

Kansai EP is swiftly responding to changes in its business environment with dynamic initiatives to ensure absolute safety and enhance customer value.

Forging the foundations today for sustained growth in the changing world of tomorrow

The Year in Review

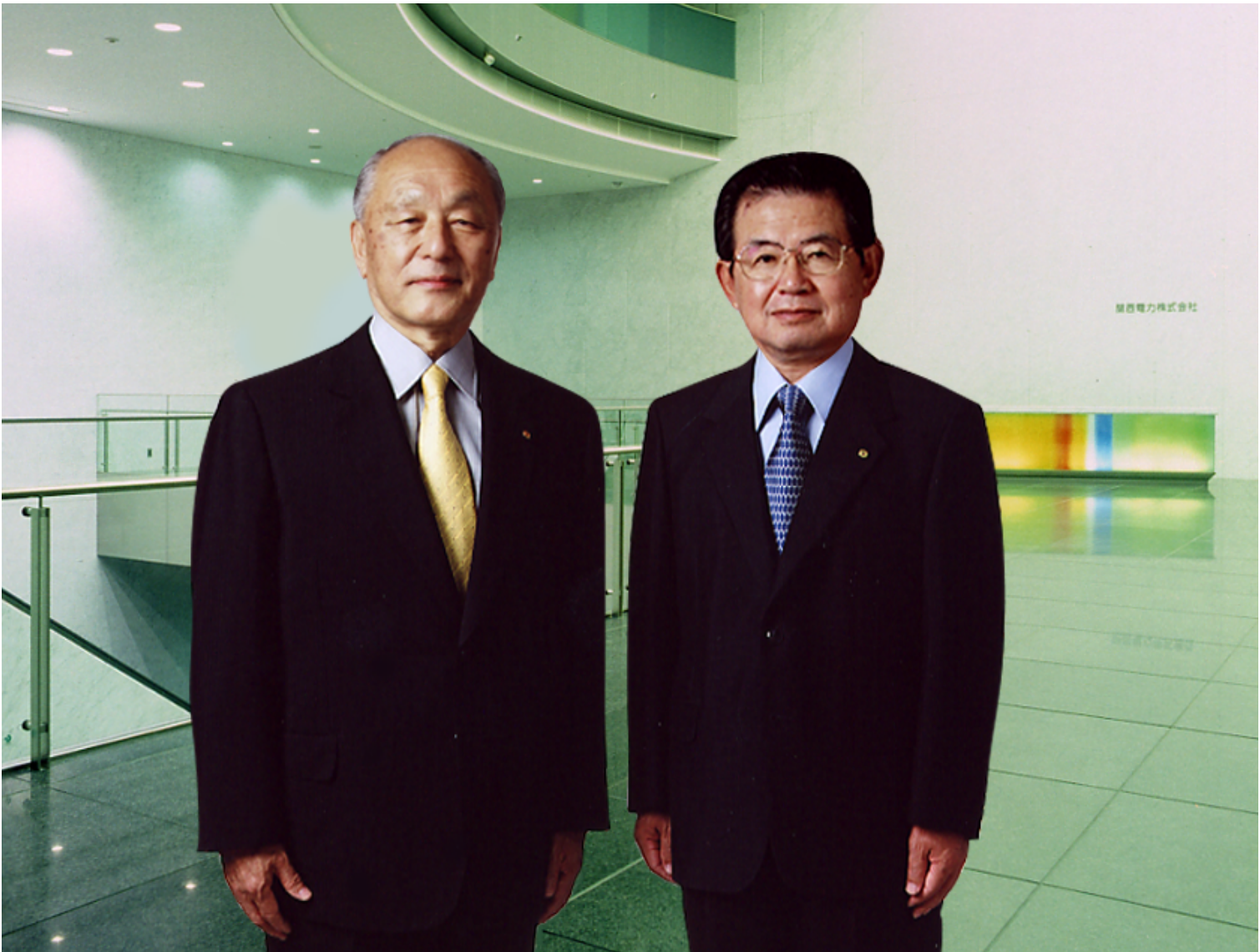
In fiscal 2005, the period from April 1, 2004 through March 31, 2005, the Japanese economy in the main traced a path of recovery. Exports and capital investments continued to expand from the term's start, momentum flagged in some quarters toward term's end, but overall the recovery trend continued.

Against this backdrop The Kansai Electric Power Co., Inc. (Kansai EP) recorded total electricity sales volume of 144.89 billion kWh, up 3.3% year-on-year. The sales growth owed primarily to solid production within the corporate sector and increased demand for air-conditioning in response to higher temperatures throughout the summer season.

Outside core operations in electricity, the Company is currently pursuing business expansion along three main vectors: information technology (IT), total energy solutions, and amenities in support of lifecycle needs. In the IT area, we are taking steps to configure structures that will enable us to provide a full spectrum of related services, including development of a broad menu of services and contents responding to customer needs. We are also achieving steady progress in expanding earnings based on the remaining two vectors of our business domain. As a total energy solution provider, expansion is being accomplished centered on gas operations; in the area of lifecycle amenities, earnings growth is building on operations in real estate development and new life-support services.

