Financial Section

Contents

The Kansai Electric Power Company, Incorporated and Subsidiaries

Consolidated Financial Statements
for the Years Ended March 31, 2007 and 2006, and
Independent Auditors' Report

Financial Results and Analysis (Consolidated)

OVERVIEW

Operating Income

Electricity Operations

Kansai EP and its Group enterprises are aiming for share expansion in the residential, industrial and air-conditioning markets through the provision of new products, new menus and new solutions that respond to customer needs. That steady progress is being achieved toward that aim is illustrated by the figures recorded in fiscal 2007. The number of fully electric homes totaled 114,000 and adoptions of heat-storage and other electric systems and equipment reached 1,435. These figures scored almost perfectly against their corresponding two-year targets for fiscal 2007 and fiscal 2008: 230,000 and 2,700, respectively.

In fiscal 2007 total electricity sales volume increased but revenue from electricity sales reached ¥2,349,760 million, down ¥19,150 million*, or 0.8%, from the year-earlier level. The decline owed to a decrease in electricity revenues largely attributable to rate reductions implemented in April 2006.

Operating income from electricity operations reached ¥229,955 million*, down ¥69,748 million, or 23.3%, year-on-year. While outlays involving retirement stipends decreased – primarily as a result of revisions to the retirement pension system carried out during fiscal 2006 – and efforts were made to trim operating costs in all areas, those positive developments were outweighed by increased fuel costs for thermal power generation resulting from significantly higher fuel prices, and increased maintenance and repair costs.

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 2007, the total number of contracts for eo HIKARI services reached 520,000, marking a solid increase of 37% year-on-year.

As a result of the foregoing, in fiscal 2007 Groupwide IT operations generated sales totaling ¥133,442 million*, up ¥7,982 million, or 6.4%, from the previous year. Operating income reached ¥8,983 million*, up ¥4,274 million, or 90.8%, from the year-earlier level.

Other Operations

In the total energy solutions business, Kansai EP and its Group network provide a complete array of solutions enabling provision of the best energy options for each customer. Operations encompass the sale of diverse energy sources – not only electricity but also gas, LNG, oil for use as a cogeneration fuel, etc. – as well as on-site services. Business involving amenities in support of lifecycle needs consists of services to help create living environments of high added value. Home-related services include provision of fully electric residences, while lifecycle-support services contribute to the realization of safe, secure lives through home-security and caregiving services, etc.

As to income, in the total energy solutions segment sales of gas and other energy sources reached 760,000 tons (in LNG parameters), up over fiscal 2006. In the area of amenities in support of lifecycle needs, fiscal 2007 saw increased adoption of high value-added homes equipped with Internet access, security systems and other features based on fully electric installations, and the acquisition of new customers for lifecycle-related services.

As a result of the foregoing, total sales revenue from other operations reached ¥415,905 million*, up ¥48,530 million, or 13.2%, from fiscal 2006. Operating income tallied to ¥32,666 million*, constituting an increase by ¥11,648 million, or 55.4%, from the previous year.

Taken together, consolidated income accrued from electricity, IT and other operations reached ¥271,644 million, down ¥55,526 million, or 17.0%, from fiscal 2006. 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 ¥39,968 million, a decrease of ¥39,649 million, or 49.8%, from the previous year. The decrease owed largely to a year-on-year contraction by ¥20,924 million, or 68.2%, in non-operating expenses incurred in the performance of other operations, enabled mostly by a reduction in costs accompanying purchase and retirement of corporate bonds.

In line with stipulations under Japan’s Electricity Utilities Industry Law, in fiscal 2007 ¥102 million was reversed as a reserve for fluctuations in water level.

As a result of the foregoing, in fiscal 2007 consolidated income before taxes reached ¥231,778 million, down ¥25,370 million, or 9.9%, from the preceding term. Net income, after income-tax deductions totaling ¥83,843 million, finished at ¥147,935 million. The end result constituted a year-on-year decrease of ¥13,114 million, or 8.1%.

The Kansai Electric Power Co., Inc. | Annual Report 2007

FISCAL POSITION

Assets

The value of the Company's Groupwide assets as of March 31, 2007 stood at ¥6,827,230 million, down ¥29,259 million, or 0.4%, from the year-earlier level. Capital expenditures reached ¥297,459 million, up ¥28,807 million, or 10.7%, from fiscal 2006 but still within the scope of the term's depreciation costs (¥378,057 million). While according highest priority to safety, especially in electricity operations, severity was exercised in the selection of facility constructions from the perspective of boosting asset efficiency; simultaneously, in pursuit of the optimal facility configuration for future needs, investments were carried out into construction of new power generating sources and upgrading of existing facilities.

Liabilities

Groupwide interest-bearing liabilities were reduced by ¥116,793 million, or 3.5%, during the term, to ¥3,207,205 million. The reduction was achieved by allocating free cash flow, generated largely by keeping capital investments within the range of depreciation costs, to paring down of interest-bearing debt.

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 ¥4,949,875 million, down ¥115,747 million, or 2.3%, year-on-year. The latter achievement contributed to the steady fortification of the Group's financial structure.

