Financial Results and Analysis (Non-Consolidated)

Overview

In fiscal 2003 — the period from April 1, 2002 through March 31, 2003 — the Japanese economy showed signs of recovery in some areas, as illustrated by an increase in exports from the start of the term; however, in the second half the situation became severe as share prices continued to fall amid escalating concerns toward deflation and the uncertain prospects of the global economy. Against this backdrop, Kansai EP's total electricity sales reached 141.82 TWh, up 1.5% from the preceding term. Electricity sales to residential customers grew year-on-year as demand for heating expanded in response to winter temperatures generally lower than those of the preceding term. Sales to commercial and industrial customers, the segments affected by new deregulation, also recorded year-on-year growth, not only because of increased heating demand but also in tandem with recovery in production, especially that targeted at exports. On October 1, 2002 the Company effected rate cuts averaging 5.35%, enabled by enhanced efficiency in all aspects of operation.

Operating revenues declined ¥38,146 million year-on-year, to ¥2,482,743 million. The setback, despite the overall increase in sales volume, was ascribable chiefly to dual decreases in revenues from electricity sales to residential customers and from sales to commercial and industrial customers. Both decreases resulted from the rate reductions just noted.

Operating costs decreased by ¥42,449 million year-on-year, to ¥2,167,168 million. Personnel outlays increased, mostly owing to 1) increased payments to some 2,230 employees who opted to take advantage of the Company's special early retirement initiative and 2) writeoff of recognized actuarial loss pertaining to pensions. This increase was outweighed, however, by the combined impact of 1) reduced expenditures for fuel, enabled mainly by smooth operation of nuclear power plants and the resulting achievement of an unprecedented capacity factor of 90.5% and 2) vigorous efficiency enhancement measures implemented in all aspects of management, and efforts to trim maintenance, depreciation and other operating costs. At the operating level, the Company thereby finished fiscal 2003 with ¥315,575 million in profit, up ¥4,303 million year-on-year.

Other (income) expenses incurred during the term totaled ¥162,731 million, up ¥59,016 million from fiscal 2002. The increase was attributable to the booking of a ¥62,001 million loss in conjunction with the cancellation of the construction of the Kaneihara pumped-storage hydroelectric power plant; the decision to cancel was rendered primarily in light of slow growth in electricity demand and the opacity of the market's future. Interest payments during the term totaled ¥111,072 million, down ¥15,121 million year-on-year thanks primarily to reduction of the Company's interest-bearing liabilities and efforts to reduce interest on acquired funds. In addition, ¥28,286 million in profit was booked from the continued sale of part of the Company's securities holdings, a measure taken to boost asset efficiency.

In the end, the Company finished fiscal 2003 with income before income taxes of ¥152,844 million, down ¥61,321 million from the previous term. Net income, after ¥55,567 million rendered in income taxes, totaled ¥97,277 million, a decrease of ¥39,743 million year-on-year.

Assets, Liabilities and Shareholders' Equity

At the end of fiscal 2003, the Company's total assets stood at ¥6,772,316 million, constituting a decrease of ¥271,128 million from the year-earlier level. Properties were reduced by ¥271,003 million, after deductions including ¥382,931 million against depreciation costs and ¥57,291 million against amortization of nuclear fuel. Two factors contributed. First, capital expenditures were held to ¥326,535 million, down ¥83,967 million from fiscal 2002, ascribable mostly to vigorous promotion of efficiency enhancement measures including stringent selection of new projects and reconsideration of the implementation schedules and scope of projects. Second, initiatives were taken to reduce assets, as illustrated by the cancellation of the construction of the Kaneihara power plant, which had earlier been booked to the construction-in-progress account.

Assets in the form of investment securities decreased by ¥35,501 million during the term. The decrease owed largely to the sale of Company shareholdings and to a decline in net unrealized gain on available-for-sale securities resulting mostly from declines in their market values. Deferred tax assets included in investments and other assets increased ¥41,087 million year-on-year. The increase was primarily ascribable to a decrease in deferred tax liabilities previously booked in an amount equivalent to the income taxes paid on their valuation gains, which this year declined. In addition, investments in and advances to subsidiaries and associated companies increased by ¥13,328 million, mostly in conjunction with the acquisition of Osaka Media Port Corporation.

