Annual Report 2002

For the year ended March 31, 2002

Kyushu Electric Power Company, Incorporated

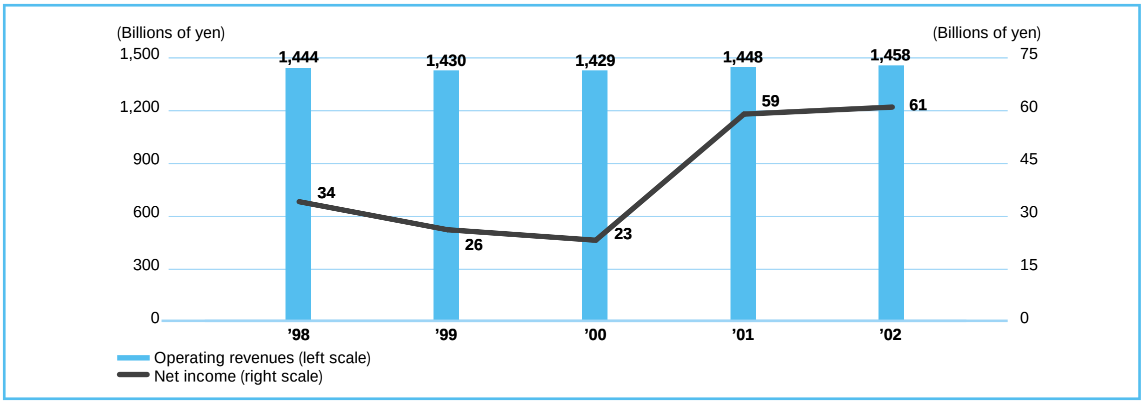
Contents

Consolidated Financial Highlights

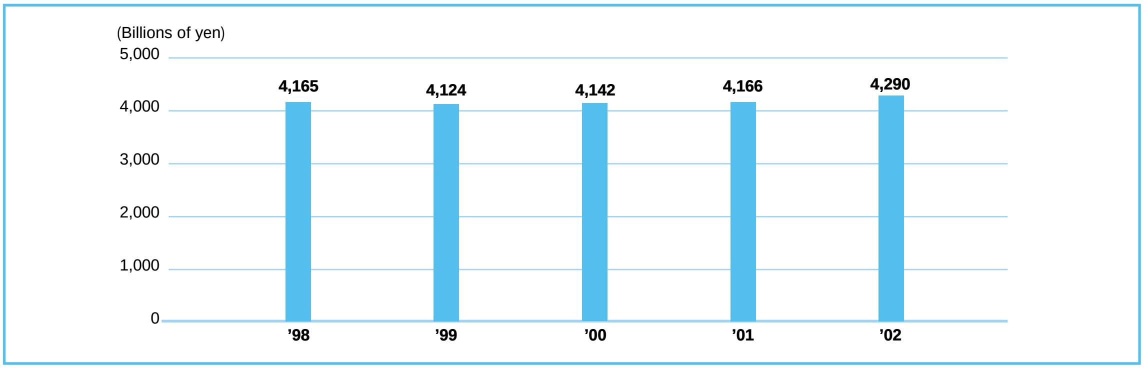
Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries Years ended March 31, 2002, 2001 and 2000	Millions of yen (except for per share data)			Thousands of U.S. dollars (except for per share data)
	2002	2001	2000	**2002**
For the year:				
Operating revenues	**¥1,458,066**	¥1,448,376	¥1,428,559	**$10,942,334**
Operating income	**197,758**	212,032	181,768	**1,484,113**
Net income	**61,120**	59,191	22,934	**458,687**
Per share of common stock (yen and U.S. dollars):				
Net income:				
Basic	**¥ 128.90**	¥ 124.83	¥ 48.37	**$ 0.97**
Diluted		123.65	48.21	
Cash dividends applicable to the year	**60.00**	60.00	50.00	**0.45**
At year-end:				
Total assets	**¥4,290,132**	¥4,166,489	¥4,141,718	**$32,196,113**
Total shareholders' equity	**824,928**	810,018	725,516	**6,190,829**

Note: All dollar figures herein refer to U.S. currency. Yen amounts have been translated, for convenience only, at ¥133.25=US$1.

Operating Revenues and Net Income



Total Assets



Consolidated Six-Year Financial Summary

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Years ended March 31

	Millions of yen (except for per share data)						Thousands of U.S. dollars (except for per share data)
	2002	2001	2000	1999	1998	1997	**2002**
For the year:							
Operating revenues:	**¥1,458,066**	¥1,448,376	¥1,428,559	¥1,430,164	¥1,444,068	¥1,413,983	**$10,942,334**
Electric	**1,381,440**	1,410,010	1,392,148	1,387,855	1,409,492	1,379,549	**10,367,280**
Other	**76,626**	38,366	36,411	42,309	34,576	34,434	**575,054**
Operating expenses:	**1,260,308**	1,236,344	1,246,791	1,259,056	1,238,582	1,206,787	**9,458,221**
Electric	**1,184,382**	1,199,237	1,211,227	1,219,999	1,206,622	1,175,421	**8,888,420**
Other	**75,926**	37,107	35,564	39,057	31,960	31,366	**569,801**
Interest charges	**85,653**	89,952	107,190	111,753	134,781	140,454	**642,799**
Income before income taxes and minority interests	**99,464**	97,447	39,490	60,077	71,475	66,633	**746,447**
Income taxes	**39,808**	37,595	16,058	33,885	37,420	26,684	**298,747**
Net income	**61,120**	59,191	22,934	25,835	33,655	39,621	**458,687**
Per share of common stock (yen and U.S. dollars):							
Net income:							
Basic	**¥ 128.90**	¥ 124.83	¥ 48.37	¥ 54.48	¥ 70.97	¥ 83.56	**$ 0.97**
Diluted		123.65	48.21	54.21	70.45	82.86	
Cash dividends applicable to the year	**60.00**	60.00	50.00	50.00	50.00	50.00	**0.45**
At year-end:							
Total assets	**¥4,290,132**	¥4,166,489	¥4,141,718	¥4,123,686	¥4,165,131	¥4,162,484	**$32,196,133**
Net property	**3,595,794**	3,459,859	3,528,297	3,596,203	3,665,153	3,698,901	**26,985,321**
Long-term debt, less current maturities	**2,136,276**	2,071,192	2,137,509	2,276,929	2,365,687	2,322,673	**16,032,090**
Total shareholders' equity	**824,928**	810,018	725,516	659,588	659,989	650,312	**6,190,829**

Note: All dollar figures herein refer to U.S. currency. Yen amounts have been translated, for convenience only, at ¥133.25=US$1.

Operating Results: In fiscal 2001, ended March 31, 2002, the Japanese economy remained sluggish. The global economy slowed, while domestic demand was weak, causing both production and capital investment to plunge. In addition, personal consumption remained low in response to the worsening unemployment situation and falling incomes, while deflation persisted.

Against this backdrop, the Kyushu Electric Group's power sales volume dropped 3.0%. This was due to adjustments in the manufacture of electrical equipment among large industrial consumers following to a downturn in information technology (IT) demand, reduced iron and steel production and the increased use of on-site power generation at some plants. Residential (lighting) and commercial demand rose 1.3%.

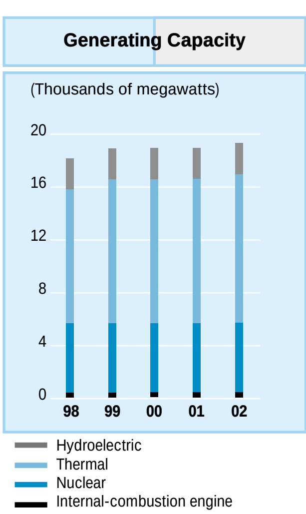
As a result of these factors, the Company's sales advanced 0.1%, to 75.3 billion kilowatt-hours. In October 2000, Kyushu Electric reduced its rates, but a greater number of subsidiaries have since come under the scope of consolidation, so operating revenues in the period under review increased 0.7%, to ¥1,458.1 billion.

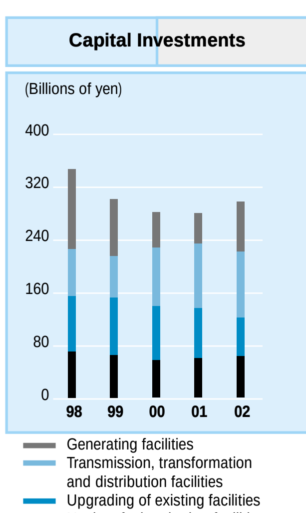
The expanded scope of consolidation caused an increase in costs, but Groupwide efforts to enhance efficiency and cut capital expenditures resulted in a rise in total operating expenses of just 1.9%, to ¥1,260.3 billion.

Operating income fell 6.7%, to ¥197.8 billion, while net income gained 3.3%, to ¥61.1 billion. This was largely because the Company posted equity in earnings of associated companies in the period under review, compared with equity in loss of associated companies in the previous term.

Capital Investment Policy: Kyushu Electric's capital expenditure plans focus on lowering the costs of providing electricity, while, at the same time, stabilizing long-term supplies.

Management is striving to improve the efficiency of its capital spending by accurately projecting future demand, while increasing the reliability of its facilities and operating technologies by streamlining the facilities setup, reviewing design and construction standards and diversifying purchasing.





To satisfy the growth in demand for power, the Company is taking comprehensive steps that will allow it to maintain secure energy supplies while balancing its power development, centered on nuclear power, to ensure economy and reduce environmental impact.

We are expanding our 500-kilovolt trunk line system to support new power development and serve demand increases as well as installing more efficient transmission and distribution facilities in keeping with medium- and long-term demand prospects. In addition, we are laying distribution lines underground as part of our efforts to reduce the impact of our activities on the environment.

Capital expenditures were 3.0%, or ¥9.1 billion, lower than envisaged, at ¥297.9 billion. This followed reviews of construction and replacement plan standards as well as design and construction cost-cutting efforts.

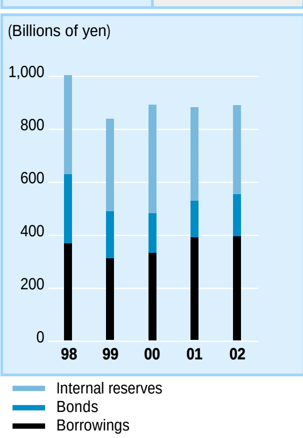
The construction of new generating facilities is proceeding smoothly. The 700-megawatt Unit No. 2 of the Reihoku Thermal Power Station will come on line in July 2003. A 1,200-megawatt pumped storage hydroelectric power station in Omarugawa will start commercial operations when the first 600 megawatts come on line in July 2006, followed by a second 600 megawatts in July 2008.

Financing: Kyushu Electric relies mainly on internal funding for its capital investment requirements, complemented by diverse sources of low-cost external financing.

In fiscal 2001, capital investment and the redemption of corporate bonds and borrowings accounted for ¥891.8 billion, up 0.9% from the previous fiscal year. Bond redemptions and loan repayments were down 1.5%, to ¥593.9 billion.

Internal reserves declined 4.8%, to ¥338.7 billion. Proceeds from the issue of bonds and notes increased 14.3%, to ¥160.0 billion, of which net proceeds were ¥159.4 billion. Borrowings were up 1.2%, to ¥393.7 billion.

Sources of Funds



Japan's Electric Utility Law: The Electric Utility Law of 1964 governs Japan's electric power companies and their activities. The law's principal objectives are to protect the interests of users, to promote the development of the electric power industry, and to assure that the production and provision of electric power is conducted in a safe and nonpolluting manner. The law effectively permits the country's nine regional electric power companies to monopolize the retail sale of electric power in their respective areas, but it also requires that electric power rates be set at levels that reflect the companies' actual operating costs and are fair to both suppliers and consumers.

On March 21, 2000, the government implemented the revised Electric Utility Law, deregulating the retailing of high-voltage power.

