Financial Section

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Financial Results and Analysis (Consolidated)

Overview

Income

In fiscal 2003 — the year from April 1, 2002 through March 31, 2003 — the Japanese economy initially exhibited recovery in some segments, as illustrated by increased exports from the start of the term; however, in the second half the situation turned severe under pressures including steady declines in the stock market amid heightening deflationary concerns and worrisome prospects for the global economy. Against this backdrop, Kansai EP suffered a decline in revenues from its electricity operations despite a year-on-year increase in total power sales volume. Revenues reached ¥2,461,694 million, down ¥47,870 million from the previous term. The decline owed to the impact of rate cuts.

Operating revenues generated by other operations totaled ¥153,460 million, up ¥11,427 million from the level of fiscal 2002. Factors contributing to the increase included brisk demand for Internet connection services to the home in the IT/Communications segment, the achievement of full-scale operations in retail gas sales, and increased sales from lifecycle support operations, especially those pertaining to real estate.

Expenses

Expenses incurred in conjunction with electricity operations totaled ¥2,141,337 million, down ¥50,796 million from fiscal 2002. Personnel costs increased year-on-year primarily owing to the writeoff of recognized actuarial losses against pensions and increased payments rendered to 2,230 employees who responded to the Company's early retirement offer. The increase was offset, however, by three factors: 1) a decline in fuel costs for thermal power generation, enabled by smooth operation of nuclear plants that permitted the achievement of an unprecedented capacity factor of 90.5%; 2) efficiency enhancement initiatives affecting all areas of management; 3) efforts to trim maintenance, depreciation and other operating costs. Operating expenses in other business areas reached ¥148,236 million, representing an increase of only ¥8,084 million from the preceding term. This was accomplished through initiatives to reduce operating outlays of all kinds. In the end, operating income in fiscal 2003 reached ¥325,581 million, up ¥6,269 million year-on-year.

Other (income) expenses recorded during the term totaled ¥184,551 million, up ¥68,763 million from fiscal 2002. The increase stemmed from a loss of ¥62,001 million booked in conjunction with the canceled construction of a pumped-storage hydroelectric power plant at Kaneihara; construction was terminated primarily in light of sluggish growth in electricity demand and the opacity of the future power market. The loss was partly compensated by a reduction in interest payments by ¥14,397 million year-on-year, to ¥113,065 million, mostly through reduction of interest-bearing liabilities and efforts to trim interest on borrowings. On a consolidated basis the Companies also booked ¥28,367 million in profit from the continued sale of securities holdings released in order to enhance asset efficiency.

As a result of the foregoing, consolidated income before income taxes and minority interests reached ¥141,030 million, down ¥69,102 million from fiscal 2002. Net income, after deducting ¥59,923 million in income taxes, totaled ¥80,474 million, a ¥47,970 million decline year-on-year.

Assets, Liabilities and Shareholders' Equity

The Companies' total assets as of end-March 2003 reached ¥7,402,327 million, down ¥105,229 million from the previous fiscal year-end. Among factors that narrowed the scope of decline was the new incorporation into the consolidated account of Osaka Media Port Corporation, worth roughly ¥110 billion. Property, after deductions including ¥413,951 million in depreciation costs, decreased ¥80,426 million year-on-year. The trimming of fixed assets was made possible largely by two factors affecting electricity operations. First, capital expenditures were held to ¥386,851 million, down ¥80,963 million from fiscal 2002; this was accomplished by optimizing efficiency through initiatives including severe selectivity regarding new construction projects and reconsideration of previously set construction schedules and project scopes. Second, measures were taken to reduce property assets: for example, the aforementioned cancellation of construction of the Kaneihara plant, which had been booked to the construction-in-progress account. Assets in the form of investment securities decreased ¥35,273 million during the year. Some securities were sold, and others suffered declines in their net unrealized gains under market valuations as a result primarily of eroded market values. By contrast, deferred tax assets included under investments and other assets increased by ¥40,284 million year-on-year. The increase stemmed largely from a reduction in deferred tax liabilities, earlier booked as an amount equivalent to income taxes, reflecting the decline in net unrealized gains under market valuations. Among current assets, cash and cash equivalents decreased ¥24,900 million from the level of fiscal 2002. The decline was the result of effective use of cash on hand and aggressive reduction of interest-bearing liabilities.

Liabilities decreased ¥77,186 million during the term, to ¥5,841,952 million. Interest-bearing liabilities were trimmed by ¥94,277 million, in spite of some ¥100 billion in liabilities newly accrued in conjunction with the incorporation of Osaka Media Port Corporation into the consolidated account. The overall reduction was achieved by according highest priority in the allocation of free cash flow to reducing interest-bearing debt as a way of fortifying the Companies' financial structure.

Total shareholders' equity decreased ¥32,606 million year-on-year, to ¥1,548,131 million. A ¥31,777 million increase in retained earnings was offset by the combined impact of a ¥34,424 million decrease in net unrealized gain on available-for-sale securities and a ¥29,810 million increase in treasury stock. The decline in gain on available-for-sale securities was attributable chiefly to stock sales and eroded market values. The increase in treasury stock primarily reflected the purchase, approved by vote at the fiscal 2003 general shareholders meeting, of roughly 16 million shares. Although the shareholders' equity ratio thus slipped 0.2 point during the term, to 20.9%, steady progress was achieved at reducing interest-bearing debt and streamlining Companies' assets.

Cash Flow

Kansai EP and its consolidated subsidiaries pursue all avenues toward the further enhancement of the Companies' free cash flow through ever greater management efficiency. At the same time, investments are being actively undertaken into new areas of operation that will lead to expansion of the consolidated earnings base going forward. Also, aggressive initiatives are being taken on diverse fronts toward strengthening the Companies' financial structure.

