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The Kansai Electric Power Company, Incorporated and Subsidiaries

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Independent Auditors' Report

Financial Results and Analysis (Consolidated)

OVERVIEW

Operating Income

Electricity Operations

Kansai EP and its Group enterprises consistently strive to achieve expanded shares in the home, commercial and industrial markets through the provision of new products and solutions that anticipate the needs of the customer. In fiscal 2006 – the year from April 1, 2005 through March 31, 2006 – those efforts enabled the acquisition of 97,000 new contracts from customers living in fully electric homes and 2,199 new contracts for hybrid heating, cooling and air-conditioning systems for commercial and industrial users. Those figures represent year-on-year increases of 13.3% and 10.6%, respectively.

In fiscal 2006 total electricity sales volume reached 147.11 billion kWh, constituting a gain of 2.22 billion kWh, or 1.5%, over the previous year. Revenue from electricity sales declined, however, under the impact of rate reductions implemented in April 2005. Total sales income reached ¥2,368,910 million*, down ¥53,673 million, or 2.2%, from the year-earlier level.

Related operating expenses expanded a modest ¥15,096 million, or 0.7%, to ¥2,069,207 million*. Increased fuel costs for thermal power generation, attributable to higher fuel prices, and expanded maintenance costs, resulting largely from regular inspection work at the Company's nuclear power stations, were to a significant degree offset by lower personnel costs, trimmed primarily through reduced retirement stipends enabled by revisions to the retirement pension system, and efforts to save on capital costs and miscellaneous expenses.

As a result of the foregoing, operating income from electricity operations reached ¥299,703 million*. The figure equates to a year-on-year decrease by ¥68,769 million, or 18.7%.

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 1Gbps in both indoor and outdoor applications.

Although competition in the IT segment is severe, aggressive sales activities are undertaken to expand the customer base. In mainstay FTTH services, K-Opti.com takes advantage of greater than 90% area coverage in the six Kinki region prefectures to provide a trio of fiber-optic-based services – Internet, telephone and television – under the unified "eo HIKARI" brand. As of the end of fiscal 2006, the total number of contracts for eo HIKARI services reached 380,000, marking a robust increase of 69% year-on-year. As a result, in fiscal 2006 Groupwide IT operations generated sales totaling ¥125,460 million*, up ¥12,484 million, or 11.1%, from the previous year.

Operating expenses incurred in the performance of IT operations totaled ¥120,751 million*. The figure constitutes a relatively modest increase of ¥10,456 million, or 9.5%, over the level of fiscal 2005, despite a hefty increase in outlays stemming from aggressive FTTH marketing initiatives during the year.

As a result of the foregoing, operating income from Groupwide information technology operations reached ¥4,709 million*, up ¥2,028 million, or 75.7%, from the year-earlier level.

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 lifecycle-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 ¥145,976 million, up ¥8,916 million, or 6.5%, from the preceding fiscal year. Growth came from two principal sources: in total energy solutions business, from the sale of 640,000 tons (in LNG parameters) primarily of gas, LNG and cogeneration fuel oil, thanks to the combined effects of economic recovery and a cold winter; and in lifecycle-support amenities, from expansion of the customer base in general and, in conjunction with real estate development operations, from efforts chiefly concentrated on attracting expanded adoption of housing boasting high added value in the form of fully electric installations, Internet capability and home security systems. When sales within the Group are added in, total sales revenue from other operations reached ¥367,375 million, up ¥25,187 million, or 7.4%, from fiscal 2005.

Expenses incurred in the performance of other services totaled ¥346,357 million*, up ¥16,252 million, or 4.9%, from the year-earlier level. Vigorous efforts at efficiency enhancement were unable to fully offset various cost increases incurred in the performance of gas supply operations, especially higher raw material costs linked to high prices for crude oil.

As a result of the foregoing, operating income generated by other operations Groupwide tallied to ¥21,018 million. The figure marked an increase by ¥8,935 million, or 73.9%, from the previous year.

Taken together, consolidated income accrued from electricity, IT and other operations reached ¥327,170 million, down ¥59,769 million*, or 15.4%, from fiscal 2005. 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 expenses (income) recorded during the term totaled ¥79,617 million, a decrease of ¥158,117 million, or 33.5%, from the previous year. The decrease owed largely to two contributing factors: 1) an inherent reduction after the booking of extraordinary losses totaling ¥148,593 million in fiscal 2005; and 2) interest payments totaling ¥66,712 million, constituting a reduction by ¥15,333 million, or 18.7%, year-on-year made possible primarily by efforts to reduce interest-bearing debt and to secure lower interest rates on borrowings.

In addition, because the water runoff ratio in fiscal 2006 was low at only 88.5%, ¥9,595 million was reversed, in line with stipulations under Japan's Electricity Utilities Industry Law, as a reserve for fluctuations in water level.

As a result of the foregoing, in fiscal 2006 consolidated income before taxes reached ¥257,148 million, up ¥117,815 million, or 84.6%, from the preceding term. Net income, after income-tax deductions totaling ¥96,099 million, finished at ¥161,049 million. The end result constituted a year-on-year increase of ¥91,310 million, or 130.9%.

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FISCAL POSITION

Assets

The value of the Company's Groupwide assets as of March 31, 2006 stood at ¥6,856,489 million, down ¥1,382 million, or 0.02%, from the year-earlier level. Capital expenditures were held to ¥268,652 million, down ¥5,145 million, or 1.9%, from fiscal 2005 and within the scope of the term's depreciation costs (¥402,687 million). This was accomplished by pursuing improved asset efficiency primarily in electricity operations – applying severe selectivity in acceptance of new works projects and rethinking previously set construction schedules and project scopes – while keeping foremost priority on safety. Investments and other assets increased, however, by ¥217,434 million, or 30.5%. The increase came largely from the launch this term of contributions into the reserve for reprocessing of irradiated nuclear fuel and an increase in unrealized gains on securities in tandem with the upswing in the stock market.

Liabilities

Groupwide interest-bearing liabilities were reduced by ¥165,865 million, or 4.8%, during the term, to ¥3,323,999 million. The reduction was achieved by according highest priority to trimming interest-bearing debt in the allocation of the free cash flow generated chiefly through curbing of capital investments.

