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OVERVIEW

Operating Income

Electricity Operations

Kansai EP and its Group enterprises consistently strive to achieve expanded market shares in both home-use and industrial applications through the provision of new products and solutions that anticipate the needs of the customer. In fiscal 2004 — the year from April 1, 2003 through March 31, 2004 — those efforts enabled the acquisition of 78,000 new contracts from customers living in fully electric homes and 1,700 new contracts for hybrid power systems of heating, cooling and air conditioning for commercial and industrial users. Those figures represent year-on-year increases of 30.2% and 31.5%, respectively.

Those increases notwithstanding, income from electricity operations suffered a 4.5% decline from the level of the preceding term. Sales revenue reached ¥2,359,907 million*, down ¥111,452 million. The setback was attributable to a 1.1% contraction in total electricity sales volume, to 140.25 billion kWh (1.57 billion kWh less than fiscal 2003), and the full-year impact of the rate reductions that took effect from October 1, 2002.

The decline in sales from electricity operations was more than compensated, however, by a 5.8% year-on-year reduction in relating operating expenses. Total expenses reached ¥2,029,667 million*, down ¥125,557 million from the previous term. Initiatives were taken to trim expenses in all aspects. Personnel outlays were trimmed thanks to a decline in retirement stipends meted out in line with preferential early-retirement measures, coupled with a decline in salary expenses achievable through continued scaling back of payrolls. Fuel costs for thermal power generation fell in tandem with an increase in hydro power output enabled by this year's abundant rainfall, illustrated by a water run-off ratio of 113.4%. In addition, maintenance and repair costs were reduced through measures including long-term planned shutdowns of thermal power plants.

As a result of the foregoing, operating income from electricity operations reached ¥330,240 million*. The figure constitutes a year-on-year increase by ¥14,105 million, or 4.5%.

Information Technology Operations

Kansai EP and its Group companies, centered on K-Opti.com, provide a comprehensive range of information technology services to both individual and corporate customers. A diversified menu of services is offered in line with the broad spectrum of user requirements, spanning from 64kbps to 100Mbps in both indoor and outdoor applications.

In fiscal 2004 Groupwide IT operations generated sales totaling ¥113,793 million*, marking a robust increase of ¥37,448 million, or 49.1%, over the previous year. Although the operating environment in this segment is severe, achievement of sales expansion was realized in combination with an increase in newly acquired customers. These were made possible largely through vigorous marketing activities and the attainment of a full lineup of service offerings accomplished through the merger of K-Opti.com and Osaka Media Port Corporation. Meriting special mention is a 25% year-on-year increase marked in the number of individual customers contracting for K-Opti.com's various Internet connection services ("eo HOME FIBER," etc.); at March 31, 2004, the number of contracts exceeded 260,000. IT sales also were boosted this year by the incorporation to the consolidated balance sheets, starting this fiscal period, of Osaka Media Port.

Operating expenses incurred in the performance of IT operations totaled ¥109,584 million*, up a relatively modest ¥27,730 million, or 33.9%, from fiscal 2003. The increased outlays booked in conjunction with the transfer of Osaka Media Port to the consolidated account were substantially absorbed by the enhanced efficiency enabled by the merger, as well as efforts to trim operating costs in general.

As a result of the foregoing, operating income from Groupwide information technology operations reached ¥4,209 million*. This represented a year-on-year increase of ¥9,718 million, and marked the first time IT operations turned a profit on a fiscal-year basis.

Other Operations

In addition to core electricity operations and IT business, Kansai EP and its Group network undertake an aggressive program of operations in two prime areas: total energy solutions and amenities in support of lifecycle needs. Business in total energy solutions focuses on gas-related operations, while operations involving life-support amenities center on related services as well as real estate development, especially housing.

Sales generated by these various undertakings to customers outside the Group reached ¥123,691 million, up ¥3,188 million, or 2.6%, from the preceding fiscal year. Growth came from two principal sources: in total energy solutions business, from the sale of 270,000 tons (in LNG parameters) of gas and other fuels, significantly above target, and expansion in energy services stemming from distributed type generators; and in real estate development operations, from the steady development of private homes and condominiums, both sale and rental units, incorporating a complete array of Group services based on fully electric installations. Sales within the Group totaled ¥210,378 million, down ¥19,893 million, or 8.6%, from the year-earlier level. As a result, total sales revenue from other operations reached ¥334,069 million*, off ¥16,705 million, or 4.8%, from fiscal 2003.

Expenses incurred in the performance of other services totaled ¥322,079 million*. This constituted a year-on-year reduction by ¥17,265 million, or 5.1%, achieved through continuing progress in efficiency enhancement.

As a result of the foregoing, operating income generated by other operations Groupwide tallied to ¥11,991 million*. The figure marked an increase by ¥560 million, or 4.9%, from the previous year.

Taken together, consolidated income accrued from electricity, IT and other operations reached ¥349,492 million, up ¥23,911 million, or 7.3%, from fiscal 2003. This total is the end result after eliminating all profits or losses incurred in conjunction with internal sales between the various segments.