In fiscal 2003 free cash flow reached ¥246,448 million. Cash flow generated by operating activities totaled ¥656,040 million, down ¥100,587 million year-on-year. The combined positive effects of enhanced efficiency in all aspects of management and the increase in total electricity sales volume were outweighed by the impact of the electricity rate cuts implemented in October 2002 and substantially increased income tax payments. Cash flow linked to investing activities resulted in ¥409,592 million in outlays, down ¥37,035 million from the preceding term. The reduction, achieved despite increased capital expenditures into new business areas such as IT/communications, was chiefly ascribable to an overall decrease in capital investments, made possible by increased efficiency in electricity operations. In addition, as in fiscal 2002 cash was again generated from the sale of part of the Companies' securities holdings.

Cash flow applied to financing activities reached outlays totaling ¥271,344 million, down ¥34,150 million from the year-earlier level. The free cash flow generated as described above was allocated mainly to reducing the Companies' interest-bearing liabilities and purchasing treasury stock.

As a result of the foregoing, the balance of cash and cash equivalents as of the end of the fiscal term reached ¥104,183 million, constituting a decline of ¥24,900 million from fiscal 2002. The decrease was chiefly ascribable to efforts to optimize efficiency in the use of cash on hand.

Consolidated Balance Sheets

The Kansai Electric Power Co., Inc. and Consolidated Subsidiaries • March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS (Note 5)	2003	2002	2003
PROPERTY:			
Utility plant and equipment	¥13,026,235	¥13,015,757	$108,371,339
Other plant and equipment	936,821	606,532	7,793,852
Construction in progress	822,748	773,318	6,844,825
Contributions in aid of construction	(407,075)	(393,008)	(3,386,647)
Accumulated depreciation	(8,481,263)	(8,007,390)	(70,559,592)
Plant and equipment - net (Notes 3 and 5)	5,897,466	5,995,209	49,063,777
Nuclear fuel, net of amortization	517,485	500,168	4,305,200
Property - net	6,414,951	6,495,377	53,368,977
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 4)	139,654	174,927	1,161,847
Investments in and advances to associated companies	163,649	176,999	1,361,473
Deferred tax assets (Note 9)	248,575	208,291	2,068,012
Other assets	38,214	39,979	317,919
Total investments and other assets	590,092	600,196	4,909,251
CURRENT ASSETS:			
Cash and cash equivalents	104,183	129,083	866,747
Accounts receivable	159,374	158,003	1,325,907
Allowance for doubtful accounts	(3,910)	(4,316)	(32,529)
Inventories	53,001	57,934	440,940
Deferred tax assets (Note 9)	32,236	24,811	268,186
Other current assets	52,400	46,468	435,940
Total current assets	397,284	411,983	3,305,191
TOTAL	¥7,402,327	¥7,507,556	$61,583,419

See notes to consolidated financial statements.

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	Millions of Yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES AND SHAREHOLDERS' EQUITY	2003	2002	2003
LONG-TERM DEBT, LESS CURRENT MATURITIES (Note 5)	¥3,716,785	¥3,813,429	$30,921,672
LIABILITY FOR RETIREMENT BENEFITS (Note 6)	290,737	276,663	2,418,777
RESERVE FOR REPROCESSING OF IRRADIATED NUCLEAR FUEL	529,630	483,413	4,406,239
RESERVE FOR DECOMMISSIONING OF NUCLEAR POWER UNITS	225,402	213,043	1,875,224
DEFERRED TAX LIABILITIES (Note 9)	184	325	1,531
CURRENT LIABILITIES:			
Current maturities of long-term debt (Note 5)	365,996	324,821	3,044,892
Short-term borrowings (Note 7)	306,652	353,503	2,551,181
Accounts payable (Note 5)	129,430	162,835	1,076,789
Payable to associated companies	15,062	15,628	125,308
Accrued income taxes	44,501	66,049	370,225
Deferred tax liabilities (Note 9)	113	72	940
Accrued expenses and other current liabilities	217,460	209,357	1,809,151
Total current liabilities	1,079,214	1,132,265	8,978,486
MINORITY INTERESTS	12,244	7,681	101,864
COMMITMENTS AND CONTINGENCIES (Notes 12 and 13)			
SHAREHOLDERS' EQUITY (Notes 5, 8 and 16):			
Common stock - authorized, 1,784,059,697 shares; issued, 962,698,728 shares in 2003 and 2002	489,320	489,320	4,070,882
Capital surplus	65,463	65,463	544,617
Retained earnings	1,003,204	971,427	8,346,123
Net unrealized gain on available-for-sale securities	19,875	54,299	165,349
Foreign currency translation adjustments	101	281	841
Treasury stock - at cost 17,122,620 shares in 2003 and 11,399 shares in 2002	(29,832)	(22)	(248,186)
Common stock held by consolidated subsidiaries		(31)	
Total shareholders' equity	1,548,131	1,580,737	12,879,626
TOTAL	¥7,402,327	¥7,507,556	$61,583,419

See notes to consolidated financial statements.