Net Assets

At March 31, 2007 Groupwide net assets totaled ¥1,877,355 million, up ¥91,370 million, or 5.1%, from a year earlier. Assets were eroded by dividend disbursements, etc., but boosted by the booking of net profit and by the impact of booking deferred hedge gains (losses) to net assets, in accordance with accounting standards for the presentation of net assets in the balance sheets. The increase in net assets, in combination with the reduction achieved in interest-bearing debt, enabled a 1.4 percentage-point rise in the shareholders' equity ratio, to 27.4% at term's end. Equity per share accordingly came to ¥2,021.60, representing an increase of ¥94.31 over the year-earlier level.

Cash Flow

Kansai EP and its consolidated subsidiaries pursue all avenues toward the further enhancement of the Group's 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 2007 cash flow generated by business operations produced ¥541,771 million in income, up ¥12,893 million, or 2.4%, from fiscal 2006. Although income from electricity sales decreased under the impact of rate reductions and fuel costs for thermal power generation expanded, the year-on-year increase was achievable primarily on the back of an increase in the reversal of the reserve for reprocessing of irradiated nuclear fuel and lower tax levies.

Cash flow linked to investment activities resulted in ¥306,885 million in outlays, up ¥13,240 million, or 4.5%, from the preceding term. The increase owed largely to the aforementioned investments into constructions of new power generating sources and into upgrading of existing facilities.

Free cash flow generated in the foregoing ways totaled ¥234,886 million. These funds were allocated to dividend payments and to reducing interest-bearing liabilities. Cash flow generated from financing activities thereby resulted in total outlays of ¥186,068 million, constituting a decrease by ¥61,311 million, or 24.8%, from fiscal 2006.

As a result of the foregoing, the balance of cash and cash equivalents at the end of fiscal 2007 reached ¥104,691 million. The figure represents an increase of ¥48,880 million, or 87.6%, 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 2007 the Company determined to issue a full-year dividend in the amount of ¥60 per share (including an interim dividend of ¥30).

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 28, 2007).

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

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, in light of changes in the broad energy situation both within Japan and overseas, concern toward energy security is rising in tandem with increasing concern toward global environmental issues. Amidst these diverse developments, in April 2007 discussions got under way toward possible liberalization of all electricity retail operations.

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. As to the costs relating to intermediate storage of spent fuel that exceeds the current reprocessing capacity for reuse, in fiscal 2006, as a

The Kansai Electric Power Co., Inc. | Annual Report 2007

provisional measure until a specific reprocessing plan is decided, a system was introduced under which this financial burden is distributed equally each fiscal term as a reserve in Company accounts. Concerning special measures for processing such spent fuel, this issue is to come under deliberation commencing around 2010, partly 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 spent fuel 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 90.1% of Groupwide consolidated sales in fiscal 2007, 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 when fuel prices rise beyond 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, 2007, the Group's consolidated interest-bearing debt burden totaled ¥3,207,205 million, equivalent to 47.0% of total assets. Accordingly, Groupwide earnings may possibly be impacted by future trends in interest rates.

However, 96.5% of all interest-bearing debt, ¥3,094,515 million, takes the form of long-term loans or 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 marginal.

7) Operational Obstructions

Group earnings may potentially be impacted by obstructions to the operation of facilities arising from natural disasters, accidents, compliance problems, etc. To counteract possibilities of these kinds, facilities and equipment are configured and maintained so as to lessen impact from natural disasters, business operations are conducted with foremost priority on safety assurance so as to prevent accidental mishaps, and compliance is pursued with total dedication. 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, and all conceivable measures are and will continue to be taken to prevent accidents. Additionally, in preparation for any reduction in supply capacity that might occur from an accident at its own power generating sources or those of other companies from which it purchases electricity, the Company is striving to devise an appropriate supply plan, including measures for securing spare supplies when necessary.

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, 2007 and 2006

ASSETS	Millions of Yen 2007	Millions of Yen 2006	Thousands of U.S. Dollars (Note 1) 2007
PROPERTY:			
Utility plant and equipment	¥13,514,901	¥13,501,059	$114,445,770
Other plant and equipment	1,153,622	1,120,931	9,769,007
Construction in progress	279,543	250,279	2,367,203
Contributions in aid of construction	(436,415)	(428,681)	(3,695,614)
Accumulated depreciation	(9,648,249)	(9,422,341)	(81,702,506)
Plant and equipment - net (Notes 3)	4,863,402	5,021,247	41,183,860
Nuclear fuel, net of amortization (Note 2.c)	483,774	512,407	4,096,655
Property - net	5,347,176	5,533,654	45,280,515
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 4)	259,481	273,914	2,197,316
Investments in and advances to associated companies	185,746	170,001	1,572,919
Reserve fund for reprocessing of irradiated nuclear fuel (Note 2.i)	183,371	136,302	1,552,807
Deferred tax assets (Note 10)	275,659	282,775	2,334,313
Other assets	88,123	68,013	746,235
Total investments and other assets	992,380	931,005	8,403,590
CURRENT ASSETS:			
Cash and cash equivalents	104,691	55,811	886,536
Accounts receivable	168,164	159,938	1,424,033
Allowance for doubtful accounts	(2,138)	(2,411)	(18,105)
Inventories	91,000	62,596	770,599
Deferred tax assets (Note 10)	20,719	31,101	175,451
Other current assets	105,238	84,795	891,167
Total current assets	487,674	391,830	4,129,681
TOTAL	¥6,827,230	¥6,856,489	$57,813,786

See notes to consolidated financial statements.