This significant reduction in interest-bearing debt enabled a reduction in Groupwide liabilities – including both fixed and current liabilities as well as the reserve set aside for fluctuations in water level – to ¥5,065,622 million, down ¥138,746 million, or 2.7%, year-on-year. The latter achievement contributed to the steady fortification of the Group's financial structure.

Shareholders' Equity

At March 31, 2006 total shareholders' equity was ¥1,785,985 million, up ¥139,299 million, or 8.5%, from a year earlier. The increase owed to the term's year-on-year expansion in net income and the aforementioned increase in unrealized gains on securities, which collectively offset dividend disbursements and the erosive impact of repurchasing of the Company's own stock. The capital increase was 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 various factors, at term's end the shareholder's equity ratio reached 26.0%, up 2.0 percentage points year-on-year. Equity per share accordingly came to ¥1,927.29, representing an increase of ¥177.64 over the year-earlier level.

In April and November 2005 the Company repurchased 14.11 million shares of its own stock, at a total outlay of ¥32,008 million. The move had two objectives: a) to increase shareholder return and enhance capital efficiency, and b) to improve the supply-and-demand balance of Company shares within the market. The Company has opted to retain the repurchased holdings as treasury stock for the time being, a situation that will enable the shares to be flexibly used, or retired, as changes in the operating environment may 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 aggressive sales activities and the pursuit of ever greater management efficiency while according highest priority to safety assurance. 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 initiatives are taken proactively on diverse fronts toward strengthening the Group's financial structure.

In fiscal 2006 cash flow generated by operating activities produced ¥528,878 million in income, down ¥162,375 million, or 23.5%, from fiscal 2005. The year-on-year decrease was attributable primarily to a decline in electricity sales income stemming mainly from rate reductions implemented in April 2005, and to the commencement this term of payments into the reserve for reprocessing of irradiated nuclear fuel.

Cash flow linked to investment activities resulted in ¥293,645 million in outlays, up ¥36,361 million, or 14.1%, from the preceding term. The decrease owed largely to a decline in return on investment and financing operations following the sale of a portion of the Company's securities holdings during fiscal 2005.

Free cash flow generated in the foregoing ways totaled ¥235,233 million. It was allocated to reducing interest-bearing liabilities and the repurchasing of Company stock. Cash flow generated from financing activities thereby resulted in total outlays of ¥247,379 million, constituting a decrease by ¥204,507 million, or 45.3%, from fiscal 2005.

As a result of the foregoing, the balance of cash and cash equivalents at the end of fiscal 2006 reached ¥55,811 million. The figure represents a decrease of ¥12,087 million, or 17.8%, from the preceding year.

Dividend Policy

The Company consistently strives to enhance its shareholder value from a long-term perspective. This stance translates to pursuing an ever more muscular financial structure while simultaneously seeking greater efficiency in electricity operations and maintaining rates at the most competitive levels as necessitated by the emerging era of full-fledged industry competition, without ever compromising safety in any way. Accordingly, the Company's fundamental policy toward profit sharing is to pursue ongoing elevation of shareholder value as it synchronously maintains stability in dividend disbursements. Retained earnings are allocated to capital investments and to measures targeted at reinforcing the Company's financial position.

In line with the foregoing basic policy, in fiscal 2006 the Company determined to issue an end-of-term dividend in the amount of ¥35 per share, an increase of ¥10 over the preceding fiscal year. The dividend amount was set in reflection of Company earnings during the term as well as the earnings outlook, and the disbursement itself is aimed at rewarding shareholders for their support. As a dividend in the amount of ¥25 per share was distributed at the interim, shareholders received a total of ¥60 per share for the year.

Business and Other Risks

The following is a description of the principal risks that harbor the potential to impact the business results and financial position of the Kansai Electric Power Group, which encompasses Kansai EP and its consolidated subsidiaries. It may be noted that forward-looking statements are based on judgments rendered by the Group as of the submission date (June 29, 2006).

1) Economic Situation

The Company's total electricity sales fluctuate according to trends in the economy. Therefore, the economic situation has the potential to affect the Group's business performance.

2) Changes in the Environment Surrounding Electricity Operations

Effective April 2005, revisions were made to both the Electricity Utility Industry Law and Gas Utility Industry Law. A series of system reforms, including expansion of deregulation to include all users of electricity received at high voltages, is continually elevating the level of competition between the Company and rival power providers.

In addition, changes in the broad energy situation both within Japan and overseas have invited discussions, at venues including government council gatherings, focused on the promotion of nuclear power and energy conservation, and evaluations are being rendered on the current deregulatory systems.

The back-end aspects of the nuclear fuel cycle, including reprocessing of spent fuel, have an extremely long time span and harbor various uncertainties. In October 2005, measures were devised to facilitate promotion of nuclear power generation and back-end operations, and these have eased the burden of risk on the operator. However, for spent fuel generated beyond current reprocessing capacity the only viable option for the time being is intermediate storage, and methods for dealing with such waste are to be considered starting around 2010, in part taking into account the operating record of the Rokkasho reprocessing plant operated by Japan Nuclear Fuel Ltd. Concerning spent fuel for which measures still need to be taken but have yet to be considered – including that which is to be stored as an intermediate response – the possibility exists that, depending on the outcome of deliberations, electricity operators may come to shoulder the cost burden for reprocessing, etc. in the future.

Changes in the operating environment surrounding electricity operations, including the aforementioned system reforms and accompanying intensification of competition, have the potential to impact earnings Groupwide.

3) Business Other than Electricity Operations

Although electricity operations contributed 91.5% of Groupwide consolidated sales in fiscal 2006, all Group companies are making concerted efforts to develop business areas that will enable future growth on a sustained basis, with a focus on three areas: information technology (IT), total energy solutions, and amenities in support of lifecycle needs. Changes in the operating environments surrounding these various areas, for example in such forms as technological innovation or escalating competition against other business operators, have the potential to affect Groupwide earnings.

4) Weather Factors

Because total electricity sales volume is influenced by demand for heating and air-conditioning, Groupwide earnings can potentially be impacted by weather factors (especially temperatures), primarily in the summer and winter seasons.

5) Fuel Price Fluctuations

Since fossil fuels including LNG, crude oil and coal are vital to electricity operations, the Company's fuel costs fluctuate according to trends in oil prices, foreign exchange rates, etc. However, under Japan's "Fuel Cost Adjustment System," which enables power providers to reflect fluctuations in oil prices, exchange rates, etc. in their electricity charges, the Company is able to raise its electricity rates in regulated sectors when fuel prices exceed a certain level. Accordingly, potential impact of such fluctuations on Groupwide earnings is thought to be of limited scope.

