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)
	2001	2000	1999	1998	1997	1996	**2001**
For the year:							
Operating revenues:	**¥1,448,376**	¥1,428,559	¥1,430,164	¥1,444,068	¥1,413,983	¥1,431,298	**$11,689,879**
Electric	**1,410,010**	1,392,148	1,387,855	1,409,492	1,379,549	1,397,061	**11,380,226**
Other	**38,366**	36,411	42,309	34,576	34,434	34,237	**309,653**
Operating expenses:	**1,236,344**	1,246,791	1,259,056	1,238,582	1,206,787	1,199,799	**9,978,564**
Electric	**1,199,237**	1,211,227	1,219,999	1,206,622	1,175,421	1,169,255	**9,679,072**
Other	**37,107**	35,564	39,057	31,960	31,366	30,544	**299,492**
Interest charges	**89,952**	107,190	111,753	134,781	140,454	146,132	**726,005**
Income before income taxes and minority interests	**97,447**	39,490	60,077	71,475	66,633	88,657	**786,497**
Income taxes	**37,595**	16,058	33,885	37,420	26,684	42,915	**303,430**
Net income	**59,191**	22,934	25,835	33,655	39,621	45,322	**477,732**
Per share of common stock (yen and U.S. dollars):							
Net income:							
Basic	**¥ 124.83**	¥ 48.37	¥ 54.48	¥ 70.97	¥ 83.56	¥ 95.58	**$ 1.01**
Diluted	**123.65**	48.21	54.21	70.45	82.86	94.73	**1.00**
Cash dividends applicable to the year	**60.00**	50.00	50.00	50.00	50.00	50.00	**0.48**
At year-end:							
Total assets	**¥4,166,489**	¥4,141,718	¥4,123,686	¥4,165,131	¥4,162,484	¥4,129,566	**$33,627,837**
Net property	**3,459,859**	3,528,297	3,596,203	3,665,153	3,698,901	3,654,595	**27,924,609**
Long-term debt, less current maturities	**2,071,192**	2,137,509	2,276,929	2,365,687	2,322,673	2,327,481	**16,716,642**
Total shareholders' equity	**810,018**	725,516	659,588	659,989	650,312	634,691	**6,537,676**

Note: All dollar figures herein refer to U.S. currency. Yen amounts have been translated, for convenience only, at ¥123.90=U.S. $1.

Operating Results: In fiscal 2000, ended March 31, 2001, the Japanese economy remained stagnant amid worsening unemployment and sluggish personal consumption, while exports and manufacturing growth decelerated following a slowdown in the U.S. economy from the end of 2000. These factors overshadowed higher production in the mining and manufacturing industries and increased private-sector capital investment.

Kyushu Electric's power sales volume for the term rose 4.4%. This mainly reflected expanded commercial and industrial power demand. Iron and steel production rose in the first half to meet expanded demand elsewhere in Asia, while the production of electrical equipment increased in line with buoyant conditions in the information technology sector. Residential (lighting) and commercial demand advanced 2.5%, as higher-than-average summer temperatures raised air-conditioning usage. As a result of these factors, Kyushu Electric's sales rose 3.0%, to 75.2 billion kilowatt-hours.

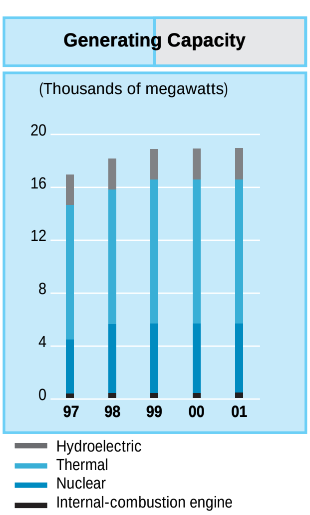
On October 1, 2000, the Company lowered its rates an average 6.12% following a review of progress in enhancing operational efficiency and profitability.

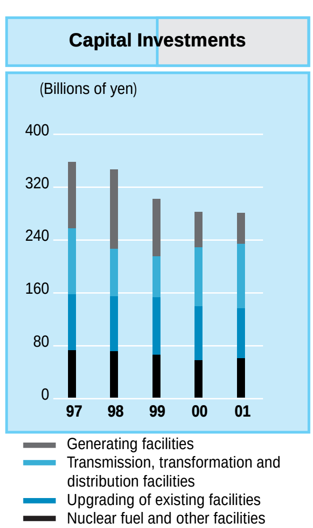
Higher electricity sales more than offset rate cuts, leading to a 1.4% rise in operating revenues, to ¥1,448.4 billion. Operating expenses dropped 0.8%, to ¥1,236.3 billion, owing to Companywide efficiency initiatives. As a consequence, operating income jumped 16.6%, to ¥212.0 billion.

Despite recording ¥14.7 billion in equity in loss of ASTEL Kyushu Corporation, an affiliated phone company, Kyushu Electric boosted net income 158.1%, to ¥59.2 billion.

Capital Investment Policy: Kyushu Electric's plant and equipment plans are designed to lower the costs of electricity and stabilize long-term supplies.

To meet future power demand, we are improving the reliability of our facilities and are making them more efficient by upgrading operating technologies. At the same time, we are revising our design and construction standards





while diversifying equipment and supplies sourcing to increase capital efficiency.

We are cultivating coal- and LNG-fired thermal power sources to ensure a balance with nuclear power, our primary energy source. The key considerations are supply stability, economy and the environment.

We are gradually expanding our 500-kilovolt trunk line system to link generating facilities currently under development to better serve future demand. We are installing more efficient transmission and distribution facilities to match growth in long-term demand. We are also laying distribution lines underground to harmonize with the environment.

In fiscal 2000, our capital investments totaled ¥281.3 billion, down 0.4% from a year earlier, owing to cost-cutting initiatives.

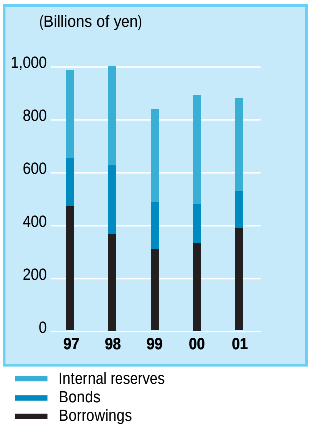
The construction of new generating facilities is proceeding smoothly. The 700-megawatt Unit No. 2 of the Reihoku Thermal Power Station will come on line in July 2003. The 1,000-megawatt Unit No. 2 of the Matsuura Thermal Power Station will open in July 2005. A 1,200-megawatt pumped storage hydroelectric 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 mainly funds its capital investments internally, supported by low-cost external financing through diverse channels.

In fiscal 2000, capital investment and the redemption of corporate bonds and short- and long-term borrowings required ¥884.0 billion, down 1.0%. Bond redemptions and other debt repayments declined 1.3%, to ¥602.7 billion.

