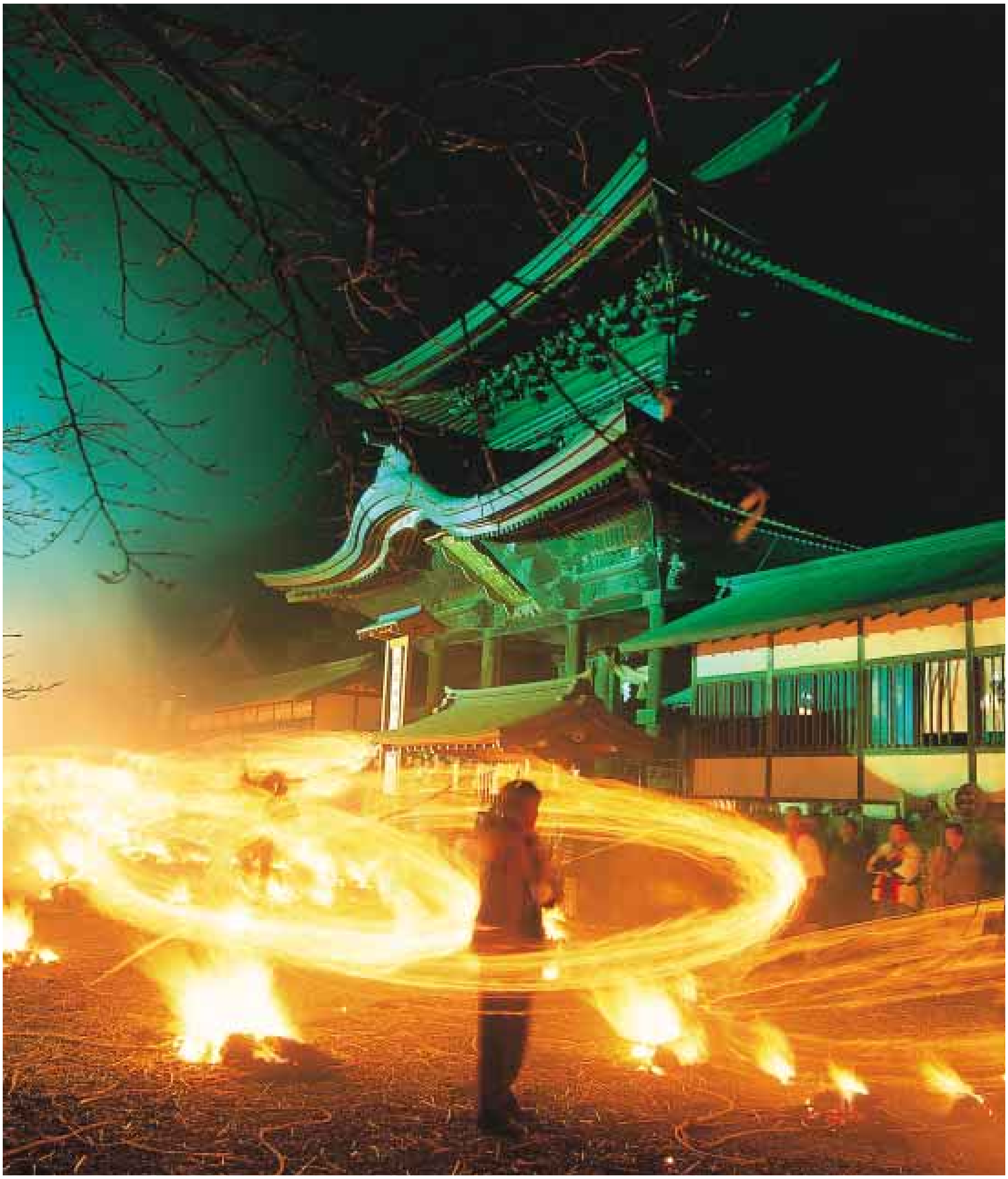
Kyushu Electric Power Company, Incorporated

Annual Report 2004

For the year ended March 31, 2004



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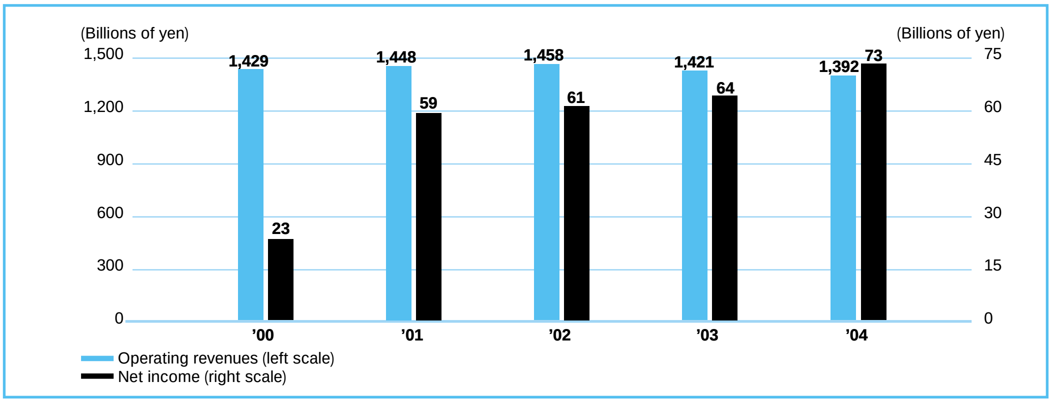
Consolidated Financial Highlights

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Years Ended March 31, 2004, 2003 and 2002

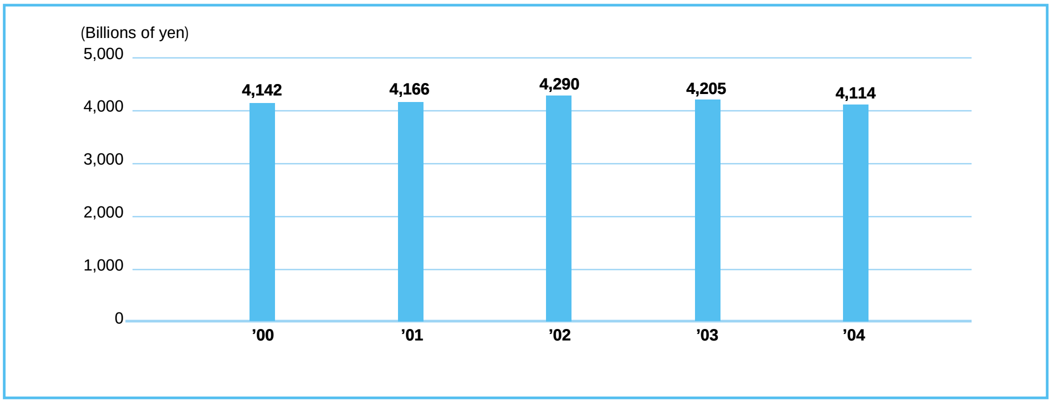
	Millions of Yen (except for per share data)			Thousands of U.S. Dollars (except for per share data)
	2004	2003	2002	**2004**
For the year:				
Operating revenues	**¥1,391,684**	¥1,421,310	¥1,458,066	**$13,175,083**
Operating income	**198,966**	180,014	197,758	**1,883,613**
Net income	**72,792**	64,319	61,120	**689,122**
Per share of common stock (yen and U.S. dollars):				
Net income:				
Basic	**¥ 153.05**	¥ 135.13	¥ 128.90	**$ 1.45**
Diluted				
Cash dividends applicable to the year	**50.00**	50.00	60.00	**0.47**
At year-end:				
Total assets	**¥4,114,378**	¥4,204,566	¥4,290,132	**$38,950,847**
Total shareholders' equity	**910,838**	840,245	824,928	**8,622,910**

Note: All dollar figures herein refer to U.S. currency. Japanese yen amounts have been translated, for convenience only, at the rate of ¥105.63=US$1, the approximate exchange rate prevailing on March 31, 2004.