Consolidated Statements of Income

The Kansai Electric Power Co., Inc. and Consolidated Subsidiaries • Years Ended March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
OPERATING REVENUES:			
Electric	¥2,461,694	¥2,509,564	$20,479,984
Other	153,460	142,033	1,276,705
Total	2,615,154	2,651,597	21,756,689
OPERATING EXPENSES:			
Electric	2,141,337	2,192,133	17,814,784
Other	148,236	140,152	1,233,244
Total	2,289,573	2,332,285	19,048,028
OPERATING INCOME	325,581	319,312	2,708,661
OTHER (INCOME) EXPENSES:			
Interest expense	113,065	127,462	940,641
Equity in losses (earnings) of associated companies	4,650	(779)	38,685
Gain on sales of securities	(28,367)	(44,883)	(235,998)
Loss on discontinuance of power plant construction	62,001		515,815
Other - net	33,202	33,988	276,223
Total	184,551	115,788	1,535,366
INCOME BEFORE REVERSAL OF RESERVE FOR FLUCTUATIONS IN WATER LEVEL, INCOME TAXES AND MINORITY INTERESTS	141,030	203,524	1,173,295
REVERSAL OF RESERVE FOR FLUCTUATIONS IN WATER LEVEL		6,608	
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	141,030	210,132	1,173,295
INCOME TAXES (Note 9)			
Current	88,302	91,758	734,626
Deferred	(28,379)	(10,968)	(236,098)
Total	59,923	80,790	498,528
MINORITY INTERESTS IN NET INCOME	633	898	5,266
NET INCOME	¥80,474	¥128,444	$669,501

	Yen		U.S. Dollars
	2003	2002	2003
PER SHARE OF COMMON STOCK (Note 15):			
Net income	¥83.49	¥131.61	$0.69
Fully diluted net income	81.99	126.91	0.68
Cash dividends applicable to the year	50.00	50.00	0.42

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

The Kansai Electric Power Co., Inc. and Consolidated Subsidiaries • Years Ended March 31, 2003 and 2002

		Millions of Yen						
	Number of Common Shares Issued	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustment	Treasury Stock	Common Stock Held by Consolidated Subsidiaries
BALANCE, APRIL 1, 2001	978,639,031	¥489,320	¥65,463	¥906,339	¥108,485		¥(17)	
Adjustment of retained earnings for a newly consolidated subsidiary				26,095				
Net income				128,444				
Cash dividends, ¥60 per share				(58,718)				
Bonuses to directors and corporate auditors				(542)				
Foreign currency translation adjustments						¥281		
Retirement of treasury stock	(15,940,303)			(30,191)			30,191	
Net increase in treasury stock (excluding retirement of treasury stock)							(30,196)	
Net increase in common stock held by consolidated subsidiaries								¥(31)
Net decrease in unrealized gain on available-for-sale securities					(54,186)			
BALANCE, MARCH 31, 2002	962,698,728	489,320	65,463	971,427	54,299	281	(22)	(31)
Net income				80,474				
Cash dividends, ¥50 per share				(48,129)				
Bonuses to directors and corporate auditors				(568)				
Net decrease in foreign currency translation adjustments						(180)		
Reclassification for adopting new accounting standards for treasury stock							(31)	31
Net increase in treasury stock							(29,779)	
Net decrease in unrealized gain on available-for-sale securities					(34,424)			
BALANCE, MARCH 31, 2003	962,698,728	¥489,320	¥65,463	¥1,003,204	¥19,875	¥101	¥(29,832)	¥

	Thousands of U.S. Dollars (Note 1)						
	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustment	Treasury Stock	Common Stock Held by Consolidated Subsidiaries
BALANCE, MARCH 31, 2002	$4,070,882	$544,617	$8,081,755	$451,739	$2,338	$(183)	$(258)
Net income			669,501				
Cash dividends, $0.42 per share			(400,408)				
Bonuses to directors and corporate auditors			(4,725)				
Net decrease in foreign currency translation adjustments					(1,497)		
Reclassification for adopting new accounting standards for treasury stock						(258)	258
Net increase in treasury stock						(247,745)	
Net decrease in unrealized gain on available-for-sale securities				(286,390)			
BALANCE, MARCH 31, 2003	$4,070,882	$544,617	$8,346,123	$165,349	$841	$(248,186)	$