Internal reserves fell 13.9%, to ¥355.6 billion. Proceeds from the issue of bonds and notes were off 6.7%, to ¥140.0 billion, of which the net proceeds were ¥139.4 billion. Borrowings climbed 17.6%, to ¥389.0 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, 2001 and 2000

ASSETS	Millions of yen 2001	Millions of yen 2000	Thousands of U.S. dollars (Note 1) 2001
PROPERTY (Note 3):			
Utility plant and equipment	¥ 7,462,469	¥ 7,362,953	$60,229,774
Other plant and equipment	361,263	352,223	2,915,763
Construction in progress	357,136	298,446	2,882,454
Total	8,180,868	8,013,622	66,027,991
Less—			
Contributions in aid of construction	110,221	105,558	889,597
Accumulated depreciation	4,610,788	4,379,767	37,213,785
Total	4,721,009	4,485,325	38,103,382
Net property	3,459,859	3,528,297	27,924,609
NUCLEAR FUEL	201,024	183,104	1,622,470
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 4)	144,937	55,146	1,169,790
Investments in and advances to non-consolidated subsidiaries and associated companies (Note 4)	63,910	71,014	515,819
Deferred tax assets (Note 8)	65,346	86,060	527,409
Other assets	21,593	25,227	174,278
Total investments and other assets	295,786	237,447	2,387,296
CURRENT ASSETS:			
Cash and cash equivalents	67,948	49,363	548,410
Short-term investments	1,660	1,888	13,398
Receivables	85,440	90,306	689,588
Allowance for doubtful accounts	(1,076)	(905)	(8,684)
Inventories, principally fuel, at average cost	41,786	39,866	337,256
Deferred tax assets (Note 8)	11,549	10,304	93,212
Prepaid expenses and other	2,513	2,048	20,282
Total current assets	209,820	192,870	1,693,462
TOTAL	¥ 4,166,489	¥ 4,141,718	$33,627,837

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2000	**2001**
LONG-TERM LIABILITIES:			
Long-term debt, less current maturities (Note 5)	**¥ 2,071,192**	¥ 2,137,509	**$16,716,642**
Liability for employees' retirement benefits (Note 6)	**170,993**	156,539	**1,380,089**
Reserve for reprocessing of irradiated nuclear fuel	**229,481**	210,282	**1,852,147**
Reserve for decommissioning nuclear power units	**92,611**	85,713	**747,466**
Total long-term liabilities	**2,564,277**	2,590,043	**20,696,344**
CURRENT LIABILITIES:			
Current maturities of long-term debt (Note 5)	**254,724**	288,683	**2,055,884**
Short-term borrowings (Note 7)	**292,405**	279,200	**2,360,008**
Notes and accounts payable (Note 11)	**89,982**	91,376	**726,247**
Accrued income taxes	**30,687**	23,180	**247,675**
Accrued expenses	**79,257**	87,768	**639,685**
Other	**36,832**	48,189	**297,272**
Total current liabilities	**783,887**	818,396	**6,326,771**
RESERVE FOR FLUCTUATIONS IN WATER LEVEL		53	
MINORITY INTERESTS	**8,307**	7,710	**67,046**
COMMITMENTS AND CONTINGENCIES (Note 13)			
SHAREHOLDERS' EQUITY (Note 9):			
Common stock, ¥500 par value—authorized, 1,000,000,000 shares; issued and outstanding 474,183,951 shares in 2001 and 2000	**237,305**	237,305	**1,915,295**
Additional paid-in capital	**31,087**	31,087	**250,904**
Retained earnings	**484,964**	457,126	**3,914,157**
Unrealized gain on available-for-sale securities	**56,664**		**457,336**
Treasury stock, at cost—1,220 shares in 2001 and 1,481 shares in 2000	**(2)**	(2)	**(16)**
Total shareholders' equity	**810,018**	725,516	**6,537,676**
TOTAL	**¥ 4,166,489**	¥ 4,141,718	**$33,627,837**

Consolidated Statements of Income

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Years ended March 31, 2001, 2000 and 1999

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2001	2000	1999	**2001**
OPERATING REVENUES:				
Electric	**¥ 1,410,010**	¥ 1,392,148	¥ 1,387,855	**$11,380,226**
Other	**38,366**	36,411	42,309	**309,653**
Total operating revenues	**1,448,376**	1,428,559	1,430,164	**11,689,879**
OPERATING EXPENSES (Notes 10 and 12)**:**				
Electric	**1,199,237**	1,211,227	1,219,999	**9,679,072**
Other	**37,107**	35,564	39,057	**299,492**
Total operating expenses	**1,236,344**	1,246,791	1,259,056	**9,978,564**
OPERATING INCOME	**212,032**	181,768	171,108	**1,711,315**
OTHER EXPENSES (INCOME):				
Interest charges (Note 3)	**89,952**	107,190	111,753	**726,005**
Equity in loss of associated companies	**21,842**	12,057		**176,287**
Provision for liability for severance payments (Note 2.i.)		22,328		
Other—net	**2,844**	650	209	**22,954**
Total other expenses—net	**114,638**	142,225	111,962	**925,246**
INCOME BEFORE INCOME TAXES AND PROVISION FOR (REVERSAL OF) RESERVE FOR FLUCTUATIONS IN WATER LEVEL AND MINORITY INTERESTS	**97,394**	39,543	59,146	**786,069**
PROVISION FOR (REVERSAL OF) RESERVE FOR FLUCTUATIONS IN WATER LEVEL	**(53)**	53	(931)	**(428)**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**97,447**	39,490	60,077	**786,497**
INCOME TAXES (Note 8)**:**				
Current	**50,249**	40,142	33,388	**405,561**
Deferred	**(12,654)**	(24,084)	497	**(102,131)**
Total	**37,595**	16,058	33,885	**303,430**
INCOME BEFORE MINORITY INTERESTS IN NET INCOME OF CONSOLIDATED SUBSIDIARIES	**59,852**	23,432	26,192	**483,067**
MINORITY INTERESTS IN NET INCOME OF CONSOLIDATED SUBSIDIARIES	**(661)**	(498)	(357)	**(5,335)**
NET INCOME	**¥ 59,191**	¥ 22,934	¥ 25,835	**$ 477,732**

	Yen			U.S. dollars
PER SHARE OF COMMON STOCK (Note 2.p.)**:**				
Net income:				
Basic	**¥ 124.83**	¥ 48.37	¥ 54.48	**$1.01**
Diluted	**123.65**	48.21	54.21	**1.00**
Cash dividends applicable to the year	**60.00**	50.00	50.00	**0.48**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Years ended March 31, 2001, 2000 and 1999

	Thousands	Millions of yen				
	Outstanding 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, 1998	474,184	¥237,305	¥31,087	¥391,600		¥(3)
Adjustment of retained earnings for change in scope of application of equity method				(2,244)		
Net income				25,835		
Cash dividends, ¥50 per share				(23,709)		
Bonuses to directors and corporate auditors				(284)		
Net decrease in treasury stock						1
BALANCE AT MARCH 31, 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
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)**

	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, 2000	$1,915,295	$250,904	$3,689,476		$(16)
Adjustment of retained earnings for exclusion of an equity method accounted company			(40,274)		
Net income			477,732		
Cash dividends, $0.44 per share			(210,493)		
Bonuses to directors and corporate auditors			(2,284)		
Net increase in treasury stock					0
Unrealized gain on available-for-sale securities				457,336	
BALANCE AT MARCH 31, 2001	**$1,915,295**	**$250,904**	**$3,914,157**	**$457,336**	**$(16)**

See notes to consolidated financial statements.