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)
	2004	2003	2002	2001	2000	1999	**2004**
For the year:							
Operating revenues	**¥1,391,684**	¥1,421,310	¥1,458,066	¥1,448,376	¥1,428,559	¥1,430,164	**$13,175,083**
Electric	**1,308,843**	1,350,675	1,381,440	1,410,010	1,392,148	1,387,855	**12,390,827**
Other	**82,841**	70,635	76,626	38,366	36,411	42,309	**784,256**
Operating expenses	**1,192,718**	1,241,296	1,260,308	1,236,344	1,246,791	1,259,056	**11,291,470**
Electric	**1,108,104**	1,170,655	1,184,382	1,199,237	1,211,227	1,219,999	**10,490,429**
Other	**84,614**	70,641	75,926	37,107	35,564	39,057	**801,041**
Interest charges	**77,121**	77,897	85,653	89,952	107,190	111,753	**730,105**
Income before income taxes and minority interests	**112,451**	102,363	99,464	97,447	39,490	60,077	**1,064,574**
Income taxes	**39,086**	38,417	39,808	37,595	16,058	33,885	**370,027**
Net income	**72,792**	64,319	61,120	59,191	22,934	25,835	**689,122**
Per share of common stock (yen and U.S. dollars):							
Net income:							
Basic	**¥ 153.05**	¥ 135.13	¥ 128.90	¥ 124.83	¥ 48.37	¥ 54.48	**$ 1.45**
Diluted				123.65	48.21	54.21	
Cash dividends applicable to the year	**50.00**	50.00	60.00	60.00	50.00	50.00	**0.47**
At year-end:							
Total assets	**¥4,114,378**	¥4,204,566	¥4,290,132	¥4,166,489	¥4,141,718	¥4,123,686	**$38,950,847**
Net property	**3,394,855**	3,523,273	3,595,794	3,459,859	3,528,297	3,596,203	**32,139,117**
Long-term debt, less current maturities	**1,858,512**	1,984,702	2,130,149	2,071,192	2,137,509	2,276,929	**17,594,547**
Total shareholders' equity	**910,838**	840,245	824,928	810,018	725,516	659,588	**8,622,910**

Note: All dollar figures herein refer to U.S. currency. Japanese yen amounts have been translated, for convenience only, at the rate of ¥105.63=US$1, the approximate exchange rate prevailing on March 31, 2004.

Operating Results: In fiscal 2003, ended March 31, 2004, the recovery of the Japanese economy gained momentum. Production turned around on export growth, private-sector capital investment rose and personal consumption improved, as unemployment became less of a concern. These factors offset sluggish public-sector spending.

Power sales volume increased 1.3% from a year earlier on higher electrical machinery production among large industrial customers. Residential (lighting) and commercial demand grew 0.7%, reflecting new convenience store openings. This increase was despite a cooler summer and warmer winter, which dampened demand for air-conditioning and heating. Consequently, the Company's sales volume advanced 0.8%, to 77.3 billion kilowatt-hours.

Total operating revenues were down 2.1%, to ¥1,391.7 billion. This was largely due to the impact of a rate reduction in October 2002, which offset higher power volume sales and the expanded scope of consolidation.

Total operating expenses decreased 3.9%, to ¥1,192.7 billion. This stemmed from lower fuel costs owing to a rise in nuclear power output, a decrease in depreciation and amortization, and groupwide efficiency efforts.

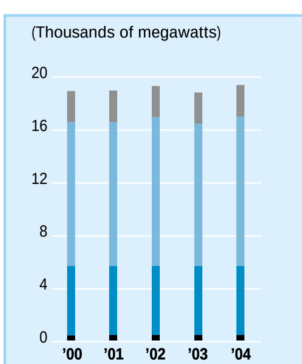
Operating income thus climbed 10.5%, to ¥199.0 billion. Net income jumped 13.2%, to ¥72.8 billion, reflecting the absence of extraordinary gains and losses.

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

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

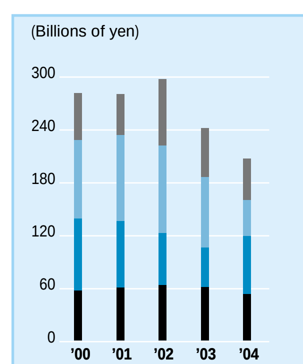
To satisfy the growth in demand for power, the Company is taking comprehensive steps that will allow it to maintain secure energy supplies while balancing its power development, centered on nuclear power, to ensure economy and reduce environmental impact.

Generating Capacity



Hydroelectric
Thermal
Nuclear
Internal-combustion engine

Capital Investment



Generating facilities
Transmission, transformation and distribution facilities
Upgrading of existing facilities
Nuclear fuel and other facilities

In keeping with medium- and long-term demand prospects, we are developing new power sources while serving demand increases and installing transmission and distribution facilities. We are laying distribution lines underground to help reduce environmental impact.

Capital expenditures for the period amounted to ¥206.9 billion, ¥19.7 billion lower than we initially planned. This reflected efficiency initiatives, including spending cuts on design, construction and procurement.

The 700-megawatt Unit No. 2 of the Reihoku Thermal Power Station came on line in July 2003. We are continuing work on a pumped storage hydroelectric power station in Omarugawa. The first 300 megawatts will come on line in July 2007, followed by 300 megawatts in July 2008 and a further 600 megawatts in July 2010.

Financing: Kyushu Electric mainly funds its capital investment requirements internally, supported by diverse sources of low-cost external financing.

In fiscal 2003, capital investment and the redemption of corporate bonds and borrowings were ¥912.5 billion, up 8.2%. Bond redemptions and loan repayments increased 17.3%, to ¥705.6 billion.

Internal reserves dropped 10.7%, to ¥356.4 billion. Proceeds from the issue of bonds and notes declined 12.1%, to ¥145.0 billion, of which net proceeds were ¥144.4 billion. Borrowings soared 47.0%, to ¥411.7 billion.

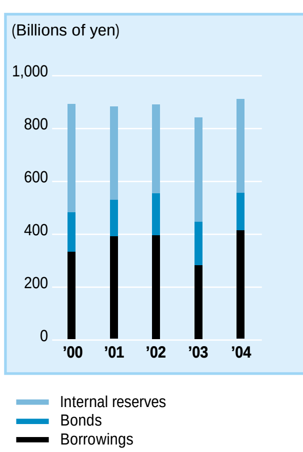
Cash Flows: Net cash provided by operating activities decreased 15.8%, to ¥386.8 billion. This drop was due mainly to reductions in electricity rates.

Net cash used in investing activities fell 18.3%, to ¥199.8 billion, largely because of lower capital expenditures.

Net cash used in financing activities decreased 11.1%, to ¥198.2 billion, reflecting a cut in interest-bearing debt.

As a result of these factors, cash and cash equivalents at end of year stood at ¥37.5 billion, down ¥7.9 billion from the close of fiscal 2002.

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.

Consolidated Balance Sheets

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
March 31, 2004 and 2003

ASSETS	Millions of Yen 2004	Millions of Yen 2003	Thousands of U.S. Dollars (Note 1) 2004
PROPERTY (Note 3):			
Plant and equipment	¥ 8,612,773	¥8,450,723	$81,537,186
Construction in progress	239,625	329,775	2,268,532
Total	8,852,398	8,780,498	83,805,718
Less—			
Contributions in aid of construction	125,623	117,975	1,189,274
Accumulated depreciation	5,331,920	5,139,250	50,477,327
Total	5,457,543	5,257,225	51,666,601
Net property	3,394,855	3,523,273	32,139,117
NUCLEAR FUEL	234,854	227,988	2,223,365
INVESTMENTS AND OTHER ASSETS:	112,606	83,353	1,066,042
Investment securities (Note 4)			
Investments in and advances to non-consolidated subsidiaries and associated companies	54,608	53,252	516,974
Deferred tax assets (Note 9)	110,531	103,701	1,046,398
Other assets	18,481	20,738	174,960
Total investments and other assets	296,226	261,044	2,804,374
CURRENT ASSETS:			
Cash and cash equivalents	37,520	45,417	355,202
Receivables	90,739	90,645	859,027
Allowance for doubtful accounts	(1,332)	(1,280)	(12,610)
Inventories, principally fuel, at average cost	41,346	44,741	391,423
Deferred tax assets (Note 9)	15,020	9,713	142,194
Prepaid expenses and other	5,150	3,025	48,755
Total current assets	188,443	192,261	1,783,991
TOTAL	¥ 4,114,378	¥ 4,204,566	$38,950,847