The Kansai Electric Power Co., Inc. | Annual Report 2007

LIABILITIES AND EQUITY	Millions of Yen 2007	Millions of Yen 2006	Thousands of U.S. Dollars (Note 1) 2007
LONG-TERM LIABILITIES:			
Long-term debt, less current maturities (Note 5)	¥2,726,768	¥2,841,126	$23,090,592
Liability for Retirement benefits (Note 6)	348,896	377,150	2,954,492
Reserve for reprocessing of irradiated nuclear fuel (Note 2.i)	678,934	649,675	5,749,293
Reserve for decommissioning of nuclear power units (Note 7)	260,406	249,754	2,205,149
Deferred tax liabilities (Note 10)	95	287	804
Other long-term liabilities	64,159	69,697	543,306
Total long-term liabilities	4,079,258	4,187,689	34,543,636
CURRENT LIABILITIES:			
Current maturities of long-term debt (Note 5)	366,947	332,027	3,107,350
Short-term borrowings (Note 8)	105,849	150,806	896,342
Accounts payable (Note 5)	127,953	129,854	1,083,521
Payable to associated companies	23,065	12,351	195,317
Accrued income taxes	27,348	34,638	231,586
Deferred tax liabilities (Note 10)	337		2,854
Accrued expenses and other current liabilities	210,577	209,614	1,783,191
Total current liabilities	862,076	869,290	7,300,161
RESERVE FOR FLUCTUATIONS IN WATER LEVEL	8,541	8,643	72,326
MINORITY INTERESTS		4,882	
COMMITMENTS AND CONTINGENCIES (Notes 12, 13 and 14)			
EQUITY (Notes 9 and 16):			
Common stock - authorized, 1,784,059,697 shares; issued, 962,698,728 shares in 2007 and 2006	489,320	489,320	4,143,619
Capital surplus	66,676	66,626	564,620
Retained earnings	1,268,880	1,181,364	10,745,025
Unrealized gain on available-for-sale securities	105,197	120,626	890,822
Deferred gain on derivatives under hedge accounting	15,157		128,351
Foreign currency translation adjustments	195		1,651
Treasury stock - at cost: 36,497,039 shares in 2007 and 36,164,148 shares in 2006	(73,011)	(71,951)	(618,266)
Total	1,872,414	1,785,985	15,855,822
Minority interests	4,941		41,841
Total equity	1,877,355	1,785,985	15,897,663
TOTAL	¥6,827,230	¥6,856,489	$57,813,786

See notes to consolidated financial statements.

Consolidated Statements of Income

The Kansai Electric Power Co., Inc. and Consolidated Subsidiaries • Years Ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	**2007**
OPERATING REVENUES (Note 12):			
Electric	**¥2,338,194**	¥2,358,717	**$19,800,102**
Other	**258,177**	220,342	**2,186,273**
Total	**2,596,371**	2,579,059	**21,986,375**
OPERATING EXPENSES (Notes 11 and 12):			
Electric	**2,100,685**	2,048,482	**17,788,847**
Other	**224,042**	203,407	**1,897,215**
Total	**2,324,727**	2,251,889	**19,686,062**
OPERATING INCOME	**271,644**	327,170	**2,300,313**
OTHER (INCOME) EXPENSES:			
Interest expense	**60,885**	66,712	**515,581**
Equity in earnings of associated companies	**(3,688)**	(3,343)	**(31,230)**
Other - net	**(17,229)**	16,248	**(145,898)**
Total	**39,968**	79,617	**338,453**
INCOME BEFORE REVERSAL OF RESERVE FOR FLUCTUATIONS IN WATER LEVEL, INCOME TAXES AND MINORITY INTERESTS	**231,676**	247,553	**1,961,860**
REVERSAL OF RESERVE FOR FLUCTUATIONS IN WATER LEVEL	**(102)**	(9,595)	**(863)**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**231,778**	257,148	**1,962,723**
INCOME TAXES (Note 10):			
Current	**74,717**	93,204	**632,712**
Deferred	**8,378**	3,033	**70,946**
Total	**83,095**	96,237	**703,658**
MINORITY INTERESTS IN NET INCOME (LOSS)	**748**	(138)	**6,334**
NET INCOME	**¥147,935**	¥161,049	**$1,252,731**

	Yen		U.S. Dollars
	2007	2006	**2007**
PER SHARE OF COMMON STOCK (Notes 2.s and 15):			
Basic net income	**¥159.69**	¥172.84	**$1.35**
Diluted net income	**159.51**		**1.35**
Cash dividends applicable to the year	**60.00**	60.00	**0.51**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

The Kansai Electric Power Co., Inc. and Consolidated Subsidiaries • Years Ended March 31, 2007 and 2006

