Kyushu Electric Power Company, Incorporated

Annual Report 2003

For the year ended March 31, 2003

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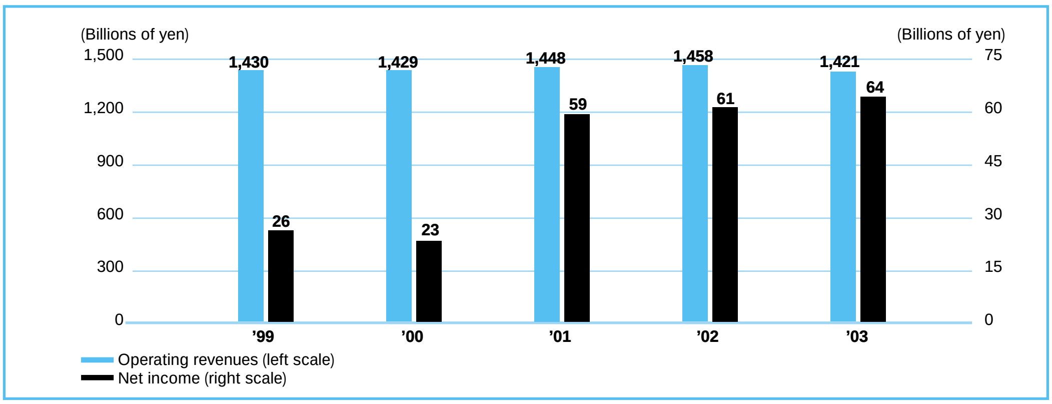
Consolidated Financial Highlights

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Years Ended March 31, 2003, 2002 and 2001

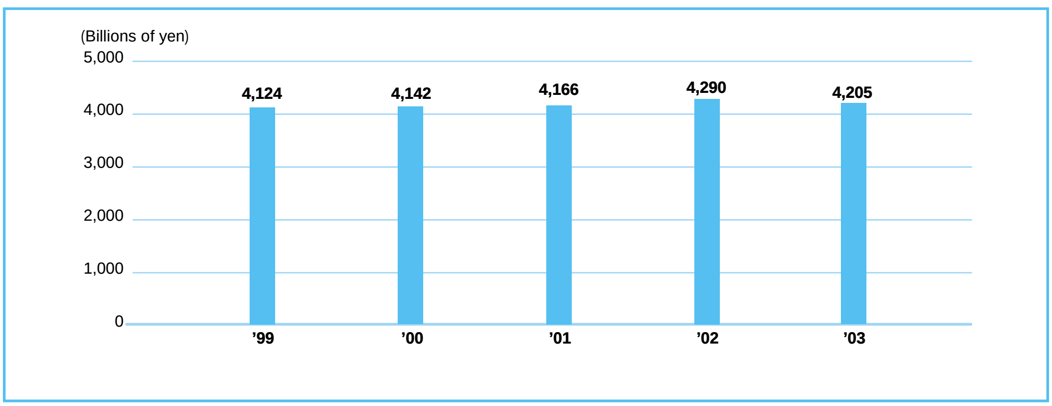
	Millions of yen (except for per share data)			Thousands of U.S. dollars (except for per share data)
	2003	2002	2001	**2003**
For the year:				
Operating revenues	**¥1,421,310**	¥1,458,066	¥1,448,376	**$11,824,543**
Operating income	**180,014**	197,758	212,032	**1,497,621**
Net income	**64,319**	61,120	59,191	**535,100**
Per share of common stock (yen and U.S. dollars):				
Net income:				
Basic	**¥ 135.13**	¥ 128.90	¥ 124.83	**$ 1.12**
Diluted			123.65	
Cash dividends applicable to the year	**50.00**	60.00	60.00	**0.42**
At year-end:				
Total assets	**¥4,204,566**	¥4,290,132	¥4,166,489	**$34,979,750**
Total shareholders' equity	**840,245**	824,928	810,018	**6,990,391**

Note: All dollar figures herein refer to U.S. currency. Japanese yen amounts have been translated, for convenience only, at the rate of ¥120.20=US$1, the approximate exchange rate prevailing on March 31, 2003.

Operating Revenues and Net Income



Total Assets



Consolidated Six-Year Financial Summary

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

	Millions of yen (except for per share data)						Thousands of U.S. dollars (except for per share data)
	2003	2002	2001	2000	1999	1998	**2003**
For the year:							
Operating revenues	**¥1,421,310**	¥1,458,066	¥1,448,376	¥1,428,559	¥1,430,164	¥1,444,068	**$11,824,543**
Electric	**1,350,675**	1,381,440	1,410,010	1,392,148	1,387,855	1,409,492	**11,236,897**
Other	**70,635**	76,626	38,366	36,411	42,309	34,576	**587,646**
Operating expenses	**1,241,296**	1,260,308	1,236,344	1,246,791	1,259,056	1,238,582	**10,326,922**
Electric	**1,170,655**	1,184,382	1,199,237	1,211,227	1,219,999	1,206,622	**9,739,226**
Other	**70,641**	75,926	37,107	35,564	39,057	31,960	**587,696**
Interest charges	**77,897**	85,653	89,952	107,190	111,753	134,781	**648,062**
Income before income taxes and minority interests	**102,363**	99,464	97,447	39,490	60,077	71,475	**851,606**
Income taxes	**38,417**	39,808	37,595	16,058	33,885	37,420	**319,609**
Net income	**64,319**	61,120	59,191	22,934	25,835	33,655	**535,100**
Per share of common stock (yen and U.S. dollars):							
Net income:							
Basic	**¥ 135.13**	¥ 128.90	¥ 124.83	¥ 48.37	¥ 54.48	¥ 70.97	**$ 1.12**
Diluted			123.65	48.21	54.21	70.45	
Cash dividends applicable to the year	**50.00**	60.00	60.00	50.00	50.00	50.00	**0.42**
At year-end:							
Total assets	**¥4,204,566**	¥4,290,132	¥4,166,489	¥4,141,718	¥4,123,686	¥4,165,131	**$34,979,750**
Net property	**3,523,273**	3,595,794	3,459,859	3,528,297	3,596,203	3,665,153	**29,311,755**
Long-term debt, less current maturities	**1,984,702**	2,130,149	2,071,192	2,137,509	2,276,929	2,365,687	**16,511,664**
Total shareholders' equity	**840,245**	824,928	810,018	725,516	659,588	659,989	**6,990,391**

Note: All dollar figures herein refer to U.S. currency. Japanese yen amounts have been translated, for convenience only, at the rate of ¥120.20=US$1, the approximate exchange rate prevailing on March 31, 2003.

Operating Results: In fiscal 2002, ended March 31, 2003, the Japanese economy showed some signs of improvement, including a turnaround in production as a result of rising exports. Nevertheless, the economy remained generally sluggish, reflecting weak personal consumption caused by the worsening unemployment situation and concerns over prospects for the global economy.

In this operating environment, the Kyushu Electric Group's power sales volume improved 1.6%. This was mainly due to rises in production among iron and steel makers, machinery manufacturers and other large industrial customers. Residential (lighting) and commercial demand advanced 1.8%.

As a result of these factors, the Company's sales volume increased 1.7%, to 76.6 billion kilowatt-hours.

Total operating revenues declined 2.5%, however, to ¥1,421.3 billion, owing to a rate reduction in October 2002.

Total operating expenses were down 1.5%, to ¥1,241.3 billion. This was due to decreased fuel costs and a Groupwide effort to enhance efficiency and cut spending.

Operating income fell 9.0%, to ¥180.0 billion.

In contrast, net income climbed 5.2%, to ¥64.3 billion, largely due to ¥23.1 billion in gain on sale of investment securities. This was partially offset by ¥8.9 billion in loss on discounted operations, recorded when affiliate Kyushu Telecommunication Network Co., Inc., disposed of facilities in line with a management decision to withdraw from the personal handyphone system (PHS) business.

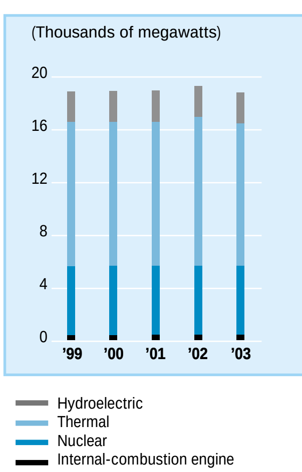
Capital Investment Policy: Kyushu Electric's capital expenditure plans focus on lowering the costs of providing electricity, while, at the same time, stabilizing long-term supplies.

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

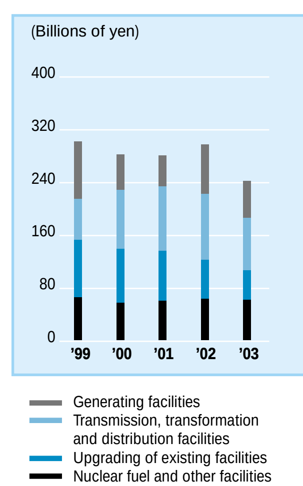
To satisfy the growth in demand for power, the Company is taking comprehensive steps that will allow it to maintain secure energy supplies and balance its power development—centered on nuclear power—to ensure economy and reduce environmental impact.