* Includes internal transactions between segments.

Net Income

Other (income) expenses recorded during the term totaled ¥172,844 million, an increase of ¥11,707 million, or 6.8%, from the year-earlier level. The increase owed to two contributing factors. First, a variety of measures were implemented with the aim of easing the burden to be borne in subsequent years: these included writing down corporate bonds purchased to enhance the financial structure, booking of losses incurred in shelving the Suzu nuclear power plant project, and trimming of asset appraisal values in tandem with the merger of K-Opti.com and Osaka Media Port. Second, a loss of ¥10,731 million was booked against K-Opti.com's withdrawal from conventional PHS telephone services. The decision to terminate PHS services was rendered for two reasons: a) the inability to maintain nationwide service following Astel's incipient withdrawal from other regions and b) the judgment that intensified competition against cellphones makes profitability potential questionable. Interest payments during the term reached ¥102,973 million, down ¥10,092 million, or 8.9%, year-on-year; the reduction was achieved primarily through the reduction in the Company's interest-bearing debt and efforts to trim interest on borrowings. Because, as noted earlier, the water runoff ratio this term was a robust 113.4%, ¥8,366 million was set aside, in line with stipulations under Japan's Electricity Utilities Industry Law, as reserve for fluctuations in water level, to prepare against increased expenses in the event of future water shortages.

As a result of the foregoing, in fiscal 2004 consolidated income before taxes and after provision for the reserve for fluctuations in water level reached ¥168,282 million, up ¥27,252 million, or 19.3%, from the preceding term. Net income, after income-tax deductions totaling ¥77,455 million, finished at ¥90,111 million. The end result marked a year-on-year increase of ¥9,637 million, or 12.0%.

FISCAL POSITION

Assets

The value of the Company's Groupwide fixed assets as of March 31, 2004 stood at ¥6,117,554 million, down ¥297,397 million, or 4.6%, from the year-earlier level. The trimming of fixed assets was made possible largely by two factors targeted at raising asset efficiency with respect to electricity operations. First, capital expenditures were held to ¥321,503 million, down ¥65,348 million, or 16.9%, from fiscal 2003 and within the scope of the term's depreciation costs (¥444,631 million). 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, further depreciation costs were booked against thermal plants under long-term suspension and a loss was booked against the shelving of the Suzu nuclear plant project.

Assets mostly in the form of investments reached ¥672,321 million, up ¥82,229 million, or 13.9%. The increase was chiefly attributable to a ¥56,966 million increase in investment securities, stemming largely from an increase in net unrealized gains under market valuations in line with rising market values of available-for-sale stocks.

Current assets reached ¥360,951 million, down ¥36,333 million, or 9.1%, from fiscal 2003. The decrease derived principally from an ¥18,483 million reduction in cash and cash equivalents made possible through effective use of cash on hand and aggressive trimming of interest-bearing liabilities.

As a result of the foregoing, as of March 31, 2004 the Company's Groupwide assets had a total value of ¥7,150,826 million. The figure represents a decrease of ¥251,501 million, or 3.4%, from the year-earlier level.

Liabilities

Groupwide interest-bearing liabilities were slashed an unprecedented ¥470,512 million, or 10.8%, during the term, to ¥3,883,603 million. The reduction was achieved by according highest priority to trimming interest-bearing debt in the allocation of the free cash flow generated through aggressive measures taken to boost efficiency in all areas of operation, including restraint in capital expenditures.

This significant reduction in interest-bearing debt enabled a reduction in Groupwide liabilities to ¥5,506,439 million, down ¥335,513 million, or 5.7%, year-on-year. The latter achievement contributed to the steady fortification of the Group's financial structure.

Shareholders' Equity

At March 31, 2004 total shareholders' equity was ¥1,637,248 million, up ¥89,117 million, or 5.8%, from a year earlier. The increase owed largely to the term's year-on-year expansion in revenues and the net increase in unrealized gain on available-for-sale securities from higher market valuations. These growth factors were complemented by the asset reductions noted earlier, including curbing of capital expenditures, and the progress achieved in trimming interest-bearing debt. As a result of these collective factors, at term's end the shareholder's equity ratio reached 22.9%, up 2 percentage points year-on-year.

During fiscal 2004 the Company swapped part of its treasury stock for shares in three Group subsidiaries. This initiative was undertaken in order to convert those entities to wholly owned subsidiaries, as a way of facilitating Group restructuring with greater alacrity and flexibility. Going forward, the Company plans to pursue Groupwide reorganization in line with business domains and functions, with the aim of reinforcing the overall competitive strength of the Group.

In April 2004 the Company repurchased 4.95 million shares of its own stock, at an outlay of ¥9,687 million. The move had two objectives: a) to increase shareholder value and enhance capital efficiency, and b) to improve the supply balance of Company shares within the market. The Company is mulling flexible use of the repurchased shares in applications including share swapping and retirement of treasury stock, as changes in the operating environment might come to dictate.