	Issued Number of Shares of Common Stock	Millions of Yen									
		Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2005	962,698,728	¥489,320	¥66,626	¥1,067,589	¥62,206		¥10	¥(39,065)	¥1,646,686		¥1,646,686
Net income				161,049					161,049		161,049
Cash dividends, ¥50 per share				(46,853)					(46,853)		(46,853)
Bonuses to directors and corporate auditors				(217)					(217)		(217)
Net decrease in foreign currency translation adjustments							(10)		(10)		(10)
Net increase in treasury stock								(32,886)	(32,886)		(32,886)
Net increase in unrealized gain on available-for-sale securities					58,420				58,420		58,420
Decrease due to exclusion of previously consolidated subsidiaries				(204)					(204)		(204)
BALANCE, MARCH 31, 2006	962,698,728	489,320	66,626	1,181,364	120,626			(71,951)	1,785,985		1,785,985
Reclassified balance as of March 31, 2006 (Note 2.l)										¥4,882	4,882
Net income				147,935					147,935		147,935
Cash dividends, ¥65 per share				(60,243)					(60,243)		(60,243)
Bonuses to directors and corporate auditors				(283)					(283)		(283)
Increase due to exclusion of previously consolidated subsidiaries				107					107		107
Purchase of treasury stock								(1,189)	(1,189)		(1,189)
Disposal of treasury stock			50					129	179		179
Net change in the year					(15,429)	¥15,157	195		(77)	59	(18)
BALANCE, MARCH 31, 2007	962,698,728	¥489,320	¥66,676	¥1,268,880	¥105,197	¥15,157	¥195	¥(73,011)	¥1,872,414	¥4,941	¥1,877,355

	Thousands of U.S. Dollars (Note 1)									
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2006	$4,143,619	$564,197	$10,003,929	$1,021,476			$(609,290)	$15,123,931		$15,123,931
Reclassified balance as of March 31, 2006 (Note 2.l)									$41,341	41,341
Net income			1,252,731					1,252,731		1,252,731
Cash dividends, $0.55 per share			(510,145)					(510,145)		(510,145)
Bonuses to directors and corporate auditors			(2,396)					(2,396)		(2,396)
Increase due to exclusion of previously consolidated subsidiaries			906					906		906
Purchase of treasury stock							(10,069)	(10,069)		(10,069)
Disposal of treasury stock		423					1,093	1,516		1,516
Net change in the year				(130,654)	$128,351	$1,651		(652)	500	(152)
BALANCE, MARCH 31, 2007	$4,143,619	$564,620	$10,745,025	$890,822	$128,351	$1,651	$(618,266)	$15,855,822	$41,841	$15,897,663

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

The Kansai Electric Power Co., Inc. and Consolidated Subsidiaries • Year Ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥231,778	¥257,148	$1,962,723
Adjustments for:			
Income taxes-paid	(81,951)	(118,605)	(693,971)
Depreciation and amortization	378,057	402,687	3,201,431
Amortization of nuclear fuel	47,511	47,158	402,329
Loss on disposal of property, plant and equipment	12,680	11,290	107,376
Nuclear fuel transferred to reprocessing costs	25,496	31,524	215,903
Reversal of reserve for fluctuations in water level	(101)	(9,595)	(855)
Changes in assets and liabilities:			
Increase in reserve fund for reprocessing of irradiated nuclear fuel	(47,068)	(136,302)	(398,577)
Increase in trade receivables	(13,819)	(4,595)	(117,021)
Increase in inventories	(29,826)	(12,886)	(252,570)
Decrease in interest and dividends receivable	1,099	1,022	9,306
Increase (decrease) in trade payables	(3,665)	19,884	(31,036)
Decrease in interest payable	(1,825)	(524)	(15,454)
Increase (decrease) in liability for retirement benefits	(27,663)	13,203	(234,254)
Increase in reserve for reprocessing of irradiated nuclear fuel	29,258	18,996	247,760
Increase in reserve for decommissioning of nuclear power units	10,652	16,632	90,202
Other - net	11,158	(8,159)	94,489
Total adjustments	309,993	271,730	2,625,058
Net cash provided by operating activities	541,771	528,878	4,587,781
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(293,903)	(276,629)	(2,488,805)
Payments for investments and advances	(66,247)	(34,636)	(560,987)
Proceeds from sales of investments or collections of advances	44,614	22,658	377,797
Proceeds from sales of subsidiary stocks with an exclusion from consolidation	1,614		13,668
Payment for business transfer	(3,550)		(30,062)
Net increase in time deposits and other	(7,402)	(15,129)	(62,681)
Other – net	17,989	10,091	152,332
Net cash used in investing activities	(306,885)	(293,645)	(2,598,738)
FINANCING ACTIVITIES:			
Proceeds from issuance of bonds	183,905	149,241	1,557,329
Proceeds from long-term debt (exclusive of bonds)	121,143	140,159	1,025,853
Proceeds from short-term loans	246,394	327,426	2,086,493
Proceeds from issuance of commercial papers	390,000	212,000	3,302,566
Redemption of bonds	(139,545)	(59,870)	(1,181,683)
Repayments of long-term debt (exclusive of bonds)	(245,604)	(307,026)	(2,079,804)
Repayments of short-term loans	(291,246)	(349,515)	(2,466,305)
Repayments of commercial papers	(390,000)	(280,000)	(3,302,566)
Purchases of treasury stock	(1,184)	(32,884)	(10,026)
Dividends paid	(60,208)	(46,839)	(509,848)
Other – net	277	(71)	2,345
Net cash used in financing activities	(186,068)	(247,379)	(1,575,646)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
NET CASH PROVIDED BY (USED IN) OPERATING, INVESTING AND FINANCING ACTIVITIES - (Forward)	¥48,818	¥(12,146)	$413,397
NET CASH PROVIDED BY (USED IN) OPERATING, INVESTING AND FINANCING ACTIVITIES - (Forward)	¥48,818	¥(12,146)	$413,397
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	62	59	525
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	48,880	(12,087)	413,922
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	55,811	67,898	472,614
CASH AND CASH EQUIVALENTS, END OF YEAR	¥104,691	¥55,811	$886,536

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

The Kansai Electric Power Co., Inc. and Consolidated Subsidiaries • Years Ended March 31, 2007 and 2006

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 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.