Turning to the financial side of fiscal 2005, total operating revenue finished at ¥2,613.4 billion, up ¥73.3 billion year-on-year. Income from electricity operations reached ¥2,412.1 billion, up ¥60.5 billion on the back of the increased sales volume noted above. Revenue from other operations totaled ¥201.3 billion, up ¥12.8 billion from fiscal 2004. A modest contraction in income from IT-related operations was offset by expanded sales in the areas of total energy solutions and lifecycle amenities.

Total operating expenses in fiscal 2005 reached ¥2,226.5 billion, up ¥35.8 billion year-on-year. Operating expenses related to electricity operations totaled ¥2,038.7 billion, up ¥23.4 billion from fiscal 2004. Efforts were made to trim outlays at all levels, but increased costs were incurred for fuel for steam-generated power production, which was required this term to accommodate the increase in total sales volume and to compensate for erosion of the operating ratio of the Company's nuclear power facilities. Operating expenses incurred in the performance of other business operations totaled ¥187.7 billion, up ¥12.4 billion year-on-year. Vigorous efficiency-enhancement initiatives were unable to cancel the impact of the high price of oil required in conjunction with the Company's gas energy operations.



Yoshihisa Akiyama
Chairman of the Board of Directors

Shosuke Mori
President and Director

As the combined result of the foregoing revenue and expense figures, consolidated operating income in fiscal 2005 came to ¥386.9 billion, up ¥37.4 billion from the previous year. Consolidated net income reached ¥69.7 billion, down ¥20.3 billion. At term's end our shareholders' equity ratio was up 1.1 percentage point from the level of fiscal 2004, and our interest-bearing liabilities were reduced by ¥393.7 billion.

Management Issues Demanding Immediate Attention

On August 9, 2004 an accident with extremely grave consequences occurred at the Mihama Nuclear Power Station. A fracture of the secondary system piping at Unit 3 took the lives of five plant workers and caused serious injury to six others. The mishap also seriously eroded the public's trust in Kansai EP – the trust that constitutes the critically important base on which Company operations depend. Restoring that trust is now a challenge of utmost importance.

In the wake of the accident, the Company reflected deeply on the factors that may have contributed to its occurrence. The outcome was a declaration by the President that Kansai EP's corporate mission will be to safeguard safety at any cost. As a result, the Company has issued a public pledge to construct anew a corporate culture keenly focused on the safe operation of all facilities. In tandem with that commitment, the Company has also pledged to take every measure conceivable to prevent a reoccurrence of an incident of this severity.

Specifically, we have sworn in good faith to carry out five promises: 1) to accord first and foremost priority to matters impinging on safety; 2) to aggressively invest Company resources into measures targeted at ensuring optimal safety; 3) to continuously improve maintenance management focused on safety and develop collaborative structures together with manufacturers and cooperating firms; 4) to strive in every way to restore the public's trust; and 5) to evaluate our safety initiatives objectively and widely disseminate information relating to our findings. Based on these five pledges, Kansai EP henceforth will operate its nuclear power facilities with highest priority at all times accorded to safety.

In another matter of major significance during the year under review, from April 2005 the parameters of deregulation of Japan's power industry were widened further. Now, all recipients of electric power delivered at high voltages are free to select the provider of their choice, and wheeling charges traditionally levied whenever power has crossed into the grid of another provider have been eliminated. As a consequence, Kansai EP's operating environment is expected to change dramatically ahead, accompanied by competition of unprecedented severity.

To meet the challenges of the Company's changing business environment, we have set down a new "Group Management Plan for Fiscal 2006." The Plan's underlying philosophy encompasses a quest for new growth

founded on the public's trust, with highest priority unequivocally accorded to safety. To carry out this resolve, we have instituted three plans of action: 1) to forge a strong base of operations that is extremely transparent and places foremost priority on safety assurance; 2) to create customer value through a concerted commitment by all Group members; and 3) to develop greater human resources by fostering motivation and making work a more fulfilling endeavor. All of these initiatives will be implemented to win back the wholehearted trust we have long enjoyed from all society.

In all of our Groupwide business activities, we will pursue safety assurance with the absolute highest priority. We will also faithfully carry out our corporate social responsibility (CSR) in an ongoing quest to build a more transparent and supremely resilient base of business operations.

In recognition of our customers' constantly diversifying requirements, we will strive with ever greater diligence to respond to their evolving needs with ever more committed solutions and appealing products and services, with the entire Group dedicating its full roster of resources to the creation of customer value. We will also engage in aggressive investments to secure safety assurance, and by probing optimally suitable and outstandingly reliable facilities, we will forge a base of competitive strength on which we can achieve sustained growth into the future.

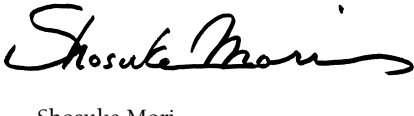
Wholehearted Commitment to Future Growth

Going forward Kansai EP will also continue to pursue profit growth and expanded shareholder value in a sustained manner, in three ways: 1) by consistently instilling loyal trust among all customers on a Group wide basis; 2) by achieving and maintaining the flexibility and strength to respond to all changes in the business environment; and 3) by driving the continuing development of the Kansai region as a growth enterprise.

Our business environment is presently on the threshold of even greater transformations ahead. To weather the challenges of these changing times, we renew our pledge to pursue innovations on broad fronts and to seek dramatic new heights for tomorrow. We sincerely ask for your continuing support as we proceed toward these demanding goals.



Yoshihisa Akiyama
Chairman of the Board of Directors



Shosuke Mori
President and Director