We are expanding our 500-kilovolt trunk line system to support new power development and serve demand increases as well as installing more efficient transmission

Generating Capacity



Capital Investments



and distribution facilities in keeping with medium- and long-term demand projections. In addition, we are laying distribution lines underground as part of our efforts to reduce the impact of our activities on the environment.

Capital expenditures were ¥30.7 billion lower than initially planned, at ¥241.6 billion. This followed efforts to streamline spending on design, construction and procurement.

The construction of new facilities has proceeded smoothly. The 700-megawatt Unit No. 2 of the Reihoku Thermal Power Station came on line in June 2003. A 1,200-megawatt pumped storage hydroelectric power station in Omarugawa will start commercial operations when the first 300 megawatts come on line in July 2007, followed by an additional 300 megawatts and 600 megawatts in July 2008 and July 2010, respectively.

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

In fiscal 2002, capital investment and the redemption of corporate bonds and borrowings were ¥843.2 billion, down 5.4% from the previous fiscal year. Bond redemptions and loan repayments rose 1.3%, to ¥601.6 billion.

Internal reserves increased 17.8%, to ¥398.9 billion. Proceeds from issuance of bonds increased 3.1%, to ¥165.0 billion, of which net proceeds were ¥164.3 billion. Borrowings fell 28.9%, to ¥280.0 billion.

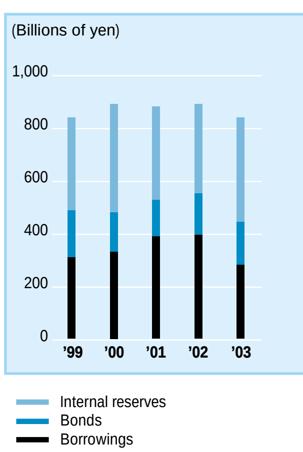
Cash Flows: Net cash provided by operating activities increased 17.7%, to ¥459.6 billion. This reflected efforts to cut fuel and other costs and a reduction in income taxes paid, which offset the impact of the decrease in electricity rates.

Net cash used in investing activities was down 27.8%, to ¥244.4 billion, largely owing to a decline in capital expenditures including nuclear fuel and an increase in proceeds from sales of investment securities and collections of advances.

Net cash used in financing activities surged 229.8%, to ¥222.8 billion, largely owing to a significant increase in repayments of interest-bearing debt.

As a result of these factors, cash and cash equivalents at end of year stood at ¥45.4 billion, down ¥7.6 billion from the end of the previous fiscal year.

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.

The revised Electric Utility Law came into effect on June 11, 2003. The new law provides for the expansion of high-voltage power retailing in stages. The Japanese government is assessing specific policies for full liberalization by April 2007.

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
March 31, 2003 and 2002

ASSETS	Millions of yen 2003	Millions of yen 2002	Thousands of U.S. dollars (Note 1) 2003
PROPERTY (Note 3):			
Plant and equipment	¥ 8,450,723	¥ 8,264,172	$70,305,516
Construction in progress	329,775	336,031	2,743,552
Total	8,780,498	8,600,203	73,049,068
Less—			
Contributions in aid of construction	117,975	115,057	981,489
Accumulated depreciation	5,139,250	4,889,352	42,755,824
Total	5,257,225	5,004,409	43,737,313
Net property	3,523,273	3,595,794	29,311,755
NUCLEAR FUEL	227,988	218,500	1,896,739
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 4)	83,353	114,032	693,453
Investments in and advances to non-consolidated subsidiaries and associated companies	53,252	48,150	443,028
Deferred tax assets (Note 8)	103,701	78,810	862,737
Other assets	20,738	26,673	172,529
Total investments and other assets	261,044	267,665	2,171,747
CURRENT ASSETS:			
Cash and cash equivalents	45,417	53,109	377,845
Receivables	90,645	96,500	754,118
Allowance for doubtful accounts	(1,280)	(1,283)	(10,649)
Inventories, principally fuel, at average cost	44,741	48,208	372,221
Deferred tax assets (Note 8)	9,713	8,054	80,807
Prepaid expenses and other	3,025	3,585	25,167
Total current assets	192,261	208,173	1,599,509
TOTAL	¥ 4,204,566	¥ 4,290,132	$34,979,750

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2003	2002	Thousands of U.S. dollars (Note 1) 2003
LONG-TERM LIABILITIES:			
Long-term debt, less current maturities (Note 5)	¥ 1,984,702	¥ 2,130,149	$16,511,664
Liability for employees' retirement benefits (Note 6)	180,325	176,247	1,500,208
Reserve for reprocessing of irradiated nuclear fuel	301,311	266,528	2,506,747
Reserve for decommissioning of nuclear power units	103,864	97,208	864,093
Other	8,201	6,127	68,228
Total long-term liabilities	2,578,403	2,676,259	21,450,940
CURRENT LIABILITIES:			
Current maturities of long-term debt (Note 5)	277,113	233,871	2,305,433
Short-term borrowings (Note 7)	208,935	278,635	1,738,228
Commercial paper	33,000	57,000	274,542
Notes and accounts payable (Note 12)	87,893	79,447	731,223
Accrued income taxes	33,831	12,052	281,456
Accrued expenses	78,698	77,935	654,726
Reserve for loss on discontinued operations (Note 2. l.)	8,805		73,253
Other	49,465	41,216	411,522
Total current liabilities	777,740	780,156	6,470,383
MINORITY INTERESTS	8,178	8,789	68,036
COMMITMENTS AND CONTINGENCIES (Note 14)			
SHAREHOLDERS' EQUITY (Note 9):			
Common stock, authorized, 1,000,000,000 shares; issued 474,183,951 shares in 2003 and 2002	237,305	237,305	1,974,251
Capital surplus	31,087	31,087	258,627
Retained earnings	556,955	519,000	4,633,569
Unrealized gain on available-for-sale securities	15,490	37,587	128,869
Treasury stock, at cost—486,831 shares in 2003 and 26,132 shares in 2002	(592)	(51)	(4,925)
Total shareholders' equity	840,245	824,928	6,990,391
TOTAL	¥ 4,204,566	¥ 4,290,132	$34,979,750

Consolidated Statements of Income

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Years Ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	**2003**
OPERATING REVENUES:			
Electric	**¥ 1,350,675**	¥ 1,381,440	**$11,236,897**
Other	**70,635**	76,626	**587,646**
Total operating revenues	**1,421,310**	1,458,066	**11,824,543**
OPERATING EXPENSES (Notes 10 and 13):			
Electric	**1,170,655**	1,184,382	**9,739,226**
Other	**70,641**	75,926	**587,696**
Total operating expenses	**1,241,296**	1,260,308	**10,326,922**
OPERATING INCOME	**180,014**	197,758	**1,497,621**
OTHER EXPENSES (INCOME):			
Interest charges	**77,897**	85,653	**648,062**
Gain on sales of investment securities	**(23,109)**		**(192,255)**
Loss on discontinued operations	**8,940**		**74,376**
Other—net	**13,923**	12,641	**115,832**
Total other expenses—net	**77,651**	98,294	**646,015**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**102,363**	99,464	**851,606**
INCOME TAXES (Note 8):			
Current	**52,440**	38,221	**436,273**
Deferred	**(14,023)**	1,587	**(116,664)**
Total income taxes	**38,417**	39,808	**319,609**
INCOME BEFORE MINORITY INTERESTS IN NET LOSS OF CONSOLIDATED SUBSIDIARIES	**63,946**	59,656	**531,997**
MINORITY INTERESTS IN NET LOSS OF CONSOLIDATED SUBSIDIARIES	**373**	1,464	**3,103**
NET INCOME	**¥ 64,319**	¥ 61,120	**$ 535,100**
	Yen		U.S. dollars
PER SHARE OF COMMON STOCK (Note 2. r.):			
Basic net income	**¥ 135.13**	¥ 128.90	**$1.12**
Cash dividends applicable to the year	**50.00**	60.00	**0.42**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Years Ended March 31, 2003 and 2002

	Thousands of shares/Millions of yen						
	Common stock				Unrealized gain on available-for-sale securities	Treasury stock	
	Shares	Amount	Capital surplus	Retained earnings		Shares	Amount
BALANCE AT APRIL 1, 2001	474,184	¥237,305	¥31,087	¥484,964	¥ 56,664	1	¥ (2)
Adjustment of retained earnings for newly consolidated subsidiaries				(116)			
Adjustment of retained earnings for change in scope of application of equity method				1,773			
Net income				61,120			
Cash dividends, ¥60 per share				(28,451)			
Bonuses to directors and corporate auditors				(290)			
Net increase in treasury stock						25	(49)
Net decrease in unrealized gain on available-for-sale securities					(19,077)		
BALANCE AT MARCH 31, 2002	474,184	237,305	31,087	519,000	37,587	26	(51)
Net income				**64,319**			
Cash dividends, ¥55 per share				**(26,077)**			
Bonuses to directors and corporate auditors				**(287)**			
Increase in treasury stock						**461**	**(541)**
Net decrease in unrealized gain on available-for-sale securities					**(22,097)**		
BALANCE AT MARCH 31, 2003	**474,184**	**¥237,305**	**¥31,087**	**¥556,955**	**¥ 15,490**	**487**	**¥(592)**