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2000	**2001**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 97,447**	¥ 39,490	**$ 786,497**
Adjustments for:			
Income taxes—paid	**(42,742)**	(31,627)	**(344,972)**
Depreciation and amortization	**302,559**	319,394	**2,441,961**
Provision for liability for employees' retirement benefits	**14,454**	44,193	**116,659**
Provision for reserve for reprocessing of irradiated nuclear fuel	**19,199**	29,099	**154,956**
Provision for reserve for decommissioning of nuclear power units	**6,898**	6,304	**55,674**
Loss on disposal of plant and equipment	**13,030**	11,070	**105,165**
Nuclear fuel transferred to reprocessing costs	**826**	10,267	**6,667**
Provision for (reversal of) reserve for fluctuations in water level	**(53)**	53	**(428)**
Equity in loss of associated companies	**21,842**	12,057	**176,287**
Cash contribution for liquidation of an associated company	**(14,099)**		**(113,794)**
Changes in assets and liabilities, net of effects from a newly consolidated subsidiary:			
Decrease (increase) in trade receivables	**4,584**	(3,103)	**36,998**
Increase in inventories	**(1,920)**	(4,138)	**(15,496)**
Increase in trade payable	**6,139**	3,232	**49,548**
Decrease in interest payable	**(2,228)**	(2,197)	**(17,982)**
Other—net	**(12,605)**	(4,544)	**(101,735)**
Total adjustments	**315,884**	390,060	**2,549,508**
Net cash provided by operating activities	**413,331**	429,550	**3,336,005**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures including nuclear fuel	**(283,293)**	(288,945)	**(2,286,465)**
Payments for investments and advances	**(11,211)**	(10,413)	**(90,484)**
Proceeds from sales of investment securities and collections of advances	**6,057**	8,353	**48,886**
Other—net	**8,967**	4,431	**72,373**
Net cash used in investing activities	**(279,480)**	(286,574)	**(2,255,690)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of bonds	**139,419**	149,339	**1,125,254**
Repayments of bonds	**(206,767)**	(186,360)	**(1,668,822)**
Proceeds from long-term bank loans	**87,945**	67,688	**709,806**
Repayments of long-term bank loans	**(122,985)**	(157,033)	**(992,615)**
Net increase (decrease) in short-term borrowings	**13,205**	(13,567)	**106,578**
Cash dividends paid	**(26,065)**	(23,698)	**(210,371)**
Other—net	**(18)**	(18)	**(145)**
Net cash used in financing activities	**(115,266)**	(163,649)	**(930,315)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**18,585**	(20,673)	**150,000**
CASH AND CASH EQUIVALENTS OF A NEWLY CONSOLIDATED SUBSIDIARY AT BEGINNING OF YEAR		46	
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**49,363**	69,990	**398,410**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**¥ 67,948**	¥ 49,363	**$ 548,410**

See notes to consolidated financial statements.

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Years ended March 31, 2001, 2000 and 1999

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.

Effective April 1, 1999, a consolidated statement of cash flows is required to be prepared under Japanese accounting standards. The statements of cash flows for the years ended March 31, 2001 and 2000 are presented herein. Such statement for the year ended March 31, 1999 is not presented, as Japanese accounting standards do not require retroactive preparation for prior years' financial statements.

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 ¥123.90=U.S.$1, the approximate exchange rate prevailing on March 31, 2001. 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 2000 to conform to classifications used in 2001.

2. Summary of Significant Accounting Policies

a. Consolidation and Application of the Equity Method—The consolidated financial statements as of March 31, 2001 include the accounts of the Company and its eight (eight for 2000 and seven for 1999) significant subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. Investment in five (six for 2000 and four for 1999) significant associated companies are accounted for by the equity method.

Effective April 1, 1999, the Companies changed its consolidation scope of subsidiaries and associated companies from the application of the ownership concept to the control or influence concept. Under the control or influence concept, those companies in which the Parent, 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 the Company's investments in consolidated subsidiaries and associated companies accounted for by the equity method over its equity in the net assets at the respective dates of acquisition until March 31, 1999, is being amortized over a period of 5 years.

Effective April 1, 1999, 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 that include contributions made by customers are deducted from the cost of the related assets.

The Company and most of the consolidated subsidiaries compute depreciation 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—In prior years, 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 if they are not significantly impaired. 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." The effect of the application of the new standard was to increase investment securities by ¥88,880 million ($717,353 thousand) and to decrease long-term deferred tax assets by ¥32,122 million ($259,258 thousand). In addition, unrealized gain on available-for-sale securities was newly accounted for in shareholders' equity in the balance sheets as of March 31, 2001.

e. Investments in Non-Consolidated Subsidiaries and Associated Companies—Investments in non-consolidated subsidiaries and associated companies, except five (six for 2000 and four for 1999) 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. The Company and Oita LNG do not enter into derivatives for trading or speculative purposes.

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 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 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.

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

In prior years, 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.

Effective April 1, 1998, the Company changed its accounting policy for prior service costs from the method of charging at the time of contribution to the method of charging to income when incurred. The effect of this change was to decrease income before income taxes and minority interests for the year ended March 31, 1999 by ¥9,528 million.

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 was to decrease income before income taxes and minority interests for the year ended March 31, 2000 by ¥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 ($261,453 thousand), determined as of the beginning of year, was amortized on a lump-sum basis in the current fiscal year ended March 31, 2001.

The net effect of the adoption of the new standard on the statement of income was to increase operating expenses by ¥30,592 million ($246,909 thousand) and to decrease income before income taxes and minority interests by ¥34,653 million ($279,685 thousand) including a cumulative effect of ¥32,394 million ($261,453 thousand) 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—Prior to April 1, 1999, income taxes were provided at the amount currently payable. Deferred income taxes arising from temporary differences in recognizing certain assets and liabilities between financial and tax reporting purposes were not provided, except for those applicable to unrealized profits arising from the elimination of intercompany transactions in consolidation.

Effective April 1, 1999, the Companies adopted an accounting method for interperiod allocation of income taxes based on the asset and liability method. The cumulative effect of the application of interperiod tax allocation in prior years in the amount of ¥62,188 million is included as an adjustment to retained earnings as of April 1, 1999. Such cumulative effect is calculated by applying the income tax rate stipulated by enacted tax laws as of April 1, 1999.

Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These 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. Stock and Bond Issuance Costs and Bond Discount Charges—Stock and 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.

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—Leases that transfer ownership of the leased equipment to the lessee are accounted for as finance leases. All other leases are accounted for as operating leases.

3. Property

The major classes of property as of March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Original costs:			
Electric power production facilities:			
Hydroelectric power	**¥ 531,641**	¥ 521,525	**$ 4,290,888**
Thermal power	**1,483,041**	1,479,034	**11,969,661**
Nuclear power	**1,470,995**	1,480,567	**11,872,437**
Internal-combustion engine power	**119,642**	115,477	**965,633**
Total	**3,605,319**	3,596,603	**29,098,619**
Transmission facilities	**1,396,447**	1,356,059	**11,270,759**
Transformation facilities	**848,260**	833,863	**6,846,328**
Distribution facilities	**1,264,020**	1,236,606	**10,201,937**
Other plant and equipment	**361,263**	352,223	**2,915,763**
General facilities	**342,641**	334,040	**2,765,464**
Construction in progress	**357,136**	298,446	**2,882,454**
Property leased to others	**5,782**	5,782	**46,667**
Total	**8,180,868**	8,013,622	**66,027,991**
Less contributions in aid of construction	**110,221**	105,558	**889,597**
Less accumulated depreciation	**4,610,788**	4,379,767	**37,213,785**
Carrying value	**¥ 3,459,859**	¥ 3,528,297	**$ 27,924,609**

Interest costs capitalized for the years ended March 31, 2000 and 1999 were ¥30 million and ¥281 million, respectively.