Cash Flow

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

In fiscal 2004 cash flow generated by operating activities produced ¥808,328 million in income, up ¥152,288 million, or 23.2%, year-on-year. The positive effect of enhanced efficiency in all aspects of management offset the full-year impact of the electricity rate reductions implemented from October 1, 2002 and the year-on-year decrease in electricity sales volume, the latter stemming from the coolest summer in 10 years and an unseasonably warm winter.

Cash flow linked to investment activities resulted in ¥308,608 million in outlays, down ¥100,984 million, or 24.7%, from the preceding term. The reduction, achieved despite aggressive capital expenditures into new business areas such as information technology, was chiefly ascribable to a significant decrease in capital investments as a whole, made possible by enhanced efficiency in electricity operations.

Cash flow from financing activities reached outlays totaling ¥518,090 million, up ¥246,746 million, or 90.9%, from the year-earlier level. The free cash flow generated as described above was allocated mainly to reducing the Group's interest-bearing liabilities.

As a result of the foregoing, the balance of cash and cash equivalents at the end of fiscal 2004 reached ¥85,700 million, constituting a decline of ¥18,483 million, or 17.7%, from the preceding year.

Consolidated Balance Sheets

The Kansai Electric Power Co., Inc. and Consolidated Subsidiaries • March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS (Note 5)	**2004**	2003	**2004**
PROPERTY:			
Utility plant and equipment	**¥13,006,857**	¥13,026,235	**$123,066,108**
Other plant and equipment	**987,387**	936,821	**9,342,293**
Construction in progress	**802,523**	822,748	**7,593,178**
Contributions in aid of construction	**(416,180)**	(407,075)	**(3,937,742)**
Accumulated depreciation	**(8,765,033)**	(8,481,263)	**(82,931,526)**
Plant and equipment - net (Notes 3 and 5)	**5,615,554**	5,897,466	**53,132,311**
Nuclear fuel, net of amortization	**502,000**	517,485	**4,749,740**
Property - net	**6,117,554**	6,414,951	**57,882,051**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 4)	**196,620**	139,654	**1,860,346**
Investments in and advances to associated companies	**168,165**	163,649	**1,591,116**
Deferred tax assets (Note 9)	**274,439**	248,575	**2,596,641**
Other assets	**33,097**	38,214	**313,152**
Total investments and other assets	**672,321**	590,092	**6,361,255**
CURRENT ASSETS:			
Cash and cash equivalents	**85,700**	104,183	**810,862**
Accounts receivable	**148,607**	159,374	**1,406,065**
Allowance for doubtful accounts	**(2,386)**	(3,910)	**(22,575)**
Inventories	**51,302**	53,001	**485,401**
Deferred tax assets (Note 9)	**26,157**	32,236	**247,488**
Other current assets	**51,571**	52,400	**487,945**
Total current assets	**360,951**	397,284	**3,415,186**
TOTAL	**¥7,150,826**	¥7,402,327	**$67,658,492**

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES AND SHAREHOLDERS' EQUITY	**2004**	2003	**2004**
LONG-TERM DEBT, LESS CURRENT MATURITIES (Note 5)	**¥3,143,973**	¥3,716,785	**$29,747,119**
LIABILITY FOR RETIREMENT BENEFITS (Note 6)	**353,031**	290,737	**3,340,250**
RESERVE FOR REPROCESSING OF IRRADIATED NUCLEAR FUEL	**594,749**	529,630	**5,627,297**
RESERVE FOR DECOMMISSIONING OF NUCLEAR POWER UNITS	**226,603**	225,402	**2,144,034**
DEFERRED TAX LIABILITIES (Note 9)	**510**	184	**4,825**
CURRENT LIABILITIES:			
Current maturities of long-term debt (Note 5)	**599,165**	365,996	**5,669,079**
Short-term borrowings (Note 7)	**170,981**	306,652	**1,617,759**
Accounts payable (Note 5)	**136,708**	129,430	**1,293,481**
Payable to associated companies	**14,279**	15,062	**135,103**
Accrued income taxes	**74,015**	44,501	**700,303**
Deferred tax liabilities (Note 9)		113	
Accrued expenses and other current liabilities	**184,059**	217,460	**1,741,499**
Total current liabilities	**1,179,207**	1,079,214	**11,157,224**
RESERVE FOR FLUCTUATIONS IN WATER LEVEL	**8,366**		**79,156**
MINORITY INTERESTS	**7,139**	12,244	**67,547**
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 2004 and 2003	**489,320**	489,320	**4,629,766**
Capital surplus	**66,553**	65,463	**629,700**
Retained earnings	**1,045,511**	1,003,204	**9,892,241**
Net unrealized gain on available-for-sale securities	**64,310**	19,875	**608,479**
Foreign currency translation adjustments	**26**	101	**246**
Treasury stock - at cost 16,344,354 shares in 2004 and 17,122,620 shares in 2003	**(28,472)**	(29,832)	**(269,392)**
Total shareholders' equity	**1,637,248**	1,548,131	**15,491,040**
TOTAL	**¥7,150,826**	¥7,402,327	**$67,658,492**

See notes to consolidated financial statements.

