

# Financial Results for 4/2004-3/2005 and Financial Forecasts for 4/2005-3/2006

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**KYUSHU ELECTRIC POWER CO.,INC.**

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

Owing to various uncertainties, actual results may differ materially from these statements. Investors are hereby cautioned against making investment decisions solely on the basis of forward-looking statements contained herein.

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# Financial Highlights

**Non-Consolidated** (Billions of yen, %)

	FY2004 (A)	FY2003 (B)	Change	
			(A)-(B)	(A)/(B)
Sales	1,333.1	1,318.3	14.8	101.1
Operating income	201.5	190.6	10.9	105.7
Ordinary income	152.9	107.9	44.9	141.7
Net income	89.3	70.1	19.2	127.5

**Consolidated** (Billions of yen, %)

	FY2004 (A)	FY2003 (B)	Change	
			(A)-(B)	(A)/(B)
Sales	1,408.7	1,391.6	17.0	101.2
Operating income	213.7	198.9	14.7	107.4
Ordinary income	159.9	114.4	45.4	139.7
Net income	89.2	72.7	16.4	122.7

(Notes) · Consolidation:

21 companies [change over FY2003: +2 (addition: 2)]

· Application of the equity method: 24 companies [change over FY2003: ±0 (addition: 2, exclusion: 2)]

# Demand and Supply Condition

## 1. Demand (Electricity Sales Volume) (Billion kWh, %)

	FY2004 (A)	FY2003 (B)	Change	
			(A)-(B)	(A)/(B)
Residential	27.5	26.3	1.2	104.4
Commercial and industrial	25.5	25.1	0.4	101.6
Total (Non specific-size demand)	53.0	51.4	1.6	103.0
Specific-size demand	27.2	25.9	1.3	105.3
Total electricity sales volume	80.2	77.3	2.9	103.8

Reposted	Ordinary demand	59.0	56.7	2.3	104.1
	Large industrial demand	21.2	20.6	0.6	103.1

(Note) Results of "Non specific-size demand" and "Specific-size demand" in FY2003 are adjusted according to the scope of deregulation expanded from April 2004.

## 2. Supply (Generated and Received Electricity Volume) (Billion kWh, %)

	FY2004 (A)	FY2003 (B)	Change		
			(A)-(B)	(A)/(B)	
Company-generated	Hydro (Water release factor)	4.8 (113.2)	4.7 (106.9)	0.1 (6.3)	101.5
	Thermal	29.7	28.9	0.8	102.9
	Nuclear (Utilization factor)	39.7 (86.2)	41.0 (88.9)	-1.3 (-2.7)	96.7
	Total	74.2	74.6	-0.4	99.4
Received from other companies	14.3	12.2	2.1	117.7	
Power interchange	-0.1	-1.5	1.4	6.6	
Pumping energy	-0.4	-0.4	-	96.6	
Total	88.0	84.9	3.1	103.7	

# Summary of Non-consolidated Results (1)

## 1. Comparative Table of Revenues and Expenses

(Billions of yen, %)

	FY2004 (A)	FY2003 (B)	Change		Main factors in changes	
			(A)-(B)	(A)/(B)		
Ordinary revenues	Residential	566.7	550.7	15.9	102.9	Increase in sales (+2.9 BkWh): 47.3, lower electricity rates: -20.0 Sales to other electric power companies: -15.3 Incidental businesses: 3.0, gain on sales of securities: 1.7
	Commercial and industrial	736.3	724.9	11.3	101.6	
	Sales to other companies	4.5	20.8	-16.3	21.6	
	Other	30.8	24.8	6.0	124.3	
	[Sales]	[1,333.1]	[1,318.3]	[14.8]	[101.1]	
Total	1,338.4	1,321.4	17.0	101.3		
Ordinary expenses	Personnel expenses	185.9	201.5	-15.6	92.2	Employee retirement benefit: -16.9
	Fuel costs	143.2	126.5	16.7	113.2	Rise in fuel CIF price: 16.0, increase in sales: 13.0, increase in purchases electricity from other power companies: -8.0, decrease in sales electricity to other power companies: -6.0
	Maintenance costs	158.7	153.2	5.4	103.6	Restoration costs of typhoon damages: 5.4
	Depreciation	210.3	232.1	-21.7	90.6	Thermal power: -9.5, nuclear power: -5.1, transmission: -2.5
	Purchased power	105.5	95.9	9.6	110.0	Purchases from other companies: 9.6
	Interest charges	46.5	73.5	-27.0	63.2	Decrease in interest bearing debts: -4.1, lower interest rates: -4.0, conducting debt assumption: -22.4, loan prepayment premium: 3.5
	Other	335.2	330.5	4.6	101.4	Commision costs: 6.4
Total	1,185.5	1,213.4	-27.9	97.7		
[Operating Income]	[201.5]	[190.6]	[10.9]	[105.7]		
Ordinary income	152.9	107.9	44.9	141.7		
Provision for reserve for fluctuations in water level	2.6	2.0	0.6	132.0		
Extraordinary loss	6.6	-	6.6	-	Loss due to asset impairment : 6.6 (Idle transmission lines, lands, etc.)	
Net Income	89.3	70.1	19.2	127.5		

## 2. Main Reference Data

(¥/\$, \$/b, %)

	FY2004 (A)	FY2003 (B)	Change (A)-(B)
Exchange rate	107.5	113.2	-5.6
Crude oil CIF price	38.8	29.4	9.4
Water release factor	113.2	106.9	6.3
Nuclear power plant utilization factor	86.2	88.9	-2.7

## Summary of Non-consolidated Results (2)

### 3. Comparative Table of Balance Sheets

(Billions of yen)