4. Investment Securities

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

	Millions of yen				Thousands of U.S. dollars			
March 31, 2001	Cost	Unrealized gains	Unrealized losses	Fair value	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:								
Available-for-sale:								
Equity securities	¥16,533	¥89,401	¥513	¥105,421	$133,438	$721,558	$4,140	$850,856
Debt securities	9			9	73			73
Other securities	43		8	35	347		65	282
Held-to-maturity	310	7		317	2,502	56		2,558

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

	Carrying amount	
	Millions of yen	Thousands of U.S. dollars
Available-for-sale:		
Equity securities	¥28,084	$226,666
Other securities	7,657	61,800
Held-to-maturity	3,421	27,611
Total	¥39,162	$316,077

The investment in an associated company, carried at ¥19,609 million ($158,265 thousand) by the equity method, at March 31, 2001, had a quoted market value of ¥6,605 million ($53,309 thousand) at March 31, 2001.

Reference

Information regarding the carrying value and their market value of quoted equity and debt securities included in investment securities and investments in associated companies at March 31, 2000 were as follows:

	Millions of yen
Carrying value	¥ 41,615
Aggregate market value	104,008
Net unrealized gains	¥ 62,393

The above amounts include marketable equity security of an associated company carried at ¥26,080 million with corresponding quoted market value of ¥5,832 million.

5. Long-term Debt

Long-term debt consisted of the following at March 31, 2001 and 2000:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Domestic bonds, 0.4% to 6.9%, due serially to 2020	¥ 1,011,985	¥ 1,066,004	$ 8,167,756
Domestic convertible bonds, 2.0%, due 2002	18,321	18,326	147,869
U.S. dollar bonds and notes, 6.375% to 7.25%, due 2002 to 2008	110,115	110,115	888,741
Swiss franc bonds, 4.0% to 7.5%, due 2001 to 2007	60,182	72,931	485,730
Deutsche mark bonds, 4.75%, due 2003	34,550	34,550	278,854
Canadian dollar bonds, 10.25%, due 2002	23,410	23,410	188,943
Loans from The Development Bank of Japan, 1.95% to 7.4%, due serially to 2023	474,572	523,402	3,830,282
Loans, principally from banks and insurance companies, 0.25% to 8.9%, due serially to 2021			
Collateralized	43,165	50,610	348,386
Unsecured	535,260	514,023	4,320,097
Other	14,356	12,821	115,868
Total	2,325,916	2,426,192	18,772,526
Less current maturities	254,724	288,683	2,055,884
Long-term debt, less current maturities	¥ 2,071,192	¥ 2,137,509	$16,716,642

At March 31, 2001, the conversion price of the 2.0% domestic convertible bonds was ¥2,860 ($23.08) per share, which is subject to adjustment for subsequent stock splits and certain other circumstances. At March 31, 2001, the outstanding convertible bonds were convertible into 6,407,692 shares of common stock of the Company.

The outstanding domestic bonds and convertible 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 101.25% 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 13).

Certain assets of the consolidated subsidiaries, amounting to ¥83,753 million ($675,973 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, 2001 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2002	¥ 254,724	$ 2,055,884
2003	219,517	1,771,727
2004	260,207	2,100,137
2005	165,884	1,338,854
2006	232,108	1,873,349
Thereafter	1,193,476	9,632,575
Total	¥ 2,325,916	$18,772,526

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 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, 2001 consisted of the followings:

	Millions of yen	Thousands of U.S. dollars
Projected benefit obligation	¥ 470,795	$ 3,799,798
Fair value of plan assets	(239,171)	(1,930,355)
Unrecognized actuarial loss	(60,631)	(489,354)
Net liability	¥ 170,993	$ 1,380,089

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

	Millions of yen	Thousands of U.S. dollars
Service cost	¥13,723	$110,759
Interest cost	12,714	102,615
Expected return on plan assets	(6,119)	(49,387)
Amortization of transitional obligation	32,394	261,453
Net periodic benefit costs	¥52,712	$425,440

Assumptions for actuarial computations are set forth as follows:

Discount rate	2.5%
Expected rate of return on plan assets	mainly 2.5%
Recognition period of actuarial gain/loss	mainly 5 years
Amortization period of transitional obligation	1 year

Total charges to income under the plans were ¥87,935 million, ¥70,184 million for the years ended March 31, 2000 and 1999, respectively.

7. Short-term Borrowings

Short-term borrowings are generally represented by 365-day notes, bearing interest at the rates ranging from 0.14857% to 1.5% and from 0.30286% to 1.375% at March 31, 2001 and 2000, 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 2001 and 2000, and 41.5% for 1999.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2001 and 2000 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Deferred tax assets:			
Pension and severance costs	**¥ 45,774**	¥ 34,649	**$369,443**
Deferred charges	**14,423**	20,417	**116,408**
Reserve for reprocessing of irradiated nuclear fuel	**10,497**	10,497	**84,722**
Reserve for decommissioning of nuclear power units	**10,184**	10,025	**82,195**
Unrealized profits arising from the elimination of intercompany transactions in consolidation	**9,131**	9,336	**73,697**
Other	**26,641**	23,588	**215,020**
Less valuation allowance	**(144)**		**(1,162)**
Deferred tax assets	**¥ 116,506**	¥ 108,512	**$940,323**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**¥ 32,122**		**$259,258**
Reserve for depreciation of nuclear power production facilities under construction	**6,328**	10,919	**51,074**
Other	**1,161**	1,229	**9,370**
Deferred tax liabilities	**¥ 39,611**	¥ 12,148	**$319,702**
Net deferred tax assets	**¥ 76,895**	¥ 96,364	**$620,621**

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

	2001	2000
Normal effective statutory tax rate	**36.1%**	36.1%
Equity in loss of associated companies	**1.5**	2.3
Expenses not deductible for income tax purposes	**0.7**	2.0
Other—net	**0.3**	0.3
Actual effective tax rate	**38.6%**	40.7%

The normal effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 1999 differs from the actual effective tax rate, primarily due to the effect of permanently non-deductible expenses and temporary differences in the recognition of asset and liability items for tax and financial reporting purposes.

9. Shareholders' Equity

As described in Note 2. n., certain special reserves were included in retained earnings. Such reserves at March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Reserve for:			
Depreciation of nuclear power production facilities under construction	¥ 19,328	¥ 27,455	$155,997
Losses on overseas investments	27	25	218
Total	¥ 19,355	¥ 27,480	$156,215

The Code requires at least 50% of the issue price of new shares, with a minimum of the par value, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital are credited to additional paid-in capital.