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
March 31, 2002 and 2001

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	**2002**
PROPERTY (Note 3):			
Plant and equipment	**¥ 8,264,172**	¥ 7,823,732	**$62,020,052**
Construction in progress	**336,031**	357,136	**2,521,809**
Total	**8,600,203**	8,180,868	**64,541,861**
Less—			
Contributions in aid of construction	**115,057**	110,221	**863,467**
Accumulated depreciation	**4,889,352**	4,610,788	**36,693,073**
Total	**5,004,409**	4,721,009	**37,556,540**
Net property	**3,595,794**	3,459,859	**26,985,321**
NUCLEAR FUEL	**218,500**	201,024	**1,639,775**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 4)	**114,032**	144,937	**855,775**
Investments in and advances to non-consolidated subsidiaries and associated companies	**48,150**	63,910	**361,351**
Deferred tax assets (Note 8)	**78,810**	65,346	**591,445**
Other assets	**26,673**	21,593	**200,172**
Total investments and other assets	**267,665**	295,786	**2,008,743**
CURRENT ASSETS:			
Cash and cash equivalents	**53,109**	67,948	**398,567**
Short-term investments	**1,160**	1,660	**8,705**
Receivables	**96,500**	85,440	**724,203**
Allowance for doubtful accounts	**(1,283)**	(1,076)	**(9,629)**
Inventories, principally fuel, at average cost	**48,208**	41,786	**361,786**
Deferred tax assets (Note 8)	**8,054**	11,549	**60,443**
Prepaid expenses and other	**2,425**	2,513	**18,199**
Total current assets	**208,173**	209,820	**1,562,274**
TOTAL	**¥ 4,290,132**	¥ 4,166,489	**$32,196,113**

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2002	Millions of yen 2001	Thousands of U.S. dollars (Note 1) 2002
LONG-TERM LIABILITIES:			
Long-term debt, less current maturities (Note 5)	¥ 2,136,276	¥ 2,071,192	$16,032,090
Liability for employees' retirement benefits (Note 6)	176,247	170,993	1,322,680
Reserve for reprocessing of irradiated nuclear fuel	266,528	229,481	2,000,210
Reserve for decommissioning of nuclear power units	97,208	92,611	729,516
Total long-term liabilities	2,676,259	2,564,277	20,084,496
CURRENT LIABILITIES:			
Current maturities of long-term debt (Note 5)	237,093	254,724	1,779,310
Short-term borrowings (Note 7)	278,635	292,405	2,091,069
Commercial paper	57,000		427,767
Notes and accounts payable (Note 12)	79,447	89,982	596,225
Accrued income taxes	12,052	30,687	90,447
Accrued expenses	77,935	79,257	584,878
Other	37,994	36,832	285,133
Total current liabilities	780,156	783,887	5,854,829
MINORITY INTERESTS	8,789	8,307	65,959
COMMITMENTS AND CONTINGENCIES (Note 14)			
SHAREHOLDERS' EQUITY (Note 9):			
Common stock, authorized, 1,000,000,000 shares; issued 474,183,951 shares in 2002 and 2001	237,305	237,305	1,780,901
Additional paid-in capital	31,087	31,087	233,298
Retained earnings	519,000	484,964	3,894,934
Unrealized gain on available-for-sale securities	37,587	56,664	282,079
Treasury stock, at cost—26,132 shares in 2002 and 1,220 shares in 2001	(51)	(2)	(383)
Total shareholders' equity	824,928	810,018	6,190,829
TOTAL	¥ 4,290,132	¥ 4,166,489	$32,196,113

Consolidated Statements of Income

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Years ended March 31, 2002, 2001 and 2000

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2002	2001	2000	**2002**
OPERATING REVENUES:				
Electric	**¥ 1,381,440**	¥ 1,410,010	¥ 1,392,148	**$10,367,280**
Other	**76,626**	38,366	36,411	**575,054**
Total operating revenues	**1,458,066**	1,448,376	1,428,559	**10,942,334**
OPERATING EXPENSES (Notes 10 and 13):				
Electric	**1,184,382**	1,199,237	1,211,227	**8,888,420**
Other	**75,926**	37,107	35,564	**569,801**
Total operating expenses	**1,260,308**	1,236,344	1,246,791	**9,458,221**
OPERATING INCOME	**197,758**	212,032	181,768	**1,484,113**
OTHER EXPENSES (INCOME):				
Interest charges (Note 3)	**85,653**	89,952	107,190	**642,799**
Loss on devaluation of investment securities and investments in associated companies	**7,780**	2,902	191	**58,387**
Equity in loss (earnings) of associated companies	**(495)**	21,842	12,057	**(3,715)**
Provision for liability for severance payments (Note 2. i.)			22,328	
Other—net	**5,356**	(58)	459	**40,195**
Total other expenses—net	**98,294**	114,638	142,225	**737,666**
INCOME BEFORE INCOME TAXES AND PROVISION FOR (REVERSAL OF) RESERVE FOR FLUCTUATIONS IN WATER LEVEL AND MINORITY INTERESTS	**99,464**	97,394	39,543	**746,447**
PROVISION FOR (REVERSAL OF) RESERVE FOR FLUCTUATIONS IN WATER LEVEL		(53)	53	
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**99,464**	97,447	39,490	**746,447**
INCOME TAXES (Note 8)				
Current	**38,221**	50,249	40,142	**286,837**
Deferred	**1,587**	(12,654)	(24,084)	**11,910**
Total income taxes	**39,808**	37,595	16,058	**298,747**
INCOME BEFORE MINORITY INTERESTS IN NET LOSS (INCOME) OF CONSOLIDATED SUBSIDIARIES	**59,656**	59,852	23,432	**447,700**
MINORITY INTERESTS IN NET LOSS (INCOME) OF CONSOLIDATED SUBSIDIARIES	**1,464**	(661)	(498)	**10,987**
NET INCOME	**¥ 61,120**	¥ 59,191	¥ 22,934	**$ 458,687**
	Yen			U.S. dollars
PER SHARE OF COMMON STOCK (Note 2. p.):				
Net income:				
Basic	**¥ 128.90**	¥ 124.83	¥ 48.37	**$0.97**
Diluted		123.65	48.21	
Cash dividends applicable to the year	**60.00**	60.00	50.00	**0.45**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Years ended March 31, 2002, 2001 and 2000

	Thousands	Millions of yen				
	Issued Number of shares of common stock	Common stock	Additional paid-in capital	Retained earnings	Unrealized gain on available-for-sale securities	Treasury stock
BALANCE AT APRIL 1, 1999	474,184	¥237,305	¥31,087	¥391,198		¥ (2)
Adjustment of retained earnings for the adoption of deferred tax accounting method				62,188		
Adjustment of retained earnings for a newly consolidated subsidiary				704		
Adjustment of retained earnings for change in scope of application of equity method				4,080		
Net income				22,934		
Cash dividends, ¥50 per share				(23,709)		
Bonuses to directors and corporate auditors				(269)		
Net increase in treasury stock						(0)
BALANCE AT MARCH 31, 2000	474,184	237,305	31,087	457,126		(2)
Adjustment of retained earnings for exclusion of an equity method accounted company				(4,990)		
Net income				59,191		
Cash dividends, ¥55 per share				(26,080)		
Bonuses to directors and corporate auditors				(283)		
Net increase in treasury stock						(0)
Net increase in unrealized gain on available-for-sale securities					¥56,664	
BALANCE AT MARCH 31, 2001	474,184	237,305	31,087	484,964	56,664	(2)
Adjustment of retained earnings for newly consolidated subsidiaries				**(116)**		
Adjustment of retained earnings for change in scope of application of equity method				**1,773**		
Net income				**61,120**		
Cash dividends, ¥60 per share				**(28,451)**		
Bonuses to directors and corporate auditors				**(290)**		
Net increase in treasury stock						**(49)**
Net decrease in unrealized gain on available-for-sale securities					**(19,077)**	
BALANCE AT MARCH 31, 2002	**474,184**	**¥237,305**	**¥31,087**	**¥519,000**	**¥ 37,587**	**¥(51)**

	Thousands of U.S. dollars (Note 1)				
	Common stock	Additional paid-in capital	Retained earnings	Unrealized gain on available-for-sale securities	Treasury stock
BALANCE AT MARCH 31, 2001	$1,780,901	$233,298	$3,639,505	$ 425,246	$ (15)
Adjustment of retained earnings for newly consolidated subsidiaries			**(871)**		
Adjustment of retained earnings for change in scope of application of equity method			**13,305**		
Net income			**458,687**		
Cash dividends, $0.45 per share			**(213,516)**		
Bonuses to directors and corporate auditors			**(2,176)**		
Net increase in treasury stock					**(368)**
Net decrease in unrealized gain on available-for-sale securities				**(143,167)**	
BALANCE AT MARCH 31, 2002	**$1,780,901**	**$233,298**	**$3,894,934**	**$ 282,079**	**$(383)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Year ended March 31, 2002, 2001 and 2000

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2002	2001	2000	**2002**
CASH FLOWS FROM OPERATING ACTIVITIES:				
Income before income taxes and minority interests	**¥ 99,464**	¥ 97,447	¥ 39,490	**$ 746,447**
Adjustments for:				
Income taxes—paid	**(56,647)**	(42,742)	(31,627)	**(425,118)**
Depreciation and amortization	**294,414**	302,559	319,394	**2,209,486**
Provision for liability for employees' retirement benefits	**3,090**	14,454	44,193	**23,190**
Provision for reserve for reprocessing of irradiated nuclear fuel	**37,047**	19,199	29,099	**278,026**
Provision for reserve for decommissioning of nuclear power units	**4,597**	6,898	6,304	**34,499**
Loss on disposal of plant and equipment	**9,993**	13,030	11,070	**74,994**
Nuclear fuel transferred to reprocessing costs	**2,900**	826	10,267	**21,764**
Provision for (reversal of) reserve for fluctuations in water level		(53)	53	
Loss on devaluation of investment securities and investments in associated companies	**7,780**	2,902	191	**58,387**
Equity in loss (earnings) of associated companies	**(495)**	21,842	12,057	**(3,715)**
Cash contribution for liquidation of an associated company	**(3,746)**	(14,099)		**(28,113)**
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries:				
Decrease (increase) in trade receivables	**(343)**	4,584	(3,103)	**(2,574)**
Increase in inventories	**(1,563)**	(1,920)	(4,138)	**(11,730)**
Increase (decrease) in trade payable	**(7,047)**	6,139	3,232	**(52,886)**
Decrease in interest payable	**(2,115)**	(2,228)	(2,197)	**(15,872)**
Other—net	**3,218**	(15,507)	(4,735)	**24,150**
Total adjustments	**291,083**	315,884	390,060	**2,184,488**
Net cash provided by operating activities	**390,547**	413,331	429,550	**2,930,935**
CASH FLOWS FROM INVESTING ACTIVITIES:				
Capital expenditures including nuclear fuel	**(328,546)**	(283,293)	(288,945)	**(2,465,636)**
Payments for investments and advances	**(17,812)**	(11,211)	(10,413)	**(133,674)**
Proceeds from sales of investment securities and collections of advances	**3,618**	6,057	8,353	**27,152**
Proceeds from acquisition of additional interests of a subsidiary which caused initial consolidation, net of cash acquired (Note 11)	**5,028**			**37,734**
Other—net	**(1,030)**	8,967	4,431	**(7,730)**
Net cash used in investing activities	**(338,742)**	(279,480)	(286,574)	**(2,542,154)**
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from issuance of bonds	**159,223**	139,419	149,339	**1,194,919**
Repayments of bonds and notes	**(181,469)**	(206,767)	(186,360)	**(1,361,869)**
Proceeds from long-term bank loans	**83,655**	87,945	67,688	**627,805**
Repayments of long-term bank loans	**(138,427)**	(122,985)	(157,033)	**(1,038,852)**
Net increase (decrease) in short-term borrowings	**(18,950)**	13,205	(13,567)	**(142,214)**
Net increase in commercial paper	**57,000**			**427,767**
Cash dividends paid	**(28,446)**	(26,065)	(23,698)	**(213,478)**
Other—net	**(166)**	(18)	(18)	**(1,245)**
Net cash used in financing activities	**(67,580)**	(115,266)	(163,649)	**(507,167)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(15,775)**	18,585	(20,673)	**(118,386)**
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES AT BEGINNING OF YEAR	**936**		46	**7,024**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**67,948**	49,363	69,990	**509,929**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**¥ 53,109**	¥ 67,948	¥ 49,363	**$ 398,567**

See notes to consolidated financial statements.