6) Interest Rate Fluctuations

At March 31, 2006, the Group's consolidated interest-bearing debt burden totaled ¥3,323,999 million, equivalent to 48.5% of total assets. Accordingly, Groupwide earnings may possibly be impacted by future trends in interest rates.

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However, 95.5% of all interest-bearing debt, ¥3,173,152 million, takes the form of long-term loans and long-term corporate bonds, and these are financed almost entirely at fixed interest rates. In addition, the Company is taking steps to trim its interest-bearing debt in order to strengthen its financial structure. For these reasons, potential impact from interest rate fluctuations on the Group's earnings is deemed to be limited.

7) Operational Obstructions

Group earnings may potentially be impacted by unforeseen events including natural disasters and accidents.

To counteract possibilities of these kinds, facilities and equipment are designed, engineered and maintained so as to lessen impact from natural disasters, and business operations are conducted with foremost priority on safety assurance so as to prevent accidental mishaps. In particular, assuring the safe operation of the Company's nuclear power generation facilities is recognized as a management responsibility of the very highest order. All conceivable measures are and will continue to be taken to prevent accidents.

8) Information Management

Group earnings are vulnerable to adverse impact in the event that any customer information in the Group members' possession or important information relevant to the performance of business operations should leak externally. To prevent such events, initiatives are taken to achieve stringent management of all such information, through reinforcement of information systems, formulation of in-house rules on information management, and implementation of employee education.

Consolidated Balance Sheets

The Kansai Electric Power Co., Inc. and Consolidated Subsidiaries • March 31, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2006**	2005	**2006**
PROPERTY:			
Utility plant and equipment	**¥13,501,059**	¥13,386,152	**$114,931,973**
Other plant and equipment	**1,120,931**	1,031,613	**9,542,276**
Construction in progress	**250,279**	377,360	**2,130,578**
Contributions in aid of construction	**(428,681)**	(422,949)	**(3,649,283)**
Accumulated depreciation	**(9,422,341)**	(9,113,766)	**(80,210,613)**
Plant and equipment - net (Notes 3)	**5,021,247**	5,258,410	**42,744,931**
Nuclear fuel, net of amortization	**512,407**	526,130	**4,362,024**
Property - net	**5,533,654**	5,784,540	**47,106,955**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 4)	**273,914**	185,547	**2,331,778**
Investments in and advances to associated companies	**170,001**	161,125	**1,447,187**
Reserve fund for reprocessing of irradiated nuclear fuel (Note 2)	**136,302**		**1,160,313**
Deferred tax assets (Note 9)	**282,775**	314,792	**2,407,210**
Other assets	**68,013**	52,107	**578,982**
Total investments and other assets	**931,005**	713,571	**7,925,470**
CURRENT ASSETS:			
Cash and cash equivalents	**55,811**	67,898	**475,109**
Accounts receivable	**159,938**	156,940	**1,361,522**
Allowance for doubtful accounts	**(2,411)**	(2,437)	**(20,524)**
Inventories	**62,596**	49,724	**532,869**
Deferred tax assets (Note 9)	**31,101**	31,565	**264,757**
Other current assets	**84,795**	56,070	**721,842**
Total current assets	**391,830**	359,760	**3,335,575**
TOTAL	**¥6,856,489**	¥6,857,871	**$58,368,000**

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES AND SHAREHOLDERS' EQUITY	**2006**	2005	**2006**
LONG-TERM LIABILITIES:			
Long-term debt, less current maturities (Note 5)	**¥2,841,126**	¥2,953,626	**$24,185,971**
Liability for Retirement benefits (Note 6)	**377,150**	363,967	**3,210,607**
Reserve for reprocessing of irradiated nuclear fuel	**649,675**	630,679	**5,530,561**
Reserve for decommissioning of nuclear power units	**249,754**	233,122	**2,126,109**
Deferred tax liabilities (Note 9)	**287**	154	**2,443**
Other long-term liabilities	**69,697**	68,342	**593,317**
Total long-term liabilities	**4,187,689**	4,249,890	**35,649,008**
CURRENT LIABILITIES:			
Current maturities of long-term debt (Note 5)	**332,027**	295,903	**2,826,483**
Short-term borrowings (Note 7)	**150,806**	239,880	**1,283,783**
Accounts payable (Note 5)	**129,854**	109,807	**1,105,423**
Payable to associated companies	**12,351**	16,521	**105,142**
Accrued income taxes	**34,638**	60,240	**294,867**
Accrued expenses and other current liabilities	**209,614**	213,889	**1,784,404**
Total current liabilities	**869,290**	936,240	**7,400,102**
RESERVE FOR FLUCTUATIONS IN WATER LEVEL	**8,643**	18,238	**73,576**
MINORITY INTERESTS	**4,882**	6,817	**41,560**
COMMITMENTS AND CONTINGENCIES (Notes 11 and 12)			
SHAREHOLDERS' EQUITY (Notes 8 and 15):			
Common stock - authorized, 1,784,059,697 shares; issued, 962,698,728 shares in 2006 and 2005	**489,320**	489,320	**4,165,489**
Capital surplus	**66,626**	66,626	**567,175**
Retained earnings	**1,181,364**	1,067,589	**10,056,729**
Net unrealized gain on available-for-sale securities	**120,626**	62,206	**1,026,866**
Foreign currency translation adjustments		10	
Treasury stock - at cost 36,164,148 shares in 2006 and 21,677,981 shares in 2005	**(71,951)**	(39,065)	**(612,505)**
Total shareholders' equity	**1,785,985**	1,646,686	**15,203,754**
TOTAL	**¥6,856,489**	¥6,857,871	**$58,368,000**

See notes to consolidated financial statements.