The Code also requires the Company to appropriate from retained earnings to a legal reserve equal to at least 10% of all cash payments made as an appropriation of retained earnings until the reserve equals 25% of the stated capital. The Company's reserve amount, which is included in retained earnings, totals ¥59,326 million ($478,822 thousand) and ¥56,820 million as of March 31, 2001 and 2000, respectively, and is not available for dividends but may be used to reduce a deficit by resolution of the shareholders.

The Company may transfer portions of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Company may also transfer portions of retained earnings available for dividends to stated capital by resolution of the shareholders.

Under the Code, the Company may issue new common shares to existing shareholders without consideration as a stock split pursuant to resolution of the Board of Directors. The Company may make such a stock split to the extent that the aggregate par value of the shares outstanding after the issuance does not exceed the stated capital. However, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the issuance may not be less than ¥500.

Under the Articles of Incorporation of the Company, the Company may repurchase its outstanding shares up to 47 million shares to cancel them by resolution of the Board of Directors.

Dividends are approved by the shareholders' meeting to be held subsequent to the fiscal year to which the dividends are applicable. In addition, a semi-annual interim dividend may be paid upon resolution of the Board of Directors, subject to limitations imposed by the Code.

The following appropriations of retained earnings as of March 31, 2001 were approved at the shareholders' meeting of the Company held on June 28, 2001:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥30.00 ($0.24) per share	¥ 14,225	$114,810
Bonuses to directors and corporate auditors	140	1,130

10. Research and Development Costs

Research and development costs charged to income were ¥12,998 million ($104,907 thousand) and ¥12,648 million for the years ended March 31, 2001 and 2000, respectively.

11. Related Party Transactions

Significant transactions of the Company with associated companies for the years ended March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
KYUDENKO CORPORATION			
Transactions:			
Order for construction works of distribution facilities	¥ 50,174	¥ 52,834	$404,956
Balances at year ended:			
Payables for construction works	6,982	6,938	56,352
ASTEL Kyushu Corporation			
Transactions:			
Cash contribution for liquidation	¥ 14,099		$113,794

12. Leases

The Companies lease certain computer and other equipment. Total lease payments under finance lease arrangements were ¥5,970 million ($48,184 thousand), ¥5,444 million and ¥5,163 million for the years ended March 31, 2001, 2000 and 1999, 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, 2001 and 2000 were as follows:

	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**

	Thousands of U.S. dollars		
March 31, 2001	General facilities	Other	Total
Acquisition cost	**$221,291**	**$113,164**	**$334,455**
Accumulated depreciation	**89,717**	**60,549**	**150,266**
Net leased equipment	**$131,574**	**$ 52,615**	**$184,189**

	Millions of yen		
March 31, 2000	General facilities	Other	Total
Acquisition cost	¥20,617	¥11,241	¥31,858
Accumulated depreciation	8,543	4,880	13,423
Net leased equipment	¥12,074	¥ 6,361	¥18,435

Obligations under finance leases which included the imputed interest expense at March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Due within one year	**¥ 6,365**	¥ 5,137	**$ 51,372**
Due after one year	**16,456**	13,298	**132,817**
Total	**¥22,821**	¥18,435	**$184,189**

13. Commitments and Contingencies

At March 31, 2001, 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, 2001 were as follows:

	Millions of yen	Thousands of U.S. dollars
Co-guarantees of loans, mainly in connection with procurement of fuel	¥111,802	$ 902,357
Guarantees of employees' housing loans	52,091	420,428
Guarantees under debt assumption agreements	194,417	1,569,144
Other	4,102	33,107

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

14. Segment Information

Information by business segment is not disclosed because the electric service segment, which is the Companies' main business, represented more than 90% of their operations.

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.

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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, 2001 and 2000, and the related consolidated statements of income and shareholders' equity for each of the three years in the period ended March 31, 2001, and the consolidated statements of cash flows for the years ended March 31, 2001 and 2000, 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, 2001 and 2000, and the results of their operations for each of the three years in the period ended March 31, 2001 and the results of their cash flows for the years ended March 31, 2001 and 2000 in conformity with accounting principles and practices generally accepted in Japan consistently applied during the period subsequent to the change, with which we concur, made as of April 1, 1998, in the accounting for pension plan as discussed in Note 2.

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 accouting 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 28, 2001

Non-Consolidated Balance Sheets

Kyushu Electric Power Company, Incorporated
March 31, 2001 and 2000

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2000	2001
PROPERTY (Note 3):			
Plant and equipment	¥ 7,560,010	¥ 7,451,764	$61,017,030
Construction in progress	361,182	300,970	2,915,109
Total	7,921,192	7,752,734	63,932,139
Less—			
Contributions in aid of construction	109,173	105,015	881,138
Accumulated depreciation	4,472,145	4,251,257	36,094,794
Total	4,581,318	4,356,272	36,975,932
Net property	3,339,874	3,396,462	26,956,207
NUCLEAR FUEL	201,024	183,104	1,622,470
INVESTMENTS AND OTHER ASSETS:			
Investment securities	142,192	53,258	1,147,635
Investments in and advances to subsidiaries and associated companies	83,238	80,607	671,816
Deferred tax assets (Note 7)	51,999	72,381	419,685
Other assets	18,697	20,707	150,904
Total investments and other assets	296,126	226,953	2,390,040
CURRENT ASSETS:			
Cash and cash equivalents	54,238	41,105	437,756
Short-term investments		391	
Receivables	74,695	77,023	602,865
Allowance for doubtful accounts	(1,023)	(738)	(8,257)
Fuel and supplies, at average cost	29,060	24,446	234,544
Deferred tax assets (Note 7)	10,269	9,105	82,881
Prepaid expenses and other	1,994	1,393	16,094
Total current assets	169,233	152,725	1,365,883
TOTAL	¥ 4,006,257	¥ 3,959,244	$32,334,600

See notes to non-consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2001	2000	Thousands of U.S. dollars (Note 1) 2001
LONG-TERM LIABILITIES:			
Long-term debt, less current maturities (Note 4)	¥ 2,016,036	¥ 2,078,459	$16,271,477
Liability for employees' retirement benefits (Note 5)	158,547	144,242	1,279,636
Reserve for reprocessing of irradiated nuclear fuel	229,481	210,282	1,852,147
Reserve for decommissioning of nuclear power units	92,611	85,713	747,466
Total long-term liabilities	2,496,675	2,518,696	20,150,726
CURRENT LIABILITIES:			
Current maturities of long-term debt (Note 4)	238,384	266,017	1,924,003
Short-term borrowings (Note 6)	280,455	264,650	2,263,559
Accounts payable	74,035	80,977	597,538
Accrued income taxes	28,578	20,470	230,654
Accrued expenses	86,994	94,062	702,131
Other	35,466	38,951	286,247
Total current liabilities	743,912	765,127	6,004,132
RESERVE FOR FLUCTUATIONS IN WATER LEVEL		53	
COMMITMENTS AND CONTINGENCIES (Note 11)			
SHAREHOLDERS' EQUITY (Note 8):			
Common stock, ¥500 par value—authorized, 1,000,000,000 shares; issued and outstanding 474,183,951 shares in 2001 and 2000	237,305	237,305	1,915,295
Additional paid-in capital	31,087	31,087	250,904
Legal reserve	59,326	56,820	478,822
Retained earnings	381,570	350,156	3,079,661
Unrealized gain on available-for-sale securities	56,382		455,060
Total shareholders' equity	765,670	675,368	6,179,742
TOTAL	¥ 4,006,257	¥ 3,959,244	$32,334,600