On December 27, 2005, the Accounting Standards Board of Japan (the "ASBJ") published a new accounting standard for the statement of changes in equity, which is effective for fiscal years ending on or after May 1, 2006. The consolidated statement of shareholders' equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under generally accepted accounting principles in Japan and has been renamed "the consolidated statement of changes in equity" in the current fiscal year.

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 2006 financial statements to conform to the classifications used in 2007.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Kansai Electric Power Company, Incorporated (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 ¥118.09 to $1, the approximate rate of exchange at March 31, 2007. 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, 2007 include the accounts of the Company and all (fifty-nine in 2007 and sixty-two in 2006) subsidiaries (together, the "Companies").

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.

Investments in two (one in 2006) associated companies are accounted for by the equity method. Investments in the remaining associated companies are stated at cost, and had the equity method been applied to the investments in these companies, there would have been an immaterial effect on the accompanying consolidated financial statements.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary/associated company and business at the date of acquisition is amortized over a period from five to twenty 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 four (five in 2006) 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, 2007 and 2006 was ¥107,788 million ($912,761 thousand) and ¥115,657 million, respectively.

d. Impairment of Fixed Assets - 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. 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 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. 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.

i. 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 the year ended March 31, 2006 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 as of April 1, 2005 is being amortized over fifteen years. The unrecognized portion of such cumulative effect was ¥277,122 million ($2,346,702 thousand) and ¥298,439 million at March 31, 2007 and 2006, respectively.

The estimated future reprocessing costs are discounted at 1.7% and 1.9% at March 31, 2007 and 2006, respectively, for the quantity of the irradiated nuclear fuel covered by the definite reprocessing plan.

The unrecognized estimation loss of ¥43,964 million ($372,292 thousand) and ¥28,219 million at March 31, 2007 and 2006, respectively, resulting from the difference in assumptions for calculations of reserve such as expected future cash flows and the 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 for the year ended March 31, 2006.

The Company appropriated ¥140,340 million ($1,188,416 thousand) and ¥136,302 million for "Reserve fund for reprocessing of irradiated nuclear fuel" at March 31, 2007 and 2006, respectively, in accordance with the revision of the Japanese Electric Utility Law and related accounting regulations.

Regarding the quantity of the irradiated nuclear fuel not covered by the definite reprocessing plan, the reserve was established from April 1, 2006 in accordance with the revised accounting rules applicable to electric utility companies. The estimated costs required to reprocess such irradiated nuclear fuel of ¥6,155 million ($52,121 thousand), which were attributable to the year ended March 31, 2006, were charged to income for the year ended March 31, 2007. The estimated future reprocessing costs are discounted at 4.0% at March 31, 2007. As a result, income before income taxes and minority interests decreased by ¥13,139 million ($111,263 thousand) for the year ended March 31, 2007.

j. Reserve for Decommissioning Costs 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.

k. 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.

l. Presentation of Equity - On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights, minority interests, 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. The consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

m. 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.

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.

o. 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.

p. 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.

q. 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 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 equity.

r. Derivatives and Hedging Activities - The Companies use principally

Notes to Consolidated Financial Statements

The Kansai Electric Power Co., Inc. and Consolidated Subsidiaries • Years Ended March 31, 2007 and 2006

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.

s. **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.

Diluted net income per share reflects the potential dilution that could occur if the stock options of an associated company were fully excised.

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.

t. **New Accounting Pronouncements**

Measurement of Inventories - Under generally accepted accounting principles in Japan ("Japanese GAAP"), inventories are currently measured either by the cost method, or at the lower of cost or market. On July 5, 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories", which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

Lease Accounting - On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions", which revised the existing accounting standard for lease transactions issued on June 17, 1993.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements.

The revised accounting standard requires that all finance lease transactions should be capitalized. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

The Kansai Electric Power Co., Inc. | Annual Report 2007

3. PLANT AND EQUIPMENT

Plant and equipment, at carrying value, at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Hydroelectric power production facilities	**¥402,076**	¥421,491	**$3,404,827**
Thermal power production facilities	**501,395**	549,930	**4,245,872**
Nuclear power production facilities	**360,680**	370,260	**3,054,281**
Transmission facilities	**1,300,949**	1,372,269	**11,016,589**
Transformation facilities	**463,445**	484,364	**3,924,507**
Distribution facilities	**915,265**	927,988	**7,750,572**
General facilities	**134,910**	140,873	**1,142,434**
Other utility facilities	**22,628**	23,639	**191,617**
Other plant and equipment	**482,511**	480,154	**4,085,958**
Construction in progress	**279,543**	250,279	**2,367,203**
Total	**¥4,863,402**	¥5,021,247	**$41,183,860**