Consolidated Statements of Income

The Kansai Electric Power Co., Inc. and Consolidated Subsidiaries • Years Ended March 31, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	**2006**
OPERATING REVENUES:			
Electric	**¥2,358,717**	¥2,412,111	**$20,079,314**
Other	**220,342**	201,372	**1,875,730**
Total	**2,579,059**	2,613,483	**21,955,044**
OPERATING EXPENSES:			
Electric	**2,048,482**	2,038,779	**17,438,342**
Other	**203,407**	187,765	**1,731,565**
Total	**2,251,889**	2,226,544	**19,169,907**
OPERATING INCOME	**327,170**	386,939	**2,785,137**
OTHER (INCOME) EXPENSES:			
Interest expense	**66,712**	82,045	**567,907**
Equity in earnings of associated companies	**(3,343)**	(2,753)	**(28,458)**
Loss on impairment of fixed assets		44,312	
Loss on discontinuance of power plant construction		64,905	
Loss on reorganization of group companies		39,376	
Other - net	**16,248**	9,849	**138,315**
Total	**79,617**	237,734	**677,764**
INCOME BEFORE PROVISION FOR (REVERSAL OF) RESERVE FOR FLUCTUATIONS IN WATER LEVEL, INCOME TAXES AND MINORITY INTERESTS	**247,553**	149,205	**2,107,373**
PROVISION FOR (REVERSAL OF) RESERVE FOR FLUCTUATIONS IN WATER LEVEL	**(9,595)**	9,872	**(81,680)**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**257,148**	139,333	**2,189,053**
INCOME TAXES (Note 9):			
Current	**93,204**	116,793	**793,429**
Deferred	**3,033**	(47,040)	**25,819**
Total	**96,237**	69,753	**819,248**
MINORITY INTERESTS IN NET INCOME (LOSS)	**(138)**	(159)	**(1,175)**
NET INCOME	**¥161,049**	¥69,739	**$1,370,980**

	Yen		U.S. Dollars
	2006	2005	**2006**
PER SHARE OF COMMON STOCK (Note 14):			
Basic net income	**¥172.84**	¥73.83	**$1.47**
Fully diluted net income		72.68	
Cash dividends applicable to the year	**60.00**	50.00	**0.51**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

The Kansai Electric Power Co., Inc. and Consolidated Subsidiaries • Years Ended March 31, 2006 and 2005

		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
BALANCE, MARCH 31, 2004	962,698,728	¥489,320	¥66,553	¥1,045,511	¥64,310	¥26	¥(28,472)
Net income				69,739			
Cash dividends, ¥50 per share				(47,228)			
Bonuses to directors and corporate auditors				(446)			
Net decrease in foreign currency translation adjustments						(16)	
Net increase in treasury stock							(10,593)
Net decrease in unrealized gain on available-for-sale securities					(2,104)		
Surplus from transaction in treasury stock			73				
Increase due to exclusion of previously consolidated subsidiaries				13			
BALANCE, MARCH 31, 2005	962,698,728	489,320	66,626	1,067,589	62,206	10	(39,065)
Net income				161,049			
Cash dividends, ¥50 per share				(46,853)			
Bonuses to directors and corporate auditors				(217)			
Net decrease in foreign currency translation adjustments						(10)	
Net increase in treasury stock							(32,886)
Net increase in unrealized gain on available-for-sale securities					58,420		
Decrease due to exclusion of previously consolidated subsidiaries				(204)			
BALANCE, MARCH 31, 2006	962,698,728	¥489,320	¥66,626	¥1,181,364	¥120,626		¥(71,951)

	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, 2005	$4,165,489	$567,175	$9,088,184	$529,548	$85	$(332,553)
Net income			1,370,980			
Cash dividends, $0.43 per share			(398,851)			
Bonuses to directors and corporate auditors			(1,847)			
Net decrease in foreign currency translation adjustments					(85)	
Net increase in treasury stock						(279,952)
Net increase in unrealized gain on available-for-sale securities				497,318		
Decrease due to exclusion of previously consolidated subsidiaries			(1,737)			
BALANCE, MARCH 31, 2006	$4,165,489	$567,175	$10,056,729	$1,026,866		$(612,505)

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

The Kansai Electric Power Co., Inc. and Consolidated Subsidiaries • Year Ended March 31, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥257,148	¥139,333	$2,189,053
Adjustments for:			
Income taxes-paid	(118,605)	(130,761)	(1,009,662)
Depreciation and amortization	402,687	415,145	3,427,999
Loss on impairment of fixed assets		44,312	
Amortization of nuclear fuel	47,158	44,850	401,447
Loss on disposal of property, plant and equipment	11,290	21,938	96,110
Loss on discontinuance of power plant construction		64,905	
Nuclear fuel transferred to reprocessing costs	31,524	4,363	268,358
Increase in liability for retirement benefits	13,203	10,937	112,395
Provision for reprocessing of irradiated nuclear fuel	18,996	35,930	161,709
Provision for decommissioning of nuclear power units	16,632	6,519	141,585
Provision for (reversal of) reserve for fluctuations in water level	(9,595)	9,872	(81,680)
Changes in assets and liabilities, and net of effects from newly consolidated subsidiaries:			
Increase in reserve fund for reprocessing of irradiated nuclear fuel	(136,302)		(1,160,313)
Increase in trade receivables	(4,595)	(8,221)	(39,116)
Decrease in interest and dividends receivable	1,022	1,510	8,700
Increase (decrease) in trade payables	19,884	(795)	169,269
Decrease in interest payable	(524)	(3,129)	(4,461)
Other - net	(21,045)	34,545	(179,154)
Total adjustments	271,730	551,920	2,313,186
Net cash provided by operating activities	528,878	691,253	4,502,239
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(276,629)	(292,586)	(2,354,891)
Payments for investments and advances	(34,636)	(26,184)	(294,850)
Proceeds from sales of investments or collections of advances	22,658	43,300	192,883
Net increase in time deposits and other	(15,129)		(128,790)
Other – net	10,091	18,186	85,903
Net cash used in investing activities	(293,645)	(257,284)	(2,499,745)
FINANCING ACTIVITIES:			
Proceeds from issuance of bonds	149,241	90,599	1,270,461
Proceeds from long-term debt (exclusive of bonds)	140,159	150,397	1,193,147
Proceeds from short-term loans	327,426	433,711	2,787,316
Proceeds from issuance of commercial papers	212,000	577,000	1,804,716
Redemption of bonds	(59,870)	(447,073)	(509,662)
Repayments of long-term debt (exclusive of bonds)	(307,026)	(257,308)	(2,613,655)
Repayments of short-term loans	(349,515)	(432,357)	(2,975,355)
Repayments of commercial papers	(280,000)	(509,000)	(2,383,587)
Purchases of treasury stock	(32,884)	(11,335)	(279,935)
Dividends paid	(46,839)	(47,218)	(398,732)
Other – net	(71)	698	(605)
Net cash used in financing activities	(247,379)	(451,886)	(2,105,891)
NET CASH USED IN OPERATING, INVESTING AND FINANCING ACTIVITIES - (Forward)	¥(12,146)	¥(17,917)	$(103,397)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
NET CASH USED IN OPERATING, INVESTING AND FINANCING ACTIVITIES - (Forward)	¥(12,146)	¥(17,917)	$(103,397)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	59	115	503
NET DECREASE IN CASH AND CASH EQUIVALENTS	(12,087)	(17,802)	(102,894)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	67,898	85,700	578,003
CASH AND CASH EQUIVALENTS, END OF YEAR	¥55,811	¥67,898	$475,109

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

The Kansai Electric Power Co., Inc. and Consolidated Subsidiaries • Years Ended March 31, 2006 and 2005

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 2005 financial statements to conform to the classifications used in 2006.