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

The Kansai Electric Power Co., Inc. and Consolidated Subsidiaries • Year Ended March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥141,030	¥210,132	$1,173,295
Adjustments for:			
Income taxes-paid	(111,526)	(39,979)	(927,837)
Depreciation and amortization	413,951	421,573	3,443,852
Amortization of nuclear fuel	57,292	53,055	476,639
Loss on disposal of property, plant and equipment	17,584	51,203	146,290
Loss on discontinuance of power plant construction	62,001		515,815
Nuclear fuel transferred to reprocessing costs	14,871	14,372	123,719
Increase (decrease) in liability for retirement benefits	13,000	(14,310)	108,153
Provision for reprocessing of irradiated nuclear fuel	46,216	71,213	384,493
Provision for decommissioning of nuclear fuel units	12,358	9,212	102,812
Reversal of reserve for fluctuations in water level		(6,608)	
Gain on sales of securities	(28,367)	(44,883)	(235,998)
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries and merger:			
Decrease in trade receivables	1,166	20,546	9,700
Decrease in interest and dividends receivable	956	420	7,953
Decrease in trade payables	(14,709)	(7,453)	(122,371)
Decrease in interest payable	(1,562)	(2,587)	(12,995)
Other - net	31,779	20,721	264,383
Total adjustments	515,010	546,495	4,284,608
Net cash provided by operating activities	656,040	756,627	5,457,903
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(415,846)	(481,924)	(3,459,617)
Payments for investments and advances	(38,621)	(29,430)	(321,306)
Proceeds from sales of investments or collections of advances	36,577	58,104	304,301
Payments for purchase of investments in subsidiaries net of cash acquired	(7,247)		(60,291)
Other – net	15,545	6,623	129,326
Net cash used in investing activities	(409,592)	(446,627)	(3,407,587)
FINANCING ACTIVITIES:			
Proceeds from issuance of bonds	98,849	149,363	822,371
Proceeds from long-term debt (exclusive of bonds)	158,353	217,061	1,317,413
Proceeds from short-term loans	453,634	752,336	3,773,993
Proceeds from issuance of commercial papers	828,000	216,000	6,888,519
Redemption of bonds	(208,032)	(276,039)	(1,730,715)
Repayments of long-term debt (exclusive of bonds)	(196,812)	(240,064)	(1,637,371)
Repayments of short-term loans	(534,663)	(869,750)	(4,448,111)
Repayments of commercial paper	(793,000)	(166,000)	(6,597,338)
Purchases of treasury stock	(29,670)	(30,477)	(246,839)
Dividends paid	(48,113)	(58,690)	(400,275)
Other – net	110	766	915
Net cash used in financing activities - (Forward)	¥(271,344)	¥(305,494)	$(2,257,438)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
Net cash used in financing activities-(Forward)	¥(271,344)	¥(305,494)	$(2,257,438)
NET CASH PROVIDED BY (USED IN) OPERATING, INVESTING AND FINANCING ACTIVITIES	(24,896)	4,506	(207,122)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(4)	7	(33)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(24,900)	41,316	(207,155)
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR		36,803	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	129,083	87,767	1,073,902
CASH AND CASH EQUIVALENTS, END OF YEAR	¥104,183	¥129,083	$866,747
NON CASH INVESTING AND FINANCING ACTIVITIES:			
Assets and liabilities increased by consolidation of subsidiaries previously unconsolidated:			
Assets		¥47,163	
Liabilities		40,948	
ADDITIONAL INFORMATION:			
Assets and liabilities of subsidiaries, which were included in the scope of consolidation through acquisition of common stock, were as follows:			
Property, investments and other assets	¥123,693		$1,029,060
Current assets	9,075		75,499
Long-term debt	(77,435)		(644,218)
Current liabilities	(29,689)		(246,997)
Negative goodwill	(356)		(2,962)
Minority interests and other	(7,020)		(58,402)
Sub-total	18,268		151,980
Investments acquired in prior years	(6,358)		(52,895)
Payment for investments	11,910		99,085
Cash and cash equivalents	(4,663)		(38,794)
Payments for purchase of investments in subsidiaries net of cash acquired	¥7,247		$60,291

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

The Kansai Electric Power Co., Inc. and Consolidated Subsidiaries • Years Ended March 31, 2003 and 2002

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in 2002 financial statements to conform to the classifications used in 2003.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥120.20 to $1, the approximate rate of exchange at March 31, 2003. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Principles of Consolidation and Accounting for Investments in Unconsolidated Subsidiaries and Associated Companies - The consolidated financial statements as of March 31, 2003 include the accounts of the Company and all subsidiaries (seventy-eight in 2003 and seventy in 2002).

Under the control or influence concept, those companies over whose operations the Company, directly or indirectly, is able to exercise control are fully consolidated, and those companies over which the Company has an ability to exercise significant influence are accounted for by the equity method.

For the years ended March 31, 2003 and 2002, investments in one associated company are accounted for by the equity method. Investments in the remaining associated companies are stated at cost, and had the equity method been applied to the investments in these companies, there would have been an immaterial effect on the accompanying consolidated financial statements.

Negative goodwill represents the excess of the fair value of the net assets of the acquired subsidiary/associated company over the cost of an acquisition at the date of acquisition. Negative goodwill on acquisition of subsidiaries occurring on or after April 1, 1999 is reported in the balance sheet as other liabilities and is amortized using the straight-line method over five years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Companies is eliminated.

b. Subsidiaries' Fiscal Year-End - The fiscal year-end of five consolidated subsidiaries is December 31. The Company consolidates such subsidiaries' financial statements using their financial results for the year ended December 31. The effect of any significant transactions during the period between the subsidiaries' fiscal year-end and the Company's fiscal year-end are reflected in the consolidated financial statements.

c. Property, Depreciation and Amortization - Property is stated at cost. Contributions in aid of construction, which include certain amounts assessed to and collected from customers, are deducted from the costs of the related assets in accordance with the regulations.

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

Amortization of nuclear fuel is computed based on the quantity of heat produced for the generation of electricity. Accumulated amortization of nuclear fuel at March 31, 2003 and 2002 was ¥117,765 million ($979,742 thousand) and ¥119,224 million, respectively.

d. Leases - All leases are accounted for as operating leases. Under Japanese accounting standards 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.

e. Investment Securities - The Companies' securities are classified and accounted for as follows: i) held-to-maturity debt securities, which management has the positive intent and ability to hold to maturity, are reported at amortized cost, ii) available-for-sale securities whose fair value is not readily determinable are reported at cost, and iii) available-for-sale securities whose fair value is readily determinable are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of shareholders' equity.

The cost of securities sold is determined by the moving-average method.

f. 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 principally include time deposits, certificate of deposits, commercial paper and mutual funds investing in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

g. Inventories - Inventories, mainly fuel, are stated at cost determined by the average method.

h. Foreign Currency Transactions - All receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates as of the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by the forward contracts.

i. Foreign Currency Financial Statements - The balance sheet accounts of the consolidated foreign subsidiaries 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. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the current exchange rate as of the balance sheet date. Differences arising from such translation are shown as "Foreign currency translation adjustments" as a separate component of shareholders' equity.

j. Retirement and Pension Plan - The Company and certain consolidated subsidiaries have non-contributory defined benefit pension plans, contributory pension plans, and unfunded retirement benefit plans.

The Companies accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

Prior service cost is being amortized by the straight-line method over a period of principally 3 years. Actuarial gains or losses are being recognized by the straight-line method over a period of principally 3 years.