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2004	Millions of Yen 2003	Thousands of U.S. Dollars (Note 1) 2004
LONG-TERM LIABILITIES:			
Long-term debt, less current maturities (Note 6)	**¥1,858,512**	¥1,984,702	**$17,594,547**
Liability for employees' retirement benefits (Note 7)	**200,862**	180,325	**1,901,562**
Reserve for reprocessing of irradiated nuclear fuel	**327,901**	301,311	**3,104,241**
Reserve for decommissioning of nuclear power units	**105,497**	103,864	**998,741**
Other	**10,776**	8,201	**102,016**
Total long-term liabilities	**2,503,548**	2,578,403	**23,701,107**
CURRENT LIABILITIES:			
Current maturities of long-term debt (Note 6)	**175,379**	277,113	**1,660,314**
Short-term borrowings (Note 8)	**244,327**	208,935	**2,313,046**
Commercial paper	**58,000**	33,000	**549,086**
Notes and accounts payable (Note 12)	**73,623**	87,893	**696,989**
Accrued income taxes	**32,355**	33,831	**306,305**
Accrued expenses	**71,544**	78,698	**677,308**
Reserve for loss on discontinued operations (Note 2. l.)	**989**	8,805	**9,363**
Other	**32,880**	49,465	**311,275**
Total current liabilities	**689,097**	777,740	**6,523,686**
RESERVE FOR FLUCTUATIONS IN WATER LEVEL	**2,018**		**19,105**
MINORITY INTERESTS	**8,877**	8,178	**84,039**
COMMITMENTS AND CONTINGENCIES (Note 15)			
SHAREHOLDERS' EQUITY (Note 10):			
Common stock, authorized, 1,000,000,000 shares; issued 474,183,951 shares in 2004 and 2003	**237,305**	237,305	**2,246,568**
Capital surplus	**31,094**	31,087	**294,367**
Retained earnings	**608,656**	556,955	**5,762,151**
Unrealized gain on available-for-sale securities	**34,710**	15,490	**328,600**
Foreign currency translation adjustments	**(211)**		**(1,998)**
Treasury stock—at cost, 571,164 shares in 2004 and 486,831 shares in 2003	**(716)**	(592)	**(6,778)**
Total shareholders' equity	**910,838**	840,245	**8,622,910**
TOTAL	**¥4,114,378**	¥4,204,566	**$38,950,847**

Consolidated Statements of Income

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Years Ended March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	**2004**
OPERATING REVENUES (Note 13):			
Electric	**¥ 1,308,843**	¥ 1,350,675	**$12,390,827**
Other	**82,841**	70,635	**784,256**
Total operating revenues	**1,391,684**	1,421,310	**13,175,083**
OPERATING EXPENSES (Notes 11 and 13):			
Electric	**1,108,104**	1,170,655	**10,490,429**
Other	**84,614**	70,641	**801,041**
Total operating expenses	**1,192,718**	1,241,296	**11,291,470**
OPERATING INCOME	**198,966**	180,014	**1,883,613**
OTHER EXPENSES (INCOME):			
Interest charges	**77,121**	77,897	**730,105**
Gain on sales of investment securities		(23,109)	
Loss on discontinued operations		8,940	
Other—net	**7,376**	13,923	**69,829**
Total other expenses—net	**84,497**	77,651	**799,934**
INCOME BEFORE INCOME TAXES, AND PROVISION FOR RESERVE FOR FLUCTUATIONS IN WATER LEVEL AND MINORITY INTERESTS	**114,469**	102,363	**1,083,679**
PROVISION FOR RESERVE FOR FLUCTUATIONS IN WATER LEVEL	**2,018**		**19,105**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**112,451**	102,363	**1,064,574**
INCOME TAXES (Note 9):			
Current	**59,383**	52,440	**562,179**
Deferred	**(20,297)**	(14,023)	**(192,152)**
Total income taxes	**39,086**	38,417	**370,027**
INCOME BEFORE MINORITY INTERESTS IN NET LOSS (INCOME) OF CONSOLIDATED SUBSIDIARIES	**73,365**	63,946	**694,547**
MINORITY INTERESTS IN NET LOSS (INCOME) OF CONSOLIDATED SUBSIDIARIES	**(573)**	373	**(5,425)**
NET INCOME	**¥ 72,792**	¥ 64,319	**$ 689,122**
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2. r.):			
Basic net income	**¥ 153.05**	¥ 135.13	**$1.45**
Cash dividends applicable to the year	**50.00**	50.00	**0.47**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Years Ended March 31, 2004 and 2003

	Thousands of Shares/Millions of Yen							
	Common Stock						Treasury Stock	
	Shares	Amount	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustment	Shares	Amount
BALANCE AT APRIL 1, 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)
Adjustment of capital surplus and retained earnings for newly consolidated subsidiaries			**7**	**2,846**				
Adjustment of retained earnings for change in scope of application of equity method				**74**				
Net income				**72,792**				
Cash dividends, ¥50 per share				**(23,699)**				
Bonuses to directors and corporate auditors				**(312)**				
Increase in treasury stock							**84**	**(124)**
Net increase in unrealized gain on available-for-sale securities					**19,220**			
Net decrease in foreign currency translation adjustment						**¥(211)**		
BALANCE AT MARCH 31, 2004	**474,184**	**¥237,305**	**¥31,094**	**¥608,656**	**¥ 34,710**	**¥(211)**	**571**	**¥(716)**

	Thousands of U.S. Dollars (Note 1)					
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustment	Treasury Stock
BALANCE AT MARCH 31, 2003	$2,246,568	$294,301	$5,272,697	$ 146,644		$(5,604)
Adjustment of capital surplus and retained earnings for newly consolidated subsidiaries		**66**	**26,943**			
Adjustment of retained earnings for change in scope of application of equity method			**701**			
Net income			**689,122**			
Cash dividends, $0.47 per share			**(224,359)**			
Bonuses to directors and corporate auditors			**(2,953)**			
Increase in treasury stock						**(1,174)**
Net increase in unrealized gain on available-for-sale securities				**181,956**		
Net decrease in foreign currency translation adjustment					**$(1,998)**	
BALANCE AT MARCH 31, 2004	**$2,246,568**	**$294,367**	**$5,762,151**	**$ 328,600**	**$(1,998)**	**$(6,778)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Years Ended March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	**2004**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 112,451**	¥ 102,363	**$ 1,064,574**
Adjustments for:			
Income taxes—paid	**(61,061)**	(31,072)	**(578,065)**
Depreciation and amortization	**285,770**	301,649	**2,705,387**
Provision for liability for employees' retirement benefits	**18,167**	4,078	**171,987**
Provision for reserve for reprocessing of irradiated nuclear fuel	**26,590**	34,783	**251,728**
Provision for reserve for decommissioning of nuclear power units	**1,633**	6,656	**15,460**
Loss on disposal of plant and equipment	**11,360**	9,248	**107,545**
Nuclear fuel transferred to reprocessing costs	**184**	14,325	**1,742**
Provision for reserve for fluctuations in water level	**2,018**		**19,105**
Gain on sales of investment securities		(23,109)	
Provision for (reversal of) reserve for loss on discontinued operations	**(7,816)**	8,805	**(73,994)**
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries:			
Decrease (increase) in trade receivables	**(2,529)**	2,275	**(23,942)**
Decrease in inventories	**4,466**	3,467	**42,280**
Decrease in trade payable	**(789)**	(671)	**(7,470)**
Decrease in interest payable	**(4,177)**	(1,448)	**(39,544)**
Other—net	**581**	28,316	**5,500**
Total adjustments	**274,397**	357,302	**2,597,719**
Net cash provided by operating activities	**386,848**	459,665	**3,662,293**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures including nuclear fuel	**(211,821)**	(266,768)	**(2,005,311)**
Payments for investments and advances	**(6,229)**	(14,696)	**(58,970)**
Proceeds from sales of investment securities and collections of advances	**10,499**	28,871	**99,394**
Other—net	**7,718**	8,114	**73,067**
Net cash used in investing activities	**(199,833)**	(244,479)	**(1,891,820)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of bonds	**144,361**	164,309	**1,366,667**
Repayments of bonds and notes	**(301,215)**	(181,418)	**(2,851,605)**
Proceeds from long-term bank loans	**70,798**	51,810	**670,245**
Repayments of long-term bank loans	**(143,390)**	(137,597)	**(1,357,474)**
Net increase (decrease) in short-term borrowings	**30,071**	(69,700)	**284,683**
Net increase (decrease) in commercial paper	**25,000**	(24,000)	**236,675**
Cash dividends paid	**(23,693)**	(26,070)	**(224,302)**
Other—net	**(130)**	(213)	**(1,231)**
Net cash used in financing activities	**(198,198)**	(222,879)	**(1,876,342)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**(70)**	1	**(663)**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(11,253)**	(7,692)	**(106,532)**
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES AT BEGINNING OF YEAR	**3,356**		**31,771**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**45,417**	53,109	**429,963**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**¥ 37,520**	¥ 45,417	**$ 355,202**

See notes to consolidated financial statements.

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Years Ended March 31, 2004 and 2003

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 generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

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 ¥105.63=US$1, the approximate exchange rate prevailing on March 31, 2004. The translations should not be construed as representations that the Japanese yen amounts could be converted into United States dollars at that or any other rate.

2. Summary of Significant Accounting Policies

a. Consolidation and Application of the Equity Method—The consolidated financial statements as of March 31, 2004 include the accounts of the Company and its nineteen (thirteen for 2003) subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. Investments in thirteen (nil for 2003) non-consolidated subsidiaries and eleven (six for 2003) associated companies are accounted for by the equity method.