	As of March 31, 2005 (A)	As of March 31, 2004 (B)	Change (A)-(B)	Main factors in changes
Assets	3,806.5	3,859.0	52.4	Depreciation: -216.5 (Electricity: -210.3, incidental businesses: -6.2) Amortization of nuclear fuel: -24.0 Application of asset-impairment accounting: 6.6 Capital expenditures: 200.1
Liabilities	2,877.2	2,997.1	119.9	Interest-bearing debt: -184.1 (3/04: 2,183.3 to 3/05: 1,999.1) [Interest-bearing debt ratio] 3/04: 56.6% to 3/05: 52.5%
Shareholders' Equity	929.3	861.9	67.4	Net income: 89.3, Dividends: -23.6 [Shareholders' equity ratio] 3/04: 22.3% to 3/05: 24.4%

# Summary of Consolidated Results

		(Billions of yen, %)				Consolidated/ Non-onsolidated
		FY2004 (A)	FY2003 (B)	Change		
				(A)-(B)	(A)/(B)	
Ordinary revenues	Revenues from electricity business	1,320.5	1,308.8	11.7	100.9	1.06
	Revenues from other businesses	88.1	82.8	5.3	106.4	
	Operating Revenues (Sales)	1,408.7	1,391.6	17.0	101.2	
	Non-operating revenues	7.4	6.8	0.5	107.8	
Total		1,416.1	1,398.5	17.5	101.3	
Ordinary expenses	Expenses from electricity businesses	1,107.7	1,108.1	-0.3	100.0	[1.06]
	Expenses from other businesses	87.2	84.6	2.6	103.1	
	Operating expenses	1,194.9	1,192.7	2.2	100.2	
	Non-operating expenses	61.1	91.3	-30.1	67.0	
Total		1,256.1	1,284.0	-27.9	97.8	
[Operating income]		[213.7]	[198.9]	[14.7]	[107.4]	
Ordinary income		159.9	114.4	45.4	139.7	1.05
Provision for reserve for fluctuations in water level		2.6	2.0	0.6	132.0	
Extraordinary loss		10.5	-	10.5	-	
Net income		89.2	72.7	16.4	122.7	1.00

# Summary of Consolidated Statements of Cash Flows

**Comparative Table of Statement of Cash Flows** (Billions of yen)

	FY2004 (A)	FY2003 (B)	Change (A)-(B)	Main factors in changes
Cash flows from operating activities	419.2	386.8	32.4	Ordinary income and noncash items: 17.4 (Increase in ordinary income: 45.4) (Decrease in depreciation expense: -20.5) Other: 15.0 (Increase in accrued expenses: 14.0)
Cash flows from investing activities	-193.5	-199.8	6.2	
(Capital expenditures including nuclear fuel) [Reposted]	[-206.3]	[-211.8]	[5.5]	
Cash flows from financing activities	-221.0	-198.1	-22.8	Decrease in interest-bearing debts: -22.7 (3/04: -174.3 to 3/05: -197.1)
<b>Total</b>	<b>4.6</b>	<b>-11.1</b>	<b>15.8</b>	
Free cash flows	212.9	175.0	37.9	

(Note) Free cash flows = Cash flows from operating activities - Capital expenditures including nuclear fuel

# Financial Highlights of Results Projection for FY2005

## Non-Consolidated

(Billions of yen, %)

	FY2005 (A)	FY2004 (B)	Change	
			(A)-(B)	(A)/(B)
Sales	1,270.0 (approx.)	1,333.1	-63.1	95.3
Operating income	142.0 (approx.)	201.5	-59.5	70.4
Ordinary income	100.0 (approx.)	152.9	-52.9	65.4
Net income	64.0 (approx.)	89.3	-25.3	71.6

## Consolidated

(Billions of yen, %)

	FY2005 (A)	FY2004 (B)	Change	
			(A)-(B)	(A)/(B)
Sales	1,340.0 (approx.)	1408.7	-68.7	95.1
Operating income	150.0 (approx.)	213.7	-63.7	70.2
Ordinary income	106.0 (approx.)	159.9	-53.9	66.3
Net income	67.0 (approx.)	89.2	-22.2	75.0

# Sensitivity Factors for FY 2005 Projection (Non-Consolidated)

(Billions of yen)

	FY2005	FY2004
Exchange rate (¥/\$)	1.1 (approx.)	1.2 (approx.)
Crude oil CIF price (\$/b)	2.0 (approx.)	2.5 (approx.)
Coal CIF price (\$/t)	0.6 (approx.)	0.6 (approx.)
Water release factor (1%)	0.2 (approx.)	0.2 (approx.)
Nuclear power plant utilization factor (1%)	1.5 (approx.)	1.5 (approx.)
Interest rate (1%)	3.4 (approx.)	3.6 (approx.)

# Appendix

Comparison with the Previous Projection for FY2004  
- Financial Highlights

# Comparison with the Previous Projection for FY2004 (Financial Highlights)

## Non-Consolidated

(Billions of yen, %)

	FY2004 (A)	Forecast as of November 2004 (B)	Change	
			(A)-(B)	(A)/(B)
Sales	1,333.1	1,320.0 (approx.)	13.1	101.0
Operating income	201.5	176.0 (approx.)	25.5	114.5
Ordinary income	152.9	130.0 (approx.)	22.9	117.6
Net income	89.3	80.0 (approx.)	9.3	111.6

## Consolidated

(Billions of yen, %)

	FY2004 (A)	Forecast as of November 2004 (B)	Change	
			(A)-(B)	(A)/(B)
Sales	1,408.7	1,395.0 (approx.)	13.7	101.0
Operating income	213.7	184.0 (approx.)	29.7	116.1
Ordinary income	159.9	133.0 (approx.)	26.9	120.2
Net income	89.2	77.0 (approx.)	12.2	115.8

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