Non-Consolidated Statements of Income

Kyushu Electric Power Company, Incorporated
Years ended March 31, 2001, 2000 and 1999

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2001	2000	1999	2001
OPERATING REVENUES	¥ 1,411,500	¥ 1,393,650	¥ 1,389,306	$11,392,252
OPERATING EXPENSES (Notes 9 and 10):				
Personnel	203,897	214,311	219,815	1,645,658
Fuel	146,097	122,886	123,499	1,179,152
Purchased power	94,098	93,725	89,423	759,467
Depreciation	263,043	278,897	290,068	2,123,027
Maintenance	173,521	183,902	181,616	1,400,492
Reprocessing costs of irradiated nuclear fuel	22,510	41,070	28,618	181,679
Decommissioning costs of nuclear power units	6,898	6,304	5,886	55,674
Disposal cost of high-level radioactive waste (Note 2.k.)	11,411			92,098
Disposition of property	21,465	18,582	16,701	173,245
Taxes other than income taxes	94,448	94,842	97,039	762,292
Subcontract fee	64,457	61,364	67,190	520,234
Rent	36,168	35,249	35,340	291,913
Other	69,955	68,237	71,113	564,609
Total operating expenses	1,207,968	1,219,369	1,226,308	9,749,540
OPERATING INCOME	203,532	174,281	162,998	1,642,712
OTHER EXPENSES (INCOME):				
Interest charges	87,724	104,426	109,039	708,023
Provision for liability for severance payments (Note 2.h.)		22,328		
Loss on devaluation of investment securities and investments in associated companies	2,706	9,756		21,840
Loss on liquidation of an associated company	17,949			144,867
Other—net	1,131	1,634	1,381	9,128
Total other expenses—net	109,510	138,144	110,420	883,858
INCOME BEFORE INCOME TAXES AND PROVISION FOR (REVERSAL OF) RESERVE FOR FLUCTUATIONS IN WATER LEVEL	94,022	36,137	52,578	758,854
PROVISION FOR (REVERSAL OF) RESERVE FOR FLUCTUATIONS IN WATER LEVEL	(53)	53	(931)	(428)
INCOME BEFORE INCOME TAXES	94,075	36,084	53,509	759,282
INCOME TAXES (Note 7):				
Current	46,570	36,376	30,075	375,868
Deferred	(12,635)	(23,278)		(101,978)
Total	33,935	13,098	30,075	273,890
NET INCOME	¥ 60,140	¥ 22,986	¥ 23,434	$ 485,392
	Yen			U.S. dollars
PER SHARE OF COMMON STOCK (Note 2.o.):				
Net income:				
Basic	¥ 126.83	¥ 48.47	¥ 49.42	$1.02
Diluted	125.63	48.32	49.21	1.01
Cash dividends applicable to the year	60.00	50.00	50.00	0.48

See notes to non-consolidated financial statements.

Non-Consolidated Statements of Shareholders' Equity

Kyushu Electric Power Company, Incorporated
Years ended March 31, 2001, 2000 and 1999

	Thousands	Millions of yen				
	Outstanding number of shares of common stock	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Unrealized gain on available-for-sale securities
BALANCE AT APRIL 1, 1998	474,184	¥ 237,305	¥ 31,087	¥ 52,050	¥ 297,997	
Net income					23,434	
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, 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)	
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**

	Thousands of U.S. dollars (Note 1)				
	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Unrealized gain on available-for-sale securities
BALANCE AT MARCH 31, 2000	$1,915,295	$250,904	$458,596	$2,826,118	
Net income				485,392	
Cash dividends, $0.44 per share				(210,493)	
Transfer to legal reserve			20,226	(20,226)	
Bonuses to directors and corporate auditors				(1,130)	
Unrealized gain on available-for-sale securities					$455,060
BALANCE AT MARCH 31, 2001	**$1,915,295**	**$250,904**	**$478,822**	**$3,079,661**	**$455,060**

See notes to non-consolidated financial statements.

Kyushu Electric Power Company, Incorporated
Years ended March 31, 2001, 2000 and 1999

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2001	2000	1999	**2001**
CASH FLOWS FROM OPERATING ACTIVITIES:				
Income before income taxes	**¥ 94,075**	¥ 36,084	¥ 53,509	**$ 759,282**
Adjustments for:				
Income taxes—paid	**(38,462)**	(28,794)	(38,881)	**(310,428)**
Depreciation and amortization	**290,533**	307,022	317,219	**2,344,899**
Provision for liability for employees' retirement benefits	**14,305**	42,554	4,962	**115,456**
Provision for reserve for reprocessing of irradiated nuclear fuel	**19,199**	29,099	22,621	**154,956**
Provision for reserve for decommissioning of nuclear power units	**6,898**	6,304	5,886	**55,674**
Loss on disposal of plant and equipment	**12,917**	10,818	8,947	**104,254**
Nuclear fuel transferred to reprocessing costs	**826**	10,267	5,869	**6,667**
Provision for (reversal of) reserve for fluctuations in water level	**(53)**	53	(931)	**(428)**
Loss on devaluation of investment securities and investments in associated companies	**2,706**	9,756		**21,840**
Loss on liquidation of an associated company	**17,949**			**144,867**
Cash contribution for liquidation of an associated company	**(14,099)**			**(113,794)**
Changes in assets and liabilities:				
Decrease (increase) in trade receivables	**2,532**	(3,801)	(3,990)	**20,436**
Decrease (increase) in inventories	**(4,614)**	(2,374)	4,006	**(37,240)**
Increase (decrease) in trade payable	**855**	4,211	(2,694)	**6,901**
Decrease in interest payable	**(2,249)**	(2,116)	(1,514)	**(18,152)**
Other—net	**(10,421)**	(8,658)	13,509	**(84,108)**
Total adjustments	**298,822**	374,341	335,009	**2,411,800**
Net cash provided by operating activities	**392,897**	410,425	388,518	**3,171,082**
CASH FLOWS FROM INVESTING ACTIVITIES:				
Capital expenditures including nuclear fuel	**(283,600)**	(280,631)	(301,022)	**(2,288,943)**
Payments for investments and advances	**(8,871)**	(8,245)	(24,218)	**(71,598)**
Proceeds from sales of investment securities and collections of advances	**4,475**	6,416	3,236	**36,118**
Other—net	**8,612**	4,261	4,477	**69,508**
Net cash used in investing activities	**(279,384)**	(278,199)	(317,527)	**(2,254,915)**
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from issuance of bonds	**139,419**	149,339	180,000	**1,125,254**
Repayments of bonds	**(206,767)**	(186,358)	(112,393)	**(1,668,822)**
Proceeds from long-term bank loans	**76,496**	63,777	31,381	**617,401**
Repayments of long-term bank loans	**(99,268)**	(145,055)	(145,158)	**(801,195)**
Net increase (decrease) in short-term borrowings	**15,805**	(12,390)	(3,720)	**127,563**
Cash dividends paid	**(26,065)**	(23,698)	(23,703)	**(210,371)**
Net cash used in financing activities	**(100,380)**	(154,385)	(73,593)	**(810,170)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**13,133**	(22,159)	(2,602)	**105,997**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**41,105**	63,264	65,866	**331,759**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**¥ 54,238**	¥ 41,105	¥ 63,264	**$ 437,756**

See notes to non-consolidated financial statements.