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 ¥117.47 to $1, the approximate rate of exchange at March 31, 2006. 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 Associated Companies -** The consolidated financial statements as of March 31, 2006 include the accounts of the Company and all subsidiaries (sixty-two in 2006 and sixty-eight in 2005).

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, 2006 and 2005, 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 five 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.

Prior to April 1, 2005, the Company treated easements for power transmission lines as unamortized intangible assets. Effective April 1, 2005, the Company began the amortization of such easements to determine transmission and distribution costs more appropriately in accordance with the revision of the Japanese Electric Utility Law. The effect of this change was to increase operating expenses and to decrease income before income taxes and minority interests by ¥13,721 million ($116,804 thousand) for the year ended March 31, 2006.

Amortization of easements is computed using the straight-line method based on the estimated useful lives of the power transmission lines. For existing easements, the average remaining term of the power transmission lines was used as an estimated useful life.

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, 2006 and 2005 was ¥115,657 million ($984,566 thousand) and ¥120,509 million, respectively.

d. **Impairment of Fixed Assets -** 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 Companies adopted the new accounting standard for impairment of fixed assets as of April 1, 2004. The Companies review their fixed assets for impairment whenever events or changes in circumstance indicate 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.

e. **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.

f. **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.

g. **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.

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

i. **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.

j. **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.

k. **Retirement and Pension Plan -** The Company and certain consolidated subsidiaries have defined contribution pension plans, unfunded defined benefits pension plan, contributory pension plans, and unfunded lump-sum severance payment 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.

On October 2005, the Company terminated the non-contributory defined benefit pension plan and implemented a defined contribution pension plan and an unfunded defined benefits pension plan. As a result, negative prior service cost of ¥61,052 million ($519,724 thousand) was incurred.

The Company also transferred part of its non-contributory defined benefit pension plan for the employees who retired prior to September 30, 2005 to the fully funded pension plan and applied accounting for transfers of pension plans in accordance with No. 1 of Application Guidelines in Accounting Standards for Business Enterprises.

As a result of the above plan amendment and the transfer, the related cost of ¥25,531 million ($217,341 thousand) was incurred and charged to income for the year ended March 31, 2006.

l. **Reserve for Reprocessing of Irradiated Nuclear Fuel -** Prior to April 1, 2005, the Company provided a reserve for the reprocessing of irradiated nuclear fuel at 60% of the amount which would be required to reprocess all the irradiated nuclear fuel at the balance sheet date in accordance with the relevant accounting policies accepted by the regulatory authority.

Effective April 1, 2005, the Company adopted a revised accounting standard for reserve for reprocessing of irradiated nuclear fuel. In accordance with the revised accounting standard applicable to the electricity industry, the reserve is stated at the present value of the amount that would be required to reprocess only the irradiated nuclear fuel actually planned to be reprocessed. Ninety one tons out of one hundred eighty two tons of irradiated nuclear fuel which was generated in this fiscal year is not covered with reserves because there is no definite plan to reprocess that portion.

The cumulative effect of the adoption of the revised accounting standard of ¥319,756 million ($2,722,023 thousand) as of April 1, 2005 is being amortized over fifteen years. The unrecognized portion of such cumulative effect was ¥298,439 million ($2,540,555 thousand) at March 31, 2006.

The unrecognized estimation loss of ¥28,219 million ($240,223 thousand) at March 31, 2006 resulting from the difference in discount rate will be recognized over a period for which irradiated fuel actually planned to be reprocessed are generated.

The effect of this change was to increase operating expenses and to decrease income before income taxes and minority interests by ¥26,178 million ($222,848 thousand) for the year ended March 31, 2006.

The Company appropriated ¥136,302 million ($1,160,313 thousand) for "Reserve fund for reprocessing of irradiated nuclear fuel" in accordance with the revision of the Japanese Electric Utility Law and related accounting regulations.

m. **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.

n. **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.

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Notes to Consolidated Financial Statements

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o. **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 expense or income.

p. **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.

q. **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.

r. **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.

Diluted net income per share for the year ended March 31, 2006, is not disclosed because it is anti-dilutive.

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.

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

t. **New Accounting Pronouncements**

Business Combination and Business Separation - In October 2003, the Business Accounting Council (BAC) issued a Statement of Opinion, Accounting for Business Combinations, and on December 27, 2005 the Accounting Standards Board of Japan (ASBJ) issued Accounting Standard for Business Separations and ASBJ Guidance No. 10, Guidance for Accounting Standard for Business Combinations and Business Separations. These new accounting pronouncements are effective for fiscal years beginning on or after April 1, 2006.

The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. These specific criteria are as follows:

(a) the consideration for the business combination consists solely of common shares with voting rights,

(b) the ratio of voting rights of each predecessor shareholder group after the business combination is nearly equal, and

(c) there are no other factors that would indicate any control exerted by any shareholder group other than voting rights.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures. Goodwill, including negative goodwill, is to be systematically amortized over 20 years or less, but is also subject to an impairment test.

Under the accounting standard for business separations, in a business separation where the interests of the investor no longer continue and the investment is settled, the difference between the fair value of the consideration received for the transferred business and the book value of net assets transferred to the separated business is recognized as a gain or loss on business separation in the statement of income. In a business separation where the interests of the investor continue and the investment is not settled, no such gain or loss on business separation is recognized.