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, 2007 and 2006 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
	2007			
Securities classified as:				
Available-for-sale:				
Equity securities	¥31,038	¥146,386	¥233	¥177,191
Debt securities	2,700	3	83	2,620
Held-to-maturity debt securities	10,571	105	37	10,639

	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

Notes to Consolidated Financial Statements

The Kansai Electric Power Co., Inc. and Consolidated Subsidiaries • Years Ended March 31, 2007 and 2006

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
	2007			
Securities classified as:				
Available-for-sale:				
Equity securities	$262,833	$1,239,614	$1,973	$1,500,474
Debt securities	22,864	25	703	22,186
Held-to-maturity debt securities	89,516	889	313	90,092

Available-for-sale securities and held-to-maturity securities whose fair value is not readily determinable as of March 31, 2007 and 2006 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Available-for-sale:			
Equity securities	**¥65,598**	¥65,165	**$555,492**
Other	**3,788**	3,220	**32,077**
Held-to-maturity debt securities		100	
Total	**¥69,386**	¥68,485	**$587,569**

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2007 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	¥1,496	$12,668
Due after one year through five years	6,013	50,918
Due after five years through ten years	4,541	38,454
Due after ten years	1,206	10,213
Total	¥13,256	$112,253

5. LONG-TERM DEBT

Long-term debt at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
General mortgage bonds:			
0.29% to 3.175%, due serially through 2018	**¥1,421,349**	¥1,282,980	**$12,036,150**
7.25%, due 2006 (payable in U.S. dollars)		54,450	
6.625%, due 2006 (payable in French francs)		63,516	
5.75%, due 2007 (payable in Netherlands guilder)	**62,294**	62,294	**527,513**
2.75%, due 2012 (payable in Switzerland francs)	**24,669**		**208,900**
0.65% to 3.75% (0.65% to 4.6% in 2006) secured loans from principally the Development Bank of Japan maturing serially through 2025:			
The Company	**280,692**	325,219	**2,376,933**
Subsidiaries	**18,280**	19,974	**154,797**
0.357% to 6.4% (0.0288% to 6.4% in 2006) unsecured loans from banks and insurance companies maturing serially through 2036	**1,286,431**	1,364,720	**10,893,649**
Total	**3,093,715**	3,173,153	**26,197,942**
Less current maturities	**366,947**	332,027	**3,107,350**
Long-term debt, less current maturities	**¥2,726,768**	¥2,841,126	**$23,090,592**

Annual maturities of long-term debt at March 31, 2007 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year ending March 31:		
2008	¥366,947	$3,107,350
2009	427,780	3,622,491
2010	408,902	3,462,630
2011	325,609	2,757,295
2012	366,009	3,099,407
2013 and thereafter	1,198,468	10,148,769
Total	¥3,093,715	$26,197,942

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 ¥1,519 million ($12,863 thousand) and the above secured loans at March 31, 2007, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Property and other	¥36,639	$310,263

Notes to Consolidated Financial Statements

The Kansai Electric Power Co., Inc. and Consolidated Subsidiaries • Years Ended March 31, 2007 and 2006

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.

The liability for employees retirement benefits at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Projected benefit obligation	¥311,093	¥304,535	$2,634,372
Fair value of plan assets	(3,828)	(3,514)	(32,416)
Unrecognized actuarial loss	20,297	34,435	171,877
Unrecognized prior service cost	21,334	41,694	180,659
Net liability	**¥348,896**	¥377,150	**$2,954,492**

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

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Service cost	¥16,628	¥18,393	$140,808
Interest cost	5,899	8,554	49,953
Expected return on plan assets	(105)	(6,596)	(889)
Recognized actuarial loss	(21,897)	(236)	(185,426)
Amortization of prior service cost	(20,360)	(19,434)	(172,411)
Settlement loss		25,531	
Other	3,933	2,035	33,305
Net periodic retirement benefit costs	**¥(15,902)**	¥28,247	**$(134,660)**

On October 1, 2005 the qualified pension plan for those who are receiving annuities now is transformed to closed-end type pension plan, the difference between the payable due to transformation of retirement benefit and the projected benefit obligation was recognized as settlement loss.

For the years ended March 31, 2007 and 2006 the contributions to the defined contribution pension plan of ¥3,812 million ($32,280 thousand) and ¥1,893 million, respectively, are included in "Other" in the above table.

Principal assumptions used for the years ended March 31, 2007 and 2006 are set forth as follows:

	2007	2006
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	3.0%	3.0%
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 ¥3,834 million ($32,467 thousand) and ¥3,122 million, at December 31, 2006 and 2005, respectively.

7. RESERVE FOR DECOMMISSIONING OF NUCLEAR POWER UNITS

The changes in the Law on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors and the related regulations tightened the criteria for radioactive wastes. In response to this, the classification of components of nuclear power units and the method to estimate the disposal costs of nuclear power units were reviewed by a government committee. The disposal costs of nuclear power units are the primary elements of the reserve for decommissioning costs of nuclear power units.

As a result of the review, it was reported that the total estimated disposal costs of all nuclear power units nationwide would increase by ¥329 billion ($2,786 million) based on a trial calculation with a model plant. However, the method to estimate the disposal costs for each unit is yet to be determined. Accordingly, the total estimated disposal costs for this fiscal year are calculated using the prior method.

