

I Environmental Management

1 Business Status and Management Targets

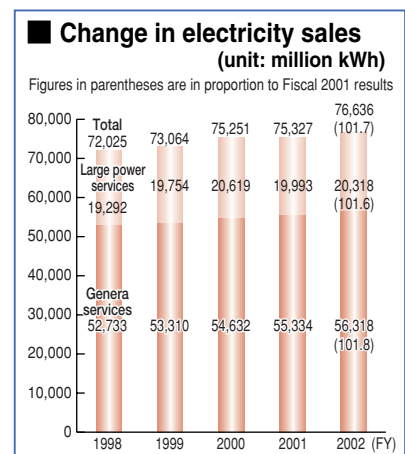
The situation surrounding electric utilities has been unfavorable due to increasing competition in the power market caused by its partial liberalization, and rigorous evaluation of electric utilities by the capital market. Kyushu Electric Power is engaged in a

company-wide managerial reform such as the enhancement of its competitiveness in all aspects including price, quality and services, improvement of its financial standing and establishment of new profit bases.

1 Sales status

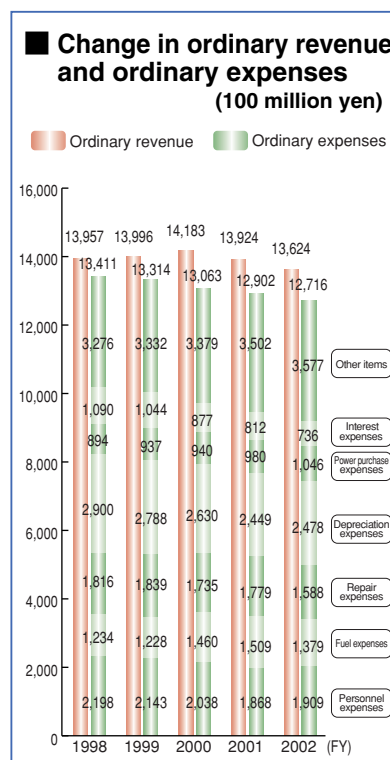
In Fiscal 2002 the Japanese economy saw some improvement such as recovery in production, attributable to increased exports. However, the trend of the recovery slowed down toward the second half of the fiscal year, due to sluggish personal consumption from the severe employment situation and uncertainty surrounding the prospect of the world economy. In this economic situation, Kyushu Electric Power's electricity sales for services from large industrial

power contracts were 1.6% higher than the previous fiscal year due to increased production in key industries such as steel and machinery. Sales for general services such as residential lighting and commercial power contracts also increased by 1.8% over Fiscal 2001 due to higher heating demands. As a result, total electricity sales for Fiscal 2002 were 76.63 billion kWh, an increase of 1.7% over Fiscal 2001.

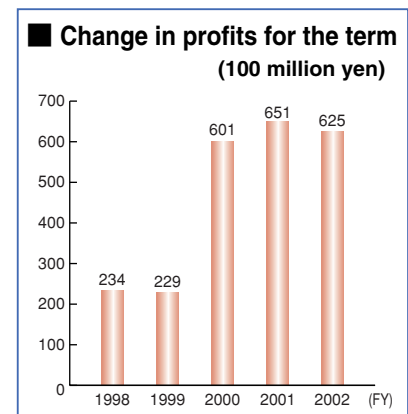


2 Revenue and expenses

Despite electricity sales increasing in Fiscal 2002, the operating revenue was 1,358.6 billion yen, and ordinary revenue was 2.2% less than that from Fiscal 2001 at 1,362.4 billion yen. This was because of an average electricity rate reduction of 5.21% which started in October 2002. As for expenses, there was an increase in depreciation expenses from the commencement of the trial run of the Reihoku Power Station Unit 2. However, with a reduction in fuel expense attributable to increased nuclear power production and efficiency improvement efforts throughout the business such as that for repair expenses, total ordinary expense came to 1,271.6 billion yen, or a 1.4% decrease from Fiscal 2001. Thus the Fiscal 2002 ordinary profit was 90.7 billion yen, or an 11.2% decrease from Fiscal 2001.