The Company's total liabilities at term's end reached ¥5,447,510 million, down ¥258,241 million from the year-earlier level. Interest-bearing liabilities were trimmed by ¥251,648 million during the year; this was achieved mostly by preferentially allocating free cash flow to the reduction of interest-bearing debt, in order to make the Company financially sounder.

Total shareholders' equity decreased ¥12,887 million, to ¥1,324,806 million. A ¥49,003 million year-on-year increase in retained earnings was offset by the combined effects of 1) a ¥32,220 million decrease in net unrealized gain on available-for-sale securities and 2) a ¥29,670 million increase in treasury stock. The decrease in net gain on available-for-sale securities came mostly from the sale of Company shareholdings and declining market values of retained shares; the increase in treasury stock stemmed from the purchase, approved at the fiscal 2003 general shareholders meeting, of the purchase of some 16 million shares.

The shareholders' equity ratio rose by 0.6 percentage point, to 19.6%. The decrease in shareholders' equity, mostly from the decline in net unrealized gain on available-for-sale securities and increased treasury stock, was outweighed by the combined impact of the sale of securities holdings in line with asset efficiency enhancement initiatives and efforts to reduce assets through the cancellation of the construction of the plant, etc.

Dividends

The Company consistently aims to enhance its shareholder value from a long-range perspective. To do so it pursues ever higher efficiency in the performance of electricity operations in today's newly competitive environment, and also strives for an ever stronger financial structure while keeping rates at attractive levels enabling it to maintain its competitive edge. Accordingly, the Company's fundamental policy on profit distribution calls for sustained and stable dividend disbursements while consistently seeking enhanced shareholder value. Internal reserves are allocated to capital expenditures and measures targeting reinforcement of the Company's financial structure.

In line with this underlying policy, in fiscal 2003 the Company carried out ordinary dividend allotments totaling ¥50 per share, the same level as the preceding term.

Non-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:			
Plant and equipment	¥13,348,698	¥13,324,009	$111,054,060
Construction in progress	792,008	768,744	6,589,085
Contributions for construction	(385,825)	(372,570)	(3,209,859)
Accumulated depreciation	(8,190,315)	(7,867,297)	(68,139,060)
Plant and equipment - net (Note 3)	5,564,566	5,852,886	46,294,226
Nuclear fuel, net of amortization	517,485	500,168	4,305,200
Property - net	6,082,051	6,353,054	50,599,426
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 4)	118,465	153,966	985,566
Investments in and advances to subsidiaries and associated companies (Note 4)	133,104	119,776	1,107,354
Long-term loans receivable	6,280	12,624	52,246
Deferred tax assets (Note 8)	177,885	136,798	1,479,908
Other assets	21,977	18,718	182,838
Total investments and other assets	457,711	441,882	3,807,912
CURRENT ASSETS:			
Cash and cash equivalents	30,702	39,919	255,424
Accounts receivable	127,458	129,672	1,060,383
Allowance for doubtful accounts	(2,149)	(2,410)	(17,879)
Fuel, materials and supplies	37,723	44,133	313,835
Deferred tax assets (Note 8)	23,616	19,036	196,473
Other current assets	15,204	18,158	126,489
Total current assets	232,554	248,508	1,934,725
TOTAL	¥6,772,316	¥7,043,444	$56,342,063

See notes to non-consolidated financial statements.

	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)	¥3,450,486	¥3,702,062	$28,706,206
LIABILITY FOR RETIREMENT BENEFITS	267,476	253,072	2,225,258
RESERVE FOR REPROCESSING OF IRRADIATED NUCLEAR FUEL	529,630	483,413	4,406,240
RESERVE FOR DECOMMISSIONING OF NUCLEAR POWER UNITS	225,402	213,043	1,875,225
CURRENT LIABILITIES:			
Current maturities of long-term debt (Note 5)	337,183	319,474	2,805,183
Short-term borrowings (Note 6)	303,472	330,013	2,524,725
Accounts payable	72,559	106,951	603,652
Payable to subsidiaries and associated companies	53,017	63,871	441,073
Accrued income taxes	39,823	61,679	331,306
Accrued expenses and other current liabilities	168,462	172,173	1,401,515
Total current liabilities	974,516	1,054,161	8,107,454
COMMITMENTS AND CONTINGENCIES (Notes 9 and 10)			
SHAREHOLDERS' EQUITY (Notes 5, 7 and 12):			
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:			
Legal reserve	122,330	122,330	1,017,720
Unappropriated	661,318	612,315	5,501,814
Net unrealized gain on available-for-sale securities	16,067	48,287	133,669
Treasury stock - at cost 16,796,995 shares in 2003 and 11,399 shares in 2002	(29,692)	(22)	(247,022)
Total shareholders' equity	1,324,806	1,337,693	11,021,680
TOTAL	¥6,772,316	¥7,043,444	$56,342,063

See notes to non-consolidated financial statements.