Bonuses to Directors and Corporate Auditors - Prior to the fiscal year ended March 31, 2005, bonuses to directors and corporate auditors were accounted for as a reduction of retained earnings in the fiscal year following approval at the general shareholders meeting. The ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 13, Accounting treatment for bonuses to directors and corporate auditors, which encouraged companies to record bonuses to directors and corporate auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval of the appropriation of retained earnings.

The ASBJ replaced the above accounting pronouncement by issuing a new accounting standard for bonuses to directors and corporate auditors on November 29, 2005. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly charged to retained earnings. This accounting standard is effective for fiscal years ending on or after May 1, 2006. The companies must accrue bonuses to directors and corporate auditors at the year end to which such bonuses are attributable.

3. PLANT AND EQUIPMENT

Plant and equipment, at carrying value, at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Hydroelectric power production facilities	**¥421,491**	¥443,909	**$3,588,074**
Thermal power production facilities	**549,930**	614,667	**4,681,451**
Nuclear power production facilities	**370,260**	395,465	**3,151,954**
Transmission facilities	**1,372,269**	1,379,385	**11,681,868**
Transformation facilities	**484,364**	510,989	**4,123,300**
Distribution facilities	**927,988**	948,823	**7,899,787**
General facilities	**140,873**	150,543	**1,199,225**
Other utility facilities	**23,639**	13,470	**201,234**
Other plant and equipment	**480,154**	423,799	**4,087,460**
Construction in progress	**250,279**	377,360	**2,130,578**
Total	**¥5,021,247**	¥5,258,410	**$42,744,931**

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, 2006 and 2005 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
	2006			
Securities classified as:				
Available-for-sale:				
Equity securities	¥29,310	¥168,496	¥81	¥197,725
Debt securities	2,728	3	105	2,626
Held-to-maturity debt securities	11,135	76	86	11,125

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
	2005			
Securities classified as:				
Available-for-sale:				
Equity securities	¥21,411	¥87,244	¥4	¥108,651
Debt securities	3,006	25	10	3,021
Held-to-maturity debt securities	8,208	170	103	8,275

Notes to Consolidated Financial Statements

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	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
	2006			
Securities classified as:				
Available-for-sale:				
Equity securities	$249,511	$1,434,375	$690	$1,683,196
Debt securities	23,223	26	894	22,355
Held-to-maturity debt securities	94,790	647	732	94,705

Available-for-sale securities and held-to-maturity securities whose fair value is not readily determinable as of March 31, 2006 and 2005 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Available-for-sale:			
Equity securities	¥65,165	¥65,286	$554,738
Other	3,220	4,784	27,411
Held-to-maturity debt securities	100	600	851
Total	**¥68,485**	**¥70,670**	**$583,000**

Proceeds from sales of held-to-maturity debt securities for the year ended March 31, 2006 were ¥101 million ($860 thousand). Gross realized gains on these sales, computed on the moving average cost basis, were ¥1 million ($9 thousand) for the year ended March 31, 2006.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2006 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	¥6,948	$59,146
Due after one year through five years	2,660	22,644
Due after five years through ten years	2,954	25,147
Due after ten years	1,405	11,961
Total	¥13,967	$118,898

5. LONG-TERM DEBT

Long-term debt at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
General mortgage bonds:			
0.29% to 3.175%, due serially through 2018	¥1,282,980	¥1,193,050	$10,921,767
7.25%, due 2006 (payable in U.S. dollars)	54,450	54,450	463,523
6.625%, due 2006 (payable in French francs)	63,516	63,516	540,700
5.75%, due 2007 (payable in Netherlands guilder)	62,294	62,294	530,297
0.65% to 4.6% secured loans from principally the Development Bank of Japan maturing serially through 2025:			
The Company	325,219	372,737	2,768,528
Subsidiaries	19,974	21,801	170,035
0.0288% to 6.4% unsecured loans from banks and insurance companies maturing serially through 2036	1,364,720	1,481,681	11,617,604
Total	3,173,153	3,249,529	27,012,454
Less current maturities	332,027	295,903	2,826,483
Long-term debt, less current maturities	¥2,841,126	¥2,953,626	$24,185,971

Annual maturities of long-term debt at March 31, 2006 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year ending March 31:		
2007	¥332,027	$2,826,483
2008	375,690	3,198,178
2009	431,965	3,677,237
2010	395,070	3,363,157
2011 and thereafter	1,638,401	13,947,399
Total	¥3,173,153	$27,012,454

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

The carrying amounts of subsidiaries' assets pledged as collateral for accounts payable of ¥979 million ($8,334 thousand) and the above secured loans at March 31, 2006, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Property and other	¥39,087	$332,740

Notes to Consolidated Financial Statements

The Kansai Electric Power Co., Inc. and Consolidated Subsidiaries • Years Ended March 31, 2006 and 2005

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 October 2005, the Company revised its pension plans.

The liability for employees' retirement benefits at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Projected benefit obligation	**¥304,535**	¥764,621	**$2,592,449**
Fair value of plan assets	**(3,514)**	(436,993)	**(29,914)**
Unrecognized actuarial loss	**34,435**	36,263	**293,139**
Unrecognized prior service cost	**41,694**	76	**354,933**
Net liability	**¥377,150**	¥363,967	**$3,210,607**

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

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Service cost	**¥18,393**	¥29,055	**$156,576**
Interest cost	**8,554**	15,441	**72,819**
Expected return on plan assets	**(6,596)**	(2,381)	**(56,151)**
Recognized actuarial loss	**(236)**	30,371	**(2,009)**
Amortization of prior service cost	**(19,434)**	(292)	**(165,438)**
Settlement (gain) loss	**25,531**	(1,699)	**217,341**
Other	**2,035**	31,593	**17,323**
Net periodic retirement benefit costs	**¥28,247**	¥102,088	**$240,461**

For the year ended March 31, 2006 the contribution of the defined contribution pension plan of ¥1,893 million ($16,115 thousand) are included in "Other" in the above table.

For the year ended March 31, 2005 the Companies recognized amortization of unrecognized actuarial loss and prior service cost as "settlement (gain) loss" incurred by the reorganization of group companies with discontinuance of retirement benefit plan and the large scale retirement due to the expansion of the early retirement plan respectively, and an additional retirement payment of ¥30,805 million are included in "Other" in the above table.

Principal assumptions used for the years ended March 31, 2006 and 2005 are set forth as follows:

	2006	2005
Discount rate	**2.0%**	2.0%
Expected rate of return on plan assets	**3.0%**	0.5%
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 ¥3,122 million ($26,577 thousand) at December 31, 2005.