8. SHORT-TERM BORROWINGS

Short-term loans at March 31, 2007 and 2006 principally consisted of bank overdrafts. The weighted average interest rate is 0.745% and 0.268% at March 31, 2007 and 2006, respectively.

9. EQUITY

On and after May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan (the "Code") with various revisions that are, for the most part, 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.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements. 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. The Corporate Law 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 Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. 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 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 equity or deducted directly from stock acquisition rights.

Notes to Consolidated Financial Statements

The Kansai Electric Power Co., Inc. and Consolidated Subsidiaries • Years Ended March 31, 2007 and 2006

The Kansai Electric Power Co., Inc. | Annual Report 2007

10. INCOME TAXES

The Companies are subject to 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, 2007 and 2006. The tax effect of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2007 and 2006 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Deferred tax assets:			
Liability for retirement benefits	**¥126,501**	¥136,712	**$1,071,225**
Depreciation	**56,416**	53,888	**477,737**
Reserve for reprocessing of irradiated nuclear fuel (with definite plans, Note 2.m)	**46,766**	42,717	**396,020**
Reserve for decommissioning of nuclear power units	**29,304**	29,304	**248,150**
Deferred charges	**15,396**	16,312	**130,375**
Intercompany profit elimination	**27,900**	35,329	**236,260**
Other	**113,769**	120,027	**963,410**
Less valuation allowance	**(57,337)**	(59,229)	**(485,536)**
Deferred tax assets	**¥358,715**	¥375,060	**$3,037,641**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**¥53,247**	¥61,299	**$450,902**
Deferred gain on derivatives under hedge accounting	**8,660**		**73,334**
Other	**862**	172	**7,299**
Deferred tax liabilities	**¥62,769**	¥61,471	**$531,535**
Net deferred tax assets	**¥295,946**	¥313,589	**$2,506,106**

A reconciliation between the normal effective statutory tax rate and actual effective tax rate for the year ended March 31, 2007 and 2006 are not disclosed because the difference between the normal effective statutory tax rate and the actual effective tax rate is immaterial.

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥20,817 million ($176,281 thousand) and ¥20,940 million for the years ended March 31, 2007 and 2006, respectively.

12. LEASES

Lessor

Finance Leases

Revenues under finance leases were ¥7,539 million ($63,841 thousand) and ¥6,075 million for the years ended March 31, 2007 and 2006, respectively.

The amount of the imputed interest revenue included in the above revenue, which is computed using the interest method, was ¥1,322 million ($11,195 thousand) and ¥1,396 million, for the years ended March 31, 2007 and 2006, 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, 2007 and 2006 was as follows:

	Other Facilities		
	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Acquisition cost	**¥35,496**	¥36,935	**$300,584**
Accumulated depreciation	**24,511**	23,909	**207,562**
Net leased property	**¥10,985**	¥13,026	**$93,022**

Future lease revenue under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Due within one year	**¥4,150**	¥4,382	**$35,143**
Due after one year	**16,403**	18,049	**138,902**
Total	**¥20,553**	¥22,431	**$174,045**

Future lease revenue under finance leases includes the sublease revenue.
Depreciation expenses relating to the leased assets mentioned above were ¥6,398 million ($54,179 thousand) and ¥7,103 million for the years ended March 31, 2007 and 2006, respectively.

Lessee

Finance Leases

Total lease payments under finance leases were ¥1,588 million ($13,447 thousand) and ¥1,787 million for the years ended March 31, 2007 and 2006, 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, 2007 and 2006 was as follows:

	Millions of Yen			
	Nuclear Power Production Facilities	General Facilities	Other Facilities	Total
As of March 31, 2007				
Acquisition cost	¥4,778	¥3	¥8,258	¥13,039
Accumulated depreciation	4,052	3	2,316	6,371
Net leased property	¥726	¥	¥5,942	¥6,668

Notes to Consolidated Financial Statements

The Kansai Electric Power Co., Inc. and Consolidated Subsidiaries • Years Ended March 31, 2007 and 2006

	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, 2007				
Acquisition cost	$40,461	$25	$69,930	$110,416
Accumulated depreciation	34,313	25	19,612	53,950
Net leased property	$6,148	$	$50,318	$56,466

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Due within one year	**¥1,524**	¥1,655	**$12,905**
Due after one year	**6,171**	6,202	**52,257**
Total	**¥7,695**	¥7,857	**$65,162**

Depreciation expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Depreciation expense	**¥1,588**	¥1,787	**$13,447**

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 sublease agreements.

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, 2007 and 2006 are as follows:

	Millions of Yen					
	2007			2006		
	Contracted Amount	Fair Value	Unrealized Loss	Contracted Amount	Fair Value	Unrealized Loss
Foreign currency forward contracts -						
Buying U.S. dollars	¥3,527	¥3,905	¥378	¥8,996	¥9,788	¥792
Foreign currency forward contracts -						
Buying Euro	2,877	3,486	609	6,160	6,850	690
Total	¥6,404	¥7,391	¥987	¥15,156	¥16,638	¥1,482

	Thousands of U.S. Dollars		
	2007		
	Contracted Amount	Fair Value	Unrealized Loss
Foreign currency forward contracts -			
Buying U.S. dollars	$29,867	$33,068	$3,201
Foreign currency forward contracts -			
Buying Euro	24,363	29,520	5,157
Total	$54,230	$62,588	$8,358

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.