Non-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:			
Electricity operating revenues:			
Residential	¥995,426	¥993,753	$8,281,414
Commercial and industrial	1,426,323	1,477,859	11,866,248
Other	49,609	46,205	412,721
Sub-total	2,471,358	2,517,817	20,560,383
Incidental operating revenues	11,385	3,072	94,717
Total	2,482,743	2,520,889	20,655,100
OPERATING EXPENSES:			
Electricity operating expenses:			
Personnel expenses	367,818	277,634	3,060,050
Fuel	202,275	239,059	1,682,820
Purchased power	407,465	399,621	3,389,892
Maintenance	206,636	245,068	1,719,101
Depreciation	382,931	396,054	3,185,782
Taxes	166,019	166,884	1,381,190
Other	422,080	481,785	3,511,481
Sub-total	2,155,224	2,206,105	17,930,316
Incidental operating revenues	11,944	3,512	99,368
Total	2,167,168	2,209,617	18,029,684
OPERATING INCOME	315,575	311,272	2,625,416
OTHER (INCOME) EXPENSES:			
Interest expense	111,072	126,193	924,060
Gain on sales of investment securities	(28,286)	(43,917)	(235,324)
Loss on discontinuance of power plant construction	62,001		515,815
Other - net	17,944	21,439	149,284
Total	162,731	103,715	1,353,835
INCOME BEFORE REVERSAL OF RESERVE FOR FLUCTUATIONS IN WATER LEVEL AND INCOME TAXES	152,844	207,557	1,271,581
REVERSAL OF RESERVE FOR FLUCTUATIONS IN WATER LEVEL		6,608	
INCOME BEFORE INCOME TAXES	152,844	214,165	1,271,581
INCOME TAXES (Note 8):			
Current	82,992	85,666	690,449
Deferred	(27,425)	(8,521)	(228,161)
Total	55,567	77,145	462,288
NET INCOME	¥97,277	¥137,020	$809,293

	Yen		U.S. Dollars
	2003	2002	2003
PER SHARE OF COMMON STOCK (Note 11):			
Net income	¥101.36	¥140.39	$0.84
Fully diluted net income	99.19	135.19	0.83
Cash dividends applicable to the year	50.00	50.00	0.42

See notes to non-consolidated financial statements.

Non-Consolidated Statements of Shareholders' Equity

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

		Millions of Yen					
				Retained Earnings			
	Number of Common Shares Issued	Common Stock	Capital Surplus	Legal Reserve	Unappro-priated	Net Unrealized Gain on Available-for-Sale Securities	Treasury Stock
BALANCE, APRIL 1, 2001	978,639,031	¥489,320	¥65,463	¥122,330	¥564,349	¥101,442	
Net income					137,020		
Cash dividends, ¥60 per share					(58,718)		
Bonuses to directors and corporate auditors					(145)		
Retirement of treasury stock	(15,940,303)				(30,191)		¥30,191
Increase in treasury stock (excluding retirement of treasury stock)							(30,213)
Net decrease in unrealized gain on available-for-sale securities						(53,155)	
BALANCE, MARCH 31, 2002	962,698,728	489,320	65,463	122,330	612,315	48,287	(22)
Net income					97,277		
Cash dividends, ¥50 per share					(48,129)		
Bonuses to directors and corporate auditors					(145)		
Increase in treasury stock							(29,670)
Net decrease in unrealized gain on available-for-sale securities						(32,220)	
BALANCE, MARCH 31, 2003	962,698,728	¥489,320	¥65,463	¥122,330	¥661,318	¥16,067	¥(29,692)