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Years ended March 31, 2002, 2001 and 2000

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and the Japanese Electric Utility Law and their related accounting regulations. Kyushu Electric Power Company, Incorporated (the "Company") and its consolidated subsidiaries (together the "Companies") maintain their accounts and records in accordance with the provisions set forth in the Commercial Code of Japan (the "Code") and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan.

The United States dollar amounts included herein are provided solely for the convenience of readers and are stated at the rate of ¥133.25=US$1, the approximate exchange rate prevailing on March 31, 2002. The translations should not be construed as representations that the Japanese yen amounts could be converted into United States dollars at that or any other rate.

Certain reclassifications have been made to the consolidated financial statements for 2001 and 2000 to conform to classifications used in 2002.

2. Summary of Significant Accounting Policies

a. Consolidation and Application of the Equity Method—The consolidated financial statements as of March 31, 2002 include the accounts of the Company and its thirteen (eight for 2001 and 2000) significant subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. Investments in six (five for 2001 and six for 2000) significant associated companies are accounted for by the equity method.

As for the consolidation scope of subsidiaries and associated companies, the Company adopts the control or influence concept. Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Companies have the ability to exercise significant influence are accounted for by the equity method.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortized over a period of 5 years.

Consolidation of the remaining subsidiaries and the application of the equity method to the remaining associated companies would not have a material effect on the accompanying consolidated financial statements.

b. Property and Depreciation—Property is stated at cost. Prior to April 1, 2000, the cost of property includes certain interest costs on the specific borrowed funds incurred during the construction period of the related assets. Effective April 1, 2000, interest expense has not been capitalized in accordance with a recent revision to the accounting rules for electric utility companies. The effect of this change was not incurred. 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 declining-balance method based on the estimated useful lives of the assets.

c. Amortization of Nuclear Fuel—Amortization of nuclear fuel is computed based on the proportion of current heat production to the estimated total heat production over the estimated useful life of the nuclear fuel.

d. Investment Securities—Prior to April 1, 2000, investment securities were stated at cost determined by the average method.

Effective April 1, 2000, the Companies adopted a new accounting standard for financial instruments, including investment securities. It requires all applicable securities to be classified and accounted for, depending on management's intent, as follows: i) held-to-maturity securities are stated at cost with discounts or premiums amortized throughout the holding periods; ii) available-for-sale securities, which are not classified as the aforementioned securities and investment securities in non-consolidated subsidiaries and associated companies, are stated at market value; and securities without market value are stated at cost. The Companies record unrealized gain or loss on available-for-sale securities, net of deferred taxes, in shareholders' equity presented as "Unrealized gain on available-for-sale securities." For other than temporary declines in fair value, investments securities are written down to net realized value by a charge to income.

e. Investments in Non-Consolidated Subsidiaries and Associated Companies—Investments in non-consolidated subsidiaries and associated companies, except those of the six (five for 2001 and six for 2000) associated companies accounted for by the equity method, are stated at cost; however, they are written down to appropriate values if the investments have been significantly impaired in value of a permanent nature.

f. Cash Equivalents—Cash equivalents are certain 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 funds investing in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

g. Foreign Currency Transactions—Prior to April 1, 2000, current receivables and payables denominated in foreign currencies were translated into Japanese yen at the rates in effect at each balance sheet date, whereas noncurrent receivables and payables were translated at the rates in effect when acquired or incurred.

Effective April 1, 2000, the Companies adopted a revised accounting standard for foreign currency transactions. In accordance with the revised standard, receivables and payables denominated in foreign currencies are translated into Japanese yen at the rates in effect at each balance sheet date. The effect of this change was immaterial.

h. Derivatives and Hedging Activities—The Company enters into derivative financial instruments ("derivatives"), including foreign exchange forward contracts and currency swaps, to hedge market risk from the fluctuations in foreign exchange rates associated with liabilities denominated in foreign currencies.

Also, Oita Liquefied Natural Gas Company Inc. ("Oita LNG"), a consolidated subsidiary of the Company, enters into interest swaps to hedge market risk from the changes in interest rates associated with floating rate liabilities.

Effective April 1, 2000, the Companies adopted a new accounting standard for derivative financial instruments and a revised accounting standard for foreign currency transactions. These standards require that: a) all derivatives be recognized as either assets or liabilities and measured at market value, and gains or losses on the derivatives be recognized currently in the income statements and
b) for derivatives for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and high hedge effectiveness between the hedging instruments and the hedged items, gains or losses on the derivatives be deferred until maturities of the hedged transactions.

The long-term debt denominated in foreign currencies for which the foreign exchange forward contracts are used to hedge the foreign currency fluctuations are translated at the contracted rate, since such treatment is also allowed to be incorporated under the standards if the forward contracts qualify for hedge accounting.

The interest rate swaps which qualify for hedge accounting are not remeasured at market value but the differential paid or received under the swap agreements are recognized in interest expense, which treatment is also allowed under the standards.

The adoption of the new accounting standard for derivative financial instruments and the revised accounting standard for foreign currency transactions did not have a material effect on the Companies' consolidated financial statements.

The Company and Oita LNG do not enter into derivatives for trading or speculative purposes.

i. Severance Payments and Pension Plans—The Companies have unfunded retirement plans for all of their employees and the Company and most of the consolidated subsidiaries also have contributory funded defined benefit pension plans covering substantially all of their employees.

Prior to April 1, 2000, with respect to the unfunded plans, the annual provision for employees' severance payments were calculated to state the present value of the amount that would be required if all employees voluntarily terminated their services with the Company at each balance sheet date. For the funded pension plan, the amounts contributed to the fund, except for prior service costs, were charged to income when paid. Prior service costs were accrued when incurred.

In the fiscal year ended March 31, 2000, the Company amended the rate of present value for calculating the annual provisions for employees' severance payments from 40% to 55% which is based on the average remaining service period of employees and the discount rate considering the recent condition of lower interest rates. The effect of this change, which was recorded as other expenses, totaled ¥22,328 million.

Effective April 1, 2000, the Companies adopted a new accounting standard for employees' retirement benefits. Under the new standard, the amount of the liability for employees' retirement benefits is determined based on the projected benefit obligations and plan assets of the pension fund at the balance sheet date. The full amount of the transitional obligation of ¥32,394 million, determined as of April 1, 2000, was amortized on a lump-sum basis in the fiscal year ended March 31, 2001.

The net effect of the adoption of the new standard on the statements of income was to increase operating expenses by ¥30,592 million and to decrease income before income taxes and minority interests by ¥34,653 million including a cumulative effect of ¥32,394 million for the year ended March 31, 2001.

Retirement benefits for directors and corporate auditors are charged to income when authorized by the shareholders.

j. Reserve for Reprocessing of Irradiated Nuclear Fuel—The annual provision for the costs of reprocessing irradiated nuclear fuel is calculated to state the related reserve at 60% of the amount that would be required to reprocess all of the irradiated nuclear fuel in accordance with the regulatory authority.

k. Reserve for Decommissioning of Nuclear Power Units—Provision is made for future disposition costs of nuclear power units based on a proportion of the current generation of electric power to the estimated total generation of electric power of each unit.

l. Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. 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.

m. Appropriations of Retained Earnings—Appropriations of retained earnings at each year end are reflected in the financial statements for the following year upon shareholders' approval.

n. Special Reserves—The Japanese Special Taxation Measures Law permits companies in Japan to take as tax deductions certain reserves, if recorded in the books of account, that are not required for financial reporting purposes. These reserves must be reversed to taxable income in future periods in accordance with the law.

The Code requires that the special reserves, except for the reserve for fluctuations in water level, be recorded as a component of shareholders' equity (see Note 9).

A reserve for fluctuations in water level 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, in accordance with the Japanese Electric Utility Law and related accounting regulations. Under the law and regulations, this reserve must be shown as a liability.

o. Bond Issuance Costs and Bond Discount Charges—Bond issuance costs are charged to income when paid or incurred.

Prior to April 1, 2000, bond discount charges were charged to income when incurred. Effective April 1, 2000, bond discount charges are amortized over the term of the related bonds in accordance with a new accounting standard for financial instruments. The effect of this change was immaterial.

p. Net Income and Cash Dividends per Share—Basic earnings per share is computed based on the weighted average number of shares of common stock outstanding during the year after giving effect to retroactive adjustment for subsequent stock splits (if any).

Diluted earnings per share is computed assuming full conversion of the outstanding convertible debt at the beginning of the year or on the date of the subsequent issuance with an applicable adjustment for related interest expense, net of income tax.

Diluted earnings per share is not disclosed for the year ended March 31, 2002, because the convertible debt had beer redeemed in the current fiscal year.

Cash dividends per share represent actual amounts applicable to earnings of the respective year.

q. Research and Development Costs—Research and development costs are charged to income as incurred.

r. Leases—All leases are accounted for as operating leases. Under the Japanese accounting standard for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

3. Property

The major classes of property as of March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Original costs:			
Electric power production facilities:			
Hydroelectric power	**¥ 535,508**	¥ 531,641	**$ 4,018,822**
Thermal power	**1,593,219**	1,483,041	**11,956,615**
Nuclear power	**1,506,789**	1,470,995	**11,307,985**
Internal-combustion engine power	**120,465**	119,642	**904,053**
Total	**3,755,981**	3,605,319	**28,187,475**
Transmission facilities	**1,412,726**	1,396,447	**10,602,071**
Transformation facilities	**850,637**	848,260	**6,383,767**
Distribution facilities	**1,274,589**	1,264,020	**9,565,396**
General facilities	**346,934**	342,641	**2,603,632**
Other electricity-related facilities	**5,782**	5,782	**43,392**
Other plant and equipment	**617,523**	361,263	**4,634,319**
Construction in progress	**336,031**	357,136	**2,521,809**
Total	**8,600,203**	8,180,868	**64,541,861**
Less contributions in aid of construction	**115,057**	110,221	**863,467**
Less accumulated depreciation	**4,889,352**	4,610,788	**36,693,073**
Carrying value	**¥ 3,595,794**	¥ 3,459,859	**$ 26,985,321**

Interest costs capitalized for the year ended March 31, 2000 was ¥30 million.

4. Investment Securities

The carrying amounts and aggregate fair values of investment securities at March 31, 2002 and 2001 were as follows:

	Millions of yen								Thousands of U.S. dollars			
	2002				2001				2002			
	Cost	Unrealized gains	Unrealized losses	Fair value	Cost	Unrealized gains	Unrealized losses	Fair value	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:												
Available-for-sale:												
Equity securities	¥16,954	¥59,777	¥700	¥76,031	¥16,533	¥89,401	¥513	¥105,421	$127,234	$448,608	$5,253	$570,589
Debt securities	9			9	9			9	67			67
Other securities	37		6	31	43		8	35	278		45	233
Held-to-maturity	509	6		515	310	7		317	3,820	45		3,865

Available-for sale securities and held-to-maturity securities whose fair value are not readily determinable as of March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Available-for-sale:			
Equity securities	¥32,612	¥28,084	$244,743
Other securities	1,680	7,657	12,608
Held-to-maturity	3,160	3,421	23,715
Total	¥37,452	¥39,162	$281,066

5. Long-term Debt

Long-term debt consisted of the following at March 31, 2002 and 2001:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Domestic bonds, 0.3% to 6.9%, due serially to 2020	¥1,065,922	¥1,011,985	$ 7,999,415
Domestic convertible bonds, 2.0%, due 2002		18,321	
U.S. dollar bonds and notes, 6.375% to 7.25%, due 2002 to 2008	76,290	110,115	572,533
Swiss franc bonds, 4.0% to 4.25%, due 2003 to 2007	60,182	60,182	451,647
Deutsche mark bonds, 4.75%, due 2003	34,550	34,550	259,287
Canadian dollar bonds, 10.25%, due 2002		23,410	
Loans from The Development Bank of Japan, 1.2% to 7.4%, due serially to 2023	462,075	474,572	3,467,730
Loans, principally from banks and insurance companies, 0.25% to 7.5%, due serially to 2023			
Collateralized	39,975	43,165	300,000
Unsecured	625,026	535,260	4,690,627
Other	9,349	14,356	70,161
Total	2,373,369	2,325,916	17,811,400
Less current maturities	237,093	254,724	1,779,310
Long-term debt, less current maturities	¥2,136,276	¥2,071,192	$16,032,090

The outstanding domestic bonds and Swiss franc bonds may be redeemed prior to maturity at the option of the Company, in whole or in part, at prices 100% of the principal amount for the domestic bonds and in whole at prices ranging from 100.25% to 101% of the principal amount for Swiss franc bonds.