The profit for the term decreased from the last term by 4.0% to 62.5 billion yen. This was caused by reporting as extraordinary profit the profit of 23.1 billion yen from sales of securities and reporting as extraordinary loss the estimated loss of 15.4 billion yen from the share of our affiliated company Kyushu Telecommunication Network Co., Inc.

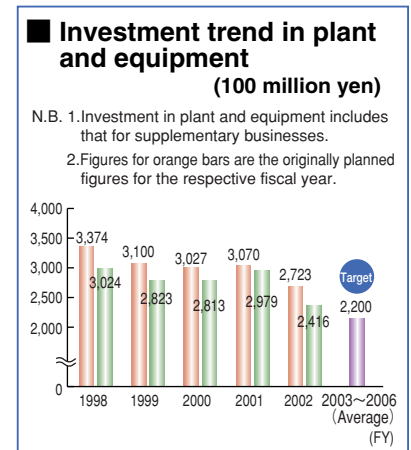


3 Measures for improved management efficiency

[1] Efficient investment in plant and equipment

Investment in plants and equipment for Fiscal 2002 was 241.6 billion yen, 30.7 billion yen less than originally planned. This was due to efficiency improvement efforts such as cost reduction in aspects of design, construction and material orders. Kyushu Electric Power plans to keep its investment in plants and equipment for Fiscal 2003-2006 down to an average of 220 billion yen a year by responding accurately to the change in demand and further improving efficiency.

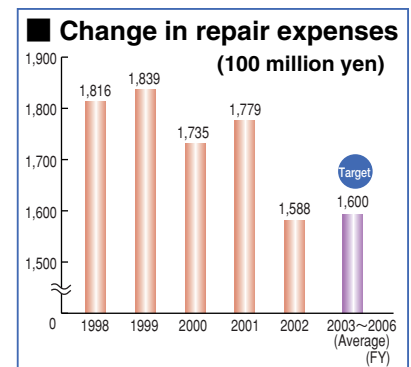
The target investment amount for Fiscal 2003 will be 226.6 billion yen, a 38.1 billion yen reduction from the previous year's plan.



[2] Efficient plants and equipment maintenance

Repair expenses for Fiscal 2002 were 158.8 billion yen, less than 19.1 billion yen from the previous fiscal year. This was achieved through overall efficiency improvement on inspection and repair by reviewing the content of and prolonging the cycles for inspection and component replacement. Repair expenses are increasing due to the expansion and aging of power facilities. However,

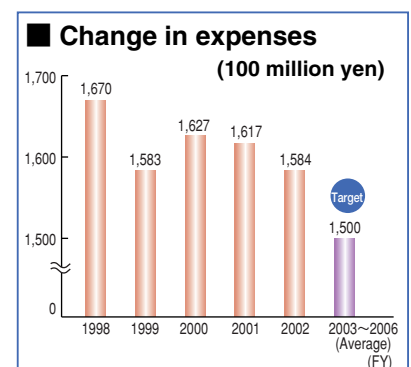
we hope to keep the repair expenses for Fiscal 2003-2006 to an average of 160 billion yen per year through further efficiency improvement for the maintenance of plants and equipment by the introduction of risk management and other methods.



[3] Reduction of expenses

Kyushu Electric Power has promoted its efficiency improvement with an aim to lower expenses to an average of 150 billion yen per year in a five-year period starting in Fiscal 2002. Expenses for Fiscal 2002 totaled 158.4 billion yen, a 3.3 billion yen reduction from that of the previous fiscal year, thanks to efforts towards simpler and more efficient business operation such as the reduction of

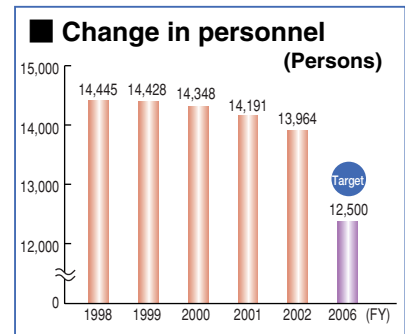
expenses for expendable supplies and rent. We are committed to furthering such efficiency and reducing expenses more.