Consolidated Statements of Income

The Kansai Electric Power Co., Inc. and Consolidated Subsidiaries • Years Ended March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	**2004**
OPERATING REVENUES:			
Electric	**¥2,351,598**	¥2,461,694	**$22,249,957**
Other	**188,557**	153,460	**1,784,058**
Total	**2,540,155**	2,615,154	**24,034,015**
OPERATING EXPENSES (Note 10):			
Electric	**2,015,311**	2,141,337	**19,068,133**
Other	**175,352**	148,236	**1,659,117**
Total	**2,190,663**	2,289,573	**20,727,250**
OPERATING INCOME	**349,492**	325,581	**3,306,765**
OTHER (INCOME) EXPENSES:			
Interest expense	**102,973**	113,065	**974,293**
Equity in losses (earnings) of associated companies	**(3,190)**	4,650	**(30,183)**
Gain on sales of securities		(28,367)	
Loss on discontinued operation of subsidiary	**10,731**		**101,533**
Loss on discontinuance of power plant construction		62,001	
Other - net	**62,330**	33,202	**589,743**
Total	**172,844**	184,551	**1,635,386**
INCOME BEFORE PROVISION FOR RESERVE FOR FLUCTUATIONS IN WATER LEVEL, INCOME TAXES AND MINORITY INTERESTS	**176,648**	141,030	**1,671,379**
PROVISION FOR RESERVE FOR FLUCTUATIONS IN WATER LEVEL	**8,366**		**79,156**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**168,282**	141,030	**1,592,223**
INCOME TAXES (Note 9)			
Current	**117,269**	88,302	**1,109,556**
Deferred	**(39,814)**	(28,379)	**(376,705)**
Total	**77,455**	59,923	**732,851**
MINORITY INTERESTS IN NET INCOME	**716**	633	**6,775**
NET INCOME	**¥90,111**	¥80,474	**$852,597**

	Yen		U.S. Dollars
	2004	2003	**2004**
PER SHARE OF COMMON STOCK (Note 15):			
Net income	**¥94.77**	¥83.49	**$0.90**
Fully diluted net income	**92.82**	81.99	**0.88**
Cash dividends applicable to the year	**50.00**	50.00	**0.47**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

The Kansai Electric Power Co., Inc. and Consolidated Subsidiaries • Years Ended March 31, 2004 and 2003

		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 Adjustments	Treasury Stock	Common Stock Held by Consolidated Subsidiaries
BALANCE, APRIL 1, 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)	
Net income				90,111				
Cash dividends, ¥50 per share				(47,317)				
Bonuses to directors and corporate auditors				(487)				
Net decrease in foreign currency translation adjustments						(75)		
Net decrease in treasury stock							1,360	
Net increase in unrealized gain on available-for-sale securities					44,435			
Surplus from transaction in treasury stock			1,090					
BALANCE, MARCH 31, 2004	962,698,728	¥489,320	¥66,553	¥1,045,511	¥64,310	¥26	¥(28,472)	

	Thousands of U.S. Dollars (Note 1)					
	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, MARCH 31, 2003	$4,629,766	$619,387	$9,491,948	$188,050	$956	$(282,259)
Net income			852,597			
Cash dividends, $0.47 per share			(447,696)			
Bonuses to directors and corporate auditors			(4,608)			
Net decrease in foreign currency translation adjustments					(710)	
Net decrease in treasury stock						12,867
Net increase in unrealized gain on available-for-sale securities				420,429		
Surplus from transaction in treasury stock		10,313				
BALANCE, MARCH 31, 2004	$4,629,766	$629,700	$9,892,241	$608,479	¥246	¥(269,392)