Kyushu Electric Power Company, Incorporated
Years ended March 31, 2001, 2000 and 1999

1. Basis of Presenting Non-Consolidated Financial Statements

The 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. Effective April 1, 1999, the Company adopted the new accounting standards for cash flows, which differed from those applied up to the year ended March 31, 1999; accordingly, the non-consolidated statement of cash flows for the year ended March 31, 1999 was restated to be in conformity with the new standards.

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 ¥123.90=U.S.$1, the approximate exchange rate prevailing on March 31, 2001. 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 non-consolidated financial statements for 2000 and 1999 to conform to classifications used in 2001.

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 that include contributions 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—In prior years, 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 if they are not significantly impaired. 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." The effect of the application of the new standard was to increase investment securities by ¥88,234 million ($712,139 thousand) and to decrease long-term deferred tax assets by ¥31,852 million ($257,078 thousand). In addition, unrealized gain on available-for-sale securities was newly accounted for in shareholders' equity in the balance sheet as of March 31, 2001.

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

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.

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.

In prior years, 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.

Effective April 1, 1998, the Company changed its accounting policy for prior service costs from the method of charging at the time of contribution to the method of charging to income when incurred. The effect of this change was to decrease income before income taxes for the year ended March 31, 1999 by ¥9,528 million.

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 was to decrease income before income taxes for the year ended March 31, 2000 by ¥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 ($260,605 thousand), determined as of the beginning of year, was amortized on a lump-sum basis in the current 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 ($241,332 thousand) including a cumulative effect of ¥32,289 million ($260,605 thousand) 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 radioactive waste. The contributions are charged to income when paid.

l. Income Taxes—Effective April 1, 1999, the Company adopted an accounting method for interperiod allocation of income taxes based on the asset and liability method. The cumulative effect of the application of interperiod tax allocation in prior years in the amount of ¥58,207 million is included as an adjustment to retained earnings as of April 1, 1999. Such cumulative effect is calculated by applying the income tax rate stipulated by enacted tax laws as of April 1, 1999.

Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These 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 8).

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. Stock and Bond Issuance Costs and Bond Discount Charges—Stock and 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. 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.

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

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

q. Leases—Leases that transfer ownership of the leased equipment to the lessee are accounted for as finance leases. All other leases are accounted for as operating leases.

3. Property

The major classes of property as of March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Original costs:			
Electric power production facilities:			
Hydroelectric power	**¥ 532,626**	¥ 522,368	**$ 4,298,838**
Thermal power	**1,493,946**	1,490,216	**12,057,676**
Nuclear power	**1,480,291**	1,489,833	**11,947,466**
Internal-combustion engine power	**120,457**	116,321	**972,211**
Total	**3,627,320**	3,618,738	**29,276,191**
Transmission facilities	**1,400,822**	1,360,318	**11,306,069**
Transformation facilities	**854,958**	840,369	**6,900,387**
Distribution facilities	**1,289,318**	1,261,659	**10,406,118**
General facilities	**381,810**	364,898	**3,081,598**
Construction in progress	**361,182**	300,970	**2,915,109**
Property leased to others	**5,782**	5,782	**46,667**
Total	**7,921,192**	7,752,734	**63,932,139**
Less contributions in aid of construction	**109,173**	105,015	**881,138**
Less accumulated depreciation	**4,472,145**	4,251,257	**36,094,794**
Carrying value	**¥ 3,339,874**	¥ 3,396,462	**$ 26,956,207**

4. Long-term Debt

Long-term debt consisted of the following at March 31, 2001 and 2000:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Domestic bonds, 0.4% to 6.9%, due serially to 2020	**¥ 1,012,585**	¥ 1,066,604	**$ 8,172,599**
Domestic convertible bonds, 2.0%, due 2002	**18,326**	18,326	**147,910**
U.S. dollar bonds and notes, 6.375% to 7.25%, due 2002 to 2008	**110,115**	110,115	**888,741**
Swiss franc bonds, 4.0% to 7.5%, due 2001 to 2007	**60,182**	72,931	**485,730**
Deutsche mark bonds, 4.75%, due 2003	**34,550**	34,550	**278,854**
Canadian dollar bonds, 10.25%, due 2002	**23,410**	23,410	**188,943**
Loans from The Development Bank of Japan, 1.95% to 6.9%, due serially to 2023	**456,312**	500,802	**3,682,905**
Unsecured loans, principally from banks and insurance companies, 0.25% to 8.9%, due serially to 2021	**532,987**	511,268	**4,301,751**
Other	**5,953**	6,470	**48,047**
Total	**2,254,420**	2,344,476	**18,195,480**
Less current maturities	**238,384**	266,017	**1,924,003**
Long-term debt, less current maturities	**¥ 2,016,036**	¥ 2,078,459	**$ 16,271,477**

At March 31, 2001, the conversion price of the 2.0% domestic convertible bonds was ¥2,860 ($23.08) per share, which is subject to adjustment for subsequent stock splits and certain other circumstances. At March 31, 2001, the outstanding convertible bonds were convertible into 6,407,692 shares of common stock of the Company.

The outstanding domestic bonds and convertible 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 101.25% 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 11).

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, 2001 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2002	¥ 238,384	$ 1,924,003
2003	208,481	1,682,655
2004	251,248	2,027,829
2005	159,795	1,289,710
2006	217,740	1,757,385
Thereafter	1,178,772	9,513,898
Total	¥ 2,254,420	$18,195,480

5. 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 year ended March 31, 2001 were ¥50,566 million ($408,119 thousand) and total charges to income under the plans for the years ended March 31, 2000 and 1999 were ¥85,828 million and ¥68,466 million, respectively.

6. Short-term Borrowings

Short-term borrowings are generally represented by 365-day notes, bearing interest at the rates ranging from 0.14857% to 0.81821% and 0.30826% to 0.47321% at March 31, 2001 and 2000, respectively.

7. Income Taxes

The Company is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rates of approximately 36.1% for 2001 and 2000, and 41.5% for 1999, respectively.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2001 and 2000 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Deferred tax assets:			
Pension and severance costs	¥ 42,355	¥ 31,310	$341,848
Deferred charges	14,282	20,209	115,270
Reserve for reprocessing of irradiated nuclear fuel	10,497	10,497	84,722
Reserve for decommissioning of nuclear power units	10,184	10,025	82,195
Other	23,146	20,434	186,812
Deferred tax assets	¥ 100,464	¥ 92,475	$810,847
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ 31,852		$257,078
Reserve for depreciation of nuclear power production facilities under construction	6,328	¥ 10,919	51,074
Other	16	70	129
Deferred tax liabilities	¥ 38,196	¥ 10,989	$308,281
Net deferred tax assets	¥ 62,268	¥ 81,486	$502,566

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 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.