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

k. Reserve for Reprocessing of Irradiated Nuclear Fuel - The Company has accrued costs for the reprocessing of irradiated nuclear fuel in accordance with accounting methods accepted by the regulatory authority. The Company provides for the reprocessing of irradiated nuclear fuel at 60% of the amount, which would be required to reprocess all the irradiated nuclear fuel as of the balance sheet date.

l. Reserve for Decommissioning of Nuclear Power Units - The Company has accrued costs for decommissioning of nuclear power units in accordance with accounting methods accepted by the regulatory authority.

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. Derivatives and Hedging Activities - The Companies use principally foreign exchange forward contracts, currency swaps and interest rate swaps in the normal course of business, to manage its exposures to fluctuations in foreign exchange, interest rates and so on. The Companies do not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives be recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions be recognized in the income statement and b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on those derivatives are deferred until maturity of the hedged transactions.

Assets and liabilities denominated in foreign currencies for which foreign exchange forward contracts and currency swaps are used to hedge the foreign currency fluctuations are translated at the contracted rate if the forward contracts and currency swaps qualify for hedge accounting.

The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at fair value but the differential paid or received under the swap agreements are recognized and included in interest expenses or income.

o. Reserve for Fluctuations in Water Level - Until March 31, 2001, a reserve for fluctuations in water level was provided for costs expected to incur from insufficient water levels in accordance with the Japanese Electric Utility Law and related accounting regulations.

p. Appropriations of Retained Earnings - Appropriations of retained earnings at each year end are reflected in the financial statements of the following year after shareholders' approval.

q. Per Share Information - Effective April 1, 2002, the Company adopted a new accounting standard for earnings per share of common stock issued by the Accounting Standards Board of Japan. Under the new standard, net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding in each period, retroactively adjusted for stock splits.

Fully diluted net income per share reflects the potential dilution that could occur if securities were converted into common stock. Fully diluted net income per share of common stock assumes full conversion of the outstanding convertible bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying non-consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

The average number of common shares used in the computation was 958,010,034 shares for the year ended March 31, 2003 and 975,972,901 shares for the year ended March 31, 2002.

Previous year's earnings per share based on the new accounting standards are as follows:

	Year Ended March 31
	2002
Per share of common stock:	
Net income.	¥131.06
Fully diluted net income.	126.39

r. Stock and Bond Issue Costs - Costs incurred in connection with the issuance of stock and bonds are charged to income as incurred.

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3. PLANT AND EQUIPMENT

Plant and equipment, at carrying value, at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Hydroelectric power production facilities	¥482,527	¥508,664	$4,014,368
Thermal power production facilities	423,751	488,429	3,525,383
Nuclear power production facilities	476,573	520,252	3,964,834
Transmission facilities	1,494,318	1,566,946	12,431,930
Transformation facilities	574,351	609,462	4,778,294
Distribution facilities	999,281	1,054,258	8,313,486
General facilities	165,792	180,562	1,379,301
Other utility facilities	14,257	14,310	118,611
Other plant and equipment	443,868	279,008	3,692,745
Construction in progress	822,748	773,318	6,844,825
Total	¥5,897,466	¥5,995,209	$49,063,777

4. INVESTMENT SECURITIES

Information regarding each category of the securities classified as available-for-sale, whose fair value is readily determinable, and held-to-maturity at March 31, 2003 and 2002 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
	2003			
Securities classified as:				
Available-for-sale:				
Equity securities	¥21,047	¥29,076	¥100	¥50,023
Debt securities	2,418	61	6	2,473
Held-to-maturity debt securities	11,603	640	20	12,223

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
	2002			
Securities classified as:				
Available-for-sale:				
Equity securities	¥25,116	¥81,016	¥300	¥105,832
Debt securities	1,382	9	20	1,371
Other	2,552	16		2,568
Held-to-maturity debt securities	8,012	421	30	8,403

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	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
	2003			
Securities classified as:				
Available-for-sale:				
Equity securities	$175,100	$241,897	$832	$416,165
Debt securities	20,117	507	50	20,574
Held-to-maturity debt securities	96,531	5,324	166	101,689

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

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Available-for-sale:			
Equity securities	¥71,538	¥55,658	$595,158
Other	8,355	8,624	69,509
Held-to-maturity debt securities	400	350	3,328
Total	¥80,293	¥64,632	$667,995

Proceeds from sales of available-for-sale securities for the years ended March 31, 2003 and 2002 were ¥28,649 million ($238,344 thousand) and ¥45,477 million ($341,291 thousand). Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥28,382 million ($236,123 thousand) and ¥15 million ($125 thousand), respectively for the year ended March 31, 2003 and ¥44,955 million and ¥72 million, respectively for the year ended March 31, 2002.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2003 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	¥1,173	$9,759
Due after one year through five years	6,664	55,441
Due after five years through ten years	6,064	50,449
Due after ten years	986	8,203
Total	¥14,887	$123,852

Notes to Consolidated Financial Statements

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5. LONG-TERM DEBT

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

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
General mortgage bonds:			
0.29% to 6.9%, due serially through 2018	¥1,497,976	¥1,606,278	$12,462,363
7.25%, due 2006 (payable in U.S. dollars)	54,450	54,450	452,995
6.625% and 7.0%, due through 2006 (payable in French francs)	110,266	110,266	917,354
5.75%, due 2007 (payable in Netherlands guilder)	62,294	62,294	518,253
1.4% general mortgage convertible bonds, due 2005	178,637	178,637	1,486,165
0.95% to 6.4% secured loans from principally the Development Bank of Japan maturing serially through 2023:			
The Company	460,320	509,312	3,829,617
Subsidiaries	24,602	23,747	204,676
0.289% to 6.4% unsecured loans from banks and insurance companies maturing serially through 2036	1,683,477	1,568,610	14,005,632
Other	10,759	24,656	89,509
Total	4,082,781	4,138,250	33,966,564
Less current maturities	365,996	324,821	3,044,892
Long-term debt, less current maturities	¥3,716,785	¥3,813,429	$30,921,672

Annual maturities of long-term debt at March 31, 2002 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year ending March 31:		
2004	¥365,996	$3,044,892
2005	608,733	5,064,334
2006	317,479	2,641,256
2007	379,059	3,153,569
2008 and thereafter	2,411,514	20,062,513
Total	¥4,082,781	$33,966,564

All of the Company's assets are pledged as collateral for the general mortgage bonds, general mortgage convertible bonds and secured loans from the Development Bank of Japan.