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 treated as subsidiaries and those companies over which the Companies have the ability to exercise significant influence are treated as associated companies.

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 non-consolidated subsidiaries and 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, investment securities are written down to net realized value by a charge to income.

e. Cash Equivalents—Cash equivalents are 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 bond funds, all of 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 as of each balance sheet date.

g. Foreign Currency Financial Statements—The balance sheet accounts of the foreign subsidiary, which is not consolidated but accounted for by the equity method, are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate.

Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity.

h. Derivatives and Hedging Activities—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 rate 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.

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 10).

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.

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—The accounting standard for treasury stock 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.

r. Net Income and Cash Dividends per Share—Basic earnings per share ("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.

Diluted EPS is not disclosed for the years ended March 31, 2004 and 2003, because potentially dilutive securities are not issued.

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.

u. New Accounting Pronouncements—In August 2002, the Business Accounting Council issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the Accounting Standards Board of Japan (ASB) issued ASB Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The new accounting standard requires an entity to review its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

The Companies expect to adopt these pronouncements as of April 1, 2004 and are currently in the process of assessing the effect of adoption of these pronouncements.

3. Property

The major classes of property as of March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Original costs:			
Electric power production facilities:			
Hydroelectric power	**¥ 544,570**	¥ 542,211	**$ 5,155,448**
Thermal power	**1,667,196**	1,570,392	**15,783,357**
Nuclear power	**1,513,230**	1,509,746	**14,325,760**
Internal-combustion engine power	**123,409**	122,493	**1,168,314**
	3,848,405	3,744,842	**36,432,879**
Transmission facilities	**1,506,348**	1,481,559	**14,260,608**
Transformation facilities	**907,334**	903,378	**8,589,737**
Distribution facilities	**1,284,672**	1,290,002	**12,162,009**
General facilities	**359,843**	353,686	**3,406,636**
Other electricity-related facilities	**28,806**	28,806	**272,707**
Other plant and equipment	**677,364**	648,450	**6,412,610**
Construction in progress	**239,625**	329,775	**2,268,532**
Total	**8,852,398**	8,780,498	**83,805,718**
Less contributions in aid of construction	**125,623**	117,975	**1,189,274**
Less accumulated depreciation	**5,331,920**	5,139,250	**50,477,327**
Carrying amount	**¥ 3,394,855**	¥ 3,523,273	**$ 32,139,117**

4. Investment Securities

The carrying amounts and aggregate fair values of investment securities at March 31, 2004 and 2003 were as follows:

	Millions of Yen								Thousands of U.S. Dollars			
	2004				2003				**2004**			
	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	**¥13,035**	**¥54,359**	**¥14**	**¥67,380**	¥13,239	¥24,785	¥320	¥37,704	**$123,403**	**$514,617**	**$133**	**$637,887**
Debt securities	**5**	**1**		**6**	8	0		8	**47**	**10**		**57**
Other securities	**139**	**5**	**16**	**128**	38		14	24	**1,316**	**47**	**151**	**1,212**
Held-to-maturity	**502**	**2**		**504**	509	5		514	**4,752**	**19**		**4,771**

Available-for-sale securities and held-to-maturity securities whose fair value were not readily determinable as of March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Available-for-sale:			
Equity securities	**¥40,265**	¥40,457	**$381,189**
Other securities	**1,685**	1,751	**15,952**
Held-to-maturity	**2,640**	2,900	**24,993**
Total	**¥44,590**	¥45,108	**$422,134**

5. Pledged Assets

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 15).

Certain assets of the consolidated subsidiaries, amounting to ¥76,585 million ($725,031 thousand), are pledged as collateral for a portion of their long-term debt at March 31, 2004.

Investments in associated companies held by a consolidated subsidiary, amounting to ¥5,807 million ($54,975 thousand), are pledged as collateral for bank loans of the associated companies at March 31, 2004.

6. Long-Term Debt

Long-term debt consisted of the following at March 31, 2004 and 2003:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Domestic bonds, 0.2% to 6.9%, due serially to 2024	**¥ 996,938**	¥1,114,723	**$ 9,438,019**
U.S. dollar bonds and notes, 6.375% to 7.25%, due 2004 to 2008	**37,860**	76,290	**358,421**
Swiss franc bonds, 4.0%, due 2007	**29,513**	29,513	**279,400**
Loans from The Development Bank of Japan, 0.95% to 6.9%, due serially to 2024	**371,624**	415,035	**3,518,167**
Loans, principally from banks and insurance companies, 0.25% to 5.7%, due serially to 2025			
Collateralized	**24,650**	30,619	**233,362**
Unsecured	**573,306**	595,635	**5,427,492**
Total	**2,033,891**	2,261,815	**19,254,861**
Less current maturities	**175,379**	277,113	**1,660,314**
Long-term debt, less current maturities	**¥1,858,512**	¥1,984,702	**$17,594,547**

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 100.50% of the principal amount for Swiss franc bonds.

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, 2004 were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2005	¥ 175,379	$ 1,660,314
2006	223,622	2,117,031
2007	205,096	1,941,645
2008	198,662	1,880,735
2009	168,140	1,591,783
Thereafter	1,062,992	10,063,353
Total	¥2,033,891	$19,254,861

7. 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, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Projected benefit obligation	**¥ 524,726**	¥ 523,593	**$ 4,967,585**
Fair value of plan assets	**(278,244)**	(231,079)	**(2,634,138)**
Unrecognized actuarial loss	**(45,810)**	(112,721)	**(433,684)**
Unrecognized prior service cost	**190**	532	**1,799**
Net liability	**¥ 200,862**	¥ 180,325	**$ 1,901,562**

The components of net periodic benefit costs for the years ended March 31, 2004 and 2003 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Service cost	**¥17,331**	¥15,632	**$164,073**
Interest cost	**10,369**	11,937	**98,163**
Expected return on plan assets	**(528)**	(640)	**(4,998)**
Recognized actuarial loss	**26,664**	13,270	**252,428**
Amortization of prior service cost	**(97)**	(146)	**(918)**
Net periodic benefit costs	**¥53,739**	¥40,053	**$508,748**

Assumptions for actuarial computations for the years ended March 31, 2004 and 2003 are as follows:

	2004	2003
Discount rate	2.0%	mainly 2.0%
Expected rate of return on plan assets	mainly 0.0%	mainly 0.0%
Recognition period of actuarial gain/loss	mainly 5 years	mainly 5 years
Amortization period of prior service cost	5 years	5 years

8. Short-Term Borrowings

Short-term borrowings are generally represented by 365-day notes, bearing interest at rates ranging from 0.08633% to 1.375% and from 0.1% to 0.43% at March 31, 2004 and 2003, respectively.

9. Income Taxes

The Companies are subject to several income taxes. The aggregate normal statutory tax rates for the Company approximated 36.1% for 2004 and 2003.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2004 and 2003 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Deferred tax assets:			
Pension and severance costs	¥ 66,505	¥ 54,427	$ 629,603
Depreciation	23,350	18,903	221,055
Tax loss carryforwards	12,959	11,959	122,683
Reserve for reprocessing of irradiated nuclear fuel	10,497	10,497	99,375
Reserve for decommissioning of nuclear power units	10,184	10,184	96,412
Unrealized profits arising from the elimination of intercompany transactions in consolidation	10,077	9,065	95,399
Other	26,462	23,612	250,516
Less valuation allowance	(13,996)	(12,710)	(132,500)
Deferred tax assets	¥ 146,038	¥ 125,937	$1,382,543
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ 19,678	¥ 8,867	$ 186,292
Reserve for depreciation of nuclear power production facilities under construction		2,109	
Other	845	1,553	8,000
Deferred tax liabilities	¥ 20,523	¥ 12,529	$ 194,292
Net deferred tax assets	¥ 125,515	¥ 113,408	$1,188,251

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2004 and 2003, and the actual effective tax rates reflected in the accompanying consolidated statements of income is not disclosed because the difference between those rates 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 and to increase unrealized gain on available-for-sale securities by ¥11 million at March 31, 2003. 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.

10. Shareholders' Equity

As described in Note 2. o., certain special reserves were included in retained earnings. Such reserves at March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Reserve for:			
Depreciation of nuclear power production facilities under construction	¥ 3,734	¥ 7,467	$35,350
Losses on overseas investments	23	24	218
Total	¥ 3,757	¥ 7,491	$35,568

The Code requires at least 50% of the issue price of new shares 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 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 common stock by resolution of the Board of Directors.

The Code allows 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. 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 ¥500,294 million ($4,736,287 thousand) as of March 31, 2004, 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.

11. Research and Development Costs

Research and development costs charged to income were ¥10,677 million ($101,079 thousand) and ¥10,953 million for the years ended March 31, 2004 and 2003, respectively.

