revised Act, the amount of ¥274,782 million that must be paid to the Organization for the costs of decommissioning promotion operations has been recorded as Contribution payable for nuclear reactor decommissioning in accordance with Article 7 of the Supplementary Provisions of the Revised Ordinance. This has no impact on profit and loss. Of this amount, ¥10,039 million has been reclassified as Current portion of non-current liabilities. Additionally, ¥2,765 million has been recorded in Special account related to nuclear power decommissioning account in accordance with Article 8 of the Supplementary Provisions of the Revised Ordinance.

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