	Thousands of U.S. dollars (Note 1)				
	Common stock	Capital surplus	Retained earnings	Unrealized gain on available-for-sale securities	Treasury stock
BALANCE AT MARCH 31, 2002	$1,974,251	$258,627	$4,317,804	$ 312,704	$ (424)
Net income			**535,100**		
Cash dividends, $0.46 per share			**(216,947)**		
Bonuses to directors and corporate auditors			**(2,388)**		
Increase in treasury stock					**(4,501)**
Net decrease in unrealized gain on available-for-sale securities				**(183,835)**	
BALANCE AT MARCH 31, 2003	**$1,974,251**	**$258,627**	**$4,633,569**	**$ 128,869**	**$(4,925)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Years Ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	**2003**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 102,363**	¥ 99,464	**$ 851,606**
Adjustments for:			
Income taxes—paid	**(31,072)**	(56,647)	**(258,502)**
Depreciation and amortization	**301,649**	294,414	**2,509,559**
Provision for liability for employees' retirement benefits	**4,078**	3,090	**33,927**
Provision for reserve for reprocessing of irradiated nuclear fuel	**34,783**	37,047	**289,376**
Provision for reserve for decommissioning of nuclear power units	**6,656**	4,597	**55,374**
Loss on disposal of plant and equipment	**9,248**	9,993	**76,938**
Nuclear fuel transferred to reprocessing costs	**14,325**	2,900	**119,176**
Gain on sales of investment securities	**(23,109)**		**(192,255)**
Provision for reserve for loss on discontinued operations	**8,805**		**73,253**
Cash contribution for liquidation of an associated company		(3,746)	
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries:			
Decrease (increase) in trade receivables	**2,275**	(343)	**18,927**
Decrease (increase) in inventories	**3,467**	(1,563)	**28,844**
Decrease in trade payable	**(671)**	(7,047)	**(5,582)**
Decrease in interest payable	**(1,448)**	(2,115)	**(12,047)**
Other—net	**28,316**	10,503	**235,574**
Total adjustments	**357,302**	291,083	**2,972,562**
Net cash provided by operating activities	**459,665**	390,547	**3,824,168**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures including nuclear fuel	**(266,768)**	(328,546)	**(2,219,368)**
Payments for investments and advances	**(14,696)**	(17,812)	**(122,263)**
Proceeds from sales of investment securities and collections of advances	**28,871**	3,618	**240,192**
Proceeds from acquisition of additional interests of a subsidiary which caused initial consolidation, net of cash acquired (Note 11)		5,028	
Other—net	**8,114**	(1,030)	**67,504**
Net cash used in investing activities	**(244,479)**	(338,742)	**(2,033,935)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of bonds	**164,309**	159,223	**1,366,963**
Repayments of bonds and notes	**(181,418)**	(181,469)	**(1,509,301)**
Proceeds from long-term bank loans	**51,810**	83,655	**431,032**
Repayments of long-term bank loans	**(137,597)**	(138,427)	**(1,144,734)**
Net decrease in short-term borrowings	**(69,700)**	(18,950)	**(579,867)**
Net increase (decrease) in commercial paper	**(24,000)**	57,000	**(199,667)**
Cash dividends paid	**(26,070)**	(28,446)	**(216,889)**
Other—net	**(213)**	(166)	**(1,772)**
Net cash used in financing activities	**(222,879)**	(67,580)	**(1,854,235)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**1**		**8**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(7,692)**	(15,775)	**(63,994)**
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES AT BEGINNING OF YEAR		936	
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**53,109**	67,948	**441,839**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**¥ 45,417**	¥ 53,109	**$ 377,845**

See notes to consolidated financial statements.

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Years Ended March 31, 2003 and 2002

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 Financial Reporting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the financial statements issued domestically in order to present them in a form which 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 ¥120.20=US$1, the approximate exchange rate prevailing on March 31, 2003. 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 2002 to conform to classifications used in 2003.

2. Summary of Significant Accounting Policies

a. Consolidation and Application of the Equity Method—The consolidated financial statements include the accounts of the Company and its thirteen significant subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. Investments in six significant associated companies are accounted for by the equity method.

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

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

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

b. Property and Depreciation—Property is stated at cost. Contributions in aid of construction including those made by customers are deducted from the cost of the related assets.

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

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

d. Investment Securities—The accounting standard for financial instruments requires all applicable securities to be classified and accounted for, depending on management's intent, as follows: i) held-to-maturity debt securities are stated at cost with discounts or premiums amortized throughout the holding periods; ii) available-for-sale securities, which are not classified as the aforementioned securities and investment securities in non-consolidated subsidiaries and associated companies, are stated at market value; and securities without market value are stated at cost.

The Companies record unrealized gains or losses on available-for-sale securities, net of deferred taxes, in shareholders' equity presented as "Unrealized gain on available-for-sale securities."

For other than temporary declines in fair value, investments securities are written down to net realized value by a charge to income.

e. Investments in Non-Consolidated Subsidiaries and Associated Companies—Investments in non-consolidated subsidiaries and associated companies, except those of the six 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—Receivables and payables denominated in foreign currencies are translated into Japanese yen at the rates in effect at each balance sheet date.

h. Derivatives and Hedging Activities—The Company enters into 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 and Oita Liquefied Natural Gas Company Inc. ("Oita LNG"), a consolidated subsidiary of the Company, enter into interest swaps to hedge market risk from the changes in interest rates associated with floating rate liabilities.

The Company enters into weather derivatives to hedge fluctuation risk of electric operating revenues from the changes in summer temperature.

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

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

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

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

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

Under the accounting standard for employees' retirement benefits, 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 end of the fiscal year.

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. Reserve for Loss on Discontinued Operations—Provision is made for losses on withdrawal from the Personal Handyphone System ("PHS") business of Kyushu Telecommunication Network Co., Inc., a consolidated subsidiary of the Company. The amount is estimated based primarily on disposal of equipment.

m. Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

n. 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.

o. 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.

Neither provision nor reversal of the reserve was made for the years ended March 31, 2003 and 2002.

p. Bond Issuance Costs and Bond Discount Charges—Bond issuance costs are charged to income when paid or incurred. Bond discount charges are amortized over the term of the related bonds.

q. Treasury Stock—Effective April 1, 2002, the Company adopted a new accounting standard for treasury stock issued by the Accounting Standards Board of Japan ("ASB"). The standard requires that where an associated company holds a parent company's stock, a portion which is equivalent to the parent company's interest in such stock should be presented as treasury stock as a separate component of shareholders' equity and the carrying value of the investment in the associated company should be reduced by the same amount. Prior to April 1, 2002, no accounting treatment was required for a parent company's stock held by an associated company.

r. Net Income and Cash Dividends per Share—Prior to April 1, 2002, the basic earnings per share ("EPS") was computed by net income by the weighted-average number of common shares outstanding during the year. Effective April 1, 2002, the Company adopted a new accounting standard for earnings per share of common stock issued by ASB. Under the standard, basic EPS is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding during the year and diluted EPS reflects the potential dilution that could occur if securities were exercised or converted into common stock.

Basic EPS for the year ended March 31, 2002 computed in accordance with the new accounting standard is ¥128.36.

Diluted EPS is not disclosed for the years ended March 31, 2003 and 2002, because it is anti-dilutive.

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

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

t. Leases—All leases are accounted for as operating leases. Under Japanese accounting standard for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

3. Property

The major classes of property as of March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Original costs:			
Electric power production facilities:			
Hydroelectric power	¥ 542,211	¥ 535,508	$ 4,510,907
Thermal power	1,570,392	1,593,219	13,064,825
Nuclear power	1,509,746	1,506,789	12,560,283
Internal-combustion engine power	122,493	120,465	1,019,076
	3,744,842	3,755,981	31,155,091
Transmission facilities	1,481,559	1,412,726	12,325,782
Transformation facilities	903,378	850,637	7,515,624
Distribution facilities	1,290,002	1,274,589	10,732,130
General facilities	353,686	346,934	2,942,479
Other electricity-related facilities	28,806	5,782	239,651
Other plant and equipment	648,450	617,523	5,394,759
Construction in progress	329,775	336,031	2,743,552
Total	8,780,498	8,600,203	73,049,068
Less contributions in aid of construction	117,975	115,057	981,489
Less accumulated depreciation	5,139,250	4,889,352	42,755,824
Carrying value	¥ 3,523,273	¥ 3,595,794	$ 29,311,755

4. Investment Securities

The carrying amounts and aggregate fair values of investment securities at March 31, 2003 and 2002 were as follows:

	Millions of yen								Thousands of U.S. dollars			
	2003				2002				2003			
	Cost	Unrealized gains	Unrealized losses	Fair value	Cost	Unrealized gains	Unrealized losses	Fair value	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:												
Available-for-sale:												
Equity securities	**¥13,239**	**¥24,785**	**¥320**	**¥37,704**	¥16,954	¥59,777	¥700	¥76,031	**$110,141**	**$206,198**	**$2,662**	**$313,677**
Debt securities	**8**	**0**		**8**	9			9	**67**	**0**		**67**
Other securities	**38**		**14**	**24**	37		6	31	**316**		**116**	**200**
Held-to-maturity	**509**	**5**		**514**	509	6		515	**4,235**	**42**		**4,277**