	Thousands of U.S. Dollars (Note 1)					
			Retained Earnings			
	Common Stock	Capital Surplus	Legal Reserve	Unappro-priated	Net Unrealized Gain on Available-for-Sale Securities	Treasury Stock
BALANCE, MARCH 31, 2002	$4,070,882	$544,617	$1,017,720	$5,094,135	$401,722	$(183)
Net income				809,293		
Cash dividends, $0.42 per share				(400,408)		
Bonuses to directors and corporate auditors				(1,206)		
Increase in treasury stock						(246,839)
Net decrease in unrealized gain on available-for-sale securities					(268,053)	
BALANCE, MARCH 31, 2003	$4,070,882	$544,617	$1,017,720	$5,501,814	$133,669	$(247,022)

See notes to consolidated financial statements.

Notes to Non-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 non-consolidated financial statements have been prepared from the accounts maintained by The Kansai Electric Power Company, Incorporated (the "Company") 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 non-consolidated financial statements are not intended to present the financial position and results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

As consolidated statements of cash flows for the years ended March 31, 2003 and 2002 are presented in the consolidated financial statements of the Company and subsidiaries, the non-consolidated statements of cash flows for the years then ended are also not presented herein.

In preparing these non-consolidated financial statements, certain reclassifications and rearrangements have been made to the Company's non-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 non-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. **Property, Depreciation and Amortization** - Property is stated at cost. Contributions for 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 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.

b. **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.

c. **Investment Securities** - The Company's securities are classified and accounted for as follows: i) investments in subsidiaries and associated companies are reported at 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.

d. **Fuel, Materials and Supplies** - Fuel, materials and supplies are stated at cost determined by the average method.

e. **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 forward exchange contracts.

f. **Retirement and Pension Plan** - The Company accounted for the liability for retirement benefits based on 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 3 years. Actuarial gains or losses are being recognized by the straight-line method over a period of 3 years.

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

g. **Reserve for Reprocessing of Irradiated Nuclear Fuel** - The Company has accrued costs for the reprocessing of irradiated nuclear fuel since April 1, 1981, 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.

h. **Reserve for Decommissioning of Nuclear Power Units** - The Company has accrued costs for decommissioning of nuclear power units since April 1, 1988, in accordance with accounting methods accepted by the regulatory authority.

i. **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.

j. **Derivatives and Hedging Activities** - The Company uses 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 Company does 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 are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are 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.

k. **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.

l. **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 958,335,659 shares for 2003 and 976,016,583 shares for 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	¥140.24
Fully diluted net income	135.05

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

n. **Related Party Transactions** - Related party transactions with an associated company are not presented herein, as they are disclosed in the consolidated financial statements of the Company and subsidiaries.

o. **Other** - In accordance with the amendment of the accounting regulations related to the Japanese Electric Utility Law, incidental operating revenues and expenses are reclassified as operating revenues and expenses, which previously had been included in other (income) expenses.

3. PLANT AND EQUIPMENT

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

	Millions of Yen			
	Original Cost	Contributions in Aid of Construction	Accumulated Depreciation	Carrying Value
As of March 31, 2003				
Hydroelectric power production facilities	¥1,223,366	¥26,530	¥708,351	¥488,485
Thermal power production facilities	2,289,898	13,293	1,849,142	427,463
Nuclear power production facilities	2,308,350	4,536	1,824,392	479,422
Internal combustion engine power production facilities	15,570		12,088	3,482
Transmission facilities	3,131,987	215,415	1,399,952	1,516,620
Transformation facilities	1,563,984	43,063	934,892	586,029
Distribution facilities	2,222,386	32,942	1,117,608	1,071,836
Incidental business facilities	28,975	2,856	13,602	12,517
General facilities	538,629	41,042	328,569	169,018
Other facilities	25,553	6,148	1,719	17,686
Sub-total	13,348,698	385,825	8,190,315	4,772,558
Construction in progress	792,008			792,008
Total	¥14,140,706	¥385,825	¥8,190,315	¥5,564,566