The carrying amounts of subsidiaries' assets pledged as collateral for accounts payable of ¥1,220 million ($10,150 thousand) and the above secured loans at March 31, 2003, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Property and other	¥52,968	$440,666

Certain long-term loan agreements include provisions which allow lenders the right of prior approval, if so requested, of any appropriation from retained earnings, including dividends. To date no lender has exercised this right.

The convertible bonds may be redeemed in whole or in part at prices declining by 1% per year from 107% to 100% of the principal amounts. The 1.4% bonds are currently redeemable. The 1.4% convertible bonds outstanding at March 31, 2003 were convertible into 37,162 thousand shares of common stock, at the conversion prices of ¥4,807 ($39.99) subject to certain anti-dilutive provisions.

6. RETIREMENT AND PENSION PLAN

The Company and certain of its subsidiaries have severance payment plans for employees.

Under most circumstances, employees terminating their employment with the Companies, either voluntarily or upon reaching mandatory retirement age, are entitled to severance payments based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain subsidiaries and annuity payments from a trustee. In certain instances additional retirement payments are paid at the retirement of employees.

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

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Projected benefit obligation	¥798,894	¥752,472	$6,646,373
Fair value of plan assets	(362,105)	(396,570)	(3,012,521)
Unrecognized prior service cost	12,573	28,978	104,601
Unrecognized actuarial loss	(158,892)	(108,217)	(1,321,897)
Prepaid pension cost	267		2,221
Net liability	¥290,737	¥276,663	$2,418,777

The components of net periodic retirement benefit costs are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Service cost	¥31,024	¥28,573	$258,103
Interest cost	18,415	19,653	153,203
Expected return on plan assets	(6,287)	(6,260)	(52,304)
Amortization of prior service cost	(17,314)	(17,799)	(144,043)
Recognized actuarial loss	39,985	12,895	332,654
Settlement loss	24,119		200,657
Other	53,030	1,998	441,181
Net periodic retirement benefit costs	¥142,972	¥39,060	$1,189,451

For the year ended March 31, 2003 the Company recognized amortization of unrecognized actuarial loss and prior service cost as "settlement loss" incurred by the large scale retirement due to the expansion of the early retirement plan, and an additional retirement payment of ¥52,921 million ($440,275 thousand) is included in "Other" in the above table.

Principal assumptions used for the years ended March 31, 2003 and 2002 are set forth as follows:

	2003	2002
Discount rate	2.0%	2.5%
Expected rate of return on plan assets	1.5%	1.5%
Allocation method of the retirement benefits expected to be paid at the retirement date	Straight-line method based on years of service	Straight-line method based on years of service
Amortization period of prior service cost	3 years	3 years
Recognition period of actuarial gain/loss	3 years	3 years

In addition certain consolidated subsidiaries participate in a contributory multi-employer pension plan covering substantially all of their employees. The pension fund and assets available for benefits under this plan were approximately ¥2,212 million ($16,600 thousand) at March 31, 2002.

Notes to Consolidated Financial Statements

The Kansai Electric Power Co., Inc. and Consolidated Subsidiaries • Years Ended March 31, 2003 and 2002

7. SHORT-TERM BORROWINGS

Short-term borrowings at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Short-term loans principally from banks (principally bank overdrafts), weighted average interest rate of 0.299% and 0.291% at March 31, 2003 and 2002	¥221,652	¥303,503	$1,844,026
Commercial paper, weighted average interest rate of 0.012% and 0.007% at March 31, 2003 and 2002	85,000	50,000	707,155
Total	¥306,652	¥353,503	$2,551,181

8. SHAREHOLDERS' EQUITY

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

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

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

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders meeting and dispose of such treasury stock by resolution of the Board of Directors beginning April 1, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future 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 ¥631,633 million ($5,254,850 thousand) as of March 31, 2003, based on the amount recorded in the parent 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.

Effective April 1, 2002, the Companies adopted a new accounting standard for Treasury Stock and Reduction of capital surplus and Legal Reserve issued by the Accounting Standards Board of Japan. Under the new standard, the stock of the Company, which is held by its subsidiaries and associated companies, is stated as treasury stock according to the percentage of ownership. The effect of this change in the consolidated financial statements for the year ended March 31, 2003 is immaterial.

9. INCOME TAXES

The Companies are subject to a number of taxes based on income such as corporate income tax and inhabitant taxes which, in the aggregate, resulted in normal statutory tax rates of approximately 36.2% for the years ended March 31, 2003 and 2002.