Available-for-sale securities and held-to-maturity securities whose fair value were not readily determinable as of March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Available-for-sale:			
Equity securities	**¥40,457**	¥32,612	**$336,581**
Other securities	**1,751**	1,680	**14,567**
Held-to-maturity	**2,900**	3,160	**24,126**
Total	**¥45,108**	¥37,452	**$375,274**

5. Long-Term Debt

Long-term debt consisted of the following at March 31, 2003 and 2002:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Domestic bonds, 0.2% to 6.9%, due serially to 2023	**¥1,114,723**	¥1,065,922	**$ 9,273,902**
U.S. dollar bonds and notes, 6.375% to 7.25%, due 2004 to 2008	**76,290**	76,290	**634,692**
Swiss franc bonds, 4.0% to 4.25%, due 2003 to 2007	**29,513**	60,182	**245,532**
Deutsche mark bonds, 4.75%, due 2003		34,550	
Loans from The Development Bank of Japan, 0.95% to 7.4%, due serially to 2023	**415,035**	462,075	**3,452,871**
Loans, principally from banks and insurance companies, 0.25% to 5.7%, due serially to 2025			
Collateralized	**30,619**	39,975	**254,734**
Unsecured	**595,635**	625,026	**4,955,366**
Total	**2,261,815**	2,364,020	**18,817,097**
Less current maturities	**277,113**	233,871	**2,305,433**
Long-term debt, less current maturities	**¥1,984,702**	¥2,130,149	**$16,511,664**

The outstanding domestic bonds and Swiss franc bonds may be redeemed prior to maturity at the option of the Company, in whole or in part, at prices 100% of the principal amount for the domestic bonds and in whole at prices ranging from 100.25% to 100.75% of the principal amount for Swiss franc bonds.

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

Certain assets of the consolidated subsidiaries, amounting to ¥81,929 million ($681,606 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, 2003 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2004	¥ 277,113	$ 2,305,433
2005	175,684	1,461,597
2006	223,864	1,862,429
2007	229,675	1,910,774
2008	247,839	2,061,889
Thereafter	1,107,640	9,214,975
Total	¥2,261,815	$18,817,097

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.

The liability for employees' retirement benefits at March 31, 2003 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Projected benefit obligation	**¥ 523,593**	¥ 481,838	**$ 4,356,015**
Fair value of plan assets	**(231,079)**	(248,994)	**(1,922,454)**
Unrecognized actuarial loss	**(112,721)**	(56,811)	**(937,779)**
Unrecognized prior service cost	**532**	214	**4,426**
Net liability	**¥ 180,325**	¥ 176,247	**$ 1,500,208**

The components of net periodic benefit costs for the years ended March 31, 2003 and 2002 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Service cost	**¥15,632**	¥15,681	**$130,050**
Interest cost	**11,937**	11,719	**99,310**
Expected return on plan assets	**(640)**	(1,768)	**(5,324)**
Recognized actuarial loss	**13,270**	11,724	**110,399**
Amortization of prior service cost	**(146)**	(53)	**(1,215)**
Net periodic benefit costs	**¥40,053**	¥37,303	**$333,220**

Assumptions for actuarial computations for the years ended March 31, 2003 and 2002 are as follows:

	2003	2002
Discount rate	mainly 2.0%	2.5%
Expected rate of return on plan assets	mainly 0.0%	mainly 0.5%
Recognition period of actuarial gain/loss	mainly 5 years	mainly 5 years
Amortization period of prior service cost	5 years	5 years

7. Short-Term Borrowings

Short-term borrowings are generally represented by 365-day notes, bearing interest at rates ranging from 0.1% to 0.43% and from 0.15917% to 1.0% at March 31, 2003 and 2002, 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 2003 and 2002.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2003 and 2002 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Deferred tax assets:			
Pension and severance costs	¥ 54,427	¥ 48,389	$ 452,804
Depreciation	18,903	12,798	157,263
Tax loss carryforwards	11,959	6,539	99,493
Reserve for reprocessing of irradiated nuclear fuel	10,497	10,497	87,329
Reserve for decommissioning of nuclear power units	10,184	10,184	84,725
Unrealized profits arising from the elimination of intercompany transactions in consolidation	9,065	9,482	75,416
Other	23,612	24,574	196,439
Less valuation allowance	(12,710)	(8,711)	(105,740)
Deferred tax assets	¥ 125,937	¥ 113,752	$1,047,729
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ 8,867	¥ 21,414	$ 73,769
Reserve for depreciation of nuclear power production facilities under construction	2,109	4,219	17,546
Other	1,553	1,279	12,920
Deferred tax liabilities	¥ 12,529	¥ 26,912	$ 104,235
Net deferred tax assets	¥ 113,408	¥ 86,840	$ 943,494

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

	2002
Normal effective statutory tax rate	36.1%
Equity in earnings of associated companies	(0.2)
Valuation allowance	2.8
Expenses not deductible for income tax purposes	0.8
Other—net	0.5
Actual effective tax rate	40.0%

Such reconciliation for the year ended March 31, 2003 is not disclosed because the difference between the normal effective statutory tax rate and the actual effective tax rate is immaterial.

On March 31, 2003, a tax reform law concerning enterprise tax was enacted in Japan which changed the normal effective statutory tax rate applicable to consolidated subsidiaries effective for years beginning on or after April 1, 2004. The effect of this change was to decrease deferred tax assets by ¥138 million ($1,148 thousand) and to increase unrealized gain on available-for-sale securities by ¥11 million ($92 thousand) at March 31, 2003. And the effect on deferred taxes in the consolidated statements of income for the year ended March 31, 2003 was an increase of approximately ¥149 million ($1,240 thousand).

9. Shareholders' Equity

As described in Note 2. o., certain special reserves were included in retained earnings. Such reserves at March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Reserve for:			
Depreciation of nuclear power production facilities under construction	**¥ 7,467**	¥ 11,201	**$62,121**
Losses on overseas investments	**24**	25	**200**
Total	**¥ 7,491**	¥ 11,226	**$62,321**

Japanese companies are subject to the Code to which certain amendments became effective from October 1, 2001.

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The revised Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders' meeting and dispose of such treasury stock by resolution of the Board of Directors beginning April 1, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

The amount of retained earnings available for dividends under the Code was ¥454,118 million ($3,778,020 thousand) as of March 31, 2003, based on the amount recorded in the Company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

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

10. Research and Development Costs

Research and development costs charged to income were ¥10,953 million ($91,123 thousand) and ¥12,163 million for the years ended March 31, 2003 and 2002, respectively.

11. Additional Cash Flow Information

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

	Millions of yen
Assets acquired	¥ 121,710
Liabilities assumed	(106,624)
Minority interests in consolidated subsidiaries	(2,086)
Cost of acquisition of common stock of Kyushu Telecommunication Network Co., Inc.	13,000
Cash and cash equivalents held by Kyushu Telecommunication Network Co., Inc.	18,028
Cost of acquisition of common stock of Kyushu Telecommunication Network Co., Inc.	(13,000)
Net proceeds	¥ 5,028

12. Related Party Transactions

Significant transactions of the Company with an associated company for the years ended March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
KYUDENKO CORPORATION			
Transactions:			
Order for construction works of distribution facilities and other	**¥43,918**	¥48,937	**$365,374**
Balances at year ended:			
Payables for construction works	**5,757**	6,754	**47,895**

13. Leases

The Companies lease certain computer and other equipment. Total lease payments under finance lease arrangements were ¥8,426 million ($70,100 thousand) and ¥7,405 million for the years ended March 31, 2003 and 2002, 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, 2003 and 2002 were as follows:

	Millions of yen		
March 31, 2003	General facilities	Other	Total
Acquisition cost	**¥26,711**	**¥28,597**	**¥55,308**
Accumulated depreciation	**14,098**	**13,008**	**27,106**
Net leased equipment	**¥12,613**	**¥15,589**	**¥28,202**

	Thousands of U.S. dollars		
March 31, 2003	General facilities	Other	Total
Acquisition cost	**$222,221**	**$237,912**	**$460,133**
Accumulated depreciation	**117,288**	**108,219**	**225,507**
Net leased equipment	**$104,933**	**$129,693**	**$234,626**

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

Obligations under finance leases which included the imputed interest expense at March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Due within one year	**¥ 7,732**	¥ 7,372	**$ 64,326**
Due after one year	**20,470**	19,045	**170,300**
Total	**¥28,202**	¥26,417	**$234,626**

14. Commitments and Contingencies

At March 31, 2003, 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, 2003 were as follows:

	Millions of yen	Thousands of U.S. dollars
Co-guarantees of loans, mainly in connection with procurement of fuel	**¥114,192**	**$ 950,017**
Guarantees of employees' loans	**56,956**	**473,844**
Guarantees under debt assumption agreements	**192,440**	**1,600,998**
Other	**9,864**	**82,063**

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

15. Segment Information

Information by business segments for the years ended March 31, 2003 and 2002 is as follows:

a. Sales and Operating Income

	Millions of yen			
	March 31, 2003			
	Electric	Other	Eliminations/ Corporate	Consolidated
Sales to customers	**¥1,350,675**	**¥ 70,635**	**¥**	**¥1,421,310**
Intersegment sales	**2,400**	**122,222**	**(124,622)**	
Total sales	**1,353,075**	**192,857**	**(124,622)**	**1,421,310**
Operating expenses	**1,177,230**	**189,557**	**(125,491)**	**1,241,296**
Operating income	**¥ 175,845**	**¥ 3,300**	**¥ 869**	**¥ 180,014**