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	Thousands of U.S. Dollars			
	Original Cost	Contributions in Aid of Construction	Accumulated Depreciation	Carrying Value
As of March 31, 2003				
Hydroelectric power production facilities	$10,177,754	$220,716	$5,893,103	$4,063,935
Thermal power production facilities	19,050,732	110,591	15,383,877	3,556,264
Nuclear power production facilities	19,204,243	37,737	15,177,970	3,988,536
Internal combustion engine power production facilities	129,534		100,566	28,968
Transmission facilities	26,056,464	1,792,138	11,646,855	12,617,471
Transformation facilities	13,011,514	358,261	7,777,804	4,875,449
Distribution facilities	18,489,068	274,060	9,297,903	8,917,105
Incidental business facilities	241,058	23,760	113,162	104,136
General facilities	4,481,106	341,448	2,733,519	1,406,139
Other facilities	212,587	51,148	14,301	147,138
Sub-total	111,054,060	3,209,859	68,139,060	39,705,141
Construction in progress	6,589,085			6,589,085
Total	$117,643,145	$3,209,859	$68,139,060	$46,294,226

	Millions of Yen			
	Original Cost	Contributions in Aid of Construction	Accumulated Depreciation	Carrying Value
As of March 31, 2002				
Hydroelectric power production facilities	¥1,220,483	¥25,422	¥680,174	¥514,887
Thermal power production facilities	2,305,116	14,062	1,798,399	492,655
Nuclear power production facilities	2,296,226	4,536	1,768,417	523,273
Internal combustion engine power production facilities	15,510		11,607	3,903
Transmission facilities	3,111,749	208,890	1,312,879	1,589,980
Transformation facilities	1,552,563	39,777	891,138	621,648
Distribution facilities	2,238,774	31,876	1,079,680	1,127,218
Incidental business facilities	23,851	1,897	11,793	10,161
General facilities	536,198	40,482	311,534	184,182
Other facilities	23,539	5,628	1,676	16,235
Sub-total	13,324,009	372,570	7,867,297	5,084,142
Construction in progress	768,744			768,744
Total	¥14,092,753	¥372,570	¥7,867,297	¥5,852,886

4. INVESTMENT SECURITIES

As certain consolidated information related to investment securities at March 31, 2003 and 2002 is presented in the notes to consolidated financial statements of the Company and its subsidiaries, such non-consolidated information at March 31, 2003 and 2002 is not presented herein.

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

	Millions of Yen			Thousands of U.S. Dollars		
As of March 31, 2003	Carrying Amount	Market Value	Unrealized Gain	Carrying Amount	Market Value	Unrealized Gain
Subsidiaries	¥622	¥942	¥320	$5,175	$7,837	$2,662
Associated companies	11,955	34,673	22,718	99,459	288,461	189,002
Total	¥12,577	¥35,615	¥23,038	$104,634	$296,298	$191,664

	Millions of Yen		
As of March 31, 2002	Carrying Amount	Market Value	Unrealized Gain
Subsidiaries	¥588	¥962	¥374
Associated companies	11,955	46,409	34,454
Total	¥12,543	¥47,371	¥34,828

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 the Development Bank of Japan maturing serially through 2023	460,320	509,312	3,829,617
0.289% to 6.4% unsecured loans from banks and insurance companies maturing serially through 2036	1,408,055	1,475,868	11,714,268
Other	15,671	24,431	130,374
Total	3,787,669	4,021,536	31,511,389
Current maturities	337,183	319,474	2,805,183
Long-term debt, less current maturities	¥3,450,486	¥3,702,062	$28,706,206

Annual maturities of long-term debt at March 31, 2003 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year ending March 31:		
2004	¥337,183	$2,805,183
2005	587,280	4,885,857
2006	290,283	2,415,000
2007	334,680	2,784,359
2008 and thereafter	2,238,243	18,620,990
Total	¥3,787,669	$31,511,389

All of the Company's assets are pledged as collateral for the general mortgage bonds, general mortgage convertible bonds and secured loans presented above.

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. 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 0.296% and 0.307% at March 31, 2003 and 2002	¥218,472	¥280,013	$1,817,570
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	¥303,472	¥330,013	$2,524,725

7. 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 Company adopted a new accounting standard for Treasury Stock and Reduction of capital surplus and Legal Reserve issued by the Accounting Standards Board of Japan. There is no effect of this change in the non-consolidated financial statements for the year ended March 31, 2003.