7. SHORT-TERM BORROWINGS

Short-term borrowings at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Short-term loans principally from banks (principally bank overdrafts), weighted average interest rate of 0.268% and 0.305% at March 31, 2006 and 2005	**¥150,806**	¥171,880	**$1,283,783**
Commercial paper, weighted average interest rate of 0.017% at March 31, 2005		68,000	
Total	**¥150,806**	¥239,880	**$1,283,783**

8. SHAREHOLDERS' EQUITY

Through May 1, 2006, Japanese companies are subject to the Commercial Code of Japan (the "Code").

The Code requires that all shares of common stock be issued 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 are required to be presented 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 by way of a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

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

The Code allows Japanese companies to purchase treasury stock and dispose of such treasury stock upon resolution of the Board of Directors. The aggregate purchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of common stock, additional paid-in capital or legal reserve that could be transferred to retained earnings or other capital surplus other than additional paid-in capital upon approval of such transfer at the annual general meeting of shareholders.

In addition to the provision that requires an appropriation for a legal reserve in connection with the cash outlays, the Code also imposes certain limitations on the amount of capital surplus and retained earnings available for dividends. The amount of capital surplus and retained earnings available for dividends under the Code was ¥818,840 million ($6,970,631 thousand) as of March 31, 2006, based on the amount recorded in the parent company's general books of account.

Dividends are approved by the shareholders at a meeting held subsequent to the end of 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.

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On May 1, 2006, a new corporate law (the "Corporate Law") became effective, which reformed and replaced the Code with various revisions that would, for the most part, be applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Corporate Law, if companies meet certain criteria, dividends can be paid at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. Under the Code, certain limitations were imposed on the amount of capital surplus and retained earnings available for dividends. The Corporate Law also provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Code, the aggregate amount of additional paid-in capital and legal reserve that exceeds 25% of the common stock may be made available for dividends by resolution of the shareholders. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of shareholders' equity.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of shareholders' equity or deducted directly from stock acquisition rights.

On December 9, 2005, the Accounting Standards Board of Japan (ASBJ) published a new accounting standard for presentation of shareholders' equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of shareholders' equity. Such items include stock acquisition rights, minority interest, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006.

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, 2006 and 2005.

The tax effect of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2006 and 2005 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Deferred tax assets:			
Liability for retirement benefits	**¥136,712**	¥126,885	**$1,163,804**
Depreciation	**53,888**	48,217	**458,738**
Reserve for reprocessing of irradiated nuclear fuel	**42,717**	41,878	**363,642**
Reserve for decommissioning of nuclear power units	**29,304**	29,304	**249,459**
Deferred charges	**16,312**	17,307	**138,861**
Intercompany profit elimination	**35,329**	37,366	**300,749**
Other	**120,027**	133,835	**1,021,767**
Less valuation allowance	**(59,229)**	(56,532)	**(504,205)**
Deferred tax assets	**¥375,060**	¥378,260	**$3,192,815**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**¥61,299**	¥31,821	**$521,827**
Other	**172**	236	**1,464**
Deferred tax liabilities	**¥61,471**	¥32,057	**$523,291**
Net deferred tax assets	**¥313,589**	¥346,203	**$2,669,524**

A reconciliation between the normal effective statutory tax rates for the year ended March 31, 2005 and the actual effective tax rates reflected in the accompanying consolidated statements of income is as follows:

	2005
Normal effective statutory tax rate	36.2%
Equity in earnings of associated companies	(0.7)
Valuation allowance	16.3
Tax credit for research and development expenses	(1.5)
Other - net	(0.5)
Actual effective tax rate	50.1%

The difference for the year ended March 31, 2006 was not disclosed because it was immaterial.

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥20,940 million ($178,258 thousand) and ¥23,020 million for the years ended March 31, 2006 and 2005, respectively.

Notes to Consolidated Financial Statements

The Kansai Electric Power Co., Inc. and Consolidated Subsidiaries • Years Ended March 31, 2006 and 2005

11. LEASES

Lessor

Finance Leases

Revenues under finance leases were ¥6,075 million ($51,715 thousand) and ¥5,613 million for the years ended March 31, 2006 and 2005, respectively.

The amount of the imputed interest revenue included in the above revenue, which is computed using the interest method, was ¥1,396 million ($11,884 thousand) and ¥1,216 million, for the years ended March 31, 2006 and 2005, respectively.

Certain information of leased property such as acquisition cost, accumulated depreciation and future lease revenue under finance leases for the years ended March 31, 2006 and 2005 was as follows:

	Other Facilities		
	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Acquisition cost	**¥36,935**	¥35,299	**$314,421**
Accumulated depreciation	**23,909**	22,259	**203,533**
Net leased property	**¥13,026**	¥13,040	**$110,888**

Future lease revenue under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Due within one year	**¥4,382**	¥4,227	**$37,303**
Due after one year	**18,049**	16,076	**153,648**
Total	**¥22,431**	¥20,303	**$190,951**

Future lease revenue under finance leases includes the sublease revenue.

Depreciation expenses relating to the leased assets mentioned above were ¥7,103 million ($60,467 thousand) and ¥6,971 million for the years ended March 31, 2006 and 2005, respectively.

Lessee

Finance Leases

Total lease payments under finance leases were ¥1,787 million ($15,212 thousand) and ¥2,053 million for the years ended March 31, 2006 and 2005, 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, 2006 and 2005 was as follows:

	Millions of Yen			
	Nuclear Power Production Facilities	General Facilities	Other Facilities	Total
As of March 31, 2006				
Acquisition cost	¥4,778	¥62	¥7,552	¥12,392
Accumulated depreciation	3,316	52	1,912	5,280
Net leased property	¥1,462	¥10	¥5,640	¥7,112

	Thousands of U.S. Dollars			
	Nuclear Power Production Facilities	General Facilities	Other Facilities	Total
As of March 31, 2006				
Acquisition cost	$40,674	$528	$64,289	$105,491
Accumulated depreciation	28,228	443	16,276	44,947
Net leased property	$12,446	$85	$48,013	$60,544

	Millions of Yen			
	Nuclear Power Production Facilities	General Facilities	Other Facilities	Total
As of March 31, 2005				
Acquisition cost	¥4,801	¥62	¥10,503	¥15,366
Accumulated depreciation	2,612	36	4,633	7,281
Net leased property	¥2,189	¥26	¥5,870	¥8,085

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Due within one year	**¥1,655**	¥1,940	**$14,089**
Due after one year	**6,202**	6,966	**52,796**
Total	**¥7,857**	¥8,906	**$66,885**

Depreciation expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Depreciation expense	**¥1,787**	¥2,053	**$15,212**

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.