12. Related Party Transactions

Significant transactions of the Company with an associated company for the years ended March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
KYUDENKO CORPORATION			
Transactions:			
Order for construction works of distribution facilities and other	¥43,943	¥43,918	$416,009
Balances at year ended:			
Payables for construction works	6,237	5,757	59,046

13. Leases

(a) Lessee

The Companies lease certain computer and other equipment. Total lease payments under finance lease arrangements were ¥8,837 million ($83,660 thousand) and ¥8,426 million for the years ended March 31, 2004 and 2003, 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, 2004 and 2003 were as follows:

	Millions of Yen		
March 31, 2004	General facilities	Other	Total
Acquisition cost	**¥25,265**	**¥36,632**	**¥61,897**
Accumulated depreciation	**14,450**	**16,060**	**30,510**
Net leased equipment	**¥10,815**	**¥20,572**	**¥31,387**

	Thousands of U.S. Dollars		
March 31, 2004	General facilities	Other	Total
Acquisition cost	**$239,184**	**$346,795**	**$585,979**
Accumulated depreciation	**136,798**	**152,040**	**288,838**
Net leased equipment	**$102,386**	**$194,755**	**$297,141**

	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

Obligations under finance leases which included the imputed interest expense at March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Due within one year	**¥ 7,602**	¥ 7,732	**$ 71,968**
Due after one year	**23,806**	20,470	**225,372**
Total	**¥31,408**	¥28,202	**$297,340**

The above - mentioned amounts include sublease agreements.

(b) Lessor

Revenue under finance leases were ¥2 million ($19 thousand) for the year ended March 31, 2004.

Pro forma information of leased property such as acquisition costs accumulated depreciation under finance leases for the year ended March 31, 2004 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	Other Plant and Equipment	Other Plant and Equipment
Acquisition cost	**¥233**	**$2,206**
Accumulated depreciation	**6**	**57**
Net leased equipment	**¥227**	**$2,419**

Future lease revenue under finance leases which included the imputed interest revenue at March 31, 2004 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	**¥ 35**	**$ 331**
Due after one year	**347**	**3,285**
Total	**¥382**	**$3,616**

The above - mentioned amounts include sublease agreements.

Depreciation expense relating to the leased assets arrangements mentioned above was ¥6 million ($57 thousand) for the year ended March 31, 2004.

14. Derivatives

The Company enters into foreign exchange forward contracts, currency swaps, interest rate swaps, energy swap agreements and weather derivatives to manage its exposures to fluctuations in foreign exchanges, interest rates, fuel price and electric operating revenues, respectively.

Oita Liquefied Natural Gas Company, Inc. ("Oita LNG"), a consolidated subsidiary of the Company, enters into interest rate swaps to manage its exposure to fluctuations in interest rates.

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

Foreign exchange forward contracts, currency swaps, interest rate swaps and energy swap agreements are subject to market risk which is the exposure created by potential fluctuations in market conditions.

Weather derivatives are subject to electric power business risk which is the exposure created by potential fluctuations in summer temperature changes.

The Company and Oita LNG do not anticipate any losses arising from credit risk which is the possibility that a loss may result from counterparties' failure to perform according to the terms and conditions of the contract, because the counterparites to those derivatives have high credit ratings.

The execution and control of derivatives are controlled by the Accounting & Finance Department of the Company and by the Operation Department of Oita LNG based on internal policies or approval of the management.

15. Commitments and Contingencies

At March 31, 2004, the Companies had a number of fuel purchase commitments, most of which specify quantities and dates for fuel deliveries. However, most of purchase prices are contingent upon fluctuations in market prices.

Contingent liabilities as of March 31, 2004 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Co-guarantees of loans, mainly in connection with procurement of fuel	**¥121,496**	**$1,150,204**
Guarantees of employees' loans	**58,865**	**557,275**
Guarantees under debt assumption agreements	**284,490**	**2,693,269**
Other	**3,962**	**37,508**

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

16. Segment Information

Information by business segments for the years ended March 31, 2004 and 2003 is as follows:

a. Sales and Operating Income

	Millions of Yen			
	March 31, 2004			
	Electric	Other	Eliminations/ Corporate	Consolidated
Sales to customers	**¥1,308,843**	**¥ 82,841**	**¥**	**¥1,391,684**
Intersegment sales	**2,377**	**126,421**	**(128,798)**	
Total sales	**1,311,220**	**209,262**	**(128,798)**	**1,391,684**
Operating expenses	**1,117,142**	**205,841**	**(130,265)**	**1,192,718**
Operating income	**¥ 194,078**	**¥ 3,421**	**¥ 1,467**	**¥ 198,966**

	Thousands of U.S. Dollars			
	March 31, 2004			
	Electric	Other	Eliminations/ Corporate	Consolidated
Sales to customers	**$12,390,827**	**$ 784,256**	**$**	**$13,175,083**
Intersegment sales	**22,503**	**1,196,829**	**(1,219,332)**	
Total sales	**12,413,330**	**1,981,085**	**(1,219,332)**	**13,175,083**
Operating expenses	**10,575,992**	**1,948,698**	**(1,233,220)**	**11,291,470**
Operating income	**$ 1,837,338**	**$ 32,387**	**$ 13,888**	**$ 1,883,613**

	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

b. Total Assets, Depreciation and Capital Expenditures

	Millions of Yen			
	March 31, 2004			
	Electric	Other	Eliminations/ Corporate	Consolidated
Total assets	**¥3,777,960**	**¥446,081**	**¥(109,663)**	**¥4,114,378**
Depreciation	**257,152**	**32,329**	**(3,711)**	**285,770**
Capital expenditures	**196,986**	**24,656**	**(3,736)**	**217,906**

	Thousands of U.S. Dollars			
	March 31, 2004			
	Electric	Other	Eliminations/ Corporate	Consolidated
Total assets	**$35,765,975**	**$4,223,052**	**$(1,038,180)**	**$38,950,847**
Depreciation	**2,434,460**	**306,059**	**(35,132)**	**2,705,387**
Capital expenditures	**1,864,868**	**233,419**	**(35,369)**	**2,062,918**

	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

Other consisted of providing telephone lines and wirelines, 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.

17. Subsequent Event

At the general shareholders' meeting held on June 29, 2004, the Company's shareholders approved the following appropriations of retained earnings as of March 31, 2004:

Appropriations of Retained Earnings

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥25.00 ($0.24) per share	**¥11,848**	**$112,165**
Bonuses to directors and corporate auditors	**140**	**1,325**

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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, 2004 and 2003, 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 generally accepted 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, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles 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 29, 2004

Member of
Deloitte Touche Tohmatsu

Non-Consolidated Balance Sheets

Kyushu Electric Power Company, Incorporated
March 31, 2004 and 2003

ASSETS	Millions of Yen 2004	Millions of Yen 2003	Thousands of U.S. Dollars (Note 1) 2004
PROPERTY (Note 3):			
Plant and equipment	¥8,125,157	¥7,953,809	$76,920,922
Construction in progress	234,688	329,098	2,221,793
Total	8,359,845	8,282,907	79,142,715
Less—			
Contributions in aid of construction	121,890	114,414	1,153,933
Accumulated depreciation	5,087,017	4,909,186	48,158,828
Total	5,208,907	5,023,600	49,312,761
Net property	3,150,938	3,259,307	29,829,954
NUCLEAR FUEL	234,854	227,988	2,223,365
INVESTMENTS AND OTHER ASSETS:			
Investment securities	108,812	80,307	1,030,124
Investments in and advances to subsidiaries and associated companies (Note 4)	114,803	113,508	1,086,841
Deferred tax assets (Note 9)	92,740	88,610	877,970
Other assets	14,293	15,585	135,312
Total investments and other assets	330,648	298,010	3,130,247
CURRENT ASSETS:			
Cash and cash equivalents	28,344	32,145	268,333
Receivables	73,521	76,784	696,024
Allowance for doubtful accounts	(1,141)	(1,157)	(10,802)
Fuel and supplies, at average cost	26,172	26,875	247,770
Deferred tax assets (Note 9)	12,189	8,166	115,393
Prepaid expenses and other	3,524	1,824	33,362
Total current assets	142,609	144,637	1,350,080
TOTAL	¥3,859,049	¥3,929,942	$36,533,646