All of the Company's assets are subject to certain statutory preferential rights established to secure bonds, notes, loans received from The Development Bank of Japan and bonds transferred to banks under debt assumption agreements (see Note 14).

Certain assets of the consolidated subsidiaries, amounting to ¥92,274 million ($692,488 thousand), are pledged as collateral for a portion of their long-term debt.

Certain long-term loan agreements include, among other things, provisions that allow the lenders the right to approve, if desired, any appropriations of retained earnings including dividends. However, to date, no lender has exercised this right.

The annual maturities of long-term debt outstanding at March 31, 2002 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2003	¥ 237,093	$ 1,779,310
2004	278,439	2,089,598
2005	213,120	1,599,400
2006	222,179	1,667,385
2007	254,619	1,910,837
Thereafter	1,167,919	8,764,870
Total	¥2,373,369	$17,811,400

6. Severance Payments and Pension Plans

Employees terminating their employment with the Companies, either voluntarily or upon reaching mandatory retirement age, are entitled, under most circumstances, to severance payments based on their rate of pay at the time of termination, length of service and certain other factors. As for the Company, 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 remainder of their lives. As for the Company, eligible employees retiring after at least 20 years of service but before the mandatory retirement age, receive a lump-sum payment upon retirement and annuities for a period of 10 years.

As discussed in Note 2. i., effective April 1, 2000, the Companies adopted a new accounting standard for employees' retirement benefits.

The liability for employees' retirement benefits at March 31, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Projected benefit obligation	**¥ 481,838**	¥ 470,795	**$ 3,616,046**
Fair value of plan assets	**(248,994)**	(239,171)	**(1,868,623)**
Unrecognized actuarial loss	**(56,811)**	(60,631)	**(426,349)**
Unrecognized prior service cost	**214**		**1,606**
Net liability	**¥ 176,247**	¥ 170,993	**$ 1,322,680**

The components of net periodic benefit costs for the years ended March 31, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Service cost	**¥15,681**	¥13,723	**$117,681**
Interest cost	**11,719**	12,714	**87,947**
Expected return on plan assets	**(1,768)**	(6,119)	**(13,268)**
Recognized actuarial loss	**11,724**		**87,985**
Amortization of prior service cost	**(53)**		**(398)**
Amortization of transitional obligation		32,394	
Net periodic benefit costs	**¥37,303**	¥52,712	**$279,947**

Assumptions for actuarial computations for the years ended March 31, 2002 and 2001 are as follows:

	2002	2001
Discount rate	**2.5%**	2.5%
Expected rate of return on plan assets	**mainly 0.5%**	mainly 2.5%
Recognition period of actuarial gain/loss	**mainly 5 years**	mainly 5 years
Amortization period of prior service cost	**5 years**	
Amortization period of transitional obligation		1 year

Total charge to income under the plans was ¥87,935 million for the year ended March 31, 2000.

7. Short-term Borrowings

Short-term borrowings are generally represented by 365-day notes, bearing interest at rates ranging from 0.15917% to 1.0% and from 0.14857% to 1.5% at March 31, 2002 and 2001, respectively.

8. Income Taxes

The Companies are subject to several income taxes. The aggregate normal statutory tax rates for the Company approximated 36.1% for 2002, 2001 and 2000.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Deferred tax assets:			
Pension and severance costs	**¥ 48,389**	¥ 45,774	**$363,144**
Depreciation	**12,798**	7,716	**96,045**
Reserve for reprocessing of irradiated nuclear fuel	**10,497**	10,497	**78,777**
Reserve for decommissioning of nuclear power units	**10,184**	10,184	**76,428**
Deferred charges	**9,537**	14,423	**71,572**
Unrealized profits arising from the elimination of intercompany transactions in consolidation	**9,482**	9,131	**71,159**
Other	**21,576**	18,925	**161,921**
Less valuation allowance	**(8,711)**	(144)	**(65,373)**
Deferred tax assets	**¥ 113,752**	¥ 116,506	**$853,673**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**¥ 21,414**	¥ 32,122	**$160,705**
Reserve for depreciation of nuclear power production facilities under construction	**4,219**	6,328	**31,662**
Other	**1,279**	1,161	**9,599**
Deferred tax liabilities	**¥ 26,912**	¥ 39,611	**$201,966**
Net deferred tax assets	**¥ 86,840**	¥ 76,895	**$651,707**

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2002, 2001 and 2000, and the actual effective tax rate reflected in the accompanying consolidated statements of income is as follows:

	2002	2001	2000
Normal effective statutory tax rate	**36.1%**	36.1%	36.1%
Equity in loss (earnings) of associated companies	**(0.2)**	1.5	2.3
Valuation allowance	**2.8**	0.1	
Expenses not deductible for income tax purposes	**0.8**	0.7	2.0
Other—net	**0.5**	0.2	0.3
Actual effective tax rate	**40.0%**	38.6%	40.7%

9. Shareholders' Equity

As described in Note 2. n., certain special reserves were included in retained earnings. Such reserves at March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Reserve for:			
Depreciation of nuclear power production facilities under construction	**¥ 11,201**	¥ 19,328	**$84,060**
Losses on overseas investments	**25**	27	**188**
Total	**¥ 11,226**	¥ 19,355	**$84,248**

Japanese companies are subject to the Code to which certain amendments became effective from October, 2001.

Prior to October 1, 2001, the Code required at least 50% of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital were credited to additional paid-in capital. Effective October 1, 2001, the Code was revised and common stock par values were eliminated resulting in all shares being recorded with no par value.

Prior to October 1, 2001, the Code also provided that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other cash payments which are made as an appropriation of retained earnings applicable to each fiscal period shall be appropriated and set aside as a legal reserve until such reserve equals 25% of stated capital. Effective October 1, 2001, the revised Code allows for such appropriations to be set aside as a legal reserve until the total additional paid-in capital and legal reserve equals 25% of stated capital. The amount of total additional paid-in capital and legal reserve which exceeds 25% of stated capital can be transferred to retained earnings by resolution of the shareholders, which may be available for dividends. The Company's legal reserve amount, which is included in retained earnings, totales ¥59,326 million ($445,223 thousand) as of March 31, 2002 and 2001, respectively. Under the Code, companies may issue new common shares to existing shareholders without consideration as a stock split pursuant to a resolution of the Board of Directors. Prior to October, 1, 2001, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split could not be less than ¥500. The revised Code eliminated this restriction.

Prior to October 1, 2001, the Code imposed certain restrictions on the repurchase and use of treasury stock. Effective October 1, 2001, the Code eliminated these restrictions allowing companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders' meeting and dispose of such treasury stock by resolution of the Board of Directors after March 31, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus an amount of stated capital, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders' meeting.

The Code permits companies to transfer a portion of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Code also permits companies to transfer a portion of unappropriated retained earnings, available for dividends, to stated capital by resolution of the shareholders.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

10. Research and Development Costs

Research and development costs charged to income were ¥12,163 million ($91,280 thousand), ¥12,998 million and ¥12,648 million for the years ended March 31, 2002, 2001 and 2000, respectively.

11. Additional Cash Flow Information

The Company acquired a majority of an associated company, Kyushu Telecommunication Network Co., Inc. on April 3, 2001. Assets acquired and liabilities assumed in acquisition were as follows:

	Millions of yen	Thousands of U.S. dollars
Assets acquired	¥ 121,710	$ 913,396
Liabilities assumed	(106,624)	(800,180)
Minority interests in consolidated subsidiaries	(2,086)	(15,655)
Cost of acquisition of common stock of Kyushu Telecommunication Network Co., Inc.	13,000	97,561
Cash and cash equivalents held by Kyushu Telecommunication Network Co., Inc.	18,028	135,295
Cost of acquisition of common stock of Kyushu Telecommunication Network Co., Inc.	(13,000)	(97,561)
Net proceeds	¥ 5,028	$ 37,734

12. Related Party Transactions

Significant transactions of the Company with associated companies for the years ended March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
KYUDENKO CORPORATION			
Transactions:			
Order for construction works of distribution facilities	**¥48,937**	¥50,174	**$367,257**
Balances at year ended:			
Payables for construction works	**6,754**	6,982	**50,687**
ASTEL Kyushu Corporation			
Transactions:			
Cash contribution for liquidation		¥14,099	

13. Leases

The Companies lease certain computer and other equipment. Total lease payments under finance lease arrangements were ¥7,405 million ($55,572 thousand), ¥5,970 million and ¥5,444 million for the years ended March 31, 2002, 2001 and 2000, respectively.

Pro forma information of leased equipment such as acquisition cost, accumulated depreciation and lease obligations, all of which included imputed interest expense, under finance leases that do not transfer ownership of the leased equipment to the lessee on an "as if capitalized" basis at March 31, 2002 and 2001 were as follows:

	Millions of yen		
March 31, 2002	General facilities	Other	Total
Acquisition cost	**¥28,577**	**¥21,046**	**¥49,623**
Accumulated depreciation	**13,384**	**9,822**	**23,206**
Net leased equipment	**¥15,193**	**¥11,224**	**¥26,417**

	Thousands of U.S. dollars		
March 31, 2002	General facilities	Other	Total
Acquisition cost	**$214,462**	**$157,943**	**$372,405**
Accumulated depreciation	**100,443**	**73,711**	**174,154**
Net leased equipment	**$114,019**	**$ 84,232**	**$198,251**

	Millions of yen		
March 31, 2001	General facilities	Other	Total
Acquisition cost	¥27,418	¥14,021	¥41,439
Accumulated depreciation	11,116	7,502	18,618
Net leased equipment	¥16,302	¥ 6,519	¥22,821

Obligations under finance leases which included the imputed interest expense at March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Due within one year	**¥ 7,372**	¥ 6,365	**$ 55,324**
Due after one year	**19,045**	16,456	**142,927**
Total	**¥26,417**	¥22,821	**$198,251**

14. Commitments and Contingencies

At March 31, 2002, the Companies had a number of fuel purchase commitments, most of which specify quantities and dates for fuel deliveries. However, purchase prices are contingent upon fluctuations in market prices.

Contingent liabilities as of March 31, 2002 were as follows:

	Millions of yen	Thousands of U.S. dollars
Co-guarantees of loans, mainly in connection with procurement of fuel	¥114,133	$ 856,533
Guarantees of employees' housing loans	54,853	411,655
Guarantees under debt assumption agreements	191,055	1,433,809
Other	6,090	45,704

Under the debt assumption agreements, the Company was contingently liable for the redemption of the domestic bonds transferred to banks.