	Thousands of U.S. dollars			
	March 31, 2003			
	Electric	Other	Eliminations/ Corporate	Consolidated
Sales to customers	**$11,236,897**	**$ 587,646**	**$**	**$11,824,543**
Intersegment sales	**19,966**	**1,016,822**	**(1,036,788)**	
Total sales	**11,256,863**	**1,604,468**	**(1,036,788)**	**11,824,543**
Operating expenses	**9,793,927**	**1,577,013**	**(1,044,018)**	**10,326,922**
Operating income	**$ 1,462,936**	**$ 27,455**	**$ 7,230**	**$ 1,497,621**

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

b. Total Assets, Depreciation and Capital Expenditures

	Millions of yen			
	March 31, 2003			
	Electric	Other	Eliminations/ Corporate	Consolidated
Total assets	**¥3,854,656**	**¥450,074**	**¥(100,164)**	**¥4,204,566**
Depreciation	**273,045**	**31,819**	**(3,215)**	**301,649**
Capital expenditures	**235,901**	**25,505**	**(5,366)**	**256,040**

	Thousands of U.S. dollars			
	March 31, 2003			
	Electric	Other	Eliminations/ Corporate	Consolidated
Total assets	**$32,068,685**	**$3,744,376**	**$(833,311)**	**$34,979,750**
Depreciation	**2,271,589**	**264,717**	**(26,747)**	**2,509,559**
Capital expenditures	**1,962,570**	**212,188**	**(44,642)**	**2,130,116**

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

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

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

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

16. Subsequent Events

At the general shareholders' meeting held on June 27, 2003, the Company's shareholders approved the following appropriations of retained earnings as of March 31, 2003, and the purchase of treasury stock:

a. Appropriations of Retained Earnings

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥25.00 ($0.21) per share	**¥11,850**	**$98,586**
Bonuses to directors and corporate auditors	**140**	**1,165**

b. Purchase of Treasury Stock

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

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

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

Deloitte Touche Tohmatsu

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Kyushu Electric Power Company, Incorporated and consolidated subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kyushu Electric Power Company, Incorporated and consolidated subsidiaries as of March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

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

Deloitte Touche Tohmatsu

June 27, 2003

Kyushu Electric Power Company, Incorporated
March 31, 2003 and 2002

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	**2003**
PROPERTY (Note 3):			
Plant and equipment	**¥7,953,809**	¥7,782,271	**$66,171,456**
Construction in progress	**329,098**	333,276	**2,737,920**
Total	**8,282,907**	8,115,547	**68,909,376**
Less—			
Contributions in aid of construction	**114,414**	111,492	**951,863**
Accumulated depreciation	**4,909,186**	4,682,005	**40,841,814**
Total	**5,023,600**	4,793,497	**41,793,677**
Net property	**3,259,307**	3,322,050	**27,115,699**
NUCLEAR FUEL	**227,988**	218,500	**1,896,739**
INVESTMENTS AND OTHER ASSETS:			
Investment securities	**80,307**	110,682	**668,111**
Investments in and advances to subsidiaries and associated companies (Note 4)	**113,508**	105,382	**944,326**
Deferred tax assets (Note 8)	**88,610**	64,252	**737,188**
Other assets	**15,585**	16,746	**129,659**
Total investments and other assets	**298,010**	297,062	**2,479,284**
CURRENT ASSETS:			
Cash and cash equivalents	**32,145**	33,354	**267,429**
Receivables	**76,784**	79,377	**638,802**
Allowance for doubtful accounts	**(1,157)**	(1,130)	**(9,626)**
Fuel and supplies, at average cost	**26,875**	27,343	**223,586**
Deferred tax assets (Note 8)	**8,166**	6,487	**67,937**
Prepaid expenses and other	**1,824**	1,697	**15,175**
Total current assets	**144,637**	147,128	**1,203,303**
TOTAL	**¥3,929,942**	¥3,984,740	**$32,695,025**

See notes to non-consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	2003
LONG-TERM LIABILITIES:			
Long-term debt, less current maturities (Note 5)	¥1,854,130	¥1,971,185	$15,425,374
Liability for employees' retirement benefits (Note 6)	165,051	161,269	1,373,137
Reserve for reprocessing of irradiated nuclear fuel	301,311	266,528	2,506,747
Reserve for decommissioning nuclear power units	103,864	97,208	864,093
Other	4,220	3,044	35,108
Total long-term liabilities	2,428,576	2,499,234	20,204,459
CURRENT LIABILITIES:			
Current maturities of long-term debt (Note 5)	245,761	202,086	2,044,601
Short-term borrowings (Note 7)	199,300	258,455	1,658,070
Commercial paper	33,000	57,000	274,542
Accounts payable	72,354	57,843	601,947
Accrued income taxes	32,525	10,300	270,591
Accrued expenses	83,694	83,564	696,290
Other	37,808	33,305	314,542
Total current liabilities	704,442	702,553	5,860,583
COMMITMENTS AND CONTINGENCIES (Note 12)			
SHAREHOLDERS' EQUITY (Note 9):			
Common stock, authorized, 1,000,000,000 shares; issued, 474,183,951 shares in 2003 and 2002	237,305	237,305	1,974,251
Capital surplus:			
Additional paid-in capital	31,087	31,087	258,627
Retained earnings:			
Legal reserve	59,326	59,326	493,561
Unappropriated	454,460	418,131	3,780,865
Unrealized gain on available-for-sale securities	15,087	37,155	125,516
Treasury stock—at cost, 197,942 shares in 2003 and 26,132 shares in 2002	(341)	(51)	(2,837)
Total shareholders' equity	796,924	782,953	6,629,983
TOTAL	¥3,929,942	¥3,984,740	$32,695,025

Kyushu Electric Power Company, Incorporated
Years Ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	**2003**
OPERATING REVENUES			
Electric	**¥1,353,075**	¥1,384,502	**$11,256,863**
Other	**5,533**	4,332	**46,032**
Total operating revenues	**1,358,608**	1,388,834	**11,302,895**
OPERATING EXPENSES (Notes 10 and 11):			
Electric:			
Personnel	**190,908**	186,870	**1,588,253**
Fuel	**137,953**	150,959	**1,147,696**
Purchased power	**104,682**	98,034	**870,898**
Depreciation	**247,876**	244,946	**2,062,196**
Maintenance	**158,851**	177,962	**1,321,556**
Reprocessing costs of irradiated nuclear fuel	**49,763**	39,529	**414,002**
Decommissioning costs of nuclear power units	**6,656**	4,597	**55,374**
Disposal cost of high-level radioactive waste (Note 2. k.)	**8,075**	7,640	**67,180**
Disposition of property	**13,883**	20,165	**115,499**
Taxes other than income taxes	**94,226**	93,236	**783,910**
Subcontract fee	**60,215**	58,638	**500,957**
Rent	**36,159**	37,051	**300,824**
Other	**67,983**	72,908	**565,582**
Total	**1,177,230**	1,192,535	**9,793,927**
Other	**8,276**	5,011	**68,852**
Total operating expenses	**1,185,506**	1,197,546	**9,862,779**
OPERATING INCOME	**173,102**	191,288	**1,440,116**
OTHER EXPENSES (INCOME):			
Interest charges	**73,622**	81,500	**612,496**
Gain on sales of investment securities	**(23,109)**		**(192,255)**
Loss on devaluation of investments in subsidiaries and associated companies	**15,425**		**128,328**
Other—net	**8,688**	7,554	**72,279**
Total other expenses—net	**74,626**	89,054	**620,848**
INCOME BEFORE INCOME TAXES	**98,476**	102,234	**819,268**
INCOME TAXES (Note 8):			
Current	**49,501**	34,691	**411,822**
Deferred	**(13,571)**	2,391	**(112,903)**
Total income taxes	**35,930**	37,082	**298,919**
NET INCOME	**¥ 62,546**	¥ 65,152	**$ 520,349**
	Yen		U.S. dollars
PER SHARE OF COMMON STOCK (Note 2. p.):			
Basic net income	**¥131.64**	¥137.40	**$1.10**
Cash dividends applicable to the year	**50.00**	60.00	**0.42**

See notes to non-consolidated financial statements.