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

The Kansai Electric Power Co., Inc. and Consolidated Subsidiaries • Year Ended March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥168,282	¥141,030	$1,592,223
Adjustments for:			
Income taxes-paid	(87,015)	(111,526)	(823,304)
Depreciation and amortization	444,631	413,951	4,206,935
Amortization of nuclear fuel	56,132	57,292	531,100
Loss on disposal of property, plant and equipment	15,181	17,584	143,637
Loss on discontinued operation of subsidiary	10,731		101,533
Loss on discontinuance of power plant construction		62,001	
Nuclear fuel transferred to reprocessing costs	23,622	14,871	223,503
Increase in liability for retirement benefits	62,292	13,000	589,384
Provision for reprocessing of irradiated nuclear fuel	65,118	46,216	616,123
Provision for decommissioning of nuclear power units	1,201	12,358	11,363
Provision of reserve for fluctuations in water level	8,366		79,156
Gain on sales of securities		(28,367)	
Changes in assets and liabilities, and net of effects from newly consolidated subsidiaries:			
Decrease in trade receivables	14,418	1,166	136,418
Decrease in interest and dividends receivable	1,129	956	10,682
Decrease in trade payables	(1,552)	(14,709)	(14,684)
Decrease in interest payable	(4,884)	(1,562)	(46,211)
Other - net	30,676	31,779	290,245
Total adjustments	640,046	515,010	6,055,880
Net cash provided by operating activities	808,328	656,040	7,648,103
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(313,005)	(415,846)	(2,961,538)
Payments for investments and advances	(24,823)	(38,621)	(234,866)
Proceeds from sales of investments or collections of advances	13,543	36,577	128,139
Payments for purchase of investments in subsidiaries net of cash acquired		(7,247)	
Other – net	15,677	15,545	148,329
Net cash used in investing activities	(308,608)	(409,592)	(2,919,936)
FINANCING ACTIVITIES:			
Proceeds from issuance of bonds	29,681	98,849	280,831
Proceeds from long-term debt (exclusive of bonds)	127,240	158,353	1,203,898
Proceeds from short-term loans	358,342	453,634	3,390,501
Proceeds from issuance of commercial papers	1,118,000	828,000	10,578,106
Redemption of bonds	(201,925)	(208,032)	(1,910,540)
Repayments of long-term debt (exclusive of bonds)	(288,947)	(196,812)	(2,733,910)
Repayments of short-term loans	(409,905)	(534,663)	(3,878,371)
Repayments of commercial papers	(1,203,000)	(793,000)	(11,382,345)
Purchases of treasury stock	(546)	(29,670)	(5,166)
Dividends paid	(47,299)	(48,113)	(447,526)
Other – net	269	110	2,545
Net cash used in financing activities - (Forward)	¥(518,090)	¥(271,344)	$(4,901,977)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
Net cash used in financing activities-(Forward)	¥(518,090)	¥(271,344)	$(4,901,977)
NET CASH USED IN OPERATING, INVESTING AND FINANCING ACTIVITIES	(18,370)	(24,896)	(173,810)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(113)	(4)	(1,069)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(18,483)	(24,900)	(174,879)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	104,183	129,083	985,741
CASH AND CASH EQUIVALENTS, END OF YEAR	¥85,700	¥104,183	$810,862

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
Current assets	9,075
Long-term debt	(77,435)
Current liabilities	(29,689)
Negative goodwill	(356)
Minority interests and other	(7,020)
Sub-total	18,268
Investments acquired in prior years	(6,358)
Payment for investments	11,910
Cash and cash equivalents	(4,663)
Payments for purchase of investments in subsidiaries net of cash acquired	¥7,247

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

The Kansai Electric Power Co., Inc. and Consolidated Subsidiaries • Years Ended March 31, 2004 and 2003

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the 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 2003 financial statements to conform to the classifications used in 2004.

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 ¥ 105.69 to $1, the approximate rate of exchange at March 31, 2004. 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, 2004 include the accounts of the Company and all subsidiaries (eighty-five in 2004 and seventy-eight in 2003).

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, 2004 and 2003, the investment in one associated company is 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.

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary/associated company at the date of acquisition. Goodwill on acquisition of subsidiaries is reported in the balance sheet as other assets 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 seven 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, 2004 and 2003 was ¥116,067 million ($1,098,183 thousand) and ¥117,765 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, interest rate swaps and commodity swaps in the normal course of business, to manage its exposures to fluctuations in foreign exchange, interest rates, fuel price 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 are 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 -** A reserve for fluctuations in water level is provided for costs expected to be incurred 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 -** Basic 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 consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

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

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

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

The Company expects to adopt these pronouncements as of April 1, 2004 and is currently in the process of assessing the effect of adoption of these pronouncements.

Notes to Consolidated Financial Statements

The Kansai Electric Power Co., Inc. and Consolidated Subsidiaries • Years Ended March 31, 2004 and 2003

3. PLANT AND EQUIPMENT

Plant and equipment, at carrying value, at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Hydroelectric power production facilities	**¥462,083**	¥482,527	**$4,372,060**
Thermal power production facilities	**363,436**	423,751	**3,438,698**
Nuclear power production facilities	**434,834**	476,573	**4,114,240**
Transmission facilities	**1,452,188**	1,494,318	**13,740,070**
Transformation facilities	**540,798**	574,351	**5,116,832**
Distribution facilities	**971,066**	999,281	**9,187,870**
General facilities	**160,275**	165,792	**1,516,463**
Other utility facilities	**13,830**	14,257	**130,854**
Other plant and equipment	**414,521**	443,868	**3,922,046**
Construction in progress	**802,523**	822,748	**7,593,178**
Total	**¥5,615,554**	¥5,897,466	**$53,132,311**

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, 2004 and 2003 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
	2004			
Securities classified as:				
Available-for-sale:				
Equity securities	¥20,432	¥84,749	¥7	¥105,174
Debt securities	2,525	28	1	2,552
Held-to-maturity debt securities	12,215	402	115	12,502

	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

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
	2004			
Securities classified as:				
Available-for-sale:				
Equity securities	$193,320	$801,864	$66	$995,118
Debt securities	23,890	265	9	24,146
Held-to-maturity debt securities	115,573	3,804	1,088	118,289