15. Segment Information

Information by business segments for the year ended March 31, 2002 is as follows:

a. Sales and Operating Income

	Millions of yen			
	March 31, 2002			
	Electric	Other	Eliminations/ corporate	Consolidated
Sales to customers	¥1,381,440	¥ 76,626	¥	¥1,458,066
Intersegment sales	3,062	122,058	(125,120)	
Total sales	1,384,502	198,684	(125,120)	1,458,066
Operating expenses	1,192,535	193,211	(125,438)	1,260,308
Operating income	¥ 191,967	¥ 5,473	¥ 318	¥ 197,758

	Thousands of U.S. dollars			
	March 31, 2002			
	Electric	Other	Eliminations/ corporate	Consolidated
Sales to customers	$10,367,280	$ 575,054	$	$10,942,334
Intersegment sales	22,979	916,008	(938,987)	
Total sales	10,390,259	1,491,062	(938,987)	10,942,334
Operating expenses	8,949,606	1,449,989	(941,374)	9,458,221
Operating income	$ 1,440,653	$ 41,073	$ 2,387	$ 1,484,113

b. Total Assets, Depreciation and Capital Expenditures

	Millions of yen			
	March 31, 2002			
	Electric	Other	Eliminations/ corporate	Consolidated
Total assets	¥3,920,007	¥471,386	¥(101,261)	¥4,290,132
Depreciation	268,661	29,028	(3,275)	294,414
Capital expenditures	286,860	45,166	(4,118)	327,908

	Thousands of U.S. dollars			
	March 31, 2002			
	Electric	Other	Eliminations/ corporate	Consolidated
Total assets	$29,418,439	$3,537,606	$(759,932)	$32,196,113
Depreciation	2,016,218	217,846	(24,578)	2,209,486
Capital expenditures	2,152,795	338,957	(30,904)	2,460,848

Information by business segment for the years ended March 31 2001 and 2000 are not disclosed because the electric service segment, which is the Companies' main business, represented more than 90% of their operations.

Other consisted of providing telephone lines and wirelines, cellular, obtaining, storing, gasifying and supplying LNG, heat supply business and others.

Geographic segment information is not shown due to the Company having no overseas operations nor foreign consolidated subsidiaries.

Information for overseas sales is not disclosed due to overseas sales being immaterial compared with consolidated net sales.

16. Subsequent Events

At the general shareholders' meeting held on June 27, 2002, the Company's shareholders approved the following appropriations of retained earnings as of March 31, 2002, and the purchase of treasury stock:

a. Appropriations of Retained Earnings

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥30.00 ($0.23) per share	**¥14,225**	**$106,754**
Bonuses to directors and corporate auditors	**140**	**1,051**

b. Purchase of Treasury Stock

The Company is authorized to repurchase up to 20 million shares of the Company's common stock (aggregate amount of ¥35 billion), which is effective until the next general shareholders' meeting.

Tohmatsu & Co.
Fukuoka Sanwa Building,
10-24, Tenjin 1-chome,
Chuo-ku, Fukuoka 810-0001, Japan

Tel: +81-92-751-0931
Fax: +81-92-714-5585
www.tohmatsu.co.jp

Deloitte Touche Tohmatsu

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Kyushu Electric Power Company, Incorporated:

We have examined the consolidated balance sheets of Kyushu Electric Power Company, Incorporated and consolidated subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2002, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Kyushu Electric Power Company, Incorporated and consolidated subsidiaries as of March 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2002, in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Note 2, effective April 1, 2000, the consolidated financial statements have been prepared in accordance with new accounting standards for employees' retirement benefits and financial instruments and a revised accounting standard for foreign currency transactions.

Our examinations also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 27, 2002

Non-Consolidated Balance Sheets

Kyushu Electric Power Company, Incorporated
March 31, 2002 and 2001

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
PROPERTY (Note 3):			
Plant and equipment	¥7,782,271	¥7,560,010	$58,403,535
Construction in progress	333,276	361,182	2,501,133
Total	8,115,547	7,921,192	60,904,668
Less—			
Contributions in aid of construction	111,492	109,173	836,713
Accumulated depreciation	4,682,005	4,472,145	35,136,998
Total	4,793,497	4,581,318	35,973,711
Net property	3,332,050	3,339,874	24,930,957
NUCLEAR FUEL	218,500	201,024	1,639,775
INVESTMENTS AND OTHER ASSETS:			
Investment securities	110,682	142,192	830,634
Investments in and advances to subsidiaries and associated companies (Note 4)	105,382	83,238	790,859
Deferred tax assets (Note 8)	64,252	51,999	482,191
Other assets	16,746	18,697	125,674
Total investments and other assets	297,062	296,126	2,229,358
CURRENT ASSETS:			
Cash and cash equivalents	33,354	54,238	250,311
Receivables	79,377	74,695	595,700
Allowance for doubtful accounts	(1,130)	(1,023)	(8,480)
Fuel and supplies, at average cost	27,343	29,060	205,201
Deferred tax assets (Note 8)	6,487	10,269	48,683
Prepaid expenses and other	1,697	1,994	12,735
Total current assets	147,128	169,233	1,104,150
TOTAL	¥3,984,740	¥4,006,257	$29,904,240

See notes to non-consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2002	Millions of yen 2001	Thousands of U.S. dollars (Note 1) 2002
LONG-TERM LIABILITIES:			
Long-term debt, less current maturities (Note 5)	**¥1,974,229**	¥2,016,036	**$14,815,977**
Liability for employee's retirement benefits (Note 6)	**161,269**	158,547	**1,210,274**
Reserve for reprocessing of irradiated nuclear fuel	**266,528**	229,481	**2,000,210**
Reserve for decommissioning nuclear power units	**97,208**	92,611	**729,516**
Total long-term liabilities	**2,499,234**	2,496,675	**18,755,977**
CURRENT LIABILITIES:			
Current maturities of long-term debt (Note 5)	**205,095**	238,384	**1,539,175**
Short-term borrowings (Note 7)	**258,455**	280,455	**1,939,625**
Commercial paper	**57,000**		**427,767**
Accounts payable	**57,843**	74,035	**434,094**
Accrued income taxes	**10,300**	28,578	**77,298**
Accrued expenses	**83,564**	86,994	**627,122**
Other	**30,296**	35,466	**227,362**
Total current liabilities	**702,553**	743,912	**5,272,443**
COMMITMENTS AND CONTINGENCIES (Note 12)			
SHAREHOLDERS' EQUITY (Note 9):			
Common stock, authorized, 1,000,000,000 shares; issued, 474,183,951 shares in 2002 and 2001	**237,305**	237,305	**1,780,901**
Additional paid-in capital	**31,087**	31,087	**233,298**
Legal reserve	**59,326**	59,326	**445,223**
Retained earnings	**418,131**	381,570	**3,137,944**
Unrealized gain on available-for-sale securities	**37,155**	56,382	**278,837**
Treasury stock—at cost, 26,132 shares in 2002	**(51)**		**(383)**
Total shareholders' equity	**782,953**	765,670	**5,875,820**
TOTAL	**¥3,984,740**	¥4,006,257	**$29,904,240**

Non-Consolidated Statements of Income

Kyushu Electric Power Company, Incorporated
Years ended March 31, 2002, 2001 and 2000

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2002	2001	2000	**2002**
OPERATING REVENUES	**¥1,384,502**	¥1,411,500	¥1,393,650	**$10,390,259**
OPERATING EXPENSES (Notes 10 and 11):				
Personnel	**186,870**	203,897	214,311	**1,402,401**
Fuel	**150,959**	146,097	122,886	**1,132,901**
Purchased power	**98,034**	94,098	93,725	**735,715**
Depreciation	**244,946**	263,043	278,897	**1,838,244**
Maintenance	**177,962**	173,521	183,902	**1,335,550**
Reprocessing costs of irradiated nuclear fuel	**39,529**	22,510	41,070	**296,653**
Decommissioning costs of nuclear power units	**4,597**	6,898	6,304	**34,499**
Disposal cost of high-level radioactive waste (Note 2. k.)	**7,640**	11,411		**57,336**
Disposition of property	**20,165**	21,465	18,582	**151,332**
Taxes other than income taxes	**93,236**	94,448	94,842	**699,707**
Subcontract fee	**58,638**	64,457	61,364	**440,060**
Rent	**37,051**	36,168	35,249	**278,056**
Other	**72,908**	69,955	68,237	**547,152**
Total operating expenses	**1,192,535**	1,207,968	1,219,369	**8,949,606**
OPERATING INCOME	**191,967**	203,532	174,281	**1,440,653**
OTHER EXPENSE				
Interest charges	**81,223**	87,724	104,426	**609,553**
Provision for liability for severance payments (Note 2. h.)			22,328	
Loss on devaluation of investment securities and investments in associated companies	**7,569**	2,706	9,756	**56,803**
Loss on liquidation of an associated company		17,949		
Other—net	**941**	1,131	1,634	**7,062**
Total other expenses—net	**89,733**	109,510	138,144	**673,418**
INCOME BEFORE INCOME TAXES AND PROVISION FOR (REVERSAL OF) RESERVE FOR FLUCTUATIONS IN WATER LEVEL	**102,234**	94,022	36,137	**767,235**
PROVISION FOR (REVERSAL OF) RESERVE FOR FLUCTUATIONS IN WATER LEVEL		(53)	53	
INCOME BEFORE INCOME TAXES	**102,234**	94,075	36,084	**767,235**
INCOME TAXES (Note 8):				
Current	**34,691**	46,570	36,376	**260,345**
Deferred	**2,391**	(12,635)	(23,278)	**17,944**
Total income taxes	**37,082**	33,935	13,098	**278,289**
NET INCOME	**¥ 65,152**	¥ 60,140	¥ 22,986	**$ 488,946**
	Yen			U.S. dollars
PER SHARE OF COMMON STOCK (Note 2. p.):				
Net income				
Basic	**¥137.40**	¥126.83	¥48.47	**$1.03**
Diluted		125.63	48.32	
Cash dividends applicable to the year	**60.00**	60.00	50.00	**0.45**

See notes to non-consolidated financial statements.

Non-Consolidated Statements of Shareholders' Equity

Kyushu Electric Power Company, Incorporated
Years ended March 31, 2002, 2001 and 2000

	Thousands	Millions of yen					
	Issued number of shares of common stock	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Unrealized gain on available-for-sale securities	Treasury stock
BALANCE AT APRIL 1, 1999	474,184	¥237,305	¥31,087	¥54,435	¥295,197		
Adjustment of retained earnings for the adoption of deferred tax accounting method					58,207		
Net income					22,986		
Cash dividends, ¥50 per share					(23,709)		
Transfer to legal reserve				2,385	(2,385)		
Bonuses to directors and corporate auditors					(140)		
BALANCE AT MARCH 31, 2000	474,184	237,305	31,087	56,820	350,156		
Net income					60,140		
Cash dividends, ¥55 per share					(26,080)		
Transfer to legal reserve				2,506	(2,506)		
Bonuses to directors and corporate auditors					(140)		
Net increase in unrealized gain on available-for-sale securities						¥ 56,382	
BALANCE AT MARCH 31, 2001	474,184	237,305	31,087	59,326	381,570	56,382	
Net income					**65,152**		
Cash dividends, ¥60 per share					**(28,451)**		
Bonuses to directors and corporate auditors					**(140)**		
Net increase in treasury stock							**¥(51)**
Net decrease in unrealized gain on available-for-sale securities						**(19,227)**	
BALANCE AT MARCH 31, 2002	**474,184**	**¥237,305**	**¥31,087**	**¥59,326**	**¥418,131**	**¥ 37,155**	**¥(51)**

	Thousands of U.S. dollars (Note 1)					
	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Unrealized gain on available-for-sale securities	Treasury stock
BALANCE AT MARCH 31, 2001	$1,780,901	$233,298	$445,223	$2,863,565	$ 423,130	
Net income				**488,946**		
Cash dividends, $0.45 per share				**(213,516)**		
Bonuses to directors and corporate auditors				**(1,051)**		
Net increase in treasury stock						**$(383)**
Net decrease in unrealized gain on available-for-sale securities					**(144,293)**	
BALANCE AT MARCH 31, 2002	**$1,780,901**	**$233,298**	**$445,223**	**$3,137,944**	**$ 278,837**	**$(383)**

See notes to non-consolidated financial statements.