See notes to non-consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2004	Millions of Yen 2003	Thousands of U.S. Dollars (Note 1) 2004
LONG-TERM LIABILITIES:			
Long-term debt, less current maturities (Note 6)	¥1,744,666	¥1,854,130	$16,516,766
Liability for employees' retirement benefits (Note 7)	183,765	165,051	1,739,705
Reserve for reprocessing of irradiated nuclear fuel	327,901	301,311	3,104,241
Reserve for decommissioning nuclear power units	105,497	103,864	998,741
Other	6,586	4,220	62,350
Total long-term liabilities	2,368,415	2,428,576	22,421,803
CURRENT LIABILITIES:			
Current maturities of long-term debt (Note 6)	146,759	245,761	1,389,369
Short-term borrowings (Note 8)	233,900	199,300	2,214,333
Commercial paper	58,000	33,000	549,086
Accounts payable	53,993	72,354	511,152
Accrued income taxes	29,285	32,525	277,241
Accrued expenses	78,585	83,694	743,965
Other	26,184	37,808	247,884
Total current liabilities	626,706	704,442	5,933,030
RESERVE FOR FLUCTUATIONS IN WATER LEVEL	2,018		19,105
COMMITMENTS AND CONTINGENCIES (Note 13)			
SHAREHOLDERS' EQUITY (Note 10):			
Common stock, authorized, 1,000,000,000 shares; issued, 474,183,951 shares in 2004 and 2003	237,305	237,305	2,246,568
Capital surplus:			
Additional paid-in capital	31,087	31,087	294,301
Retained earnings:			
Legal reserve	59,326	59,326	561,640
Unappropriated	500,739	454,460	4,740,500
Unrealized gain on available-for-sale securities	33,898	15,087	320,912
Treasury stock—at cost, 254,093 shares in 2004 and 197,942 shares in 2003	(445)	(341)	(4,213)
Total shareholders' equity	861,910	796,924	8,159,708
TOTAL	¥3,859,049	¥3,929,942	$36,533,646

Non-Consolidated Statements of Income

Kyushu Electric Power Company, Incorporated
Years Ended March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
OPERATING REVENUES (Note 12)			
Electric	¥1,311,220	¥1,353,075	$12,413,330
Other	7,117	5,533	67,376
Total operating revenues	1,318,337	1,358,608	12,480,706
OPERATING EXPENSES (Notes 11 and 12):			
Electric:			
Personnel	201,538	190,908	1,907,962
Fuel	126,507	137,953	1,197,643
Purchased power	95,935	104,682	908,217
Depreciation	232,151	247,876	2,197,775
Maintenance	153,232	158,851	1,450,648
Reprocessing costs of irradiated nuclear fuel	27,038	49,763	255,969
Decommissioning costs of nuclear power units	1,633	6,656	15,460
Disposal cost of high-level radioactive waste (Note 2. k.)	8,003	8,075	75,764
Disposition of property	13,933	13,883	131,904
Taxes other than income taxes	90,749	94,226	859,121
Subcontract fee	60,345	60,215	571,287
Rent	36,183	36,159	342,545
Other	69,895	67,983	661,697
Total	1,117,142	1,177,230	10,575,992
Other	10,527	8,276	99,659
Total operating expenses	1,127,669	1,185,506	10,675,651
OPERATING INCOME	190,668	173,102	1,805,055
OTHER EXPENSES (INCOME):			
Interest charges	73,566	73,622	696,449
Gain on sales of investment securities		(23,109)	
Loss on devaluation of investments in subsidiaries and associated companies		15,425	
Other—net	9,171	8,688	86,822
Total other expenses—net	82,737	74,626	783,271
INCOME BEFORE INCOME TAXES AND PROVISION FOR RESERVE FOR FLUCTUATIONS IN WATER LEVEL	107,931	98,476	1,021,784
PROVISION FOR RESERVE FOR FLUCTUATIONS IN WATER LEVEL	2,018		19,105
INCOME BEFORE INCOME TAXES	105,913	98,476	1,002,679
INCOME TAXES (Note 9):			
Current	54,575	49,501	516,661
Deferred	(18,780)	(13,571)	(177,790)
Total income taxes	35,795	35,930	338,871
NET INCOME	¥ 70,118	¥ 62,546	$ 663,808
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2. o.):			
Basic net income	¥147.65	¥131.64	$1.40
Cash dividends applicable to the year	50.00	50.00	0.47

See notes to non-consolidated financial statements.

Non-Consolidated Statements of Shareholders' Equity

Kyushu Electric Power Company, Incorporated
Years Ended March 31, 2004 and 2003

	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, 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)
Net income					**70,118**			
Cash dividends, ¥50 per share					**(23,699)**			
Bonuses to directors and corporate auditors					**(140)**			
Increase in treasury stock							**56**	**(104)**
Net increase in unrealized gain on available-for-sale securities						**18,811**		
BALANCE AT MARCH 31, 2004	**474,184**	**¥237,305**	**¥31,087**	**¥59,326**	**¥500,739**	**¥ 33,898**	**254**	**¥(445)**

	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, 2003	$2,246,568	$294,301	$561,640	$4,302,376	$ 142,828	$(3,228)
Net income				**663,808**		
Cash dividends, $0.47 per share				**(224,359)**		
Bonuses to directors and corporate auditors				**(1,325)**		
Increase in treasury stock						**(985)**
Net increase in unrealized gain on available-for-sale securities					**178,084**	
BALANCE AT MARCH 31, 2004	**$2,246,568**	**$294,301**	**$561,640**	**$4,740,500**	**$ 320,912**	**$(4,213)**

See notes to non-consolidated financial statements.

Kyushu Electric Power Company, Incorporated
Years Ended March 31, 2004 and 2003

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 generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

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 ¥105.63=US$1, the approximate exchange rate prevailing on March 31, 2004. The translations should not be construed as representations that the Japanese yen amounts could be converted into United States dollars at that or any other rate.

2. Summary of Significant Accounting Policies

a. Property and Depreciation—Property is stated at cost. 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 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 as of each balance sheet date.

g. Derivatives and Hedging Activities—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 rate 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.

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 ezzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzz zzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzz zzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzzznd 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 10).

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

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

o. Net Income and Cash Dividends per Share—The basic earnings per share ("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.

Diluted EPS is not disclosed for the years ended March 31, 2004 and 2003, because potentially dilutive securities are not issued.

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

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

q. 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.

r. New Accounting Pronouncements—In August 2002, the Business Accounting Council issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the Accounting Standards Board of Japan (ASB) issued ASB Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The new accounting standard requires an entity to review its long-lived assets for impairment whenever events for changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

The Companies expects to adopt these pronouncements as of

3. Property

The major classes of property as of March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Original costs:			
Electric power production facilities:			
Hydroelectric power	¥ 546,300	¥ 543,591	$ 5,171,826
Thermal power	1,683,541	1,583,230	15,938,095
Nuclear power	1,523,505	1,519,776	14,423,033
Internal-combustion engine power	125,817	124,872	1,191,111
	3,879,163	3,771,469	36,724,065
Transmission facilities	1,521,828	1,488,760	14,407,157
Transformation facilities	923,025	917,368	8,738,284
Distribution facilities	1,329,065	1,327,900	12,582,268
General facilities	370,291	364,038	3,505,548
Other electricity-related facilities	28,806	28,806	272,707
Other plant and equipment	72,979	55,468	690,893
Construction in progress	234,688	329,098	2,221,793
Total	8,359,845	8,282,907	79,142,715
Less contributions in aid of construction	121,890	114,414	1,153,933
Less accumulated depreciation	5,087,017	4,909,186	48,158,828
Carrying amount	¥ 3,150,938	¥ 3,259,307	$ 29,829,954

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, 2004 and 2003 were as follows:

	Millions of Yen						Thousands of U.S. Dollars		
	2004			2003			2004		
	Carrying amount	Fair value	Unrealized gain	Carrying amount	Fair value	Unrealized gain	Carrying amount	Fair value	Unrealized gain
Associated company	¥4,303	¥10,634	¥6,331	¥4,303	¥8,940	¥4,637	$40,736	$100,672	$59,936

5. Pledged Assets

All of the Company’s assets are subject to certain statutory preferential rights established to secure bonds, notes, loans received from The Development Bank of Japan and bonds transferred to banks under debt assumption agreements (see Note 13).

6. Long-Term Debt

Long-term debt consisted of the following at March 31, 2004 and 2003:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Domestic bonds, 0.2% to 6.9%, due serially to 2024	¥ 997,388	¥1,115,173	$ 9,442,280
U.S. dollar bonds and notes, 6.375% to 7.25%, due 2004 to 2008	37,860	76,290	358,421
Swiss franc bonds, 4.0%, due 2007	29,513	29,513	279,400
Loans from The Development Bank of Japan, 0.95% to 6.9%, due serially to 2024	308,758	348,455	2,923,014
Unsecured loans, principally from banks and insurance companies, 0.25% to 5.7%, due serially to 2021	517,906	530,460	4,903,020
Total	1,891,425	2,099,891	17,906,135
Less current maturities	146,759	245,761	1,389,369
Long-term debt, less current maturities	¥1,744,666	¥1,854,130	$16,516,766

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 100.5% of the principal amount for Swiss franc bonds.