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

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Available-for-sale:			
Equity securities	**¥73,053**	¥71,538	**¥691,201**
Other	**7,811**	8,355	**73,905**
Held-to-maturity debt securities	**100**	400	**946**
Total	**¥80,964**	¥80,293	**¥766,052**

Proceeds from sales of available-for-sale securities for the year ended March 31, 2003 were ¥28,649 million. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥28,382 million and ¥15 million, respectively for the year ended March 31, 2003.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2004 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	¥1,106	$10,465
Due after one year through five years	8,031	75,986
Due after five years through ten years	4,700	44,470
Due after ten years	1,280	12,111
Total	¥15,117	$143,032

Notes to Consolidated Financial Statements

The Kansai Electric Power Co., Inc. and Consolidated Subsidiaries • Years Ended March 31, 203 and 2002

5. LONG-TERM DEBT

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

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
General mortgage bonds:			
0.29% to 6.9%, due serially through 2018	¥1,372,546	¥1,497,976	$12,986,527
7.25%, due 2006 (payable in U.S. dollars)	54,450	54,450	515,186
6.625% and 7.0%, due through 2006 (payable in French francs)	63,516	110,266	600,965
5.75%, due 2007 (payable in Netherlands guilder)	62,294	62,294	589,403
1.4% general mortgage convertible bonds, due 2005	178,637	178,637	1,690,198
0.65% to 5.6% secured loans principally from the Development Bank of Japan maturing serially through 2023:			
The Company	414,309	460,320	3,920,040
Subsidiaries	23,621	24,602	223,493
0.289% to 6.4% unsecured loans from banks and insurance companies maturing serially through 2036	1,566,730	1,683,477	14,823,824
Other	7,035	10,759	66,562
Total	3,743,138	4,082,781	35,416,198
Less current maturities	599,165	365,996	5,669,079
Long-term debt, less current maturities	¥3,143,973	¥3,716,785	$29,747,119

Annual maturities of long-term debt at March 31, 2004 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year ending March 31:		
2005	¥599,165	$5,669,079
2006	310,389	2,936,787
2007	364,041	3,444,422
2008	389,703	3,687,227
2009 and thereafter	2,079,840	19,678,683
Total	¥3,743,138	$35,416,198

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 ¥1,528 million ($14,457 thousand) and the above secured loans at March 31, 2004, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Property and other	¥69,495	$657,536

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% convertible bonds are currently redeemable. The 1.4% convertible bonds outstanding at March 31, 2004 were convertible into 37,162 thousand shares of common stock, at the conversion prices of ¥4,807 ($45.48) 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, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Projected benefit obligation	¥804,067	¥798,894	$7,607,787
Fair value of plan assets	(433,145)	(362,105)	(4,098,259)
Unrecognized prior service cost	680	12,573	6,434
Unrecognized actuarial loss	(18,571)	(158,892)	(175,712)
Prepaid pension cost		267	
Net liability	¥353,031	¥290,737	$3,340,250

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

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Service cost	¥31,232	¥31,024	$295,506
Interest cost	15,883	18,415	150,279
Expected return on plan assets	(568)	(6,287)	(5,374)
Amortization of prior service cost	(11,272)	(17,314)	(106,652)
Recognized actuarial loss	65,987	39,985	624,345
Settlement loss	4,578	24,119	43,315
Other	7,507	53,030	71,029
Net periodic retirement benefit costs	¥113,347	¥142,972	$1,072,448

For the year ended March 31, 2004 and 2003 the Companies 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 ¥7,386 million ($69,884 thousand) and ¥52,921 million are included in "Other" in the above table.

Principal assumptions used for the years ended March 31, 2004 and 2003 are set forth as follows:

	2004	2003
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	0.0%	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 ¥2,349 million ($22,225 thousand) at March 31, 2004.

Notes to Consolidated Financial Statements

The Kansai Electric Power Co., Inc. and Consolidated Subsidiaries • Years Ended March 31, 2004 and 2003

7. SHORT-TERM BORROWINGS

Short-term borrowings at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Short-term loans principally from banks (principally bank overdrafts), weighted average interest rate of 0.297% and 0.299% at March 31, 2004 and 2003	¥170,981	¥221,652	$1,617,759
Commercial paper, weighted average interest rate of 0.012% at March 31, 2004		85,000	
Total	**¥170,981**	¥306,652	**$1,617,759**

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 or by resolution of the Board of Directors provided it is stipulated in an article of incorporation and dispose of such treasury stock by resolution of the Board of Directors. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

The amount of retained earnings available for dividends under the Code was ¥705,383 million ($6,674,075 thousand) as of March 31, 2004, 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.

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, 2004 and 2003.