Kyushu Electric Power Company, Incorporated
Years Ended March 31, 2003 and 2002

	Thousands of shares/Millions of yen							
	Common stock		Capital surplus	Retained earnings		Unrealized gain on available-for-sale securities	Treasury stock	
	Shares	Amount	Additional paid-in capital	Legal reserve	Unappropriated		Shares	Amount
BALANCE AT APRIL 1, 2001	474,184	¥237,305	¥31,087	¥59,326	¥381,570	¥ 56,382		
Net income					65,152			
Cash dividends, ¥60 per share					(28,451)			
Bonuses to directors and corporate auditors					(140)			
Net increase in treasury stock							26	¥ (51)
Net decrease in unrealized gain on available-for-sale securities						(19,227)		
BALANCE AT MARCH 31, 2002	474,184	237,305	31,087	59,326	418,131	37,155	26	(51)
Net income					**62,546**			
Cash dividends, ¥55 per share					**(26,077)**			
Bonuses to directors and corporate auditors					**(140)**			
Increase in treasury stock							**172**	**(290)**
Net decrease in unrealized gain on available-for-sale securities						**(22,068)**		
BALANCE AT MARCH 31, 2003	**474,184**	**¥237,305**	**¥31,087**	**¥59,326**	**¥454,460**	**¥ 15,087**	**198**	**¥(341)**

	Thousands of U.S. dollars (Note 1)					
		Capital surplus	Retained earnings		Unrealized gain on available-for-sale securities	
	Common stock	Additional paid-in capital	Legal reserve	Unappropriated		Treasury stock
BALANCE AT MARCH 31, 2002	$1,974,251	$258,627	$493,561	$3,478,628	$ 309,110	$ (424)
Net income				**520,349**		
Cash dividends, $0.46 per share				**(216,947)**		
Bonuses to directors and corporate auditors				**(1,165)**		
Increase in treasury stock						**(2,413)**
Net decrease in unrealized gain on available-for-sale securities					**(183,594)**	
BALANCE AT MARCH 31, 2003	**$1,974,251**	**$258,627**	**$493,561**	**$3,780,865**	**$ 125,516**	**$(2,837)**

See notes to non-consolidated financial statements.

Kyushu Electric Power Company, Incorporated
Years Ended March 31, 2003 and 2002

1. Basis of Presenting Non-Consolidated Financial Statements

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

As consolidated statements of cash flows and certain disclosures are presented in the consolidated financial statements of the Company, non-consolidated statements of cash flows and certain disclosures are not presented herein in accordance with accounting procedures generally accepted in Japan.

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 which 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 ¥120.20=US$1, the approximate exchange rate prevailing on March 31, 2003. 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 2002 to conform to classifications used in 2003.

2. Summary of Significant Accounting Policies

a. Property and Depreciation—Property is stated at cost. Contributions in aid of construction including those made by customers are deducted from the cost of the related assets.

Depreciation is 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—The accounting standard for financial instruments requires all applicable securities to be classified and accounted for, depending on management's intent, as follows:
i) held-to-maturity debt securities are stated at cost with discounts or premiums amortized throughout the holding periods;
ii) available-for-sale securities, which are not classified as the aforementioned securities and investment securities in subsidiaries and associated companies, are stated at market value; and securities without market value are stated at cost.

The Company records unrealized gains or losses on available-for-sale securities, net of deferred taxes, in shareholders' equity presented as "Unrealized gain on available-for-sale securities."

For other than temporary declines in fair value, investment securities are written down to net realized value by a charge to income.

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

e. Cash Equivalents—Cash equivalents are certain short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, which mature or become due within three months of the date of acquisition.

f. Foreign Currency Transactions—Receivables and payables denominated in foreign currencies are translated into Japanese yen at the rates in effect at each balance sheet date.

g. Derivatives and Hedging Activities—The Company enters into 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 enters into interest swaps to hedge market risk from the changes in interest rates associated with floating rate liabilities.

The Company enters into weather derivatives to hedge fluctuation risk of electric operating revenues from the changes in summer temperature.

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

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

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

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

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

Under the accounting standard for employees' retirement benefits, 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 end of the fiscal year.

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—The provision for income taxes is computed based on the pretax income included in the non-consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

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

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

A reserve for fluctuations in water level is recorded when the volume of water for generating hydroelectric power is abundant and available for future power generation, and reversed in years when there is an insufficient volume of water, in accordance with the Japanese Electric Utility Law and related accounting regulations. Under the law and regulations, this reserve must be shown as a liability.

Neither provision nor reversal of the reserve was made for the years ended March 31, 2003 and 2002.

n. Operating Revenues and Expenses—Prior to April 1, 2002, revenues, expenses and interest expense related to incidental businesses (heat supply business, fiber optic cable core rental, supplying LNG and other) were included in "Other—net," an item of "OTHER EXPENSES (INCOME)."

Effective April 1, 2002, in accordance with a recent revision to the accounting rules for electric utility companies, the related revenues to these incidental businesses are stated in "OPERATING REVENUES" as "Other," the related expenses are stated in "OPERATING EXPENSES" as "Other," and the related interest expense is included in "Interest charges."

Reclassifications have been made in the non-consolidated statements of income for the year ended March 31, 2002 to conform to the aforementioned classification used in 2003.

o. Bond Issuance Costs and Bond Discount Charges—Bond issuance costs are charged to income when paid or incurred. Bond discount charges are amortized over the term of the related bonds.

p. Net Income and Cash Dividends per Share—Prior to April 1, 2002, the basic earnings per share ("EPS") was computed by net income by the weighted-average number of common shares outstanding during the year. Effective April 1, 2002, the Company adopted a new accounting standard for earning per share of common stock issued by the Accounting Standards Board of Japan. Under the standard, basic EPS is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding during the year and diluted EPS reflects the potential dilution that could occur if securities were exercised or converted into common stock.

Basic EPS for the year ended March 31, 2002 computed in accordance with the new accounting standard is ¥137.11.

Diluted EPS is not disclosed for the years ended March 31, 2003 and 2002, because it is anti-dilutive.

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

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

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

3. Property

The major classes of property as of March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Original costs:			
Electric power production facilities:			
Hydroelectric power	**¥ 543,591**	¥ 536,832	**$ 4,522,388**
Thermal power	**1,583,230**	1,606,239	**13,171,631**
Nuclear power	**1,519,776**	1,517,017	**12,643,727**
Internal-combustion engine power	**124,872**	122,865	**1,038,868**
	3,771,469	3,782,953	**31,376,614**
Transmission facilities	**1,488,760**	1,418,972	**12,385,691**
Transformation facilities	**917,368**	864,361	**7,632,013**
Distribution facilities	**1,327,900**	1,310,589	**11,047,421**
General facilities	**364,038**	357,243	**3,028,602**
Other electricity-related facilities	**28,806**	5,782	**239,651**
Other plant and equipment	**55,468**	42,371	**461,464**
Construction in progress	**329,098**	333,276	**2,737,920**
Total	**8,282,907**	8,115,547	**68,909,376**
Less contributions in aid of construction	**114,414**	111,492	**951,863**
Less accumulated depreciation	**4,909,186**	4,682,005	**40,841,814**
Carrying value	**¥ 3,259,307**	¥ 3,322,050	**$ 27,115,699**

4. Investments in Subsidiaries and Associated Companies

The carrying amounts and aggregate fair values of investments in subsidiaries and associated companies whose market values were available at March 31, 2003 and 2002 were as follows:

	Millions of yen						Thousands of U.S. dollars		
	2003			2002			**2003**		
	Carrying amount	Fair value	Unrealized gain	Carrying amount	Fair value	Unrealized gain	Carrying amount	Fair value	Unrealized gain
Associated company	**¥4,303**	**¥8,940**	**¥4,637**	¥2,766	¥7,898	¥5,132	**$35,799**	**$74,376**	**$38,577**

5. Long-Term Debt

Long-term debt consisted of the following at March 31, 2003 and 2002:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Domestic bonds, 0.2% to 6.9%, due serially to 2023	**¥1,115,173**	¥1,066,373	**$ 9,277,646**
U.S. dollar bonds and notes, 6.375% to 7.25%, due 2004 to 2008	**76,290**	76,290	**634,692**
Swiss franc bonds, 4.0% to 4.25%, due 2003 to 2007	**29,513**	60,182	**245,532**
Deutsche mark bonds, 4.75%, due 2003	**—**	34,550	**—**
Loans from The Development Bank of Japan, 0.95% to 6.9%, due serially to 2023	**348,455**	388,425	**2,898,960**
Unsecured loans, principally from banks and insurance companies, 0.25% to 5.7%, due serially to 2021	**530,460**	547,451	**4,413,145**
Total	**2,099,891**	2,173,271	**17,469,975**
Less current maturities	**245,761**	202,086	**2,044,601**
Long-term debt, less current maturities	**¥1,854,130**	¥1,971,185	**$15,425,374**

The outstanding domestic bonds and Swiss franc bonds may be redeemed prior to maturity at the option of the Company, in whole or in part, at prices 100% of the principal amount for the domestic bonds and in whole at prices ranging from 100.25% to 100.75% of the principal amount for Swiss franc bonds.

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

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

The annual maturities of long-term debt outstanding at March 31, 2003 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2004	¥ 245,761	$ 2,044,601
2005	148,037	1,231,589
2006	199,451	1,659,326
2007	201,851	1,679,293
2008	234,095	1,947,546
Thereafter	1,070,696	8,907,620
Total	¥2,099,891	$17,469,975

6. Severance Payments and Pension Plans

Employees terminating their employment with the Company, either voluntarily or upon reaching mandatory retirement age, are entitled, under most circumstances, to severance payments based on their rate of pay at the time of termination, length of service and certain other factors. If the termination is made voluntarily at one of a number of specified ages, the employee is entitled to certain additional payments.

Additionally, the Company has a contributory funded defined benefit pension plan covering substantially all of its employees. In general, eligible employees retiring at the mandatory retirement age receive pension payments for the remainder of their lives. Eligible employees retiring after at least 20 years of service but before the mandatory retirement age, receive a lump-sum payment upon retirement and annuities for a period of 10 years.