Non-Consolidated Statements of Cash Flows

Kyushu Electric Power Company, Incorporated
Years ended March 31, 2002, 2001 and 2000

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2002	2001	2000	**2002**
CASH FLOWS FROM OPERATING ACTIVITIES:				
Income before income taxes	**¥ 102,234**	¥ 94,075	¥ 36,084	**$ 767,235**
Adjustments for:				
Income taxes—paid	**(52,968)**	(38,462)	(28,794)	**(397,509)**
Depreciation and amortization	**271,336**	290,533	307,022	**2,036,293**
Provision for liability for employees' retirement benefits	**2,722**	14,305	42,554	**20,428**
Provision for reserve for reprocessing of irradiated nuclear fuel	**37,047**	19,199	29,099	**278,026**
Provision for reserve for decommissioning of nuclear power units	**4,597**	6,898	6,304	**34,499**
Loss on disposal of plant and equipment	**8,550**	12,917	10,818	**64,165**
Nuclear fuel transferred to reprocessing costs	**2,900**	826	10,267	**21,764**
Provision for (reversal of) reserve for fluctuations in water level		(53)	53	
Loss on devaluation of investment securities and investments in associated companies	**7,569**	2,706	9,756	**56,803**
Loss on liquidation of an associated company		17,949		
Cash contribution for liquidation of an associated company	**(3,746)**	(14,099)		**(28,113)**
Changes in assets and liabilities:				
Decrease (increase) in trade receivables	**1,743**	2,532	(3,801)	**13,081**
Decrease (increase) in inventories	**1,717**	(4,614)	(2,374)	**12,885**
Increase (decrease) in trade payable	**(5,040)**	855	4,211	**(37,824)**
Decrease in interest payables	**(2,124)**	(2,249)	(2,116)	**(15,940)**
Other—net	**(7,871)**	(10,421)	(8,658)	**(59,069)**
Total adjustments	**266,432**	298,822	374,341	**1,999,489**
Net cash provided by operating activities	**368,666**	392,897	410,425	**2,766,724**
CASH FLOWS FROM INVESTING ACTIVITIES:				
Capital expenditures including nuclear fuel	**(298,995)**	(283,600)	(280,631)	**(2,243,865)**
Payments for investments and advances	**(29,118)**	(8,871)	(8,245)	**(218,522)**
Proceeds from sales of investment securities and collections of advances	**2,534**	4,475	6,416	**19,017**
Other—net	**5,348**	8,612	4,261	**40,135**
Net cash used in investing activities	**(320,231)**	(279,384)	(278,199)	**(2,403,235)**
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from issuance of bonds	**159,373**	139,419	149,339	**1,196,045**
Repayments of bonds and notes	**(181,774)**	(206,767)	(186,358)	**(1,364,157)**
Proceeds from long-term bank loans	**58,275**	76,496	63,777	**437,336**
Repayments of long-term bank loans	**(111,698)**	(99,268)	(145,055)	**(838,259)**
Net increase (decrease) in short-term borrowings	**(22,000)**	15,805	(12,390)	**(165,104)**
Net increase in commercial paper	**57,000**			**427,767**
Cash dividends paid	**(28,446)**	(26,065)	(23,698)	**(213,478)**
Other—net	**(49)**			**(367)**
Net cash used in financing activities	**(69,319)**	(100,380)	(154,385)	**(520,217)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(20,884)**	13,133	(22,159)	**(156,728)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**54,238**	41,105	63,264	**407,039**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**¥ 33,354**	¥ 54,238	¥ 41,105	**$ 250,311**

See notes to non-consolidated financial statements.

Kyushu Electric Power Company, Incorporated
Years ended March 31, 2002, 2001 and 2000

1. Basis of Presenting Non-Consolidated Financial Statements

The accompanying non-consolidated financial statements of Kyushu Electric Power Company, Incorporated (the "Company") have been prepared in accordance with the provisions set forth in the Commercial Code of Japan (the "Code") and the Japanese Electric Utility Law and their related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The non-consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan. The non-consolidated statements of cash flows are not required as part of the basic financial statements in Japan but are presented herein as additional information.

In preparing these non-consolidated financial statements, certain reclassifications and rearrangements have been made to the financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan.

The United States dollar amounts included herein are provided solely for the convenience of readers and are stated at the rate of ¥133.25=US$1, the approximate exchange rate prevailing on March 31, 2002. The translations should not be construed as representations that the Japanese yen amounts could be converted into United States dollars at that or any other rate.

2. Summary of Significant Accounting Policies

a. Property and Depreciation—Property is stated at cost. Prior to April 1, 2000, the cost of property includes certain interest costs on the specific borrowed funds incurred during the construction period of the related assets. Effective April 1, 2000, interest expense has not been capitalized in accordance with a recent revision to the accounting rules for electric utility companies. The effect of this change was not incurred. Contributions in aid of construction including those made by customers are deducted from the cost of the related assets.

Depreciation is computed using the declining-balance method based on the estimated useful lives of the assets.

b. Amortization of Nuclear Fuel—Amortization of nuclear fuel is computed based on the proportion of current heat production to the estimated total heat production over the estimated useful life of the nuclear fuel.

c. Investment Securities—Prior to April 1, 2000, investment securities were stated at cost determined by the average method.

Effective April 1, 2000, the Company adopted a new accounting standard for financial instruments, including investment securities. It requires all applicable securities to be classified and accounted for, depending on management's intent, as follows: i) held-to-maturity securities are stated at cost with discounts or premiums amortized throughout the holding periods; ii) available-for-sale securities, which are not classified as the aforementioned securities and investment securities in subsidiaries and associated companies, are stated at market value; and securities without market value are stated at cost.

The Company records unrealized gain or loss on available-for-sale securities, net of deferred taxes, in shareholders' 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 realized value by a charge to income.

d. Investments in Subsidiaries and Associated Companies—Investments in subsidiaries and associated companies are stated at cost; however, they are written down to appropriate values if the investments have been significantly impaired in value of a permanent nature.

e. Cash Equivalents—Cash equivalents are certain 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, which mature or become due within three months of the date of acquisition.

f. Foreign Currency Transactions—Prior to April 1, 2000, current receivables and payables denominated in foreign currencies were translated into Japanese yen at the rates in effect at each balance sheet date, whereas noncurrent receivables and payables were translated at the rates in effect when acquired or incurred.

Effective April 1, 2000, the Company adopted a revised accounting standard for foreign currency transactions. In accordance with the revised standard, receivables and payables denominated in foreign currencies are translated into Japanese yen at the rates in effect at each balance sheet date. The effect of this change was immaterial.

g. Derivatives and Hedging Activities—The Company enters into derivative financial instruments ("derivatives"), including foreign exchange forward contracts and currency swaps, to hedge market risk from the fluctuations in foreign exchange rates associated with liabilities denominated in foreign currencies.

Effective April 1, 2000, the Company adopted a new accounting standard for derivative financial instruments and a revised accounting standard for foreign currency transactions. These standards require that: a) all derivatives be recognized as either assets or liabilities and measured at market value, and gains or losses on the derivatives be recognized currently in the income statement and b) for derivatives for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and high hedge effectiveness between the hedging instruments and the hedged items, gains or losses on the derivatives are deferred until maturities of the hedged transactions.

The long-term debt denominated in foreign currencies for which the foreign exchange forward contracts are used to hedge the foreign currency fluctuations are translated at the contracted rate, since such treatment is also allowed to be incorporated under the standards if the forward contracts qualify for hedge accounting.

The adoption of the new accounting standard for derivative financial instruments and the revised accounting standard for foreign currency transactions did not have a material effect on the Company's non-consolidated financial statements.

The Company does not enter into derivatives for trading or speculative purposes.

h. Severance Payments and Pension Plans—The Company has an unfunded retirement plan for all of its employees and a contributory funded defined benefit pension plan covering substantially all of its employees.

Prior to April 1, 2000, with respect to the unfunded plan, the annual provision for employees' severance payments were calculated to state the present value of the amount that would be required if all employees voluntarily terminated their services with the Company at each balance sheet date. For the funded pension plan, the amounts contributed to the fund except for prior service costs were charged to income when paid. Prior service costs were accrued when incurred.

In the fiscal year ended March 31, 2000, the Company amended the rate of present value for calculating the annual provisions for employees' severance payments from 40% to 55% which is based on the average remaining service period of employees and the discount rate considering the recent condition of lower interest rates. The effect of this change, which was recorded as other expenses, totaled ¥22,328 million.

Effective April 1, 2000, the Company adopted a new accounting standard for employees' retirement benefits. Under the new standard, the amount of the liability for employees' retirement benefits is determined based on the projected benefit obligations and plan assets of the pension fund at the balance sheet date. The full amount of the transitional obligation of ¥32,289 million, determined as of April 1, 2000, was amortized on a lump-sum basis in the fiscal year ended March 31, 2001.

The net effect of the adoption of the new standard on the statement of income was to decrease income before income taxes by ¥29,901 million including a cumulative effect of ¥32,289 million for the year ended March 31, 2001.

Retirement benefits for directors and corporate auditors are charged to income when authorized by the shareholders.

i. Reserve for Reprocessing of Irradiated Nuclear Fuel—The annual provision for the costs of reprocessing irradiated nuclear fuel is calculated to state the related reserve at 60% of the amount that would be required to reprocess all of the irradiated nuclear fuel in accordance with the regulatory authority.

j. Reserve for Decommissioning of Nuclear Power Units—Provision is made for future disposition costs of nuclear power units based on a proportion of the current generation of electric power to the estimated total generation of electric power of each unit.

k. Disposal Cost of High-Level Radioactive Waste—The Company pays contributions to Nuclear Waste Management Organization of Japan in order to fund costs for the ultimate disposal of high-level radio-active waste. The contributions are charged to income when paid.

l. Income Taxes—The provision for income taxes is computed based on the pretax income included in the non-consolidated statements of income. 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.

m. Special Reserves—The Japanese Special Taxation Measures Law permits companies in Japan to take as tax deductions certain reserves, if recorded in the books of account, that are not required for financial reporting purposes. These reserves must be reversed to taxable income in future periods in accordance with the law.

The Code requires that the special reserves, except for the reserve for fluctuations in water level, be recorded as a component of shareholders' equity (see Note 9).

A reserve for fluctuations in water level 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, in accordance with the Japanese Electric Utility Law and related accounting regulations. Under the law and regulations, this reserve must be shown as a liability.

n. Bond Issuance Costs and Bond Discount Charges—Bond issuance costs are charged to income when paid or incurred.

Prior to April 1, 2000, bond discount charges were charged to income when incurred. Effective April 1, 2000, bond discount charges are amortized over the term of the related bonds in accordance with a new accounting standard for financial instruments. The effect of this change was immaterial.

o. Treasury Stock—Prior to October 1, 2001, treasury stock was included in prepaid expenses and other. Effective October 1, 2001, such stock is presented as a separate component of shareholders' equity in accordance with the new disclosure requirement for treasury stock.

p. Net Income and Cash Dividends per Share—Basic earnings per share is computed based on the weighted average number of shares of common stock outstanding during the year after giving effect to retroactive adjustment for subsequent stock splits (if any).

Diluted earnings per share is computed assuming full conversion of the outstanding convertible debt at the beginning of the year or on the date of the subsequent issuance with an applicable adjustment for related interest expense, net of income tax. Diluted earnings per share is not disclosed for the year ended March 31, 2002, because the convertible debt was redeemed in the current fiscal year.