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, 2004 were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2005	¥ 146,759	$ 1,389,369
2006	198,173	1,876,105
2007	175,573	1,662,151
2008	182,818	1,730,739
2009	155,141	1,468,721
Thereafter	1,032,961	9,779,050
Total	¥1,891,425	$17,906,135

7. 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.

8. Short-Term Borrowings

Short-term borrowings are generally represented by 365-day notes, bearing interest at rates ranging from 0.08633% to 0.33917% and from 0.15917% to 0.34667% at March 31, 2004 and 2003, respectively.

9. 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 2004 and 2003.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2004 and 2003 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Deferred tax assets:			
Pension and severance costs	**¥ 60,706**	¥ 49,725	**$ 574,704**
Depreciation	**21,946**	16,666	**207,763**
Reserve for reprocessing of irradiated nuclear fuel	**10,497**	10,497	**99,375**
Reserve for decommissioning of nuclear power units	**10,184**	10,184	**96,412**
Deferred charges	**5,145**	6,112	**48,708**
Other	**15,647**	14,261	**148,130**
Deferred tax assets	**¥124,125**	¥107,445	**$1,175,092**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**¥ 19,150**	¥ 8,524	**$ 181,293**
Reserve for depreciation of nuclear power production facilities under construction		2,109	
Other	**46**	36	**436**
Deferred tax liabilities	**¥ 19,196**	¥ 10,669	**$ 181,729**
Net deferred tax assets	**¥104,929**	¥ 96,776	**$ 993,363**

A reconciliation between the normal effective statutory tax rate for the year ended March 31, 2004 and the actual effective tax rate reflected in the accompanying statements of income is as follows:

	2004
Normal effective statutory tax rate	36.1%
Extra tax credit on the Japanese Special Taxation Measures Law	(2.7)
Other—net	0.4
Actual effective tax rate	33.8%

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.

10. 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, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Reserve for:			
Depreciation of nuclear power production facilities under construction	¥3,734	¥7,467	$35,350
Losses on overseas investments	23	24	218
Total	¥3,757	¥7,491	$35,568

The Code requires at least 50% of the issue price of new shares 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 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 Code allows 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. 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 ¥500,294 million ($4,736,287 thousand) as of March 31, 2004, 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.

11. Research and Development Costs

Research and development costs charged to income were ¥9,701 million ($91,839 thousand) and ¥10,180 million for the years ended March 31, 2004 and 2003, respectively.

12. Leases

(a) Lessee

The Company leases certain computer and other equipment. Total lease payments under finance lease arrangements were ¥5,544 million ($52,485 thousand) and ¥6,079 million for the years ended March 31, 2004 and 2003, 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, 2004 and 2003 were as follows:

	Millions of Yen		
March 31, 2004	General facilities	Other	Total
Acquisition cost	**¥32,382**	**¥1,658**	**¥34,040**
Accumulated depreciation	**18,270**	**846**	**19,116**
Net leased equipment	**¥14,112**	**¥ 812**	**¥14,924**

	Thousands of U.S. Dollars		
March 31, 2004	General facilities	Other	Total
Acquisition cost	**$306,561**	**$15,696**	**$322,257**
Accumulated depreciation	**172,962**	**8,009**	**180,971**
Net leased equipment	**$133,599**	**$ 7,687**	**$141,286**

	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

Obligations under finance leases which included the imputed interest expense at March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Due within one year	**¥ 4,943**	¥ 5,155	**$ 46,796**
Due after one year	**9,981**	11,317	**94,490**
Total	**¥14,924**	¥16,472	**$141,286**

(b) Lessor

Revenues under finance leases were ¥2 million ($19 thousand) for the year ended March 31, 2004.

Pro forma information of leased property such as acquisition cost and accumulated depreciation under finance leases for the year ended March 31, 2004 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	Other plant and equipment	Other plant and equipment
Acquisition cost	**¥233**	**$2,206**
Accumulated depreciation	**6**	**57**
Net leased equipment	**¥227**	**$2,419**

Future lease revenue under finance leases which included the imputed interest revenue at March 31, 2004 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	**¥ 24**	**$ 227**
Due after one year	**331**	**3,134**
Total	**¥355**	**$3,361**

Depreciation expense relating to the leased assets arrangements mentioned above was ¥6 million ($57 thousand) for the year ended March 31, 2004.

13. Commitments and Contingencies

At March 31, 2004, 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, 2004 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Co-guarantees of loans, mainly in connection with procurement of fuel	**¥121,496**	**$1,150,204**
Guarantees of employees' housing loans	**58,805**	**556,707**
Guarantees under debt assumption agreements	**284,490**	**2,693,269**
Other	**4,306**	**40,765**

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

14. Subsequent Event

At the general shareholders' meeting held on June 29, 2004, the Company's shareholders approved the following appropriations of retained earnings as of March 31, 2004:

Appropriations of Retained Earnings

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥25.00 ($0.24) per share	**¥11,848**	**$112,165**
Bonuses to directors and corporate auditors	**140**	**1,325**

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Deloitte.

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, 2004 and 2003, 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 generally accepted 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, 2004 and 2003, and the results of its operations for the years then ended in conformity with accounting principles 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 29, 2004

Member of
Deloitte Touche Tohmatsu

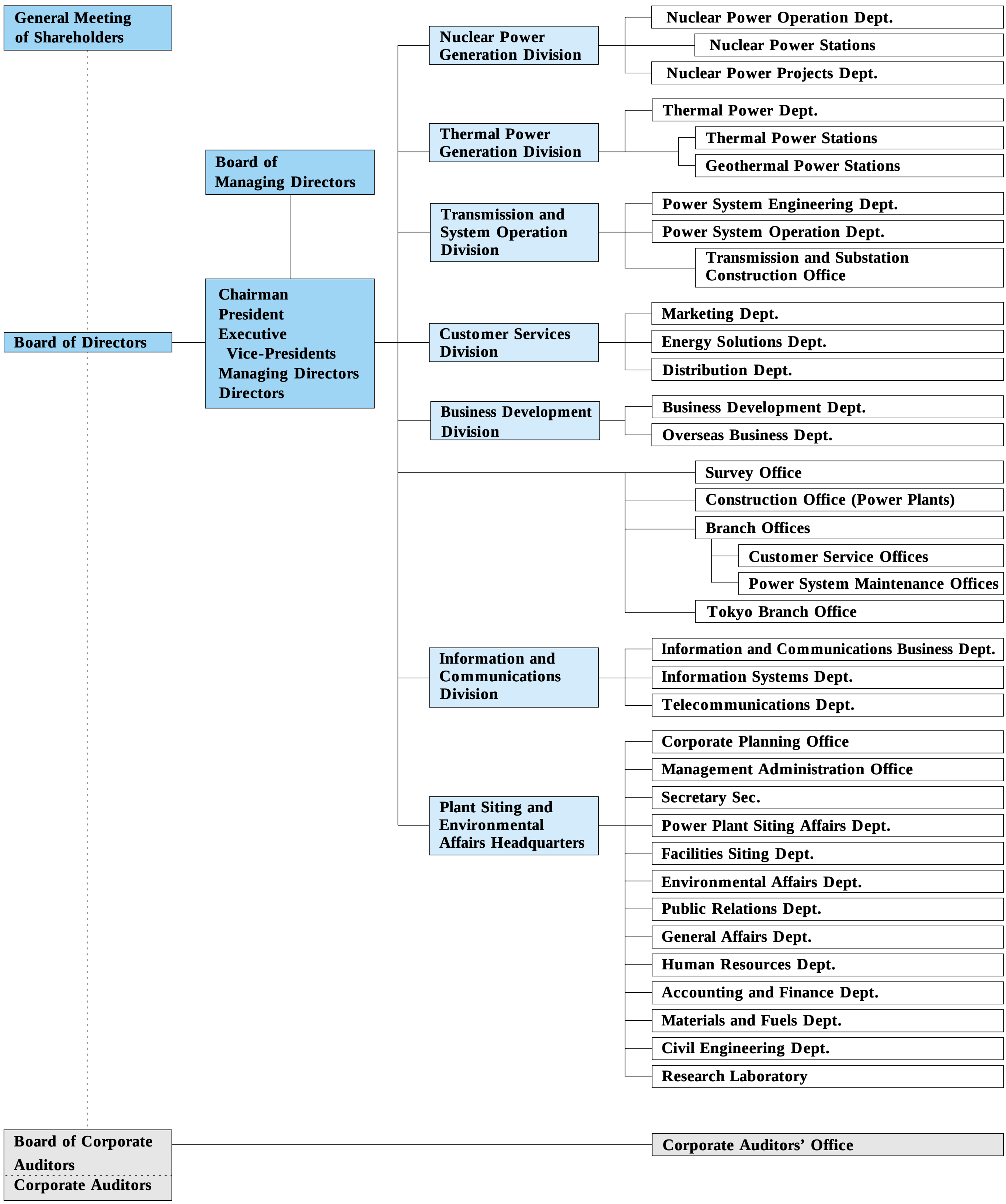
Non-Consolidated Six-Year Financial Summary