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

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Deferred Tax Assets:			
Liability for retirement benefits	**¥117,035**	¥85,679	**$1,107,342**
Intercompany profit elimination	**41,941**	44,010	**396,830**
Reserve for reprocessing of irradiated nuclear fuel	**41,878**	41,878	**396,234**
Reserve for decommissioning of nuclear power units	**29,304**	29,304	**277,264**
Depreciation	**45,202**	28,747	**427,685**
Deferred charges	**18,257**	17,071	**172,741**
Other	**71,484**	60,427	**676,356**
Less valuation allowance	**(33,794)**	(15,257)	**(319,746)**
Deferred tax assets	**¥331,307**	¥291,859	**$3,134,706**
Deferred Tax Liabilities:			
Unrealized gain on available-for-sale securities	**¥30,899**	¥10,652	**$292,355**
Other	**322**	693	**3,047**
Deferred tax liabilities	**¥31,221**	¥11,345	**$295,402**
Net deferred tax assets	**¥300,086**	¥280,514	**$2,839,304**

A reconciliation between the normal effective statutory tax rates for the years ended March 31, 2004 and 2003 and the actual effective tax rates reflected in the accompanying consolidated statements of income is as follows:

	2004	2003
Normal effective statutory tax rate	**36.2%**	36.2%
Equity in losses (earnings) of associated companies	**(0.7)**	1.2
Valuation allowance	**11.0**	4.7
Other - net	**(0.5)**	0.4
Actual effective tax rate	**46.0%**	42.5%

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 ¥23,227 million ($219,765 thousand) and ¥27,275 million for the years ended March 31, 2004 and 2003, respectively.

11. RELATED PARTY TRANSACTIONS

As the transactions and balances of the Company with an associated company for the year ended March 31, 2004 is immaterial, such disclosure is omitted. Transactions and balances of the Company with an associated company for the year ended March 31, 2003 were as follows:

	Millions of Yen
Kinden Co., Ltd.	
Transactions:	
Orders for construction of transmission and distribution facilities	¥54,228
Balances at year ended:	
Payables for construction	6,016

Notes to Consolidated Financial Statements

The Kansai Electric Power Co., Inc. and Consolidated Subsidiaries • Years Ended March 31, 2004 and 2003

12. LEASES

Lessor

Finance Leases

Revenues under finance leases were ¥5,224 million ($49,428 thousand) and ¥4,836 million for the years ended March 31, 2004 and 2003, respectively.

The amount of the imputed interest revenue was included in the above revenue under finance leases for the year ended March 31, 2003.

Such interest revenue was computed using the interest method and separately recognized as interest revenue, amounting to ¥911 million ($8,620 thousand), for the year ended March 31, 2004.

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, 2004 and 2003 was as follows:

	Other Facilities		
	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Acquisition cost	¥34,071	¥30,088	$322,367
Accumulated depreciation	21,388	19,632	202,365
Net leased property	¥12,683	¥10,456	$120,002

Future lease revenue under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Due within one year	¥3,835	¥4,488	$36,285
Due after one year	12,793	11,866	121,043
Total	¥16,628	¥16,354	$157,328

Future lease revenue under finance leases for the year ended March 31, 2004 is calculated excluding the interest revenue due to the increase in the ratio of future lease revenue to the total amount of the future lease revenue and operating receivables as of March 31, 2004, whereas the future lease revenue for the previous years was calculated including the interest revenue.

As of March 31, 2004, the amount of future lease revenue including the interest revenue under finance lease is as follows:

Future lease revenue under finance leases:

	Millions of Yen	Thousands of U.S. Dollars
	2004	2004
Due within one year	¥4,950	$46,835
Due after one year	15,125	143,107
Total	¥20,075	$189,942

Future lease revenue under finance leases includes the sublease revenue.

Depreciation expenses relating to the leased assets mentioned above were ¥5,699 million ($53,922 thousand) and ¥5,615 million for the years ended March 31, 2004 and 2003, respectively.

Operating Leases

Future lease revenue under non-cancelable operating leases at March 31, 2004 and 2003 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Due after one year		¥5	

Lessee

Finance Leases

Total lease payments under finance leases were ¥2,049 million ($19,387 thousand) and ¥2,230 million for the years ended March 31, 2004 and 2003, respectively.

Certain pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease, 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, 2004 and 2003 was as follows:

	Millions of Yen				
	Nuclear Power Production Facilities	Distribution Facilities	General Facilities	Other Facilities	Total
As of March 31, 2004					
Acquisition cost	¥4,541	¥331	¥43	¥9,194	¥14,109
Accumulated depreciation	1,979	298	17	5,052	7,346
Net leased property	¥2,562	¥33	¥26	¥4,142	¥6,763

	Thousands of U.S. Dollars				
	Nuclear Power Production Facilities	Distribution Facilities	General Facilities	Other Facilities	Total
As of March 31, 2004					
Acquisition cost	$42,965	$3,132	$407	$86,990	$133,494
Accumulated depreciation	18,725	2,820	161	47,800	69,506
Net leased property	$24,240	$312	$246	$39,190	$63,988

	Millions of Yen				
	Nuclear Power Production 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

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Due within one year	¥1,845	¥1,823	$17,457
Due after one year	4,940	4,359	46,740
Total	¥6,785	¥6,182	$64,197

Depreciation expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Depreciation expense	¥2,049	¥2,230	$19,387

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 include the accrued sublease rentals.