7. Short-Term Borrowings

Short-term borrowings are generally represented by 365-day notes, bearing interest at rates ranging from 0.15917% to 0.34667% and from 0.15917% to 0.3875% at March 31, 2003 and 2002, respectively.

8. 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 2003 and 2002.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2003 and 2002 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Deferred tax assets:			
Pension and severance costs	¥ 49,725	¥44,135	$413,686
Depreciation	16,666	11,553	138,652
Reserve for reprocessing of irradiated nuclear fuel	10,497	10,497	87,329
Reserve for decommissioning of nuclear power units	10,184	10,184	84,725
Deferred charges	6,112	9,438	50,849
Other	14,261	10,168	118,644
Deferred tax assets	¥107,445	¥95,975	$893,885
Deferred tax liabilities			
Unrealized gain on available-for-sale securities	¥ 8,524	¥20,990	$ 70,915
Reserve for depreciation of nuclear power production facilities under construction	2,109	4,219	17,546
Other	36	27	299
Deferred tax liabilities	¥ 10,669	¥25,236	$ 88,760
Net deferred tax assets	¥ 96,776	¥70,739	$805,125

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2003 and 2002 and the actual effective tax rate reflected in the accompanying non-consolidated statements of income is not disclosed because the difference between those rates is immaterial.

9. Shareholders' Equity

As described in Note 2. m., certain special reserves were included in unappropriated (a component of retained earnings). Such reserves at March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Reserve for:			
Depreciation of nuclear power production facilities under construction	¥7,467	¥11,201	$62,121
Losses on overseas investments	24	25	200
Total	¥7,491	¥11,226	$62,321

Japanese companies are subject to the Code to which certain amendments became effective from October 1, 2001.

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital. The Code permits companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The revised Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve until such reserve and additional paid-in capital equals 25% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders meeting and dispose of such treasury stock by resolution of the Board of Directors beginning April 1, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

The amount of retained earnings available for dividends under the Code was ¥454,118 million ($3,778,020 thousand) as of March 31, 2003, based on the amount recorded in the Company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

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

10. Research and Development Costs

Research and development costs charged to income were ¥10,180 million ($84,692 thousand) and ¥11,273 million for the years ended March 31, 2003 and 2002, respectively.

11. Leases

The Company leases certain computer and other equipment. Total lease payments under finance lease arrangements were ¥6,079 million ($50,574 thousand) and ¥6,240 million for the years ended March 31, 2003 and 2002, 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, 2003 and 2002 were as follows:

	Millions of yen		
March 31, 2003	General facilities	Other	Total
Acquisition cost	¥34,126	¥1,736	¥35,862
Accumulated depreciation	18,656	734	19,390
Net leased equipment	¥15,470	¥1,002	¥16,472

	Thousands of U.S. dollars		
March 31, 2003	General facilities	Other	Total
Acquisition cost	$283,910	$14,443	$298,353
Accumulated depreciation	155,208	6,107	161,315
Net leased equipment	$128,702	$ 8,336	$137,038

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

Obligations under finance leases which included the imputed interest expense at March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Due within one year	¥ 5,155	¥ 5,801	$ 42,887
Due after one year	11,317	13,867	94,151
Total	¥16,472	¥19,668	$137,038

12. Commitments and Contingencies

At March 31, 2003, 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, 2003 were as follows:

	Millions of yen	Thousands of U.S. dollars
Co-guarantees of loans, mainly in connection with procurement of fuel	¥114,192	$ 950,017
Guarantees of employees' housing loans	56,864	473,078
Guarantees under debt assumption agreements	192,440	1,600,998
Other	10,624	88,386

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

13. Subsequent Events

At the general shareholders' meeting held on June 27, 2003, the Company's shareholders approved the following appropriations of retained earnings as of March 31, 2003, and the purchase of treasury stock:

a. Appropriations of Retained Earnings

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥25.00 ($0.21) per share	¥11,850	$98,586
Bonuses to directors and corporate auditors	140	1,165

b. Purchase of Treasury Stock

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

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

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

Deloitte
Touche
Tohmatsu

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying non-consolidated balance sheets of Kyushu Electric Power Company, Incorporated as of March 31, 2003 and 2002, and the related non-consolidated statements of income and shareholders' equity for the years then ended, all expressed in Japanese yen. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kyushu Electric Power Company, Incorporated as of March 31, 2003 and 2002, and the results of its operations for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

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

Deloitte Touche Tohmatsu

June 27, 2003

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)
	2003	2002	2001	2000	1999	1998	**2003**
For the year:							
Operating revenues	**¥1,358,608**	¥1,388,834	¥1,411,500	¥1,393,650	¥1,389,306	¥1,410,921	**$11,302,895**
Residential (lighting)	**565,499**	567,230	570,045	564,029	561,808	562,675	**4,704,650**
Commercial and industrial	**744,986**	761,498	777,747	768,596	776,828	815,263	**6,197,887**
Other	**48,123**	60,106	63,708	61,025	50,670	32,983	**400,358**
Operating expenses	**1,185,506**	1,197,546	1,207,968	1,219,369	1,226,308	1,213,446	**9,862,779**
Personnel	**190,908**	186,870	203,897	214,311	219,815	187,491	**1,588,253**
Fuel	**137,953**	150,959	146,097	122,886	123,499	129,631	**1,147,696**
Purchased power	**104,682**	98,034	94,098	93,725	89,423	87,685	**870,898**
Depreciation	**247,876**	244,946	263,043	278,897	290,068	312,497	**2,062,196**
Maintenance	**158,851**	177,962	173,521	183,902	181,616	187,860	**1,321,556**
Reprocessing costs of irradiated nuclear fuel	**49,763**	39,529	22,510	41,070	28,618	19,457	**414,002**
Decommissioning costs of nuclear power units	**6,656**	4,597	6,898	6,304	5,886	5,513	**55,374**
Disposal cost of high-level radioactive waste	**8,075**	7,640	11,411				**67,180**
Disposition of property	**13,883**	20,165	21,465	18,582	16,701	17,047	**115,499**
Taxes other than income taxes	**94,226**	93,236	94,448	94,842	97,039	94,787	**783,910**
Subcontract fee	**60,215**	58,638	64,457	61,364	67,190	67,813	**500,957**
Rent	**36,159**	37,051	36,168	35,249	35,340	33,458	**300,824**
Other	**76,259**	77,919	69,955	68,237	71,113	70,207	**634,434**
Interest charges	**73,622**	81,500	87,724	104,426	109,039	131,791	**612,496**
Income before income taxes	**98,476**	102,234	94,075	36,084	53,509	65,735	**819,268**
Net income	**62,546**	65,152	60,140	22,986	23,434	30,702	**520,349**
Per share of common stock (yen and U.S. dollars):							
Net income:							
Basic	**¥ 131.64**	¥ 137.40	¥ 126.83	¥ 48.47	¥ 49.42	¥ 64.75	**$ 1.10**
Diluted			125.63	48.32	49.21	64.30	
Cash dividends applicable to the year	**50.00**	60.00	60.00	50.00	50.00	50.00	**0.42**
At year-end:							
Total assets	**¥3,929,942**	¥3,984,740	¥4,006,257	¥3,959,244	¥3,948,892	¥3,994,351	**$32,695,025**
Net property	**3,259,307**	3,322,050	3,339,874	3,396,462	3,453,364	3,523,684	**27,115,699**
Long-term debt, less current maturities	**1,854,130**	1,971,185	2,016,036	2,078,459	2,203,865	2,301,914	**15,425,374**
Total shareholders' equity	**796,924**	782,953	765,670	675,368	618,024	618,439	**6,629,983**
Number of employees	**13,964**	14,191	14,348	14,428	14,445	14,609	

Note: All dollar figures herein refer to U.S. currency. Japanese yen amounts have been translated, for convenience only, at the rate of ¥120.20=US$1, the approximate exchange rate prevailing on March 31, 2003.

Organization

- General Meeting of Stockholders
  - Board of Directors
    - Chairman / President / Executive Vice-Presidents / Managing Directors / Directors
      - Board of Managing Directors
      - Nuclear Power Generation Division
        - Nuclear Power Operation Dept.
          - Nuclear Power Stations
        - Nuclear Power Projects Dept.
      - Thermal Power Generation Division
        - Thermal Power Dept.
          - Thermal Power Stations
          - Geothermal Power Stations
      - Transmission and System Operation Division
        - Power System Engineering Dept.
        - Power System Operation Dept.
        - Transmission and Substation Construction Office
      - Customer Services Division
        - Marketing Dept.
        - Energy Solutions Dept.
        - Distribution Dept.
      - Business Development Division
        - Business Development Dept.
        - Overseas Business Dept.
      - Survey Office
      - Construction Office (Power Plants)
      - Branch Offices
        - Customer Service Offices
        - Power System Maintenance Offices
      - Tokyo Branch Office
      - Information and Communications Division
        - Information and Communications Business Dept.
        - Information Systems Dept.
        - Telecommunications Dept.
      - Plant Siting and Environmental Affairs Headquarters
        - Corporate Planning Office
        - Management Administration Office
        - Secretary Sec.
        - Power Plant Siting Affairs Dept.
        - Facilities Siting Dept.
        - Environmental Affairs Dept.
        - Public Relations Dept.
        - General Affairs Dept.
        - Human Resources Dept.
        - Accounting and Finance Dept.
        - Materials and Fuels Dept.
        - Civil Engineering Dept.
        - Research Laboratory
  - Board of Corporate Auditors / Corporate Auditors
    - Corporate Auditors' Office