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)
	2004	2003	2002	2001	2000	1999	**2004**
For the year:							
Operating revenues	**¥1,318,337**	¥1,358,608	¥1,388,834	¥1,411,500	¥1,393,650	¥1,389,306	**$12,480,706**
Residential (lighting)	**550,780**	565,499	567,230	570,045	564,029	561,808	**5,214,238**
Commercial and industrial	**724,955**	744,986	761,498	777,747	768,596	776,828	**6,863,155**
Other	**42,602**	48,123	60,106	63,708	61,025	50,670	**403,313**
Operating expenses	**1,127,669**	1,185,506	1,197,546	1,207,968	1,219,369	1,226,308	**10,675,651**
Personnel	**201,538**	190,908	186,870	203,897	214,311	219,815	**1,907,962**
Fuel	**126,507**	137,953	150,959	146,097	122,886	123,499	**1,197,643**
Purchased power	**95,935**	104,682	98,034	94,098	93,725	89,423	**908,217**
Depreciation	**232,151**	247,876	244,946	263,043	278,897	290,068	**2,197,775**
Maintenance	**153,232**	158,851	177,962	173,521	183,902	181,616	**1,450,648**
Reprocessing costs of irradiated nuclear fuel	**27,038**	49,763	39,529	22,510	41,070	28,618	**255,969**
Decommissioning costs of nuclear power units	**1,633**	6,656	4,597	6,898	6,304	5,886	**15,460**
Disposal cost of high-level radioactive waste	**8,003**	8,075	7,640	11,411			**75,764**
Disposition of property	**13,933**	13,883	20,165	21,465	18,582	16,701	**131,904**
Taxes other than income taxes	**90,749**	94,226	93,236	94,448	94,842	97,039	**859,121**
Subcontract fee	**60,345**	60,215	58,638	64,457	61,364	67,190	**571,287**
Rent	**36,183**	36,159	37,051	36,168	35,249	35,340	**342,545**
Other	**80,422**	76,259	77,919	69,955	68,237	71,113	**761,356**
Interest charges	**73,566**	73,622	81,500	87,724	104,426	109,039	**696,449**
Income before income taxes	**105,913**	98,476	102,234	94,075	36,084	53,509	**1,002,679**
Net income	**70,118**	62,546	65,152	60,140	22,986	23,434	**663,808**
Per share of common stock (yen and U.S. dollars):							
Net income:							
Basic	**¥ 147.65**	¥ 131.64	¥ 137.40	¥ 126.83	¥ 48.47	¥ 49.42	**$ 1.40**
Diluted				125.63	48.32	49.21	
Cash dividends applicable to the year	**50.00**	50.00	60.00	60.00	50.00	50.00	**0.47**
At year-end:							
Total assets	**¥3,859,049**	¥3,929,942	¥3,984,740	¥4,006,257	¥3,959,244	¥3,948,892	**$36,533,646**
Net property	**3,150,938**	3,259,307	3,322,050	3,339,874	3,396,462	3,453,364	**29,829,954**
Long-term debt, less current maturities	**1,744,666**	1,854,130	1,971,185	2,016,036	2,078,459	2,203,865	**16,516,766**
Total shareholders' equity	**861,910**	796,924	782,953	765,670	675,368	618,024	**8,159,708**
Number of employees	**13,660**	13,964	14,191	14,348	14,428	14,445	

Note: All dollar figures herein refer to U.S. currency. Japanese yen amounts have been translated, for convenience only, at the rate of ¥105.63=US$1, the approximate exchange rate prevailing on March 31, 2004.

Organization



(As of July 1, 2004)

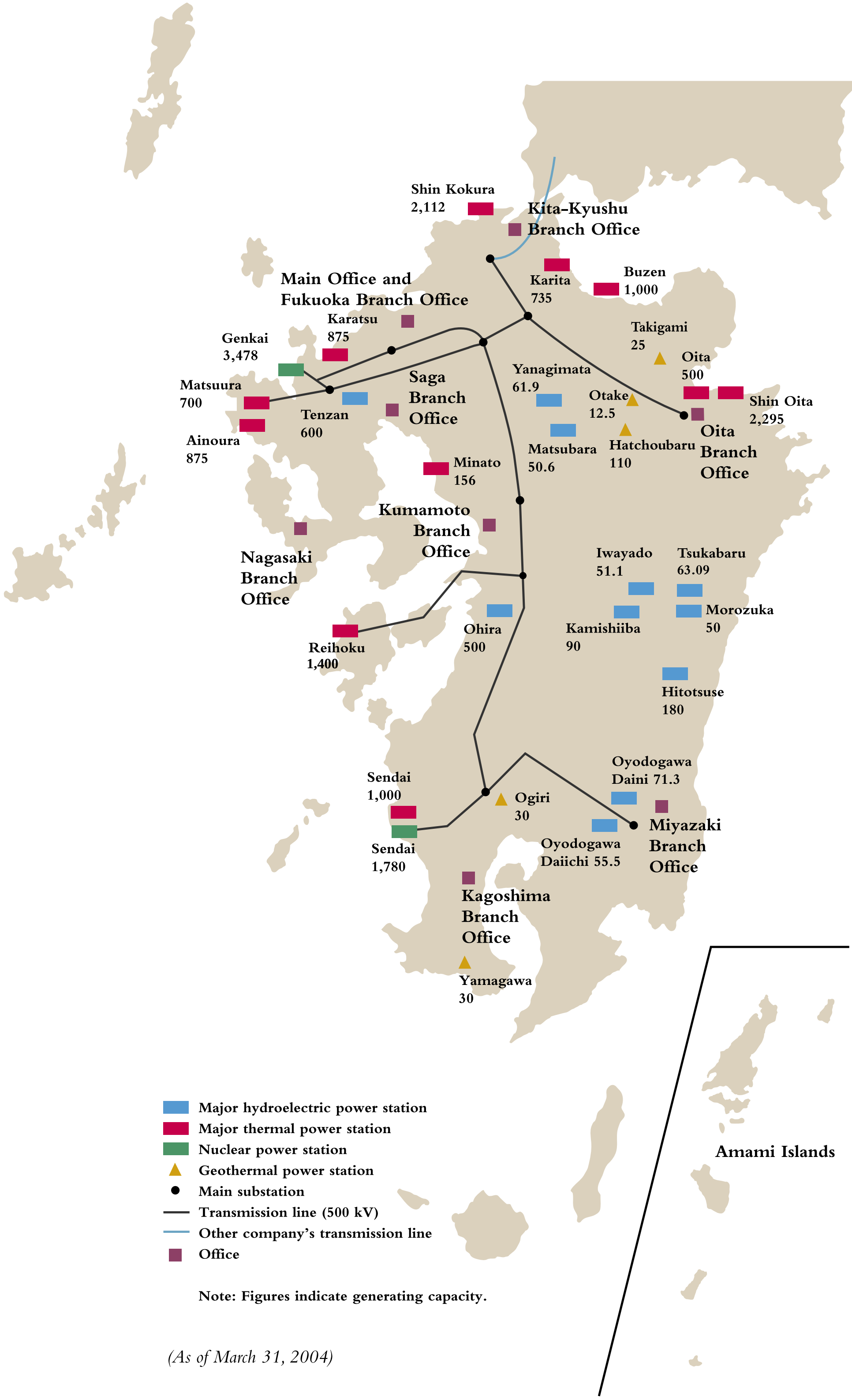
Chairman	Michisada Kamata
President	Shingo Matsuo
Executive Vice-Presidents	Hidemi Ashizuka Hiroaki Okui Shigehiko Matsumoto Mitsuaki Sato
Managing Directors	Kowashi Imamura Kiyohiko Matsushita Kouichi Hashida Yukio Tanaka Taku Ishii Takahiro Higuchi Kyouichi Hiratsuka Morimasa Takeda Tokihisa Ichinose Tomokazu Odahara
Directors	Keiji Mizuguchi
Corporate Auditors	Noriyuki Ueda Hajime Sankoda Tooru Soufukuwaki Kiyoko Nishimura Kimiya Nakazato Zengo Ishimura

(As of July 1, 2004)

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	13,660

(As of March 31, 2004)

Main Facilities



(As of March 31, 2004)

KYUSHU ELECTRIC POWER CO., INC.
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Printed in Japan
September 2004