Cash dividends per share represent actual amounts applicable to earnings of the respective year.

q. Research and Development Costs—Research and development costs are charged to income as incurred.

r. Leases—All leases are accounted for as operating leases. Under Japanese accounting standard for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

3. Property

The major classes of property as of March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Original costs:			
Electric power production facilities:			
Hydroelectric power	**¥ 536,832**	¥ 532,626	**$ 4,028,758**
Thermal power	**1,606,239**	1,493,946	**12,054,326**
Nuclear power	**1,517,017**	1,480,291	**11,384,743**
Internal-combustion engine power	**122,865**	120,457	**922,064**
Total	**3,782,953**	3,627,320	**28,389,891**
Transmission facilities	**1,418,972**	1,400,822	**10,648,946**
Transformation facilities	**864,361**	854,958	**6,486,762**
Distribution facilities	**1,310,589**	1,289,318	**9,835,565**
General facilities	**399,614**	381,810	**2,998,979**
Property leased to others	**5,782**	5,782	**43,392**
Construction in progress	**333,276**	361,182	**2,501,133**
Total	**8,115,547**	7,921,192	**60,904,668**
Less contributions in aid of construction	**111,492**	109,173	**836,713**
Less accumulated depreciation	**4,682,005**	4,472,145	**35,136,998**
Carrying value	**¥ 3,322,050**	¥ 3,339,874	**$ 24,930,957**

4. Investments in Subsidiaries and Associated Companies

The carrying amounts and aggregate fair values of investments in subsidiaries and associated companies whose market values were available at March 31, 2002 and 2001 are as follows:

	Millions of yen						Thousands of U.S. dollars		
	2002			2001			**2002**		
	Carrying amount	Fair value	Unrealized gain	Carrying amount	Fair value	Unrealized gain	Carrying amount	Fair value	Unrealized gain
Associated company	**¥2,766**	**¥7,898**	**¥5,132**	¥2,766	¥6,582	¥3,816	**$20,758**	**$59,272**	**$38,514**

5. Long-term Debt

Long-term debt consisted of the following at March 31, 2002 and 2001:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Domestic bonds, 0.3% to 6.9%, due serially to 2020	**¥1,066,373**	¥1,012,585	**$ 8,002,799**
Domestic convertible bonds, 2.0%, due 2002		18,326	
U.S. dollar bonds and notes, 6.375% to 7.25%, due 2002 to 2008	**76,290**	110,115	**572,533**
Swiss franc bonds, 4.0% to 4.25%, due 2003 to 2007	**60,182**	60,182	**451,647**
Deutsche mark bonds, 4.75%, due 2003	**34,550**	34,550	**259,287**
Canadian dollar bonds, 10.25%, due 2002		23,410	
Loans from The Development Bank of Japan, 1.65% to 6.9%, due serially to 2023	**388,425**	456,312	**2,915,010**
Unsecured loans, principally from banks and insurance companies, 0.25% to 5.7%, due serially to 2021	**547,451**	532,987	**4,108,450**
Other	**6,053**	5,953	**45,426**
Total	**2,179,324**	2,254,420	**16,355,152**
Less current maturities	**205,095**	238,384	**1,539,175**
Long-term debt, less current maturities	**¥1,974,229**	¥2,016,036	**$14,815,977**

The outstanding domestic bonds and Swiss franc bonds may be redeemed prior to maturity at the option of the Company, in whole or in part at prices 100% of the principal amount for the domestic bonds and in whole at prices ranging from 100.25% to 101% of the principal amount for Swiss franc bonds.

All of the Company's assets are subject to certain statutory preferential rights established to secure bonds, notes, loans received from The Development Bank of Japan and bonds transferred to banks under debt assumption agreements (see Note 12).

Certain long-term loan agreements include, among other things, provisions that allow the lenders the right to approve, if desired, any appropriations of retained earnings including dividends. However, to date, no lender has exercised this right.

The annual maturities of long-term debt outstanding at March 31, 2002 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2003	¥ 205,095	$ 1,539,175
2004	247,273	1,855,707
2005	185,484	1,392,000
2006	187,747	1,408,983
2007	236,868	1,777,621
Thereafter	1,116,857	8,381,666
Total	¥2,179,324	$16,355,152

6. Severance Payments and Pension Plans

Employees terminating their employment with the Company, either voluntarily or upon reaching mandatory retirement age, are entitled, under most circumstances, to severance payments based on their rate of pay at the time of termination, length of service and certain other factors. 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 has a contributory funded defined benefit pension plan covering substantially all of its employees. In general, eligible employees retiring at the mandatory retirement age receive pension payments for the remainder of their lives. Eligible employees retiring after at least 20 years of service but before the mandatory retirement age, receive a lump-sum payment upon retirement and annuities for a period of 10 years.

As discussed in Note 2. h., effective April 1, 2000, the Company adopted a new accounting standard for employees' retirement benefits. Net periodic benefit costs under the new standard for the years ended March 31, 2002 and 2001 were ¥34,116 million ($256,030 thousand) and ¥50,566 million, and total charge to income under the plans for the year ended March 31, 2000 was ¥85,828 million.

7. Short-term Borrowings

Short-term borrowings are generally represented by 365-day notes, bearing interest at the rates ranging from 0.15917% to 0.38750% and from 0.14857% to 0.81821% at March 31, 2002 and 2001, respectively.

8. Income Taxes

The Company is subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 36.1% for 2002, 2001 and 2000.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Deferred tax assets:			
Pension and severance costs	¥44,135	¥ 42,355	$331,219
Depreciation	11,553	7,086	86,702
Reserve for reprocessing of irradiated nuclear fuel	10,497	10,497	78,777
Reserve for decommissioning of nuclear power units	10,184	10,184	76,428
Deferred charges	9,438	14,282	70,829
Other	10,168	23,146	76,307
Deferred tax assets	¥95,975	¥100,464	$720,262
Deferred tax liabilities			
Unrealized gain on available-for-sale securities	¥20,990	¥ 31,852	$157,523
Reserve for depreciation of nuclear power production facilities under construction	4,219	6,328	31,662
Other	27	16	203
Deferred tax liabilities	¥25,236	¥ 38,196	$189,388
Net deferred tax assets	¥70,739	¥ 62,268	$530,874

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2002, 2001 and 2000 and the actual effective tax rate reflected in the accompanying non-consolidated statements of income is not disclosed because the difference between those rates is immaterial.

9. Shareholders' Equity

As described in Note 2. m., certain special reserves were included in retained earnings. Such reserves at March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Reserve for:			
Depreciation of nuclear power production facilities under construction	¥11,201	¥19,328	$84,060
Losses on overseas investments	25	27	188
Total	¥11,226	¥19,355	$84,248

The Company is subject to the Code to which certain amendments became effective from October 1, 2001.

Prior to October 1, 2001, the Code required at least 50% of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital were credited to additional paid-in capital. Effective October 1, 2001, the Code was revised and common stock par values were eliminated resulting in all shares being recorded with no par value.

Prior to October 1, 2001, the Code also provided that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other cash payments which are made as an appropriation of retained earnings applicable to each fiscal period shall be appropriated and set aside as a legal reserve until such reserve equals 25% of stated capital. Effective October 1, 2001, the revised Code allows for such appropriations to be set aside as a legal reserve until the total additional paid-in capital and legal reserve equals 25% of stated capital. The amount of total additional paid-in capital and legal reserve which exceeds 25% of stated capital can be transferred to retained earnings by resolution of the shareholders, which may be available for dividends. Under the Code, the Company may issue new common shares to existing shareholders without consideration as a stock split pursuant to a resolution of the Board of Directors. Prior to October, 1, 2001, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split could not be less than ¥500. The revised Code eliminated this restriction.

Prior to October 1, 2001, the Code imposed certain restrictions on the repurchase and use of treasury stock. Effective October 1, 2001, the Code eliminated these restrictions allowing the Company to repurchase treasury stock by a resolution of the shareholders at the general shareholders' meeting and dispose of such treasury stock by resolution of the Board of directors after March 31, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus amount of stated capital, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders' meetings.

The Code permits the Company to transfer a portion of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Code also permits the Company to transfer a portion of unappropriated retained earnings, available for dividends, to stated capital by resolution of the shareholders.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

10. Research and Development Costs

Research and development costs charged to income were ¥11,273 million ($84,600 thousand), ¥12,515 million and ¥12,037 million for the years ended March 31, 2002, 2001 and 2000, respectively.

11. Leases

The Company leases certain computer and other equipment. Total lease payments under finance lease arrangements were ¥6,240 million ($46,829 thousand), ¥5,669 million and ¥5,250 million for the years ended March 31, 2002, 2001 and 2000, respectively.

Pro forma information of leased equipment such as acquisition cost, accumulated depreciation and lease obligations, all of which included imputed interest expense, under finance leases that do not transfer ownership of the leased equipment to the lessee on an "as if capitalized" basis at March 31, 2002 and 2001 were as follows:

	Millions of yen		
March 31, 2002	General facilities	Other	Total
Acquisition cost	**¥37,957**	**¥1,424**	**¥39,381**
Accumulated depreciation	**19,160**	**553**	**19,713**
Net leased equipment	**¥18,797**	**¥ 871**	**¥19,668**

	Thousands of U.S. dollars		
March 31, 2002	General facilities	Other	Total
Acquisition cost	**$284,856**	**$10,686**	**$295,542**
Accumulated depreciation	**143,790**	**4,150**	**147,940**
Net leased equipment	**$141,066**	**$ 6,536**	**$147,602**

	Millions of yen		
March 31, 2001	General facilities	Other	Total
Acquisition cost	¥37,321	¥1,423	¥38,744
Accumulated depreciation	16,443	727	17,170
Net leased equipment	¥20,878	¥ 696	¥21,574

Obligations under finance leases which included the imputed interest expense at March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Due within one year	**¥ 5,801**	¥ 5,843	**$ 43,535**
Due after one year	**13,867**	15,731	**104,067**
Total	**¥19,668**	¥21,574	**$147,602**

12. Commitments and Contingencies

At March 31, 2002, the Company had a number of fuel purchase commitments, most of which specify quantities and dates for fuel deliveries. However, purchase prices are contingent upon fluctuations in market prices.

Contingent liabilities as of March 31, 2002 were as follows:

	Millions of yen	Thousands of U.S. dollars
Co-guarantees of loans, mainly in connection with procurement of fuel	**¥114,133**	**$ 856,533**
Guarantees of employees' housing loans	**54,853**	**411,655**
Guarantees under debt assumption agreements	**191,055**	**1,433,809**
Other	**8,061**	**60,495**

Under the debt assumption agreements, the Company was contingently liable for the redemption of the domestic bonds transferred to banks.

13. Subsequent Events

At the general shareholders' meeting held on June 27, 2002, the Company's shareholders approved the following appropriations of retained earnings as of March 31, 2002, and the purchase of treasury stock:

a. Appropriations of Retained Earnings

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥30.00 ($0.23) per share	**¥14,225**	**$106,754**
Bonuses to directors and corporate auditors	**140**	**1,051**

b. Purchase of Treasury Stock

The Company is authorized to repurchase up to 20 million shares of the Company's common stock (aggregate amount of ¥35 billion), which is effective until the next general shareholders' meeting.

Tohmatsu & Co.
Fukuoka Sanwa Building,
10-24, Tenjin 1-chome,
Chuo-ku, Fukuoka 810-0001, Japan

Tel: +81-92-751-0931
Fax: +81-92-714-5585
www.tohmatsu.co.jp

Deloitte Touche Tohmatsu

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Kyushu Electric Power Company, Incorporated:

We have examined the non-consolidated balance sheets of Kyushu Electric Power Company, Incorporated as of March 31, 2002 and 2001, and the related non-consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2002, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the non-consolidated financial statements referred to above present fairly the financial position of Kyushu Electric Power Company, Incorporated as of March 31, 2002 and 2001, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2002, in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Note 2, effective April 1, 2000, the non-consolidated financial statements have been prepared in accordance with new accounting standards for employees' retirement benefits and financial instruments and a revised accounting standard for foreign currency transactions.