[4] Efficient business operation

The number of personnel, as of the end of Fiscal 2002, was 13,964. This is 227 less than that from the end of the previous fiscal year in spite of such factors for increase as businesses becoming more diversified and advanced, as well as the strengthening of the sales force and the starting of new businesses. This resulted from efficiency improvement in business operation by concentrating dis-

tribution work of customer service offices into branch offices, and reviewing the operation and maintenance system of thermal power plants. The reform of business processes will be continued with the utilization of IT technology, and tasks will be concentrated or simplified towards further efficiency improvement and reduction of personnel to 12,500 by the end of Fiscal 2006.



[5] Reduction of fuel expenses

The utilization factor of nuclear power plants in Fiscal 2002 was 85.9%, 2.8 points higher than the originally planned figure of 83.1%. This is the result of smooth and continuous operation of nuclear power plants and the introduction of the constant thermal output operation. Kyushu Electric Power will concentrate its effort to continue the safe

and reliable operation of nuclear power plants and to increase the utilization factor.

The (net) thermal efficiency for all thermal power plants for Fiscal 2002 was 39.0%, 0.3 points above the originally planned figure of 38.7%, due to the high operating ratio of high-efficiency power plants such as Reihoku Power Station

which achieved high thermal efficiency by increasing the steam temperature. Our effort for thermal efficiency improvement will continue by maintaining the high operating ratio of high-efficiency power plants such as Shin-Oita Power Station, and increasing the steam temperature of thermal power plants that are under development.

4 Management Targets

Kyushu Electric Power established a medium-term management plan in March 1999 to run the company from a long-term perspective. The plan clearly described the target corporate image and set main policies of management to achieve it. New management targets were added in March 2000, including ROA and a reduction in interest-bearing debt. In March 2002, a new medium-term management plan was drawn for a five-year period from Fiscal 2002 to 2006 to define higher business targets (targets for electricity rates and financial affairs).

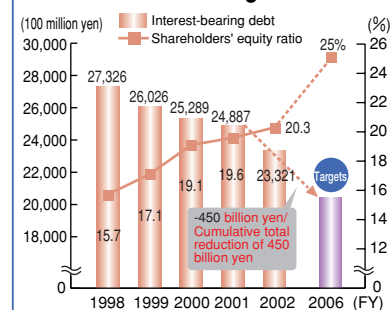
Targets for electricity rates

Realization of an electricity rate system that can compete against PPS (power producers and suppliers), operators of dispersed power sources and other electric utilities.

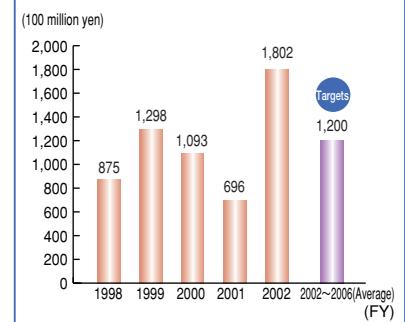
Targets for financial affairs

	Management targets (Fiscal 2002-2006)
Shareholders' equity ratio	25% at the end of Fiscal 2006
Reduction in interest-bearing debt	Cumulative total reduction of 450 billion yen
FCF (free cash flow)	Average of 120 billion yen
Ordinary profit	Average of 100 billion yen
ROA (return on assets)	Average of 3% (taxed operating profit/total assets)
ROE (return on equity)	Average of 8%

Change in shareholders' equity ratio and interest-bearing debt



Change in FCF (free cash flow)



Change in ordinary profits, ROE and ROA