Notes to Consolidated Financial Statements

The Kansai Electric Power Co., Inc. and Consolidated Subsidiaries • Years Ended March 31, 2006 and 2005

12. COMMITMENTS AND CONTINGENCIES

At March 31, 2006, the Companies had firm purchase commitments, principally related to utility plant expansion, of approximately ¥100,528 million ($855,776 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, 2006, 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	¥225,317	$1,918,081
Other	1,455	12,386
Total	¥226,772	$1,930,467
A guarantee about power supply for San Roque Corporation	¥465	$3,958

13. 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, 2006 and 2005 are as follows:

	Millions of Yen					
	2006			2005		
	Contracted Amount	Fair Value	Unrealized Loss	Contracted Amount	Fair Value	Unrealized Loss
Foreign currency forward contracts -						
Buying principally U.S. Dollars	¥15,156	¥16,638	¥1,482	¥10,897	¥10,867	¥30

	Thousands of U.S. Dollars		
	2006		
	Contracted Amount	Fair Value	Unrealized Loss
Foreign currency forward contracts -			
Buying U.S. Dollars	$129,020	$141,636	$12,616

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

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

14. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2006 and 2005 is as follows:

	Millions of Yen	Thousands of Share	Yen	Dollars
	Net Income	Weighted Average Shares	EPS	
For the year ended March 31, 2006				
Basic EPS				
Net income available to common shareholders	¥160,764	930,134	¥172.84	$1.47
For the year ended March 31, 2005				
Basic EPS				
Net income available to common shareholders	¥69,514	941,480	¥73.83	
Effect of Dilutive Securities				
Convertible bonds	1,608	37,043		
Diluted EPS				
Net income for computation	¥71,122	978,523	¥72.68	

15. SUBSEQUENT EVENT

On June 29, 2006, the shareholders of the Company approved payment of a cash dividend of ¥35 ($0.30) per share to holders of record as of March 31, 2006 or a total of ¥32,441 million ($276,164 thousand), and bonuses to directors and corporate auditors of ¥130 million ($1,107 thousand).

Notes to Consolidated Financial Statements

The Kansai Electric Power Co., Inc. and Consolidated Subsidiaries • Years Ended March 31, 2006 and 2005

16. SEGMENT INFORMATION

Information about industry segments of the Companies for the years ended March 31, 2006 and 2005, is as follows:

a. Sales and Operating Income

	Millions of Yen				
	2006				
	Electric Power	IT/ Communications	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥2,358,717	¥74,366	¥145,976		¥2,579,059
Intersegment sales	10,193	51,094	221,399	¥(282,686)	
Total sales	2,368,910	125,460	367,375	(282,686)	2,579,059
Operating expenses	2,069,207	120,751	346,357	(284,426)	2,251,889
Operating income	¥299,703	¥4,709	¥21,018	¥1,740	¥327,170

	Thousands of U.S. Dollars				
	2006				
	Electric Power	IT/ Communications	Other	Eliminations/ Corporate	Consolidated
Sales to customers	$20,079,314	$633,064	$1,242,666		$21,955,044
Intersegment sales	86,771	434,954	1,884,728	$(2,406,453)	
Total sales	20,166,085	1,068,018	3,127,394	(2,406,453)	21,955,044
Operating expenses	17,614,770	1,027,931	2,948,471	(2,421,265)	19,169,907
Operating income	$2,551,315	$40,087	$178,923	$14,812	$2,785,137

	Millions of Yen				
	2005				
	Electric Power	IT/ Communications	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥2,412,111	¥64,312	¥137,060		¥2,613,483
Intersegment sales	10,472	48,664	205,128	¥(264,264)	
Total sales	2,422,583	112,976	342,188	(264,264)	2,613,483
Operating expenses	2,054,111	110,295	330,105	(267,967)	2,226,544
Operating income	¥368,472	¥2,681	¥12,083	¥3,703	¥386,939

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b. Assets, Depreciation and Capital Expenditures

	Millions of Yen				
	2006				
	Electric Power	IT/ Communications	Other	Eliminations/ Corporate	Consolidated
Assets	¥6,271,735	¥286,956	¥529,037	¥(231,239)	¥6,856,489
Depreciation	338,468	40,244	29,834	(5,859)	402,687
Capital expenditures	176,780	59,723	38,240	(6,091)	268,652

	Thousands of U.S. Dollars				
	2006				
	Electric Power	IT/ Communications	Other	Eliminations/ Corporate	Consolidated
Assets	$53,390,100	$2,442,802	$4,503,592	$(1,968,494)	$58,368,000
Depreciation	2,881,314	342,590	253,971	(49,876)	3,427,999
Capital expenditures	1,504,895	508,411	325,530	(51,852)	2,286,984

	Millions of Yen				
	2005				
	Electric Power	IT/ Communications	Other	Eliminations/ Corporate	Consolidated
Assets	¥6,308,040	¥273,060	¥470,846	¥(194,075)	¥6,857,871
Depreciation	359,717	37,953	23,482	(6,007)	415,145
Impairment loss	24,745	536	20,246	(1,215)	44,312
Capital expenditures	197,819	40,184	38,691	(2,897)	273,797

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 (the "Company") and consolidated subsidiaries as of March 31, 2006 and 2005, 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 consolidated subsidiaries as of March 31, 2006 and 2005, 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.

As discussed in Notes 2.c to the consolidated financial statements, the Company began the amortization of easements for power transmission lines that the Company previously treated as unamortized intangible assets in accordance with the revision of the Japanese Electric Utility Law.

As discussed in Notes 2.l to the consolidated financial statements, the Company adopted a revised accounting standard for reserve for reprocessing of irradiated nuclear fuel in accordance with the changes in the accounting regulation related to the Japanese Electric Utility Law.

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, 2006

Member of
Deloitte Touche Tohmatsu

The Kansai Electric Power Company, Incorporated

Unaudited Non-Consolidated Financial Statements for the Years Ended March 31, 2006 and 2005