Our examinations also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 27, 2002

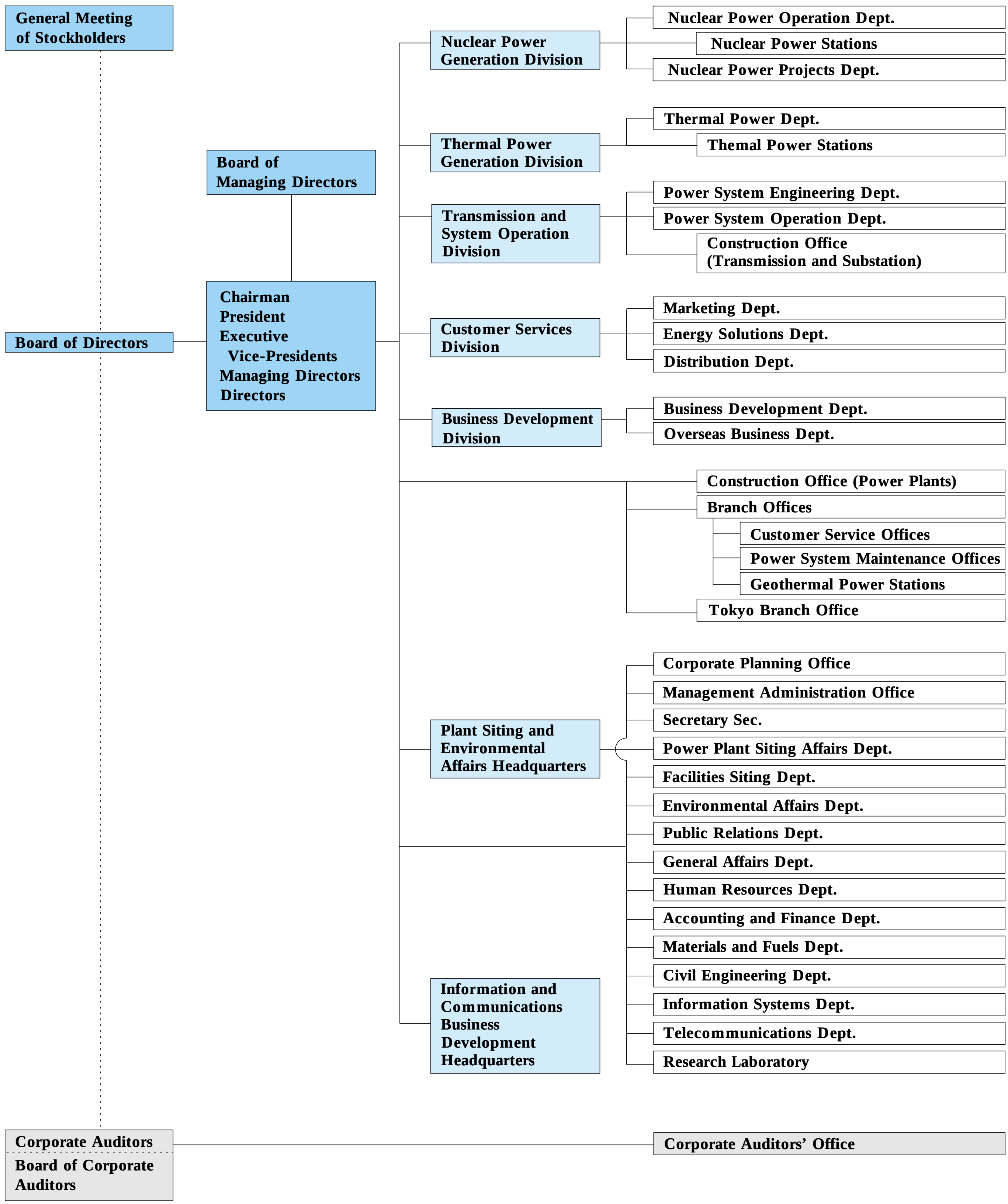
Non-Consolidated Six-Year Financial Summary

Kyushu Electric Power Company, Incorporated
Years ended March 31

	Millions of yen (except for per share data)						Thousands of U.S. dollars (except for per share data)
	2002	2001	2000	1999	1998	1997	2002
For the year:							
Operating revenues:	¥1,384,502	¥1,411,500	¥1,393,650	¥1,389,306	¥1,410,921	¥1,381,013	$10,390,259
Residential (lighting)	567,230	570,045	564,029	561,808	562,675	555,110	4,256,885
Commercial and industrial	761,498	777,747	768,596	776,828	815,263	792,602	5,714,807
Other	55,774	63,708	61,025	50,670	32,983	33,301	418,567
Operating expenses:	1,192,535	1,207,968	1,219,369	1,226,308	1,213,446	1,183,217	8,949,606
Personnel	186,870	203,897	214,311	219,815	187,491	176,554	1,402,401
Fuel	150,959	146,097	122,886	123,499	129,631	154,196	1,132,901
Purchased power	98,034	94,098	93,725	89,423	87,685	78,238	735,715
Depreciation	244,946	263,043	278,897	290,068	312,497	287,680	1,838,244
Maintenance	177,962	173,521	183,902	181,616	187,860	186,429	1,335,550
Reprocessing costs of irradiated nuclear fuel	39,529	22,510	41,070	28,618	19,457	14,542	296,653
Decommissioning costs of nuclear power units	4,597	6,898	6,304	5,886	5,513	5,067	34,499
Disposition of property	20,165	21,465	18,582	16,701	17,047	15,615	151,332
Taxes other than income taxes	93,236	94,448	94,842	97,039	94,787	93,066	699,707
Subcontract fee	58,638	64,457	61,364	67,190	67,813	71,667	440,060
Rent	37,051	36,168	35,249	35,340	33,458	30,897	278,056
Other	80,548	81,366	68,237	71,113	70,207	69,266	604,488
Interest charges	81,223	87,724	104,426	109,039	131,791	137,065	609,553
Income before income taxes	102,234	94,075	36,084	53,509	65,735	61,087	767,235
Net income	65,152	60,140	22,986	23,434	30,702	36,873	488,946
Per share of common stock (yen and U.S. dollars):							
Net income							
Basic	¥ 137.40	¥ 126.83	¥ 48.47	¥ 49.42	¥ 64.75	¥ 77.76	$ 1.03
Diluted		125.63	48.32	49.21	64.30	77.15	
Cash dividends applicable to the year	60.00	60.00	50.00	50.00	50.00	50.00	0.45
At year-end:							
Total assets	¥3,984,740	¥4,006,257	¥3,959,244	¥3,948,892	¥3,994,351	¥3,992,602	$29,904,240
Property, net	3,322,050	3,339,874	3,396,462	3,453,364	3,523,684	3,561,060	24,930,957
Long-term debt, less current maturities	1,974,229	2,016,036	2,078,459	2,203,865	2,301,914	2,258,127	14,815,977
Total shareholders' equity	782,953	765,670	675,368	618,024	618,439	611,587	5,875,820
Number of employees	14,191	14,348	14,428	14,445	14,609	14,572	

Note: All dollar figures herein refer to U.S. currency. Yen amounts have been translated, for convenience only, at ¥133.25=US$1.

Organization

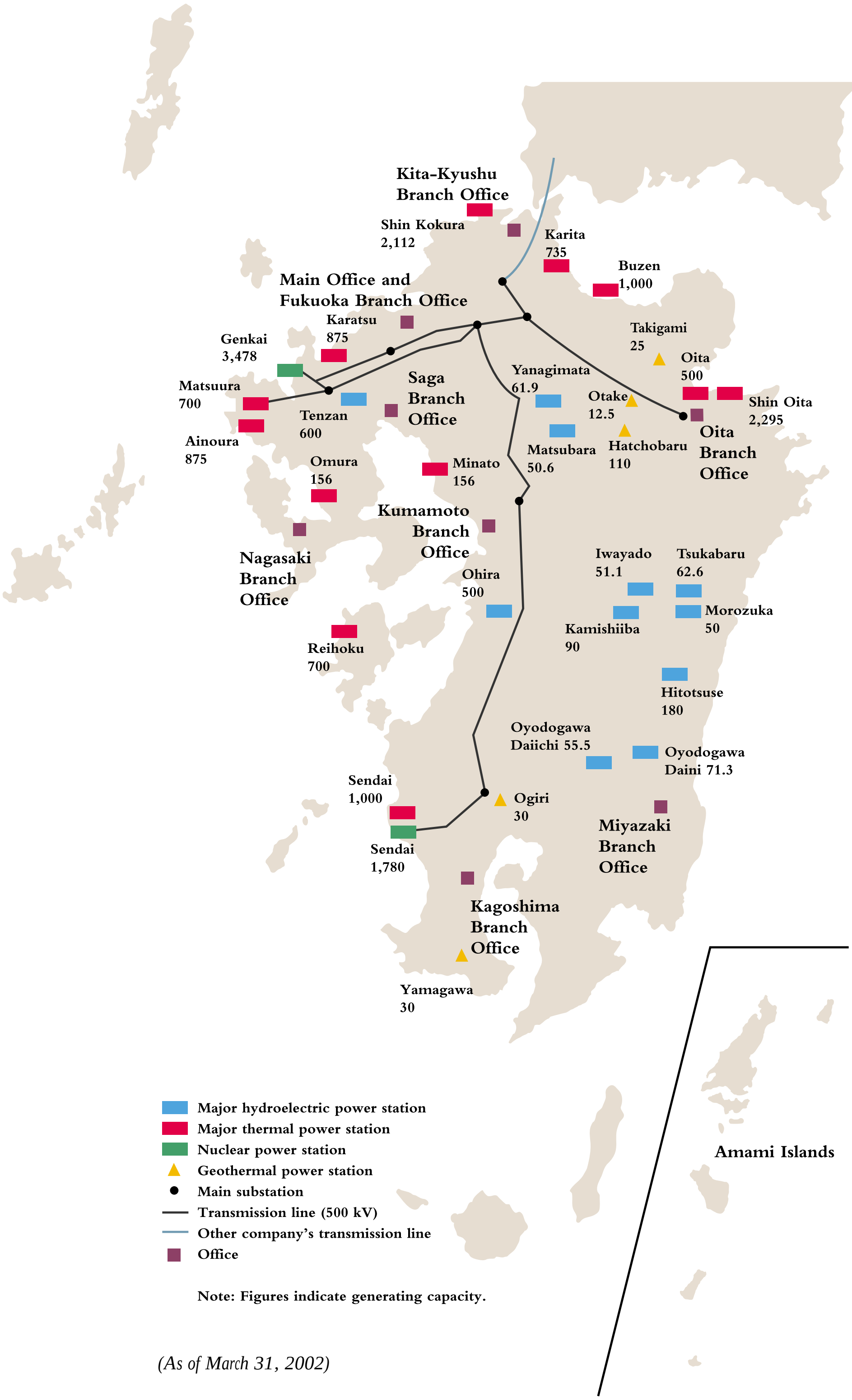


(As of July 1, 2002)

Chairman	Shigeru Ohno
President	Michisada Kamata
Executive Vice-Presidents	Keiichi Ishikawa Noritaka Toyoshima Noriyuki Ueda
Managing Directors	Shingo Matsuo Hidemi Ashizuka Hiroaki Okui Shigehiko Matsumoto Kowashi Imamura Kiyohiko Matsushita Mitsuaki Sato Koichi Hashida Yukio Tanaka
Directors	Taku Ishii Takahiro Higuchi Keiji Mizuguchi
Corporate Auditor	Katsumi Okamoto
Auditors	Shozo Maeda Takeshi Koga Ikuya Fukamachi Yoshihiro Tomizawa Kiyoko Nishimura
Honorary Advisor	Tatsuo Kawai

(As of July 1, 2002)

Main Facilities



(As of March 31, 2002)

Investor Information

Head Office
1-82, Watanabe-dori 2-chome,
Chuo-ku, Fukuoka 810-8720, Japan
Tel: (092) 761-3031
http://www.kyuden.co.jp

Tokyo Branch Office
7-1, Yurakucho 1-chome,
Chiyoda-ku, Tokyo 100-0006, Japan
Tel: (03) 3281-4931

Date of Establishment
May 1, 1951

Paid-in Capital
¥237,304,863,699

Number of Shares Authorized
1,000,000,000

Number of Shares Issued
474,183,951

Number of Employees
14,191

(As of March 31, 2002)

KYUSHU ELECTRIC POWER CO., INC.
1-82, Watanabe-dori 2-chome, Chuo-ku, Fukuoka 810-8720, Japan

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