The normal effective tax rate reflected in the accompanying non-consolidated statement of income for the year ended March 31, 1999 differs from the actual effective tax rate, primarily due to the effect of permanently non-deductible expenses and temporary differences in the recognition of asset and liability items for tax and financial reporting purposes.

8. Shareholders' Equity

As described in Note 2.m., certain special reserves were included in retained earnings. Such reserves at March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Reserve for:			
Depreciation of nuclear power production facilities under construction	¥ 19,328	¥ 27,455	$155,997
Losses on overseas investments	27	25	218
Total	¥ 19,355	¥ 27,480	$156,215

The Code requires at least 50% of the issue price of new shares, with a minimum of the par value, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital are credited to additional paid-in capital.

The Code also requires the Company to appropriate from retained earnings to a legal reserve equal to at least 10% of all cash payments made as an appropriation of retained earnings until the reserve equals 25% of the stated capital. This reserve is not available for dividends but may be used to reduce a deficit by resolution of the shareholders.

The Company may transfer portions of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Company may also transfer portions of retained earnings available for dividends to stated capital by resolution of the shareholders.

Under the Code, the Company may issue new common shares to existing shareholders without consideration as a stock split pursuant to resolution of the Board of Directors. The Company may make such a stock split to the extent that the aggregate par value of the shares outstanding after the issuance does not exceed the stated capital. However, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the issuance may not be less than ¥500.

Under the Articles of Incorporation of the Company, the Company may repurchase its outstanding shares up to 47 million shares to cancel them by resolution of the Board of Directors.

Dividends are approved by the shareholders' meeting to be held subsequent to the fiscal year to which the dividends are applicable. In addition, a semi-annual interim dividend may be paid upon resolution of the Board of Directors, subject to limitations imposed by the Code.

The following appropriations of retained earnings as of March 31, 2001 were approved at the shareholders' meeting held on June 28, 2001:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥30.00 ($0.24) per share	¥14,225	$114,810
Bonuses to directors and corporate auditors	140	1,130

9. Research and Development Costs

Research and development costs charged to income were ¥12,515 million ($101,009 thousand) and ¥12,037 million for the years ended March 31, 2001 and 2000, respectively.

10. Leases

The Company leases certain computer and other equipment. Total lease payments under finance lease arrangements were ¥5,669 million ($45,755 thousand), ¥5,250 million and ¥5,252 million for the years ended March 31, 2001, 2000 and 1999, 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, 2001 and 2000 were as follows:

	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**

	Thousands of U.S. dollars		
March 31, 2001	General facilities	Other	Total
Acquisition cost	**$301,219**	**$11,485**	**$312,704**
Accumulated depreciation	**132,712**	**5,868**	**138,580**
Net leased equipment	**$168,507**	**$ 5,617**	**$174,124**

	Millions of yen		
March 31, 2000	General facilities	Other	Total
Acquisition cost	¥29,574	¥1,359	¥30,933
Accumulated depreciation	12,550	644	13,194
Net leased equipment	¥17,024	¥ 715	¥17,739

Obligations under finance leases which included the imputed interest expense at March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Due within one year	**¥ 5,843**	¥ 4,931	**$ 47,159**
Due after one year	**15,731**	12,808	**126,965**
Total	**¥21,574**	¥17,739	**$174,124**

11. Commitments and Contingencies

At March 31, 2001, 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, 2001 were as follows:

	Millions of yen	Thousands of U.S. dollars
Co-guarantees of loans, mainly in connection with procurement of fuel	¥111,802	$ 902,357
Guarantees of employees' housing loans	52,091	420,428
Guarantees under debt assumption agreements	194,417	1,569,144
Other	8,835	71,308

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

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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, 2001 and 2000, 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, 2001, 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, 2001 and 2000, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2001 in conformity with accounting principles and practices generally accepted in Japan consistently applied during the period subsequent to the change, with which we concur, made as of April 1, 1998, in the accounting for pension plan as discussed in Note 2.

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 28, 2001

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)
	2001	2000	1999	1998	1997	1996	**2001**
For the year:							
Operating revenues:	**¥1,411,500**	¥1,393,650	¥1,389,306	¥1,410,921	¥1,381,013	¥1,398,490	**$11,392,252**
Residential (lighting)	**570,045**	564,029	561,808	562,675	555,110	558,392	**4,600,847**
Commercial and industrial	**777,747**	768,596	776,828	815,263	792,602	810,217	**6,277,216**
Other	**63,708**	61,025	50,670	32,983	33,301	29,881	**514,189**
Operating expenses:	**1,207,968**	1,219,369	1,226,308	1,213,446	1,183,217	1,177,350	**9,749,540**
Personnel	**203,897**	214,311	219,815	187,491	176,554	171,567	**1,645,658**
Fuel	**146,097**	122,886	123,499	129,631	154,196	127,601	**1,179,152**
Purchased power	**94,098**	93,725	89,423	87,685	78,238	76,002	**759,467**
Depreciation	**263,043**	278,897	290,068	312,497	287,680	269,752	**2,123,027**
Maintenance	**173,521**	183,902	181,616	187,860	186,429	202,512	**1,400,492**
Reprocessing costs of irradiated nuclear fuel	**22,510**	41,070	28,618	19,457	14,542	12,676	**181,679**
Decommissioning costs of nuclear power units	**6,898**	6,304	5,886	5,513	5,067	6,472	**55,674**
Disposition of property	**21,465**	18,582	16,701	17,047	15,615	15,447	**173,245**
Taxes other than income taxes	**94,448**	94,842	97,039	94,787	93,066	89,605	**762,292**
Subcontract fee	**64,457**	61,364	67,190	67,813	71,667	68,076	**520,234**
Rent	**36,168**	35,249	35,340	33,458	30,897	30,387	**291,913**
Other	**81,366**	68,237	71,113	70,207	69,266	107,253	**656,707**
Interest charges	**87,724**	104,426	109,039	131,791	137,065	141,962	**708,023**
Income before income taxes	**94,075**	36,084	53,509	65,735	61,087	81,275	**759,282**
Net income	**60,140**	22,986	23,434	30,702	36,873	41,992	**485,392**
Per share of common stock (yen and U.S. dollars):							
Net income:							
Basic	**¥ 126.83**	¥ 48.47	¥ 49.42	¥ 64.75	¥ 77.76	¥ 88.56	**$ 1.02**
Diluted	**125.63**	48.32	49.21	64.30	77.15	87.80	**1.01**
Cash dividends applicable to the year	**60.00**	50.00	50.00	50.00	50.00	50.00	**0.48**
At year-end:							
Total assets	**¥4,006,257**	¥3,959,244	¥3,948,892	¥3,994,351	¥3,992,602	¥3,960,035	**$32,334,600**
Property, net	**3,339,874**	3,396,462	3,453,364	3,523,684	3,561,060	3,524,536	**26,956,207**
Long-term debt, less current maturities	**2,016,036**	2,078,459	2,203,865	2,301,914	2,258,127	2,256,422	**16,271,477**
Total shareholders' equity	**765,670**	675,368	618,024	618,439	611,587	598,560	**6,179,742**
Number of employees	**14,348**	14,428	14,445	14,609	14,572	14,473	

Note: All dollar figures herein refer to U.S. currency. Yen amounts have been translated, for convenience only, at ¥123.90=U.S.$1.