Notes to Consolidated Financial Statements

The Kansai Electric Power Co., Inc. and Consolidated Subsidiaries • Years Ended March 31, 2007 and 2006

14. COMMITMENTS AND CONTINGENCIES

At March 31, 2007, the Companies had firm purchase commitments, principally related to utility plant expansion, of approximately ¥301,053 million ($2,549,352 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.

	Millions of Yen	Thousands of U.S. Dollars
Co-guarantees or guarantees of loans and bonds of other companies:		
Japan Nuclear Fuel Limited	¥208,725	$1,767,508
Other	1,368	11,584
Total	¥210,093	$1,779,092
A guarantee about power supply for San Roque Corporation	¥467	$3,955

A certain consolidated subsidiary has entered into loan commitment agreements amounting to ¥356 million ($3,015 thousand) with its associated company. The loan receivable outstanding and the unused balance under this credit facility as of March 31, 2007 amounted to ¥255 million ($2,160 thousand) and ¥101 million ($855 thousand), respectively.

15. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2007 and 2006 is as follows:

	Millions of Yen	Thousands of Share	Yen	Dollars
	Net Income	Weighted Average Shares	EPS	
For the year ended March 31, 2007				
Basic EPS:				
Net income available to common shareholders	¥147,935	926,388	¥159.69	$1.35
Effect of Dilutive Securities:				
Stock option of associated company	(163)	2		
Diluted EPS:				
Net income for computation	¥147,772	926,390	¥159.51	$1.35
For the year ended March 31, 2006				
Basic EPS:				
Net income available to common shareholders	¥160,764	930,134	¥172.84	

16. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2007 was approved at the Company's shareholders meeting held on June 28, 2007:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥30 ($0.25) per share	¥27,796	$235,380

17. SEGMENT INFORMATION

Information about industry segments of the Companies for the years ended March 31, 2007 and 2006, is as follows:

a. Sales and Operating Income

	Millions of Yen				
	2007				
	Electric Power	IT/ Communications	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥2,338,194	¥84,374	¥173,803		¥2,596,371
Intersegment sales	11,566	49,068	242,102	¥(302,736)	
Total sales	2,349,760	133,442	415,905	(302,736)	2,596,371
Operating expenses	2,119,805	124,459	383,239	(302,776)	2,324,727
Operating income	¥229,955	¥8,983	¥32,666	¥40	¥271,644

b. Total Assets, Depreciation and Capital Expenditures

	Millions of Yen				
	2007				
	Electric Power	IT/ Communications	Other	Eliminations/ Corporate	Consolidated
Total assets	¥6,179,552	¥305,321	¥562,875	¥(220,518)	¥6,827,230
Depreciation	310,547	41,557	31,697	(5,744)	378,057
Capital expenditures	218,865	50,504	34,391	(6,301)	297,459

Notes to Consolidated Financial Statements

The Kansai Electric Power Co., Inc. and Consolidated Subsidiaries • Years Ended March 31, 2007 and 2006

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

b. Total Assets, Depreciation and Capital Expenditures

	Millions of Yen				
	2006				
	Electric Power	IT/ Communications	Other	Eliminations/ Corporate	Consolidated
Total 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

a. Sales and Operating Income

	Thousands of U.S. Dollars				
	2007				
	Electric Power	IT/ Communications	Other	Eliminations/ Corporate	Consolidated
Sales to customers	$19,800,102	$714,489	$1,471,784		$21,986,375
Intersegment sales	97,942	415,514	2,050,148	$(2,563,604)	
Total sales	19,898,044	1,130,003	3,521,932	(2,563,604)	21,986,375
Operating expenses	17,950,758	1,053,933	3,245,314	(2,563,943)	19,686,062
Operating income	$1,947,286	$76,070	$276,618	$339	$2,300,313

b. Total Assets, Depreciation and Capital Expenditures

	Thousands of U.S. Dollars				
	2007				
	Electric Power	IT/ Communications	Other	Eliminations/ Corporate	Consolidated
Total assets	$52,329,173	$2,585,494	$4,766,491	$(1,867,372)	$57,813,786
Depreciation	2,629,748	351,910	268,414	(48,641)	3,201,431
Capital expenditures	1,853,375	427,674	291,227	(53,358)	2,518,918

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.

Deloitte.

Deloitte Touche Tohmatsu
Nakanoshima Central Tower
2-2-7, Nakanoshima, Kita-ku
Osaka-shi,Osaka 530-0005
Japan

Tel: +81 6 4560 6000
Fax: +81 6 4560 6001
www.deloitte.com/jp

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 subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in 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, 2007 and 2006, 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 Note 2.i 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 as of April 1, 2005.

As discussed in Note 2.l to the consolidated financial statements, the Company adopted the new accounting standard for presentation of equity as of April 1, 2006.

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 28, 2007

Member of
Deloitte Touche Tohmatsu

The Kansai Electric Power Company, Incorporated

Unaudited Non-Consolidated Financial Statements for the Years Ended March 31, 2007 and 2006