8. INCOME TAXES

The Company is 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	¥78,262	¥65,156	$651,098
Reserve for reprocessing of irradiated nuclear fuel	41,878	41,878	348,403
Reserve for decommissioning of nuclear power units	29,303	29,303	243,785
Deferred charges	16,939	19,161	140,923
Depreciation	15,663	6,963	130,308
Other	28,571	20,730	237,696
Deferred tax assets	210,616	183,191	1,752,213
Deferred Tax Liabilities:			
Net unrealized gain on available-for-sale securities	9,097	27,339	75,682
Contingent reserve for overseas investment	18	18	150
Deferred tax liabilities	9,115	27,357	75,832
Net deferred tax assets	¥201,501	¥155,834	$1,676,381

9. LEASES

Lessor

Finance Leases

Revenues under finance leases were ¥275 million ($2,288 thousand) and ¥26 million for the years ended March 31, 2003 and 2002, respectively.

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

	Other Facilities		
	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Acquisition cost	¥2,021	¥585	$16,814
Accumulated depreciation	454	52	3,777
Net leased property	¥1,567	¥533	$13,037

Future lease revenue under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Due within one year	¥468	¥150	$3,894
Due after one year	2,685	1,003	22,338
Total	¥3,153	¥1,153	$26,232

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

Depreciation expense relating to the leased assets arrangements mentioned above was ¥942 million ($7,837 thousand) and ¥287 million for the years ended March 31, 2003 and 2002, respectively.

Lessee

Finance Leases

The Company leases certain machinery, computer equipment and other assets.

Total lease payments under finance leases were ¥5,949 million ($49,493 thousand) and ¥7,947 million for the years ended March 31, 2003 and 2002, respectively.

Certain pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases, and depreciation expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2003 and 2002 consisted of the following:

	Millions of Yen				
	Nuclear Power Generating Facilities	Distribution Facilities	General Facilities	Other Facilities	Total
As of March 31, 2003					
Acquisition cost	¥5,309	¥4,817	¥21,393	¥4,086	¥35,605
Accumulated depreciation	1,786	3,050	6,812	2,324	13,972
Net leased property	¥3,523	¥1,767	¥14,581	¥1,762	¥21,633

	Thousands of U.S. Dollars				
	Nuclear Power Generating Facilities	Distribution Facilities	General Facilities	Other Facilities	Total
As of March 31, 2003					
Acquisition cost	$44,168	$40,075	$177,978	$33,994	$296,215
Accumulated depreciation	14,859	25,374	56,672	19,335	116,240
Net leased property	$29,309	$14,701	$121,306	$14,659	$179,975

	Millions of Yen				
	Nuclear Power Generating Facilities	Distribution Facilities	General Facilities	Other Facilities	Total
As of March 31, 2002					
Acquisition cost	¥8,393	¥7,191	¥24,834	¥6,051	¥46,469
Accumulated depreciation	2,808	4,738	12,992	3,899	24,437
Net leased property	¥5,585	¥2,453	¥11,842	¥2,152	¥22,032

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Due within one year	¥5,382	¥5,853	$44,775
Due after one year	16,251	16,179	135,200
Total	¥21,633	¥22,032	$179,975

Depreciation expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Depreciation expense	¥5,949	¥7,947	$49,493

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Depreciation expense, which is not reflected in the accompanying non-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.

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

10. COMMITMENTS AND CONTINGENCIES

At March 31, 2003, the Company had firm purchase commitments, principally related to utility plant expansion, of approximately ¥203,940 million ($1,696,672 thousand). Additionally, 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 of market prices.

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

	Millions of Yen	Thousands of U.S. Dollars
Co-guarantees of loans and bonds of other companies:		
Japan Nuclear Fuel Limited	¥218,516	$1,817,937
K-Opticom Corporation	100,263	834,135
Other	2,727	22,687
Total	¥321,506	$2,674,759
A guarantee of equity contribution to KPIC Singapore Pte Ltd	¥117	$973
A guarantee about power supply for KPIC Singapore Pte Ltd	¥536	$4,459
Contingency relating to debt assumption agreement	¥117,025	$973,586

11. 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	
For the year ended March 31, 2003:				
Basic EPS				
Net income available to common shareholders	¥97,132	958,336	¥101.36	$0.84
Effect of Dilutive Securities				
Convertible bonds	1,608	37,162		
Diluted EPS				
Net income for computation	¥98,740	995,498	¥99.19	$0.83

12. 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.

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

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

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

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.
June 27, 2003

Deloitte Touche Tohmatsu

Osaka, Japan
June 27, 2003