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

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Deferred Tax Assets:			
Liability for retirement benefits	¥85,679	¥72,768	$712,804
Intercompany profit elimination	44,010	45,487	366,140
Reserve for reprocessing of irradiated nuclear fuel	41,878	41,878	348,403
Reserve for decommissioning of nuclear power units	29,304	29,304	243,794
Depreciation	28,747	20,032	239,160
Deferred charges	17,071	19,413	142,021
Other	60,427	42,426	502,719
Less valuation allowance	(15,257)	(8,354)	(126,930)
Deferred tax assets	291,859	262,954	2,428,111
Deferred Tax Liabilities:			
Unrealized gain on available-for-sale securities	10,652	29,459	88,619
Other	693	790	5,765
Deferred tax liabilities	11,345	30,249	94,384
Net deferred tax assets	¥280,514	¥232,705	$2,333,727

A reconciliation between the normal effective statutory tax rates for the years ended March 31, 2003 and 2002 and the actual effective tax rates reflected in the accompanying consolidated statements of income is as follows:

	2003	2002
Normal effective statutory tax rate	36.2%	36.2%
Equity in losses (earnings) of associated companies	1.2	(0.1)
Valuation allowance	4.7	2.6
Other - net	0.4	(0.2)
Actual effective tax rate	42.5%	38.5%

On March 31, 2003, a local tax reform law was enacted in Japan, which changed the normal effective statutory tax rate of certain subsidiaries effective for years beginning April 1, 2004. The effect of this change on deferred taxes in the consolidated financial statements for the year ended March 31, 2003 is immaterial.

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥27,275 million ($226,913 thousand) and ¥30,499 million for the years ended March 31, 2003 and 2002, respectively.

11. RELATED PARTY TRANSACTIONS

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

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Kinden Co., Ltd.			
Transactions:			
Orders for construction of transmission and distribution facilities	¥54,228	¥77,924	$451,148
Balances at year ended:			
Payables for construction	6,016	10,685	50,050

Notes to Consolidated Financial Statements

The Kansai Electric Power Co., Inc. and Consolidated Subsidiaries • Years Ended March 31, 2003 and 2002

12. LEASES

Lessor

Finance Leases

Revenues under finance leases were ¥4,836 million ($40,233 thousand) and ¥4,805 million for the years ended March 31, 2003 and 2002, respectively.

Certain pro forma information of leased property such as acquisition cost, accumulated depreciation and future lease revenue under finance leases for the years ended March 31, 2003 and 2002 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Other Facilities		Other Facilities
	2003	2002	2003
Acquisition cost	¥30,088	¥26,340	$250,316
Accumulated depreciation	19,632	18,174	163,328
Net leased property	¥10,456	¥8,166	$86,988

Future lease revenue under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Due within one year	¥4,488	¥4,962	$37,338
Due after one year	11,866	10,055	98,719
Total	¥16,354	¥15,017	$136,057

Future lease revenue under finance leases includes the imputed interest revenue and sublease revenue.

Depreciation expenses relating to the leased assets mentioned above were ¥5,615 million ($46,714 thousand) and ¥4,479 million for the years ended March 31, 2003 and 2002, respectively.

Operating Leases

Future lease revenue under non-cancelable operating leases at March 31, 2003 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Due within one year	¥5	¥26	$42
Due after one year		5	
Total	¥5	¥31	$42

Lessee

Finance Leases

Total lease payments under finance leases were ¥2,230 million ($18,552 thousand) and ¥3,177 million for the years ended March 31, 2003 and 2002, respectively.

Certain pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease, depreciation expense of finance leases that deem to transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2003 and 2002 was as follows:

	Millions of Yen				
	Nuclear Power Generating Facilities	Distribution Facilities	General Facilities	Other Facilities	Total
As of March 31, 2003					
Acquisition cost	¥4,480	¥1,135	¥112	¥7,415	¥13,142
Accumulated depreciation	1,302	1,007	79	4,598	6,986
Net leased property	¥3,178	¥128	¥33	¥2,817	¥6,156

	Thousands of U.S. Dollars				
	Nuclear Power Generating Facilities	Distribution Facilities	General Facilities	Other Facilities	Total
As of March 31, 2003					
Acquisition cost	$37,271	$9,443	$932	$61,689	$109,335
Accumulated depreciation	10,832	8,378	657	38,253	58,120
Net leased property	$26,439	$1,065	$275	$23,436	$51,215

	Millions of Yen				
	Nuclear Power Generating Facilities	Distribution Facilities	General Facilities	Other Facilities	Total
As of March 31, 2002					
Acquisition cost	¥4,436	¥1,135	¥4,739	¥8,378	¥18,688
Accumulated depreciation	628	881	4,643	5,245	11,397
Net leased property	¥3,808	¥254	¥96	¥3,133	¥7,291

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Due within one year	¥1,823	¥2,148	$15,166
Due after one year	4,359	5,174	36,265
Total	¥6,182	¥7,322	$51,431

Depreciation expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Depreciation expense	¥2,230	¥3,177	$18,552

Depreciation expense, which is not reflected in the accompanying consolidated statements of income, was computed by the straight-line method over the respective lease periods.

The amount of leased assets and obligations under finance leases includes the imputed interest expense portion and obligations under finance leases includes the accrued sublease rentals.

Operating Leases

Obligations under non-cancelable operating leases at March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Due within one year	¥68	¥78	$566
Due after one year	3	71	25
Total	¥71	¥149	$591

Notes to Consolidated Financial Statements

The Kansai Electric Power Co., Inc. and Consolidated Subsidiaries • Years Ended March 31, 2003 and 2002

13. COMMITMENTS AND CONTINGENCIES

At March 31, 2003, the Companies had firm purchase commitments, principally related to utility plant expansion, of approximately ¥203,940 million ($1,696,672 thousand). Additionally, the Companies had a number of fuel purchase commitments, most of which specify quantities and terms. Purchase prices are contingent upon fluctuations of market prices and so on.

At March 31, 2003, the Companies had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Co-guarantees or guarantees of loans and bonds of other companies:		
Japan Nuclear Fuel Limited	¥218,516	$1,817,937
Other	5,010	41,680
Total	¥223,526	$1,859,617
Contingency relating to debt assumption agreement	¥117,015	$973,502
Note receivable endorsed	¥24	$200

14. DERIVATIVES

The Company enters into derivative financial instruments, including foreign currency forward contracts, currency swaps and interest rate swaps, to reduce market risks associated with assets and liabilities in the normal course of business.