(As of July 1, 2003)

Chairman
Michisada Kamata

President
Shingo Matsuo

Executive Vice-Presidents
Hidemi Ashizuka
Hiroaki Okui
Shigehiko Matsumoto
Mitsuaki Sato

Managing Directors
Kowashi Imamura
Kiyohiko Matsushita
Kouichi Hashida
Yukio Tanaka
Taku Ishii
Takahiro Higuchi
Kyouichi Hiratsuka

Directors
Morimasa Takeda
Tokihisa Ichinose
Tomokazu Odahara
Keiji Mizuguchi

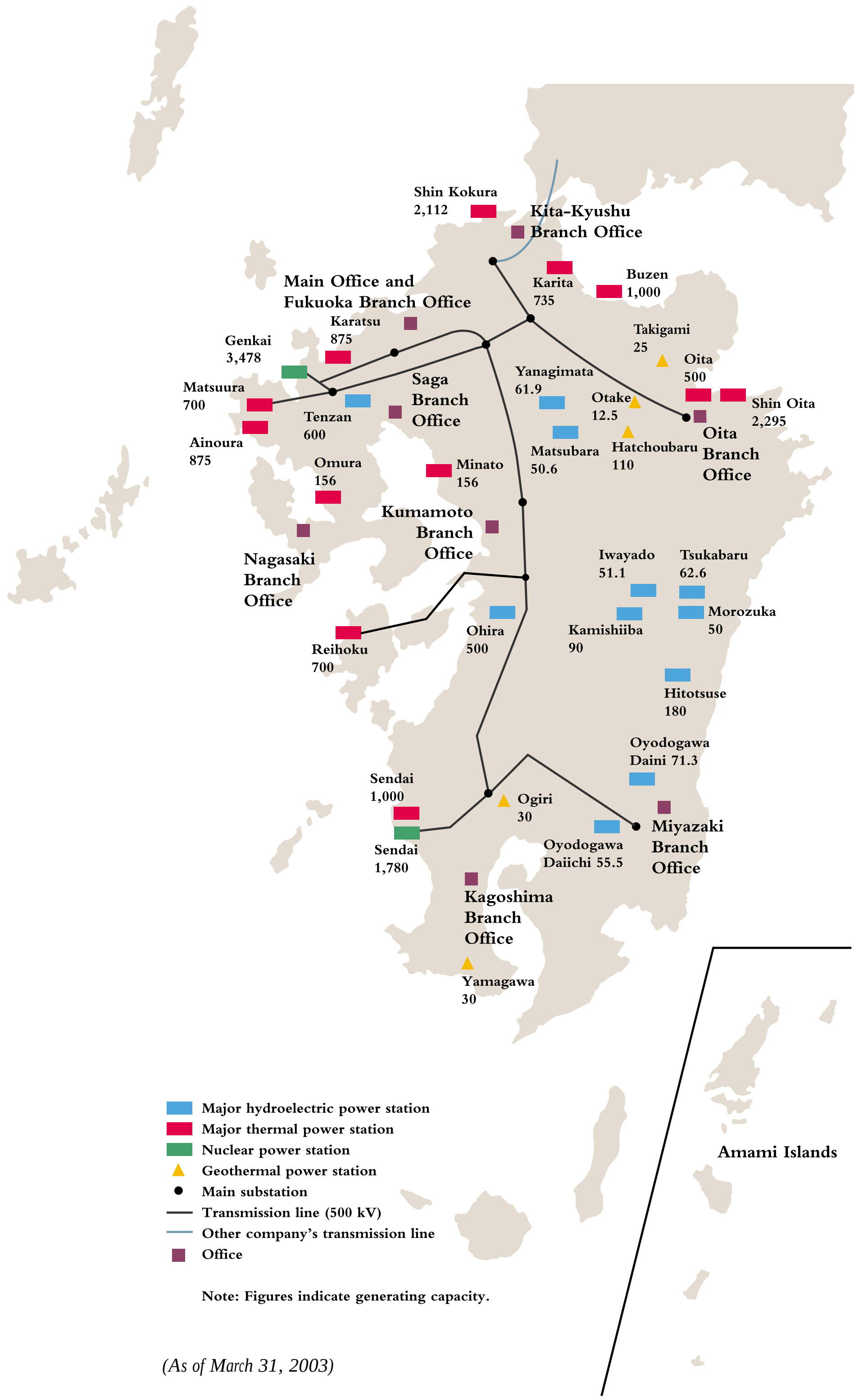
Corporate Auditors
Noriyuki Ueda
Takeshi Koga
Hajime Sankoda
Yoshihiro Tomizawa
Kiyoko Nishimura
Kimiya Nakazato

(As of July 1, 2003)

Head Office	1-82, Watanabe-dori 2-chome, Chuo-ku, Fukuoka 810-8720, Japan Tel: (092) 761-3031 http://www.kyuden.co.jp
Tokyo Branch Office	7-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo 100-0006, Japan Tel: (03) 3281-4931
Date of Establishment	May 1, 1951
Paid-in Capital	¥237,304,863,699
Number of Shares Authorized	1,000,000,000
Number of Shares Issued	474,183,951
Number of Employees	13,964

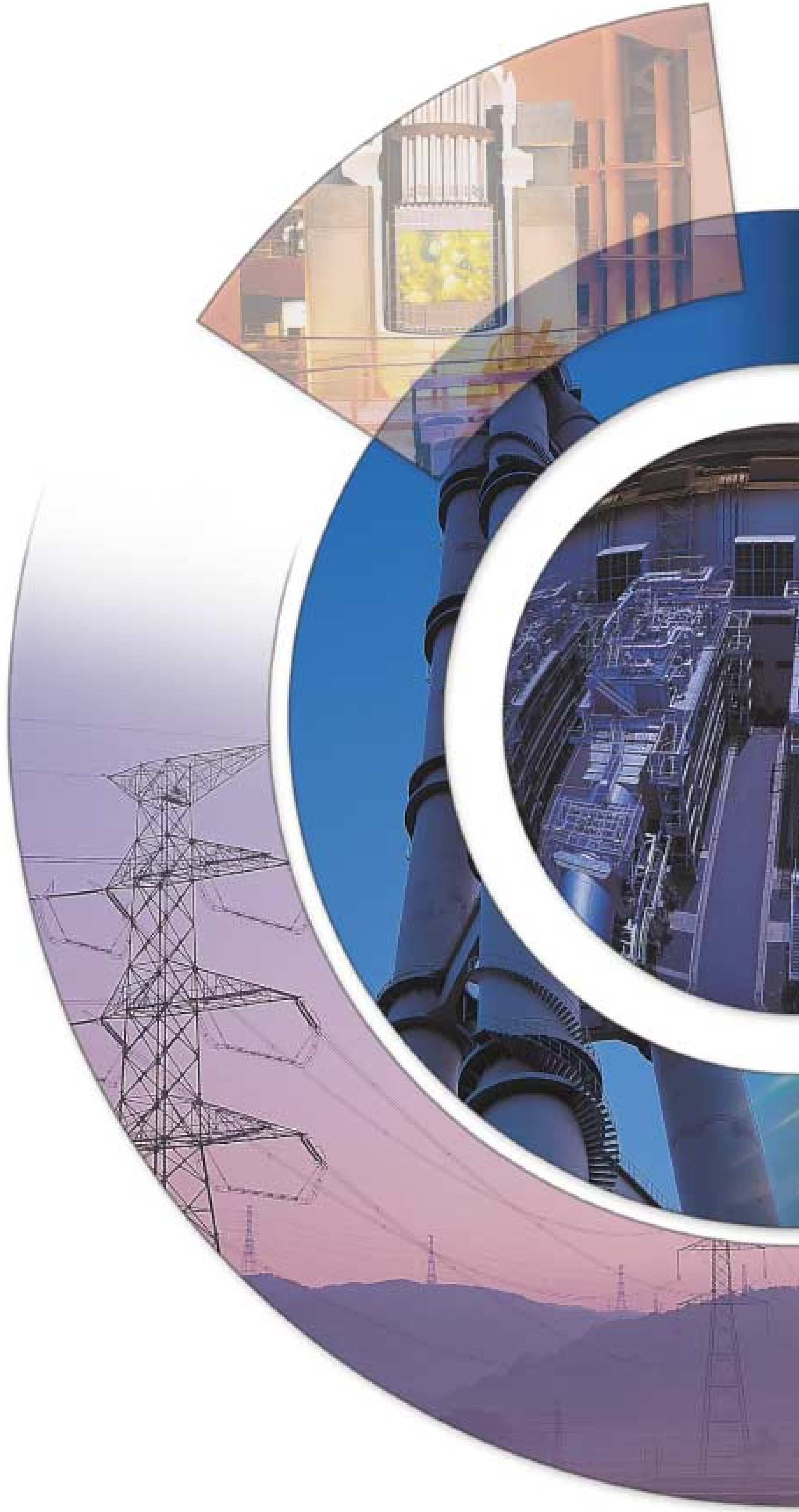
(As of March 31, 2003)

Main Facilities



(As of March 31, 2003)

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



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