Operating Leases

Obligations under non-cancelable operating leases at March 31, 2004 and 2003 were as follows:

Notes to Consolidated Financial Statements

The Kansai Electric Power Co., Inc. and Consolidated Subsidiaries • Years Ended March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Due within one year	**¥3**	¥68	**$28**
Due after one year		3	
Total	**¥3**	¥71	**$28**

13. COMMITMENTS AND CONTINGENCIES

At March 31, 2004, the Companies had firm purchase commitments, principally related to utility plant expansion, of approximately ¥159,275 million ($1,507,002 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, 2004, 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	¥232,961	$2,204,191
Other	2,938	27,800
Total	¥235,899	$2,231,991
A guarantee about power supply for San Roque Corporation	¥438	$4,147

14. DERIVATIVES

The Company enters into derivative financial instruments, including foreign currency forward contracts, currency swaps, interest rate swaps and commodity 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, 2004 and 2003 are as follows:

	Millions of Yen					
	2004			2003		
	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
Buying U.S. Dollars	¥12,315	¥11,017	¥1,298			
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		
	2004		
	Contracted Amount	Fair Value	Unrealized Loss
Foreign currency forward contracts -			
Buying U.S. Dollars	$116,520	$104,239	$12,281

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 years ended March 31, 2004 and 2003 is as follows:

	Millions of Yen	Thousands of Share	Yen	Dollars
	Net Income	Weighted Average Shares	EPS	
For the year ended March 31, 2004				
Basic EPS				
Net income available to common shareholders	¥89,666	946,191	¥94.77	$0.90
Effect of Dilutive Securities				
Convertible bonds	1,608	37,145		
Diluted EPS				
Net income for computation	¥91,274	983,336	¥92.82	$0.88
For the year ended March 31, 2003				
Basic EPS				
Net income available to common shareholders	¥79,984	958,010	¥83.49	
Effect of Dilutive Securities				
Convertible bonds	1,608	37,145		
Diluted EPS				
Net income for computation	¥81,592	995,155	¥81.99	

16. SUBSEQUENT EVENT

On June 29, 2004, the shareholders of the Company approved payment of a cash dividend of ¥25 ($0.23) per share to holders of record as of March 31, 2004 or a total of ¥23,667 million ($223,928 thousand), and bonuses to directors and corporate auditors of ¥130 million ($1,230 thousand).

Notes to Consolidated Financial Statements

The Kansai Electric Power Co., Inc. and Consolidated Subsidiaries • Years Ended March 31, 2004 and 2003

17. SEGMENT INFORMATION

Information about industry segments of the Companies for the years ended March 31, 2004 and 2003, is as follows:

a. Sales and Operating Income

	Millions of Yen				
	2004				
	Electric Power	IT/ Communications	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥2,351,599	¥64,865	¥123,691		¥2,540,155
Intersegment sales	8,308	48,928	210,378	¥(267,614)	
Total sales	2,359,907	113,793	334,069	(267,614)	2,540,155
Operating expenses	2,029,667	109,584	322,078	(270,666)	2,190,663
Operating income	¥330,240	¥4,209	¥11,991	¥3,052	¥349,492

	Thousands of U.S. Dollars				
	2004				
	Electric Power	IT/ Communications	Other	Eliminations/ Corporate	Consolidated
Sales to customers	$22,249,967	$613,729	$1,170,319		$24,034,015
Intersegment sales	78,607	462,939	1,990,519	$(2,532,065)	
Total sales	22,328,574	1,076,668	3,160,838	(2,532,065)	24,034,015
Operating expenses	19,203,964	1,036,844	3,047,384	(2,560,942)	20,727,250
Operating income	$3,124,610	$39,824	$113,454	$28,877	$3,306,765

	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

b. Assets, Depreciation and Capital Expenditures

	Millions of Yen				
	2004				
	Electric Power	IT/ Communications	Other	Eliminations/ Corporate	Consolidated
Assets	¥6,563,284	¥265,016	¥543,348	¥(220,822)	¥7,150,826
Depreciation	388,915	40,441	21,758	(6,483)	444,631
Capital expenditures	249,115	22,571	53,390	(3,573)	321,503

	Thousands of U.S. Dollars				
	2004				
	Electric Power	IT/ Communications	Other	Eliminations/ Corporate	Consolidated
Assets	$62,099,385	$2,507,484	$5,140,959	$(2,089,336)	$67,658,492
Depreciation	3,679,771	382,638	205,866	(61,340)	4,206,935
Capital expenditures	2,357,035	213,558	505,156	(33,806)	3,041,943

	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

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 in Japan do not require such disclosure for sales to foreign customers if such sales represent less than 10% of total sales.

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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, 2004 and 2003, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Kansai Electric Power Company, Incorporated and subsidiaries as of March 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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

Deloitte Touche Tohmatsu

June 29, 2004

Member of
Deloitte Touche Tohmatsu

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The Kansai Electric Power Company, Incorporated

Unaudited Non-Consolidated Financial Statements for the Years Ended March 31, 2004 and 2003