The fair value of the Companies' derivative financial instruments at March 31, 2003 and 2002 are as follows:

	Millions of Yen					
	2003			2002		
	Contracted Amount	Fair Value	Unrealized Loss	Contracted Amount	Fair Value	Unrealized Loss
Foreign currency forward contracts						
Selling U.S. Dollars	¥1,076	¥1,384	¥308	¥1,356	¥1,778	¥422
Commodity swaps:						
Receivable floating price/payable fixed price	978	(10)	10			
Receivable fixed price/payable floating price	499	(3)	3			

	Thousands of U.S. Dollars		
	2003		
	Contracted Amount	Fair Value	Unrealized Loss
Foreign currency forward contracts			
Selling U.S. Dollars	$8,952	$11,514	$2,562
Commodity swaps:			
Receivable floating price/payable fixed price	8,136	(83)	83
Receivable fixed price/payable floating price	4,151	(25)	25

The fair values above are based on the prices which are provided by banking institutions.

Derivative financial instruments that qualify for hedge accounting are excluded from disclosure of fair value information.

15. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the year ended March 31, 2003 is as follows:

	Millions of Yen	Thousands of Share	Yen	Dollars
	Net Income	Weighted Average Shares	EPS	
Basic EPS				
Net income available to common shareholders	¥79,984	958,010	¥83.49	$0.69
Effect of Dilutive Securities				
Convertible bonds	1,608	37,145		
Diluted EPS				
Net income for computation	¥81,592	995,155	¥81.99	$0.68

16. SUBSEQUENT EVENT

On June 27, 2003, the shareholders of the Company (1) approved payment of a cash dividend of ¥25 ($0.21) per share to holders of record as of March 31, 2003 or a total of ¥23,648 million ($196,739 thousand), and bonuses to directors and corporate auditors of ¥145 million ($1,206 thousand) and (2) authorized the Company to repurchase up to 16,000,000 shares of the Company's common stock (aggregate amount of ¥30,000 million) as treasury stock until next shareholders meeting.

17. SEGMENT INFORMATION

Information about industry segments of the Company and subsidiaries for the years ended March 31, 2003 and 2002, is as follows:

a. Sales and Operating Income

	Millions of Yen				
	2003				
	Electric Power	IT/ Communications	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥2,461,694	¥32,957	¥120,503		¥2,615,154
Intersegment sales	9,665	43,388	230,271	¥(283,324)	
Total sales	2,471,359	76,345	350,774	(283,324)	2,615,154
Operating expenses	2,155,224	81,854	339,343	(286,848)	2,289,573
Operating income	¥316,135	¥(5,509)	¥11,431	¥3,524	¥325,581

	Thousands of U.S. Dollars				
	2003				
	Electric Power	IT/ Communications	Other	Eliminations/ Corporate	Consolidated
Sales to customers	$20,479,983	$274,185	$1,002,521		$21,756,689
Intersegment sales	80,408	360,965	1,915,732	$(2,357,105)	
Total sales	20,560,391	635,150	2,918,253	(2,357,105)	21,756,689
Operating expenses	17,930,316	680,982	2,823,153	(2,386,423)	19,048,028
Operating income	$2,630,075	$(45,832)	$95,100	$29,318	$2,708,661

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The Kansai Electric Power Co., Inc. and Consolidated Subsidiaries • Years Ended March 31, 2003 and 2002

	Millions of Yen 2002				
	Electric Power	IT/ Communications	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥2,509,564	¥28,815	¥113,218		¥2,651,597
Intersegment sales	8,253	39,701	260,619	¥(308,573)	
Total sales	2,517,817	68,516	373,837	(308,573)	2,651,597
Operating expenses	2,206,105	75,341	363,640	(312,801)	2,332,285
Operating income	¥311,712	¥(6,825)	¥10,197	¥4,228	¥319,312

b. Assets, Depreciation and Capital Expenditures

	Millions of Yen 2003				
	Electric Power	IT/ Communications	Other	Eliminations/ Corporate	Consolidated
Assets	¥6,793,679	¥311,359	¥500,361	¥(203,072)	¥7,402,327
Depreciation	383,031	15,687	22,185	(6,952)	413,951
Capital expenditures	322,786	23,391	44,197	(3,523)	386,851

	Thousands of U.S. Dollars 2003				
	Electric Power	IT/ Communications	Other	Eliminations/ Corporate	Consolidated
Assets	$56,519,792	$2,590,341	$4,162,737	$(1,689,451)	$61,583,419
Depreciation	3,186,614	130,508	184,567	(57,837)	3,443,852
Capital expenditures	2,685,408	194,601	367,695	(29,310)	3,218,394

	Millions of Yen 2002				
	Electric Power	IT/ Communications	Other	Eliminations/ Corporate	Consolidated
Assets	¥7,098,475	¥123,757	¥498,961	¥(213,637)	¥7,507,556
Depreciation	396,085	12,137	22,557	(9,205)	421,574
Capital expenditures	407,186	34,123	31,750	(5,245)	467,814

Geographic segment information is not disclosed because generally accepted accounting principles in Japan do not require such disclosure if sales of foreign operations represent less than 10% of total sales. Sales to foreign customers are not disclosed because generally accepted accounting principles if Japan do not require such disclosure for sales to foreign customers represent less than 10% of total sales.

Deloitte Touche Tohmatsu

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
The Kansai Electric Power Company, Incorporated:

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

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

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

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

Deloitte Touche Tohmatsu

Osaka, Japan
June 27, 2003